

STATE OF NEW HAMPSHIRE
PUBLIC UTILITES COMMISSION

DOCKET NO. 18-xxx

DIRECT TESTIMONY OF HAROLD MORSE
ON BEHALF OF HAMPSTEAD AREA WATER COMPANY

January 31, 2018

1 Q. Mr. Morse, please state your name and business address for the record.

2 A. My name is Harold Morse. My business address is 54 Sawyer Ave. Atkinson, NH
3 03811.

4 Q. What is your role with HAWC?

5 A. I am the president of the Company.

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to support HAWC effort to increase its cost of equity.

8 Q. Please provide an overview of the company.

9 A. HAWC is presently franchised in most areas of Hampstead and Atkinson, N. H., and has
10 franchised satellite systems in various towns in Rockingham County, NH. HAWC has
11 been granted a system wide, consolidated rate in Docket DW 05-112, by Order No.
12 24,734. The last general rate case filing by the Company was approved in Docket DW
13 12-170 by Order No. 25,519. The Company has added to its infrastructure making
14 several large capital improvements. The Company has also restructured its capital
15 structure. It has refinanced its debt and added to its additional paid in capital. It is
16 presently before the Commission requesting a rate increase in Docket DW 17-118.

17 Q. What are the current PUC approved rate of return and return on equity?

18 A. The presently PUC approved rate of return is 4.89% and return on equity is 9.75%

19 Q. What is the current PUC approved return on equity for all water companies?

20 A. The current PUC approved return on equity is 9.6%.

21 Q. Has HAWC sought an increase above the PUC approved return on equity?

22 A. Yes. In DW 12-170, HAWC initially proposed a cost of common equity of 9.75% plus
23 1.00%. HAWC believed that the additional 1.00% was necessary due to the increased

1 risks associated with the size and resources available to meet HAWC's capital and
2 operating requirements.

3 Q. What was the result of the cost of equity in DW 12-170?

4 A. HAWC settled on the PUC approved cost of equity of 9.75%.

5 Q. Why was the approved cost of equity not enough?

6 A. The approved equity is not enough because it does not adequately recognize the size of
7 HAWC and the additional difficulty in raising capital, meeting regulatory requirements,
8 replacing aging infrastructure and operating and maintaining the water system.

9 Q. If the cost of equity were higher, what would HAWC be able to do?

10 A. First of all, it would take some of the pressure off cash flow. Second, it would lessen the
11 need to raise capital and specifically borrow funds at increasing interest rates. Third, it
12 would enable HAWC to replace plant sooner, potentially increasing efficiency.

13 Q. What was the basis for your decision to join Abenaki Water Company and Lakes Region
14 Water Company to engage a cost of equity expert?

15 A. HAWC is treated the same as any large, publicly traded, multi-state water utility. We are
16 a small regional water utility solely located in New Hampshire. There has never been any
17 recognition of the additional risks associated with a small water company. By pooling
18 resources and sharing costs, HAWC hopes to finally receive some additional percentage
19 above the PUC approved cost of equity.

20 Q. Please provide any general comments on Ms. Ahern's testimony.

21 A. HAWC supports Ms. Ahern's testimony.

22 Q. Is there anything that you would like to add to Ms. Ahern's testimony?

23 A. No.

- 1 Q. How would a favorable result of this Petition impact HAWC?
- 2 A. HAWC intends to incorporate such a result into DW 17-118 so to have a more equitable
- 3 calculation of the cost of equity.
- 4 Q. Does this conclude your testimony?
- 5 A. Yes.