

STATE OF NEW HAMPSHIRE  
THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

HAMPSTEAD AREA WATER COMPANY, INC

DW 11-000

PETITION FOR APPROVAL OF FINANCING

The Petitioner, Hampstead Area Water Company, Inc. (the Company), respectively petitions the N.H. Public Utilities Commission (Commission) for approval of replacement financing with TD Bank, N.A. In support of this Petition, the Company says:

1. The Company is presently franchised in most areas of Hampstead and Atkinson, New Hampshire, and has franchised satellite systems in various towns in Rockingham County (see Schedule A, attached).
2. That the Company will be refinancing its long term debt owed to Centerview Hollow Land Company, LLC and Lewis Builders Development, Inc., both affiliated companies. This would include debt already on the books of the Company (see Exhibit 1) as well recently incurred as part of the Settlers Ridge pumphouse construction. As per the attached letter from TD Bank, N.A., (Exhibit 2) they are willing to provide the financing. It is the Company's understanding with the bank that the financing terms will be for \$1,200,000, with a Five (5) year maturity over a Twenty (20) year amortization period and 250 basis points above the Five (5) Federal Home Loan Bank Classic Advance Rate (5.08% as of March 18, 2011). The refinancing will replace a number of Intercompany Notes.
3. Construction is complete on the Settlers Ridge Pump House. The Settlers Ridge Pump Station was constructed in order to distribute water from the new wells which were added to the system in Atkinson as a result of the recommendations from the hydrology study. This increased the available water supply for the core system.

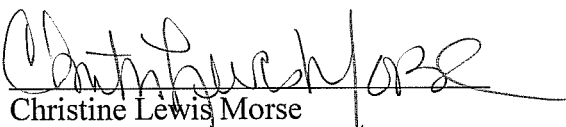
4. In support of the replacement financing request for the TD Bank, N.A. loan, the Company proposes that the financing will:
  - a. It will result in a annual estimated cash savings to the Company of \$13,539.19.
  - b. Allow the Company to replace intercompany debt with institutional debt.
5. It would be in the public good for the Company to have approval of the replacement financing request. The Company provides the following in support:
  - a. It will have a positive effect on the Company's cash and lower the rate of return.
  - b. This will result in a lower revenue requirement and lower rates in a future rate case.
6. See the Pre-filed Testimony of Stephen St. Cyr in support of both financing requests, attached as Exhibit 3.

WHEREFORE your Petitioner prays:

- A. That the Commission find that it would be in the public good for the Company to be permitted to enter into the replacement financing with TD Bank, N.A., as proposed;
- B. That the Commission, by appropriate order, grant the Company permission to enter into the replacement financing with TD Bank, N.A., as proposed;
- C. That the Commission make such further findings and orders as may be appropriate on the circumstances.

Dated the 18<sup>th</sup> day of July, 2011

Respectfully submitted,  
HAMPSTEAD AREA WATER COMPANY, INC.

  
Christine Lewis Morse  
Vice President

## Schedule A

### **HAWC System History**

<b>Company</b>	<b>Year</b>	<b>Docket</b>	<b>Order</b>	<b>Franchise Area</b>
Walnut Ridge Water Company	1977	DE 76-179	12,827	1,826 Acres
Lancaster Farms-Salem	1984	DR 84-267	17,312	144 Acres
Bricketts Mill-Hampstead	1985	DE 85-149	17,848	80 Acres
Squire Ridge-Hampstead	1985	DE 85-274	17,967	140 Acres
Kent Farm-Hampstead	1987	DE 86-198	18,560	1,700 Acres
Kent Farm-Hampstead	1987	DE 86-198	18,598	Supp Order
Woodland Pond-Hampstead	1987	DE 87-211	18,980	701 Acres
Bryant Woods-Atkinson	1988	DE 87-226	19,230	2,340 Acres
Hampstead Area Water Company	1989	DE 89-047	19,717	Hampstead Merger*
Hampstead Area Water Company	1989	DE 89-047	19,751	1,650 Bryant Woods
Walnut Ridge Water Company	1990	DE 90-129	19,992	Merger**
HAWC-Bricketts Mill Extension	1990	DE 90-049	19,783	55 Acres
HAWC-Hampstead	1991	DE 91-121	20,224	1,246 Acres
HAWC-Hampstead	1991	DE 91-144	20,320	1,350 Acres
HAWC-Rainbow Ridge-Plaistow	1993	DE 92-129	20,774	370 Acres
HAWC-Stoneford-Sandown	1996	DE 96-201	22,551	152 Acres
HAWC-Colby Pond-Danville	1998	DE 97-154	22,854	3,483 Acres
HAWC-Oak Hill-Chester	2000	DW 00-059	23,577	177 Acres
HAWC-Walnut Ridge & Lancaster	2002	DW 01-204	23,954	Atkinson Merger***
HAWC-Camelot Court- Nottingham	2004	DW 02-198	24,296	44 Acres
HAWC-Cornerstone-Sandown	2004	DW 02-198	24,296	188 Acres
HAWC-Lamplighter-Kingston	2004	DW 02-198	24,296	13.66 Acres
HAWC-Maplevalle-East Kingston	2004	DW 03-150	24,299	107 Acres
HAWC-Dearborn Ridge-Atkinson	2005	DW 04-055	24,501	541 Acres
HAWC-Hampstead Expansion	2005	DW 04-062	24,520	238 Acres
HAWC-Mill Woods-Sandown	2005	DW 05-063	24,544	35 Acres
HAWC-Waterford Village- Sandown	2005	DW 05-070	24,545	90.37 Acres
HAWC-Atkinson Expansion	2005	DW 05-092	24,592	333 Acres
HAWC-Autumn Hills-Sandown	2006	DW 06-016-	24,608	33.68 Acres
HAWC - Cooper Grove-Kingston	2008	DW-07-133	24,831	211 Acres
HAWC - Black Rocks Village	2008	DW-07-134	24,856	391 Acres
HAWC - Sargent Woods	2008	DW-07-130	24,884	65.97 Acres
HAWC - Oak Hill Extension	2010	DW-10-204	25,166	27.851 Acres

\*Merged Bricketts Mill, Kent Farm, Squire Ridge and Woodland Pond into HAWC

\*\*Merged Bryant Woods into Walnut Ridge with requirement that the Bryant Woods rates apply

\*\*\*Merged Lancaster Farms and Walnut Ridge into HAWC

# HAMPSTEAD AREA WATER COMPANY

LONG-TERM DEBT  
3/31/11

Date of Note	Borrower	GL Acct. #	Lender	Original Note Amount	Note Term	Interest Rate	Current Interest Rate	Outstanding Balance 3/31/11	Annual Payment	PUC Docket #	PUC Order #	Date of PUC Order
11/16/04	HAWC	232.04	Lewis Builders Development Inc	40,000	10 yrs	P+2.25%	5.50%	25,800	4,915.20	05-070	24,545	11/18/05
10/1/04	HAWC	232.07	Lewis Builders Development Inc	27,000	10 yrs	P+2.25%	5.50%	24,300	3,516.75	05-092	24,592	2/24/06
12/5/07	HAWC	232.12	Centerview Hollow Land Co., LLC	23,000	20 yrs	P+2.25%	5.50%	22,182	1,898.52	07-130	24,884	2/8/08
11/1/10	HAWC	234.18	Lewis Builders Development Inc	303,311	15 yrs	P+2.25%	5.50%	298,929	29,739.60	06-104	24,728	2/2/07
10/1/09	HAWC	234.20	Lewis Builders Development Inc	94,232	20 yrs	P+2.25%	5.50%	90,183	7,778.52	09-112	24,999	8/4/09
7/1/10	HAWC	234.21	Lewis Builders Development Inc	114,065	20 yrs	P+2.25%	5.50%	111,936	9,415.68	10-111	25,113	6/16/10
7/1/10	HAWC	234.22	Lewis Builders Development Inc	337,400	20 yrs	P+2.25%	5.50%	176,678	14,790.24	10-111	25,113	6/16/10
<b>Total Associated Companies</b>				<b>939,008</b>				<b>750,008</b>	<b>72,054.51</b>			
Settlers Ridge - New Financing					20 yrs	P+2.25%	5.50%	450,000	37,145.88	110-241	25,195	2/18/11
<b>Total Existing Financing</b>								<b>1,200,008</b>	<b>109,200.39</b>			
<b>Proposed New TD Bank Financing</b>					20 yrs		5.08%	<b>1,200,000</b>	<b>95,671.20</b>			
<b>Annual Cash Savings</b>									<b>13,529.19</b>			



61 Main Street  
Andover, MA 01810  
TDBank.com

April 29, 2011

Christine Lewis Morse  
Hampstead Area Water Company  
54 Sawyer Avenue  
Atkinson, NH 03811

RE: Letter of Interest

Dear Chris:

This letter will confirm TD Bank's interest in pursuing a loan to the Hampstead Area Water Company (HAWC) to consolidate debt and provide capital for additional equipment. Please note that this letter does not address every single term and condition normally contained in the documentation for these types of loans. Further, it is not a commitment but rather is intended to serve as a basis for discussion.

Our interest is subject to further due diligence and formal credit approval.

We appreciate being given the opportunity to review your financing needs.

Sincerely,

A handwritten signature in black ink, appearing to read 'TJ Bloom', with a large, sweeping initial 'T'.

Trevor J. Bloom  
Senior Vice President

**STATE OF NEW HAMPSHIRE**  
**PUBLIC UTILITIES COMMISSION**  
**HAMPSTEAD AREA WATER COMPANY**

**DW 11-**

**PETITION FOR APPROVAL OF FINANCING**

**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) refinancing / financing request and to prepare the financial exhibits and prefiled direct testimony which describes the refinancing / financing and the financial schedules. In addition, I am prepared to testify in support of refinancing / financing.

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 increases.

Q. What is the purpose of your testimony?

- A. The purpose of my testimony is to support the Company's effort to borrow from TD Bank, N.A., which will allow it to pay Intercompany Notes due Lewis Builders Development, Inc. and to pay for construction of the Settlers Ridge Pump Station.
- Q. Please describe the Intercompany Notes due Lewis Builders Development, Inc.
- A. Generally, the Intercompany Notes due Lewis Builders Development, Inc. financed additions to plant, the purchase of water systems and various other costs. The terms of notes are 10-20 years. The interest rates on the notes are 5.50%. There is one note in the amount of \$23,000 owed by HAWC to Centerview Hollow Land Company, LLC. Centerview Hollow Land Company, LLC acquired the note when it bought the Sargent Woods Condominium development in 2010 from First Horizon Bank in foreclosure. The prior owner held the note from HAWC as part of HAWC'S acquisition of the water system (see DW-07-130, Order # 24,884).
- Q. Please describe the Settlers Ridge Pump Station.
- A. The Settlers Ridge Pump Station was constructed in order to distribute the wells which were addition to the system in Atkinson as a result of the recommendations from the hydrology study. This increased the available water supply for the core system.
- Q. When does the Company anticipate construction beginning and ending?
- A. The construction is complete.
- Q. Please describe the TD Bank, N. A. financing.

A. The TD Bank financing will refinance the Company's long term debt owed to Lewis Builders Development, Inc., an affiliated company (Exhibit 2 to the Petition for Financing). It is the Company's understanding that the TD Bank financing will be for \$1,200,000 with a Five (5) year maturity over a Twenty (20) year amortization period and 250 basis points above the Five (5) Federal Home Loan Bank Classic Advance Rate (5.08% as of March 18, 2011). The TD Bank financing will replace the Intercompany Notes. (See Exhibit 1 to the Petition for Financing).

Q. When does the Company anticipate entering into the loan agreement with TB Bank?

A. The Company anticipates the commitment letter for the bank sometime in July and closing on the loan within thirty (30) days after approval by the Commission.

Q. Is there anything else that you would like to discuss before you describe the financial schedules?

A. No.

Q. Has the Company determined the impact of the refinancing / financing on the Company's financial statements?

A. Yes. I have prepared proforma financial statements identified as SPS 1 – SPS 8.

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

A. Yes. Generally, column (b) identifies the account title and PUC account number. Column (c) reflects the actual December 31, 2010 balances. Column (d) identifies the adjustments for the construction of the Settlers Ridge Pump Station and TD



Bank refinancing / financing to the December 31, 2010 account balances.

Column (e) is the sum of columns (c) and (d).

Q. Please explain the adjustments reflected on SPS 1-1.

A. Schedule SPS 1-1 contains 4 adjustments.

The first adjustment reflects the estimated additional construction expenditures associated with Settlers Ridge Pump Station. Please note that at December 31, 2010, the Company had expended \$118,385 on the pump station and such expenditures were reflected in construction work in progress.

The second adjustment reflects a half year depreciation on the 2011 additions to plant associated with the Settlers Ridge Pump Station.

The third adjustment reflects the net of the cash received from TB Bank and the cash expended to pay Lewis Builders Development, Inc. and to pay for the construction of the Settlers Ridge Pump Station.

The fourth adjustment reflects the net of the estimated financing costs less the amortization of such financing costs over 20 years.

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 on reflected on SPS 1–2.

A. Schedule SPS 1-2 contains 2 adjustments.

The first adjustment reflects the net impact of the additional revenues less the additional expenses.

The second adjustment reflects the net of the refinancing of the Lewis Builders Development, Inc. long term debt and the financing of the construction costs associated with the Settlers Ridge Pump Station.

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

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

Q. Please explain the adjustments reflected on SPS-2.

A. There are 4 adjustments to the Statement of Income.

The first adjustment is the additional revenue required in order earn a return on 2011 net plant associated with Settlers Ridge Pump Station and to recover the related expenses, i.e., depreciation, property taxes and business enterprise taxes.

The second adjustment is the half year depreciation on the 2011 additions to plant associated with the Settlers Ridge Pump Station.

The third adjustment is the state utility property taxes and the local property taxes and the business enterprise tax on the increased interest expense.

The fourth adjustment is the net increase in interest expense, primarily on the financing of the construction costs and the amortization of the financing costs.

Q. Would you please explain Schedule SPS 3, entitled Capital Structure?

A. The Current Year Balance is the balance at 12/31/10 and is also reflected on the Balance Sheet (see SPS 1-2). The adjustments are the change in retained earning due to the net of the additional revenue less additional expenses and the change in long term debt due primarily to the financing of the construction costs. The related capitalization ratios are shown on the bottom half of the schedule. The

Company's 12/31/10 debt to equity position is heavily weighted toward debt due to its negative equity position. In recent years the Company has taken a number of steps to improve its debt to equity position including the owner making significant equity contributions, the conversion of accounts payable to associated company to additional paid in capital and increased net income, particularly in 2010.

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 JE#2, the borrowing of funds from TD Bank, and JE#3, the payment to Lewis Development Builders, Inc. for the refinancing of the long term debt and the payment of construction costs associated with the Settlers Ridge Pump Station

Q. Would you like to explain SPS-5?

A. SPS-5 shows the 2011 Settlers Ridge projected plant and related depreciation and accumulated depreciation.

Q. Would you please explain SPS-6?

A. SPS-6 shows the calculation of the revenue requirement.

Q. Would you please explain SPS-7?

A. SPS-7 shows the source and use of the funds.

Q. Would you please explain SPS-8?

A. SPS-8 shows the estimated costs to pursue PUC approval of the refinancing / financing.

Q. How does the Company propose to repay the TD Bank loan debt?

- A. The refinancing portion of the TD Bank loan is already reflected in rates in that the assets are in rate base, the debt is in the capital structure and the cost of debt is in the rate of return. The financing portion of the TD Bank loan will eventually be reflected in rates, when such costs are reflected in a future rate case.
- Q. What does the Company propose to do with the costs of the financing?
- A. The costs associated with the TD Bank loan and the costs to pursue and obtain PUC approval will be deferred and amortized over the term of the loan.
- Q. Why should the Commission approve the refinancing / financing?
- A. The Commission should approve the refinancing / financing because it is in the best interest of the Company and its customers. The refinancing / financing will allow the Company repay the Intercompany Notes and reimburse Lewis Builders Development, Inc. for the cost of the construction of the Settlers Ridge Pump Station.
- Q. When should the Commission approve the financing?
- A. The Company respectfully requests that the Commission approve the refinancing / financing as soon as possible so that the Company can take advantage of the low interest rates.
- Q. 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 refinancing / financing by TD Bank in the amount of \$1,200,000, under the terms stated previously.

Q. Does this conclude your testimony?

A. Yes.

F:\Legal\HAWC\DW-11-000 Financing Petition-Tdbank\HAWC DW 11- Petition For Refinancing Financing With Tdbank - Testimony Of Stephen P St Cyr 06 23 11.Doc

Refinancing of \$750,000 LBDI LTD and Financing of \$450,000 associated with Settlers Ridge Pump Station

**F-1 BALANCE SHEET**  
**Assets and Other Debits**

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
<b>UTILITY PLANT</b>				
1	Utility Plant (101-106)	\$ 12,926,406	\$ 331,615	\$ 13,258,021
2	Less: Accumulated Depr. and Amort. (108-110)	3,508,268	\$ 11,942	3,520,210
3	Net Plant	\$ 9,418,138	\$ 319,673	\$ 9,737,811
4	Utility Plant Acquisition Adj. (Net) (114-115)			
5	Total Net Utility Plant	\$ 9,418,138	\$ 319,673	\$ 9,737,811
<b>OTHER PROPERTY AND INVESTMENTS</b>				
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Investment in Associated Companies (123)			
11	Utility Investments (124)			
12	Other Investments			
13	Special Funds(126-128)			
14	Total Other Property & Investments			
<b>CURRENT AND ACCRUED ASSETS</b>				
16	Cash (131)	\$ 204,641	\$ 94,450	\$ 299,091
17	Special Deposits (132)			
18	Other Special Deposits (133)			
19	Working Funds (134)			
20	Temporary Cash Investments (135)			
21	Accounts and Notes Receivable-Net (141-144)	403,985		403,985
22	Accounts Receivable from Assoc. Co. (145)			
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)			
25	Stores Expense (161)			
26	Prepayments-Other (162)	11,440		11,440
27	Prepaid Taxes (163)	32,621		32,621
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)	101,805		101,805
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 754,492	\$ 94,450	\$ 848,942
<b>DEFERRED DEBITS</b>				
32	Unamortized Debt Discount & Expense (181)	\$ 78,826	\$ 3,800	\$ 82,626
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	45,710		45,710
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)	22,348		22,348
40	Total Deferred Debits	\$ 146,884	\$ 3,800	\$ 150,684
<b>TOTAL ASSETS AND OTHER DEBITS</b>		<b>\$ 10,319,514</b>	<b>\$ 417,924</b>	<b>\$ 10,737,438</b>

## Refinancing of \$750,000 LBDI LTD and Financing of \$450,000 associated with Settlers Ridge Pump Station

**F-1 BALANCE SHEET**  
**Equity Capital and Liabilities**

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
	<b>EQUITY CAPITAL</b>			
1	Common Stock Issued (201)	\$ 16,767		\$ 16,767
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	2,104,354		2,104,354
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)			
10	Retained Earnings (214-215)	(1,259,624)	(10,243)	(1,269,867)
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 861,497	\$ (10,243)	\$ 851,254
	<b>LONG TERM DEBT</b>			
13	Bonds (221)			
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	\$ 4,539,302	\$ 428,167	\$ 4,967,469
17	Total Long-Term Debt	\$ 4,539,302	\$ 428,167	\$ 4,967,469
	<b>CURRENT AND ACCRUED LIABILITIES</b>			
18	Accounts Payable (231)	\$ 32,233		\$ 32,233
19	Notes Payable (232)			
20	Accounts Payable to Associated Co. (233)	80,109		80,109
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)			
23	Accrued Taxes (236)	185		185
24	Accrued Interest (237)			
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)	22,569		22,569
29	Total Current and Accrued Liabilities	\$ 135,096	\$ -	\$ 135,096
	<b>DEFERRED CREDITS</b>			
30	Unamortized Premium on Debt (251)			
31	Advances for Construction (252)			
32	Other Deferred Credits (253)			
33	Accumulated Deferred Investment Tax Credits (255)			
34	<b>Accumulated Deferred Income Taxes:</b>			
35	Accelerated Amortization (281)			
36	Liberalized Depreciation (282)	4,315		4,315
37	Other (283)			
38	Total Deferred Credits	\$ 4,315		\$ 4,315
	<b>OPERATING RESERVES</b>			
39	Property Insurance Reserve (261)			
40	Injuries and Damages Reserve (262)			
41	Pensions and Benefits Reserves (263)			
42	Miscellaneous Operating Reserves (265)			
43	Total Operating Reserves	\$ -	\$ -	\$ -
	<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>			
44	Contributions In Aid of Construction (271)	\$ 6,966,458		\$ 6,966,458
45	Accumulated Amortization of C.I.A.C. (272)	2,187,154		2,187,154
46	Total Net C.I.A.C.	\$ 4,779,304	\$ -	\$ 4,779,304
46	<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>	\$ 10,319,514	\$ 417,924	\$ 10,737,438

Refinancing of \$750,000 LBDI LTD and Financing of \$450,000 associated with Settlers Ridge Pump Station

## F-2 STATEMENT OF INCOME

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
	<b>UTILITY OPERATING INCOME</b>			
1	Operating Revenues(400)	\$ 1,661,728	\$ 55,230	\$ 1,716,958
2	Operating Expenses:			
3	Operating and Maintenance Expense (401)	917,115		917,115
4	Depreciation Expense (403)	385,341	11,942	397,283
5	Amortization of Contribution in Aid of Construction (405)	(186,415)		(186,415)
6	Amortization of Utility Plant Acquisition Adjustment (406)			
7	Amortization Expense-Other (407)	20,450		20,450
8	Taxes Other Than Income (408.1-408.13)	172,678	8,643	181,321
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	6,662	451	7,113
10	<b>Total Operating Expenses</b>	\$ 1,315,831	\$ 21,035	\$ 1,336,866
11	Net Operating Income (Loss)	\$ 345,897	\$ 34,195	\$ 380,092
12	Income From Utility Plant Leased to Others (413)			
13	Gains(Losses) From Disposition of Utility Property (414)			
14	<b>Net Water Utility Operating Income</b>	\$ 345,897	\$ 34,195	\$ 380,092
	<b>OTHER INCOME AND DEDUCTIONS</b>			
15	Revenues From Merchandising, Jobbing and Contract Work (415)			
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)			
17	Equity in Earnings of Subsidiary Companies (418)			
18	Interest and Dividend Income (419)			
19	Allow. for funds Used During Construction (420)			
20	Nonutility Income (421)			
21	Gains (Losses) Form Disposition Nonutility Property (422)			
22	Miscellaneous Nonutility Expenses (426)			
23	<b>Total Other Income and Deductions</b>	\$ -	\$ -	-
	<b>TAXES APPLICABLE TO OTHER INCOME</b>			
24	Taxes Other Than Income (408.2)			
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)			
26	<b>Total Taxes Applicable To Other Income</b>			
	<b>INTEREST EXPENSE</b>			
27	Interest Expense (427)	\$ 174,021	\$ 44,238	\$ 218,259
28	Amortization of Debt Discount & Expense (428)	3,099	200	3,299
29	Amortization of Premium on Debt (429)			
30	<b>Total Interest Expense</b>	\$ 177,120	\$ 44,438	\$ 221,558
31	<b>Income Before Extraordinary Items</b>	\$ 168,777	\$ (10,243)	\$ 158,534
	<b>EXTRAORDINARY ITEMS</b>			
32	Extraordinary Income (433)			
33	Extraordinary Deductions (434)			
34	Income Taxes, Extraordinary Items (409.3)			
35	<b>Net Extraordinary Items</b>			
	<b>NET INCOME (LOSS)</b>	\$ 168,777	\$ (10,243)	\$ 158,534



Refinancing of \$750,000 LBDI LTD and Financing of \$450,000 associated with Settlers Ridge Pump Station

**F-1 BALANCE SHEET**  
**Capital Structure**

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
	<b>EQUITY CAPITAL</b>			
1	Common Stock Issued (201)	\$ 16,767		\$ 16,767
2	Other Paid-In Capital (209,211)	2,104,354	-	2,104,354
3	Retained Earnings (214-215)	(1,259,624)	(10,243)	(1,269,867)
4	Total Equity Capital	\$ 861,497	\$ (10,243)	\$ 851,254
	<b>LONG TERM DEBT</b>			
5	Other Long-Term Debt (224)	\$ 4,539,302	\$ 428,167	\$ 4,967,469
6	Total Long-Term Debt	\$ 4,539,302	\$ 428,167	\$ 4,967,469
7	Total Capital Structure	\$ 5,400,799	\$ 417,924	\$ 5,818,723

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
	<b>EQUITY CAPITAL</b>			
1	Common Stock Issued (201)	0.31%	0.00%	0.29%
2	Other Paid-In Capital (209,211)	38.96%	0.00%	36.17%
3	Retained Earnings (214-215)	-23.32%	-2.45%	-21.82%
4	Total Equity Capital	15.95%	-2.45%	14.63%
	<b>LONG TERM DEBT</b>			
5	Other Long-Term Debt (224)	84.05%	102.45%	85.37%
6	Total Long-Term Debt	84.05%	102.45%	85.37%
7	Total Capital Structure	100.00%	100.00%	100.00%

**Hampstead Area Water Company**

**SPS-4**

**Refinancing of \$750,000 LBDI LTD and Financing of \$450,000 associated with Settlers Ridge Pump Station**

**Journal Entries**

1	Dr.	181	Unamortized Debt Expense	4,000	
	Cr.	131	Cash		4,000
	To record estimated debt expense associated with 2011 Refinancing				
2	Dr.	131	Cash	1,200,000	
	Cr.	224	Other Long Term Debt - 2011 TDBank loan		1,200,000
	To record receipt of cash and related long term debt associated with refinancing of Lewis Builders Development Inc. loans (\$750,000) and the financing of the Settlers Ridge pump station (\$450,000)				
3	Dr.	224	Other Long Term Debt - LBDI	750,000	
	Cr.	131	Cash		750,000
	Dr.	131	Cash	118,385	
	Dr.	101	Plant in Service	331,615	
	Cr.	131	Cash		450,000
	To record payment to LBDI for the refinancing of LBDI long term debt and for the remaining construction costs associated with Settlers Ridge pump station				
4	Dr.	101	Plant in Service	118,385	
	Cr.	105	CWIP		118,385
	To transfer costs associated with the Settlers Ridge wells from CWIP to plant in service				
5	Dr.	403	Depreciation Expense	11,942	
	Cr.	108	Accumulated Depreciation		11,942
	To record half year depreciation expense on 2011 Settlers Ridge additions to plant				
6	Dr.	131	Cash	29,600	
	Cr.	224	Other Long Term Debt		13,698
	Cr.	427	Interest Expense		15,902
	To reverse 2010 payments of principal and interest on LBDI LTD				
7	Dr.	224	Other Long Term Debt	35,531	
	Dr.	427	Interest Expense	60,140	
	Cr.	131	Cash		95,671
	To record 1st year principal and interest payments on the 2011 TDBank loan				
8	Dr.	428	Amortization of Debt Expense	200	
	Cr.	181	Unamortized Debt Expense		200
	To record annual amortization of debt expense				
9	Dr.	131	Cash	55,230	
	Cr.	461	Metered Water Revenues		55,230
	To record additional annual revenue				
10	Dr.	408	State Utility Property Taxes	2,891	
	Dr.	408	Local Property Taxes	5,752	
	Dr.	409.11	State Business Enterprise Taxes	451	
	Cr.	131	Cash		9,094
	To record additional state and local property taxes and state business enterprise tax				
11	Dr.	108	Accumulated Depreciation	0	
	Cr.	101	Plant in Service		0
	To record 2011 retirements				

Hampstead Area Water Company

SPS-5

Refinancing of \$750,000 LBDI LTD and Financing of \$450,000 associated with Settlers Ridge Pump Station

2011 Settlers Ridge Projected Plant and Depreciation

Item Description	Plant <u>Acct #</u>	Original Projected <u>Amount</u>	Adjusted Projected <u>Amount</u>	Depr. <u>Rate</u>	Annual <u>Depr Exp</u>	Accum <u>Depr</u>
Structures & Improvements	304	\$64,675	\$49,543	2.50%	\$1,239	\$619
Well Improvements	307	103,605	118,385	3.30%	3,907	1,953
Supply Mains	309	38,350	29,377	2.00%	588	294
Pumping Equipment	311	171,275	131,202	10.00%	13,120	6,560
Treatment Equipment	320	55,120	42,224	5.00%	2,111	1,056
	320	13,780	10,556	13.33%	1,407	704
Distribution Storage	333	<u>89,700</u>	<u>68,713</u>	2.20%	<u>1,512</u>	<u>756</u>
Total Plant / Depr Exp / AD		<u>536,505</u>	<u>450,000</u>		<u>\$23,883</u>	<u>\$11,942</u>

Hampstead Area Water Company  
Refinancing of \$750,000 LBDI LTD and Financing of \$450,000 associated with Settlers Ridge Pump Station

SPS-6

Calculation of Revenue Requirement

	Estimated 2011
Addition to Rate Base:	
Plant Additions	
2011 Additions	\$450,000
Less: Accumulated Depreciation	<u>11,942</u>
Net Plant	\$438,058
Add: Cash Working Capital	
Total Additions to Rate Base	\$438,058
Rate of Return	<u>5.08%</u>
Additional Net Operating Income Required	\$22,253
Add: Operating and Maintenance Expenses	
Depreciation Expense	23,883
Amortization of CIAC	0
Assessed Property Value	\$438,058
State Property Taxes (\$6.60 / \$1,000)	2,891
Local Property Taxes (\$13.13 / 1,000)	5,752
Business Enterprise Taxes (\$60,140 x \$0.0075)	<u>451</u>
Total Additional Revenue Required	<u>\$55,230</u>

**Hampstead Area Water Company****SPS-7****Refinancing of \$750,000 LBDI LTD and Financing of \$450,000 associated with Settlers Ridge Pump Station****Source and Use of Funds**Source of Funds2011

TD Bank	\$ 1,200,000
Total Source of Funds	<u>\$ 1,200,000</u>

Use of Funds

Lewis Builders Development, Inc.	\$ 750,000
Hampstead Area Water Company	118,385
2011 Construction Expenditures associated with Settlers Ridge	<u>331,615</u>
Total Use of Funds	<u>\$ 1,200,000</u>

Hampstead Area Water Company	SPS-8
Refinancing of \$750,000 LBDI LTD and Financing of \$450,000 associated with Settlers Ridge Pump Station	

**Estimated Cost of Financing**

2011 Financing Costs

St. Cyr & Associates	\$1,500
Lewis Builders Development	<u>2,500</u>
Total Estimated Financing Costs	<u>\$4,000</u>