



T O W N O F H A M P S T E A D

OFFICE OF THE SELECTMEN
11 MAIN STREET • HAMPSTEAD, NEW HAMPSHIRE 03841

Dear Public Utilities Commission members,

February 3, 2021

I would like to take an opportunity to share some of the concerns of the Town of Hampstead and its residents regarding the request of Hampstead Area Water Company (HAWC) to increase the pricing/ fee schedules. Our hope is that you will take these concerns into account when making your determination to approve or deny the requested increases.

HAWC has 3,971 service connections. As of the 2019 HAWC annual report they had 1,336 customers in Hampstead (about 15% of Hampstead, which represents about 1/3 of HAWC's customers), and 1,299 in Atkinson (19% of ATK, representing about 1/3 of HAWC's customers). The other 1,222 are in other satellite systems not connected to the HAMP-ATK core, nor the SNHRWP (Southern NH Water Pipeline).

- HAWC customers that are linked to the Hampstead-Atkinson Core system and all taxpayers will be affected by these rate changes. As of November 2020 Hampstead has not been converted to chloramines, the treatment option needed for compatibility with the Southern NH Pipeline and thus the benefits of the water from Manchester are not being passed along to Hampstead citizens at this time. There is currently no timeline for when Hampstead will be converted to chloramines. It would be reasonable for the PUC to ask for an estimated date when the systems will be interconnected.

HAWC proposes temporary rates, which would increase its monthly volumetric rate, from its current rate of \$6.11 per hundred cubic feet (ccf) per month, to \$7.22 per ccf per month. HAWC proposes a permanent rate increase for both its fixed and volumetric rates.

The Company proposes an increase to the monthly fixed rate for all meter sizes, including an increase in its current 5/8 inch meter rate, from \$10.00 per month to \$16.33 per month. According to HAWC, the overwhelming majority of customers are provided water service through a 5/8 inch meter. The Company proposes three new volumetric rates, all of which are an increase from its current rate of \$6.11 per ccf applied to all its customers. For single-family residential customers, HAWC proposes a two-tier inclining block rate structure: a monthly volumetric rate of \$6.83 for each ccf consumed up to 4 ccf; and a monthly rate of \$10.24 per ccf for each ccf consumed thereafter. If I were to average the percentage rate increases over the 3 rates mentioned above, that average increase would be **43.9%**.

The Company also proposes a uniform monthly volumetric rate for all non-single family and non-residential customers of \$9.31 per ccf (**52.4 % increase**). This will affect municipal buildings and our

schools which are connected to the Hampstead Core and thus the town budget costs would increase and in turn increase the tax burden of its residents.

The Company proposes to restructure its municipal fire protection service rates for both Hampstead and Atkinson. HAWC proposes to increase the annual hydrant charge, from its current rate of \$200 per year for each fire hydrant installed, to \$1,419.00 per year (**609.5% increase**). HAWC also proposes to eliminate the \$2,000 annual availability fee (which is per town, not per hydrant). Hampstead has 47 fire hydrants currently billed to HAWC so the annual fee would increase from \$11,400 (per hydrant cost plus availability fee) to \$66,693 plus taxes and taxes on CIAC payments. This does not seem to be a 'reasonable and customary' charge and explanation of the reasoning behind this should be explored by the PUC. Consultants analyzed the company finances and came up with this suggestion to raise extra revenue but it does not seem like a fair distribution of burden.

HAWC requests a decrease in its private fire protection service rates and a conversion from annual billing of this service to a monthly billing cycle. It is also proposing to charge private homeowners for fire protection services which it previously had not imposed. Many private fire protection systems are located in Lewis Builders owned apartments and condominiums so this is of benefit to a related company. If your new home has a sprinkler system connected to a HAWC water supply you will now be charged an extra fee. This amounts to an additional 1,084 connections which will be assessed a private fire protection charge. Some of those homes are in Hampstead. This new fee in our opinion is unfair and places an unwarranted burden on homeowners.

The Company further requests a change in its permanent rate tariff to include the Manchester Water Works Merrimack Source Development Charge (MSDC), in effect at the time of the new service request, to all new customers in water systems served with water purchased from Manchester Water Works, as of January 1, 2018. It is not easy to determine the impact of this surcharge. Further clarification would be helpful from HAWC so that customers can understand the new charges they will face.

HAWC requests the approval of a yearly WICA (Water Infrastructure and Conservation Adjustment) surcharge to recover the fixed costs (depreciation, property taxes, and pre-tax return) of certain Commission-approved non-revenue producing system improvement projects, completed and placed in service, between base rate cases. The Company requests approval of the WICA mechanism, and the implementation of a 0.70 percent surcharge to all customer bills with services rendered on or after January 1, 2022. This is a claim that HAWC has invested in their services and participated in the Southern NH Regional Water Project and qualifies for this surcharge. They received a grant and a loan to cover part of these costs but incurred extra charges they need to recoup.

Lastly, the Company includes a request for approval of a 10.44 percent return on equity (ROE). That request includes a 0.25 percent adder reflective of "exemplary performance," stemming from HAWC's participation in Docket No. IR 20-089 and "continued water loss mitigation efforts." Petition at 28-29.

- In 2018 HAWC was granted a 9.95% ROE. They are now requesting an increase to 10.44%. What is the justification for this change?
- Specific data on water loss for historic years is available in its annual reports and noted below. In 2019 they report a loss of 19.5 million gallons which makes homeowners' efforts to conserve water seem trivial in comparison. Data from the NHDES Onestop system is inconsistent with the annual report and hard to interpret. The PUC should

demand a more detailed explanation of the water mitigation efforts and how water is moved around in the Hampstead-Atkinson Core system before awarding them a bonus for performance. There have been concerns for many years that water drawn from wells in Hampstead is being delivered to customers outside the town with no clear accountability. This is an opportunity for clarification of these issues.

HAWC files annual reports with the PUC which include water loss tables near the end of the report. The data is an oversimplification and does not show production and losses from individual sources.

The ATK-HAMP core water losses:

	Produced amt(gallons)	Loss	Loss % from the annual report
2019	158,425,256	(19,537,222)	-12.3%
2018	166,556,709	(27,661,302)	-16.6%
2017	161,706,473	(25,668,696)	-15.9%
2016	154,980,389	(19,553,876)	-12.6%
2015	162,663,608	(18,854,311)	-11.6%

https://www.puc.nh.gov/Water-Sewer/Annual_Reports.htm

Note that in the water loss tables in the annual reports are the losses for all HAWC water systems, and some of them are much worse, losing -73.7% and some actually have negative losses (up to 92.6%).

The concerns of the Town of Hampstead and its residents can be summarized with the following statement; The proposed rate increases are beyond "reasonable" and should not be granted due their lack of justification for increases of this magnitude.

Thank you for time and consideration in this matter,



Sean P. Murphy,

Chairman, Board of Selectmen

Town of Hampstead



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