

**State of New Hampshire
Before The
New Hampshire Public Utilities Commission**

**Abenaki Water Co., Inc.
Petition to Amend the Company's
Tariffs to Allow Monthly Billing**

DW 14 -

Direct Testimony of Donald J.E. Vaughan

December 8, 2014

Introduction

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

A. My name is Donald J.E. Vaughan. My business address is 37 Northwest Drive, Plainville, Connecticut 06062.

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

A. I am President and CEO of New England Service Company, Inc. ("NESC"). In that capacity, I am responsible for management oversight of all aspects of the operations of its subsidiaries, namely; Valley Water Systems, Colonial and Plymouth Water Company, and Abenaki Water Company in Connecticut, Massachusetts, and New Hampshire, respectively. My responsibility also includes management of NESC's non-regulated activities.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Science degree in Civil Engineering from Northeastern University and a Master of Business Administration from Nichols College. From 1976 to 1980, I served as the Director of Water Operations for the City of Worcester. In that capacity, I was involved in all phases of supply and distribution activities. Subsequently, I was employed by Citizen's Utilities as Assistant General Manager for California Water Properties. I also served as President and General Manager of Southbridge Water Supply and as the Superintendent of Supply Operations for Aquarion Water Company with responsibilities primarily in Connecticut. In 1992, I joined Plainville Water Company (now Valley Water Systems, Inc.). In 1996, I managed the formation of New England Service Company which now holds the subsidiaries mentioned above.

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

A. Yes, I have provided testimony to the Massachusetts Department of Public Utilities, the New Hampshire Public Utility Commission, and to the Connecticut Public Utility Regulatory Authority on several prior occasions.

Q. Please describe the purpose of your testimony.

A. My testimony is to offer background information on behalf of Abenaki Water Co. (“Abenaki” or the “Company”) that will assist understanding of the benefits of monthly water billing. NESC and Abenaki believe that monthly water billing is in the beneficial interest of all and it is in the public good for the Commission to approve this petition.

Q. Please explain what the benefits of monthly water billing are.

A. State of the art metering technology has enabled utilities to collect consumption data in a fraction of the time compared to the traditional walk, read, and note methodologies presently employed by many water systems. The development of radio meters facilitates much more condensed data collection periods (a matter of hours) that formally required days. Hence, this technology had made monthly billing viable and actually desirable for the customer and company alike. For example, some benefits follow.

- Monthly billing will make water charges more manageable and predictable as well as coincide with other utilities’ invoicing cycle.

- Domestic plumbing leaks (the source of many billing disputes) will be more quickly identified and therefore customer water losses, and costs, will be minimized.
- Non-Revenue Water (unaccounted for water loss) can be more quickly and accurately calculated. This calculation is a metric for system integrity which is a valuable data point for water operators.
- Monthly billing will influence customer sensitivity to consumption habits. Conservation and customer awareness of usage is a desired goal of DES.
- Delinquencies and bad debts which are ultimately borne by the customer base can be minimized through monthly billing.
- Over the near term, a reduction in meter reading expenses through the use of radio read meters.
- Although difficult to quantify, in our experience, monthly billing has lessened the administration required in handling customer complaints.

Q. How and when would Abenaki's customers be notified of the proposed change in billing frequency?

A. The Company suggests notifying its customers of the proposed change in billing frequency via a message or insert in its January 2015 bills.

Q. What are the estimated additional costs of monthly versus the Company's present quarterly billing?

A. Historically, the Lakeland system has relied on company mailed postcards which ideally are completed after reading by each customer and returned for processing. As can be imagined, this process is flawed and inefficient at best. Inaccurate data, delays, no returns and estimated bills have been the norm for some time. It is difficult to estimate the costs associated with this process which has included repeated quarterly attempts to obtain meter data as well as the related customer service issues connected with a very rudimentary process.

Since Abenaki's acquisition of Lakeland, it has furnished and installed nearly 100 percent of its customers with radio read meters. Going forward, the Company estimates it will take 1 to 2 hours per month to collect meter data for this system.

As for the White Rock system, meter data collection takes a "solid" 8 hours to complete each quarter. This system requires walking to each premise for meter data collection. At present, Abenaki has installed only a handful of radio read meters, but plans to have the system 100 percent equipped by the end of 2015 if not before. Upon completion of this initiative, the Company estimates that meter reading will take approximately 1 hour per month.

Additionally, Abenaki currently mails approximately 175 bills per quarter (there are two associations totaling 76 customers that are billed through one invoice to each property manager). Although the cost of postage, bill stock, envelopes, and printing would increase from about \$150 to \$450 per quarter, some existing mailing expense would be reduced because Abenaki currently sends past due notices in the month following the billing, which would no longer be necessary as the past due amount would show up as a

balance forward on the next invoice. Abenaki has also implemented paperless billing and online bill payment options through its new website, which should decrease the expense for postage and supplies over time, for both the Company and the customer.

Q. Please tabulate Abenaki's billing rates by system on a quarterly as compared to a proposed monthly basis.

A. The tabulation is as below.

| | | Lakeland Management Co. ("Lakeland") | | | | | |
|-------|--------------------|--------------------------------------|----------|-----------|-----------|----------|-----------|
| | | Quarterly | | | Monthly | | |
| | | Base | Usage | Surcharge | Base | Usage | Surcharge |
| Water | Commercial A | \$ 1,308.00 | 0.150445 | \$ 171.90 | \$ 436.00 | 0.150495 | \$ 57.30 |
| | Commercial B | 437.00 | 0.067967 | 57.43 | 145.66 | 0.067967 | 19.14 |
| | Multifamily res. | 3,104.00 | 0.053388 | 407.93 | 1,034.66 | 0.053388 | 135.97 |
| | Single family res. | 97.00 | 0.053388 | 12.75 | 32.33 | 0.053388 | 4.25 |
| Sewer | Commercial A | \$ 803.00 | 0.081303 | | \$ 267.66 | 0.081303 | |
| | Commercial B | 268.00 | 0.025070 | | 89.33 | 0.025070 | |
| | Multifamily res. | 2,346.00 | 0.036290 | | 780.00 | 0.036290 | |
| | Single family res. | 60.00 | 0.036290 | | 20.00 | 0.036290 | |

| | | White Rock Water Company | | | |
|-------|-------------|--------------------------|---------|---------|---------|
| | | Quarterly | | Monthly | |
| | | Base | Usage | Base | Usage |
| Water | All classes | \$30.00 | 0.10200 | \$10.00 | 0.10200 |

Q. Why is the change in the Abenaki's billing cycle from quarterly to monthly in the public interest?

A. The proposed change in Abenaki's billing cycle is in the public interest for all of the previously detailed reasons. In conjunction with the installation of radio read meters, the combination of these initiatives will:

- enable more accurate invoicing

- virtually eliminate estimated bills
- provide easier customer financial management of bills aligned with the frequency of many other homeowner invoices,
- provide the ability to more precisely calculate unaccounted for water
- allow earlier homeowner detection of leaks
- over the long term reduce operating (meter reading) expenses
- increase the predictability of billing amounts

Q. Does this complete your testimony?

A. Yes.