

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

RE: HAMPSTEAD AREA WATER COMPANY, INC.

DW-17-118

PETITION FOR APPROVAL OF PERMANENT RATES

PRE-FILED TESTIMONY OF HAROLD MORSE

Q. Please state your name, address, and position with Hampstead Area Water Company, Inc.

A. My name is Harold Morse. My business address is 54 Sawyer Avenue, Atkinson, New Hampshire. I am the President of Hampstead Area Water Company, Inc., which we refer to as "HAWC".

Q. Describe the overall history of HAWC?

A. HAWC received its first franchise in 1977 and 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 to the Petition). HAWC is a New Hampshire corporation, authorized by this Commission to produce and distribute water within the Company's authorized franchise areas throughout southeastern New Hampshire.

Q. Can you describe the Company evolution over the past five years?

A. The Company has evolved in a number of ways over the last five years in response to its customers' needs, and the Company's goals in conjunction with the Public Utilities Commission (PUC) and the Department of Environmental

1 Services (DES).

2 Q. Can you enumerate those for the Commission?

3 A. HAWC has achieved improvements in the stability of its water supply, its water
4 quality, its water pressure, while also continuing to address its water loss control.
5 The Company has also added to its infrastructure making several large capital
6 improvements. Financially, the Company has continued to restructure its debt
7 and equity structure. The Company has made changes to improve its cash flow
8 and accomplished moderate growth to its customer base.

9 Q. How has the Company improved its water supply and water pressure?

10 A. HAWC continues to explore new water sources, drilling tests well and
11 rehabilitating existing wells to improve its water supply. HAWC has rehabilitated
12 and re-permitted various sources in both its satellite systems as well as the Core
13 System. HAWC also made repairs to its water storage tank in Atkinson insuring
14 the Core System's storage capacity and pressure stability. HAWC continues to
15 implement water quality measures pursuant to DES regulations with
16 comprehensive testing and the installation of appropriate treatment measures
17 where necessary. In order to assure adequate pressure within the various systems
18 HAWC, through its capital improvements planning, identifies repairs and replaces
19 pumps and pumping equipment throughout its systems, as needed.

20 Q. What has the Company done regarding water loss?

21 A. HAWC has improved its ability to detect leaks by systematically replacing its
22 residential meters. This allows for a monthly analysis to be performed on water
23 loss and helps to identify discrepancies in water usage allowing for quicker

1 investigation and repairs. HAWC is also identifying and repairing service
2 connections, distribution mains, and valves as an ongoing program of water loss
3 prevention. In an effort to expand this program HAWC continues to contract with
4 a leak detection specialist. The results from that program have been very
5 beneficial, uncovering various leakage throughout the Atkinson Core System and
6 satellite systems. The Company repairs all leaks as they are identified.

7 Q. What has HAWC accomplished for capital improvements?

8 A. HAWC has installed generators in four satellite systems: Colby Pond,
9 Cornerstone, Black Rocks and Lancaster Farms, in order to assure customers of
10 continued water service during power outages. HAWC yearly reviews its capital
11 improvement needs and utilizes both SRF financing through DES and additional
12 paid in capital to implement the same. HAWC also upgraded its SCADA system
13 monitoring at the Kent Farms well house.

14 Q. What has HAWC done regarding its financial structure?

15 A. HAWC refinanced its TD Bank debt with Pentucket Bank. This enabled HAWC
16 to continue to achieve financial flexibility in its operations. HAWC continues to
17 improve its equity structure.

18 Q. How has the Company grown?

19 A. HAWC continues to grow its customer base by adding service connections along
20 its core systems and expanding additional satellite systems. These have come
21 from developments constructed by Lewis, as well as those constructed by outside
22 developers. The Sargent Woods and Emery Drive extensions, and the additions
23 of the Little River Village, Snow's Brooks, Kings Landing, and Well Village

1 systems all have occurred since the last rate case. HAWC also has added
2 additional customers along its interconnection mains and existing mains, thus
3 adding to its customer base.

4 Q. Why is the rate increase necessary?

5 A. It has been approximately 5 years since the last rate case. Since that time, the
6 Company has expanded its franchise area, made significant capital improvements
7 including the acquisition of satellite systems (offset by related contributions in aid
8 of constructions), refinance debt, added additional paid in capital and increased
9 revenue and expenses. The rate increase is necessary to reflect the changes that
10 have taken place, which provide both better operations and improve customer
11 service. The proposed rate increase is fair and reasonable.

12 Q. Is the Company proposing any changes to the rate design?

13 A. No. The Company proposes to keep the base rate the same and allow the rate
14 increase to be reflected in the consumption rate. This is consistent with the
15 Company's practice to keep the base rate low and allow customers some control
16 over their usage and costs. It is also consistent with the Company's effort to
17 conserve water.

18 Q. Does this conclude your testimony?

19 A. Yes.