

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 14-107

HAMPSTEAD AREA WATER COMPANY, INC.

Petition to Expand Franchise Area in the Town of Newton

Summary Order *Nisi* No. 25,704 Granting Petition

August 7, 2014

Hampstead Area Water Company, Inc. (HAWC), is a public utility that provides water service to over 3,200 customers in 12 towns in southern New Hampshire. HAWC sought authority to expand a satellite system located at the Sargent Woods Condominium Development (Sargent Woods) onto Town of Newton Tax Map Lot 7-5-4 to serve a proposed 35-unit expansion of Sargent Woods (Expansion). HAWC also requested authority to acquire assets that are necessary to serve the Expansion and to issue debt in the amount of \$35,000 to acquire those assets. Finally, HAWC requested authority to charge the customers served within the Expansion its currently-approved consolidated rates.

The owner of the development and the developer are both affiliates of HAWC and are constructing an extension of the existing water system. They have agreed to sell those assets to HAWC at a price of \$1,000 per residential connection, or \$35,000. In order to finance the purchase of the system assets, HAWC has executed a promissory note payable to LBDI, a HAWC affiliate, in the amount of \$35,000. The terms of the note include a requirement for HAWC to make 240 monthly payments of principal and interest over a 20 year term. The interest rate on the note is 2.25% above the Prime Rate published in the *Wall Street Journal* on the last business day of the calendar quarter preceding Commission approval of the financing. Subsequently, the interest rate will be adjusted every third year on its anniversary date. At current interest rates, the interest rate on the note would be 5.50%. *Id.* The total estimated cost of construction of the mains and services is \$143,000. That portion of the cost of

construction which is over and above the \$35,000 purchase price will be treated as Contributions in Aid of Construction.

The New Hampshire Department of Environmental Services has approved the expansion of the Sargent Woods water system. Commission Staff (Staff) recommended that the Commission approve HAWC's petition to expand its franchise.

By order *nisi* dated August 7, 2014, the Commission granted HAWC's petition to expand its franchise because HAWC has the requisite managerial, technical, and financial, expertise to operate a regulated water utility and to provide water service to the proposed franchise area, and there is suitable water available for the expansion. The Commission approved the acquisition of assets necessary for the expansion through the issuance of debt because the purposes and use of the debt is an appropriate use of utility funds and is consistent with the public good. Last, the Commission authorized HAWC to charge its current tariffed rates in the expanded franchise area on a service-rendered basis as of the effective date of its order. The Commission has previously found these rates to be just and reasonable for HAWC's core and satellite systems.

In order to ensure that all interested parties receive notice of this docket and have an opportunity to request a hearing, the Commission delayed the effectiveness of its approval until September 8, 2014. All persons interested in responding to the Commission's approval 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 25, 2014. Any party interested in responding to such comments and request for hearing shall do so no later than September 2, 2014. Following consideration of any comments and request for hearing received, the Commission may further extend the effective date of its approval. The Commission's approval shall become final and effective on September 8, 2014, unless the Commission orders otherwise.