

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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18 WEDNESDAY, May 4, 2010

19 6:30 P.M.
20
21

22
23 Kami Lyn Lauer

24 Shorthand Reporter

25 732-547-1331

1 CHAIRMAN AND COMMISSIONERS PRESENT

2 NICK SMOLNEY

3 REGINALD BUTLER

4 RICHARD GREENE

5 ROCCO DONATELLI

6

7

8

9 ALSO PRESENT

10 LOUIS E. GRANATA -- Board Attorney

11 STEPHEN A. FLOREK -- Comptroller

12 ROBERT MORRISON -- Auditor

13 PATRICIA GREENE

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I N D E X

WITNESS

DIRECT

STEPHEN FLOREK 8, 14

ROBERT MORRISON 10, 16

Direct by Mr. Granata

E X H I B I T S

<u>NUMBER</u>	<u>IDENTIFICATION</u>	<u>PAGE</u>
Exhibit - 1	Rate Structure - Sewer Division	5
Exhibit - 2	Rate Structure - Water Division, 10,000 gallons	5
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Exhibit - 7	Affidavit of Publication in the Home News Tribune	6

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

4
5 (Whereupon, Rate Structure - Water
6 Division, 10,000 gallons was received
7 and marked as Exhibit-2)

8
9 (Whereupon, Rate Structure - Water
10 Division, 8,000 gallons was received
11 and marked as Exhibit-3 for
12 Identification.)

13
14 (Whereupon, Affidavit of Publication
15 in the Asbury Park Press, was
16 received and marked as Exhibit-4 for
17 Identification.)

18
19 (Whereupon, Stipulation of Settlement,
20 was received and marked as Exhibit-5
21 for Identification.)
22
23
24
25

1 (Whereupon, Middlesex County Utilities
2 Authority Budget, was received and
3 marked as Exhibit-6 for
4 Identification.)

5
6 (Whereupon, Affidavit of Publication
7 in the Home News Tribune, was received
8 and marked as Exhibit-7 for
9 Identification.)

10
11 (Whereupon the Pledge of Allegiance
12 was recited)

13
14 MR. SMOLNEY: Now, we would like to
15 start the roll. Patricia, please call the
16 roll.

17 MS. GREENE: MR. Donatelli?

18 MR. DONATELLI: Here.

19 MS. GREENE: Mr. Butler?

20 MR. BUTLER: Present.

21 MS. GREENE: Mr. Greene?

22 MR. GREENE: Present.

23 MS. GREENE: Mr. Smolney?

24 MR. SMOLNEY: Present. This Public Rate
25 Hearing is being held in conformance with

1 the Open Public Meetings Act. Notice has
2 been given to the newspaper and notice of
3 the Public Rate Hearing has been posted in
4 public places. I am going to recognize our
5 esteemed counsel and conduct the public
6 hearing.

7 MR. GRANATA: Good evening

8 Commissioners. This is the rate hearing
9 for the water and sewer divisions. We are
10 required to conduct rate hearings and
11 include documents with the rate structure
12 that we are going to vote on.

13 For the purpose of the record I would
14 like to welcome into evidence Exhibit-4,
15 which is proof an Affidavit of Publication
16 that the matter was advertised in the
17 Asbury Park Press for this rate hearing.
18 Exhibit-7 is the advertising in the Home
19 News Tribune concerning notice of this
20 application. I would like to take -- first
21 of all the sewer rate for the year and I
22 ask that Mr. Florek and Mr. Morrison be
23 sworn in.

24
25

1 (Whereupon, the witnesses were sworn
2 in)

3
4 S T E P H E N F L O R E K and R O B E R T
5 M O R R I S O N, Having been duly sworn according
6 to law, were examined and testified as follows:

7
8 DIRECT EXAMINATION BY MR. GRANATA:

9 Q. Mr. Florek, would you state your name and
10 position with the Authority?

11 A. Stephen Florek, Comptroller of the Old
12 Bridge MUA.

13 Q. Mr. Florek, would you please identify
14 Exhibit-6 for the record?

15 A. Exhibit-6 for the record is the charges
16 that are passed onto us from the Middlesex County
17 Utilities Authority. Basically, what it does is
18 that it shows the yearly estimate for 2009 and the
19 yearly estimate for 2010. In this particular year
20 the reduction of charges from Middlesex County
21 Utilities Authority.

22 Q. That is for the sewer uses?

23 A. That is correct.

24 Q. Based upon the Middlesex budget that you
25 see and have just testified to, what is the

1 reduction that the Middlesex County Utility
2 Authority has proposed?

3 A. They have proposed a reduction to us. The
4 total overall charges of \$151,292.96. Which
5 equates, basically, on our end the actual
6 consumer's rate of 1.38% reduction.

7 Q. Based upon that information, what did you
8 then do?

9 A. At that point in time, I basically
10 calculated what the new rates would be in the Sewer
11 Division and came up with the new sewer rates.

12 Q. I ask you to take a look at Exhibit-1 for
13 identification. Can you tell me what that is?

14 A. That is the new resolution for sewer
15 rates, with the current rate and the proposed
16 rates.

17 Q. As a result of the Middlesex County
18 Utility Authority's reduction unit budget and pass
19 on through to the Old Bridge Municipal Utilities
20 Authority, what is your calculated rate structure
21 for the Sewer Division?

22 A. The Sewer Division's current quarterly
23 rate is \$103.93 and it will be decreasing to
24 \$101.07.

25 Q. Is there any other changes in the rate

1 structure?

2 A. Not at this time, no.

3 Q. Based upon the calculations on the budget
4 received from the Middlesex County Utilities
5 Authority, would you recommend to the Commissioners
6 that they adopt a reduced rate for the Sewer
7 Division?

8 A. Yes, I do.

9

10 DIRECT BY MR. GRANATA:

11 Q. Mr. Morrison, would you state your name
12 and position with the Authority?

13 A. Robert S. Morrison, of the firm Hodulik &
14 Morrison, P.A., independent auditors for the Old
15 Bridge MUA.

16 Q. Mr. Morrison, have you had an opportunity
17 to review the information that Mr. Florek just
18 testified to?

19 A. Yes, I have.

20 Q. Have you taken a look at Exhibit-6?

21 A. Yes, I have.

22 Q. As a result of your review of Exhibit-6,
23 did you have an opportunity to review the
24 calculations performed by Mr. Florek?

25 A. Yes, I have.

1 Q. Have the calculations been done in
2 accordance with the Statute?

3 A. Well, I do not know that the Statute
4 requires you to lower your rates. But, the
5 calculation has been done in conformity with the
6 standard practices of the Authority with regard to
7 pass-throughs. So it is consistent with prior
8 calculations, except in this time it is a
9 reduction.

10 Q. I am not asking whether the Statute asked
11 you to reduce it, based upon the statutory
12 requirements of calculating the rate for the Sewer
13 Division, did Mr. Florek do the calculations
14 properly?

15 A. Yes, he did.

16 Q. Do the calculations conform with the
17 Bonding Indentures?

18 A. Yes. It does not violate -- the reduced
19 rate will not violate any terms of the Bonding
20 Indentures.

21 Q. Based upon your review of the calculations
22 and the information that has been provided to you
23 by Mr. Florek, do you recommend to the
24 Commissioners that they adopt the revised rate
25 schedule with the Sewer Division?

1 gallons of water, but they still pay a huge
2 amount for the Sewer Division.

3 Mr. FLOREK: That is correct. It is a
4 flat rate across the board. Exception, a
5 commercial side. On a commercial side --

6 MS. WULSTER: And if you use 25,000
7 gallons of water you will pay \$101 a
8 quarter?

9 MR. FLOREK: That is correct.

10 MS. WULSTER: Never goes up for the
11 amount of water you use?

12 MR. FLOREK: Not on the resident side.
13 Only for commercial and industrial use.
14 Commercial and industrial users are charged
15 per thousand gallons after they reach the
16 minimum of the 19,100 gallons.

17 MS. WULSTER: No, I am just worried
18 about the little people.

19 MR. GRANATA: Anyone else from the
20 public? Seeing that there are no further
21 public questions, I would now like to move
22 on to the Water Division. Is there any
23 Commissioners that may have any questions.
24
25

1 DIRECT BY MR. GRANATA:

2 Q. Mr. Florek, I ask you to identify what has
3 been marked for identification as Exhibit-5.

4 A. Exhibit-5, is a Stipulation of Settlement,
5 issued by the Board of Public Utilities with regard
6 to Middlesex Water Company rate increases.

7 Q. As a result of that Stipulation of
8 Settlement, what effect, if any, does that have on
9 the Old Bridge MUA water rates?

10 A. The actual rate increase for Middlesex
11 Water Company, for the Old Bridge, which increased
12 16.19% as that relates to our customers, it relates
13 to a 4.1% increase.

14 Q. Are you proposing a recommendation to the
15 Commissioners with regard to that increase by
16 Middlesex County Water Company?

17 A. Yes, I am.

18 Q. What is your recommendation for the
19 Authority?

20 A. Well, currently there are two
21 recommendations on the table.

22 Q. Before you get to that, did you make a
23 calculation based upon the current rate structure
24 of this Authority?

25 A. Yes, I did.

1 Q. I ask you to take a look at what is marked
2 as Exhibit-2. Could you identify what that is?

3 A. Exhibit-2 is a -- the regular rate
4 structure that we always had. Basically, it
5 establishes a 10,000 gallon minimum base and it
6 incorporates a 4.1% increase across the board to
7 all.

8 Q. Has that calculation been done in
9 accordance with the formula required by the New
10 Jersey Statutes?

11 A. Yes, it has.

12 Q. Has it been done in accordance with your
13 understanding of the Bonding Indentures?

14 A. Yes, it has.

15 Q. Based upon your calculations, what is the
16 result of the current rate schedule for water use?

17 A. The current rate schedule is basically
18 going from \$67.02 a quarter for the base of 10,000
19 to \$69.77. In the effect of 10,000 gallon
20 increments, 10,000 to 130,000 would be going up
21 respectively.

22 Q. It is in the Commissioners consideration
23 of adjusting the minimum gallons for the users of
24 the Authorities users system, is that correct?

25 A. That is correct.

1 Q. Have you prepared a calculation in the
2 event the Commissioners decide to reduce the
3 minimum number of gallons for use by water
4 consumers?

5 A. Yes, I have.

6 Q. What was the minimum gallons of usage that
7 you proposed -- made a calculation for the new rate
8 structure?

9 A. The new rate structure would set a base of
10 8,000 gallons as opposed to the current 10,000.
11 Basically, the rates all the way across the board.

12 Q. The Commissioners have not made a policy
13 -- decision with regard to whether or not they are
14 going to adjust the minimum usage of water from
15 10,000 gallons, but in the event the Commissioners
16 consider doing this rate structure, if they are
17 going to reduce the minimum number of gallons, what
18 would be the resulting number -- rate be for water
19 consumption with a minimum of 8,000 gallons?

20 A. 8,000 gallon minimum base, \$67.02.

21 Q. Thank you.

22

23 DIRECT BY MR. GRANATA:

24 Q. Mr. Morrison, have you had an opportunity
25 to review what has been marked for identification

1 as Exhibit-5?

2 A. Yes, I have.

3 Q. Have you noted the amount that the
4 Middlesex Water Company is passing on to the users
5 of their system, specifically the Old Bridge
6 Municipal Utility Authority?

7 A. Yes.

8 Q. Based upon that settlement and order of
9 the Board of Public Utilities, what is the rate
10 increase that is being passed on to the Old Bridge
11 Municipal Utilities Authority, with regard to
12 water?

13 A. I do not have it in front of me. I
14 believe that the blended rate was 16.09 --

15 Mr. Florek: 19.

16 A. .19. Okay, but that translates into a
17 4.1% increase to the Old Bridge MUA's budget.

18 Q. Have you had an opportunity to review the
19 calculations made by Mr. Florek with regard to the
20 rate structure based upon the current minimum use
21 of 10,000 gallons per quarter?

22 A. Yes, I have.

23 Q. Had his calculations conformed with the
24 Statutory Requirements?

25 A. Yes, they have.

1 Q. Do the calculations conform with the
2 Bonding Indenture Requirements?

3 A. Yes, they do.

4 Q. Based upon those calculations, are you
5 able to recommend to the commissioners in the event
6 they accept the calculations for \$10,000 minimum,
7 that that would be a proper rate --

8 A. -- 10,000 gallons. Yes. The rate
9 increase is applied across the board to every
10 category retaining the 10,000 gallon per quarter
11 minimum -- well, actually credit. Yes, I would.

12 Q. Have you also had an opportunity to review
13 the work that Mr. Florek did with regard to the
14 preparation of Exhibit-3 in the event the
15 Commissioners decide to change the policy
16 concerning the minimum quarterly usage of water
17 from 10,000 to 8,000?

18 A. Yes, I have.

19 Q. Was that calculation done in accordance
20 with the Statute?

21 A. Yes, it was.

22 Q. Is that calculation done in accordance
23 with the Bonding Indentures?

24 A. Yes, it was.

25 Q. In the event the Commissioners decide to

1 amend the rate structure to the new usage to 8,000,
2 would you recommend that they accept the
3 calculations relayed by Mr. Florek?

4 A. Yes, I would.

5 MR. GRANATA: Commissioners, do you
6 have any questions?

7 MR. DONATELLI: I do. I want to make
8 the reduction from 10,000 to 8,000.

9 MR. GRANATA: Any other questions from
10 the Commissioners?

11 MR. SMOLNEY: With respect to the issue
12 on lowering the usage, there were multiple
13 studies done and reported on with the usage
14 of water. Do you have any comments on the
15 studies done?

16 MR. MORRISON: There was a study done
17 based on the 2007 budget of the MUA. The
18 MUA's costs have gone up since that point,
19 so the rates, basically, have not really
20 kept pace with your general increases.
21 However, at that time the study indicated
22 that the minimum charge per quarter, per
23 water use was below the equivalent unit
24 share of the fixed cost of the Authority.
25 We have also found that as a result of that

1 the 10,000 gallon credit was confusing at
2 best because the people who weren't using
3 the 10,000 gallon credit were claiming that
4 they were being overcharged when, in fact,
5 if you were using no gallons your bill
6 should have been higher to cover your
7 proportioned share of the fixed cost of
8 operating the system.

9 MR. GRANATA: Do you have a question
10 Mr. Greene?

11 MR. GREENE: Can you give me the
12 rational for going to the 8,000 as compared
13 to the 10,000? Can you also give an idea
14 of how many residents are in that 8,000 to
15 10,000 category?

16 MR. MORRISON: I think Steve can
17 actually give you an exact count on the
18 number of customers. If you look at the
19 two exhibits, Exhibit-2 and Exhibit-3, you
20 can pretty much see the difference. In
21 effect, you can look at this simply as
22 going from a percentage increase to a fixed
23 increase across the board, in a sense a
24 flat level dollar value increase. If you
25 go from 10,000 to 8,000, everybody who uses

1 8,000 gallons of water a quarter,
2 regardless of whether you use no more than
3 8,000 or another 800,000, will pay \$6.12
4 more a quarter. If you were to go to the
5 4.1% increase you would actually have
6 people at the -- at various levels paying
7 proportionately more. So a person using
8 20,000 gallons would pay a 4% increase in
9 10,000. A person using 30,000 would pay a
10 4% on 20,000 so the increase is higher with
11 the more water you use, using the flat
12 percentage increase.

13 MR. GREENE: Some of the units using
14 8,000 or less --

15 MR. MORRISON: Would see no increase at
16 all.

17 MR. GREENE: Right. It doesn't have
18 the impact of the 4.1% --

19 MR. MORRISON: Under the reduction from
20 10,000 to 8,000 credit, somebody using
21 8,000 or less a quarter would see no
22 increase. Whereas using the percentage
23 increase, they would see a 4.1% increase in
24 their base cost.

25 MR. GREENE: They would go from 4.1%

1 increase, would take somebody with a 10,000
2 gallon category now \$67.02 to \$69.77 to
3 somebody in the 8,000 gallons or less
4 doesn't see that increase.

5 MR. MORRISON: Right.

6 MR. GREENE: It stays the same as what
7 their current pay is.

8 MR. MORRISON: Right. So the lowest end
9 users would not see an increase using the
10 10,000 to 8,000 credit. So that the lowest
11 users 8,000 or less, would see no increase.
12 Everybody who uses more than 8,000 gallons
13 would see an increase of \$3.06 per thousand
14 with a cap of it on 2,000 because that is
15 the additional billing you would have.
16 Regardless of your usage, if you are using
17 10,000 you will see an extra \$6.00 a
18 quarter.

19 MR. GREENE: Okay.

20 MR. MORRISON: Steve can give you an
21 exact customer count.

22 MR. GREENE: What is the number of
23 residents in there?

24 MR. FLOREK: Right now, I do not have a
25 full break-out. But the base amount of

1 people is 1,049 of the base range, out of
2 the 27,000 or 3.8%.

3 MR. GREENE: Base rate meaning?

4 MR. FLOREK: 8,000.

5 MR. GREENE: Minimum users?

6 MR. FLOREK: Correct.

7 MR. GREENE: 1,049 users?

8 MR. FLOREK: Of that though, we have to
9 basically subtract out people who have no
10 usage. Like all of the vacant properties
11 and so forth. If you take out all of
12 those, it would bring us down 7000 BT Units
13 or more. Next category, which is in the
14 15,000 gallon bracket area that you have
15 1,281 or 4.6%.

16 MR. GREENE: I am not interested in the
17 next category.

18 MR. GRANATA: Any other questions?
19 Are there any members of the public who
20 would like to question Mr. Florek or Mr.
21 Morrison with regard to the water? Being
22 no comments, I would like to close the
23 public portion and leave it up to the
24 Commissioners to decide -- First of all,
25 regarding the sewer rates based upon Mr.

1 Donatelli's recommendations of the minimum
2 use. `the minimum is now 10,000.

3 MR. SMOLNEY: This is a procedural
4 issue. I would assume that we should be
5 voting on the sewer rates first of all. I
6 will recognize --

7 MR. DONATELLI: I agree. I move that
8 the minimum is 10,000. Move.

9 MR. BUTLER: Second.

10 MR. SMOLNEY: We have a motion and a
11 second. That was Mr. Donatelli and Mr.
12 Butler. Any discussion amongst the
13 Commissioners? Hearing none, please call
14 roll.

15
16 MS. GREENE: MR. Donatelli?

17 MR. DONATELLI: Yes.

18 MS. GREENE: Mr. Butler?

19 MR. BUTLER: Yes.

20 MS. GREENE: Mr. Greene?

21 MR. GREENE: Yes.

22 MS. GREENE: Mr. Smolney?

23 MR. SMOLNEY: Yes.

24

25 MR. GRANATA: Now, with regard to the

1 water issue of whether or not you are going
2 to reduce the minimum gallons from 10,000
3 to 8,000.

4 MR. DONATELLI: I move to the minimum
5 of 8,000 gallons.

6 MR. BUTLER: I will second that.

7 MR. SMOLNEY: That is the motion that
8 will reduce and approve the rate schedule
9 from 10,000 to 8,000. Any discussion from
10 the Commissioners? Hearing none, call
11 role.

12
13 MS. GREENE: MR. Donatelli?

14 MR. DONATELLI: Yes.

15 MS. GREENE: Mr. Butler?

16 MR. BUTLER: Yes.

17 MS. GREENE: Mr. Greene?

18 MR. GREENE: Yes.

19 MS. GREENE: Mr. Smolney?

20 MR. SMOLNEY: Yes.

21
22 MR. DONATELLI: I have nothing further.

23 MR. SMOLNEY: I believe we do not have
24 anything else in front of us for this
25 portion of the meeting. I will entertain a

1 motion to adjourn.

2 MR. DONATELLI: I move.

3 MR. BUTLER: Second.

4 MR. SMOLNEY: We have a motion to
5 adjourn?

6 ALL: I.

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(WHERE UPON THE MEETING CONCLUDED AT

16

6:56 P.M.)

17

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4 I Kami L. Lauer, a Shorthand Reporter,
5 certify that the foregoing is a true and accurate
6 transcript of the testimony of STEPHEN FLOREK and
7 ROBERT MORRISON, who were first sworn.

8
9 I further certify that I am neither
10 attorney nor counsel for, not related to or
11 employed by, any of the parties to the action in
12 which this deposition was taken; further, that I am
13 not a relative or employee of any attorney or
14 counsel employed in this case, nor am I financially
15 interested in this action.

16
17
18
19  _____

20 Kami L. Lauer

21 Shorthand Reporter
22
23
24
25