

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND**

**KENT COUNTY WATER AUTHORITY ) DOCKET NO. 4611**

**SURREBUTTAL TESTIMONY**

**OF**

**JEROME D. MIERZWA**

**ON BEHALF OF THE  
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**November 17, 2016**

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**EXETER**

**ASSOCIATES, INC.**

10480 Little Patuxent Parkway, Suite 300  
Columbia, Maryland 21044

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PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND

KENT COUNTY WATER AUTHORITY     ) DOCKET NO. 4611

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**I. INTRODUCTION**

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

A.    My name is Jerome D. Mierzwa. I am a principal and 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.           HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN THIS PROCEEDING?

A.    Yes. My direct testimony was submitted on September 1, 2016.

Q.           WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A.    The purpose of my surrebuttal testimony is to respond to certain cost allocation and rate design issues raised in the rebuttal testimony of Mr. Christopher P.N. Woodcock on behalf of Kent County Water Authority (“Kent County”).

Q.           PLEASE SUMMARIZE THE RECOMMENDATIONS PRESENTED IN YOUR DIRECT TESTIMONY.

A.    In my Direct Testimony, I generally found Kent County’s class cost of service study (“CCOSS”) to be reasonable. I recommended that Kent County’s proposed demand surcharge and seasonal rate alternatives should not be approved by the Commission.

1 I recommended that Kent County's proposal to recover the costs associated with  
2 public fire service directly from individual retail customers should also not be  
3 approved by the Commission. I further recommended that Kent County investigate  
4 whether compound meters are supporting private protection service, and report the  
5 findings of its investigation in its rebuttal testimony. Finally, while not opposing  
6 Kent County's current practice of charging for lost water caused by the action of  
7 others, I recommended that this practice not be codified as a tariff provision.

8 Q. WHAT IS MR. WOODCOCK'S RESPONSE TO YOUR  
9 RECOMMENDATIONS?

10 A. Mr. Woodcock disagrees with my recommendations concerning the proposed demand  
11 surcharge and the recovery of the costs associated with public fire protection service  
12 directly from individual customers. Mr. Woodcock agrees with my recommendation  
13 that the seasonal rate alternatives presented by Kent County not be adopted.

14 Q. DID MR. WOODCOCK ADDRESS YOUR RECOMMENDATION THAT  
15 KENT COUNTY INVESTIGATE WHETHER COMPOUND METERS ARE  
16 SUPPORTING PRIVATE FIRE PROTECTION SERVICE?

17 A. No. Neither Mr. Woodcock, nor Mr. Timothy J. Brown, the other Kent County  
18 witness presenting rebuttal testimony in this proceeding, address this  
19 recommendation.

20 Q. DO YOU CONTINUE TO RECOMMEND THAT KENT COUNTY  
21 INVESTIGATE WHETHER COMPOUND METERS ARE SUPPORTING  
22 PRIVATE FIRE PROTECTION SERVICE?

23 A. Yes. As explained in my direct testimony, Kent County indicated that such an  
24 investigation would take approximately 20 days. Since the filing of my direct  
25 testimony, 55 days have lapsed. Thus, Kent County has had more than a sufficient

1 opportunity to complete its investigation. I recommend that the Commission require  
2 Kent County to conduct this investigation.

3 Q. WHY DOES MR. WOODCOCK DISAGREE WITH YOUR  
4 RECOMMENDATION CONCERNING THE PROPOSED DEMAND  
5 SURCHARGE?

6 A. Mr. Woodcock contends that the proposed demand surcharge is consistent with sound  
7 ratemaking principles.

8 Q. DO YOU AGREE?

9 A. No. As explained in my direct testimony, one of the principles of a sound rate design  
10 is that it should provide for stability and predictability in rates, with a minimum of  
11 unexpected charges seriously adverse to ratepayers or the utility. That is, changes in  
12 rates should provide for gradualism. While Kent County is requesting an overall  
13 increase in rates of 17 percent in this proceeding, the proposed demand surcharge  
14 would increase the quarterly fixed charge to most customers by nearly 80 percent.  
15 An increase of this magnitude is inconsistent with the principle of gradualism and a  
16 sound rate design, and would have a disproportionate adverse impact on low-use  
17 customers.

18 Q. WHY DOES MR. WOODCOCK DISAGREE WITH YOUR  
19 RECOMMENDATION CONCERNING THE RECOVERY OF THE COSTS  
20 ASSOCIATED WITH PUBLIC FIRE PROTECTION SERVICE DIRECTLY  
21 FROM INDIVIDUAL RETAIL CUSTOMERS?

22 A. Mr. Woodcock suggests that recovery the costs associated with public fire protection  
23 service directly from individual retail customers may be more equitable than the  
24 current system of public fire protection service charges. He also contends there  
25 would be no double payment of charges as I suggested in my direct testimony.

1 Q. WHAT IS YOUR RESPONSE TO MR. WOODCOCK’S SUGGESTION  
2 THAT THE DIRECT RECOVERY OF PUBLIC FIRE PROTECTION  
3 SERVICE FROM INDIVIDUAL RETAIL CUSTOMERS MAY BE MORE  
4 EQUITABLE?

5 A. In Coventry Fire District (“CFD”) data request 16, Kent County was asked and Mr.  
6 Woodcock responded as follows:

7 CFD-16) Under what theory do you bill fire districts for  
8 public fire hydrants?

9 Response: Potable water systems typically provide a dual  
10 role or function: the provision of potable water for  
11 domestic and non-domestic uses and the provision of water  
12 for fire protection. The recovery of the COSS relate to fire  
13 protection goes back more than 100 years. Recovering  
14 public fire protection costs through charges to municipal  
15 entities with taxing authority allows for the recovery of  
16 these costs from the beneficiaries of the service in relation  
17 to the value of the property being protected. This is  
18 believed to be an equitable cost recovery mechanism that  
19 has been in place and approved for over a century. The  
20 Fire District is referred to the American Water Works  
21 Association’s M1 manual – Principles of Water Rates, Fees  
22 and Charges  
23 ([http://www.awwa.org/store/productdetail.aspx?productid=  
24 28731](http://www.awwa.org/store/productdetail.aspx?productid=28731)) for a more complete discussion of the theory and  
25 practice.

26 As indicated by his response, even Mr. Woodcock concedes that the current  
27 system of billing for public fire protection service is equitable because it allows for  
28 the recovery of these costs from the beneficiaries of the service in relation to the  
29 property value being protected. Under Kent County's proposal, cost recovery for  
30 public fire protection service would not be in relation to the value of the property  
31 being protected.

1 Q. WHAT IS YOUR RESPONSE TO MR. WOODCOCK’S CLAIM THAT  
2 THERE WOULD BE NO DOUBLE RECOVERY OF COSTS UNDER  
3 KENT COUNTY'S PUBLIC FIRE PROTECTION SERVICE COST  
4 RECOVERY PROPOSAL?

5 A. To support its operations, a fire district such as CFD assesses taxes on those that  
6 reside in that fire district. For CFD, the tax rate is approved by a Board of Directors  
7 based on budgeted expenditures. Mr. Woodcock claims that based on the CFD’s  
8 response to KCWA 1-5, there would be no double recovery because CFD’s Board of  
9 Directors would reduce its budget the following year to reflect the elimination of  
10 Kent County's public fire protection service charges. However, in that same  
11 response, CFD indicated that the Board of Directs could potentially use the funds no  
12 longer required to pay Kent County for public fire protection service for other  
13 purposes. If this were to occur, CFD residents would not receive an offsetting benefit  
14 through a reduction in the fees they are assessed. Furthermore, Kent County serves  
15 two fire districts—CFD and Central Coventry Fire District. The response to KCWA  
16 1-5 was limited to CFD.

17 Q. WHAT WOULD BE THE COMBINED IMPACT ON QUARTERLY  
18 SERVICE CHARGES IF THE COMMISSION WERE TO APPROVE KENT  
19 COUNTY'S PROPOSALS TO ESTABLISH A DEMAND SURCHARGE  
20 TO CHARGE RETAIL CUSTOMERS DIRECTLY FOR PUBLIC FIRE  
21 PROTECTION SERVICE?

22 A. The quarterly service charge for most customers is currently \$10.26. The quarterly  
23 service charge proposed by Kent County in its rebuttal testimony is \$14.89 exclusive  
24 of the demand surcharge, and \$17.95 inclusive of the demand surcharge. The  
25 proposed direct public fire protection charge would increase the quarterly service

1 charge to most customers to \$32.24. This would reflect an increase of nearly 215  
2 percent in quarterly service charges. An increase of this magnitude would certainly  
3 be inconsistent with the principle of gradualism.

4 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

5 A. Yes, it does.

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