

1 OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY

2 OLD BRIDGE, NEW JERSEY

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5
6 PUBLIC RATE HEARING

7 WATER AND SEWER DIVISION

TRANSCRIPT

8 OF

9 PROCEEDINGS

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11 -----

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17
18 WEDNESDAY, December 15, 2010

19 6:30 P.M.

20
21
22
23 Kami Lyn Lauer

24 Shorthand Reporter

25 732-547-1331

CHAIRMAN AND COMMISSIONERS PRESENT

GUY DONATELLI - EXECUTIVE DIRECTOR

ROCCO DONATELLI

KIRAN DESAI

THOMAS GALANTE

NICK SMOLNEY

ALSO PRESENT

LOUIS E. GRANATA -- Board Attorney

STEPHEN A. FLOREK -- Comptroller

MICHAEL ROY - Staff Engineer

GREGG KATZER - Auditor

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WITNESS

DIRECT

STEPHEN A. FLOREK

8

MICHAEL ROY

GREGG KATZER

10, 16

Direct by Mr. Granata

E X H I B I T S

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Division

Exhibit - F Connection Fee 7

Calculations Thru May 31, 2010

1
2 (Whereupon, Rate Structure - Sewer
3 Division was received and marked as
4 Exhibit-A)

5
6 (Whereupon, Proposed 2011 Sewer Rate
7 Based on 2005/2010 Actual Flow and
8 Loadings was received and marked as
9 Exhibit-B)

10
11 (Whereupon, 2011 Schedule of O & M
12 Rates was received and marked as
13 Exhibit-C-1 for Identification.)

14
15 (Whereupon, Affidavit of Publication
16 in the Asbury Park Press, was
17 received and marked as Exhibit-D-1 for
18 Identification.)

19
20 (Whereupon, Affidavit of Publication
21 in the Home News Tribune, was received
22 and marked as Exhibit-D-2 for
23 Identification.)
24
25

1
2
3 (Whereupon, Rate Structure - Water
4 Division, was received and marked as
5 Exhibit-E for Identification.)
6

7 (Whereupon, Connection Fee
8 Calculations, was received and marked
9 as Exhibit-F for Identification.)
10

11 (Whereupon the Pledge of Allegiance
12 was recited)
13

14 MR. SMOLNEY: Now, let's call the
15 roll.

16 MS. GREENE: MR. Donatelli?

17 MR. DONATELLI: Here.

18 MS. GREENE: Mr. Galante?

19 MR. GALANTE: Present.

20 MS. GREENE: Smolney?

21 MR. SMOLNEY: Present. This Public Rate
22 Hearing is being held in conformance with
23 the Open Public Meetings Act. Notice has
24 been given to the newspaper and notice of
25 the Public Rate Hearing has been posted in

1 public places. I would like to turn it
2 over to our esteemed counsel to rock and
3 roll.

4 MR. GRANATA: Good evening
5 Commissioners. This is a scheduled rate
6 hearing. We have had exhibits already
7 marked. They are not on the transcript
8 yet.

9 Exhibit-A is the proposed Sewer
10 Division Rate Structure. Exhibit-B is the
11 proposed 2011 Sewer Rate Based -- Let me
12 have someone testify about that. May I
13 have Mike Roy, Stephen Florek and Gregg
14 Katzer sworn in.

15
16 (Whereupon, the witnesses were sworn
17 in)

18
19 S T E P H E N F L O R E K, M I C H A E L R O Y
20 and G R E G G K A T Z E R, Having been duly sworn
21 according to law, were examined and testified as
22 follows:

23 DIRECT EXAMINATION BY MR. GRANATA:

24 Q. Mr. Florek, would you please identify what
25 has been previously marked as Exhibit-A?

1 A. Exhibit-A is the actual proposed Rate
2 Resolution for the Sewer Division.


3 Q. Did you prepare this document?

4 A. Yes, I did.

5 Q. Based upon your review of the information,
6 does that set-forth the Rate Structure -- the
7 proposed Rate Structure for the Sewer Division?

8 A. Yes, it does.

9 Q. Exhibit-B, what is Exhibit-B?

10 A. Exhibit-B is the backup documentation that
11 Michael Roy actually supplied and did the
12 calculation on where he used the MUA rates to  some
13 up with the new proposal.

14 Q. Exhibit-C1.

15 A. Exhibit-C1 and C2 is the documentation
16 actually received from Middlesex County Utility
17 Authority. Which breaks out their fees to us in
18 various components.

19 Q. This was received by your office?

20 A. Yes, it was.

21 Q. What is the proposed rate increase from
22 the Middlesex County Utility Authority?

23 A. The direct pass-through to the Old Bridge
24 MUA is \$483,019.00, 12.1%.

25 Q. D-1, is the notice in the Asbury Park

1 Press?

2 A. That is correct. Legal advertisement.

3 Q. D-2 is the notice in the Home News?


4 A. Correct.

5 Q. Exhibit-E?

6 A. Exhibit-E is the Water Rate Division

7 Schedule.

8 Q. Is this a document you prepared?

9 A. It was prepared by me and the  old item in
10 here that is actually going to change is the Water
11 Connection Fee Rate.

12 Q. Exhibit-F?

13 A. Exhibit-F is the actual calculation sheet
14 for the connection fees for both the Water and
15 Sewer Division.

16 Q. Mr. Florek, would you state your position
17 with the Authority?

18 A. I am the Comptroller of the MUA.

19 Q. What, if anything, did you do with regard
20 to the proposed rate structure for this evening?

21 A. Basically, I went through and did the
22 connection fee calculation for both the Water and
23 Sewer Rate Division, which is Exhibit-F.

24 Q. What did you do?

25 A. In Exhibit-F, you start off with the

1 historic costs which is basically taken from the
2 connection fee calculations that were marked last
3 year that were the ending numbers. They become the
4 beginning numbers. Then you take all of the debt
5 service payments that were actually disbursed
6 during the fiscal year, both principal and interest
7 for the Water and Sewer Division and they are
8 allocated out by division.

9 Q. Once you establish the principal and
10 interest that has been paid for by the Authority
11 for the Water and Sewer Division, did you calculate
12 -- what did you then do?

13 A. You add them up by division, put them in
14 to the Rate Schedule, add them to historical costs,
15 which gives you a subtotal of all debt payments
16 plus the historical costs prior.

17 Q. What total did you come up with for the
18 Water Division?

19 A. For the Water Division, incremental costs
20 for debt service this year was \$3,112,887 and the
21 Sewer Division was \$2,259,516.

22 Q. What did you do with those figures?

23 A. With those figures, those are added to the
24 historical costs, which are from prior
25 certifications.

1 Q. What did you come up with as the total
2 cost?


3 A. Well, I have to add two other sections in
4 here first. I have to add the facility
5 improvements or the capital items that were funded
6 out of the operating budget. For the Water
7 Division I had \$55,354.00. Sewer Division I had
8 \$96,650.00.

9 Q. What was the total historical costs for
10 the Authority in the water and sewer system, total
11 cost?

12 A. Total cost for the Water Division,
13 \$63,509,058.00.

14 Q. What do you do with that figure?

15 A. With that figure you basically take the
16 equivalent domestic consumer units as of May 31,
17 and divide that into the \$63,509,058.00 to come up
18 with your new water rate connection of \$2,329.00.

19 Q. Based upon your calculations and your
20 review of the historical payments, do you recommend
21 to the Commissioners that they adopt \$2,329.00 as
22 the new connection fee  rat for the Water Division?

23 A. Yes, I do.

24 Q. Now, with regard to the Sewer Division,
25 what was the total historical cost?

1 A. Total historical cost for the Sewer
2 Division is \$79,421,630.00.

3 Q. What do you do with that figure?

4 A. You take that figure and divide it by the
5 equivalent domestic consumer units as of May 31, to
6 come up with a new connection fee rate of
7 \$3,007.00.

8 Q. Based upon your review, do you recommend
9 to the Commissioners adopt that as your sewer
10 connection fee?

11 A. Yes, I do.

12 Q. Did you do your calculations in accordance
13 with the Statute?

14 A. Yes, I do.

15 Q. What if anything else did you do with
16 regards to the rate structure?

17 A. I actually prepared the resolutions for
18 both the Water and Sewer Divisions.

19 Q. Did you input any information in to it or
20 did you rely upon others for the information there?

21 A. On Exhibit-E, which is the Water Division,
22 it is all done by myself which is to bring it over
23 to connection fees. From Exhibit-F to Exhibit-E.
24 On the schedule for Exhibit-A the connection fee is
25 transferred over, but then Mike Roy also supplies

1 data for --

2 Q. What information does Mr. Roy provide?

3 A. Mr. Roy supplied all of the data in
4 Exhibit-B.

5 Q. Thank you.

6

7 DIRECT BY MR. GRANATA:

8 Q. Mr. Roy would you state your name and
9 position with the Authority?

10 A. Michael Roy. I am the in-house Staff
11 Engineer.

12 Q. Mr. Roy, what, if anything, did you do
13 with regard to the Water -- Sewer Division Rate
14 Structure?

15 A. I took the MCUA's proposed rate increase
16 for 2011 and recalculated what our Authority sewer
17 rate should be.

18 Q. Where did you get that information? Would
19 that be off of C1 and C2?

20 A. C1 and C2, yes.

21 Q. What did you do with that information?

22 A. Using historical flow and loadings, using
23 the current proposed budget revenue and the
24 proposed MCUA rate increase expense, as well as the
25 number of service connections, I calculated the new

1 sewer rates that were necessary to achieve the
2 revenues needed to meet expenses without using
3 retained earnings and prepared it on the five page
4 sheet I provided.

5 Q. That would be Exhibit-B?

6 A. Yes.

7 Q. Based upon your review of the information
8 you gathered, have you calculated the sewer rates
9 based upon the statutory requirements?

10 A. Yes.

11 Q. As a result of your calculations, what
12 rate, if any, did you determine was appropriate
13 under the Statute?

14 A. Well, I incorporated both the new fixed
15 rate and the new debt service rate from MUA and
16 calculated the flow, the BOD, the total suspended
17 solids and the Chlorine demand. Then from those
18 rates I calculated the costs for the fixed
19 residential sewer rate, which is \$121.80 per
20 quarter.

21 Q. What percentage increase is that over last
22 year?

23 A. Approximately, 20.5%.

24 Q. What were last years rates?

25 A. \$101.00 per quarter.


1 Q. What other rates did you establish in your
2 calculations?

3 A. The 1,000 gallon -- the rate for 1,000
4 gallon commercial charges at \$6.47 per thousand
5 gallons. That is a 24.7% increase from last year.
6 The ground water remediation rate of \$1.60 per
7 thousand gallons, which is approximately 16.7%
8 increase.

9 Q. Did you do those calculations in
10 accordance with the Statutes?

11 A. Yes.

12 Q. Take a look at Exhibit-A. That sets-forth
13 all of the recommended sewer charges for the year
14 2011?

15 A. Yes. In addition to what I mentioned
16 there is a  per ton surcharge of \$606.93 per ton. A
17 total suspend solid surcharge of \$709.07 per ton.
18 And a chlorine demand charge of \$158.78 per million
19 gallons surcharge. All of which have been included
20 in Exhibit-A.

21 Q. Do you recommend that the Commissioners
22 adopt that sewer rate?

23 A. Yes.

24 Q. Also the sewer connection fee as testified
25 to by Mr. Florek?

1 A. Yes.

2

3 DIRECT BY MR. GRANATA:

4 Q. State your name and position with the
5 Authority for the record?

6 A. My name is Gregg Katzer. I am with the
7 auditing firm of Hodulik & Morrison.

8 Q. Have you had an opportunity to review the
9 exhibits that have been testified to by Mr. Florek
10 and Mr. Roy?

11 A. Yes, I have.

12 Q. Do you find that the calculations have
13 been done in accordance with the statutory
14 requirements?

15 A. Yes.

16 Q. Do you find that the calculations have
17 been done in accordance with the Bonding
18 Indentures?

19 A. Yes, I have.

20 Q. Based upon your review, do you recommend
21 to the Commissioners adopt the sewer rate charges,
22 sewer connection fee, water rate charges and the
23 water connection fee?

24 A. Yes, I do

25

1 A. Yes.

2

3 DIRECT BY MR. GRANATA:

4 Q. State your name and position with the
5 Authority for the record?

6 A. My name is Gregg Katzer. I am with the
7 auditing firm of Hodulik & Morrison.

8 Q. Have you had an opportunity to review the
9 exhibits that have been testified to by Mr. Florek
10 and Mr. Roy?

11 A. Yes, I have.

12 Q. Do you find that the calculations have
13 been done in accordance with the statutory
14 requirements?

15 A. Yes.

16 Q. Do you find that the calculations have
17 been done in accordance with the Bonding
18 Indentures?

19 A. Yes, I have.

20 Q. Based upon your review, do you recommend
21 to the Commissioners adopt the sewer rate charges,
22 sewer connection fee, water rate charges and the
23 water connection fee?

24 A. Yes, I do

25 Q. That is for the sewer uses?