

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Mill Brook Village Water System (MBVWS)
Petition for award of Franchise Area in a Limited
Area of the Town of Thornton

DW 14-176

Direct Pre-filed Testimony of James Ingram

August 6, 2014

Q. Please state your name, business address and your position with Mill Brook Village Water System (MBVWS)

A. My name is James R. Ingram. My business address is 38 Bailey Road Chichester NH 03258. I am the owner of Maranatha Construction, a General Partner of Mountain River East Associates, and the Managing partner on Mountain River Development Associates LLC. The Mill Brook Village Water System is a product of subdivision and development of single family residential units between 1989 and present developed by the three entities listed above.

The following is intended to describe the operations of Maranatha Construction and its relationship to Mountain River East Associates and Mountain River Development Associates L.L.C.

- Maranatha Construction is a sole proprietorship started in 1980 and owned by James Ingram. The mailing address is 38 Bailey Road, Chichester, N.H. 03258.
- Mountain River East Associates (MRE) is a general partnership owned by James Ingram, Herbert Ingram (father) and Judith Ingram (Herb's wife) that was formed in 1986. The mailing address is 38 Bailey Road, Chichester, N.H. 03258.
- Mountain River Development Associates L.L.C. (MRDA) is owned by James Ingram, Herbert Ingram and Judith Ingram and was formed in 1994. The mailing address is 38 Bailey Road, Chichester, N.H. 03258.

Maranatha Construction does work for any party needing services. At the same time is the exclusive builder for Mountain River Development Associates L.L.C. Any work done by Maranatha Construction for Mountain River Development Associates L.L.C. is billed to the LLC at cost. Since Maranatha Construction existed before the partnership and L.L.C., it had a payroll and insurance coverage's in place, as well as accounts and credit relationships with building suppliers. It was decided to keep this entity as a construction company and that Mountain River East Associates would be formed to develop land and associated buildings to market to prospective buyers. Land was bought and held under Mountain River East Associates until 1994 when Mountain River Development Associates L.L.C. was formed. Since the formation of the L.L.C. all land has been bought and held under this name. At a point in the future when all property owned by Mountain River East Associates is sold, the partnership will end leaving only Maranatha Construction and Mountain River Development Associates L.L.C.

In reality Maranatha Construction and Mountain River Development Associates L.L.C. operate as one entity. However, for tax purposes, one tax return is filed under Mountain River Development Associates L.L.C. (and includes any Mountain River East Associates activities), and one for James Ingram dba Maranatha Construction.

Q. Please describe your educational background.

A. I have a Bachelor in Science degree in Architectural Engineering from Rodger Williams University in Rhode Island.

Q. Please describe your professional background.

A. After graduating from Rodger Williams University in 1980 I started Maranatha Construction. In 1985 I moved to Thornton NH and began developing subdivisions,

including the actual site work development, home design and then construction of those homes. This work included constructing 5 water systems in the past 30 years. Four of the five water systems are now run by their respective condominium or homeowner's associations. MBVWS is still owned by Mountain River Development Associates L.L.C.

Q. What are your responsibilities and involvement in MBVWS?

A. As the original developer I constructed the water system in 1988. Since that I have maintained and funded the overall operations of MBVWS, including water quality and supply, distribution, engineering, customer service and water system capital improvements. I have been in charge of the water system since it's inception.

Q. What is the purpose of your testimony?

A. the purpose of my testimony is to support the Company's efforts to establish a water rate based on revenue requirements. I will be providing an overview of the MBVWS's situation and desire to transfer of ownership to another entity. I also have knowledge of all aspects of the water system.

I will summarize the desired terms of future acquisition below. Ultimately my testimony will also explain why I believe it is in the public good for the Commission to approve the Petition filed by MBVWS and approve transfer of ownership to another entity at some point in the future.

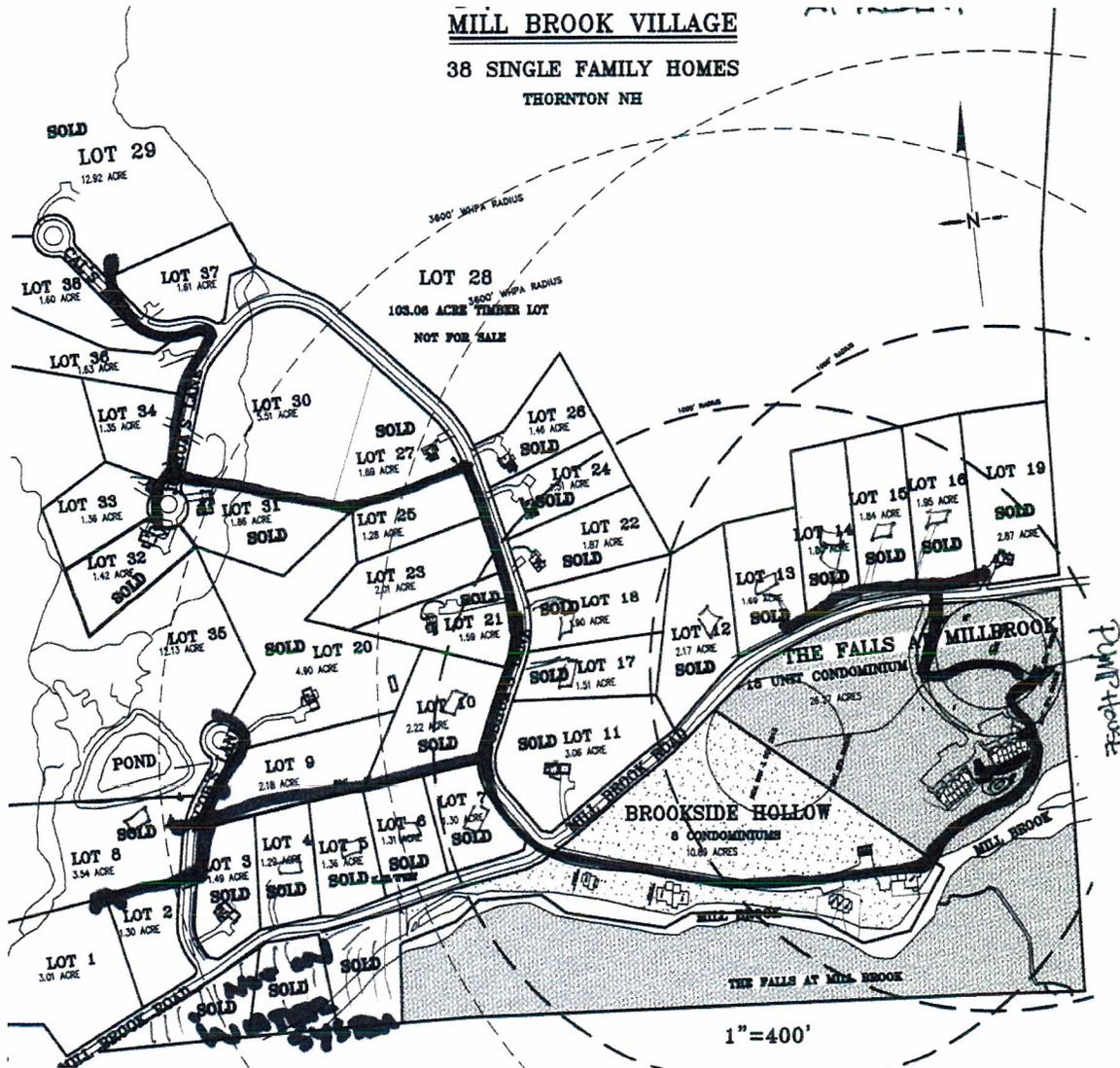
Q. Please describe the terms of the desired acquisition to another entity.

A. Once MBVWS is approved as a public utility, it is my intent to transfer ownership to another company who is in the water utility business. A rough draft of the terms of acquisition would be as follows. MBVWS/MRDA desires to enter into an agreement with an entity named Future Water Company ("FWC"). MRDA (the "Developer") which is the owner of the land comprising the wells and pump house as well as distribution system and therefore is the "official" owner of MBVWS. This would transfer all water rights and responsibilities to FWC. It is understood that there are presently 37 connections with a future potential of 64 in years to come. The developer has completely funded all aspects of the water system which is 100% complete including the distribution to curb stops at lot lines of all 64 lots. It is the intent of the developer to transfer all interest in the water system to FWC. The wells and pump house facility are located on land known as The Falls at Mill Brook Condominium which is solely owned by the developer. Easements will be granted, drawn up and recorded as needed assuring FWC the rights to maintain and operate this portion of the water system. Distribution lines outside of the Falls land are either in existing public or private ROW's. Ownership of the distribution system will transfer to the owners of private lots at the exit of the curb stop located nearest to the customer's property line. From the curb stop into each home will be owned by each homeowner in accordance with MBVWS's tariff.

FWC, under the Agreement, agrees to provide water service to residential customers within the Proposed Franchise Area at MBVWS's Commission approved water rates as applicable from time to time.

Q. Please describe the Proposed Franchise Area.

A. All residential lots or condominiums located in Mill Brook Village, Brookside Hollow or The Falls at Mill Brook subdivisions in the Town of Thornton, N.H.



Q. Please explain why you believe this acquisition is in the public good.

A. MBVWS has been owned and operated by the original developer since 1988. The plan was for the Falls at Mill Brook Condominiums to own the system as they would have all the responsibilities of a community water system since the development of a water

system supplying more than 10 homes would automatically put the it into the public water system category. Unfortunately development of the 3 subdivisions has been painfully slow. The area is a bit to remote for the liking of the masses. Home and Condo development between the three subdivisions has been only 37 units between 1989 and 2014 or roughly 1.5 units per year. To compound matters 9 of the 37 units are still owned by the developer. Only 28 units have sold over the past 25 years averaging 1.12 units sold per year. Since 9 units remain unsold as of this date, the developer who also owns all the vacant building sites, has no intentions of building more homes until such time as most of the existing inventory that is actively marketed sells. Therefore it is reasonable to expect a similarly slow growth rate in years to come (see attachment 5.2 MBVWS Service Connections and Dates of Original Service for documentation of growth rates). Therefore that leaves the developer still owning and operating a water system. In 2013 one of the existing wells stopped producing. This made it necessary to develop a new well - about a six month process and \$70,000 dollars that I did not really have the time or money to do, as the running and operating a "water business" is not my really my business expertise. I had to borrow 40,000 and use 30,000 out of pocket with no way to get it back - I don't have investors, stock etc. and have no interest nor the expertise to move in that direction. The advent of the additional well has added many new responsibilities taking the ongoing operation of the water system beyond my comfort, time, finances and expertise. It simply isn't the same old fairly simple system that it used to be. The water system needs a viable, knowledgeable owner who is committed to doing business in the water industry. I am no longer able to operate the system in a way that will not jeopardize the customers or my own financial condition.

Therefore I believe it to be in the public's best interest to transfer ownership of the water system to FDWC or similar organization that is highly skilled, has the necessary staff, financial resources and expertise to own and operate a water system.

Q. Does MBVWS provide service in any other parts of Thornton?

A. No. Not in Thornton or anywhere else.

Q. How did you arrive at the proforma expenses?

A. This is the estimated sum of all O&M expenses for 2014. There are three categories of expenses.

Directly Related to Water Production - Pumphouse and Distribution

- Elec
- Iron and Manganese Treatment Maintenance
- Leak Detection (Quarterly nighttime meter monitoring)
- Meter Testing
- Permit to Operate
- Mowing and Maintaining of Distribution ROW
- pH Treatment Maintenance
- Salt for Iron and Manganese Treatment and Calcite for pH Treatment

Small Misc repairs by Non-payroll
Water Testing

Labor Related

Clerical Labor Billing and Receipts etc.
Certified Operator Labor
Field Labor Other than Cert Operator
Management of Water System

Other Expenses

Accounting
Annual Req'd Training Class Fees
Insurance
Office Expenses
Postage
Regulatory Commission Expenses
Telephone
Bad Debt Expense
Legal

27,209.00 **O&M cost to operate the water system**

Q. How did you arrive at the proforma revenues?

A. It is a sum of the Revenue Requirement divided by the 37 customers on the water system.

The Revenue Requirement (\$36,778) = the rate of return on rate base (\$6,730) + O&M Expenses (\$27,209) + Depreciation (\$2,339) + Income Taxes (projected to be \$0.00) and Taxes other than Income Taxes (estimated to be \$500.00).

Q. How did you arrive at your depreciation figures?

A. The total figure used for depreciation is \$70,106.00. This is the sum of two figures spent in 2013. These figures were not expensed or depreciated on my 2013 tax return. All expenditures prior to 2013 have been expensed. Therefore \$70,106.00 is the total asset amount available for depreciation.

1. A new source (well, connections, engineering, etc) at 61,570.00. This was depreciated at a rate of 3.3%.
2. ph treatment to an existing well at 8,356.00. This was depreciated at a rate of 3.6%.