

Commonwealth of Massachusetts
Department of Public Utilities

Petition of Housatonic Water Works Company,
pursuant to G.L. c. 164, § 94, G.L. c. 165, § 2,
and 220 CMR 5.00 for Approval of a General
Increase in Rates

No. 23-65

**DIRECT PREFILED TESTIMONY OF
PATRICK WHITE
ON BEHALF OF THE TOWN STOCKBRIDGE**

EXHIBIT STB-PW-1

Nov. 14, 2023

1 **Q. Would you please state your name and business address?**

2 A. My name is Patrick White. My business address is Town Hall, 50 Main Street,
3 P.O. Box 417, Stockbridge, MA 01262.

4 **Q. Would you please state your current role with the Town of Stockbridge?**

5 A. I am a member of the Town's Board of Selectmen. In that role, I am one of three
6 elected members of the Town who serve on the Town's Chief Executive Board.

7 **Q. Do you serve the Town in any other capacities?**

8 A. I served on the Conservation Commission from 2018 to 2021. I chaired the
9 Cyanobacteria Working Group from 2019 to 2021. I helped create and currently serve on
10 the Affordable Housing Trust Fund. I have served on the Community Preservation
11 Council and Cemetery Commission since 2020. I served as treasurer and vice president of
12 our local land trust, Laurel Hill Association. I served on the board of the Stockbridge
13 Bowl Association in 2019.

14 **Q. Please describe your educational background.**

15 A. I hold a bachelor's degree from Boston College in economics.

16 **Q. Please describe your occupational background.**

17 A. I currently am employed by a Stockbridge private school, the Berkshire Waldorf
18 High School, where I serve as Chief Financial Officer. I also own a small consulting and
19 communications company, White & Associates. I founded three start-ups that attracted a
20 total of \$36 million in venture capital investment from 1995 until 2005.

1 **Q. Please recount your history in Stockbridge.**

2 A. I grew up in Stockbridge and graduated from Monument Mountain Regional High
3 School in 1980, where I was elected captain of the tennis, cross country, and cross
4 country ski teams. I moved to Boston to attend Boston College. I stayed in the Boston
5 area to pursue my career. My mother passed away in 2006, my father in 2013, and I
6 returned to Stockbridge full-time on January 1, 2014.

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

8 A. The purpose of my testimony is to address the Housatonic Water Works
9 Company's (the "Company") request for a rate increase in this proceeding, as such a rate
10 increase is relevant to and may impact the residents and Town of Stockbridge.

11 **Q. Would you start by briefly describing the Company's service area in**
12 **Stockbridge?**

13 A. Yes. The Company maintains a service area in Stockbridge. This includes both
14 individual customers and fire hydrants. That area is identified on the map the Company
15 provided in response to Stockbridge's Information Request STB-1-2, and encompasses 6
16 ways within the Town (Glendale Road, Furnace Road, Apple Street, Housatonic Court,
17 North Housatonic Court, and High Street).¹ As the Company further acknowledges in its
18 responses, the Company delivers water to Stockbridge consumers, in part, through
19 infrastructure maintained by the Town at the Town's expense.² As the Company

¹ Responses to STB-1-2 and STB-1-3.

² Response to STB-1-4.

1 acknowledges, “As for ongoing maintenance, it has been the Company’s practice to
2 notify the Town of Stockbridge water department when a problem arises, and the Town
3 has performed repairs at its own expense.” The Company has not, in turn, made any
4 investment in repairs, upgrades, or otherwise, in that infrastructure since at least the
5 beginning of calendar year 2013.³

6 **Q. Can you please provide some background about Stockbridge’s**
7 **demographics?**

8 A. Of course. The median income of a Stockbridge resident is approximately
9 \$46,000 according to United States census data.⁴ This median income is substantially
10 below the State’s median income of \$89,000 and Berkshire County’s median income of
11 \$74,000. The areas in Stockbridge served by the Company include mostly modest homes
12 with real estate valuations that are lower than in other areas the Company serves within
13 its three-town service footprint. Due to its median income and other factors, Stockbridge
14 is a “Biden Justice40” municipality, meaning that it is a community eligible for federal
15 investment as a “disadvantaged” community that is marginalized, underserved, and
16 overburdened by pollution.⁵ Stockbridge is the only town in Massachusetts, west of
17 Holyoke, so designated. Stockbridge’s median age is 61 years old.⁶ The Town is
18 therefore, on median, far older than the rest of the State, which has an overall medial age

³ Response to STB-1-8.

⁴ https://data.census.gov/profile/Stockbridge_town,_Berkshire_County,_Massachusetts?g=060XX00US2500367595

⁵ <https://www.whitehouse.gov/environmentaljustice/justice40/>

⁶ https://data.census.gov/profile/Stockbridge_town,_Berkshire_County,_Massachusetts?g=060XX00US2500367595

1 of 39. Accordingly, on median, Stockbridge is both much older than other municipalities
2 in the State and its residents earn much less in median income.

3 **Q. Please comment on those demographics and the Company's requested rate**
4 **increase.**

5 A. According to its testimony, the Company seeks to significantly raise its rates. The
6 Company projects an across-the-board increase in its monthly service charge of \$98 and a
7 \$23 charge per 1000 gallons for all water usage over a 2500-gallon monthly allowance.
8 According to the Company, the annual cost of water service for its average residential
9 customer will increase from approximately \$746 to \$1600. All this will support a 113%
10 overall revenue increase for the Company.

11 Such significant increases will be a substantial burden on customers in
12 Stockbridge. As is evident from demographic data, Stockbridge consumers of the
13 Company's water are less economically able to absorb rate increases. Based on my
14 experience as a long-time resident of the Town and as a Selectmen, it is evident to me
15 that authorizing this level of a rate increase will impose a substantial burden on many
16 working-class and elderly residents in Stockbridge. And, given the commodity in
17 question – water – it is not a burden that is avoidable. Stockbridge residents cannot
18 simply choose not to consume water, and, for them, they will have little choice but to
19 stretch their already stretched budgets to afford a higher rate.

1 **Q. In your understanding, why is the Company seeking to increase its revenue**
2 **supported by an increase in rates?**

3 A. According to the Company’s testimony and submissions, the Company seeks to
4 raise revenue to “finance needed improvements to the physical water system and its
5 operations.”⁷

6 **Q. Are you generally familiar with the financing of public infrastructure**
7 **improvements?**

8 A. Yes, I am. You will recall that I am a Selectmen in the Town. The Board of
9 Selectmen, as the Town’s Chief Executive Authority, is involved in the financing of
10 capital improvements to the Town’s own infrastructure. As a Selectmen I am familiar
11 with and involved in that process. Further, I also hold a bachelor’s degree in economics,
12 and I am the Chief Financial Officer of a private secondary school. I therefore am
13 educated in and familiar with general financial matters.

14 **Q. To your knowledge, has the Company proposed to use any debt financing for**
15 **the capital improvements that it seeks to acquire and construct?**

16 A. In my review of the Company’s submission, I am not aware that it is proposing to
17 acquire any debt to do so.

18 **Q. To your knowledge, has the Company proposed to seek or sought any grants**
19 **for the capital improvements that it seeks to acquire and construct?**

⁷ Ex. JJM-1, p. 2, lines 28-30.

1 A. In my review of the Company's submissions, I am not aware that it has done so.
2 In response to a specific Information Request from the Town on this subject, the
3 Company objected and did not answer.

4 **Q. Would you please comment, if you can, on the Company's request to raise**
5 **rates to finance its capital improvements?**

6 A. In my experience, there are basically three ways that the Company could
7 potentially finance these types of improvements: (1) apply for state or federal grants; (2)
8 use debt to finance the acquisition and construction of the assets and pay that debt over
9 the lifetime or a part of the lifetime of the assets; or (3) front-load the asset cost through a
10 large increase to ratepayers thus generating a short-term cash flow to pay the acquisition
11 and construction cost of the assets.

12 The Company seeks to use the third method by substantially increasing current
13 rates to generate a large, short-term cashflow that would allow it to acquire and construct
14 the identified assets using cash. Alternatively, were the Company to use the first or
15 second method (or both), the Company would first finance the acquisition and
16 construction of the assets using grants or debt, and thereafter could potentially ask the
17 Department for a rate increase that would be far less and reflect the more modest cost of
18 paying off any debt over a period of time.

19 **Q. Do you have any concerns related to the Company's desire to acquire and**
20 **construct these assets through a rate increase?**

1 A. I do. The Company is pursuing an avenue that will result in a significant short-
2 term increase on current customers. And it is eschewing alternatives that could result in
3 far less substantial rate increases if spread out over a period of time. In my view, this is
4 both inappropriate and unfair. No ratepayer should be asked to shoulder such a
5 substantial rate increase *before* an asset has been acquired or constructed and no
6 ratepayer should be asked to shoulder the same when an alternative avenue, with rate
7 increases that would certainly be more modest, is potentially available. I am even more
8 troubled when I consider such a request considering the demographics of the ratepayers
9 in Stockbridge. As I previously testified, the median age of Stockbridge residents is
10 substantially above the State median while the median income of those residents is
11 substantially below the State median. If no ratepayer should be asked to shoulder this
12 type of rate increase to fund investment by short-term cashflow, that is even more true of
13 these particular ratepayers who are less able to afford such an increase based on their age
14 and median income.

15 **Q. Do you have any additional concerns related to the Company's desire to**
16 **acquire and construct these assets through a rate increase?**

17 A. Yes. The Town asked, in Information Requests, for documentation related to prior
18 capital investments made by the Company in Stockbridge. The Company's responses
19 (STB-1-4 and STB-1-5), show that, as I previously testified, the Company relies on the
20 Town to perform maintenance and other work on infrastructure in Stockbridge. Further,

1 based on my review of the Company's submissions in this proceeding, it does not appear
2 that the Company has performed more than routine maintenance on its infrastructure over
3 the past 50 years. I would request that the Department scrutinize the filings carefully in
4 this regard. I do not think it is appropriate to request such a substantial short-term rate
5 increase, to generate cashflow to fund the acquisition and construction of assets, at all,
6 much less where the Company has not created or executed on any apparent plan to
7 evaluate, replace, or upgrade its assets in a more orderly fashion over a lengthier time
8 frame.

9 **Q. Do you have any additional comments related to the Company's desire to**
10 **acquire and construct these assets through a rate increase?**

11 A. I do. While I cannot represent to know the Company's motivations for this
12 request, I can, based on my education and experience, point out its financial implications.
13 The requested rate increase will allow the Company to front-load the cost of its
14 investments, with that infrastructure only being acquired and constructed in the future.
15 Doing so means that, once the acquisition and construction is complete and the Company
16 has its assets, it will generate large, positive cashflows in the years after, based on the
17 requested rate increase. That in turn will increase the Company's valuation. Thus, the net
18 effect of the Company's preferred approach is likely designed not to ensure timely
19 investment paid for over the life of investment (debt) or to minimize the cost to
20 ratepayers of said investment (grants) but, rather, it to maximize the Company's
21 valuation.

1 For a sense of water company valuations, one can visit this link:

2

3 <https://www.equidam.com/ebitda-multiples-trbc-industries/>. The site's content indicates a
4 multiplier on earnings of 12.93 for this industry. A private water company that shows a
5 \$200,000 profit can justify a value of around \$2.5 million. Increase those profits up to
6 \$800,000, through a rate increase, and one quadruples the profit-based valuation to
7 around \$10 million.

8 **Q. Do you have any additional comments related to the Company's desire to**
9 **acquire and construct these assets through a rate increase and the timing of this**
10 **request?**

11 A. Timing, here, is important. The Company is requesting a rate increase before
12 acquiring or constructing the assets and based on certain other investments that it seeks to
13 make. I think it inappropriate for the company to ask for rate increases based on future
14 investments before the fact. Rather, if an investment is necessary, the Company can fund
15 it through debt or otherwise and then seek a rate increase. And this is true not just for
16 capital assets. For example, just delaying the hiring of the additional workers that the
17 Company seeks would add approximately \$250,000 to the company's bottom line profit.
18 With the Equidam multiplier, this would increase valuation by over \$3 million. Thus,
19 allowing a rate increase before this happens only incentivizes the Company to delay

1 actually doing so. And this is just one of many places where operating costs could be
2 squeezed to drive up net income.

3 **Q. I would like to turn you now to a different topic: Stockbridge's maintenance**
4 **of infrastructure within its municipal boundaries. Are you familiar with this topic?**

5 A. Yes. I am familiar with this topic as a Selectmen and, in connection with this
6 testimony, I consulted with the Town's Water Superintendent and Fire Chief.

7 **Q. Do you believe that the Town's ongoing maintenance of that infrastructure**
8 **should affect its request for a rate increase?**

9 A. Yes, I do.

10 **Q. Would you please explain why.**

11 A. Stockbridge's 1958 contract with Housatonic Water Works requires the Town to
12 maintain the infrastructure within its borders. This has in fact occurred, as I previously
13 testified, and based upon the Company's responses to Stockbridge's Information
14 Requests. To my knowledge, this is not true for the other two towns served by the
15 Company.

16 According to my consultation with the Town's Water Superintendent,
17 Stockbridge has done so at least five times in the past 20 years, at significant cost to the
18 Town. Furthermore, according to my consultation with the Town's Fire Chief, the Fire
19 Department has little confidence in the functionality and water pressure for the hydrants.

1 In fact, he is not comfortable testing them, let alone using them in the case of a structure
2 fire.

3 This is relevant to me for at least two reasons. First, as I previously testified, the
4 Company should not get a rate increase before making needed and necessary investment.
5 Rather, the onus should be on the Company to make that investment – necessary for its
6 ratepayers – and then, once having done so, seek a rate increase to fund that investment
7 through the most appropriate and equitable manner, such as supporting long-term debt
8 financing (supported by any available grant funds). Doing otherwise is inappropriate and
9 unfair to ratepayers who already support, through the Town tax levy, maintenance and
10 repair to infrastructure for a subpar service. The Town requests that any final order of the
11 Department that allows a rate increase in any amount, should require basic fire
12 suppression functionality in our hydrants.

13 Second, rate increases for Stockbridge ratepayers should reflect this reality. In
14 other words, Stockbridge ratepayers should be paying a lesser rate than ratepayers in
15 other communities if, in those other communities, the Company is responsible for
16 maintenance and repairs that in Stockbridge it is not. The Department should only
17 approve, as to Stockbridge, a rate that reflects a rate for supplying water to the Town but
18 not for the maintenance of the infrastructure that the Town maintains.

19 **Q. I would like to turn you now, to one last topic. Are you familiar with the**
20 **Company's statements about delayed compensation with a liability of \$2 million?**

1 A. Yes.

2 **Q. Would you care to comment on the same?**

3 A. In its filings, I understand the Company claiming that its principals are owed \$2
4 million in delayed compensation. This troubles me. Business owners set their own
5 compensation and could have requested a rate increase in the past to justify compensation
6 in real time. They did not. Business owners build equity, both by investing in their
7 companies and in the intrinsic value of a well-run business that grows over time. At
8 minimum, I suggest that the Department would require the following before allowing a
9 rate that reflects such a claim:

- 10 • a copy of the deferred compensation plan that was executed prior to deferral;
- 11 • a copy of all state and federal tax returns that demonstrate this deferred
12 compensation was listed as a liability on the company's balance sheet for the
13 years in question;
- 14 • any other documentation required under state and federal law; and
- 15 • evidence that this accounting was done in accordance with Generally Accepted
16 Accounting Principles.

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

18 A. Yes.

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AFFIDAVIT OF PATRICK WHITE

Patrick White does hereby depose and say as follows:

I, Patrick White, on behalf of the Town of Stockbridge, certify that the testimony and exhibits which bear my name were prepared by me or under my supervision and are true and accurate to the best of my knowledge and belief.

Signed under the pains and penalties of perjury as of this 14th day of November, 2023.

Patrick White

Patrick White