



NEW YORK STATE SENATOR

Charles J. Fuschillo Jr.

SENATOR FUSCHILLO'S TESTIMONY TO PSC URGING REJECTION OF AQUA WATER RATE INCREASE

CHARLES J. FUSCHILLO JR. September 1, 2009

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Good evening, my name is Chuck Fuschillo, and I am the State Senator representing the communities encompassing the Aqua service area in the New York State Senate. For the record, I reside in Merrick and am also an Aqua-New York Water customer.

Before I begin my remarks, let me thank the Public Service Commission for holding these important public hearings in the community so that those who are affected by this rate increase can publicly voice their concerns.

Let me also thank the many people who have contacted both my office and the PSC, along with those who are attending today's hearings, for taking the time to express their opinions.

Even before this rate increase was proposed, Aqua customers contacted me upset and angry that they must pay significantly more for water than their neighbors living in surrounding municipal water districts. I don't blame them. Although Aqua is a private company, they essentially have a monopoly over their customers because residents have no alternative to use a different water provider.

Now Aqua-New York Water is asking us to pay even more.

Since the public became aware of Aqua's plans to raise the average monthly residential bill by 12 percent, I have received numerous phone calls, letters, and emails from my constituents who are vehemently opposed to a rate increase.

Let me share some of their comments with you:

One resident said:

"For a company to boast of its strong financial performance to its shareholders, while at the same time asking for rate increases of this magnitude is unconscionable."

Another resident said:

"It is becoming harder & harder for working families on Long Island to pay their monthly bills...an additional increase for water bills will make it that much more difficult to meet our financial obligations."

Another said:

“I am a professional and at my company I am being asked to do more with less. We need to be smart, creative, and innovative. Please make sure Aqua is doing this”

Another said:

“The US is suffering from a severe recession where the cost of goods and services has risen by less than 1% annually. A 12% increase seems to be entirely out of line in the current economy.”

Additionally, Aqua’s plans would significantly raise costs on local fire departments to pay for their fire hydrants. These costs would ultimately be passed down to residents in the form of higher fire district taxes. Several of these fire departments have stated in letters that this proposed increase “amounts to receiving about 20 years of increases in one year.” They also said it is “unreasonable and insensitive in today’s economic climate.”

I urge the PSC to consider the pleas of residents, fire departments, and business owners as you review and consider Aqua’s rate increase proposal.

Please also take into consideration that:

* Aqua USA purchased New York Water in 2007 for approximately \$51 million dollars. \$28 million was out of their pocket and \$23 million was assumed debt. Aqua USA, which is Aqua-New York Water’s parent company, is an extremely profitable company which spends millions of dollars paying its top executives and pays their shareholders dividends each and every year.

* In 2008, a year when so many companies posted record losses, Aqua-America posted nearly \$98 million in profits, a \$3 million increase from 2007.

* The CEO of Aqua-America made \$2.4 million in total compensation in 2008, an increase of nearly \$400,000 from 2007.

* Aqua-America’s CEO, CFO, Chief Administrative Officer, and 2 Regional Presidents made over \$5 million in combined total compensation last year, \$1.2 million higher than what they received in 2007.

* Aqua-America achieved 18 cash dividend increases in the last 17 years.

* Over the last 5 years, Aqua-America’s annualized dividends have gone from \$0.39 to \$0.54 per share.

Aqua’s profits are coming out of our pockets. Families that are struggling because of high taxes and a bad economy are being asked to pay more so that Aqua can maintain payouts for its executives and shareholders, even after the company just posted a multi-million dollar profit increase in the worst economic climate since the Great Depression.

The Public Service Commission and its staff has already begun a thorough review of this matter. I would like to emphasize the findings of Robert Vissalli, a Supervisor in the PSC’s Office of Accounting and Finance, who stated on page 5 of his testimony that Aqua’s request for a 4 percent annual management wage increase, which is 2.58 times higher than the estimated rate of inflation, was “unreasonably high from a rate making perspective” and “disturbing and totally insensitive to the extraordinary economic struggles its customers are currently faced with.”

I could not agree more.

It's time for Aqua to focus on their customers rather than their executives and shareholders.

For these reasons, I again respectfully urge you to reject Aqua-New York Water's proposed rate increase.

Thank you for the opportunity to speak on this proposal.