

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE**

**IN THE MATTER OF THE APPLICATION OF )  
ARTESIAN WASTEWATER MANAGEMENT, INC. )  
FOR AUTHORITY TO INCREASE EXISITING ) PSC DOCKET NO. 13-27WW  
RATES AND CHARGES FOR WASTEWATER )  
SERVICE (FILED JANUARY 18, 2013) )**

**DIRECT TESTIMONY OF**

**AMY WOODWARD**

**ON BEHALF OF THE STAFF OF THE**

**DELAWARE PUBLIC SERVICE COMMISSION**

**JUNE 17, 2013**

1            **Statement of Qualifications**

2            **Q:    Please state your name and the name and address of your employer.**

3            A:    My name is Amy Woodward. I am employed by the Delaware Public Service  
4            Commission (the "Commission"). My business address is 861 Silver Lake  
5            Boulevard, Suite 100, Dover, Delaware, 19904.

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7            **Q:    What is your position with the Public Service Commission?**

8            A:    I am a Public Utilities Analyst III with the Commission. I have been  
9            employed with the Commission since April 2012.

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11           **Q:    As an analyst with the Commission, what is the general nature of your  
12           duties?**

13           A:    My duties include the review of filings by regulated utilities that propose  
14           increases in rates and charges; planning and executing the annual compliance  
15           and financial reviews for wastewater utilities; analysis of utilities requesting  
16           the issuance of debt securities; planning and participating in the audit of small  
17           regulated companies; conducting reviews of source documents at utility  
18           offices, and evaluating the financial, managerial, and technical conditions of  
19           utilities.

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21           **Q:    What is your professional experience and education?**

22           A:    I received an Associate of Applied Science Degree in Accounting from  
23           Delaware Technical and Community College, and I received a Bachelor's of  
24           Science Degree in Accounting from Wilmington University. I also received a  
25           Graduate Certificate of Financial Management in Organization and a Master's  
26           of Science Degree in Accounting and Financial Management from the  
27           University of Maryland - University College in 2007. My education and  
28           professional experience have given me the expertise in utility rate structures  
29           and in both mathematical logic and financial analysis. I have gained  
30           knowledge in the areas of residential, commercial and industrial operations in

1 the energy industry and am familiar with the components of utility rate  
2 structures.

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4 **Q: For whom are you testifying in this proceeding?**

5 A: I am testifying on behalf of the Commission Staff ("Staff") and note that Staff  
6 agrees with the Direct Testimony of Mr. Howard Woods, the consultant to the  
7 Attorney General, on all issues he has addressed in his testimony and that  
8 Staff does not specifically address in my testimony or that of Ms. Toni Loper.

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10 **Q: What is the purpose of your testimony?**

11 A: The purpose of my testimony is to present Staff's review of the expenses  
12 claimed by Artesian Wastewater Management, Inc. ("AWMI") for ratemaking  
13 purposes.

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15 **Q: Please describe the nature of your review of the application filed by  
16 AWMI on January 18, 2013 (the "Application").**

17 A: Staff reviewed the Application to ensure its compliance with the Minimum  
18 Filing Requirements as set forth in 26 *Del. Admin. C.* §1002. Staff performed  
19 an analysis and evaluation of testimonies filed by AWMI witnesses and  
20 formulated questions that supplemented the interrogatories submitted by Mr.  
21 Howard Woods, the contracted consultant for the Attorney General of the  
22 State of Delaware ("AG") on behalf of the Delaware Public Advocate  
23 ("DPA").

24  
25 **Q: Can you describe for us a summary of this case based on AWMI's  
26 requests?**

27 A: In its application to the Commission, AWMI requested an increase from  
28 \$75.00 per Equivalent Dwelling Unit ("EDU") to \$98.00/EDU in the monthly  
29 flat rate charge to its customers for wastewater services. AWMI is seeking an  
30 increase of \$342,608 (or 34.8%) over Pro Forma Revenues. In its  
31 Application, AWMI is seeking an overall rate of return of 5.16%, including a

1 10.0% return on equity. In supplemental testimony filed on behalf of David  
2 Valcarenghi of AWMI dated May 31, 2013, AWMI is now proposing that its  
3 monthly flat rate charge to its customers for wastewater services be set at  
4 \$88.00 per EDU. AWMI also has proposed an increase of \$215,123 over Pro  
5 Forma Revenues (versus the earlier amount of \$342,608).  
6

7 **Q: Did Staff retain a consultant for this case?**

8 A: No, we did not.  
9

10 **Q: Why did Staff not retain a separate consultant for this case?**

11 A: Staff believes that retaining a separate consultant would create additional rate  
12 case expenses that would be borne by the customers in this proceeding. Staff  
13 and the Attorney General of the State of Delaware (“AG”), which is acting on  
14 behalf of the Delaware Public Advocate (“DPA”), agreed that it would be  
15 advantageous to both parties if Staff worked with the AG for the purposes of  
16 discovery and utilize the services of Howard Woods, the consultant retained  
17 by the AG. Staff is familiar with Mr. Wood’s work product as evidenced in  
18 prior rate case proceedings and quality of service evaluations in other matters  
19 and is confident in Mr. Wood’s prior experience. Staff conducted an  
20 independent review in this case. Staff also shared the outcome of our review  
21 with Mr. Woods and reviewed his findings and recommendations.  
22

23 **Q: What was your specific assignment in this case?**

24 A: I was assigned to ensure that the Application was in compliance in accordance  
25 with the Delaware Code, the Commission’s Regulations, and other applicable  
26 law. I was also tasked with reviewing several general, administrative and  
27 operating expense accounts and determining whether any amounts included in  
28 those expense accounts were appropriate for inclusion in AWMI’s revenue  
29 requirement and whether the expenses should be charged to ratepayers.  
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31 **Q: What sources of data did you refer to while performing your assignment?**

1 A. Beginning Wednesday, May 15, 2013, I spent two days in AWMI's offices to  
2 review the expenses included in several administrative, general and operating  
3 expense accounts. I also reviewed direct and indirect allocations to specific  
4 accounts.

5  
6 **Q: Please explain your review and analysis of the Application.**

7 A: Certain administrative, general and operating expense accounts were selected  
8 for further examination based on the fluctuations that occurred during the  
9 period and the nature of the expense category. AWMI used a test year  
10 consisting of the twelve months ended September 30, 2012, and a test period  
11 consisting of the twelve months ended June 30, 2013. I reviewed the general  
12 ledger transactions, vendor file, and invoices to assess whether the expense  
13 claims are appropriate for rate purposes.

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15 **Q: What adjustments to the expenses listed in the Application, if any, are**  
16 **you proposing?**

17 A: I have normalized the level of some additional expenses for some major  
18 categories of accounts that AWMI proposed in their Application as shown in  
19 Schedule AJW- Exp 1. The total adjustments that I am proposing are in the  
20 amount of \$77,867. They are as follows:

- 21 • I am in agreement with supplemental testimony submitted by  
22 David Valcarenghi on May 31, 2013, which proposes to  
23 remove the amount of \$40,655 in Account No. 74100 for Rent  
24 Expense which AWMI recorded on its books. This amount  
25 should have been reflected below the line and therefore should  
26 not be reflected in AWMI's revenue requirements and charged  
27 to rate payers.
- 28 • I propose an adjustment of \$6,107 on payroll and benefits  
29 which is calculated by taking the average of years 2010, 2012  
30 and the Test Year. I am excluding 2009 and 2011 from the  
31 calculation due to a significant decline and increase in those

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two years, which would indeed cause the normalization to be effected significantly.

- I propose an adjustment of \$2,568 to Chemicals which is normalized by taking the average of years 2009-2012 and the Test Year.
- I propose an adjustment of \$3,528 to Contractual Services, which is again normalized by taking the average of years 2009-2012 and the Test Year.
- I propose an adjustment of \$25,000 to Rate Case Expenses due to the fact that Staff did not retain a consultant for this case.

**Q: Does this conclude your testimony in this proceeding?**  
**A: Yes.**

**Schedule AJW-1: NORMALIZED O&M EXPENSES**

	2009	2010	2011	2012	Test Year 9/30/12	Staff Position	Staff Adjustments
Labor & Operating Exp	\$ 547,775	\$ 747,189	\$ 924,851	\$ 741,219	\$ 767,076	\$ -	\$ (40,665)
Uncollectible accounts	\$ 3,000	\$ -	\$ 1,791	\$ 26,100	\$ 25,589	\$ 515,564	\$ (2,703)
Admin & Gen	\$ 347,169	\$ 501,282	\$ 545,658	\$ 550,331	\$ 551,916	\$ 197,215	\$ (3,404)
Depreciation expense	\$ 166,875	\$ 181,992	\$ 182,325	\$ 174,059	\$ 181,031	\$ 6,197	\$ (2,568)
Other O&M expenses	\$ 10,588	\$ 17,510	\$ 23,348	\$ 24,197	\$ 24,316	\$ 140,565	\$ (3,528)
Property taxes	\$ 18,190	\$ 25,996	\$ 43,441	\$ 34,314	\$ 37,974	\$ -	\$ (25,000)
Income taxes	\$ (79,139)	\$ (16,750)	\$ (88,863)	\$ 27,959	\$ 16,819	\$ -	\$ (77,867)
	\$ 1,014,458	\$ 1,457,219	\$ 1,632,549	\$ 1,578,180	\$ 1,604,721		
Land Rent	\$ 41,337	\$ 39,996	\$ 40,063	\$ 40,866	\$ 40,665		
Payroll	\$ 319,252	\$ 515,650	\$ 577,845	\$ 512,776	\$ 518,267		
Benefits	\$ 115,352	\$ 188,893	\$ 201,659	\$ 202,134	\$ 200,619		
Chemicals	\$ 3,213	\$ 3,870	\$ 8,357	\$ 6,780	\$ 8,765		
Contractual Services	\$ 87,855	\$ 126,527	\$ 204,698	\$ 139,653	\$ 144,093		
Rate Case Expenses							

Rate Case Expenses	Staff Position	Staff Adjustments
Intervenor Consultants	\$ 45,000	\$ 20,000
Legal Costs	\$ 15,000	\$ 15,000
Administrative Costs	\$ 2,850	\$ 2,850
Filing Fees	\$ 100	\$ 100
Total Staff Adjustment	\$ 62,950	\$ 37,950
		\$ (25,000)