STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY

DOCKET NO. 26-08-14

APPLICATION OF THE JEWETT CITY WATER COMPANY

TO AMEND RATE SCHEDULES

DIRECT TESTIMONY OF

ROBERT SHERWOOD

ON BEHALF OF

THE JEWETT CITY WATER COMPANY

October 23, 2026

I. INTRODUCTION

Q. Please state your name, business address and your position with The Jewett City Water Company?

A. My name is Robert Sherwood, and the business address is 481 Taylor Road, Enfield, Connecticut. I am the President and CEO of The Jewett City Water Company ("JCWC" or the "Company"). As such, I oversee all of the Company operations and I participate in all financial, rate and other policy decisions. I have held these responsibilities with the Company since December, 2021.

Q. Have you testified before the Connecticut Public Utilities Regulatory Authority before?

A. Yes. I have appeared before the Authority and its predecessor agency, the Department of Public Utility Control, on behalf of the Company in various rate cases, other dockets related to water companies and Water Infrastructure and Conservation Adjustment ("WICA") proceedings.

Q. What is the purpose of your testimony?

A. My testimony provides a high-level overview of the Company, this rate filing, and is intended to show that the associated costs and investments are prudent, necessary, and in the public interest. I also introduce the witnesses that support the Company's direct case in this filing. I affirm our commitment to providing the documentation that the Authority, our customers, and all involved parties require to earn trust in the Company's business operations, prudency in investment, and our dedication to exceptional customer service.

Since the conclusion of the Company's last rate case in 2021, JCWC has continued to face significant operational, financial, and infrastructure-related costs. The rates approved at that time were based on conditions that no longer reflect realities affecting the water industry: aging infrastructure, lead service line replacements, emerging contaminants (such as PFAS), climate change and cybersecurity threats.

Putting off the investments needed, and kicking the can down the road only increases risk, reduces reliability and makes the problems more expensive and difficult to solve. The Company needs to continue to invest in infrastructure to ensure resilience and reliability.

Q. Please describe JCWC's operations.

A. JCWC is a privately-owned water company that is a wholly-owned subsidiary of The Avery-Dewing Corporation ("Avery-Dewing"). JCWC serves mainly the Borough of Jewett City, plus other portions of the Town of Griswold outside the Borough and a portion of the Town of Lisbon. JCWC has grown from a small system with only a few miles of main to one serving approximately 2081 residential and nonresidential customers.

All services are metered and all customers are served under the same schedule of consumption charges. Most customers are residential except for 108 commercial and 29 municipals, which collectively supply 19.0% of the metered revenue.

The total water supplied in 2025 to all our systems, including our two satellite systems, was approximately 126,359,000 gallons. Of this total, 6,936,000 gallons

were pumped from wells in our S & W satellite system (81 customers) and 1,864,000 gallons was pumped from wells in our Hill-N-Dale satellite system (24 customers).

The Company's distribution system consists of approximately 27.8 miles of main, 91.0% of which are six inches or more in diameter. All water supplied to the mains meets the Department of Public Health's ("DPH") requirements for potable water. Laboratory analyses are made on a regular basis with a private, state-certified laboratory. The water is not fluoridated, but the Company does chlorinate and control the pH of the water by chemical control. Water from the Stone Hill reservoir is filtered at the Stonehill Filtration Treatment Plant to reduce suspended solids (level of turbidity). At both our S & W and Hill-N-Dale satellite systems we treat for pH control and inject chlorine for disinfection.

The Company furnishes fire protection service throughout the Borough of Jewett City to public hydrants. In addition, the Company services public hydrants in the Town of Griswold (outside the Borough), to the Griswold Housing Authority and public hydrants in the Town of Lisbon. Finally, the Company supplies private fire protection connections along with private hydrants that supplement the public fire protection hydrants in the Borough of Jewett City, Town of Griswold and Town of Lisbon.

Q. **Have you notified the Borough of Jewett City and Towns of Griswold and Lisbon of the proposed rate increase?**

A. Yes. The Company sent notification to the chief elected officials at the same time

that we notified the governor, PURA, and the Office of Consumer Counsel, on July 25, 2026 at least 30 days prior to our filing. We will also post a link on the Company website to the filed documents when officially filed.

Q. Is the Company proposing any changes to its Rules and Regulations?

A. No

RATE INCREASE

Q. When were the Company's rates last raised?

The Company last increased its rates on May 1, 2021, pursuant to the Authority's Decision in the 2020 Rate Case (Docket No. 20-10-31), which was based on a test year ending on December 31, 2019.

Q. Please describe the proposed rates.

A. Exhibit C-1 sets forth a schedule of the Company's present and proposed rates. The Company requests a revenue increase of $820,923, net of WICA, or 37%, over its current allowed revenues. This increase is additive to the Company's existing WICA surcharge in the amount of $74,887 that also would be rolled into base rates. A typical metered residential customer with a 5/8 inch meter using 500 cubic feet of water per month now pays $60.04 inclusive of the WICA surcharge. Under the proposed rates, this customer would pay $77.78 per month, an increase of approximately $17.74 per month (See Exhibit C-3).

Q. What would be the effect of the proposed rate increase on the Company's net income?

A. Giving effect to known and anticipated increases in expenses, we estimate that the utility operating income for 2026 under present rates including both the WICA and Revenue Adjustment Mechanism surcharges, would be a net loss of ($188,915). If the proposed rates were in effect for that entire year, we estimate a income of $406,111. (See Schedule C-1.0).

Q. What are the main reasons behind the need for a rate increase?

A. The Company has not sought an increase to its base rates in six years. While the WICA program has allowed the Company to delay the need to seek a general rate increase, that captures only a portion of the Company's recoverable capital investments and does not account for increases to the Company's operating and maintenance ("O&M") costs. In addition to capital investments in rate base over the last 6 years, the Company has also seen significant increases to O&M expenses that are not reflected in current rates. Additional cost pressures from rising electric rates and fuel are outside the Company's control and directly affect the cost of operating treatment facilities, pumping stations, storage, and system monitoring. Nationwide, the water and wastewater industry has experienced inflationary costs that have significantly outpaced the general rate of inflation captured by metrics such as the Consumer Price Index (CPI).[1] In addition to these national trends, the Company has necessarily incurred additional labor, chemical and other expenses in response to operational changes required by the

Connecticut DPH and US Environmental Protection Agency. None of these cost increases are reflected in rates. The current and expected level of revenues is insufficient to address current and expected expenses while allowing the Company to recover a reasonable rate of return.

Q. Please generally describe the test year and other key dates used by the Company for purposes of this filing.

A. The Company used the 12-month period ending December 31, 2025 as its test year, which is the most recent 12-month period ending at a calendar quarter that is available to us. Rate base calculations include plant expected to be in service on or before the last date of hearings, which is consistent with what the Authority as previously allowed.

Q. How does the Company propose to address the reduced consumption pattern experienced in recent years?

A. Because of the continuing decline in average consumption per customer over the past several years, the Company proposes that test year consumption be used for pro forma consumption. (See Schedule E-4).

Q. What level of ROE are you requesting?

A. The Company is requesting that the Authority set rates that will allow it to earn a return on its equity of 10.0%.

Q. Why is the Company entitled to ROE Variable Performance Adder?

A. As explained further in the testimony of Deloris Drakes (Exhibit A-2), the Company is requesting a .50% Variable Performance Adder to be included in the Company's allowed ROE. The Company believes its performance over the last six years merits the adder, as the Company has provided reliable, uninterrupted and cost-effective service to its customers. Additionally, the Company has made significant investments to ensure future reliability and suitability of service, notwithstanding the adverse effect on the Company's bottom line. In support of the Company request for an adder, the Company has:

- Improved the strength of Connecticut's water planning and policy.
  - By completing capital projects that are non-WICA eligible to improve reliability and resiliency to the water system.
  - Upgraded process controls (SCADA) and installation of generators at the pumping facilities to ensure continued water service during extreme events that meets the DPH's and EPA's requirements for safe potable water.

Q. Has the Company taken any action to mitigate the requested rate increase?

A. Yes, the Company routinely seeks ways to reduce costs for customers. The Company has taken advantage of a persistently low interest rate environment to reduce its cost of debt. The Company has refinanced its outstanding debt, and incurred additional debt, to finance Company operations. This increased reliance on low cost debt has reduced the Company's expenses to a degree.

Likewise, the Company purchased chemicals in bulk and entered long-term power contracts to provide cost certainty. The Company also started an aggressive leak detection program to further drive down cost associated with lost and unaccounted for water.

Notwithstanding the Company's efforts to reduce its expenses, the rate of increase to expenses has outpaced the Company's ability to adequately cover its costs through current rates.

Q. **Does the Company have any major capital projects on the horizon that are not included in this rate request?**

A. Yes, the Company expects to complete the following large capital projects,

- The Hopeville Storage Tank project is a large capital project, for which the Company is seeking Drinking Water State Revolving Fund ("DWSRF") loans and grants.
- Replacing the filtration units at the Stone Hill Treatment Plant that were installed in 1999 and have come to the end of useful life.

Given that these projects are large capital projects, the Company intended to seek its general rate increase after completion of the Hopeville Storage Tank and Pump Station project, however, due to delays with DWSRF monies and the immediate financial situation the Company faces, the Company cannot further delay a general rate case and was forced to move forward and exclude the Hopeville Storage Tank project from this proceeding. The Company expects

that it will need to file for a limited reopener after the completion of the Hopeville Storage Tank project sometime in late 2028.

Q. What services are Jewett City's affiliates, Avery-Dewing and Hazardville offering to Jewett City?

A. In its position as the parent of Jewett City, Avery-Dewing continues to provide management services to the Company and assist in raising equity and debt capital. For example, in the recent refinancing of JCWC's debt, Avery-Dewing provided an overall guarantee which has facilitated (and reduced the cost of) that borrowing. The Company's pension plan is also administered by Avery-Dewing and Jewett City is allocated the appropriate amount at cost.

The Hazardville Water Company provides general management and customer service staff to the Company. JCWC had a local office in Jewett City that was open three days a week then reduced to one day a week for 5 hours and as of December 31, 2025, that office has been closed. The Company also has a drop box at the Hopeville Station at 470 East Main Street in Griswold, which is always open.

Q. Will anyone be assisting you in this proceeding?

A. Yes. I will be assisted by Deloris Drakes, Chief Financial Officer and Treasurer who will testify as to the overall revenue requirement, capital structure, and financing strategy and Nick Levasseur General Manager. Each of the exhibits

and schedules included with this Application indicates which of us has primary responsibility for its preparation.

(Exhibit A.2 – Deloris Drakes Testimony)

Q. Is the Company requesting a Revenue Adjustment Mechanism and a continuation of the Company's WICA program?

A. Yes. The Company is requesting a continuation of its existing RAM surcharge. The Company has been actively using WICA and RAM over the past six years The Company also expects to continue its WICA program, to address reliability needs of the system.

Q. Does the Company have the ability to make the investments in infrastructure to serve its customers?

A. Yes. We continue to maintain the technical and financial capability to conduct the proactive planning that informs the prudent investment strategy that has allowed us to maintain high-quality, reliable supplies and service for our customers to meet current and future water supply needs of the customers we serve, including during periods of drought or other emergencies. We have committed to establish annual capital budgets and investments in infrastructure replacement for customers. This means that investments are not being deferred; no are critical modernization and improvements.

Q. What part does workforce compensation expense play in the Company's increased O&M costs?

A. Over the coming years, long-term Company management will unavoidably be transitioned as existing management reaches retirement. The Company prides itself on providing efficient, safe, and reliable service. As such, the Company needs to devote additional investment in its personnel to ensure continued high-quality management and continuity of service for customers. The additional investment is reasonable and is needed to train, transition and retain qualified individuals familiar with Company operations to ensure the Company can continue to provide quality service to our customers and maintain our system in the future.

Q. Does this complete your testimony in this rate case?

A. Yes, it does.