

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

IN THE MATTER OF A PROCEEDING ON MOTION
OF THE COMMISSION AS TO THE RATES, CHARGES,
RULES AND REGULATIONS OF

SUEZ WATER NEW YORK INC. (CONSOLIDATED)
(Consisting of SUEZ Water New York Inc., SUEZ Water Westchester Inc. and
SUEZ Water Owego-Nichols Inc.)

FOR WATER SERVICE

Case No. 19-W-____

TESTIMONY OF CHRISTOPHER J. GRAZIANO

SUEZ Water
360 West Nyack Road
West Nyack, NY 10994

SUEZ WATER NEW YORK INC. CONSOLIDATED
CHRISTOPHER J. GRAZIANO

1 **Q. Please state your name and business address.**

2 A. My name is Christopher J. Graziano. My business address is 360 West Nyack
3 Road, West Nyack, NY 10994.

4

5 **Q. By whom and in what capacity are you employed?**

6 A. I am Vice President & General Manager for the New York Division of SUEZ. In
7 this capacity, I am responsible for the operations and management of the New
8 York subsidiaries of SUEZ, including the five Operating Units for which
9 consolidation is being sought; SUEZ Water New York ("SWNY"), SUEZ Water
10 Westchester Rate District 1 ("SWWC RD#1") (formerly United Water New
11 Rochelle), SUEZ Water Westchester Rate District 2 ("SWWC RD#2") (formerly
12 United Water Westchester), SUEZ Water Owego-Nichols ("SWON") and SUEZ
13 Owego-Nichols Forest Park System ("Forest Park or "SWON-FP"). The Business
14 Unit SUEZ Water Westchester, containing SWWC RD#1 and SWWC RD#2, will
15 be referred to as "SWWC". For the proposed merger, in this testimony, the
16 consolidated entity will be referred to as "Merged Company", "Company" or "SWNY
17 Consolidated".

18

19 **Q. Please describe your professional affiliations.**

20 A. I serve as a Chairman of the New York Chapter of the National Association of
21 Water Companies, as well as a member of the American Water Works Association,
22 Westchester Water Works Conference, and Long Island Water Conference.

23

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1 **Q. Please describe your work experience.**

2 A. I have been employed with SUEZ for 29 years and have held a variety of
3 management positions. I assumed my current role in December 2014.

4

5 **Q. Is this your first time testifying before the Commission?**

6 A. No, I have previously testified in Case 16-W-0130.

7

8 **Q. What is the purpose of your testimony in this proceeding?**

9 A. My testimony will describe the Company and identify certain challenges it is facing
10 and the Company's responses to those challenges. I will specifically address:

- 11 • Introduction of witnesses in the case
- 12 • SWNY's Profile - General Company Descriptions;
- 13 • SWNY Office Relocation;
- 14 • Consolidation and Merger of the New York Companies;
- 15 • Key Drivers of the Rate Increase;
- 16 • Cost Control Efforts;
- 17 • Non-Revenue Water;
- 18 • Conservation Program;
- 19 • Outreach and Education;
- 20 • Customer Service;
- 21 • Requested Tariff Changes;
- 22 • Collective Bargaining Agreement; and
- 23 • Potential Acquisitions.

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1 **Q. Please introduce the other witnesses in the case**

2 A. Below is a list of the other witnesses along with a brief description of the elements
3 they will be addressing in testimony:

4 • Operations Panel – John Moolick, Roberto Hernandez, William Vanwagenen,
5 Alise Seguinot and Nick Curcio will describe cost control practices, challenges
6 facing the Companies, Customer Service and consolidation of the three
7 Business Unit tariffs.

8 • Paula McEvoy will describe the Companies' capital needs in order to sustain
9 their systems and ensure adequate supply.

10 • Revenue Requirement Panel – Tim Michaelson, David Njuguna, Elda Gil,
11 Katherine Arp and Bruce Hendry will analyze the revenue deficiency, revenues,
12 operation & maintenance expense, taxes other than income taxes, income
13 taxes, depreciation and rate base.

14 • Jim Cagle will describe the tax impact arising from the Tax Cuts and Jobs Act
15 and the Companies' New York State's Qualified Manufacturer status.

16 • Harold Walker from Gannett Fleming will recommend an appropriate overall
17 rate of return the Companies should be afforded.

18 • Paul Herbert from Gannett Fleming will discuss the cost of service allocation
19 and rate design study.

20 • John Spanos from Gannett Fleming sponsors the depreciation study.

21

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1 **SWNY Profile - General Description**

2

3 **Q. Can you please provide a general business profile of SWNY as it exists pre-**
4 **merger or consolidation?**

5 A. SWNY is currently a wholly owned subsidiary of SUEZ Water New Jersey Inc.,
6 which in turn, is wholly owned by SUEZ Water Resources Inc. SWNY was founded
7 as Spring Valley Waterworks and Supply Company in 1893. Today, SWNY
8 provides water to over 290,000 people predominantly within Rockland County,
9 excluding the villages of Suffern, Nyack and South Nyack. SWNY also supplies
10 water to a number of small communities within Orange County in the Towns of
11 Tuxedo and Warwick. The Company's operations include five Water Treatment
12 Plants ("WTPs") at Lake DeForest and Letchworth in Rockland County, and Blue
13 Lake, Sterling Forest and Indian Kill in Orange County, 60 operating wells, 17
14 storage tanks, a water distribution system covering in excess of 1,000 miles, and
15 the billing, collection and customer service resources necessary to serve
16 approximately 74,000 customers.

17

18 **Supply**

19 **Q: Where does SWNY obtain its water supply?**

20 A: Approximately 33% of SWNY's water supply originates from the five WTPs and
21 the remaining 67% is from the 60 active wells located throughout the Rockland
22 and Orange Counties.

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1 The following table summarizes the capacities of the five WTPs and their
2 associated reservoir capacities:

3
4

WTP	Avg Day Capacity (MGD)	Max Day Capacity (MGD)	Reservoir Storage Volume (MG)	Notes
Lake DeForest	10.0	20.0	5,600	26 square mile watershed
Letchworth	1.0	3.0	180	Reservoirs owned by PIPC
Indian Kill	0.07	0.2	200	
Blue Lake	0.04	0.65	400	
Sterling Lake	0.04	0.06	700	

5
6
7
8
9

The 60 wells located in Rockland County have a combined average daily capacity of 22.96 MGD and a maximum daily capacity of 28.78 MGD. The wells located in Orange County provide approximately 0.016 MGD of average daily supply.

10 The current Rockland County system supply capacity is summarized below:

11
12
13
14
15
16

Source	Ave Day (MGD)	Max Day (MGD)
DeForest	10	20
Letchworth	1	3
RVWF	7	4
System Wells	15.96	24.78
Total	33.96	51.78

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1 The Rockland County distribution system is separated into 19 pressure districts,
2 each typically containing several individual well supplies. There are also several
3 booster pump stations and regulators to move water from one pressure district to
4 another. A Supervisory Control and Data Acquisition (“SCADA”) system monitors
5 the production, demands, pressures and tank drafts in each district as well as in
6 the Orange County systems. There are approximately 90 remote terminal units
7 relaying information between each individual site and SCADA. Company
8 personnel monitor the SCADA system continuously.

9
10 **Surface Treatment**

11 **Q: What surface water treatment is undertaken by SWNY?**

12 A: At the Lake DeForest WTP, chemicals are added to the raw water to oxidize
13 inorganic material. The water then passes through screens to remove large
14 objects prior to entering the low lift pumps. The pumps move the water to the
15 pretreatment process called Dissolved Air Flotation (“DAF”). A coagulant
16 (Aluminum Sulfate or Poly Aluminum Chloride) is added as the water enters the
17 DAF units and the pH is adjusted for optimum coagulation. Coagulation allows
18 smaller particles to form larger particles (called “Floc”) optimizing the particle
19 removal in the DAF process. In the DAF units, millions of micro bubbles are added
20 to the water which attach to the Floc and float the particles to the surface, forming
21 residuals. The residuals are removed and the clean water proceeds to the filters.
22 It is during this step that chlorine is added as a disinfectant. The water passes
23 through the filters (layers of coal, sand and gravel) to remove the smallest

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1 remaining particles. Next, the water receives another small dose of chlorine to
2 ensure quality. Finally, a corrosion control chemical is added and the pH is
3 adjusted again to insure that the water is not overly aggressive to the distribution
4 mains.

5 The Letchworth and Orange County WTPs use a similar process. One major
6 difference is that pretreatment is performed using clarifiers, where particles are
7 settled rather than floated as in the DAF process used at Lake DeForest. At
8 Sterling Lake, a membrane filtration package plant was installed in 2006.

9

10 **Q: What groundwater treatment is utilized by SWNY?**

11 A: All SWNY wells are treated with sodium hypochlorite for disinfection and a
12 corrosion inhibitor. In addition, there are several wells or well fields that require
13 additional treatment for dissolved air, volatile organic compounds or radon and
14 arsenic.

15

16 **SWWC Profile - General Company Description**

17

18 **Q. Can you please provide a general description and profile of SUEZ Water**
19 **Westchester?**

20 A. SWWC is a wholly owned subsidiary of SUEZ Water Resources Inc., which in turn,
21 is wholly owned by SUEZ Water Inc. SWWC has two Rate Districts – Rate District
22 1 or RD#1 (formerly known as United Water New Rochelle) and Rate District 2 or
23 RD#2 (formerly known as United Water Westchester). SWWC operates in 14

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1 municipalities in Westchester County, New York. It serves approximately 43,500
2 customers. The customer classifications in the system are residential, commercial,
3 industrial and public authority. Approximately 90% of customers are residential
4 and 8% are commercial. The remaining 2% of customers are classified as
5 industrial and public authority. All customers are in Westchester County. The
6 service territory is mostly built out, therefore, there is very little customer growth.
7 Meters for approximately 98% of our customers are read remotely using radio
8 frequencies (RF).

9
10 **Suez Water Westchester Rate District 1 General Description**

11 SWWC RD#1 water is purchased through connections to New York City's Catskill,
12 Croton and Delaware Aqueduct systems. SWWC RD#1 has four supply stations
13 that have a combined pumping capacity of approximately ninety million gallons per
14 day (90 MGD). These stations provide a full service standby should New York City
15 Department of Environmental Protection have a failure in either the Catskill or
16 Delaware supply system. System operation is divided into six zones or pressure
17 districts. The northern area of RD#1 has 2 zones: POC 1 - 2. The southern area
18 of RD#1 has 9 zones: NR Low 1 - 5, NR High 1 - 2, and NR Intermediate 1 - 2.
19 Eight (8) booster stations enable water to be delivered to areas of varying
20 elevations throughout the system. Seven of the eight booster stations are in the
21 northern area of RD#1 where the elevation changes are most severe. SWWC
22 RD#1 has five standpipes, two elevated tanks and one ground tank. They have a
23 combined storage capacity of 6.5 million gallons. SWWC RD#1 produces between

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1 20 and 21 million gallons per day on average, with a peak day of 35 million gallons
2 per day and a peak hour of 47 million gallons per day.

3 Treatment in SWWC RD#1 includes the addition of chlorine and a corrosion
4 inhibitor as well as pH adjustment using caustic soda. Water quality monitoring
5 requirements are mandated by the New York State Department of Health.

6 The distribution system has over four hundred twenty-five miles of mains, with
7 main sizes running from 2 inch to 42 inch. Approximately 70% of SWWC RD#1
8 mains are 6 to 8 inch diameters and the majority are cast iron. The distribution
9 system also has a little over 3,000 hydrants and over 8,000 valves, including
10 hydrant valves.

11
12 **Suez Water Westchester Rate District 2 General Description**

13 SWWC RD#2 water is purchased through connections to Westchester Joint Water
14 Works and Aquarion Water Company of Connecticut. Water is purchased as a
15 finished water product with no additional treatment required.

16 The SWWC RD#2 system is comprised of the City of Rye, and the Villages of Rye
17 Brook and Port Chester. The system consists of 167 miles of water mains with
18 1,100 hydrants and approximately 1,600 main line valves. The existing water
19 distribution system also includes 2 storage tanks with a total capacity of 4.55
20 million gallons, 3 pump stations, 8 interconnections and 7 pressure reducing valve
21 stations. No treatment or chemical feed is provided at these facilities. The
22 distribution system is divided into two main pressure districts; the New York Main
23 Service (NY Main) and the NY High. On average 7 million gallons per day is

1 distributed, with a peak day of just less than 12 million gallons per day. The water
2 quality monitoring requirements are mandated by the New York State Department
3 of Health.

4
5 **SWON Profile and General Company Description**

6
7 **Q. Can you please provide a general description and profile of SUEZ Water**
8 **Owego-Nichols Inc.?**

9 A. SWON is a wholly owned subsidiary of SUEZ Water Resources Inc., which in turn,
10 is wholly owned by SUEZ Water Inc. SWON was formed through the merger of
11 United Water Owego Inc. and United Water Nichols Inc., which became effective
12 on April 23, 2008 (Case # 07-W-0872). Effective November 9, 2015, United Water
13 Owego-Nichols Inc. changed its name to SUEZ Water Owego-Nichols Inc. SWON
14 operates in 5 municipalities in Tioga County, New York. It serves approximately
15 5,500 customers. Currently, SWON has approximately 1,550 service connections,
16 operates 131 hydrants and has three wholesale connections to the Town of
17 Owego. The customer classifications utilized by the Company are residential,
18 commercial, industrial, wholesale and public authority. All customers are located
19 in Tioga County.

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1 **Suez Water Owego-Nichols General Description**

2 SWON is located in the Twin Tiers region of upstate New York, near the
3 Pennsylvania border and approximately 22 miles west of Binghamton, New York.
4 Nichols is about ten miles west of Owego. The Nichols system source of supply is
5 ground-water. The Owego system source of supply is also ground water, but well
6 #4 has been classified as Ground Water Under Direct Influence of Surface water,
7 by the Tioga County Health Department. Both systems are operated from the
8 same office, located at 575 East Main Street, Owego, NY 13827.

9 SWON has five sources of supply: Wells 1 and 3 (George Street, Owego), Well 4
10 (William Street, Owego), Well 2 Nichols (W. River Road, Nichols), and Well 3 (Kirby
11 Park, Nichols). Well 3 (Kirby Park) Nichols went into service in August 2010.

12 SWON operates two booster stations: BS1 (Booster Station 1 East Main Street)
13 and BS2 (Booster Station 2 Halstead Avenue). SWON also has two aboveground
14 water storage facilities: Lisle Road (0.75 MG) and the Lockheed Tank (1.0 MG)
15 which is located on Lockheed Martin Property, Bodle Hill Road in the Town of
16 Owego. SWON has one in-ground reservoir in the Village of Nichols, with a
17 capacity of 0.225 MG, and is covered by an aluminum geodesic dome.

18 Water treatment in SWON includes the addition of chlorine. SWON's water quality
19 monitoring requirements are mandated by the New York State Department of
20 Health. The distribution system has approximately 25 miles of mains, with main
21 sizes running from 1 inch to 12 inch. Approximately 25% of SWON mains are

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1 comprised of PVC, with the balance being predominately cast iron. The distribution
2 system also has over 300 valves, including hydrant valves.

3 The Forest Park group of water companies is an Operating Unit within the SWON
4 subsidiary of SUEZ Water Resources Inc. The acquisition of the Forest Park group
5 of water companies originated as an intervention by the New York State Public
6 Service Commission. SUEZ Water New York was named temporary operator of
7 the Forest Park group of water companies effective June 30, 2016. SUEZ took
8 ownership of the Forest Park entity on October 23, 2017. The Forest Park group
9 of water companies consists of fourteen discontinuous water systems within
10 Putnam and Westchester Counties. The Forest Park systems serve approximately
11 980 customers and generally do not provide fire protection services.

12 The sources of supply for all systems is groundwater. There typical designs for the
13 systems as follows:

- 14 • Groundwater wells that pump directly into the distribution system serviced
15 by an elevated storage tank.

- 16 • Groundwater wells that pump directly into the distribution system serviced
17 by hydro pneumatic tank.

- 18 • Groundwater wells that pump into a ground storage tank which sites side
19 by side with a hydro pneumatic tank. Pressure is supplied by separate
20 booster pumps in these cases.

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1 • Groundwater wells that pump into a ground clearwell which is then
2 pumped via booster pump to elevated storage tank.

3 These systems include four elevated storage tanks as follows:

- 4 • Country Hill elevated storage tank
- 5 • London Bridge elevated storage tank
- 6 • Mahopac elevated storage tank
- 7 • Union Valley elevated storage tank

8 There is one booster system within the Union Valley System.

9 Treatment consists primarily of sodium hypochlorite disinfection in all cases. In
10 some cases, soda ash is used for pH adjustment.

11 Forest Park operations are currently managed out of the SUEZ Water New York
12 offices.

13

14 **SWNY Office Relocation**

15

16 **Q. Are you currently relocating the existing SWNY main office located at 360**
17 **West Nyack Road?**

18 A. Yes, we are moving our main office to 162 Old Mill Road in West Nyack, which is
19 approximately 2 miles from the current facility.

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1 **Q. What were the key drivers for the relocation of the current West Nyack**
2 **office?**

3 A. The following are the key drivers for the office relocation:

- 4 • Current space is no longer adequate for size of the company, as there are
5 currently employees sharing offices and temporary office space has been
6 placed in corridors.
- 7 • No room for any further expansion or growth at the current facility. As
8 SUEZ has looked at acquiring to small, troubled water systems, there will
9 be an eventual need for more employees to handle these systems as we
10 onboard them.
- 11 • No land available to expand the existing facility to accommodate the
12 required additional parking. Currently there is inadequate parking
13 available for customers and guests at the site.
- 14 • The existing customer service area is far too small for current needs and
15 provides no privacy or meeting area for customers to discuss their bill or
16 payments in detail with company representatives.
- 17 • There is currently no guest or reception space available in the existing
18 customer service entrance.
- 19 • The existing office was built prior to West Nyack Road becoming a main
20 thoroughfare. Turning into and out of the building has become a major
21 safety issue for both employees and customers.

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- 1 • The current facility is not ADA compliant, and required renovations would
2 be cost prohibitive to complete.

3

4 **Q. How is the office relocation in the best interests of the customers?**

5 A. In addition to addressing the key drivers listed above, this relocation has several
6 other benefits for customers. The first is that the company negotiated a below
7 market lease arrangement for the new space. For example, while looking for
8 properties, we found that the typical market rate in Rockland County for available
9 office space is averaging between \$20 and \$25 per square foot, while
10 undeveloped land is averaging \$2.50 to \$18 per square foot. SWNY was able to
11 lease 26,000 sq. ft. of space for considerably less per square foot. For the land
12 required for our construction yard, SWNY was able to negotiate a very
13 reasonable lease term per square foot for 60,000 sq. ft. of additional land.
14 Additionally, the company will propose to utilize the proceeds from the sale of the
15 current 360 West Nyack Road property, once known, to fund the majority of the
16 leasehold improvements required on the new office space in conjuncture with the
17 current capital plan which will reduce additional costs to the customer. The full
18 proceeds of the sale would reduce rate base and reduce associated depreciation
19 expense for the benefit of all customers. Another advantage is that the new site
20 is geographical. It is located across the street from the company's existing Lake
21 Deforest reservoir, and less than a mile from the existing treatment plant, which
22 consolidates our operating centers even further.

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1 **Q. How long is the new lease?**

2 A. The lease is for a period of 30 years commencing 1/1/2019, with a 2% annual
3 escalator. Additionally, there is a company 10 year renewal option at the end of
4 the 30-year term, as well as right of first refusal should the company eventually
5 wish to purchase the property.

6

7 **Consolidation and Merger of New York Companies**

8

9 **Q. Are you proposing to merge all the New York Companies?**

10 A. Yes. SUEZ has separately filed concurrently for the merger of the companies
11 formally known as SUEZ Water New York, SUEZ Water Westchester, (RD#1 &
12 RD#2), and SUEZ Water Owego-Nichols into a single surviving entity of SUEZ
13 Water New York Inc. The testimony in this proceeding is premised on the
14 Commission's ultimate approval of the proposed merger and supports the merger
15 petition.

16

17 **Q. Does the proposed consolidation and merger benefit customers?**

18 A. Yes.

19

20 **Q. Can you please briefly identify any operational synergies that have been
21 achieved in anticipation of the proposed merger?**

22 A. Over the past 18 months, the Company has aligned its management staff and
23 reporting structure to function as a single company, thus avoiding duplication of

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1 costs that would be necessary to maintain individual businesses. For example,
2 aligning the organization this way allows for a single Director of Operations who
3 has the overall responsibility for the operations across all the businesses. This is
4 also true for Customer Service. Similarly, we have streamlined our accounting,
5 communications and HR functions to have a single department for each serving
6 all the combined companies, rather than requiring individual employees at each
7 business unit.

8 Additionally, in advance of the merger, SWNY has been able to reduce the Finance
9 and Accounting function from four employees previously, to three current
10 employees performing that role. That reduction allowed a position to be
11 repurposed to a revenue management position, which will analyze, and track data
12 associated with our automated meter reading infrastructure (“AMI”) systems as
13 they come on line. Once again, this was an avoided cost of a new employee in
14 anticipation of having to maintain only one set of financial records, as well as only
15 filling a single Commission report annually.

16
17 **Q. Are there other savings that will be realized in the future as a result of the**
18 **proposed Merger of the New York Companies?**

19 A. Yes. By merging the New York Companies, a significant benefit is that one rate
20 case would be filed instead of three as the current structure indicates. While this
21 case, which proposes to harmonize certain elements of the rates of each of the
22 companies, is initially more complex, the Company believes that future rate cases

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1 expenses incurred for the consolidated entity will be less than for three separate
2 rate case filings.

3

4 **Q. Please summarize the elements that the Company is proposing to merge.**

5 A. First, the Company is proposing to move all five Operating Units into one
6 consolidated tariff where they would be subject to the same rules and
7 regulations. Under the consolidated entity, there would be three distinct Rate
8 Districts. The first, Westchester, would consist of SWWC RD#1 and SWWC
9 RD#2 and would have harmonized rates. The next, Owego would consist of
10 SWON and Forest Park, and although the revenue requirement for each
11 separate Operating Unit demonstrates a large overall revenue requirement
12 increase needed, the Company is proposing to leave SWON's current rate plan
13 in effect and move Forest Park's rates to match SWON's. The third Rate District,
14 Rockland, would consist of the territory currently served by SUEZ Water New
15 York.

16

17 **Q. Are there other components that the Company is proposing to harmonize?**

18 A. Yes. The Company is proposing to harmonize the Public and Private Fire rates
19 for the SWWC and SWNY Rate Districts. We are also recommending a
20 consolidated Revenue and Production Reconciliation Clause Statement ("RAC").
21 This will enable the Company to reconcile differences between actual and target
22 revenues, production costs and property taxes over a larger base. It will also offer
23 protection for the smaller entities (like SWON) by virtue of its critical mass, by

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1 avoiding situations where a large customer leaves the service territory. We are
2 also proposing to equalize the reconciliation percentages as indicated in the
3 Revenue Requirement Panel's testimony. The Company does desire to eventually
4 make all rates equal across all Rate Districts, however, after calculating bill impacts
5 in its initial calculations, it was clear that some classes of customers would be
6 adversely affected. Our approach in this case moves incrementally toward that
7 goal in an interim step.

8
9 **Q. Are there other benefits to customers that are anticipated to result from the**
10 **proposed merger?**

11 A. There will be additional benefits to the merger as outlined below:

- 12 • Capital Investment and infrastructure replacement will be spread out
13 over a larger rate base making it more economical on a per customer
14 basis.
- 15 • The Company remains interested in acquiring small, troubled water
16 systems and having a single tariff entity allows for a much more efficient
17 and streamlined acquisition and onboarding process. Most of these
18 systems will require significant upgrades and capital investment to be
19 brought up to current standards, and the customers would benefit from
20 much smaller potential rate impact by being part of large single
21 company.
- 22 • Rate impact for needed capital infrastructure projects, as well as the
23 potential impact of losing a major customer for small individual

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1 companies such as SWON, would also be greatly reduced as a result of
2 this merger.

3

4 **Key Drivers of the Rate Increase**

5

6 **Q. When was the last filing for SWNY, SWWC, and SWON?**

7 A. SWNY last filed for a general rate increase in February 2016, with an Order
8 date of January 2017, which provided for a three-year rate plan.

9 B. SWWC last filed for a general rate increase in November 2013, with an
10 Order date of November 2014, which provided for a three-year rate plan.

11 C. SWON last filed for a general rate increase in August 2017, with an Order
12 date of July 2018, which provided for a three-year rate plan.

13

14 **Q. Why is the Company seeking an increase in its rates at this time?**

15 A. While rate proceedings are expensive and time consuming, the Company must file
16 for rate relief when capital and operating costs reach a point where financial and
17 operating performance could be affected.

18

19 **Q. What rate relief is the Company seeking in this case?**

20 A. As shown in the Revenue Requirement Panel's Exhibits, the increase in base rates
21 being requested is \$32.8 million (or 20.6% over projected revenues at existing
22 rates). However, as previously mentioned, the Company is not seeking to increase
23 rates for SWON beyond the level of their current rate plan. Additionally, the

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1 Company is not asking for the full revenue requirement need for customers in the
2 Forest Park system. This equates to approximately \$1.2M in unrecovered costs
3 which brings the overall increase to \$31.5 million or 19.8%.

4

5 **Q. What are the Key Drivers for the requested increase?**

6 A. The most significant driver for the requested increase is the level of needed capital
7 investment. SUEZ has invested nearly \$145 million over the past 3 years to
8 improve the reliability of the water system serving the nearly 500,000 Rockland,
9 Westchester, Tioga, Putnam, and Orange County residents that we serve. A safe
10 and reliable water supply system for our customers is a top priority, and SUEZ is
11 planning to invest approximately \$440 million more in improvements over the next
12 5 years that will enhance reliability. These significant investments have provided
13 improved pressure and flows for fire suppression, improved WTP performance,
14 reliability, and efficiency, installed District Metering Area's to target lost and
15 unaccounted for water, automated meter reading infrastructure, valve
16 replacements, main replacements, and provided improvements for dam safety.
17 The infrastructure investments made in source of supply, booster pumping,
18 standby power generation, transmission and distribution mains, etc. have provided
19 customer value. Since 2014, we have replaced or rehabilitated approximately 14
20 miles of mains as part of our infrastructure renewal program, with over 5 miles
21 replaced in combined companies during 2018. This represents approximately 0.31
22 percent of the system on average per year during this time, with a replacement
23 rate in 2018 of 0.40 percent in Rockland and Orange Counties. A more aggressive

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1 program of replacement/renewal will promote sustainability of efficient water loss
2 levels, once achieved. A reasonable target would be to reach a renewal rate of
3 1.0 percent by 2020 in the current territory of SWNY, and by 2023 in SWWC and
4 SWON, which is equivalent to replacing the network every 100 years and more in-
5 line with typical life spans of water main material. Over the next 5 years, SWNY
6 plans to invest over \$165 million, with an annual investment of over \$42 million by
7 2023. SWWC is planning to phase in increases in main replacement investment
8 in the future, in order to reach a full 1.0 percent by 2023. This increased investment
9 in infrastructure through programs such as the Underground Infrastructure
10 Renewal Program and Long Term Main Renewal Program is further detailed in the
11 testimony of Company Witness McEvoy.

12 The Company's priority and goal is to provide consistent value to customers for its
13 services. To achieve this priority and goal, the Company stringently controls
14 operation and maintenance expenses so that the Company runs efficiently.
15 However, since the Company's last rate case there have been several significant
16 increases in certain operation and maintenance costs that are beyond our control
17 and make current revenue inadequate to generate a fair rate of return. Some of
18 the key drivers of the increase in costs being experienced are discussed in more
19 detail below.

20
21 **Q. What are the other key drivers of the rate increase?**

22 A. Other key drivers include the decline in normalized revenues and increases in
23 property tax expense over amounts currently included in rates. Additionally, the

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1 reintroduction of New York State income taxes is described in Company Witness
2 Cagle's testimony.

3

4 **Q: Have revenues from sales developed as originally forecast in the Company's**
5 **current rate plan?**

6 A: No. Revenues from sales are out of line with our current rate plan's targets. To
7 address this difference, the Company is proposing that the sales revenue target
8 be reset to reflect a more normalized downward shift, especially in anticipation of
9 the company's proposed conservation plan, outreach and education, and
10 conservation rate structure. This is further detailed in the testimony of the Revenue
11 Requirement Panel.

12

13 **Q. What specific costs have increased most significantly since the Company's**
14 **last rate filing?**

15 A. Increases in property tax expense has been, and continues to be, a main driver in
16 the Company's need to file for increased rates. Property taxes have increased by
17 over 10% as compared to the amounts currently included in rates. The Company
18 pays property taxes on its special franchise property, i.e., the assets that it owns
19 in the public right of way (mostly mains, hydrants and services) and on land and
20 improvements on the land it owns. As one of the largest property tax payers in
21 each county we serve, these millions of tax dollars are revenues to the taxing
22 authorities for providing municipal services for the benefit of the residents and
23 businesses in the towns we serve, and are expenses incurred by the Company

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1 each year that must be collected from its customers. As the Company's single
2 largest cost, property taxes represent over 20% of the cost of providing water to
3 our customers.

4
5 **Q. Has the Company taken steps to advocate for its customers with respect to**
6 **Real Property Tax expenses?**

7 A. Yes. The Company has previously retained, outside counsel with significant
8 experience in the area of real property taxes. The Company continues to evaluate
9 property tax levies and implement recommendations of counsel. The Company
10 has also taken steps to ensure that it pays its property taxes "under protest", thus
11 preserving the right to challenge those tax payments, where it is justified. The
12 Company has also continued its annual review of the Office of Real Property Tax
13 Services ("ORPTS") criteria for applying for an Economic Obsolescence ("EO")
14 adjustment in advance of annual inventory filings. Finally, the Company has
15 continued to challenge improper or excessive assessments via legal proceedings.

16 While we realize that municipalities rely on real property tax income as a primary
17 source of funding, the taxes are a significant expense to the Company's business
18 and must be recovered from customers. As a result, we seek to minimize the
19 negative impact of real property taxes on our customers. However, even though
20 the Company is vigilant in keeping its real property taxes as low as possible, its
21 options for affecting the total costs, specifically the Franchise Tax component is
22 very limited. The testimony and exhibits of the Revenue Requirement Panel will
23 further detail property taxes.

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1 It is important to note that, as the Company invests in additional infrastructure for
2 the benefit of its customers (such as increasing the main replacement rate to 1%
3 per year), special franchise taxes in particular will most likely increase at a greater
4 rate than previously experienced as the value of assets subject to special franchise
5 tax are increasing.

6

7 **Q. Since the Company's last rate case, has it consistently filed for EO awards**
8 **with ORPTS?**

9 A. Yes. EO is a reduction to the special franchise assessed values determined by
10 ORPTS and may result in the company being charged lower taxes on its special
11 franchise property. The Company filed for and received EO awards from ORPTS
12 in 2016, 2017 and 2018.

13

14 **Q What portion of the current SWWC expense is related to purchased water?**

15 A. The Company's purchased water cost currently represents 57% of its operation
16 and maintenance expense in the SWWC territory, excluding depreciation,
17 amortization and general tax expense.

18

19 **Q. How is the amount of water that the Westchester municipalities are entitled**
20 **to take determined?**

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1 A. The so-called “entitlement water” is the product of the average consumption of
2 water by an inhabitant of New York City, multiplied by the number of residents in
3 the Westchester County community taking the water.

4

5 **Q. Please describe the excess entitlement charge.**

6 A. The excess entitlement charge is, in effect, a penalty charged by New York City
7 when any water purveyor in Westchester County uses more than the entitlement
8 amount of its customers. Water used over and above the entitlement rate, which
9 (as noted previously) is calculated by multiplying the population served by the
10 water purveyor in Westchester County, by the per capita consumption in New York
11 City. New York City makes this excess water computation on a monthly basis.
12 Clearly, there are significant differences between inner city living arrangements
13 and the mainly suburban communities with yards and accompanying outdoor water
14 usage served by the Company – with the suburban areas inevitably using more
15 water than the inner-city urban areas with no back yards or any significant outdoor
16 water use.

17

18 **Q. Is the Company taking steps to resist cost increases imposed by New York**
19 **City?**

20 A. Yes. The Company was instrumental in forming, and participates in, a municipal
21 consortium, which has challenged the NYC rates and ratemaking process on an
22 annual basis. This consortium through our legal representation, has filed a joint
23 petition with the Department of Environmental Conservation dated August 18,

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1 2016 requesting a review of the rates charged by the City of New York Water Board
2 (the Water Board) to customers located outside New York City who take water
3 from the City's water supply system. In the August 2016 joint petition, Petitioners
4 seek administrative review of the following water rates:

- 5
- 6 1. Effective July 1, 2014 (FY 2015), the Water Board set the upstate rate for
7 entitlement water at \$1,573.61 per million gallons (per MG), and the upstate
8 rate for excess water at \$4,946.52 per MG;
 - 9 2. Effective July 1, 2015 (FY 2016), the Water Board set the upstate rate for
10 entitlement water at \$1,728.99 per MG, and the upstate rate for excess
11 water at \$5,093.58 per MG; and
 - 12 3. Effective July 1, 2016 (FY 2017), the Water Board set the upstate rate for
13 entitlement water at \$1,750.52 per MG, and the upstate rate for excess
14 water at \$5,200.53 per MG.

15

16 **Cost Control**

17

18 **Q. What specific steps has the Company done to manage its costs?**

19 A. As part of a larger national company, we have been able to leverage its size and
20 volumes to negotiate favorable unit prices for chemicals, energy, paving,
21 contractors' charges and transportation costs. These favorable conditions for both
22 operating expenses and capital benefit our customers by lowering the Company's

1 operating expense needs. The Company continues to control its infrastructure
2 maintenance costs by using in-house labor resources rather than contractors. For
3 these reasons, along with investment in the Smart Utility model as outlined below,
4 over the past three years, the Company has been able to reduce operationally
5 controlled costs by approximately 3.7%.

6
7 **Productivity and Efficiency**

8
9 **Q. What has the Company done to increase productivity and efficiency?**

10 A. The company over the past year has heavily invested in the “Smart Utility” model
11 to promote greater productivity, efficiency, and work order tracking. We have
12 installed tools such as the INFOR work and asset management system, which
13 creates routes and tracks work orders given to our field employees, as well as the
14 CLEVEST system, which does the same for our meter field staff. These tools used
15 in conjunction with our GPS fleet system and Geographical Information System
16 have enabled the company to more accurately track and efficiently deploy our
17 resources in the field. This leads to lower overall operating costs, better
18 productivity and scheduling, while simultaneously improving response times to
19 customer issues in the field. As these tools are further developed, they will
20 continue to improve and enhance the customer experience as well. These
21 efficiencies have been reflected in the overall revenue requirement of this case.

1 **Chemical and Energy Costs**

2

3 **Q. Does the Company take steps to control its chemicals costs?**

4 A. Yes. To obtain the lowest available prices, depending on the chemical, the
5 Company either continues to buy through a national contract using the leverage of
6 the entire SUEZ purchase volume or we bid our local purchases on an annual
7 basis. In addition, the Company tightly controls and monitors the dosing of
8 chemicals through short interval controls and on-site bench scale jar testing to
9 ensure that the Company is not using more chemicals than are required to
10 maintain compliance with the United States Environmental Protection Agency's
11 ("EPA") water quality standards. It is important to note that water quality standards
12 continue to be made more stringent. As a result, our practice of tight control and
13 monitoring will be even more critical in the future for controlling necessary chemical
14 costs.

15

16 **Q. Please describe the Company's approach to managing electricity costs.**

17 A. The Company actively seeks to manage its electricity usage, which is a large cost
18 component for any water treatment system. The Company follows a multi-faceted
19 approach to manage energy use:

- 20 • Energy Efficiency
- 21 • Tariff Optimization
- 22 • Demand Response

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- 1 • SWNY has developed short interval controls to better monitor energy
2 usage. The Company has continued to install real time kilowatt hour
3 ("kWh") meters at primary sites to monitor energy usage.

4 Please see the testimony of the Operations Panel for more detailed information of
5 chemicals, energy, and residual waste and spoil costs.

6

7 **Q. Please summarize the Company's efforts to control costs.**

8 A. As I have testified, the Company manages its key controllable costs aggressively.
9 Active steps have been taken by the Company's Hedging Management Team to
10 reduce electricity prices. Chemicals have been bid as a collective to leverage the
11 buying volume from all of SUEZ Water's business. Our performance management
12 tools are effectively managing chemicals and energy on a short interval control
13 basis to further optimize usage versus cost. Regular management performance
14 reviews are conducted weekly to oversee the key indicators. Our employees have
15 shown greater flexibility by using variable crew sizes to complete more work and,
16 where appropriate, reduce reliance on outside contractors.
17 Infrastructure maintenance and installations are bid on a frequent basis to test
18 market conditions and ensure we have the best possible pricing. All invoices are
19 paid to make the most of vendor discounts.

20

21 **Non-Revenue Water**

22

1 **Q. Has SWWC implemented steps specifically designed to reduce its**
2 **percentage of Non-Revenue Water?**

3 A. Yes. Non-Revenue Water (NRW) is a top priority for the Company and the
4 communities it serves. We continue to expend significant resources to further
5 reduce NRW. Opportunities identified as part of previous Company rate cases
6 have been evaluated, and various initiatives implemented. These opportunities for
7 improvement were needed to better align and monitor efficiencies of the system.
8 Please refer to the testimony of the Operations Panel for further details.

9

10 **Conservation Program**

11

12 **Q. Does the Company have an existing conservation program?**

13 A. Yes. SWNY's existing conservation program was approved in Case 16-W-0130 -
14 Proceeding on Motion of the Commission as to the Rates, Charges, Rules and
15 Regulations of SUEZ Water New York Inc. for Water Service. This plan includes
16 an ongoing customer conservation outreach and education initiative, along with an
17 innovative rebate program.

18

19 The elements of the SWNY's existing conservation program include:

- 20
- Rebates offered on indoor and outdoor water-saving products. Third-party
- 21 accreditation for water-saving products through EPA WaterSense and
- 22 ENERGY STAR programs

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- 1 • Collaboration with Orange & Rockland Utilities to engage mutual customers
2 for both water and energy savings.
- 3 • Complementary water-efficiency audits for commercial customers, who use
4 large amounts of water, to identify behaviors and fixture replacements to
5 generate water savings. This includes schools, condominium complexes,
6 etc.
- 7 • Initial launch offered a \$100 rebate on washing machines (1 per residential
8 customer), \$75 on toilets (3 per residential customer) and \$15 on
9 showerheads (3 per residential customer). Commercial customers can
10 request rebates on additional quantities.
- 11 • Lowe's partnership: Secured an innovative partnership with Lowe's that
12 allows customers to redeem rebates instantly in-store on their cellphones.
- 13 • A comprehensive promotional program that includes all customer touch
14 points along with a wide range of traditional and creative advertising tactics.

15
16 **Q. How do you collaborate with Orange and Rockland?**

17 A. SUEZ and O&R share an online marketplace, the MyORUstore.com, to offer our
18 mutual customers joint energy and water saving rebates. We regularly conference
19 on methods to market our platform and cross-promotion at county events.
20 Additionally, O&R has become a partner for us in reaching out to commercial
21 customers and enhancing community relationships through each of our
22 commercial audit programs.

23

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1 **Q. How were rebates launched?**

2 A. On June 21, 2017 rebates were launched simultaneously to all customer classes
3 for indoor water-saving products including washing machines, toilets, and
4 showerheads. In 2018, rebates on smart irrigation controllers and rain barrels were
5 launched in conjunction with irrigation workshops to educate customers on how to
6 use these devices effectively.

7

8 **Q. How have you educated customers about the program?**

9 A. The June 21, 2017 launch included a direct mail postcard to all customers coupled
10 with print, broadcast and social media advertising. The advertising program
11 includes every major advertising channel available in Rockland County.

12 • The program is promoted through every existing SWNY customer touch
13 point including bill inserts, vehicle decals and employee email signatures.

14 Grassroots marketing efforts were also used that included:

15 • Tabling at community events and presentations at senior citizen clubs

16 • An innovative promotional program with the Rockland Boulders, the
17 county's minor league baseball franchise. The program included in-stadium
18 signage, tabling, video messages and giveaways (shower timers)

19 • Conservation workshops with Cornell Cooperative Extension, Solid Waste
20 Management Authority and Rain Bird

21 • Targeted presentations for elected officials, local groups, and trade groups
22 that intersect with our program (facility directors, plumbers, irrigation
23 contractors, general contractors, etc.)

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- 1 • Conservation curriculum for K-6 school children
- 2 • Information is included in our annual Customer Information Guide which is
- 3 sent to our customers, as well as our Annual Water Quality Report.
- 4

5 **Q. What product changes were made in the program over time?**

6 A. Eligible products have shifted due to industry changes, for example in February

7 2018 it was logical to transition from CEE to ENERGY STAR as their changing

8 standards matched ours and made eligible washing machines easier to identify in

9 the market place. Similarly, in 2019 we will transition from WaterSense labeled

10 pre-rinse spray valves to any model purchased after January 28th, 2019 as the

11 EPA sunsets their pre-rinse spray valve program and all models available are

12 more water-efficient than their predecessors.

13

14 **Q. What different elements of the program are you offering to commercial**

15 **customers?**

16 A. Commercial customers are eligible for additional rebates including flushometer

17 toilets and urinals that are not found in typical residential households. Additionally,

18 we are giving away pre-rinse spray valves to our commercial customers to

19 encourage water conservation and introduce them to our program offerings.

20 In addition to rebates, we also offer free water audits by Water Management Inc.

21 ("WMI"). WMI visits a property, observes flow rates of all water devices, and learns

22 how water is used by the facility director or property manager escorting them. They

23 design a report using historic consumption data to show property managers how

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1 their water is being used, behaviors they could change and renovations they could
2 make to reduce their consumption and bills. WMI also demonstrates the payback
3 period for each water saving project so that the property manager can use the
4 report to get approval for renovations.

5
6 **Q. How have the rebates changed since they were initially implemented?**

7 A. Based on feedback from Water Management Inc. (WMI), the firm that conducts
8 our water audits, and to convince our customers of the value of water-saving
9 projects, the rebate amount for flushometer valve toilets and urinals increased from
10 \$75 to \$100 in 2018. Additionally, WMI noted that the same water savings would
11 be achieved by replacing the valve rather than the entire unit in most cases so the
12 rebate applies to the purchase of a valve or full unit. We strategically decided in
13 2018 to give away high efficiency pre-rinse spray valves to commercial customers
14 to further incentivize the commercial rebate program and build acceptance of
15 WaterSense products in the community. In 2019, we launched an increased
16 rebate of \$100 on tank toilets for residential customers to further encourage
17 participation in the rebate program.

18
19 **Q. Why are you giving away pre-rinse spray valves (PRSVs) to commercial
20 customers instead offering rebates?**

21 A. The cost to purchase 1,000 PRSVs was approximately ~\$36 per unit, as opposed
22 to offering a \$50 rebate. In this instance, give-away results in savings related to
23 marketing and encourages water savings through changes in commercial

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1 customer behavior. We plan to exchange pre-rinse spray valves for a certificate of
2 installation and track installations through a similar system to our rebate
3 campaigns. Additionally, the PRSV model we chose was the lowest flow at 1.1
4 GPM. When we tested them alongside two other models, a local restaurant owner
5 could not distinguish different flow rates between water-saving models and his own
6 which used more water. The give-away program is limited to commercial
7 customers who also still have the option to purchase a PRSV of their choice and
8 apply for a \$50 rebate.

9
10 **Q. Are you including residents that are not direct customers into the**
11 **conservation program?**

12 A. Yes. In the winter of 2017 and spring of 2018, we piloted a program with a Home
13 Owners Association to allow master-metered properties to participate in the
14 conservation rebate program. Individual condo/townhouse owners in the service
15 territory could apply for rebates on indoor water savings products. After a trial
16 period, we recognized that the small HOAs had a difficult time providing
17 information to validate owner eligibility. After discussion with our rebate-
18 processing partner, we plan in 2019 to maintain our unique townhome/apartment
19 rebate program but revise our application and validation process. Instead of
20 requiring an account number, we will allow residents that are not account holders
21 to submit another utility bill to prove residency.

22
23 **Q. Will you be offering rebates throughout the merged Companies?**

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1 A. Yes, as part of our proposal to merge all SUEZ New York operations we will
2 expand our conservation rebate program to include our customers in Westchester,
3 Putnam and Tioga counties. Rebates are anticipated to align with our existing
4 program within each customer class.

5
6 **Q. Does SUEZ plan on any changes to its existing conservation program?**

7 A. Yes. In collaboration with consulting firm, Black and Veatch, we have worked to
8 develop an enhanced conservation program that will be available to all customers
9 in the merged companies. The existing plan, while ground breaking and innovative
10 for a water utility in New York, relied heavily on willing customer participation
11 around changing household appliances and fixtures in order to fully achieve its
12 goals. While the Company is proposing to keep the rebate program available for
13 all customers of the combined companies, it will no longer be the focal point of the
14 program. To this end, the company will neither be including the costs of the
15 rebates in the overall revenue requirement, nor proposing any incentive
16 mechanism based on rebate redemptions. Instead, we propose to continue
17 offering rebates, and reconciling the costs for units redeemed on an annual basis
18 via a surcharge mechanism. Furthermore, the Company feels that the education
19 and conservation orientated rate portions of the existing programs have been a
20 resounding success and will be rolling them out to the combined companies'
21 customers. Likewise, with the proposed merger and addition of the current
22 SWWC which has significant outdoor summer usage, there will be a stronger
23 emphasis on this area of the plan, as well as the commercial audit provisions. The

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1 Company proposes these changes to evolve and grow the conservation plan
2 moving forward.

3

4 **Q. What are the key elements of the proposed plan?**

5 A. The following are the key components and goals of the proposed plan:

6 • An emphasis on expanding digital engagement with customers and
7 providing all customers with information and tools to make informed
8 decisions regarding their water use

9 • Setting appropriate rates structures to incentivize customers to conserve

10 • Providing expert advice to non-residential customers through water
11 efficiency assessments and making recommendations for cost-effective
12 efficiency upgrades

13 • Making rebates available to all customers that are reconciled annually

14 • Communicating with our customers to emphasize the importance and
15 benefits of conservation, which requires a long-term approach

16

17 **Q. Please provide additional details regarding your revised conservation plan?**

18 A. The following are the key components and goals of the plan:

19

20 **1. Providing Tools and Information to Customers:**

21 SWNY is leveraging the resources of its parent company to make available to all
22 its customers new and highly innovative tools so they can be better informed about
23 their water use and can make informed decisions that best suit their needs. The

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1 Company's commitment to technology development and customer engagement
2 has led to the development of the *mysuezwater.com* customer experience website
3 that is available to all customers. Customer engagement platforms have been
4 shown to reduce customer water consumption by 3-5%. The portal leverages the
5 Company's investment in AMI, (roll out to be substantially complete by first quarter
6 of 2020), by providing detailed water consumption information to customers.
7 Traditionally customers have been provided with monthly data – now customers
8 with smart meters are provided with ability to see consumption at the weekly, daily,
9 or even hourly level. This new level of insight provides customers with the
10 information they need to make informed decisions regarding their water use. They
11 can track their usage more frequently to manage their consumption. Some of the
12 specific features available to customers include:

- 13 • The ability for customers to compare their consumption to similar homes in
14 their neighborhood.
- 15 • The ability for customers to set a monthly or annual conservation goal – and
16 receive alerts on their progress
- 17 • A Conservation Survey: the customer can learn where they can potentially
18 save water (and energy) and how much. Customers that qualify for rebates
19 are sent to www.SUEZconserve.com
- 20 • Customized water conservation tips. Customers that take the Conservation
21 Survey see customized tips to help them save water in ways that are
22 relevant to them.

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1 The portal is available to all customers that sign up for web-based account access
2 and provide an email address. To maximize the benefit of these new offerings to
3 all customers, SWNY will develop a communications campaign to encourage more
4 customers to sign up so they can benefit from the available technology.

5 The development of the portal is responsive to customer feedback and provides
6 them the tools that they want to use. In a 2018 customer satisfaction survey, 95%
7 of New York customers expressed interest in receiving consumption information
8 and alerts and 96% of New York customers expressed interest in the accessing
9 account information online, mysuezwater.com will meet these needs.

10

11 **2. Setting appropriate rates structures to incentivize customers to conserve**

12 In 2016, SWNY implemented conservation-oriented rates in the form of inclining
13 block rates. These rates are designed to incentivize customers to conserve water.

14 It is important to actively communicate with customers regarding the new rates
15 structure and provide tools and data to customers (such as through the
16 mysuezwater.com) to enable customers to make informed decisions about their
17 water use. Customers may choose to conserve in different ways, some may

18 choose to implement more efficient water using devices in their homes and
19 businesses, and some may respond with behavioral change. Behavioral changes
20 include avoiding wasteful practices, taking shorter showers, modifying irrigation
21 schedules and all of these can be incentivized through a price signal that equitably
22 reinforces to customers that the more water they use the higher the per unit rate.

23 An inclining block rate structure is likely to be particularly applicable for residential

1 customers in current SWWC RD#1 and RD#2, where there is a large increase in
2 water use in the summer months. Currently, SWWC RD#1 has a flat rate for all
3 consumption, while SWWC RD#2 has a declining, two-block structure. These
4 current designs do not promote conservation, which should be a priority of the
5 case. The conservation rate structure as proposed will incentivize users to reduce
6 consumption, particularly discretionary outdoor water use. In addition, a rate
7 structure focused on conservation should decrease the overall cost of water
8 purchased as currently, a significant portion is subject to the excess entitlement
9 rate discussed above.

10
11 **3. Provide water efficiency audits to non-residential customers**

12 Under the existing conservation program SWNY has conducted approximately 100
13 water efficiency assessments on large multi-family properties and non-residential
14 properties such as hotels and schools. These efficiency assessments have
15 repeatedly found significant opportunities for water efficiency upgrades that are
16 cost-effective and have pay-back periods of 1-3 years. These efficiency reports
17 identify the ways that customers can make changes to water using devices within
18 their properties to save water, and often energy as well. These findings have been
19 documented and provided to customers, along with rebate information. In the
20 expanded plan, another 200 water efficiency assessments are planned for multi-
21 family and selected non-residential customers.

22
23 **4. Providing rebates and incentives cost-effectively to customers**

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1 The rebate program currently in effect for Rockland County and Orange County
2 customers involves a partnership with Orange & Rockland Utilities and is a tailored
3 program to offer rebates on water and energy saving devices, focused primarily on
4 indoor conservation. During the course of the program, SWNY was responsive to
5 customer preferences and recognized the need for customers to be able to obtain
6 instant rebates at their preferred point of sale for toilets and washing machines,
7 which is typically in-store. Therefore, SWNY worked with its partners to implement
8 a cutting-edge program to offer instant rebates at point of purchase in a partnership
9 with Lowe's. This program is planned to be rolled out to additional stores and
10 available to all customers across New York. The expanded conservation program
11 also recognizes the differing consumption patterns in other areas of the state and
12 has identified a new opportunity that reflects the different needs of customers. In
13 SWWC RD#1 and RD#2, there is a much greater seasonal usage of water,
14 especially by single-family customers, and we have identified an opportunity for
15 significant water savings by introducing an efficient irrigation program partnering
16 with a vendor of smart irrigation devices, with the potential to save more water than
17 an indoor focused program.

18

19 **Q. What do you plan to do for the efficient irrigation program?**

20 A. We plan to develop a partnership with Rachio to offer our customers a discounted
21 price on a smart irrigation controller. These devices have proven to be an effective
22 way to reduce irrigation water usage, saving customers money on their water bills.
23 The smart devices connect via Wi-Fi to local weather stations and optimize the

1 irrigation schedule. Given the very high seasonal demand, it appears that
2 customers are over irrigating their lawns and these devices will help save water
3 and save money. This will be combined with an education program – part of which
4 will note that over-watering a lawn does more damage than under-watering. The
5 proposed inclining block rate will incentivize these customers to conserve, and the
6 smart irrigation controller program will provide the means to do so.

7
8 **Q. Are you planning another water-energy utility partnership?**

9 A. Not at this time, but we will keep this option open if a cost-effective partnership
10 arises. The partnership with Orange & Rockland Utilities was highly innovative and
11 was a first of its kind joint rebate program offering joint rebates on water and energy
12 savings products for customers. However, this program is focused on an online
13 Marketplace and we have found that our customers are not typically buying toilets
14 and washing machines online. They generally prefer to shop for these types of
15 products in stores and that is where we will focus to best meet their needs.

16
17 **Outreach and Education**

18
19 **Q. Please briefly describe SWNY's current Outreach & Education initiatives.**

20 A. The Company has implemented a comprehensive outreach and education
21 program with the goal of keeping customers and other stakeholders informed. The
22 Company utilizes a wide array of communication channels including:

- 23
- Newspaper and cable television advertisements;

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- 1 • Direct mail;
- 2 • Annual Water Quality Report;
- 3 • Annual Customer Information Guide;
- 4 • Quarterly bill inserts and messages; Company website;
- 5 • Social media channels; and
- 6 • eNewsletter.

7 Through these media outlets, the Company provides its customers with up-to-date
8 information on water quality, the value of water, system and infrastructure
9 investment and improvements, conservation tips and products, customer rights,
10 customer service matters such as payments, billing, meter reading, hardship
11 programs, and rate change information. A Customer Information Guide is mailed
12 to customers each year. Copies of the Annual Water Quality Reports are made
13 available to all customers as well as to all municipalities and local libraries.
14 Customers are kept informed of our hydrant flushing efforts and planned
15 maintenance through our automated phone system known as Notify. In addition,
16 at least once a year, managers from the Company meet with local officials to
17 discuss Company programs as well as solicit areas of concern expressed by their
18 constituents.

19 The major components of the Company's program include:

20

21 **Website**

22 We continue to upgrade our website as we strive to promote a more user-friendly
23 experience. Customers can easily obtain pertinent information regarding

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1 accounts, billing, rates, conservation and outages. Our website also offers options
2 for starting and stopping accounts, electronic notification, text message
3 notification, scheduling a meter change appointment, and enrolling in one of our
4 several payment options, e-billing and direct debit. We continue to develop
5 enhancements on the web, and in 2018, more options became available to our
6 customers online as noted below.

- 7 • Updated web version to start/stop accounts
- 8 • Customer can update contact information and mailing address online
- 9 • Updated CSR Communication (Portal) for the customer to contact
10 customer service via email
- 11 • Appointment scheduling online
- 12 • Customers can set a conservation goal
- 13 • Track water usage at more frequent intervals
- 14 • Set personalized benchmarks regarding water account/consumption
- 15 • Receive enhanced customer notifications
- 16 • **Take a Conservation Survey**
- 17 • Get personalized tips for saving water and money

18
19 **Facebook**

20 As a key part of the Company's external communications efforts, it has established
21 its Facebook page as a vibrant tool to reach customers and other stakeholders.
22 SWNY invests significant time and energy into producing relevant news and
23 information that compels customers to like, share and respond. It is also used to

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1 provide timely information related to maintenance, service interruptions, etc.
2 Employee profiles, conservation tips and photos of SWNY community activities
3 have garnered the highest engagement numbers. More than 6,000 customers
4 follow the page.

5
6 **E-newsletter**

7 The Company utilizes an e-newsletter that reaches approximately 300 elected
8 officials and leaders from other stakeholder sectors. Company news and activities
9 are communicated through this channel.

10
11 **Customer Advisory Panel:**

12 The Company holds quarterly meetings with selected customers in Rockland and
13 Westchester Counties to gain feedback on a variety of topics such as conservation,
14 rates, monthly billing, communications strategies and website features.

15
16 **Special events**

- 17 • SWNY Lake DeForest Day: For the last four years, the Company has
18 opened the reservoir in June to local residents for kayaking, canoeing and
19 rowing. The event annually attracts more than 200 participants and features
20 the Supervisor's Challenge, a kayak race among the county's five town
21 supervisors, and a youth fishing derby sponsored by the Hudson Valley
22 Council of the Boy Scouts. Orange and Rockland Utilities is the major

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1 sponsor of the event and all proceeds go to the Hackensack Riverkeeper,
2 our partner in this event.

- 3 • Municipal workshops: The Company stages stakeholder workshops with
4 police chiefs, highway superintendents, mayors and business leaders to
5 communicate Company activities and other key messages like how rates
6 are determined and theft of service.
- 7 • SWNY Lake DeForest Cleanup: The Company annually partners with the
8 Hackensack Riverkeeper and Keep Rockland Beautiful to conduct a
9 cleanup of Lake DeForest in April to commemorative Earth Month.
- 10 • SWNY Tour Day: For the last two years, SUEZ has conducted tours of its
11 treatment plant in West Nyack for customers.
- 12 • SUEZ Benefit Softball Tournament: In 2018, we launched a benefit softball
13 tournament with all of the proceeds going to volunteer fire departments in
14 Rockland. Teams of employees competed against volunteer fire teams in
15 the competition. The event raised \$8,500.

16
17 **Corporate Citizenship**

- 18 • Watershed Recreation Program: Customers are provided the opportunity
19 to enjoy fishing, hiking and birding on Company-owned property
20 surrounding the reservoirs. Approximately 600 people were issued passes
21 in 2018.
- 22 • Community/NGO Boards: As part of our ongoing community engagement
23 program, members of the SUEZ Water New York management team sit on

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1 13 boards of directors or advisory boards at non-profit organizations in
2 Rockland.

3
4 **Educational Outreach**

- 5 • Project WET Outreach Program: The Company reached more than 4,000
6 Rockland County students in the 2017-18 academic year. SWNY visits
7 local schools to promote an understanding about the water cycle and water
8 conservation. The curriculum is based on Project Water Education for
9 Teachers.
- 10 • NAWC Scholarships: In partnership with the National Association of Water
11 Companies (NY Section), the Company awarded five college scholarships
12 of \$3,000 each to high school students in Rockland County, Westchester
13 and Tioga counties. These students will be studying fields related to the
14 water industry.

15
16 **Tariff changes**

17
18 **Q. Is the Company proposing any needed changes to its Tariff?**

19 A. Yes, the Company is proposing a new combined single tariff as outlined in the
20 testimony and exhibits of the Operations Panel.

21

1 **Collective Bargaining Agreements**

2

3 **Q. Does the Company have current Collective Bargaining agreements ("CBA")**
4 **in place?**

5 A. Yes, SWNY has a 5-year agreement that was signed in February 2018.

6 SWWC has a 4-year agreement that was signed in March 2017.

7

8 **Q. What was the main term of the CBA that changed?**

9 A. For SWNY employees, job classifications were condensed to provide for greater
10 flexibility of employees to improve efficiency, and safety. The major changes are
11 the implementation of a maximum 16-hour workday before requiring an 8-hour rest
12 period, and the reduction of 35 job titles to 19.

13 For SWWC employees, as of March 31, 2017 all paychecks will be issued on a bi-
14 weekly basis from a weekly basis. By doing this, it aligned the Westchester payroll
15 with the majority of the Company. We also merged the Meter Reader classification
16 into the Serviceperson classification. This allows for the department as a whole
17 to be productive and allows for cross training within the department.

18

19 **Q. Will the proposed merger have any effect on the current CBA's?**

20 A. No. The proposed merger will not affect the current geographic employee
21 structure for the Bargaining Units.

22

23 **Q. Does the company have any potential upcoming acquisitions?**

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1 A. Yes. The company has recently agreed in principle to purchase a 2,700 customer
2 water system, which the Company will propose to merge into the final combined
3 company. Additionally, the company has recently become temporary operator of
4 two small systems, which may also lead ultimately to an acquisition and proposed
5 merger into the larger entity. More details will be available once purchase
6 contracts are finalized and signed by the parties.

7

8 **Q. Does this conclude your initial testimony at this time?**

9 A. Yes.