

TAB 7

Testimony of Charles Lanza

Puc 1604.02(a)(3)

1 A. HAWC has achieved improvements in the stability of its water supply and its
2 water quality while also continuing to focus on conservation efforts. Some of
3 these efforts have been paused necessarily because of COVID-19 restrictions.
4 The Company has also added significantly to its infrastructure related to the
5 Southern New Hampshire Regional Water Interconnection Project (SNHRWP)
6 leading to several large capital improvements. (See Docket No. DW 19-147).
7 These include the construction of a 1 Million Gallon water storage tank (See
8 Docket No. DW 18-138), constructing a new pumping and treatment station at the
9 Salem and Atkinson Town line, converting our core system water treatment
10 systems from chlorine to chloramine, and other infrastructure and improvements
11 to its core system to connect to Salem in order to receive water from the
12 SNHRWP.
13 Financially, the Company has continued to restructure its debt and equity
14 structure including significant equity infusions from the owner. The Company
15 has made changes to improve its cash flow and accomplished moderate growth to
16 its customer base.

17 Q. How has the Company improved its water supply?

18 A. HAWC continues to permit new water sources, -and rehabilitate existing wells to
19 improve its water supply. The company's participation in the SNHRWP will
20 result in HAWC utilizing up to 350,000 gallons per day from SNHRWP. HAWC
21 has rehabilitated and re-permitted various sources in both its satellite systems as
22 well as the Core System. As part of the SNHRWP, HAWC constructed a 1
23 Million Gallon storage tank in Atkinson ensuring the Core System's storage

1 capacity and pressure stability and enhanced fire protection. HAWC continues to
2 implement water quality measures pursuant to DES regulations with
3 comprehensive testing and the installation of appropriate treatment measures
4 where necessary.

5 Q. What has the Company done to address water loss?

6 A. HAWC has improved its ability to detect leaks by systematically replacing its
7 residential meters. This allows for an accurate monthly analysis to be performed
8 on water loss and helps to identify discrepancies in water usage allowing for
9 quicker investigation and repairs. Meter replacements have been paused due to
10 COVID-19 but will resume once it is safe to do so. HAWC also regularly
11 identifies leaks at service connections, distribution mains, and valves, and
12 annually contracts with a leak detection specialist in an ongoing program of water
13 loss prevention. The results from that program have been beneficial, uncovering
14 various leakage throughout the Core System and satellite systems. The Company
15 repairs all leaks as they are identified.

16 Q. What has HAWC accomplished for capital improvements?

17 A. Since the Company's last rate case HAWC has completed the construction of a 1
18 Million Gallon Water Storage Tank in Atkinson, constructed a new pumping and
19 treatment station as part of the SNHRWP, added generators at various satellite
20 systems, permitted and constructed two new large groundwater withdrawals in
21 Atkinson and Hampstead, and has upgraded sources at multiple satellite systems.

22 Q. Why does the Company believe it qualifies for an additional .25% of return on
23 equity for exemplary performance?

1 A. The Company believes that it qualifies because of its continued water loss
2 mitigation efforts, by participating in the SNHRWP at great cost to the company,
3 and for its participation in the COVID-19 related docket, IR-089, in which it
4 voluntarily signed on to the global public utility agreement.

5 Q. How has the Company grown?

6 A. HAWC continues to grow its customer base by adding service connections along
7 its core systems and expanding additional satellite systems. Since 2017 customer
8 accounts have increased from 3,578 service connections to 3,971. These
9 customers have come both from connections along existing mains, expansions to
10 Satellite systems, and expansions in the Core system. In the future this will
11 include the town of Plaistow through the SNHRWP.

12 Q. Why is the permanent rate increase necessary?

13 A. It has been approximately 3 years since the last rate case. Since that time, the
14 Company has expanded its franchise area, and made significant capital
15 improvements including its participation in the SNHRWP. The rate increase is
16 greater than anticipated in large part because of changes to tax laws that became
17 effective after HAWC's participation in the SNHRWP. This will result in the
18 company having to pay approximately \$1.4 Million in tax on Contributions in Aid
19 of Construction (CIAC). This and the acquisition of satellite systems (offset by
20 related contributions in aid of constructions), added additional paid in capital and
21 increased expenses makes the rate increase necessary. The changes that have
22 taken place have resulted in both better operations and improved customer
23 service. For these reasons, the proposed rate increase is fair and reasonable.

1 Q. Is the Company proposing any changes to the rate design?

2 A. Yes. The Company retained David M. Fox of Raftelis Financial Consultants, Inc.
3 to conduct a Cost of Service Study (COSS) for this rate case submission. The
4 COSS concludes that the Company should increase its base rate charge based on
5 the size of the service meter and recommends a tiered volumetric rate with two
6 single-family residential rates and a third non-single-family and non-residential
7 rate. This tiered rate charge is consistent with the Company's practice to keep the
8 base rate low and allow customers some control over their usage and costs. It is
9 also consistent with the Company's effort to conserve water.

10 Q. Does the Company seek to implement a Water Infrastructure and Conservation
11 Adjustment (WICA) surcharge beginning in 2021.

12 A. Yes. As is outlined in the schedules attached to the pre-filed testimony of
13 Stephen P. St. Cyr, this program would require \$10,833 annually, or \$3.07
14 annually per customer. The Company seeks to begin a WICA program because it
15 will allow it to recover costs associated with its ongoing efforts to improve water
16 conservation through ongoing water meter replacements.

17 Q. Does this conclude your testimony?

18 A. Yes.