

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 16-654

HAMPSTEAD AREA WATER COMPANY, INC.

Petition for Financing Approval

Order *Nisi* Approving Petition

ORDER NO. 25,930

July 29, 2016

In this order *nisi*, the Commission approves a petition of Hampstead Area Water Company, Inc., to borrow \$2,125,930 from Pentucket Bank. The company will use the proceeds to retire two loans due in September 2016. We find the debt consistent with the public good and approve the financing as proposed. This order is being issued on a *nisi* basis to ensure that all interested parties receive notice of the Commission's determination and have the opportunity to request a hearing prior to the effective date of the order.

I. PROCEDURAL BACKGROUND

Hampstead Area Water Company, Inc. ("HAWC" or the "Company"), provides water service to approximately 3,400 customers in 12 communities in New Hampshire. On June 13, 2016, HAWC submitted a request seeking authority, pursuant to RSA 369:1 *et seq.*, to borrow \$2,125,930 from Pentucket Bank. On June 17, 2016, staff requested additional information from HAWC. HAWC responded on June 23, and on July 1, Staff recommended approval. HAWC's petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-654.html>.

II. POSITIONS OF THE PARTIES

A. Hampstead Water Company, Inc.

HAWC contends that its petition is consistent with the public good. The Company intends to retire two loans currently outstanding with TD Bank, N.A. The original amount of the first loan was \$1,369,153, approved in Docket No. DW 11-143. *See* Order No. 25,254 (July 22, 2011). The original amount of the second loan was \$1,200,000, approved in Docket No. DW 11-162. *See* Order No. 25,272 (September 28, 2011). The current outstanding balance on both loans totals approximately \$2,125,930. The Company plans to retire the balance on both loans in September when they mature, using the proceeds of the loan from Pentucket Bank. The Pentucket Bank loan will have a 15-year maturity with a fixed interest rate of 3.25% for the first five years. Thereafter, the interest rate is subject to adjustment every five years to 225 basis points above the five year Federal Home Loan Bank of Boston rate. HAWC will give a security interest in all of its assets as collateral for the loan. The Company argues that this transaction is consistent with the public good, because it will replace two loans that have higher interest rates with one loan that bears a lower interest rate.

B. Staff

Staff found the proposed financing and HAWC's use of the proceeds consistent with the public good and recommended that the Commission approve the company's request. Staff believes replacement of both loans with one new loan is "consistent with the public good" and consistent with the Company's duty to charge just and reasonable rates to its customers. The new debt will replace existing debt on the balance sheet and will have a minimal impact on the Company's capital structure. The lower interest rate will result in an overall reduction in the cost of debt. Staff recommends the Commission approve HAWC's request.

III. COMMISSION ANALYSIS

RSA 369:1 states that a utility “may, with the approval of the commission but not otherwise, issue and sell ... notes and other evidences of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes.” The Commission must conduct a “hearing or investigation as it may deem proper,” then authorize the financing “if in its judgment the issue of such securities upon the terms proposed is consistent with the public good.” RSA 369:4.

The Commission reviews the amount to be financed, the reasonableness of the terms and conditions, the proposed use of the proceeds, and the effect on rates. *Appeal of Easton*, 125 N.H. 205, 211 (1984). The rigor of an *Easton* inquiry varies depending upon the circumstances of the request. 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.” *Public Service Co. of N.H.*, Order No. 25,050 (December 8, 2009) at 14, *cited in Lakes Region Water Company, Inc.*, Order No. 25,391 (July 13, 2012), at 30-31.

The proposed financing is routine in nature and, thus, we engage in a more limited *Easton* review. *Public Service Co. of N.H.*, Order No. 25,050 at 13-14. A routine request is one “that will have no discernable impact on rates or deleterious effect on capitalization, [and] in which the funds are to enable numerous investments appropriate in the ordinary course of utility operations.” *Id.* at 13. A routine request calls for an examination of whether the “use of financing proceeds [is] in the public good without further review of possible alternative uses of

the funds.” *Id.* at 16; and RSA 369:4 (finding of public good required for approval of long-term public utility debt).

HAWC’s filing includes sufficient information about the proposed use and benefits of the financing. The company seeks to replace two loans due and payable in September 2016 with a single loan bearing a lower interest rate than that of the current outstanding loans. The terms of the new loan including the repayment period and interest rate are reasonable and reflect prudent utility management.

In conclusion, we find the proposed financing consistent with the public good. The terms reflect an appropriate balancing of company and customer interests, and we approve it as filed.

Based upon the foregoing, it is hereby

ORDERED that authority to undertake the proposed financing, under the terms and conditions contained in the petition of Hampstead Area Water Company, Inc., and for the purposes as outlined herein, is hereby **APPROVED**, and it is


FURTHER ORDERED, that HAWC shall cause 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 August 8, 2016, and to be documented by affidavit filed with this office on or before August 24, 2016; 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 15, 2016, for the Commission’s consideration; and it is


FURTHER ORDERED, that any party interested in responding to such comments or request for a hearing shall do so no later than August 22, 2016; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective August 29, 2016, 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.

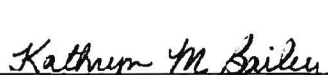
By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of July 2016.



Martin P. Honigberg
Chairman

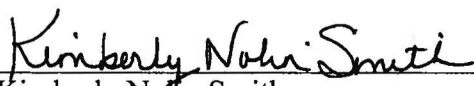


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Kimberly Nolin Smith
Assistant Secretary