

September 22, 2022

Luly Massaro, Clerk
Division of Public Utilities and Carriers
89 Jefferson Blvd.
Warwick, RI 02888 Luly.massaro@puc.ri.gov

RE: In Re: Docket 4800 Veolia's Application to Change Rate Schedules - DSIC

Dear Luly:

Enclosed herewith for filing, please find a Memorandum which the Administrator has adopted as the Division's position in this docket.

Should you have any questions, please do not hesitate to contact me.

Regards,

/s/ Tiffany A. Parenteau
tparenteau@riag.ri.gov



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
89 Jefferson Boulevard
Warwick, Rhode Island
02888 (401) 941-4500
(401) 941-9248 - Fax

**To: Linda George, Esq., Administrator
Division of Public Utilities and Carriers**

**From: Al Contente, Utility Analyst
Rhode Island Division of Public Utilities & Carriers**

**CC: John Spirito, Esq., Deputy Administrator
Paul Roberti, Esq., Chief Economic & Policy Advisor
Christy Hetherington, Esq., Chief Legal Counsel
Division of Public Utilities and Carriers**

Date: September 22, 2022

**Subject: Docket No. 4800 - Veolia Water Rhode Island, Inc.'s Distribution System
Improvement Charge (DSIC) calculation for period February 1, 2022, through
July 31, 2022**

On August 15, 2022, Veolia Water Rhode Island (“Company” or “Veolia”) submitted its Distribution System Improvement Charge (“DSIC”) filing for the period February 1, 2022, through July 31, 2022, in accordance with the DSIC mechanism as approved in its last general rate case in Docket 4800. The filing also included amendments to the DSIC Tariff. The purpose of the revised tariff language was to provide a more detailed description of the DSIC mechanism for greater ratepayer transparency. In general, the DSIC mechanism allows for a surcharge to be added to customer bills to assist in cost recovery between rate cases of non-revenue producing qualified additions to plant. These additions can include replacement and rehabilitation projects encompassing work done to mains, main cleaning, services, hydrants, valves, and meters. The maximum allowed surcharge on an annual basis is 2.5% with a cumulative cap between rate cases of 7.5%. In its filing, Veolia requested the maximum annual DSIC surcharge of 2.5% bringing the total DSIC rate to 5.0% and requested an effective date of September 29, 2022.

Review of DSIC Surcharge Calculations

According to the filing, the Company invested over \$6.1 million in DSIC facilities since the implementation of the DSIC. In the current DSIC period, the revenue requirement amounted to a credit of \$2,065. However, as the result of the high levels of spend in prior DSIC periods, the calculated DSIC surcharge in the filing was 14.39%. Upon review of the revenue requirements calculation included in the filing, with the exception of one minor mathematical error found, the calculations were accurate. The amount on page 1 of 9, line 12, is a negative \$199, however, it appears that it should be a positive \$199. Correcting for this error slightly increases the revenue requirements, however, it does not impact the proposed DSIC factor due to the annual and maximum caps in place. Aside from this one minor error, the calculations were accurate. All told, the filing and calculations contained within support the Company's request to increase the DSIC factor by the maximum annual cap of 2.5%, which will bring the cumulative factor to 5.0%.

Timing of the DSIC Surcharge

In the Company's filing, the requested date for implementation of the new surcharge is September 29, 2022. However, the language of the approved settlement, in section 18, subsections *c* and *h*, states that "the DSIC surcharge shall be calculated on eligible investment in excess of Base Spend on an annual basis" and "the DSIC surcharge would be capped at: 1) 2.5% per year". The proposed tariff included in the filing has similar language and states in part: "The DSIC surcharge would be capped at: 1) 2.5% per fiscal year (fiscal year begins with the first DSIC surcharge)". The first DSIC surcharge of 2.5% went into place on November 5, 2021. Based on the referenced language, the Division believes the proposed surcharge in this filing cannot go into place any earlier than November 5, 2022.

Conclusions and Recommendations

After review of Veolia's filing, the proposed DSIC surcharge of 5.0%, which is an increase of 2.5% from the current surcharge, was properly calculated. I support a Division recommendation to the Commission that it approve the additional surcharge for effect on November 5, 2022. I also recommend the Division support the proposed tariff changes included in Veolia's filing.