

Hudson Valley Water Co.
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Feb. 28, 2024

Secretary
NY State Public Service Commission
3 Empire State Plaza
Albany, NY 12223

Attn: Secretary:

Case 20-W-0477
22-W-0357'
24-W-0105

This is the Show Cause response to the Commission Order. The Company, and I personally do not agree that such action as the Commission is assessing with regard to appointing an outside operator is either necessary, warranted, or reasonable, given the actual circumstances, as opposed to the ALLEGATIONS listed in the Commission order.

The following should be considered and have preference in this regard.

1. Boiceville- The arsenic filters have been working properly since their installation years ago. They are properly maintained on a regular basis and our water has always been in compliance with all standards. During the late Fall of 2023 the pressure had been building slightly and we had a technician evaluate the system. He was the person who did the original installation and last media change. He advised that with some additional backwashing and service, the filters would be effective for a period of time, and then we would then change the media.

As it turned out, the Operator afterwards saw the pressure building and went to bypass. That is when he notified the customers. The technician did then get the filters

cleared, but the timing was too late. We immediately had the new media delivered within 1 day and the change was started immediately, 1 filter being completed and operating within a day. We then had to wait to test and get the results. Due to the holidays this took much longer than usual. According to the PSC, public commenters said they expected this situation to be resolved by Jan. 12, and, in fact it was resolved by Jan. 8.

During this time we had a tanker with clean water onsite for customers. We had a recommendation to simply distribute bottled water to each house, which would have been more convenient for them, but the Health Dept demanded a tanker.

It should also be mentioned that this was not an outage in the system. Water was continuously provided for all other activities. Also, communication was provided continuously to customers through email and hand-delivered notices.

We reject completely the assertion that the Company took inadequate measures to address the problem. When the problem became manifest, the Company did everything possible to correct it, at its own considerable expense. Further the Company also rejects the allegation of operational and service issues in other areas in the January letter. This had nothing specific at all.

In summary, as to the arsenic filters, the Company relied on the work of our outside technician and subsequently we can see that due to a time sequence, the media could have been changed sooner

The major consideration is that this is a ONE-TIME occurrence and does not in any way reflect the continuing service compliance in this area. Also, the water quality has always met ALL standards. Further, the allegation that there was no water service in the area for 64 days in the past is a gross untruth. The schedule of all outages for all systems has been submitted to the PSC.

2. Company alleged deficiencies-the Company disputes the following allegations.

a. Record Keeping- the Company, as required, maintains detailed records as to customer contact/complaints, service interruptions, billing summaries as to adjustments and meter readings. These have been filed for the year 2023.

b. Metering- As directed, the Company has already submitted quotes for installing new meters throughout the systems. At present, after covid, it has proven impossible to be able to have someone go inside each house to read meters. The meter

readers are concerned and almost all customers do not want someone entering their house. As a result we have been getting substantial numbers of readings from customers, by distributing cards and emails.

c. Water quality testing- The Company is 100% fully compliant with all water testing requirements. All test results are submitted by the labs to the DOH.

d. Water quality violations- As of the date of this Order, the Company has not had any water quality violations to report. We comply with all DOH requirements.

e. Billing- Most bills have recently been based on customer supplied meter readings-see b above. Where we do not get a reading bills are estimated, based on past usage. We do get calls from some customers subsequently with their reading, and if warranted, the bill is adjusted immediately.

f. Professionalism- The Company, and I, personally continually operate professionally in all areas. If a customer calls with a question, service issue or billing question, it is resolved as quickly as possible. Sometimes, however, it is impossible to explain something and the customer may not agree. The Company does not respond “harshly” to any customer.

What should be noted, is that sometimes a customer may complain formally to the PSC. The Company responds to these immediately, with the results being that the Company has been correct in all recent issues.

Further, there was an allegation of the Company making threatening phone calls about water shutoff. ACTUALLY, the opposite is true. As a remedy for unpaid bills in the Company tariff, water shutoff may be done. After proper notification by mail of a possible shutoff, the Company tries to call each affected customer letting them know of the situation and trying to AVOID the shutoff. This is an extra, not required, step to provide a service to the customer. This not a threat, but a courtesy and an offer to work out a payment plan, if needed.

I do not believe that there is anyone, or any company were willing to work with customers on payments than we are.

g. Rate Increase- In June, 2022 the Company filed for a rate increase of 20.6% to cover highly increased costs after covid. As everyone should be aware, the inflation level increased rapidly in the period after covid and continues rising today. The level of inflation rose to over 9+%, with the cost of most items used in water

supply rising much more than that. There were also shortages in these items as well as difficulty in finding personnel to perform tasks such as repairs, meter reading, etc. Costs of labor, significant testing, chemicals, repairs, electric, insurance, etc, rose and that was very evident on the operating results for 2022 and now, 2023. Instead of the requested rate increase to cover these necessary costs, the Company received a meager 2.8% increase, with no discussion. This was totally inadequate to simply maintain current service and cover operating costs, as evidenced by the bills submitted.

The PSC staff did make several adjustments to the submitted numbers, but without comment allowed by the Company. For example, interest expense was disallowed as a personal expense. IN FACT, this was interest on a loan taken out strictly to pay for Company improvements performed.

Another issue seems to be the amount of personal insurance expense. In reality, I have been at the same salary of \$13,500 for 20 years. I believe that this is way below what is warranted given inflation, increasing regulations and time involved. Instead of a salary increase I did take some compensation in the form of insurance reimbursement, however, when added to my salary, I believe that the total is reasonable, and should not have been adjusted.

Staff asserted that in this rate case, the Company did not submit adequate financial and other information. However, there were no specifics listed, and we strongly disagree, as all information required is maintained. We have submitted all information required under prior cases.

The Company has been doing due diligence to address infrastructure, but we still need adequate revenues to cover severely increased costs. Inflation is not a secret, yet the increase provided was greatly less than the cost of inflation alone.

h. Customer correspondence- The Company answers all calls when in the office and makes an attempt to return every call received. This also applies to emails, and written correspondence as well. A schedule of all customer contacts has been submitted to PSC.

3. Jan 9 letter- This letter is based completely on second hand allegations, with the signers having no knowledge of any facts. This is an election year.

a. System #4- It states that this system is operating at a reduced pumping capacity of less than 35%. We have no idea of what they are talking about, as the system is

operating at 100%

b. System #2- In fact there was a brief outage in this area from a period of late Sunday night until mid morning the next day. This was NOT caused by anything having to do with the Company. Our Operator went to the location immediately and found that a Central Hudson issue knocked out 2 of the 3 phase electric going to the pumphouse. I immediately called a special number I have worked out with them and they sent a crew there to repair their service. This was completed in the morning and our Operator returned, and service restored. This was a rapid and effective response on our part.

I have worked with Central Hudson to declare our facilities as a priority and have direct phone contact with their control room.

In addition, I have worked with them, and they completely rereplaced and upgraded their electrical lines at System #4, from rte 375 to the pumphouse, greatly increasing reliability. This shows in the results.

4. Escrow account- This account, and corresponding surcharge was instituted, as staff states to cover costs of filter media and ALSO extraordinary repairs. It authorizes a charge up to \$50 per quarter, and as has been the case for the entire time, the Company has only been charging \$6.10. Recently, this account has been used to cover such extraordinary repairs, as authorized. At \$6.10, this account has been inadequate and there have been loans used to cover these expenses. This is why the balance has been around \$2400, as the funds are being used to cover these allowed expenses. Under the original provisions this charge can be increased to \$50.

Furthermore, as you are aware, in Case 22-W-0357, the Company was directed to make 4 quarterly one-time transfers of \$1,845 from its escrow account to its operating account.

Most important to know is that the Company submits schedules of the transactions in this account every year and every year it has been determined by PSC that the account was used appropriately, which it has, 100%.

5. Plans/Improvements- As required, the Company has submitted quotes for replacing all meters with outside read meters. Further the Company has just replaced several sections of water main from the wells to the reservoir at Boiceville. Future plans will involve work to be done at Mt Marion and High Falls. These needs to be coordinated with staff.

In brief summary, I believe that the vast majority of this Order has to do with the replacement of media at Boiceville. While this was certainly important, there was continuous water service for all uses other than drinking. This was a one-time event and not at all indicative of the service performed since this Company was involved with this system. As to other issues, the Company has submitted all reporting, as required and maintains continuous records of these. There may be other issues that are not addressed here, but we have had serious time constraints for submitting this show cause order. We would be available to address these and any other specific issues.

As of the last case, the Company had been in touch with all 5 municipalities involved and none had any interest in creating a water district. However in the last month we have been contacted by the new town supervisor of Town of Hurley expressing their interest in purchasing systems 3 and 4 and creating a water district. I informed him we would be interested, and this would be beneficial to the residents- but this seems to be on hold due to this case.

I believe that the best solution to all these issues raised would be to go ahead with this water district in Hurley.

Also I propose to sell the Boiceville system back to the Association from which it was bought. They would have the services of the same operator. Originally, they had no one there to operate it and we actually did them a favor.

We could continue to operate systems 1 and 2, while looking to and being open to a sale to one of the large systems.


Jeffrey Fuller