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Thursday, November 27, 2014

Honorable Audrey Zibelman, Chair
Honorable Patricia L. Acampora, Commissioner
Honorable Garry A. Brown, Commissioner
Honorable Gregg C. Sayre, Commissioner
Honorable Diane X. Burman, Commissioner
Kimberly A. Harriman, Esq., General Counsel
Kathleen H. Burgess, Secretary
Mr. Joseph (Joe) Lochner - Chief, Office Of Accounting, Audit And Finance

State Of New York Department of Public Service/New York State Public Service Commission
3 Empire State Plaza (Agency Building 3)
Albany, New York 12223-1350 USA

Re:
<http://www.nbcnewyork.com/news/local/I-Team-United-Water-New-York-Perk-Purchase-Rate-Increase-Regulator-Probe-Financial-Statement-283865611.html>

**National Broadcasting Company (NBC) "I-Team" Televised Investigative Report
Telecast Of Tuesday, November 25, 2014, circa 5:30 PM
Matter Master: 14-02068/Matter Number: 14-02068
Case 13-W-0246 (Matter #13-01259)
Case 13-W-0295 (Matter #13-01437)
Case 13-W-0303 (Matter #13-01489)**

Dear Honorable Madame Chair Zibelman, and Colleagues:

As you are likely already aware, on Tuesday a major New York City network newscast ("Newscast") of the National Broadcasting Company (NBC) further exposed United Water's so-called "accounting irregularities" for public view throughout the tri-state New York/New Jersey/Connecticut viewing area and beyond. A link to NBC's subsequent video-post of its Newscast, is here:

<http://www.nbcnewyork.com/news/local/I-Team-United-Water-New-York-Perk-Purchase-Rate-Increase-Regulator-Probe-Financial-Statement-283865611.html>

The text of NBC's accompanying news story appears below at Exhibit "A" to this letter.

Madame Chair, of course I am mindful of your Thursday, November 13, 2014 Session exhortation to Rockland County, NY rate-payers like myself, to put past animosity towards United Water aside and work together with

the company towards a better water future for Rockland. However, any plain viewing of the Newscast will demonstrate why that is currently impractical, at least until the Public Service Commission expands and augments the scope of its audit and examination of United Water's finances so as to be thorough, plenary, and conclusive. NBC's investigative team ("I-Team") rooted out facts from PSC's own files in the above-referenced Cases and Matters. Many of those facts, Rockland County citizens hadn't even heard before, until Tuesday's NBC Newscast. I want to make sure that Staff has heard them.

For example, from the Newscast, as a result of the NBC I-Team's own independent investigative efforts, we can deduce, *inter alia*, that someone, either rate-payer or shareholder, appears to have been:

1. Wrongfully billed with a US\$80,000+ tab for private school tuitions for United Water families;
2. Wrongfully billed with a US\$16,000-per-month luxury apartment rental tab for at least one United Water executive;
3. Wrongfully billed with an approximate US\$1,000 tab for United Water-consumed alcohol and a "wives breakfast"; and
4. Wrongfully billed with an approximate US\$8,000 tab for United Water golf balls.

If United Water's "defense" to this unconscionable pattern of events is that its unregulated "M&S" affiliate is the culpable one, then naturally the Commission's audit and investigation needs to explore the extent to which the M&S entity is merely the alter ego of United Water New York. That's a veil that needs to be pierced by operation of law and by action of a responsible regulator.

Madame Chair, I am copying your colleagues including Mr. Lochner on this letter, accompanied with my request that Staff's current Investigation of United Water's "accounting irregularities" be expanded in scope to, at minimum, encompass the matters unearthed and addressed by the National Broadcasting Company in its Tuesday Newscast. Thank you.

Respectfully submitted,



John J. Tormey III, Esq.
Dump Suez, LLC

EXHIBIT "A"

<http://www.nbcnewyork.com/news/local/I-Team-United-Water-New-York-Perk-Purchase-Rate-Increase-Regulator-Probe-Financial-Statement-283865611.html>

The I-Team uncovered the extra expenses after regulators at the New York State Public Service Commission launched an investigation into the finances of United Water New York. Chris Glorioso reports (Published Tuesday, Nov 25, 2014)

Tuesday, Nov 25, 2014 • Updated at 10:31 PM EST

Private school tuition. Brunch for executives' wives. Thousands of dollars for golf balls. These are not country club member expenses. An I-Team investigation has found they are bills paid for by one of the region's biggest private water companies -- United Water.

The I-Team uncovered the expenses after regulators at the New York State Public Service Commission launched an investigation into the finances of United Water New York, a regulated utility that serves more than 70,000 customers in Rockland County and is a subsidiary of United Water. The inquiry follows the abrupt departure of the subsidiary's general manager.

Last month, United Water New York disclosed to regulators the company's quarterly financial statements had been "materially misstated since September of 2010" resulting in \$2.9 million that had to be written off. The utility said rate-payers were not affected.

Prompted by the disclosure of those financial irregularities, the I-Team examined a series of 2012 United Water invoices and found the utility paid about \$80,000 in private school tuition for the children of executives and about \$16,000 a month to rent a home for CEO Bertrand Camus. The company also spent a total of around \$6,000 between two bills for golf balls that year.

Last summer, the utility asked for a 28.9 percent rate increase. New York utility regulators denied most of the rate request -- approving a rate increase of 13.3 percent, the statutory minimum. During hearings on the rate request, regulators challenged about \$57,000 in expenses submitted by United Water New York to pay for "holiday parties, award events, gifts, etc." Regulators also criticized money spent on a "wives breakfast" and on "alcohol" for social events.

"The rate-payer shouldn't be billed for alcohol. They shouldn't be billed for private school tuition. They shouldn't be billed for golf balls for social events where executives get together," said John Tormey, a citizen lawyer who has filed motions demanding a full forensic audit of United Water.

In a written response to questions from the PSC last year, United Water representative Thomas Lippai defended asking rate-payers to pay the costs for certain employee rewards and perks, calling them "nominal payments that provide more benefits than cost" in an effort to "recognize employees that have demonstrated the Company's values."

Rich Henning, a spokesman for the utility, said expenses like private school tuition and rental payments for executives are not paid for by United Water New York -- and thus were never charged to water customers.

Instead, United Water has an unregulated subsidiary called United Water Management and Services, which pays for many fringe benefits and perks, Henning said. He also stressed that the state denied many expenses the company sought to put on the shoulders of rate-payers.

"The state has reviewed issues regarding our water rates and water supply and made decisions based on the reasonableness of our costs," Henning said.

Henning stressed that United Water New York has made major investments in water delivery totaling \$175 million over the last eight years, including improving underground infrastructure, upgrades at water treatment facilities and the addition of backup power generators at several facilities.

Because United Water New York is a regulated monopoly provider of water, New York governs how much profit the company makes. However, United Water Management and Services is under no such regulation. Last year, Allison Esposito, one of the accountants reviewing United Water's expenses on behalf of New York State, expressed concern that "management and Services fees charged to United Water New York increased 13 percent from 2011 to 2012 and 15 percent from 2012 to 2013."

Martyn Ryan, of the Rockland County Sierra Club, said it is difficult for regulators to separate expenses directly associated with the delivery of water -- which should be paid for by customers -- from perks, benefits and management services that should be paid for by shareholders.

"Those services are outside the regulated zone and while they are going up and up and up, the rate payer sees no benefit," Ryan said.

Henning said the utility has agreed to conduct an audit of all of its management and services charges in cooperation with state regulators. The utility has also hired accounting firm PriceWaterhouseCoopers to examine how misstated revenue made it into financial statements going back to 2010. Asked about last month's departure of United Water New York's general manager, Henning called it a personnel matter.

Follow Chris Glorioso on Twitter @glorioso4ny, Facebook or email him: chris.glorioso@nbcuni.com

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