

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.
DW 12-___

2012 WATER INFRASTRUCTURE
AND CONSERVATION ADJUSTMENT FILING

DIRECT TESTIMONY OF

CARL MCMORRAN

OCTOBER 31, 2012

1 **Q. Mr. McMorran, please state your name and business address.**

2 A. My name is Carl McMorran, and my business address is 7 Scott Road, Hampton,
3 New Hampshire 03842.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am the Operations Manager for Aquarion Water Company of New Hampshire,
7 Inc. (“Aquarion” or the “Company”).

8

9 **Q. Please describe your educational background.**

10 A. I have a Bachelor's Degree in Biology from Bucknell University and a Master of
11 Environmental Science Degree from Miami University. I have also taken
12 graduate level courses in business administration, and attended (and presented at)
13 many water works seminars and conferences.

14

15 **Q. Please describe your business/professional background.**

16 A. I have worked for Aquarion since November 2008. As Operations Manager, I
17 oversee all operations, maintenance, capital improvement and administrative
18 activities for the New Hampshire division.

19

20 From April 1999 through October 2008, I served as Production Manager for the
21 Struthers Division of Aqua Ohio. I supervised a 6 MGD surface water treatment
22 plant, source water protection and reservoir management activities, and operations
23 and maintenance for major distribution facilities (tanks, boosters, etc.). I also had

1 interim supervisory duties at other Aqua Ohio production facilities and acted as
2 operations consultant for the City of Campbell's (Ohio) water system.

3
4 From August 1990 through March 1999, I served as Water Quality / Technical
5 Services Manager for the Bangor (Maine) Water District. I supervised source
6 water protection and watershed management activities, water quality laboratory,
7 regulatory compliance, cross connection, metering and service activities.

8
9 From June 1982 through July 1990, I worked as an Environmental Protection
10 Specialist for the Susquehanna River Basin Commission, which regulates water
11 resources in Maryland, New York and Pennsylvania. I conducted water quality
12 assessment surveys, water pollution control and hydropower regulation activities.

13
14 I currently hold Class IV Water Treatment and Distribution licenses in both New
15 Hampshire and Maine. I previously held a Class IV Water System license in Ohio
16 and a Class A Water System license in Pennsylvania. I also held a Lake Manager
17 certification from 1995 through 2008.

18

19 **Q. Have you previously testified before the New Hampshire Public Utilities**
20 **Commission (“PUC” or the “Commission”)?**

21 A. I have not provided live testimony before the PUC, but I did submit written pre-
22 filed testimony in the Company’s current rate case Docket DW 12-085. I also
23 provided pre-filed testimony in Docket DW 10-293 and Docket DW 11-238, the

1 Company's two previous water infrastructure and conservation adjustment
2 ("WICA") filings.

3 **Q. What is the purpose of your testimony in this proceeding?**

4 A. My testimony supports the Company's 2012 WICA filing and discusses the
5 projects that are included in that filing for the years 2013 through 2015¹ as well as
6 the results of the projects constructed in 2012, as approved in the 2011 WICA
7 proceeding. The projects I will discuss are outlined in Attachment CM-1. Troy
8 Dixon will discuss the surcharge calculations and the associated rate impact for
9 these projects.

10

11 **Q. What is the basis for the Company's filing in this case?**

12 A. The basis for the Company's filing is the settlement agreement dated July 10,
13 2009 that was approved by the Commission in the Company's last rate case,
14 Docket DW 08-098 (the "Settlement Agreement"). Section II.H.2 of the
15 Settlement Agreement provides:

16 The Company agrees to file a three year projected budget of proposed
17 WICA eligible projects no later than November 1 of each year. Each such
18 budget shall show projects broken down into three years. Year 1 projects
19 are those proposed to be constructed in the succeeding twelve month
20 period. Year 2 projects are those proposed to be constructed in the next
21 twelve month period. Year 3 projects are those proposed to be constructed
22 in the twelve months following Year 2. Year 3 projects shall be provided
23 for advisory purposes and discussion. Year 2 projects shall be provided for
24 review and approval by the Commission. Year 1 projects shall be provided
25 for final review and informational purposes. Staff or any party may
26 request a hearing prior to the Commission's granting approval for a
27 project to become eligible for cost recovery through the WICA. The
28 determination as to whether to hold a hearing on the eligibility of any

¹ Each year referenced in this petition for the WICA projects means the program year. Each program year typically runs from October 1 through September 30.

1 project for WICA cost recovery shall be at the discretion of the
2 Commission.
3

4 In accordance with the terms of the Settlement Agreement, in 2009, the Company
5 submitted its first three year list of projects proposed for WICA eligibility in
6 Docket DW 09-211. By Order No. 25,065 dated January 15, 2010, the
7 Commission approved the proposed projects for construction in 2010 and gave
8 preliminary approval to the projects proposed for 2011. Projects anticipated for
9 construction in 2012 were provided for informational purposes.
10

11 In 2010, the Company submitted its second three year list of projects proposed for
12 WICA eligibility in Docket DW 10-293. By Order No. 25,186 dated December
13 22, 2010, the Commission approved the proposed projects for construction in
14 2011 and gave preliminary approval to the projects proposed for 2012. Projects
15 anticipated for construction in 2013 were provided for informational purposes.
16

17 Last year, the Company submitted its third three year list of projects proposed for
18 WICA eligibility in Docket DW 11-238. By Order No. 25,311 dated December
19 30, 2011, the Commission approved the proposed projects for construction in
20 2012 and gave preliminary approval to the projects proposed for 2013. Projects
21 anticipated for construction in 2014 were provided for informational purposes.

22 Since that time, the Company has constructed the projects approved for 2012.
23 Specifically, between January 1, 2012 and September 30, 2012, the Company
24 replaced: 1,750 feet of 8-inch main on Atlantic Avenue (between Hydrant 539
25 and Maple Road in North Hampton), 1,657 customer meters, seven services, three

1 hydrants, and three valves. These completed projects are each listed in
2 Attachment CM-1 and are the subject of the proposed surcharge detailed in Mr.
3 Dixon's testimony.

4

5 **Q. Was there any change in the scope of the projects constructed in 2012 from**
6 **what was approved by the Commission in Docket DW 11-238?**

7 A. The general scope of projects was the same as approved by the PUC, with some
8 differences in quantities occurring due to financial and scheduling factors. Also,
9 since the last quarter of 2011 fell within the test year for the Company's current
10 rate case in Docket DW 12-085, the meters, hydrants, services, and valves
11 installed during that period are not included in this WICA filing.

12 More specifically, the Company installed 1,921 radio meters between October 1,
13 2011 and September 30, 2012, compared to the 1,744 radio meters that were
14 proposed in the last WICA filing. However, 264 radio meters were installed
15 between October 1 and December 31, 2011 and are included in the Company's
16 current rate case. The remaining 1,657 are included in and within this WICA
17 filing. The Company was able to install the additional radio meters due to
18 beneficial circumstances that allowed the Company to accelerate its periodic
19 meter replacement schedule. Also, seven services were replaced, compared to the
20 22 services that were proposed in the last WICA filing. Service replacements
21 were reactive and performed as needed in response to malfunctions discovered
22 during the course of routine activities.

1 **Q. Does Attachment CM-1 update the list of proposed WICA projects that the**
2 **Company previously filed in Docket DW 11-238?**

3 A. Yes, Attachment CM-1 updates the proposed projects for years 2013 and 2014,
4 and adds proposed projects for 2015. Proposed main replacement projects are
5 prioritized based on main break history, pipe age/useful life, material integrity,
6 criticality to system function, water quality problems, hydraulic capacity,
7 schedule coordination with other projects (e.g., road paving or sewer projects),
8 water utility staff input and concerns, and capital budget constraints. This priority
9 list is updated at least annually. The proposed WICA projects for 2013 through
10 2015 also include annual replacements of five hydrants, eight service lines, and
11 four distribution valves based on historical activity levels. Service lines will be
12 renewed, instead of being repaired, if there is any reasonable probability that it
13 will avoid the expense of another repair in the foreseeable future. Factors such as
14 service line material (lead, galvanized iron, or other non-copper material), ease of
15 access and digging aspect of the service line location, and break history are
16 considered with respect to the probability of future repairs. In addition, the
17 Company is targeting approximately 553 direct read meters for replacement with
18 radio read meters in 2013. Attachment CM-1 provides further detail with respect
19 to the different prioritization factors utilized in determining the associated
20 infrastructure replacements.

21

1 **Q. Is there any difference between the projects listed on Attachment CM-1 for**
2 **2013 and those preliminarily approved by the Commission in Docket DW 11-**
3 **238?**

4 A. The 2013 projects listed on Attachment CM-1 are generally consistent with the
5 2013 projects that the Commission preliminarily approved in the Company's last
6 WICA filing in Docket DW 11-238. Attachment CM-1 provides updated
7 projections for the 2013 projects based on revised capital, operating, maintenance,
8 financial, and management considerations over the last year. Specifically, the
9 customer meter replacement projections for 2013 have been decreased from the
10 872 meters proposed in the last WICA filing to 553 meters. This decrease is the
11 outcome of the Company replacing more meters than originally expected in 2012.
12 Hydrant replacement projections have been decreased from eight to five based on
13 historical averages. Service line replacement projections have been decreased
14 from twenty-two to eight, also based on historical averages. The next two main
15 replacement construction priorities (Ocean Boulevard and Route 101 mains)
16 remain the same for 2013 and 2014. Main replacement plans for 2015 have
17 changed somewhat based on updates to the prioritization criteria, including
18 information from the Towns regarding paving and other public works projects.
19 There have been no changes to the assumptions and projections for control valves
20 or production meters.

21

22 **Q. What action is the Company requesting in this WICA filing with regard to**
23 **the projects shown on Attachment CM-1?**

1 A. With regard to the projects constructed in 2012, the Company is requesting that
2 the PUC approve a surcharge consistent with that proposed by Mr. Dixon in his
3 testimony. With regard to the projects listed for 2013, the Company is requesting
4 that the Commission approve these projects for inclusion in the WICA to be
5 effective as of January 1, 2014, subject to a prudence review of the final costs.
6 With regard to the projects listed for 2014, the Company is requesting that the
7 Commission preliminarily approve these proposed projects for the WICA
8 program, subject to the Commission's final review next year. Finally, with regard
9 to the projects listed for 2015, the Company is not requesting any action and is
10 simply providing these projects for informational purposes only.

11

12 **Q. Please describe the status of the WICA pilot program.**

13 A. Under the Settlement Agreement, the WICA program will automatically terminate
14 at the time of a final order in the Company's current rate case in Docket DW 12-
15 085, unless the program is extended by the Commission in the rate order or prior
16 to such order. The continued implementation of the WICA pilot program will
17 allow the Company to replace old water mains at a faster rate than without it. The
18 Company has made a request in its current rate case for the Commission to
19 continue the WICA program indefinitely, and whether the program is extended
20 will be determined in that proceeding.

21

22 **Q. Does this conclude your testimony?**

23 A. Yes.