

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

IN THE MATTER OF A PROCEEDING ON MOTION
OF THE COMMISSION AS TO THE RATES, CHARGES,
RULES AND REGULATIONS OF

UNITED WATER NEW YORK INC.

FOR WATER SERVICE

P.S.C. Case No.

TESTIMONY OF CARYL D. JERSEY

United Water New York Inc.
200 Old Hook Road
Harrington Park, NJ 07640

UNITED WATER NEW YORK INC.
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1 **Q. Please state your name and business address.**

2 A. Caryl D. Jersey, United Water Management and Services Company (UWM&S),
3 200 Old Hook Road, Harrington Park, New Jersey.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I have been employed by United Water Management and Services Company
7 (UWM&S) since 2004, first as a Rate Analyst and currently as a Senior Regulatory
8 Specialist.

9
10 **Q. Please describe your work experience.**

11 A. Prior to joining United Water, I was employed by Hudson Technologies, Inc., a
12 refrigerant sales and service company, where I was responsible for the inventory
13 and payroll functions. In 2002, I was promoted to Accounting Manager with
14 responsibility for all accounting functions of the company. Before that, I was
15 employed by Orange and Rockland Utilities, Inc. from 1985 to 1999. As a Financial
16 Analyst from 1997 to 1999, I was responsible for the monthly variances in Gas and
17 Electric revenues, forecasting of revenues and required reports and schedules for
18 the design and implementation of rates. From 1995 to 1997, I held the position of
19 Internal Auditor where I conducted both financial and operational audits with
20 appropriate follow-ups to ensure reported deficiencies were rectified. Prior to that I
21 held the position of Gas Pricing Analyst, responsible for the purchase and
22 transmission pricing of natural gas supplies, contract implementation, reporting of

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1 data for the New York State Public Service Commission, the New Jersey Board of
2 Public Utilities and the Pennsylvania Public Utility Commission and provided data
3 for rate proceedings. From 1985 to 1991 I conducted productivity studies and cost
4 analysis as a Statistical Analyst.

5

6 **Q. Please summarize your educational background.**

7 A. I am a 1995 graduate of Dominican College with a Bachelor of Science Degree in
8 Accounting.

9

10 **Q. What is the purpose of your direct testimony?**

11 A. The purpose of my testimony is to support the development of pro forma
12 revenues for United Water New York (UWNY).

13

14 **Q. Who does United Water New York supply?**

15 A. United Water New York serves customers in Rockland County, New York,
16 excluding the Villages of Nyack, South Nyack and Suffern and the Hamlet of
17 Central Nyack. The Village of Hillburn is served through the sale of bulk water.
18 UWNY also serves portions of the Towns of Warwick, Monroe and Tuxedo in
19 Orange County, New York.

20

21 **Q. What process was used to develop the pro forma revenues?**

22 A. First, a bill analysis was performed for the historic test year, April 2012 to March
23 2013, providing the bill determinants used to price the normalized and projected

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1 consumption as shown in Exhibit-cdj 1, p1 for metered services and Exhibit-cdj 1,
2 p 2 for Fire Protection Services. Second, consumption for the historic test year
3 was normalized using an average based on a five-year historic period,
4 summarized on Exhibit-cdj-2, p 1. Third, the rate year was projected using the
5 trending developed in the normalization process and, fourth, the projected growth
6 was based on the changes in the number of customers for the same five-year
7 period for both Fire Protection and Metered Customers. In addition, a simple
8 analysis of other revenues was performed.

9
10 **Q. What is the basis of the bill analysis?**

11 A. United Water New York currently has three metered tariffs; Single-Family
12 Residential – SC-1 (Individually metered), Multi-Family Residential - SC-6
13 (Mastered Metered) and Non-Residential – SC-7 (Commercial and Industrial)
14 billed in Hundred Cubic Feet (CCF), and General Metered Service in the Village
15 of Sloatsburg, the former service territory of the Pothat Water Company and the
16 former service territory of United Water South County Water billed in thousand
17 gallons (MGL) under the SC-1 rate. In addition, the Company has contract
18 agreements with the Village of Hillburn, a bulk water customer (resale), the New
19 Jersey Interconnect for service to Montvale billed at the SC-7 rate, and the NYS
20 Thruway Authority and Tuxedo Mountainview Apartments outside the Village of
21 Sloatsburg.
22 The Village of Hillburn renewal of the agreement with UWNY was approved in
23 January, 2011 with the final increase commencing on August 1, 2012.

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1 The agreement with the New York State Thruway Authority (Authority) states that
2 the rates charged to the Authority will increase or decrease the same amount as
3 that charged to the Village of Sloatsburg residents.

4 The agreement with the Tuxedo Mountainview Apartments (TMVA) states that
5 rates charged to the TMVA will change by 150% of any and all changes to the
6 Village of Sloatsburg residents.

7 The Company also provides both Private and Public Fire Protection services
8 under Service Classifications 3 and 4 respectively.

9 The bill analysis is based on billed consumption for the historic test year ended
10 March 31, 2013 for each tariff and contract rate and the bill determinants
11 developed by this analysis priced at the current rates produces revenues only
12 slightly different (\$1,489) to the booked revenues (Exhibit-cdj 1, p 3, c 10).

13

14 **Q. Please explain the adjustments to the Income statement and Bill Analysis**
15 **as shown on Exhibit-cdj 1, p 3.**

16 A. Columns 2 through 4 of this Exhibit reflect adjustments to the Income Statement
17 and Columns 7 and 8 reflect adjustments to the Billing Analysis for the test year
18 ended March 31, 2013. Column 2 eliminates the Revenue Deferral associated
19 with the revenue reconciliation and the unbilled revenue, Column 3 adjusts the
20 Income Statement for known material amounts and Column 4 eliminates revenue
21 taxes included in revenue. Column 7 contains the billing adjustments billed
22 through the system and Column 8 re-classes the revenue designated
23 Commercial and Industrial in the Sloatsburg and South County territories that are

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1 billed at the residential Single Family rate and booked to the non-residential
2 revenue class and re-classes the private fire hydrants from public fire revenue.

3
4 **Q. What are the Interdepartmental sales recorded on the Income Statement as**
5 **shown on Exhibit-cdj 1, p 3?**

6 A. This refers to the revenue from an inter-company agreement for the sale of raw
7 water from Lake DeForest approved by both the New York State Public Service
8 Commission and the New Jersey Board of Public Utilities. The amount billed to
9 New Jersey has increased an average of 8.49% per year over the past five years
10 (Exhibit Cdj-3, p 1), which is mainly attributable to the increases in property
11 taxes. This increase has been used to develop the projected revenues for the
12 New Jersey portion of the Lake DeForest amount.

13
14 **Q. Please explain Exhibit-Cdj 2, p 6, Statement of Revenues at Current Rates,**
15 **and the adjustments shown on this exhibit.**

16 A. This exhibit shows the current revenues and projections of the future rate year at
17 the current rates. Column 2 of this exhibit adjusts the income statement to the
18 billing analysis consumption billed at a full 12 months of the rates effective
19 August 28, 2012. Column 4 reflects the normalizing adjustment which is the
20 difference between the pricing of the normalized consumption and the billing
21 analysis at the rates effective August 28, 2012. Columns 6 and 7 summarize the
22 pricing of the projected consumption for the bridge period, the twelve months
23 ending May 31, 2014, and the future Rate Year ending May 31, 2015.

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1 **Q. Why was the test year normalized?**

2 A. In order to forecast the rate year, it was necessary to normalize consumption for
3 the historic test year, the objective being to develop pro-forma operating revenue
4 based on a normal consumption pattern. Since consumption can vary
5 significantly from one year to another due to external factors such as weather,
6 conservation measures, more efficient appliances and economic conditions, it is
7 necessary to use a larger, more representative period in order to determine a
8 normal consumption pattern. In this case, it was decided to use a five-year
9 history of billed consumption, March 2008 through March 2013 in order to fairly
10 represent the full consumption for the entire period.

11 The normalization process used was a simple average of the five years. The five
12 year pattern was chosen over a longer period due to the extreme downward
13 trend experienced in recent years which unfairly skews the consumption pattern
14 than what is expected in the near term, most of this due to the unusual economic
15 conditions in recent years.

16

17 **Q. How was normal customer growth determined?**

18 A. Census figures for Rockland County show the increase in the total number of
19 housing units from 2000 to 2010 was 9.6% or a .96% annual increase.

20 According to the Rockland County Department of Planning – Demographic
21 Research Division, the housing unit growth 2010 to 2011 was .48% or one-half
22 the average 10 year growth. As shown on Exhibit Cdj-2, p 1, the change over
23 the five year period used for consumption indicates this same trend in growth

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1 with a .38% increase in annual consumption, below the level of .76% in the last
2 rate case. However, this decline has leveled out with the growth in the number of
3 meters in service consistent over the last three years. For this reason, an
4 average of the annual change in the number of customers for the prior five years
5 was used to determine the growth rate.

6
7 **Q. How was Fire Protection analyzed?**

8 A. Both Private and Public Fire Protection services are provided by the Company.
9 Private fire protection is provided through Company and customer maintained
10 hydrants and fire service lines. Public fire protection service is provided through
11 street hydrants throughout the service area.

12 Historic analysis indicates Private Fire Protection customers increase at an
13 average rate of 99 units per year and Public Fire Protection units increase at an
14 average of 32 a year. (Exhibit Cdj 2, page 3) This trend is projected to continue
15 through the forecasted period.

16
17 **Q. What was the result of the analysis conducted on other revenues?**

18 A. UWNY's miscellaneous revenues consisting of items such as Meter Reset Fees
19 (damaged meters), Restoration Charges, Hydrant Flow Test Fees, Meter
20 Estimate Fees and Late Payment Charges account for approximately 1.5% of
21 total revenues. An averaging methodology was utilized to project the future other
22 revenue except for the following.

23 1. Late Charges:

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1 UWNY charges a 1.5% late fee on unpaid balances. To project the future
2 amounts, the test period percentage of 1.02% of revenues was used.

3 2. Antennae Leasing Revenues:

4 Antennae Leasing revenue was increased by the 3% contract allowed
5 annual increase over the normalized year. Pursuant to the method agreed
6 to in Case No. 06-W-0131, 85% of this amount is included in operating
7 revenues with 15% being retained by the Company. Any revenue over
8 and above the authorized amount shall be deferred and passed back
9 through the Company's annual reconciliation.

10 3. Hydrant Flow Tests:

11 The cost of the Hydrant Flow Test has been increased to \$195 per test.
12 This rate as provided on Exhibit Cdj-3, page 2 is based on the actual
13 loaded labor cost and represents the average rate for the five years 2013
14 through 2017. There has been no increase to this rate since Case No. 06-
15 W-0131.

16 4. Turn On Fees:

17 The cost of the Turn on Fees has been increased to \$90 an occurrence
18 during regular hours, \$120 outside normal business hours and \$150 for
19 holidays and weekends. The increase in these rates is based on the
20 actual loaded labor costs for the Bridge Period and Rate Year 1 and the
21 average number of occurrences. These Fees have not been an increased
22 since Case No. 06-W-0131, effective in 2007. The Company believes that
23 these costs should be borne by those customers incurring these costs.

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1 5. Meter Estimate Fees:

2 The revenue for the Test Year was used as a projection for the future
3 years. The Company has decreased these occurrences due to increased
4 meter reads through electronic means.

5

6 **Q. How does the Company propose to increase rates?**

7 A. Following the recommendation put forth by Staff in Case 09-W-0731 for both the
8 Company and Staff to review the current UWNY rate structure to determine if
9 possible to implement changes to the rate design in order to mitigate the weather
10 sensitivity of the current structure, the Company evaluated rate design
11 possibilities for United Water New York. As a result, the Company is proposing a
12 change to the current structure to incorporate a facility charge by meter size and
13 reducing the volumetric inclining block structure to one rate for the SC-1, SC-6
14 and SC-7 rates while retaining the “discount” block on the SC-7 rate. While
15 making the Company’s revenues less weather sensitive, this rate design retains
16 the winter/summer pricing to maintain the conservation elements currently
17 existing in the UWNY rate structure.

18 The change in rate structure was accomplished by a three-step process. First,
19 the revenue difference from removing the block differential between the two block
20 structure in the SC-1 and SC-6 rates and the first two blocks in the SC-7 rate was
21 moved to each Service Classification fixed charge. Using the AWWA meter
22 ratios, this increased revenue was split between the meter sizes in each class.

23 (Exhibit Cdj-2, page 7, col 2)

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1 Second, these meter facility charges were combined into one so that each
2 Service Classification was charged equally.

3 Third, adjustments were made between the service classification volumetric rates
4 to provide a cost structure in line with the 1991 Cost of Service Study. (Exhibit
5 Cdj-2, page 7, col 5)

6 The facility and volumetric charges are then increased by the rate year increase
7 percentage. The resulting bill impacts reflect increases for most customers
8 within line of the 30% proposed increase.

9 Both the private and public fire protection services, SC-3 and SC-4 respectively,
10 are increased by the same overall percentage.

11

12 **Q. Are any other changes proposed to the rates?**

13 A. Yes. As stated above, the Company has a resale contract (Hillburn) and two
14 contracts to supply water to customers outside the system, The New York State
15 Thruway Authority (NYSTA) and the Tuxedo Mountain Valley Apartments
16 (TMVA). These contracts will be renewing in the near future.

17 In addition, we have Non-Residential customers in the Sloatsburg, Pothat and
18 South County territories that pay the higher SC-1 rate.

19

20 **Q. What changes would be needed for the Hillburn contract?**

21 A. The Hillburn contract originally dated July 3, 1975 is a wholesale water contract
22 to the Village of Hillburn for their customers within the village limits. Periodic rate
23 increases have occurred almost annually after the initial 15 year period.

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1 The Company requests that this rate become a tariffed wholesale rate, Service
2 Classification No. 9 – Service To Other Water Supply Systems, to be increased
3 with the approval of any other rates and which can be used for other
4 wholesale/emergency customers in the future if necessary.

5

6 **Q. Would this wholesale rate also be used for the NYSTA and TMVA**
7 **contracts?**

8 A. No. These two customers are normal customers, one being a commercial
9 operation and the other an apartment/condominium complex that had
10 agreements with the Village of Sloatsburg. These agreements were assigned to
11 United Water New York when the Company acquired the Village of Sloatsburg
12 and Pothat (Case No. 93-W-09530).

13

14 **Q. Why do these customers pay different rates than the tariff rate?**

15 A. The TMVA is the owner of two multiple dwelling apartment houses in the Town of
16 Tuxedo, each building containing a minimum of 16 apartments. These buildings
17 are located outside the Village of Sloatsburg limits and have no other available
18 water supply. The contractual agreement set the rate between the TMVA and
19 the Village of Sloatsburg set the rate.

20 The Thruway Authority operates Thruway Facilities, part of which fall within the
21 corporate limits of the Village of Sloatsburg and the Authority entered into an
22 agreement with the Village for the Village to supply potable water to the facilities.

23 The contractual agreement set the rate.

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1 **Q. What does the company propose in relation to these two customers?**

2 A. It is the intent of the Company to renew these contracts in the near future and to
3 use the existing tariff rates for these customers. The NYSTA would fall under the
4 SC-7 classification, Non-Residential, and the TMVA would fall under the SC-6
5 classification, Multi-Family, as they are master metered.

6 While there would be a small reduction in revenue from these customers, the
7 Company feels that this would present a fair and equitable rate to these
8 customers and in line with all customers serviced by UWNJU.

9

10 **Q. Why are there Non-Residential customers paying the Single Family rate?**

11 A. In Case No. 93-W-0530¹, Issued and Effective May 26, 1994, the acquired
12 territories of Sloatsburg and Pothat were merged with United Water New York,
13 formerly the Spring Valley Water Company. As authorized in this Order, the
14 rates for the Sloatsburg and Pothat customers would be phased in over a ten
15 year period at which time the rates would be equivalent to the UWNJU customers.

16 A Service Classification -9 was implemented as a General Service Metered Rate
17 based on the SC-1 rate for the Sloatsburg/Pothat territories billed in thousand
18 gallons.

19 In Case No. 06-W-0244² and Case No. 06-W-0131³, Issued and Effective
20 December 14, 2006, UWNJU merged the newly acquired South County systems

¹ Case No. 93-W-0530 – Petition of Spring Valley Water Company, Inc. for Permission to Acquire the Water Works and System of the Village of Sloatsburg and Merge its Subsidiary, the Pothat Water Company, into Spring Valley Water Company, Inc.

² Case No. 06-W-0244 – Joint Petition of United Water New York Incorporated and United Water South County for Approval of a Certificate of Merger with United Water New York Inc. being the Surviving Corporation 2-28-06

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1 with UWNY. At that time all customers in the South County territory were
2 immediately subject to the General Metered Service Rate as the customers in the
3 Sloatsburg/Pothat territory.

4
5 **Q. What proposal is the Company making with regards to these customers?**

6 A. The Company proposes that the Non-Residential customers in UWNY all pay the
7 same rate. Currently UWNY has 95 customers using approximately 42,000 ccf
8 per annum and the placement of these customers on their appropriate rate would
9 decrease revenues by approximately \$47,000.

10
11 **Q. Are any other tariff changes proposed?**

12 A. Yes. The Company requests the following changes be made:

13 Leaf No. 2, General Information, Table of Contents, is revised to add Service
14 Classification No. 9, Leaf No. 100, Service to Other Water Supply Systems.

15 Leaf No. 7, General Information, Index, is revised to correct Leaf Nos. in the
16 Table of Contents and delete the Deferred Revenue Statement (DRS) and the
17 Water Bill Credit; MTBE Proceeds Refund (WBC).

18 Leaves Nos. 12, 13, 14, 19, 21, 23, 24, 25, 28, 31, 32, 47, 77 and 83 are revised
19 to incorporate minor language changes and reference corrections.

³ Case No. 06-W-0131 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of United Water New York Incorporated for Water Service

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1 Leaf No. 22 and 22.1 have been revised to provide new language concerning the
2 location of meters. Company Witness Michael J. Pointing describes the
3 reasoning for this change in his testimony.

4 Leaves Nos. 89, 89.1, 90, 92, 93, 95, 95.1, 96, 97, 98 and 99 reflect the
5 increases and additional changes as discussed above to the Service
6 Classification Rates 1 through 7.

7 Leaf No. 98, Service Classification No. 8, Miscellaneous Revenues, Hydrant Use
8 Permits, incorporates the changes requested in the testimony of Company
9 Witness Michael J. Pointing.

10 Leaf No. 99, is revised to Service Classification No. 8, Miscellaneous Revenues,
11 (continued).

12 Leaf No. 100 contains the proposed SC-9 Rate: Service to Other Water Supply
13 Systems.

14 Statement Type: RTS, Statement No. 5, Local Surcharge Applicable in
15 Municipalities Where Service is Supplied Statement (RTS), is revised to change
16 the Effective Rate to a percentage rather than a factor and to delete those rate
17 columns no longer used.

18 Statement Type: UIRP, Statement No. 5, Underground Infrastructure Renewal
19 Program Statement (Uirp), Cancelled.

20 Statement Type: DRS, Statement No. 1, Deferred Revenue Statement,
21 Cancelled.

22 Statement Type: WBC, Statement No. 3, Water Bill Credit; MTBE Proceeds
23 Refund, Cancelled.

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1 The above tariffs, both strikeout and proposed, are provided in Exhibit-Cdj 4 and
2 5 respectively.

3

4 **Q. Does this conclude your direct testimony?**

5 A. Yes, it does.