

**THE STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE PETITION :
OF MONTAGUE WATER AND SEWER:
COMPANIES FOR AN INCREASE IN :
RATES FOR SEWER AND WATER : BPU Docket Nos. WR2201 _____
SERVICE :**

DIRECT TESTIMONY OF J. BRYCE MENDENHALL

**ON BEHALF OF MONTAGUE WATER CO., INC. AND MONTAGUE SEWER
CO., INC.**

EXHIBIT K

January 14, 2022

**PREPARED DIRECT TESTIMONY
OF J. BRYCE MENDENHALL
ON BEHALF OF MONTAGUE WATER CO., INC. & MONTAGUE SEWER CO.,
INC.**

1 **BACKGROUND**

2 **Q. Please state your name, title and business address.**

3 A. My name is J. Bryce Mendenhall. I am the President for the Mid-Atlantic Business Unit which
4 includes Montague Water Co., Inc. (“Montague Water”) and Montague Sewer Co., Inc. (“Montague
5 Sewer”, together either “MSW” or the “Companies”) and is part of the North Region for Corix
6 Regulated Utilities (US), Inc. (“CRU”), a subsidiary of Corix Infrastructure Inc. (“CII”). My business
7 address is 500 W. Monroe Street, Suite 3600, Chicago, Illinois, 60661-3779.

8 **Q. Please summarize your professional background?**

9 A. I began as President of the Mid-Atlantic Business Unit and MSW as of January 1, 2021. I graduated from
10 Appalachian State University in 1993 with a degree in Geographic Information Systems (GIS) and
11 Cartography and have been employed in the water and wastewater profession for twenty-nine years
12 collectively. I worked for more than a decade as the Utilities Director for Franklin County, North
13 Carolina and most recently served four years as the Vice President of Operations for Carolina Water
14 Service of NC, Blue Granite Water Company, and Tennessee Water Service.

15 **Q. What are your job responsibilities with MSW?**

16 A. As President I am responsible for all aspects of the Companies’ business culminating in the ongoing
17 provision of safe, adequate, reliable and environmentally responsible water and wastewater service to
18 all our customers.

19 **Q. Have you previously testified on public utility ratemaking matters?**

20 A. While I have not testified before the New Jersey Board of Public Utilities (“BPU”), I have testified
21 before other state commissions including North Carolina, South Carolina, Pennsylvania, Maryland,
22 and Tennessee on topics of operations, capital projects, unaccounted for water and customer service.

23 **Q. What is the purpose of your testimony?**

24 A. The purpose of my testimony is to provide an overview of and support for MSW’s requested rate
25 increase as detailed in the Petition in this case. I summarize the requested relief and describe how the

1 rate request will allow the Companies a reasonable opportunity to cover its costs of providing utility
2 services plus earn a fair return on investment. My testimony also describes the MSW water and
3 wastewater systems, including a summary of capital investment and Test Year capital projects, and I
4 discuss the operating practices and compliance efforts of the Companies. I also discuss other items
5 such as customer service and COVID's impact on the Companies' operations. Finally, I will
6 introduce the other witness who presents testimony for the Companies in this case.

7 **Q. Please describe Montague Water and Montague Sewer.**

8 A. Montague Water provides service to approximately 771 water customers and 1 fire customer;
9 Montague Sewer provides service to approximately 268 sewer customers. All customers are in the
10 Township of Montague, Sussex County, New Jersey. The water system has five wells feeding a
11 155,000-gallon ground storage tank and 10,000 gallon ground storage tank respectively. The sewer
12 system is a subsurface disposal system similar to a residential septic system. Each disposal field has a
13 solids holding tank where settling occurs before grey water is pumped through a piping network and
14 subsequently percolates into the soil. There are six leach field sites located throughout the
15 community. Each site has two field beds except for field #3 which encompasses six field beds.
16 MSW's current water and sewer rate structures were approved pursuant to an Order entered in Docket
17 No. WR12110983 dated June 21, 2013, and are billed on a monthly basis.

18 **Q. Please describe MSW's relationship with CRU.**

19 A. MSW is a wholly owned subsidiary of CRU (formerly known as Utilities, Inc.). CRU is
20 unique in that for over 50 years its business has been owning and operating - through Water Service
21 Corporation ("WSC")¹ - smaller water and sewer companies operating in the contiguous United
22 States. CRU is organized into four regions – North, South, East and West, each of which is led by a
23 Senior Vice President. MSW is part of the North Region, which comprises the water and sewer
24 operations in Kentucky, the Midwest Business Unit (Illinois & Indiana), the Mid-Atlantic Business
25 Unit (New Jersey, Virginia, Maryland, and Pennsylvania), as well as steam and chilled water services
26 provided by Cleveland Thermal.

¹ Like MSW, WSC is a wholly owned subsidiary of CRU.

1 **Q. Please describe the relationship between CII and CRU.**

2 **A.** CII is a holding company that owns businesses engaged in delivering water, sewer, district energy,
3 natural gas, and electric services to small and medium-sized communities in Canada and the United
4 States. CRU is an indirect, wholly owned subsidiary of CII.

5 **Q. How does MSW fulfill the obligation to provide safe, adequate and reliable water and sewer
6 service to residents of the Township of Montague?**

7 **A.** As described below, MSW relies on WSC to provide these functions.

8 **Q. How does WSC meet its obligations to MSW?**

9 **A.** WSC uses a combination of its employees, employees of CII and, when appropriate, contractors to
10 fulfill its obligations to MSW. WSC employs operational personnel and hires contractors to provide
11 the operational services that MSW needs.

12 Like any large public utility, MSW requires business and corporate services to operate and serve
13 customers. These services generally fall into the same categories of services that all public utilities
14 require to operate and serve customers, such as executive governance, financial, treasury, accounting,
15 legal, health and safety, environmental compliance, procurement, customer service, billing, human
16 resources, employee benefits, payroll, and information technology services. WSC relies on a
17 centralized support services team to provide business and corporate services. The employees and
18 systems of this centralized support service team help the operations of CII's subsidiaries across
19 Alaska, Canada, and the contiguous United States. The costs associated with the systems and
20 employees, some of which belong to CII and some of which belong to WSC, are pooled and allocated
21 using a commonly accepted methodology – the Modified Massachusetts Formula – as described in the
22 Corix Corporate Allocation Manual. This allocation is referred internally as the Tier 1 allocation.
23 CRU's Tier 1 allocation is then allocated among its subsidiaries, including MSW, based on equivalent
24 residential connections.]

25 **Q. Do MSW customers benefit from its affiliation with CRU, CII and WSC?**

26 **A.** Yes, the affiliation with CII, CRU and WSC has many benefits for the customers of MSW. One of
27 the primary benefits is that MSW has access to a large pool of capabilities and expertise upon which

1 to draw. CII, CRU and WSC employ experts across a range of critical areas, such as construction,
2 engineering, operations, accounting, data processing, billing and customer services, and regulation.
3 CII, CRU and WSC has a high level of combined expertise and experience, allowing it to provide
4 service in a more cost-effective manner.

5 CII, CRU and WSC are focused on operating water and wastewater systems and CII, CRU and WSC
6 personnel can meet the challenges of the rapidly changing utility industry as well as providing some
7 unique advantages, one of which is that capital has been made available for improvements and
8 expansion at a reasonable cost. With increasingly more stringent health, safety, and environmental
9 standards, ready access to capital is vital to continued quality service in the capital-intensive water
10 and wastewater utility industry. In addition, CII and its subsidiaries create national purchasing power,
11 resulting in lower costs to ratepayers. Expenditures for insurance, vehicles, and meters reflect
12 examples of purchases where national contracts provide tangible benefits to customers.

13 MSW benefits financially from its relationship with CII, CRU and WSC. The sharing of these service
14 costs over a broader base of business units results in lower costs for each entity (and their customers)
15 compared to what they would otherwise incur if the services were provided on a standalone basis.
16 Finally, the relationship with CII, CRU and WSC facilitates access to debt and equity capital.

17 **Q. Who are the other witnesses presenting testimony in this proceeding?**

18 A. In addition to myself, the Companies' request for rate relief is supported by testimony of Anthony
19 Gray, Financial Planning and Analysis Manager, Mid-Atlantic Business Unit. Mr. Gray's testimony
20 presents the various revenue requirement exhibits and schedules, including identification of the Test
21 Year and description of pro-forma adjustments.

22 **RATE RELIEF**

23 **Q. Why is MSW requesting rate relief at this time?**

24 A. A rate increase is necessary to allow the Companies to recover the reasonable and prudent costs of
25 providing service and an opportunity to earn a fair and reasonable rate of return on their invested
26 capital. Since the Companies' last filing nearly 10 years ago, MSW invested approximately \$1
27 million in its water systems and \$1.3 million in its sewer systems to maintain reliable service to its

1 customers. These investments are not currently reflected in rates yet are providing benefits to
2 customers. Additionally, the utility industry – and economy generally – has realized increased costs
3 levels for materials, labor, and necessary services such as employee health care and insurance. For
4 these reasons, the Companies are not able to achieve a reasonable rate of return on its investment.
5 Rate relief is essential to ensure the continued availability of capital at a reasonable cost and to
6 maintain safe and reliable service. As shown in Exhibit B, after pro-forma adjustments to the April
7 30, 2022, proposed Test Year in this filing for known and measurable changes, MSW reflects an
8 overall return of -8.36% for water and 0.44% for sewer operations. The proposed rates will allow the
9 Companies the opportunity to earn a fair return and continue to provide quality service.

10 **Q. What is the revenue requirement requested in this proceeding for water and sewer operations?**

11 A. The proposed increase to water revenues is \$401,754 over pro-forma present revenues of \$412,514, a
12 97.4% change. The proposed increase to sewer revenues is \$212,123 over pro-forma present
13 revenues of \$238,695, an 88.9% change. The basis for the proposed revenues is detailed in the
14 testimony and exhibits presented by Mr. Gray.

15 **Q. Please describe the notable investments in the Companies' water system since its last base rate case
16 that will be in-service by the end of the Test Year in this rate case.**

17 A. MSW has made several improvements to its water system since the Test Year of the last rate case
18 ended December 31, 2012, such as:

- 19 • Interconnect of Dead-End Mains - Dead ends are not considered to be best practice and should be
20 avoided due to reduced fire flows, water quality concerns and potential for pipe corrosion. In
21 addition, interconnection of dead-end mains generally serves to minimize service disruptions
22 during times of main repair and reductions in flushing requirements to maintain water quality.
- 23 • AMR Meter Replacements - The Companies have converted approximately 95% of water meters
24 to AMR technology. The conversion to AMR technology provides benefits to customers and the
25 Companies via the following:
 - 26 ○ Accuracy of meter reading which reduces the need for follow-up reads.
 - 27 ○ Providing for the safety of Company staff by removing dwelling or meter pit entry.

- 1 ○ Improved billing and water accountability by limiting unaccounted for water.
- 2 • The Companies have also made several improvements and replacements to aging infrastructure,
- 3 such as service lines, meter pit installations, distribution mains, electrical equipment and
- 4 pumping equipment.

5 **Q. Please describe the notable investments in the Companies’ sewer system since its last base rate case**
6 **that will be in-service by the end of the Test Year in this rate case.**

7 A. MSW has made several improvements to its sewer system since the Test Year of the last rate case
8 ended December 31, 2012, such as:

- 9 • I&I Initiatives - The projects targeted ‘Level 5’ defects in the collection system that were
10 identified through Montague Sewer’s clean and televise exercises. The intent of the projects was
11 to correct structural deficiencies within the collection system that are contributors to inflow and
12 infiltration (“I&I”) which have direct impact on capacity and treatment efficiencies of the
13 Montague Sewer’s field sites. Improving the condition of the collection system reduces strain on
14 the treatment process, mitigates risk for overflow events, and improves integrity of service for the
15 customers.

- 16 • Leach Field Rehabilitations - As stated in the system description, Montague Sewer utilizes a
17 series of leach fields to properly treat and dispose of wastewater from its customers. The
18 operation of these fields can be negatively impacted over time from excessive rainfall, hydraulic
19 overloading and biological overloading. Montague Sewer staff constantly monitors and maintains
20 leach field operations and works to quickly rehabilitate fields when treatment efficiencies are
21 compromised. The rehabilitations involve removal of the top earthen matter, replacement of the
22 gravel bed, replacement of the piping network, and finally top surface restoration.

- 23 • The Companies have also made several improvements and replacements to aging infrastructure,
24 such as service lines, electrical equipment, and pumping equipment.

25 **Q. Have the Companies made other improvements that benefit both the water and sewer systems?**

1 A. Yes. The Companies have included in its Test Year in the current proceeding purchase of vehicles for its
2 operations staff to replace existing aged vehicles. Additionally, CRU and CII have made investments to
3 improve operational and corporate technology to the benefit of their affiliates.

4 CRU Investments:

- 5 • The Lucy system was implemented in 2018. Lucy is an Operations Management System (“OMS”)
6 that incorporates the Companies’ Geographic Information Systems (“GIS”) and Computer
7 Maintenance Management Systems (“CMMS”). The Lucy system has several benefits including:
8 (1) improved ability to access information and maintain information on assets, (2) improved
9 customer service through real-time work orders and field activities, (3) improved line-of-sight on
10 preventative maintenance, asset conditions, service levels and risk, and (4) better data to support
11 decision-making through improved capital project identification, prioritization, and justification.

12 Relevant to asset management, Lucy allows the Companies to maintain the asset register in a
13 master database. Company staff, including operators and managers, can update asset conditions and
14 other attributes from inspections, preventive maintenance, or other activities. Company staff can
15 retire, replace, and add assets as needed, which allow all assets to be properly accounted for and
16 updated, leading to a more accurate Asset Management Plan. Documentation for assets, such as
17 specification sheets, plans, and manuals, can be stored electronically and made readily accessible.
18 Lucy allows for assignment of work orders and other reminders to ensure that preventive
19 maintenance, inspections, and other activities are completed properly, on-time, and that a record is
20 generated for any activities.

- 21 • The Companies went live with a new platform targeting customer engagement in March of 2019.
22 The Smart Energy Water (“SEW”), branded as “*MyUtilityConnect*”, is a “Best in Class” customer
23 engagement cloud computing platform that provides our customers with enhanced tools and
24 improved communication with our Companies. The platform is designed to offer convenience and
25 control to our customers to access their account data anytime, anywhere, and on any device (phone,
26 tablet, computer) all while keeping things simple and user-friendly. *MyUtilityConnect* is directly
27 integrated with MSW’s Customer Care & Billing system (“CC&B”) and our payment vendor, First

1 Billing Service (“FBS”) to provide direct, real-time updates and payments to customer accounts.
2 And, because CC&B is directly integrated with OMS, real time payments will cancel severance
3 work orders in OMS, which in turn will avoid what is known as a “truck roll”. Truck rolls are
4 service call outs where an operator physically mobilizes to the customer’s location, only to arrive at
5 the location and find out that the work order is no longer needed. Truck rolls cost time and money
6 that could otherwise be used to optimize plant operations. *MyUtilityConnect* has an “Alerts” module
7 customers can use to view current and planned alerts for their home along with detailed information
8 on the alert overlaid on a map. Customers can opt-in to receive alert notifications not only by phone,
9 but by email, text and push notifications, offering multiple ways for customers to stay informed. This
10 technology is expected to significantly enhance how we engage with our customers.

11 CII Investments:

- 12 • The Companies went live with Adaptive Insights in 2018. Adaptive Insights modernizes the
13 planning, modeling, budgeting, and forecasting functions enabling MSW’s financial management
14 team to make better decisions, faster. The platform provides several modern tools to meet the
15 Companies need for continuous and comprehensive financial planning, reporting, and analysis. We
16 can produce accurate budgets quickly and easily and collaborate across the enterprise from anywhere
17 -- by web, mobile, and Excel. The platform also takes workforce planning to the next level with a
18 powerful solution. Management can deliver dynamic headcount and skills-based plans that drive
19 better business results and strengthen collaboration with human resources and other business
20 partners to optimize workforce plans to achieve strategic goals.
- 21 • FUSION is CII’s internally branded implementation of Oracle Cloud. It is a multi-functional
22 platform which integrates payroll, time entry, recruiting, onboarding, performance management,
23 benefits administration, human capital management, health and safety incident tracking, accounting,
24 procurement, expense management, payment processing, vendor management and project
25 management systems into a single, integrated platform. This modern system uses the latest cloud and
26 security technology to offer users instant access to this functionality from an office computer or a
27 tablet in the field. The modern capabilities of this platform replace CRU’s aging ERP system, JD

1 Edwards, and provides a platform to replace manual processes with best-in-class, automated
2 workflows and offer managers instant reporting and real-time vision into the status of both
3 workforce and financial information. FUSION is a foundational platform that will offer future
4 integration opportunities into our OMS Asset Management platform that will deliver additional
5 operational efficiencies for employees completing work orders and service requests to customers.

6 **REVIEW OF OPERATIONS**

7 **Q. Please describe the Companies' compliance with applicable NJ DEP and BPU operating**
8 **requirements.**

9 A. MSW meets all the necessary requirements of the New Jersey Department of Environmental
10 Protection and the Safe Drinking Water Act through diligent testing and maintenance. All wells are
11 checked by staff seven days a week for proper functioning of disinfecting and pumping equipment to
12 ensure strict control over the introduction of water into the distribution system. Tests for lead and
13 copper are done every three years. Nitrates are tested annually, and radon and uranium are tested
14 every four years. The levels of twenty regulated volatile organic compounds and synthetic organic
15 compounds are tested annually. Total coliform tests are conducted bi-weekly. The system is inspected
16 by the DEP, and the water tested at this system has consistently tested as safe and potable drinking
17 water.

18 **Q. Please describe the Companies' response to the COVID-19 pandemic.**

19 A. One of the first steps was to set up an Incident Command Structure to ensure all decision-making was
20 centralized and to ensure the safety of our employees and the communities that we serve. Below is a
21 list of several measures the Companies have taken to address the impact of COVID-19 on utility
22 operations and our customers:

- 23 1. Voluntary suspension of disconnects effective March 1, 2020.
- 24 2. Voluntary reconnections for previously disconnected customers.
- 25 3. Implementation of bill pay assistance and more flexible credit and collection practices.
- 26 4. Critical inventories planning and review.
- 27 5. Workforce planning.

- 1 6. Facility Emergency Action Plans.
- 2 7. Suspension of all non-essential business travel – this suspension of business travel does not
- 3 include regular, essential operational and field activities which can be performed using
- 4 recommended social distancing measures.
- 5 8. Remote work and office closures – all company offices were closed to the public temporarily
- 6 effective March 16, 2020. Soft openings of those offices began in early July but have been
- 7 scaled back in response to the Delta variant.
- 8 9. Cyber security precautions – company IT personnel have continued working to ensure employees
- 9 are operating in a secure manner from home Wi-Fi networks through VPN access.
- 10 10. Essential Operations Continuity Planning.
- 11 11. Emergency security clearances for employee access to plants and facilities where movement was
- 12 otherwise restricted.
- 13 12. Health and Safety guidance policies for operations staff, including:
- 14 i. Social distancing policy;
- 15 ii. Updated PPE guidance;
- 16 iii. Vehicle maintenance guide;
- 17 iv. Multiple employee task; and
- 18 v. Critical contractor/visitor guidance.
- 19 13. Essential personal protective equipment.
- 20 14. Lone worker safety program.
- 21 15. Vaccine coordinators – this team assisted with tracking each county/states vaccine program to
- 22 facilitate staff access for vaccination.
- 23 16. Compliance with State reporting requirements.

24 **Q. Does this conclude your prepared direct testimony?**

25 A. Yes, it does. I, however, reserve the right to provide updated to my testimony as additional
26 information becomes available during the processing of this filing.

27