

KEOUGH + SWEENEY, LTD.

ATTORNEYS AND COUNSELORS AT LAW
41 MENDON AVENUE
PAWTUCKET, RHODE ISLAND 02861
TELEPHONE (401) 724-3600
FACSIMILE (401) 724-9909
www.keoughsweeney.com

RAYNHAM OFFICE:
90 NEW STATE HIGHWAY
RAYNHAM, MA 02109
TEL. (508) 822-2813

JOSEPH A. KEOUGH JR.*
JEROME V. SWEENEY III*

SEAN P. KEOUGH*

JEROME V. SWEENEY II
OF COUNSEL

*ADMITTED TO PRACTICE IN
RHODE ISLAND & MASSACHUSETTS

BOSTON OFFICE:
171 MILK STREET
SUITE 32
BOSTON, MA 02109
TEL. (617) 574-0054

October 8, 2024

Via Email

And First Class Mail

Ms. Stephanie De La Rosa
Clerk
State of Rhode Island
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: *City of Newport, Utilities Department, Water Division – Docket 24-30-WW*

Dear Ms. De La Rosa:

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

1. The City of Newport, Utilities Department, Water Division's response to the Portsmouth Water and Fire District's Data Requests (Set 3).

Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough, Jr.

Enclosures

cc: Service List (via email)

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION
DOCKET NO. 24-30-WW
Response Of The City Of Newport,
Utilities Division, Water Department
To The Portsmouth Water and
Fire District's Data Requests
Set 3

PWFD 3-1: Refer to HJS Schedule D-16. Please explain if all of Newport's debt service obligations relate solely to bond issuances. Please also explain the purpose of each item listed under "Existing Debt Service," including specifically the name of the vendor and/or project that gave rise to the debt.

Response: Please see attached.

Prepared by: Robert C. Schultz, Jr.

NWD		
PWFD 3-1		
LONG-TERM BONDS		
Description of Debt	Project Description	Original Balance
SRF \$3M Water System 2007A	Residual Management/St. Mary's Raw Water Main	\$3,000,000
SRF \$5.9M Series 2008A	Various projects*	\$5,900,000
SRF \$3.3M Series 2009A	Water main distribution improvements	\$3,300,000
Conduit Loan SRF 2012A	Easton Pond Dam Repair	\$6,640,000
SRF \$53.1 Series 2012A	Station 1/Lawton Valley Water Treatment Plants Upgrade - AECOM	\$53,100,000
SRF \$31M Series 2013A	Station 1/Lawton Valley Water Treatment Plants Upgrade - AECOM	\$31,000,000
SRF \$4.131M NWPT 2020A	Water Distribution System Rehabilitation - Bisko Contracting Corp	\$4,131,000
SRF \$3.305M NWPT 2022A	Water Distribution Systems Improvements - Boyle & Fogarty Construction	\$3,305,000
	*	
	Goulart Lane tank design and construction	
	Lawton Valley sedimentation basin improvements	
	Water main improvements design	
	Intake at Gardiner Pond construction	
	Lawton Valley Reservoir aerating	
	Station 1 and Lawton Valley improvements construction	
Totals		\$110,376,000

PWFD 3-2: Refer to HJS Schedule D-5. That schedule shows that the Debt Service Restricted Account will reach its lowest balance in September 2027 (FY 2028), which will be \$785,529. Please explain why Newport has not proposed to adjust its funding to the Debt Service Restricted Account to reduce costs to ratepayers.

Response: In the past Newport has experienced revenue shortfalls due to lower than expected water sales that have prevented the periodic funding of its restricted accounts, including the Debt Service Restricted account. Maintaining a meaningful balance in the Debt Service Restricted account is important to ensure that debt service payments can be made even if Newport experiences revenue shortfalls. This is especially important because Newport makes large payments in August of each fiscal year, and the necessary funds must be available when those payments are due. In addition, Newport's CIP shows a number of unknown funding sources for several capital projects. If any of these projects are debt funded, a portion of the restricted balance could be used to offset rate increases for increased debt service funding while also allowing Newport to maintain an adequate balance in case of revenue shortfalls.

Prepared by: Harold Smith

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Response Of The City Of Newport,
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PWFD 3-3: Please explain why Newport is not proposing to pay for its projected increased capital costs of \$800,000, in total or in part, by transferring excess funds from its Restricted Account for Debt Service to its Restricted Account for Capital Costs.

Response: Please see Newport's response PWFD 3-2. In addition, while one-time transfers can alleviate the need for rate relief in a single fiscal year, they leave a hole the following year. So, one time transfers don't solve the need for ongoing revenue to meet ongoing expenses.

Prepared by: Harold Smith

PWFD 3-4: Refer to HJS Schedule D-16. Please explain whether Newport expects to incur future debt service obligations during the term of the proposed multi-year rate plan. If yes, please identify when Newport anticipates incurring such debt and describe in detail the projects for which it anticipates incurring such debt. If not, explain why not.

Response: Please refer to Newport's responses to PWFD 2-2, which includes Newport's CIP Plan and funding sources. There are several projects for which the funding source is unknown at this time. There are a number of variables that impact the uncertainty around future funding options including borrowing capacity from the Rhode Island Infrastructure Bank (RIIB) or other alternative sources, affect our ability to predict future debt service obligations. As noted in my direct testimony regarding lead service line replacement:

"The law mandates that any private side service line found to contain lead or galvanized steel must be replaced within the next decade. At this point, Newport Water does not know if outside funding (other than through rates) will be available to meet this mandate."

In addition, Newport Water's management has regular communication with PWFD's management regarding capital projects, including our efforts to mitigate expenses associated with Dam Rehabilitation, Resilience, and Reinforcement for Source of Supply (i.e., grant applications for funds through the federal Building Resilient Infrastructure Communities (BRIC) program).

Finally, please see Newport's response to Comm. 1-10.

Prepared by: Robert C. Schultz, Jr.

PWFD 3-5: Refer to the Restrict Accounts Reports for Debt Service, FY 2020 Q2. Please explain what the "Bond Closeout Proceeds" represent.

Response: As noted in the cover letter to Newport's FY 2020 Q2 Restricted Account Report:

"The December 2019 debt service transactions reflect receipt of \$371,877.71 from Bond Closeout Proceeds. These funds were accounted for in HJS Schedule D-5 Joint Settlement Revised (page 51 of 89). Newport had anticipated receiving the total funds in two separate payments (September 2019 and March 2020) as reflected in the schedule, but actually received the funds in one reimbursement."

In Docket 4933, the parties, including PWFD, agreed to a Revised Settlement Agreement when Newport discovered that its trustee had made deposits into Newport's restricted debt service account after the Commission approved the original Settlement Agreement. As noted in the cover letter submitting the Revised Settlement Agreement, there was \$2,211,588 of excess borrowed funds from Newport Water's 2013 Series A borrowing to finance the construction of a new water treatment plant at Lawton Valley and to make improvements at the Station One water treatment plant. Because these projects came in under budget, the Rhode Island Infrastructure Bank authorized Newport Water to apply the excess funds to future payments on the 2013 Series A borrowing. The deposit of "Bond Closeout Proceeds" was for two payments – \$304,528 on September 1, 2019 and \$67,349 on March 1, 2020.

Prepared by: Robert C. Schultz, Jr.

PWFD 3-6: Refer to Docket No. 4933, Order No. 23855 approving the Revised Settlement Agreement of November 7, 2019. In the Revised Settlement Agreement, the parties agreed that "When Newport files its compliance filing for step two of the proposed increase, the Parties will analyze the balance in the restricted Electricity Account [and Chemicals Account] to determine whether Newport has any excess balance available to transfer into the restricted Debt Service Account to offset the need to increase rates to provide for debt service." In Newport's step two filing, however, it did not propose to make any transfers from the Restricted Accounts for Chemicals or Electricity into its Debt Service Restricted Account, though it still asked for an increase to its contributions to the Debt Service Restricted Account. Please explain whether Newport considered making any transfers like those contemplated in the Revised Settlement Agreement as part of its preparation for this rate filing, and state why or why not.

Response: Newport reviewed its restricted Electricity and Chemical Accounts when preparing the rate filing, but did not propose transferring any funds to the restricted Debt Service Account. In the case of Electricity, the balance decreased from \$334,448.24 as of March 31, 2024 to \$196,675.97 on April 30, 2024 to 189,894.30 on May 30, 2024. In the case of Chemicals, the balance decreased from \$269,206.51 on March 30, 2024 to \$206,296.04 on April 30, 2024 to \$62,092.77 on May 31, 2024. Newport did not want to further reduce these balances and the cushion they provide in the face of increasing costs.

Prepared by: Robert C. Schultz, Jr.

PWFD 3-7: Refer to the Revenue Reserve Restricted Accounts as well as Docket No. 4025, Order No. 19940 at page 66, footnote 214, in which the Commission allowed Newport to keep a revenue reserve of 3% of its total rate revenue, half (1.5%) of which is to be located in the Revenue Reserve Restricted Account. Newport's Revenue Reserve Restricted Account balance as of June 30, 2024 (\$840,161.10) represents approximately 4.23% of the revenue requirement presented in its cover letter to its application (\$19,843,202). In light of the foregoing:

a. Please explain whether Newport interprets Order No. 19940 to mean it is required to keep 1.5% of its total rate revenue in the Revenue Reserve Restricted Account, or if Newport believes it has discretion to keep a smaller amount of money as its revenue reserve.

b. Please explain whether Newport has considered seeking permission to transfer funds from its Revenue Reserve Restricted Account to other accounts to offset its request for rate increases, and explain why or why not.

Response:

- a. The language of the Docket 4025 Order referenced the amount of funding for the Revenue Reserve Restricted Account (1.5% unrestricted and 1.5% deposited to the Revenue Reserve Restricted Account), and Newport no longer funds the Revenue Reserve Restricted Account. The Order did not require Newport to consistently keep an amount equal to 1.5% of its total revenue in the Revenue Reserve Restricted Account.
- b. Newport has not sought to transfer funds from the Revenue Reserve Restricted Account to offset its request for a rate increase. The primary reasons are that while one-time transfers can alleviate the need for rate relief in a single fiscal year, they leave a hole the following year. So one-time transfers don't solve the need for ongoing revenue to meet ongoing expenses. In addition, it is important that any utility have some form of reserve in case of emergencies. So a one-time transfer from the Revenue Reserve Restricted Account could both deplete that reserve and leave a revenue deficit in the year following the transfer.

Prepared by: Robert C. Schultz, Jr. and Harold Smith

PWFD 3-8: Refer to HJS Schedule A-1A. Please list all capital projects Newport included when projecting its "Total Capital Costs," and for each project, please identify:

- a. The public need the project will serve;
- b. The source of funding—e.g., rates, loans, etc.;
- c. The estimated/actual start date, timeline for completion, and significant benchmarks or milestones, if any;
- d. The annual budget for each project;
- e. The methodology for developing the annual budget, including a description of any assumptions;
- f. Why Newport Water is not proposing to use the accrued balance in the restricted account for Capital (\$939,196.46 as of June 30, 2024) to pay for some or all these projects;

Response:

- a. **Meter Replacement:** Customer Billing
Dam Rehabilitation: Source of Raw Water Supply
Water Trench Restoration: Required under RI General Law 39-2.2-2
System-Wide Main Improvements: Hydraulic Integrity & Water Quality of System
Fire Hydrant Replacement: Fire Protection
Pump Station/SCADA Project: Reliability and Efficiency and Regulatory Compliance
IRP 5-Year Update: Required under RI General Law 46-15.6
Goulart Lane 1MG Tank (High-Pressure Zone): Water Quality, Stabilization and Supply
Forest Ave Pump Station: Reliable Water Distribution
Asset Management and Information Services: Regulatory Compliance, Informed Decision-Making, and Sustainability and Environmental Protection
Accounting/Billing System (Share): Customer Billing
WSSMP 5-Year Update: Required under RI General Law 46-15.3
Equipment Replacement-Water: Reliability, Efficiency, and Safety

- b. For funding sources, please see Newport's response to PWFD 2-2 and Newport's response to PWFD 3-9.
- c. Please see attached.
- d. Please see the City's Responses to PWFD 2-2.
- e. The methodology for developing an annual capital improvement budget includes but is not limited to the following:
 - **Assessment of Needs:** Review current infrastructure to identify areas needing repair, replacement, or upgrades.
 - **Project Prioritization:** Rank projects based on urgency, regulatory requirements, and potential public health and service reliability benefits.
 - **Cost Estimation:** Order of Magnitude estimates for each project, including materials, labor, and contingencies.
 - **Funding Availability:** Review funding sources, such as utility revenues, grants, or loans.
 - **Stakeholder Input:** Involve stakeholders (public, engineers, and governing bodies) for feedback and approvals.
- f. Some of the balance is already committed to projects. In addition, keeping a stable balance is crucial for covering ongoing project costs and ensuring continued investment in infrastructure, even if there is a revenue shortfall. Finally, please see Newport's responses to PWFD 3-2, 3, 7 and 14.

Prepared by: Robert C. Schultz, Jr.

Vendor	Functional Category	Description	Balance Remaining	Contract End Date
James J. Geremia & Associates, Inc.	Transmission / Distribution	Engineering - Water Main Dist. System Improvements	\$ 156,949.08	Jun-25
Fuss & O'Neill Inc.	Source of Supply	Engineering & Grant Support -Easton Pond Dam	\$ 222.50	Dec-24
Hartford Paving	Transmission / Distribution	Trench and Sidewalk Restoration	\$ 11,815.17	Dec-24
PARE Corporation	All	Engineering - Hydraulic Modeling Update	\$ 102,405.00	Jun-25
Jacobs/CH2M HILL	T&D Pumping	Asset and Information Services	\$ 60,568.36	Jun-25
Atlas Painting & Sheeting Corp	Transmission / Distribution	Reservoir Road Tank Rehab	\$ 47,323.26	Dec-24
PARE Corporation	All	IRP 5 Year Update	\$ 164,817.25	Jun-25
AT NORTHERN	Equipment Replacement-Water	LARGE DUMP TRUCK - DISTRIBUTION- 2025	\$ 184,799.99	Jun-25
PURELINE	Treatment	Chlorine Dioxide	\$ 24,437.50	Dec-24
Stahl Phragmites Control	Source of Supply	Gardiner Pond Phragmites Control	\$ 13,350.00	Dec-26
Meter Replacement Program	Meters	Meter Replacement Program	\$ 25,732.10	Ongoing
		Total Committed (None SRF or CDS)	\$ 792,420.21	
Boyle & Fogarty		Distribution Improvements - SRF	\$ 2,580,107.21	Jun-25
C.B. Utility Company, Inc.		Distribution Improvements - CDS	\$ 757,295.00	Jun-25
		Total Committed SRF & CDS	\$ 3,337,402.21	
		Total Combined Committed	\$ 4,129,822.42	

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PUBLIC UTILITIES COMMISSION
DOCKET NO. 24-30-WW
Response Of The City Of Newport,
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PWFD 3-9: Refer to HJS Schedule A-1A. Please explain the methodology Newport used to calculate a Rate Year Adjustment of \$800,000.00 (approximately 33%) including any assumptions.

Response: The request for \$3,300,000 in annual funding for the Capital Restricted account is based on the six-year average of rate funded capital projects in Newport's capital improvement plan (CIP) for FY 2024-FY2029.

Prepared by: Harold Smith

PWFD 3-10: Refer to the testimony of Robert Schultz at pages 17-18, relating to “Capital (IFR),” stating that the lead service line replacement project is “one of the main drivers” of this rate case.

- a. Please identify the other “drivers” of increased capital costs.
- b. In its response to PWFD 1-7, Newport states that it “does not seek to recover from PWFD any portion of the increased costs associated with replacing lead service lines.” Please confirm that this means that Newport is not seeking to recovery from PWFD any portion of the increased costs associated with each of the six activities stated in Robert C. Schultz’s testimony as related to the lead service line replacement project—*i.e.*, “developing a service line inventory, inspecting private side service lines, notifying customers, providing filters when lead service lines are disturbed, submitting an annual report, and eventually replacing lead and galvanized steel service lines.” Please also confirm that this means Newport will not seek to recover from PWFD any portion of any other costs *not* identified in its application to change rates that are attributable to the lead service line replacement project.
- c. Please explain what portion of the \$800,000 proposed increase to the Capital Cost Restricted Account is attributable to the lead service line replacement project. Please also explain how Newport will ensure that the costs of the lead service line replacement project are not lumped together with costs for other capital projects for which Newport does intend to seek recovery from PWFD.

Response:

- a. Please see the City's response to PWFD 2-2 for the various projects in Newport’s capital improvement plan.
- b. The cost allocation model approved by all parties in previous rate cases does not allocate any transmission or distribution costs to PWFD. Since the lead service line replacements are distribution related, none of the cost of this program will be allocated to PWFD.
- c. Please see Newport’s response to PWFD 2-2, which sets forth Newport’s current five year capital plan. Currently, a portion of the funding related to lead service line replacement comes from Congressionally Directed

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Spending (CDS) Grant Funding (approximately \$917,364). The remaining sources of funding for the lead service line replacement program are currently unknown at this time. For more information on potential funding of the lead service line replacement program, please refer to the response to Comm 1-10. As to how Newport will ensure that the costs of the lead service line replacement program (whatever the source of funding) will not be charged to PWFD, please see subsection b. above.

Prepared by: Robert C. Schultz, Jr. (a. and c.) Harold Smith (b.)

STATE OF RHODE ISLAND
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Response Of The City Of Newport,
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PWFD 3-11: Refer to the testimony of Robert C. Schultz, Jr., on page 16, and the Restricted Accounts Reports for Chemicals from FY 2020 through FY 2024. Please explain why Newport is not proposing to use the accumulated balance in the restricted account for Chemicals (\$95,314.17 as of June 30, 2024) to offset the amount of the proposed increase.

Response: Pending a reconciliation of Chemical Expenditures, it appears an estimated deficit of \$90,170.03 was temporarily covered using operating funds. As a result, there is currently no balance available to offset the increase as suggested in PWFD 3-11. Please also see Newport's responses to PWFD 3-7 and 3-14.

Prepared by: Robert C. Schultz, Jr.

STATE OF RHODE ISLAND
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PWFD 3-12: Refer to HJS Schedule D-12. For each chemical listed, please provide the missing information regarding projected and actual costs—*i.e.*, “Docket 4933,” “Budget FY24,” “(Test Year) Actual FY 23,” “FY23 to FY25,” and “Proposed FY25 Rate Year.” Please also provide any supporting documentation. Please also explain how Newport calculated the projected quantities it needs for each chemical in FY2025, including any supporting documentation.

Response: Please see attached. Newport has also included the same format for Schedule D-11. Both schedules correct some minor errors in the rate model and they provide actual expenditures for FY2024. Newport also includes update Chemical expenses for FY2025 for both Station One and Lawton Valley. The first assumes that Newport can use reactivated carbon and the second assumes that Newport cannot use reactivated carbon.

Prepared by: Robert C. Schultz, Jr.

Docket XXXX

Rhode Island Public Utilities Commission
 Docket No. 24-30-WW City of Newport Water Division
 Newport Water - FY 2025 Rate Filing
 HJS Schedule D-11
 Expense Detail - Station One
 15-500-2222

Account Description	Notes	FY 2025	Docket 4933	FY 2024	(Test Year) Actual FY 23	▲ FY23 to FY25	Proposed FY25 Rate Year
50335 Chemicals							
PACI Quantity		60,435	60,435	64,664	73,524		
Unit Cost Per Gal		\$ 3.3200	\$ 1.5900	\$ 3.3200	\$ 2.6900		
PACI Total Cost		\$ 200,644	\$ 96,092	\$ 214,684	\$ 197,780	\$ 2,865	
Hypochlorite Quantity		24,199	24,199	27,206	24,211		
Unit Cost		\$ 2.8300	\$ 0.9780	\$ 2.8320	\$ 2.8500		
Chlorine Total Cost		\$ 68,483	\$ 23,667	\$ 77,047	\$ 69,001	\$ (518)	
Fluoride quantity		6,000	6,000	4,000	2,000		
Unit cost		\$ 2.3300	\$ 0.5871	\$ 2.3290	\$ 2.6500		
Fluoride Total Cost		\$ 13,980	\$ 3,523	\$ 9,316	\$ 5,300	\$ 8,680	
Sodium chlorite quantity		66,526	66,526	6,813	11,403		
Unit Cost		\$ 0.7900	\$ 0.5880	\$ 0.7870	\$ 0.5980		
Sodium chlorite total Cost		\$ 52,556	\$ 39,117	\$ 5,362	\$ 6,819	\$ 45,737	
32% HCl Quantity		4,625	4,625	2,500	4,800		
Unit Cost Per Gal		\$ 2.3900	\$ 1.3620	\$ 2.3900	\$ 2.5000		
Sodium chlorite total Cost		\$ 11,054	\$ 6,299	\$ 5,975	\$ 12,000		
Polymer Quantity		970	970	0	220		
Unit Cost		\$ 13.0500	\$ 8.6400	\$ 13.0500	\$ 13.8600		
Polymer Total Cost		\$ 12,659	\$ 8,381	\$ -	\$ 3,049	\$ 9,609	
Sodium Hydroxide quantity		29,741	29,741	24,810	35,340		
Unit Cost		\$ 1.4000	\$ 1.0560	\$ 1.2467	\$ 1.4589		
Sodium Hydroxide total cost		\$ 41,637	\$ 31,406	\$ 30,931	\$ 51,558	\$ (9,920)	
GAC Filters (816) Quantity		1,640	1,640	1,640	1,640		
Unit Cost Per CF		\$ 36.00	\$ 30.78	\$ 35.56	\$ 25.76		
GAC Total Cost		\$ 59,040	\$ 50,479	\$ 58,318	\$ 42,240	\$ 16,800	
GAC AWT (400) Quantity		6	4	4	4		
Unit Cost Per Vessel		\$ 47,200	\$ 41,814	\$ 47,200	\$ 42,240		
GAC Total Cost		\$ 283,200	\$ 167,256	\$ 188,800	\$ 168,960	\$ 114,240	
HCl Scrubber Media (Chlorosorb)		\$ 5,000	\$ 5,000	\$ -	\$ -	\$ 5,000	
HCl Scrubber Media Total Cost		\$ 5,000	\$ 5,000	\$ -	\$ -	\$ 5,000	
total		\$ 748,253	\$ 431,220	\$ 590,434	\$ 556,707	\$ 192,492	\$ -

Docket XXXX

Rhode Island Public Utilities Commission
 Docket No. 24-30-WW City of Newport Water Division
 Newport Water - FY 2025 Rate Filing
 HJS Schedule D-12
 Expense Detail - Lawton Valley
 15-500-2223

Account Description	Notes	FY 2025	Docket 4933	FY 2024	(Test Year) Actual FY 23	▲ FY23 to FY25	Proposed FY25 Rate Year
50335 Chemicals							
PACI Quantity		86,535	86,535	59,940	62,513		
Unit Cost Per Gal		\$ 3.3200	\$ 1.5900	\$ 3.3200	\$ 2.6900		
PACI Total Cost		\$ 287,296	\$ 137,591	\$ 199,001	\$ 168,160	\$ 119,136	
Hypochlorite Quantity		32,982	32,982	32,240	34,170		
Unit Cost		\$ 2.8300	\$ 0.9780	\$ 2.8320	\$ 2.8500		
Chlorine Total Cost		\$ 93,339	\$ 32,256	\$ 91,304	\$ 97,385	\$ (4,045)	
Fluoride quantity		4,656	4,656	4,000	2,000		
Unit cost		\$ 2.3300	\$ 0.5871	\$ 2.3290	\$ 2.6500		
Fluoride Total Cost		\$ 10,848	\$ 2,734	\$ 9,316	\$ 5,300	\$ 5,548	
Sodium chlorite quantity		39,000	39,000	11,300	9,700		
Unit Cost		\$ 0.7900	\$ 0.5880	\$ 0.7870	\$ 0.5980		
Sodium chlorite total Cost		\$ 30,810	\$ 22,932	\$ 8,893	\$ 5,801	\$ 25,009	
32% HCl Quantity		4,402	4,402	5,000	7,221		
Unit Cost Per Gal		\$ 2.3900	\$ 1.3620	\$ 2.3900	\$ 2.5000		
Sodium chlorite total Cost		\$ 10,521	\$ 5,996	\$ 11,950	\$ 18,053		
Polymer Quantity		805	805	0	220		
Unit Cost		\$ 13.0500	\$ 8.6400	\$ 13.0500	\$ 13.8600		
Polymer Total Cost		\$ 10,505	\$ 6,955	\$ -	\$ 3,049	\$ 7,456	
Sodium Hydroxide quantity		33,955	33,955	30,000	24,871		
Unit Cost		\$ 1.4000	\$ 1.0560	\$ 1.2467	\$ 1.4589		
Sodium Hydroxide total cost		\$ 47,537	\$ 35,856	\$ 37,401	\$ 36,284	\$ 11,253	
GAC Filters (816) Quantity		1,760	1,760	1,760	1,760		
Unit Cost Per CF		\$ 36.50	\$ 29.75	\$ 29.86	\$ 22.09		
GAC Total Cost		\$ 64,240	\$ 52,360	\$ 52,554	\$ 38,800	\$ 25,440	
GAC AWT (400) Quantity		6	4	4	4		
Unit Cost Per Vessel		\$ 47,200	\$ 41,814	\$ 47,200	\$ 42,240		
GAC Total Cost		\$ 283,200	\$ 167,256	\$ 188,800	\$ 168,960	\$ 114,240	
HCl Scrubber Media (Chlorosorb)		\$ 5,000	\$ 5,000	\$ -	\$ -	\$ 5,000	
HCl Scrubber Media Total Cost		\$ 5,000	\$ 5,000	\$ -	\$ -	\$ 5,000	
total		\$ 843,297	\$ 468,936	\$ 599,218	\$ 541,791	\$ 309,037	

Chemicals	FY 2025
PACl Quantity	140,000
Unit Cost Per Gal	\$ 3.1900
PACl Total Cost	\$ 446,600
Hypochlorite Quantity	60,000
Unit Cost	\$ 2.6100
Chlorine Total Cost	\$ 156,600
Fluoride quantity	8,000
Unit cost	\$ 1.3875
Fluoride Total Cost	\$ 11,100
Sodium chlorite quantity	22,000
Unit Cost	\$ 0.9800
Sodium chlorite total Cost	\$ 21,560
32% HCl Quantity	12,000
Unit Cost Per Gal	\$ 2.8000
Sodium chlorite total Cost	\$ 33,600
Polymer Quantity	2,000
Unit Cost	\$ 11.8100
Polymer Total Cost	\$ 23,620
Sodium Hydroxide quantity	65,000
Unit Cost	\$ 0.9400
Sodium Hydroxide total cost	\$ 61,100
GAC Filters (816) Quantity (Sta #1)	1,640
Unit Cost Per CF	\$ 76.55
GAC Total Cost	\$ 125,550
GAC Filters (816) Quantity (LV)	1,440
Unit Cost Per CF	\$ 78.00
GAC Total Cost	\$ 112,320
GAC AWT Reactivated (400) Quantity	8
Unit Cost Per Vessel	\$ 48,500
GAC Total Cost	\$ 388,000
HCl Scrubber Media (Chlorosorb)	
HCl Scrubber Media Total Cost	\$ 5,000
Total	\$ 1,385,050

Chemicals	FY 2025
PACl Quantity	140,000
Unit Cost Per Gal	\$ 3.1900
PACl Total Cost	\$ 446,600
Hypochlorite Quantity	60,000
Unit Cost	\$ 2.6100
Chlorine Total Cost	\$ 156,600
Fluoride quantity	8,000
Unit cost	\$ 1.3875
Fluoride Total Cost	\$ 11,100
Sodium chlorite quantity	22,000
Unit Cost	\$ 0.9800
Sodium chlorite total Cost	\$ 21,560
32% HCl Quantity	12,000
Unit Cost Per Gal	\$ 2.8000
Sodium chlorite total Cost	\$ 33,600
Polymer Quantity	2,000
Unit Cost	\$ 11.8100
Polymer Total Cost	\$ 23,620
Sodium Hydroxide quantity	65,000
Unit Cost	\$ 0.9400
Sodium Hydroxide total cost	\$ 61,100
GAC Filters (816) Quantity (Sta #1)	1,640
Unit Cost Per CF	\$ 76.55
GAC Total Cost	\$ 125,550
GAC Filters (816) Quantity (LV)	1,440
Unit Cost Per CF	\$ 78.00
GAC Total Cost	\$ 112,320
GAC AWT Virgin(400) Quantity	8
Unit Cost Per Vessel	\$ 107,000
GAC Total Cost	\$ 856,000
HCl Scrubber Media (Chlorosorb)	
HCl Scrubber Media Total Cost	\$ 5,000
Total	\$ 1,853,050

PWFD 3-13: Refer to HJS Schedule A-2A and the testimony of Robert C. Schultz at page 15, in which he states that “[t]he cost of supplying and delivering electricity has increased.” Please explain:

- a. What portion of the proposed increase in electricity costs is attributable to increased distribution costs;
- b. What portion of the increase in electricity costs is attributable to increased supply costs; and
- c. Provide supporting documentation for (a) and (b).

Response:

- a. In FY 2024 electrical cost associated with distribution accounted for 48.81% of the total expenditure, the estimated FY 2025 electrical cost associated with distribution accounts for 55.46%.
- b. In FY 2024 electrical cost associated with supply accounted for 51.19% of the total expenditure, the estimated FY 2025 electrical cost associated with distribution accounts for 44.54%.
- c. Please see FY24 electric bills provided in response to Div. 2-16 and Newport's updated estimate for FY2025 provided in response to Div. 2-19.

Prepared by: Robert C. Schultz, Jr.

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PWFD 3-14: Refer to the testimony of Robert C. Schultz, Jr., on page 15, regarding the “additional electric demand of approximately 850,000 kWh or \$189,168.54, “and the Restricted Accounts Reports for Electricity from FY 2020 through FY 2024. Please explain why Newport is not proposing to use the accumulated balance in the Restricted Account for Electricity (\$181,571.55 as of June 30, 2024) to reduce the amount of the proposed increase in electricity costs.

Response: Please see the response to PWFD 3-7. If Newport used the accumulated balance in the Restricted Electric Account for Electricity, this would be a one-time transfer. And while it would reduce the amount of revenues needed in the rate year for electricity year by \$181,571.55, it would leave a \$181,571.55 deficit in revenues to fund electricity in the following year because electricity is an annual, and not a one-time, expense. In addition, it would wipe out the cushion in this restricted account.

Prepared by: Robert C. Schultz, Jr. and Harold Smith

PWFD 3-15: Refer to Newport's Responses to DIV 2-18 and COMM 1-5(f).

- a. Please explain how much of Newport's projected increased electricity consumption of 850,000 kWh is attributable to the "energy-intensive" usage of water from the Watson Reservoir, and how much is separately attributable to the operation of the PAX TRS Treatment System. Please provide any supporting calculations or documentation.
- b. Please state the date when the PAX TRS Treatment System at Reservoir Road Tank became operational, and provide the electricity bills showing the kWh consumption at this location for the month prior to the date on which the PAX TRS Treatment System became operational, and the electricity bills showing the same information for the first full month after the treatment system began operating.
- c. Regarding the statement that the PAX TRS Treatment System "was guaranteed to provide a 50% reduction in THM removal but has exceeded this and is providing around 80% reduction," please explain whether Newport has experienced any cost savings due to the unexpectedly high performance of the treatment system—*e.g.*, a reduction in the amount of chemicals necessary for Newport to use to reduce THM, or other cost-savings. If so, please explain the nature and quantity of those cost savings.
- d. Please explain the basis for estimating that the Sakonnet Pump Station will consume an additional 225,000 kWh per month for three months. Please also explain why this increased consumption will occur for only three months, in which three months this will occur, and what will happen when those three months end. Please provide any supporting calculations or documentation.
- e. Newport states that it calculated its projected additional cost of \$0.223 per kWh, using "composite averages from the various electric accounts." Please explain to which electric accounts Newport referred to create the "composite average," what months of consumption Newport looked at in making this calculation, and whether the "composite average" includes both supply charges and delivery services charges, or only one or the other. Please provide any supporting calculations or documentation.

Response:

- a. Please see Newport Water's responses to DIV 4-12.
- b. Please see Newport Water's responses to DIV 4-12. The PAX Treatment System went into operation in August 2023, but not consistently. After it was put into service, it was taken off line in the Fall and Winter of 2023 for additional work on the system and the storage tank. The system has been consistently used since approximately February 2024.
- c. Newport has not yet experienced any cost savings from a reduction in the amount of chemicals or other cost savings related to the PAX TRS system's performance.
- d. The three months is an estimate. The monthly use of the Sakonnet Pump Station depends entirely on water quality in Newport's system, which in turn is affected by variables such as climate and weather conditions. Please see Newport's response to Comm. 1-9 for a more detailed discussion of water quality issues. The expanded use of the Sakonnet Pump Station could extend beyond three months and span the entire duration of a specific season (e.g., spring and/or fall) or be a response to water quality issues at any time of the year.
- e. In Newport's response to Div. 2-18, it referred to its response to Div. 2-19, which provided composite amounts for delivery services for each of Newport's electricity accounts. These composite amounts are based on the 12 month average of delivery charges for each of these accounts in FY24. The bills for FY24 were provided in response to Div. 2-16. The composite amounts per/kWh do not include supply charges. The charges for supply come from Newport's contract with Constellation Energy, which was provided in response to Comm. 1-5.

Prepared by: Robert C. Schultz, Jr.

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PWFD 3-16: Refer to DIV 2-19 Attachment. Newport appears to rely on three data inputs to estimate its increased electricity consumption and costs in 2025: (1) "Delivery Services," (2) "Total kWh," and (3) "Supply Services." Please explain the sources of those inputs. For example, the "Total kWh" for each month in 2025 appears to match Newport's total kWh usage for the corresponding month in 2024, according to the electricity bills provided in response to DIV 2-18; the "Supply Services" amount appears to match the amount stated in the electricity bills for the corresponding month in 2024 as well as the supply services contract Newport provided in response to COMM 1-5(f). Please explain the basis and source of the estimated "Delivery Services" charges on a "\$ per kWh" basis. Please also explain if the "additional billing history" referenced in Newport's Response to DIV 2-19 refers to the electricity bills Newport provided as attachments to its response to DIV 2-18. If not, please provide the additional billing history Newport is referring to.

Response: The sources for the inputs are the electricity bills provided in response to Div. 2-16 and the contract with Constellation Energy provide in response to Comm. 1-5. The source for the "per kWh" is an average of the delivery services for the twelve month period in FY24 for each account. The additional billing history referenced is the billing history for FY24.

Prepared by: Robert C. Schultz, Jr.

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PWFD 3-17: Refer to Docket No. 4933, in which Newport projected additional electricity consumption of 3.5%. Please explain whether and to what extent this projected increased consumption materialized and provide supporting documentation.

Response: The test year in Docket 4933 was Fiscal Year 2018, which was seven years ago, and the total consumption was 4,756,736 KWH. The Rate Year was Fiscal Year 2020, which was five years ago, and the total consumption was 4,308,547 KWH. For comparison, the total usage for FY 2024 was 4,968,539 KWH.

Prepared by: Robert C. Schultz, Jr

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PWFD 3-18: Refer to Order No. 23855 from Docket No. 4933, at page 11. Please explain why Newport has not used a three-year average to calculate its projected electricity consumption and expenses.

Response: Newport has not used a three-year average when calculating its projected electricity consumption and expenses for a few reasons. First, Newport added a new electricity account (83967-34006 for 175 Reservoir Road, Water Storage Tank). Second, Newport has increased its reliance on the Sakonnet Pump Station. Third, delivery prices have increased. Thus, a three year average would not align with current conditions, and would not accurately reflect Newport's current conditions.

Prepared by: Robert C. Schultz, Jr.

PWFD 3-19: Refer to Newport's rate application filing in Docket No. 4933, the testimony of Julia A. Fogue at page 8, as well as Docket No. 4933 HJS Schedule A-1B showing Revenue Requirements by Account. In Docket No. 4933, Newport projected increased electricity costs "based on actual consumption and costs from Fiscal Years 2017 and 2018" and initially proposed a rate year expense for electricity of \$754,869, beginning in FY 2020, though Newport ultimately agreed to a rate year expense for electricity of \$707,137.

Despite the reduction, however, the Restricted Accounts Reports for Electricity show that Newport's actual electricity expenses were smaller than the approved rate year expense. For example, In FY 2020 payments from the Electricity Restricted Account totaled \$803,423.45, which included a \$150,000 transfer from the Electricity Restricted Account to the Chemicals Restricted Account. Without that transfer, Newport's actual electricity expense in FY 2020 was \$653,423.45. In FY 2022 payments from the Electricity Restricted Account totaled \$629,057.78, which included a missed payment in June 2022. Had Newport made all of its payments in FY 2022, its total electricity expenses would have been approximately \$683,057.78. In FY 2023, payments from the Electricity Restricted Account totaled \$705,243.13.

- a. Please explain whether Newport made any adjustments to its budgeting process in preparing the current rate proposal to account for the over-estimate that resulted from the process employed in the previous rate case, and, if not, why not.
- b. According to the Restricted Accounts Report for Electricity for FY 2024, payments from the Electricity Restricted Account in FY 2024 totaled \$864,302.57. Please explain if the increased electricity expense is the result of increased consumption, increased rates, or both. Please provide any supporting documentation, including without limitation electric bills.

Response:

- a. This request references electricity expenses for FY2020 and FY2022. Newport's proposal in this Docket is not based on those years. Rather, it is based on the test year of FY2023, which is adjusted to the rate year of FY2025, and Newport has provided testimony and a number of data responses which explains and documents its rate year request for electricity expense. These include, but are not limited to, Newport's responses to PWFD 1-15, Div. 2-16, 2-17, 2-18, 2-19, and Comm. 1-5.

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b. Please see Div 2-16 for Newport's electric bills and Div 2-19.

Prepared by: Robert C. Schultz, Jr.

PWFD 3-20: Refer to HJS Schedule A-1A and the Restricted Account Reports for Retiree Insurance.

a. Please explain the basis for making a rate year adjustment of \$110,269 for Retiree Insurance expenses when the Restricted Accounts Reports show that Newport's actual average cost for Retiree Insurance has trended downward over the last four years, and its average monthly contributions consistently exceed its average monthly costs.

b. Please explain why Newport Water is not proposing to use the accrued balance in the restricted account for Retiree Insurance (\$457,585.74 as of June 30, 2024) to pay for the projected expenses.

Response: a. In Mr. Smith's supplemental model, the rate year increase for Retiree Insurance was removed. Please also see Newport's response to Div. DR 3-13.c.

b. The rationale for not using the balance is the same as set forth the responses to PWFD 3-7 and 3-14.

Prepared by: Robert C. Schultz, Jr. and Harold Smith

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PWFD 3-21: Refer generally to the Restricted Accounts Reports and the testimony of Robert C. Schultz, Jr., on page 5. Please explain whether Newport could reduce the accumulated balances in its restricted accounts to offset the proposed rate increases. If so, please explain what amount Newport could remove from each account and what the impact on rates would be from doing so.

Response: Please see Newport's responses to PWFD 3-7, 3-11 and 3-14.

Prepared by: Robert C. Schultz, Jr. and Harold Smith

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PWFD 3-22: In its cover letter to the Commission, Newport states that its “new rates are designed to support a total operating revenue requirement of \$19,843,202.” In its Notice of Proposed Changes in Rates, Newport states that its proposed rates are designed to “support a total revenue requirements [sic] of \$23,745,749.” In its Schedule HJS A1A (Supplemental Model), Newport states its “net costs to be recovered through rates” is \$23,122,140. Please explain the discrepancy between these numbers and state what is Newport’s Proposed revenue requirement for FY 2025.

Response: As set forth in correspondence dated June 28, 2024 from Newport’s Attorney to the Commission, a draft version of the COS schedules was accidentally submitted with the original filing. As shown on HJS Schedule A-5A of the supplemental schedules, rate revenue anticipated to be generated under the proposed rates is \$22,899,185. Other operating revenue is anticipated to be \$753,264 and Non-operating revenue is expected to be \$102,300 for total revenue from all sources of \$23,254,749.

Prepared by: Harold Smith

CERTIFICATION

I hereby certify that on October 8, 2024, I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Stephanie De La Rosa, Commission Clerk, by electronic mail and regular mail.

Parties/Address	E-mail Distribution	Phone
Newport Water Division Joseph A. Keough, Jr., Esq. Keough & Sweeney 41 Mendon Ave. Pawtucket, RI 02861	jkeoughjr@keoughsweeney.com ;	401-724-3600
Robert Schultz, Director of Public Works Newport Water Department 70 Halsey St. Newport, RI 02840	rschultz@CityofNewport.com ;	401-845-5600
	lsitrin@CityofNewport.com ;	
	dbarrett@CityofNewport.com ;	
Harold Smith Raftelis Financial Consulting, PA 511 East Blvd. Charlotte, NC 28203	Hsmith@raftelis.com ;	704-373-1199
Division of Public Utilities (Division) Leo Wold, Esq. John Bell	Leo.Wold@dpuc.ri.gov ;	401-222-2424
	Margaret.L.Hogan@dpuc.ri.gov ;	
	John.bell@dpuc.ri.gov ;	
	Al.mancini@dpuc.ri.gov ;	
	Joel.munoz@dpuc.ri.gov ;	
	pat.smith@dpuc.ri.gov ;	
	Steven.Parrillo@dpuc.ri.gov ;	
	Machaela.Seaton@dpuc.ri.gov ;	
Dept. of Navy (DON) Larry Allen Kay Davoodi Legal Counsel TBD	Larry.R.Allen5.civ@us.navy.mil ;	
	Khojasteh.R.Davoodi.civ@us.navy.mil ;	

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Portsmouth Water & Fire District (PWFD) Adam M. Ramos, Esq. Christine E. Dieter, Esq. Hinckley, Allen & Snyder 100 Westminster St., Suite 1500 Providence, RI 02903	aramos@haslaw.com ; ksavage@hinckleyallen.com ;	
	JasonM@fcsgroup.com ;	
Jessica C. Lynch, PWFD	jlynch@portsmouthwater.org ;	
Jason Mumm, FCS Group	JasonM@fcsgroup.com ;	
Town of Middletown (Middletown) Peter Regan, Esq. Mark Boivin, Esq. Sayer Regan & Thayer, LLP 130 Bellevue Ave. Newport, RI 02840	Pregan@SRT-law.com ;	401-849-3040 x-233
	mboivin@srt-law.com ;	
	arichardson@srt-law.com ;	
David Russell, P.E. Russell Consulting LLC	Davidrussell015@comcast.net ;	
File an original and nine (9) copies w/: Stephanie De La Rosa, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Stephanie.delarosa@puc.ri.gov ,	401-780-2107
	John.harrington@puc.ri.gov ;	
	Christopher.Caramello@puc.ri.gov ;	
	Alan.nault@puc.ri.gov ;	

Joseph A. Keough, Jr., Esquire # 4925
Keough + Sweeney, LTD.
41 Mendon Avenue
Pawtucket, RI 02861
(401) 724-3600 (phone)
jkeoughjr@keoughsweeney.com