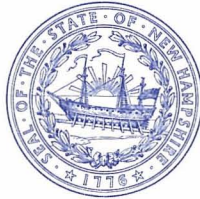


THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

CHAIRMAN
Thomas B. Getz

COMMISSIONERS
Clifton C. Below
Amy L. Ignatius

EXECUTIVE DIRECTOR
AND SECRETARY
Debra A. Howland

Tel. (603) 271-2431

FAX (603) 271-3878

TDD Access: Relay NH
1-800-735-2964

Website:
www.puc.nh.gov

December 2, 2011

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

Re: DW 11-193 Hampstead Area Water Company, Inc.
Request for Financing
Staff Recommendation for Approval

Dear Ms. Howland:

The purpose of this letter is to review the petition of Hampstead Area Water Company, Inc. (HAWC) in the above-referenced docket and to offer Staff's recommendation. The petitioner seeks approval pursuant to RSA 369 to issue long term debt in order to finance capital additions made to its water systems during 2011. HAWC proposes to borrow a total of \$339,400 from its affiliate, Lewis Builders Development, Inc. (LBDI), on a 20 year term at an interest rate of prime plus 2.25%, currently 5.50%. Based on Staff's review as detailed below, Staff supports granting of the petition.

HAWC filed its petition, accompanied by the direct testimony of Stephen P. St. Cyr, a financial consultant to the company, on September 2, 2011. On September 13, HAWC filed the remainder of the exhibits required pursuant to rule Puc 609.03. On December 2, 2011 HAWC filed a copy of a resolution of its Board of Directors, authorizing the company to enter into this proposed financing. HAWC proposes to borrow \$339,400 to finance the capital additions illustrated on exhibit 1 to the petition. Among these capital additions are pump, meter, and water main replacements, as well as costs associated with the continuation of the company's water loss and leak detection program. HAWC asserts that some of these improvements, including the replacement of meters and the water loss program, are as recommended by the Department of Environmental Services (DES). Other improvements, such as replacement of arsenic media and improvements to the SCADA system are consistent with the company's efforts to better serve its customers.

As a part of its review, Staff propounded discovery requests to HAWC; the company's responses are attached to this letter. HAWC indicates that a number of the capital improvements to be undertaken with the proceeds of this financing are in progress, including the water loss program. In May of 2011, HAWC provided a report to DES on this program, which is attached



to the company's response to Staff data request 1-2. HAWC is working toward reducing water loss in its Atkinson and Hampstead system to a level below 15%. In addition, source meters are being installed at a number of the company's satellite systems in order to better calculate water loss and identify areas for additional leak detection efforts.

The proposed interest rate on the loan of prime plus 2.25% is consistent with other recent loans to the company from LBDI, such as in DW 10-241 where HAWC borrowed funds for improvements at its Settlers Ridge system. Based on the current prime rate, the interest rate would be 5.50%. In discovery the company clarified that the interest rate on the note will be adjusted every three years, and a revised copy of the proposed note is included with HAWC's response to Staff's data request 1-3. Future impact on customer rates as a result of this financing and the associated capital improvements is estimated at 2.7%, based on the company's estimate of the additional revenues needed (\$44,626) and the 2010 total revenues of HAWC of \$1,661,728. HAWC has indicated that it anticipates filing a general rate case in 2012, based on a 2011 test year, and will seek to include the capital improvements financed by this new debt in rates at that time.

The impact of this additional debt on the company's capital structure is relatively minor, increasing the debt to equity ratio from 84/16 to just under 85/15. The issue of HAWC's highly leveraged capital structure was raised by Staff in Docket No. DW 10-241, and the Commission addressed the issue in its Order No. 25,195 issued in that docket. The Commission directed HAWC "to consider measures that it can undertake to improve its current debt-to-equity ratio and to provide a report on its progress to the Commission no later than June 30, 2011." On June 29 the company filed a letter outlining how, through general rate increases, net income, and recent equity contributions from shareholders, the debt to equity ratio of the company has improved since 2003. In addition, the company indicated that it has sought to refinance some of its existing debt in order to achieve lower interest rates. Staff notes that the company has recently sought authority to refinance debt in DW 11-143 and in DW 11-162, and that customers will benefit from this refinancing. While the company's capital structure remains highly leveraged, HAWC has taken steps to address the issue. Given HAWC's intention to file a rate case in 2012, this issue can be re-visited at that time.

Based on the above, Staff recommends approval of HAWC's request to borrow \$339,400 from LBDI at an interest rate of prime plus 2.25%, on a 20 year term. If you have any questions regarding this matter, please feel free to contact me.

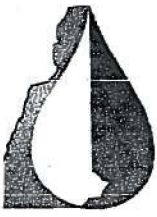
Sincerely,



Mark A. Naylor
Director, Gas & Water Division

Attachments

cc: Service List



HAMPS TEAD AREA
WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

TEL: 603.362.4299 FAX: 603.362.4936
www.hampsteadwater.com

November 9, 2011

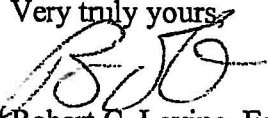
Marcia Thunberg, Esq.
NH PUC
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DW-11-193
Answers to Staff Data Requests – Set 1

Dear Marcia:

Please find enclosed the Company's Answers to Staff Data Requests – Set 1 regarding the above referenced docket. An electronic copy via email has also been sent to you and all persons on the service list.

Thank you for your assistance in this regard. Don't hesitate to call me if you have any questions.

Very truly yours,

Robert C. Levine, Esq.
General Counsel

Enclosures
RCL/ja

cc: HAWC Mgrs.
Stephen St. Cyr
11-193 Service List

Hampstead Area Water Company, Inc.
Request for Financing
DW 11-193
Staff Data Requests – Set 1
Answers

Date request received: 11/02/11

Date of Response: 11/08/11

Staff 1-1

Witness: Charles Lanza

Referencing Exhibit 1 of the petition, please provide the status of each capital expenditure, whether the work has been completed, is in process, or has yet to begin.

Response: The following chart indicates the status of each capital expenditure to date.

Hampstead Area Water Company
Capital Expenditure Budget
Year 2011

Item Description	Status
Replace misc pumps, replace mains	In Progress
Service\main replacements - Hovey\Hoyt\Merrill	Completed
SCADA at Kent Farm	Not Yet Begun
Midpoint -jockey pump with drive	Not Yet Begun
West Side Dr -jockey pump with drive	Not Yet Begun
Test\Replace 14 well meters	In Progress
System Wide Water Loss Program (2 year program)	In Progress
Replace mains found during leak detection	In Progress
Replace 200 meters per year	In Progress
Electrical upgrade @ shop	Not Yet Begun
Install shut offs on lots with no shut offs	In Progress
Replace Arsenic Media @ three stations	In Progress
Replace (1) 4' Greensand Filter - Stoneford	In Progress

Hampstead Area Water Company, Inc.
Request for Financing
DW 11-193
Staff Data Requests – Set 1
Answers

Date request received: 11/02/11

Date of Response: 11/08/11

Staff 1-2

Witness: Charles Lanza

Please provide more details on the System Wide Water Loss Program. Has it begun? What specifically is being done in the company's water systems? What NHDES goals or requirements is it expected to meet?

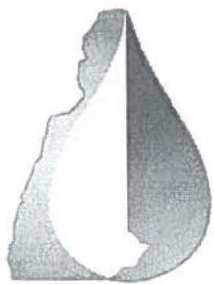
Response:

HAWC is currently engaged in a System Wide Water Loss Program for the Hampstead & Atkinson Water System. This plan was approved by DES and begun on 6/5/08. Attached is the progress report as provided to DES in May of 2011. This report details what is currently being done in the Atkinson & Hampstead Water System.

DES has implemented a 15% water losses threshold which is required to be met by April 7, 2012. If this is not met a waiver will need to be requested and obtained. If a waiver is not obtained and water losses are not below 15% DES states this may result in enforcement action.

In regards to The Company's satellite systems, various Source meters and Customer meters have been or are scheduled to be replaced. The following systems have recently had meters replaced or are scheduled to have meters replaced.

- Lancaster Farms Water System – In 2009 all customer and source meters were replaced.
- Oakhill Water System – The two well meters are scheduled to be replaced before year's end.
- Stoneford Water System – The two wells are scheduled to have source meters installed before year's end.
- Colby Pond Water System – The two wells were provided with source meters in 2011.
- Dearborn Ridge Water System - The one well was provided with a source meter in 2011.



HAMPSTEAD AREA
WATER COMPANY, INC

**WATER CONSERVATION COMPLIANCE
ANNUAL UPDATE
FOR THE ATKINSON & HAMPSTEAD CORE
HAMPSTEAD AREA WATER COMPANY, INC.**

**IN ACCORANCE WITH
WATER CONSERVATION RULES
ENV-WQ 2101**

MAY 2011

Water System PWS ID #: 0112080 & 1031010

Superintendent of Water:
Hampstead Area Water Company, Inc.
Mr. Rich Bibeau
54 Sawyer Avenue
Atkinson, NH 03811

Phone: 603-362-4299
Email: charlie@hampsteadwater.com

Introduction & Summary:

This report is an update of the Water Conservation Report Plan which was approved by the New Hampshire Department of Environmental Services (NHDES) on April 7, 2010. The following sections serve to provide an update on Hampstead Area Water Company's (HAWC) efforts to date.

Section 1 - Water Company Profile

The combined Hampstead & Atkinson Area Water System currently serves 2,214 connections or a population of approximately 5,535 people. All connections are metered. The existing system is served through a combination of 30 existing wells and 17 existing pumping and treatment stations. There is approximately 1,186,000 gallons of storage of which 500,000 is elevated. In 2010 the combined system average daily demand was 513,483 gallons per day (GPD). The highest monthly average pumpage in 2010 occurred in June and was 686,958 GPD. The average unaccounted-for water in 2010 was 26.2%. See the figure below for a breakdown of water loss per month.

11

HAWC
Atkinson-Hampstead Core
Unaccounted for Water Report - 2010
(All Numbers are in Gallons)

<u>Month</u>	<u>Produced</u>	<u>Backwash</u>	<u>Other (Leaks, Flushing, etc)</u>	<u>Net Available For Sale</u>	<u>Customer Consumption</u>	<u>(Loss) Gain</u>	<u>% (Loss) % Gain</u>
Jan	14,543,852	(403,000)	0	14,140,852	10,005,340	(4,135,512)	-28.4%
Feb	12,232,396	(406,000)	0	11,826,396	7,848,928	(3,977,468)	-32.5%
Mar	14,110,921	(527,100)	(365,000)	13,218,821	9,016,002	(4,202,818)	-29.8%
Apr	12,430,413	(394,500)	(53,000)	11,982,913	8,553,432	(3,429,482)	-27.6%
May	19,457,980	(379,200)	(2,500)	19,076,280	14,336,825	(4,739,455)	-24.4%
Jun	20,608,761	(636,175)	0	19,972,586	15,058,512	(4,914,074)	-23.8%
Jul	19,973,527	(966,700)	0	19,006,827	14,946,034	(4,060,793)	-20.3%
Aug	14,868,993	(609,525)	0	14,259,468	10,850,894	(3,408,574)	-22.9%
Sep	16,717,670	(527,700)	0	16,189,970	12,688,992	(3,500,978)	-20.9%
Oct	15,070,449	(624,000)	0	14,446,449	10,094,769	(4,351,680)	-28.9%
Nov	13,656,072	(641,500)	(30,000)	12,984,572	8,992,428	(3,992,145)	-29.2%
Dec	13,750,465	(614,460)	0	13,136,005	8,754,204	(4,381,800)	-31.9%
YTD Total	<u>187,421,499</u>	<u>(6,729,860)</u>	<u>(450,500)</u>	<u>180,241,139</u>	<u>131,146,360</u>	<u>(49,094,779)</u>	<u>-26.2%</u>

Section 2 – Source Meter Installation and Maintenance

During 2010 six Source Meters were replaced. They were as follows:

- Cogswell Farm EPA ID 13
- Midpoint EPA ID 11
- Midpoint EPA ID 12
- Village Green Well 1
- Village Green Well 3

HAWC is proposing to replace an additional 9 source meters and 4 house meters during 2011. See **Attachment A** for a list of all source meters located in the Hampstead & Atkinson Area Water System and their date for replacement or calibration.

Section 3 – Service Meter Installation & Maintenance

HAWC requires a meter at all services and there are no known services without a meter. The vast majority of the system is comprised of 1” and smaller residential meters. Service meters are tested upon customer request. In the spring of 2009 HAWC implemented a plan of replacing approximately 220 meters per year. This number will keep meters on a 10 year maintenance plan and will be updated as necessary to maintain a 10 year maintenance plan.

When meters are replaced there are a series of steps taken to improve overall efficiency. First the customer shut off is located and exercised to ensure proper operation. If it does not operate properly it is repaired or replaced. The line from the shut off to the building is then pressure tested prior to the meter replacement to check for any apparent leaks on this portion of the line. The meter is then replaced, and backflow preventer and or pressure reducers are also inspected.

Between 6/5/08 and 5/5/11 HAWC replaced 405 service meters throughout the Atkinson & Hampstead System. The meters that were replaced were primarily located in the Brickett’s Mill, Woodland Pond, and the Squire Ridge communities. HAWC is currently working on replacing meters in the Kent Farm community.

The next areas of the system to have meters replaced are listed below. These areas have been chosen due to age, frequency of leaks, and the largest amount of unaccounted-for water.

1. Emerson Trailer Park in Hampstead
2. Walnut Ridge Area in Atkinson

All work performed on service meters is tracked in our CUSI customer database and easily accessible in a report form. Data that is tracked includes:

- meter sizes
- meter installation date
- meter model

- backflow prevention size
- backflow installation date

Section 4 – Meter Reading

In June of 2009 HAWC implemented monthly billing. Previous billing was quarterly. Each service meter is read monthly and source meters are read at a minimum of twice monthly when operators perform their regular station inspections. This has continued to date and has been very valuable in detecting leaks in customer accounts.

Section 5 – Unaccounted-for Water

See **Figure above** for the unaccounted-for water the 2010 calendar year.

Section 6 – Water Audit

See **Attachment B** for a 2010 water audit of the Hampstead & Atkinson Water System. In addition to the yearly audit HAWC performs a monthly audit to review the amount of unaccounted-for water.

Section 7 – Leak Detection

The first line of detection is performed by water company operators and meter readers that are trained to visually inspect for leaks as they make their rounds.

During 2010 Leak Detection was quoted through various companies and based on many discussions with contractors that stated the success rate would be very low in our particular system it was ultimately decided that where the system is entirely plastic it would not be cost effective to utilize a leak detection contractor.

During the period of 6/5/08 and 5/5/11, HAWC has replaced a combination of valves, saddles, and service lines to 94 customers all of which were contributing to unaccounted-for water.

We were recently made aware of two roads to be reclaimed in Atkinson and HAWC budgeted funds to replace the services, valves, and saddles for 27 services. This is currently ongoing.

All leak repairs are tracked through our CUSI work order system. The information tracked includes the location, date, materials used for repair, and estimated leak amount reported in gallons per minute.

Section 8 – Pressure Reduction

Currently HAWC requires pressure reduction for any services greater than 80 psi. Pressure Reduction for individual services is accomplished during the initial stages of account creation, during the meter change out program, or during a response to a customer call. The current work order system tracks when and where devices are installed or repaired. Distribution pressure reduction is in place throughout the system and maintains pressures below 100 PSI.

During 2010 there were no new services added to the system which required pressure reduction devices.

5/17/2011 14:56

HAMPSTEAD AREA WATER CO., INC.

HAMPSTEAD & ATKINSON CORE SYSTEM PUMPING & TREATMENT STATION METERS

ATTACHMENT A

SOURCE METERS

System Name	Meter Location	Town	EPA ID	Meter Make	Meter Type	Size	Measurement	Date Last Replaced/ Installed	Last Calibration Date	Intermediate			Weighted Average	Next Scheduled Calibration / Replacement Due Date
										Low Flow Accuracy	Flow Accuracy	High Flow Accuracy		
Angle Pond	Well 15	Hampstead	1031010	Neptune T-10	Pos. Displacement	1 1/2"	Gallons	2005	Install Date					12/2012
Angle Pond	Well 16	Hampstead	1031010	Neptune T-10	Pos. Displacement	1 1/2"	Gallons	2005	Install Date					12/2012
Bartlett Brook	Well 10	Hampstead	1031010	ABB C700	Pos. Displacement	1"	Gallons	2000	Install Date					12/1/2011
Bartlett Brook	Well 11	Hampstead	1031010	ABB C700	Pos. Displacement	1"	Gallons	2000	Install Date					12/1/2011
Bartlett Brook	Well 12	Hampstead	1031010	ABB C700	Pos. Displacement	1"	Gallons	2000	Install Date					12/1/2011
Bryant Woods	Well 1,3, & 4	Atkinson	0112080	Neptune	Turbine	3"	Gallons	89-93	Install Date					12/1/2011
Cogswell Farm	Well 13	Atkinson	0112080	Master Meter	Multi-Jet	1 1/2"	Gallons	6/2/2010	Install Date					6/2/2015
Cogswell Farm	Well 14	Atkinson	0112080	ABB C700	Pos. Displacement	1 1/2"	Gallons	2001	Install Date					12/2012
Cranberry Meadows	Well 8	Hampstead	1031010		Pos. Displacement	1 1/2"	Gallons	2009	Install Date					12/2012
Eastwood Place	Well 14	Hampstead	1031010	Sea-Metric	Paddle Wheel	1 1/2"	Gallons	2004	Install Date					12/2012
Granite Village	Well 19	Hampstead	1031010	Neptune	Pos. Displacement	1 1/2"	Gallons	2006	Install Date					12/2012
Jameson Ridge	Well 17	Atkinson	0112080	Neptune T-10	Pos. Displacement	1"	Gallons	2005	Install Date					12/2012
Kent Farm	Well 17 & 18	Hampstead	1031010	SeaMetrics	Paddle Wheel		Gallons	2005?	Install Date					12/2012
Midpoint	Well 9	Atkinson	0112080	Schlumberger	Pos. Displacement	1 1/2"	Cubic Feet	1999	Install Date					12/2012
Midpoint	Well 11	Atkinson	0112080	Master Meter	Multi-Jet	1 1/2"	Gallons	7/14/2010	Install Date					12/1/2015
Midpoint	Well 12	Atkinson	0112080	Master Meter	Multi-Jet	1 1/2"	Gallons	7/14/2010	Install Date					12/1/2015
Midpoint	Well 11 & 12	Atkinson	0112080		Pos. Displacement	1 1/2"	Gallons	2010	Install Date					12/1/2015
Putnam Place	Well 13	Hampstead	1031010		Pos. Displacement	1 1/2"	Gallons	2003	Install Date					-
Settlers Ridge / Jesse Page	Well 16	Atkinson	0112080	ABB C700	Pos. Displacement	1 1/2"	Gallons	2000	Install Date					12/1/2011
Tanglewood	Well 4	Hampstead	1031010	cl	Pos. Displacement	1"	Gallons	1989	Install Date					12/1/2011
Village Green	Well 1	Hampstead	1031010	Master Meter	Multi-Jet	1 1/2"	Gallons	10/16/2010	Install Date					12/1/2015
Village Green	Well 3	Hampstead	1031010	Master Meter	Multi-Jet	1 1/2"	Gallons	10/16/2010	Install Date					12/1/2015
Village Drive / West Side	Well 6,7, & 10	Atkinson	0112080	Neptune 4136	Turbine	3"	Gallons	1993	Install Date					12/1/2011
Woodland	Well 5	Hampstead	1031010	Neptune T-10	Pos. Displacement	2"	Cubic Feet	86-88	Install Date					12/1/2011
Woodland	Well 6	Hampstead	1031010	Neptune T-10	Pos. Displacement	2"	Cubic Feet	86-88	Install Date					12/1/2011
Woodland	Well 7	Hampstead	1031010											-

HOUSE METERS

System Name	Meter Location	Town	EPA ID	Meter Make	Meter Type	Size	Measurement	Date Last Replaced	Last Calibration Date	Intermediate			Weighted Average	Next Scheduled Calibration / Replacement Due Date
										Low Flow Accuracy	Flow Accuracy	High Flow Accuracy		
Angle Pond	House Meter	Hampstead	1031010	Neptune	Turbine	1"	Gallons	2005	Install Date					12/2012
Bryant Woods	House Meter	Atkinson	0112080	Neptune	Turbine	3"	Gallons	2009	Install Date					12/2012
Cogswell Farm	House Meter	Atkinson	0112080	Neptune	Turbine	2"	Gallons	2001	Install Date					12/2011
Cranberry Meadows	House Meter	Hampstead	1031010	Neptune	Turbine	2"	Gallons	2009	Install Date					12/2011
Eastwood Place	House Meter	Hampstead	1031010	Neptune	Turbine	2"	Gallons	2004	Install Date					12/2011
Jameson Ridge	House Meter	Atkinson	0112080	Neptune	Turbine	2"	Gallons	2005	Install Date					12/2012
Midpoint	House Meter	Atkinson	0112080	Neptune	Turbine	3"	Gallons	2009	Install Date					12/2012
Settlers Ridge / Jesse Page	House Meter	Atkinson	0112080		Turbine	2"	Gallons	2000	Install Date					12/2011
Village Green	House Meter	Hampstead	1031010		Turbine	3"	Gallons	2008	Install Date					12/2012

AWWA WLCC Water Audit Software: Reporting Worksheet

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WAS-1.0

[Back to Instructions](#)

[Click to access definition](#)

Water Audit Report for: **Atkinson & Hampstead Water System**
 Reporting Year: **2010**

Please enter data in the white cells below. Where possible, metered values should be used; if metered values are unavailable please estimate a value. Indicate this by selecting a choice from the gray box to the left, where M = measured (or accurately known value) and E = estimated.

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED

Volume from own sources: M E Million gallons (US)/yr (MG/Yr)
 Master meter error adjustment: M E MG/Yr
 Water imported: M E MG/Yr
 Water exported: M E MG/Yr
WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: M E MG/Yr
 Billed unmetered: M E MG/Yr
 Unbilled metered: M E MG/Yr
 Unbilled unmetered: M E MG/Yr
AUTHORIZED CONSUMPTION: MG/Yr

Click here: [MGA](#) for help using option buttons below

Pcmt: Value:

Use buttons to select percentage OR value

Pcmt: Value:

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: M E MG/Yr
 Customer metering inaccuracies: M E MG/Yr
 Systematic data handling errors: M E MG/Yr
 Apparent Losses: MG/Yr

Real Losses

Real Losses = (Water Losses - Apparent Losses): MG/Yr

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

SYSTEM DATA

Length of mains: M E miles
 Number of active AND inactive service connections: M E
 Connection density: conn./mile main
 Average length of customer service line: M E ft (pipe length between curbstop and customer meter or property boundary)
 Average operating pressure: M E psi

COST DATA

Total annual cost of operating water system: M E \$/Year
 Customer retail unit cost (applied to Apparent Losses): M E
 Variable production cost (applied to Real Losses): M E \$/Million gallons

DATA REVIEW - Please review the following information and make changes above if necessary:

- Input values should be indicated as either measured or estimated. You have entered:
 0 as measured values
 0 as estimated values
 0 as default values
 18 without specifying measured, estimated or default
- Water Supplied Data: No problems identified
- Unbilled unmetered consumption: No problems identified
- Unauthorized consumption: No problems identified
- It is important to accurately measure the master meter - you have entered the measurement type as: unspecified
- Cost Data: None to evaluate

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume:
 Non-revenue water as percent by cost:
 Annual cost of Apparent Losses:
 Annual cost of Real Losses:

Operational Efficiency Indicators

Apparent Losses per service connection per day: gallons/connection/day
 Real Losses per service connection per day*: gallons/connection/day
 Real Losses per length of main per day*:
 Real Losses per service connection per day per psi pressure: gallons/connection/day/psi
 M E Unavoidable Annual Real Losses (UARL): million gallons/year
 M E Infrastructure Leakage Index (ILI) [Real Losses/UARL]:

* only the most applicable of these two indicators will be calculated

AWWA WLCC Water Audit Software: Water Balance

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WASv3.0

Water Audit Report For:

Report Yr:

System

2010

	Water Exported 0.000	Billed Water Exported				
Own Sources (Adjusted for known errors) 187.421	Water Supplied 187.421	Authorized Consumption 137.876	Billed Authorized Consumption 131.146	Billed Metered Consumption (inc. water exported) 131.146	Revenue Water 131.146	
				Billed Unmetered Consumption 0.000		
		Water Losses 49.545	Apparent Losses 2.814	Unbilled Authorized Consumption 6.730	Unbilled Metered Consumption 6.730	Non-Revenue Water (NRW) 56.275
					Unbilled Unmetered Consumption 0.000	
	Unauthorized Consumption 0.000					
Water Imported 0.000		Real Losses 46.731	Leakage on Transmission and/or Distribution Mains Not broken down			
			Leakage and Overflows at Utility's Storage Tanks Not broken down			
			Leakage on Service Connections Not broken down			

Hampstead Area Water Company, Inc.
Request for Financing
DW 11-193
Staff Data Requests – Set 1
Answers

Date request received: 12/1/11

Date of Response: 12/1/11

Staff 1-3

Witness: Robert Levine

Please clarify the proposed terms of the promissory note shown in exhibit 2 to the petition. Is it the intention of HAWC and LBDI that the interest rate be adjusted every three years, as with other recent notes between HAWC and LBDI, rather than once on the third anniversary of the signing of the note, as the draft promissory note attached as exhibit 2 now indicates?

Response: Yes. Please see the attached Revised Note.

**PROMISSORY NOTE
2011 Capital Additions**

Initial Interest Rate 5.50%
Principle Balance: \$339,400.00
Date: July 1, 2011
Term: Twenty (20) years

Hampstead Area Water Company, Inc. (HAWC) promises to pay to Lewis Builders Development, Inc., (LBDI), the sum of Three Hundred Thirty Nine Thousand Four Hundred and 0/100th Dollars (\$339,400.00) (Principal), plus interest calculated from the date of this note and then adjusted every Three years thereafter on the anniversary date of the last business day of the quarter prior to PUC approval, at the rate of Two and One-Quarter percent (2¼ %), plus the Prime Rate, as published in the Wall Street Journal and payable as follows:

In Two Hundred and Forty (240) monthly installments of \$2,334.69 commencing on October 1, 2011 and every month thereafter, to be paid on the 1st day of each month until the balance is paid in full.

Hampstead Area Water Company, Inc. may prepay this note at any time.

HAMPSTEAD AREA WATER
COMPANY, INC.

Witness:

By: _____
Christine Lewis Morse, Its Vice
President, duly authorized.

ACKNOWLEDGED AND ACCEPTED
LEWIS BUILDERS DEVELOPMENT, INC.,

By: _____
Christine Lewis Morse, its President duly authorized

THE HAMPSTEAD AREA WATER COMPANY, INC. (the "Corporation")

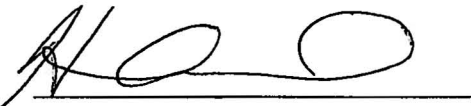
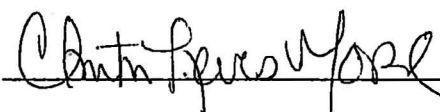
**CERTIFICATE REGARDING
INCUMBENCY AND RESOLUTIONS
RE: CAPITAL ADDITIONS FINANCING**

The undersigned, is the duly elected, qualified, and acting Secretary of THE HAMPSTEAD AREA WATER COMPANY, INC., a duly organized New Hampshire corporation, and does hereby certify as follows:

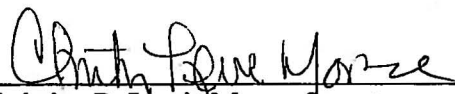
(a) Harold J. Morse is the duly elected, qualified and acting President and Treasurer of this Corporation (hereinafter, the "CORPORATION"). Christine R. Lewis Morse is the duly elected, qualified and acting Vice President and Secretary of this Corporation (hereinafter, the "CORPORATION"). The signatures below are their true signatures.

(b) The CORPORATION has duly adopted the resolutions set forth and attached hereto and dated as of the date set forth therein, none of which has been amended or repealed in any respect since such date, and all of which remain in full force and effect as of the date hereof.

(c) Attached hereto is the signature of the officers of the CORPORATION set forth opposite his and her name and said signature is true.

<u>NAME</u>	<u>TITLE</u>	<u>SIGNATURE</u>
Harold J. Morse	President & Treas.	
Christine R. Lewis Morse	VP/Secretary	

IN WITNESS WHEREOF, the undersigned has caused this certificate to be executed on behalf of said corporation.

By: 
Christine R. Lewis Morse, Secretary

SECRETARY'S CERTIFICATE

The undersigned, being the Secretary of The Hampstead Area Water Company, Inc., a New Hampshire corporation with a principal place of business at 54 Sawyer Ave., Atkinson, NH, does hereby certify as follows:

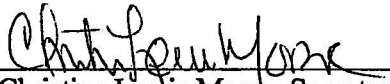
At a Special Meeting of the shareholders of the corporation held on August 29, 2011, it was unanimously:

VOTED: The President and Treasurer of the corporation, jointly and/or severally, and each of them on behalf of the Corporation, to execute a Promissory Note and to otherwise execute, acknowledge and deliver any and all documents relating to a loan advance by Lewis Builders Development, Inc. and for a term loan in the original principal amount of \$339,400.00, and to execute and deliver such other documents, instruments, agreements and guarantees necessary and proper to consummate the transactions contemplated hereunder.

Dated: August 29, 2011

THE HAMPSTEAD AREA WATER COMPANY,
INC.


Witness

By: 
Christine Lewis Morse, Secretary

THE HAMPSTEAD AREA WATER COMPANY, INC.

RESOLUTION AND VOTE

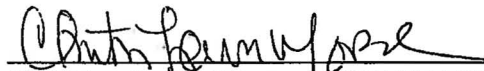
The undersigned, as SHAREHOLDERS of **THE HAMPSTEAD AREA WATER COMPANY, INC.**, a New Hampshire CORPORATION (hereinafter, the "Corporation"), hereby certifies that, by unanimous consent of the shareholders, on August 29, 2011, the following resolutions were unanimously adopted:

VOTED: The President and Treasurer of the corporation, jointly and/or severally, and each of them on behalf of the Corporation, to execute a Promissory Note and to otherwise execute, acknowledge and deliver any and all documents relating to a loan advance by Lewis Builders Development, Inc. and for a term loan in the original principal amount of \$339,400.00, and to execute and deliver such other documents, instruments, agreements and guarantees necessary and proper to consummate the transactions contemplated hereunder.

I further certify that the foregoing resolution has not been altered, amended, or rescinded but remains in full force and effect.

WITNESS the hand and the seal of said Corporation this ___ day of August 29, 2011.

THE HAMPSTEAD AREA WATER COMPANY, INC.



Christine Lewis Morse, SOLE SHAREHOLDER