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Before the
New Hampshire Public Utilities Commission
DW 20-117 – HAWC Request for Change in Rates
DIRECT PREFILED TESTIMONY
OF
KAREN S. STEELE
ON
DECEMBER 10, 2021

Q. Please state your name and address

A. Karen S. Steele, 4 Pebble Brook Road, Atkinson, New Hampshire, 03811

Q. Please describe your educational background.

A. I have a bachelor’s degree in Mechanical Engineering, a bachelor’s degree in Psychology, both from the University of Minnesota, and a Master’s degree in Manufacturing Management from Penn State. I also am a Certified Project Management Professional (PMP).

Q. Please describe your professional experience.

A. I have over 28 years of experience as a mechanical design engineer and program manager. The bulk of my career has been spent as a technical project manager/business analyst in business intelligence and building secure electronic interfaces with customers and countries’ governments.

Q. On whose behalf are you submitting your testimony?

A. While I am currently a technical project manager for Nokia, my testimony before the New Hampshire Public Utilities Commission in no way represents that of my employer or the Town of Atkinson, but it is as an individual intervenor, an Atkinson resident and taxpayer.

Q. Are you a Hampstead Area Water Company (HAWC) customer/ratepayer?

1 A. No, I am not a direct customer of HAWC. I have a private well.

2 **Q. What is the purpose of your testimony?**

3 A. The purpose of my testimony is to oppose the massive rate increase requests made by the
4 Hampstead Area Water Company and to request that the Public Utilities Commission (PUC) reject the
5 permanent rate increase request.

6 **Q. Why do you oppose the rate increases?**

7 A. Due to what I believe are conflicts of interest, HAWC spent millions for excess capacity so that
8 they can supply water to their parent companies' future development plans. This infrastructure spend
9 was not for existing customers, but rather for future customers, it is not "used and useful" per RSA
10 378:28, and existing customers are being asked to pay an exorbitant financial burden which is both
11 unjust and unreasonable.

12 **Q. Why did you become an intervenor?**

13 A. I am a resident and taxpayer in Atkinson and the proposed 609.5% rate increase on fire hydrants
14 along with the volume and monthly rate increases seen in Exhibit KS-1, would cost the town of Atkinson
15 an additional \$100,000 per year for which there is little added benefit to the town. When reading the
16 language in the tariff, the current commitment of HAWC to the town for hydrant water volume and
17 pressure is non-existent. Though not a ratepayer myself, I feel it is horribly unjust and unreasonable to
18 raise rates on customers by 50-60% when offered little added benefit. I believe the spend is unjustified,
19 borne out of conflicts of interest, the revenue requirement is unfairly set, and that the rate design is
20 flawed and not equitable. As noted later in my testimony a significant portion of infrastructure is not
21 used and useful. It also constitutes rate shock for customers with is something I know the commission
22 tries to avoid.

23 **Q. What do you mean non-existent commitment?**

1 A. Even though the Town of Atkinson paid over \$17,000 in the 2019 test year for our fire hydrants
2 and municipal fire protection, the language says HAWC isn't liable if there's no water or insufficient
3 pressure. As seen on Exhibit KS-2, the current tariff language says "Rending of service under this
4 schedule shall in no way be construed to hold the Company liable to furnish at any time or any specific
5 point in its distribution system any minimum flow or pressure, either static or residual." As a resident
6 and a taxpayer, it's infuriating to pay for a service with no service level agreements (SLAs) and to realize
7 you're not getting what you paid for, especially when peoples' lives are at stake as fire fighters are
8 relying on water volume and pressure from these hydrants.

9 **Q. What are these conflicts of interest?**

10 A. There is a very unique conflict of interest happening of which the PUC may not be aware. Per
11 NHPR reporting (Exhibit KS-3), there is no other instance in New Hampshire where a building developer
12 owns a water company. Lewis Builders owns HAWC, or at least the Lewis/Morse family owns both.
13 Also, since the PUC has granted HAWC large franchise areas that are not being serviced in Atkinson and
14 Hampstead, competing developers have to ask HAWC for water to develop within the franchise area.
15 When HAWC says "no water," the developer has no choice but to sit on the land or sell it to another
16 Lewis/Morse company, called Centerview Hollow Land Company, at a discount. The most recent
17 example of which I'm aware is the new Winchester Heights development in Hampstead, NH. On Exhibit
18 KS-4, you can see the land was sold for \$370,000 in 1997 and Centerview Hollow Land Company
19 purchased it for \$339,000 in 2019. Land in NH simply does not lose value over 20 years. You can see on
20 Exhibit KS-5, that Lewis Builders has been developing Winchester Heights after their sister company
21 purchased the discounted land. In fact, there are many businesses listed in Exhibit KS-6, all owned by
22 the Lewis/Morse family, that generate some questions about conflicts.

23 **Q. How did you learn about all the companies owned by the Lewis/Morse family?**

1 A. Reading about the 1,4 Dioxane contamination in Atkinson is when I first learned there was even
2 a water company in our area. I thought everyone had private wells. I learned it was a “for profit”
3 private water company when opposition surfaced to HAWC drilling more wells to pump and sell
4 Atkinson’s water resources to others for private profit. My heart went out to those families in
5 Hampstead, NH whose private wells had run dry, and when I learned they thought it was due to over-
6 pumping at a HAWC well, I really dug in to the data. It’s not right for any water company to take the
7 groundwater, sell it to other people and leave property owners with no water. One family, the
8 Anthony’s, had no water for over 6 months, and the New Hampshire Department of Environmental
9 Services (DES) confirmed in their April 2019 report (Exhibit KS-7) that their dry well was directly tied to
10 the over-pumping at HAWC’s Kent Farm Wellfield. The Superior Court of Rockingham County agreed on
11 January 25, 2021 as Judge Daniel St. Hillaire ruled in a preliminary injunction (Exhibit KS-8) against both
12 HAWC and Lewis Builders indicating it was their actions that destroyed the bedrock under the Anthony’s
13 home, now that HAWC is no-longer over-pumping per court order, making their water highly acidic, pH =
14 3, and unusable. HAWC and Lewis Builders are now required to provide them with clean drinking water.

15 **Q. What is the conflict with this rate increase request?**

16 A. The infrastructure spend is to accommodate more than triple the water volume HAWC currently
17 produces and sells today in the Atkinson-Hampstead Core. Thus, the spend is mostly for future
18 customers and for the massive development planned at the Atkinson Country Club by Lewis Builders, of
19 which both businesses are owned by the Lewis/Morse family, as is HAWC.

20 **Q. How will they triple their water volume?**

21 A. In the 2019 test year, according to HAWC’s Annual Report on the PUC website (Exhibit KS-9), the
22 Atkinson Hampstead Core sold 130,853,454 gallons which is an average of 358,502 gallons per day. This
23 is all produced from HAWC wells in Atkinson and Hampstead. The Southern New Hampshire Regional
24 Water (SNHRW) pipeline is an excellent project designed to bring clean drinking water to southern New

1 Hampshire, ultimately to Plaistow who has significant MtBE contamination. This project has 2 phases.
2 The first phase brings 1.1 million gallons of water a day to southern NH from Manchester Water Works
3 (MWW) from Lake Massabesic. HAWC committed to and is currently buying 250,000 gallons a day from
4 MWW. In 2019, there was a one-time water rights fee of \$3.57/gallon called MSDC (Merrimack Source
5 Development Charge). $\$3.57/\text{gallon} \times 250,000 \text{ gallons/day} = \$892,500$ which HAWC paid to MWW in
6 2019, per their 2019 Annual Report on the PUC website (Exhibit KS-9). Phase 2 includes MWW pulling
7 7.15 million gallons per day from the Merrimack River in Hooksett. Of that 7.15 million gallons of water,
8 3.13 million will be coming to southern New Hampshire. To the best of my knowledge, HAWC has
9 requested, though not committed to nor purchased yet the rights to an additional 500,000 gallons of
10 water per day. This MSDC charge would be \$2 million (Exhibit KS-10). Adding the 750,000 gallons per
11 day triples their water volume and they built infrastructure to handle that significantly large increased
12 volume. Ratepayers are concerned that the \$2 million MSDC fee will end up coming their way in
13 HAWC's next rate increase case.

14 **Q. Where will the 750,000 gallons per day go?**

15 A. HAWC currently uses chlorine to disinfect the water and MWW uses chloramines. There has
16 been much evaluation of the chlorine versus chloramine disinfection and the hazards of mixing the 2.
17 The pipeline project map in Exhibit KS-11 shows as an option after Phase 2 that pipeline water would
18 barely cross into Hampstead, reaching very few Hampstead customers, and Phase 1 shows zero pipeline
19 water going into Hampstead. So the pipeline water must be for Atkinson.

20 **Q. How much HAWC water does Atkinson use?**

21 A. From customer consumption data HAWC provided in discovery to OCA (excel titled OCA-1), it
22 shows that of the Atkinson Hampstead core, that Atkinson consumed 52% and Hampstead consumed
23 48%. In the test year 2019, Atkinson consumed 52% of 358,502 gallons/day which is 186,421

1 gallons/day. Adding 750,000 gallons/day to the 186,421 gallons/day is 5 times the amount of water
2 consumed today, so asking “where will the water go?” is an excellent question.

3 **Q. Where will the water go? Is there much land in Atkinson left to develop?**

4 A. Of the existing residents, 60% do not have HAWC water and have private wells. Given the
5 estimate of \$1 million to lay a mile of pipeline, it’s unlikely that HAWC will try to service those people or
6 that they would want to switch to HAWC. Atkinson is mostly developed already. Per the Planning Board
7 meeting minutes of June 2, 2021 seen in Exhibit KS-12, there are “only 10 parcels in Atkinson that can be
8 developed and are greater than 10 acres.” We know from Section 620 Zoning for the Country Club,
9 shown in Exhibit KS-13, the density and height maximums are much higher than for the rest of the town.
10 The logical explanation is that a significant portion of this water is planned for the massive development
11 plans at the Country Club.

12 **Q. What development is planned at the Atkinson Country Club?**

13 A. Currently, only 288 condos (9 buildings of 32 condos each) have been approved by the Atkinson
14 Planning Board, but there are many documents showing much larger plans. The Town of Atkinson had 7
15 zones, but in 1988, Peter Lewis wrote zoning regulations to create his own zone in town called Golf and
16 Sports Complex Zone (Section 620) and submitted it as a Citizens Petition (Exhibit KS-14), though not
17 recommended by the Planning Board, the petition did get eventually approved by the town. Excerpts
18 about the new zone can be seen in Exhibit KS-13 and they indicate a density of 4 bedrooms per acre
19 whereas the rest of the town has a 1 home per 2 acre density. At over 405 acres, that’s 1600 bedrooms,
20 or 800 condominiums. Also this new zone and only this zone allows for buildings to be 55’ tall, whereas
21 the max for the rest of the town is 35’. The regulations, which Lewis wrote, also indicate ability to build
22 a bank branch, food service facilities, professional buildings, retail stores, etc. A January 2015 article in
23 “Golf Business” (Exhibit KS-15) states that Christine Lewis Morse’s long-term vision for Atkinson Resort
24 “includes plans for an assisted living facility as part of a community with its own convenience store, gas

1 station and other amenities. A larger tract will be developed with housing for those age 55 and older.”
2 In 2018, as justification for extending the gas line all the way to Atkinson Country Club, Northern Utilities
3 said that “In Atkinson, Lewis Builders Development, Inc. (Lewis Builders), has requested gas service from
4 Northern at the main club house of the Atkinson Country Club, as well as to the first phase of a planned
5 development consisting of 288 condominium units in 9 buildings. According to Lewis Builders, additional
6 condominiums are scheduled to be built over a 5-year period, from 2018 to 2022, in multiple phases of
7 an overall development plan that ultimately will include 800 condominium units, a hotel, and an
8 entertainment complex.” This is in PUC Docket DG 18-103 and Order #26,178 found in Exhibit KS-16.

9 **Q. Can HAWC drill wells on Atkinson Country Club property to accommodate the development**
10 **plans?**

11 A. In 2006, when the 288 condos were approved by the Atkinson Planning Board, the site plan D-
12 35619, found on NHDeeds.org and Exhibit KS-14, Note #13 says “There are no known aquifers present
13 below any portion of the site. This determination has been made by reference to aquifer map #5 as
14 prepared by the Rockingham Planning Commission, dated January, 1991.” And Note #14 says “An off-
15 site water supply will be provided for the development. The source of water will be Hampstead Area
16 Water Company. Community water system E.P.A. identification # 0112080.” The site plan also details
17 out the 174.44 acres of “Residential Areas.” The first phase using 27.12 acres, and there’s an additional
18 147.32 acres as expandable or future residential area shown in Exhibit KS-17. A later, updated site plan
19 D-35976 details out the Future Residential Areas as can be seen in Exhibit KS-18 or on NHDeeds.org.
20 The 800 condos were planned in 1988, 288 condos were approved in 2006, but they didn’t start building
21 any of them until 2020. The pipeline started delivering water on August 25, 2020.

22 **Q. What is the CIAC Tax?**

23 A. CIAC stands for Contribution in the Aid of Construction and it used to be tax free. Often a
24 developer will lay the pipes and connect the homes for HAWC and then the “infrastructure” is donated

1 to HAWC. This is called CIAC. The Federal “Tax Cuts and Jobs Act of 2017” removed that protection for
2 “for profit” water companies like HAWC, but other water companies in the pipeline project like Salem
3 and Derry were unaffected. Since the Tax Bill was signed in December 2017, the tax implications were
4 well known by the time Harold Morse signed the pipeline agreement in April 2019 (Exhibit KS-19). Mr.
5 Morse was committing to the pipeline project, was accepting \$5.4 million in free infrastructure funds
6 from the state, and by doing so, he was also agreeing to take on over \$1.1 million in CIAC tax which
7 HAWC is now trying pass along to the current ratepayers and towns of Atkinson and Hampstead (Exhibit
8 KS-20). I find it interesting that HAWC will create a new Docket to request the PUC approve a \$40,000
9 spend on a new pick-up truck, but that the president of HAWC could sign an agreement and take on so
10 much debt with the intention of passing those costs down to the ratepayers.

11 **Q. What concerns you about the water tank in Atkinson?**

12 A. The pipeline project determined that Plaistow needed both a 400,000 gallon tank in Plaistow
13 and a 500,000 gallon tank in Atkinson. Both these tanks were paid for with funds from the state. But
14 then HAWC made the decision to increase the Atkinson tank from 500,000 gallons to 1 million gallons
15 and took on the additional expense of \$1 million. This additional 500,000 gallon capacity does not fall
16 under “used and useful” for HAWC’s existing customers, thereby violating RSA 378:28. Again, this is
17 spend for future customers which HAWC is trying to get current customers to pay for with these unjust
18 and unreasonable rate increase requests.

19 **Q. Where do you believe is the conflict of interest?**

20 A. If HAWC weren’t owned by the same family that owns both Lewis Builders and the Atkinson
21 Country Club, I do not believe they would have spent millions of dollars on infrastructure, agreed to
22 CIAC Tax in excess of \$1.1 million, and paid the MSDC charge of \$892,500, plus potentially a second
23 MSDC of \$2 million for a random developer, and forced their loyal customers to pay for it. This is not a
24 random developer planning on building 800 condos, a hotel, an entertainment complex, assisted living,

1 professional buildings, retail space and a gas station. These businesses are all owned by the same family
2 and presents an unchecked conflict of interest. I do not believe that current ratepayers and the towns
3 of Atkinson and Hampstead should pay these massive rate increases so that Lewis Builders
4 Developments on Atkinson Country Club have water.

5 **Q. Why do you feel the Cost of Service Study (COSS) and Rate Design performed by David Fox,**
6 **consultant from Raftelis, is flawed.**

7 A. Mr. Fox used the methodologies from the AWWA (American Water Works Association) M1
8 Manual called “Principles of Water Rates, Fees and Charges.” In reading that manual, it does not take
9 into account our scenario where the water company does not service the entire town, and 1/3 of their
10 customers are not even connected to the water system being upgraded. These guidelines are written
11 for a water company servicing a singular, entire town and all its residents. This is when the rate design
12 based on these guidelines would be fair and equitable. Investigating further, I called one of the editors
13 of the AWWA M1 Manual on “Principles of Water Rates, Fees and Charges” and he agreed that the
14 “implicit assumption” is that “all residents are customers of the water company” which in this case is not
15 true. In Atkinson, less than 40% of the residents are HAWC customers and less than 40% of Hampstead
16 residents are HAWC customers. The majority of the cost goes to the towns of Atkinson and Hampstead
17 through a 609.5% increase in municipal fire protection, and this impacts all taxpayers, even though they
18 do not fully benefit from the service or protection. Also, and 1/3 of all HAWC customers aren’t even
19 connected to the Atkinson-Hampstead Core where the upgrades have occurred and will see zero benefit
20 but will be charged upwards of 60% increase in their water rates. This is not fair and equitable and thus
21 is flawed, invalid, and unacceptable. In discovery, Mr. Fox indicated that he has never conducted a COSS
22 and rate design with HAWC’s demographics. His answers to Steele 3-5 from Data Set Request #3 can be
23 found in Exhibit KS-21. Mr. Fox has not performed a COSS or rate design for a scenario where less than

1 40% of the town are customers, but his method of raising rates on fire hydrants and municipal fire
2 protection expect that 100% of the town pay for it via taxes. Again, this is unjust and unreasonable.

3 **Q. Don't the other residents benefit from having hydrants in town?**

4 A. To some extent, yes, absolutely. But when you look at the town of Atkinson, and where HAWC
5 customers reside, they are mostly in dead end developments. Hydrants along the main roads do add
6 value to the community. When there is a fire, the fire department will find the closest hydrants, and for
7 non-HAWC customers, those hydrants are not a half mile down a dead end development. Again, the
8 COSS and rate design performed by Mr. Fox have incorrect assumptions, are not relevant to HAWC
9 customers, and are unjust and unreasonable to the Towns of Atkinson and Hampstead.

10 **Q. What do you mean by future customers versus current customers?**

11 A. In addition to HAWC, the Lewis/Morse family own another PUC regulated company called
12 Atkinson Area Wastewater Recycling (AAWW). Starting in 1991, they've existed for over 30 years with
13 only one customer and operating at a significant loss, most recently between \$20,000-\$30,000 loss per
14 year. This data can be found in AAWW's annual reports on the PUC website and is summarized in Exhibit
15 KS-22. That one customer is the Atkinson Country Club which is also owned by the Lewis/Morse family.
16 As part of the condo development at the Atkinson Country Club, these new condo owners will become
17 customers of AAWW. There have been 2 dockets before the PUC, though recently combined for
18 AAWW: DW 20-071 and DW 20-091. According to a recent filing on November 23, 2021, found in
19 Exhibit KS-23, the company has had "rate case expenses of \$48,062.85" during the last 18 months and
20 has requested to "surcharge for 36 months \$20.54/month to 65 customers for the recovery of
21 \$48,062.85." On the Atkinson Country Club, Lewis Builders has built 2 condo buildings, each housing 32
22 condos for a total of 64 units. So, in this case, with only 1 customer at the time of request, AAWW
23 wants to place the burden of expense recovery on the new or future customers and not just their
24 current customer. Given this precedent, I would recommend that the new or future customers at the

1 Atkinson Country Club also bear the significant burden of these HAWC expenses, instead of forcing rate
2 increases on existing HAWC customers and the towns of Atkinson and Hampstead.

3 **Q. Who should pay for this spend?**

4 A. The developers or the HAWC shareholders should pay. The PUC should apply the “used and
5 useful” principle and protect ratepayers from the financial burdens of excess capacity. As is
6 documented in Docket 13-108 in the Conservation Law Foundation’s Brief on OCA’s “Used and Useful”
7 Proposal (Exhibit KS-23), the New Hampshire Supreme Court agrees that the commission allocate
8 burdens between investors and customers. The developers are the beneficiaries of this triple volume
9 capacity to meet their development plans. The ratepayers should not be financially burdened by the
10 development plans of Lewis Builders.

11 **Q. Wouldn’t that result in additional CIAC tax?**

12 A. No. In the Federal Infrastructure Bill that passed and signed into law on November 15, 2021,
13 Senator Jeanne Shaheen worked very hard to ensure that water infrastructure would no longer be
14 forced to pay a CIAC tax, as is seen in Exhibit KS-24. I believe this is retroactive to January 2021. So, yes,
15 I believe Lewis Builders should pay for this expense and it will be untaxed CIAC to HAWC.

16 **Q. What would you like the PUC Commissioners to do?**

17 A. The PUC Commissioners should approve the temporary rate increase recommended to them in
18 May 2021, as HAWC deserves some increase their revenues, but the PUC Commissioners should
19 completely reject this permanent rate case increase request. These massive rate increases constitute
20 rate shock, are unjust and unreasonable violating RSA 378:28, are for infrastructure that is not prudent,
21 used or useful, and are subsidizing a building developer that owns the water company.

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

23 A. Yes.