

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: PROVIDENCE WATER SUPPLY BOARD :
PETITION TO RECOVER ELECTRONIC : **DOCKET NO. 22-09-WW**
PAYMENT FEES RESULTING FROM COVID-19 :
PUC DECISIONS :

ORDER

On June 28, 2022, the Providence Water Supply Board (Providence Water) filed with the Public Utilities Commission (Commission) a Miscellaneous Petition to Recover Electronic Payment Transaction Fees. Providence Water’s cost of service does not include recovery of electronic transaction fees that were previously recovered from the users of electronic payment methods. On March 16, 2020, the Commission, in response to the COVID-19 pandemic and associated economic and social restrictions opened Docket No. 5022 which, among other restrictions on collections activities, prohibited the regulated utilities from charging late fees, interest charges, credit card fees, debit card fees, and ACH fees to their customers. While many of the restrictions on collections were lifted over time, on November 5, 2021, the Commission ordered the utilities to continue absorbing the costs associated with electronic payment methods and allowed the utilities, for whom recovery of electronic transaction expense was not part of their cost of service, to propose a time-limited recovery tariff of those waived fees.¹

¹ Order No. 24424 at 7; <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-06/5022-Emergency-Ord24424%20%286-6-2022%29.pdf>.

The Commission also voted unanimously to require the utilities to continue to absorb any online payment transaction fees and to allow the utilities who do not have those costs included in their cost of service the opportunity to file for rate recovery on a going forward basis through a specific ratemaking mechanism that would be in effect through the utility’s next rate case. It should be designed to recover no more than actually expended by the utility to absorb the fees. The Commission did not address previously accrued costs associated with the waived fees because some of the utilities have indicated they may not seek back cost recovery. Additionally, the Commission did not design a cost recovery mechanism because each utility may have different needs or timing of their respective request. The Division noted that they would support recovery in a future ratemaking proceeding on the basis that such extraordinary costs would qualify for an exception to retroactive ratemaking prohibitions. This, however, also appears to qualify for a time-limited exception to the restrictions on single-issue ratemaking. In the utility’s next base rate case (general or

In its Petition, Providence Water proposed two recovery mechanisms supported by prefiled testimony of Nancy Parillo, Senior Manager, Finance for Providence Water. Ms. Parillo proposed to recover Providence Water's actual incurred expenses for the processing of credit card, debit card, and voice transaction fees (electronic transaction fees) for the period June 1, 2020 through the date of the Commission's decision in this matter by withdrawing that amount from its restricted Revenue Reserve Account and transferring it to the Operations Fund. She indicated that the balance of the restricted Revenue Reserve Account was approximately \$1.1 million as of April 30, 2022, while the total fees accrued through April 2022 was \$836,565.

For costs incurred beyond the Commission's decision, she proposed a surcharge in a fixed amount on all retail customers' bills. In support of the calculation of the surcharge, Providence Water submitted the prefiled testimony of Harold Smith, its consultant. Mr. Smith calculated the amount of the surcharge by dividing the anticipated annual expense for electronic payments by the annual number of retail bills to arrive at a monthly surcharge amount of 0.78 per bill. To project annual expense, Mr. Smith calculated a compounded annual monthly growth rate from June 2020 to April 2022 waived fee expense and increasing it by an average growth factor. He then applied the calculated average growth factor over the next twelve-month period to determine an annualized amount. This amount was divided by the projected number of retail bills.² After twelve months, Providence Water would conduct an annual review of the actual expenses compared to revenues from the surcharge and any over-collection would be deposited to the restricted Revenue Reserve Account while Providence Water would file to withdraw any under-recovery from the account.³

abbreviated), the costs should be included in their cost of service in the same manner as all other billing costs, taking into account any cash flow benefits that result from online payments.

² Smith Test. at 3; Schedule HJS-1 and HJS-2.

³ Smith Test. at 4.

Ms. Parillo and Mr. Smith responded to discovery, providing an accounting of the restricted Revenue Reserve Account, noting that the fund balance was sufficient to effectuate the transfer without adversely affecting Providence Water's required debt service ratios or other borrowing requirements, and providing an update on the actual electronic transaction fee expense for through June 2022.⁴

On July 21, 2022, the Division of Public Utilities and Carriers (Division) submitted a Memorandum from John Bell, Chief Accountant, summarizing the filing and recommending approval. Mr. Bell stated that withdrawing the actual incurred costs from the restricted Revenue Reserve Account was reasonable.⁵ Commenting on the proposal for the recovery of future costs, he stated that the proposal and calculation of projected expenses was reasonable, particularly in light of the proposed true-up mechanism.⁶

On July 26, 2022, the Commission conducted a public hearing. No members of the public commented. NBC presented Ms. Parillo and Mr. Smith, and the Division presented Mr. Bell to testify. Ms. Parillo testified that the proposed surcharge would appear as a separate line item on the bill, with outreach through a bill stuffer. She explained that Providence Water also has the capability of using a bill message.⁷ On direct examination, Mr. Parillo clarified that Providence Water was seeking to withdraw the actual amount incurred as of the date of the Commission's decision in this matter rather than a projected amount.⁸ Mr. Bell testified that he had reviewed the manner in which the surcharge was calculated and found it to be reasonable.⁹

⁴ NBC's Responses to PUC's First Set of Data Requests.

⁵ Bell Mem. at 1 (July 21, 2022).

⁶ *Id.* at 2.

⁷ Hr'g. Tr. at 18-20.

⁸ *Id.* at 12.

⁹ *Id.* at 22

At an Open Meeting held on August 11, 2022, the Commission considered the evidence and unanimously approved Providence Water's request for authority to transfer from the restricted Revenue Reserve Account the actual accrued total of waived electronic payment processing fees incurred from June 1, 2020 through August 31, 2022; and its request to collect the projected future electronic fee expense through a charge on customers' bills in the amount of \$0.78 per bill effective on bills issued commencing in September 2022. The Commission also directed Providence Water to make a compliance filing within thirty days of the transfer from the restricted Revenue Reserve Account to support the amount transferred. Providence Water shall continue to track the actual electronic transaction fees incurred in order to perform a true-up following Providence Water's fiscal year, if the issue has not already been addressed as part of a general rate filing. Any over-collection shall be deposited into the restricted Revenue Reserve Account, with notice to the Commission and Division that supports the transfer. Providence Water Supply Board shall make a filing to withdraw any funds from the restricted Revenue Reserve Account in the event the new charge is insufficient to cover the expense.

On September 13, 2022, Providence Water made a compliance tariff filing to incorporate the Commission's decision showing that on September 7, 2022, Providence Water had completed a transfer from the restricted Revenue Reserve Account to its Operations Fund in the amount of \$1,039,348.05, representing the waived electronic fee expense for the period June 2020 through August 2022.

Accordingly, it is hereby

(24510) ORDERED:

1. Providence Water Supply Board is authorized to withdraw from the restricted Revenue Reserve Account, the actual accrued total of waived electronic payment processing fees incurred from the June 1, 2020 through August 31, 2022.
2. Providence Water Supply Board shall file within thirty (30) days of the transfer a compliance filing supporting the amount transferred.
3. Providence Water Supply Board's request to include a new charge on the bill in the amount of \$0.78 per bill to recover projected electronic payment fees is approved for bills issued on and after September 1, 2022.
4. Providence Water Supply Board shall continue to track its actual electronic payment processing fees and perform a true-up of the expenses after the end of its fiscal year if such a true-up was not performed as part of a general rate filing for effect on or about that same date. Any over-collection shall be deposited into the restricted Revenue Reserve Account, with notice to the Commission and Division that supports the transfer. Providence Water Supply Board shall make a filing to withdraw any funds from the restricted Revenue Reserve Account in the event the new charge is insufficient to cover the expense.
5. Providence Water Supply Board's compliance tariff filing made on September 13, 2022 is hereby approved.

EFFECTIVE AT WARWICK, RHODE ISLAND, ON SEPTEMBER 1, 2022,
PURSUANT TO OPEN MEETING DECISIONS ON AUGUST 11, 2022 AND SEPTEMBER
28, 2022. WRITTEN ORDER ISSUED ON OCTOBER 19, 2022.

PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski

Ronald T. Gerwatowski, Chairman

Abigail Anthony

Abigail Anthony, Commissioner

John C. Revens, Jr.

John C. Revens, Jr., Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (7) days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.