

STATE OF NEW HAMPSHIRE



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

DW 16-654

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX No. 271-3878

Website:
www.puc.nh.gov

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EXECUTIVE DIRECTOR
Debra A. Howland

July 1, 2016

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

Re: DW 16-654, Hampstead Area Water Company, Inc.
Petition for Authority to Issue Long-term Debt
Staff Recommendation for Approval

Dear Ms. Howland:

On June 13, 2016, Hampstead Area Water Company, Inc. (Hampstead) submitted a request pursuant to RSA 369:1 for authority to issue long-term debt. Hampstead requests approval to enter into a \$2,125,930 loan from Pentucket Bank for the purpose of refinancing two loan amounts due to TD Bank in September 2016. After review, Staff recommends that the Commission approve Hampstead's proposed financing.

Under RSA 369:1, public utilities engaged in business in this state may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be "consistent with the public good." Analysis of the public good involves looking beyond the actual terms of the proposed financing to the use of the funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). "[C]ertain financing related circumstances are routine, calling for more limited Commission review of the purposes and impacts of the financing, while other requests may be at the opposite end of the spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing." *Lakes Region Water Company, Inc.*, Order No. 25,753 (January 13, 2015) at 4-5, citing *Public Service Company of NH*, Order No. 25,050, 94 NH PUC 691, 699 (2009). Consistent with past financing dockets, Staff reviewed Hampstead's filing as a routine financing.

Hampstead proposes to refinance two existing TD Bank loans¹ with balances that currently total approximately \$2,125,930. These loans will be paid off with one Pentucket Bank loan with a proposed interest rate of 3.25% fixed for the first five (5) years, then adjusted every 5 years to 225 basis points above the five (5) year Federal Home Loan Bank of Boston rate. The Pentucket Bank loan will have a fifteen (15) year maturity and requires payments of principal and interest for the full term. Hampstead is required to grant a security interest in all of its business assets as collateral for this loan. Hampstead estimates its closing costs to total about \$10,000, and proposes to amortize those costs over the fifteen (15) year term of the loan.

Staff has reviewed and supports the financing as presented by Hampstead. The procurement of the proposed Pentucket Bank loan at a fixed 3.25% interest rate for the first five years ensures that the Company will refinance the TD Bank debt at the lowest possible cost to customers. The new debt will replace existing debt on the company's balance sheet so it will have a minimal effect on the company's capital structure, and will reduce the overall cost of debt by virtue of reducing the interest rate. Staff therefore believes that Hampstead has demonstrated that the proposed use of the funds is appropriate and consistent with the Company's duty to provide "reasonably safe and adequate and in all other respects just and reasonable" service to its customers. RSA 374:1.

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

Sincerely,



Robyn J. Descoteau
Utility Analyst, Gas & Water Division

Cc: service list

¹ Existing TD Bank loans approved by Order #25,254 dated July 22, 2011 and Order #25,272 dated September 28, 2011.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov

amanda.noonan@puc.nh.gov

bob@lewisbuilders.com

john.clifford@puc.nh.gov

mark.naylor@puc.nh.gov

ocalitigation@oca.nh.gov

steve.frink@puc.nh.gov

Docket #: 16-654-1 Printed: July 01, 2016

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:

DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.