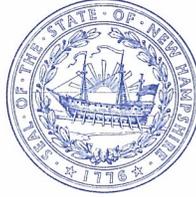


THE STATE OF NEW HAMPSHIRE

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July 19, 2011

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit St., Suite 10
Concord, New Hampshire 03301

Re: DW 11-143, Hampstead Area Water Company, Inc.
Petition to Issue Long Term Debt



Dear Ms. Howland:

On June 24, 2011, Hampstead Area Water Company, Inc. (HAWC) filed a petition, pursuant to RSA 369, for authority to issue long term debt. HAWC is a regulated water utility pursuant to RSA 362:2 and 362:4 and serves approximately 2,948 customers in various communities in southern New Hampshire. HAWC also submitted the testimony of John Sullivan, controller for Lewis Builders, Inc., an affiliate of HAWC.

HAWC seeks approval to refinance an existing loan of \$1,380,000 with TD Bank. TD Bank has offered a note with a five year maturity at a rate 250 basis points above the five year Federal Home Loan Bank Classic Advance Rate, which was 2.58% as of March 18, 2011. Thus, the interest rate on the refinanced debt would be 5.08%, and would replace existing debt carrying a fixed interest rate of 6.27%. After review, Staff recommends approval of the petition through the issuance of an order *nisi*.

The debt to be refinanced was approved by the Commission through its Order No. 24,999, issued August 4, 2009 in Docket No. DW 09-112. The proposed refinancing will lower the interest rate and extend the maturity date to five years from the date of closing, but will not extend the amortization period contained in the original note. Since the original note was a five year note dated August 14, 2009 with a 20 year amortization, the proposed refinanced note would have an amortization period of approximately 18 years remaining.

Under the proposed terms, HAWC is responsible for payment of an origination fee of \$2,500. While TD Bank's term sheet, attached to the petition in Tab 1, indicates

that HAWC would be responsible for certain other closing costs if required, Mr. Sullivan in his testimony indicates that no other costs to the company are anticipated for this transaction. Mr. Sullivan estimates that under the anticipated terms of the refinancing, HAWC will realize cash savings of \$10,941 annually.

As indicated earlier, Staff recommends approval of HAWC's financing in this docket through the issuance of an order *nisi*. The terms of the refinancing are favorable and serve to reduce HAWC's overall cost of capital. Cash flow savings will accrue to the company now, and the reduced cost of capital will be reflected in future customer rates. Staff recommends approval.

If there are any questions regarding this, please let me know.

Sincerely,



Mark A. Naylor
Director, Gas & Water Division

cc: Service list