

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

**COMMENTS OF THE TOWN OF STOCKBRIDGE  
CONCERNING PROPOSED SETTLEMENT**

The Town of Stockbridge, Massachusetts (Stockbridge), through its designated municipal official for intervention, Selectman Patrick White, respectfully submits these Comments, as an intervening party, in the above-captioned proceeding, in response to the proposed settlement (Settlement)<sup>1</sup> filed by the petitioner, Housatonic Water Works Company (Company), and the Office of the Attorney General (Attorney General). Stockbridge has significant reservations about the proposal that remain unresolved. The Town urges the Department to take the following comments into consideration in its review of the Settlement.

**PRELIMINARY STATEMENT**

The problem confronting the Department in this proceeding is not an easy one. The Housatonic Water Works Company (Company) is a small, privately held water company. It has a small customer base, problems with water quality, and management has for years— if not decades—delayed in its development of a capital plan to address needed

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<sup>1</sup> The term “Settlement” shall mean and include the Settlement Agreement and all related documents filed by the Company on April 26, 2024.

infrastructure to improve water quality and fix other issues. Thus, the Company comes to the Department essentially in crisis. The Massachusetts Department of Environmental Protection (MassDEP) and the Company have entered into a Consent Order Agreement mandating improvements to the Company's water quality, but the financial investment necessary to bring the Company's drinking water up to standards is substantial in comparison to the Company's own financial means. Furthermore, the historical and recent financials and specifically the expenses related to them have been challenged repeatedly, including by the Chair of the Great Barrington Select Board at the DPU hearing last October, which remain without full justification as part of the Settlement. And it is the Company's ratepayers who will foot the bill. One that will, even under this Settlement, see rates skyrocket by 65% over only a few years.

While the Settlement looks to start the Company in the proper direction, Stockbridge respectfully believes that more is needed to best serve the public interest. The Town appreciates and is thankful for the Attorney General's hard work in this case. Moreover, while these Comments are often blunt and straightforward, they are not intended to impugn the character or integrity of the Company, or its principals and employees, who are members of the same community and provide an important service to their customers. At bottom, blunt, and straightforward conversation is necessary for the benefit of the Company's customers. To give honest and straightforward voice to the plight in which those customers now find themselves: their drinking water is of inadequate quality and the proposed solution is a dramatic rate increase for customers who will feel the financial consequences of having to pay a drastically higher water bill.

## COMMENTS

### **I. The Company Has Delayed in Properly Planning Capital Investments.**

The root of the problem that now confronts the Department is one created by the Company. The Company has—for decades—engaged in no substantial capital investment plan to keep its infrastructure up to date. As a result, the Company’s original petition giving rise to this proceeding sought approval for a slew of capital investments, all to the tune of a 112% rate increase. These capital investments, however, were not unlooked for nor unforeseeable many years ago. In particular, water quality issues have long plagued the Company and the Company has known for years now that it has a manganese contamination problem.<sup>2</sup> Other facilities have been allowed to fall into disrepair without a replacement plan.<sup>3</sup> With all respect to the Company, a plan to address these issues should have been developed a long time ago, not now. Having done so would, at minimum, have better enabled the Company to spread out rate increases over a longer period, rather than the drastic increase originally proposed (112%) or the still substantial increase proposed by the Settlement (65%). It would also have allowed the company to make this investment at lower cost considering the significant construction inflation that has impacted capital improvement projects since 2020 and would have avoided subjecting its customers to the

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<sup>2</sup> See, e.g., Bellow, Heather, *Plot Twist? Manganese, not rust, may be causing Housatonic water woes*, Berkshire Eagle (Nov. 9, 2020) (attached as Exhibit A); Bellow, Heather, *DEP details litany of problems with Housatonic water system*, Berkshire Eagle (Nov. 23, 2020) (attached as Exhibit B).

<sup>3</sup> See, e.g., Bellow, Heather, *Housatonic Water Works warns customers about private lines made of galvanized iron*, Berkshire Eagle (Aug. 27, 2018) (attached as Exhibit C); Bellow, Heather, *Stingy hydrants said to pose fire safety risk in Housatonic*, Berkshire Eagle (Sep. 11, 2020) (attached as Exhibit D); Bellow, Heather, *Tide of ire rising over Housatonic water woes*, Berkshire Eagle (Oct. 17, 2018) (attached as Exhibit E).

health concerns we will discuss later in this document.

Notably, the Company's submissions provide no reasonable explanation for this situation. No explanation for the lack of any capital planning or investment over decades, to distribute the costs of maintaining and upgrading its system, and spreading out the rate increases necessary to do so. No explanation for how the Company has delivered a crisis to the Department's doorstep, the only solution for which is to increase the rates that it charges its customers just to get to the point of providing the service that the Company already should be providing.

Private water companies are regulated for a reason. Water is no ordinary good or service. It is a life essential. The provision of potable water is the first infrastructure project typically funded in developing nations. Yet, here, in Massachusetts, we face a water company whose water is so bad, Massachusetts Legislature earmarked \$300,000 to allow its Great Barrington customers purchase water or water filtration systems (while notably not providing any such benefit to the customers in West Stockbridge or Stockbridge). The Company's customers need the service the Company provides and have few if any alternatives to get that service elsewhere. When reviewing this proposed Settlement, and deciding the Company's and its ratepayers' futures, the Department must consider that the Company has allowed its financial situation to deteriorate to this point, while all the while providing a substandard service, without any earlier intervention or planning.

**II. The Company’s Customers Will be Hard Pressed to Pay the Rate Increases Proposed in the Settlement.**

Also important to the public interest is the economic situation of many if not most of the Company’s customers. Stockbridge previously provided data on this point in the Prefiled Testimony of Patrick White (STB-PW-1). At least for residents of Stockbridge, their median income is substantially below the State’s median income. Their median age is also older than the State median. They are not residents who can afford sudden, substantial increases in the cost of a service for which they have no choice but to pay. Sudden increases such as the one proposed in the Settlement will disrupt fixed-income budgets, strain those with already stretched resources, and put residents and families to immediate, hard choices.

And the sudden increases proposed in this Settlement will undoubtedly stress the Company’s ratepayers. The increases set forth below are significant.

<b>Housatonic Water Works Company</b>										SCHEDULE 2
<b>5/8" Metered Bill Comparison</b>										
Usage Monthly	Current Rates	SETTLEMENT BILL IMPACTS								
		Phase 1 Rates	Phase 2 Rates	Phase 1		Phase 2		Overall		
				\$ Increase	% Increase	\$ Increase	% Increase	\$ Increase	% Increase	
-	\$ 44.73	\$ 52.78	\$ 73.73	\$ 8.05	18.00%	\$ 20.95	39.69%	\$ 29.00	64.83%	
-	\$ 44.73	\$ 52.78	\$ 73.73	\$ 8.05	18.00%	\$ 20.95	39.69%	\$ 29.00	64.83%	
500	\$ 44.73	\$ 52.78	\$ 73.73	\$ 8.05	18.00%	\$ 20.95	39.69%	\$ 29.00	64.83%	
800	\$ 44.73	\$ 52.78	\$ 73.73	\$ 8.05	18.00%	\$ 20.95	39.69%	\$ 29.00	64.83%	
1,300	\$ 44.73	\$ 52.78	\$ 73.73	\$ 8.05	18.00%	\$ 20.95	39.69%	\$ 29.00	64.83%	
1,700	\$ 44.73	\$ 52.78	\$ 73.73	\$ 8.05	18.00%	\$ 20.95	39.69%	\$ 29.00	64.83%	
1,900	\$ 44.73	\$ 52.78	\$ 73.73	\$ 8.05	18.00%	\$ 20.95	39.69%	\$ 29.00	64.83%	
2,200	\$ 44.73	\$ 52.78	\$ 73.73	\$ 8.05	18.00%	\$ 20.95	39.69%	\$ 29.00	64.83%	
2,500	\$ 44.73	\$ 52.78	\$ 73.73	\$ 8.05	18.00%	\$ 20.95	39.69%	\$ 29.00	64.83%	
2,700	\$ 46.84	\$ 55.27	\$ 77.21	\$ 8.43	18.00%	\$ 21.94	39.69%	\$ 30.37	64.83%	
3,000	\$ 50.02	\$ 59.02	\$ 82.44	\$ 9.00	17.99%	\$ 23.43	39.69%	\$ 32.43	64.83%	
3,600	\$ 56.36	\$ 66.50	\$ 92.89	\$ 10.14	17.99%	\$ 26.40	39.69%	\$ 36.54	64.83%	
5,000	\$ 71.16	\$ 83.96	\$ 117.28	\$ 12.80	17.99%	\$ 33.33	39.69%	\$ 46.13	64.82%	
6,500	\$ 87.01	\$ 102.66	\$ 143.41	\$ 15.65	17.99%	\$ 40.75	39.69%	\$ 56.40	64.82%	
7,500	\$ 97.58	\$ 115.13	\$ 160.83	\$ 17.55	17.99%	\$ 45.70	39.69%	\$ 63.25	64.82%	
10,000	\$ 124.01	\$ 146.31	\$ 204.38	\$ 22.30	17.98%	\$ 58.08	39.69%	\$ 80.38	64.82%	
25,500	\$ 287.84	\$ 339.59	\$ 474.39	\$ 51.75	17.98%	\$ 134.80	39.69%	\$ 186.55	64.81%	
98,700	\$ 1,061.56	\$ 1,252.39	\$ 1,749.53	\$ 190.83	17.98%	\$ 497.14	39.70%	\$ 687.97	64.81%	

Those customers would meet an immediate hike of their rates by 18%, while seeing the full projected increase implemented over only the following two years after the first hike—potentially only 3 years in total. That is a sudden, impactful change that would pinch the wallet of even an economically advantaged consumer, let alone the typical customer of this Company. It also follows on rate increases in the not-so-distant past that did nothing to address the Company’s litany of ongoing problems.<sup>4</sup>

Those residents rely on the Department to regulate private water companies, such as this Company, to ensure that they provide an essential service in a way that is fair and in the public interest. The public interest must include long-term planning and, if rate increases are necessary, gradual increases that do not shock budgets and disrupt lives.

### **III. The Company Should Not Be Enriched for Problems of its Own Making.**

Stockbridge also urges the Department to scrutinize the rate of return granted to the Company in any resolution of this proceeding. The Settlement proposes a return on common equity of 9.50%. While such a return might be reasonable for a well-managed Company—as a just return for sound management and provision of services—that is not the case here.

The Department must issue a decision in this proceeding, by settlement or otherwise, that is in the public interest; one that results in a just and reasonable outcome.<sup>5</sup> Here, even the Settlement proposes a 65% overall rate increase to make up for years of

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<sup>4</sup> See, e.g., Higgins, Eoin, *Housatonic Water Works rates to jump 33.3 percent over two years*, *Berkshire Eagle* (Aug. 25, 2016) (attached as Exhibit F); D.P.U. No. 15-179-A.

<sup>5</sup> *Fall River Gas Company*, D.P.U. 96-60 (1996); *Essex County Gas Company*, D.P.U. 96-70 (1996); *Boston Edison Company*, D.P.U. 92-130-D, at 5 (1996); *Bay State Gas Company*, D.P.U. 95-104, at 14-15 (1995).

underinvestment in capital infrastructure, after years of delivering manganese tainted water to its ratepayers, along with other problems including being tainted by haloacetic acids (HAA5). In other words, delivering a product to its ratepayers that is tainted and unsafe, and, at minimum, not of acceptable quality. If there is any doubt on this point, the picture below—taken from an article in the Berkshire Eagle on July 10, 2021—shows the quality of water delivered to at least one customer:



Source: Bellow, Heather, *New report on Housatonic water recommends \$31 million in fixes*, Berkshire Eagle (July 10, 2021).

Rewarding the Company with a 9.50% rate of return is neither just nor reasonable. The Department should establish as its precedent that it will not tolerate nor reward these types of crises. Rather, the Department should send a strong signal to all private water companies that they are responsible for managing their affairs to reap the benefits of the rates of return that the Department has traditionally allowed as in the public's interest.

Put simply, difficult cases should not make bad policy. The touchstone for the Department's review is the "public interest." There can be no debate that the public has a strong interest in supplying clean water of proper quality to the Company's customers. But equally important is ensuring that the Company does so without overcharging those same customers, due to the Company's own failures and shortcomings. Significant capital investment is necessary for the Company to meet its obligations. But the Department must ensure that serving that interest does not result in the Company being unjustly enriched for the years of problematic management.

#### **IV. The Company's Capital Investment Must be Predicated on Securing the Best Funding Sources.**

In the Settlement Agreement, Paragraph 1.2.4, the Company commits to working "cooperatively" with the Towns "to investigate the availability of grants or alternative financing to support the capital projects. If commercially reasonable lower-cost financing or grants are obtained to support the projects, customers shall receive the benefit of the savings which shall be reflected in the Company's compliance filings." With all respect to the Company, it is its obligation to ensure that it finances its capital projects at the lowest



possible costs, not the Towns. While the Towns may be willing to help in this respect, in no situation should the Department countenance the Company looking to saddle ratepayers with the rates proposed in this Settlement, without a clear and definitive demonstration that it has secured the best possible financing.

At present, the Company's presentation on this point—in its Petition and in other materials filed in this proceeding—is inadequate. Programs already exist to finance these types of projects at low interest rates.<sup>6</sup> That includes projects to be implemented by private companies that are operating to provide public services. In Stockbridge's view, the Company should already have explored such financing, and it should have been a core part of any presentation for an increase in rates. To be sure, Stockbridge understands that the Company will have to petition the Department in the future to borrow funds in support of its capital projects if the Settlement is approved. But the Settlement itself should have a much stronger commitment to ensuring that proper financing is obtained for the proposed capital projects and an equally strong commitment that it is the Company's responsibility to do so.

Moreover, there is significant public benefit to having better financing proposed and lined up now, rather than later. Most notably, the Company is currently requesting a Phase I rate increase to “stabilize” the Company's finances and to support borrowing for capital projects in Phase II. But reducing the projected financing cost for Phase II could potentially reduce or eliminate the need for a Phase I increase. Some of the programs identified by Stockbridge above would provide financing at rates of 2% or less. Simply comparing that

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<sup>6</sup> By way of example, Stockbridge identifies two: the Commonwealth of Massachusetts' Clean Water Trust and the American Rescue Plan Act Funding – Water Infrastructure Grants.

lower rate of interest to the *Wall Street Journal's* prime rate of interest (8.5%) shows the difference between such programs and privately financed capital investment:

- Borrowing \$100,000 for 25 years at 2% would yield a repayment of \$127,156.69 over the loan period.
- Borrowing \$100,000 for 25 years at 8.5% would yield a repayment of \$241,565.99 over the loan period.

Therefore, the cost of the loan, including principal payments, is roughly double at the proposed rate than at the subsidized rate. When you add in the return on common equity of the loan's annual carrying costs, the savings are even more significant. The rate at which the Company borrows matters significantly, and that potentially includes the Company's need to borrow at all to "stabilize" its finances in Phase I to support borrowing in Phase II.

And this is to say nothing of grants that may be available for these kinds of projects. It is concerning that the Company did not research, find, or apply for any grant programs prior to filing its petition. Had the Company done so, the Department would now be able to consider a list of possibilities or, potentially, a grant that has already been awarded. But the Company did not do so. Accordingly, even the Settlement leaves many open questions about how to best finance the needed capital improvements for this Company.

#### **V. The Town Reiterates Prior Points Made in Testimony.**

Stockbridge previously offered the testimony of Selectman Patrick White in this proceeding. That testimony is reiterated as part of these comments.<sup>7</sup>

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<sup>7</sup> For convenience, that testimony, STB-PW-1, is attached as Exhibit G.

## **VI. Observations About a Potential Resolution That May Better Reflect the Public Interest.**

The Settlement is a step in the proper direction. But it is not enough to best serve the public interest and the Company's customers who have suffered substandard water quality for many years. Below are suggestions for a resolution to this proceeding that would better reflect the public interest and better serve the Company's customers.

First, and consistent with prior discussion, the Department should be far more stringent about the Company's exploration of the financing available for capital improvements before approving the Settlement or otherwise deciding this proceeding. There are available financing sources for these exact types of projects at low interest rates. The Company should have more thoroughly explored those possibilities before submitting its petition. Both low interest rate financing and grants have the potential to substantially reduce the cost of the capital projects needed to improve water quality and, in turn, the impact on the rates the Company's customers must pay. More thorough exploration of those possibilities now, before locking in a rise in rates for those customers, is essential to best serving the public interest.

Second, there should be a more stringent review of the Company's planned deployment of technology to improve water quality, including an independent, third-party review of the same. Manganese in water is no small concern. The science behind elevated levels of manganese is alarming, as is its potential impact on children. For example:

- Toxicological Profile of Manganese: <https://www.ncbi.nlm.nih.gov/books/NBK158872/pdf/BookshelfNBK158872.pdf>;
- Manganese in residential drinking water from a community-initiated case study in Massachusetts - Journal of Exposure Science & Environmental Epidemiology <https://www.nature.com/articles/s41370-023-00563-9>;

- Exposure to Manganese in Drinking Water during Childhood and Association with Attention-Deficit Hyperactivity Disorder: A Nationwide Cohort Study <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7505135/pdf/ehp6391.pdf>.

There are basic questions that should be thoroughly answered about the technology proposed to address manganese contamination before authorizing rates to support investment in capital infrastructure using that technology. Those questions include whether the technology proposed: (1) is current best practices; (2) will effectively address the contamination; and (3) is the least cost-prohibitive option that will be effective. Put simply, treating the manganese in the Company's water is essential to the public interest in providing healthy drinking water to over 800 ratepayers. It is essential that the Department ensure that the correct technology is deployed.

Third, and consistent with the foregoing discussion about the rate of return, the Department should consider reducing the Company's immediate rate of return until such time as its problems are adequately addressed. For example, reducing the Company's rate of return (for example, to 4%) until such a time as its capital investments are deployed and the Company's water is being effectively treated for manganese would better serve the public interest. It would also better reflect the Company's historical inaction as to capital planning. Only once those capital investments have been fully deployed, are verified to be working effectively, and the Company's customers receive appropriate-quality drinking water, would it be in the public interest for the Company to be rewarded with a more traditional rate of return.

Following such an approach would also build in a powerful economic incentive for the Company to get things right. To be sure, the current proposed Settlement requires verification of the effectiveness of capital investment. But that is only after a Phase I rate

increase and, even then, would still see the Company's owners realize a 9.5% rate of return through those Phase I increases, whether the capital investments succeed. Reducing the rate of return in the short term will provide an added economic incentive for the Company to get it right.

Fourth, and as this proceeding has shown, the Company's rate base is small, making it increasingly difficult for it to provide appropriate service levels without rates that continue to rise. While the Settlement lays out a path for certain capital improvements for the Company going forward, with corresponding opportunities for the Towns to approve or disapprove of certain capital investment, it still does not solve for the underlying issue: the cost of water for many of the Company's customers is increasingly reaching a point of unaffordability. A longer-term vision of the Company's operations and how it can viably supply appropriate quality water to its customers in the future, at rates that are reasonable and comparable to other consumers in the Commonwealth, is a necessary discussion that has not begun.

## CONCLUSION

Once again, this is a hard case. There can be no reasonable debate that the Company's customers are entitled to drinking water of acceptable quality. There can also be no reasonable debate that the path to providing that service requires capital investment. But Stockbridge believes that it also is not debatable that the Company is responsible for the current, dire situation. One that the Company should have planned for long ago but did not. It is imperative that, in reviewing the Settlement and deciding the public interest in this proceeding, that the Department scrutinize how this situation has arisen and the impacts that allowing this crisis to occur will now have on the Company's customers. Finding a path forward that properly protects the public interest requires more than the terms of this proposed Settlement. Alternatively, if the Department chooses to approve the Settlement, it should continue to scrutinize the Company's operations and continue to consider these comments in future petitions, compliance filings, and other matters concerning the Company.

Respectfully submitted,

The Town of Stockbridge, by its  
Designated Municipal Representative:

PATRICK WHITE, SELECTMAN

By and through counsel,

*/s/ Bryan Bertram*

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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

**CERTIFICATE OF SERVICE**

I certify that, on May 30, 2024, I served a copy of the foregoing Comments on all parties in these proceedings in compliance with the requirements set forth in 980 Code Mass. Regs. § 1.03.

*/s/ Bryan Bertram*

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Bryan Bertram

## **Exhibit A**



[https://www.berkshireeagle.com/news/local/plot-twist-manganese-not-rust-may-be-causing-housatonic-water-woes/article\\_8d9a2ce2-22b9-11eb-b913-a79bc9bd4246.html](https://www.berkshireeagle.com/news/local/plot-twist-manganese-not-rust-may-be-causing-housatonic-water-woes/article_8d9a2ce2-22b9-11eb-b913-a79bc9bd4246.html)

FEATURED

## Plot twist? Manganese, not rust, may be causing Housatonic water woes

By Heather Bellow, The Berkshire Eagle  
Nov 9, 2020



A Housatonic resident's tap water ranges from shades of light to dark yellow. Water quality issues in the Housatonic Water Works system have been a concern for years. The town is reviewing do next.

EAGLE FILE PHOTO

The Housatonic Water Works Co. will hold a public information meeting at 6 p.m. Thursday, via Zoom, with an engineer from Cornwell to answer questions and discuss the report and possible solutions, according to a letter sent to the company's customers and posted to its website.

GREAT BARRINGTON — The cause of discolored tap water that long has plagued Housatonic is manganese that enters at the water source, not iron from old mains.

And levels of the naturally occurring mineral are far below those that can cause health issues, according to a [new study](#) commissioned by the Housatonic Water Works Co.

Cornwell Engineering Group, a Virginia-based consultant, also said in its Oct. 29 report that it recommends more investigation and monitoring of household plumbing that can leach iron. Copper levels apparently were high in samples taken from some homes.

The waterworks will hold a [public information meeting](#) at 6 p.m. Thursday, via Zoom, with an engineer from Cornwell to answer questions and discuss the report and possible solutions, and a letter sent to the company's customers and posted to its website.

The findings are a new twist in an [ongoing crisis](#) for the waterworks and its customers. The discoloration of water ranging from yellow to the color of dark tea. The discoloration happens during flushing, and amid warm summer temperatures. While not considered a health risk.

The problem stretches back several decades, according to some water customers, but has worsened in the past few years. The company maintains just under 850 household connections.

The discoloration was thought to stem from rust sediment churned up from old cast iron pipes.

While solutions still are unclear, solving the iron problem ultimately would involve replacing the system's 17 miles of pipes.

It would take many years and \$22 million, according to another consultant hired to investigate the problem after several years of tempestuous public meetings in which customers [demanded](#) action.

This led the Select Board to consider a town takeover of the water company.

Solutions might look different now. Cornwell found that manganese concentration per liter at the point of entry. The federal Environmental Protection Agency's limit is 0.3 milligrams per liter, staining of laundry and other fixtures happens.

It takes 10 times that limit to be considered a health risk, according to the EPA. Excess manganese can target the nervous system; and most exposure is through food, according to [a 2007 study](#). Any problems apparently related to industrial jobs.

"Many of the reports of adverse effects from manganese exposures in humans are from occupational settings," the report says.

James Mercer, treasurer and part owner of the waterworks, said that the new data from testing and analysis since early July, and that more is needed. The company hasn't shared the data with the state Department of Environmental Protection.

He said that while the new results are “surprising,” the problem is “primarily cosmetic” and was linked to cast-iron pipes.

“It’s just like iron; it’s not a health hazard,” he said.

Cornwell recommends that the mineral be removed from water at the treatment plant source. The consultant also says that polyphosphates can be added to the water to separate the manganese from the water because they can corrode lead and copper in household systems.

Mercer said it’s too early to know the scope or cost of such a removal project.

Other recommendations from Cornwell include more sampling of water at the source during discoloration periods, to rule out other causes.

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**Heather Bellow**

Reporter

## **Exhibit B**

[https://www.berkshireeagle.com/news/local/dep-details-litany-of-problems-with-housatonic-water-system/article\\_79a9a492-2dbd-11eb-9c03-1749e79764b8.html](https://www.berkshireeagle.com/news/local/dep-details-litany-of-problems-with-housatonic-water-system/article_79a9a492-2dbd-11eb-9c03-1749e79764b8.html)

FEATURED

## DEP details litany of problems with Housatonic water system

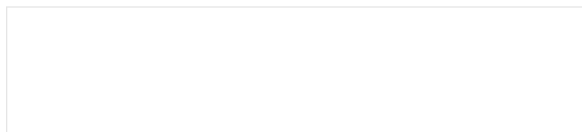
By Heather Bellow, The Berkshire Eagle  
Nov 23, 2020



Long Pond is the source of Housatonic's water. The Massachusetts Department of Environmental Protection this month ordered the Housatonic Water Works Co. to fix a slew of problems and company has been under fire for discolored water and other quality problems.

EAGLE FILE PHOTO

MORE INFORMATION



GREAT BARRINGTON — While a consultant says removing manganese from drinkin discoloration and sediment plaguing Housatonic tap water, state officials say more factors also might be contributing to the problem.



Saying people are 'overreacting,' Housatonic water company owner says study could lead to cheaper fix

They also say that excessive leaks in the system are costing the Housatonic Water customers.

In a [Nov. 6 notice](#) to treasurer and co-owner James Mercer, a representative of the Environmental Protection detailed a slew of issues that the company must correct health.

Residents have been complaining for years about [ongoing problems](#) with discoloration initially thought to be caused by rust sediment in old cast-iron mains. But, this month identified naturally occurring manganese as the likely culprit of tap water that ran brown, mostly in the warm months, and during and after hydrant flushing.

While the DEP says the discoloration doesn't present a health risk, residents are worried though the problem mostly has subsided with the onset of cooler temperatures.

The agency will continue to rate the company's capacity status as "conditional" and inadequate, conditional and inadequate, according to the notice from Deirdre Doherty, the agency's Drinking Water Program.

During a Sept. 16 on-site "sanitary survey," the DEP found that the company has no storage tank since it replaced some old pipes after 2017, and those changes might allow sediment to accumulate there and flow into tap water, Doherty wrote.

The list of actions includes buying new monitoring equipment, doing more sampling at hydrants according to water flow, given concerns by local fire officials that Housatonic

The agency also has ordered the company to submit a pipe-replacement plan by December. Pipes were installed in the 1800s.

Doherty wrote that "the age and operation of its water filtration plant" also could be a quality problem. She noted the plant dates to 1939, and does not meet current standards.

And in what appears to be a sign that Great Barrington or its water district might be part of Housatonic's system, one state lawmaker said there is money in an economic development study that would evaluate the entire waterworks.

A 2018 report pegged the cost of upgrading the system at \$22 million.

While some mains have been replaced since 2017, about 80 percent of the system c

And while the manganese study was a surprise, and the DEP is reviewing it, the age requires, for instance, the installation of new equipment to ensure safe chemical le and log-keeping.

It also says that “unaccounted” water from leaks is high, most recently at 35.4 perc Management Act’s goal is 10 percent.

This “indicates inadequate maintenance distribution system and service connectio revenues that would be used to make needed system repairs.”

Other corrections include work to filters; more evaluations by the company’s consi raw water samples to test for algae by Dec. 31; installation of a portable generator t completed; maps of all mains the company says are owned by customers; and a co Mercer says requires that customers maintain them.

Mercer did not return calls seeking comment. He previously has said the private cc access to state grants that could solve these problems.

Town officials have written Gov. Charlie Baker and Lt. Gov. Karyn Polito about the say that \$50,000 from the bond bill is available to study the system, according to st “Smitty” Pignatelli D-Lenox.

This would be a road map for the town or its water district, and would help put a p takeover.

“Without the inventory, it’s all speculation,” Pignatelli said, adding that the DEP wa town.

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Heather Bellow can be reached at hbellow@berkshireeagle.com or 413-329-6871. On Twitter

@BE\_hbellow.

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Heather Bellow

Reporter

## **Exhibit C**



[https://www.berkshireeagle.com/archives/housatonic-water-works-warns-customers-about-private-lines-made-of-galvanized-iron/article\\_bf48a7cc-a578-5241-8e28-4d0aac52f03f](https://www.berkshireeagle.com/archives/housatonic-water-works-warns-customers-about-private-lines-made-of-galvanized-iron/article_bf48a7cc-a578-5241-8e28-4d0aac52f03f)

## Housatonic Water Works warns customers about private lines made of galvanized iron

By Heather Bellow, The Berkshire Eagle  
Aug 27, 2018

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GREAT BARRINGTON — A recent spell of discolored drinking water in Housatonic may have resulted, in part, from around 12 miles of cheap galvanized pipes that are now well-beyond their useful life span.

In a letter to homeowners issued Monday, a Housatonic Water Works Co. official said the private water mains were installed 50 to 60 years ago by developers looking to cut costs.

"Galvanized iron rusts from the inside out," said James Mercer, treasurer of the water works, in a phone interview with The Eagle. "The water corrodes it. It's more prone to failure because its useful life is about 20 years."

Mercer sent a notice to the company's 850 customers, listing nine streets that are served by private lines that are "now the responsibility of homeowners," and suggested they buy insurance for their water and sewer lines, because "often they are expensive to replace."

Housatonic recently had a spell of discolored water that, while not deemed a health risk, had residents buying bottled water and fuming to the company.

Most of the company's cast-iron mains were installed in the 1880s, and disruptions to water flow from hydrant flushes, for example, roils the water and pulls rust flakes into it. A state mandated increase in chlorine levels contributed to corrosion, and a warm Long Pond Reservoir made the situation worse.

In 2017, the water works replaced mains on Wyantenuck Street, North Street and Route 183. Mercer said an important future overhaul is to replace the cast-iron line, installed in 1884, with ductile iron, which is considered the modern high standard since it is more forgiving than cast iron.

A systemwide flush earlier this month helped clear the water for many customers. Meanwhile, the company is on schedule, Mercer said, as it makes mandated changes to its system to reduce spikes in chlorine, which the state Department of Environmental Protection said in a recent notice might be partly responsible for the color issue and an occasional heavy chlorine smell.

But in the letter, Mercer said the galvanized lines also leach rust into the water when they deteriorate, and that there is also a pressure problem when water flows from wider mains into these narrower galvanized lines.

"The circumference of the flow decreases," he said. "It's [like] a hardening of the arteries."

With that, he said, is increased risk of leaks.

Because of all this, Mercer advised homeowners who live on certain streets to get insurance for sewer and water line replacement, and said affordable coverage is available. He said he was able to insure his own lines for about \$100 per year.

Heather Barbieri cringes when told about how galvanized pipes are good for about 20 years, and about Mercer's letter, which she said she hadn't received yet.

Barbieri lives on the corner of North Plain Road and Wright Lane, one of the streets on Mercer's list. She said she recalled that on neighboring Grant Lane, residents, when told by the water company that they were responsible for their own service lines, decided to build wells instead.

"Holy crow we were hoping that wouldn't be the case [here]," she said. "We haven't asked [yet] because I'm afraid of the answer."

Barbieri said while her water has been discolored, it's nothing compared to that of other residents, including her neighbor, 20 feet away. "I don't feel like I can complain," she said.

But what puzzles her is that she and her neighbors on this street might own water pipes without knowing it. She said she had checked the deeds on the house, and it doesn't appear to indicate that.

"I would have thought someone would have told me, 'You own your own water pipe,' " she said.

On a street around the corner, residents, dealing with continual leaks from galvanized pipe deterioration, were told at some point in the last 10 years by the water works that they indeed owned the main, said Grant Lane resident Dave Pegorari.

"They told us it was a private way," he said, noting it was less expensive to dig wells than pay for the water works to put a new line in. "We couldn't afford it."

He said he couldn't remember exactly, but said the cost of his own well was at least \$2,000.

*Heather Bellow can be reached at [hbellow@berkshireeagle.com](mailto:hbellow@berkshireeagle.com) or on Twitter @BE\_hbellow and 413-329-6871.*

## **Exhibit D**

[https://www.berkshireeagle.com/archives/stingy-hydrants-said-to-pose-fire-safety-risk-in-housatonic/article\\_611341dd-2537-5f45-bc06-8ba4fc20e1a0.html](https://www.berkshireeagle.com/archives/stingy-hydrants-said-to-pose-fire-safety-risk-in-housatonic/article_611341dd-2537-5f45-bc06-8ba4fc20e1a0.html)

## Stingy hydrants said to pose fire safety risk in Housatonic

By Heather Bellow, The Berkshire Eagle  
Sep 11, 2020

### MORE INFORMATION



Firefighters save a Great Barrington home from a raging garage fire despite a bad hydrant

GREAT BARRINGTON — While rusty water continues to plague Housatonic Water Works Co. customers, fire crews cite another problem: fire hydrants that produce too little water, putting people and structures at risk.

The two problems have the same source: old and narrow cast-iron pipes, most of which have not been replaced by the private company that has owned the system since 1983.

A 2018 study pegged the cost of new mains at \$22 million. Most date to the late 1800s.



A hydrant on the Housatonic water system didn't work for firefighters last month. Now Great Barrington is investigating

Housatonic's fire hydrants are an old concern that resurfaced with an outcry from residents this summer, upon the return of rusty water.

Despite drawing water from the river, an entire village block that sits across from the fire station was, in 1960, decimated for the second time by a blaze, according to Bernard Drew's "Great Barrington: Great Town, Great History."

The problem of reduced "fire flow" — water volume — was noted in a 2018 study of Great Barrington's Fire Department. The company had replaced some mains in 2016, but an overhaul lay out of reach. It now is being studied by town officials who are considering taking over the water company, which serves 840 residents, and merging it with Great Barrington's.

Because the company is private, it does not have access to government grants, relying solely on customers.

James Mercer, co-owner and treasurer of the waterworks, has said a full replacement might drive up rates to a level that state utility regulators would not allow.



Housatonic hydrant that failed during a fire wasn't a real hydrant. Great Barrington officials and residents still want answers

### Bottlenecks

When firefighters are called to Housatonic, they can't be sure they will get a strong-enough flow from most hydrants. They have to consider drafting water from the river, says Great Barrington Fire Chief Charles Burger. That slows the response, particularly during a big fire, when every second counts.

The flow problem arises after water travels from Long Pond. A 10-inch main

shrinks to 8 inches, which is too small to achieve modern firefighting flow standards. It also is reduced when pipes on Route 41 branch out to feed the village.

"That's going to create a bottleneck," Burger said.

Firefighters don't know how much water volume they will have until they hook in the hose, Burger said.

Part of the problem is a lack of data.

Seven Housatonic hydrants for which data is available show flows of 500 gallons per minute or less, with one hydrant producing 675. One, at North Plain Road, is at 1,030 GPM, considered a healthy flow.

Some flows need to be higher. At Front and Depot streets in the village, a hydrant has 500 GPM, when what is needed is 4,500 GPM for a worst-case scenario, Burger said. He also said some hydrants in the village "are fine."

By comparison, hydrants in Great Barrington have higher flows, with the lows at 960 GPM and highs of 3,280 GPM.

#### **Other factors**

Flow also depends on the elevation of the hydrant, the size of the main and whether the mains are being worked on, according to Cynthia Ullrich, clerk and treasurer of the Great Barrington Fire District Water Department. The quasi-municipal company runs the town's water system.

Flows are checked each spring, during hydrant flushing, Ullrich said.

The 2018 Fire Department study found "substandard upkeep" of Housatonic's hydrants. Mercer said they are "exercised" and their seals checked every year.

Marc Palumbo, a former town firefighter, has been vocal about the danger of insufficient flow, during meetings held by Mercer to discuss the rusty water problem.

Palumbo says he doesn't want to frighten people in Housatonic but wants to raise awareness about the dangers posed by a deteriorating water system. Residents in Great Barrington don't face that same threat.

"When you have a fire in Great Barrington, you know you're going to have good water, you know you'll have more water than you'll ever need," he said.

He said that with departments struggling to enlist volunteers, anything that slows firefighting increases risk.

Mercer and Burger say one solution would be a water tower in the center of the village. If one were to be built, water would not have to travel as far from its Long Pond source.

Upgrading the main distribution lines with 12-inch-wide mains would "dramatically increase flow," Burger said. It all comes down to money and time.

"That is another large undertaking," he said.

*Heather Bellow can be reached at [hbellow@berkshireeagle.com](mailto:hbellow@berkshireeagle.com) or on Twitter @BE\_hbellow and 413-329-6871.*

## **Exhibit E**

[https://www.berkshireeagle.com/archives/tide-of-ire-rising-over-housatonic-water-woes/article\\_87a8c0f3-710d-53cb-a40f-a707226f5e44.html](https://www.berkshireeagle.com/archives/tide-of-ire-rising-over-housatonic-water-woes/article_87a8c0f3-710d-53cb-a40f-a707226f5e44.html)

## Tide of ire rising over Housatonic water woes

By Heather Bellow, The Berkshire Eagle  
Oct 17, 2018

1 of 2



Nathan Turner shows the Great Barrington Select Board the water from his home faucet Monday. Customers of Housatonic Water Works say the water is increasingly discolored with rust from the company's old cast-iron pipes, which leaches into water when the company flushes the system.

HEATHER BELLOW - THE BERKSHIRE EAGLE

GREAT BARRINGTON — Nathan Turner hoisted up a big jug of tea-colored water that had flowed from his faucet.

"This is literally a gallon of water I paid for," the Housatonic resident told the town Select Board on Monday.

For other customers of Housatonic Water Works, the water is the color of coffee, or varying shades on the yellow to brown spectrum. And sometimes, they say, they're never sure when these spells will happen.

The board heard complaints at the town Senior Center from some of the water works' 840 customers about what they say are increasingly unpredictable bouts of water colored by rust sediment from the old cast-iron pipes. The rust gets stirred up during turbulence caused by flushing pipes, already further corroding because of an increase in chlorine levels meant to kill bacteria.

Angry water customers have grown increasingly vocal, and town and state officials have realized that the situation can't go on.

Town Manager Jennifer Tabakin said the state Department of Environmental Protection, which closely monitors the water, is now going to help the town figure out how to make a long-range plan to solve what is really a money problem. Water works co-owner James Mercer has said that the company can't afford to replace 17 miles of mains, 80 percent of which



were installed in the 1860s.

The town has also hired an engineering consultant who said that it would be "relatively straightforward" to merge the Housatonic system, which serves Housatonic village and outskirts, with that of the Great Barrington Fire District Water Department, and that this might make the situation more economical for both.

### **Safe but brown**

Ingesting rust is not a health risk, according to the federal Environmental Protection Agency and the DEP. The DEP has mandated a two-week testing schedule to make sure contaminant levels are within safe parameters.

But people simply don't want to drink, cook with or bathe in dark water, which is usually caused by the flushing of water mains.

The company's routine flushes, or flushes meant to scour the rust off the inside of the pipes, roils the water and produces something from the kitchen faucet that is far from appetizing. And they say sometimes there are unpleasant surprises — they aren't sure when water will flow like coffee, destroying laundry or forcing customers to buy bottled water.

"There have been several times when we returned from a hike and we are thirsty, and we go to our faucet and we can't drink the water," said Park Street resident Reed Anderson, adding that he has two young children. "I would ask you to consider what side of this you are standing on when this becomes a more serious issue."

Anderson further said that in the past year, his water has been brown at least 10 times.

Anderson and others complained about the expense of having to buy water, and pay for water that used in flushes.

"We pay a rate regardless of the amount of water that we use," Maria Spratt said. "So it runs and runs and runs, and we pay more and more and more. Maybe we should be reimbursed."

The water works does notify customers of the flushes through the mail, its website and on Facebook, but it is typically a three-week window. But now the DEP says the company must use the town's Code RED alert system.

"I understand the frustration," said Select Board Chairman Stephen Bannon, adding throughout the meeting that the board is taking the situation seriously. "Nothing's off the table. I don't think anyone should have to live with brown water."

### **Merger appears likely**

The consultant from DPC Engineering has begun laying out the situation, and says a merger between the Great Barrington and Housatonic systems might be the way to go.

In a Monday report, Dave Prickett said that Great Barrington's water supply is not as copious as that of Housatonic Water Works. Prickett also said that while Housatonic customers use less water than Great Barrington's customers, their costs per household are higher. And he said a merger wouldn't be too complicated, either.

"An interconnection between the two water utilities is relatively straightforward, including pressure regulating features to control the two different pressure zones," Prickett said in the report.

He also said a merger might help both town and village by making a larger single customer base that might bring about economies for both operations and capital improvements.

Prickett said such plans can often take "several years" from concept to implementation.

It might take time, he said, but without this step it could take a lot longer.

"It's taken the company 50 years to improve 20 percent of the system," said Park Street resident Jane Wright. "I don't want it to take 200 years for them to fix the rest of it."

*Heather Bellow can be reached at [hbellow@berkshireeagle.com](mailto:hbellow@berkshireeagle.com) or on Twitter @BE\_hbellow and 413-329-6871.*

## **Exhibit F**

[https://www.berkshireeagle.com/archives/housatonic-water-works-rates-to-jump-33-3-percent-over-two-years/article\\_ff4fc899-c2e7-5757-9cb8-8565bff9ebea.html](https://www.berkshireeagle.com/archives/housatonic-water-works-rates-to-jump-33-3-percent-over-two-years/article_ff4fc899-c2e7-5757-9cb8-8565bff9ebea.html)

## Housatonic Water Works rates to jump 33.3 percent over two years

By Eoin Higgins

Aug 25, 2016

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*This story has been modified to correct the amount of the total rate increase and add the size of the rate increase initially sought by the utility.*

**GREAT BARRINGTON** — Customers in the Housatonic Water Works should see a hefty jump in their water rates — but not as high as the utility may have wanted.

The Select Board and utility agreed to the new rate structure on Monday night as a compromise.

"We were looking for a happy medium between the needs of the water works and the people in the service," said Selectman Ed Abrahams.

The compromise calls for a phased-in rate increase. On Nov. 1, rates will jump 19.3 percent, or an average of \$6.93 per average household use. A year later, the rates will increase by additional 9.3 percent. This will bring the rates up by a total of 30.3 percent from current rates.

The utility had initially asked for a total increase of 33.3 percent.

The increase is still subject to approval from the Massachusetts Department of Public Utilities, which has the final say on the matter. Select Board Chairman Sean Stanton said the department will have a public comment period in which the public can have their voices heard.

The Select Board met in executive session to discuss the increase.

Town Counsel Lauren Goldberg said because the rate session involved a matter that would eventually go before the state's Department of Public Utilities, the negotiations fell under "litigation."

The board seemed pleased with the compromise reached with the water works. Selectman Steve Bannon said the rate increase would be directly tied to capital improvements that will improve water quality for customers.

"There was a last-hour copper and lead problem that raised the capital improvement need," Bannon said. He said in order to ensure less corrosion in residential pipes, the company will add chlorination to the water and reduce the size of the water tanks.

## **Exhibit G**

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).<sup>1</sup> 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.<sup>2</sup> As the Company

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<sup>1</sup> Responses to STB-1-2 and STB-1-3.

<sup>2</sup> 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.<sup>3</sup>

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.<sup>4</sup> 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.<sup>5</sup> Stockbridge is the only town in Massachusetts, west of  
17 Holyoke, so designated. Stockbridge’s median age is 61 years old.<sup>6</sup> The Town is  
18 therefore, on median, far older than the rest of the State, which has an overall medial age

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<sup>3</sup> Response to STB-1-8.

<sup>4</sup> [https://data.census.gov/profile/Stockbridge\\_town,\\_Berkshire\\_County,\\_Massachusetts?g=060XX00US2500367595](https://data.census.gov/profile/Stockbridge_town,_Berkshire_County,_Massachusetts?g=060XX00US2500367595)

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

<sup>6</sup> [https://data.census.gov/profile/Stockbridge\\_town,\\_Berkshire\\_County,\\_Massachusetts?g=060XX00US2500367595](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.”<sup>7</sup>

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?**

---

<sup>7</sup> 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.

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

**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 14<sup>th</sup> day of November, 2023.

*Patrick White*

Patrick White