

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 11-226

HAMPSTEAD AREA WATER COMPANY, INC.

Petition to Amend Order for Authority to Borrow

Order *Nisi* Granting Petition

ORDER NO. 25,526

June 21, 2013

I. BACKGROUND

On May 17, 2013, Hampstead Area Water Company, Inc. (HAWC) filed a petition to amend Order No. 25,299, dated December 8, 2011, to allow it to borrow an additional \$75,000 from the State Revolving Loan Fund (SRF) administered by the New Hampshire Department of Environmental Services (NHDES). HAWC also seeks authority to grant a security interest in the assets of the company as may be required for the SRF funds. HAWC filed testimony and schedules in support of its petition. The petition and subsequent docket filings, other than any 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/2011/11-226.html>.

The Commission authorized HAWC to borrow up to \$180,000 in SRF funds to finance the replacement of water service lines. HAWC states that an additional \$75,000 in SRF funds is now available which will enable it to continue its service line replacement program; HAWC proposes to replace an additional 50 to 60 service lines in the towns of Atkinson and Hampstead in HAWC's core system. The loan will have a 20-year term, principal and interest payments will begin 30 days from the date of closing, and the interest rate is estimated to be 2.72%. In Order

No. 25,519 (June 7, 2013), in Docket No. DW 12-170, HAWC's recent rate case, the Commission approved a step increase to HAWC's rates to recover capital improvements including service line replacements and approved a second step increase to allow HAWC to file on or after November 1, 2013 for certain 2013 capital improvements. This second step increase is capped at \$142,555 and is for additional service line replacement work completed with SRF funds.

On June 11, 2013, Staff recommended that the Commission approve HAWC's request. Staff stated that the additional debt and the associated rate base would have a rate impact of less than 1%. Staff stated that HAWC's service line replacement program was responsive to concerns of the NHDES and that it has had measurable effects in reducing water loss in the Atkinson-Hampstead core system. Staff's letter attached corporate resolutions supplied by HAWC, authorizing the company to enter into the SRF loan agreement. There are no intervenors in this docket.

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 of those funds, and the effect on rates, to ensure 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 PSNH*, Docket No. DE 09-033, Order No. 25,050, 94 NH PUC 691, 699 (2009).

HAWC seeks to borrow \$75,000 to finance continuation of its service line replacement program. The intent of the program is to address ongoing water loss issues resulting from breaks and leaks in the distribution system. In Order No. 25,299 issued December 8, 2011 in this docket, we noted HAWC’s efforts to address water losses and NHDES’s support for use of SRF funds to finance HAWC’s program. HAWC’s water loss mitigation program is consistent with the type of management decisions that are expected to be made in the course of appropriate utility operation. Thus, our review of the use of the proceeds of the financing is on the more routine end of the spectrum. Because the proposed additional service line replacements are reasonable steps taken to address water loss, we find the use of the proceeds of the financing to be appropriate.

With respect to the terms and conditions of the loan, the SRF loans are offered on very favorable terms with an interest rate that is expected to be 2.72%. The funds will be repaid over a 20 year amortization, consistent with past SRF loans. The project is not expected to have a significant impact on customer rates, estimated at less than 1%. We, therefore, find the terms and conditions, and the effect of the financing on rates, to be reasonable.

Having reviewed the filing and Staff’s recommendation, and consistent with our earlier findings in this docket, we find that HAWC has demonstrated that the proposed service line replacement program will enable it to provide better service to customers. We find the terms of the financing to be consistent with the public good and we approve the amount and purpose of

the financing. As HAWC has indicated that it may be required to provide a security interest in its assets to secure the loan, we provide our approval, pursuant to RSA 369:2, for HAWC to provide a security interest in its real and personal property. Because the actual interest rate on the loan has not been finally determined, we will condition our approval on the final terms not being substantially different from those proposed by HAWC and that, if such terms vary significantly, HAWC seek further 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 HAWC's petition and for the purpose as outlined therein, is hereby APPROVED; and it is

FURTHER ORDERED, that HAWC is authorized to grant a security interest in its real and personal property to secure the loan, if so required; and it is

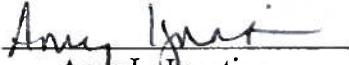
FURTHER ORDERED, that HAWC shall cause a copy of a summary of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than June 26, 2013, and to be documented by affidavit filed with this office on or before July 2, 2013; 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 July 1, 2013, for the Commission's consideration; and it is

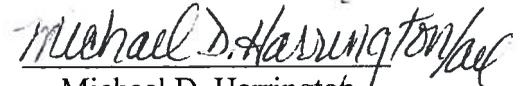
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than July 3, 2013; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective July 5, 2013, unless HAWC 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-first day of June, 2013.

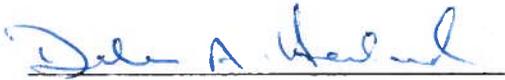


Amy L. Ignatius
Chairman



Michael D. Harrington
Commissioner

Attested by:



Debra A. Howland
Executive Director