BEFORE THE

PUBLIC UTILITIES COMMISSION

OF RHODE ISLAND

CITY OF WOONSOCKET WATER DIVISION	**)** **)**	**DOCKET NO. 4879**

DIRECT TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF THE

DIVISION OF PUBLIC UTILITIES AND CARRIERS

January 25, 2019

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

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DIRECT TESTIMONY OF JEROME D. MIERZWA

I. Introduction

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

A. My name is Jerome D. Mierzwa. I am a principal and Vice President of Exeter Associates, Inc. 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. In 1985, I received a Masters 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 also responsible for preparing NFG Supply's 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 state purchased gas cost regulatory proceedings.

In April 1990, I accepted a position as a Utility Analyst with Exeter Associates, Inc. In December 1992, I was promoted to Senior Regulatory Analyst. Effective April 1, 1996, I became a principal of Exeter Associates. Since joining Exeter Associates, my assignments have included water 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 on more than 300 occasions in proceedings before the Federal Energy Regulatory Commission ("FERC"), utility regulatory commissions in Arkansas, Delaware, Georgia, Illinois, Indiana, Louisiana, Maine, Massachusetts, Montana, Nevada, New Jersey, Ohio, Pennsylvania, Texas, Utah, and Virginia, as well as before this Commission.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. On September 11, 2018, the City of Woonsocket Water Division ("WWD" or "the City") filed an application with the Commission to increase its rates by $799,205, or 9.85 percent. Exeter Associates, Inc. ("Exeter") was retained by the Division of

Public Utilities and Carriers ("Division") to review the cost of service study and rate design proposals included in WWD's application. My testimony addresses WWD's cost of service study and rate design proposals.

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:

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

II. WWD Cost of Service Study

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

A. A 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 cost causation principles.

Q. BRIEFLY DESCRIBE WWD'S COST OF SERVICE STUDY.

A. In WWD's cost of service study, test year costs are initially allocated to the following functional categories: supply and treatment; transmission and distribution; pumping and storage; meters and services; billing and collection; direct fire; and general and administration. These costs are subsequently allocated to the following service

components: wholesale/base; retail only; fire protection; meter and services and billing. The allocated costs to each service component are then used to design rates based on the applicable units of service (e.g., consumption, meter equivalents, bills, etc.).

Q. ARE YOU PROPOSING ANY CHANGES TO WWD'S COST OF SERVICE STUDY AT THIS TIME?

A. No, I am not.

Q. DO YOU HAVE ANY RECOMMENDATIONS CONCERNING FUTURE COST OF SERVICE STUDIES PREPARED BY WWD?

A. Yes. Historically, and in WWD's current cost of service study, mains with diameters greater than 10-inches have been classified as transmission mains and mains with diameters of 10-inches and less have been classified as distribution mains. Pursuant to an inch-foot calculation presented on Schedule DGB-COS-2B, WWD has determined that 45.48 percent of its mains-related investment performs a transmission function and 54.52 percent performs a distribution function. In its cost of service study, WWD has assigned 99 percent of its transmission mains investment to the wholesale/base service component and 1 percent to the fire protection service component. WWD has assigned 65 percent of its distribution mains investment to the retail only service component and 35 percent to the fire protection service component. These assignments indicate that the primary purpose of mains sized greater than 10-inches is to perform a transmission function rather than to provide fire protection service. However, my review of the Company's updated IRF Plan provided in the response to DIV 1-3 indicates that 12-inch mains are relied upon to provide fire protection service to a more significant extent than that indicated by WWD's cost of service study. To account for this, in the response to DIV 4-2, WWD has indicated

that it would be receptive to including in its inch-foot calculation as being distribution mains approximately 8.5 percent of 12-inch mains. Adjusting WWD's current cost of service study to include 8.5 percent of 12-inch mains as distribution-related in the inch-foot calculation in this proceeding would not have a material impact on the results and, therefore, I have not proposed adjusting WWD's cost of service study. In the response to DIV 3-3, WWD indicated that it is considering upgrading 12-inch mains to address certain fire flow issues discussed in the updated IRF Plan. Therefore, in its next base rate application, I recommend that WWD re-examine and document the reasonableness of its historical 1 percent assignment of transmission mains to fire protection service.

III. Rate Design

Q. IS WWD PROPOSING ANY MAJOR CHANGES TO ITS GENERAL RATE STRUCTURE?

A. No.

Q. ARE YOU PROPOSING ANY CHANGES TO WWD'S GENERAL RATE STRUCTURE?

A. No, I am not.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes it does.

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