



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
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To: Luly Massaro, Commission Clerk

From: John Bell, Chief Accountant

Date: July 21, 2022

Subject: Docket 22-09-WW – Providence Water’s Miscellaneous Petition to Recover Electronic Payment Fees

The Division of Public Utilities and Carriers (“Division”) writes to provide the Public Utilities Commission (“Commission”) with its recommendation regarding Providence Water’s Miscellaneous Petition, filed in the above referenced docket, to recover electronic payment fees that it paid on behalf of its customers pursuant to Commission Orders issued in Docket 5022.

Review of Filing

Providence Water seeks to recover electronic payment transaction fees that are not currently included in its cost-of-service revenues and that it incurred on behalf of its customers during the pandemic and continues to incur. In Docket 5022, the Commission allowed utilities that do not have the fees in their cost service to file for recovery of such fees that it incurred and will continue to incur until its next general rate filing. According to Providence Water’s filing, they incurred \$836,565 of electronic payment fees between June 2020 and April 2022. Providence Water proposes to withdraw this amount plus any additional fees incurred through the effective date of the decision in this docket from their Restricted Revenue Reserve Fund (“Fund”). The Fund had a cash balance of \$1,070,216 as of the end of April 2022 and is due two months of funding which will bring the balance to \$1,141,052, which is more than sufficient to cover the requested transfer.

Providence Water also proposed to add a fixed surcharge of \$0.78/month to retail accounts to recover ongoing electronic payment fees. The calculation of the proposed surcharge is shown on Schedule HJS-2 of the filing and is calculated by dividing the total estimated fees for the 12-month period May 2022 – April 2023 by the estimated bills issued during that time. They noted in their filing that the electronic payment fees are fixed and not based on volumes so a flat surcharge per month is appropriate. Providence Water further proposed an annual true-up between the surcharge revenues and the actual electronic payment expenses, with any over or under recoveries settled through the Revenue Reserve Fund. As the Division noted in similar utility filings, Providence

Water doesn't have a long history of incurring electronic payment fee expenses on behalf of its customers and because the driver of the expense is the customer and not the utility, so the Division believes an annual true-up is necessary to protect both the utility and its customers from any over or under recoveries.

Conclusion

Based on my review of the filing, I found that Providence Water's proposal is reasonable. It utilizes available reserve funds to cover the cost of already incurred electronic payment fees, thus eliminating the need to increase rates to cover past expenses. In addition, it adds a fixed surcharge on retail accounts for the recovery of ongoing fees. The fixed surcharge is readily identifiable on customer bills which will allow for it to be easily tracked for use in calculating over or under recoveries of expenses for the proposed annual reconciliation. Providence Water's proposal also provides for an exact match of revenues and expenses until the issue can be addressed in the next rate filing. For the above reasons, I recommend approval of Providence Water's proposal as filed.