

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

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Proceeding On Motion Of The Commission As To The
Rates, Charges, Rules And Regulations Of **United** Case 13-W- _____
Water New Rochelle Inc. For Water Service

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Proceeding On Motion Of The Commission As To The
Rates, Charges, Rules And Regulations Of **United** Case 13-W- _____
Water Westchester Inc. For Water Service

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TESTIMONY OF MICHAEL J. POINTING

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

November 27, 2013

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Case 13-W-_____ (Westchester)

UNITED WATER NEW ROCHELLE INC.

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1 **Q. Please state your name and business address.**

2 A. My name is Michael J. Pointing. My business address is 360 West Nyack Road,
3 West Nyack, New York 10994.

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

6 A. I am Vice President and General Manager for the New York Division of United
7 Water ("United Water") In this capacity, I am responsible for the operations and
8 management of the New York subsidiaries of United Water, including, United
9 Water Westchester Inc. ("UWWC" or the "Company") and United Water New
10 Rochelle Inc. ("UWNR" or the "Company") (collectively, "the Companies" or the
11 "Company"). I presented testimony before the New York State Public Service
12 Commission ("NYPSC" or "Commission") in this capacity in Cases 04-W-1221,
13 06-W-0131, 06-W-0244, 09-W-0731, 09-W-0824, 09-W-0828 and 13-W-0295.

14
15 **Q. Briefly describe your education.**

16 A. I am a graduate of the Chelmsford and North East London Universities with a
17 major in Production Engineering, and a post graduate Diploma in Water and
18 Environmental Management. My engineering training was completed under a
19 sponsored program through Ford Motor Company and my water and
20 environmental management training was completed through a similar
21 sponsorship at Northumbrian Water, both in the United Kingdom. Under such

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1 programs, education requirements are completed while employed by the
2 sponsoring company.

3
4 **Q. Please describe your professional affiliations.**

5 A. In the United Kingdom, I am a Chartered Water and Environmental Manager
6 ("CWEM"), a member of the Chartered Institute of Water and Environmental
7 Managers, and a member of the Institution of Water Officers. I also serve as a
8 Board Member of the New York Chapter of the National Association of Water
9 Companies.

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

12 A. As stated previously, I completed all my engineering training with Ford Motor
13 Company and worked in their design facilities in the United Kingdom for a period
14 of ten years. In 1985, I joined Essex and Suffolk Water England (part of
15 Northumbrian Water), where I became the supervisor of Maintenance. Eighteen
16 months later, I became the Manager of Hanningfield area production, with two 80
17 million gallons per day ("MGD") treatment facilities and 20 outlying sites. In
18 1987, I was promoted to Production Manager for Essex and Suffolk Water, with a
19 total production capacity of 176 MGD from eight major source works and 62
20 remote outlying facilities. In 2002, I joined United Water as Director of
21 Performance Management. I assumed my current position in 2003.

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1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. My testimony will generally describe the Company and a number of challenges it
3 is facing, together with the Company's responses to those challenges and the
4 proposed merger of the two Companies. I will specifically address:

- 5 • UWNR/UWWC Profile - General Company Description
- 6 • Merging the two Companies
- 7 • Key Drivers of the Rate Increase
- 8 • Cost Control
- 9 • The escalating cost of water from New York City
- 10 • The Company's approach to reduce lost and unaccounted for water
- 11 • Research & Innovation Alliance ("R+i Alliance" or "Alliance")
- 12 • Customer Service
- 13 • Requested Tariff Changes
- 14 • Monthly Billing
- 15 • Conservation Program
- 16 • Outreach and Education

17

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UWNR/UWWC Profile - General Company Description

Q. Please provide a general description and profile of UWNR.

A. UWNR is a wholly owned subsidiary of United Waterworks Inc., which in turn is wholly owned by United Water Resources Inc. UWNR is just less than 125 years old and operates in 11 municipalities in Westchester County, New York. It serves around 31,000 customers. Approximately 91% of those are residential, 5% are commercial, 3% are apartments, and the remaining customers are industrial and public authority customers (1%). There is very little customer growth because the service territory is, for the most part, "built out" due to the relatively high population density in our service territory. All of the water is purchased through connections to New York City's Catskill, Croton and Delaware Aqueduct systems.

UWNR has four supply stations that have a pumping capacity of approximately 90 million gallons per day. These stations provide a full service standby should New York City Department of Environmental Protection have a failure in either the Catskill or Delaware supply system. The system operation is divided into various service areas. The northern area of our system has three service areas: low, first high and second high. The southern area of our system also has three zones: low, intermediate and high. Due to different elevation areas throughout

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1 the system there are eight booster stations, seven of which are in the northern
2 end of our system where the elevation changes are most severe. UWNR has five
3 standpipes, two elevated tanks and one ground tank. They have a combined
4 storage capacity of 6.5 million gallons. UWNR produces between 20 and 21
5 million gallons per day on average, with a peak day of 35 million gallons per day
6 and a peak hour of 47 million gallons per day.

7
8 Water is treated with chlorine and a corrosion inhibitor, and UWNR also make
9 adjustments to the pH of the water, using caustic soda. Water quality monitoring
10 is conducted pursuant to regulations promulgated by the New York State
11 Department of Health. The distribution system has over 425 miles of mains, with
12 main sizes running from 3/4 inch to 42 inch. Approximately 70% of our mains are
13 6 to 8 inch diameters. The mains are mostly cast iron. The distribution system
14 also has a little over 3,000 hydrants and over 8,000 valves, including hydrant
15 valves.

16
17 On an annual basis, UWNR flushes the entire distribution network to minimize
18 the potential for customer dissatisfaction resulting from colored or dirty water.
19 During the course of the flushing, UWNR tests the fire hydrant flows and the
20 operation of the hydrant to ensure the hydrant is in good condition and will
21 function when required.

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1 Approximately 96% of our customers have remote read meters. Most of our
2 customers are currently billed quarterly in arrears. UWNR has approximately
3 1,000 monthly accounts as well as quarterly fire protection and seasonal
4 sprinkler accounts. The collective effort of 16 management employees, 52
5 bargaining unit members of Local 1-2 of Utility Workers Union of America, and
6 personnel from United Water Management and Services Company carry out the
7 management of the assets that have been described and the service we supply
8 to our customers.

9
10 **Q: Now please provide a general description and profile of UWWC.**

11 A: UWWC also is a wholly owned subsidiary of United Waterworks Inc., which in
12 turn is wholly owned by United Water Resources Inc. The former Aquarion
13 Water Company of New York Inc. ("AWC-NY") was purchased by United Water
14 on April 30, 2007 and renamed United Water Westchester Inc. The Commission
15 approved the purchase on April 18, 2007. UWWC operates in three
16 municipalities in Westchester County, New York, and serves slightly fewer than
17 12,500 customers. Approximately 91% of those are residential, 5% are
18 commercial, 3% are apartments, and the remaining customers are industrial
19 (1%). There is very little customer growth since the service territory is, like
20 UWNR, for the most part, built out. All of UWWC's water is purchased through
21 connections to Westchester Joint Water Works ("WJWW"), and Aquarion Water

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1 Company of Connecticut ("AWC-CT"). Water is purchased as a finished water
2 product with no additional treatment required.

3
4 The UWWC system is composed of the Port Chester Service area that includes
5 the City of Rye, and the Villages of Rye Brook and Port Chester. The system
6 consists of 167 miles of water mains with 1,100 hydrants and approximately
7 1,600 main line valves. There are also 12,857 services, 12,089 meters, and
8 eight District Metering Areas ("DMA") zones with 21 associated meters. The
9 existing water distribution system also includes two storage tanks with a total
10 capacity of 4.55 million gallons, three pump stations, eight interconnections and
11 seven pressure reducing valve ("PRV") stations. No treatment or chemical feed
12 is provided at these facilities. The distribution system is divided into two main
13 pressure districts; the New York Main Service ("NY Main") and the NY High. On
14 average seven million gallons per day is distributed, with a peak day of just less
15 than 12 million gallons per day. As with UWNR, water quality monitoring is
16 conducted pursuant to State requirements. The Company takes 60 distribution
17 samples monthly and these samples are tested by Company personnel for
18 bacteria content, chlorine residual and turbidity level. Other sampling and testing
19 of the water is completed as required by New York State Department of Health
20 ("NYSDOH") regulations, and such tests are carried out by a State approved
21 laboratory. Water quality is monitored continuously in line with the NYSDOH

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1 requirements to ensure compliance with State and Federal Environmental
2 Protection Agency ("EPA") standards.

3
4 On an annual basis UWWC will flush the entire distribution network to minimize
5 the potential for customer dissatisfaction resulting from colored or dirty water.
6 During the course of the flushing, our personnel will test the fire hydrant flows
7 and the operation of the hydrant to ensure the hydrant is in good condition and
8 will function when required. The implementation of a maintenance management
9 system has allowed for the development of a valve exercise program that will
10 continue on an annual rolling basis.

11
12 All customer service lines are metered, with the exception of fire protection lines.
13 Approximately 96% of our customers have remote read meters. Most of our
14 customers are billed quarterly in arrears. The employee base is shared by both
15 UWNR and UWWC to provide service to our customers while taking advantage
16 of synergies that the close geographic proximity of the two companies present.

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Merging the Companies

Q. Are the Companies requesting to merge UWNR and UWWC into one legal entity?

A. Yes. We propose to merge both companies under the United Water New Rochelle Inc. name. It is my understanding that we will be filing shortly a petition with the Commission seeking merger approval.

Q. Are there benefits to the customer as a result of the merger?

A. Yes. While most operational synergies were implemented as a result of the 2007 acquisition of UWWC, there are further potential efficiencies that arise as a result of the merger, including:

- There will be a single rate filing for the combined company, which will reduce rate case expense to the customers.
- Consolidation of tariffs and other ministerial, internal tasks should be reduced and the expenses related to two separate corporate structures should diminish over time.
- Capital Investment and Infrastructure replacement will be spread out over a larger rate base making it more economical on a per customer basis.

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1 **Q. Have the Companies already achieved any concrete savings as a**
2 **consequence of the anticipated merger?**

3 A. Yes. In advance of the merger, UWNR and UWWC have reduced the Finance
4 and Accounting function from three (3) employees previously, to two (2) current
5 employees. This was in anticipation of having to maintain only one set of
6 financial records, as well as only filling a single set of Commission reports
7 annually.

8

9 **Q. Have you previously achieved operational and other synergy saving**
10 **between these two companies?**

11 A. Essentially, since 2007, UWWC and UWNR have operated as one company,
12 with management oversight, office facilities, labor resources etc, all being shared
13 for efficiency.

14

15 **Q. Are the rates charged to customers by both companies similar?**

16 A. Yes. The rates are close. Although there are some differences, they are not
17 significant.

18

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Key Drivers of the Rate Increase

Q. When was UWNR-UWWC's last general rate filing?

A. UWNR and UWWC last filed for a general rate increase in November 2009, with an Order date of October 2010, which provided for four year rate plans for both companies.

Q. Why is UWNR-UWWC seeking an increase in its rates at this time?

A. While rate proceedings are expensive and time consuming, UWNR and UWWC must file for rate relief when capital and operating costs reach a point where financial and operating performance could be affected.

UWNR and UWWC have invested nearly \$28 million and \$10.5 million, respectively in capital over the last three years. These significant investments have provided improved pressure and flows for fire suppression, increased standby power capabilities, DMA's to target lost and unaccounted for water, automated meter reading infrastructure ("AMI"), and valve replacements. Tangible benefits of the investments can be seen in the Company's performance during severe weather events. Since August 2011 there have been five major storms that have hit the Northeast United States: Tropical Storm Irene (August 2011), Tropical Storm Lee (October 2011), the October 2011 Snow Storm

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1 (Albert), Superstorm Sandy (October 2012) and the November 2012 Nor'easter
2 (Athena). These storms caused widespread damage and power outages
3 throughout Westchester County. During Superstorm Sandy, power was lost at
4 the majority of UWNR-UWWC locations, and approximately 95% of our facilities
5 were without utility power. In spite of these major challenges, we maintained our
6 customers' water supply for consumption and fire protection continuously
7 throughout these events. Our foresight and planning resulting in specific
8 investments to maintain our sources of supply in the face of both flooding and
9 power outages have served our customers well. These infrastructure investments
10 made in sources of supply, booster pumping, standby power generation,
11 transmission and distribution mains, etc. have provided proven customer value.
12 Investment in infrastructure will continue in the future through programs such as
13 the Long Term Main Renewal Program ("LTMRP"), as detailed in the testimony
14 of Company Witness McEvoy.

15
16 UWNR and UWWC's priority and goal is to provide consistent value for its
17 services. To achieve this priority and goal, UWNR-UWWC stringently controls
18 operation and maintenance expenses so that the Company runs as efficiently as
19 possible. However, since the Company's last rate case there have been several
20 significant increases in certain costs that are beyond our control and make

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1 current revenue inadequate to generate a fair rate of return. Some of the key
2 drivers of the increase in costs are discussed in more detail below.

3
4 **Q. What amount of rate relief is the Company seeking in this case?**

5 A. As further discussed in the testimony of Company Witnesses Doherty, the
6 increase in base rates being requested on a combined basis is \$14.4 million (or
7 22.9% over projected revenues at existing rates).

8
9 **Q. What specific costs have increased most significantly since the Company's**
10 **last rate filing?**

11 A. Despite the Company's strong cost control efforts, we are seeing substantial
12 increases in the following major expense items: real estate taxes (\$1.7 million),
13 Labor expense (\$500,000); and medical benefits (\$1.6 million) (see testimony of
14 Company Witness Gil)

15
16 **Cost of Water UWNR-UWWC**

17
18 **Q. What are the sources of supply for UWNR?**

19 A. All of UWNR's water is drawn from the aqueducts supplied by New York City's
20 reservoirs. Most of the water is taken from the Catskill and Delaware aqueducts.
21 A small amount (about 5%) is available from the Croton aqueduct.

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1 **Q. Is New York City obligated to provide this water to UWNR?**

2 A. Yes. The New York State Water Supply Act of 1905 and subsequent
3 amendments entitle municipalities and water districts in those counties north of
4 New York City ("NYC") in which NYC's water supply facilities are located to be
5 supplied with water from the NYC system. UWNR purchases water as the agent
6 for a number of Westchester municipalities in its service area.

7

8 **Q. How is the amount of water that the Westchester municipalities of UWNR**
9 **are entitled to take determined?**

10 A. The so-called "entitlement water" is the product of the average consumption of
11 water by an inhabitant of NYC (per capita consumption), multiplied by the
12 number of residents in the Westchester County community taking the water.
13 Water taken above the entitlement amount is known as "Excess entitlement" and
14 NYC charges a premium for this water.

15

16 **Q What portion of the Company's expense is related to purchased water?**

17 A. The Company's purchased water cost represents 50% of its operation and
18 maintenance expense excluding amortization expense.

19

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1 **Q. What has been UWNR's experience with respect to the price charged by**
2 **New York City for entitlement water?**

3 A. Since 2003 the "entitlement" rate for water purchased from New York City has
4 increased by over 300% from \$485 per/mg, to the current July 1, 2013 rate of
5 \$1,496 per/mg.

6
7 **Q. Does the Company foresee the "Excess" charges increasing?**

8 A. Yes. NYC has recently experienced a downward trend of per capita usage in
9 2009, more than likely as result of the current economy. The NYC per capita rate
10 has declined from 140 gallons per person, per day, in 2008 to approximately 124
11 gallons per person, per day currently. This has translated to an almost 3 million
12 gallon per day reduction in the entitlement amount for UWNR.

13
14 **Q. Do you anticipate that New York City's charges for entitlement water will**
15 **continue to accelerate at high rates?**

16 A. Yes. Based upon both our recent experience with NYC's rates and the widely
17 publicized environmental pressure on NYC to improve upon (i.e., invest in) all of
18 its upstate water facilities, we project that its water charges will continue to
19 increase for the foreseeable future.

20

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1 **Q. Please describe the Excess entitlement charge.**

2 A. The Excess entitlement charge is, in effect, a penalty charged by NYC when any
3 water purveyor in Westchester County uses more than the entitlement amount.
4 Water used over and above the entitlement rate, which (as noted previously) is
5 calculated by multiplying the population served by the water purveyor in
6 Westchester County, by the per capita consumption in NYC. NYC makes this
7 excess water computation on a monthly basis. Clearly, the UWNR communities
8 served are suburban communities with backyards and outdoor water usage
9 which will inevitably be higher than the inner city urban areas with no backyards
10 or any significant outdoor water use.

11

12 **Q. How large is the Excess entitlement cost?**

13 A. The cost per million gallons increases over the entitlement rate by a factor of
14 more than 370%.

15

16 **Q. Is UWNR taking steps to challenge these increased costs from NYC?**

17 A. Yes. Each year when the NYC announces a proposed increase, United Water
18 New Rochelle requests the cost of service details supporting the increase,
19 analyzes those documents and protests the increase. Evidence of these actions
20 has been provided to New York State Department of Public Service Staff when
21 requesting approval of the inclusion of the higher costs in its purchased water

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1 adjustment statement. Additionally, both UWNR and UWWC participate in a
2 municipal consortium which has challenged the NYC rates and rate making
3 process on an annual basis. This consortium, which was initiated by UWNR,
4 has currently filed a petition before the Commission challenging the excess rate
5 and requesting that the PSC set the Excess entitlement rate.

6
7 **Q. What else could be done to limit the impact of Excess entitlement charges**
8 **to customers?**

9 A. The real key is to encourage our customers to conserve water. The PSC
10 provides an appropriate vehicle in the form of revenue reconciliation to support
11 companies like UWNR and promote conservation. UWNR has an active
12 conservation program as detailed later, in addition to providing customers with
13 more detail on conservation measures, fixtures and fittings. UWNR plans to
14 revisit the conservation strategy and complete a pilot of the Consumer Water
15 Usage survey. Suggested plans for further conservation initiatives can be seen
16 below in the conservation section.

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1 **Q. Where does UWWC obtain its water?**

2 A. All of UWWC's water is supplied through interconnections with WJWW and
3 AWC-CT. Currently, about 60% of the water is purchased from AWC-CT, with
4 the balance coming from WJWW.

5

6 **Q. Are WJWW and AWC-CT obliged to provide this water to UWWC?**

7 A. Yes. There is a water supply agreement in place from 1982 with WJWW that
8 was transferred in the acquisition, and this agreement automatically renews on
9 an annual basis until either party serves a 12-month notice that it wishes to
10 discontinue the relationship. Additionally, there is a water supply agreement with
11 AWC-CT that runs through the year 2029.

12

13 **Q. What is the amount of water that UWWC is entitled to from each**
14 **agreement?**

15 A. The current agreement with AWC-CT is limited to 5.0 million gallons per day on
16 an annual average. The WJWW agreement provides for 3.0 million gallons per
17 day on a monthly average.

18

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1 **Q** **What portion of the Company's Operation and Maintenance expense is the**
2 **purchased water expense?**

3 A. The Company's purchased water cost comprises almost 70% of the Company's
4 expenses.

5
6 **Q.** **What has been UWWC's experience with respect to the rates charged by**
7 **WJWW and AWC-CT for water?**

8 A. Both WJWW and AWC-CT have increased rates over the past year. AWC-CT
9 increased rates in October 2013 by 11.38% and effective July 1, 2013, WJWW
10 has served notice of a 9.2% increase bringing the base rate to \$1,782.96. The
11 increase on the total purchased water cost includes the Excess entitlement
12 charge. UWWC is charged from WJWW anything in excess of 3 MGD average
13 per month the excess rate of \$4,786.10 per million gallons.

14
15 **Q.** **Is UWWC taking steps to challenge these increased costs?**

16 A. Yes. As outlined above, both UWWC and UWNR participate in a water
17 consortium which challenges the WJWW portion of rates on an annual basis, as
18 well as formally protesting the increase to the NYC Water Board directly in
19 writing. Additionally, UWWC has intervened in the most recent AWC-CT rate
20 proceeding regarding the proposed rate increase of 22% to UWWC. This effort

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1 has resulted in a 50% reduction in potential increases to an approximate 11%
2 final number.

3
4 **Q. Are there other water supply issues for UWWC?**

5 A. Yes, the Company is currently involved with WJWW concerning future supply
6 issues. As previously stated, we currently purchase approximately 40% of our
7 water from WJWW which has been placed under a Consent Order from the
8 NYSDOH to provide filtration for their Rye Lake source of supply. Ninety-five
9 percent of the water purchased from WJWW by UWWC is provided from the Rye
10 Lake source. WJWW has not been receptive to building a filtration plant for the
11 Rye Lake supply, and is currently looking at other alternatives in order to
12 abandon it as a source.

13
14 **Q. What is UWWC doing to ensure the adequacy of the water supply for its**
15 **customers?**

16 A. UWWC is currently evaluating the operational, engineering, and financial viability
17 of several options to ensure we can provide an appropriate supply of water to our
18 customers for the foreseeable future.

19
20 **Q. Please outline these options.**

21 A. The supply options currently being considered are the following:

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- Potentially securing the rights to water from Rye Lake in Harrison and constructing a Filtration Plant to feed UWWC customers.
- Partnering with WJWW to participate in a proposed Westchester County Water Supply Pipeline project that would provide water from either Kensico Dam or the New York City Department of Environmental Protection ("NYCDEP") Ultra Violet Disinfection facility currently being constructed in Eastview.

Q. Has an alternative been chosen?

A. No. We are still in the evaluation phase of the identified alternatives to ensure that we provide the Companies and our customers with the best possible value proposition. Significant investment in either infrastructure or operating costs, or some combination thereof, will be required for any of the outlined alternatives.

Reduction of Lost and Unaccounted For Water

Q. Have UWNR and UWWC undertaken steps specifically designed to reduce their percentage of lost and unaccounted for water?

A. Yes.

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1 **Q. Please describe those steps.**

2 A. The overall strategy for our Non-Revenue water ("NRW") plan is to understand
3 each component of NRW down to a level that an effective and efficient action can
4 be taken to reduce NRW. There are three types of losses that UWNR and
5 UWWC are working to diminish as follows:

- 6 • "Apparent Losses" consist of unauthorized consumption including
7 consumption (theft or illegal use), and all types of inaccuracies associated
8 with production metering and customer metering. Over-registration of
9 production meters, and under-registration of customer meters, leads to
10 underestimation of Real Losses.
- 11 • "Real Losses" are defined as physical water losses from the pressurized
12 system and the utility's storage tanks, up to the point of customer use. In
13 metered systems this is the customer meter, in unmetered situations this
14 is the first point of use within the property. The annual volume lost
15 through all types of leaks, breaks and overflows depends on frequencies,
16 flow rates, and average duration of individual leaks, breaks and overflows.
- 17 • "Un-avoidable real losses" consist of losses for water that is either used by
18 the company during the course of their business (examples are water
19 used for flushing hydrants, water used for washing out storage tanks,
20 water lost during the course of main replacement and refilling,

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instrumentation, etc.) or by municipalities for fire suppressions and fire drills.

UWNR and UWWC, like companies in many areas with aging infrastructure, experience both real and apparent non-revenue water losses. UWNR and UWWC have embarked on a NRW reduction program, and have developed NRW loss estimates. UWNR and UWWC engaged Halcrow on a consulting basis for a year- long study to assist in the development of a reduction strategy for NRW. These studies, which were submitted to the Commission in February and June of 2012, provided a detailed system assessment composed of the following elements:

- Perform System Wide water Balance;
- Define DMA;
- DMA Level Evaluation; and
- Develop Strategy for NRW reduction.

Accordingly, UWNR-UWWC are implementing a NRW program, utilizing a rigorous and recognized global strategy, incorporating infrastructure improvements, establishment of DMAs, and the installation of AMI, which are all best practices geared toward reducing the overall NRW numbers.

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1 Typically, reducing real losses involves a large scale infrastructure commitment
2 (i.e., pipe replacement, DMA installations) to help identify and decrease leakage.
3 The effect is to decrease the quantity of wholesale water that UWNR and UWWC
4 are purchasing.

5
6 Reducing apparent losses involves finding where water is being used by
7 customers but not being paid for. This is particularly important in regard to water
8 “theft” by bypassed meters or unauthorized connections, whereby a minority of
9 the population can affect those customers who are paying for all water
10 consumed. In one case, UWWC found a customer with over 80 properties and
11 service agreements that had over 70 tampered meters with unauthorized, un-
12 metered consumption taking place.

13
14 The methodology for reducing NRW relies on data that is produced and reviewed
15 on an extremely granular level through the installation and utilization of DMAs,
16 and AMI.

17
18 **Q. What else is being done to assist in the Prevention of System Losses?**

19 A. To address real losses that may be avoidable, UWNR-UWWC have an ongoing
20 program to reduce system water losses, including a LTMRP that consists of
21 rehabilitating and replacing the various components of United Water’s distribution

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1 system. The LTMRP program includes the system-wide replacement of aging
2 water mains, fire flow improvements, and transmission improvements. Aging
3 main replacements entail methodically replacing aging and deteriorating pipes as
4 they reach the end of their useful lives.

5
6 The current level of the LTMRP allows UWNR-UWWC to replace slightly less
7 than one percent of their distribution lines annually. The fire flow improvement
8 project replaces pipes and hydrants that are responsible for less than adequate
9 fire flow capacity. Transmission improvements are systematically undertaken to
10 resolve significant limitations in transmission capacity.

11
12 The American Water Works Association (“AWWA”) water auditing method
13 requires the calculation of what is known as the Infrastructure Leakage Index or
14 “ILI.” The ILI is a measure of how well the water distribution system is being
15 managed for the control of real losses at the current operating pressure. A ratio
16 of 1.0 would represent a system operating perfectly, with absolutely no
17 unavoidable loss. Following the AWWA’s Water Loss guidelines, ILIs of less
18 than 3.0 are optimal, and systems with ILIs greater than 8.0 have high levels of
19 loss and would benefit from an increased leak detection program. For systems
20 with ILIs between 3.0 and 8.0, the ratios may suggest efficiency targets that
21 depend on the specific water utility, the availability of water, and the cost of

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1 infrastructure improvements. UWNR-UWWC's 2012 ILI was 2.51 and 2.91
2 respectively, indicating that the leakage from the UWNR-UWWC's system is
3 within the optimal range.
4

5 **Q. Have these steps reduced the NRW percentage?**

6 A. From September 2009 to September 2013, our percentage of lost and
7 unaccounted for water in UWNR has been reduced from 26.6% to 21%. This
8 equates to a reduction of NRW volumes from 1,816 million gallons in 2009 to
9 1,406 million gallons in 2013. In UWWC during the same period, the percentage
10 has been reduced from 31.5% to 26.6%, which equates to a reduction in NRW
11 volumes of 971 million gallons to 737 million gallons.
12

13 **Q. Will reducing NRW further require more resources?**

14 A. With our current approach, we have adopted an active leakage control policy,
15 which has resulted in both capital investment in the infrastructure and the
16 addition of some direct labor. This direct labor includes an additional Facility
17 Operator for system leak detection, and a Non-Revenue Water Manager who is
18 the single point of accountability in managing and overall strategy of our NRW
19 reduction plan.
20

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1 An active leakage control policy is linked to our overall asset management plan
2 and the more effective management of assets based on the whole life cost
3 approach. While the LTMRP supports an active leakage control policy with
4 investment in the infrastructure as a key component, this alone will not maximize
5 success in this endeavor. The principle of an active leakage control policy is to
6 break the distribution network into smaller discrete district metered areas with
7 water being metered as it enters and leaves each closed off district. With the
8 district metered areas just about complete, we can now begin to target the areas
9 where the NRW is the highest. With the DMAs, coupled with continued
10 investment in AMI, and the institution of monthly billing, we will now begin to
11 monitor the consumption in an area on a real-time basis so as to monitor the rate
12 of change in demand and identify when leaks and unauthorized un-metered
13 usage arise. Each area would then be blanket surveyed in order to identify the
14 source, and then address the issue. The surveying and detection of leakage is
15 accomplished by deploying data loggers to track down where the elevated usage
16 may be in the area and then turn to leak noise correlation to pin point the leak
17 location. Unauthorized un-metered usage will be determined by utilizing the daily
18 mass balance equations made available via the DMA and AMI systems to
19 identify "out of ordinary" usage patterns and potential meter tampering.
20 Resources then would be deployed to physically inspect identified issues for
21 resolution. Only by using this proactive approach to manage leakage will the

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1 NRW be reduced to the target levels. Nevertheless, it must be kept in mind that
2 this is an old system, under high pressure, with variable topography and rocky
3 terrain. Consequently, given the current resourcing and despite our best efforts,
4 there will continue to be a high level of NRW.

5
6 **Q. Can you comment on the likelihood of UWNR-UWWC being able to achieve**
7 **18% or lower NRW?**

8 A. The ultimate goal of any sustainable and responsible NRW plan is to drive the
9 water loss percentage as low as possible. NRW levels at, or below, the 18
10 percent range should be the ultimate target number in our region based on the
11 geographical topography, and the paradox of diminishing returns with respect to
12 what is spent versus what is saved.

13
14 The operating environment for UWNR-UWWC has an impact on the NRW, our
15 systems have aging infrastructure with many pipes and services being over 80
16 years old. Additionally, our pipes are located in rock sub-surfaces where leaks
17 do not lend themselves to surfacing, as they do in the sand and gravel
18 environments located in other parts of the state. There are many changes in
19 elevation, with some pressures over 100 psi, and any leaks are compounded by
20 this high pressure. System pressure management via the lowering of system
21 pressures will be an additional key factor for controlling NRW in the future. With

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1 additional investment in infrastructure renewal, and the recent investment in
2 district metered areas, along with continued investment in AMI, the numbers can
3 be lowered. The process to lower and control unaccounted for water (“UFW”) is
4 intensive and time-consuming, however, and numbers in the range of 18% will
5 take years to achieve.

6
7 **Q. Are there any issues regarding the calculation of NRW.**

8 A. Yes. Language contained in the following excerpts from the Codes, Rules and
9 Regulations of the Public Service Commission (“16 NYCRR”) needs further
10 interpretation. UWNR-UWWC believes that if we charge other departments
11 under 16 NYCRR 566.3 below for regulatory requirements such as hydrant
12 flushing, the water is billed consumption, and should be recognized accordingly
13 for NRW calculation purposes. Additionally, under 16 NYCRR 567.927, UWNR-
14 UWWC also believe all water utilized for street sweeping, and all fire department
15 hydrant use for fires, training etc., as “utility service furnished without charge
16 under provisions of franchises”, should also be recognized as authorized billed
17 consumption. The relevant portion of 16 NYCRR states:

18
19 ***§ 566.3 - Water or steam used by the utility***

20 ***(a) If the utility desires to charge the appropriate accounts in any of its water***
21 ***operations with the cost of water or steam used from its own supply, the***

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1 *credit therefore shall not be made to operating revenue accounts, but to*
2 *account 929, Duplicate Charges--Credit.*

3 ***(b) Water supplied by the utility from its own supply to other departments shall be***
4 *accounted for in the following manner: If the water is supplied under a*
5 *definite arrangement whereby the actual costs are allocated between or*
6 *among the departments using the water, the credit in the accounts of the*
7 *water department shall be made to the appropriate operations or*
8 *maintenance account or accounts, except that the amount of any return or*
9 *interest, and the amount of depreciation and taxes charged against the*
10 *other departments shall be credited to account 473, Interdepartmental*
11 *Rents. If the charges are at tariff or other specified rates for the water*
12 *supplied, then the entire amount charged shall be credited to account 467,*
13 *Interdepartmental Sales.*

14 **§ 567.927 - Franchise Requirements**

15 ***A. This account shall include payments to municipal or other governmental***
16 *authorities, and the cost of materials, supplies and services furnished such*
17 *authorities without reimbursement in compliance with franchise,*
18 *ordinance, or similar requirements; provided, however, that the utility may*
19 *charge to this account at regular tariff rates, instead of cost, utility service*
20 *furnished without charge under provisions of franchises. (See also account*
21 *302, Franchises and Consents.)*

22 ***B. When no direct outlay is involved, concurrent credit for such charges shall be***
23 *to account 929, Duplicate Charges-Credit.*

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1 **Q. Please generally discuss the addition of personnel.**

2 A. There are five (5) additional positions that are included in Labor expenses as
3 compared to the last rate case. Two of these positions are related to the
4 inadvertent omission of two existing employees who were on disability leave
5 during the last rate proceeding, and were mistakenly not accounted for in the
6 final headcount. Two positions include a GIS Analyst and Hydraulic Modeler.
7 These positions were previously employees of another department/function that
8 were transferring their time to UWNR and UWWC, and these employees are now
9 direct employees of UWNR and UWWC. Only one new position is related to the
10 change to monthly billing (customer service representative).

11

12 **Q. Are any of these new positions offset by savings?**

13 A. Yes. The charges related to the GIS Analyst and Hydraulic Modeler will no
14 longer be transferring in to UWNR-UWWC from other departments/functions,
15 thereby reducing those charges, accordingly. Also the charges for these two
16 employees are 100 percent capitalized.

17

18 **Q. What percentage of the difference between actual and target Real Estate**
19 **Tax expense are the Companies currently allowed to reconcile?**

20 A. The Companies are permitted to recover 85% of the Real Estate Tax differential.

21

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1 **Q. Is this percentage adequate?**

2 A. No.

3

4 **Q. Please explain why the percentage is not adequate.**

5 A. The Companies review and thoroughly analyze Real Estate Tax bills and
6 aggressively challenge assessments when necessary. Even though the

7 Companies are vigilant in keeping its Real Estate taxes as low as possible, their
8 options for impacting the total costs, specifically the Franchise portion, is limited.

9 The work papers prepared by Witness Gil demonstrate how volatile the actual
10 Real Estate Tax charges have been over the past several years.

11

12 **Q. What would you propose to mitigate the impact of this volatility?**

13 A. The Companies propose increasing Real Estate Tax reconciliation percentage
14 from 85% to 100%.

15

16

17

18

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1 **Cost Control**

2
3 **Q. What specific steps has UWNR-UWWC done to manage its costs?**

4 A. UWNR-UWWC, as part of a larger national company, has been able to leverage
5 its company size and volumes to negotiate favorable unit prices for chemicals,
6 energy, paving, contractors' charges and transportation costs. These favorable
7 conditions for both operating expenses and capital are passed on to our
8 customers through lower operating expense needs. UWNR-UWWC continues to
9 control their infrastructure maintenance costs by using in-house labor resources
10 rather than contractors. The reduction in these costs was achieved by reducing
11 crew sizes for certain types of work, such as curb box replacement/repairs. By
12 reducing crew sizes, we have better managed the workload backlog for the
13 traditional infrastructure maintenance work and used the resulting available
14 capacity for new service connections and similar projects. With no increase in
15 staff, UWNR-UWWC has been able to complete jobs more efficiently.

16
17 **Chemical and Energy Costs**

18
19 **Q. Does UWNR-UWWC take steps to control chemicals costs?**

20 A. Yes. To obtain the lowest available prices, depending on the chemical, the
21 Companies continue to buy through a national contract using the leverage of the

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1 entire United Water purchase volume, or we bid our local purchases on an
2 annual basis. In addition, the Companies tightly control and monitor the dosing
3 of chemicals through short interval controls and on site bench scale jar testing to
4 insure that the Companies are not using more chemicals than are required to
5 maintain compliance with the EPA's water quality standards. It is important to
6 note that water quality standards continue to be made more stringent. In 2013,
7 new regulations regarding Disinfection Byproducts ("DBPs") began. These
8 regulations may require additional chemical usage in the future to achieve and
9 prevent the potential formation of DBPs. As a result, our practice of tight control
10 and monitoring will be even more critical in the future for controlling necessary
11 chemical costs.

12
13 **Q. What have the Companies done to manage electricity costs?**

14 A. The Companies actively seek to manage electricity, which is a large cost
15 component for any water system. UWNR-UWWC has developed short interval
16 controls to better monitor energy usage. Maximum demand charges imposed by
17 electric providers are managed to ensure that the Companies avoid such
18 charges when possible. To further control energy costs, the Companies are
19 installing variable frequency drives on our motors. One of the most recent
20 projects was the installation of a new below ground pumping station located in
21 the Village of Dobbs Ferry. As part of an overall engineering analysis of the

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1 Pocantico system, various booster station upgrades were recommended to meet
2 system demands and increase available fire flows. This station was designed to
3 replace the undersized and inefficient 40 horse power motors that were not
4 equipped with variable frequency drive ("VFD") capacity, to three 60 horse power
5 motors all VFD for better efficiency and production operation. Additionally, for
6 about 60% of the year, UWNR has been able to avoid costly electricity by
7 utilizing gravity feed from Shaft 22 to our Delaware pumping station for the New
8 Rochelle Low system. The station was strategically designed with elevation in
9 mind, so the VFD and pumps do not need to run 24/7 to feed and supply water to
10 this district. This type of operation allows the Company to maximize energy and
11 demand cost savings.

12 Additionally, United Water has a very strong Hedging Management Team
13 that constantly watches the electricity markets for pricing changes. As favorable
14 pricing and conditions arise, the Hedging Team will reevaluate the Companies'
15 energy options to look for pricing reductions. Locking in prices and
16 blending/extending have been used very successfully by the Companies for the
17 benefit of customers. It must be stressed that hedging is not an exact science
18 and can carry some customer cost risk should energy prices decline after a price
19 has been locked in. Overall, hedging has proven to be an effective strategy that
20 benefits our customers by managing actively the energy price risk. The following
21 recap provides the detail of benefits provided to customers.

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1 The electricity pricing for 10 of UWNR electric accounts (which constitute
2 approximately 95% of total electric energy use) in 2010 was \$0.07827 per kWh.
3 In November 2010, new contracts were executed to reduce the 2011 pricing for
4 these accounts to \$0.06279 per kWh and \$0.7191 for 2012 and 2013,
5 respectively. In May 2012, a new contract was executed to reduce 2014 cost to
6 \$0.0595 per kWh for the 10 accounts.

7
8 **Cost Control Summary**

9
10 **Q. Please summarize UWNR and UWWC's efforts to control costs.**

11 A. As I have testified, UWNR and UWWC manage key controllable costs
12 aggressively. Very active steps have been taken by the United Water's Hedging
13 Management Team to reduce electricity prices. Chemicals have been bid as a
14 collective to leverage the buying volume from all of United Water's business. Our
15 performance management tools are effectively managing chemicals and energy
16 on a short interval control basis to further optimize usage versus cost. Regular
17 management performance reviews are conducted weekly to oversee the key
18 indicators. Our employees have shown greater flexibility by using variable crew
19 sizes to complete more work and, where appropriate, reduce reliance on outside
20 contractors. As a result, the existing UWNR-UWWC crews are now completing a
21 larger amount of infrastructure maintenance and new service work.

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1 Infrastructure maintenance and installations are bid on a frequent basis to test
2 market conditions and ensure we have the best possible pricing. All invoices are
3 paid to make the most of vendor discounts. Discretionary spending is at an all-
4 time low with very limited spending on travel and training. However, the current
5 cost base is not sustainable and is very much a short term (less than one year)
6 cost base. Any further reductions in the Companies' cost base will likely have an
7 impact on meeting regulatory compliance, including service standards, water
8 quality and environmental compliance.

9
10 **Research & Innovation Alliance**

11
12 **Q. How does United Water receive funding for research and development**
13 **activities and what benefits do these activities provide?**

14 A. United Water's parent company, Suez Environnement, offers research grants to
15 its operating companies for a variety of drinking water-related projects. Funding
16 is available each year through several research programs. Research conducted
17 by United Water under the Research & Innovation (R+i) Alliance and other Suez
18 Environnement programs provides added value to the Companies in several
19 ways:

- 20 1. Research results are applied to specific capital projects to reduce capital
21 expenditures.

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2. Research on water treatment processes is used to optimize operations,
reduce operating costs and improve water quality.

3. Research on new technologies is used to reduce the testing required by
the Companies to obtain regulatory approvals to apply these technologies

Q. What is the R+i Alliance?

A. The R+i Alliance is a legal entity structured as a partnership between the
following companies: Lyonnaise des Eaux, United Water Management and
Services, Aguas de Barcelona in Spain and Suez Environnement. The R+i
Alliance is a group of companies with global dimension. It coordinates a dynamic
network around research and innovation in a continuous knowledge sharing
initiative. This partnership provides the Companies with access to a worldwide
technical network including experts in virtually every field of water and
wastewater operations, from water supply to treatment, distribution, and sludge
drying.

Q. What is the objective of the R+i Alliance?

A. The mission of the R+i Alliance is to select, fund and coordinate the execution of
common projects. The focus is on operational needs within these companies in
which innovation can be brought to everyday operations.

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1 **Q. What is the structure of this partnership and what part does United Water**
2 **play?**

3 A. The R+i Alliance has a Board of Directors, composed of the CEO of each
4 member company. The Board of Directors provides direction to a Steering
5 Committee, which is composed of two senior executives from each member
6 company. Program advisory committees ("PACs") have been established in
7 various technical areas. These PACs review ideas for projects from the member
8 companies, submit selected projects for review and approval by the Steering
9 Committee, and monitor the progress of ongoing projects. The projects are
10 developed by the member companies and are performed by research centers
11 located in each member company.

12
13 **Q. How is the R+i Alliance funded?**

14 A. The R+i Alliance is funded by member company contributions of approximately
15 \$2.7 million per year per member. A portion of the United Water contribution to
16 the R+i Alliance is allocated to each of the United Water companies. The
17 allocation is proportional to company size. On this basis, UWNR and UWWC
18 contribute approximately \$140,693.00 and \$31,381.00 per year respectively.

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1 **Q. What are the advantages to UWNR and UWWC of the R+i Alliance?**

2 A. The R+i Alliance was created to obtain better value from research and innovation
3 projects by means of: Leverage – economies of scale and synergies between
4 companies; Direction – the ability to steer and influence the work undertaken;
5 Strategic Input – a pool of expertise ensuring the needs of the US water industry;
6 and Transparency – clear selection and funding processes. There is a discrete
7 technical program with identified phases of development, execution and
8 dissemination of results for projects. Overall, the topics are arranged into
9 program themes, each theme being managed by a member of the sSeering
10 Committee. The themes are Asset Management, Energy Efficiency, Control of
11 Odors, Sludge Management, Storm Water Management, Metering, Water and
12 Health. United Water as a whole is able to participate in a range of innovative
13 projects far greater than possible on its own. As part of United Water Resources,
14 UWNR and UWWC are able to participate in, and influence this research.

15

16 **Q. Do you have any examples, particularly with respect to UWNR-UWWC?**

17 A. Yes, the discussion provides some examples:

18 1. Methods for Permanent Network Leakage Monitoring – For the past
19 several years, United Water has organized workshops in the U.S. to
20 present the state-of-the-art findings with regard to leak detection
21 techniques and methods being studied by R+i Alliance. This past year,

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1 the Companies' staff has been trained in the use of a NRW tool (called
2 Aquacircle) developed as part of an R+i Alliance research project. This
3 tool provides a standard method for assessing NRW and developing
4 action plans to reduce NRW.

- 5 2. Fixed Network Automatic Meter Reading ("AMR") – This project involved
6 the evaluation and testing of two AMR technologies for meter reading.
7 Based on the findings of this work, United Water is conducting further
8 demonstration testing of AMR for future use throughout the Companies.

- 9 3. Meter metrology monitoring through AMI data analysis – As the
10 Companies continue to deploy AMI solutions, we will be obtaining massive
11 quantities of data. This presents both challenges and opportunities.
12 Challenges are how to manage the data and opportunities and how the
13 data can be used to provide useful information (e.g., meters not
14 functioning properly, excessive usage possible caused by leaks). This
15 project aims to develop statistical methods to analyze AMI data, provide
16 quick/convenient methods to analyze the data and provide results to
17 identify possible problems.

- 18 4. Management of Permanent and Dynamic Metering Districts – Research
19 was conducted over the last several years to develop guidelines for the
20 optimum design of DMAs to help companies reduce water losses within
21 the network and ultimately improve overall asset performance. The

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1 results of this study were used in studies for both UWNR and UWWC to
2 develop DMA plans which are currently being implemented.

3 5. Remote Monitoring of Fire Hydrants – A research project was recently
4 initiated to consider methods to remotely monitor fire hydrants to better
5 control their authorized and unauthorized usage. As improper usage of
6 hydrants can lead to loss of water and pipeline breaks (i.e., water
7 hammer). This project was deemed to be useful to participate in and the
8 manager of T&D of the NY Division is participating in this project.

9 6. Advanced T&D Monitoring Program (AquaAdvanced) – This project, which
10 was initiated in 2012, is developing a software “dashboard” to better
11 integrate all of the information from T&D networks for the primary purpose
12 of improving operational efficiency. AquaAdvanced will provide a software
13 platform so that data from AMI, DMAs, hydraulic models and system asset
14 management can be integrated to allow for better decision making.
15 UWWC will serve as a pilot site for this project.

16
17 **Q: Does United Water have a research center?**

18 A. Yes, in 2009, United Water established a research center to facilitate the conduct
19 of research in the U.S. with direct benefit to operating companies like UWNR-
20 UWWC. This research center, the Water and Environment Research Centers
21 (“WERCs”) “taps” the expertise throughout United Water to participate in

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1 research that will further our efforts to continually improve. Since 2009, WERCs
2 has been awarded about \$3 million in research grants. As a member of the R+i
3 Alliance, the Companies have participated in over \$10 million in research that
4 has either directly or indirectly benefited customers.

5
6 **Q. Do you believe it is appropriate for the Companies to participate in such a**
7 **research program?**

8 A. Yes. A water utility of the stature of United Water should engage in ongoing
9 research and development. There is a significant amount of research worldwide
10 and some of this is already being funded by the Companies through membership
11 in the American Water Works Association Research Foundation ("AWWARF").
12 The total fees paid by United Water to AWWARF for 2012 were approximately
13 \$155,000 and UWNR-UWWC's share of this amount was \$2,222 and \$2,036,
14 respectively. Unfortunately, total research and development in the water industry
15 has continued to decline in real terms in recent years in spite of looming issues
16 like global warming and growing competition for water resources. The larger
17 companies, such as United Water, have a responsibility to take a leadership role
18 and funding a reasonable level of research and development should be part of
19 that role. United Water strongly believes that the conduct of appropriate
20 research is central to ensuring that the various operating companies have the
21 best available methods and technologies at their disposal to successfully

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1 manage water quality, infrastructure and technology. To this end, support by the
2 Commission to allow the costs associated with these research activities to be
3 recovered from customers sends the important message that such efforts are
4 highly valued in New York and should continue.

5
6 **Q. Are there any estimated savings that will accrue from the research and**
7 **innovation projects described above?**

8 A. Potentially, yes. The expert systems which are under development and
9 described above will be essential tools to drive at reductions in both apparent
10 losses and physical losses. Without the development in these systems, it would
11 likely result in a longer timeframe to reduce the NRW.

12
13 **Customer Service**

14
15 **Q. How do the Companies provide Customer Service?**

16 A. The customer service department is composed of six customer service
17 representatives that handle both UWNR and UWWC Customer Service and
18 inquiries. The hours of operations for our customers are Monday through Friday
19 8:00 a.m. to 4:30 p.m.

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1 On average, for a telephone inquiry from January 2009 through August 2011, the
2 time for a customer to reach a customer service representative was 26 seconds,
3 which is under the internal Company target time to reach a customer service
4 representative of 30 seconds. Customer telephone inquiries were completed in
5 an average of 3 minutes, again under the internal Company target time of 4
6 minutes. On average, 3.2% of calls were abandoned. The internal Company
7 target for abandoned calls is 3%.

8
9 Each year the Company conducts a Customer Satisfaction Survey to solicit
10 customer feedback on the Company's performance. In 2012, on average, 81%
11 of the Company's customers surveyed would recommend UWNR and UWWC as
12 the water company of choice. Results further indicated that on average 80% of
13 the UWNR and UWWC customers surveyed were satisfied with the overall
14 customer service and field performance.

15
16 The Company has received and satisfactorily resolved complaints made by
17 customers to the Commission. From January 2009 to August 2011, there were
18 an average 0.09 complaints per 1,000 customers per month in UWNR and an
19 average .06 complaints per 1,000 customers per month in UWWC.

20
21 **Q. Why do the results only cover the period through August 2011?**

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1 A. In August 2011, the company replaced the existing Customer Information System
2 ("CIS"), which had been in place for over 25 years. Following the implementation
3 of the new Customer Care & Billing System ("CC&B"), call volumes were forecast
4 to increase by up to 20% and call length by up to 40% as customer service
5 representatives became proficient in using the new system. In order to ensure
6 accuracy of the bills produced by CC&B as well as to maintain a superior
7 customer experience, the Company decided to place a hold on collection activity
8 from August 2011 through December 2011. Once the hold expired and
9 automated collection notices started to be sent in January 2012, along with
10 additional collection activities, call volumes significantly increased.

11
12 **Q. Can you give any examples of customer issues you have found?**

13 A. Yes. Despite the economy having a clear impact on the ability of our customers
14 to pay their bills the Company has managed to balance these challenges to keep
15 the number of escalated complaints at a reasonable level. A majority of the
16 escalated complaints are related to the customer bills. UWNR and UWWC very
17 closely follow applicable tariff provisions, utilizing the PSC's guidance on leak
18 allowances. Even so, customers will still seek more relief on high bills beyond
19 the PSC's guidance and may escalate complaints. Without question, the number
20 of billing complaints is being driven by the economy and no other reason.
21 UWNR and UWWC represent the regular, fair-paying customers that timely pay

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1 their bills. It is unfair to these timely-paying customers to continue to provide
2 relief to other customers that may simply just not like paying their water bill and
3 continuously request relief or escalate complaints. As previously mentioned in
4 my testimony on NRW above, the Company found one customer with over 70
5 accounts who had tampered meters for unauthorized un-metered use. The
6 Company replaced the meters in question and back billed the customer based on
7 the new consumption and the Company removed summer usage to demonstrate
8 reasonableness. The customer in question filed an escalated complaint against
9 the Company to protest a myriad of issues without foundation. This is a perfect
10 example where the Company is trying to protect the entire customer base relative
11 to unauthorized unmetered consumption and NRW. As a result of following the
12 tariff and PSC guidelines, a complaint was registered against the Company.
13 Other similar examples exist.

14
15 **Q. Have the Companies taken action to enhance customer service?**

16 A. Yes. The new CIS, based on the Oracle CC&B system, provides enhancements
17 in all aspects of Customer Relationship Management including: billing, account
18 management, revenue management, credit and collections management, field
19 device management, and field service work management. The CIS is a critical
20 building block in the Company's strategy to provide the most efficient and
21 effective basis for providing outstanding customer service while controlling costs.

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1 **Q. What financial support mechanism do UWNR/UWWC have in place for**
2 **customers experiencing difficulty in paying for their water?**

3 A. The Companies offer a customer assistance program called UWCares, which
4 was implemented in November 2005. This community service program assists
5 individuals and families who are in need of temporary help in paying their water
6 bills. Residential customers can apply for assistance with the UWCares
7 agencies established in Rockland County. To be eligible, the customer must
8 have made a good-faith payment of at least \$20 in the 90 days prior to their
9 application and be the customer of record. If qualified, the customer can then
10 receive a one-time payment toward its outstanding water bill of up to \$100 for
11 each calendar year. UWNR and UWWC contribute annually toward the program.
12 These dollars are shareholder dollars and no amounts are included in the
13 Companies' cost of service used for ratemaking purposes.

14
15 **Tariff Changes**

16
17 **Q. Have UWNR and UWWC included any proposed tariff changes?**

18 A. Yes, UWNR and UWWC propose to use the UWNR Tariff as the foundation for
19 both Companies. UWNR has proposed changes to the following tariff leaves – 1,
20 **6, 8, 14, 19, 20, 21, 22, 27, 28, 32, 35, 41, 44, 49, 52, 58, 59, 64, 66, 67, 69, 71,**
21 **73, 74, 76, 78, 81, 83, 93, 94 and 97.1.** In addition, the bottom of all tariff pages

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reflects a change in the Companies' address from 225 to 2525, correcting a typographical error.

Q. Please describe the Companies changes to Reference Leaf 1 and 6.

A. On Leaf 1 and 6 remove the following:

Village of North Pelham, and Town of Mount Pleasant

On Leaf 1 and 6 add the following:

Village of Port Chester, Village of Rye Brook, and the City of Rye

Q. Why do the Companies request this tariff change?

A. The Companies are proposing to combine both UWNR and UWWC under one tariff. The Companies request to have the Village of North Pelham removed, as it no longer exists. The Villages of North Pelham and Pelham (also known as Pelham Heights) merged to form the present Village of Pelham in 1975. Furthermore, United Water has not served territory in the Town of Mt. Pleasant since 2001.

Q. Please describe the Companies' changes to Reference Leaf 8.

A. On Leaf 8, correct the following:

(e) Water Main: See Section 28, 1(c)

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1

2 To read:

3 (e) Water Main: See Section 28, 1(a)

4

5 **Q. Why do the Companies request this tariff change?**

6 A. The Companies are correcting a typo in the current Tariff.

7

8 **Q. Please describe the Companies' changes to Reference Leaf 14, 8(a).**

9 A. On Leaf 14, 8 (a) please delete the last sentence in the second paragraph that
10 reads:

11 ...such depositor after the next succeeding first day of October and at each one
12 year interval thereafter.

13

14 **Q. Why do the Companies request this tariff change?**

15 A. The Companies propose that the nonresidential customer should not wait
16 longer than needed to receive their deposit plus interest once the customer has
17 established credit with the Companies after two years of timely payments.

18

19 **Q. Please describe the Companies' changes to Reference Leaf 19, Section**
20 **11(a)**

21 A. Leaf 19, 11(a) is requested to be changed as follows:

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The pipe shall be of a size not smaller than the street service pipe and the minimum size shall be three-quarter (3/4) inch.

Q. Why do the Companies request this tariff change?

A. Currently section 11(a) is in conflict with Leaf 18 Section 9(a), which correctly calls out the minimum service pipe size to be three-quarter (3/4) inch. This change would bring both sections in alignment with the correct minimum service pipe size of three-quarter (3/4 inch).

Q. Please describe the Companies' changes to Reference Leaf 20, Section 14(d).

A. On Leaf 20 paragraph 14(d) the Companies request deletion of paragraph 14(d) and replacement with the following:

When the Company requires that meters shall be installed outside of a building on Customer's or private property, the meter shall be placed in a convenient meter pit, vault, or suitable and approved above ground heated meter structure, any and all of which are often referred to as the meter housing. The meter housing shall be located in an accessible place away from the terraces, fences, paved areas, other structures or any location which would create a hazard to vehicles, pedestrians or Company personnel accessing the meters. The meter housing shall be frost-proof and either well drained or watertight and shall be

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1 provided with a strong cover fastened with a convenient locking device. The
2 cover shall be kept clear of snow, ice, dirt or any other objects which might
3 prevent easy access for reading, inspecting, testing, changing and making
4 necessary adjustments or repairs of the meter. The installation of the meter
5 housing is subject to the approval of the Company. The cost of installing and
6 maintaining the meter housing is the responsibility of the Customer. When there
7 is evidence of tampering or theft of service associated with a Customer's indoor
8 meter, the Company reserves the right to require that Customer relocate their
9 indoor meter to an outdoor meter housing at the Customer's cost and in
10 accordance with the provisions of this Tariff.

11
12 The Customer shall provide a place acceptable to the Company for the location
13 of the meter and any automatic meter reading equipment. The Company
14 reserves the right to establish the location of the meter which shall be accessible
15 to the Company and subject to its control. The location of meters and the
16 arrangement of the fittings and piping are subject to the inspection and approval
17 of the Company and shall meet the Company's requirements presented herein.

18
19 Neither by inspection approval nor failure to approve, nor in any other way, does
20 the Company give any guarantee, or assume any responsibility, expressed or
21 implied, as to the adequacy, safety or characteristics of any structures,

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equipment, pipes, appliances or devices owned, installed or maintained by the
Customer or leased by the Customer from third parties.

Q. Why do the Companies request this tariff change?

A. The Company is seeking to reinforce that all new meter installations be installed outside the residence whenever possible and to make the language consistent with the United Water New York Inc. tariff. Having the meter located outside the residence in a pit or other meter housing reduces non-revenue water by allowing leaks on the Customer's service line to be detected and repaired faster. It also increases the Companies' access to the meter and reduces the inconvenience to the customer when we need to read or change the meter. In addition, having the meter outside the premise decreases the likelihood of tampering with the meter or having a connection for an irrigation or fire sprinkler system before the meter.

Q. Please describe the changes to Reference Leaf 21.

A. On Leaf 21, the Companies request the deletion of the first two paragraphs on Section 16.1 and replacement with the following:

The Company's authorized agents or employees shall, at all reasonable
times, have access to its equipment on the Customer's premises for reading,
inspecting, testing, repairing or removing its equipment.

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1 An attempt to obtain a reading from either the meter or from automatic
2 meter reading equipment requires that a meter reader follow routing reading
3 procedures.

4
5 **Q. Why are the Companies requesting this tariff change?**

6 **A.** The Companies are making the automatic meter reading equipment language
7 consistent with the language used in Leaf 20.

8
9 **Q. Please describe the changes to Reference Leaf 22.**

10 **A.** On Leaf 22, the Companies propose revising the first sentence in the third
11 paragraph:

12 If, after bills are estimated for a period of six consecutive months.....

13 To read:

14 If, after bills are estimated for a period of two consecutive months.....

15
16 **Q. Why are you requesting this tariff change?**

17 **A.** The Companies will be moving to monthly billing in 2014. As a result of that
18 change, two billing cycles will be over a two-month window rather than the
19 current quarterly bill cycles (six months).

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1 **Q.** Please describe the additions to Reference Leaf No. 27, 18.2 continued on
2 Leaf 28.

3 A. The Companies are proposing an addition to the language under the
4 “Termination of Residential Service” section as follows:

5 (i) Where the Customer has more than three consecutive estimates and
6 has not responded to the no-access notifications.

7 (j) Where the Customer has not provided the company with access to its’
8 equipment for RF Meter change outs due to testing regulations, faulty
9 equipment or expected tampering after receiving adequate notification
10 from the company in the form of a letter or series of letters.

12 **Q.** Why are the Companies proposing to include the reasons for termination?

13 A. Although UWNR and UWWC have an actual read percentage rate of over 96%,
14 approximately 200 customers have three or more consecutive estimated reads in
15 UWNR and UWWC service areas and have not responded to the no-access bill
16 messages and the \$25 no-access charge. The Companies are concerned that
17 this population of customers may have faulty equipment or a stopped meter.
18 This scenario, if not resolved immediately, can cause the customer bill to under
19 register usage and produce inaccurate bills that may need to be adjusted in the
20 future. Adjusted bills or “catch up” bills can result in increased high bill
21 complaints, increased call volume and increased PSC complaints. Having the

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1 ability to resolve these issues in a timely manner will improve the overall read
2 rates as well as the customer experience.

3
4 In addition, denial of access to inspect or test aging UWNR and UWWC
5 equipment in a timely manner raises concerns around possible theft of service.

6 In our United Water Westchester office, we have been able to identify 134
7 tampered meters since 2010 through the meter test program, while prior to 2010,
8 only 12 had been discovered.

9
10 **Q. Please describe the changes to Reference Leaf 32 and 35.**

11 A. On Leaf 32, 18.8, the Companies propose to revise this section to include both
12 Multiple Dwellings and Two Family Dwellings:

13 Termination of Service to Entire Multiple Dwellings and Two Family Dwellings

14 In addition, on Leaf 35, Termination of Service to Two Family DwellingsSection
15 18.9 has been deleted

16
17 **Q. Why are the Companies requesting this tariff change?**

18 A. Both processes are similar and the Multiple Dwelling procedure is more rigorous
19 than the Two Family Dwelling and so that procedure was chosen for application
20 to both.

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1 **Q. Please describe the changes to Reference Leaf 41.**

2 A. On Leaf 41, 21.D (1), this Section is revised to read as follows:

3 *If a Customer fails to make timely payments in accordance with a payment*

4 *agreement, the Company will send a final termination notice to the Customer.*

5

6 **Q. Why are the Companies requesting this tariff change?**

7 A. The Companies feel that 18 days is ample time for the customer to contact the

8 Companies regarding their payment agreement in order to avoid termination of

9 service.

10

11 **Q. Please describe the changes to Reference Leaf 44.**

12 A. On Leaf 44, 27.1 (B) the Companies revised this Section to read as follows:

13 *The Company may not issue a backbill more than 180 calendar days after the*

14 *Company actually became aware of the circumstance, error or condition that*

15 *caused the under billing.*

16

17 **Q. Why do the Companies propose this tariff change?**

18 A. The Companies feels that 6 months can be misinterpreted to be in the range of

19 180 to 183 calendar days and the change clarifies the timeframe.

20

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1 **Q. Please describe the changes to Reference Leaf 49, Leaf 52, Leaf 56 and**
2 **Leaf 64, Leaf 66, Leaf 67, Leaf 69, Leaf 71, Leaf 73, Leaf 74, Leaf 76, Leaf 78,**
3 **Leaf 81, Leaf 83**

4 A. On Leaf 49, Leaf 52, Leaf 56, Leaf 64, Leaf 66, Leaf 67, Leaf 69, Leaf 71, Leaf
5 73, Leaf 74, Leaf 76, Leaf 78, Leaf 81, Leaf 83 Paragraph One, the Companies
6 request the change of the address from:

7 225 Palmer Avenue, New Rochelle, New York 10801

8 to

9 2525 Palmer Avenue, New Rochelle, New York 10801

10
11 **Q. Why are the Companies requesting this tariff change?**

12 A. The Companies are correcting a typographical error in the current Tariff.

13
14 **Q. Please describe the changes to Reference Leaf 53.**

15 A. On Leaf 53-Article Two- The Applicant Agrees - the Companies request the
16 addition of paragraph SIXTH:

17 SIXTH: To provide the Company with written notification of any change affecting
18 this application with respect to change in ownership, change of applicants' address
19 or change of applicant's phone numbers. It is the applicant's responsibility to
20 provide this information in order to insure the timely issue of refund checks. UWNR

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shall not be held responsible for any returned checks due to the applicant's failure to comply with this requirement.

Q. Why are the Companies requesting this tariff change?

A. In order to provide refunds in a timely manner, the Companies are requesting that the Applicant for water main extensions provide change of address information to the Companies.

Q. Please describe the changes to Reference Leaf 58.

A. On Leaf 58 the Companies requests the deletion of the paragraph SEVENTH and replacement with the following:

SEVENTH: To indemnify and hold the Company, its owners, the Engineer, and each of their officers, employees, and agents harmless from and against any and all direct or indirect loss or expense, including without limitations any attorney's fees or costs, relating to any claims or suits for damage or injury, including death, to any property or any person arising from, or occurring in connection with, its performance of any work or the furnishing of any materials contemplated by this Agreement, irrespective of whether any such damage or injury is caused by or results from the negligence of Applicant or any officer, agent, employee or contractor of the Applicant or arises from or occurs in connection with any breach of this Agreement by the Applicant.

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Insurance - The Applicant agrees to provide, at its own expense, the following insurance coverages:

<u>Types</u>	<u>Minimum Amounts</u>
<u>Worker's Compensation</u>	<u>Statutory</u>
<u>Employer's Liability</u>	<u>\$500,000</u>
<u>Automobile Liability Insurance</u>	<u>\$1,000,000 per person</u>
<u>Bodily Injury and Property Damage</u>	<u>\$1,000,000 per accident</u>
<u>Commercial General Liability Insurance</u>	<u>\$ 1,000,000 ea. Occurrence</u> <u>/ \$2,000,000 Aggregate</u>
<u>(including broad form contractual liability Insurance, completed operations Insurance, explosion, collapse and Underground (X,C & U) and insurance for bodily injury and property damage)</u>	

The Company shall be included as an additional insured on the Applicant's General Liability and Automobile Liability insurance and shall

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require any of its subcontractors performing work in conjunction with the work covered by this Agreement to adhere to the same conditions. All insurance providers shall be rated at least "A-, VII" by A.M. Best and shall be approved to provide coverage in the State in which operations are performed. Should work be performed in State Highways, in or near railroad rights or way, or other agencies having jurisdiction, Applicant shall provide such insurance limits and coverage as they may require.

Certificates of insurance shall name the Company as an additional insured and shall be furnished to the Company prior to the commencement of work. Such insurance shall be placed with duly qualified and financially responsible insurance carriers licensed to do business in the State of New York and shall provide that the same may not be canceled for two years after completion of the work contemplated by this Agreement

Q. Why are the Companies requesting this tariff change?

A. The changes to the insurance policy language in the Developer's Agreement are to make the language consistent with the current industry nomenclature and to improve the insurance protection for our Customers.

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1 **Q. Please describe the changes to Reference Leaf 59.**

2 A. On Leaf 59-Article Two- The Applicant Agrees - the Companies requests the
3 addition of paragraph EIGHTH:

4 EIGHTH: To provide the Company with written notification of any change
5 affecting this application with respect to change in ownership, change of
6 applicants' address or change of applicant's phone numbers. It is the applicant's
7 responsibility to provide this information in order to insure the timely issue of
8 refund checks. UWNR shall not be held responsible for any returned checks due
9 to the applicant's failure to comply with this requirement.

10
11 **Q. Why are the Companies requesting this tariff change?**

12 A. In order to provide refunds in a timely manner, the Companies are requesting
13 that the applicant for water main extensions provide change of address
14 information to the Companies.

15
16 **Q: Please describe the changes to Reference Leaf 59.**

17 A: On Leaf 59 the Companies requests the addition of the paragraph NINTH of the
18 following:

19 NINTH: The Applicant's contractor shall warrant that work performed in installing
20 the main and appurtenances is free of any defect of equipment, material or
21 workmanship. Such warranty shall continue for a period of two years from

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1 completion and approval of the extension or within such longer period of time as
2 may be prescribed by law. Under this warranty, the Applicant's contractor, under
3 Company supervision, shall remedy at his own expense any such failure to
4 conform or any such defect upon receipt of written notice from the Company
5 within a reasonable time after the discovery of any failure, defect or damage. In
6 addition, during the aforesaid warranty period, the Applicant's contractor shall
7 remedy at his own expense, under Company supervision, any damage to
8 Company-owned or controlled real or personal property, when that damage is the
9 result of any such defect of equipment, material or workmanship installed by the
10 Applicant. The warranty with respect to work repaired or replaced hereunder will
11 run for the greater of one year from the date of such repair or replacement or the
12 remainder of the original two year period. During the warranty period as defined
13 herein, the Applicant's contractor shall reimburse the Company for the costs of
14 any emergency repairs undertaken by the Company to maintain the system in
15 good working order. The Applicant's contractor shall also provide a bond from
16 such sureties and in form and substance as are satisfactory to the Company in
17 an amount at least equal to the Company's estimated cost to install the extension
18 and fire hydrants as set forth securing the contractor's faithful performance of its
19 warranty within a thirty (30) day period following the Company's demand for
20 contractor action under such warranty. The bond shall remain in effect for as long
21 as contractor's warranty obligations continue hereunder. If the surety on the

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bond furnished by contractor is declared bankrupt or becomes insolvent or its
right to do business is terminated in New York State, or it ceases to be named in
the current list of "Companies Holding Certificates of Authority as Acceptable
Sureties on Federal Bonds and as Acceptable Reinsuring Companies" as
published in Circular 570 (amended) by the Audit Staff, Bureau of Government
Financial Operations, U.S. Treasury Department, contractor shall, within ten (10)
days thereafter, substitute another bond and surety, both of which must be
acceptable to the Company.
The Applicant's contractor shall complete the warranty for the water main
extension from the Engineering Department

Q. Please explain why the Companies propose this tariff amendment.

A. The Companies propose to include warranty language in the United Water New Rochelle Inc. tariff that is consistent with the language in the developer agreements now in place for United Water Westchester Inc. and United Water New York Inc.

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1 **Q. Is there a complete listing of all tariff changes as a result of combining the**
2 **UWNR and UWWC tariffs?**

3 **A.** Yes, in addition to those discussed previously, Exhibit MP-1 is the complete
4 listing of tariff changes.
5

6 **Monthly Billing**
7

8 **Q. Is the Company proposing to change the timing of its billing cycle?**

9 **A.** Yes, UWNR and UWWC are proposing to move all customer classes to monthly
10 billing.
11

12 **Q. Please describe the benefits of moving all customer classes to monthly**
13 **billing.**

14 **A.** The benefits of monthly billing include:
15

16 **Peer Comparison**

17 UWNR and UWWC are two of the very few utilities regulated by the Commission
18 that remain on quarterly billing. Other large water utilities such as New York
19 American Water have moved over to monthly billing. Locally in Westchester
20 County, all the major utilities are on monthly billing. Taking this approach will
21 help our customers, especially those on fixed incomes, budget their monthly

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1 expenses more precisely. Electric utilities, gas utilities, and telecommunications
2 companies all provide customers with monthly bills. A quarterly cycle is too long
3 to give proper price signals, especially in seasons of high usage.

4
5 Faster Investigations and Fixes Turnaround (customer)

6 A shortened billing period increases accountability on the part of both the
7 customer and the operator. As the customer is expected to pay in a more timely
8 fashion (e.g., closer to the actual time of consumption), this smaller window
9 ensures that meter fixes and investigations and repairs on malfunctioning
10 equipment will happen faster.

11
12 Potential for Streamlined Processes (customer and Company)

13 Switching to monthly billing is only the first step in a series of potential
14 improvements in the way that UWNR and UWWC approach the billing process.
15 With the implementation of automated meter infrastructure for automated meter
16 reading, our staff will transition from meter reading to field investigations. If
17 meter reads are not gathered due to radio frequency device failure or data
18 collector issues, the issues will be investigated and resolved by our field staff.
19 With smaller bills and more frequent payments, collections will happen faster and
20 as the implementation reaches a more steady state, less arrears notices will be

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needed. Those needed can be combined with the next bill to avoid more printing and postage costs, thus further reducing costs to the Company and customers.

Property Abandonment (Companies)

Currently, it can take the Companies up to 6 months to identify that a customer has abandoned a property without notification. This lag leads to a higher propensity for debt being written off as customers cannot be traced or payment pursued. Billing at more frequent intervals will allow the Companies to identify in a timely manner that zero consumption is being registered at a property, leading to more timely investigation and increasing the collectability rate of the remaining debt.

Reduction in Complaints

As customers are provided with more frequent billing information, the number of erroneous high bill complaints generated through seasonal variations and rate increases will be reduced. In addition, it is also expected that the number of these complaints escalating to the PSC will decrease. However, when driven by seasonality and rate increases, these complaints can escalate to requests for Witness meter tests, which are an avoidable expense to both the customer and the Company.

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Communications

Utilizing the bill for communicating in a timely manner with customers is the most cost effective form of communication, either through envelope messaging, bill messages or bill inserts. Quarterly billing restricts how effective this can be as communicating a key message over a three-month period is not always most effective. Monthly billing will therefore present many more opportunities to maximize the bill as a key communication tool through the year with all customers.

Mass Balance (Customer and Company)

Presently a majority of our residential customer meters and some commercial meters are read quarterly. Industrial and some commercial meters are read monthly. All our production input to the distribution system is quantified monthly. As a majority of our meters are read quarterly, we cannot complete a monthly mass balance to calculate the monthly UFW. Rather, the UFW is calculated on a 12-month rolling average. Twelve-month rolling averages make it impossible to analyze data to determine if there is more theft of service in the summer due to illegal connections for irrigation and other uses. By moving to monthly billing, we can complete a monthly mass balance to track and monitor patterns in UFW that may be linked to theft of service. A NRW study completed by Halcrow for our New Rochelle and Westchester systems found that a significant portion of the

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1 NRW may be attributable to theft of service, which is unauthorized un-metered
2 consumed water. Water theft and meter tampering will be more easily detected,
3 with recurring zero-reads and low consumption picked up every month rather
4 than every quarter. Not only will these problems be noticed earlier, but the
5 amount of water not billed will also be reduced due to the shorter time frame for
6 reaction. Reducing theft of service will have an impact on reducing UFW, but
7 more importantly additional revenue will be collected for the benefit of all
8 customers. While reducing theft will produce additional revenues, it will not
9 reduce the need for water production as the water is still being consumed.

10
11 Working capital reductions

12 Monthly billing will reduce the Company's working capital requirements, and will
13 thereby have a positive impact on the customers' bills by lowering the rate base
14 required to provide utility service. These savings have been reflected in the
15 working capital calculation.

16
17 A discussion of the additional costs and savings are discussed by Witness
18 Doherty.

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Conservation Program

Q. Does UWNR-UWWC have a comprehensive conservation program?

A. Yes. UWNR-UWWC has a comprehensive ongoing program to encourage water conservation by customers. The current comprehensive plan covers UWNR-UWWC's customer base in Westchester County. In addition to this program, I also make some references to programs that have previously been implemented in Rockland County.

UWNR-UWWC is a private company and does not have the regulatory authority to mandate or enforce water conservation by consumers. The Companies are thereby limited in their ability to rely on conservation as a means to reduce demand or increase available supply. Nonetheless, UWNR-UWWC implemented a multi-pronged approach to encourage the wise use of water and educate their customers on the benefits and need for water conservation. Currently, the customers of UWNR-UWWC use on average 110 gallons per person per day.

Q. What are highlights of the UWNR-UWWC's conservation program?

A. The highlights of the program include:

- Water conservation device distribution;
- Conservation advertisements and publications;

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- EvapoTranspiration (“ET”) based lawn watering education
Launched in 2013;
- EPA WaterSense program; and
- Public events and presentations.

Q. What are the various elements of UWNR-UWWC’s conservation program?

A. The following describes elements of UWNR-UWWC’s conservation program.

Conservation Device Distribution

Currently, UWNR-UWWC partners with an external organization to provide water-saving kits at nominal cost. Indoor kits include a toilet dam, low-flow nozzles and showerheads, leak detection dye tablets for toilets and a shower timer. Outdoor kits include a hose timer, moisture meter, a rain gauge, a sprinkler timer and a low-flow hose nozzle. Over 500 kits have been purchased by UWNR-UWWC customers in the past two years. The Companies launched this program through bill inserts to its individually-metered residential customers. The offer was also extended to customers residing in individually metered townhouses and other attached housing configurations. This program continues today and offers discounted water conservation products to all residential customers in the Company's service territory (single family homes, multi-family condominiums and cooperatives, and multi-family rental units). Information on

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1 obtaining conservation kits is published and distributed in the United Water
2 Annual Conservation Guide in the Journal News and posted on the Company
3 website.

4
5 Conservation Advertisements and Publications

6 As part of their education programs, since the 1990s, UWNR-UWWC has
7 disseminated consumer conservation information widely. Today, customers
8 receive a rich array of conservation education via the Company's quarterly bill
9 insert *WaterWays* as well as radio ads, cable television, newspapers, the
10 dedicated Company website, and at community events and presentations. Since
11 2007, the Company has published an "Annual Conservation Guide" (the "Guide")
12 for customers in Westchester County and distributed it through the Journal News
13 and also made it available on the Company website. The Guide contains a wide
14 range of information about saving water both indoors and outdoors. The water
15 conservation program provides recommendations on xeriscaping, including:
16 recommended plant species; use of mulch to reduce water needs; and
17 indoor/outdoor water use conservation tips. It also includes information on the
18 newly launched ET; smart lawn watering techniques; and instructions on how to
19 detect water leaks.

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1 ET Lawn Watering Program

2 Another key element of UWNR-UWWC's conservation program, the ET lawn
3 watering program, which was launched in the spring of 2013 and focuses on
4 outdoor water use, a major contributor to high water use in the Spring and
5 Summer months. This involved the implementation of a lawn watering education
6 program, based on monitoring regional weather data. ET is the loss of water
7 from the soil both by evaporation and by transpiration from the plants. UWNR-
8 UWWC have educated consumers on proper lawn watering techniques, and
9 provided a daily ET lawn watering guide number to help consumers use water
10 efficiently while maintaining healthy lawns. Customers can obtain the daily ET
11 number from a recorded message through a dedicated phone number at the
12 Company and through the Company's website. The ET numbers lets customers
13 know exactly how much water their lawn needs based on the day's weather
14 conditions. UWNR-UWWC has a contractor that is responsible for providing this
15 information for updates. The ET program remains in effect from May 15 through
16 September 30.

17
18 EPA WaterSense Program

19 By way of the Company's website and through various Company publications,
20 UWNR-UWWC has partnered with the EPA to promote water efficient appliances
21 and plumbing fixtures. Customers are advised to look for the WaterSense label

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1 to choose water-efficient products that meet the EPA's specifications for
2 performance.

3
4 Public Events and Presentations

5 Regular discussions on conservation take place at UWNR-UWWC's Customer
6 Advisory Panel ("CAP") (the panel is described in more detail in the Outreach
7 and Education section below) meetings held quarterly. The panel, a
8 representative sample of residential customers, is a means by which the
9 Company learns how to better promote conservation and educate its customer
10 base.

11
12 **Q. Does UWNR-UWWC plan to complete any further conservation initiatives?**

13 A. Yes. In order to further promote conservation and the wise use of water by its
14 customers, UWNR-UWWC proposes to implement the various initiatives in the
15 near future including:

- 16 • Partnering with water appliance and fixture suppliers to offer coupons
17 for WaterSense endorsed products.
- 18 • Promoting water-efficient irrigation products and techniques through the
19 use of rain and wind sensors and drip irrigation systems.
- 20 • Expanding the Company's consumer water usage survey to further
21 learn about residential water usage.

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- 1 • Educating customers on the benefits of installing ET irrigation
2 controllers. These controllers have on-site temperature sensors or rely
3 on a signal from a central weather station that modifies irrigation times
4 at least weekly (preferably daily) as the weather changes.

5
6 **Q. What other measures are in place to help conservation?**

7 A. Consumption/income decoupling has been approved by the Commission to
8 encourage conservation while also allowing sufficient revenue collection.

9
10 UWNR-UWWC does not earn more by selling more water. Revenue targets are
11 established for the Company each year. If the Company collects more than the
12 target, the money is held in credit on behalf of the customers. If the Company
13 collects less, the difference can be recovered.

14
15 This decoupling of consumption and revenue has helped the Company to
16 encourage conservation and removes the link between the sale of water and
17 profits.

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Outreach and Education

Q. Please briefly describe UWNR-UWWC's current Outreach & Education initiatives.

A. The Company has implemented a comprehensive outreach and education program with the goal of keeping customers and other stakeholders informed.

The Company utilizes a wide array of communication channels including:

- Cable television and radio advertisements on conservation and Company projects;
- Newspaper community views and advertisements;
- The Company's Annual Conservation Guide;
- Annual Water Quality Report;
- Annual Customer Information Guide;
- Quarterly bill inserts/stuffers and messages; and
- Company and project websites.

Through these media, we provide our customers with up-to-date information on water quality, the value of water, system and infrastructure investment and improvements, conservation tips and products, customer rights, customer service matters such as payments, billing, meter reading, hardship programs, and rate change information. Copies of the Annual Water Quality Reports are

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1 mailed directly to all customers and made available to all municipalities and local
2 libraries. Customers are kept informed of our hydrant flushing efforts through
3 newspaper ads, bill inserts, rapid alert call to customer homes, and web-based
4 announcements.

5
6 In addition, at a minimum of once a year, managers from the Company meet with
7 local officials to discuss Company programs as well as to solicit areas of concern
8 expressed by their constituents.

9
10 Customer Advisory Panels

11 CAPs are useful tools to gain feedback from customers on relevant issues, such
12 as conservation, water quality or supply, and serve as a means for the Company
13 to present new projects and initiatives for evaluation by a representative sample
14 of the customer base. CAP meetings take place on a quarterly basis.

15
16 The Value of Water

17 UWNR-UWWC is committed to educating its customers on the value of their
18 water dollars through a broad array of communications, including bill inserts,
19 public events, and presentations.

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1 Water is an essential of life. It is needed as nourishment and for bathing, for
2 growing crops, for cooking and for fighting fires. A gallon of water weighs 8.34
3 lbs. For a typical family of four that uses an average of 110 gallons per person
4 per day, that's a total of 3,670 lbs. of water supplied each and every day to their
5 home. The cost of water for the average family of four consuming 110 gallons
6 per person per day is about the same as cup of Starbucks coffee.

7
8 Additionally, although water must be purchased from different sources, be
9 treated and tested continuously to meet increasingly stringent health standards,
10 be pressurized through pumping and be delivered through over 600 miles of
11 pipe, 24 hours a day, seven days a week, it is still an exceptional value at a cost
12 of less than a penny per gallon. Water is still the most widely tested product
13 ingested; UWNR-UWWC completes over 14,000 separate analyses annually. It
14 is far less expensive than other utilities like electric, gas or cable and it is far less
15 expensive and much more environmentally friendly than bottled water.

16
17 **Q. Does UWNR-UWWC see a need for expansion of your Outreach &**
18 **Education efforts?**

19 A. Yes. UWNR-UWWC is committed to Community Outreach & Education, continuing
20 its focus on water education and the expansion of school partnerships. We will also
21 continue to expand the level and scope of our community involvement both in

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1 charitable endeavors and education of consumers through association presentations
2 and public events. To promote company image and community partnering,
3 community outreach initiatives are in place with community organizations such as
4 the Chamber of Commerce, Sound Shore Medical, as well as anniversary
5 ceremonies in territories we serve to promote public and private partnerships.
6

7 **Q. What changes in the NFPA 70E Code took place that warranted UWNR to**
8 **conduct this analysis?**

9 A. The code was updated to reflect that a flash hazard analysis shall be done and
10 equipment will be appropriately labeled in order to protect personnel from the
11 possibility of being injured by an arc flash (NFPA 70E-2009 Section 130.3
12 NFPA). The 2012 edition contains modifications such as Arc Flash Boundaries,
13 etc., that will require site specific risk assessments. This is the major driver of
14 the program costs over the period.
15

16 **Q. What is the National Fire Protection Association?**

17 A. The National Electrical Code (NEC), or NFPA 70, is a regionally adoptable
18 standard for the safe installation of electrical wiring and equipment in the United
19 States. The NEC, while having no legally binding regulation as written, can be
20 and often is adopted by states, municipalities and cities in an effort to standardize
21 their enforcement of safe electrical practices within their respective jurisdiction.

Case 13-W-_____ (New Rochelle)

Case 13-W-_____ (Westchester)

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1 **Collective Bargaining Agreement**

2

3 **Q. Does UWNR-UWWC have a current Collective Bargaining agreement**
4 **("CBA") in place?**

5 A. Yes, it is a new five-year agreement that was signed in February 2012. The
6 terms of this agreement are included in this rate filing.

7

8 **Q. What was the main term of the CBA that changed?**

9 A. All new hires that fall under the CBA now have a defined contribution retirement
10 plan, rather than a defined benefits retirement plan. This provides greater
11 flexibility to the employee to manage their assets and, should they decide on a
12 different career path, they also have the ability to transfer their benefit. The
13 Company now has the benefit of known contributions, without the volatility of
14 market forces driving contributions up and down.

15

16 **Q. Are you aware that bill A.4086-A was signed into law by Governor Andrew**
17 **Cuomo on Wednesday, October 23, 2013?**

18 A. Yes, I am.

19

20 **Q. What does this bill mean to your customers?**

21 A. It essentially means their water charges will increase.

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1 **Q. How much will customers water bills increase?**

2 A. At the moment it is not possible to quantify the increase. However, current
3 charges for certain items that are levied against municipalities will be spread over
4 the customers in that municipality.

5

6 **Q. Currently, do municipalities realize revenues from taxes the Company pays**
7 **to more than cover the levied charges?**

8 A. Yes. Franchise taxes are paid by the Company to the municipality to have our
9 infrastructure in their right-of-way. The franchise taxes are assessed based on
10 the diameter and length of the mains/pipes. At the request of the municipality,
11 the pipes are significantly over sized to provide water at a certain pressure and
12 quantity for fire suppression purpose. If not for the fire suppression
13 requirements, the pipes would be smaller and the franchise taxes would be less.

14

15 **Q. Are you suggesting that the franchise tax income from the increased size**
16 **of the mains more than covers the charges levied to the municipalities?**

17 A. Yes. Essentially the customer will now have to pay for franchise taxes and costs
18 for infrastructure maintenance and access.

19

Case 13-W-_____ (New Rochelle)

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1 **Q. If the municipality does not have to pay the costs for infrastructure**
2 **maintenance and access, will this reduce, or offset property taxes for**
3 **eligible customers?**

4 A. The way the bill is written, it would suggest that this is the case. This may result
5 in a lower taxable benefit for customers to claim on their tax returns.

6
7 **Q. How will the costs for infrastructure and maintenance access be spread**
8 **across the customers?**

9 A. Depending on which municipalities opt-in or choose to stay out, the charges will
10 be extremely complex. It may require a cost service study and an allocation of
11 the property taxes update on an annual bases.

12
13 **Q. Does the passing of this bill into law have an impact on this rate case?**

14 A. Yes. It's hard to know what impact it will have on income for rate design. We
15 really need to continue the dialogue and not jump to a position that has a
16 material impact on the resident and customers.

17
18 **Q. Why is the company conducting Arch Flash Analysis?**

19 A. UWNR has entered into an agreement with a contractor to conduct Arch Flash
20 analysis in its 4 large pump station facilities. The intent of NFPA 70E regarding
21 Arc Flash is to provide guidelines which will limit injury to the onset of second

Case 13-W-_____ (New Rochelle)

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1 degree burns. As a result of the injuries and deaths related to arc flash in an
2 industry, changes/additions have been incorporated into the National Fire
3 Protection Association publication number 70E. Part of UWNR six point safety
4 action plan was to conduct Arch Flash analysis on specific sites. Employee
5 Health and Safety is a key priority in the work we complete daily.

6
7 **Q. Does this conclude your initial testimony at this time?**

8 **A. Yes.**