

**THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
IN THE MATTER OF
HAMPSTEAD AREA WATER COMPANY, INC.**

**PRE-FILED TESTIMONY IN SUPPORT OF MOTION TO AMEND PETITION TO
ADD REQUEST FOR STEP INCREASE FOR NEW HIRE,
TO ADD ADDITIONS TO RATE BASE AND CAPITAL STRUCTURE FOR
BLACK ROCKS WATER SYSTEM, AND
TO ADD ADDITION TO RATE BASE FOR FAIRFIELD WATER SYSTEM**

DW 12-170

PRE-FILED TESTIMONY OF JOHN SULLIVAN

1 Q. Please state your name and business address:

2 A. John Sullivan. 54 Sawyer Avenue, Atkinson, New Hampshire.

3 Q. What is your present employment?

4 A. I am the controller for Lewis Builders Inc., employed by Lewis Builders Development
5 (Lewis), Inc., a wholly-owned subsidiary of Lewis Builders, Inc.

6 Q. As controller for Lewis, do your duties also include similar duties for Hampstead Area
7 Water Company, Inc. (HAWC)?

8 A. Yes.

9 Q. HAWC has submitted a Motion to Amend Petition with various requests. Would you
10 explain briefly what the purposes are for this amendment to the Petition?

11 A. Yes. There are basically three reasons for this amendment to the Petition. First, the
12 Company seeks inclusion in test year expenses the net wage and benefits associated with
13 a new employee position to HAWC. Secondly, the Company seeks inclusion in rate base
14 the plant additions and related CIAC and the inclusion in the capital structure the long

1 term debt associated with the Black Rocks water system. Thirdly, the Company seeks
2 inclusion in rate base the franchise costs associated with Fairfield water system.

3 Q. What is the new employee position?

4 A. The new employee position is to assist the office administratively. This new hire is
5 necessitated by the increase in workload experienced by its administrative personnel due
6 to the increase in the Company's customer base.

7 Q. Has the new position been filled?

8 A. Yes. The Company hired a new person effective December 1, 2012. The new person
9 was an employee of Lewis.

10 Q. What are the wage and benefits associated with the new person?

11 A. The annual wage is \$31,200. The annual benefits (including taxes and insurances)
12 amount to \$12,469. The total wage and benefits amount to \$43,669. Also, see Exhibit 2.

13 Q. Are there any administrative expenses reflected in the test year that should be netted
14 against the wage and benefits?

15 A. Yes. During the test year, Lewis personnel provide administrative services and charged
16 the Company for such services.

17 Q. How many hours were provided and how much was charged to HAWC?

18 A. Lewis personnel provide 439.50 hours of service and billed the Company \$15,085.51 for
19 such services. Also, see Exhibit 2.

20 Q. Should the amount reflected in the test year be netted against the wage and benefits?

21 A. Yes. The Company is requesting a net of \$28,583 be added to test year expenses. Also,
22 see Exhibit 2.

23 Q. Please provide a description of the Black Rocks water system?

1 A. Black Rocks is a 55 and older condominium development in Fremont, NH. The system
2 was approved by the PUC in DW 07-134.

3 Q. When was the water system constructed and placed into service?

4 A. The system was constructed over the period from 2009 to 2011. The first units were sold
5 in May 2011.

6 Q. How many customers will the water system serve?

7 A. There is a potential buildout of 113 customers.

8 Q. How many customers is the water system currently serving?

9 A. As of December 17, 2012 the system currently serves 23 units.

10 Q. What are the total costs of the Black Rocks water system assets?

11 A. The total costs are \$145,677. See Exhibit 3.

12 Q. How were the costs financed and what was the amount of the financing?

13 A. The construction costs for Lewis were \$130,190. The amount of the financing is
14 \$113,000. Lewis is providing the financing. The difference of \$17,190 was contributed
15 and reflected as contribution in aid of construction. The additional costs of \$15,487 were
16 paid directly by HAWC.

17 Q. Are there any other costs that need to be addressed?

18 A. Yes. In the test year, the Company incurred \$2,901 in operating expenses. In 2012 the
19 Company estimates that it will incur \$3,501. Therefore, the test year expenses need to be
20 adjusted by an additional \$600.

21 Q. Please provide a description of the Fairfield water system?

22 A. Fairfield is an existing development in Sandown, NH with 15 customers that was
23 purchased by HAWC in 2012 (see DW 11-218).

1 Q. Isn't the Fairfield water system already included in the rate filing?

2 A. It is mostly included in the rate filing. The plant and the related CIAC is included and the
3 Company estimated what the operating expenses are and included a proforma adjustment
4 for the operating expenses.

5 Q. What is not included in the filing?

6 A. The costs associated with preparing and filing a petition to expand the franchise, to
7 operate the water system within the franchise area, to acquire the assets and to apply the
8 existing rates. These costs amounting to \$3,303 were incurred while seeking PUC
9 approval in DW 11-218. Also, the Company incurred costs amounting to \$1,675
10 associated with miscellaneous engineering and design review costs while reviewing the
11 purchase of the assets. The total additional costs amounts to \$4,978.

12 Q. What is the Company proposing to do with these costs?

13 A. The Company is proposing to charge such costs to franchise costs, add them to plant (and
14 rate base) and amortize them over 40 years.

15 Q. Please summarize what the Company is requesting?

16 A. The Company is requesting (1) an increase in test year expense of \$28,583 for the net
17 wage and benefits associated with the new position, (2) a net addition to rate base of
18 \$145,677 and an addition of \$113,000 to the capital structure associated with the Black
19 Rocks water system and (3) and addition to rate base of \$4,978 associated with the
20 Fairfield water system.

21 Q. Does this conclude your testimony?

22 A. Yes.