

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 11-143

HAMPSTEAD AREA WATER COMPANY, INC.

Petition to Issue Long Term Debt

Order *Nisi* Approving Long Term Debt

ORDER NO. 25,254

July 22, 2011

I. BACKGROUND

Hampstead Area Water Company, Inc. (HAWC) is a regulated public water utility pursuant to RSA 362:2 and 362:4 and serves approximately 2,948 customers in various communities in southern New Hampshire. On June 24, 2011, HAWC filed a petition seeking authority, pursuant to RSA 369, to issue long term debt. In support of the petition, HAWC filed the testimony of John Sullivan, controller for Lewis Builders, Inc., an affiliate of HAWC. The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, is posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2011/11-143.html>.

HAWC seeks approval to refinance an existing loan with TD Bank in the amount of \$1,380,000. The Commission approved the TD Bank loan in Order No. 24,999 in Docket No. DW 09-112 (94 NH PUC 407, 2009). HAWC seeks to refinance this loan with TD Bank and 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 new debt would be 5.08% which is lower than the current rate of 6.27%.

The original TD Bank loan was a five year note, dated August 14, 2009, and carried a twenty year amortization. While the proposed refinancing will lower the interest rate and extend the maturity date of the original loan to five years from the date of closing, it will not extend the amortization period and thus the amortization period of the refinanced note will be approximately 18 years.

HAWC's term sheet from TD bank, attached to the petition in Tab 1, indicates that HAWC will pay an origination fee of \$2,500 and would also be responsible for certain other closing costs, if required. According to the testimony of Mr. Sullivan, however, he does not expect that HAWC will be required to pay any additional costs and thus estimates the refinancing will result in cash savings to HAWC of \$10,941 annually.

On July 19, 2011, Commission Staff (Staff) filed a letter recommending that the Commission approve HAWC's request. Staff stated that it had reviewed the petition and found the terms of the refinancing to be favorable. Staff stated that the proposed refinancing would serve to reduce HAWC's overall cost of capital, which would be reflected in future customer rates. Staff recommended the issuance of an order *nisi*.

II. COMMISSION ANALYSIS

Pursuant to 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 consideration involves looking beyond actual terms of the proposed financing to the use of the proceeds, and the effect on rates, in order to insure that the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). As we have previously noted, "certain

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.” *In re Public Service Company of New Hampshire*, Order No. 25,050, 94 NH PUC 691, 699 (2009). We find that a limited review of the proposed refinancing is appropriate in this case.

HAWC asks to borrow \$1,380,000 to refinance an existing loan of the same amount. The new loan would be for a five year term with an 18-year amortization, which mirrors the remaining amortization period on the loan to be retired. HAWC indicates that this new loan will reduce the outstanding interest rate on this debt from 6.27% to 5.08% based on the index rate in effect at the time TD Bank provided its commitment for the loan. This rate reduction would result in cash savings of about \$10,941 annually to HAWC and a reduced cost of capital at the time HAWC seeks new rates in the future. This reduction in cost of capital will benefit customers. Having reviewed HAWC’s petition and Staff’s recommendation, we find that the proposed refinancing will benefit both HAWC and its customers by reducing its overall cost of capital. Accordingly, we find the terms of the refinancing to be consistent with the public good and we approve the amount and purpose of the financing. As noted earlier, the use of the proceeds of the original financing were approved in Order No. 24,999 in Docket No. DW 09-112 and involved capital additions placed in service in 2008 as well as the refinancing of other debt. *See Hampstead Area Water Company, Inc.*, 94 NH PUC 407 (2009).

Our approval is given on the condition that the final terms not differ substantially from those proposed in HAWC’s filing. If such terms vary significantly, we will require HAWC to

seek additional Commission approval. We will issue this order on a *nisi* basis to afford interested parties notice and an opportunity to be heard.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, the request to undertake the proposed financing, under the terms and conditions contained in Hampstead Area Water Company, Inc.'s petition and for the purpose outlined herein, is hereby APPROVED; and it is

FURTHER ORDERED, that Hampstead Area Water Company, Inc. shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than August 1, 2011 and to be documented by affidavit filed with this office on or before August 22, 2011; and it is


FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than August 8, 2011 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than August 15, 2011; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective August 22, 2011, unless Hampstead Area Water Company, Inc. fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

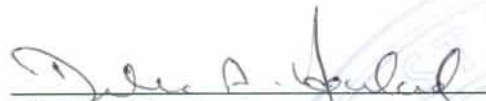
By order of the Public Utilities Commission of New Hampshire this twenty-second day
of July, 2011.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director

