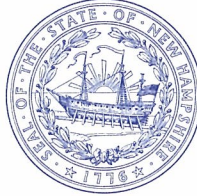


THE STATE OF NEW HAMPSHIRE

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AND SECRETARY
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

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Website:
www.puc.nh.gov

November 1, 2010

Debra A. Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301

Re: DW 10-204, Hampstead Area Water Company, Inc.
Petition to Expand Franchise, Acquire Assets, and Charge Rates
Alta's Way/Lincoln Lane, Chester, NH
Staff Recommendation for Approval



Dear Ms. Howland:

The purpose of this letter is to review the petition of Hampstead Area Water Company, Inc. (HAWC) in the above-referenced docket and to offer Staff's recommendation. HAWC seeks to extend its water utility business to serve customers in a proposed ten-unit development on so-called Alta's Way in the Town of Chester; to establish a franchise; to acquire associated assets; and to charge its currently authorized tariff rates in this new franchise area. Based on Staff's review as detailed below, Staff supports granting of the petition.

On August 3, 2010, HAWC filed its petition along with the prefiled testimony of John Sullivan, controller for HAWC affiliate Lewis Builders, Inc. The project, being developed by Abdallah Construction Corporation (Abdallah), of Chester, is located on Tax Map 5, Lot 104 on the southerly side of Route 121A in Chester and is approximately 27.851 acres. The project street, referenced in the filing as Alta's Way, will now be known as Lincoln Lane according to the attached data responses provided by HAWC (Staff 1-1). The responses indicate the development will consist of single family homes, with full build-out possible within a year or less. The proposed area is shown in Exhibit 6 of the filing and in an attachment to Staff 1-2, and a metes and bounds description is provided in Exhibit 7 of the filing. The development lies opposite Route 121A from an existing Oak Hill franchise granted to HAWC in 2000 (see *Re Hampstead Area Water Company, Inc.*, 85 NH PUC 708 (2000)) and will be served by an extension of that franchise's water system. Approval from the Department of Environmental Services for the expansion of service is provided in Exhibit

11 of the filing, thus meeting the requirements of RSA 374:22, III regarding the suitability and availability of water for the development.

Lewis Builders Development, Inc. (LBDI), another HAWC affiliate, proposes to construct the necessary water system extension facilities for an agreed price of \$68,670. As outlined in a letter agreement provided in Exhibit 1 of the filing, Abdallah will reimburse LBDI in three phases: \$20,000 upon execution of the letter agreement, \$20,000 upon commencement of work, and the remaining \$28,670 to be paid in \$2,867 increments upon the sale of each home, with any remaining balance due within two years of substantial completion of the water system. The \$28,670 balance due LBDI will be secured by a mortgage on the property and a promissory note provided as Exhibits 4 and 5 of the filing. Abdallah will then contribute the system in its entirety to HAWC in accordance with a Bill of Sale provided as Exhibit 2 of the filing. HAWC will book the system as CIAC at an even \$68,000 (\$48,000 for mains and \$20,000 for services), as indicated in the Bill of Sale and in Exhibits 9 and 12. A Water Rights Deed and Easement is provided in Exhibit 3. HAWC also proposes to charge its existing consolidated metered rates in the development. The Town of Chester selectmen have indicated by letter dated August 26, 2010 that they are aware of the proposed extension of water service.

HAWC provides water service to some 3,000 customers in various systems in southern New Hampshire. Staff believes HAWC, through its operation of such systems, has demonstrated that it has the technical, managerial, financial and other capabilities to enable it to serve the proposed Lincoln Lane subdivision. For the reasons indicated above, Staff concurs with HAWC's proposal to provide service to, and charge its existing rates in, the development. Staff recommends the Commission approve HAWC's petition.

If you have any questions regarding this matter, please feel free to contact me.

Sincerely,



Douglas W. Brogan
Water Engineer

Attachments: Data Responses, Set 1

cc: Service list

DW 10-204
HAMPSTEAD AREA WATER COMPANY, INC.
PETITION FOR APPROVAL OF EXPAND FRANCHISE, et seq.
STAFF DATA REQUESTS – SET 1
ANSWERS

Date request received: 08/16/10

Date of Response: 08/20/10

Staff 1-1

Witness: Charlie Lanza

Please clarify whether the road in the development will be known as Alta's Way, as referenced generally in the filing, or as Lincoln Lane as indicated on the plan in Exhibit 6, or if there is to be another name.

Response: Lincoln Lane is the proposed road name.

DW 10-204
HAMPSTEAD AREA WATER COMPANY, INC.
PETITION FOR APPROVAL OF EXPAND FRANCHISE, et seq.
STAFF DATA REQUESTS – SET 1
ANSWERS

Date request received: 08/16/10

Date of Response: 08/20/10

Staff 1-2

Witness: Charlie Lanza

Paragraph 5 of the petition references a plan in Exhibit 7 which appears to be distinct from the plan provided in Exhibit 6, yet Exhibit 7 as filed contains only a metes and bounds description. Please provide the missing plan.

Response: See attached.

DW 10-204
HAMPSTEAD AREA WATER COMPANY, INC.
PETITION FOR APPROVAL OF EXPAND FRANCHISE, et seq.
STAFF DATA REQUESTS – SET 1
ANSWERS

Date request received: 08/16/10

Date of Response: 08/20/10

Staff 1-3

Witness: Charlie Lanza

Please indicate the time frame anticipated for each of the following:

- a) Water system completion;
- b) First unit occupied;
- c) Final unit occupied.

Response:

- a) The water system will be completed by 8/20/10 aside from the individual customer services, which will be completed as they become occupied.
- b) The first unit is expected to be occupied by the end of September 2010.
- c) The final unit occupation will be based on future market conditions, but could be completed as early as 10 months from September 2010.

DW 10-204
HAMPSTEAD AREA WATER COMPANY, INC.
PETITION FOR APPROVAL OF EXPAND FRANCHISE, et seq.
STAFF DATA REQUESTS – SET 1
ANSWERS

Date request received: 08/16/10

Date of Response: 08/20/10

Staff 1-4

Witness: Charlie Lanza

Please indicate the general nature of the subdivision (single family, low income, senior housing, etc.).

Response: The subdivision is a moderately priced single family cluster development containing 2 to 4 bedroom homes.

DW 10-204
HAMPSTEAD AREA WATER COMPANY, INC.
PETITION FOR APPROVAL OF EXPAND FRANCHISE, et seq.
STAFF DATA REQUESTS – SET 1
ANSWERS

Date request received: 08/16/10
Staff 1-5

Date of Response: 08/20/10
Witness: Charlie Lanza

How will the NHDES restriction of Exhibit 11, para. 2 (“There shall be no in-ground irrigation systems installed at any of the 10 proposed homes included in the expansion”) be enforced?

Response:

During service line and meter installations, Company operators will verify that no irrigation systems will be installed, as well as visually inspections of the site during the course of routine operation of the system over time.

DW 10-204
HAMPSTEAD AREA WATER COMPANY, INC.
PETITION FOR APPROVAL OF EXPAND FRANCHISE, et seq.
STAFF DATA REQUESTS – SET 1
ANSWERS

Date request received: 08/16/10

Date of Response: 08/20/10

Staff 1-6

Witness: Charlie Lanza

Please indicate the current number of customers receiving service from the Oak Hill system.

Please indicate the current anticipated system capacity in customer units for the Oak Hill system.

Response: There are currently 50 customers receiving service from the Oak Hill System.
The current anticipated system capacity for the Oakhill system is the 50 existing customers and
10 proposed customers.

DW 10-204

**HAMPSTEAD AREA WATER COMPANY, INC.
PETITION FOR APPROVAL OF EXPAND FRANCHISE, et seq.
STAFF DATA REQUESTS – SET 1
ANSWERS**

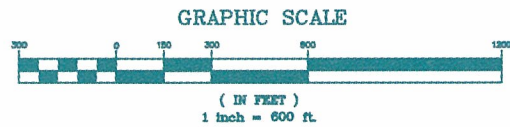
Date request received: 08/16/10
Staff 1-7

Date of Response: 08/20/10
Witness: John Sullivan

Exhibit 9 appears to anticipate \$3,640 for 10 meters which will be classified as CIAC. Is it anticipated that Abdallah will be purchasing these meters and immediately contributing them to HAWC? If no, please explain.

Response: Exhibit 9 should state that CIAC for the meters is \$0. HAWC will be paying for and installing the meters. Attached is the corrected CPR.

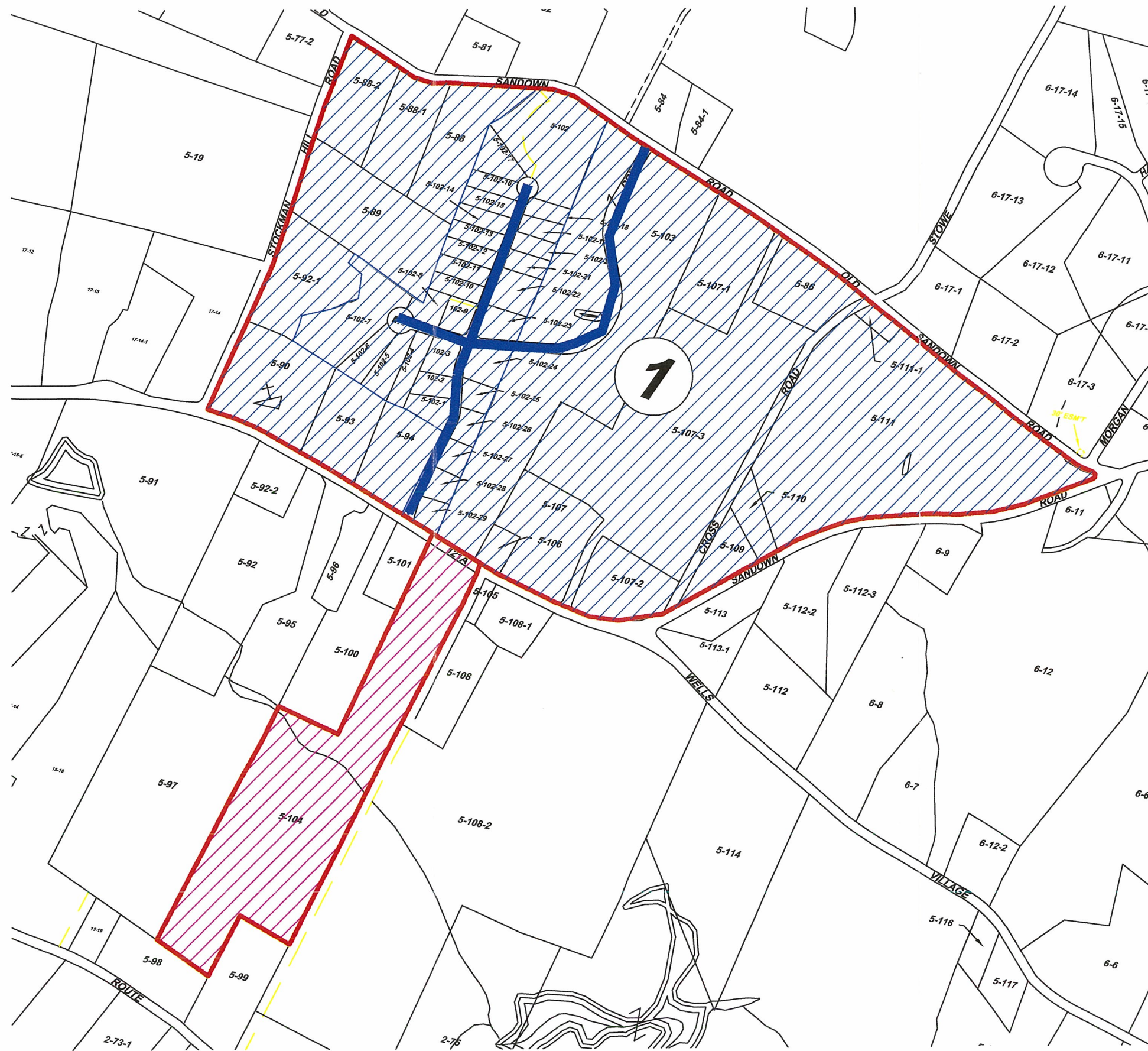
DRAWING PATH R:\Hampstead Water\Franchise Mapping\Franchise Mapping.dwg



LEGEND

- EXISTING FRANCHISE AREA
- PROPOSED FRANCHISE AREA
- FRANCHISE KEY NUMBER
- FRANCHISE PERIMETER

EXISTING OAKHILL EXTENSION FRANCHISE AREA = 177± Acres
PROPOSED OAKHILL EXTENSION FRANCHISE AREA = 26± Acres
TOTAL FRANCHISE AREA = 203± ACRES.



Scale: 1"=300'

EPA ID #: 0000000000

Comments:

PROPOSED CHESTER EXPANSION FRANCHISE MAP

LOCATED IN CHESTER, NH

Drawing Name: FRANCHISE 1

Drawn By: CPL

Date: 8/18/10

Revisions: x/xx/xx

Drawing Number:

F-1

MEREDITH A HATFIELD
OFFICE OF CONSUMER ADVOCATE
21 SOUTH FRUIT ST STE 18
CONCORD NH 03301

ROBERT LEVINE
HAMPSTEAD AREA WATER COMPANY
54 SAWYER AVE
ATKINSON NH 03811

Docket #: 10-204 Printed: November 01, 2010

FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:
DEBRA A HOWLAND
EXEC DIRECTOR & SECRETARY
NHPUC
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CONCORD NH 03301-2429

PURSUANT TO N.H. ADMIN RULE 203.09 (d), FILE DISCOVERY

DIRECTLY WITH THE FOLLOWING STAFF

RATHER THAN WITH THE EXECUTIVE DIRECTOR

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NHPUC
21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429

BULK MATERIALS:

Upon request, Staff may waive receipt of some of its multiple copies of bulk materials filed as data responses. Staff cannot waive other parties' right to receive bulk materials.

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