

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

October 15, 2018 - 10:12 a.m.  
Concord, New Hampshire

NHPUC 6NOV18-3:45

RE: DW 18-138  
HAMPSTEAD AREA WATER COMPANY, INC.:  
Petition for Approval of Drinking  
and Groundwater Trust Fund  
Financing and Step Increase.  
(Prehearing conference)

**PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Kathryn M. Bailey  
Commissioner Michael S. Giaimo

Jody Carmody, Clerk  
Doreen Borden, Clerk

**APPEARANCES:** Reptg. Hampstead Area Water Co., Inc.:  
Robert C. Levine, Esq.  
Anthony Augeri, Esq.

**Reptg. Residential Ratepayers:**  
Brian D. Buckley, Esq.  
James Brennan, Finance Director  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Christopher Tuomala, Esq.  
Jayson Laflamme, Asst. Dir./Gas&Water  
Robyn Descoteau, Gas & Water Division

Court Reporter: Steven E. Patnaude, LCR No. 52

**CERTIFIED  
ORIGINAL TRANSCRIPT**

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**P R O C E E D I N G**

CHAIRMAN HONIGBERG: Good morning, everyone. We are here in Docket DW 18-138, which is a request by HAWC for financing and for what characterizes as a "step increase". There is a technical session scheduled after the prehearing conference for the parties, the OCA, and Staff to discuss the schedule and how the case is going to proceed.

Before we do anything else, let's take appearances.

MR. LEVINE: Good morning, Commissioners. Attorney Robert Levine. I'm here representing Hampstead Area Water Company. With me at the table is the President, Harold Morse; our Controller, John Sullivan; our consultant, Stephen St. Cyr.

Excuse me, Commissioners. We also have with the Company Tony Augeri, our second general counsel; Christine Lewis Morse, Vice President of Hampstead Area Water Company; and Charlie Lanza, who is now Manager of Hampstead Area Water Company.

CHAIRMAN HONIGBERG: Thank you,

1 Mr. Levine.

2 MR. BUCKLEY: Good morning, Mr.  
3 Chairman and Commissioners. My name is Brian  
4 D. Buckley. I am the Staff Attorney with the  
5 New Hampshire Office of the Consumer Advocate,  
6 to my left is Mr. James Brennan, the Director  
7 of Finance with the New Hampshire Office of the  
8 Consumer Advocate, and we are here representing  
9 the interests of the residential ratepayers.

10 MR. TUOMALA: Good morning,  
11 Commissioners. Christopher Tuomala,  
12 representing the Staff of the Commission. With  
13 me, to my left, is Jayson Laflamme, the  
14 Assistant Director of the Gas & Water Division,  
15 and to his left, Utility Analyst Robyn  
16 Descoteau, also of the Gas & Water Division.

17 CHAIRMAN HONIGBERG: The primary  
18 purpose of a prehearing conference is to allow  
19 the parties an opportunity to state their  
20 positions initially and how they expect the  
21 case to proceed. But before we do that, are  
22 there any preliminary issues we need to deal  
23 with? Anyone? Mr. Levine?

24 MR. LEVINE: Not by Hampstead Area

1 Water.

2 CHAIRMAN HONIGBERG: Nothing over  
3 there?

4 MR. TUOMALA: No, Commissioners.

5 CHAIRMAN HONIGBERG: I don't see  
6 anyone who looks like an intervenor. Are  
7 anyone aware of any interventions planned or  
8 expected?

9 MR. LEVINE: No, Commissioner.

10 MR. TUOMALA: No, Commissioners.

11 CHAIRMAN HONIGBERG: All right.  
12 Mr. Levine, why don't you start us off.

13 MR. LEVINE: Thank you,  
14 Commissioners.

15 CHAIRMAN HONIGBERG: Stop. Off the  
16 record.

17 *[Brief off-the-record discussion*  
18 *ensued.]*

19 MR. LEVINE: All right.  
20 Commissioners, Hampstead Area Water Company, as  
21 you know, is a relatively small water company  
22 that provides service to approximately 3,700  
23 residential customers. We're presently  
24 franchised in most areas in Hampstead and

1       Atkinson, New Hampshire, and we have satellite  
2       systems that are franchised throughout  
3       Rockingham County. We have been granted by the  
4       Commission with a systemwide consolidated rate.

5               Hampstead proposes with this Petition  
6       to engage DN Tanks for the design and  
7       construction of a 1 million-gallon water system  
8       located at the Page Farm development in  
9       Atkinson, New Hampshire. This system will  
10      become part of the Atkinson and Hampstead core  
11      system. The construction of the tank is part  
12      of a longer term project advocated by the  
13      Southern New Hampshire Regional Water Project,  
14      a New Hampshire DES project, to provide safe  
15      drinking water to the Town of Plaistow, which  
16      abuts Atkinson.

17             The total cost for the tank and the  
18      infrastructure is \$2,047,662. New Hampshire  
19      DES is providing a grant for \$1,077,717. The  
20      Company proposes to borrow the balance of  
21      \$969,945 in long-term debt from the Drinking  
22      and Groundwater Trust Fund. Generally, the  
23      terms that we've been offered are the borrowing  
24      amount of \$969,945. It will be a 30-year loan

1 maturing from the date of closing. The  
2 interest rate will be 2.424 percent. And the  
3 payment of principal and interest will be based  
4 on the 30-year amortization beginning  
5 approximately 40 days after closing.

6 The Company would require increasing  
7 rates and revenue to a level that will enable  
8 the Company to be able to service the debt on  
9 such financing and earn a fair and reasonable  
10 rate of return on its invested capital. Based  
11 on the projected costs, the Company anticipates  
12 an increase in revenues of \$83,308. This  
13 revenue requirement would result in an increase  
14 in the consumption rate of 34 cents per hundred  
15 cubic feet, which would be an increase of our  
16 base rate from \$5.95 to \$6.29 per hundred cubic  
17 feet.

18 The State of New Hampshire's  
19 commitments are subject to receipt of the  
20 Commission's approval of this long-term debt  
21 and rate increase. The borrowing and rate  
22 increase being proposed by the Company are in  
23 the public interest and consistent with the  
24 public good because it enhances the Company's

1 ability to provide safe and reliable drinking  
2 water to its customers and the surrounding  
3 community at a reasonable cost.

4 The Company looks forward to working  
5 with Staff of the PUC, with the OCA, and other  
6 parties. It anticipates being able to resolve  
7 any issues that may arise during the  
8 proceeding. It expects that the Company and  
9 parties will be able to reach a settlement  
10 agreement that will be filed with the  
11 Commission for your approval.

12 Thank you.

13 CHAIRMAN HONIGBERG: We may have some  
14 questions for you, Mr. Levine. But let's hear  
15 from the others first.

16 Mr. Buckley.

17 MR. BUCKLEY: The Office of the  
18 Consumer Advocate is still evaluating the  
19 issues presented by the instant Petition. But  
20 I can say that as of yet we see no reason why  
21 the parties shouldn't look forward to the  
22 amicable and expeditious resolution of this  
23 proceeding.

24 Thank you.



1 CHAIRMAN HONIGBERG: Mr. Tuomala.

2 MR. TUOMALA: Commissioners, after  
3 Staff has reviewed the filing, the chief issue  
4 at hand is the timing of the step increase in  
5 this case. We would like to further pursue  
6 discovery to know what and when rate -- what  
7 rate relief, excuse me, the Company is looking  
8 for and the timing of that issue.

9 The Staff also has questions  
10 regarding the financing relating to  
11 construction costs, cash flow, timing of the  
12 construction, customer base impact, which we  
13 look forward to going over during the technical  
14 session that immediately follows.

15 We also look forward to working with  
16 the Company in developing a procedural  
17 schedule, which we anticipate submitting to the  
18 Commission for its approval shortly.

19 CHAIRMAN HONIGBERG: Mr. Levine, I'll  
20 start. I think the others may have questions  
21 as well. But how long has the Company known  
22 about this project?

23 MR. LEVINE: The tank project came --  
24 it had been in the Company's long-term planning

1 to eventually provide a tank for the Atkinson  
2 system. This accelerated to a more recent  
3 project, I would say, within the last year,  
4 when the funds became available to DES, and  
5 they approached us with the proposal of  
6 wheeling water into the Town of Plaistow. The  
7 water has to go from the Manchester Water  
8 Works, under the DES proposal, and get wheeled  
9 through several towns until it hit Atkinson,  
10 and then into the system which is to be built  
11 in Plaistow.

12 CHAIRMAN HONIGBERG: Did you discuss  
13 it or did the Company discuss it with Staff  
14 during the rate case, which only resolved  
15 within the last three months?

16 MR. LEVINE: We've had discussions  
17 with Staff both during the rate case, and we  
18 had asked for a special meeting this past  
19 summer with Staff to discuss this issue, which  
20 we attended up here.

21 CMSR. BAILEY: Do you have any  
22 customers in Plaistow right now?

23 MR. LEVINE: No. We --

24 MR. MORSE: Yes.

1 MR. LEVINE: We do have one small  
2 system in Plaistow, I believe it's Rainbow  
3 Ridge.

4 *[Court reporter interruption.]*

5 CHAIRMAN HONIGBERG: Hang on. Let's  
6 go off the record for a minute.

7 *(Atty. Levine conferring with*  
8 *Company representatives.)*

9 MR. LEVINE: I stand corrected. We  
10 have four small satellite systems in Plaistow,  
11 totaling 75 customers approximately.

12 CMSR. BAILEY: And will this tank be  
13 used to serve those customers or new customers?

14 MR. LEVINE: Both. We anticipate  
15 that.

16 CMSR. BAILEY: Okay. In your  
17 calculation of the revenue requirement, did you  
18 put the entire 2 million whatever, you know,  
19 I'm using 2 million as a shorthand, was that  
20 whole entire figure included in rate base?

21 MR. LEVINE: Yes, it will be.

22 CMSR. BAILEY: Could you take a look  
23 at RSA 378:30-c, which excludes grants made by  
24 DES from rate base. That may help with the

1 revenue requirements and --

2 MR. LEVINE: That was taken into  
3 consideration in calculating it.

4 CMSR. BAILEY: So, then the whole 2  
5 million is not in rate base?

6 MR. LEVINE: Correct. I stand  
7 corrected. Let me allow Mr. St. Cyr, because  
8 he did that calculation --

9 CMSR. BAILEY: Well, Staff can work  
10 with you on that. I just wanted to draw your  
11 attention to that and make sure that everybody  
12 was aware of that.

13 So, basically, you're asking us,  
14 within three months of being granted a \$217,000  
15 annual revenue requirement increase, for an  
16 additional \$82,000 annual increase?

17 MR. LEVINE: Essentially, yes.  
18 That's what it will be.

19 CMSR. BAILEY: Okay. Thank you.

20 CHAIRMAN HONIGBERG: I don't recall  
21 exactly how it's explained in the papers, but  
22 listening to you, the implication is that DES  
23 wants this to happen. Is that correct?

24 MR. LEVINE: That's correct.

1 CHAIRMAN HONIGBERG: And I apologize  
2 if it's in the filing that you've already  
3 submitted, is there something from DES --

4 MR. LEVINE: Yes.

5 CHAIRMAN HONIGBERG: -- articulating  
6 that?

7 MR. LEVINE: No. What's in the  
8 filing was the term letter that DES provided  
9 us, that they approached us saying these funds  
10 were available, and asked us to go forward in  
11 formulating just exactly how this would be  
12 supported.

13 CHAIRMAN HONIGBERG: Okay.

14 CMSR. GIAIMO: Do you have a date  
15 when they approached you, a roundabout date?

16 CHAIRMAN HONIGBERG: Sir, why don't  
17 you identify yourself.

18 MR. MORSE: Hi. Harold Morse,  
19 President of Hampstead Area Water Company.

20 CHAIRMAN HONIGBERG: Make sure the  
21 microphone is on.

22 *[Brief off-the-record discussion*  
23 *ensued.]*

24 CHAIRMAN HONIGBERG: And so, the

1           answer, Mr. Morse, is?

2                   MR. MORSE:   The answer to -- can you  
3           ask the question again please?

4                   CHAIRMAN HONIGBERG:   Roundabout when  
5           did DES first approach you about this?

6                   MR. MORSE:   So, the overall project,  
7           we've been working with all the parties for  
8           approximately two years talking about the  
9           overall project.   The tank project come up,  
10          like Mr. Levine said, about a year ago.   Where  
11          we're dealing with a lot of unknowns with the  
12          whole overall project, the tank actually wasn't  
13          getting close to being reality until more  
14          recently when we applied to the Commission.  
15          So, we -- again, we've been dealing with it for  
16          quite a few years.   We weren't sure it was  
17          going to become a reality, which is probably  
18          why we didn't bring it up during our rate case.  
19          That seems to be the question, "why we didn't  
20          bring it up during the rate case?"

21                   CHAIRMAN HONIGBERG:   It is kind of  
22          a question.

23                   MR. MORSE:   Yes.

24                   CHAIRMAN HONIGBERG:   There's a state

1 law that says things that come up within two  
2 years of a litigated rate case the Commission  
3 doesn't have to consider.

4 MR. MORSE: Sure.

5 CHAIRMAN HONIGBERG: Now, there may  
6 well be reasons to consider it, and we expect  
7 you all to discuss that and explore the wisdom  
8 and desirability of this project and the  
9 requested financing and the requested rate  
10 increase. So, we're here, we're going to hear  
11 about it. But there's certain things that come  
12 up and they seem pretty obvious questions that  
13 we'd be interested in, we know Staff and the  
14 OCA are going to be interested in talking with  
15 you about. Which it's actually fairly unusual  
16 for us to get engaged with the parties during a  
17 prehearing conference, but this one raised some  
18 interesting issues.

19 MR. MORSE: If I may add some points?

20 CHAIRMAN HONIGBERG: Sure.

21 MR. MORSE: So, dealing with the  
22 whole overall project for so long, and then  
23 more recently the Commission to allow these  
24 funds to be used in this way just recently got

1       voted on, was created in June or July, and  
2       voted I think it was in July to allow these  
3       funds to be used, is why we didn't bring it.  
4       We weren't sure it was going to become a  
5       reality.

6               As far as being part of an overall  
7       project and being asked for the -- 50 percent  
8       of this tank is being considered as  
9       infrastructure for Plaistow. Therefore, that's  
10      why DES is granting 100 percent of -- half of  
11      the tank is a grant. So, we --

12             CHAIRMAN HONIGBERG: Okay. I don't  
13      know that we have any other questions.

14             I just was handed a note from the  
15      Clerk that there was a call that came into the  
16      Clerk's Office today, someone asking about  
17      intervention in this matter. I understand,  
18      Mr. Tuomala, that the call may have been  
19      forwarded to you. So, you might check your  
20      voice mail, it may be there, and talk with the  
21      Clerk's Office about what information there is.  
22      If there is no voice mail message, maybe  
23      there's some other information that can be  
24      tracked down.



1           If there's nothing else you need from  
2       us, we will adjourn the prehearing conference  
3       and leave you to your technical session. Thank  
4       you all.

5                       *(Whereupon the prehearing*  
6                       *conference was adjourned at*  
7                       *10:28 a.m., and a technical*  
8                       *session was held thereafter.)*