



**VIA E-MAIL**

August 11, 2023

Ms. Luly E. Massaro, Commission Clerk  
Rhode Island Public Utility Commission  
89 Jefferson Blvd.  
Warwick, RI 02888

**RE: Veolia Water Rhode Island  
Application to Change Rate Schedules  
Docket No. 4800  
Distribution System Improvement Charge**

Dear Ms. Massaro,

Enclosed for filing, please find Veolia Water Rhode Island, Inc.'s Distribution System Improvement Charge calculation for the DSIC period February 1, 2023, through July 31, 2023. Since the Company first implemented DSIC in October 2018, it has invested over \$7.4 million in its facilities. After allowing for the approximately \$2.6 million allowed in the base rate case, this yields a DSIC surcharge of 18.05%. Pursuant to the DSIC rules, the maximum percentage allowed on an annual basis is 2.50%, which became effective November 5, 2021. The subsequent annual increase of 2.50% became effective on November 5, 2022, resulting in the current rate of 5%. The next allowable increase of 2.50% for a total of 7.50%, will become effective on November 5, 2023.

The enclosed filing also includes the Earnings Calculation for the 12 months ended July 31, 2023.

If you need any additional information, please advise.

Very truly yours,

*David Njuguna*

David Njuguna  
Senior Manager – Regulatory Business  
cc: Service List

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**Veolia Water Rhode Island Inc.**  
**Proposed DSIC Calculation**  
**February 1, 2023 to July 31, 2023**

Line No.	Description	2/1/23 to 7/31/23
1	Eligible Investment net of base spend (page 2)	\$ 253,106
2	Less: Accumulated Depreciation (page 2)	(968)
	Accumulated Depreciation from prior surcharges (page 6)	(29,225)
3	Less: Deferred Tax (page 2)	(328)
	Accumulated Deferred Tax from prior surcharges (page 6)	(9,910)
4	Eligible Net Investment	\$ 212,675
5	Pre-Tax Rate of Return (page 3)	8.55%
6	Pre-Tax Return on Investment	\$ 18,184
7	Add: Depreciation Expense (page 2)	3,872
8	Revenue Recovery	\$ 22,056
9	Revenue Factor (page 4)	1.017061
10	Subtotal DSIC revenue Requirement Recovery Amount	\$ 22,432
11	Plus DSIC Revenue Requirement from 2/15/2023 Filing	\$ 424,755
12	Amount Under-collected 8/1/2022 to 1/31/2023 (page 7)      Reverse to Net Zero	(6,923)
13	Amount Over-collected 2/1/2023 to 7/31/2023 (page 7)	(6,091)
14	Total DSIC revenue Requirement Recovery Amount      (L10+L11+L12+L13)	\$ 434,173
15	Semi-Annual Projected Water Service Revenues (page 8)	\$ 2,404,944
16	Projected DSIC Rate Increase Percentage      (L14 / L15)	18.05%
17	<b>Effective DSIC Surcharge (Annual Cap)</b>	<b>7.50%</b>

**Veolia Water Rhode Island Inc.**  
**Proposed DSIC Calculation**  
**February 1, 2023 to July 31, 2023**

Line No.	Description	2/1/23 to 7/31/23
1	Major Projects	\$ 121,259
2	Blanket Projects	288,922
3	Total DSIC Plant (pages 9-10)	410,180
5	Less: Base Spend (page 5)	(157,074)
6	Eligible Investment	\$ 253,106
	<u>Accumulated Depreciation</u>	
7	Composite Depreciation Rate	1.5298%
8	Depreciation Expense	3,872
9	Half Year Convention	968
	<u>Deferred Taxes</u>	
10	Eligible Investment	\$ 253,106
11	MACRS Rate for First Year Water Plant	4.00%
12	Tax Depreciation First Year	2,531
13	Book Depreciation	968
14	Tax Depreciation Greater Than Book	1,563
15	Deferred Taxes at 21%	\$ 328

**Veolia Water Rhode Island Inc.**  
**Proposed DSIC Calculation**  
**February 1, 2023 to July 31, 2023**

Approved Capital Structure and Cost Rates

	Capital Structure Ratio	Cost Rate	Weighted Cost of Capital	Pre-Tax Rate of Return
Long Term Debt	45.57%	4.65%	2.12%	2.12%
Short Term Debt	0.52%	2.65%	0.01%	0.01%
Common Equity	53.91%	9.40%	5.07%	6.42%
Total	100.00%		7.20%	8.55%

Notes:

- 1) Capital structure and ROE per current authorized return Docket No. 4800
- 2) Pre-tax rate of return reflects 21% tax rate

**Veolia Water Rhode Island Inc.  
Proposed DSIC Calculation  
February 1, 2023 to July 31, 2023**

Revenue Factor

Dollar of Revenue	1.000000
PSC Assessment	0.004275
Gross Receipts Tax	0.012500
	<hr/> 0.016775
Taxable income	0.983225
Federal Income Tax Rate @ 21%	0.983225
Net of tax	<hr/> 0.983225
 Revenue Factor	 <b><u><u>1.017061</u></u></b>

Notes:

1) Rates per Final Order in Docket No. 4800

**Veolia Water Rhode Island Inc.  
Proposed DSIC Calculation  
February 1, 2023 to July 31, 2023  
DSIC Base Spending Schedule**

Line No.	Depreciation Expense	Account	Amount
1	Transmission and Distribution Mains	331	\$ 133,748
2	Services	333	76,806
3	Meters	334	81,768
4	Hydrants	335	<u>21,826</u>
5	Total Annual Base Spending		<u>\$ 314,148</u>
6	Total Semmiannual Base Spending	Line 5 / 2	<u>\$ 157,074</u>

Notes:

- 1) SUEZ Water Rhode Island Annual Report to the Public Utilities Commission for 2020 has total depreciation expenses of \$823,676, Page 5 Line 25 column (d)
- 2) Referenced Accounts are those included in the definition of "Base Spending" per Docket No. 4800 DSIC Rules Effective 10/5/2018 Settlement Agreement Appendix A footnote 2 page 5 Updated account numbers in Order footnote 24 page 6

**Veolia Water Rhode Island Inc.**  
**Proposed DSIC Calculation**  
**February 1, 2023 to July 31, 2023**

Line No.	Accumulated Depreciation and Deferred Tax	Effective 11/5/21					No rate change					Effective 11/5/22					Full Year
		1st filing	2nd filing	3rd filing	4th filing	5th filing	2nd filing	3rd filing	4th filing	5th filing	3rd filing	4th filing	5th filing	4th filing	5th filing		
		10/1/18 to 7/31/21	8/1/21 to 1/31/22	2/1/22 to 7/31/22	8/1/22 to 1/31/23	2/1/23 to 7/31/23	8/1/21 to 1/31/22	2/1/22 to 7/31/22	8/1/22 to 1/31/23	2/1/23 to 7/31/23	2/1/22 to 7/31/2022	8/1/22 to 1/31/23	2/1/23 to 7/31/23	8/1/22 to 1/31/23	2/1/23 to 7/31/23		
						(a)					(a)				(a)		(b)
1	Major Projects	\$ 1,817,078					\$ 2,096,366				\$ (51,813)			\$ 377,008			
2	Blanket Projects	1,865,855					408,371				89,130			437,118			
3	Total DSIC Plant	3,682,933					2,504,737				37,316			814,126			
4	Less amount included in Base Rates 10/1/18-9/30/19	(2,224,330)															
5	Less: Base Spend (page 5)	(314,148)					(157,074)				(37,316)			(157,074)			
6	Eligible Investment	\$ 1,144,455					\$ 2,347,663				\$ -			\$ 657,052			
	<u>Accumulated Depreciation</u>																
7	Composite Depreciation Rate (match base spend year)	1.5298%					1.5298%				1.5298%			1.5298%			
8	Depreciation Expense	\$ 17,508					\$ 35,915				\$ -			\$ 10,052			
9	Half Year Convention	\$ 4,377	\$ 4,377	\$ 8,754	\$ 8,754	\$ 8,754	\$ 8,979	\$ 8,979	\$ 17,958	\$ 17,958	\$ -	\$ -	\$ -	\$ 2,513	\$ 2,513	\$ 29,225	
	<u>Deferred Taxes</u>																
10	Eligible Investment	\$ 1,144,455					\$ 2,347,663				\$ -			\$ 657,052			
11	MACRS Rate for First Year Water Plant	4.00%					4.00%				4.00%			4.00%			
12	Tax Depreciation First Year	\$ 11,445	\$ 11,445				\$ 23,477				\$ -			\$ 6,571			
13	Book Depreciation	4,377	4,377				8,979				0			2,513			
14	Tax Depreciation Greater Than Book	7,068	7,068				14,498				0			4,058			
15	Deferred Taxes at 21% (c)	\$ 1,484	\$ 1,484	\$ 2,968	\$ 2,968	\$ 2,968	\$ 3,045	\$ 3,045	\$ 6,090	\$ 6,090	\$ -	\$ -	\$ -	\$ 852	\$ 852	\$ 9,910	

Notes:

(a) This period reflects the second 6 months of the 12 month period and therefore still reflects half year convention

(b) This period reflects the full year depreciation

(c) The FIT rate effective 1/1/18 is 21% and therefore the current period calculation is at 21%.

**Veolia Water Rhode Island Inc.**  
**Proposed DSIC Calculation**  
**February 1, 2023 to July 31, 2023**  
**Revenues Collected**

Month	Actual	Authorized	Over(under) Collected
<b>11/5/2021</b>		\$ 55,673	\$ 9,279
11/30/2021	3,029	3,026	3
12/31/2021	9,374	9,279	95
1/31/2022	8,982	9,279	(297)
Total Nov21-Jan22	\$ 21,385	\$ 21,584	\$ (199)

2/28/2022	12,037	9,279	2,758
3/31/2022	8,714	9,279	(565)
4/30/2022	7,041	9,279	(2,238)
5/31/2022	10,829	9,279	1,550
6/30/2022	10,692	9,279	1,413
7/31/2022	12,967	9,279	3,688
Total Feb22-Jul22	\$ 62,281	\$ 55,674	\$ 6,607
Interest Rate on Overcollection			
		Monthly Interest Rate	0.072000
		Months	6
		Cumulative Interest	\$ 1,199
		Over Collection Plus Interest	\$ 7,806

Month	Actual	Authorized	Over(under) Collected
<b>5/4/2022</b>		\$ 82,059	\$ 13,677
<b>11/5/2022</b>		\$ 120,247	\$ 20,041
8/31/2022	19,037	13,677	5,360
9/30/2022	14,069	13,677	392
10/31/2022	11,669	13,677	(2,008)
11/30/2022	11,947	20,041	(8,094)
12/31/2022	18,809	20,041	(1,232)
1/31/2023	18,701	20,041	(1,340)
Total Aug22-Jan23	\$ 94,231	\$ 101,154	\$ (6,923)

Month	Actual	Authorized	Over(under) Collected
<b>11/5/2022</b>		\$ 120,247	\$ 20,041
2/28/2023	23,177	20,041	3,136
3/31/2023	17,110	20,041	(2,931)
4/30/2023	16,950	20,041	(3,091)
5/31/2023	18,236	20,041	(1,805)
6/30/2023	22,784	20,041	2,743
7/31/2023	27,144	20,041	7,103
Total Feb23-Jul23	\$ 125,401	\$ 120,246	\$ 5,155
Interest Rate on Overcollection			
		Monthly Interest Rate	0.072000
		Months	6
		Cumulative Interest	\$ 936
		Over Collection Plus Interest	\$ 6,091

## Notes

(1) Under collection Nov21-Jan22

(2) Over collection Feb22-Jul22 shall have Interest at the adjusted weighted average cost of capital

(3) Under collection Aug22-Jan23

(4) Over collection Feb23-Jul23 shall have interest at the adjusted weighted average cost of capital



**Veolia Water Rhode Island Inc.**  
**Proposed DSIC Calculation**  
**February 1, 2023 to July 31, 2023**  
**6 Months Revenues Projection**

(1) Revenues	Budget 2024 not available yet						TOTAL
	Oct-23	Nov-23	Dec-23	Jan-23	Feb-23	Mar-23	
Residential facilities	\$ 63,613	\$ 63,613	\$ 63,613	\$ 63,613	\$ 63,613	\$ 63,613	\$ 381,678
Commercial facilities	24,720	24,720	24,720	24,720	24,720	24,720	148,319
Industrial facilities	723	723	723	723	723	723	4,340
Public Auth facilities	4,205	4,205	4,205	4,205	4,205	4,205	25,229
Sales for Resale facilities	18,130	18,130	18,130	18,130	18,130	18,130	108,782
General Metered Consumption	384,758	259,443	225,019	209,725	177,103	240,705	1,496,752
Private Fire protection facilities	20,906	20,906	20,906	20,906	20,906	20,906	125,437
Public Fire protection facilities	45,498	45,498	45,498	45,498	45,498	45,498	272,988
Miscellaneous service revenue	2,333	2,333	2,333	2,333	2,333	2,333	14,000
Unbilled Revenue	(116,668)	(41,200)	(14,941)	(10,604)	41,223	(30,392)	(172,582)
Revenue Projection	<u>\$ 448,220</u>	<u>\$ 398,372</u>	<u>\$ 390,207</u>	<u>\$ 379,249</u>	<u>\$ 398,455</u>	<u>\$ 390,441</u>	<u>\$ 2,404,944</u> <sup>(3)</sup>
(2) Dist system improvement rev	<u>\$ 18,974</u>	<u>\$ 16,482</u>	<u>\$ 16,073</u>	<u>\$ 15,526</u>	<u>\$ 16,486</u>	<u>\$ 16,085</u>	<u>\$ 99,626</u>

## Notes:

(1) 2023 Budget

(2) DISC Revenue Budget is not included in the Revenues Projection for Filing

(3) Projected Water Service Revenues are for the summer period October 2023 to March 2024

Veolia Water Rhode Island Inc.  
Main Replacement Projects  
February 1, 2023 to July 31, 2023

REDACTED

Project ID	Project Title	Project Scope	DSIC Category	Install Length	Replacement Main Size	Design Start Date	Construction Start Date	Engineering In-Service Date	Actual Project Cost (2/1/23 to 7/31/23)
C23D101_061	Therese Street Tie-In		Dead end looping	280 feet	6"	Mar-23	May-23	Aug-23	\$ 28,267
C23D102_061	Fairway Drive Tie-In		Dead end looping	180 feet	6"	Mar-23	May-23	Aug-23	\$ 28,553
C23D103_061	Inez Street Tie-In		Dead end looping	120 feet	6"	Mar-23	May-23	Aug-23	\$ 30,521
C22D603_061	Ocean Road WM Replacement Phase 2		Replacement	700 feet	12"	Sep-23	Nov-23	Jan-23	\$ 30,328
C20D601_061	Ocean Dr WM Repl Phase 1		Replacement	1603 feet	12"				(1,608)
C21D603_061	Exec-Bonnet Point Rd WM Repl		Replacement	3140 feet	8" - 2,096 6" - 1,044				\$ 5,196
									<b>\$ 121,259</b>

**Veolia Water Rhode Island  
Blankets  
February 1, 2023 to July 31, 2023**

Project Name	Project ID	Blanket Replacements No.	DSIC Expenditure		Add Jan 2023 Project costs not captured in 4th DSIC filing	Less Projects costs already captured in 4th DSIC Filing	Total Expenditure for DSIC Filing
			2/1/23 to 7/31/23	2/1/23 to 7/31/23	2/1/23 to 7/31/23	2/1/23 to 7/31/23	
Replacement Hydrants	CYYD501*	1	\$ 102,443	\$ 13,089	\$ (58,748)	\$ 56,784	
Replace Valves and section of Mains	CYYD502*	3	\$ 148,704	\$ 6,250	\$ (76,031)	\$ 78,922	
Repl Domestic / Fire Services	CYYF501*	27	\$ 73,895	\$ 13,496	\$ -	\$ 87,391	
Replace Meters	CYVG501*	100	\$ 53,305	\$ -	\$ -	\$ 53,305	
Replace RF Meters	CYVG502*	100	\$ 12,519	\$ -	\$ -	\$ 12,519	
	<b>Total Blanket Expenditures</b>	<b>231</b>	<b>\$ 390,866</b>	<b>\$ 32,835</b>	<b>\$ (134,779)</b>	<b>\$ 288,922</b>	

**Veolia Water Rhode Island  
Income Statement  
Earnings Calculation**

Line No.	Description	Actual 12 Months Ending 7/31/2023	Ratemaking Adjustments	Adjusted 12 Months Ending 7/31/2023
1	Operating Revenues	\$ 5,714,733		\$ 5,714,733
	Operating Expenses			
2	Operation and Maintenance Expenses	2,779,282 [1]	11,228 [2]	2,790,510
3	Depreciation and Amortization	941,103	(10,933)	930,170 [3]
4	Taxes Other Than Income	480,831		480,831
5	Operating Expenses Before Income Taxes	4,201,215		4,201,510
6	Pre-tax utility operating income	1,513,518		1,513,222
7	Federal Income Taxes (from tax calc tab)	196,909	4,565	201,474 [4]
8	Utility Operating Income	<u>\$ 1,316,608</u>		<u>\$ 1,311,748</u>
9	Rate Base	<u>\$ 26,123,616</u>		<u>\$ 26,123,616</u>
10	Return on Rate Base	<u>5.04%</u>		<u>5.02%</u>
11	Allowed Return on Rate Base	7.20%		7.20%
12	Earnings Adjustment	0.15%		0.15%
13	Earnings Base Rate of Return	<u>7.35%</u>		<u>7.35%</u>

Notes:

[1]	Operation & Maintenance Expenses		2,621,518
	71257426 Pension-Other componts of NPPC		145,753
	71258426 PBOP-Other components of NPPC		12,011
	Total Operation & Maintenance Expenses		<u>\$ 2,779,282</u>
[2]	O&M Expenses		
	Veolia M&S shared assets - return, interest taxes not booked		<u>11,228</u>
[3]	Depreciation Expense Annualized	Jul-23 Expense	\$ 77,514
			X12
			<u>\$ 930,170</u>

[4]	<b>FIT Calculation</b>		
	Pre-tax utility operating income		\$ 1,513,222
	Rate Base	\$ 26,123,616	
	Interest	2.12%	553,821
	Taxable income		<u>959,401</u>
	Federal income tax	21.00%	<u>\$ 201,474</u>

<b>Return on Equity Calculation 7/31/2023</b>	
Rate Base	\$ 26,123,616
Equity	53.91%
Equity on Rate Base	<u>\$ 14,083,241</u>
Utility Operating Income	\$ 1,311,748
Less Interest Expense	(553,821)
Utility Operating Income Net	<u>\$ 757,927</u>
ROE (Utility Operating Income Net / Equity on Rate Base)	<u>5.38%</u>