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December 11, 2023

Ms. Luly Massaro, Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**Re: *Docket No. 22-33-WW- Pawtucket Water Supply Board
General Rate Filing***

Dear Ms. Massaro:

Enclosed please find an original and nine copies of the following document:

1. The Pawtucket Water Supply Board's Response to the Rhode Island Public Utilities Commission's Data Requests (Set One).

Please note that an electronic copy of this document has been provided to the service list.

Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough, Jr.

cc: Service List (via electronic mail)

STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

DOCKET NO. 22-30-WW

Response Of The Pawtucket Water Supply Board

To The Rhode Island Public Utilities Commission's

Data Requests

Set 1

Comm. 1-1: For each of the last two union contracts, please identify the salary increases agreed to for the Pawtucket Water Supply Board employees that are members of those unions.

Response: Please see attached.

Prepared by: Michael Lecours

PAWTUCKET WATER SUPPLY BOARD
 UNION SALARY PERCENT INCREASES
 FISCAL YEARS 2018 TO RATE YEAR (FY 2024)

<u>TIME PERIOD</u>	<u>TEAMSTERS LOCAL 251</u>	<u>AFSCME R.I. COUNCIL 94</u>	
FISCAL YEAR 2018	3.0%	3.00%	
FISCAL YEAR 2019	2.0%	1.50%	(1)
FISCAL YEAR 2020	2.0%	3.00%	
FISCAL YEAR 2021	3.0%	3.00%	
FISCAL YEAR 2022	3.0%	3.00%	(2)
FISCAL YEAR 2023	3.5%	2.75%	
FISCAL YEAR 2024	3.0%	2.75%	

NOTE: (1) During Fiscal Year 2019, an increase of 1.5% went into effect on July 1, 2018, and on January 1, 2019, an additional 1.5% went into effect for a total of 3%. Thus, the 3% increase was only effective from January 1, 2019 to June 30, 2019

(2) During Fiscal Year 2022, an increase of 1.5% went into effect on July 1, 2021, and on January 1, 2022, an additional 1.5% went into effect for a total of 3%. Thus, the 3% increase was only effective from January 1, 2022 to June 30, 2022

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Comm. 1-2: For the same time period as in PUC 1-1, identify the salary increases provided to the Pawtucket Water Supply Board non-union members.

Response: **Chief Engineer - Contract**

8/17/17 to 8/17/18 – 0%

8/17/18 to 8/17/19 – 2%

8/17/19 to 8/17/20 – 0%

8/17/20 to 8/17/21 – 2%

8/17/21 to 8/17/22 – 0%

8/17/22 to 8/17/23 – 0%

Assistant Chief Engineer

4/22/17 to 4/22/18 – 0%

4/22/18 to 4/22/19 – 2%

4/22/19 to 4/22/20 – 0%

4/22/20 to 4/22/21 – 2%

4/22/21 to 4/22/22 – 5%

4/22/22 to 4/22/23 – 4%

In addition, the PWSB has two other non-union positions – the Chief Financial Officer (CFO) and Executive Project Manager (EPM). The CFO was hired seven months ago, and the EPM is new position that was created effective April 1, 2023, so there have been no increases for these employees at this time.

Prepared by: Michael Lecours

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Comm. 1-3: How are the salary increases for the non-union members determined?

Response: Generally, salary increases for non-union members will be similar to those negotiated by union members as reflected within the most recent contracts, or as negotiated in contracts.

Prepared by: James DeCelles

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Comm. 1-4: Explain the significant difference in unaccounted for water between 2019 and 2020 and between 2021 and 2022.

Response: While we cannot provide any specific reasons for the variation in the unaccounted water from year to year, it is most likely a factor of fire flows and system leaks. The number of these events change significantly from year to year.

Prepared by: James DeCelles

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Comm. 1-5: Referring to page 10 of David Fox's direct testimony, there is a \$140,096 downward adjustment in property taxes. However, DF Sch 1.0 Page 7 of 7 presents a property tax decrease of \$122, 277. Please reconcile these two amounts.

Response: The reduction in property taxes of \$122,277 as presented on DF Sch 1.0 Page 7 is correct. Prior to finalizing my testimony, I mistakenly did not update the reduction in property taxes on page 10.

Prepared by: David Fox

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Comm. 1-6: PWSB had a ten-year tax compact with the Town of Cumberland and is negotiating a new agreement. Is the \$140,096 downward adjustment of property taxed based on the assumption the new agreement will warrant the same tax savings, more, less or a nonrelated factor.

Response: The downward adjustment of property taxes is not based upon the assumption of a new agreement with the Town of Cumberland. Property taxes for FY 2024 are based upon the tax valuations as of June 30, 2023 which is the last year of the expiring ten-year agreement with the Town of Cumberland.

Prepared by: Michael Lecours

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Comm. 1-7: One of the major factors driving this rate request is the pending Treatment Plan Operating Contract as summarized on page 4 of David Fox's direct testimony. Although an increase is expected, it states a rate year adjustment has not been included as it remained pending as of this filing. Further on page 11, an "O&M reserve contribution may be required" (once the contract is updated): What is the anticipated amount of the reserve contribution if one is required?

Response: The PWSB does not have an anticipated amount of an increase to its O&M reserve at this time.

Prepared by: James DeCelles

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Comm. 1-8: Page 11, line 3 of David Fox's direct testimony explains that the proposed operating reserve is 3%.

- a. Is it correct that the settlement in Docket No. 4550 allowed an operating reserve of 1.5%?
- b. If part a is correct, please explain the increase from 1.5% to 3.0%.

Response:

- a. Yes.
- b. Although the PWSB settled on an operating reserve of 1.5% in Docket No. 4550, it is proposing in this Docket to recover its allowed operating reserve of 3.0%. By having this reserve the PWSB will enhance its financial stability and be able to more flexibly deal with annual fluctuations in both expenses and revenues. For example, over the last 5 years, the PWSB has experienced annual fluctuations in billable consumption (both retail and wholesale) of an absolute percentage of 4.0%. Looking at only the last 3 years, this annual fluctuation reflects an absolute change of 5.6%.

Prepared by: David Fox

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Comm. 1-9: Referencing DF Sch. 1.0, comparing test year FY 2022 to rate year FY 2024:

- a. Salaries & Wages (General & Administrative): Longevity decreased by \$6,526 and Sick and Vacation by \$10,012: was this due to retirements? If so, why does Post Employment Health Insurance remain the same at \$162,824 from FY 2022 to FY 2023?
- b. Consultant Fee (General & Administrative) increased by \$50,467; please explain why.
- c. Employee Health Insurance: Customer Service increased by \$47,329, Transmission & Distribution increased by \$52,378, Engineering increased by \$36,171, yet General & Administrative only increased by \$6,883; please explain why the vast difference.
- d. Postage (Customer Service) increased from \$103,377 to \$120,618 (\$17,240); please explain the large increase.

Response: a. Sick and Vacation expense decreased by \$10,012 because PWSB does not budget for this type of expense. The PWSB budgets each employee's full salary and then during the year enters a notation in its' payroll system when the salary received by each employee is vacation pay.

Post Employment Health Insurance remained the same from the test year to the rate year because the PWSB didn't have all the necessary information from the City of Pawtucket to calculate the expense. The expense is finalized as the City of Pawtucket, along with the PWSB, completes its financial audit. At this point in time of the financial audit, the PWSB does have all information necessary to calculate the expense. The attachment to this response calculates the Post Employment Health Insurance expense for the test year.

b. The increase in Consultant Fee (General & Administrative) expense of \$50,467 is due to the three-year amortization of estimated expenses associated with this rate filing (\$66,667) above the amount included in the test year of \$16,200.

c. The reason for the difference in the Employee Health Insurance expense between the General & Administrative department and all the other departments is due to an error discovered in PWSB's salary expense spreadsheet. The increase in the amount of Employee Health Insurance

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expense for the test year General & Administrative department should be \$39,226 as opposed to \$6,883.

d. The increase in Postage expense within the Customer Service department from the test year to the rate year is due to postage rate increases implemented by the United States Postal Service (USPS). The USPS implemented several postal rate increases within the two periods causing the postal rate to increase from \$0.426 to the current rate of \$0.498. In addition, the USPS has announced an additional increase in postal rates to be implemented in January 2024 bringing the postal rate to \$0.507 which the PWSB included in its test year forecast of postage expense.

Prepared by: Michael Lecours

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Comm. 1-10: Page 4, line 18 of David Fox's direct testimony states that he utilized an inflationary adjustment of 3.6%. Please provide the basis and calculation of this factor.

Response: The 3.65% annual inflationary adjustment was based on the year-over-year change in the Gross Domestic Product – Price Index from the 2nd quarter of 2022 to the 2nd quarter of 2023, per the Federal Reserve Economic Data (FRED) of the St. Louis Federal Reserve. Upon confirmation of the source of these values, the Index according to FRED has changed slightly. The 2nd quarter of 2022 is an index value of 117.704 and the 2nd quarter of 2023 is an index value of 121.789, with a year-over-year percentage change of 3.47%, instead of 3.65%.

Prepared by: David Fox

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CERTIFICATION

I hereby certify that on December 11, 2023, I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Luly Massaro, Commission Clerk, by electronic mail and regular mail.

Parties	Email Distribution	Phone
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