



VIA E-MAIL

July 8, 2024

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 August 1, 2023, through January 31, 2024. Since the Company first implemented DSIC in October 2018, it has invested over \$8.7 million in its facilities. After allowing for the approximately \$2.6 million allowed in the base rate case, this yields a DSIC surcharge of 17.08%. 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 a rate of 5.00%. The next allowable increase of 2.50% for a total of 7.50%, became effective on November 5, 2023.

As the Company has reached its DSIC surcharge cap of 7.50%, it is not seeking to change the DSIC surcharge of 7.50% that became effective on November 5, 2023.

The enclosed filing also includes the Earnings Calculation for the 12 months ended January 31, 2024.

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
August 1, 2023 to January 31, 2024

Line No.	Description	8/1/23 to 1/31/24
1	Eligible Investment net of base spend (page 2)	\$ 1,151,715
2	Less: Accumulated Depreciation (page 2)	(4,405)
	Accumulated Depreciation from prior surcharges (page 6)	(32,706)
3	Less: Deferred Tax (page 2)	(1,494)
	Accumulated Deferred Tax from prior surcharges (page 6)	(11,090)
4	Eligible Net Investment	\$ 1,102,020
5	Pre-Tax Rate of Return (page 3)	8.55%
6	Pre-Tax Return on Investment	\$ 94,223
7	Add: Depreciation Expense (page 2)	17,619
8	Revenue Recovery	\$ 111,842
9	Revenue Factor (page 4)	1.017061
10	Subtotal DSIC revenue Requirement Recovery Amount	\$ 113,750
11	Plus DSIC Revenue Requirement from 8/15/2023 Filing	\$ 434,173
12	Amount Over-collected 2/1/2023 to 7/31/2023 (page 7) Reverse to Net Zero	6,091
13	Amount Under-collected 8/1/2023 to 1/31/2024 (page 7)	6,658
14	Total DSIC revenue Requirement Recovery Amount (L10+L11+L12+L13)	\$ 560,672
15	Semi-Annual Projected Water Service Revenues (page 8)	\$ 3,283,356
16	Projected DSIC Rate Increase Percentage (L14 / L15)	17.08%
17	Effective DSIC Surcharge (Annual Cap)	7.50%

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2023 to January 31, 2024

Line No.	Description	8/1/23 to 1/31/24
1	Major Projects	\$ 913,441
2	Blanket Projects	395,349
3	Total DSIC Plant (pages 9-10)	1,308,789
5	Less: Base Spend (page 5)	(157,074)
6	Eligible Investment	\$ 1,151,715
	<u>Accumulated Depreciation</u>	
7	Composite Depreciation Rate	1.5298%
8	Depreciation Expense	17,619
9	Half Year Convention	4,405
	<u>Deferred Taxes</u>	
10	Eligible Investment	\$ 1,151,715
11	MACRS Rate for First Year Water Plant	4.00%
12	Tax Depreciation First Year	11,517
13	Book Depreciation	4,405
14	Tax Depreciation Greater Than Book	7,112
15	Deferred Taxes at 21%	\$ 1,494

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2023 to January 31, 2024

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
August 1, 2023 to January 31, 2024

Revenue Factor

Dollar of Revenue	1.000000
PSC Assessment	0.004275
Gross Receipts Tax	0.012500
	<u>0.016775</u>
Taxable income	0.983225
Federal Income Tax Rate @ 21%	0.206487
Net of tax	<u>0.983225</u>
Revenue Factor	<u><u>1.017061</u></u>

Notes:

1) Rates per Final Order in Docket No. 4800

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2023 to January 31, 2024
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
August 1, 2023 to January 31, 2024

Line No.	Accumulated Depreciation and Deferred Tax	Effective 11/5/21						No rate change						Effective 11/5/22						No rate change						Effective 11/5/23						Full Year
		1st filing 10/1/18 to 7/31/21	2nd filing 8/1/21 to 1/31/22	3rd filing 2/1/22 to 7/31/22	4th filing 8/1/22 to 1/31/23	5th filing 2/1/23 to 7/31/23	6th filing 8/1/2023 1/31/2024	2nd filing 8/1/21 to 1/31/22	3rd filing 2/1/22 to 7/31/22	4th filing 8/1/22 to 1/31/23	5th filing 2/1/23 to 7/31/23	6th filing 8/1/2023 1/31/2024	3rd filing 2/1/22 to 7/31/2022	4th filing 8/1/22 to 1/31/23	5th filing 2/1/23 to 7/31/23	6th filing 8/1/23 to 1/31/24	4th filing 8/1/22 to 1/31/23	5th filing 2/1/23 to 7/31/23	6th filing 8/1/23 1/31/24	2/1/23 7/31/23	8/1/23 1/31/24	2/1/23 7/31/23	8/1/2023 1/31/2024									
							(a)					(a)					(a)					(a)					(b)					
1	Major Projects	\$ 1,817,078					\$ 2,096,366					\$ (51,813)					\$ 377,008					\$ 121,259										
2	Blanket Projects	1,865,855					408,371					89,130					437,118					288,922										
3	Total DSIC Plant	3,682,933					2,504,737					37,316					814,126					410,180										
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)					(157,074)										
6	Eligible Investment	\$ 1,144,455					\$ 2,347,663					\$ -					\$ 657,052					\$ 253,106										
	Accumulated Depreciation																															
7	Composite Depreciation Rate (match base spend year)	1.5298%					1.5298%					1.5298%					1.5298%					1.5298%										
8	Depreciation Expense	\$ 17,508					\$ 35,915					\$ -					\$ 10,052					\$ 3,872										
9	Half Year Convention	\$ 4,377	\$ 4,377	\$ 8,754	\$ 8,754	\$ 8,754	\$ 8,754	\$ 8,979	\$ 8,979	\$ 17,958	\$ 17,958	\$ 17,958	\$ -	\$ -	\$ -	\$ -	\$ 2,513	\$ 2,513	\$ 5,026	\$ 968	\$ 968	\$ 968	\$ 968	\$ 968	\$ 968	\$ 32,706	\$ 32,706					
	Deferred Taxes																															
10	Eligible Investment	\$ 1,144,455					\$ 2,347,663					\$ -					\$ 657,052					\$ 253,106										
11	MACRS Rate for First Year Water Plant	4.00%					4.00%					4.00%					4.00%					4.00%										
12	Tax Depreciation First Year	\$ 11,445	\$ 11,445				\$ 23,477					\$ -					\$ 6,571					\$ 2,531										
13	Book Depreciation	4,377	4,377				8,979					0					2,513					968										
14	Tax Depreciation Greater Than Book	7,068	7,068				14,498					0					4,058					1,563										
15	Deferred Taxes at 21% (c)	\$ 1,484	\$ 1,484	\$ 2,968	\$ 2,968	\$ 2,968	\$ 2,968	\$ 3,045	\$ 3,045	\$ 6,090	\$ 6,090	\$ 6,090	\$ -	\$ -	\$ -	\$ -	\$ 852	\$ 852	\$ 1,704	\$ 328	\$ 328	\$ 328	\$ 328	\$ 328	\$ 328	\$ 11,090	\$ 11,090					

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
August 1, 2023 to January 31, 2024
Revenues Collected

Month	Actual	Authorized	Over(under) Collected
11/5/2021		\$ 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	<u>\$ 21,385</u>	<u>\$ 21,584</u>	<u>\$ (199)</u>

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	<u>\$ 62,281</u>	<u>\$ 55,674</u>	<u>\$ 6,607</u>
Interest Rate on Overcollection			
Monthly Interest Rate			0.072000
Months			6
Cumulative Interest			<u>\$ 1,199</u>
Over Collection Plus Interest			<u>\$ 7,806</u>

Month	Actual	Authorized	Over(under) Collected
5/4/2022		\$ 82,059	\$ 13,677
11/5/2022		\$ 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	<u>\$ 94,231</u>	<u>\$ 101,154</u>	<u>\$ (6,923)</u>

Month	Actual	Authorized	Over(under) Collected
11/5/2022		\$ 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	<u>\$ 125,401</u>	<u>\$ 120,246</u>	<u>\$ 5,155</u>
Interest Rate on Overcollection			
Monthly Interest Rate			0.072000
Months			6
Cumulative Interest			<u>\$ 936</u>
Over Collection Plus Interest			<u>\$ 6,091</u>

Month	Actual	Authorized	Over(under) Collected
5/4/2023		\$ 164,118	\$ 27,353
11/5/2023		\$ 180,371	\$ 30,062
8/31/2023	35,191	27,353	7,838
9/30/2023	28,964	27,353	1,611
10/31/2023	25,203	27,353	(2,150)
11/30/2023	21,604	30,062	(8,458)
12/31/2023	28,022	30,062	(2,040)
1/31/2024	26,604	30,062	(3,458)
Total Aug23-Jan24	<u>\$ 165,587</u>	<u>\$ 172,245</u>	<u>\$ (6,658)</u>

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 Aug 22-Jan 23
- (4) Over collection Feb 23-Jul 23 shall have interest at the adjusted weighted average cost of capital
- (5) Under collection Aug 23-Jan 24

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2023 to Jan 31, 2024
6 Months Revenues Projection

(1) Revenues	<u>Apr-24</u>	<u>May-24</u>	<u>Jun-24</u>	<u>Jul-24</u>	<u>Aug-24</u>	<u>Sep-24</u>	<u>TOTAL</u>
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	203,528	218,352	302,779	411,696	467,107	425,539	2,029,001
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	2,500	2,500	2,500	2,500	2,500	2,500	15,000
Unbilled Revenue	4,732	94,519	93,820	56,324	(27,383)	(49,428)	172,582
Revenue Projection	<u>\$ 388,555</u>	<u>\$ 493,167</u>	<u>\$ 576,894</u>	<u>\$ 648,315</u>	<u>\$ 620,019</u>	<u>\$ 556,406</u>	<u>\$ 3,283,356</u> ⁽³⁾
(2) Dist system improvement rev	<u>\$ 15,983</u>	<u>\$ 21,213</u>	<u>\$ 25,399</u>	<u>\$ 28,971</u>	<u>\$ 27,556</u>	<u>\$ 24,375</u>	<u>\$ 143,497</u>

Notes:

(1) 2024 Budget

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

(3) Projected Water Service Revenues are for the summer period April to September 2024

**Veolia Water Rhode Island Inc.
Main Replacement Projects
August 1, 2023 to January 31, 2024**

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 (8/1/23 to 1/31/24)
C22D602_061	Alan Avenue Service Transfers		Replacement	-	0	N/A	May-22	Sep-22	\$ (14,239)
C23D101_061	Therese Street Tie-In		Dead end looping	280 feet	6"	Mar-23	May-23	Aug-23	\$ 29,552
C23D102_061	Fairway Drive Tie-In		Dead end looping	180 feet	6"	Mar-23	May-23	Aug-23	\$ 22,129
C23D103_061	Inez Street Tie-In		Dead end looping	120 feet	6"	Mar-23	May-23	Aug-23	\$ 17,684
C22D604_061	Ocean Road Phase 3		Replacement	2500 feet	12"	Mar-23	Sep-23	Jan-24	\$ 858,314
									\$ 913,441

**Veolia Water Rhode Island
Blankets
August 1, 2023 to January 31, 2024**

Project Name	Project ID	Blanket Replacements No.	Expenditure between 8/1/23 to 1/31/24
Replacement Hydrants	CYYD501	2	\$ 5,036
Replace Valves and section of Mains	CYYD502	11	\$ 102,058
Repl Domestic / Fire Services	CYYF501	63	\$ 72,216
Replace Meters	CYYG501	323	\$ 112,173
Replace RF Meters	CYYG502	323	\$ 103,865
	Total Blanket Expenditures	722	\$ 395,349

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

Line No.	Description	Actual 12 Months Ending 1/31/2024	Ratemaking Adjustments	Adjusted 12 Months Ending 1/31/2024
1	Operating Revenues	\$ 5,798,068		\$ 5,798,068
	Operating Expenses			
2	Operation and Maintenance Expenses	2,844,588 [1]	8,819 [2]	2,853,407
3	Depreciation and Amortization	924,242	(2,042) [3]	922,200
4	Taxes Other Than Income	522,870		522,870
5	Operating Expenses Before Income Taxes	4,291,700		4,298,477
6	Pre-tax utility operating income	1,506,369		1,499,592
7	Federal Income Taxes (from tax calc tab)	205,382	(12,681)	192,701 [4]
8	Utility Operating Income	\$ 1,300,986		\$ 1,306,891
9	Rate Base	\$ 27,451,272		\$ 27,451,272
10	Return on Rate Base	4.74%		4.76%
11	Allowed Return on Rate Base	7.20%		7.20%
12	Earnings Adjustment	0.15%		0.15%
13	Earnings Base Rate of Return	7.35%		7.35%

Notes:

[1]	Operation & Maintenance Expenses	2,648,412
	71257426 Pension-Other componts of NPPC	190,887
	71258426 PBOP-Other components of NPPC	5,289
	Total Operation & Maintenance Expenses	\$ 2,844,588

[2]	O&M Expenses	
	Veolia M&S shared assets - return, interest taxes not booked	8,819

[3]	Depreciation Expense Annualized	Jan-24 Expense	\$ 76,850
			X12
			\$ 922,200

[4]	FIT Calculation		
	Pre-tax utility operating income		\$ 1,499,592
	Rate Base	\$ 27,451,272	
	Interest	2.12%	581,967
	Taxable income		917,625
	Federal income tax	21.00%	\$ 192,701

Return on Equity Calculation 1/31/2024	
Rate Base	\$ 27,451,272
Equity	53.91%
Equity on Rate Base	\$ 14,798,981
Utility Operating Income	\$ 1,306,891
Less Interest Expense	(581,967)
Utility Operating Income Net	\$ 724,924
ROE (Utility Operating Income Net / Equity on Rate Base)	4.90%

**Docket No. 4800 – Veolia Water Rhode Island – Compliance DSIC Factor Filing
Service List updated July 8, 2024**

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