EXHIBIT 4

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

RE: HAMPSTEAD AREA WATER COMPANY, INC.

DW-08-

PETITION FOR AUTHORITY TO BORROW LONG TERM DEBT, TO CONSTRUCT WATER SYSTEM INTERCONNECTION, APPROVAL TO EXTEND FRANCHISE AREA, AND FOR STEP RATE INCREASE

PREFILED DIRECT TESTIMONY OF STEPHEN P. ST. CYR

Q. What is your name and business address?

A. My name is Stephen P. St. Cyr and my business address is 17 Sky Oaks Drive, Biddeford, Me.

Q. Who is your employer?

A. My employer is Stephen P. St. Cyr & Associates.

Q. What are your responsibilities in this case?

A. My responsibilities are to support Hampstead Area Water Company's ("Company" or "HAWC") effort to obtain Public Utilities Commission ("PUC") approval of financing with State Revolving Funds ("SRF") and approval of related step increase. My responsibilities include preparing the financial exhibits and prefiled direct testimony which describes the financing, the step increase and the financial schedules. In addition, I am prepared to testify in support of financing and step increase.

Q. Have you prepared testimony before this Commission?

A. Yes, I have prepared and presented testimony in numerous cases before the Public Utilities Commission, including requests for new and expanded franchises, requests for approval of State Revolving Fund ("SRF"), commercial bank and owner financings and requests for rate and step increases.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the Company's effort to borrow funds from the State of New Hampshire's Revolving Fund, which will allow it to constructed approximately 15,000 feet of mains to interconnect its Atkinson and Hampstead water systems.

Q. Please describe the construction of the mains to interconnect the Atkinson and Hampstead water systems.

A. The Company is proposing to install approximately 15,000 feet of 10" PVC water main in order to interconnect the Walnut Ridge Water System and the Hampstead Area Water System. Starting in Atkinson with an existing 8" PVC water main on Route 121 across from Winslow Drive, the 10" PVC SDR21 water main is proposed to run northerly to the intersection of Whippoorwill Lane and Route 121 where it will connect to a section of existing 8" PVC water main. It will then start to run northerly again from the intersection of Pope Road to the existing Brickett's Mill small community water system at the intersection of McGregor Drive and Route 121 in Hampstead. At the intersection of Ricker Road and Route 121, the 10" water main will continue to run northerly to an existing 8" main at the intersection of West Road and Route 121 in Hampstead. The project will include 10" PVC water mains, associated fittings, valves, and a possible booster station.

Q. When does the Company anticipate beginning the construction of the mains?

A. The Company anticipates construction beginning in the spring of 2009.

Q. When does the Company anticipate completing the construction of the mains?

A. The Company anticipates completion of the project roughly 44 days after construction begins.

What are the costs of the interconnection of the Atkinson and Hampstead water systems?

A. The estimated costs are $1,100,885.

Q. How much of the costs will be financed?

A. All of the costs.

Q. What is the source of financing.

A. The State Revolving Fund.

Q. Has the project been approved by the New Hampshire Department of Environmental Services ("DES")?

A. DES recommends and supports the project.

Q. Are the funds available from the SRF?

A. Yes. DES has indicated that it has $1,100,000 for this project.

Q. What are the terms and conditions of the SRF loan?

A. The length of the loan is 20 years. The interest rate is 3.448%.

Q. Did the Company consider any other financing options?

A. No.

Q. How does the Company propose to recover its investment?

The Company proposes to recover its investment through an increase in rates to its customers via a step increase.

Q. Will the DES approve the loan without an increase in rates?

A. No.

Q. How much additional revenue will be required in order to recover and earn a return on the investment?

As shown on SPS-7, the total additional revenue required is $85,340.

Has the Company determined the impact of the financing and the additions to plant on the Company's financial statements?

Yes. I have prepared proforma financial statements identified as SPS 1-1 – SPS 7.

Would you please explain Schedule SPS 1-1, entitled Balance Sheet – Assets and Other Deferred Debits?

Yes. Generally, column (a) identifies the line number on the schedule. Column (b) identifies the account title and PUC account number. Column (c) identifies the actual December 31, 2007 account balances. Column (d) identifies the 2008 Lewis financing adjustments. The 2008 Lewis financing was filed earlier this year and is the subject of DW 08-033. Column (e) reflects the adjusted December 31, 2007 account balances for the 2008 Lewis financing. Column (f) identifies the 2008 SRF financing and step increase adjustments. Column (g) reflects the adjusted December 31, 2007 account balances for the SRF financing and step increase.

Please explain the adjustments related to 2008 SRF financing and step increase.

A. Schedule SPS 1-1 contains 4 adjustments.

The first adjustment to Utility Plant for $1,078,885 represents the total additions to plant in service for the costs of the mains and other plant. There are no retirements associated with the new plant.

The second adjustment to Accumulated Depreciation for $12,199 represents a half-year depreciation on the $1,078,885 of plant additions.

The third adjustment to Cash for ($4,087) is the net of the cash received from the SRF financing and the anticipated revenue from the proposed step increase less payment for the new plant, the repayment of the new loan and the payment of increased taxes.

The fourth adjustment to Miscellaneous Deferred Debits for $10,450 is the net of the costs incurred in order to pursue DES approval of the financing and PUC approval of the financing and step increase and the amortization of the SRF financing costs and the recovery of the step increase costs.

Q. Please explain Schedule SPS 1-2, entitled Balance Sheet – Equity Capital and Liabilities.

A. The description of the columns is the same as SPS 1-1.

Q. Please explain the adjustments related to the 2008 SRF financing and step increase.

A. Schedule SPS 1-2 contains 2 adjustments.

The first adjustment to Retained Earnings for $11,081 represents the net income impact of the various income statement transactions (i.e., revenue, depreciation expenses, taxes and interest expense).

The second adjustment to Other Long Term Debt for $1,061,968 represents the net amount of the borrowings of $1,100,885 and the first year repayment on the loan of $38,917.

Q. Would you please explain Schedule SPS 2, entitled Statement of Income?

A. The description of the columns is the same as SPS1-1.

Q. Please explain the adjustments related to the 2008 SRF financing and step increase.

A. There are 5 adjustments to the Statement of Income.

The first adjustment to Operating Revenue of $96,340 represents the anticipated revenue requirement associated with the additions to plant and recovery of one half of the SRF financing and step increase expenditures. The anticipated revenue requirement allows the Company to recover its investment and earn a return on the unrecovered investment.

The second adjustment to Operation and Maintenance Expense represents the regulatory commission expense associated with the SRF financing and step increase.

The third adjustment to Depreciation Expense of $12,199 represents the increase due to a half-year depreciation on the additions to plant.

The fourth adjustment to Taxes other than Income of $23,883 and Income Taxes of $280 represents the increase in state and local property taxes and the state business enterprise tax.

The fifth adjustment to Interest Expense of $37,347 and Amortization of Debt Expense of $550 represents the first year interest expense on the new debt and the first year amortization of the financing and step increase costs.

Q. Would you please explain Schedule SPS 3, entitled Balance Sheet, Equity Capital and Liabilities?

A. The actual 2007 Current Year End Balance is also reflected on the Balance Sheet (see SPS 1-2). The related capitalization ratios are shown on the bottom half of the Schedule. The Company's debt to equity position is heavily weighted towards debt due to its negative equity position. The Company's owner has made significant equity contribution in recent years. In 2007 the Company realized net income due to its recent rate increase, which reduces the negative equity position. The Company expects that the ratio will continue to improve.

Q. Should a debt to equity ratio that is heavily weighted toward debt be of concern to the Commission?

A. Yes. While a debt to equity ratio at this level would be unusual for many investor owned utilities, the nature of Hampstead Area Water Company is different from the typical investor owned utility. In this case, the owner of the Company is also the owner of the affiliated company which holds much of the existing debt. The owner has the resources to provide additional capital if the Company needs additional capital in order to meet its obligations. By financing the proposed projects with SRF rather than with higher cost bank debt or additional equity, the Company will be able to take advantage of the low interest costs and keep the ultimate cost of the projects down for itself and its customers.

Q. Please explain Schedule SPS-4, entitled Journal Entries.

A. Schedule SPS-4 identifies the specific journal entries used to develop the proforma financial statements. The significant journal entries are the recording of (1) the borrowing of funds, (2) the utilization of the funds for the additions to plant, (3) the repayment of the principal and interest on the loan, and (4) the anticipated revenue requirement via the step increase.

Q. Would you like to explain SPS-5?

A. SPS-5 is a schedule of plant and depreciation. Please note that the Company's 2008 depreciation expense reflects a half-year depreciation.

Q. Would you please explain SPS-6?

A. SPS-6 is a schedule showing the calculation of the increase in property taxes as a result of the plant being reflected in the assessed value for state and local property taxes. Also, it shows the calculation of the increase in business enterprise taxes.

Q. Would you please explain Schedule SPS 7, entitled Calculation of Revenue Requirement?

A. The sum of the additions to plant less the related accumulated depreciation result in a rate base of $1,066,686. The Company is applying the cost of the debt of 3.448 to determine the additional net operating income required. In addition, the Company adds a full year depreciation and taxes to the additional net operating income required in order to determine the total additional revenue requirement of $85,340.

Q. How does the Company propose to repay the new debt?

The Company proposes to increase rates via a step increase upon completion of the project. The Company's ability to repay the SRF loan is dependant on PUC approval of the step increase.

Why should the Commission approve the financing and step increase?

The Commission should approve the financing because it is in the best interest of the Company and its customers. The construction of the main and the interconnection of the Atkinson and Hampstead water system are necessary to improve flushing capabilities, to provide water in the event of an emergency and to provide more stability throughout the system as a whole.

Is there anything else that the Company would like to bring to the Commission's attention?

A. No.

Q. Please summarize the approvals that the Company is requesting.

A. The Company respectfully requests that the PUC approve the 2008 SRF financing of $1,100,885, under the terms stated previously and the step increase amounting to an increase in revenues of $85,340.

Does this conclude your testimony?

Yes.