

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
RE: HAMPSTEAD AREA WATER COMPANY, INC.

DW-11-

PETITION FOR AUTHORITY TO BORROW LONG TERM DEBT
FOR WATER SERVICE LINE REPLACEMENTS

Hampstead Area Water Company (HAWC) hereby petitions the Public Utilities Commission (the Commission) for authority, pursuant to RSA §369, to borrow One Hundred Eighty Thousand and 00/100th (\$180,000.00) Dollars in long term debt from the Drinking Water State Revolving Fund (SRF). The Company seeks expedited approval of this Petition in order to qualify for low-interest financing which is available for a limited time period. In support of its requests, the Company states as follows:

- 1) HAWC is presently franchised in most areas of Hampstead and Atkinson, New Hampshire, and has franchised satellite systems in various towns in Rockingham County (see Schedule A, attached). HAWC is a New Hampshire corporation, authorized by this Commission to produce and distribute water within the Company's authorized franchise areas throughout southeastern New Hampshire.
- 2) The proposed financing would fund the replacement of water service lines, running from the main water distribution line to the shutoffs for 100 customers in the Town of Atkinson, New Hampshire, in HAWC'S core system. This replacement program would be in the best interest for the Company in terms of system operation and resource planning and has the support of the Department of Environmental Services. See Exhibit

- 1.
- 3) The Company plans to borrow \$180,000.00 from the SRF for the construction of the replacement water service lines. This contemplates the installation of approximately 100 service line connections in the Town of Atkinson, New Hampshire.
- 4) The specific additions of new plant amounting to \$180,000.00 are attached as part of the pre-filed Testimony of Stephen P. St. Cyr, Exhibit 2.
- 5) The State of New Hampshire has preliminarily indicated that it would approve HAWC's request for financing subject to various terms and conditions. Generally, the terms and conditions are as follows:
 - a) The borrowing will amount to \$180,000.00.
 - b) The loan will mature 20 years from the date of closing.
 - c) The interest rate is currently 2.8640%, but may increase pending approval.
 - d) The payment of principal and interest based on a 20-year amortization will be due monthly beginning 30 days from the date of closing.
- 6) In order to be able to service this additional debt, the Company anticipates filing for a rate increase in 2012 based on a 2011 test year. The 2012 additions will be a proforma adjustment to rate base, the SRF financing will be a proforma adjustment to the capital structure and reflected in the determination of the rate of return and the various expenses will also be a proforma adjustment to test year expenses. With an increase in rates, the Company believes that the revenues will be sufficient to pay principal and interest on the loans. See Testimony of Stephen P. St. Cyr, Exhibit 2.
- 7) The State of New Hampshire's commitments are subject to receipt of Commission

approval of the financing. The State of New Hampshire needs regulatory assurance that the Commission will authorize the financing.

- 8) The borrowings being proposed by the Company are in the public interest and consistent with the public good because it enhances the Company's ability to provide safe and reliable drinking water to its customers in its franchise areas at a reasonable cost. The replacement water service lines will provide stability to the core system by remedying current water loss and preventing water loss in the future. The system improvements being proposed and the estimated cost of the improvements are reasonably necessary to provide such service to the Company's customers.
- 9) Simultaneously with this petition the Company is filing the direct testimony of Stephen P. St. Cyr (Exhibit 2) and related exhibits, as well as the direct testimony of Harold Morse, President of the Company (Exhibit 3). The direct testimony of Stephen P. St. Cyr describes the purpose of the financing, the proposed financing, and the utilization of the funds from such financing. The exhibits include the cost of the financing, the accounting and financial aspects of this borrowing. The direct testimony of Harold Morse describes the project and the reasons for the replacement water service lines.

WHEREFORE, Hampstead Area Water Company respectfully request that the Commission:

- A. Authorize the Company to borrow \$180,000.00 from the State of New Hampshire in accordance with the terms and conditions for the construction of the replacement water service lines in the Town of Atkinson in the Company's Core System.

- B. Find that the execution of loan documents by the Company for purpose of consummating the aforementioned financing is consistent with the public good;
- C. Find that the use of the proceeds from the proposed financing and the amounts proposed to be spent by the Company for such improvements is prudent and consistent with the public interest; and
- D. Grant such other and further relief as may be just and reasonable.

Dated: 10/3/11

Respectfully submitted,
Hampstead Area Water Co., Inc.



Christine Lewis Morse, Vice
President

Schedule A

HAWC System History

Company	Year	Docket	Order	Franchise Area
Walnut Ridge Water Company	1977	DE 76-179	12,827	1,826 Acres
Lancaster Farms-Salem	1984	DR 84-267	17,312	144 Acres
Bricketts Mill-Hampstead	1985	DE 85-149	17,848	80 Acres
Squire Ridge-Hampstead	1985	DE 85-274	17,967	140 Acres
Kent Farm-Hampstead	1987	DE 86-198	18,560	1,700 Acres
Kent Farm-Hampstead	1987	DE 86-198	18,598	Supp Order
Woodland Pond-Hampstead	1987	DE 87-211	18,980	701 Acres
Bryant Woods-Atkinson	1988	DE 87-226	19,230	2,340 Acres
Hampstead Area Water Company	1989	DE 89-047	19,717	Hampstead Merger*
Hampstead Area Water Company	1989	DE 89-047	19,751	1,650 Bryant Woods Merger**
Walnut Ridge Water Company	1990	DE 90-129	19,992	55 Acres
HAWC-Bricketts Mill Extension	1990	DE 90-049	19,783	1,246 Acres
HAWC-Hampstead	1991	DE 91-121	20,224	1,350 Acres
HAWC-Hampstead	1991	DE 91-144	20,320	370 Acres
HAWC-Rainbow Ridge-Plaistow	1993	DE 92-129	20,774	152 Acres
HAWC-Stoneford-Sandown	1996	DE 96-201	22,551	3,483 Acres
HAWC-Colby Pond-Danville	1998	DE 97-154	22,854	177 Acres
HAWC-Oak Hill-Chester	2000	DW 00-059	23,577	Atkinson Merger***
HAWC-Walnut Ridge & Lancaster HAWC-Camelot Court- Nottingham	2004	DW 01-204	23,954	44 Acres
HAWC-Cornerstone-Sandown	2004	DW 02-198	24,296	188 Acres
HAWC-Lamplighter-Kingston	2004	DW 02-198	24,296	13.66 Acres
HAWC-Maplevale-East Kingston	2004	DW 03-150	24,299	107 Acres
HAWC-Dearborn Ridge-Atkinson	2005	DW 04-055	24,501	541 Acres
HAWC-Hampstead Expansion	2005	DW 04-062	24,520	238 Acres
HAWC-Mill Woods-Sandown	2005	DW 05-063	24,544	35 Acres
HAWC-Waterford Village- Sandown	2005	DW 05-070	24,545	90.37 Acres
HAWC-Atkinson Expansion	2005	DW 05-092	24,592	333 Acres
HAWC-Autumn Hills-Sandown	2006	DW 06-016-	24,608	33.68 Acres
HAWC - Cooper Grove-Kingston	2008	DW-07-133	24,831	211 Acres
HAWC - Black Rocks Village	2008	DW-07-134	24,856	391 Acres
HAWC – Sargent Woods	2008	DW-07-130	24,884	65.97 Acres
HAWC – Oak Hill Extension	2010	DW-10-204	25,166	27.851 Acres

*Merged Bricketts Mill, Kent Farm, Squire Ridge and Woodland Pond into HAWC

**Merged Bryant Woods into Walnut Ridge with requirement that the Bryant Woods rates apply

***Merged Lancaster Farms and Walnut Ridge into HAWC

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DW-08-

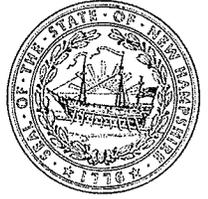
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EXHIBIT LIST

1. DES letter of approval
2. Testimony of Stephen P. St. Cyr with Financial Schedules
3. Testimony of Harold Morse



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

September 29, 2011

Charles Lanza
Hampstead Area Water Co.
54 Sawyer Ave.
Atkinson, NH 03811

**Subject: NH Drinking Water State Revolving Fund
Project Eligibility & Notice of Available Funds**

Dear Mr. Lanza:

The purpose of this letter is to notify you that the water system improvement project that Hampstead Area Water Co requested is eligible for funding.

On July 22, 2011, the New Hampshire Department of Environmental Services (DES) published the 2011 project priority list. The list identified the project submitted by Hampstead Area Water Co. as eligible to receive funding through the state revolving fund loan program. Funding availability was contingent upon the grant being awarded to DES by the US Environmental Protection Agency (EPA), and Hampstead Area Water Co entering into a loan agreement with DES.

On September 1, 2011, the EPA awarded to DES the 2011 grant and therefore project funds are now available for Hampstead Area Water Co. We look forward to working with you to complete the application process.

Sincerely,

Daniel Dudley, DWSRF Program Manager
Drinking Water and Groundwater Bureau

cc: file