Aquarion Water Company of New Hampshire
Docket No. DW 21-093
Rebuttal Testimony of John P. Walsh, Debra A. Szabo
and Carl McMorran
February 14, 2022

#### STATE OF NEW HAMPSHIRE

#### **BEFORE THE**

#### NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

#### **DOCKET NO. DW 21-093**

## PETITION FOR FRANCHISE EXPANSION, ACQUISITION OF ASSETS, AND APPLICATION OF EXISTING RATES

### REBUTTAL TESTIMONY OF JOHN P. WALSH, DEBRA A. SZABO AND CARL MCMORRAN

On behalf of Aquarion Water Company of New Hampshire

February 14, 2022

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#### REPLY TESTIMONY OF JOHN P. WALSH, DEBRA A. SZABO AND CARL MCMORRAN

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#### **FEBRUARY 14, 2022**

### Docket No. DW 21-093

1	I.	INTRODUCTION	
2	Q.	Mr. Walsh, please state your name and business address.	
3	A.	My name is John P. Walsh. My business address is 835 Main Street, Bridgeport,	
4		Connecticut 06604.	
5	Q.	By whom are you employed and in what capacity?	
6	A.	I am the Vice President of Operations and Utility Innovation for Aquarion Water Company	
7		of New Hampshire ("AWC-NH" or the "Company") and its affiliates Aquarion Water	
8		Company of Connecticut ("AWC-CT") and Aquarion Water Company of Massachusetts	
9		("AWC-MA"). AWC-NH is a subsidiary of Aquarion Company ("Aquarion").	
10	Q.	What are your principal responsibilities in this position?	
11	A.	In my position, I oversee aspects of the day-to-day operations of AWC-NH and its affiliates	
12		in Connecticut and Massachusetts. I am responsible for directing the Company's water	
13		quality and distribution system operations, ensuring the provision of safe, high-quality	

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water for customers. I also lead the Company's program to adopt new and strategically innovative systems and approaches to increase value for customers and stakeholders, including by improving quality, enhancing resiliency and reliability, increasing productivity, and reducing costs.

#### Q. Please summarize your professional and education background.

A. I graduated from the New York University's Stern School of Business with a master's degree in Business Administration. I also have a Master of Science in environmental engineering and Bachelor of Science in civil engineering from the University of Massachusetts, Amherst. I am a professional engineer licensed in Massachusetts, Connecticut and California. I have been employed by Aquarion over two separate periods of time totaling 23 years. Prior to my current role, I held various management roles within the Aquarion organization including planning, engineering, and construction activities, as well as directing operation of Aquarion's production and pumping facilities. I have also been employed in the past by several engineering consulting firms in California and the Northeast.

#### Q. Have you previously testified before the Public Utilities Commission?

Yes, I provided testified before the Public Utilities Commission (the "Commission") in

Docket No. DW 12-085, Docket DW 21-090, and Docket No. DW 20-184. I have also

testified before the Massachusetts Department of Public Utilities on matters regarding

AWC-MA.

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- 1 Q. Ms. Szabo, please state your name and business address.
- 2 A. My name is Debra A. Szabo. My business address is 600 Lindley Street, Bridgeport,
- 3 Connecticut.
- 4 Q. By whom are you employed and in what position?
- 5 A. I am employed by AWC-CT as the Director of Rates and Regulation. AWC-CT is a
- 6 subsidiary of Aquarion and an affiliate of AWC-NH.
- 7 O. What are your principal responsibilities in this position?
- 8 A. As the Director, Rates and Regulation, I am responsible for preparation and presentation
- 9 of rate cases and other state regulatory filings for Aquarion's operating affiliates in New
- Hampshire, Massachusetts and Connecticut, including AWC-NH.
- 11 Q. Please summarize your educational background and professional experience.
- 12 A. I have a Bachelor of Science in Accounting from The University of Connecticut. I am a
- 13 Certified Public Accountant in the State of Connecticut. I was hired by Aquarion in March
- 2015 as Accounting Manager. In March 2018, I was promoted to my current position of
- Director, Rates and Regulation. Prior to joining Aquarion, I was Director of Financial
- 16 Reporting at Hubbell Inc.
- 17 Q. Have you testified previously before the Commission or any other regulatory agencies?
- 19 A. Yes. I have provided testimony before the Commission on behalf of AWC-NH in relation
- to its Water Infrastructure and Conservation Adjustment ("WICA") filings and its pending
- rate case, Docket No. DW 20-184, and in Connecticut on behalf of AWC-CT in numerous
- 22 regulatory proceedings.

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- 1 Q. Mr. McMorran, please state your name and business address.
- 2 A. My name is Carl McMorran. My business address is 7 Scott Road, Hampton, New
- 3 Hampshire.
- 4 Q. By whom are you employed and in what position?
- 5 A. I am the Operations Manager for AWC-NH.
- 6 Q. What are your principal responsibilities in this position?
- 7 A. I have worked for the Company since November 2008. As Operations Manager, I oversee
- 8 operations, maintenance, capital improvement and administrative activities for the
- 9 Company.
- 10 Q. Please summarize your educational background and professional experience.
- 11 A. I have a bachelor's degree in Biology from Bucknell University and a Master of
- 12 Environmental Science Degree from Miami University. I have also taken graduate level
- courses in business administration and attended and presented at many waterworks
- seminars and conferences.
- Prior to joining the Company, I served as Production Manager for the Struthers Division
- of Aqua Ohio from April 1999 through October 2008. I supervised a 6 million gallon per
- day ("MGD") surface water treatment plant, was responsible for source water protection
- and reservoir management activities, and oversaw operations and maintenance for major
- distribution facilities (e.g., tanks, boosters). I also had interim supervisory duties at other
- 20 Aqua Ohio production facilities and acted as operations consultant for the City of Campbell
- 21 (Ohio) water system. From August 1990 through March 1999, I served as Water Quality /

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Technical Services Manager for the Bangor (Maine) Water District. In that role, I 1 supervised source water protection and watershed management activities, the water quality 2 laboratory, regulatory compliance, cross connection, and metering and service activities. 3 From June 1982 through July 1990, I worked as an Environmental Protection Specialist for 4 the Susquehanna River Basin Commission, which regulates water resources in Maryland, 5 6 New York and Pennsylvania. I conducted water quality assessment surveys, water pollution control and hydropower regulation activities. 7 8 I currently hold Class IV Water Treatment and Distribution licenses in New Hampshire 9 and Maine. I previously held a Class IV Water System license in Ohio and a Class A Water 10 System license in Pennsylvania. I also held a Lake Manager certification from the North American Lake Management Society from 1995 through 2008. 11 I am a member of the American Water Works Association, the New England Water Works 12 Association, and the New Hampshire Water Works Association ("NHWWA"). I have 13 served on the NHWWA Board of Directors since 2014 and as President in 2020. 14 Have you testified previously before the Commission or any other regulatory O. 15 agencies? 16 Yes, I provided testimony before the Commission in Docket No. DW 12-085, Docket No. A. 17 18 DW 10-293 and Docket No. DW 11-238, and in other dockets relating to the Company's WICA filings. I have also provided testimony in the Company's current rate case Docket 19 No. DW 20-184. 20

- 1 Q. Are you presenting any attachments with your rebuttal testimony?
- 2 A. In addition to this testimony, we are presenting the following attachments:

Attachment	Description
Attachment AWC-NH-1	Seacoast Chief Fire Officers Mutual Aid District Agreement

#### 3 II. PURPOSE AND OVERVIEW OF REBUTTAL TESTIMONY

### 4 Q. What is the purpose of your rebuttal testimony?

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A.

We are submitting this testimony to provide a factual response to certain claims and allegations by the Towns of Hampton and North Hampton (the "Towns") in their filing on January 31, 2022, which included the Towns' Memorandum of Law and Statement of Position ("Memorandum"), Testimony of Timothy Harned, Co-Chair of the North Hampton Water Commission ("Harned Testimony"), and a letter providing comments or testimony from Jason M. Lajoie, Fire Chief of the Town of North Hampton ("Lajoie Testimony"). In response to these submissions, our testimony provides relevant background information in support of the Company's petition filed on November 20, 2020 (the "Petition"), which requests Commission approval to provide permanent water service to homes in the Wiggin Way subdivision in the Town of Stratham ("Wiggin Way"), including (i) approval of the expansion of its franchise into this limited area in the Town of Stratham; (ii) approval of the contract for the acquisition of certain existing water distribution infrastructure assets by AWC-NH; and (iii) approval for AWC-NH to permanently serve the new Wiggin Way customers under its existing tariff rates. The Petition does not request to change current rates or impose costs on existing customers.

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Our testimony demonstrates that the Company's proposal to acquire Wiggin Way's water distribution system and establish permanent service for Wiggin Way customers as regular metered customers of the Company is just, reasonable, and in the public good. In fact, permanent water service is critical to fulfill the public health and safety directive of the New Hampshire Department of Environmental Services ("DES"), which found that the expansion of the Company's franchise territory into the Town of Stratham and the transfer of assets and property rights from the Wiggin Way Homeowners Association ("WWHA") to the Company is in the public good, such that these actions are necessary as "the most feasible and cost-effective option to address the Water System's arsenic and low water quantity issues" (DES Order at 9) <sup>1</sup>, and pursuant to DES's statutory authority of RSA Chapter 485.<sup>2</sup> Our testimony also provides clarification and corrections of certain statements in the Towns' filings with respect to the operation of the Company's fire service rates and how the costs associated with fire service are recovered by the Company.

#### III. FACTUAL BACKGROUND

Why is the Company requesting Commission approval to expand its franchise to serve Wiggin Way?

A. The Company is requesting Commission approval to expand its franchise to serve Wiggin Way in response to DES Administrative Order No. 17-006 WD issued on March 29, 2017 (the "DES Order"), which found the WWHA water distribution system had unacceptably high levels of arsenic, inadequate water capacity and operational soundness, thus posing a

The DES Order was provided as Attachment A to the Petition.

Petition, at 3.

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public health and safety risk to the Wiggin Way customers. Based on these determinations, DES mandated the Company to provide temporary water service to Wiggin Way beginning in 2017, then to acquire the system, subject to Commission approval of the franchise expansion into Wiggin Way.<sup>3</sup> The Company installed an interconnection to the WWHA system and began serving the 43 Wiggin Way customers in 2017. The Company and WWHA negotiated an Asset Transfer Agreement ("ATA") that establishes the terms by which AWC-NH will acquire the WWHA water distribution system assets and property rights and effectuate the permanent water service.<sup>4</sup> Approval of the franchise expansion is the last regulatory step in the process to comply with the DES Order, and thus ensure safe and reliable water service to the Wiggin Way customers.

#### 11 Q. How did the Company establish the temporary interconnection?

12 A. In 2016 and early 2017, Wiggin Way was supplied by a hose connection between a hydrant
13 on Winterberry Lane and a blow off valve at the end of Wiggin Way's distribution system.
14 Later in 2017, the temporary interconnection was replaced with a permanent, underground
15 pipe connection between distribution system mains. There is currently one meter at the
16 interconnection to record and bill consumption.

## Q. Has the interconnection caused any negative impacts to the AWC-NH system or customers?

19 A. No. The Company has been serving the Wiggin Way customers reliably since 2017. Over 20 this period, the Company has had no operational problems. There have been no capacity

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DES Order at 9.

The ATA was provided as Attachment E to the Petition.

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- constraints or supply issues in serving the Wiggin Way customers, and no negative impacts
  on any of the Company's existing franchise customers in the Towns.
- Will AWC-NH or its existing franchise customers bear any costs associated with the permanent interconnection?
- A. No. The ATA provides that the WWHA is responsible for all of the costs of the transaction necessary to establish permanent water service. AWC-NH's existing franchise customers will not bear any of the resulting costs. The Petition does not seek any rate change that would affect AWC-NH's existing franchise customers.
- 9 Q. Are the Wiggin Way customers currently served on a tariff rate?
- 10 A. Yes. The interconnection meter servicing the Wiggin Way customers is billed consistent
  11 with the Company's tariff under the Schedule of Water Rates for Metered Service that is
  12 available to all AWC-NH customers, (i.e., the Wiggin Way interconnection meter is billed
  13 at the Company's year-round rates contained in NHPUC No. 1, at Fifth Revised Page 12).
- 14 Q. When were the Wiggin Way customers put on the year-round metered service rate?
- 15 A. At the time the interconnection was established in 2017, the Company initiated service to Wiggin Way customers through an interconnection meter billed consistent with the 16 Schedule of Water Rates for Metered Services that is available to customers taking water 17 service for a period less than four (4) consecutive quarters (i.e., Wiggin Way customers 18 were previously charged the seasonal meter rate contained in NHPUC No. 1, at Fourth 19 Revised Page 13). The Company transitioned the Wiggin Way customers to its year-round 20 21 metered service rate effective April 2019 because, at that time, these customers had been 22 taking water service for four consecutive quarters and were no longer eligible for the

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- seasonal meter rate. This was a routine change in service that the Company makes for any customer that takes water service for at least four consecutive quarters.
- Q. Are there any other costs associated with this franchise expansion that would affect AWC-NH's existing customers?
- 5 A. No. As stated above, the ATA provides that the WWHA is responsible for all costs to establish permanent water service, which are in the nature of one-time transaction costs.
- 7 Q. Are there benefits to the Company's existing franchise customers by the addition of Wiggin Way to the franchise?
- Yes. Similar to a main extension, the newly individually-metered Wiggin Way customers will pay current rates and provide additional revenue in excess of the Company's marginal cost of providing their water service. More generally, the addition of new customers who pay water rates based on total systems cost spreads the Company's cost of service over a broader customer base.

#### 14 IV. RESPONSE TO THE TOWNS

Will permanent water service result in an inappropriate "subsidy" to the Wiggin Way customers at the expense of the Towns?

17 A. No, this is a misunderstanding on the part of the Towns and inconsistent with the Company's
18 tariff rates and Commission ratemaking practice. Although the Towns' positions have
19 changed over time, 5 their current claim appears to be that Wiggin Way will benefit from the

The Towns' opposition to the interconnection of Wiggin Way dates back many years and all claims thus far have been duly rejected by the Commission, DES and the New Hampshire Water Council. The Towns appealed the DES Order to the New Hampshire Water Council in 2017, and on October 25, 2019, the Water Council issued its Decision and Order in its Docket No. 17-06 WC rejecting the Towns' appeals. The rehearing period for that order expired on November 25, 2019 and became final and unappealable on that date as no rehearing motions were filed, yet the Towns' protests continue.

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existence of fire hydrants in the Town of North Hampton in close proximity to the Town of Stratham, and in particular the Wiggin Way subdivision. However, under the Company's tariff, public fire service customers such as North Hampton determine the scope of service required to meet their own needs, and their rates pay only for the scope of service they request. In this manner, public fire service customers do not subsidize water service rates to metered customers.

#### O. Please explain how fire service costs are recovered in Company rates.

A.

The Company's tariff includes the following rate schedules: (1) water rates for metered service; (2) water rates for private fire service; and (3) water rates for public fire service. Fire service rates may be charged to individual customers requesting fire service from the Company (these are considered "private" fire service customers) and to municipalities requesting fire service from the Company (these are considered "public" fire service customers). Private fire service rates are paid by the customer that has requested this service in the same way that metered water service rates are paid by metered service customers (i.e., through a direct bill from the Company to the private fire service customer). Public fire service rates are paid by the municipality for public fire service. Public fire protection costs include the costs of the infrastructure that is needed to provide the fire flow demands throughout the distribution system, as well as the cost (capital and maintenance) for public hydrants. Public fire protection costs are allocated to each town based on the

The tariff also includes a Water Infrastructure and Conservation Adjustment that is surcharge applied to all bills.

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- number of public hydrants in that town. Fire service rates do not include volumetric charges.<sup>7</sup>
- Who decides where and how hydrants will be located in a municipality requesting public fire service?
- 5 A. The municipality requesting public fire service determines how many hydrants it requires
- and the location of those hydrants, based on the municipality's assessment of its own needs.
- 7 The Company responds to the municipality's request by installing, maintaining, and
- 8 providing water service to the hydrants as requested.
- 9 Q. The Towns claim that the Wiggin Way expansion will impact supply capacity available to public fire protection customers. Is this a true statement?
- No. In their Memorandum, the Towns oppose the proposed franchise expansion for 11 A. Wiggin Way because it allegedly "includes no charges or adjustment for the supply 12 capacity it will take away from public fire protection customers like North Hampton and 13 Hampton."8 In fact, the franchise expansion will have no negative impact on water supply 14 15 or capacity on the AWC-NH system, and no impact on public fire protection customers such as the Towns. The Towns will not pay more nor experience any degradation of public 16 fire service as a result of permanent water service to Wiggin Way. The Towns have 17 provided no evidence that fire-fighting capability will be diminished by the Wiggin Way 18

Consistent with the Company's testimony in Docket No. DW 20-184, the cost allocation to public fire service includes the cost of public fire hydrants plus the capacity cost for the potential fire flow demands throughout the water system. The capacity costs allocated to fire service include a portion of the capital costs related to the water system facilities that meet the various water demands of all customers, as well as a portion of operating expenses. The allocation of capacity costs is based on the potential water demands of both public and private fire flow requirements in relation to the total demands on the water system.

<sup>8</sup> Memorandum, at 2 (emphasis added).

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franchise expansion. As stated in Chief. Lajoie's testimony, the Wiggin Way fire pond and cistern may be utilized as a primary source of fire service in an emergency event affecting the Wiggin Way community.<sup>9</sup>

# 4 Q. The Towns next claim that the proposed franchise expansion is inconsistent with the Company's tariff rates. Is this a true statement?

- A. No, it is a mischaracterization. In their Memorandum, the Towns claim that the franchise expansion "does not follow the provisions of Aquarion's own Tariff concerning main extensions or conversion of seasonal connections to permanent ones." This assertion overlooks the salient fact that although Wiggin Way is not a main extension that falls squarely under the tariff, it is a response to the DES Order issued in accordance with the relevant governing statutes.
- 12 Q. In his testimony, Mr. Harned suggests that the proposed franchise expansion is "unfair to residents in North Hampton" and the Commission should impose a "surcharge" on the new Wiggin Way customers for fire protection service. 11 Are his suggestions reasonable?
- 16 A. No, for several reasons. First, the Wiggin Way customers are not receiving fire protection
  17 service as a result of the transaction; specifically, there are no hydrants in the Wiggin Way
  18 portion of the distribution system They will only be metered service customers paying the
  19 metered service rates (the same as all other AWC-NH metered customers). To the extent
  20 there is a tangential, emergency operations benefit to the Town of Stratham due to

Lajoie Testimony, at 2 (the cistern "could be used as either a primary or secondary source of water supply" in an emergency event).

DW 21-093, Town of North Hampton Memorandum of Law ("Memo"), at 2 (emphasis added).

Harned Testimony, at 1.

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proximity of hydrants in the Town of North Hampton, and vice versa, that is a matter between the towns and does not form a basis to single out and impose a "surcharge" on private residents in Wiggin Way. As described below, Chief Lajoie's testimony notes that North Hampton is a party to mutual aid agreement that applies to the provision of emergency support services to the adjoining towns, which does not involve AWC-NH nor impact the costs to any AWC-NH customers.

Second, Mr. Harned's perception that the proposed franchise expansion is "unfair to residents in North Hampton" who do not receive fire protection service is, in fact, a result of the Town of North Hampton's methodology for assessing its costs of public fire service to its property owners and has nothing to do with the franchise expansion. Mr. Harned states that many town property owners "pay for the costs of fire protection in the tax bills but have no water service and do not benefit from Aquarion's fire protection service," which is due to the fact that "North Hampton's (and Hampton's) public fire protection charges are passed through to customers as a general expense to all property owners." AWC-NH bills its municipal customers directly for public fire protection service under its tariff rates. AWC-NH has no role in determining how and to whom the municipality chooses to assess those costs.

Third, from a ratemaking perspective, Mr. Harned's suggestion of a "surcharge" has no cost basis or evidentiary support and is outside the scope of the Petition. The Company's cost of service and rate design are determined in base rate cases, such as the currently

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Harned Testimony, at 1, 4.

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pending Docket No. DW 20-184. The Petition does not request a change in rates to facilitate the proposed franchise expansion. Customers will continue to pay current rates unless and until a change is duly authorized by the Commission in a rate case. The allocation of the Company's cost of service to the various rate classes will continue as authorized by the Commission. There is no basis to single out the Wiggin Way customers to pay a discriminatory surcharge when they receive the exact same service as all other AWC-NH metered service customers.

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# 8 Q. To be clear, will the Wiggin Way residents receive fire protection service from the Company as a result of the franchise expansion?

- 10 A. No. The residents of Wiggin Way will continue to receive metered service, will not receive 11 public or private fire service from AWC-NH, and, as property owners, will continue to 12 receive municipal fire protection from the Town of Stratham. None of this will change as 13 a result of establishing permanent water service.
- Q. Mr. Harned claims that there are "hidden" costs in North Hampton's tax rate because the Company does not perform snow removal for fire hydrants. Does this claim have any relevance to the Petition?
- 17 A. No. The Company's tariff rate for fire service does not include any costs associated with
  18 snow removal from hydrants, because the Company is not legally responsible for snow
  19 removal associated with hydrants. The municipality receiving public fire service is solely
  20 responsible for fire hydrant snow removal. The Towns' challenge to this rate structure was
  21 previously decided by the Commission and upheld by the New Hampshire Supreme

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1 Court. <sup>13</sup> As a result, these comments have no bearing on the issues before the Commission in this docket.

# Q. In Chief Lajoie's testimony, he references a town mutual aid agreement, are you aware of this agreement?

Yes. Chief Lajoie states that the Town of North Hampton is a party to the "Seacoast Chief Fire Officers Mutual Aid District ('SCFOMAD') Agreement by which North Hampton and other Towns provide emergency fire response to the Town of Stratham, New Hampshire, when called to do so under the provisions and protocols established by the SCFOMAD Agreement." The SCFOMAD Agreement is a publicly available document and is provided as Attachment AWC-NH-1 to our testimony for informational purposes.

The SCFOMAD Agreement states that it is not mandatory for a participating town to render assistance under the terms of the agreement and, as between the participating towns, "all service performed under this agreement shall be rendered *without reimbursement of either party or parties.*" This language indicates that the Towns of North Hampton and Stratham (and Hampton, which is also party to this docket and the agreement) have agreed to provide emergency mutual aid to each other without reimbursement of costs to either party.

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<sup>13 &</sup>lt;u>Appeal of Town of Hampton</u>, 2021 WL 3438994 (2021) (affirming Commission Order No. 26,263 issued in DW 19-065 (June 24, 2019)).

Lajoie Testimony, at 1.

Attachment AWC-NH-1, at page A-2 (emphasis added).

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#### 1 VI. CONCLUSION

- Q. Do you have any concluding remarks with respect to the proposed franchise expansion?
- 4 A. Yes. The proposed franchise expansion is necessary in the interest of public health and safety as determined in the DES Order. The Towns' stated concerns are unfounded and 5 6 outside the scope of this proceeding. Specifically, there will be no impact on capacity or 7 supply for public fire service; no degradation of service or increased costs for public fire service customers; no additional costs to public fire customers; and no changes in rates or 8 9 cost allocations as a result of the Petition. As demonstrated by our testimony, the WWHA 10 will bear all costs of the transaction and the Wiggin Way customers will continue to pay the Company's standard tariff rates for metered service. Moreover, the manner and method 11 by which the Towns may choose to assess property owners for their costs of public fire 12 service is not implicated by the Petition nor is it a matter for the Commission. Overall, the 13 proposed franchise expansion and approval of the Petition is just, reasonable and in the 14 public good. 15
- 16 Q. Does this conclude your testimony?
- 17 A. Yes.