

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 07-074

HAMPSTEAD AREA WATER COMPANY, INC.

Petition for Approval of Transfer of Stock Ownership

Order Approving Transfer

ORDER NO. 24,803

November 2, 2007

I. BACKGROUND

Hampstead Area Water Company (HAWC) is a regulated water utility pursuant to RSA 362:2 and 362:4 and provides water service to approximately 2,700 customers in Atkinson, Hampstead, Nottingham, Danville, Sandown, Fremont, East Kingston, Kingston, Chester, Salem, and Plaistow. HAWC also provides public fire protection service to the Town of Atkinson. On June 19, 2007, HAWC filed a petition seeking authority to transfer the ownership of HAWC from Peter A. Lewis to his adult daughter, Christine Lewis Morse. HAWC proposes to effectuate the transfer by transferring all 100 outstanding shares of stock in HAWC to Ms. Morse. In support of the request, HAWC also filed direct testimony of Mr. Lewis, the sole stockholder and president of HAWC.

According to its petition, HAWC states that the stock transfer request arises out of estate planning activities being conducted by Mr. Lewis. Mr. Lewis' preference is to provide for an orderly transition of ownership of the Lewis family companies while he is still actively involved in the operation of those companies. HAWC is one of those companies. According to Mr. Lewis' testimony, Ms. Morse has been progressively taking over for Mr. Lewis in various businesses that he has owned.

HAWC asserts that Ms. Morse possesses the financial and managerial expertise necessary to operate the water company. In support of that assertion, HAWC states that Ms. Morse is president and sole shareholder of East Coast Lumber and Building Supply, Inc. and is vice president and chief operating officer of Atkinson Farms, Inc., the parent company of Atkinson Resort & Country Club, Inc. Ms. Morse has responsibility for the day-to-day operations of both companies, each of which employs more than 50 employees. Ms. Morse has a controlling interest in Atkinson Farms, Inc. and owns shares in Lewis Builders, Inc., the parent of Lewis Builders Development, Inc. Ms. Morse also has significant ownership in another land holding company, Centerview Hollow Land Company, LLC.

HAWC states there will be no changes in the day to day operation of HAWC as a result of the stock transfer. HAWC also states that Lewis Builders Development, Inc. will continue to perform under its management agreement with HAWC and that the technical and support staff of HAWC will remain intact.

On September 6, 2007, Staff of the Commission filed a letter recommending the Commission approve HAWC's request to transfer ownership. Staff stated that it had reviewed the petition and testimony, and had conducted discovery. Staff attached HAWC's responses to Staff's discovery requests to its recommendation. According to the discovery, Mr. Lewis was expected to remain involved with HAWC as its president for the near future as Ms. Morse becomes familiar with HAWC's operations and is integrated into the company. There will be no changes in personnel associated with the stock transfer. Ms. Morse will assume the title of vice president after the Commission approves the transfer. Staff learned that Ms. Morse is presently secretary and director of HAWC. As for Ms. Morse's qualifications, she has been with East

Coast Lumber and Building Supply, Inc. for nineteen years and for the past ten years she has been its president, secretary, and director. Ms. Morse has been with Atkinson Farms, Inc. for four years as its vice president, secretary, and director and has been progressively taking on Mr. Lewis' former responsibilities. According to data response Staff 1-7, Mr. Lewis and Ms. Morse expect to follow the same progression of responsibilities with respect to HAWC and that Ms. Morse will eventually supersede Mr. Lewis as president.

Based upon this information, Staff concluded that the transfer would not adversely affect the company and that HAWC would continue to possess the managerial, financial, and technical capabilities to operate the water utility. Staff, therefore, recommended the Commission approve the transfer of the stock of HAWC from Mr. Lewis to Ms. Morse pursuant to RSA 369:1.

II. COMMISSION ANALYSIS

A public utility may transfer its franchise when the Commission finds that it will be for the public good. RSA 374:30. The Commission is also required to make a finding of public good in instances where a public utility proposes to sell its stock. RSA 369:1.

In performing this review, the Commission has a longstanding practice of evaluating the managerial, financial, and technical ability of the proposed transferee to operate a public utility. In this case, Ms. Morse has been involved in many Lewis family businesses as an officer and owner over a period of years. Ms. Morse owns shares in Lewis Builders, Inc., the parent of Lewis Builders Development, Inc. We note that Lewis Builders Development, Inc. has provided favorable financing arrangements to HAWC, which we have approved. Further, Lewis Builders Development, Inc. also provides services to HAWC through a management agreement, which we

have approved. We conclude that Ms. Morse has the requisite managerial, financial, and technical ability to operate a public utility, in particular, HAWC.

We find the succession planning on the part of Mr. Lewis to be in the best interests of HAWC and its customers. The proposed change of control of the stock of HAWC will not adversely affect the utility's customers since there will be no change in the day-to-day operation of HAWC. Lewis Builders Development, Inc. will continue to perform under its management agreement with HAWC, and HAWC's technical and support staff will remain intact. Mr. Lewis will remain as president for the near future as Ms. Morse gradually assumes more responsibilities. For these reasons, we find the proposed transfer of stock from Mr. Lewis to Ms. Morse to be in the public good and we will approve the proposed stock transfer.

Based upon the foregoing, it is hereby

ORDERED, that the Petition for Approval of the Transfer of Stock Ownership of Hampstead Area Water Company, Inc. from Peter A. Lewis to Christine Lewis Morse is hereby APPROVED.

By order of the Public Utilities Commission of New Hampshire this second day of
November, 2007.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary