

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

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

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

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

Q. Please describe your educational background and professional experience.

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

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

A. No, I have not previously testified before the New Hampshire PUC. However, I have recently provided testimony to the Massachusetts Department of Public Utilities (DPU) in the Mountain Water Systems, Inc. rate application D.P.U. 17-154 in addition to Colonial Water Company's financing and acquisition docket D.P.U. 17-177, and their Plymouth Division rate application docket D.P.U. 18-105. I have also provided testimony to the Connecticut Public Utilities Regulatory Authority (PURA) on behalf of Valley Water Systems for financing applications.

Q: What is the purpose of your testimony

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

- The scope of the project for which this financing will be utilized,
- The reasons why the financing is a necessity,
- And the steps that Abenaki Water Company took to secure the emergency funding from the DWGTF.

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

A: Abenaki Water Company (AWC) acquired the operating assets of the Tioga River Water Company on 4/30/19. These assets included two operating systems; Tioga Gilford

Village and Tioga Belmont. In December of 2019, the Tioga Belmont distribution system experienced a break on a 2" distribution main at a nylon fitting. This break drained the 4,500-gallon storage tank overnight putting the system into a state of emergency. It took a period of time to identify the location of the leak; all the while the Company was purchasing bulk water deliveries to maintain service for 22 customers reliant on the system. The total expense incurred by the Company as a result of the bulk water deliveries, excavating, materials and labor spent to make the necessary repair was \$31,848; more than double the annual revenues of the Tioga Belmont system.

With the preceding in mind, the Company is virtually operating this system perpetually in a constant state of concern. At any time, a small 2-3 gallon per minute leak going undetected has the ability to drain the system within a day. This potential not only concerns the Company, but exposes the customers that rely on the system. The proposed project will diminish this prospect.

Q: Please describe the project that the requested funds will be used for.

A: There are two main areas of concern that this project will alleviate; undersized storage capacity and insufficient distribution valving. The storage capacity will be addressed through increasing the present 4,500-gallon steel tank to a pre-fabricated 10,000-gallon concrete tank. The additional storage will provide a number of benefits which are described further in testimony below.

Presently, the distribution system woefully lacks valving making it difficult to isolate portions of the system for leak detection or repair without disrupting each customer. The project has been priced out to add four (4) 2" gate valves strategically placed to achieve operating abilities that are presently not available. The Company acknowledges that the exact quantity of valves to be added may change if the depth of the mains are deeper than expected once excavation begins. The distribution system mapping that was received upon acquisition of the system are inadequate and unreliable.

Q: What are the added benefits that the customers of the Tioga-Belmont system will receive?

The proposed project will create several benefits for the customers mainly pertaining to system reliability by way of the increased storage capacity. Through the additional capacity, in the event of a system leak, the system operators will have sufficient time to identify and repair the leak, or make the necessary arrangements to have bulk water delivered. A full bulk water delivery will enable service to be uninterrupted while a repair is being made; which is very difficult presently due to the undersized capacity of the storage tank in place. The increased capacity will reduce water outage time and ultimately allow for peace of mind to each of the system's 22 customers.

Another benefit of the increased storage capacity is a reduction of expense associated with bulk water deliveries. Under the present conditions, the Company pays for a full water delivery of 6,000 gallons, even though the storage capacity is only 4,500. The undersized tank leads to more frequent deliveries in an emergency, further increasing

the associated expenses. These expenses are ultimately paid for by the customers as they are embedded in the Company's operating expenses. The increased storage will surely reduce these non-value-added expenses.

Finally, the additional distribution valves will provide the system operators with enhanced system control. This benefit will be realized in the event of a main break or leak through greater isolation capabilities, allowing for reducing the number of customers affected. Further, these isolation methods will enhance the operator's ability to proactively perform reliable leak detection.

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

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

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

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

Q: Please describe the steps taken to procure the funds from the DWGTF?

A: Once the Company became aware of the main break in the system, along with the fact that the current storage tank was drained overnight, it reached out to New Hampshire DES to discuss the scenario. In that discussion, the Company stated to DES that the undersized storage tank, and lack of valving, is of great concern proceeding forward. DES agreed and later notified the Company that it believed that the project would be eligible for emergency funding through the DWGTF program, which it was ultimately awarded in Q1 of 2020.

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

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

Q: Does this conclude your testimony?

A: Yes