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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
RE: HAMPSTEAD AREA WATER COMPANY, INC.

DW-19-

PETITION TO AMEND TARIFF TO ACCOUNT FOR CIAC TAXES

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 is presently franchised in most areas of Hampstead and Atkinson, New Hampshire, and has franchised satellite systems in various towns in and near 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. What are the reasons HAWC is proposing to amend its tariff?

A. It will allow HAWC to address a recent change in the federal tax law that created a significant and unanticipated federal tax generated from its normal business operations.

1 Q. Was there a catalyst for this proposal to amend HAWC's tariff?

2 A. Yes. In addition to following the pending petition filed under current PUC docket
3 no. 18-189, HAWC is a signatory to the Southern New Hampshire
4 Interconnection Project through the New Hampshire Department of
5 Environmental Services. This Project will connect to the City of Manchester's
6 water supply and provide water to Windham, Salem, HAWC, and ultimately to
7 Plaistow. The water will travel through Derry and into Windham, then through
8 Salem and tie into HAWC's core water system and ultimately connect to
9 Plaistow. Because HAWC is a private water company all parts of the Project
10 infrastructure it receives is subject to federal taxes on Contributions in Aid of
11 Construction (CIAC). HAWC will receive over \$5 Million in grant money and
12 infrastructure for its part of this Project, which in total will be over \$27 Million.
13 This will generate a CIAC tax for HAWC of over \$1.5 Million.

14 Q. Why wasn't this CIAC tax considered in the Project planning?

15 A. Prior to January 2018 federal tax law contained an exemption from federal tax
16 liability for public utilities such as HAWC that accepted CIAC. This exemption
17 was unexpectedly removed as part of the Tax Cuts and Jobs Act of 2017. The
18 Project has been in development long before passage of the Act.

19 Q. Why would this Project be in the public interest and consistent with the public
20 good?

21 A. The Project would enhance the Company's ability to provide safe and reliable
22 drinking water to its customers in its franchise areas at a reasonable cost.

23 Connecting to the Project will provide stability and responsiveness to the core

1 system both as to overall water supply and emergency supply. It would allow the
2 Company to access the water resources in the systems in time of drought. It will
3 substantially reduce the need to explore and drill wells in the core system that
4 may or may not be successful. The system improvements being proposed, and the
5 estimated cost of the improvements, are reasonably necessary to provide such
6 service to the Company's customers. Lastly, the Project, a NHDES project, came
7 to be in order to provide safe drinking water to the Town of Plaistow which has
8 MBTE contamination to parts of its existing water supply.

9 Q. Why would the proposed amendments to HAWC's tariff be in the public interest
10 and consistent with the public good?

11 A. In addition to the reasons previously stated for why the Project as a whole would
12 be in the public interest, the proposed amendments to HAWC's tariff will allow
13 HAWC to require either the provider of grant money for the Project to pay any
14 CIAC taxes generated by such grant, or alternatively provide a mechanism for
15 HAWC to recover CIAC taxes similar to how it would recover any other
16 reasonable costs it incurs in its operations. In the case of the Project the
17 alternative would require HAWC to decline helping in this vitally important
18 Project with the end result being HAWC not having access to needed water
19 supply and Plaistow not being able to obtain safe and reliable drinking water to
20 address its current water contamination issues.

21 Q. Does this conclude your testimony?

22 A. Yes.