

STATE OF NEW YORK

PUBLIC SERVICE COMMISSION

CASE 11-W-0200

PROCEEDING ON THE MOTION OF THE COMMISSION AS TO THE
RATES, CHARGES, RULES AND REGULATIONS OF
LONG ISLAND WATER CORPORATION D/B/A
LONG ISLAND AMERICAN WATER FOR WATER SERVICE

**Exhibits to the
Rebuttal Testimony of James G. Bozman**

REDACTED

October 3, 2011

**Long Island American Water
2011 Rate Case
Rate Case Expense**

**Exhibit 12
Tab 19**

2011 Rate Case Estimate

	Pro Forma Rate Case Expenses
Legal	\$230,000
Consultant - Cost of Capital	45,000
Revenue Requirement	200,000
Service Company Study	40,000
Miscellaneous	35,000
Litigation Contingency	-
Towers Watson - Pension	15,000
Total	565,000
 Amortization Period (Months)	 36
 Per Month	 15,694.44
 Annual	 \$188,333

2007 Rate Case Charges Actuals (Settled)

Amortization Period 04/01/08 - 03/31/11

	Rate Case Expenses
Total	\$360,000
 Amortization Period (Months)	 36
 Per Month	 10,000
 Annual	 \$120,000

**Long Island Water Corporation d/b/a Long Island American Water
GDP Price Deflator
For Case 11-W-0200**

Calendar Year 2011 GDP

12 Months Ending 12/31/2010		
<u>Quarter</u>	<u>Weight</u>	<u>GDP Price Index</u>
2010.1	3	110.4
2010.2	3	110.8
2010.3	3	111.2
2010.4	3	111.7
Weighted Average		<u>111.025</u>
Base Year - 12 Months Ending 12/31/2011		
<u>Quarter</u>	<u>Weight</u>	<u>GDP Price Index</u>
2011.1	3	112.4
2011.2	3	113.1
2011.3	3	113.6
2011.4	3	114.1
Weighted Average		<u>113.3</u>
Total Change in Index		2.275
Total Percent Change		2.05%
Annual Average Percent Change		<u>2.05%</u>

Calendar Year 2012 GDP

Base Year - 12 Months Ending 12/31/2011		
<u>Quarter</u>	<u>Weight</u>	<u>GDP Price Index</u>
2011.1	3	112.4
2011.2	3	113.1
2011.3	3	113.6
2011.4	3	114.1
Weighted Average		<u>113.3</u>
Forecast Year - 12 Months Ending 12/31/2012		
<u>Quarter</u>	<u>Weight</u>	<u>GDP Price Index</u>
2012.1	3	114.6
2012.2	3	115.1
2012.3	3	115.6
2012.4	3	116.2
Weighted Average		<u>115.375</u>
Total Change in Index		2.075
Total Percent Change		1.83%
Annual Average Percent Change		<u>1.83%</u>

Calendar Year 2013 GDP

Base Year - 12 Months Ending 12/31/2012		
<u>Quarter</u>	<u>Weight</u>	<u>GDP Price Index</u>
2012.1	3	114.6
2012.2	3	115.1
2012.3	3	115.6
2012.4	3	116.2
Weighted Average		<u>115.375</u>
Forecast Year - 12 Months Ending 12/31/2013		
<u>Quarter</u>	<u>Weight</u>	<u>GDP Price Index</u>
2013.1	3	116.9
2013.2	3	117.4
2013.3	3	117.9
2013.4	3	118.5
Weighted Average		<u>117.675</u>
Total Change in Index		2.3
Total Percent Change		1.99%
Annual Average Percent Change		<u>1.99%</u>

STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
 LONG ISLAND AMERICAN WATER

REDACTED

Request No.: STAFF-74 ACL-21
 Requested By: Andrew Leung
 Date of Request: June 9, 2011
 Response Due: June 19, 2011
 Witness: William M. Varley
 Subject: Major Operating Expenses

- 1) Please refer to your testimony on page 7, lines 6 through 8. The lines identified a "shared resource" to dedicate fifty percent of his/her time to the external affairs role. Please identify the "shared resource" to fill out the external affairs role.
- 2) Please refer to your testimony on page 7, lines 11 through 13. The lines refer to the following: "The combined cost of the shared resource and the outside firm will be the equivalent of one full time person ("FTE") allowed in the prior rate filing." Please identify the individual employee classification related to this position.

Response:

- 1) The "shared resource" described at page 7, lines 6 - 8 of my direct testimony would be a Service Company employee who would dedicate fifty percent of his or her time to performing external affairs work on behalf of LIAW as described within my testimony at page 7. The remaining fifty percent of his or her time would be dedicated to external affairs work done for other American Water entities. This position has not yet been filled.
- 2) The LIAW external affairs ("EA") role previously filled was an FTE with an annual salary of \$86,520 per year. With benefits this FTE cost was approximately \$129,780 per year. Currently, we have hired an outside consultant at a cost of \$4,020 per month or \$48,240 per year. This consultant does not cover the complete needs for the EA position, so a shared resource along with the outside firm would be the equivalent of one FTE.

Please see the confidential work paper in Exhibit 12, Tab 16, Page 4 of 8, for the costs associated with this employee.

[BEGIN CONFIDENTIAL]

[END CONFIDENTIAL]

STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
LONG ISLAND AMERICAN WATER

Request No.: IR-141 BLB-28
Requested By: Basil Bailey
Date of Request: July 19, 2011
Response Due: July 29, 2011
Witness: Mr. James Bozman
Subject: Invoices

Reference Exhibit 9, page 17 of 46.

1. According to note 1 you made an adjustment of \$16,956 for software maintenance increases in 2011. Is it correct to say that this expense is already included in the Service Company charges to the company (Business Transformation Cost) and should be remove from the projection for invoices?
2. On line 8 the company increases the cost by 1.59%, however, the downward adjust of \$125,700 should have been \$127,699 to account for the inflation. Also the public relations amount is actually more than \$48,240 (over by \$287) for 2011 because the company inflated the \$18,030 of 2010 cost.
3. Explain what exactly the public relation cost of \$48,240 is and provide the invoices. Furthermore it appears that these charges are already included in projection for the Service Company cost and should be removed from invoices, is that correct?

Response:

1. No, these expenses should not be removed from the projection for invoices. These expenses are not included in the Service Company charges; the Service Company charges include hardware maintenance, GIS software and GIS hardware but do not include software maintenance. The expenses related to software maintenance for Business Transformation will be charged directly to LIAW and should therefore be recorded in the invoices category.
2. The Company agrees that the calculation should be adjusted. The formula in column 2, line 8 has been changed to the following: $(\$634,035 - 125,700 - 18,030) \times 1.59\% + -\$78,534 = \$70,738$. Please see the attachment which revises Exhibit 9, page 17.

3. Mr. Varley discusses on page 7, lines 1 through 17 of his testimony the external affairs function including a .5 full time equivalent (FTE) from the Service Company and support from an outside firm. The expense for .5 FTE is included in the Service Company workpapers, please see Exhibit 12, Tab 16, page 1 of 3 for External Affairs. The outside firms' expenses are included in the Invoices category, Exhibit 9, page 17, and therefore should not be removed from Invoices. Please see the attached invoices for the months November 2010 through January 2011.