



**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

DOCKET NO. 23-30-WW

**IN RE: PAWTUCKET WATER SUPPLY BOARD
APPLICATION TO CHANGE RATES**

**REBUTTAL TESTIMONY
OF
JAMES L. DeCELLES
CHIEF ENGINEER
PAWTUCKET WATER SUPPLY BOARD**

APRIL 4, 2024

1 **I. INTRODUCTION**

2 **Q. Please provide your full name, title and business address for the record.**

3 A. James L. DeCelles, P.E., Chief Engineer, Pawtucket Water Supply Board, 85 Branch
4 Street, Pawtucket, RI 02860

5

6 **Q. Are you the same James DeCelles that provided pre-filed direct testimony in this**
7 **docket?**

8 A. Yes, I am.

9

10 **Q. What is the purpose of your rebuttal testimony?**

11 A. I reviewed the pre-filed testimony submitted by Lafayette K. Morgan, Jr. and Jerome
12 D. Mierzwa for the Division of Public Utilities and Carriers, and my rebuttal testimony
13 will address six issues:

- 14 1. Mr. Morgan's proposal to use FY2025 as the rate year and to change PWSB's
15 multi-year increase from a four-step increase to a three-step increase.
- 16 2. An update on costs associated with the Treatment Plant Operating Contract.
- 17 3. An update on Salaries and Benefits related to the PWSB's thirty-six (36)
18 employees who are members of RI Council 94, AFSCME, AFL-CIO Local 1012.
- 19 4. Adjustments to consumption proposed by Mr. Morgan.
- 20 5. Adjustments to City of Pawtucket Administrative Fees proposed by Mr. Morgan.

21

22 **II. RATE YEAR**

23 **Q. Does the PWSB agree with Mr. Morgan's suggestion that the PWSB's request for a**
24 **four-step increase be changed to a three-step increase with the first step using the**
25 **rate year of Fiscal Year 2025?**

26 A. Yes. Due to the timing issues referenced in Mr. Morgan's direct testimony, the PWSB
27 agrees with this suggestion.

28

1 **III. TREATMENT PLANT OPERATING CONTRACT**

2 **Q. Can you please provide an update on the status of the treatment plant operating**
3 **contract?**

4 A. Yes. As indicated in my direct testimony, the treatment plant operating contract was
5 set to expire on February 14, 2024. The contract had a provision whereby the PWSB
6 could renew the contract for a five-year period, but Veolia could request an increase
7 of the contract price. On March 29, 2022, the PWSB exercised its option to renew
8 the operations contract for five (5) years on the same terms and conditions as the
9 original agreement. On March 27, 2023, Veolia notified the PWSB that it was
10 agreeable to continued operation of the plant, but, pursuant to the terms of the
11 contract, it was unable to agree to renewing the agreement at the current service
12 fee. Veolia requested that the PWSB adjust the service fee, and requested an
13 opportunity to meet to discuss a contract renewal. The PWSB engaged legal counsel
14 and began negotiations with Veolia. During these negotiations, it became apparent
15 that the price increase would be substantial. As such, the PWSB's Board of Directors
16 voted to issue an RFP, which would result in competitive bidding for a new operating
17 contract. The PWSB hired CDM to assist in creating the RFP, and it is scheduled to be
18 issued in April with bids due by June 1, 2024. Thereafter, the PWSB anticipates that
19 contract will be awarded by the end of August, barring any unforeseen delays.

20
21 **Q. What is the status of the treatment plant operations since the contract has**
22 **expired?**

23 A. When the PWSB determined that it would issue an RFP, it then negotiated a six-
24 month contract extension with Veolia whereby the PWSB will pay Veolia
25 \$277,193.78 per month for the continued operation of the treatment plant. In
26 addition, the PWSB is responsible for all carbon replacement and facility repair and
27 replacement costs in excess of \$20,000 per event. The PWSB Board of Directors
28 approved this extension on February 20, 2024.

1 As the Commission knows, we kept the rate year operating contract costs level at
2 the current amount of \$2,042,470 in our original filing to avoid any negative effects
3 on negotiations with Veolia. As the eventual treatment plant operating contract
4 price will now be determined through the RFP process, the PWSB has updated its
5 request for the treatment plant operating contract expense based on the monthly
6 extension fee of \$277,193.78, which results in an annual total of \$3,326,325.36. In
7 addition, the PWSB estimates an annual total of \$500,000 for carbon replacement
8 and \$300,000 for facility repair and replacement costs in excess of \$20,000 per
9 incident. The \$500,000 annual cost for carbon replacement is based on replacing
10 carbon in four filters per year which is based on our current estimates for carbon
11 life. The \$300,000 annual cost for facility repair and replacement is based on
12 estimates provided by Veolia of repairs in excess of \$20,000 that can be expected in
13 a 20-year-old facility. As an example, we are already anticipating clarifier repairs this
14 year that will cost approximately \$200,000. This results in an overall rate year
15 expense of \$4,126,325.36, which can be adjusted in steps two (FY 2026) and three
16 (FY 2027) when the actual contract expense will be known.

17

18 **IV. SALARIES AND BENEFITS – LOCAL 1012 EMPLOYEES**

19 **Q. Can you please provide an update on the status of negotiations with the Local 012**
20 **labor union?**

21 A. Yes, as I indicated in my direct testimony, the PWSB also has 36 employees who are
22 members of RI Council 94, AFSCME, AFL-CIO Local 1012 and are currently in the final
23 year of a three-year contract, which expires on June 30, 2024. It is my understanding
24 that the City of Pawtucket and Local 1012 have been negotiating and have narrowed
25 the outstanding issues that require resolution for a new three-year contract.
26 However, a new contract may not be agreed to and ratified by the parties before the
27 hearings in this Docket. At this time, the PWSB will incorporate a 2.0% increase for
28 Local 1012 employees in the first step of the multi-year increase (FY 2025). When
29 the final contract is approved, the PWSB can address the increases for Step Two (FY

1 2026) and Step Three (FY 2027) in its compliance filings for these two steps. The
2 PWSB will now incorporate the 2% FY 2025 increase, and will keep the FY 2026 and
3 FY 2027 increases at 1% until the final contract is ratified and the PWSB can address
4 those increases in its compliance filings.

5

6 **V. CONSUMPTION**

7 **Q. Do you agree with Mr. Morgan’s suggestion to increase projected operating**
8 **revenues for the rate year?**

9 A. No. It is extremely important that operating revenues (based on consumption and
10 billing units) not be overstated. Mr. Fox’s testimony covers this topic in more detail,
11 and he accepted some of Mr. Morgan’s adjustments. However, as I stated in my
12 direct testimony, the PWSB’s last full rate filing was submitted nine years ago on
13 February 4, 2015 (Docket 4550). That filing sought a multi-year rate increase for
14 Fiscal Years 2016, 2017 and 2018. The parties in that Docket reached a settlement
15 agreement that the Commission approved, which provided for an 8.5% increase in
16 total revenues for Step 1 (FY 2016), a 6.6% increase in total revenues for Step 2 (FY
17 2017) and a 3.8% increase for Step 3 (FY 2018). The Step 2 increase was
18 subsequently lowered from 6.6% to 2.8% and the Step 3 increase was lowered from
19 3.8% to 2.2%. So, the PWSB has been conservative when it comes to expenses,
20 which has allowed us to delay rate increases. When projected operating revenues
21 are overstated, it forces us to file a rate case, if for no other reason, than to adjust
22 consumption and billing units. The PWSB’s customers absorb rate case expenses, so
23 from the PWSB’s perspective, the operating revenues set forth in Mr. Fox’s rebuttal
24 should be incorporated.

25

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1 **VI. CITY OF PAWTUCKET ADMINISTRATIVE FEES**

2 **Q. Do you agree with Mr. Morgan’s adjustments to the administrative fees the PWSB**
3 **pays to the City of Pawtucket?**

4 A. No. First, as a municipal water utility, the PWSB is essentially a department of the
5 City of Pawtucket, and the City provides a number of valuable services. As set forth
6 in the PWSB’s responses to the Division’s data requests (Div. 2-11 and Div. 9-1 to 9-
7 3), the City provides services in the areas of Personnel, Payroll, Purchasing,
8 Information Technology, Collections and Accounting. If the City did not provide
9 these services, the PWSB would have to hire additional personnel or outside
10 contractors. The PWSB actually benefits from economies of scale that result from
11 the City providing services rather than the PWSB hiring full-time personnel.

12
13 Furthermore, the PWSB’s employees are employees of the City of Pawtucket, so
14 there are many employment related functions that have to be performed by the
15 City. It should also be noted that the City provides other services for which it does
16 not seek reimbursement such as the City Council, which approves union contracts,
17 job reclassifications, contracts with non-union personnel, purchases of watershed
18 properties and easement issues involving the PWSB. The City also does not charge
19 for services provided by the Solicitor’s office. While the PWSB has its own legal
20 counsel, the Solicitor’s office negotiates the Local 1012 contract and deals with
21 grievances for both unions. In addition, the Solicitor’s office, along with PWSB’s legal
22 counsel, often has to deal with legal issues that involve both the City and the PWSB.
23 Finally, the City does not allocate any costs associated with the Mayor’s office or the
24 City Clerk’s office.

25
26 It should also be noted that the Test Year amount, which is FY 2022, was increased
27 by \$16,000 for the rate year total of \$354,494. The rate year in this Docket was
28 originally FY 2024, but the parties agree that the rate year should be changed to FY
29 2025. Therefore, the salaries upon which the administrative fees are based should

1 be higher. Yet, the City is not asking for an increase in the rate year amount of
2 \$354,494.

3
4 In response to Mr. Morgan’s adjustments, the PWSB, based on information from the
5 City of Pawtucket, has updated its responses to Division Data Request 9, which
6 addresses the following adjustments to administrative fees:

- 7
8 • Personnel and Payroll – in its original response to Div. 9-1, the City reduced
9 these allocations from 15% to 10% based on the number of PWSB employees
10 (52) as compared to the number of City of Pawtucket employees (552). Mr.
11 Morgan interpreted this to mean that the total number of City of Pawtucket
12 employees (552) did not include the 52 PWSB employees. As acknowledged
13 in PWSB’s supplemental response, perhaps this point could have been
14 clearer, but the 552 City of Pawtucket employees *does* include the 52 PWSB
15 employees, so the 10% calculation is correct.
- 16 • Purchasing – Mr. Morgan also reduced this allocation from 15% to 10% on
17 the same basis as Personnel and Payroll, but the Purchasing allocation was
18 not based on the ratio of employees. Rather, it was based on FY2023 bid
19 figures. The total number of City bids, which includes PWSB bids, was 164. Of
20 this total, 23 were PWSB bids, which results in a 14% allocation. This is an
21 immaterial decrease from the 15% used.
- 22 • Treasurer – Mr. Morgan reduced the Treasurer’s allocation from 15% to 10%.
23 In his testimony, he stated that the PWSB did not explain or demonstrate
24 why the 15% is reasonable. Mr. Morgan used a 10% allocation “to be
25 consistent with the rate the Deputy Finance Director determined to be
26 reasonable” for her time spent on PWSB issues. However, the PWSB initially
27 provided the back up for the rate year amount of \$354,494 for administrative
28 fees in response to Div. 2-11, which asked: “Please provide a breakdown of
29 the various costs that make up the “Municipal charges - admin support” as
30 presented in DF Sch. 1.0 for the test year, the rate year and FY 2023.”

1 Thereafter, the Division issued Data Request Set 9 that asked about the
2 allocations for specific positions, but the Treasurer was not one of the
3 positions. Therefore, the PWSB did not know that the Division was still
4 questioning this allocation. As such, the PWSB has updated its response to
5 Div. 9-2, which initially addressed other positions in the Collections
6 Department. Based on the information provided, the PWSB maintains that
7 the 15% allocation should remain.

- 8 • Assistant Treasurer – Mr. Morgan disputed the 74% allocation for the
9 Assistant Treasurer. As stated in his testimony “There are two reasons I
10 disagree with the 74%. First, the percentage should be based upon
11 the PWSB employees as a percent of the combined City and PWSB
12 employees.¹ Therefore, I corrected the calculation to the following:
13 $223,578 / (223,578 + 302,996)$ or 42.5%. I also find it difficult to accept that the
14 City’s Assistant Treasurer’s role is limited to lock box and credit card, etc.
15 payments. As a result, I have removed the 74% and, instead, used 10%
16 as I did for the treasurer.” Similar to the calculation based on employees, the
17 total number of City of Pawtucket payment receipt batches (302,996)
18 includes the PWSB’s 223,578 payment receipt batches. Thus, the 74%
19 calculation is accurate. Furthermore, the PWSB’s supplemental response to
20 Div. 9-2 contains more detail on the Assistant Treasurer’s duties. As such it is
21 the PWSB’s position that this allocation should not be changed.
- 22 • Chief Accountant, Senior Accounts Payable Clerk, and Finance Office
23 Assistant – Mr. Morgan changed the allocation from 15% to 10%. He stated
24 that “it appears that the 15% is used because PWSB believes the 15% is
25 appropriate.” It should be noted that the 15% was not established by the
26 PWSB, it was established by the City’s Deputy Finance Director. Mr. Mierzwa
27 found her allocation of her own time (10%) to be credible, but does not say

¹ The PWSB assumes that Mr. Morgan meant to reference payment receipt batches, rather than number of employees.

1 why her allocation of 15% for these positions is not similarly credible.
2 Furthermore, as stated in response to Div. 9-3, the Senior Account Payable
3 Clerk's allocation was based on PWSB's portion (91) of average weekly total
4 check runs as compared to the total City of Pawtucket check runs (616, which
5 includes the 91 PWSB checks). This results in the 15% allocation. It is the
6 PWSB's position that these allocations should remain unchanged.

- 7 • Accountant II – Mr. Morgan stated: "There is an Accountant II position that
8 was charged to PWSB at the 74% rate. As I explained in my discussion of the
9 Assistant Treasurer above, I corrected the calculation, which results in a 42 %
10 rate." As stated above, the 74% allocation based on payment receipt batches
11 is accurate, and this allocation should remain unchanged.

12 13 **VII. CONCLUSION**

14 **Q. Does this conclude your rebuttal testimony?**

- 15 A. Yes. Subject to review of further documentation and a review of the Division's
16 surrebuttal testimony, this concludes my rebuttal testimony.

17

CERTIFICATION

I hereby certify that on April 4, 2024, 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.

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