

December 11, 2003

VIA EMAIL ONLY

**RE: I/M/O the Petition of Elizabethtown Water Company for an Increase
in Rates for Water Service and Other Tariff Modifications
BPU Docket No. WR03070510
OAL Docket No. PUCRL 07281-2003N**

TO: SERVICE LIST MEMBERS

Enclosed please find the electronic copies of the direct testimonies of the Division of the Ratepayer Advocate's witnesses, Robert J. Henkes, James A. Rothschild, Barbara R. Alexander, Howard J. Woods, and Brian Kalcic, in connection with the above referenced matter.

Should you require anything further, please do not hesitate to contact our office.

Very truly yours,
SEEMA M. SINGH, ESQ.
RATEPAYER ADVOCATE

By: _____
Robert J. Brabston, Esq.
Deputy Ratepayer Advocate

RJB/slc

**BEFORE THE STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW**

**IN THE MATTER OF THE PETITION)
OF ELIZABETHTOWN WATER) BPU Docket No. WR03070510
COMPANY FOR AN INCREASE IN) OAL Docket No. PUCRL 07281-2003N
RATES FOR WATER SERVICE AND)
OTHER TARIFF MODIFICATIONS)**

**DIRECT TESTIMONY AND EXHIBITS OF BRIAN KALCIC
ON BEHALF OF THE
NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE**

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Filed: December 1, 2003

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Brian Kalcic, 225 S. Meramec Avenue, Suite 720, St. Louis, Missouri 63105.

3

4 **Q. WHAT IS YOUR OCCUPATION?**

5 A. I am an economist and consultant in the field of public utility regulation, and principal of
6 Excel Consulting. My qualifications are described in the Appendix to this testimony.

7

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

9 A. I am testifying on behalf of the New Jersey Division of the Ratepayer Advocate
10 ("Ratepayer Advocate").

11

12 **Q. What is the subject of your testimony?**

13 A. I have been asked by the Ratepayer Advocate to review the rate structure proposals
14 advanced by Elizabethtown Water Company ("EWC" or "Company") and to derive an
15 appropriate rate design that reflects the Ratepayer Advocate's recommended revenue
16 requirement in this proceeding.

17

18 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

1 A. Based upon my review of the Company's existing rate structure and cost-of-service
2 analysis, I recommend that Your Honor and the New Jersey Board of Public Utilities
3 ("Board" or "BPU"):

- 4
- 5 • adopt the Ratepayer Advocate's recommended class revenue distribution which
6 provides for an across-the-board *decrease* in total class revenues of 5.6%; and
- 7
- 8 • approve the Ratepayer Advocate's recommended rate design which reflects
9 appropriate decreases to the Company's existing tariff charges.
- 10
- 11

12 **EWC Rate Structure / Rate Design**

13

14 **Q. MR. KALCIC, PLEASE DESCRIBE THE COMPANY'S PRESENT RATE**
15 **STRUCTURE.**

16 A. EWC currently provides three types of metered service via separate rate schedules: 1)
17 General Metered Service ("GMS"); 2) Optional Industrial Wholesale ("OIW") service;
18 and 3) Service to Other Systems ("SOS") under contract. GMS and OIW customers
19 pay both a fixed facilities charge and a consumption charge. SOS customers pay only a
20 consumption charge.

1 The Company also provides Public and Private Fire Protection service. EWC's
2 public fire rate schedule contains an inch foot and hydrant charge, while its private fire rate
3 schedule includes connection and hydrant charges. With the exception of a small number
4 of private fire customers (i.e., those previously served on grandfathered rates), all EWC
5 customers currently pay system-wide rates.

6

7 **Q. DID THE COMPANY SUBMIT A COST-OF-SERVICE STUDY WITH ITS**
8 **INITIAL FILING?**

9 A. No, it did not.¹

10

11 **Q. HOW THEN DOES EWC PROPOSE TO RECOVER ITS REQUESTED**
12 **REVENUE INCREASE IN THIS PROCEEDING?**

13 A. The Company has proposed an across-the-board increase of 11.6% for all rate classes,
14 excluding its grandfathered private fire rates. In the latter instance, the Company
15 proposes to apply an increase of 17.4% or 1.5 times the system average in order to move
16 these rates toward its system-wide private fire rate schedule.

17

18 **Q. DO YOU RECOMMEND THAT THE BOARD ADOPT A GENERAL**
19 **ACROSS-THE-BOARD RATE ADJUSTMENT IN THIS PROCEEDING?**

¹ In response to Cogen-1-a, EWC indicated that it was in the process of updating the cost-of-service study it submitted in its last rate case. However, at the time this testimony was prepared, the Ratepayer Advocate has not received any such updated analysis.

1 A. Yes, I do. Absent class cost-of-service information, I believe an across-the-board
2 adjustment is appropriate.

3

4 **Q. MR. KALCIC, WHAT IS YOUR RECOMMENDED CLASS REVENUE**
5 **DISTRIBUTION AT THE RATEPAYER ADVOCATE'S RECOMMENDED**
6 **REVENUE LEVEL?**

7 A. The Ratepayer Advocate's recommended revenue distribution is provided in Schedule
8 BK-1. The revenues at present rates shown in column 1 of Schedule BK-1 correspond
9 to those contained in Mr. Henkes' Schedule RJH-8. The recommended class revenue
10 adjustments shown in lines 1-5 of Schedule BK-1 are derived from applying an across-
11 the-board decrease of 5.6% to present sales revenue, so as to produce the Ratepayer
12 Advocate's overall recommended decrease of \$8.949 million (per Schedule RJH-1).

13

14 **Q. HAVE YOU DEVELOPED RATES TO IMPLEMENT YOUR**
15 **RECOMMENDED REVENUE DISTRIBUTION?**

16 A. Yes. Schedule BK-2 provides the Ratepayer Advocate's recommended rates and proof
17 of revenue.

18

19 **Q. PLEASE DESCRIBE SCHEDULE BK-2.**

20 A. Schedule BK-2 consists of three (3) pages. Pages 1 and 2 of Schedule BK-2 show my
21 recommended consumption and fire protection charges. Page 3 of Schedule BK-2

1 provides detailed information concerning my recommended facilities charges. Note that
2 with the exception of the Company's grandfathered private fire rates, all present charges
3 received a uniform decrease of 5.6% in my recommended rate design.

4 The general format of Schedule BK-2 is consistent across pages 1 through 3.
5 Current class rate revenue is derived in column 3 from the class billing determinants and
6 present rates shown in columns 1 and 2, respectively. The Ratepayer Advocate's
7 recommended rates are shown in column 4. Column 5 shows the annual class revenues
8 produced by the recommended rates in column 4. Finally, column 6 shows my
9 recommended percentage increases to individual tariff components and class revenue
10 levels.

11

12 **Q. DO YOU RECOMMEND ANY ADJUSTMENTS TO THE COMPANY'S**
13 **GRANDFATHERED PRIVATE FIRE RATES?**

14 A. No. Since these charges are considerably lower than the Company's current system-
15 wide private fire rates, I have left the grandfathered private fire rates unchanged in my
16 recommended rate design.

17

18 **Q. DO YOU RECOMMEND ANY CHANGES TO THE COMPANY'S**
19 **MISCELLANEOUS SERVICE CHARGES (RATE SCHEDULE NO. 4)?**

20 A. No. The Company has not proposed any changes to its Miscellaneous Service charges
21 and I have likewise left all such charges unchanged

1

2 **Q. HAVE YOU PROVIDED A SUMMARY OF YOUR RECOMMENDED**
3 **GENERAL METERED SERVICE RATES?**

4 A. Yes. Schedule BK-3 provides a comparison of present and recommended General
5 Metered Service charges, by meter size.

6

7 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes.

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Illinois Benedictine College with a Bachelor of Arts degree in Economics in December, 1974. In May, 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University. The courses that he taught included Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic was employed by the firm of Cook, Eisdorfer & Associates, Inc.. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice which provides business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, Texas, and the Bonneville Power Administration.

Elizabethtown Water Company
Ratepayer Advocate Distribution of its
Recommended Adjustment in Total Revenue

<u>Line</u> <u>Class</u>	Present <u>Revenue</u> (1)	Recommended Increase		
		<u>Amount</u> (2)	<u>Percent</u> (3)	<u>Index</u> (4)
1 General Metered	\$104,798,174	(\$5,910,101)	-5.6%	100
2 OIW	\$9,269,331	(\$522,583)	-5.6%	100
3 SOS	\$24,754,977	(\$1,394,690)	-5.6%	100
4 Public Fire Prot.	\$11,455,173	(\$641,252)	-5.6%	99
5 Private Fire Prot.	<u>\$8,559,942</u>	<u>(\$480,250)</u>	-5.6%	100
6 Subtotal Sales	\$158,837,597	(\$8,948,876)	-5.6%	100
7 Other Revenue	<u>\$1,183,511</u>	<u>\$0</u>	0.0%	
8 Total Revenue	\$160,021,108	(\$8,948,876)	-5.6%	

(\$8,949,000) Target
\$124 Rounding

Source: Sch. RJH-8

Elizabethtown Water Company
Ratepayer Advocate Recommended Rates and Proof of Revenue

	Billing Determinants (1)	Present Rate (2)	Present Revenue (3)	Recommended Rate (4)	Recommended Revenue (5)	% Increase (6)
General Metered						
Facility Charge			\$19,738,604		\$18,624,541	-5.64%
Usage	34,628,887	\$2.4670	\$85,429,464	\$2.3279	\$80,612,586	-5.64%
Billing Adj.			(\$337,947)		(\$318,907)	-5.63%
GRAFT Adj.			(\$31,947)		(\$30,147)	-5.63%
subt			\$104,798,174		\$98,888,073	-5.64%
OIW						
Facility Charge			\$240,098		\$226,570	-5.63%
Usage	3,456,045	\$1.9619	\$6,780,415	\$1.8513	\$6,398,176	-5.64%
<u>Exempt</u>						
Facilities	8	\$1,470.24	\$11,762	\$1,387.41	\$11,099	-5.64%
Usage	1,316,845	\$1.6988	\$2,237,056	\$1.6030	\$2,110,903	-5.64%
Subtotal OIW			\$9,269,331		\$8,746,748	-5.64%
SOS						
(MG)						
Non-Exempt	8,801.11	\$1,756.17	\$15,456,245	\$1,657.23	\$14,585,464	-5.63%
Exempt	6,024.23	\$1,519.65	\$9,154,721	\$1,434.03	\$8,638,927	-5.63%
<u>Winfield Park</u>						
Facilities	4	\$424.50	\$1,698	\$400.58	\$1,602	-5.63%
Usage	43.15	\$3,298.10	\$142,313	\$3,112.28	\$134,295	-5.63%
Subtotal SOS			\$24,754,977		\$23,360,287	-5.63%
Public Fire						
Inch Feet	146,963,294	\$0.0573	\$8,420,997	\$0.0541	\$7,950,714	-5.58%
Hydrants	53,428	\$56.79	\$3,034,176	\$53.59	\$2,863,207	-5.63%
Subtotal			\$11,455,173		\$10,813,921	-5.60%

Elizabethtown Water Company
Ratepayer Advocate Recommended Rates and Proof of Revenue

	Billing Determinants (1)	Present Rate (2)	Present Revenue (3)	Recommended Rate (4)	Recommended Revenue (5)	% Increase (6)
Private Fire						
Hydrants	5,576	\$73.08	\$407,494	\$68.96	\$384,521	-5.64%
Q - W Hose						
2"	84	\$156.36	\$13,134	\$147.55	\$12,394	-5.63%
3"	44	\$305.91	\$13,460	\$288.67	\$12,701	-5.64%
4"	276	\$472.47	\$130,402	\$445.85	\$123,055	-5.63%
6"	600	\$845.22	\$507,132	\$797.60	\$478,560	-5.63%
8"	344	\$1,372.08	\$471,996	\$1,294.78	\$445,404	-5.63%
10"	44	\$1,782.24	\$78,419	\$1,681.83	\$74,001	-5.63%
12"	4	\$2,583.30	\$10,333	\$2,437.76	\$9,751	-5.63%
16"	0	\$5,589.21	\$0	\$5,274.31	\$0	-5.63%
20"	0	\$10,191.54	\$0	\$9,617.34	\$0	-5.63%
Q - W/O Hose						
2"	864	\$111.60	\$96,422	\$105.31	\$90,988	-5.64%
3"	436	\$219.24	\$95,589	\$206.89	\$90,204	-5.63%
4"	3,216	\$353.52	\$1,136,920	\$333.60	\$1,072,858	-5.63%
6"	4,796	\$655.74	\$3,144,929	\$618.80	\$2,967,765	-5.63%
8"	1,776	\$1,119.99	\$1,989,102	\$1,056.89	\$1,877,037	-5.63%
10"	220	\$1,331.31	\$292,888	\$1,256.30	\$276,386	-5.63%
12"	16	\$1,944.27	\$31,108	\$1,834.73	\$29,356	-5.63%
16"	0	\$4,136.10	\$0	\$3,903.07	\$0	-5.63%
20"	0	\$7,537.71	\$0	\$7,113.03	\$0	-5.63%
Small GMS						
5/8"	120	\$16.98	\$2,038	\$16.02	\$1,922	-5.65%
1-1/2"	16	\$84.90	\$1,358	\$80.12	\$1,282	-5.60%
Usage	59,769	\$2.4670	\$147,450	\$2.3279	\$139,136	-5.64%
Grandfather Adj. Subt. Private			(\$10,232)		(\$7,628)	
			\$8,559,942		\$8,079,692	-5.61%
Tot. Rate Revenues			\$158,837,597		\$149,888,722	-5.63%

Summary	Present Revenue	Recommended Revenue	% Increase
GMS	\$104,798,174	\$98,888,073	-5.64%
OIW	\$9,269,331	\$8,746,748	-5.64%
SOS	\$24,754,977	\$23,360,287	-5.63%
Public Fire Prot.	\$11,455,173	\$10,813,921	-5.60%
Private Fire Prot.	\$8,559,942	\$8,079,692	-5.61%
Subt Water Sales	\$158,837,597	\$149,888,722	-5.63%
Other Revenue	\$1,183,511	\$1,183,511	0.00%
TOTAL	\$160,021,108	\$151,072,233	-5.59%
Increase		(\$8,948,876)	
Target		(\$8,949,000)	
Rounding		\$124	

Elizabethtown Water Company
Ratepayer Advocate Recommended Rates and Proof of Revenue

Billing Determinants (1)	Present Rate (2)	Present Revenue (3)	Recommended Rate (4)	Recommended Revenue (5)	% Increase (6)	
Facilities Charge Detail						
General Metered						
5/8"	174,792	\$16.98	\$11,871,873	\$16.02	\$11,200,671	-5.65%
3/4"	11,431	\$25.47	\$1,164,590	\$24.04	\$1,099,205	-5.61%
1"	9,368	\$42.45	\$1,590,686	\$40.06	\$1,501,128	-5.63%
1-1/2"	2,046	\$84.90	\$694,822	\$80.12	\$655,702	-5.63%
2"	2,979	\$135.84	\$1,618,669	\$128.19	\$1,527,512	-5.63%
3"	704	\$254.70	\$717,235	\$240.35	\$676,826	-5.63%
4"	468	\$424.50	\$794,664	\$400.58	\$749,886	-5.63%
6"	210	\$849.00	\$713,160	\$801.17	\$672,983	-5.63%
8"	87	\$1,358.40	\$472,723	\$1,281.87	\$446,091	-5.63%
10"	1	\$1,698.00	\$6,792	\$1,602.33	\$6,409	-5.64%
12"	9	\$2,122.50	\$76,410	\$2,002.92	\$72,105	-5.63%
16"	1	\$4,245.00	<u>\$16,980</u>	<u>\$4,005.83</u>	<u>\$16,023</u>	-5.64%
Subtotal			\$19,738,604		\$18,624,541	
OIW						
5/8"	11	\$16.98	\$747	\$16.02	\$705	-5.65%
3/4"	3	\$25.47	\$306	\$24.04	\$288	-5.61%
1"	7	\$42.45	\$1,189	\$40.06	\$1,122	-5.63%
1-1/2"	11	\$84.90	\$3,736	\$80.12	\$3,525	-5.63%
2"	69	\$135.84	\$37,492	\$128.19	\$35,380	-5.63%
3"	33	\$254.70	\$33,620	\$240.35	\$31,726	-5.63%
4"	30	\$424.50	\$50,940	\$400.58	\$48,070	-5.63%
6"	10	\$849.00	\$33,960	\$801.17	\$32,047	-5.63%
8"	5	\$1,358.40	\$27,168	\$1,281.87	\$25,637	-5.63%
10"	5	\$1,698.00	\$33,960	\$1,602.33	\$32,047	-5.63%
12"	2	\$2,122.50	\$16,980	\$2,002.92	\$16,023	-5.63%
16"	0	\$4,245.00	<u>\$0</u>	<u>\$4,005.83</u>	<u>\$0</u>	-5.63%
Subtotal			\$240,098		\$226,570	
Tot. Facilities Revenue			\$19,978,702		\$18,851,111	-5.64%

Elizabethtown Water Company
 Comparison of General Metered Service
 Present and Recommended Rates

<u>Line</u>	<u>Description</u>	<u>Present</u>	<u>Recommended</u>	<u>Increase</u>	
		<u>Rate</u>	<u>Rate</u>	<u>Amount</u>	<u>%</u>
		(1)	(2)	(3)	(4)
	Quarterly Fixed Charge				
1	5/8"	\$16.98	\$16.02	(\$0.96)	-5.65%
2	3/4"	\$25.47	\$24.04	(\$1.43)	-5.61%
3	1"	\$42.45	\$40.06	(\$2.39)	-5.63%
4	1-1/2"	\$84.90	\$80.12	(\$4.78)	-5.63%
5	2"	\$135.84	\$128.19	(\$7.65)	-5.63%
6	3"	\$254.70	\$240.35	(\$14.35)	-5.63%
7	4"	\$424.50	\$400.58	(\$23.92)	-5.63%
8	6"	\$849.00	\$801.17	(\$47.83)	-5.63%
9	8"	\$1,358.40	\$1,281.87	(\$76.53)	-5.63%
10	10"	\$1,698.00	\$1,602.33	(\$95.67)	-5.63%
11	12"	\$2,122.50	\$2,002.92	(\$119.58)	-5.63%
12	16"	\$4,245.00	\$4,005.83	(\$239.17)	-5.63%
13	Consumption per 100 Cubic Feet *	\$2.4670	\$2.3279	(\$0.1391)	-5.64%

* Includes \$0.01 per 1000 G. water tax.