

1 **Q. Mr. LaChance, please state your full name and business address.**

2 A. My name is Nicholas A. LaChance. My business address is 37 Northwest Drive, Plainville,
3 Connecticut 06062.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am Vice President and Treasurer of New England Service Company, Inc. ("NESC"). In
6 that capacity, I am responsible for the financial management of all subsidiaries, namely;
7 Valley Water Systems ("VWS") in Connecticut, Abenaki Water Company ("AWC") in
8 New Hampshire, and Colonial Water Company ("CWC") and Mountain Water Systems
9 ("MWS") in Massachusetts. As it pertains to this specific docket, I am the Treasurer of
10 AWC.

11 **Q. Please describe your educational background and professional experience.**

12 A. I have a Bachelor of Science degree in Business Management from Johnson & Wales
13 University. I am currently pursuing a Master of Business Administration from Central
14 Connecticut State University. I worked with Cintas Corporation in Rhode Island, Virginia
15 and Ohio from June 2006 until December 2016; my final assignment was as a Regional
16 Sales Manager. I have served on the Board of Directors of NESC since June 2015. I
17 began to work full time for NESC in January 2017 as the Administrative Director. In May
18 2017, I was named Vice President and Treasurer of NESC as well as Treasurer of Abenaki
19 Water Company.

1 **Q. Have you previously testified before the New Hampshire Public Utilities Commission**
2 **or other regulatory bodies?**

3 A. Yes, I have recently provided testimony in DW 17-165, which was a rate application for
4 the Company owned Rosebrook system. Further, I have submitted pre-filed testimony
5 in docket DW 20-044, which is a financing application for the Company owned Tioga
6 Belmont system. I have provided testimony to the Massachusetts Department of Public
7 Utilities (DPU) in the Mountain Water Systems, Inc. rate application D.P.U. 17-154 in
8 addition to Colonial Water Company's financing and acquisition docket D.P.U. 17-177,
9 and their Plymouth Division rate application docket D.P.U. 18-105. I have also provided
10 testimony to the Connecticut Public Utilities Regulatory Authority (PURA) on behalf of
11 Valley Water Systems for financing applications.

12 **Q: What is the purpose of your testimony**

13 A: My testimony is to provide support for the requested financing contained within this
14 docket. Specifically, my testimony will highlight the following points:

- 15 • The reasons why the financing is a necessity,
- 16 • The steps that Abenaki Water Company took to secure the emergency funding
17 from the DWSRF,
- 18 • And the customer service concerns to be addressed by this capital project.

1 **Q: Please provide a background narrative detailing why the Company has developed the**
2 **proposed project.**

3 A: Abenaki Water Company (AWC) acquired the operating assets of the White Rock water
4 system in docket DW 13-236. The system is supplied by three (3) gravel packed wells,
5 each of which have been deepened over the years and are at a depth of at least 800 ft.
6 Prior to our ownership, the collective production yield showed diminishing returns. As
7 recent as the last 2-3 years, the production yields have reduced drastically to the point
8 that production is almost equal to demand. Further development of the wells in search
9 of additional yield appears to be futile as they are in close proximity to one another and
10 have been previously deepened with little to no additional yield realized.

11 The compounding factor that places extreme stress on the system is the condition of
12 the distribution system. The White Rock system is situated in a development and
13 provides water to its customers through roughly 95 service connections. The materials
14 used to construct the distribution system are inferior; for example, nylon fittings were
15 used throughout the system. These fittings frequently fail resulting in costly distribution
16 leaks requiring excavation and replacement materials. Since the wells' production is
17 producing just over the system's total demand, every distribution leak is particularly
18 detrimental for the Company to provide consistent service. The last 8-12 months has
19 been replete with distribution leaks, forcing the Company to make bulk water purchases
20 in excess of \$59,000 to date. It will be an ongoing venture to replace the distribution
21 system which, ultimately, is necessary. However, the most cost-effective solution to

1 provide consistent service, at this time, would be to place a new and productive source
2 of supply online.

3 As the condition of the distribution system has been illustrated above, and further
4 within Mr. Gallo's testimony, it is imperative that the Company installs strategically
5 placed main valves where there presently are none. In doing so, Company operators
6 will be able to isolate areas of the system to better perform leak detection as a
7 proactive measure to maintain consistent service. Further, in the event of excavating a
8 leak, the ability to isolate areas of the system will impact fewer customers than the
9 present configuration allows.

10 Lastly, the Company recently performed an inspection of the two (2) 15,000-gallon
11 atmospheric storage tanks. Contained in the inspection's findings were that the liners of
12 the tank were completely deteriorated, please see attachment NAL-1. In an effort to
13 prolong the life of the tanks, and to avoid high construction costs of tank replacement,
14 the Company has chosen to reline its storage tanks.

15 **Q: What are the present customer service issues experienced on the White Rock system?**

16 **A:** This project will address several long-standing issues that the customers of the White
17 Rock system frequently face. First and foremost, the system is essentially under a 24/7
18 water restriction due to the narrow margin of production over demand. The Company
19 is aware of several complaints made by the residents who feel as though they pay for a
20 service that isn't always 100% accessible. The Company would reword this complaint by

1 stating that water service is available for necessary use; however, discretionary use such
2 as filling a pool or system wide irrigation would become problematic quickly. The issue
3 that the Company is seeking to remedy is a diminishing production yield. The proposed
4 additional new source will provide a buffer between production and demand, in that
5 customers will have the ability for some discretionary use, which is what the Company
6 thinks many of its customers currently seek.

7 Unexpected and unscheduled system shutdowns have presented concerns over the
8 recent years as sizeable leaks sometimes occur in the night, depleting the storage tanks
9 and leaving a drained system by the time residents wake in the morning. The issues
10 with this are obvious; the prospective new source will provide additional lead time for
11 operators to be dispatched to provide maintenance to reduce service interruptions.

12 The addition of several main valves will further support continuous service in the event
13 of a distribution system repair. Fewer customers will be affected by a shutdown. This
14 will be achieved through the increased isolation abilities that these valves will provide.
15 As stated previously, the greater degree of isolation allows for better leak detection
16 capabilities for the operators to proactively identify leaks. The proactive identification
17 of leaks strongly supports the Company's overarching goal of providing consistent water
18 service to each of its customers.

1 **Q: Do you have support of the Department of Environmental Services (DES) to proceed**
2 **with this project?**

3 A: Yes, the Company has received a letter of support from DES regarding the proposed
4 project. This letter is attached for your reference as NAL-2.

5 **Q: Why has the Company chosen to utilize debt to finance the project?**

6 A: Simply stated, due to the expenses incurred and described in the brief narrative above,
7 the Company doesn't have sufficient internal funds to finance the project on its own.
8 Further, Abenaki Water Company has borrowing capacity. The proposed debt financing
9 will support moving toward a balanced capitalization ratio, which ultimately is favorable
10 to customers as a less expensive option to an equity infusion.

11 **Q: Please describe the steps taken to procure the funds from the DWSRF?**

12 A: The Company submitted an application for SRF funding prior to the 2019 deadline which
13 was not selected at that time to be funded. Upon the onset of multiple bulk water
14 deliveries needed to maintain water service in Q3 of 2019, the Company was in contact
15 with DES to work toward issue identification and resolution. There is a well-
16 documented source concern with the White Rock system that DES is aware of. After
17 reviewing the status of the system, the Company saw no other alternative but to
18 address the long-standing lack of source issue. After discussions with DES, and with
19 their full support, it was determined that this project would be fast-tracked for funding
20 as the situation was becoming dire.

1 **Q: Will there be an impact on customer rates due to this project?**

2 A: Yes, as this project is an addition to rate base there will ultimately be an increase to the
3 revenue requirement needed to fund it at the next rate application. Please refer to
4 Stephen P. St. Cyr's testimony for further details.

5 **Q: Does this conclude your testimony?**

6 A: Yes