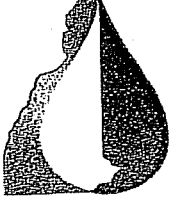


Hydrology Study\Large Groundwater Withdrawal Permit

	Date	Docket	Filing	Description	Given to OCA
1	6/6/07	DW 06-104	Contract Substitution	Filing with PUC to replace Hydorterra with Emery & Garrett.	yes
2	4/14/08	DW 08-033	HAWC response to Staff Data Request 1-3	Update on LGWHydrology Study	yes
3	4/14/08	DW 08-033	HAWC response to Staff Data Request 1-4	Update on LGWHydrology Study	yes
4	4/14/08	DW 08-033	HAWC response to Staff Data Request 1-5	Update on LGWHydrology Study	yes
5	4/15/08	DW 06-104	LGW Preliminary Application	Mailed to Doug Brogan	no
6	7/25/08	DW 08-065	PUC Order # 24,879	Order acknowledges PUC has been updated on status of hydrology study.	yes
7	9/18/08	DW 08-065	Amendment to Petition for Temp Rates	Update on LGWHydrology Study	yes
8	10/9/08	DW 08-065	HAWC response to OCA Data request 1-1	Update on LGWHydrology Study	yes
9	10/23/08	DW 08-065	HAWC response to Staff Data Request 1-17	Update on LGWHydrology Study	yes
10	10/23/08	DW 08-065	HAWC response to Staff Data Request 1-24	Update on LGWHydrology Study	yes
10a	11/4/08	DW 08-088	Final Hearing transcript - testimony of Doug Brogan, pages 33, 37 & 77	Testimony regarding LGWHydrology Study	yes
10a	11/4/08	DW 08-088	Final Hearing transcript - testimony of Mark Naylor, pages 47	Testimony regarding LGWHydrology Study	yes
10a	11/4/08	DW 08-088	Final Hearing transcript - closing remarks of Marcia Thunberg, pages 153	Comments on status of LGWHydrology Study	yes
11	2/4/09	DW 08-065	HAWC response to Staff Data Request 2-16	Update on LGWHydrology Study	yes
12	2/4/09	DW 08-065	HAWC response to Staff Data Request 2-18	Update on LGWHydrology Study	yes
13	2/25/09	DW 08-065	HAWC response to OCA Data Request 3-4	Question on Hydrology Study	yes
14	3/11/09	DW 08-065	HAWC response to Staff Data Request 3-5	Update on LGWHydrology Study	yes
15	3/11/09	DW 08-065	HAWC response to Staff Data Request 3-7	Update on costs incurred on LGWHydrology Study.	yes
16	3/25/09	DW 08-065	PUC Audit Report	Auditors discuss Hydrology Study with HAWC.	yes
17	5/27/09	DW 08-065	Stipulation Agreement	HAWC agrees to reduce interest rate on Hydrology note.	yes
18	5/27/09	DW 08-065	Stipulation Agreement	Schedule showing Hydrology Study backed out of Capital Structure.	yes
19	8/4/09	DW 08-065	PUC Order # 25,000	Order acknowledges that HAWC has agreed to reduce the interest rate on the Hydrology note.	yes
20	10/30/09	DW 08-065	HAWC compliance filing	Revised Hydrology note submitted to PUC.	yes
21	12/7/09	DW 08-065	HAWC response to Staff Data Request 6-10	Update on LGWHydrology Study	yes
22	12/7/09	DW 08-065	HAWC response to Staff Data Request 6-11	Update on LGWHydrology Study	yes



HAMPSTEAD AREA

WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

TEL: 603.362.4299 FAX: 603.362.4936
www.hampsteadwater.com

June 6, 2007

Ms. Debra Howland
Executive Director & Secretary
NH PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: **DOCKET 06-104 - FINANCING PETITION
CONTRACT SUBSTITUTION**

Dear Ms. Howland:

Please find enclosed one original, along with eight copies of the contracts for Emery & Garrett, to be substituted for the contract with Hydroterra. Due to the unfavorable decision of the Department of Environmental Services on the initial preliminary application prepared by Hydroterra, it was decided that a more experienced firm was in the Company's best interest.

Emery & Garrett is one of the foremost hydrology engineering companies in the region. They have successfully done numerous large groundwater withdrawal permit applications before the Department of Environmental Services.

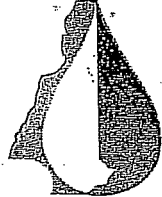
Emery & Garrett will be taking over the work that Hydroterra started. The contract price for each is comparable. Therefore, the contracted amount attributable to the applicable portion of the previously approved financing under this docket remains the same. If you have any questions or concerns, please do not hesitate to contact me.

Very truly yours,

Robert C. Levine
General Counsel

RCL/eet
Enclosures

cc: Meredith A. Hatfield, Esq.
Stephen P. St. Cyr, CPA



HAMPSTEAD AREA

WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

TEL: 603.362.4299 FAX: 603.362.4936
www.hampsteadwater.com

2-4

April 14, 2008

Marcia Thunberg
NH PUC
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

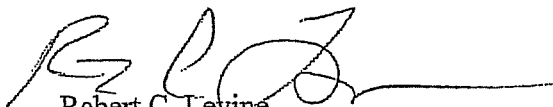
RE: DW-08-033 Petition for Approval of Financing
Answers to Staff Data Requests – Set 1

Dear Marcia:

Please find enclosed the Answers to Staff Data Requests – Set 1 regarding the above referenced matter.

Please feel free to contact me if you have any questions. I can be reached at 603-362-5333 ext 3019.

Sincerely,



Robert C. Levine
General Counsel

Enclosures
RCL/ja

Cc: Service List
Christine Lewis Morse, VP
Harold Morse, GM

Hampstead Area Water Company
DW 08-033
Staff Data Requests – Set 1
Answers by the Company

Staff 1-1

Regarding the SCADA system improvements, please indicate:

- a) What HAWC facilities are currently monitored under the existing SCADA system.
- b) The function and location of the "Pit Hatch" in Atkinson.
- c) The extent to which existing or proposed facilities include entry alarms.
- d) Whether the company obtained bids or quotes from any entity other than Electrical Installations, Inc. If so, please provide. If not, please indicate why not.
- e) Whether the company envisions further expansion of the SCADA system in the future.

Answer:

- a) HAWC currently monitors eight facilities with SCADA throughout the HAWC network. These facilities include:
 - 1. Waterford Village in Sandown, NH
 - 2. Autumn Hills in Sandown, NH
 - 3. Smith Mountain water tower in Hampstead, NH
 - 4. Granite Village in Hampstead, NH
 - 5. Midpoint in Atkinson, NH
 - 6. Village Green in Hampstead, NH
 - 7. Angle Pond in Hampstead, NH
 - 8. Jameson Ridge in Atkinson, NH
- b) The Pit Hatch in Atkinson is located at 44 Main St. (Route 121) The Pit Hatch station (it formerly pumped water from the Bryant Woods system to the rest of the system to the west) has been inactivated due to declining well yields at Bryant Woods and now serves as a pressure reducing vault.
- c) Currently no existing or proposed facilities include entry alarms. However we have been looking into the feasibility of adding door entry alarms to our current SCADA equipped stations and Pulsar alarmed stations.
- d) HAWC did not obtain any other bids or quotes from any entities aside from Electrical Installations, Inc (EII) for the setup of the SCADA component of the system. HAWC did not obtain bids from other SCADA entities due to EII's extensive knowledge of HAWC system operations. However HAWC did receive quotes from R.E. Prescott, Inc. and Electrical Installations for 5 of the 8 existing control panels. HAWC chose to place R.E. Prescott panels in the following pumping stations: Waterford Village, Autumn Hills, Granite Village, Angle Pond, and Jameson Ridge.

- e) All new systems are now required to be equipped with SCADA. HAWC envisions expansion of the SCADA system in key systems throughout the existing HAWC network. Currently these systems include:

1. The Sawyer Avenue Tank in Atkinson NH
2. Cranberry Meadows water system in Hampstead, NH
3. Pit Hatch on Route 121 in Atkinson, NH
4. Colby Pond station in Danville, NH
5. Village Drive station in Atkinson, NH

Staff 1-2

Regarding the hydraulic study and GIS mapping, please indicate:

- a) Whether the company obtained bids or quotes from any entity other than Tighe & Bond. If so, please provide. If not, please indicate why not.
- b) Who will own and maintain the GIS mapping once completed.
- c) Who will own, maintain and use the hydraulic model once completed.

Answer:

- a) HAWC did not obtain any other quotes from companies regarding GIS and Hydraulic modeling. The referenced Tighe & Bond quote was obtained as a baseline for budgeting purposes. It is expected when this petition is approved HAWC will request 2-3 quotes for GIS and Hydraulic Modeling respectively.
- b) HAWC will own, maintain, and use the GIS mapping when completed.
- c) HAWC will own, maintain, and use the Hydraulic modeling when completed.

Staff 1-3

Is the Emery & Garrett hydrogeological study of the town of Atkinson complete? If so, please provide a copy. If not, when do you expect it to be completed?

Answer:

To date, Emery & Garrett has completed the first three work tasks of Project II:

- 1) Interview water superintendent and other pertinent water company personnel regarding the historical utilization of existing production wells.
- 2) Conduct a detailed site visit and walk through of the entire pumping and water distribution system
- 3) Review and evaluate existing pumping records, water quality records, and well construction information.

Much of the information gained through these work tasks was presented in the Preliminary Hydrogeologic Report recently submitted to the NH Department of Environmental Services (NHDES), which was copied to the PUC.

The remaining task involves making recommendations for modifying well construction, well locations, pumping schedules, etc. (i.e. creating a Water Management Plan). The development of new wells, as proposed in the Preliminary Report, could potentially eliminate the use of four of the existing production wells, while making new water resources available to the HAWC. Therefore the completion of the water withdrawal permitting process will provide insight regarding a system-wide well management plan.

Staff 1-4

HAWC's website indicates that a Large Groundwater Withdrawal Permit application has been filed for the town of Atkinson. Please indicate its current status.

Answer:

The Emery & Garrett preliminary report for the Large Groundwater Withdrawal in the town of Atkinson is complete. It was submitted to NHDES, local municipalities, and local water systems on Wednesday March, 26th 2008. We are currently working on scheduling a public hearing for the preliminary report, and a copy was sent to Doug Brogan at the PUC

Staff 1-5

Please indicate when the company anticipates initiating the hydrogeological study of the town of Hampstead.

Answer:

HAWC anticipates initiating the hydrogeological study in the town of Hampstead upon completion of the Atkinson hydrogeological study. We expect this to be in the first quarter of 2009.

Staff 1-6

Regarding the Bryant Woods well:

- a) Please indicate the extent to which the Bryant Woods and Walnut Ridge systems currently function independently of one another, and whether any change is anticipated in this regard in the future.
- b) Please indicate the extent to which the well is intended to address supply issues raised in the Sanitary Survey of the Walnut Ridge/Bryant Woods systems issued by NHDES on August 13, 2007. If other correspondence from NHDES provides additional support for the need for more supply in Bryant Woods, please provide as well.
- c) The heading of Exhibit 2 indicates the costs are associated with a "test well", yet the testimony of Mr. St. Cyr indicates the "two wells [Bryant Woods and Dearborn Ridge] are completed" (p. 4, middle). Similarly, Exhibit 2 reflects costs through June 2007, while Mr. St. Cyr's testimony indicates those figures represent "the costs to date" (p. 3,

John Sullivan

From: Charlie Lanza
Sent: Tuesday, May 25, 2010 3:51 PM
To: John Sullivan
Subject: FW: Large Groundwater Withdrawal Preliminary Application

Charlie

From: Charlie Lanza
Sent: Tuesday, April 15, 2008 3:53 PM
To: Brogan, Doug
Subject: RE: Large Groundwater Withdrawal Preliminary Application

Not a problem. I'll get that over asap.

Charlie

From: Brogan, Doug [mailto:Doug.Brogan@puc.nh.gov]
Sent: Tuesday, April 15, 2008 3:40 PM
To: Charlie Lanza
Subject: RE: Large Groundwater Withdrawal Preliminary Application

Charlie, I had our MIS gal take a look at the file. There's something definitely wrong with either the file or disc, the file wouldn't even copy to my hard drive. She suggested sending another disc (but be sure to verify you can read it on your end first). An alternative would be the "Electronic Report Filing" capability on our website (under 'Regulatory' tab), but it would require you to register, provide a password, etc., and it's not something we in Water use much if at all. A disc would be easier if you're willing to give it another shot.

Thanks,
Doug

-----Original Message-----

From: Charlie Lanza [mailto:Charlie@LewisBuilders.com]
Sent: Tuesday, April 15, 2008 3:09 PM
To: Brogan, Doug
Subject: RE: Large Groundwater Withdrawal Preliminary Application

Doug,

I'm not sure what is going on. Does your office have an FTP site that I could post the file to? If not let me try one more copy to a disc and send it over. If that doesn't work I can put together a new copy. This will take a while to print and compile so hopefully one of the other options work.

Thanks,

Charlie

5/25/2010

From: Brogan, Doug [mailto:Doug.Brogan@puc.nh.gov]
Sent: Tuesday, April 15, 2008 11:58 AM
To: Charlie Lanza
Subject: RE: Large Groundwater Withdrawal Preliminary Application

Charlie, thank you for the disc, but I'm only able to view the first 3 or 4 pages before I start getting error messages and blank pages. I know it's a very large file (58 MB). I noticed the disc surface was slightly scratched, but I'm not sure that had anything to do with it not opening properly. I have Adobe 8.1 on my machine. Not sure what the problem is.

Doug

-----Original Message-----

From: Charlie Lanza [mailto:Charlie@LewisBuilders.com]
Sent: Thursday, April 10, 2008 10:23 AM
To: Brogan, Doug
Subject: Large Groundwater Withdrawal Preliminary Application

Hi Doug,

John Sullivan asked me to contact you regarding the Large Groundwater Withdrawal Preliminary Application HAWC recently submitted. Is a PDF copied to a disc of the report acceptable? If so, I will put the report on a disc and send it.

Thank you,

Charles P. Lanza, *Planning Associate*
Lewis Builders Development, Inc.
Hampstead Area Water Company, Inc.
54 Sawyer Avenue
Atkinson, NH 03811
Phone: 603.362.5333 Ext. 3016
Cell: 603.560.3320
Fax: 603.362.4936
Web: www.lewisbuilders.com www.hampsteadwater.com

DW 08-065

HAMPSTEAD AREA WATER COMPANY

Permanent Rate Proceeding

Order Suspending Proposed Tariff Revisions for a Permanent Rate Increase
And
Establishing a Prehearing Conference

ORDER NO. 24,879

July 25, 2008

Hampstead Area Water Company, Inc. (HAWC) provides water service to approximately 2,800 customers in the Southern New Hampshire Communities of Atkinson, Chester, Danville, East Kingston, Fremont, Hampstead, Kingston, Nottingham, Plaistow, Salem, and Sandown. On April 28, 2008, HAWC filed a notice of intent to file rate schedules. On June 25, 2008, HAWC filed its schedules along with supporting testimony for an increase in permanent rates for all of its current franchises. HAWC proposes to increase its annual revenue by \$167,193, or by 13.77%. HAWC states that its currently effective rates do not allow it to earn its last allowed rate of return of 6.28%. HAWC states its overall rate of return for the year ending 2007 was 4.81% and thus it needs a 13.77% increase to raise its overall rate of return to 6.28%.

HAWC states the rate increase is needed because it has financed three projects, consisting of a hydrology study, a new billing software system, and the acquisition of three vehicles. It states the hydrology study is ongoing, the software system went into service in 2007, and two of the three vehicles are in service. HAWC has had additions to its rate base, increases in its operating and maintenance expenses, and it seeks a 9.75% return on equity. In order to improve cash flow, HAWC is proposing to change to a monthly billing cycle. HAWC states that if the proposed revenue is approved, the average annual amount for a residential customer will increase

from \$424.92 to \$483.42, which is an annual increase of \$58.50 or 13.77%. HAWC proposes no increase to its fire protection rates.

The filing raises, inter alia, issues related to RSA 378 and the justness and reasonableness of rates, fares, and charges; issues regarding operation and maintenance costs and rate of return; the efficacy of instituting monthly billing; HAWC's proposed rate base additions; leaving fire protection rates at current levels; and its proposed return on equity. A full investigation is necessary to determine whether the proposed increase is in the public good and these and other issues will be addressed in the permanent rate proceeding.

Based upon the foregoing, it is hereby

ORDERED, that Hampstead Area Water Company's proposed Eighth Revised Page 19 issued in lieu of Seventh revised Page 19 be and hereby is suspended pending the Commission's investigation prior to rendering a final order in this proceeding; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rule Puc 203.15, a prehearing conference be held before the Commission located at 21 South Fruit Street Suite 10, Concord, New Hampshire on September 3, 2008 at 10:00 a.m. at which each party will provide a preliminary summary of its position with regard to the filing; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, HAWC, Staff, and any Intervenors hold a Technical Session to review the filing and allow HAWC to provide any updates or amendments to its filing; and it is

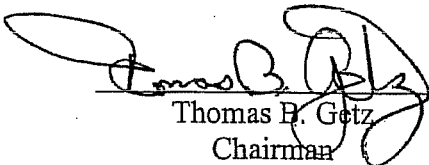
FURTHER ORDERED, that pursuant to N.H. Admin. Rule Puc 203.12, HAWC shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than August 1, 2008, in a newspaper with general circulation in those portions of the

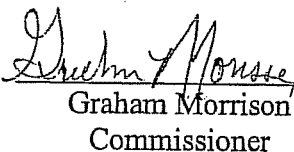
state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before September 3, 2008; and it is

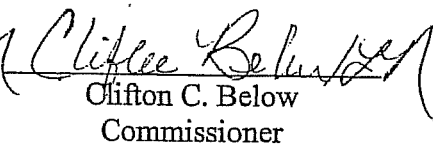
FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to HAWC and the Office of Consumer Advocate on or before August 29, 2008 such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32, I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before September 3, 2008.

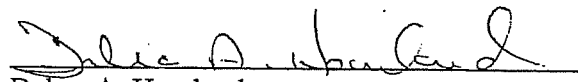
By order of the Public Utilities Commission of New Hampshire this twenty-fifth day of July, 2008.


Thomas B. Getz
Chairman


Graham Morrison
Commissioner


Clifton C. Below
Commissioner

Attested by:


Debra A. Howland
Executive Director & Secretary

(7)

The Lewis Group of Companies

54 Sawyer Avenue - Atkinson, New Hampshire 03811 (603)362-5333 - (603)362-4936 (fax)

September 18, 2008

HAND DELIVERED

Ms. Debra Howland
Executive Director & Secretary
NH PUC
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

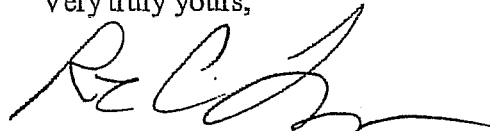
RE: DW-08-065
Amendment to Petition for Approval Permanent Rates to Add Request for
Temporary Rates

Dear Ms. Howland:

Please find enclosed the Company's original Amendment to Petition in the above referenced docket, including seven copies and a pdf copy of all documents on computer disk. I hereby certify that copies have been sent to the service list.

If you have any questions, please do not hesitate to contact me.

Very truly yours,



Robert C. Levine
General Counsel

RCL/ja
enclosures

cc: HAWC Mgrs
Steven St. Cyr
Service List

STATE OF NEW HAMPSHIRE
THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

HAMPSTEAD AREA WATER COMPANY, INC

DW 08-065

AMENDMENT TO PETITION FOR APPROVAL PERMANENT RATES TO ADD
REQUEST FOR TEMPORARY RATES

The Petitioner, Hampstead Area Water Company, Inc. (HAWC) respectively amends its petition the N.H. Public Utilities Commission (Commission) for approval of permanent rates by adding a request for temporary rates. In support of this Petition, HAWC says:

1. On June 25, 2008, HAWC filed its schedules along with supporting testimony for an increase in permanent rates for all of its current franchises. In its Petition, HAWC proposed to increase its annual revenue by \$167,193, or by 13.77%. The currently effective rates do not allow the Company to earn its last allowed rate of return of 6.28%. The overall rate of return for the year ending 2007 was 4.81% . The Company needs a 13.77% increase to raise its overall rate of return to 6.28%. If the proposed revenue requested in the Petition is approved, the average annual amount for a residential customer will increase from \$424.92 to \$483.42, which is an annual increase of \$58.50 or 13.77%.
2. That the general rate increase is needed because it has financed three projects, consisting of a hydrology study, a new billing software system, and the acquisition of three vehicles. The hydrology study is ongoing, the software system went into service in 2007, and two of the three vehicles are in service. HAWC has had additions to its rate base, increases in its operating and maintenance expenses, and is seeking a 9.75% return on equity.

3. By this amendment to the Petition, the Company is requesting a temporary revenue increase of \$85,356, effective July 1, 2008. The temporary revenue increase of \$85,356 enables the Company to earn a 6.22% proforma rate of return on its investment, reflected in a proforma rate base of \$3,666,443. The average annual amount for a residential customer will increase from \$424.92 to \$454.78, an increase of \$29.87 or 7.03%. See Pre-filed testimony of Stephen St. Cyr and Schedules attached.
4. That for temporary rates, the Company proposes to increase its revenue by \$85,356 in order to allow the Company to recover its costs and to earn a fair and reasonable return on its investment. HAWC is proposing a temporary rate as follows:

<u>Meter Size</u>	<u>Base Charge</u>	<u>Consumption Rate (per 100 cubic feet)</u>
5/8" meter	\$25.00	\$4.13
3/4 " meter	\$50.00	\$4.13
1" meter	\$75.00	\$4.13
1 ½" meter	\$150.00	\$4.13
2" meter	\$250.00	\$4.13

5. A temporary rate would provide for additional revenue for HAWC to help alleviate its deficit from proceeding with such a significant shortfall. It would also assist the consumers throughout the systems served by HAWC to absorb a rate increase, if one is ordered by spacing out the increase in rates. Accordingly, it is appropriate to have a temporary rate established at this time, as it would be in the public good for HAWC to have a temporary rate established.
6. HAWC is requesting this temporary rate be effective as of July 1, 2008.

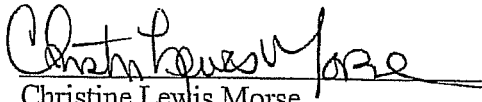
WHEREFORE your Petitioner prays:

- A. That the Commission find that it would be in the public good for HAWC to be permitted to charge the temporary rate as proposed;
- B. That the Commission, by appropriate order, grant HAWC permission to charge the temporary rate as proposed, effective July 1, 2008;

C. That the Commission make such further findings and orders as may be appropriate on the circumstances.

Dated the 18th day of September, 2008.

Respectfully submitted,
HAMPSTEAD AREA WATER COMPANY, INC.


Christine Lewis Morse
Vice President

F:\Legal\HAWC\DW-08-065 General Rate Case\Pleadings\Petition For Temporary Rate 09-15-08.Doc

ANSWERS BY THE COMPANY

1. In its petition for temporary rates, the Company states in paragraph 2, on page 1, "the general rate increase is needed because it has financed three projects, consisting of a hydrology study, a new billing software system, and the acquisition of three vehicles." The Company also refers to these three "projects" in its petition for permanent rates, but states that it received permission from the PUC to increase rates for these projects in DW 06-104. See Petition for Approval of Permanent Rates at p. 2, paragraph 7.

- a. Has the Company already increased rates on account of these three "projects" (pursuant to the Order No. 24,728 in DW 06-104)?
- b. If so, please direct the OCA to the PUC order approving the step increase(s).
- c. If not, please explain why these three "projects" formed the basis for the rate increases in DW 06-104 and again in this rate case.

Answer:

a) No.

b) See response to 1a.

c) Initially, the Company anticipated that the "three" projects would be completed by the spring of 2007 and that it would begin to bill its customers for the recovery of the costs by mid 2007. The hydrology study is not yet complete. Rather than continue to wait for the completion of the hydrology study for the implementation of the step increase, the Company, in its filing, has reflected the costs of the vehicles and the billing system in plant and rate base, and included such costs as part of this rate case instead of the previously approved step increase.

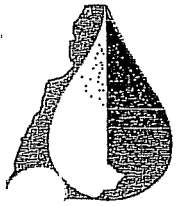
2. In its petition for temporary rates, the Company requests that temporary rates be effective as of July 1, 2008.

- a. What is the basis for this effective date?
- b. Does the Company seek temporary rates on a service-rendered or bills-rendered basis? Please explain your answer.

Answer:

a) The effective date is the same date that the Company proposed that the permanent rate would be effective. The July 1, 2008 date recognizes that the additions to plant are providing service to customers and that the Company is incurring the various costs reflected in the test year.

b) The Company desires to implement temporary rates as soon as the Commission approves such rates. The Company believes that it will work with the parties to implement temporary rates.



HAMPSTEAD AREA

WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

TEL: 603.362.4299 FAX: 603.362.4936
www.hampsteadwater.com

9-2-10

October 23, 2008

Marcia Thunberg, Esq.
NH PUC
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DW-08-065
Answers to Staff Data Requests – Set 1

Dear Marcia:

Please find enclosed Answers to Staff Data Requests – Set 1 regarding the above referenced docket. Computer disks containing all backup reference materials have been mailed via USPS. Computer disk copies have been sent to all OCA and PUC staff on the Service List.

Please feel free to call me if you have any questions. I can be reached at 603-362-5333 ext 3019.

Sincerely,

Robert C. Levine
General Counsel

Enclosures
RCL/ja

CC: HAWC Mgrs.
Stephen St. Cyr
NH PUC Service List

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 1
TEMPORARY RATES
ANSWERS BY THE COMPANY

Staff 1-1

On January 20, 2006, the Commission issued Order No. 24,580 in docket DW 05-063 which authorized the Company to recover \$3,273 in rate case expenses over eight billing quarters commencing on or about January 2006. No pro-forma adjustment was submitted by the Company to normalize the Company's test year for amounts collected from customers during the test year relative to this surcharge.

- a) Please explain how the Company accounted for this surcharge during the test year. Please include the total amounts charged and collected from customers during the test year as well as the total amount of the deferred debit written off during the test year.
- b) Please provide the pro-forma adjustments that should be made in order to normalize the Company's test year. Please include the computations showing how the adjustments were derived.

Answer:

a) The Company accumulated the rate case expenditures in its account # 1-00-186.01 – "Deferred Rate Case Expenses." In 2007 the Company billed \$514.36 to its customers. In 2007 the Company charged \$1,227.35 to account # 1-10-928.00 - "Regulatory Commission Expense" and credited \$1,227.35 to account # 1-00-186.01 – "Deferred Rate Case Expenses.

b) The proforma adjustment to regulatory commission expense is - \$712.99 (\$514.36 - \$1,227.35).

Staff 1-2

On January 20, 2006, the Commission issued Order No. 24,581 in docket DW 05-070 which authorized the Company to recover \$3,169 in rate case expenses over eight billing quarters commencing on or about January 2006. No pro-forma adjustment was submitted by the Company to normalize the Company's test year for amounts collected from customers during the test year relative to this surcharge.

- a) Please explain how the Company accounted for this surcharge during the test year. Please include the total amounts charged and collected from customers during the test year as well as the total amount of the deferred debit written off during the test year.
- b) Please provide the pro-forma adjustments that should be made in order to normalize the Company's test year. Please include the computations showing how the adjustments were derived.

Answer:

a) The Company accumulated the rate case expenditures in its account # 1-00-186.01 – "Deferred Rate Case Expenses." In 2007 the

Company billed \$151.86 to its customers. In 2007 the Company charged \$1,584.44 to account # 1-10-928.00 - "Regulatory Commission Expense" and credited \$1,584.44 to account # 1-00-186.01 - "Deferred Rate Case Expenses.

b) The proforma adjustment to regulatory commission expense is - \$1,432.58 (\$151.86 - \$1,584.44).

Staff 1-3

On May 26, 2006, the Commission issued Order No. 24,626 in docket DW 05-112 which authorized the Company to recover \$13,551 in temporary rate recoupment and \$29,992 in rate case expenses over four billing quarters commencing on or about June 1, 2006. No pro-forma adjustment was submitted by the Company to normalize the Company's test year for amounts collected from customers during the test year relative to these surcharges.

- a) Please explain how the Company accounted for these surcharges during the test year. Please include the total amounts charged and collected from customers during the test year as well as the total amount of the deferred debit written off during the test year.
- b) Please provide the pro-forma adjustments that should be made in order to normalize the Company's test year. Please include the computations showing how the adjustments were derived.

Answer:

a) The Company accumulated the rate case expenditures in its account # 1-00-186.01 - "Deferred Rate Case Expenses." In 2007 the Company billed \$21,281.72 (\$6,775.50 and \$14,506.22 for temporary rate recoupment and rate case expenditures, respectively) to its customers. In 2007 the Company charged \$14,996.11 to account # 1-10-928.00 - "Regulatory Commission Expense" and credited \$14,996.11 to account # 1-00-186.01 - "Deferred Rate Case Expenses.

b) The proforma adjustment to regulatory commission expense is - \$489.89 (\$14,506.22 - \$14,996.11).

Staff 1-4

On December 28, 2006, the Commission issued Order No. 24,720 in docket DW 04-132 which authorized the Company to increase its consumption rate from \$3.15/ccf to \$3.57/ccf. The same order also authorized the Company to collect a surcharge from customers totaling \$7,965 (\$2.81 per customer for one billing quarter) for recovery of financing and step increase costs. No pro-forma adjustment was submitted by the Company to adjust the test year relative to the effects of this order.

- a) Please explain how the Company implemented and accounted for the rate increase authorized by this order relative to the test year. Please indicate the billing quarter(s) in which the rate increase authorized by this order were implemented.

- b) Please explain how the Company accounted for the provisions of this order relative to the authorized surcharge during the test year. Please include the total amounts charged and collected from customers during the test year relative to the authorized surcharge as well as the total amount of the related deferred debit that was written off.
- c) Please provide the pro-forma adjustments relative to this order that should be made to normalize/annualize the Company's test year. Please include the computations showing how the adjustments were derived.

Answer:

- a) All billings in the 2007 test year were at the \$3.57 rate.
- b) The Company accumulated the rate case expenditures in its account # 1-00-186.01 - "Deferred Rate Case Expenses." In 2007 the Company billed \$7,721.88 to its customers. In 2007 the Company charged \$5,941.56 to account # 1-10-928.00 - "Regulatory Commission Expense" and credited \$5,941.56 to account # 1-00-186.01 - "Deferred Rate Case Expenses".
- c) The proforma adjustment to regulatory commission expense is \$1,780.32 (\$7,721.88 - \$5,941.56).

Staff 1-5

On March 23, 2007, the Commission issued Order No. 24,734 in docket DW 05-112 which authorized the Company to increase its consumption rate from \$3.57/ccf to \$3.71/ccf. No pro-forma adjustment was submitted by the Company to annualize its test year revenues for this increase in rates.

- a) Please indicate the billing quarter(s) in which the rate increase authorized by this order was implemented.
- b) Please provide the pro-forma adjustment(s) that should be made in order to annualize the Company's test year revenue relative to this order. Please include the computations showing how the adjustment(s) were derived.

Answer:

- a) See attached.
- b) The revenue in the test year needs to be increased by \$5,596.24 to reflect a full year's billing at \$3.71. See attached.

Staff 1-6

On May 4, 2007, the Commission issued Order No. 24,747 in docket DW 06-155 which established a fire protection district in the Town of Hampstead as well as established fire protection rates. No pro-forma adjustment was submitted by the Company to annualize its test year revenues as a result of the establishment of these rates.

- a) Please indicate the billing quarter(s) in which the fire protection rates authorized by this order were implemented.

- b) Please provide the pro-forma adjustment(s) that should be made in order to annualize the Company's test year revenue relative to this order. Please include the computations showing how the adjustment(s) were derived.

Answer: a) First bills were sent out 11/20/07. Total billed for this quarter was \$225.00.

b) The proforma adjustment to fire protection revenues is \$675.00 (\$900.00 -\$225.00).

Staff 1-7

Regarding Purchased Power Adjustment:

- a) It appears that the Company incurs electrical costs from both Unitil and PSNH. To which electric utility does the indicated increase in the kwh rate pertain?
- b) Please provide a schedule in support of the \$177,371 test year expense for purchased power which is broken down by the individual invoices received from PSNH, Unitil and any other electricity provider.
- c) Please provide copies of the electric invoices reflected on the schedule provided in response to (b).
- d) Please provide copies of the most recent electric invoices received from Unitil, PSNH and any other electricity provider which substantiates the indicated increase in the kwh rate.

Answer: a) All.

b) See attached.

c) See attached.

d) See attached.

Staff 1-8

Regarding Chemical Cost Adjustment:

- a) Please provide copies of the chlorine invoices received during the test year which support the purchase of 4,980 gallons at a cost of \$9,962.
- b) Please provide a copy of a recent invoice for the purchase of chlorine which substantiates the \$2.20 per gallon cost indicated by the Company.

Answer: a) See attached.

b) See attached.

Staff 1-9

Regarding Outside Service Adjustment:

- a) Please provide a copy of that portion of the Company's management agreement with Lewis Builders, Inc. pertaining to the charging of services relative to the information technology person.
- b) Please provide a detailed explanation with regard to how the additional \$10,000 cost for services pertaining to the information technology person was derived.

Answer: a) See attached.

b) The new IT person is an employee of Lewis Builders Development Inc and his annual salary is \$100,000. We allocated 10% of his salary as applicable for work he would do for HAWC. ($\$100,000 \times 10\% = \$10,000$ per year).

Staff 1-10

Regarding Miscellaneous Expense Adjustment:

- a) Please provide a schedule which shows the total activity reflected in the Miscellaneous General Expenses account during the test year.
- b) On the schedule provided in response to (a), please indicate those entries which pertain to the labor burden allocation problem alluded to by the Company.

Answer: a) See attached.

b) Noted on same attachment.

Staff 1-11

Regarding Salaries and Wages Adjustment:

- a) Please detail the salary and wage adjustments made during the test year which result in a 1.60% increase.
- b) Please provide a comparative analysis of salaries for each paid position within the Company for the years 2005, 2006 and 2007.
- c) The \$197,235 test year salary expense appears to include wages totaling \$2,336 which was charged to utility plant. Should not the pro-forma adjustment to operating expenses rather be \$3,118 ($1.60\% \times (\$197,235 - \$2,336)$)?

Answer: a) The 1.6% represents the change to test year wages for the full impact of 2007 wage changes. There was no assumption for 2008 wage changes because the wage changes were not known at the time of the filing. See attachment for 1-11 b.

b) See attached.

c) Yes.

Staff 1-12

Regarding Vehicle Expense Adjustment:

Please provide a detailed analysis of fuel expense for the period from July 2007 through June 2008 which substantiates the 4,495 gallons used by the Company during that period of time as well as shows the actual cost incurred relative to that usage during that timeframe.

Answer: See attached.

Staff 1-13

Regarding Wells at Bryant Woods and Dearborn Ridge:

- a) Please indicate the respective dates that each well began providing service to the Company's customers.
- b) The Company's filing in DW 08-033 indicated that the combined cost of these wells was \$32,733 which is \$2,291 higher than the amount indicated in the instant docket. Please explain this difference and please provide a current detailed cost schedule for each well.
- c) Please provide copies of the final approvals received from NH DES for the respective wells.

Answer: a) The construction of both wells is completed. Regrettably, both wells are unproductive and were not placed in service. The Company has no present plans to drill additional wells at Bryant Woods and Dearborn Ridge. The Company believes that such costs should be recovered over 5 year period. As such, the proforma adjustment to accumulated depreciation and the proforma adjustment to depreciation expense needs to be adjusted. The new proforma adjustment to accumulated depreciation would be \$3,044 ($\$30,442 / 5 / 2$). The new proforma adjustment to depreciation expense needs would be \$6,088 ($\$30,442 / 5$).

b) Final cost for Dearborn came in less – see attached.

c) N/A – none received

Staff 1-14

Regarding Property Tax Expense:

- a) Please provide copies of all 2007 property tax bills received by the Company.
- b) Please provide copies of all 2008 property tax bills received thus far by the Company.
- c) Please provide a copy of the Company's State Utility Property Tax Return for 2007 as well as a copy of the NH Department of Revenue Administration's 2007 assessment of the Company.

Answer: a) see attached.

b) see attached.

c) see attached.

Staff 1-15

Regarding Income Taxes:

- a) Please provide copies of the Company's 2006 and 2007 state and federal income/business tax returns.
- b) Please indicate the amount of the Company's NH net operating loss carry forward as of 12/31/07.

Answer:

a) see attached.

b) The Company's NH net operating loss carryforward as of 12/31/07 is \$832,350.

Staff 1-16

Regarding Schedule 1B; State Business Enterprise Tax:

It appears that the marginal interest expense associated with the wells at Bryant Woods and Dearborn Ridge is \$2,090 according to Schedule 5B. Given that, should not the marginal State Business Enterprise Tax be \$16 ($\$2,090 \times .0075$) rather than the \$20 indicated on Schedule 1B? If no, please explain.

Answer:

The actual interest expense per the loan amortization schedule is \$2,260. As such, the state business enterprise tax is \$17 ($\$2,260 \times .0075\%$). Schedule 1B and Schedule 5B should be adjusted accordingly.

Staff 1-17

Regarding Schedule 5B:

- a) For each loan indicated on this schedule please provide the NHPUC docket number as well as the Commission order number which pertains to each.
- b) Please provide explanations and computations for the adjustments made to the outstanding balances of the following loans:
- c)

	<u>G/L #</u>	<u>Lender</u>	<u>Balance @</u> <u>12/31/07</u>	<u>Adjustment</u>
i)	234.17	LBDI	\$ 40,974	\$ 11,499
ii)	234.18	LBDI	136,470	(136,470)
iii)	234.19	LBDI	18,000	12,442

- d) Please provide explanations and computations for the adjustments made to the interest expense amounts of the following loans:

	<u>G/L #</u>	<u>Lender</u>	<u>Amount @</u> <u>12/31/07</u>	<u>Adjustment</u>
i)	234.17	LBDI	\$ 0	\$ 5,112
ii)	234.19	LBDI	0	2,090
iii)	232.04	Ten Powder	0	3,000

iv)	232.06	NH DES	18,370	25,001
v)	232.07	Winslow	0	2,565
vi)	232.09	Ford	495	(63)

- e) Please explain how the "amortized financing cost – associated companies" in the amount of \$730 was derived.
- f) Please explain how the "amortized financing cost – 3rd parties" in the amount of \$291 was derived and please explain how the adjustment related to this in the amount of \$400 was derived.

Answer:

a) See attached.

b-i) The Company adjusted the 12/31/07 balance for \$11,499 for additional costs incurred (in 2008) in purchasing and installing the billing software.

b-ii) The Company adjusted the 12/31/07 balance for (\$136,470) for the costs associated with the hydrology study. The hydrology study is not yet complete. The costs of the hydrology study are not reflected in rate base. As such, the related loan is not reflected in the capital structure.

b-iii) The Company adjusted the 12/31/07 balance for \$12,442 for additional costs incurred (in 2008) in the construction of the wells.

c-i) The Company recorded no interest expense during the test year on the billing software loan. The adjustment of \$5,112 represents the first year interest expense on the loan.

c-ii) The Company recorded no interest expense during the test year on the Bryant Woods and Dearborn Ridge wells loan. The adjustment of \$2,090 is slightly different from the first year interest expense on the loan. The first year interest on the loan is \$2,260.

c-iii) The Company recorded no interest expense during the test year on the Ten Powder loan the Waterford Village water system. The adjustment of \$3,000 represents the first year interest expense on the loan.

c-iv) The Company recorded \$18,370 of interest expense during the test year on the SRF loan for the Hampstead water tank. The adjustment of \$25,001 represents the additional amount of first year interest expense on the loan.

c-v) The Company recorded no interest expense during the test year on the Winslow Drive loan for the Jameson Ridge water system. The adjustment of \$2,565 represents the first year interest expense on the loan.

- d) Whether the development is within an existing franchise area; and
- e) If not, when the company anticipates filing for franchise approval.

- Answer:**
- a) Both Four Seasons and Irongate Village are located in Hampstead. Four Seasons is located off Route 121 and Irongate is located off of West Road.
 - b) Irongate is anticipated to have 31 customers and Four Seasons is anticipated to have 22 customers.
 - c) The build out timing of both projects is unknown at this time. The Four Seasons project has been foreclosed by the bank.
 - d) Both projects are located within the existing Hampstead Franchise Area.
 - e) See answer to 1-21d) above.

Staff 1-22

Please list any and all grants the company has received in the last two years or expects to receive in the next 12 months, including date, source, amount and purpose.

Answer: HAWC has received 5 grants in the last two years. Grants that have been approved in the past two years include a System Interconnection and Groundwater Investigation Grant (SIGI) of \$3,392 (in 2008) for the Kent Farm and Hampstead Interconnection and a security grant of \$1,928 (in 2007) for the installation of a generator at the HAWC office. The Company treated the receipt of such grants as Other Water Revenues. Proforma adjustments need to be made in order to decrease Other Water Revenues and increase CIAC and related amortization of CIAC. The proforma adjustment to Other Water Revenue is a debit of \$1,928. The proforma adjustment to CIAC is a credit of \$5,320. The proforma adjustment to the amortization of CIAC is \$261 ($\$3,392 / 50 + \$1,928 / 10$). In addition, grants have been approved but not yet received for the proposed Hampstead and Atkinson interconnection, the installation of a generator at the Atkinson tank booster station, and the installation of door entry alarms at 15 HAWC pumping and treatment stations.

Staff 1-23

The wording in the DW 05-112 stipulation (p. 10) and final order (p. 14) was somewhat unclear as to the time intervals for which lost water data was to be tabulated, and no reporting based on quarterly tabulation has occurred. With the proposed change to monthly billing, would the company be willing to explicitly agree to:

- a) Report production and consumption tabulated monthly by system, such reporting to occur annually with the company's annual report?
- b) Report the data such that the time periods for production and consumption data correspond?

Answer: a) Yes.

b) Yes. The Company started doing this in 2007.

Staff 1-24

Please indicate the current status of the hydrogeology study and large groundwater withdrawal permit application for the town of Atkinson.

Answer: The Large Ground Water Withdrawal is in the long term pumping and testing phase. Following these tests a final report will be prepared and submitted to NHDES. This is followed by a public hearing if requested and a NHDES decision on the permit. The hydrology study is awaiting final results of the large groundwater withdrawal prior to Emery & Garrett preparing a summary report with their findings and recommendations.

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[WITNESSES: Morse|St. Cyr|Naylor|Brogan|Eckberg]

1 Agreement in front of you?

2 A. (Brogan) Yes.

3 Q. And, I'd just like to have you turn to Page 5, Section
4 D, paragraph numbered "1". And, this particular
5 paragraph talks about Staff and Hampstead Area Water
6 Company agreeing that the -- to the prudence of the
7 project. And, I would like to have you explain how
8 Staff arrived at that prudence opinion?

9 A. (Brogan) For a little background, and I think Mr. Morse
10 has covered some of it, but the Company began serving
11 back in, I believe, in the 1960's, actually, as Walnut
12 Ridge Water Company, as franchised in the 1970's, in
13 Atkinson. And, over the years, the system expanded and
14 the Company, under different company names, but, you
15 know, expanded into Hampstead and other towns. But,
16 again, the two main core systems are in Hampstead and
17 in Atkinson. And, those core systems have expanded as
18 well within those two towns. The proposal is to
19 interconnect the two systems.

20 There are indications from the
21 Department of Environmental Services in New Hampshire
22 that wells are stressed and there are supply issues,
23 supply limitations, hydraulic limitations within the
24 two core systems and moving water from one, you know,

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1 one area to another. And, there have been water use
2 restrictions in recent years. There is currently a
3 Large Groundwater Withdrawal Permit Application that
4 has been submitted by the Company to DES, Environmental
5 -- Department of Environmental Services. And, when
6 that process is completed, that will probably go a long
7 way toward addressing supply deficiencies on a
8 stand-alone basis within the Atkinson system, because
9 the application is limited to Atkinson currently.

10 But, in general, if you consider the
11 benefits of an interconnection, just generically
12 speaking, it can enhance flushing capability,
13 especially for more remote parts of the system, maybe
14 that are further away from system storage, can help
15 with stagnant water problems. If you have a main break
16 that might cut off supply from one tank, an
17 interconnection would allow you to feed from another
18 tank. It can allow for better balancing of demands,
19 especially during peak demands or during a fire, or a
20 combination of those two. If you have a contamination
21 event, you know, whether it's through inadvertence,
22 someone dumped something on the ground and you lose a
23 whole well field, whether it be VOCs or MBTE or
24 whatnot, or for something more intentional, like

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1 vandalism, an interconnection certainly can be a
2 benefit. If you have power outages, and it's my
3 understanding that there are at least two different
4 electric service providers in the two towns, PSNH and
5 Unitil, but an interconnection can help with loss of
6 pumping, a cause of power outages. If you have some
7 kind of act of God, whether it be a flood or a tornado
8 or a lightning strike or, you know, worse, an
9 earthquake or something, again, it could do significant
10 damage to system components, and an interconnection can
11 help.

12 If you have a tank failure, something
13 really catastrophic, if there's one tank, or even if, I
14 think Mr. Morse mentioned this, but, for example, the
15 Atkinson tank is a steel tank, at some point that will
16 have to be taken down to be painted. What do you do in
17 that case? And, an interconnection can allow the other
18 tank to feed the system.

19 Again, these are sort of generic
20 benefits. If a drought strains the supplies in both
21 towns, then the supplies may -- the wells may be less
22 able to meet peak demands, and an interconnection will
23 just provide some operational flexibility. It can help
24 with distribution system bottlenecks and resulting low

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1 pressure areas. It can -- This particular
2 interconnection will eliminate the -- I believe will
3 eliminate the Brickett's Mill treatment. Those wells,
4 I believe, have historically needed a lot of treatment.
5 So, it would eliminate that expense.

6 And, an interconnection can help with
7 fire flows as well. And, I think there has been
8 testimony filed that, you know, with one town saying
9 "We don't need the water from the other town to fight
10 our fires". But I think the Company needs to and I
11 assume is looking more at the long term, not only at
12 today's needs, but at, you know, 20, 25, 50 years down
13 the road. And, there are -- there are hydrants in both
14 towns. I believe there are about 74 hydrants currently
15 in the towns that are, you know, that are located at
16 the -- in coordination with the town, and the towns are
17 paying annual rates for those hydrants. And, I think,
18 even in Ms. Grant's testimony, there is reference to
19 the Atkinson Fire Chief acknowledging that that town
20 has gradually been relying more over time on the
21 hydrants, you know, moving away from the fire ponds
22 that they have relied on in the past. So, it would
23 seem there are benefits to the towns from the hydrants
24 being there, and an interconnection would help. But,

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1 again, generically speaking, an interconnection gives
2 you better fire flows.

3 And, so, for all of those reasons, kind
4 of generic reasons, I think a proposal like the one
5 before us today maybe receives a little bit less of a
6 review, you know, an in-depth review by this Commission
7 at least than some other projects. The final design is
8 not complete. The size of the main and the need for a
9 booster station on the interconnection are things that
10 will be analyzed by an engineer, is the Company's
11 representation, after they get approval for the SRF
12 financing. It's my understanding that that poses no
13 obstacle to DES providing the funding. And, in fact,
14 the SRF funds can be used to pay the engineer to do
15 that final analysis. Those are just some, you know,
16 some details that the engineer will look at.

17 But, I think, to a significant extent,
18 we are relying on DES's review in this instance. The
19 SRF process is competitive. The projects are ranked by
20 DES. And, the Company's proposal has made the cut.
21 Actually, the Company applied for SRF financing for an
22 interconnection ten years ago, in 1998, although it
23 didn't -- it chose not to move forward at that time for
24 whatever reasons. So, it's been in the Company's

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1 thinking for quite some time.

2 There is also an Interconnection Grant
3 Program at DES, as we've heard already, that recognizes
4 some of the benefits of system interconnections, some
5 of the generic benefits. That Interconnection Grant
6 Program actually came out of a joint DES/PUC study in
7 2001. And, again, this proposal has been awarded one
8 of those grants to cover 25 percent of the project.

9 In general, again, you know, there have
10 been efforts in New Hampshire, such as a 2005 Seacoast
11 Mutual Aid Study, that looked at the potential of
12 interconnecting up to ten different water systems
13 serving 14 Seacoast communities, because of some of the
14 benefits of system interconnection, just in general.
15 And, as we've also already heard, there is no guarantee
16 that the financing that's available at very favorable
17 terms today will be available in the future.

18 So, I think, in a number of areas, the
19 Company is moving in the right direction. They're
20 looking at addressing the long-term sustainability of
21 their supplies through the Large Groundwater
22 Application process through DES, which is, you know,
23 does not fall under our jurisdiction. But they're
24 developing and expanding a SCADA system, so that they

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- 1 with the time of non-corresponding time intervals in
2 the production versus consumption reporting. And, so,
3 that will give a clearer picture, if nothing else,
4 going forward, you know, of what the lost water amounts
5 really are. And, so, I think, again, you know, it's
6 something we intend to look at in that rate case.
- 7 Q. Mr. Naylor, I just have a couple follow-up questions
8 for you, and then I will be done. Now, Mr. Naylor,
9 have you also looked at intervenor testimony that has
10 been filed in this docket?
- 11 A. (Naylor) Yes.
- 12 Q. And, do you recall one of the issues being a concern
13 about groundwater movement?
- 14 A. (Naylor) Yes.
- 15 Q. And, are you also aware that Hampstead Area Water
16 Company has a permit before DES, an active ongoing
17 permit application concerning a large groundwater
18 withdrawal?
- 19 A. (Naylor) Yes.
- 20 Q. And, with respect to the proceeds of the financing
21 here, are you aware of any of the financing going to
22 that large groundwater withdrawal permit project?
- 23 A. (Naylor) No.
- 24 Q. And, Mr. Naylor, with respect to the franchise issue

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- 1 surprised at some of the leakage rates, lost water
2 rates.
- 3 Q. Can you cite some of those figures and the number of
4 systems that are leaking?
- 5 A. (Brogan) No, not off the top of my head, I can't.
- 6 Q. Setting aside for the moment your position on the PUC
7 Staff, if HAWC came to you and asked you to decide
8 whether -- well, they come to you and tell you they
9 need more water and ask you to decide whether the best
10 solution would be to interconnect to another town
11 system to get more water or to fix their leaks and have
12 that water available, which would you think would be
13 the better solution?
- 14 A. (Brogan) You know, I think the supply issue -- I think
15 the question implies that the supply issue is, you
16 know, the primary driver maybe for the interconnection.
17 The supply issue is really a DES jurisdiction issue,
18 and the Company is in this major Large Groundwater
19 Withdrawal Permit Application process to deal with the
20 supply issue. You know, again, lost water, if you can
21 reduce the lost water, that helps. But that's, I
22 think, as far as PUC jurisdiction. You're really
23 getting a little bit beyond that jurisdiction.
- 24 Q. Well, didn't you cite water supply issues as one of the

1 that the Commission reserved Exhibit 8. And, again, we
2 really thank the parties for their professional
3 cooperation in this case. Thank you.

4 CHAIRMAN GETZ: Thank you.
5 Ms. Thunberg.

6 MS. THUNBERG: Yes. Staff respectfully
7 requests the Commission approve the Stipulation that has
8 been offered in this as amended here today. The terms of
9 the financing are about as cheap as money the Company can
10 get these days. The term is for 20 years, which is about
11 the normal term the Commission has approved in other
12 financings. The interest rate is set by the market, and
13 the Commission routinely approves interest rates set by
14 that mechanism.


15 The proceeds of the financing are going
16 to construct the interconnection between Atkinson and
17 Hampstead, which is a 15,000-foot length pipe. And, this
18 is something that DES has been encouraging small water
19 systems to do. We believe it is prudent and in the public
20 good that this interconnection be built.

21 With respect to lost water, a concern
22 has been addressed or raised by the intervenors. This is
23 something that Staff has testified today that it intends
24 to pursue in the general rate case. And, this is also an

1 issue that DES is monitoring for the Company. So, it's
2 not -- Staff believes that the lost water is not something
3 that should prohibit the Commission from approving the
4 financing.

5 With respect to the ordinance that was
6 referenced by Ms. Grant, Staff is aware that the
7 legitimacy of that ordinance is being questioned. Staff
8 would also like to point out that the enforcement of that
9 ordinance is still a few steps away from this
10 interconnection. This interconnection or the financing is
11 for the interconnection, and that still has to be funded
12 through the loan program and has to be constructed before
13 enforcement is triggered. So, that ordinance is out
14 there, but it should not be something that prohibits the
15 Commission from granting the financing request. It's, in
16 Staff's opinion, just too remote of an influence, if it is
17 an influence at all.

18 With respect to the rest of the
19 groundwater issues that are of a concern to the
20 intervenors, Staff notes that there is a present
21 application before the Department of Environmental
22 Services about groundwater sources for this company. And,
23 Staff would submit that that is the appropriate forum to
24 raise those concerns, not in this particular forum.



11 8 12

HAMPSTEAD AREA WATER COMPANY, INC.
DW 08-065
ANSWERS TO STAFF DATA REQUESTS – SET 2
PERMANENT RATES

Date request received: 01-14-09

Date of Response: 02-04-09

Staff 2-16

Witness: John Sullivan

Regarding the DW 06-104 financing:

- a) Regarding the billing software and the first two purchased vehicles:
 - i) Please provide a detailed final cost analysis for each item.
 - ii) Please provide copies of the executed promissory notes for each item in (a)(i)
- b) Regarding the hydrology study and the anticipated third vehicle:
 - i) Please describe the current status of the hydrology study and the third vehicle purchase.
 - ii) If either or both of the projects in (b) (i) have been completed, please provide a detailed final cost analysis for each item.
 - iii) If executed, please provide copies of the promissory notes associated with the hydrology study and the third vehicle purchase.

RESPONSE:

- a)
 - i) See attached.
 - ii) – See attached.
- b)
 - i) The Company has decided not to purchase the third vehicle. The Final Report is being prepared for the hydrology study and is expected to be submitted to DES in February of 2009.
 - ii) Not applicable.
 - iii) Not applicable.

HAMPSTEAD AREA WATER COMPANY, INC.
DW 08-065
ANSWERS TO STAFF DATA REQUESTS – SET 2
PERMANENT RATES

Date request received: 01-14-09

Date of Response: 02-04-09

Staff 2-18

Witness: John Sullivan

Regarding Schedule F-28 (Page 44) of the Company's 2007 NHPUC Annual Report:

- a) Please provide a detailed description for each line item listed on this schedule.
- b) For each item listed, please describe how the Company has either previously recovered or anticipates to recover the indicated cost.

RESPONSE:

- a) See attached.
- b) See attached.

STAFF 2-18 A & 2-18 B

Line # 1 – 04-132 SRF Tank Loan This is a surcharge (7,964.76) to be recovered over 1 quarter at \$2.81 per customer beginning December 2006 and Financing Costs (8,854.49) to be amortized over 20 years starting September 2007.

Line # 2 – 04-215 2004 Lewis Financing Financing costs to be amortized over 20 years starting January 2006.

Line # 3 – 02-198 2002 Financing Amortize 4,384.73 over 20 years - financing for Settlers Ridge, Bartlett Brook and Cogswell Farms. \$6.09 per month per loan starting July 2005.

Line # 4 – 04-184 Cricket Hill Financing Amortize 3,956.29 over 20 year loan. \$16.48 per month starting July 2005.

Line # 5 – 05-112 2005 Rate Case Amortize \$29,992.21 rate case expenses over 4 quarters (\$7,498.05 per quarter or \$2,499.35 per month) starting July 2006.

Line # 6 – 05-053 2005 Putnam Place Amortize financing costs \$914.19 over 10 years - \$7.62 per month starting January 2005.


Line # 7 – 05-051 2005 Eastwood Place Amortize financing costs \$1,992.07 over 10 years - \$16.60 per month starting January 2005.

Line 8 – 05-063 2005 Mill Woods Amortize financing costs \$3,272.90 over 8 quarters starting October 2005

Line 9 – 05-070 Waterford Village . Amortize financing costs \$3,168.92 over 8 quarters starting January 2006.

Line 10 – 05-154 Granite Village Project complete – will transfer to Plant in 2008.

Line 11 – 05-177 2005 Fire District Transferred to Line # 13 – 06-155 2006 Fire Protection Rates.

 **Line 12 – 06-104 2006 Hydrology Study** These are costs associated with the Atkinson study. A portion will be allocated to Plant and a portion will be amortized once the study is complete.

Line 13 – 06-155 2006 Fire Protection Rates These are costs associated with the new fire protection rates.

Line 14 2006 Steeple Chase These are costs associated with a potential project that did not happen. To be written off in 2008.

Line 15 07-134 2006 Black Rocks . These are costs associated with a new franchise in Fremont, NH. The project is on hold.

Line 16 2006 Irongate These are costs associated with a potential project that did not happen. To be written off in 2008.

Line 17 2007 Atkinson Water Tank These are costs associated with a potential project that did not happen. To be written off in 2008.

Line 18 07-133 2007 Coopers Grove Franchise costs to be amortized starting in 2008.

Line 19 2007 Atkinson\Hampstead Interconnection Costs associated with the project DW 08-088. Currently waiting for decision from the PUC.

Line 20 2007 4 Seasons These are costs associated with a potential project that did not happen. To be written off in 2008.

Line 21 07-130 2007 Sargent Woods Franchise costs to be amortized starting in 2008.

Line 22 2007 Atkinson Library Costs associated with a new hookup. To be expensed in 2008.

Line 23 08- 2008 Financing Financing costs to be amortized starting in 2008.

New Hampshire Public Utilities Commission, Docket No. DW 08-065
Definitions and Instructions
OCA Data Requests to HAWC
Set 3
February 25, 2009

HAMPSTEAD AREA WATER COMPANY, INC.

DW 08-065

ANSWERS TO OCA DATA REQUESTS - SET 3
PERMANENT RATES

Date request received: 02-25-09

Date of Response: 03-11-09

OCA 3-4

Witness: Harold Morse

4. Is the "Hydrolic Study" (sic.) referred to in the response to Staff 2-12(b) the same as the "hydraulic system model" referred to in response to Staff 2-15 (a)?

RESPONSE: No. The hydraulic study is an analysis of the Atkinson system resources. The hydraulic model is a hydraulic model of the Atkinson & Hampstead systems.

17.9.15

HAMPSTEAD AREA WATER COMPANY, INC.
DW 08-065
ANSWERS TO STAFF DATA REQUESTS – SET 3
PERMANENT RATES

Date request received: 02-25-09

Date of Response: 03-11-09

Staff 3-5

Witness: John Sullivan

Regarding response to Staff DR 2-16:

- a) The final cost of the new billing system is \$48,065. In DW 06-104, the Company indicated that the cost of the billing would be \$20,230. Please explain the difference between the actual and estimated cost of the billing system.
- b) Please provide a final cost analysis for the hydrology study if it has been completed.

RESPONSE:

- a) The data conversion from the old system to the new system was much more extensive than originally estimated. In addition the training and set up time took more time than estimated.
- b) Not complete yet.

HAMPSTEAD AREA WATER COMPANY, INC.
DW 08-065
ANSWERS TO STAFF DATA REQUESTS – SET 3
PERMANENT RATES

Date request received: 02-25-09

Date of Response: 03-11-09

Staff 3-7

Witness: John Sullivan

Regarding response to Staff DR 2-18:

- a) Re: 06-104 2006 Hydrology Study - Please provide an analysis, including explanations, of the costs which comprise the amount reported. Please indicate those costs which will be allocated to plant as well as those costs to be amortized once the study is completed.
- b) Re: 04-132 SRF Tank Loan – Please explain why the annual amortization expense of this item is not included in the Company's response to Staff DR 2-17.
- c) Re: 06-155 2006 Fire Protection Rates – How does the Company propose to recover these costs?
- d) Re: 07-130 2007 Sargent Woods – Please indicate the portion of these costs which pertain to obtaining financing as well as the portion of costs which pertain to obtaining the franchise.
- e) Re: 07-133 2007 Coopers Grove – Please indicate the portion of these costs which pertain to obtaining financing as well as the portion of costs which pertain to obtaining the franchise.
- f) Re: 05-154 2005 Granite Village – Are the costs to be transferred to plant all considered to be franchise related costs? Please explain.
- g) Re: 07-134 2006 Black Rocks – Please indicate the portion of these costs which pertain to obtaining financing as well as the portion of costs which pertain to obtaining the franchise.
- h) Re: 08-033 2008 Financing – Please indicate the portion of costs which pertain to financing approval as well as the portion of costs which pertain to future rate approval.
- i) Re: 08-088 SRF Financing – Please indicate the portion of costs which pertain to financing approval as well as the portion of costs which pertain to future rate approval.
- j) Re: 2007 Atkinson Library – Please explain the nature of this cost.
- k) Re: 05-063 2005 Mill Woods & 05-070 Waterford Village – Please explain why these respective "financing costs" are being amortized over 8 quarters rather than over the lives of the respective loans.
- l) Please provide a detailed analysis, including explanations, regarding the individual costs which comprise Account # 928, Regulatory Commission Expenses.
- m) Please explain why the ending test year balance of Account # 428, Amortization of Debt Discount & Expense, on Annual Report Schedule F-2 is \$0 even though Annual Report Schedule F-28 indicates that \$7,109 was charged to this account.

RESPONSE:

- a) Re: 06-104 2006 Hydrology Study - See attached schedules. The Company has not yet determined what amounts will be allocated to plant.
- b) Re: 04-132 SRF Tank Loan - The Company charges the amortization of the SRF financing costs to account 928, Regulatory Commission Expenses. Upon review, such costs should probably be charged to account 428, Amortization of Debt Expense.
- c) Re: 06-155 2006 Fire Protection Rates - The Company will make a filing summarizing the costs incurred in seeking PUC approval of the fire protection rates and proposing a rate case surcharge to be recovered from customers.
- d) Re: 07-130 2007 Sargent Woods - One-half will be allocated to financing and one-half for franchise.
- e) Re: 07-133 2007 Coopers Grove - One-half will be allocated to financing and one-half for franchise.
- f) Re: 05-154 2005 Granite Village - No these costs are associated with a well and pump house.
- g) Re: 07-134 2006 Black Rocks - One-half will be allocated to financing and one-half for franchise.
- h) Re: 08-033 2008 Financing - 100% to financing.
- i) Re: 08-088 SRF Financing - This cannot be determined until financing is approved.
- j) Re: 2007 Atkinson Library - We were accumulating costs associated with the hookup of the new Atkinson Library. Once complete the Company determined that the costs were immaterial and expense them.
- k) Re: 05-063 2005 Mill Woods & 05-070 Waterford Village - In DW 05-063 the Commission approved recovery of rate case expenditures amounting to \$3,272.90 over 8 quarter at a rate of \$10.76 per quarter for each of the 38 customers (PUC Order 24,580 dated 1/20/06). In DW 05-070, the Commission approved recovery of rate case expenditures of \$3,168.92 over 8 quarter at a rate of \$9.90 per quarter for each of the 40 customers (PUC Order 24,581 dated 1/20/06).
- l) See attached.

3/9/2009

CONSTRUCTION WORK IN PROGRESS

Page 1 of 1

12/31/07

Date	Payee	Description	DES Hydrology
4/4/06	Geosphere Environmental		2,746.50
4/28/06	Lewis Builders # 6239	Engineering	1,216.51
5/31/06	LBD # 6321	Engineering	493.53
5/31/06	LBD # 6281	Engineering	157.80
5/31/06	LBD # 6305	Legal	25.59
5/31/06	LBD # 6308	Legal	153.54
6/30/06	LBD # 6339	Engineering	2,106.08
6/30/06	LBD # 6342	Engineering	88.70
6/30/06	LBD # 6349	Engineering	490.63
6/30/06	LBD # 6352	Accounting	92.13
6/30/06	LBD # 6358	Legal	1,060.96
7/25/06	Equipco	Data loggers	9,003.51
7/31/06	LBD # 6402	Engineering	1,565.60
7/31/06	LBD # 6407	Legal	307.08
8/31/06	LBD # 6456	Legal	293.88
8/31/06	LBD # 6458	Legal	315.61
8/31/06	LBD # 6462	Engineering	1,465.29
9/18/06	Hydroterra		1,475.00
9/22/06	LBD # 6495	Engineering	238.15
9/27/06	Cabelas		238.70
9/30/06	LBD # 6525	data loggers	1,124.92
9/30/06	Lewis Equipment	# 5593	1,841.55
9/30/06	LBD # 6511	Engineering	1,083.67
9/30/06	LBD # 6503	Legal	90.48
9/30/06	LBD # 6504	Legal	149.58
9/30/06	LBD # 6508	Acctg	61.42
10/16/06	LBD # 6540	Eng	499.25
10/30/06	Hydroterra		940.00
10/31/06	LBD # 6579		1,270.93
11/10/06	LBD # 6584		568.08
11/30/06	LBD # 6623		189.36
1/19/07	LBD # 6712	engineering	786.19
1/26/07	Hydroterra		4,055.00
1/31/07	LBD # 6721	engineering	395.95
2/28/07	LBD # 6776	engineering	2,218.09
2/28/07	LBD # 6780	legal	1,390.54
3/15/07	LBD # 6816	engineering	1,906.36
3/30/07	LBD # 6840	legal	743.68
3/30/07	LBD # 6875	engineering	1,253.50
4/25/07	LBD # 6882	engineering	381.97
4/25/07	LBD # 6889	test well	415.50
4/30/07	LBD # 6911	engineering	608.43
5/21/07	LBD # 5957	engineering	883.31
5/31/07	LBD # 7015	engineering	485.66
6/22/07	LBD # 7021	engineering	441.05
6/30/07	St Cyr	June	51.38
7/31/07	LBD # 7175	engineering	1,697.04
8/31/07	LBD # 7176	engineering	1,267.78
8/31/07	LBD # 7204		16.53
9/28/07	LBD # 7233	engineering	1,102.25
10/31/07	LBD # 7297	engineering	2,570.95
11/30/07	Emery & Garrett	#7263	26,771.59
11/30/07	Emery & Garrett	# 7264	5,641.68
11/30/07	Emery & Garrett	# 7266	2,866.68
11/30/07	LBD # 7365		4,590.35
12/31/07	LBD # 7431		3,531.10

Balance 12/31/07

97,426.59

3/9/2009

HAMPSTEAD AREA WATER CO.

Deferred Rate Case Expenses - Acct # 1-00-186.01

Date	Payee	Description	DES Hydrology DW 06-104
2/28/06	LBD # 6072	Legal	272.96
3/31/06	LBD # 6153	Legal	605.63
7/8/06	Steve St Cyr		673.31
8/2/06	Steve St Cyr		1,130.25
8/31/06	Eagle Tribune		591.71
9/7/06	Steve St Cyr		25.68
10/10/06	Steven Patnaude	transcript	147.65
10/31/06	LBD # 6557		8.53
10/31/06	LBD # 6555		275.55
10/31/06	LBD # 6562		61.42
11/2/06	Stephen St Cr	Oct	398.16
11/30/06	LBD # 6618		145.01
11/30/06	LBD #6615		25.59
12/29/06	Steven Patnaude	transcript	265.25
12/31/06	LBD # 6670		3,038.50
12/31/06	LBD # 6677		817.89
12/31/06	Stephen St Cr	Dec	513.75
12/31/06	LBD # 6682		245.68
1/31/07	LBD # 6728	legal	878.59
3/3/07	Steve St Cyr		25.69
4/30/07	LBD # 6900	legal	118.93
5/3/07	Steve St Cyr		25.69
5/31/07	LBD # 6987	legal	576.50
6/1/07	Steve St Cyr		51.37
6/30/07	LBD # 7033	legal	189.79
7/31/07	LBD # 7126	legal	203.47
8/31/07	LBD # 7158	legal	766.45
9/28/07	LBD # 7223	legal	27.87
11/1/07	LBD # 7339	legal	10.50
11/30/07	LBD # 7357	legal	157.91
12/1/07	Steve St Cyr		210.00
Balance 12/31/07			12,485.28
			0.00

Account 234

As of 12/31/2007, there were eighteen inter-company long term notes between Lewis Builders and HAWC. Audit reviewed the notes for each of them, and reviewed the amortization schedules for all to ensure that the terms of the notes and the schedules were appropriate. The year end balance of \$2,145,243 included three loans which had not been completely documented, as the work had not yet been finished by year end 2007. Specifically, Audit requested copies of the Hydrology Study (on schedule F-35 at \$136,470) and the Bryant Woods and Dearborn Wells note (on the schedule at \$18,000) and was told that the Hydrology study is ongoing, so the total of the loan is unknown. Costs are accumulating in the CWIP account. The wells note was provided, in the amount of \$34,098 dated 7/1/2008 with terms of 7.5% interest over 20 years, payable in 240 equal monthly installments beginning 7/1/2008. In response to a series of data requests in this docket, the two wells were concluded to be unproductive, although the hydrofracture of one caused the original well to be more productive. While the loan was used to fund the two new wells, neither of which came online, the costs of the effort is what the loan funded. The third note, for which activity was not seen, was that for the billing software, on schedule F35 as \$40,974.

The note payable for the billing software was signed on April 30, 2007 in the amount of \$48,065. The filing, schedule 5B indicates that the total for the billing will sum to \$52,473. The note, however, has already been documented at \$48,065. The amount posted to the general ledger was \$40,974, or \$7,090 less than the face of the note. Further, the terms of the note state that the principal and interest (at 10.5%) would be paid in monthly installments of \$1,033 beginning April 30, 2007 and continue for a total of 60 months on the 30th of each month, until the balance was paid in full. There was no activity noted in the general ledger aside from the booking of the original \$40,974. **Audit Issue #10**

Interest Expense

Interest expense per the general ledger 427.01, Interest on Debt to Associated Companies, reflected a year end balance of \$120,928. Each month, the full principal and interest are booked to the loan general ledger accounts. Quarterly, the interest is corrected out of the loan general ledger and posted to the interest expense account. Audit reviewed the calculations for both the principal and interest portions of the payments for all loans without exception.

Interest on Long Term Debt, expense account 427.03, reflected a year end balance of \$33,255. This account is used to reflect interest payments made to non-affiliated lenders. Audit noted that most of the interest is posted in the same manner as that in account 427.01, in that all of the payment is posted monthly to the loan general ledger account, with the interest corrected out of that and into the interest expense quarterly. Audit reviewed the calculations for both the principal and interest portions of the payments for all loans without exception.

\$1,020 of the total interest expense is the amortization of deferred financing costs. These amortization entries should post to Amortization of Debt Discount and Expense, account 428. The deferred figures against which the amortizing entries are posted are incorrectly noted in

5/27/09

Docket No. DW 08-065 Hampstead Area Water Company
Stipulation Agreement

with Lewis Equipment Co. and Atkinson Resort & Country Club within 90 days of the Commission's final order in this docket for Commission review and approval. See, Audit Issue 17 attached. HAWC agrees to provide copies of these filings to the OCA.

2. Fire Protection Governed Solely by Tariff — HAWC agrees to discontinue its practice of individual fire protection contracts with municipalities and shall hereafter have the terms and conditions of the provision of fire protection water availability and hydrant installation and maintenance governed solely by its tariff.

3. Implementation of Internal Controls — HAWC agrees to implement certain internal controls recommended in Audit Issues 18, 19, and 20 of the Final Audit Report dated March 25, 2009 and attached herewith concerning the calculation of overhead and labor burden rates as well as the approval of employee time records. HAWC agrees to file evidence of its revised internal control procedures with Staff and OCA for their review by Ninety (90) days from the date of Approval by the Commission.

4. Hydrology Study Note — HAWC agrees to reduce the interest rate on the promissory note approved in Docket DW 06-104 from 10.5% to the prime rate as of March 31, 2009 (3.25%) plus 2.25%, or 5.50%. HAWC agrees to file an updated promissory note within 90 days to the Commission for review and approval.

5. Production and Consumption Data — HAWC agrees to report production and consumption, tabulated monthly by system, once the conversion to monthly billing is fully implemented. Such reporting will occur annually with the company's Annual Report, beginning in 2010 (2009 Annual Report). HAWC agrees to collect and report data such that the time periods for production and consumption data correspond.

III. MISCELLANEOUS

DW 08-065 stipulation agreement 5/27/09

PW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
ADJUSTED LONG-TERM DEBT

GL Acct. #	Date of Note	Lender	Original Amount	NHPUC Docket #	NHPUC Order #	Purpose	Term	Interest Rate	Amount @ 12/31/07	Company Debt Adjustment	Staff Debt Adjustment	Adjusted Amount @ 12/31/07	2007 Interest Expense	Company Interest Adjustment	Staff Interest Adjustment	Adjusted Interest Expense	2007 Cost Rate
Notes to Affiliated Companies:																	
234.01	12/01/82	LBDI	\$ 270,331	04-215	24,584	Atkinson Core	15	8.25%	\$ 10,926			\$ 10,926	\$ 2,577			\$ 2,577	23.59%
234.02	12/01/89	LBDI	\$ 133,245	04-215	24,584	Midpoint/Feldstone	30	8.50%	\$ 131,609			\$ 131,609	\$ 11,236			\$ 11,236	8.54%
234.03	12/01/92	LBI	\$ 85,494	84-267	17,312	Lancaster Farm	30	9.50%	\$ 10,581		(a) \$	\$ 10,332	\$ 1,312		(a) \$	\$ 1,261	12.40%
234.04	10/02/85	LBI	\$ 38,596	85-149	17,848	Brickells Mill	Demand	10.00%	\$ 37,554			\$ 37,554	\$ 3,793			\$ 3,793	10.10%
234.05	12/01/83	LBDI	\$ 245,991	04-215	24,584	Hampstead Core	30	8.50%	\$ 200,081			\$ 200,081	\$ 17,261			\$ 17,261	8.63%
234.06	03/01/88	LBI	\$ 19,000	04-215	24,584	Taxes	Demand	9.50%	\$ 18,455			\$ 18,455	\$ 1,772			\$ 1,772	9.60%
234.07	10/01/87	LBI	\$ 87,270	96-201	22,843	Stoneford	15	8.50%	\$ 44,089		(a) \$	\$ 43,512	\$ 4,041		(a) \$	\$ 3,987	9.16%
234.08	02/18/88	LBI	\$ 222,371	97-154	22,854	Colby Pond	30	8.50%	\$ 201,764		(a) \$	\$ 183,101	\$ 17,300		(a) \$	\$ 15,700	8.57%
234.09	06/04/00	LBDI	\$ 20,286	00-059	23,577	Oak Hill	15	8.50%	\$ 19,149			\$ 19,149	\$ 1,662			\$ 1,662	8.69%
234.11	06/01/05	LBDI	\$ 128,000	04-184	24,470	Cricket Hill/Meplevale	20	P+2.25%	\$ 120,810		(a) \$	\$ 115,144	\$ 9,788		(a) \$	\$ 9,338	8.11%
234.12	06/01/05	LBDI	\$ 190,895	02-198	24,296	Bartlett Brook	20	P+2.25%	\$ 177,909			\$ 177,909	\$ 11,305			\$ 11,305	6.35%
234.13	06/01/05	LBDI	\$ 124,714	02-198	24,296	Cogswell Farm	20	P+2.25%	\$ 116,230			\$ 116,230	\$ 7,386			\$ 7,386	6.35%
234.14	06/01/05	LBDI	\$ 157,730	02-198	24,296	Sellers Ridge	20	P+2.25%	\$ 147,000			\$ 147,000	\$ 9,341			\$ 9,341	8.35%
234.15	02/16/06	LBDI	\$ 153,700	05-088	24,589	Angle Pond	30	P+2.25%	\$ 148,292			\$ 149,292	\$ 14,332			\$ 14,332	9.60%
234.16	06/06/06	LBDI	\$ 71,968	04-215	24,584	Arsenic Filtration	20	P+2.25%	\$ 70,135			\$ 70,135	\$ 7,082			\$ 7,082	10.10%
234.17	2007	LBDI	\$ 40,974	06-104	24,728	Billing System	5	10.50%	\$ 40,974	\$ 11,469	(b) \$	\$ 48,085	\$ -	\$ 5,112	(b) \$	\$ 5,047	10.50%
234.18	2007	LBDI	\$ 136,470	06-104	24,728	Hydrology Study	5	10.50%	\$ 136,470	\$ (136,470)		\$ -	\$ -			\$ -	0.00%
234.19	2007	LBDI	\$ 18,000	08-033	24,864	Deaton Ridge/Bryant Woods Walls	30	7.50%	\$ 18,000	\$ 12,442	(c) \$	\$ 21,927	\$ -	\$ 2,090	(c) \$	\$ 639	7.50%
234.20	2008	LBDI	\$ 48,597	08-033	24,864	SCADA System	10	7.50%	\$ -	\$ 48,597	(c) \$	\$ (48,597)	\$ -	\$ 3,888	(c) \$	\$ -	0.00%
234.21	2008	LBDI	\$ 84,000	08-033	24,864	Hydraulic Study/GIS Model	5	7.50%	\$ -	\$ 84,000	(c) \$	\$ (84,000)	\$ -	\$ 6,403	(c) \$	\$ -	0.00%
Totals - Affiliated Companies			\$2,277,832						\$1,651,038	\$ 20,068	\$ (184,096)	\$ 1,487,010	\$120,188	\$ 17,493	\$ (13,951)	\$123,740	8.32%
Amortized Financing Costs - Affiliated Companies												\$ 730				\$ 730	
Total Notes to Affiliated Companies			\$2,277,832						\$1,651,038	\$ 20,068	\$ (184,096)	\$ 1,487,010	\$120,928	\$ 17,493	\$ (13,951)	\$124,470	8.37%

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 08-065

HAMPSTEAD AREA WATER COMPANY

Notice of Intent to File Rate Schedules

Order Granting Rate Increase

ORDER NO. 25,000

August 4, 2009

APPEARANCES: Hampstead Area Water Company, Inc. by Robert C. Levine, Esq.; Office of the Consumer Advocate on behalf of residential ratepayers by Rorie E.P. Hollenberg, Esq.; and Staff of the Public Utilities Commission by Marcia A.B. Thunberg, Esq.

I. PROCEDURAL HISTORY

Hampstead Area Water Company, Inc. (HAWC) is a regulated public utility as defined by RSA 362:2 and 362:4 and currently serves approximately 2,900 customers in various communities throughout southeastern New Hampshire. On April 28, 2008, HAWC filed a notice of intent to file rate schedules and, on June 25, 2008, HAWC filed schedules and materials, pursuant to N.H. Code Admin. Rules Puc 1600, supporting its request to increase its annual revenues by \$167,193, or 13.77%. The procedural history is more fully described in Order No. 24,932 (January 16, 2009) in which the Commission approved HAWC's current rates as temporary rates, effective for service provided on or after September 1, 2008.

Staff and the parties conducted discovery and, on April 22, 2009, the OCA filed direct testimony of Utility Analyst Stephen R. Eckberg. On May 27, 2009, Staff filed a stipulation entered into by all of the participants in the docket: HAWC, Staff, and the OCA. The settling parties presented the stipulation at the hearing held on June 3, 2009.

II. STIPULATION AGREEMENT

A. Revenue Requirement

The settling parties propose a revenue requirement of \$1,310,082 based on HAWC's 2007 test year. The settling parties also recommend the test year revenues be based on 2,909 customers, the number of customers served by HAWC as of the end of 2008.

The settling parties recommend HAWC receive two step adjustments to its revenue requirement. The first would allow: 1) a return on \$61,249 in plant additions installed during 2008 as well as the annual operating expenses associated with these assets; 2) a return on costs of drilling a new well at Dearborn Ridge, \$21,927, which proved to be unproductive, in addition to the annual amortization expense of these drilling costs based on a 20-year recovery period; 3) a return on the costs associated with the December 2008 Ice Storm in the amount of \$22,877 in addition to the annual amortization expense of the Ice Storm Costs based on a three-year recovery period; 4) the incremental annual operating expenses HAWC will incur from converting from a quarterly to monthly billing cycle and a reduction in the cash working capital component of rate base associated with this conversion. Step 1 would increase HAWC's annual revenues by \$61,757, or 5.24%. The settling parties recommend Step 1 become effective as of the date of the Commission's final order in this docket, on the condition that the Commission also approve HAWC's proposed debt financings discussed below. The settling parties also recommend that Step 1 not be reconciled with temporary rates.

The second step concerns HAWC's Interconnection Project. The settling parties recommend the Commission allow HAWC to recover capital costs of approximately \$800,000 associated with this project, the financing for which the Commission approved in Docket No. DW 08-088. The project is expected to begin during the summer of 2009 but the settling parties recognize that there is a possibility the project could be delayed until 2010. Together with a return on this rate base, depreciation, and property taxes, the settling parties expect Step 2 to increase HAWC's annual revenues by approximately \$61,061 or about 5.18% over test year revenues. HAWC agrees, upon completion of the interconnection project, to submit a filing to the Commission with its request for this step adjustment, along with supporting documentation. Staff and OCA will review the filing and the Commission's Audit Staff will audit the plant records. Staff and OCA will then submit their recommendations for consideration. The settling parties recommend that Step 2 not be reconciled with temporary rates.

B. Rate Impact

The recommended revenue requirement and Step 1 will raise HAWC's base rate to \$10 per month for 5/8 inch meter customers and raise the consumption rate to \$4.29 per 100 cubic feet. Based upon these rates, an average residential customer using 7,853 cubic feet of water per year will pay approximately \$457 on an annual basis. This represents an annual increase of \$66 over present rates.

C. Rate Case Expenses

The settling parties recommend the Commission allow HAWC to recover rate case expenses and to that end, HWAC agrees to submit, within fifteen days from the date of a final order in this docket, documentation of its rate case expenses and a proposed surcharge to recover these expenses. Staff and OCA state that they will review HAWC's rate case expense filing and will offer recommendations.

D. Financings

On May 15, 2009, HAWC filed a petition for approval of long-term debt from its affiliate, Lewis Builders Development, Inc. The Staff and HAWC agree that it is just and reasonable for HAWC to borrow \$94,232 from Lewis Builders Development, Inc. and recommend the financing be approved. The OCA takes no position on the amount or terms of this financing. The revenue impact of this financing has been incorporated into the revenue impact reflected in Step 1.

HAWC proposes to refinance with TD Bank, N.A. \$1,450,000 of its long-term debt owed to Lewis Builders, Inc. and Lewis Builders Development, Inc. Staff and HAWC agree that refinancing this debt is consistent with the public good and recommend the Commission approve it. The terms include a five-year maturity, twenty-year amortization period and an interest rate that is 300 basis points above the 5 year Federal Home Loan Bank Classic Advance Rate, which resulted in an interest rate of 6.46% as of June 2009. The proposed refinancing is expected to reduce interest costs associated with the long-term debt by approximately \$33,917. This will lower HAWC's weighted average cost of debt. The settling parties have incorporated the revenue impact of the refinancing into the revenue requirement reflected in Step 1.

E. Conversion of Debt to Equity

HAWC agrees to convert \$990,353 of its accounts payable due to Lewis Builders Development, Inc. to Additional Paid-in Capital, an equity account. The accounts payable balance remaining after this debt-to-equity conversion will be approximately \$200,000 as of June 30, 2009. Going forward, HAWC agrees to make payments on the \$200,000 balance so as to keep the existing payables within a range permissible without prior Commission review and approval as required by RSA 369 and Puc 608.05 (i.e., no more than 12 months past due and no more than 10% of HAWC's net fixed plant). The revenue impact of this debt conversion has been incorporated into the revenue impact reflected in Step 1.

F. Reporting Requirements

1. Affiliate Agreements — HAWC agrees to file revised affiliate agreements with LBDI, Lewis Equipment Co., and Atkinson Resort & Country Club within 90 days of the Commission's final order in this docket for Commission review and approval. HAWC agrees to provide copies of these filings to the OCA.

2. Fire Protection Governed Solely by Tariff — HAWC agrees to discontinue its practice of individual fire protection contracts with municipalities and agrees to provide such fire protection service by tariff.

3. Internal Controls – HAWC agrees to implement internal controls recommended in Audit Issues 18, 19, and 20 of the Final Audit Report dated March 25, 2009 concerning the calculation of overhead and labor burden rates as well as the approval of employee time records. HAWC agrees to file, within 90 days from the date of the Commission's final order, evidence of its revised internal control procedures.

4. Hydrology Study Note – HAWC agrees to reduce the interest rate on the promissory note approved in Docket DW 06-104 from 10.5% to the prime rate as of March 31, 2009 (3.25%) plus 2.25%, or 5.50%. HAWC agrees to file an updated promissory note within 90 days to the Commission for review and approval.

5. Production and Consumption Data – HAWC agrees to include in its Annual Report to the Commission a report of production and consumption, tabulated monthly by system, once the conversion to monthly billing is fully implemented. Such reporting will begin in 2010 for HAWC's 2009 Annual Report. HAWC agrees to collect and report data such that the time periods for production and consumption data correspond.

III. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to fix rates after a hearing upon determining that the rates, fares, and charges are just and reasonable. In determining whether rates are just and reasonable the Commission must balance the consumers' interest in paying rates no higher than are required with the investors' interest in obtaining a reasonable return on their investment.

Eastman Sewer Co., 138 N.H. 221, 225 (1994). In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. Pursuant to RSA 541-A:31, V(a), informal disposition may be made of any contested case at any time prior to the entry of a final decision or order, by stipulation, agreed settlement, consent order or default. N.H. Code Admin. Rules Puc 203.20 (b) requires the Commission to determine, prior to approving disposition of a contested case by settlement, that the settlement results are just and reasonable and serve the public interest.

A. Revenue Requirement

The settling parties propose a revenue requirement of \$1,310,082 based on a 2007 test year, a rate base of \$3,704,979 and a rate of return of 6.05%. This represents an increase of 11.22% over HAWC's 2007 test year revenues. The revenue requirement is calculated by pro-forming test year revenues using an updated customer count as of the end of 2008, and reflects the results of HAWC's efforts to refinance a substantial amount of its debt, which is the subject of Docket No. DW 09-112. HAWC's refinancing would lower its weighted average cost of debt and that lower cost of debt has been used in the calculation of the proposed revenue requirement.

The settling parties also recommend a step increase to HAWC's revenue requirement. This step increase includes \$61,249 in additional plant installed by HAWC in 2008 after its test year and represents an additional 5.24% of the increase to HAWC's revenue requirement. The settling parties believe this plant is a reasonable addition to HAWC's rate base. It includes costs HAWC incurred during the 2008 Ice Storm when HAWC lost all external power to its systems. HAWC testified that it rented two large generators from its affiliate, Lewis Builders Developer, and five additional generators from three other contractors. Hearing Transcript of June 3, 2009 (6/3/09 Tr.) at 20, lines 18-24. The settling parties agreed that recovery of the costs of the generators was appropriate and recommended the Commission allow these costs to be recovered over a three-year period.

The step increase also includes costs relating to HAWC's conversion from quarterly to monthly billing. We find this to be a reasonable adjustment since it provides more frequent billing, which will send more accurate price signals to customers and reduce HAWC's cash working capital requirements. The step includes HAWC costs relating to securing additional source capacity at Dearborn Ridge. HAWC testified that, at the behest of the Department of

Environmental Services (DES), it drilled a new well costing \$21,927 but that the well was ultimately unproductive. 6/3/09 Tr. at 23, lines 17-23. HAWC asserted that, had the well been productive, it would likely have been allowed in rate base. Id. at 23, line 24 and at 24, lines 1-4. The settling parties recommend a 20-year recovery period for the \$21,927 to coincide with the term of a 20-year loan from LBDI used to finance the cost of the well. Id. at 25 lines 11-19. Staff testified that it had audited the components of the proposed step increase and Staff concluded that the plant was prudent, used, and useful in the provision of utility service. See, Exh. 6. Staff also testified that if the amounts were not allowed in the Company's rate base there would be a detrimental impact on the company's rate of return. 6/3/09 Tr. at 27, lines 21-24.

Step adjustments to rates are employed as a means of ensuring that a regulated utility retains its ability to earn a reasonable rate of return after implementing large capital projects, and to avoid placing a utility in an earnings deficiency immediately after a rate case in which a revenue requirement was based on a historical test year, which in this case was 2007. We find that the capital improvements and expenses recommended in the step increase are used and useful and should be included in rate base. Traditional rate-of-return principles permit a utility to have "the opportunity to make a profit on its investment, in an amount equal to its rate base multiplied by a specified rate of return." *Appeal of Conservation Law Foundation*, 127 N.H. 606, 634 (1986). Having reviewed the record and testimony presented at hearing, we approve the proposed step increase, effective as of the date of this order on a service rendered basis, to cover the costs and expenses identified above. This step increase shall not be considered part of permanent rates and shall not be subject to reconciliation pursuant to RSA 378:29. Lastly, with respect to the overall revenue requirement, we find that the plant included in the proposed

revenue requirement is prudent, used, and useful and that the revenue requirement is appropriate and will produce just and reasonable rates.

B. Rate Impact

According to the proposal offered by the settling parties, the increase in HAWC's revenue requirement will raise HAWC's base rate for 5/8 inch metered service to \$10 per month and its consumption rate to \$4.29 per 100 cubic feet. The settling parties estimate that an average residential customer using 7,853 cubic feet of water per year will pay approximately \$457 annually; an increase of \$66. We note that HAWC has agreed to discontinue charging its fire protection customers pursuant to individual contracts and will now charge customers pursuant to a uniform tariff.¹ The increase in HAWC's revenue requirement and its institution of tariff rates will result in municipal fire protection customers in the Town of Atkinson and Town of Hampstead being charged an annual hydrant charge of \$200 per hydrant as well as an availability fee of \$2,000 per year; private fire protection customers will be charged a graduated rate ranging from \$100 to \$1,500 depending on the size of the service. Exh. 5 at 28. Customers with 1-inch service will be charged an annual rate of \$100 and customers with a 6-inch service will be charged an annual rate of \$1,500. *Id.* Having considered these proposed rates, we find that they are an appropriate way of collecting the revenue requirement from customers and we find them to be just and reasonable pursuant to RSA 378:7.

C. Second Step Adjustment

The settling parties recommend that we approve a second step increase to account for approximately \$800,000 in net additional rate base anticipated from HAWC's interconnection project. The interconnection project involves approximately \$1.1 million in plant additions, but

¹ The tariff rates agreed to by the settling parties were first approved in *Hampstead Area Water Company, Inc.*, Order No. 24,747, 92 NH PUC 115 (2007).

the interconnection grant from DES in the amount of \$270,000 lowers the cost to approximately \$800,000. In Order No. 24,937 (February 6, 2009) the Commission approved HAWC's request to finance the interconnection project, but deferred the issue of how the financing would impact rates to the instant docket. HAWC stated that the project is estimated to be completed in November of 2009, assuming the project receives Governor and Council approval in June 2009.² 6/3/09 Tr. at 30-31. At the conclusion of the project, HAWC will submit documentation of its costs relating to the project for Staff and the OCA's review and then for Commission review and approval. At present, the settling parties calculate that the second step will result in a \$61,061 increase to HAWC's revenue requirement. This translates to an additional 5.18% increase in rates.

As noted with regard to step one, the Commission allows step adjustments to rates as a means of ensuring that a regulated utility retains its ability to earn a reasonable rate of return even after implementing large capital projects. In HAWC's context we consider \$800,000 in additional plant to be a large capital project and we will allow HAWC to submit its documentation of costs incurred relating to the interconnection project for our review at the completion of the project.

D. Reporting and Other Obligations

HAWC agrees to update its affiliate agreements pursuant to RSA 366:3. Pursuant to RSA 374:4, the Commission has the duty to keep informed of the operations and management of public utilities. Having updated affiliate agreements on file with the Commission is a necessary prerequisite for the Commission's oversight of HAWC. HAWC also commits to implementing internal controls. At hearing, HAWC testified that such internal controls include: the calculation of overhead relating to LBDI; how employee rates are being charged to HAWC; and the signing

² HAWC received approval of Governor and Council on June 17, 2009.

of time cards. 6/3/09 Tr. at 41, lines 23-24 and at 42, lines 1-6. These changes were recommended by Staff in its audit report. We find the implementation of internal controls to ensure that only prudent expenses associated with the provision of water service are passed along to ratepayers is reasonable and we will approve them.

HAWC also commits to reducing the interest rate on an existing loan with LBDI which had an original loan amount of \$267,299. The proceeds of the loan were used to conduct a hydrology study. At the time the Commission approved the loan, the interest rate was 10.5% and, since that time, interest rates have fallen to the point where HAWC is able to commit to an interest rate of 5.5%. Lowering the cost of financed debt is beneficial to ratepayers, thus, we will approve this portion of the stipulation and await HAWC's updated promissory note as called for in the stipulation.

The stipulation contains a requirement that HAWC report production and consumption data, by month and by system, and that the data be reported annually, commencing with its 2009 Annual Report to the Commission. In *Investigation into Water Conservation*, Order No. 24,243, 88 NH PUC 603 (December 5, 2003), the Commission required all regulated water utilities to submit annual accounting of lost water, tabulated monthly, with their annual reports. In the past, HAWC has been unable to report such data because it read meters quarterly, rather than monthly. As stated earlier, HAWC now commits to reading customer meters monthly. The expense associated with monthly meter reading has been included in HAWC's new revenue requirement. Conversion to monthly meter reading and monthly billing should have occurred in June 2009 and thus HAWC should be able to come into compliance with the lost water reporting requirement. Given these developments, we find it reasonable to discontinue the Commission's waiver of

HAWC's lost water reporting obligation and we will require the Company to file the production and consumption data commencing with its 2009 Annual Report.

Having reviewed the record in this proceeding, including the stipulation and supporting testimony presented at the June 3, 2009 hearing, we find the terms of the stipulation to be reasonable and for the public good. We find that the terms will result in just and reasonable rates and that they represent an appropriate balancing of ratepayer interests and the interests of HAWC's investors under current economic circumstances. Accordingly, we approve the stipulation.

Based upon the foregoing, it is hereby

ORDERED, that the stipulation entered into among the parties to this proceeding and Staff is adopted and approved as discussed herein; and it is

FURTHER ORDERED, that Hampstead Area Water Company, Inc.'s request for a revenue requirement of \$1,310,082 is approved and Hampstead Area Water Company, Inc. is authorized to collect from customers the permanent rates necessary to recover this revenue requirement, as described herein, for service rendered on or after September 1, 2008; and it is

FURTHER ORDERED, that Hampstead Area Water Company, Inc.'s request to increase its revenue requirement by \$61,757 for a combined revenue requirement of \$1,371,839 is hereby approved, for service rendered on or after the date of this order, and Hampstead Area Water Company, Inc. is authorized to collect from customers the rates described herein to recover this revenue requirement; and it is

FURTHER ORDERED, that Hampstead Area Water Company, Inc. file within fifteen days from the date of this order documentation of its calculation of the difference between

temporary and permanent rates as well as a proposed surcharge for recovering the difference from customers; and it is

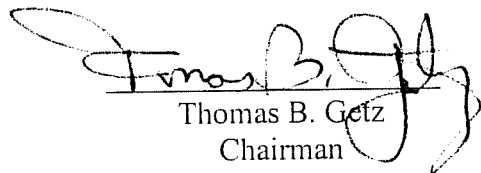
FURTHER ORDERED, that Hampstead Area Water Company, Inc. file documentation of its rate case expenses as well as a proposed surcharge for recovery of these expenses within fifteen days from the date of this order; and it is

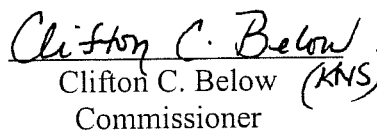
FURTHER ORDERED, that Hampstead Area Water Company, Inc. include in its Annual Report, beginning with year 2009, a report of its production and consumption data from the time it converted to monthly billing forward and that this data be tabulated monthly by system; and it is

FURTHER ORDERED, that within 90 days of the date of this order Hampstead Area Water Company, Inc. file updated affiliate contracts and an amended promissory note as discussed herein; and it is

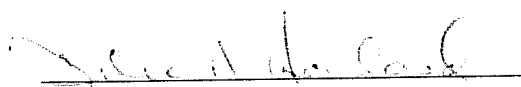
FURTHER ORDERED, that Hampstead Area Water Company file a compliance tariff within ten days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this fourth day of August, 2009.


Thomas B. Getz
Chairman


Clifton C. Below (KMS)
Commissioner

Attested by:


Debra A. Howland
Executive Director



HAMPSTEAD AREA

WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

TEL: 603.362.4299 FAX: 603.362.4936
www.hampsteadwater.com

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October 30, 2009

Ms. Debra Howland
Executive Director & Secretary
NH PUC
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DW-08-065: HAWC 2008 Rate Case
DW-09-112: HAWC 2009 Financing

Dear Ms. Howland:

Pursuant to PUC Order #25,000, please find enclosed 7 copies each of HAWC Internal Control Revisions, HAWC affiliate agreements and the revised Hydrology Study Note for Docket DW-08-065. Pursuant to PUC Order #24,999, please find enclosed 7 copies of the 2008 Additions Promissory Note for Docket DW-09-112. An electronic copy has also been sent to you via email.

Please don't hesitate to call me if you have any questions.

Very truly yours,

Robert C. Levine
General Counsel

RCL/ja
enclosures

cc: HAWC
Steve St. Cyr
DW-08-065 Service List
DW-09-112 Service List

**HYDROLOGY
PROMISSORY NOTE**

Initial Interest Rate 5.50%
Principle Balance: \$162,069
Date: July 1, 2006
Term: Five (5) years

Hampstead Area Water Company, Inc. (HAWC) promises to pay to Lewis Builders Development, Inc., (LBDI), the sum of One Hundred and Sixty Two Thousand Sixty Nine and 00/100th Dollars (\$162,069) ("Principal"), plus interest calculated from the date of this note at the rate of Five and 50/100th (5.50%) percent, and payable as follows:

In Sixty (60) monthly installments of \$3,095.71 commencing on July 1, 2006 and every month thereafter, to be paid on the 1st day of each month until the balance is paid in full.

Hampstead Area Water Company, Inc. may prepay this note at any time.

HAMPSTEAD AREA WATER
COMPANY, INC.

Witness:

By: _____
Christine Lewis Morse, Its Vice
President, duly authorized.

ACKNOWLEDGED AND ACCEPTED
LEWIS BUILDERS DEVELOPMENT, INC.,

BY _____
Christine Lewis Morse, its Vice President duly authorized

HAWC

HYDROLOGY

PRINCIPAL: \$162,069.00
 INTEREST RATE: 5.500%
 NO. OF MONTHS: 60
 PAYMENT/MO.: \$3,095.71
 PAYMENT/YR.: \$37,148.52

#	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL BALANCE
1	\$2,352.89	\$742.82	\$3,095.71	\$159,716.11
2	\$2,363.68	\$732.03	\$3,095.71	\$157,352.43
3	\$2,374.51	\$721.20	\$3,095.71	\$154,977.92
4	\$2,385.39	\$710.32	\$3,095.71	\$152,592.53
5	\$2,396.33	\$699.38	\$3,095.71	\$150,196.20
6	\$2,407.31	\$688.40	\$3,095.71	\$147,788.89
7	\$2,418.34	\$677.37	\$3,095.71	\$145,370.55
8	\$2,429.43	\$666.28	\$3,095.71	\$142,941.12
9	\$2,440.56	\$655.15	\$3,095.71	\$140,500.56
10	\$2,451.75	\$643.96	\$3,095.71	\$138,048.81
11	\$2,462.99	\$632.72	\$3,095.71	\$135,585.82
12	\$2,474.27	\$621.44	\$3,095.71	\$133,111.55
13	\$2,485.62	\$610.09	\$3,095.71	\$130,625.93
14	\$2,497.01	\$598.70	\$3,095.71	\$128,128.92
15	\$2,508.45	\$587.26	\$3,095.71	\$125,620.47
16	\$2,519.95	\$575.76	\$3,095.71	\$123,100.52
17	\$2,531.50	\$564.21	\$3,095.71	\$120,569.02
18	\$2,543.10	\$552.61	\$3,095.71	\$118,025.92
19	\$2,554.76	\$540.95	\$3,095.71	\$115,471.16
20	\$2,566.47	\$529.24	\$3,095.71	\$112,904.69
21	\$2,578.23	\$517.48	\$3,095.71	\$110,326.46
22	\$2,590.05	\$505.66	\$3,095.71	\$107,736.41
23	\$2,601.92	\$493.79	\$3,095.71	\$105,134.49
24	\$2,613.84	\$481.87	\$3,095.71	\$102,520.65
25	\$2,625.82	\$469.89	\$3,095.71	\$99,894.83
26	\$2,637.86	\$457.85	\$3,095.71	\$97,256.97
27	\$2,649.95	\$445.76	\$3,095.71	\$94,607.02
28	\$2,662.09	\$433.62	\$3,095.71	\$91,944.93
29	\$2,674.30	\$421.41	\$3,095.71	\$89,270.63
30	\$2,686.55	\$409.16	\$3,095.71	\$86,584.08
31	\$2,698.87	\$396.84	\$3,095.71	\$83,885.21
32	\$2,711.24	\$384.47	\$3,095.71	\$81,173.97
33	\$2,723.66	\$372.05	\$3,095.71	\$78,450.31
34	\$2,736.15	\$359.56	\$3,095.71	\$75,714.16
35	\$2,748.69	\$347.02	\$3,095.71	\$72,965.47
36	\$2,761.28	\$334.43	\$3,095.71	\$70,204.19
37	\$2,773.94	\$321.77	\$3,095.71	\$67,430.25
38	\$2,786.65	\$309.06	\$3,095.71	\$64,643.60
39	\$2,799.43	\$296.28	\$3,095.71	\$61,844.17
40	\$2,812.26	\$283.45	\$3,095.71	\$59,031.91
41	\$2,825.15	\$270.56	\$3,095.71	\$56,206.76
42	\$2,838.10	\$257.61	\$3,095.71	\$53,368.66
43	\$2,851.10	\$244.61	\$3,095.71	\$50,517.56
44	\$2,864.17	\$231.54	\$3,095.71	\$47,653.39
45	\$2,877.30	\$218.41	\$3,095.71	\$44,776.09
46	\$2,890.49	\$205.22	\$3,095.71	\$41,885.60

HAWC
HYDROLOGY

PRINCIPAL:	\$162,069.00
INTEREST RATE:	5.500%
NO. OF MONTHS:	60
PAYMENT/MO.:	\$3,095.71
PAYMENT/YR.:	\$37,148.52

#	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL BALANCE
47	\$2,903.73	\$191.98	\$3,095.71	\$38,981.87
48	\$2,917.04	\$178.67	\$3,095.71	\$36,064.83
49	\$2,930.41	\$165.30	\$3,095.71	\$33,134.42
50	\$2,943.84	\$151.87	\$3,095.71	\$30,190.58
51	\$2,957.34	\$138.37	\$3,095.71	\$27,233.24
52	\$2,970.89	\$124.82	\$3,095.71	\$24,262.35
53	\$2,984.51	\$111.20	\$3,095.71	\$21,277.84
54	\$2,998.19	\$97.52	\$3,095.71	\$18,279.65
55	\$3,011.93	\$83.78	\$3,095.71	\$15,267.72
56	\$3,025.73	\$69.98	\$3,095.71	\$12,241.99
57	\$3,039.60	\$56.11	\$3,095.71	\$9,202.39
58	\$3,053.53	\$42.18	\$3,095.71	\$6,148.86
59	\$3,067.53	\$28.18	\$3,095.71	\$3,081.33
60	\$3,081.59	\$14.12	\$3,095.71	(\$0.26)

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DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-1

Witness: John Sullivan

Was the interconnection project put out to bid? If so, please provide bid results and indicate to whom the bid was awarded. If not, please explain.

ANSWER:

Yes, the project was put out to bid. There were 5 bidders:

Al Hoyt & Sons, Inc, Plaistow, NH	\$ 939,552
GE Merrill & Sons, Inc, Salem, NH	\$1,100,000
RH White Co. Inc, Auburn, MA	\$1,496,355
FL Merrill Const. Inc, Pembroke, NH	\$1,530,500
Brown Industrial, Berwick, ME	\$1,796,684

The bid was awarded to the lowest bidder – Al Hoyt & Sons, Inc.

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-2

Witness: John Sullivan

Was any portion of the project not bid? If so, please describe.

ANSWER:

The engineering design was not bid out. The work was performed by Lewis Engineering, PLLC from Litchfield, NH. Please note that this company is not affiliated with HAWC or Lewis Builders. This was reviewed by Rick Skarinka who informed us that NH DES rules did not require that this portion of the work be bid out.

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-3

Witness: John Sullivan

Was any company affiliate either a contractor or subcontractor for any portion of the work?
Please explain.

ANSWER:

Lewis Builders Development Inc was subcontracted by the winning bidder, Al Hoyt and Son to perform a portion of the water main installation and ledge removal. Lewis Builders requested and received permission from NH DES to be allowed to subcontract this work from the General Contractor on this project.

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-4

Witness: Charles Lanza

Was a booster station and/or metering station constructed as part of the project? Please provide details including:

- a) The reason a station was or was not constructed.
- b) On whose engineering input or recommendations the decision was based.
- c) If a station was constructed, its functionality (for example, boosting in either direction) and approximate location.

ANSWER:

- a) The station was not constructed because there was a more viable option discovered during the design phases of the project. This option was to extend the proposed water main beyond the existing Meditation Lane booster station.
- b) A booster station was not included in the specifications for this project, and was based on recommendations by the project engineer, Bruce Lewis of Lewis Engineering, LLC.
- c) Not Applicable.

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-5

Witness: Charles Lanza

What water main size and material was used in the interconnection?

ANSWER:

10" PVC C909 DI OD water main was used for the interconnection.

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-6

Witness: Robert C. Levine

Were there any legal challenges to the project? If so, please describe and indicate the current status of each.

ANSWER:

There were no court proceedings filed or other legal challenge made to the project. There was an ordinance passed in Atkinson that the Selectmen have chosen not to enforce after their receipt of an opinion letter from the Attorney General's office addressed to DES that such an ordinance was not enforceable.

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-7

Witness: Charles Lanza

Please indicate the current and intended future status of the Bricketts Mill facilities.

ANSWER:

The Bricketts Mill wells are going to be maintained as inactive water supply wells and the pumping & treatment station, filters, etc. are going to become inventory and utilized as needed.

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-8

Witness: Charles Lanza

Have any customers connected to the new main? If so, how many and what type?

ANSWER:

No.

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-9

Witness: Charles Lanza

Please confirm that a total of three hydrants in each town have been connected to the new main.

ANSWER:

That is correct.

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-10

Witness: Charles Lanza

Please indicate the current status of the Atkinson large groundwater permit application.

ANSWER:

The Atkinson large groundwater application Final Report was submitted to DES on August 18, 2009. There have been two rounds of comments from DES, the last of which the company received on October 29, 2009. The company responded to those comments on November 4, 2009 and is awaiting a response

DW 08-065
HAMPSTEAD AREA WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 6
PERMANENT RATES

Date request received: 11-25-09

Date of Response: 12-07-09

Staff 6-11

Witness: Charles Lanza

Does the company have any plans to conduct a hydrogeological review and/or file a large groundwater permit application in Hampstead? Please explain.

ANSWER:

Currently the company does not have any plans to conduct a hydrogeological review or file a large groundwater permit application in Hampstead. Based on the company's conversations with NH DES, NH DES is comfortable with the work the company have done so far with the large groundwater withdrawal in Atkinson, the Atkinson-Hampstead interconnection, the well management plan, and the company's ongoing conservation efforts. Therefore, NH DES does not feel that the company need to pursue anything in Hampstead at the present time.