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**STATE OF NEW HAMPSHIRE**  
**PUBLIC UTILITIES COMMISSION**  
**RE: HAMPSTEAD AREA WATER COMPANY, INC.**  
**DW-12-170**  
**PETITION FOR APPROVAL PERMANENT RATES**  
**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 received its first franchise in 1977 and is presently franchised in most areas of Hampstead and Atkinson, New Hampshire, and has franchised satellite systems in various towns in 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. Can you describe the Company evolution over the past eight years?

A. The Company has evolved in a number of ways over the last eight years in response to its customers' needs, and the Company's goals in conjunction with the Public Utilities Commission (PUC) and the Department of Environmental

1 Services (DES).

2 Q. Can you enumerate those for the Commission?

3 A. HAWC has achieved improvements in the stability of its water supply, its water  
4 quality, its water pressure, while also addressing its and water loss control. The  
5 Company has also added to its infrastructure making several large capital  
6 improvements. Financially, the Company as restructured its affiliate arrangement  
7 and restructuring its debt and equity structure. The Company has made changes  
8 to improve its cash flow and accomplished moderate growth to its customer base.

9 Q. How has the Company improved its water supply and water pressure?

10 A. HAWC improved it water supply by adding well fields which were identified by  
11 the large groundwater study HAWC commissioned in coordination with the DES.  
12 The resulting wells provided 244 gals/min in additional capacity to the core  
13 system. Of the 244 gals/min, 204 gals/min are currently connected to the system.  
14 In addition to the large groundwater study, HAWC has rehabilitated and re-  
15 permitted various sources in both its satellite systems as well as the Core System.  
16 HAWC also constructed a 500,000 elevated water storage tank in Hampstead,  
17 providing for additional storage capacity and pressure stability for the Core  
18 System. HAWC continues to implement water quality pursuant to DES  
19 regulations with comprehensive testing and the installation of appropriate  
20 treatment measures where necessary. In order to assure adequate pressure within  
21 the various systems HAWC, through its capital improvements planning, identifies  
22 repairs and replaces pumps and pumping equipment throughout its systems, as  
23 needed.

1 Q. What has the Company done regarding water loss?

2 A. HAWC has improved its ability to detect leaks by implementing a monthly billing  
3 system. This allows for a monthly analysis to be performed on water loss and  
4 helps to identify discrepancies in water usage allowing for quicker investigation  
5 and repairs. HAWC is also identifying and repairing service connections,  
6 distribution mains, and valves as an ongoing program of water loss prevention. In  
7 an effort to expand this program HAWC recently contracted with a leak detection  
8 specialist. The results from that program have been very beneficial, recovering  
9 various leakage throughout the Atkinson Core System. HAWC is also currently  
10 replacing service lines from the water mains to the customers shut off valve under  
11 SRF funding through the NHDES. The Company repairs all leaks as they are  
12 identified.

13 Q. What has HAWC accomplished for capital improvements?

14 A. One of the largest projects HAWC has accomplished recently is the  
15 interconnection of its two largest systems in Atkinson and Hampstead, joining  
16 these systems together. This allows HAWC to share the assets of each respective  
17 system across the combined system, thereby adding additional stability,  
18 redundancy, and capacity to its core system. HAWC yearly reviews its capital  
19 improvement needs and utilizes SRF financing through DES to implement the  
20 same.

21 Q. What did the company do to address concerns Staff had regarding its affiliate  
22 arrangement with Lewis Builders Development, Inc. (Lewis)?

23 A. HAWC, in collaboration with Staff of the PUC, was able to implement an affiliate

1 arrangement in regards to work done by Lewis to the benefit of each company and  
2 HAWC'S customer base. HAWC formalized the arrangement through a  
3 management agreement as well as a protocol between the companies concerning  
4 systems built by Lewis as developer which HAWC took over and operated.

5 Q. What has HAWC done regarding its financial structure?

6 A. HAWC refinanced its affiliated intercompany debt with TD Bank, eliminating  
7 affiliate intercompany debt and restructured its equity position. This enabled  
8 HAWC to achieve financial flexibility in its operations. The Company also went  
9 to a system wide consolidated rate and the aforementioned monthly billing, as  
10 well as implementing a formalized program for addressing rate case filings on a  
11 timely basis, all of which has helped to stabilize cash flow.

12 Q. How has the Company grown?

13 A. HAWC has been slowly growing its customer base by adding service connections  
14 along its core systems and expanding additional satellite systems. These have  
15 come from developments constructed by Lewis, as well as those constructed by  
16 outside developers. The Oak Hill expansion and the addition of the Fairfield  
17 Estates system are two most recent expansions. HAWC also has added additional  
18 customers along its interconnection mains and existing mains, thus adding to its  
19 customer base.

20 Q. Does this conclude your testimony?

21 A. Yes.