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STATE OF NEW HAMPSHIRE

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PUBLIC UTILITIES COMMISSION

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RE: HAMPSTEAD AREA WATER COMPANY, INC.

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DW 19-

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P PETITION FOR APPROVAL TO ACCEPT DRINKING WATER

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GROUNDWATER TRUST FUND GRANT FUNDS AND FINANCING; AND

8

BANK FINANCING

9

PRE-FILED TESTIMONY OF HAROLD MORSE

10 Q. Please state your name, address and position with Hampstead Area Water
11 Company, Inc.

12 A. My name is Harold Morse. My business address is 54 Sawyer Avenue, Atkinson,
13 New Hampshire. I am the President of Hampstead Area Water Company, Inc.,
14 which we refer to as HAWC.

15 Q. Describe the overall history of HAWC?

16 A. HAWC is presently franchised in most areas of Hampstead and Atkinson, New
17 Hampshire, and has franchised satellite systems in various towns in Rockingham
18 and Strafford County (see Schedule A, attached to the Petition). HAWC is a New
19 Hampshire corporation, authorized by this Commission to produce and distribute
20 water within the Company's authorized franchise areas throughout Southeastern
21 New Hampshire.

22 Q. What is the basis for this Petition?

23 A. HAWC seeks approval to accept a grant from the New Hampshire Department of

1 Environmental Services (NHDES), Drinking Water and Groundwater Trust Fund,
2 established under RSA 485-F, (DWGTF) in the amount of Three Million, Two
3 Hundred Eighty-Three Thousand Seven Hundred Fifty (\$3,283,750.00) Dollars.

4 Q. Is HAWC also seeking financing?

5 A. Yes, HAWC seeks to borrow long term debt from the DWGTF in the amount of
6 Eight Hundred Ninety-Four Thousand Four Hundred Ninety-Four (\$894,494.00)
7 Dollars. HAWC also seeks to borrow long term debt from a bank for part of the
8 Merrimack Source Development Charge (MSDC) levied by NHDES that is
9 associated with the Project in the amount of Three Hundred Ninety-Two
10 Thousand Five Hundred (\$392,500.00) Dollars. The Company seeks expedited
11 approval of this Petition in order to qualify for low-interest financing which is
12 available for a limited time period.

13 Q. What are the terms of financing HAWC is proposing to borrow?

14 A. NHDES has approved HAWC's request for financing subject to various terms and
15 conditions. (See Exhibit 1). Generally, the terms and conditions are as follows:

16 a) The borrowing will amount to \$894,494.00

17 b) The loan will mature 25 years from the date of closing.

18 c) The interest rate is currently 2.97%.

19 The payment of principal and interest based on a 25-year amortization will be due
20 monthly beginning 30 days from the date of closing.

21 The Company also anticipates borrowing money from bank subject to various
22 terms and conditions as follows:

23 a) The borrowing will amount to \$392,500.

1 b) The loan will mature 20 years from the date of closing.

2 c) The interest rate is currently projected to be 5.00%.

3 Q. Why is the Company seeking this financing?

4 A. The proposed financing would fund \$894,494.00 of federal taxes on Contributions
5 in Aid of Construction (CIAC) related to HAWC accepting \$3,283,750.00 of
6 grant money and \$392,500 for a portion of the MSDC to HAWC for its
7 participation in the Southern New Hampshire Regional Water Interconnection
8 Project (Project) a NHDES project, to provide safe drinking water to the Town of
9 Plaistow. Participation in the Project would be in the best interest for the
10 Company in terms of system operation and resource planning and has the support
11 of the Department of Environmental Services.

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

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

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

19 A. The project would enhance the Company's ability to provide safe and sustainable
20 drinking water to its customers at a reasonable cost. Connecting to the Project
21 will provide stability and responsiveness to the HAWC core system both as to
22 overall water supply and emergency supply. The system improvements being
23 proposed, and the estimated cost of the improvements, are reasonably necessary

1 to provide such service to the Company's customers.

2 Q. Does this conclude your testimony?

3 A. Yes.

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