

February 2, 2009
Joint Public Hearing
Town of Tuxedo Town Board and
Town of Warwick Town Board

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**Joint Public Hearing
Tuxedo Town Board
and
Warwick Town Board**

**South County Sewer
Rate Increase Petition**

Mr. Natoli explained that, within 90 days from the date of the application, the Boards must decide whether the proposed rate is fair, reasonable and adequate. He noted that the rates must produce enough revenue to cover reasonable costs to operate, plus a reasonable return on investment to South County.

Mr. Natoli acknowledged that the proposed increases are large because there has been no increase in over 16 years, and because United Water invested \$750,000.00 when it took over the systems, for which it deserves a return.

Supervisor Dolan asked for any comments from the public.

Mr. Helmut E. Nimke of Laurel Ridge in Tuxedo commented that, with all due respect to the Town Boards, he believes that sewer rate increases should be a Public Service Commission issue, as are water rates, where the expertise of professionals experienced in these matters could more competently engage in negotiations.

The following individuals spoke in opposition to the rate increase:

- Mr. Marty Pfeiffer, Sterling Pines
- Mr. Greg Duffy, Laurel Ridge
- Mr. Dan Blum, Laurel Ridge
- Mr. Tony Davidson, Laurel Ridge
- Mr. Larry Barre, Sterling Pines
- Mr. David Maikisch, Clinton Woods

Written comments in opposition to the rate increase, copies of which are attached to these Minutes and are deemed entered into the record hereof, were received from:

- Ms. Sarina W. Gwartzman, Sterling Pines
- Dr. & Mrs. Sal DeVincenzo, Sterling Pines
- Ms. Judith Wason, Laurel Ridge
- Paul S. Baum, Esq., Representing Sterling Forest Apartments, Ironwood Road

Reasons cited for opposition include:

- State of current economy and consequent burden of increase at this time
- Corporate greed, exorbitant profits
- Capital improvement negligence
- Need for rate comparisons with those in surrounding areas
- Costs of incompetent maintenance by prior operators should not be borne by customers
- Need for records of rate increase made by Sterling Forest less than 16 years ago
- Minimal level of service does not justify huge increase proposed
- Customers not receiving economies of scale considering United Water's vast holdings
- Magnitude of proposed increase is hardship for customers; recommend reduction and phase-in of increase

A discussion period ensued among Mr. Natoli and Mr. Pointing, both Town Boards and the public. Mr. Natoli noted that rates in surrounding areas are four times higher than those proposed, and that the costs of acquisition have no basis on the rate increase.

In response to questions regarding the seemingly excessive rate of return of 8.5 percent in this economic environment, Mr. Natoli pointed out that utilities, in order to remain stable investment vehicles, maintain average returns on investments in boom times, when other companies such as IBM or Intel post returns of over 20 percent, and in difficult times, such as now. Accordingly, on an overall chronological basis, the percentage is in line with industry standards.

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As regards capital expenditures, Mr. Natoli advised that South County has made equipment replacements, such as a generator, and plant upgrades necessary for its State Pollutant Discharge Elimination System (SPDES) permit as well as compliance with NYS Health Department and Department of Environmental Conservation regulations. Mr. Pointing confirmed that there have been no violations on the system.

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Messrs. Natoli and Pointing made assurances that they will provide the following documentation, if available:

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- Paperwork on Sterling Forest rate case less than 16 years ago
- Acquisition documentation, including purchase price
- Regulator findings on condition of system at time of acquisition
- Engineering and any other reports detailing upgrades made or to be made to system
- Schedule of revenue declared from 2005 through 2007
- Agreements with IBM and King's College
- Tabulation of operating and maintenance expenses, including administrative costs for South County as well as parent company
- Explanation of how flat rates are determined
- Explanation of how tariff will be adjusted so that customers with septic systems are not burdened
- Accounting of allocation between commercial and residential
- Analysis of debt/equity ratio, including industry norms

In addition to the above, Mr. Nichol prepared a listing, a copy of which is attached to these Minutes, enumerating 14 questions to which South County officials will provide responses. *Note by Town Clerk: South County's responses dated February 20, 2009 and received by the Town of Tuxedo on February 23, 2009 are attached hereto for reference.*

Citing the provisions of the TCL requiring a 90-day response by the Town Boards from the date of filing the petition (i.e., March 9, 2009), failing which the requested increase automatically becomes effective, Mr. Nichol requested an extension of the deadline to enable review of the comments received tonight and the responses to be received from South County. Mr. Natoli granted an extension to an unspecified date.

Supervisor Dolan asked for any further comments from the public. There were none.

Supervisor Dolan notified the public that written comments may be submitted through February 9, 2009.

RESOLVED, motion made by Supervisor Dolan and Supervisor Sweeton, seconded by Councilperson Darling and Councilperson Gerstner, that, all persons desiring to be heard having been heard, the public hearing regarding a proposal by United Water South County Sewer Inc. to increase rates it charges to its customers, be closed.

Adopted: Supervisor Peter M. Dolan	Aye	Supervisor Michael Sweeton	Aye
Councilperson Daniel Castricone	Aye	Councilperson. James Gerstner	Aye
Councilperson Thomas Darling	Aye	Councilperson Leonard DeBuck	Aye
Councilperson Gary Phelps	Aye		
Councilperson Lisa Spivak	Aye		

The Public Hearing was closed at 9:35 p.m.

Respectfully submitted,

Elaine M. Laurent
Town Clerk