

ORIGINAL	
N.H.P.U.C. Case No.	DW 12-170
Exhibit No.	4
Witness	Panel
DO NOT REMOVE FROM FILE	

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.

HAMPSTEAD AREA WATER COMPANY INC

Lewis Time Billed to HAWC

1/1/11 to 12/31/11

<u>Employee</u>	<u>Time Period</u>	<u># of Hours</u>	<u>Hourly Rate</u>	<u>Billed Amount</u>
Judy Armstrong	January-11	13.00	30.48	396.24
Angela Crowell	January-11	14.75	26.42	389.70
Judy Armstrong	February-11	20.00	30.48	609.60
Angela Crowell	February-11	15.00	26.42	396.30
Judy Armstrong	March-11	14.50	30.48	441.96
Angela Crowell	March-11	15.25	26.42	402.91
Judy Armstrong	April-11	17.00	36.42	619.14
Angela Crowell	April-11	20.25	31.57	639.29
Judy Armstrong	May-11	9.75	36.42	355.10
Angela Crowell	May-11	14.75	31.57	465.66
Judy Armstrong	June-11	12.00	41.28	495.36
Angela Crowell	June-11	20.00	31.57	631.40
Judy Armstrong	July-11	21.00	41.28	866.88
Angela Crowell	July-11	18.50	31.57	584.05
Judy Armstrong	August-11	21.00	41.28	866.88
Angela Crowell	August-11	17.00	31.57	536.69
Judy Armstrong	September-11	18.75	41.28	774.00
Angela Crowell	September-11	16.00	31.57	505.12
Judy Armstrong	October-11	24.75	41.28	1,021.68
Angela Crowell	October-11	43.00	31.57	1,357.51
Judy Armstrong	November-11	24.50	41.28	1,011.36
Angela Crowell	November-11	13.50	31.57	426.20
Judy Armstrong	December-11	18.50	41.28	763.68
Angela Crowell	December-11	16.75	31.57	528.80
TOTAL BILLED TO HAWC		<u>439.50</u>		<u>15,085.51</u>

Cost of New Employee

Gross wages	2,080 hours @ \$15.00/hr	31,200.00
FICA	6.20%	1,934.40
Medicare	1.45%	452.40
State Unemployment (\$14k)	1.20%	168.00
Federal Unemployment (\$7k)	0.60%	42.00
Health Insurance		9,671.76
Workers Comp Insurance	0.328%	102.34
Life Insurance		97.76
TOTAL COST OF NEW EMPLOYEE		<u>43,668.66</u>
NET COST OF NEW EMPLOYEE		<u>28,583.15</u>

HAMPSTEAD AREA WATER CO.
DEPRECIATION
BLACK ROCKS WATER SYSTEM

PDF Ref #	DATE	DESCRIPTION	*CIAC Amount	COST	BASIS	RATE	2012 Expense	Accum. Dep'n 12/31/12	Net Depreciable Value
302 - Franchise:									
	3/30/06	RCRD	0.00	36.63	36.63	2.50%	1.00	1.00	35.63
	3/30/06	RCRD	0.00	40.00	40.00	2.50%	1.00	1.00	39.00
	1/18/08	RCRD	0.00	26.00	26.00	2.50%	1.00	1.00	25.00
	3/18/08	RCRD	0.00	36.97	36.97	2.50%	1.00	1.00	35.97
	1/1/12	Franchise Costs (reclass from acct 105)	0.00	1,929.32	1,929.32	2.50%	48.00	48.00	1,881.32
Total 302			0.00	2,068.92	2,068.92		52.00	52.00	2,016.92
303 - Land and Land Rights:									
						0.00	2.50%		0.00
Total 303			0.00	0.00	0.00		0.00	0.00	0.00
304 - Structures and Improvements:									
1	various	General Engineering & Design	472.79	3,580.80	3,580.80	2.50%	45.00	45.00	3,535.80
2	2009	General Structure and Sitework	441.08	3,340.61	3,340.61	2.50%	42.00	42.00	3,298.61
3	2010	Structure & Electrical Wiring	1,329.43	10,068.71	10,068.71	2.50%	126.00	126.00	9,942.71
02-300	2009	Sitework	158.49	1,200.34	1,200.34	2.50%	15.00	15.00	1,185.34
02-400	2009	Foundation Prep	154.72	1,171.82	1,171.82	2.50%	15.00	15.00	1,156.82
02-580	2009	Underground Electric	86.06	651.82	651.82	2.50%	8.00	8.00	643.82
02-600	2009	Drainage\Detention Basins	122.49	927.69	927.69	2.50%	12.00	12.00	915.69
02-900	2010	Landscaping	23.00	174.17	174.17	2.50%	2.00	2.00	172.17
03-110	2009	Structural Formwork	355.00	2,688.68	2,688.68	2.50%	34.00	34.00	2,654.68
03-345	2009	Concrete Floors	56.38	427.00	427.00	2.50%	5.00	5.00	422.00
06-110	2009	Framing	732.37	5,546.79	5,546.79	2.50%	69.00	69.00	5,477.79
07-210	2009	Insulation	28.71	217.44	217.44	2.50%	3.00	3.00	214.44
08-100	2009	Doors	28.39	215.00	215.00	2.50%	3.00	3.00	212.00
			0.00	0.00	0.00	2.50%	0.00	0.00	0.00
			0.00	0.00	0.00	2.50%	0.00	0.00	0.00
Total 304			3,988.92	30,210.87	30,210.87		379.00	379.00	29,831.87
307 - Wells and Springs:									
1	2009	Misc work	27.47	208.05	208.05	3.30%	3.00	3.00	205.05
2	2007	Misc work	7.18	54.35	54.35	3.30%	1.00	1.00	53.35
3	2009	Misc work	312.12	2,363.89	2,363.89	3.30%	39.00	39.00	2,324.89
			0.00	0.00	0.00	3.30%	0.00	0.00	0.00
Total 307			346.76	2,626.29	2,626.29		43.00	43.00	2,583.29
309 - Supply Mains:									
1	2009	Supply Mains	420.90	3,187.76	3,187.76	2.00%	32.00	32.00	3,155.76
			0.00	0.00	0.00	2.00%	0.00	0.00	0.00
Total 309			420.90	3,187.76	3,187.76		32.00	32.00	3,155.76

HAMPSTEAD AREA WATER CO.
DEPRECIATION
BLACK ROCKS WATER SYSTEM

PDF Ref #	DATE	DESCRIPTION	*CIAC Amount	COST	BASIS	RATE	2012 Expense	Accum. Dep'n 12/31/12	Net Depreciable Value
311 - Pumping Equipment:									
1	2009	Misc equipment	271.48	2,056.08	2,056.08	10.00%	103.00	103.00	1,953.08
2	3/3/10	Lewis Equipment Co.	13.65	103.36	103.36	10.00%	5.00	5.00	98.36
3	2010	Various equipment	2,533.67	19,189.25	19,189.25	10.00%	959.00	959.00	18,230.25
4	2010	Labor	259.71	1,967.00	1,967.00	10.00%	98.00	98.00	1,869.00
5	2010	HAWC Labor	49.71	376.50	376.50	10.00%	19.00	19.00	357.50
			0.00		0.00	10.00%	0.00	0.00	0.00
Total 311			3,128.22	23,692.19	23,692.19		1,184.00	1,184.00	22,508.19
320 - Water Treatment:									
1	2009	Misc	84.48	639.82	639.82	3.60%	12.00	12.00	627.82
2	5/31/10	HAWC labor	45.57	345.13	345.13	3.60%	6.00	6.00	339.13
3	5/31/12	HAWC labor	20.71	156.88	156.88	3.60%	3.00	3.00	153.88
	10/30/09	LBD # 8822 - Transfer Tank to BR	0.00	5,193.56	5,193.56	3.60%	93.00	93.00	5,100.56
	11/30/09	LBD # 8867 - Transfer Tank to BR	0.00	6,488.12	6,488.12	3.60%	117.00	117.00	6,371.12
	12/18/09	LBD # 8892 - Transfer Tank to BR	0.00	1,736.44	1,736.44	3.60%	31.00	31.00	1,705.44
			0.00		0.00	3.60%	0.00	0.00	0.00
Total 320			150.76	14,559.95	14,559.95		262.00	262.00	14,297.95
330 - Distribution Reservoirs and Standpipes:									
1	2009	Labor & Equipment	434.70	3,292.30	3,292.30	2.20%	36.00	36.00	3,256.30
			0.00		0.00	2.20%	0.00	0.00	0.00
Total 330			434.70	3,292.30	3,292.30		36.00	36.00	3,256.30
331 - Transmission and Distribution Mains:									
1	2007	Sitework & Material	1,830.06	13,860.35	13,860.35	2.20%	152.00	152.00	13,708.35
2	2007	Material, Equipment & Labor	6,310.69	47,795.27	47,795.27	2.20%	526.00	526.00	47,269.27
3	2009	Labor	24.66	186.80	186.80	2.20%	2.00	2.00	184.80
			0.00		0.00	2.20%	0.00	0.00	0.00
Total 331			8,165.41	61,842.42	61,842.42		680.00	680.00	61,162.42
333 - Services:									
1	2007	Services	463.27	3,508.67	3,508.67	2.50%	44.00	44.00	3,464.67
2	2009	Material & Labor	21.85	165.50	165.50	2.50%	2.00	2.00	163.50
3	2011	Labor & Material	25.74	194.98	194.98	2.50%	2.00	2.00	192.98
4	1/6/12	Equipment & Labor	43.16	326.89	326.89	2.50%	4.00	4.00	322.89
			0.00		0.00	2.50%	0.00	0.00	0.00
Total 331			554.03	4,196.04	4,196.04		52.00	52.00	4,144.04

HAMPSTEAD AREA WATER CO.
DEPRECIATION
BLACK ROCKS WATER SYSTEM

PDF Ref #	DATE	DESCRIPTION	*CIAC Amount	COST	BASIS	RATE	2012 Expense	Accum. Dep'n 12/31/12	Net Depreciable Value
334 - Meters:			0.00		0.00	4.50%			0.00
Total 334			<u>0.00</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
335 - Hydrants:					0.00	1.90%			0.00
Total 334			<u>0.00</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTALS			<u>17,189.70</u>	<u>145,676.74</u>	<u>145,676.74</u>		<u>2,720.00</u>	<u>2,720.00</u>	<u>142,956.74</u>
TOTALS BY GL ACCOUNT:									
302		Franchises	0.00	2,068.92	2,068.92		52.00	52.00	2,016.92
303		Land & Land Rights	0.00	0.00	0.00		0.00	0.00	0.00
304		Structures & Improvements	3,988.92	30,210.87	30,210.87		379.00	379.00	29,831.87
307		Wells & Springs	346.76	2,626.29	2,626.29		43.00	43.00	2,583.29
309		Supply Mains	420.90	3,187.76	3,187.76		32.00	32.00	3,155.76
311		Pumping Equipment	3,128.22	23,692.19	23,692.19		1,184.00	1,184.00	22,508.19
320		Water Treatment	150.76	14,559.95	14,559.95		262.00	262.00	14,297.95
330		Distr Resev & Standpipes	434.70	3,292.30	3,292.30		36.00	36.00	3,256.30
331		Trans & Distr Mains	8,165.41	61,842.42	61,842.42		680.00	680.00	61,162.42
333		Services	554.03	4,196.04	4,196.04		52.00	52.00	4,144.04
334		Meters & Installations	0.00	0.00	0.00		0.00	0.00	0.00
335		Hydrants	0.00	0.00	0.00		0.00	0.00	0.00
		Totals	<u>17,189.70</u>	<u>145,676.74</u>	<u>145,676.74</u>		<u>2,720.00</u>	<u>2,720.00</u>	<u>142,956.74</u>
		variance		0.00	0.00		0.00	0.00	0.00
		Total Cost of Assets (from LBD)		130,189.70					
		Less: Hookup Fee		(113,000.00)	\$1,000 per hookup				
		CIAC		<u>17,189.70</u>					
		CIAC %		13.20358%					

HAMPSTEAD AREA WATER CO.
DEPRECIATION
FAIRFIELD WATER SYSTEM

DATE	DESCRIPTION	*CIAC Amount	COST	BASIS	RATE	2012 Expense	Accum. Dep'n 12/31/12	Net Depreciable Value
	302 - Franchise:							
2/17/12	Original Franchise Costs		4,977.42	4,977.42	2.50%	62.00	62.00	4,915.42
	Total 302	<u>0.00</u>	<u>4,977.42</u>	<u>4,977.42</u>		<u>62.00</u>	<u>62.00</u>	<u>4,915.42</u>
	303 - Land and Land Rights:							
				0.00	2.50%			0.00
	Total 303	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	304 - Structures and Improvements:							
2/17/12	Structures	25,850.00	25,850.00	25,850.00	2.50%	323.00	323.00	25,527.00
				0.00	2.50%	0.00	0.00	0.00
				0.00	2.50%	0.00	0.00	0.00
	Total 304	<u>25,850.00</u>	<u>25,850.00</u>	<u>25,850.00</u>		<u>323.00</u>	<u>323.00</u>	<u>25,527.00</u>
	307 - Wells and Springs:							
2/17/12	Wells	3,525.00	3,525.00	3,525.00	3.30%	58.00	58.00	3,467.00
				0.00	3.30%	0.00	0.00	0.00
	Total 307	<u>3,525.00</u>	<u>3,525.00</u>	<u>3,525.00</u>		<u>58.00</u>	<u>58.00</u>	<u>3,467.00</u>
	309 - Supply Mains:							
2/17/12	Supply Mains	1,200.00	1,200.00	1,200.00	2.00%	12.00	12.00	1,188.00
				0.00	2.00%	0.00	0.00	0.00
	Total 309	<u>1,200.00</u>	<u>1,200.00</u>	<u>1,200.00</u>		<u>12.00</u>	<u>12.00</u>	<u>1,188.00</u>
	311 - Pumping Equipment:							
2/17/12	Pumping Equipment	7,050.00	7,050.00	7,050.00	10.00%	353.00	353.00	6,697.00
				0.00	10.00%	0.00	0.00	0.00
	Total 311	<u>7,050.00</u>	<u>7,050.00</u>	<u>7,050.00</u>		<u>353.00</u>	<u>353.00</u>	<u>6,697.00</u>
	320 - Water Treatment:							
2/17/12				0.00	3.60%	0.00	0.00	0.00
				0.00	3.60%	0.00	0.00	0.00
	Total 320	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	330 - Distribution Reservoirs and Standpipes:							
2/17/12	Distribution Reservoirs & Standpipes	7,050.00	7,050.00	7,050.00	2.20%	78.00	78.00	6,972.00
				0.00	2.20%	0.00	0.00	0.00
	Total 330	<u>7,050.00</u>	<u>7,050.00</u>	<u>7,050.00</u>		<u>78.00</u>	<u>78.00</u>	<u>6,972.00</u>

HAMPSTEAD AREA WATER CO.
DEPRECIATION
FAIRFIELD WATER SYSTEM

DATE	DESCRIPTION	*CIAC Amount	COST	BASIS	RATE	2012 Expense	Accum. Dep'n 12/31/12	Net Depreciable Value
	331 - Transmission and Distribution Mains:							
2/17/12	Mains	21,150.00	21,150.00	21,150.00	2.20%	233.00	233.00	20,917.00
				0.00	2.20%	0.00	0.00	0.00
	Total 331	<u>21,150.00</u>	<u>21,150.00</u>	<u>21,150.00</u>		<u>233.00</u>	<u>233.00</u>	<u>20,917.00</u>
	333 - Services:							
2/17/12	15 Services	4,230.00	4,230.00	4,230.00	2.50%	53.00	53.00	4,177.00
				0.00	2.50%	0.00	0.00	0.00
	Total 331	<u>4,230.00</u>	<u>4,230.00</u>	<u>4,230.00</u>		<u>53.00</u>	<u>53.00</u>	<u>4,177.00</u>
	334 - Meters:							
2/17/12	15 Meters		5,250.00	5,250.00	4.50%	118.00	118.00	5,132.00
	Total 334	<u>0.00</u>	<u>5,250.00</u>	<u>5,250.00</u>		<u>118.00</u>	<u>118.00</u>	<u>5,132.00</u>
	335 - Hydrants:							
				0.00	1.90%			0.00
	Total 334	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTALS		<u>70,055.00</u>	<u>80,282.42</u>	<u>80,282.42</u>		<u>1,290.00</u>	<u>1,290.00</u>	<u>78,992.42</u>
	TOTALS BY GL ACCOUNT:							
302	Franchises	0.00	4,977.42	4,977.42		62.00	62.00	4,915.42
303	Land & Land Rights	0.00	0.00	0.00		0.00	0.00	0.00
304	Structures & Improvements	25,850.00	25,850.00	25,850.00		323.00	323.00	25,527.00
307	Wells & Springs	3,525.00	3,525.00	3,525.00		58.00	58.00	3,467.00
309	Supply Mains	1,200.00	1,200.00	1,200.00		12.00	12.00	1,188.00
311	Pumping Equipment	7,050.00	7,050.00	7,050.00		353.00	353.00	6,697.00
320	Water Treatment	0.00	0.00	0.00		0.00	0.00	0.00
330	Distr Resev & Standpipes	7,050.00	7,050.00	7,050.00		78.00	78.00	6,972.00
331	Trans & Distr Mains	21,150.00	21,150.00	21,150.00		233.00	233.00	20,917.00
333	Services	4,230.00	4,230.00	4,230.00		53.00	53.00	4,177.00
334	Meters & Installations	0.00	5,250.00	5,250.00		118.00	118.00	5,132.00
335	Hydrants	0.00	0.00	0.00		0.00	0.00	0.00
	Totals	<u>70,055.00</u>	<u>80,282.42</u>	<u>80,282.42</u>		<u>1,290.00</u>	<u>1,290.00</u>	<u>78,992.42</u>