

**THE COMMONWEALTH OF MASSACHUSETTS**

**DEPARTMENT OF PUBLIC UTILITIES**

**D.P.U. 19-57**

**EAST NORTHFIELD WATER COMPANY**

**PETITION FOR REVISION OF RATES**

**DIRECT PREFILED TESTIMONY OF**

**JOHN E. ALDEN, JR., PRESIDENT**

**EAST NORTHFIELD WATER COMPANY**

**MAY 17, 2019**

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

2 A. My name is John E. Alden, Jr., and my business address is East Northfield Water Company,  
3 P.O. Box 152, Northfield, MA 01360.

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

5 A. I am a Director and President of the East Northfield Water Company (“ENWC” or the  
6 “Company”). I became a Director of the Company in July 2017.

7 **Q. Please describe your educational and professional background.**

8 A. I earned a Bachelor of Science degree in Hotel Administration from Cornell University and  
9 a Master’s in Business Administration from Harvard Business School. I have worked in  
10 Hospitality Administration for major hotel corporations from June 1972 through July 1993.  
11 From August 1993 I had been the Chief Financial Officer and Assistant Treasurer of  
12 Berkshire School, from which I retired in February 2017. From July 2017 through  
13 February 2019, I was the Interim Chief Financial Officer of Northfield Mount Hermon  
14 School.

15 **Q. What is the purpose of your testimony?**

16 A. My testimony is to provide background information and support to assist the understanding  
17 of:

- 18 1. The ENWC system infrastructure, its history and its customer base generally;
- 19 2. The strategies used by ENWC to contain costs generally;
- 20 3. The reasons necessitating the Company’s proposed rate increase;
- 21 4. Particular challenges facing the Company, including but not limited to the course  
22 of action apparently being taken by the Massachusetts Department of Environmental

1 Protection (“MassDEP”) that would force the Company to make substantial investments in  
2 a water filtration plant; and

3 5. The relationship between ENWC and the Northfield Mount Hermon School  
4 (“NMH”).

5 **Q. Please describe the history of the water company.**

6 A. The Company is a public utility wholly owned by the Northfield Mount Hermon School  
7 (including its predecessors referred to as NMH). NMH began as two schools: the  
8 Northfield Seminary for Young Ladies, which opened in 1879, in the Town of Northfield,  
9 and the Mount Hermon School for Boys, in the Town of Gill, which opened in 1881. Both  
10 schools were founded by Dwight L. Moody, who wanted to provide a first-rate education  
11 for young people regardless of race, religion, or economic circumstances. In 1971, the  
12 schools became a single coeducational institution with one faculty, one administration, and  
13 two coed campuses with the name, Northfield Mount Hermon School. In 2005, NMH  
14 consolidated its operations to its Gill campus and closed its Northfield Campus.

15 In the early 1900’s, the water system was constructed to provide a reliable supply of water  
16 to the Northfield Campus. That water supply was the only one available in the northeast  
17 section of the Town of Northfield, which is a small, predominately rural, residential  
18 community in western Massachusetts along the Vermont border. In the early 1900’s,  
19 extensions were made to provide service to others. In 1927, ENWC took over the portion  
20 of the system that provided water to customers other than the school, and it eventually took  
21 over from NMH the remaining portion of the system that supplied water to the Northfield  
22 Campus and school owned properties. Other residential areas of Northfield either have

1 private wells or receive water from the Northfield Water District. The present campus of  
2 the Northfield Mount Hermon School in Gill does not receive water supply from the  
3 Company.

4 NMH sold the Northfield Campus in 2009 and in 2017 a portion of the Northfield Campus  
5 was conveyed to the D.L. Moody Center and the remainder was conveyed to Thomas  
6 Aquinas College, as an East Coast branch to its main campus in California. While the  
7 former Northfield Campus previously housed close to 550 students and 200 faculty and  
8 staff, and was serviced by the Company, neither of the two current owner entities are  
9 populated at this time. The college is planning to open its East Coast branch slowly.  
10 Beginning in the fall of 2019, it plans to enroll approximately 35 freshman and 35  
11 sophomores. We do not anticipate a significant increase in water sales in the next couple  
12 years. Development of the D.L. Moody Center has been delayed, and now appears that it  
13 will develop even more slowly than the college. It is possible that water usage on the former  
14 Northfield Campus may increase slowly over the next many years, but that development is  
15 uncertain.

16 Currently the Company has approximately 300 customers, primarily residential, of which  
17 50 are seasonal. These customers are in close proximity to the former Northfield Campus.  
18 The majority of the seasonal customers are located in an area of East Northfield called  
19 “The Rustic Ridge”. There is a long history of “The Rustic Ridge” and its connection to  
20 D.L. Moody and the Northfield campus. There are three meters dedicated for all of “The  
21 Rustic Ridge” connections. Much of the water is distributed between the meters and  
22 residences through above ground piping. Each fall, the Company flushes the system, and

1 each spring, the company performs all necessary repairs to turn the system back on. Each  
2 Rustic Ridge connection is assessed a specified fixed charge. The volumetric charge is  
3 determined by allocating equally the water usage as measured by the three dedicated meters  
4 to all Rustic Ridge customers (approximately 50 total).

5 **Q. Please describe the Company's water supply and distribution system.**

6 A. There are approximately 15 miles of water mains and there are 40 hydrants in the water  
7 system, 13 hydrants are internal to the Northfield Campus. All water distributed by the  
8 Company comes from the Grandin Reservoir (surface water supply). The water flows by  
9 gravity from the reservoir to the treatment facility and contact chamber where it is  
10 disinfected in the Chlorine Contact Chamber and then with Ultra Violet Light, prior to  
11 distribution.

12 The Grandin Reservoir has approximately 7.5 acres of surface area and its watershed is  
13 98% forested land. The reservoir, Grandin Dam, and the majority of the watershed  
14 (approximately 336 acres) is owned by NMH and leased to the Company under a 99-year  
15 lease, which began in 1992. In 2016, as part of a large forest transaction, the remainder of  
16 the watershed was conveyed to Trust for Public Land, who immediately conveyed to DCR.  
17 The Company retains a recorded easement over the watershed area that is now owned  
18 by DCR.

19 **Q. Please describe the regulatory status of the Company's water supply and distribution**  
20 **system.**

21 A. In 1991, ENWC was granted a waiver of the EPA Surface Water Treatment Rule by  
22 MassDEP. That waiver permitted the Company to continue operating without the need for

1 filtration. The test data since 1992, when the filtration waiver was issued, shows that the  
2 Grandin Reservoir water quality is generally very clean and safe without filtration. In the  
3 fall of 2018, MassDEP issued to the Company a Determination – Requirement for  
4 Filtration. A hearing to review that determination was held on January 3, 2019, and  
5 following a review of all of the information provided at the hearing and during the public  
6 comment period (ended January 17, 2019), we understand that MassDEP will issue a final  
7 determination. We currently have no information as to when that might occur and as to the  
8 likelihood of DEP backing off its requirement that ENWC install a filtration plant.

9 **Q. Please elaborate about the MassDEP Determination – Requirement of Filtration.**

10 A. Specifically, on October 2018, MassDEP notified the Company by letter that it “no longer  
11 satisfies the requirements of filtration avoidance as a result of an exceedance of source  
12 water quality standards and, therefore, must either filter its water supply from the Grandin  
13 Reservoir or abandon and replace that water supply with an alternative water supply  
14 meeting applicable regulatory requirements.” MassDEP requires that 90% of its raw, pre-  
15 treated, water samples from the Grandin Reservoir meet the coliform concentration limits.  
16 The Company narrowly missed this standard. For just a few raw water (pre-UV treatment)  
17 samples from extreme weather periods (high temperatures combined with heavy rain)  
18 during the summer of 2018, there were fecal coliform exceedances. Specifically, 85%  
19 (not 90%) of its raw water samples taken in the six month period between April and  
20 September 2018 met the standard.

21 Shortly after receiving the MassDEP’s notification of withdrawal of the filtration waiver,  
22 the Company requested a review of MassDEP’s determination at a public hearing and an

1 opportunity for public comment. The hearing was held at the Northfield Town Hall on  
2 January 3, 2019, and the public comment period closed on January 17, 2019. MassDEP  
3 has advised that it is currently reviewing all of the information offered at the public hearing  
4 and during the comment period. The materials filed by the Company to dissuade the  
5 MassDEP from withdrawing the Company's filtration waiver. The Company is awaiting  
6 MassDEP's issuance of its final determination. In the meantime, the Company continues  
7 to operate as before, following all stated reporting and procedural requirements for a  
8 system that holds a valid waiver from filtration.

9 **Q. Please discuss implications of the MassDEP Determination.**

10 A. Unless the MassDEP reverses its decision, the Company has a regulatory requirement to  
11 install a water filtration plant or develop a new water supply in place of the Grandin  
12 Reservoir. The Company has engaged a professional engineering firm to provide relevant  
13 advice. The early indications are that such a water filtration plant would cost \$3.2 million  
14 to \$4.9 million, which would be a 200 – 300% increase to rate base and would necessitate  
15 an extreme increase in rates, even assuming that the increase proposed by the current filing  
16 was approved in whole. ENWC currently does not have the financial wherewithal to fund  
17 such a water filtration plant, but is hopeful that increasing its rates as proposed would allow  
18 it to obtain bank financing of a water filtration plant. If the Company could not obtain such  
19 financing, it would not be able to comply with the MassDEP order. Further, to the extent  
20 that the Company did proceed with installation of such a water filtration plant, the  
21 Company is concerned that the increase in rates would drive customers to some other water

1 source and drive the Company into a classic “utility death spiral” of increasing rates and  
2 decreasing customers and revenues.

3 **Q. Please comment on the general level of ENWC’s water quality.**

4 A. The Company’s Grandin Reservoir water source has been shown to provide very high  
5 quality water for many years. Since the handful of sub-par test results in the summer of  
6 2018, no test results have fallen below the MassDEP standards. Even for the summer 2018  
7 time period when some raw water samples failed to meet the MassDEP standard, there was  
8 no problem with the Company’s quality of delivered water, because the tests were on the  
9 water before application of the Company’s ultra-violet treatment which kills any  
10 potentially harmful microbes in the water.

11 **Q. Please describe additions to the Company’s water supply and distribution system  
12 since the last rate case.**

13 A. Since 2012, the Company has expended approximately \$250,000 on capital improvements.  
14 These necessary investments in the infrastructure include: meter replacement and upgrade;  
15 transmission and main upgrades; installation of an Ultra Violet Light System; and a new  
16 Chlorine Contact Chamber Control Panel.

17 **Q. Please describe the Company’s communications and relations with customers.**

18 A. There are 291 customers, some of which have multiple meters. The customers are  
19 primarily residential and 51 are seasonal. The Company makes every effort to provide  
20 safe, good quality service to all of its customers. Customer concerns are responded to as  
21 quickly as possible by phone, in writing, and in person if requested. The Company’s efforts  
22 to both provide quality water service and maintain good customer relationships was evident



1 during the MassDEP Public Hearing on January 3, 2019. During that hearing a total of 6  
2 customers of the Company testified – all 6 testimonies were positive. The Company seeks  
3 to keep its customers well informed about water quality and any relevant developments  
4 regarding the water system, including the MassDEP review. As additional evidence of  
5 good customer service, the Company notes that over the last two years, there has only been  
6 a single customer complaint filed with the Department of Public Utilities.

7 **Q. Please describe the Company's relationship with NMH School.**

8 A. NMH is a not-for-profit school. It owned ENWC to provide a secure, safe supply of water  
9 to the Northfield Campus. After consolidating the school's operations to its Gill Campus  
10 in 2005 and selling the Northfield campus, NMH has no reason to operate the for-profit  
11 water Company and has been trying to find a new owner for the last couple years without  
12 any success to date.

13 **Q. Please describe the Company's cost containment efforts.**

14 A. The Company, as always, makes every effort to contain costs including: evaluates  
15 workforce size and employs the right people to operate the system and provide good, safe  
16 service; staffs operations to meet the minimum MassDEP requirements; annually reviews  
17 insurance requirements and quotes; has minimized office space overhead; maintains strong  
18 relationships with local contractors; and all planned investments in infrastructure are  
19 strategic allocations, attempting to identifying areas of reducing/minimizing any related  
20 future capital expenditures. Unfortunately costs are continually increasing from: (1)  
21 maintaining the aging infrastructure; and (2) responding to stricter operational and  
22 reporting recommendations and requirements put forth annually by MassDEP.

1 **Q. Please describe the Company's proposed increase in rates and why an increase is**  
2 **needed.**

3 A. The Company is requesting a rate increase of \$206,822, phased in over two years. While  
4 that is the Company's current revenue deficiency, the Company is proposing the phased  
5 implementation to mitigate the impacts on customers. Nevertheless, this request for a rate  
6 adjustment is a necessity. The rate filing is needed for investment in the Company's  
7 infrastructure and to align operational expenses with annual revenues. The details of the  
8 proposed rate increase, how it is calculated and how it complies with precedent of the  
9 Massachusetts Department of Public Utilities is all set forth in the testimony and schedules  
10 of our rates consultant, David Fox of Raftelis Consulting.

11 Briefly, however, I note that the water Company currently has approximately \$850,000 in  
12 debt to its stockholder. ENWC has no ability to ever repay the stockholder without a  
13 significant change to the Company's current rate structure. Over the past five years (2014-  
14 2018), the Company has lost approximately \$300,000 in operations, and in 2018 is  
15 reporting a loss of \$98,000 and a net stockholder's deficit. As a result of trying to minimize  
16 costs to the overall Company, the infrastructure is now heavily deteriorating and the  
17 requirements imposed by the MassDEP are costly. The Company lacks sufficient cash to  
18 invest in the current infrastructure as well as maintain the aging system, aside from general  
19 operating costs. The Company is spending approximately \$75,000 each year in  
20 maintenance, which is the bare minimum to keep the system working - not improving it.  
21 The Company's cash position is decreasing year over year, and needs to be self-sustaining.  
22 The composition of the Company's revenue has changed over the past several years with

1 customers digging their own wells, and water being shutoff due to non-payment for houses  
2 that have been abandoned among an aging residential population. The revenue has declined  
3 by approximately \$30,000 over the past five years. At the current rate of net cash flow, the  
4 Company will be bankrupt in five years without any adjustments.

5 **Q. What is the Company's plan to address the circumstances just described?**

6 A. The first step is to increase rates to try to make the Company self-sustaining. The second  
7 step is to work to have the MassDEP back off its withdrawal of the filtration waiver. Let  
8 me stress that as a water quality and customer safety issue, the Company strongly believes  
9 that the limited test results that fell just short of MassDEP requirements do not show that  
10 the water is unsafe and certainly do not justify the massive capital expenditure discussed  
11 above. However, it is not for the Company to decide and if the MassDEP continues on that  
12 course, the Company will work hard to engage with anyone in the Administration that is  
13 open to discussion. In the worst case, the Company would simply cease operations.

14 **Q. Does this conclude your testimony?**

15 A. Yes.