

Testimony of David J. Laflamme on behalf of Village Shore Estates Association

November 12, 2015

DW 15-199

{Introduction}

My name is David J. Laflamme and I live at 21 Surrey Coach Lane in Bow, NH. I am a resident of Village Shore Estates and I am currently the president of the Village Shore Estates Association. Abenaki Water Company supplies water to my neighborhood.

{Timing and Magnitude of Rate Change}

Abenaki Water Company purchased our water system from Whiterock Water Company and took over operation and maintenance on February 14, 2014. We, Village Shore Estates Association, submitted a series of questions to Abenaki prior to the sale. A record of these questions and the corresponding responses from Abenaki are in the PUC's records identified as DW 13-236, Exhibit 5.

Among other things, we asked: "How will our water rates be affected by this purchase?" (and) "How will our water rates be affected with the expense of the improvements?"

The response from Abenaki was: "The purchase transaction will have no impact on rates. Abenaki Water Company does expect that customers will ultimately benefit from more efficient operation of the White Rock water system due to New England Service's administrative support and related synergies and efficiencies. This will result in reduced operating costs relative to what they otherwise would have been."

Less than 2 years later, Abenaki has proposed a shockingly large increase. While we would not expect our rate to stay the same indefinitely, we were understandably surprised by the magnitude of the proposed rate change. A rate change this large is unreasonable, especially in the context of their response to our inquiry less than 2 years ago. In testimony by Mr. Vaughan at the time of the sale, he spoke about minimizing "rate shock".

{Financial}

We question the cost of equity at 10.75%. This seems higher than what we would expect. We also question the debt to equity ratio of 42% to 58%. Our understanding is that a ratio of 50/50 would be more appropriate. During testimony at the time of the sale, Mr. Vaughan spoke about expecting a debt to equity ratio of 50/50 specifically to mitigate rate increases going forward. *We ask the PUC to take another look at these numbers and consider whether they should be adjusted in some way during the rate analysis to mitigate the proposed increase.*

{Tipping Point}

We currently have the 3rd highest water rate in the state. As it continues to increase, we will reach a tipping point where more and more residents will decide to drill their own well and stop contributing to the system. There appear to be several examples of this over the years. With fewer households contributing, our rate will continue to skyrocket. An unreasonably large rate change pushes us further towards an unsustainable system in which there will be no winners.

{Summary/Closing}

In summary, such a substantial increase in our water rate is excessive. Our water rate is already the 3rd highest in the state and Abenaki's proposal to increase it far exceeds what is reasonable. We ask the PUC to very closely scrutinize this rate increase request and ensure a fair outcome. *We especially ask that the PUC examine the claims made by Abenaki to the PUC at the time they purchased the system, and reconcile those claims (e.g. debt to equity ratio) with the current rate increase application. We believe Abenaki should be held accountable for the truthfulness and accuracy of the information they gave to their customers and to the PUC at that time.*