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November 15, 2024

Luly E. Massaro, Commission Clerk
Rhode Island Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

**Re: Portsmouth Water and Fire District's Responses to Newport Water's
First Set of Data Requests.**

Dear Ms. Massaro:

On behalf of The Portsmouth Water and Fire District ("PWFD"), enclosed please find PWFD's responses to Newport Water's First Set of Data Requests. Hard copies will be sent to the Commission by mail today.

Thank you for your attention to this matter. Please do not hesitate to contact me should you have any questions.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Adam Ramos", written in a cursive style.

Adam M. Ramos

Enclosure

**Docket No. 24-30-WW - City of Newport Water Division – Multi-year Rate Filing
Service List updated 10/24/2024**

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NWD 1-1 Regarding Mr. Mumm's testimony on page 16 that a multi-year rate increase "...offers no incentive for Newport Water to negotiate in the benefit of its ratepayers because it will simply be able to pass on those costs to ratepayers without evaluation of their reasonableness."

- a. Please state all facts Mr. Mumm relied on in support of his testimony that Newport Water would not negotiate in the benefit of its ratepayers.
- b. If Newport did not request a multi-year increase, but still had to negotiate a union contract, does Mr. Mumm believe that Newport Water would then negotiate in the benefit of its ratepayers? Please explain in detail the basis for your answer to this subsection.
- c. Please state all facts upon which Mr. Mumm relied on in support of his testimony that Newport Water would be able to pass on costs related to a negotiated contract that results in increased salaries and benefits without an evaluation of their reasonableness

PWFD RESPONSE:

- a. Mr. Mumm did not testify that "Newport Water would not negotiate in the benefit of its ratepayers." Mr. Mumm testified that "the amount of the step increases for each of steps 2, 3, and 4 is merely a placeholder to account for expected labor cost increases resulting from the negotiation of expired or expiring collective bargaining agreements," and "[t]he proposal suggests that Newport Water will simply be able to reconcile those placeholder amounts with actual amounts once those contract negotiations are complete as increases to the Salaries and Wages revenue requirement in its step increase compliance filings."

Mr. Mumm's testimony relies on Newport Water's representations in its Application to Change Rates and its responses to Data Requests. *See, e.g.*, Testimony of Robert C. Schultz at pp. 1, 9; Testimony of Harold J. Smith at pp. 3-4, 11-12; HJS Schedule A-3B—Multi-Year Rate Plan; Notice of Proposed Rate Changes, at ¶¶ 2, 6; Notice to Customers of Filing and Change in Rate Schedules; Newport Water's Responses to Portsmouth Water and Fire District's ("PWFD") First Set of Data Requests, PWFD 1-4, 1-17.

For example, Newport Water has not proposed to "include anticipated increased costs associated with the Union Contracts" in the second, third and fourth step increases, *see* Notice of Proposed Changes in Rates, at ¶ 6, but instead calculates its revenue requirement for FY 2026 through FY 2028 "by applying a one percent (1%) escalation factor to those expense line items that will change

as a result of impending contract negotiations with the unions representing Newport employees,” which factor it proposes to apply to salaries and wages, overtime, holiday pay, temp salaries, and standby salaries, *see* Testimony of Harold J. Smith at pp. 11-12. Mr. Smith acknowledges, however, that

The one percent annual escalation factor is simply a ‘placeholder’ to allow for escalation of costs that will likely be impacted by union contract negotiations. The actual increase in labor costs resulting from the contract negotiation process will likely not be exactly one percent for each affected line item. Once actual labor costs resulting from the contract negotiation process are determined, the affected expense line items will be increased by the appropriate amounts and rates for FY 2026 through FY 2028 will be recalculated and presented to the Commission for approval via a compliance filing per 13 R.I.G.L. §39-15.1-4.

Id. at p. 12. Mr. Smith further testifies that the labor negotiations will “likely result[] in higher labor costs than those included in the initial rate.” *Id.* at p. 4.

Additionally, in its responses to data requests, Newport Water also states that “[i]n these compliance filings, the placeholder 1% increase will be changed to match the increases negotiated in the union contracts, and the final increases in these later years will have to be approved by the Commission through compliance filings.” Newport Water’s Response to PWFD 1-4. Newport Water further explains that

By seeking a multi-year increase, Newport can seek to implement the required rates through the multi-year compliance filings when the union contracts are settled and the amounts of the increases are known. These compliance filings allow Newport to phase in the yearly increases, which benefits the ratepayer because rates are increased incrementally over the course of the union contracts. The ratepayers also benefit because Newport can phase in the increases through compliance filings rather than incurring the costs of submitting new rate filings for each of the necessary increases.

Newport Water’s Response to PWFD 1-17.

These are examples of the representations Newport Water made that PWFD relied on for its testimony as quoted in the first paragraph of this response.

- b. Mr. Mumm did not testify that “Newport Water would not negotiate in the benefit of its ratepayers.” However, if Newport Water does not have a placeholder and guaranteed true-up mechanism for its eventual negotiated labor costs and, instead, must absorb whatever costs it negotiates with the unions into its approved rates, it would have a greater incentive to negotiate for the benefit of ratepayers because Newport Water would not have the ability to adjust rates to account for the outcome of those negotiations.
- c. Please see PWFD’s response to subpart (a).

NWD 1-2 Regarding Mr. Mumm's testimony on page 16 that "... the Commission should require Newport Water seek approval of its step increase filings that the additional costs associated with the new collective bargaining agreements are fair and reasonable."

- a. Please set forth all facts Mr. Mum relied on in suggesting that Newport does not have to seek approval from the Commission to implement the proposed step increases in FY2026, FY2027 and FY2028.
- b. Does Mr. Mumm agree that R.I.G.L. §39-15.1-4 requires Newport Water to submit compliance filings to the Commission before the proposed step increases go into effect in FY2026, FY2027 and FY2028? If not, why not?

PWFD RESPONSE:

- a. Mr. Mumm's testimony did not suggest that Newport Water would not have to seek approval from the Commission to implement the proposed step increases, as quoted in the request. Mr. Mumm's testimony is that Newport should be required to seek approval from the Commission that "the costs associated with the new collective bargaining agreements" to be included in new rates presented in the step increases "are fair and reasonable." Please see PWFD's responses to NWD 1-1(a) and (c) for the facts upon which Mr. Mumm relied for this testimony.
- b. Yes. However, the better process for recovering costs associated with the new collective bargaining agreements would be either (1) for Newport Water to absorb those costs into its existing rates approved in this proceeding; or (2) for Newport Water to "petition the commission for a modification to an approved plan," after Newport Water renegotiates its labor contracts. R.I. Gen. Laws § 39-15.1-4(d).