BEFORE THE

PUBLIC UTILITIES COMMISSION

OF THE

STATE OF RHODE ISLAND

VEOLIA WATER RHODE ISLAND, INC.'s APPLICATION TO CHANGE RATE SCHEDULES	)))	**DOCKET NO. 25-30-WW**

DIRECT TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF THE

DIVISION OF PUBLIC UTILITIES AND CARRIERS

February 6, 2026

EXETER
ASSOCIATES, INC.
10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

TESTIMONY OF JEROME D. MIERZWA

Docket No. 25-30-WW

February 6, 2026

I. INTRODUCTION

Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. My name is Jerome D. Mierzwa. I am a Principal at and the President of Exeter Associates, Inc. ("Exeter"). My business address is 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public utility-related consulting services.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I graduated from Canisius College in Buffalo, New York, in 1981 with a Bachelor of Science Degree in Marketing.[1] In 1985, I received a Master's Degree in Business Administration with a concentration in finance, also from Canisius College. In July 1986, I joined National Fuel Gas Distribution Corporation ("NFG Distribution") as a Management Trainee in the Research and Statistical Services Department ("RSS"). I was promoted to Supervisor RSS in January 1987. While employed with NFG Distribution, I conducted various financial and statistical analyses related to the Company's market research activity and state regulatory affairs. In April 1987, as part of a corporate reorganization, I was transferred to National Fuel Gas Supply Corporation's ("NFG Supply") rate department where my responsibilities included utility cost of service and rate design analysis, expense and revenue requirement forecasting, and activities related to federal regulation. I was

[1] Effective August 1, 2023, Canisius College became Canisius University.

also responsible for preparing NFG Supply's Federal Energy Regulatory Commission ("FERC") Purchase Gas Adjustment ("PGA") filings and developing interstate pipeline and spot market supply gas price projections. These forecasts were utilized for internal planning purposes as well as in NFG Distribution's annual state purchased gas cost review proceedings.

In April 1990, I accepted a position as a Utility Analyst with Exeter Associates, Inc. ("Exeter"). In December 1992, I was promoted to Senior Regulatory Analyst. Effective April 1, 1996, I became a principal of Exeter. Since joining Exeter, my assignments have included gas, electric, water, and wastewater utility class cost of service and rate design analysis, evaluating the gas purchasing practices and policies of natural gas utilities, sales and rate forecasting, performance-based incentive regulation, revenue requirement analysis, the unbundling of utility services, and the evaluation of customer choice natural gas transportation programs.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS ON UTILITY RATES?

A. Yes. I have provided testimony in more than 500 proceedings before the FERC, utility regulatory commissions in Arkansas, Connecticut, Delaware, Georgia, Illinois, Indiana, Louisiana, Maine, Maryland, Montana, Nevada, New Hampshire, New Jersey, Ohio, Pennsylvania, South Carolina, Texas, Utah, and Virginia, as well as before the Public Utilities Commission of Rhode Island ("Commission")

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. On July 31, 2025, Veolia Water Rhode Island, Inc. ("Veolia" or the "Company") filed an application with the Commission to increase its rates for

water utility service by $1,835,883, or 32.2%. Exeter Associates, Inc. ("Exeter") was retained by the Division of Public Utilities and Carriers ("Division") to evaluate and review Veolia's application. My testimony addresses the Cost of Service Study ("COSS") presented by Veolia and the proposed distribution of the revenue increase authorized by the Commission in this proceeding to the various customer classes served by the Company.

Q. DID VEOLIA REVISE THE COSS INITIALLY FILED IN ITS JULY 31, 2025 APPLICATION?

A. Yes. Veolia's COSS and proposed rate design was filed as Exhibit 7 in the Company's July 31, 2025 application. Appendix A of Exhibit 7 included the Company's calculation of the maximum day and maximum hour demand factors used for each customer class in the Company's COSS. My review noted an apparent error in the Company's calculation of the demand factors presented in Appendix A. In Division data request 5-2 ("DIV 5-2"), I noted this apparent error and requested that the Company address the error. In the October 1, 2025 response to DIV 5-2, the Company confirmed that there was an inadvertent error in its demand factor calculation of the customer classes included in the COSS, and the Company presented revised demand factors correcting the error. In a supplemental response to DIV 5-2 filed on October 21, 2025, the Company presented a revised COSS which reflected the corrected demand factors.

Q. HAVE YOU PREVIOUSLY TESTIFIED ON WATER UTILITY ISSUES BEFORE THIS COMMISSION?

A. Yes. I have previously testified before this Commission in the following proceedings:

- Providence Water Supply Board Docket Nos. 2048, 3163, 3832, 4406, 4618, 4994, 24-51-WW, and 25-30-WW;
- City of Newport, Water Division Docket Nos. 2985, 4355, 4295, 4933, and 24-30-WW;
- Kent County Water Authority Docket Nos. 2555, 3311, and 4611;
- Pawtucket Water Supply Board Docket Nos. 2674 and 3945;
- Suez Water Rhode Island, Inc. Docket No. 4800; and
- Woonsocket Water Division Docket Nos. 4320 and 4879.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS CONCERNING VEOLIA'S REVISED COSS AND THE RATES PROPOSED BY VEOLIA IN THIS PROCEEDING.

A. Veolia's revised COSS and proposed rates are presented by Mr. Gregory R. Herbert of Gannett Fleming Valuation and Rate Consultants, LLC. With one exception, my evaluation and review generally found the revised COSS and the proposed rates presented by Mr. Herbert in this proceeding to be reasonable. This exception relates to the cost of service and the proposed rates for Public Fire Service. The revised COSS prepared by the Company in this proceeding only assigns 60% of the costs associated with providing Public Fire Service to Public Fire Service, and assigns 40% of the costs associated with providing Public Fire Service to other customer classes. The rates proposed by Veolia for Public Fire Service also only recover 60% of the costs associated with providing Public Fire Service. As such, the rates proposed by Veolia for Public Fire Protection Service significantly under-recover the cost of service. In this proceeding, Veolia is requesting an overall system average rate increase of 32.7%. Given the magnitude of the rate

increase requested by Veolia in this proceeding and that the rates proposed by Veolia for Public Fire Service will significantly under recover the cost of service, I find Veolia's proposed 9.2% rate increase for Public Fire Service to be unreasonable. I recommend that Public Fire Service be assigned a rate increase equal to the overall system average increase authorized by the Commission in this proceeding. As discussed in greater detail in my testimony, the proposed rates for the other customer classes served by Veolia should be proportionally adjusted to reflect the actual increase authorized by the Commission in this proceeding, and should also be proportionately adjusted to reflect the additional revenues that will be collected from Public Fire Service under my recommendation to assign Public Fire Service an overall system average rate increase.

Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

A. Following this introductory section, my testimony is divided into two additional sections. The first additional section provides an overview of water utility cost of service methodologies. The second additional section addresses Veolia's COSS and proposed rate design.

II. OVERVIEW OF CLASS COST OF SERVICE METHODOLOGIES

Q. WHAT IS THE OBJECTIVE OF A CLASS COST OF SERVICE STUDY?

A. A class cost of service study is conducted to assist a utility or commission in determining the level of costs properly recoverable from each of the various classes to which the utility provides service. Allocation of recoverable costs

to each class of service is generally based on usage and cost causation principles.

Q. WHAT ARE THE PRIMARY COST OF SERVICE STUDY METHODOLOGIES UTILIZED FOR WATER UTILITIES?

A. The two most commonly used and widely recognized methods of allocating costs to customer classes for water utilities are the base-extra capacity method and the commodity-demand method. Both of these methods are set forth in the American Water Works Association's ("AWWA") *Principles of Water Rates, Fees and Charges* ("AWWA M1 Manual").

Q. PLEASE SUMMARIZE EACH OF THESE METHODS.

A. Under the base-extra capacity method, investment and costs are first classified into four primary functional cost categories: base or average capacity, extra capacity, customer, and direct fire protection. Customer costs are commonly further divided between meter and service related and account or bill related costs. Extra capacity costs may also be divided between maximum day and maximum hour costs. Once investment and costs are classified into these functional categories, they are then allocated to customer classes. Base costs are allocated according to average water use, and extra capacity costs are allocated on the basis of the excess of peak demands over average demands. Meter and service-related customer costs are allocated on the basis of relative meter and service investment or a proxy thereof. Account related customer costs are allocated in proportion to the number of customers or the number of bills.

The commodity-demand method follows the same general procedures. However, usage related costs are classified as commodity and demand

related rather than as base and extra capacity related. Commodity related costs are allocated to customer classes on the basis of total water use (which is equivalent to average demand), and demand related costs are allocated on the basis of each class' contribution to peak demand rather than on the basis of class demands in excess of average use.

III. EVALUATION OF VEOLIA'S WATER'S COSS AND RATE DESIGN

Q. WHICH COST OF SERVICE METHOD DID MR. HERBERT USE TO PREPARE VEOLIA'S COSS IN THIS PROCEEDING?

A. Mr. Herbert utilized the base-extra capacity method to prepare Veolia's COSS. This method and Veolia's COSS are discussed in further detail in Veolia Exhibit 7, pages I-2 to I-4. The COSS is used by the Company to develop rates for the Residential, Commercial, Industrial, Public Authority, and Sales for Resale retail customer classes, and for Private Fire and Public Fire Service.

Q. DID YOUR EVALUATION AND REVIEW FIND VEOLIA'S REVISED COSS AND PROPOSED RATES TO BE REASONABLE?

A. With one exception, my evaluation and review generally found the Company's revised COSS and proposed rates in this proceeding to be reasonable. In the revised CCOS, 40% of the costs associated with providing Public Fire Service were allocated to and included in the cost of service of the Residential, Commercial, Industrial, and Public Authority customer classes. In this proceeding, Veolia is generally proposing rates for each customer class based on the results of its CCOS. As such, the rates proposed by Veolia for Public Fire Service only provide for the recovery of 60% of the Public Fire

Service cost of service. Given the magnitude of the rates increases Veolia is requesting in this proceeding, I find that designing rates for Public Fire Service based on 60% of the cost of service to be unreasonable.

Q. PLEASE EXPLAIN WHY DESIGNING RATES FOR PUBLIC FIRE SERVICE BASED ON 60% OF THE COST OF SERVICE IS UNREASONABLE.

A. Schedule JDM-1 attached to my testimony provides a comparison of Veolia's present and proposed rates for each customer class and summarizes the results of the Company's revised COSS which assigned 60% of the Public Fire Service cost of service to Public Fire Service, and 40% of the Public Fire Service cost of service to other customer classes. Schedule JDM-1 also presents the results of the Company's revised COSS adjusted to provide for the assignment of 100% of the Public Fire Service cost of service to Public Fire Service. As shown on Schedule JDM-1, the Company's revised COSS which assigns 60% of the Public Fire Service COSS to Public Fire Service identifies the Public Fire cost of service to be $682,024. Schedule JDM-1 also shows if 100% of the cost of providing Public Fire Protection Service were assigned to Public Fire Service the Public Fire Service cost of service would be $1,136,707, or $454,683 higher.

As shown on Schedule JDM-1, Veolia is proposing an overall system average increase in rates of 32.7%. This includes rate increases for the Sales for Resale customer class of 89.9%, and a Private Fire Service rate increase of 76.4%. These increases bring the Sales for Resale and Private Fire Service customer classes to 100% of the cost of service. As shown on Schedule JMD-1 the rate increase proposed by Veolia for Public Fire Service

is only 9.2%. To bring the filing Public Fire Service rates to 100% of the Public Fire Service cost of service would require a rate increase of 66.7%. I don't believe it is reasonable to assign an increase of 9.2% to a customer class when an increase of 66.7% would be required to bring the rates of that class to the cost of service and when the Company is proposing an overall system average rate increase of 32.7%.

Q. WHAT DO YOU RECOMMEND WITH RESPECT TO THE INCREASE WHICH SHOULD BE ASSIGNED TO PUBLIC FIRE SERVICE?

A. I recommend that Public Fire Service be assigned a rate increase equal to overall system average increase in rates authorized by the Commission in this proceeding.

Q. HOW DO YOU RECOMMEND THAT THE RATES PROPOSED BY VEOLIA IN THIS PROCEEDING BE ADJUSTED TO ACCOUNT FOR AN INCREASE IN RATES AUTHORIZED BY THE COMMISSION IN THIS PROCEEDING THAT IS LESS THAN THE INCREASE REQUESTED BY VEOLIA IN THIS PROCEEDING AND FOR AN OVERALL SYSTEM AVERAGE INCREASE IN PUBLIC FIRE SERVICE RATES?

A. In the response to DIV 2-6, the Company indicated that if the Commission were to authorize an increase in rates that is less than the requested increase, the Company would scale back its proposed increases proportionately across the different customer classes. I generally agree with this approach. To account for the additional revenues to be collected from Public Fire Service under my recommendation to assign Public Fire Service an overall system average increase, I recommend that the rate increases

proposed by Veolia for the other customer classes be proportionately scaled back to reflect the authorized increase, and then be further proportionately reduced to reflect the additional revenues that would be collected from Public Fire Service under my recommendation to assign Public Fire Service a system average increase. For example if the rate increase authorized by the Commission in this proceeding is 50% of Veolia's requested increase, the rate increase proposed by Veolia for each customer class with the exception of Public Fire Service would be reduced by 50%, and the difference between the rate increase actually assigned to Public Fire Service under my recommended system average increase and the increase that would have been assigned to Public Fire Service based on 50% of the increase proposed by Veolia would be proportionately allocated to all other customer classes based on the increase initially proposed by Veolia for each of the other customer classes.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

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OF THE
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VEOLIA WATER RODE ISLAND, INC. **APPLICATION TO CHANGE** **RATE SCHEDULES**	))))	**DOCKET NO. 25-30-WW**

SCHEDULES ACCOMPANYING THE

DIRECT TESTIMONY

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SCHEDULE JDM-1

COMPARISON OF PRESENT AND PROPOSED RATES AND THE COST OF SERVICE
BASED ON AN ASSIGNMENT OF 60% AND 100% OF THE PUBLIC FIRE COST OF SERVICE

		COST OF SERVICE STUDY			EXCESS/(DEFICIENCY)	
	Present Rates	Public Fire Assignment		Proposed Rates		Public Fire Assignment	
	Revenues	60%	100%	Revenues	Increase	60%	100%
Residential	$ 3,059,438	$ 4,006,583	$ 3,629,564	$ 3,973,258	29.9%	$ (33,325)	$ 343,694
Commercial	984,557	1,079,678	1,015,222	1,109,174	12.7%	29,497	93,952
Industrial	17,661	19,632	18,748	20,123	13.9%	491	1,375
Public Authority	116,455	128,477	116,153	135,345	16.2%	6,868	19,192
Sales for Resale	577,548	1,094,732	1,094,732	1,096,789	89.9%	2,057	2,057
Private Fire Protection	281,433	501,512	501,512	496,520	76.4%	(4,992)	(4,992)
Public Fire Protection	623,779	682,024	1,136,707	681,372	9.2%	(652)	(455,335)
Total	$ 5,660,871	$ 7,512,638	$ 7,512,638	$ 7,512,582	32.7%	$ (56)	$ (56)