

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 10-111

HAMPSTEAD AREA WATER COMPANY, INC.

Petition for Approval of Financing for 2009 and 2010 Capital Additions

Order *Nisi* Approving Petition

ORDER NO. 25,113

June 16, 2010

I. BACKGROUND

On April 20, 2010, Hampstead Area Water Company, Inc. (HAWC) filed a petition pursuant to RSA 369:1 seeking authority to borrow funds through two promissory notes with its affiliate, Lewis Builders Development, Inc. (LBDI), in the amount of \$114,065 and \$337,400, for a total of \$451,465 in long-term debt. HAWC intends to use the proceeds of the proposed borrowings to finance certain projects completed during 2009 as well as further improvements planned for 2010.

The capital additions placed in service during 2009 total \$114,065 and included the replacement of numerous meters and pumps as well as the replacement of mains, services and curb boxes. HAWC states these improvements, especially the meter and pump replacements, were necessary in order to maintain suitable operation of its water systems. HAWC accomplished these improvements through advances from LBDI. The first proposed promissory note with LBDI is for a term of twenty years at an interest rate equal to 2.25% above the prime rate, adjusted every three years. The initial interest rate will be 5.50% resulting in monthly installments of principal and interest of \$784.64.

For 2010, HAWC proposes several projects including the construction of a replacement well, the purchase of a new vehicle, the installation of new water treatment filters as well as various station upgrades along with additional meter and pump replacements. HAWC states a number of these projects are associated with its program to curb water system loss and are being implemented based upon the recommendations of the New Hampshire Department of Environmental Services (DES). The projects to be completed during 2010 are estimated to cost a total of \$337,400. The second proposed promissory note with LBDI is also for a term of twenty years at an interest rate of 2.25% over prime, adjusted every three years. The initial monthly installment of principal and interest on this note, at an interest rate of 5.50%, is \$2,320.93.

On May 20, 2010, Staff filed a letter recommending the Commission approve the petition. Staff conducted discovery and attached HAWC's discovery responses to its letter. The discovery responses included amended schedules and other documents supporting HAWC's assertion that the proceeds will be used on projects including those undertaken to respond to DES recommendations and requirements. Staff stated that it concurred with the necessity of both the 2009 and 2010 projects financed by the proposed borrowing. Staff stated the terms were favorable and that there would be minimal impact on HAWC's balance sheet and capital structure. Staff also calculated that the capital additions financed by the two loans would increase HAWC's revenue requirement by 4.34%.

II. COMMISSION ANALYSIS

Pursuant to the provisions of RSA 369:1, public utilities engaged in business in this State may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be "consistent with the public good." Analysis of

the public good consideration involves looking beyond actual terms of the proposed financing to the use of the proceeds of those funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). 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. *In re PSNH*, Docket No. 09-033, Order No. 25,050 (December 8, 2009) at 14.

HAWC seeks to borrow a total of \$451,465 from its affiliate, LBDI. The proceeds of the two loans are for capital improvements described in response to Staff’s discovery requests. The investments appear to be necessary to maintain reliable operations of HAWC’s water systems and its provision of safe and adequate service pursuant to RSA 374:1. Water loss was a concern raised in a previous docket, Docket No. DW 08-088, and HAWC’s efforts to curb water loss within its systems under the guidance of DES help preserve a natural resource and will ultimately result in cost savings for HAWC and its customers. Furthermore, these capital improvements are of the type the Commission expects to be made routinely in the ordinary course of proper utility operation. Accordingly, we find that the proposed use of the financing in this case is in the public good. We note that a determination as to whether the costs to complete the projects were prudently incurred will take place when they are “used and useful” in the provision of utility service and the Company seeks to place the assets in rate base.

The borrowings are not expected to have a significant impact on ratepayers. Staff has indicated that the proposed capital additions and financing would increase HAWC’s revenue

requirement by \$57,578, or 4.34%. Given the important nature of the capital projects to be undertaken with the requested funds and the favorable terms of the borrowings, we conclude that the financing is consistent with the public good and we will approve the amount and purpose of the financing. This approval is given on the condition that the final terms are not substantially different from those proposed in HAWC's filing and that if such terms vary significantly, we will require HAWC to seek additional Commission approval. We will issue this order on a *nisi* basis to afford interested parties notice and an opportunity to be heard.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, authority to undertake the financing proposed by HAWC, upon the terms and conditions proposed in its petition, is hereby granted; and it is

FURTHER ORDERED, that HAWC shall cause a copy of this Order *Nisi* to be published once in those newspapers with circulation in those portions of the state where operations are conducted, such publication to be on or before June 25, 2010 and to be documented by affidavit filed with this office on or before July 16, 2010; 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 July 2, 2010 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than July 9, 2010; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective July 16, 2010, unless HAWC fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that HAWC shall file true copies of the loan documents executed or otherwise finally issued in connection with the closing of the transactions contemplated hereby.

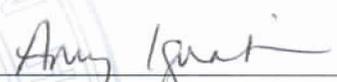
By order of the Public Utilities Commission of New Hampshire this sixteenth day of June, 2010.



Thomas B. Getz
Chairman



Clifton C. Below
Commissioner



Amy L. Ignatius
Commissioner

Attested by:



Debra A. Howland
Executive Director

