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STATE OF NEW HAMPSHIRE



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

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

Tel. (603) 271-2431

FAX No. 271-3878

Website:
www.puc.nh.gov

NHPUC 6DEC'19PM2:51

December 6, 2019

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

Re: DW 19-031, Hampstead Area Water Company, Inc.
Petition to Expand Franchise - Sandown
Staff Recommendation for Approval

Dear Ms. Howland:

The purpose of this letter is to offer Staff's recommendation regarding the petition of Hampstead Area Water Company, Inc. (HAWC or the Company), filed in Docket No. DW 19-031. Staff reviewed HAWC's petition, and recommends that pursuant to RSA 374:22 and RSA 374:26, the Commission authorize a limited expansion of HAWC's service territory in Sandown, NH to solely cover the Kelly Green development. Staff, furthermore, recommends the Commission allow HAWC, pursuant to RSA 378:7, to charge their consolidated rates to customers within that expanded franchise. Staff also recommends, pursuant to RSA 369:1, the Commission authorize financing in the amount of \$22,000, to purchase certain assets required to provide water service, according to the Promissory Note filed as Exhibit 5. Staff additionally recommends, pursuant to RSA 374:2, the Commission allow the Company to collect revenue from customers taking service only after Commission authorization. Staff also recommends that the Commission prohibit HAWC from recovering any potential revenues earned from Kelly Green customers for water service received prior to the issuance of a Commission order in this proceeding, pursuant to RSA 374:2.

I. Background

HAWC submitted their petition on February 12, 2019. The petition was accompanied by several attachments, the testimony and attachments of Stephen P. St. Cyr of Stephen P. St. Cyr & Associates, and the testimony of Mr. Harold Morse, president of HAWC. The petition specifically listed five requests for authorization: 1) to expand HAWC's franchise area within the Town of Sandown, NH; 2) approval to operate a water system inside the franchise expansion; 3) approval to

acquire assets; 4) approval of financing; and 5) approval of the consolidated rates to be applied to that area.¹

HAWC is a regulated public utility providing water service to approximately 3,700 customers in thirteen towns in southern New Hampshire.² In its petition, HAWC requested to expand their Fairfield franchise, located in Sandown, from approximately 22 acres to approximately 253 acres.³ The Fairfield franchise was originally authorized by Order No. 25,318 (January 18, 2012) in Docket No. DW 11-218. HAWC described the primary purpose for this franchise expansion as providing water service to the new 22 townhouse-style rental apartments referred to as Kelly Green.

The Kelly Green apartments are located on a parcel of land adjacent to the existing Fairfield franchise. Because of this proximity, HAWC was able to utilize portions of the existing Fairfield community water system in its plan to provide water to Kelly Green. Specifically, HAWC drilled a second bedrock well that will provide the required additional water to the existing Fairfield pump house and distribution system. Together, the two bedrock wells will provide the necessary water capacity for the expanded franchise. The apartments are not connected to HAWC's Core Distribution system and HAWC does not intend to provide fire protection services. HAWC will, however, provide pumping capacity for fire sprinklers located within the residences using existing storage capacity of the Fairfield system.

Kelly Green is owned and developed by Lewis Builders, Inc. (Lewis). Lewis, Lewis Builders Development, Inc. (LBDI) and HAWC are related corporations through common ownership.

Exhibit 1 of the petition details a contract between HAWC, Lewis and LBDI. Exhibit 1 indicated that Lewis hired LBDI to design and construct the water system. Exhibit 1 also states that HAWC will purchase the completed water system from Lewis in order to provide water service to the individual apartments.

Exhibit 7 of the petition, a project cost schedule, details the construction cost of \$70,500, charged by LBDI to Lewis. Exhibit 5 of the petition, a promissory note between HAWC and Lewis, specifies HAWC's financing to purchase the water system from Lewis, at \$1,000 per unit, for a total financing of \$22,000, at zero percent interest. HAWC will pay the per-unit price to Lewis as water service is provided to each unit.

According to page two of Mr. St Cyr's testimony and Exhibit 6 of the petition, the remaining cost of the system over and above the agreed upon purchase price of \$22,000, or \$48,500, will be recorded on HAWC's books and records as a contribution in aid of construction (CIAC) from Lewis. HAWC stated it intends to accept a separate cash contribution of \$10,185 from Lewis to cover the Company's potential federal income tax liability from the receipt of the contributed plant due to

¹ Staff also notes that HAWC's petition at 3, states that the contract provided as Exhibit 1 to the petition is "a Contract subject to the Commission's approval..." As the parties to the contract in Exhibit 1 are neither current nor potential customers of HAWC, as defined in N.H. Code Admin. Rules Puc 602.05, the Company's tariff does not apply. As such, the contract does not meet the definition of a special contract, under RSA 378:18 or Puc 1602.06. Therefore, it does not require Staff's recommendation for approval. Any reference to Exhibit 1 in Staff's recommendation, to whatever extent, is provided to the Commission as background.

² HAWC PUC Annual Report for the Year Ended December 31, 2018, Schedule A-6 (June 3, 2019).

³ Hampstead Area Water Company, Inc., Petition to Expand Franchise, February 12, 2019, Exhibit 4.

recently passed federal tax legislation that removed the exclusion of CIAC from income for regulated water utilities.⁴

The requested franchise expansion area also extends outside of the Kelly Green development, and would encompass a number of private lots and another HAWC franchise known as Mill Woods, originally approved by Order No. 24,544 (November 18, 2005) in Docket No. DW 05-063. HAWC specifically requested this larger franchise area, in part, to avoid the costs of filing a separate franchise petition with the Commission in the future. HAWC stated it received a request for water service from one potential customer located outside of the Mill Woods franchise. The proposed franchise expansion would also be adjacent to an existing HAWC franchise area that contains a portion of the HAWC Core Distribution system. However, the closest main in that distribution system is approximately 2,000 feet away. Regarding the potential of HAWC bringing public water to the area of the proposed franchise expansion outside of Kelly Green, HAWC did not provide plans for additional wells or propose connections to the Core Distribution system.

II. Analysis

A. Franchise Expansion

A utility cannot exercise any right or privilege under any franchise without first obtaining the Commission's permission. RSA 374:22, I. The Commission shall grant permission for a franchise or franchise expansion if it is in the public good. RSA 374:26. In determining whether a proposed franchise is for the public good, the Commission assesses, among other things, the managerial, financial, and technical expertise of the petitioner. *Hampstead Area Water Company, Inc.*, Order No. 26,301 at 4 (October 22, 2019). The Commission has previously found that the Company possesses the requisite capabilities to provide water service. *Id.* Additionally, HAWC has operated as a water company since 1977.⁵ HAWC has demonstrated a commitment to expand clean, potable, public water service to additional customers at just and reasonable rates, through their expertise in establishing and maintaining multiple public and community water systems.⁶ As such, Staff recommends the Commission find that HAWC continues to possess the required capabilities and expertise, and find a limited franchise expansion in the public good and public interest, and approve such.

As stated, Staff recommends that the franchise area requested by HAWC be limited. Pursuant to RSA 374:22, III, no water company shall obtain the permission or approval of the Commission to operate as a public utility without first satisfying any requirements of the NH Department of Environmental Services (NHDES) concerning the suitability and availability of water for the applicant's proposed water utility. In support of this, the Company provided the small community well siting approval letter (approval letter) from the NHDES, regarding the suitability and availability of water to serve Kelly Green. The approval letter, however, only verifies the availability of suitable

⁴ See *Pennichuck East Utility, Inc.*, Order No. 26,285 at 1 (August 9, 2019) ("the federal 2017 Tax Cuts and Jobs Act, effective January 1, 2018, removed the exclusion of contributions in aid of construction (CIAC) from gross income for tax purposes for water companies. As of January 1, 2018, water companies were responsible for income tax on CIAC received").

⁵ See Order No. 12,827 (1977) in Docket DE 76-179; Walnut Ridge Water Company.

⁶ See Order No. 26,165 (July 31, 2018) in Docket DW 17-118 at 7 and as evidenced by HAWC's continued participation in the Southern NH Regional Water Interconnection Project.

additional water for the 22 Kelly Green apartments. The letter does not verify that suitable water is available for the entirety of the proposed franchise area, beyond Kelley Green.

The approval letter, furthermore, states that the water system will also have to comply with several NHDES requirements. Specifically, the water system must implement the approved Water Conservation Plan, signed January 3, 2019, in accordance with Env-Wq 2101. Once the proposed franchise area water system becomes active, NHDES also requires HAWC to contact the NHDES' chemical-monitoring staff to set up a Master Sampling schedule to ensure the water is regularly tested for known contaminants.

Based upon the NHDES approval letter, which verifies that suitable water is available for only the 22 Kelly Green apartments, the ongoing NHDES requirements relative to the supply of water to Kelly Green, and, as stated earlier, HAWC's absence of plans to drill additional wells or connect the expanded franchise to the Core Distribution system, Staff recommends approval of HAWC's proposed franchise expansion to encompass only the Kelly Green development. Staff believes HAWC has satisfied the requirements of RSA 374:22, III, relative to servicing Kelly Green, and based upon the Company's history of possessing the requisite capabilities, under RSA 374:26, it would be in the public good for the Commission to authorize a franchise expansion covering only the Kelly Green development. Staff further recommends that HAWC's proposed franchise expansion, outside of the Kelly Green development, should be denied as the Company has not met its burden to prove that there is adequate supply of water to serve these additional areas at this time, per RSA 374:22, III. *See Hampstead Area Water Company, Inc.*, Order No. 25,979 at 1, 5 (January 23, 2017) (Commission limited HAWC's request from requested 265 acre expansion, to grant of 40 acre franchise). As such, Staff further recommends the Commission require the Company to resubmit the boundaries of the approved franchise area to supplement the record in this docket.

B. Rates

RSA 378:7 generally establishes that the Commission shall determine the just and reasonable rates a utility shall charge for their services. In prior proceedings, the Commission approved the reasonableness of HAWC's consolidated rates. *Hampstead Area Water Company, Inc.*, Order No. 26,195 (November 28, 2018); *Hampstead Area Water Company, Inc.*, Order No. 26,165 (July 31, 2018). As such, Staff recommends the application of HAWC's current consolidated rates to the approved franchise area, as described above.

C. Financing

RSA 369:1 requires a regulated utility obtain Commission approval of any debt longer than 12 months (long-term debt) before the debt is consummated. As with other HAWC franchise expansion requests, HAWC has arranged to purchase the necessary assets from Lewis at \$1,000 per unit to be paid once water service is provided to that unit. Therefore, the total HAWC will pay to Lewis is \$22,000. According to the terms of the promissory note, there are neither interest charges, nor any other specific repayment terms other than as service is provided to the respective units. Because of this, Staff believes the debt should be considered long-term and treated as such. Staff has reviewed the promissory note in Exhibit 5 and the overall terms of the arrangement, for which the Commission has approved similar arrangements in the past, and believes the current terms to also be reasonable. Staff believes the \$22,000 will not have a material impact on the Company's debt to equity ratio. For these reasons, Staff recommends the approval of HAWC's financing request.

D. Commencement of Service

During the discovery process, it came to Staff's attention that as of March 12, 2019, the first Kelly Green customer accepted water service and that approximately 15 additional units would be occupied and requesting water service by the end of August 2019. Additionally, HAWC indicated that customers are not being billed, and will not be billed until PUC approval is final. In this instance, Staff stresses the importance of HAWC adhering to New Hampshire statutes. Specifically, RSA 378:14 states, in part, that no public utility shall grant any free service; and RSA 374:22 states, in part, that no person or business shall exercise franchise rights without Commission approval. Staff is further concerned with the timing of HAWC's petition (February 12, 2019) and initiation of service (March 12, 2019) in light of RSA 378:14 and RSA 374:22.

In Staff's opinion, it would not be practical for HAWC to terminate water service to these customers while the Commission conducts its required due diligence, nor would it be prudent in any way to recommend an action that may penalize those customers. The decision to commence service prior to authorization was the Company's, and, due to that decision, Staff reminds the Company there are specific and defined possible outcomes. Specifically, RSA 365:41 and RSA 365:42 define the penalties HAWC and its officer's and agents could be subject to. These may result in credits to customer bills or other such remedies as defined and ordered by the Commission.

Based upon the foregoing, however, it is Staff's recommendation, that in this situation, the Commission not seek remedies pursuant to RSA 365:41 or 365:42. However, Staff does recommend that the Company be barred from collection of any past revenues for services provided to Kelly Green tenants. The Company shall only be entitled to charges for services rendered after a Commission Order is issued and rates become effective.

E. Supplementary Requests by HAWC

Though the petition requested authorization for several items, not all of the requests were relevant to the instant proceeding. Specifically, HAWC requested authorization to operate inside of a franchise area. In this case, the Kelly Green development is new, there is no current franchise or water utility, and therefore separate authorization outside of granting a franchise is not necessary.

In addition, HAWC requested approval of the acquisition of assets. Generally, a regulated utility is able to acquire assets in the normal course of business. In this case, it is Staff's understanding that HAWC requested to acquire assets as part of its financing approval, to which Staff recommended approval of the Promissory Note. Therefore, the separate request to acquire assets is redundant and it is not necessary for Staff to examine it separately.

Further, HAWC submitted a contract (Exhibit 1) which referenced HAWC's intention to collect a cash contribution of \$10,185 relative to \$48,500 of contributed plant (CIAC). In Staff DR 1-11, HAWC explained that this amount was calculated using the new statutory federal tax rate of 21 percent ($21\% * \$48,500 = \$10,185$). While a utility's tariff generally defines the responsibilities of the company and customer relative to CIAC, in this situation, the impact of the additional funds contributed to cover the utility's potential tax consequences from that contribution are not fully understood. In addition, because the contribution in question is the result of a recent federal tax change, the Company's tariff may not reflect the most appropriate treatment.

The Company has recently opened a docket for a tariff adjustment as a result of the recent CIAC tax changes, Docket No. DW 19-136. This docket was opened on August 19, 2019, 5 months after the filing of the instant docket. Pursuant to RSA 378:7, that request will be subjected to the Commission's statutorily required due diligence. Staff believes the most prudent course of action in the instant docket would be for HAWC to work with Staff relative to the appropriate treatment of its implied request to accept the CIAC tax payment subsequent to the Commission's decision in Docket No. DW 19-136.

Summary

In summary, Staff recommends Commission approvals for a limited expansion of HAWC's Fairfield franchise to cover Kelly Green, only, the application of HAWC's consolidated rates within the expanded franchise, and the issuance of a 0.00 percent Promissory Note for \$22,000. Staff further recommends the Commission require the Company to resubmit the boundaries of the approved franchise area to supplement the record in this docket. Staff also recommends the Commission prohibit HAWC from recovering any revenues from Kelly Green customers for water service provided prior to the date of the Commission's order in this proceeding. Lastly, Staff proposes that HAWC work with Staff relative to its request to require and accept a separate cash contribution to cover additional potential income taxes resulting from the receipt of CIAC after the Commission renders its decision in Docket No. DW 19-136.

Staff requests that the Commission hold the record open for 10 days from the filing of this recommendation to allow HAWC to file a response if they choose. If you have any further questions regarding this matter, please do not hesitate to contact me.

Sincerely,



Anthony J. Leone
Utility Analyst, Gas & Water Division

Cc: service list

**DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS**

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-1

Witness: Charles Lanza

Staff 1-1

Please indicate the approximate distance from the proposed franchise to the closest portion of the HAWC core (non CWS) distribution system.

Response 1-1

The proposed franchise area is approximately 2,000' from the existing HAWC core distribution system

**DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS**

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-2

Witness: Charles Lanza

STAFF 1-2

Please indicate the approximate distance from the proposed franchise to the closest portion of the proposed Southern NH Water Project.

Response 1-2

The proposed franchise area is 5+ miles from the proposed 16" Water Main along Route 28 in Derry.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-3

Witness: Charles Lanza

Staff 1-3

Regarding the proximity to the Fairfield Community Water Systems (CWS) approved in Docket DW 11-218:

- a. Does the proposed Kelly Green CWS affect or interact in any way with the existing Fairfield CWS? If so, in what ways? If not, please explain further.
- b. What are the GPD (gallon per day) requirements for the Kelly Green apartments?

Response 1-3

- a. There is no Kelley Green CWS. The existing Fairfield CWS is being expanded to serve the Kelley Green community.
- b. The Design Flow Requirements per NHDES Calculations for the 22 2-bedroom apartments is 6,600 GPD.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-4

Witness: Charles Lanza

Staff 1-4

Please further explain any water treatment requirements for the Kelly Green well and an approximate annual cost of such treatment.

Response 1-4

The recently permitted Fairfield BRW-2 contains radiological contaminants above the NHDES Maximum Contaminant Level (MCL). In order to utilize BRW-2 treatment is being installed to remove the radiological contaminants. The Company anticipates replacing the treatment every 5+ years at a cost of \$4-5k

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-5

Witness: Charles Lanza

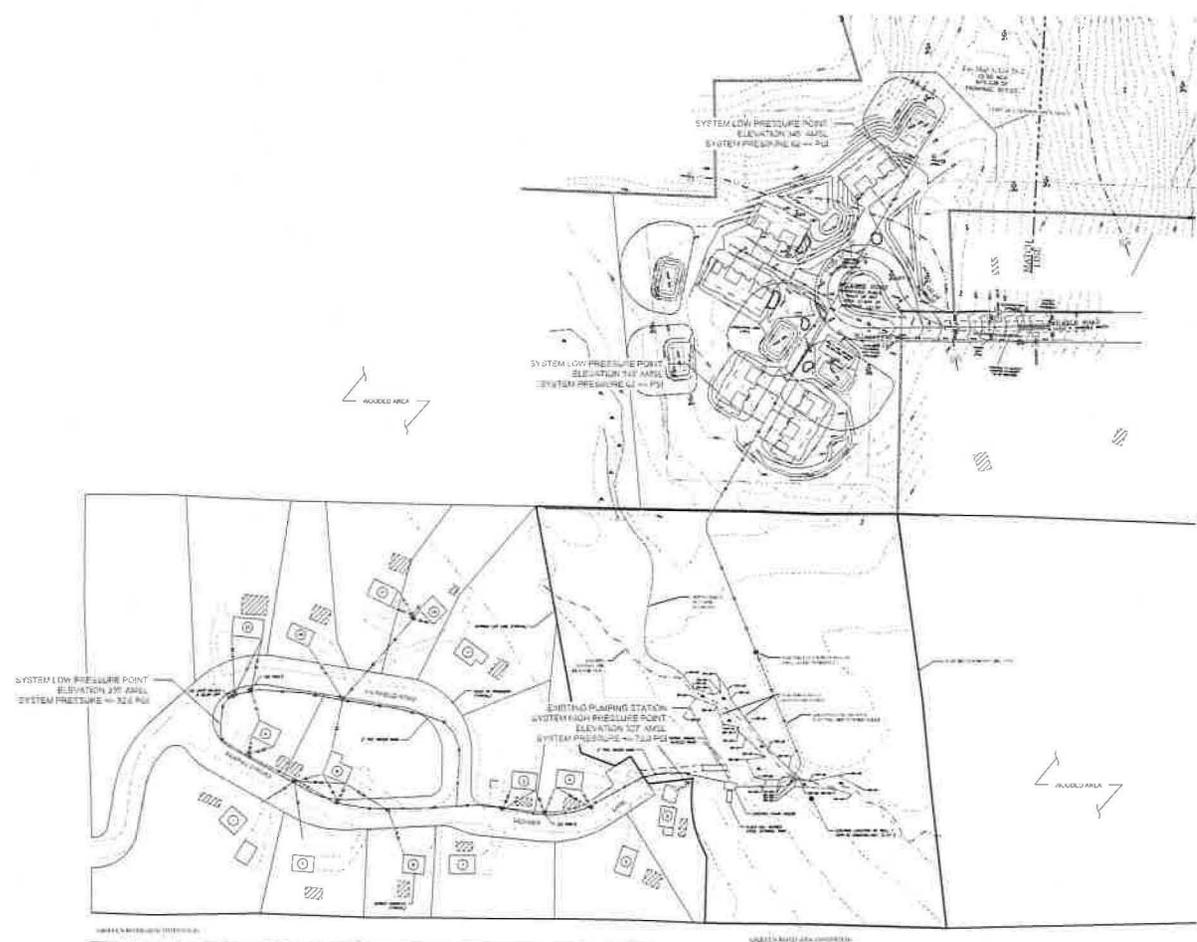
Staff 1-5

Please provide a copy of the water system site plan showing the various mains, well(s), pump house(s), services, etc...

Response 1-5

See Attachment

SHEET 1 OF 1



DRAWN FOR 	PREPARED BY 	ORIGINAL FULL SIZE DRAWING = 4" REPRODUCTIONS MAY BE REDUCED SIZE		DRAWING NO. V-01	TITLE BRW-2 AS-BUILT
		APPROVED _____	JOB NO.	CONTRACT NO.	LOCATION FAIRFIELD ESTATES, SANDOWN, NH
REVISIONS NO. INITIAL RELEASE DATE	DATE 12/3/2018	ENGINEER JMM	CHECKED JMM	SCALE 1" = 50'	DATE DEC. 2018
				SHEET 1 OF 1 SHEETS	OWNER HAMPSTEAD AREA WATER COMPANY, INC.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-6

Witness: Charles Lanza

Staff 1-6

Please explain if the Company will be providing fire protection services to Kelly Green.

Response 1-6

The Company will be providing fire protection in the form of residential fire sprinkler pumping capacity.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-7

Witness: Charles Lanza

Staff 1-7

Regarding the Kelly Green apartments:

- a) What is the construction status of Kelly Green?
- b) When will the first Kelly Green customer begin accepting water service?
- c) What is the anticipated plan for adding the remaining customers?

Response 1-7

- a. 4 Units are occupied, and the remaining 18 units are under various phases of construction.
- b. 3/12/19. Note the customers are not being billed for water service until PUC approval is final.
- c. There are 4 units currently occupied. An additional 5 units are expected to be occupied by mid-June. An additional 5 units are expected to be occupied by August and the remaining are TBD.

**DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS**

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-8

Witness: Charles Lanza

Staff 1-8

Exhibit 11

The letter from the Town of Sandown indicates the Town was notified of HAWC's proposed petition to acquire and operate a small water system in Sandown to serve the Kelly Green development located off Wilkele Road which will consist of approximately 22 townhouse style apartment units. Does the Company intend to notify the Town of Sandown the same petition also includes an intent to franchise additional acreage which encompasses a number of existing homes in the Town? If so, when? If not, please explain further.

Response 1-8

Yes, a revised letter to the Town, and corresponding letter from the Town to the PUC are attached. These revised exhibits will be submitted separately to the service list.

REVISED EXHIBIT 10

April 16, 2019

Board of Selectmen
Town of Sandown
320 Main Street
P.O. Box 1756
Sandown, NH 003873-2613

Dear Board Members:

This letter is to advise you that the Hampstead Area Water Company, Inc. is filing a petition with the State of New Hampshire Public Utilities Commission to franchise a limited area in your town.

The purpose of the franchise area will be to serve the newly-developed subdivision/site known as Kelly Green, located off Wilkele Road, in Sandown, New Hampshire, being developed by Lewis Builders, Inc., expand its existing Fairfield franchise area to the South to the town border and East to Hampstead Road, and expand its existing Mill Woods franchise to service additional adjacent properties. This will create a new single franchise area. Please see the enclosed proposed franchise map.

We request that the Board of Selectmen acknowledge, in writing, to the Public Utilities Commission that they have been duly notified of this proposed petition to franchise this limited area. We have provided a form which you can sign and mail in the enclosed stamped envelope.

By signing this letter, you are **not** waiving any right to intervene, should you so desire, nor to appear before or take part in the franchise proceedings before the PUC, should you so desire, but are only acknowledging that we have notified you of this proposed franchised petition.

If you have any questions, please do not hesitate to call me at the above number at extension 136.

Very truly yours,

Anthony S. Augeri,
2nd General Counsel

ASA/ja
encl.

REVISED EXHIBIT 11

TOWN OF SANDOWN

Stephen Frink
Public Utilities Commission
21 Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

RE: Petition of Hampstead Area Water Company, Inc. to develop a satellite water system in Sandown to service the Kelly Green development, in Sandown, NH.

Dear Mr. Naylor:

Please be advised that the Sandown Selectmen have been notified of the proposed petition to acquire and operate a small water system in Sandown to serve the Kelly Green development, located off Wilkele Road in Sandown, New Hampshire, which will consist of approximately 22 townhouse style apartment units, as well as expand its existing Fairfield franchise area to the South to the town border and East to Hampstead Road, and expand its existing Mill Woods franchise to service additional adjacent properties which, altogether, will create a new single franchise area.

Our address is 320 Main Street, P.O. 1756, Sandown, NH 03873-2613, and our telephone number is 603-887-3646.

Dated: _____

Sandown Board of Selectmen

By: _____

Title: _____

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19
Staff 1-9

Date of Response: 04/17/19
Witness: Charles Lanza

Staff 1-9

Ref. Petition and Exhibit 4

This describes the location of a new development known as Kelly Green off Wilkele Road in Sandown, NH Tax Map 17, Lot 51. However, the proposed franchise area encompasses many tax lots “containing 252.80 acres more or less”. Please explain why the Company has proposed a franchise area larger than the proposed satellite system and how it is in the public good?

Response 1-9

The Company chose the proposed franchise area for the following reasons:

- a. The Company has been asked to service a lot outside of the Mill Woods Franchise Area (DW-05-063). By incorporating this area into this petition, the costs associated with a separate petition can be avoided.
- b. The franchise area abuts the existing HAWC core franchise area.
- c. This request is in the public good because it will encompass the new Kelley Green development and expand both its smaller Fairfield and Mill Woods franchises into a single franchise area which allows HAWC to honor service requests and efficiently handle future service requests close in proximity.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-10

Witness: Charles Lanza

Staff 1-10

Ref. NH RSA 374-27

What, if any, plans does the Company have to provide water service in the proposed franchise area outside of the Kelly Green development?

Response 1-10

The Company has been requested to provide water service to lot 2-33-7.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19
Staff 1-11

Date of Response: 04/17/19
Witness: John Sullivan

Staff 1-11

Exhibits 1 and 7

The total cost to the developer is stated as \$80,685 which the Company then breaks out to \$70,500 of mains, wells and pump house/ site work, etc... plus \$10,185 of cash counted as CIAC from Lewis Builders Development, Inc. to HAWC.

- a. How was the \$10,185 calculated?
- b. What is the purpose of having the developer contribute the additional \$10,185?
- c. If the amount is to cover the HAWC's potential CIAC tax liability, where in the Company's tariff is this currently allowed?

Response 1-11

- a. This was calculated by taking the contract price (\$70,500) less note (\$22,000) which equals the CIAC amount (\$48,500). The new federal CIAC tax rate is 21%. $\$48,500 \times 21\% = \$10,185$.
- b. The CIAC tax is a cost associated directly with the acquisition of this system by HAWC from the Developer. In the Company's opinion, this cost (CIAC tax) should be paid by the developer and not by HAWC. Having HAWC pay this tax would hurt the existing customers by reducing the cash position of the Company.
- c. While recovery of potential CIAC tax liability is not currently expressly allowed by HAWC's tariff, HAWC is in the process of seeking revisions to its tariff to recover the tax liabilities associated with the receipt of contributions in the aid of construction (CIAC) for both property and cash payments and anticipates filing for such revisions shortly based, in part, on DW 18-189 currently pending before the PUC.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-12

Witness: Charles Lanza

Staff 1-12

Exhibit 7

What is the \$10,000 of miscellaneous Engineering expenses? Please provide supporting material to back this up.

Response 1-12

Misc. Engineering Expenses including Water System Design and Well Permitting:

- Project Management and Supervision = \$4,700.00
- Engineering = \$ 5,300.00

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19
Staff 1-13

Date of Response: 04/17/19
Witness: John Sullivan

Staff 1-13

Testimony of St Cyr, Page 3

- a. Please confirm the dates on page 3, lines 19 and 20 as 2017 rather than 2007.
- b. Please provide statements for year ending 2018.

Response 1-13

- a. Yes, the dates on page 3, lines 19 and 20 as 2017 rather than 2007.
- b. We have not yet finalized the 12/31/18 financial statement.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
KELLY GREEN, SANDOWN FRANCHISE EXPANSION
ANSWERS TO STAFF DISCOVERY REQUEST – SET 1
ANSWERS

Date request received: 04/03/19

Date of Response: 04/17/19

Staff 1-14

Witness: Stephen St. Cyr

Staff 1-14

Please provide HAWC's debt to equity ratio utilizing 2018 year-end balances as well as the petitioned \$22,000 loan at 0% interest.

Response 1-14

We have not yet finalized the 12/31/18 financial statement that is needed to answer this request, and the Company will provide a response to this request once done.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
PETITION TO EXPAND FRANCHISE – SANDOWN
MAY 8, 2019 TECH SESSION - DISCOVERY REQUEST
ANSWERS

Date request received: 05-08-19
TECH 1-1

Date of Response: 05-23-19
Witness: Charles Lanza

Tech 1-1

Reference: Commissioner Bailey's Prehearing Conference Question

- a) Does HAWC plan to connect the two previously approved franchise areas (Fairfield and Mill Woods) via a water main in the proposed franchise area?
- b) Please further explain the Company's plans, if any, to serve the existing, non-HAWC, customers in the proposed franchise area. Please detail potential sources of water, such as the Core HAWC Distribution system, potential distribution mains, including in between Community Water Systems (CWS) and any other applicable water infrastructure.

Response Tech 1-1:

- a) HAWC does not have plans to connect the Fairfield and Mill Woods franchise areas via a water main.
- b) Currently the only plans to serve non-HAWC customers in the proposed franchise area are along Valerie Way in Sandown. The expansion to Valerie way would be served by the Mill Woods CWS.

DW 19-031
HAMPSTEAD AREA WATER COMPANY, INC.
PETITION TO EXPAND FRANCHISE – SANDOWN
MAY 8, 2019 TECH SESSION - DISCOVERY REQUEST
ANSWERS

Date request received: 05-08-19
TECH 1-2

Date of Response: 05-23-19
Witness: Charles Lanza

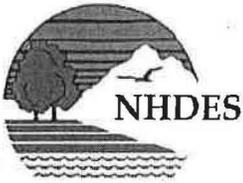
Tech 1-2

Reference: Staff 1-3 and 1-6

- a) Please explain further the combined water requirements of the Fairfield and Kelley Green customers. Will the new, expanded system meet those requirements? If so, how?
- b) Please explain the water capacity and flow requirements for Kelley Green's sprinkler system. How does the Company intend to meet that requirement? Please include specific capacity (gallon) requirements for the combined system and fire prevention system.

Response Tech 1-2:

- a) The expanded Fairfield and Kelley Green customers will require a DES Design flow of 13,350 gallons per day. The newly expanded system will meet those requirements as noted in the attached DES Design Review for the expansion.
- b) The Kelley Green fire sprinkler system requires 26 gallons per minute of flow for a minimum of ten minutes. The current Fairfield Pump Station can pump in excess of 120 gallons per minute and contains adequate storage to meet the flow requirements.



The State of New Hampshire
Department of Environmental Services



Robert R. Scott, Commissioner

March 7, 2019

Via e-mail

Mr. Harold Morse
Hampstead Area Water Company
54 Sawyer Avenue
Atkinson, NH 03811
EMAIL: harold@hampsteadwater.com

APPROVAL FOR EXPANSION

Re: DR005312 - Community Water System Expansion for Fairfield (PWS 2082020)
Tax Map 5, Lot 28-2 in Sandown, New Hampshire

Dear Mr. Morse:

The New Hampshire Department of Environmental Services, Drinking Water and Groundwater Bureau (NHDES) hereby grants Approval for Construction to expand the referenced water system to accommodate the "Kelly Green" development subject to the conditions outlined herein, including compliance with Env-Dw 405 *Design Standards for Small Community Water Systems*. This approval expires 4 years from today's date unless at least 50% of the water system expansion has been completed, and does not relieve the applicant from the obligation to obtain other local, state or federal permits that may be required.

Based on your submittals received from Mr. John Herbst of your staff on January 23, 2019, the new water system is defined as follows:

- Well description(s): 001 Bedrock Well 1 (BRW1), 125 feet southeast of Pump House (existing)
 - 002 Bedrock Well 2 (BRW2), 220 feet northwest of Pump House (new)
- Service population: 37 residential units, serving 71 people.
- The system design flow or maximum daily demand is calculated as 13,350 gallons per day (gpd).
- The minimum required Sanitary Protective Area (SPA) radius is 200 feet from the wellhead per NHDES Source Water approval dated January 23, 2019.
- Site Plans: "BRW-2 As-built" for Fairfield Estates, Sandown, NH, Prepared by Hampstead Area Water Company, Inc. December 2018.
- Water Quality analysis: - Nelson Analytical Laboratory, ID No. 118102686.01, sampled October 25, 2018.
- All primary contaminants meet the Safe Drinking Water Act standards except for:
 - Compliance Gross Alpha 54.1 pCi/L (Bedrock Well 2, only)
- Water treatment will be by blending BRW2 with BRW1 as detailed in separate forthcoming correspondence from NHDES.
- Water Storage – existing 5,000 gallons of atmospheric storage – **WAIVER RESPONSE** – Env-Dw 405.18(c) requires atmosphere storage to be 6,675 gallons, for which it was requested that the existing 5,000 gallon tank be deemed as adequate for this expansion. This waiver is **CONDITIONALLY APPROVED** provided that water use reporting received after all the 22 new units are constructed and occupied show that average daily flow does not exceed 10,000 gallons per day and no single day flow exceeds 13,350 gallons, exclusive of an acute event (e.g. faulty valve, pipe burst in residence, etc.) that causes a release of water that is immediately repairable.

DES Website: www.des.nh.gov

P.O. Box 95, 29 Hazen Drive, Concord, New Hampshire 03302-0095

Telephone: (603) 271-2513 • Fax: (603) 271-5171 • TDD Access: Relay NH 1-800-735-2964

Construction Requirements:

1. The system construction shall conform to **Env-Dw 405 Design Standards for Small Community Water Systems**.
2. The system shall conform to all requirements established per the department's **Source Water and Water Conservation Plan** approvals.
3. **Subdivision Deed Covenants shall list all restrictions on water uses including fire flow and in-ground irrigation, and the requirement for water billing at least quarterly, based on service meter readings.** Copy of the recorded covenants shall be submitted prior to startup with the water system Final Business Plan.
4. **Well casing(s) shall project** at least one foot above finished grade, and at least 3 feet above the 100-year flood level or the highest known flood elevation, whichever is greater.
5. Each well source shall have a **discrete source sampling tap and source water meter**. Meters shall be instrumented to record **24-hour maximum water use**, and should be read at least weekly. The discrete source sampling tap shall be located before any storage tank or check valve.
6. Meters shall be AWWA certified and installed in strict accordance with manufacturer's installation instructions.
7. If treatment is used, **mid and post treatment sampling taps** shall be installed after each process unit as well as post blending and storage, for system sampling and monitoring.
8. The atmospheric storage tank shall be equipped with a lockable, capped filler pipe to accommodate emergency bulk water delivery by a tanker truck.

Upon Completion of Construction

1. The owner shall comply with water use and reporting requirements per Env-Wq 2102, including registration and reporting of **monthly total and maximum 24-hour usage to NHDES on a quarterly basis for each source**.
2. **Upon completion and occupancy of the first building in the Kelly Green project, the system operator shall inform NHDES so that the master sampling schedule can be reviewed and updated as necessary.**
3. A **Final Business Plan** including recorded Deed Covenants for water use restrictions and water billing shall be updated and submitted per Env-Dw 602 *Capacity Assurance for Proposed Public Water Systems*.
4. An **Emergency Plan** shall be updated and submitted in accordance with Env-Dw 503.21.
5. The **Operation and Maintenance Manual** and **Final Record Drawings** shall be made available onsite. Record drawings shall conform to Env-Dw 405.33 *System Construction*, with electronic copy submitted for DES records.

I can be reached at (603) 271-2953 and Thomas.Willis@des.nh.gov with any questions regarding this approval.
Sincerely,



Thomas H. Willis, Jr., PE
Drinking Water and Groundwater Bureau
Small Systems Engineering - Design Review

cc. John Herbst, Hampstead Area Water Company
Cynthia Klevens, DWGB Small System Engineering Supervisor
Mary Clairmont, DWGB Surveyor
Andrew Koff, P.G., DWGB Community Well Siting --
Stacey Herbold, DWGB Water Use Registration and Water Conservation,

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**Date request received: 05-08-19
TECH 1-3**

**Date of Response: 05-23-19
Witness: Stephen St. Cyr**

Tech 1-3

Reference: Exhibit 2, Petition filing February 12, 2019 and Staff 1-4

Please explain the difference in the treatment cost included in the purchase price of the system (Exhibit 2) and the treatment cost of “\$4-5k” in Staff 1-4.

Response Tech 1-3

The treatment costs of \$15,000 included in the purchase price is the capital costs of the treatment equipment. The treatment costs of “4-5k” is the replacement costs of the media.

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**Date request received: 05-08-19
TECH 1-4**

**Date of Response: 05-23-19
Witness: Stephen St. Cyr**

Tech 1-4

Reference: Exhibit 1 and Staff 1-11

Exhibit 1 states the amount to cover the Company's estimated Tax liability for accepting \$48,500 in CIAC as \$10,185. Staff's position is that the \$10,185 is additional CIAC.

- a) Does the Company agree?
- b) If so, does the Company agree that the total CIAC reported in its filing should be reflected as \$58,685 rather than the current amount of \$48,500?

Response Tech 1-4

- a) No. The Company proposes to record the receipt of the cash of \$10,185 as income (JE#1) and the disbursement of the cash as federal tax expense (JE#7).
- b) Any cash received to pay the CIAC tax will be record as income so as to pay the related federal tax.

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**Date request received: 05-08-19
TECH 1-5**

**Date of Response: 05-23-19
Witness: Stephen St. Cyr**

Tech 1-5

Referencing Tech 1-3 and Exhibit 8, SPS 1-5

If the total CIAC accepted by the Company is \$58,685, please re-submit any and all applicable schedules or documents referencing the total CIAC, including SPS 1-2 Line 44 and the Amortization of CIAC schedule on SPS-5.

Response Tech 1-5

See response to Tech 1-4

DW 19-031
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Date request received: 05-08-19
TECH 1-6

Date of Response: 05-23-19
Witness: Stephen St. Cyr

Tech 1-6

Please provide HAWC's debt to equity ratio utilizing 2018 year-end balances as well as the petitioned \$22,000 loan at 0% interest.

Response Tech 1-6

See attached revised SPS-3 utilizing 2018 year end balances.

F-1 BALANCE SHEET
Capital Structure

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
	EQUITY CAPITAL			
1	Common Stock Issued (201)	\$ 16,767		\$ 16,767
2	Other Paid-In Capital (209,211)	3,554,353		3,554,353
3	Retained Earnings (214-215)	(885,748)	3,782	(881,966)
4	Total Equity Capital	\$ 2,685,372	\$ 3,782	\$ 2,689,154
	LONG TERM DEBT			
5	Other Long-Term Debt (224)	\$ 3,658,169	\$ 22,000	\$ 3,680,169
6	Total Long-Term Debt	\$ 3,658,169	\$ 22,000	\$ 3,680,169
7	Total Capital Structure	\$ 6,343,541	\$ 25,782	\$ 6,369,323

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
	EQUITY CAPITAL			
1	Common Stock Issued (201)	0.26%		0.26%
2	Other Paid-In Capital (209,211)	56.03%		55.80%
3	Retained Earnings (214-215)	-13.96%	14.67%	-13.85%
4	Total Equity Capital	42.33%	14.67%	42.22%
	LONG TERM DEBT			
5	Other Long-Term Debt (224)	57.67%	85.33%	57.78%
6	Total Long-Term Debt	57.67%	85.33%	57.78%
7	Total Capital Structure	100.00%	100.00%	100.00%

Executive.Director@puc.nh.gov
aaugeri@lewisbuilders.com
amanda.noonan@puc.nh.gov
anthony.leone@puc.nh.gov
bob@lewisbuilders.com
charlie@hampsteadwater.com
Chris@HampsteadWater.com
Christopher.tuomala@puc.nh.gov
harold@lewisbuilders.com
jayson.laflamme@puc.nh.gov
john@lewisbuilders.com
judy@lewisbuilders.com
ocalitigation@oca.nh.gov
robyn.descoteau@puc.nh.gov
stephenpsteyr@yahoo.com
steve.frink@puc.nh.gov