



VIA E-MAIL

August 13, 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 February 1, 2024, through July 31, 2024. Since the Company first implemented DSIC in October 2018, it has invested over \$9.6 million in its facilities. After allowing for the approximately \$2.6 million allowed in the base rate case, this yields a DSIC surcharge of 25.68%. 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 July 31, 2024.

If you need any additional information, please advise.

Very truly yours,

David Njuguna
Senior Manager – Regulatory Business
cc: Service List

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Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2024 to July 31, 2024

Line No.	Description	2/1/24 to 7/31/24
1	Eligible Investment net of base spend (page 2)	\$ 713,299
2	Less: Accumulated Depreciation (page 2)	(2,728)
	Accumulated Depreciation from prior surcharges (page 6)	(38,079)
3	Less: Deferred Tax (page 2)	(925)
	Accumulated Deferred Tax from prior surcharges (page 6)	(12,912)
4	Eligible Net Investment	\$ 658,655
5	Pre-Tax Rate of Return (page 3)	8.55%
6	Pre-Tax Return on Investment	\$ 56,315
7	Add: Depreciation Expense (page 2)	10,912
8	Revenue Recovery	\$ 67,227
9	Revenue Factor (page 4)	1.017061
10	Subtotal DSIC revenue Requirement Recovery Amount	\$ 68,374
11	Plus DSIC Revenue Requirement from 1/31/2024 Filing	\$ 560,672
12	Amount Under-collected 8/1/2023 to 1/31/2024 (page 7) Reverse to Net Zero	(6,658)
13	Amount Over-collected 2/1/2024 to 7/31/2024 (page 7)	(4,512)
14	Total DSIC revenue Requirement Recovery Amount (L10+L11+L12+L13)	\$ 617,876
15	Semi-Annual Projected Water Service Revenues (page 8)	\$ 2,405,944
16	Projected DSIC Rate Increase Percentage (L14 / L15)	25.68%
17	Effective DSIC Surcharge (Annual Cap)	7.50%

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2024 to July 31, 2024

Line No.	Description	2/1/24 to 7/31/24
1	Major Projects	\$ 401,413
2	Blanket Projects	468,960
3	Total DSIC Plant (pages 9-10)	870,373
5	Less: Base Spend (page 5)	(157,074)
6	Eligible Investment	\$ 713,299
	<u>Accumulated Depreciation</u>	
7	Composite Depreciation Rate	1.5298%
8	Depreciation Expense	10,912
9	Half Year Convention	2,728
	<u>Deferred Taxes</u>	
10	Eligible Investment	\$ 713,299
11	MACRS Rate for First Year Water Plant	4.00%
12	Tax Depreciation First Year	7,133
13	Book Depreciation	2,728
14	Tax Depreciation Greater Than Book	4,405
15	Deferred Taxes at 21%	\$ 925

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2024 to July 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
February 1, 2024 to July 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
February 1, 2024 to July 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 Apendix A footnote 2 page 5 Updated account numbers in Order footnote 24 page 6

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2024 to July 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												
		1st filing	2nd filing	3rd filing	4th filing	5th filing	6th filing	7th filing	1st filing	2nd filing	3rd filing	4th filing	5th filing	6th filing	7th filing	1st filing	2nd filing	3rd filing	4th filing	5th filing	6th filing	7th filing	1st filing	2nd filing	3rd filing	4th filing	5th filing	6th filing	7th filing	1st filing	2nd filing	3rd filing	4th filing	5th filing	6th filing	7th filing	1st filing	2nd filing	3rd filing	4th filing	5th filing	6th 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	8/1/2023 to 1/31/2024	2/1/24 to 7/31/24	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	8/1/2023 to 1/31/2024	2/1/24 to 7/31/24	8/1/22 to 1/31/23	2/1/23 to 7/31/23	8/1/23 to 1/31/24	2/1/24 to 7/31/24	8/1/22 to 1/31/23	2/1/23 to 7/31/23	8/1/23 to 1/31/24	2/1/24 to 7/31/24	8/1/23 to 1/31/24	2/1/24 to 7/31/24	8/1/23 to 1/31/24	2/1/24 to 7/31/24	8/1/23 to 1/31/24	2/1/24 to 7/31/24	8/1/23 to 1/31/24	2/1/24 to 7/31/24	8/1/23 to 1/31/24	2/1/24 to 7/31/24	8/1/23 to 1/31/24	2/1/24 to 7/31/24	8/1/23 to 1/31/24	2/1/24 to 7/31/24	8/1/23 to 1/31/24	2/1/24 to 7/31/24				
		(a)						(a)						(a)					(a)						(a)				(a)												(b)	
1	Major Projects	\$ 1,817,078						\$ 2,096,366						\$ (51,813)				\$ 377,008					\$ 121,259				\$ 913,441															
2	Blanket Projects	1,885,895						498,371						89,130				437,118					288,922				395,349															
3	Total DSIC Plant	3,682,933						2,504,737						37,316				814,126					410,180				1,308,790															
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)						(37,318)				(157,074)					(157,074)				(157,074)															
6	Eligible Investment	\$ 1,144,455						\$ 2,347,663						\$ -				\$ 657,052					\$ 253,106				\$ 1,151,715															
	Accumulated Depreciation																																									
7	Composite Depreciation Rate (match base spend year)	1.5298%						1.5298%						1.5298%				1.5298%					1.5298%				1.5298%															
8	Depreciation Expense	\$ 17,508						\$ 35,915						\$ -				\$ 10,052					\$ 3,872				\$ 17,619															
9	Half Year Convention	\$ 4,377	\$ 4,377	\$ 8,754	\$ 8,754	\$ 8,754	\$ 8,754	\$ 8,754	\$ 8,979	\$ 8,979	\$ 17,958	\$ 17,958	\$ 17,958	\$ 17,958	\$ -	\$ -	\$ -	\$ 2,513	\$ 2,513	\$ 5,026	\$ 5,026	\$ 968	\$ 968	\$ 1,936	\$ 1,936	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405	\$ 4,405		
	Deferred Taxes																																									
10	Eligible Investment	\$ 1,144,455						\$ 2,347,663						\$ -				\$ 657,052					\$ 253,106				\$ 1,151,715															
11	MACRS Rate for First Year Water Plant	4.00%						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				\$ 11,517															
13	Book Depreciation	4,377	4,377					8,979						0				2,513					968				4,405															
14	Tax Depreciation Greater Than Book	7,068	7,068					14,498						0				4,058					1,563				7,112															
15	Deferred Taxes at 21% (c)	\$ 1,484	\$ 1,484	\$ 2,968	\$ 2,968	\$ 2,968	\$ 2,968	\$ 2,968	\$ 3,045	\$ 3,045	\$ 6,090	\$ 6,090	\$ 6,090	\$ 6,090	\$ -	\$ -	\$ -	\$ 852	\$ 852	\$ 1,704	\$ 1,704	\$ 328	\$ 328	\$ 656	\$ 656	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494		

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, 2024 to July 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	\$ 21,385	\$ 21,584	\$ (199)

(1)

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	

(2)

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	\$ 94,231	\$ 101,154	\$ (6,923)

(3)

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	\$ 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	

(4)

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	\$ 165,587	\$ 172,245	\$ (6,658)

(5)

Month	Actual	Authorized	Over(under) Collected
11/5/2023		\$ 180,371	\$ 30,062
2/28/2024	35,989	30,062	5,927
3/31/2024	25,749	30,062	(4,313)
4/30/2024	25,356	30,062	(4,706)
5/31/2024	28,752	30,062	(1,310)
6/30/2024	31,080	30,062	1,018
7/31/2024	37,265	30,062	7,203
Total Feb24-Jul24	\$ 184,191	\$ 180,372	\$ 3,819
Interest Rate on Overcollection			
Monthly Interest Rate		0.072000	
Months		6	
Cumulative Interest		\$ 693	
Over Collection Plus Interest		\$ 4,512	

(6)

(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

(6) Over collection Feb 24-Jul 24 shall have interest at the adjusted weighted average cost of capital

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
February 1, 2024 to Jul 31, 2024
6 Months Revenues Projection

(1) Revenues	2025 Budget not available yet						TOTAL
	Oct-24	Nov-24	Dec-24	Jan-24	Feb-24	Mar-24	
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	185,169	232,639	\$ 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	2,500	2,500	2,500	2,500	2,500	2,500	\$ 15,000
Unbilled Revenue	(116,668)	(41,200)	(14,941)	(10,604)	33,157	(22,326)	\$ (172,582)
Revenue Projection	<u>\$ 448,386</u>	<u>\$ 398,538</u>	<u>\$ 390,374</u>	<u>\$ 379,416</u>	<u>\$ 398,621</u>	<u>\$ 390,608</u>	<u>\$ 2,405,944</u> ⁽³⁾
(2) Dist system improvement rev	\$ 18,974	\$ 16,482	\$ 16,073	\$ 15,526	\$ 16,486	\$ 16,085	\$ 99,626

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 period October 2024 to March 2025

**Veolia Water Rhode Island Inc.
Main Replacement Projects
February 1, 2024 to July 31, 2024**

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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 (2/1/24 to 7/31/24)
C22D604_061	Ocean Road Phase 3		Replacement	2500 feet	12"	Mar-23	Sep-23	Jan-24	\$ 102,118
C23D601_061	Strathmore and Wanda WM Replacement Phase 1		Replacement	550 feet	12"	Aug-23	Apr-24	Jul-24	\$ 299,295
									\$ 401,413

Veolia Water Rhode Island
Blankets
February 1, 2024 to July 31, 2024

Costs not captured in 6th DISC filing Total DISC Eligible Charges
for Current Filing

Project Name	Project ID	Blanket Replacements No.	Expenditure between 8/1/23 to 1/31/24	Expenditure between 2/1/24 to 7/31/24	Total Expenditure for DISC Filing
Replacement Hydrants	CYYD501	1		\$ 23,310	\$ 23,310
Replace Valves and section of Mains	CYYD502	4		\$ 113,075	\$ 113,075
Repl Domestic / Fire Services	CYYF501	30		\$ 48,913	\$ 48,913
Replace Meters	CYYG501	311		\$ 50,350	\$ 50,350
Replace RF Meters	CYYG502	311		\$ 121,931	\$ 121,931
Replace Curb Box	CYY504	30	\$ 88,464	\$ 22,917	\$ 111,381
	Total Blanket Expenditure	687	\$ 88,464	\$ 380,496	\$ 468,960

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

Line No.	Description	Actual 12 Months Ending 7/31/2024	Ratemaking Adjustments	Adjusted 12 Months Ending 7/31/2024
1	Operating Revenues	\$ 5,800,373		\$ 5,800,373
	Operating Expenses			
2	Operation and Maintenance Expenses	3,021,408 [1]	5,743 [2]	3,027,151
3	Depreciation and Amortization	926,869	16,010	942,879 [3]
4	Taxes Other Than Income	545,380		545,380
5	Operating Expenses Before Income Taxes	4,493,657		4,515,410
6	Pre-tax utility operating income	1,306,716		1,284,963
7	Federal Income Taxes (from tax calc tab)	77,167	70,214	147,381 [4]
8	Utility Operating Income	\$ 1,229,549		\$ 1,137,582
9	Rate Base	\$ 27,507,099		\$ 27,507,099
10	Return on Rate Base	4.47%		4.14%
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		2,839,517
	71257426 Pension-Other componts of NPPC		176,808
	71258426 PBOP-Other components of NPPC		5,082
	Total Operation & Maintenance Expenses		\$ 3,021,408
[2]	O&M Expenses		
	Veolia M&S shared assets - return, interest taxes not booked		5,743
[3]	Depreciation Expense Annualized	JUL-24 Expense	\$ 78,573
			X12
			\$ 942,879

[4]	FIT Calculation		
	Pre-tax utility operating income		\$ 1,284,963
	Rate Base	\$ 27,507,099	
	Interest	2.12%	583,151
	Taxable income		701,812
	Federal income tax	21.00%	\$ 147,381

Return on Equity Calculation 1/31/2024	
Rate Base	\$ 27,507,099
Equity	53.91%
Equity on Rate Base	\$ 14,829,077
Utility Operating Income	\$ 1,137,582
Less Interest Expense	(583,151)
Utility Operating Income Net	\$ 554,431
ROE (Utility Operating Income Net / Equity on Rate Base)	3.74%