

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

APPLICATION OF TIDEWATER UTILITIES, ) PSC DOCKET NO. 13-466  
INC. FOR A GENERAL RATE INCREASE IN )  
WATER BASE RATES & TARIFF REVISIONS )  
(FILED NOVEMBER 25, 2013)

DIRECT TESTIMONY OF

AMY WOODWARD

ON BEHALF OF

COMMISSION STAFF

MAY 20, 2014

1           **Statement of Qualifications**

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

3           A: Amy Woodward. I am employed by the Delaware Public Service  
4           Commission (Commission). My work address is 861 Silver Lake Boulevard,  
5           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 in Degree in Accounting from Wilmington University. I also  
25          received a Graduate Certificate of Financial Management in Organization and  
26          a Master's of Science Degree in Accounting and Financial Management from  
27          the University of Maryland University College in 2007. My education and  
28          professional experience have provided me with a detail understanding of  
29          utility rate structures, including mathematical logic and financial analysis. I  
30          have also gained knowledge in the areas of residential, commercial and  
31          industrial operations in the energy industry.

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

A: I am testifying on behalf of the Commission Staff (“Staff”).

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

A. The purpose of my testimony is to present Staff’s position on the inclusion of certain expenses in Tidewater Utility Inc.’s application for a general rate increase (the “Application”). The issues that I will address are: (1) Labor, Employee Pensions and Benefits; and (2) Executive Compensation expenses.

**Q: Please explain the Labor adjustment .**

A: Staff performed a detailed review of the labor adjustment to the per books amount reflected in the Minimum Filing Requirement (MFRs”), Schedule 3C contained in the Application, as well as Tidewater’s supplemental responses to PSC-RR-16 and PSC-RR-17 which provided updated information on the positions that were eliminated in 2012 and 2013 as part of the workforce reduction plan. Tidewater also provided supplemental response to DPA-33 which indicates that there are currently two open positions that are included in the Test Period Wages. In Schedule 3C, Tidewater has adjusted for a 2.5% Annual Wage Increase and Wage Progression Increase. In a supplemental data response, DPA-A-106, Tidewater stated that the April 2014 wage increase has been implemented and the test period has been annualized for the wage increase. Tidewater’s labor adjustment is consistent with the approach it has historically taken in adjusting labor costs for the Test Period pro forma results. Accordingly, Staff supports as reasonable the \$189,448 adjustment to Tidewater’s labor costs. (See schedule AJW-Exp1).

**Q: Please explain any adjustments for Employee Pension and Benefits.**

A: Staff also performed a detailed review of the Employee Pension and Benefits expenses contained in the Application, and noted that the PSC-RR-25

1 response included a spreadsheet for Tidewater’s Supplemental Executive  
2 Retirement Plan (“SERP”) of \$79,548 that is included in the Test Period.  
3 SERP expenses were also allocated to Tidewater in the Test Period and are  
4 included in MFR schedule 3B-8, Line 2 - \$153,000, Line 6 - \$9,539 and on  
5 Line 7 - \$11,069 for a total adjustment of \$154,531, which was indicated in  
6 the response to DPA-A-85. The Commission has recently decided in a  
7 Delmarva electric case that SERP expenses are extraordinary expenses, not  
8 necessary for the operation of basic utility services. Accordingly, Staff  
9 recommends the elimination from Customers’ rates of SERP expenses of  
10 \$234,079 contained in the Application. (See schedule AJW-Exp1).  
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12 **Q: Please explain any adjustments for Non-Executive Compensation.**

13 **A:** The Commission also has disallowed in the last several utility cases Non-  
14 Executive Incentive Compensation from test period expenses. Similar to  
15 SERP, the Commission has found these benefits to be extraordinary, and not  
16 necessary to the operation of providing utility service. In response to DPA-A-  
17 85, the direct and allocated Non-Executive compensation equals \$101,005 of  
18 test period expense. Staff recommends that these costs be removed from the  
19 revenue requirement. (See schedule AJW-Exp1).  
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21 **Q: Please explain Staff’s Proposed adjustment to Executive Compensation.**

22 **A:** Staff performed a review of Executive Compensation that was included in the  
23 Application. (See MFR Schedules 3B-8 and 3B-12). Staff recommends that  
24 \$58,191 be removed from the Application revenue requirement. The  
25 Company’s response to DPA-A-85 shows \$32,494 of direct expense and  
26 \$16,483 of allocated expenses that should be removed from the revenue  
27 requirement. (See schedule AJW-Exp1).  
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29 **Q: Does this conclude your testimony?**

30 **A:** Yes.  
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Payroll Expenses & Benefits

Line No.	Description	Amount (A)
	Payroll	
1	Labor	\$189,448
	Employee Benefits:	
4	Medical	\$144,832
5	Dental	\$5,265
6	LT Disability	\$884
7	401K Discretionary	(\$2,638)
8	Postretirement Benefits	(\$236,627)
9	Pensions	(\$234,079)
10	Capitalized Benefits	\$38,946
11	Employment Expenses	\$7,894
12	Non Executive Compensation	(\$101,005)
13	Executive Compensation	(\$58,191)
14	Total Employee Benefits	(\$434,719)
15	Total Payroll and Benefits	(\$245,271)
	16 Payroll	
17	Test Year	\$4,078,889
18	Adjustments	\$189,448
19	Test Period	\$4,268,337
	20 Employee Benefits	
21	Test Year	\$2,624,877
22	Adjustments	(\$434,719)
23	Test Period	\$2,190,158