



BRISTOL

— WATER WORKS CORPORATION —

October 18, 2020

Michelle L. Phillips, Secretary to the Commission
NYS Department of Public Service
Three Empire State Plaza, 20th Floor
Albany, NY 12223

Dear Secretary Phillips:

This letter is in reference to the letter submitted to you on September 8, 2020 by Laura Halleran, Board Secretary of the Bristol Harbour Village Association (BHVA), and the inaccuracies in Ms. Halleran's statements. Please know that Bristol Water Works (BWWC) is a due paying member of the Bristol Harbour Village Association for which Ms. Halleran is elected to represent. Bristol Harbour Resort Management (BHRM) which owned and ran the resort operations, is also a due paying member of the BHVA which Ms. Halleran represents. I am co-owner of BWWC and BHRM, as well as president of BWWC.

The percentage increase that is being stated of 104.1% is largely due to 2 factors which are out of our control. First, the rates set on July 16, 2018 per CASE 17-W-0049 by the Public Service Commission actually decreased service rates for condominium owners from the prior rates (approximately half of the customer base), while only moderately increasing rates to metered residential customers and drastically increasing rates to the very few commercial customers. The ruling stated that the absence of a cost of service study resulted in a consumption-based model for rate setting. Since the commercial customers consumed a large amount of water, they were disproportionately charged a higher rate, and residential customers charged a disproportionately lower rate. As a result, the proposed increase to residential customers now seems larger because of previously depressed residential rates. Second, the overall revenue that the PSC assigned BWWC to collect at the conclusion of the prior rate case, was insufficient to pay for all expenses, regardless of the class of service that the revenue was intended to be collected from. Accordingly, daily operations by BWWC have continued to be underfunded, and expenses paid for by incurring debt on a line of credit which now needs to be repaid, for services provided since the last rate increase.

Knowing that the commercial customer was disproportionately charged a higher rate, of course it will seem that rates to residential customers will increase dramatically when the cost of service is accurately spread amongst customers. An accurately charged rate will create a service bill that is proper for the cost of service provided, and in contrast to a previously lowered rate, it will seem larger in percentage. That is reality.

In discussion with staff, Bristol Water Works Corp (BWWC) submitted a cost of service study in June of 2020 through John Guastella, consultant to BWWC. If the cost of service study were accepted as is, and if Covid did not adversely affect the commercial customer, then rates for residential customers still would have increased



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dramatically to residential customers due to actual service costs, even without the loss of the large commercial customer. BWWC did exactly what was requested of them by the PSC, by conducting this study. The results are fact based, and not meant to upset anyone. In fact, as stated below and copied directly from p.55 & p.56 in the prior ruling, all parties are seeking a proper cost of service allocation:

CASE 17-W-0293, p. 55

Cost of Service Study

The central issue of the BHVA Complaint case and resulting Commission Order was regarding proper revenue allocation between residential and commercial customers. That Order concluded that, in lieu of a full cost of service study, the revenue allocation based on consumption recommended in the Staff Report was appropriate for setting rates. In a letter

CASES 17-W-0010 and 17-W-0293

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dated May 30, 2018, the Company requested \$15,000 toward performing a full cost of service study to use for revenue allocation purposes. The Company may undertake a cost of service study and the costs and results of such study can be considered in the next rate case.

I ask that all customers that have complained to the PSC about the new rate, be directed to page 55 & 56 where BWWC followed instructions set forth to them by the PSC, and requested by the BHVA. To date, the PSC has not challenged any facts or findings in the cost of service study submitted. I formally request that you accept the findings of the cost of service study for implementation into our rates, or challenge it so that we may address any concerns and work out the details.

Separately, the resort ended up closing due to Covid-19. The resort business existed due to wedding gatherings that booked the venue and brought guests in from out of town to stay in the hotel. With the Covid-19 conditions in 2020 that were outside of the control of the resort, it made a decision to close down. The absence of this customer does adversely affect BWWC, but please keep in mind that if the current rates were actually based on a cost of service model, the closing of the resort would not have such a detrimental effect on BWWC because the billing would not have been so heavily and inappropriately applied to the commercial customer.

Ms. Halleran references that BWWC is part of a larger enterprise of businesses in the community that it is economically tied to. Please let me correct her – she is wrong. All expenses and revenue of BWWC are kept separate from any other entity. The PSC has received detailed support of all expenses, as well as copies of invoices paid over the years. Ms. Halleran’s statement is her opinion, and not supported by any fact. Further, the marina referenced is not a large customer. The 164 slip marina has very few facilities that even utilize



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water. Prior to our ownership of BWWC, the marina wasn't even a billed customer. BWWC performed a service audit under my direction as president, and identified one bathroom and one beach shower that were connected to the system, and added them to the quarterly billing. This is not a significant amount of water as the marina is only a seasonal operation, and accordingly the revenue collected by BWWC from the marina for the 2 billable units is actually less than the revenue for 2 residential metered homes. In fact, it was not known until this past summer that the Bristol Harbour Village Association (BHVA) had an unmetered water shower at the beach connected to the system and was consuming water at no charge. BWWC identified this, and immediately added the BHVA beach shower as a billable customer. Contrary to Ms. Halleran's statement, the sale of the marina did not impact water sales at all, and in fact water sales have increased due to our diligence and my direction as president.

Ms. Halleran incorrectly states that the hotel had 37 rooms, when in fact it had 31 rooms. I point this out, because these are facts that are easy to identify if properly researched.

Ms. Halleran references a proposed development that never existed, Everwilde Inn and Spa. Most of the community opposed the construction of the proposed development, and accordingly it was never constructed and it has no relevance in this case because it doesn't, and never did exist. I do agree in concept with Ms. Halleran that the proposed Everwilde Inn and Spa would have benefitted the customers of BWWC, but this proposed development was not welcomed by the same community that is now complaining that there isn't a large customer to help pay for services and defer costs to residential customers.

Ms. Halleran does correctly point out that BWWC has lost money in 2017, 2018 and 2019. These losses existed well before the commercial customer closed. This is important to recognize. The closing of the commercial customer under a consumption-based rate model, is of course extremely detrimental to BWWC. The annual losses clearly illustrate that the prior revenue set by the PSC was insufficient, and it needs to be adjusted to properly cover costs.

It is important to recognize that if the hotel and resort did not permanently close for business, the revenue to BWWC in 2020 would have been minimal at best. Governor Cuomo does not allow large event gatherings over 50 people, and as a result weddings all across New York State have been cancelled. The hotel depended upon visitors to travel in for weddings and vacations, both of which were crippled this year. The resort was accustomed to hosting wedding guests of 300-400 people per weekend. The large weddings that came in from out of town, cancelled due to travel restrictions and fear, along with government regulations limiting head count. Many hotels and wedding venues are in the same position, as the travel restrictions have affected hospitality venues across the world. As an example, The Hyatt Riverside Hotel nearby in Rochester, which is the second largest hotel in New York State outside of NYC, has closed until next year. BWWC cannot bill a customer that doesn't consume water, and the hotel would not have been consuming any substantial amount of water due to Covid-19 travel restrictions regardless of whether it was open or not. The current



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rates are based on consumption, and it is incumbent upon the PSC to act on this very real condition that exists. I have no control over Covid-19, and I should not be held accountable to run a hotel that can't be viable financially, due to a pandemic.

Further, the BHVA has sued BWWC during the prior rate filing. The hotel had 7.75 units of billable unit dues within the HOA, and paid these dues on a monthly basis. Further, BHRM was levied the largest assessment (based on the number of units it represented) by the BHVA, in the entire HOA community, to collect money to sue BWWC and also Laura and Todd Cook in the prior rate case, as owners of BWWC and Bristol Sewerage Disposal Corporation. Essentially, the BHVA charged us to sue ourselves. Knowing that the hotel was not economically viable, and that keeping it standing allowed the BHVA to collect dues and assessments, knocking it down saved significant money annually and prevented the BHVA from levying further assessments to fund themselves to sue us again.

Ms. Halleran references the golf course in her letter as well. Please also note that as co-owner of the resort and golf club, that purchasing untreated water is not financially feasible for golf course irrigation water. The rate charged to the golf course increased massively from the prior rate for untreated water from \$1.88/1000 gal to \$7.09/1000 gal, when residential customers only pay \$4.15/1000 gal for treated water. This is unfair and disproportionate to costs incurred. The golf course cannot afford this, and will not be purchasing untreated water next year due to the price/gal. It is completely unreasonable, and staff's findings in the prior rate case state just the opposite in its own words below:

-CASE 17-W-0049, p.8

Staff also recognized that the golf course should be expected to contribute a smaller percentage of revenues as compared to its total water usage because the golf course uses untreated water, which does not require the Company to incur costs for water treatment. Staff's analysis established that "the cost to provide untreated water was about \$0.49 per thousand gallons (TG) while the cost of providing treated water was about \$0.99 per TG."7 Accordingly, Staff concluded that "it should be expected that the percentage of revenues provided by the golf course should be approximately one-half of its percent of total water sales."8

The cost of service study was submitted to the PSC in June of 2020. The details for proper rate setting are now before the PSC, so that proper rates may be set for the community. To date, no financial dividend has ever been paid to me as an owner, and I have only lost money running BWWC. It is my intention to run this utility and collect proper fees for the services provided.



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The delays by the PSC to set a temporary rate is concerning to me, as every information request that has been sent to us from the PSC, has been answered. There are no outstanding information request submissions owed to the PSC.

I respectfully request that you act with urgency, to the temporary rate request in front of you, with the facts at hand.

Best regards,

Todd Cook
President