



**STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES & CARRIERS**

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December 23, 2024

Stephanie De La Rosa, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

Re: Docket No. 24-30-WW

Dear Ms. De La Rosa,

Attached please find the Division's Surrebuttal Testimony for filing with the Commission in the above-entitled docket.

Very truly yours,

/s/ Leo J. Wold

Leo J. Wold, Esq.
Chief of Legal Services, DPUC

cc: Service List

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF RHODE ISLAND**

**CITY OF NEWPORT, UTILITIES
DEPARTMENT, WATER DIVISION
REQUEST FOR GENERAL RATE
INCREASE**

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DOCKET NO. 24-30-WW

SURREBUTTAL TESTIMONY

OF

LAFAYETTE K. MORGAN, JR.

ON BEHALF OF

THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

DECEMBER 23, 2024

EXETER

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

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Surrebuttal Exhibit LKM-1

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Lafayette K. Morgan Jr. My business address is 10480 Little Patuxent
4 Parkway, Suite 300, Columbia, Maryland, 21044. I am a Public Utilities Consultant
5 working with Exeter Associates, Inc. (“Exeter”). Exeter is a consulting firm specializing
6 in issues pertaining to public utilities.

7 **Q. ARE YOU THE SAME LAFAYETTE MORGAN, JR. WHO**
8 **PRESENTED DIRECT TESTIMONY IN THIS PROCEEDING?**

9 A. Yes, I am.

10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY**
11 **IN THIS PROCEEDING?**

12 A. The purpose of my testimony is to respond to the rebuttal testimonies of the City of
13 Newport, Utilities Department, Water Division (“NWD”) witnesses Robert C. Schultz and
14 Harold J. Smith. I also respond to recommendations made in the direct testimony of Jason
15 Mumm submitted on behalf of Portsmouth Water and Fire District, which were accepted
16 by NWD.

17 **Q. ARE YOU PRESENTING ANY SCHEDULES WITH YOUR**
18 **SURREBUTTAL TESTIMONY?**

19 A. Yes. I have attached Surrebuttal Schedules LKM-1 through LKM-26 to this testimony.
20 These schedules present the Division’s updated position on NWD’s rate increase after
21 reflecting revisions that NWD has proposed in its rebuttal filing. Based on these changes,
22 the Division is now recommending an increase in revenues of \$1,391,003. This amount is
23 \$182,309 more than the recommended increase presented in my direct testimony.

1 **II. COST OF SERVICE ISSUES**

2 **A. Use of FY 2025 Budget**

3 **Q. PLEASE COMMENT ON NWD’S WITNESSES DEFENSE OF THE USE**
4 **OF THE FY 2025 OPERATING BUDGET AS THE BASIS OF THE COST**
5 **OF SERVICE.**

6 A. Both NWD witnesses Schultz and Smith respond to my concern about the use of the FY
7 2025 operating budget as the basis of the cost of service. In my direct testimony, I explained
8 the reasons why I have concerns about using the operating budget as the source of the
9 expenses in the costs of service. Specifically, one of my concerns involves the use of the
10 unadjusted or “raw budget” data in developing the revenue requirement. Also in my direct
11 testimony, I provided some context intended to explain the difference in purpose between
12 the cost of service and the operating budget.

13 Fundamentally, Messrs. Schultz and Smith do not disagree with my explanation of
14 the purpose of establishing an operating budget. In fact, Mr. Schultz further explains that
15 the budget “is a comprehensive document functioning as a policy instrument, financial
16 plan, operational guide, and communication device.”¹ He continued by stating that the
17 budget “provides the legal authorization for expenditures.”² It is important to keep these
18 statements in mind as one considers my adjustments relative to the use of budget data
19 (instead of actual historical data) for setting rates.

20 On the other hand, in Mr. Smith’s rebuttal testimony, he states:

21 First, it is important to understand that as a municipal utility, Newport
22 Water must adhere to the budget appropriation requirements of any
23 municipal department in Rhode Island. As a result, Newport Water’s
24 budget must be approved by the Newport City Council such that funding
25 for its budget can be legally appropriated. In order for the budget to be
26 approved and funding appropriated, Newport Water must demonstrate

¹ Schultz Rebuttal at 2:4-6.

² *Id.*

1 that its budgeted expenses do not exceed projected annual revenue that
2 is primarily generated through the assessment of water rates and charges,
3 which in this case were set in Docket 4933 to recover O&M Expenses
4 for FY 2020. For Newport Water, this means that its O&M budget
5 appropriation is the same as it was in FY 2020, and it cannot spend any
6 more than that amount regardless of whether that amount is sufficient to
7 cover the level of O&M Expenses that should be incurred.³

8 It is my understanding that in Rhode Island, utility rates are derived from a
9 historical test year. Simply adopting the FY 2025 budget as the basis of the cost of service
10 is tantamount to using a future test year. However, as presented on HJS Schedule A-1A,
11 Rate Year Adjustment column, I interpreted NWD's adjustments to virtually all cost line
12 items in the cost of service to be pro forma adjustments rather than the use of a future test
13 year. Hence, in my direct testimony, I did not object to NWD's filing on the basis that
14 NWD used a future test year. As rates are based on a historical test year, and any
15 adjustments to historical test year data must be known and measurable,⁴ any FY 2025
16 budget data allowed in the cost of service must meet the known and measurable standard.
17 Consequently, wherever I found the FY 2025 amount to be significantly atypical of the
18 historical activity or not meeting the known and measurable standard, I made the necessary
19 adjustments.

20 Both witnesses repeat points that I made in my direct testimony. First, spending
21 must be authorized, and the municipal utility cannot spend more than authorized. Second,
22 budgets are designed to ensure that funds are available to meet the daily operational needs.
23 However, there are other critical factors that I need to mention in order for the Commission
24 to have a clearer understanding of the impact of the use of budget data.

25 The first factor is Mr. Schultz's statement that the budget "is a comprehensive
26 document functioning as a policy instrument, financial plan, operational guide, and

³ Smith Rebuttal at 5:25 – 6:9.

⁴ Additional Requirements for Filing of General Rate Schedule Changes, 810-RICR-00-00-05, § 5.6(C)(1) & (2).

1 communication device.”⁵ In my opinion, this statement indicates that the budget sets
2 aspirational goals, not that every budget item will necessarily be fully funded. The second
3 point is the statement made by Mr. Smith that “[i]n order for the budget to be approved and
4 funding appropriated, Newport Water must demonstrate that its budgeted expenses do not
5 exceed projected annual revenue that is primarily generated through the assessment of
6 water rates and charges, which in this case were set in Docket 4933 to recover O&M
7 Expenses for FY 2020.”⁶ Taken at face value, Mr. Smith’s statement means that NWD’s
8 current revenues are already adequate to meet its budget obligations. Therefore, with
9 respect to FY 2025, the policy and operation objectives have already been identified, and
10 the approval of the budget indicates the revenues to meet those objectives have been
11 demonstrated.

12 It is important to separate the scope and functions of ratemaking and the scope and
13 functions of budgeting. From a ratemaking perspective, the Division’s role is to determine
14 what the appropriate level of revenue and expenses will be. Determining funding
15 allocations is a management function and is outside the scope of the Division’s role with
16 respect to this proceeding. Hence, NWD is not relying on the ratemaking process to provide
17 funding.

18 **B. Undisputed Issues**

19 **Q. PLEASE IDENTIFY THE ISSUES WHERE THE DIVISION AND NWD**
20 **ARE IN AGREEMENT.**

21 A. Based on my review of Mr. Schultz’s testimony, NWD and the Division agree on the
22 following adjustments:

⁵ Schultz Rebuttal at 2:4-6.

⁶ Smith Rebuttal at 6:2-6.

- 1 • NWD proposed to eliminate the Salaries & Wages Expense of the currently unfilled
2 Deputy Director, Utilities, Engineering and Operations and one of the Utility
3 Operators. The Division concurs with NWD's proposal. (Schultz, Page 5, Line 19.)
- 4 • NWD accepts the Division's adjustment to Standby Salaries.
- 5 • NWD accepts the Division's adjustment to Source of Supply - Mainland Overtime.
- 6 • NWD accepts the Division's adjustment to Station One Overtime.
- 7 • NWD accepts the Division's adjustment to Station One Lead Plant Operator
8 Stipend.
- 9 • NWD accepts the Division's adjustment to Lawton Valley Lead Plant Operator
10 Stipend.
- 11 • NWD accepts the Division's adjustment to Distribution Overtime Expense.
- 12 • NWD accepts the Division's adjustment to Employee Benefits (to the extent NWD
13 agrees with Salaries & Wages adjustments).
- 14 • NWD accepts the Division's adjustment to Retiree Insurance Coverage.
- 15 • NWD accepts the Division's adjustment to Telephone and Communications
16 Expense.
- 17 • NWD accepts the Division's adjustment to Property Taxes.
- 18 • The Division will withdraw its adjustment to Repairs & Maintenance Expense –
19 Administration account to minimize areas of differences.
- 20 • The Division will withdraw its adjustment to the Annual Leave Buyback Expense.
- 21 • The Division will withdraw its adjustment to the Conferences and Training
22 Expense.
- 23 • The Division accepts NWD's Uniforms and Protective Gear proposal to remove the
24 increase to Customer Service, Source of Supply Island and Distribution, but will
25 allow the increase to Station One and Lawton Valley expenses.
- 26 • NWD accepts the Division's adjustment to Water/Sewer Charge.
- 27 • The Division will withdraw its adjustment to Regulatory Expense of \$1,500 related
28 to the costs associated with producing the Consumer Confidence Report.
- 29 • NWD accepts the Division's adjustment to Electricity Expense.

- 1 • NWD accepts the Division’s adjustment to Natural Gas Expense.
- 2 • NWD accepts the Division’s adjustment to Reservoir Maintenance for the Source
- 3 of Supply Island account and the Source of Supply Mainland account.

4 **C. Labor Expenses**

5 **Q. PLEASE PROVIDE YOUR INITIAL COMMENTS ON MR. SCHULTZ’S**
6 **REBUTTAL TESTIMONY REGARDING LABOR EXPENSES.**

7 A. In my direct testimony, I made several adjustments to Salaries & Wages and other labor
8 expenses. Specifically, I adjusted the following labor costs:

- 9 • Salaries & Wages Expense (to remove unfilled positions and the July 1, 2024 labor
- 10 rates);
- 11 • Standby Salaries;
- 12 • Customer Service Overtime claim;
- 13 • Source of Supply - Island Temp Salaries;
- 14 • Source of Supply - Mainland Temp Salaries Expense;
- 15 • Source of Supply - Mainland Permanent Part time;
- 16 • Station One Overtime;
- 17 • Station One Lead Plant Operator Stipend;
- 18 • Lawton Valley Overtime;
- 19 • Lawton Valley Lead Plant Operator Stipend;
- 20 • Distribution Overtime;
- 21 • Distribution Temporary Salaries

22 After reviewing my direct testimony, witness Schultz has responded to the adjustments I
23 made by revising some adjustments, accepting some adjustments and rejecting my position
24 on other adjustments.

1 **Q. PLEASE EXPLAIN THE REVISION MADE BY NWD WITH RESPECT TO**
2 **LABOR EXPENSES.**

3 A. As alluded to above, I adjusted the Salaries & Wages Expenses to reflect the July 1, 2024
4 labor rates as provided in the response to Comm. 1-1 Attachment. Mr. Schultz explains
5 that NWD's original filing in this docket contained errors related to Salaries & Wages. In
6 my Salaries & Wages Expense adjustment, I assumed the data provided in Comm. 1-1
7 Attachment were the most recent amounts. However, Mr. Schultz explained that the data
8 in Comm. 1-1 Attachment were budget numbers, and they did not include step increases.
9 In Exhibit 1, attached to his testimony, he provides the current actual total salaries and
10 wages to be used for each department rather than the amounts in NWD's Rate Year
11 request.⁷ He states that the amounts in Columns (D), (E) and (F) of Exhibit 1 to his
12 testimony are the actual current salaries for each position, including those that are currently
13 unfilled and contain no budgetary assumptions or presumed increases.⁸

14 I have accepted the amounts in Columns (D), (E) and (F) of Exhibit 1 for use in the
15 cost of service. However, the rebuttal amounts presented in the cost of service attached to
16 Mr. Smith's rebuttal testimony on pages 57 through 81 are not the same as the amounts in
17 Columns (D), (E) and (F) of Mr. Schultz's Exhibit 1. In fact, the Salaries & Wages Expense
18 in Mr. Smith's rebuttal revenue requirements are the August 30, 2024 revised amounts.
19 Hence, an adjustment is still necessary to reflect the actual Rate Year salaries and wages
20 as provided in Mr. Schultz's Exhibit 1. Therefore, on Surrebuttal Schedule LKM-3, pages
21 1 through 8, I make the necessary adjustments to restate the salaries and wages expense
22 consistent with Columns (D), (E) and (F) of Exhibit 1 attached to Mr. Schultz's rebuttal
23 testimony.

⁷ Schultz rebuttal at 4:8-19.

⁸ *Id.*

1 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
2 **YOUR ADJUSTMENT TO CUSTOMER SERVICE OVERTIME.**

3 A. In my direct testimony I explained that the higher customer service overtime, as explained
4 by NWD, is based on complying with new regulations related to lead and copper service
5 lines. The discovery response, Div. 3-15(a), on which I based my adjustment, suggests that
6 the employees that are being used for the lead and copper compliance are the same
7 employees being used for other customer service matters. Understandably, there would be
8 a need for overtime.

9 In Mr. Schultz's rebuttal testimony, he disagrees with my adjustment by pointing
10 out that so far in FY 2025, there has been an increase in customer service overtime. It is
11 important to understand that, in my adjustment, I do not argue that there will not be an
12 increase in overtime. Instead, the basis of my adjustment is that the cause of the increase
13 in overtime is temporary as evidenced by the new lead and copper pipe regulation. In other
14 words, the increase in overtime is not a permanent increase and should not be included in
15 the cost of service as the normal level of expense. According to traditional ratemaking
16 methods, costs are to be determined on a normal ongoing level. In this instance NWD is
17 seeking to determine rates on an abnormal level that will not be the going level of overtime
18 expenses. Therefore, the Commission should not allow the recovery of the higher overtime
19 expenses as proposed by NWD.

20 **Q. ON PAGE 6, LINES 12 TO 17 OF MR. SHULTZ'S REBUTTAL**
21 **TESTIMONY, HE INDICATES THAT TO DATE IN FY 2025, NWD HAS**
22 **EXPERIENCED A SIGNIFICANT INCREASE IN CUSTOMER SERVICE**
23 **OVERTIME. PLEASE RESPOND TO MR. SCHULTZ'S DISCUSSION OF**
24 **THE INCREASE IN EXPENSE.**

1 A. Above, I state that it is understandable that the level of Customer Service overtime would
2 increase because NWD is using the same Customer Service employees that perform other
3 customer service-related work to handle compliance with the lead and copper pipe
4 regulation.

5 **Q. WHY HAVE YOU CONCLUDED THAT THE INCREASE IN CUSTOMER**
6 **SERVICE OVERTIME IS RELATED TO THE LEAD AND COPPER PIPE**
7 **REGULATION?**

8 A. In the response to Div. 3-15(a), NWD connects the overtime level with the new lead and
9 copper pipe rule. The EPA Fact Sheet covering the new lead and copper pipe rules (attached
10 as Surrebuttal Exhibit LKM-1) indicates that there is a compliance date of October 16,
11 2024 for water systems to provide the initial service line inventory, notification of service
12 line material, Tier 1 public notification of a lead action level exceedance, and associated
13 reporting requirements. This suggests that it is probable that the increase in overtime during
14 the first four months of FY 2025 could be related to meeting the deadline imposed by the
15 EPA. Hence, with no other evidence provided to support its claim, I question the reliability
16 of the claim that the customer service overtime is likely to result in an annual level of
17 expenses of \$33,606.69 because it is based on annualizing the higher level of overtime at
18 the beginning of FY 2025. The available historical data does not show the overtime for this
19 account anywhere near that level of expenses. Instead, the higher level of overtime at the
20 beginning of FY 2025 could be related to gathering the information needed for reporting
21 to the EPA because the timing of the overtime (in the beginning FY 2025) coincides with
22 meeting the deadline established by the EPA's lead and copper pipe rule. To support the
23 higher overtime expense claim, it is not enough to indicate that expenses are higher, but
24 the reason for the increase should be disclosed. It is important to note that the burden of
25 proof in utility rate cases is on the utility. Mr. Schultz's rebuttal explanation response to

1 my adjustment to Customer Service overtime does not adequately show that the proposed
2 increase in Customer Service overtime will be sustained on a normal ongoing basis, as
3 required by traditional ratemaking practices. Therefore, I recommend the Commission
4 reject the claim.

5 **Q. PLEASE RESPOND TO MR. SCHULTZ’S DISAGREEMENT WITH**
6 **YOUR ADJUSTMENT TO SOURCE OF SUPPLY - ISLAND TEMPORARY**
7 **SALARIES.**

8 A. In my direct testimony, I removed the claimed cost of \$34,580 because I believe it was not
9 adequately supported. Mr. Schultz disagrees because he believes that NWD has adequately
10 supported his adjustment.

11 I still disagree that the adjustment is adequately supported. The initial data request
12 submitted by the Division (Div. 2-12) sought explanation for the increases in temporary
13 Workers’ Compensation. NWD’s response indicated that based upon the part-time pay in
14 NWD’s market, it determined that \$20 was a reasonable pay rate. By extension, if one were
15 to divide the \$34,580 by the \$20 per hour rate, that would result in 1,729 hours. This
16 amount exceeds hiring one person for 20 hours a week for a year (1,040 hours). In my
17 direct testimony, I stated: “Clearly, if NWD’s spending for this account is expected to
18 increase this significantly, there must be an explanation.”⁹ I made this statement because
19 during FY 2024, FY 2023 and FY 2022, NWD’s annual expense in this account was \$0,
20 \$8,800 and \$0, respectively. NWD offered no explanation for why it would have to increase
21 the Source of Supply - Island Temporary Salaries by such a significant amount.

22 Even Mr. Schultz’s explanation in his rebuttal testimony does not match up with
23 the claimed expense. Mr. Schultz states:

⁹ Morgan Direct at 13:5.

1 Thus, the reason for Newport's low expenditures in FY 2020, FY 2023,
2 and FY 2024 was the lack of a competitive hourly rate. During those
3 years, we only offered a maximum of \$18.00 per hour. However, if we
4 increase the hourly rate to \$22.75, we can attract more seasonal
5 employees. The funding is allocated for two staff members for 19 weeks
6 at \$22.75 per hour.¹⁰

7 The \$22.75/hr. rate in Mr. Schultz rebuttal testimony differs from the \$20/hr. cited in the
8 response to Div. 2-12. The inconsistency is not explained. Additionally, NWD does not
9 show how one would derive \$34,580 from two individuals for 19 weeks at \$22.75/hr.
10 Moreover, if the work required for the two individuals were critical, NWD could have
11 either raised its compensation rate or hired one individual at a higher rate or lower number
12 of hours during the historical period to at least accomplish some of the required tasks.
13 Instead, the amounts incurred by NWD were \$0 for two years and \$8,800 for one year,
14 significantly less than \$34,580. In addition, in the response to Div. 2-12, NWD describes
15 the rates cited as the “currently available” rates. No evidence is provided for the rates
16 offered, either by the market or NWD, during the historical periods cited.

17 Based on the foregoing, I recommend the Commission reject NWD’s adjustment
18 to the Source of Supply - Island Temporary Salaries.

19 **Q. PLEASE RESPOND TO MR. SCHULTZ’S DISAGREEMENT WITH**
20 **YOUR ADJUSTMENT TO SOURCE OF SUPPLY - MAINLAND**
21 **TEMPORARY SALARIES.**

22 A. In my direct testimony, I adjusted the Source of Supply - Mainland Temporary Salaries to
23 reflect a normalized level of expenses based on evidence of account fluctuations over the
24 most recent three-year historical period.

25 Mr. Schultz states that NWD disagrees with my adjustment “for the same reason it
26 disagreed with the proposed adjustment to Temp Salaries in the Source of Supply Island –

¹⁰ Schultz Rebuttal at 8:1-4.

1 Temp Salaries account.” He then claims that the reduction in temporary salaries would
2 affect NWD’s ability to maintain water quality. To illustrate his point, he cites turbidity
3 data from 2016 to 2019.

4 In reference to his rebuttal explanation of the Source of Supply - Island Temporary
5 Salaries increase, I do not understand how Mr. Schultz believes it explains or rebuts my
6 adjustment to the Source of Supply - Mainland Temporary Salaries. In fact, the rebuttal
7 argument to my adjustment to the Source of Supply - Island Temporary Salaries increase
8 is contradicted by the existence of the Source of Supply - Mainland Temporary Salaries.

9 In his rebuttal to the adjustment that I proposed to the Source of Supply - Island
10 Temporary Salaries increase, Mr. Schultz essentially argues that NWD could not hire
11 adequate temporary employees because of its inability to offer competitive pay rates.
12 However, for the Source of Supply - Mainland Temporary Salaries, NWD somehow was
13 able to attract temporary employees and was not deterred by its inability to offer
14 competitive pay rates.

15 With respect to Mr. Schultz’s rebuttal argument that the referenced turbidity level
16 challenges during the 2016 to 2019 period, Mr. Schultz failed to demonstrate that there was
17 an increase in temporary salaries during that period as compared to periods when turbidity
18 levels were controlled. Moreover, there is no evidence in this proceeding that suggests that
19 turbidity levels are increasing to the point where an increase in temporary employees is
20 required.

21 Therefore, I recommend that the Commission reject this adjustment as proposed by
22 NWD.

23 **Q. PLEASE RESPOND TO MR. SCHULTZ’S DISAGREEMENT WITH**
24 **YOUR ADJUSTMENT TO SOURCE OF SUPPLY - MAINLAND**
25 **PERMANENT PART-TIME SALARIES.**

1 A. In my direct testimony, I adjusted the Source of Supply - Mainland Permanent Part-time
2 Salaries to reflect a normalized level of expense based on evidence of account fluctuations
3 over the most recent three-year historical period.

4 Mr. Schultz disagrees and states that it appears the response to Div. 3-17(c) was
5 overlooked when I made the adjustment. However, that is not the case. I did not overlook
6 the response to Div. 3-17(c). The response to Div. 3-17(c) and in Mr. Schultz's rebuttal
7 testimony, the pay rates that total \$18,400 are provided. Nevertheless, the historical data
8 shows that NWD has not paid that amount during the last three fiscal years. For FY 2024,
9 2023 and 2022 NWD incurred \$5,300, \$5,200 and \$6,400, respectively. I believe it is
10 unreasonable to reflect a higher level of expense than NWD has incurred on average in this
11 instance because NWD's own data shows it has not been paying that level of expense.
12 NWD has also not demonstrated that the \$18,400 will definitely be incurred, nor has it been
13 indicated that \$18,400 is new mandatory pay whether the employees worked the required
14 time to receive the pay.

15 Based on the foregoing, I recommend the Commission reject this claim.

16 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
17 **YOUR ADJUSTMENT TO LAWTON VALLEY – OVERTIME EXPENSE.**

18 A. In my direct testimony, I recommended an adjustment to Lawton Valley – Overtime
19 Expense to normalize the expense over the last three fiscal years because I believe the
20 \$150,000 annual overtime costs for this account was not adequately supported.

21 Mr. Schultz states that NWD does not agree with my recommended adjustment and
22 instead proposed a modification to my adjustment to Lawton Valley – Overtime Expense
23 to equal my adjustment to Station One Overtime Expense, which was a decrease of
24 approximately \$5,000. Mr. Schultz rationalizes that the test year (FY 2023) amount of this

1 expense was \$140,879 and the proposed Rate Year expense was \$150,000 and that NWD
2 would agree to a Rate Year expense of \$145,000.

3 I continue to believe my adjustment is appropriate and cannot accept the \$5,000
4 adjustment proposed by NWD. The manner in which I derived the adjustment to the
5 Lawton Valley overtime amount is consistent with the approach used for Station One. In
6 both instances I used the average of the previous three fiscal years. The two facilities have
7 different levels of costs which is reflected in the cost of service for various line items. There
8 is no justification for choosing the overtime amount so that the amounts for the two
9 facilities are equal. I also do not find a reasonable basis to use the test year amount for
10 Lawton Valley while using the three-year average for Station One, which is essentially Mr.
11 Schultz's proposal. Finally, NWD provided no documentation showing the derivation of
12 the \$150,000 amount. Instead, NWD's explanation only indicated the number of shifts and
13 the number of licensed operators. There was no showing how the combination of shifts and
14 operators derived \$150,000. Hence, I believe the Commission should not accept NWD
15 proposal the Lawton Valley overtime.

16 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
17 **YOUR ADJUSTMENT TO DISTRIBUTION TEMPORARY SALARIES.**

18 A. In my direct testimony, I removed NWD's claimed cost of \$34,580 because I believe it was
19 not adequately supported. Mr. Schultz disagrees because he believes that NWD has
20 adequately supported his adjustment.

21 It should be noted that \$34,580 is the exact amount claimed for the Source of Supply
22 - Island Temporary salaries and the explanation for the increase is virtually identical. For
23 this account, during FY 2024, FY 2023 and FY 2022, NWD's annual expense was \$0 for
24 all three years. NWD offered no explanation for why it would now have to increase the
25 Distribution Temporary Salaries by such a significant amount. In its response to discovery,

1 NWD also does not identify what work would be performed by the individuals filling the
2 temporary roles. In Mr. Schultz's rebuttal testimony, he states:

3 As addressed above, the reason for Newport's low expenditures in FY
4 2020, FY 2023, and FY 2024 was the lack of a competitive hourly rate.
5 During those years, we only offered a maximum of \$18.00 per hour.
6 However, if we increase the hourly rate to \$22.75, we can attract more
7 seasonal employees. The funding is allocated for two staff members for
8 19 weeks at \$22.75 per hour.

9 NWD does not show how one would derive \$34,580 from two individuals for 19 weeks at
10 \$22.75/hr. Moreover, if the work required for the two individuals were critical, NWD could
11 have either raised its compensation rate or hired one individual at a higher rate or lower
12 number of hours during the historical period to at least accomplish some of the required
13 tasks.

14 Based on the foregoing, there is no showing that the temporary salaries have been
15 needed in the past nor is there justification for including the cost for the future. Therefore,
16 I recommend the Commission reject NWD's adjustment to Distribution Temporary
17 Salaries.

18 **D. Annual Leave Buyback**

19 **Q. HAVE YOU REVISED YOUR ADJUSTMENT TO THE ANNUAL LEAVE**
20 **BUYBACK EXPENSE?**

21 Yes. In my direct testimony, I explained that there were unanswered questions surrounding
22 the level of the Annual Leave Buyback Expense that led me to have reservations about
23 accepting NWD's claimed amount as the normal ongoing level of this expense. Therefore,
24 I removed the increase in the Annual Leave Buyback Expense pending an explanation of
25 the increase in this expense in NWD's rebuttal testimony. NWD has now explained the
26 cause of the increase in the FY 2025 amounts which I have accepted. Therefore, I have

1 reversed my adjustment and there should be no differences between NWD and the Division
2 on this issue.

3 **E. Workers' Compensation**

4 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
5 **YOUR ADJUSTMENT TO WORKERS' COMPENSATION.**

6 A. In my direct testimony, I recommended an adjustment to reduce Workers' Compensation
7 Expense by \$8,808. This amount was based solely on data supplied by NWD in response
8 to discovery seeking support for its claim.¹¹

9 In Mr. Schultz's rebuttal testimony, he disagrees with my adjustment stating:
10 "Newport intends to fill its vacant positions, which will result in an increase in associated
11 Workers' Compensation Expenses. Unfortunately, the process of recruiting and filling
12 these positions is complex and time-consuming."¹²

13 It is my understanding that the information provided to me by NWD, with respect
14 to Workers' Compensation, was not adjusted to decrease employees or positions. I
15 requested support for the FY 2025 budget claim and NWD provided the most recent
16 Workers' Compensation premiums for FY 2025. Consequently, I see no basis to change
17 my adjustment. Therefore, I recommend the Commission reject the amount included in
18 NWD's cost of service.

19 **F. Consulting Fees**

20 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
21 **YOUR ADJUSTMENT TO CONSULTING FEES.**

22 A. In my direct testimony, I recommended an adjustment to normalize Consulting Expenses
23 based upon the recent three fiscal years. In Mr. Schultz's testimony he indicates that Rate

¹¹ Div. 3-13(d).

¹² Schultz Rebuttal at 12:9.

1 Case Expenses are embedded in the consultant fees and suggests that the final amount be
2 determined at the conclusion of the proceeding.

3 The Division is not opposed to resolving the final Rate Case Expense at the
4 conclusion of the proceeding. However, it is important to determine the rate case and the
5 non-rate case portion of consulting fees before resolving the allowed level of Rate Case
6 Expense to be recovered annually.

7 **G. Conferences and Training**

8 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
9 **YOUR ADJUSTMENT TO CONFERENCES AND TRAINING EXPENSE.**

10 A. In my direct testimony, I adjusted Conferences and Training Expense to normalize the
11 expense level based on the annual expenses for the most recent three fiscal years.

12 Mr. Schultz disagrees with my adjustment and cites the need to build a culture that
13 actively encourages and supports the continuous improvement of personnel.

14 After reviewing Mr. Schultz's rebuttal, I have reconsidered my adjustment. I
15 observed that for virtually all functional departments, the amount spent on training has
16 increased significantly in the most recent historical year as compared to the previous two
17 years. This has led me to recognize changes and training opportunities in the post-COVID
18 environment. Therefore, I have decided to withdraw my adjustment to Conferences and
19 Training.

20 **H. Repair and Maintenance Expense**

21 **Q. PLEASE COMMENT ON MR. SCHULTZ'S DISAGREEMENT WITH**
22 **YOUR ADJUSTMENT TO REPAIRS AND MAINTENANCE EXPENSE.**

23 A. In my direct testimony, I proposed adjustments to the various categories of Repairs &
24 Maintenance Expense based upon a three-year normalization of expenses for FY 2022
25 through 2024. Mr. Schultz disagreed with my adjustments and claimed that my

1 recommendation incorrectly assumed that historical expenses are sufficient to cover all
2 required maintenance and repairs. He admits that NWD has underfunded Repairs &
3 Maintenance in the past, which has already led to deferred maintenance, increased repair
4 backlogs, and a heightened risk of system failures.¹³

5 In essence, the adjustments I am recommending to Repairs & Maintenance Expense
6 are intended to minimize the impact of NWD's attempt to get caught up with maintenance
7 that has been deferred over the past years by increasing rates as if the level of expenses are
8 annually recurring expenses.

9 **Q. WHAT WAS YOUR CONCERN AS YOU REVIEWED NWD'S REPAIRS**
10 **AND MAINTENANCE EXPENSE CLAIM.**

11 A. During my review of NWD Repairs & Maintenance Expense claims, it became apparent
12 that there were several high value Repairs & Maintenance Expenses that need not be
13 recovered in one year because the nature of work is such that they will not occur annually.
14 Hence, my concern is to avoid reflecting higher than necessary expenses in rates. As I
15 respond to Mr. Schultz rebuttal, I have revised certain adjustments I initially recommended
16 as circumstances necessitate. I will also discuss each of the functional areas separately.

17 **Q. PLEASE ADDRESS ANY CHANGES YOU HAVE MADE TO THE**
18 **ADMINISTRATION REPAIRS & MAINTENANCE EXPENSE.**

19 A. In Mr. Schultz's rebuttal testimony, he provides some additional information supporting
20 NWD's Repairs & Maintenance Expense claim. The historical data shows that in FY 2024,
21 2023 and 2022 the annual expenses were \$388, \$465 and \$451, respectively. However,
22 NWD budgeted \$1,000 for each of those years and NWD spent less than 50% of the
23 budgeted amount in each of those years. Hence, the historical data suggests that the
24 budgeted \$2,500 is not likely to be spent because of the historical spending in this account.

¹³ Schultz Rebuttal at 14:16.

1 Despite my disagreement, I have withdrawn this adjustment based on the support for the
2 Rate Year claim provided in Mr. Schultz's rebuttal testimony and in an effort to minimize
3 the areas of difference between NWD and the Division.

4 **Q. PLEASE ADDRESS THE \$40,000 CLAIM MR. SCHULTZ PRESENTS FOR**
5 **CUSTOMER SERVICE REPAIRS & MAINTENANCE EXPENSE.**

6 A. In Mr. Schultz's rebuttal testimony, he provides the following breakdown of Customer
7 Service Repairs & Maintenance budgeted expense:

<u>Customer Service</u>	
5/8" Orion Cellular	\$18,191
3/4" Orion Cellular	\$9,865
Large Meter	\$5,356
Reading Equipment	\$4,750
<u>Misc.</u>	<u>\$1,838</u>
Total	\$40,000

8 The historical data shows that in FY 2024, 2023 and 2022 the annual expenses were \$7,963,
9 \$4,638 and \$16,119, respectively. However, in each of those years NWD budgeted \$35,000
10 annually for Customer Service Repairs & Maintenance Expense. For FY 2024, 2023 and
11 2022, NWD spent only 23%, 13.2% and 46%, respectively, of the budgeted amount. Again,
12 the historical data shows that NWD has had a pattern of spending well below the budgeted
13 amount. This does not provide evidence that for the Rate Year, if the expense claim of
14 \$40,000 is included in rates, NWD will spend that amount on a normal on-going basis.

15 **Q. WHAT EVIDENCE DO YOU HAVE THAT THE \$40,000 AMOUNT IS NOT**
16 **LIKELY TO BE SPENT ON AN ANNUAL BASIS?**

17 A. In the response to Comm. 1-5 (d), NWD stated that the reason for the increase in Customer
18 Service Repairs & Maintenance was two-fold. First, the Test Year expense of \$4,638 was
19 abnormally low (when compared to the Rate Year claim) and that the meters are aging,

1 which increases the need for replacement. The dollar value of the increase relative to the
2 historical expenditures for this account demonstrates that the planned meter replacement is
3 not the normal annual level spent on meter replacements. Out of the \$40,000 claimed by
4 NWD for this account, \$33,412 is meter related. When compared to the test year, this
5 clearly demonstrates that the FY 2025 is unusually high and not the normal ongoing level.
6 Hence, the need to normalize this expense for ratemaking purposes is necessary. Also, the
7 statement that the need for meter replacement is increasing is evidence that the replacement
8 is probable rather than definite. This implies that there is only an acknowledgement that
9 meters may need to be replaced in the near future. This is a good example of the difference
10 between budgeting and ratemaking. Since the meter replacement is probable, it is
11 appropriate to budget for the replacement, so the authority exists to make the expenditure
12 if it occurs. However, for ratemaking purposes, the meter replacement is not certain, so it
13 is not appropriate to include the cost in rates.

14 **Q. PLEASE ADDRESS THE \$22,255 CLAIM MR. SCHULTZ PRESENTS FOR**
15 **SOURCE OF SUPPLY - MAINLAND REPAIRS & MAINTENANCE**
16 **EXPENSE.**

17 A. In Mr. Schultz’s rebuttal testimony, he provides the following breakdown of source of
18 Supply – Mainland Repairs & Maintenance budgeted expense:

<u>Source of Supply - Mainland</u>	
OWTS - Inspection & Service	\$2,300
Pump Service - Calibration	\$4,355
Pump Repairs	\$7,850
Elec Service - Inspection	\$3,000
<u>Small Equipment Repair or Replace</u>	<u>\$4,750</u>
Total	\$22,255

1 A. The historical data shows that in FY 2024, 2023 and 2022 the annual expenses were \$9,067,
2 \$25,259, \$10,991, respectively. However, in each of those years NWD budgeted \$17,000
3 annually for Source of Supply - Mainland Repairs & Maintenance Expense. For FY 2024,
4 2023 and 2022, NWD spent 53%, 149% and 65%, respectively. Because of the fluctuation
5 in this account, I believe it demonstrates that including the highest costs in cost of service
6 leads to an over-recover of costs.

7 **Q. PLEASE ADDRESS THE \$120,000 EXPENSE CLAIM MR. SCHULTZ**
8 **PRESENTS FOR FIRE PROTECTION.**

9 A. In Mr. Schultz’s rebuttal testimony, he provides the following breakdown of Fire
10 Protection Expense.

<u>Fire Protection</u>	
Hydrant Replacement	\$85,335
Hydrant - Collision Kits	\$8,413
Hydrant - Rebuild Kits	\$8,777
Hydrant - Paint	\$3,601
Hydrant - Tools	\$3,900
Mueller Company Lubricant	\$1,999
NWD Thread Adaptor	\$3,200
<u>Misc.</u>	<u>\$4,775</u>
Total	\$120,000

11
12 According to the historical expense data for this account, NWD incurred \$18,430 for FY
13 2024, \$16,893 for FY 2023 and \$0 in FY 2022. In the cost of service NWD is claiming
14 \$120,000 when, in the three most recent fiscal years, it never incurred more than 15% of
15 the \$120,000 claim. The breakdown of the \$120,000 shows when the hydrant replacement
16 cost, collision kits and rebuild kits are removed from the \$120,000, the remaining amount
17 is \$17,475. This amount puts costs not related to hydrant replacements of \$17,475 in the
18 range of normal ongoing costs for the last two fiscal years. This level of cost has been

1 adequate to handle the normal annual maintenance of hydrants for each of the historical
2 periods I identified.

3 Mr. Schultz states that my adjustment “completely defunds Newport’s efforts to
4 modernize its annual maintenance program for fire hydrants, which is essential to ensuring
5 hydrants remain functional, reliable, and ready for emergencies.”¹⁴

6 Respectfully, I disagree with Mr. Schultz on this issue because NWD is attempting
7 to include an unusual and infrequent expense in base rates as if it were recurring annually.
8 NWD’s proposed cost recovery of the hydrant replacement costs is not consistent with
9 traditional ratemaking principles. Therefore, the Commission should reject the inclusion of
10 the level of costs proposed by NWD for hydrant replacements.

11 **I. Uniforms and Protective Gear Expenses**

12 **Q. PLEASE RESPOND TO MR. SCHULTZ’S REBUTTAL PROPOSAL ON**
13 **UNIFORM AND PROTECTIVE GEAR EXPENSE.**

14 A. According to Mr. Schultz, Newport has agreed to accept the adjustments I recommended
15 to Uniform and Protective Gear Expense for Customer Service, Source of Supply-Island
16 and Distribution accounts, but not Station One or Lawton Valley. The Division will accept
17 the proposal offered by NWD.

18 **J. Gasoline and Vehicle Allowance**

19 **Q. PLEASE RESPOND TO MR. SCHULTZ’S REBUTTAL TESTIMONY**
20 **ADDRESSING GASOLINE AND VEHICLE ALLOWANCE.**

21 A. Consistent with other adjustments I have made, my adjustment to Gasoline and Vehicle
22 Allowance normalized the expense based on the most recent three fiscal years. Mr. Schultz
23 disagrees with my adjustment stating that the three-year normalization does not provide
24 adequate funding for the Rate Year. He further states: “[t]hus, a three-year average fails to

¹⁴ Schultz Rebuttal at 16:23.

1 accurately reflect the ongoing and increasing level of expense. The proposed approach does
2 not account for the current operational realities and would result in underfunding this
3 critical account and jeopardizing the utility’s ability to maintain its fleet effectively and
4 meet service demands.”¹⁵

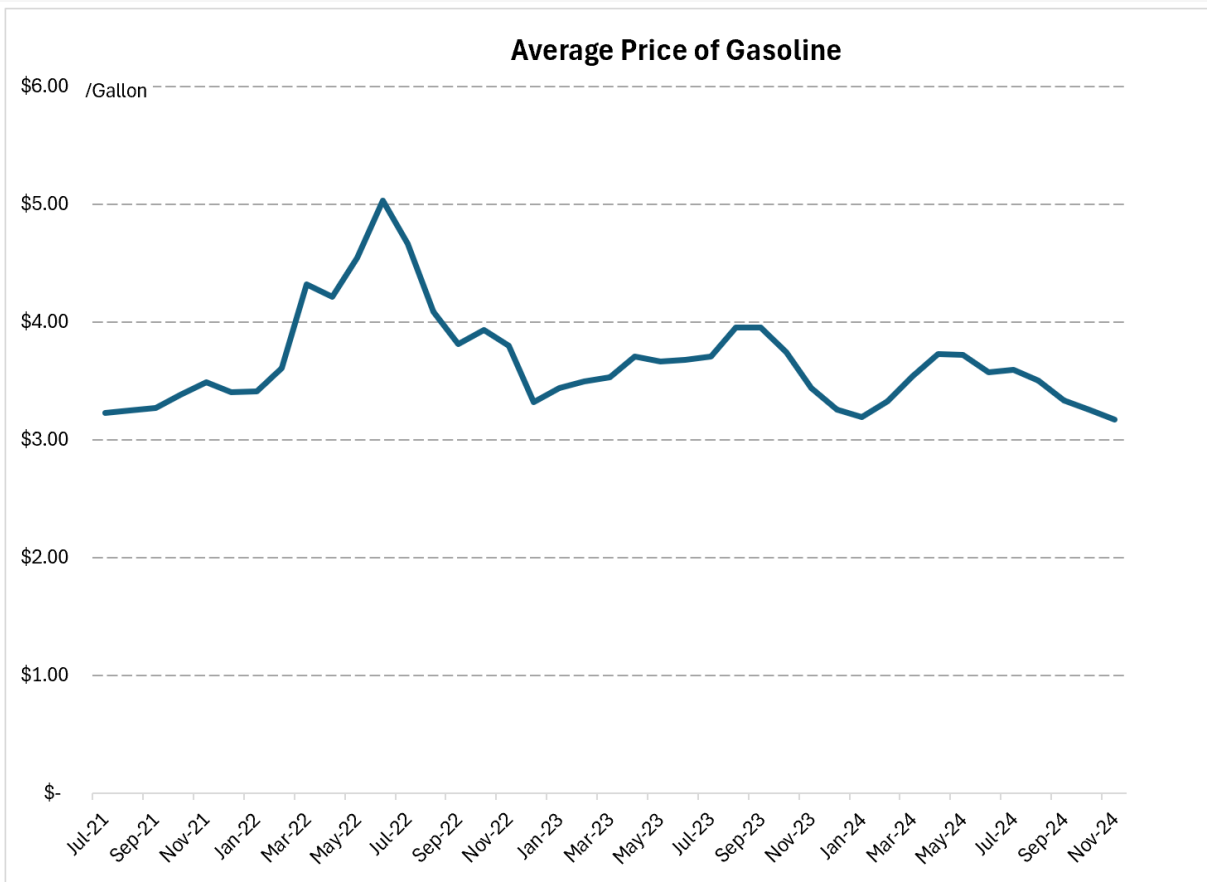
5 At the beginning of this testimony, I explained that ratemaking is not a mechanism
6 to provide funding, so I will not repeat the discussion here. With regard to Mr. Schultz’s
7 claim that my adjustment does not account for the current operational realities, I will refer
8 to NWD’s response to Comm. 1-5(c). In that response, NWD stated:

9 “Over this period, there were no changes in the vehicle
10 maintenance contract with Transdev Fleet Services. Therefore, all the
11 increases were due to actual fuel costs as well as parts, equipment, and
12 other non-preventative maintenance items. If we only consider the
13 increase in wholesale gasoline pricing in Rhode Island from 2020
14 (approximately \$1.25 per gallon) to 2023 (approximately \$3.25 per
15 gallon), it was a significant increase – a \$2.00 per gallon increase or
16 160%.”

17 With respect to the price of gas, any cost data captured in the three-year normalization
18 reflects higher gasoline prices than are reflected in the current market. The chart below
19 captures gasoline prices during the three-year period used for the normalization of costs.
20 The chart shows that for a significant period the price of gasoline was higher than the price
21 of gasoline as of November 2024 (which is part of FY 2025). Hence, I do not believe it is
22 fair to say that the FY 2025 gasoline prices (which presumably were included in the FY
23 2025 budget) are higher than the price of gasoline during the three-year normalization
24 period.

25 Based on the foregoing, I recommend that the Commission not accept the argument
26 put forth by Mr. Schultz.

¹⁵ Schultz Rebuttal at 18:8.



1 Data Source: U.S. Energy Information Administration, U.S. All Grades All Formulations Retail
 2 Gasoline Prices,
 3 https://www.eia.gov/dnav/pet/hist/leafhandler.ashx?f=m&n=pet&s=emm_epm0_pte_nus_dpg
 4

5 **K. Regulatory Assessments**

6 **Q. PLEASE RESPOND TO MR. SCHULTZ’S DISAGREEMENT WITH**
 7 **YOUR ADJUSTMENT TO REGULATORY ASSESSMENTS IN HIS**
 8 **REBUTTAL TESTIMONY.**

9 A. In my direct testimony, I explained that my adjustment reflected the December 2023 PUC
 10 assessment invoice. I then included the assessments paid to the Rhode Island Department
 11 of Health (“RIDOH”) and the Rhode Island Water Works Association based on Docket
 12 4933 amounts disclosed by NWD in its cost of service model. Mr. Schultz disagrees with
 13 my adjustment and has provided new amounts for RIDOH and the Rhode Island Water
 14 Works Association. I have incorporated the new amounts provided by Mr. Schultz. This

1 results in an adjustment decreasing this expense by \$10,569 instead of the \$12,423 decrease
2 reflected in my direct testimony.

3 **L. Operating Supplies**

4 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
5 **YOUR ADJUSTMENT TO OPERATING SUPPLIES IN HIS REBUTTAL**
6 **TESTIMONY.**

7 A. In my direct testimony, I explained that my adjustment to reflect a 3-year normalization of
8 operating supplies expense. According to Mr. Schultz, my adjustments reflect a significant
9 reduction in funding for operating supplies which will lead to continued, or even
10 accelerated, degradation of NWD's systems. He then provides the following example:

11 However, over the past two fiscal years, a total of \$20,352.64 has been
12 spent on mechanical seals and packing, with \$19,399.00 incurred in
13 FY24 and \$991.00 in FY23. These figures highlight the extreme
14 variability in costs and the scope of work, as FY24 represents the
15 replacement of seals and packing for one of our larger pumps, while
16 FY23 reflects work completed on smaller-class pumps. Based on
17 historical data, we estimate that, at a minimum, one pump requires seal
18 and packing replacement per fiscal year. However, this approach
19 provides no funding for preventative maintenance and addresses only
20 urgent repairs. By averaging the costs over the two fiscal years, we
21 estimate an annual requirement of \$10,195.00 to maintain the current
22 standard. It is important to note that this figure does not account for any
23 preventative maintenance, which is critical to extending the lifespan of
24 the equipment.¹⁶

25 I believe the quote above encapsulates a dilemma that runs throughout NWD's cost
26 of service. The issue is whether to treat the ratemaking process as a budget proceeding that
27 provides funding for projects or follow traditional ratemaking practices which recognizes
28 that rates should be based on the normal ongoing level of costs. I would argue that utility
29 rates that are based on funding projects that had been underfunded in the past which has

¹⁶ Schultz Rebuttal at 20:27 - 21:9.

1 led to deferred maintenance and increase repair backlogs,¹⁷ is not the appropriate approach
2 to ratemaking and can lead to over recovery of cost after the projects are completed.

3 Another concern I have identified in Mr. Schultz's rebuttal testimony is the
4 appropriate cost to be recovered. In NWD's filing, it claimed \$15,000 for Station One
5 operating supplies and \$12,386 for Lawton Valley's operating supplies. In the quote above,
6 Mr. Schultz appears to suggest that \$10,195 is the appropriate amount. I have not been able
7 to determine how that amount was determined. Nevertheless, it still exceeds the normalized
8 level of expense for this account. Therefore, I recommend the Commission reject NWD's
9 claim.

10 **M. Laboratory Supplies**

11 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
12 **YOUR ADJUSTMENT TO LABORATORY SUPPLIES IN HIS REBUTTAL**
13 **TESTIMONY.**

14 **A.** In my direct testimony, I explained my adjustment to reflect a 3-year normalization of
15 laboratory supplies expense. In his disagreement with my adjustment, Mr. Schultz, states:

16 Newport has provided detailed documentation supporting the proposed
17 rate year expense, including planned replacements of specific
18 equipment, such as a spectrophotometer. While Mr. Morgan's testimony
19 correctly notes that certain equipment, like the spectrophotometer, will
20 not require annual replacement, it is essential to recognize that other
21 equipment will inevitably fail or become obsolete, necessitating yearly
22 replacements. Such funding balances the expense over time and
23 eliminates the large one-time expenditures. Furthermore, Newport has
24 outlined the expanding regulatory compliance requirements and the
25 increased frequency of analyses, demonstrating that reliance solely on
26 historical expenditure patterns would fail to fund the required level of
27 service adequately.¹⁸

¹⁷ Schultz Rebuttal at 14:16.

¹⁸ Schultz Rebuttal at 21:13-21.

1 The arguments put forth by Mr. Schultz should be rejected because they are inconsistent
2 with traditional ratemaking practices. He suggests that even though certain equipment, like
3 the spectrophotometer, will not require annual replacement, other equipment will
4 inevitably fail or become obsolete, and require yearly replacements. The equipment, costs
5 and date of the failure or obsolescence are neither known nor certain. Therefore, it is
6 virtually impossible to determine the cost that should be determined. Therefore, NWD's
7 adjustment should be rejected.

8 **N. Chemicals Expense**

9 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
10 **YOUR ADJUSTMENT TO CHEMICALS EXPENSE IN HIS REBUTTAL**
11 **TESTIMONY.**

12 A. Mr. Schultz's primary arguments against my adjustment to chemicals expense is that a
13 five-year average of historical usage is not appropriate in the face of the continued
14 degradation of Newport's Water supply and that this account includes expenses for
15 Granular Activate Carbon (GAC), which is used for advanced treatment.

16 Chemical usage for water production is dictated as a result of testing to determine
17 the water quality issue that needs to be rectified. The five-year average demonstrates that,
18 on an annual basis, water quality problems change and the type and quantity of chemicals
19 needed will vary from year to year. Therefore, the quantity of chemicals used in any single
20 year is not representative of the chemical usage on a normalized basis. As I have stated in
21 this testimony, the ratemaking process is not to be used to determine the funding for any
22 single year. Instead, ratemaking is intended to determine the costs of operations on a
23 normal ongoing level. This is what my adjustment to chemicals expense accomplishes.
24 Therefore, I recommend the Commission reject NWD's claim for chemicals expense.

1 **O. Service Maintenance**

2 **Q. PLEASE RESPOND TO MR. SCHULTZ'S DISAGREEMENT WITH**
3 **YOUR ADJUSTMENT TO SERVICE MAINTENANCE EXPENSE IN HIS**
4 **REBUTTAL TESTIMONY.**

5 A. In disagreeing with my adjustment, Mr. Schultz explains that the cost increase is related to
6 the expansion of the Lead Service Line Replacement Program to include approximately 20
7 self-performed service line replacement of mains to curb stops. However, he notes that the
8 required Lead Service Line Replacement Program, has been initiated, and a significant
9 escalation in associated costs is expected as the program advances.

10 Based upon the foregoing, I will withdraw my adjustment. However, I recommend
11 that any expansion of the program should recognize the costs that are included in base rates.

12 **P. Water and Sewer Charge**

13 **Q. EARLIER YOU STATED THAT NWD ACCEPTED YOUR ADJUSTMENT**
14 **TO WATER AND SEWER CHARGE. PLEASE EXPLAIN WHAT YOU**
15 **DISCOVERED WHILE UPDATING THE DIVISION'S POSITION FOR**
16 **THIS TESTIMONY.**

17 A. On page 18 of Mr. Schultz's rebuttal testimony, he states that Newport does not object to
18 the adjustment but takes issue with the normalization of the expense using a three-year
19 average. My understanding was that NWD accepted the adjustment. There are two facilities
20 that receive sewer charges – Station One and Lawton Valley. For Lawton Valley, NWD
21 accepted the adjustment that I recommended. For Station One, NWD appears to have
22 partially accepted my recommended adjustment, so there still is a difference between NWD
23 and the Division.

1 **Q. Electricity and Natural Gas Expenses**

2 **Q. WITH RESPECT TO YOUR ADJUSTMENT TO ELECTRICITY AND**
3 **NATURAL GAS EXPENSES, MR. SMITH STATES THAT YOU DID NOT**
4 **SPECIFY HOW THESE EXPENSES SHOULD BE ALLOCATED**
5 **BETWEEN DIVISIONS. PLEASE RESPOND.**

6 A. For both of these expenses, I applied the adjustments in proportion to the test year expenses.

7 **R. Reservoir Maintenance Expenses**

8 **Q. EARLIER YOU STATED THAT NWD ACCEPTED YOUR ADJUSTMENT**
9 **TO RESERVOIR MAINTENANCE EXPENSES. PLEASE EXPLAIN**
10 **WHAT YOU DISCOVERED WHILE UPDATING THE DIVISION'S**
11 **POSITION FOR THIS TESTIMONY.**

12 A. On page 20 of Mr. Schultz's rebuttal testimony, he states that Newport does not object to
13 the adjustment but takes issue with the normalization of the expense using a three-year
14 average. My understanding was that NWD accepted the adjustment. There are two facilities
15 that are affected by this adjustment – Source of Supply - Island and Source of Supply -
16 Mainland. For Source of Supply - Mainland, NWD accepted the adjustment that I
17 recommended. For Source of Supply - Island, NWD appears to have partially accepted my
18 recommended adjustment, so there still is a difference between NWD and the Division.

19 **III. MULTI-YEAR STEP INCREASES**

20 **Q. PLEASE RESPOND TO NWD'S DISAGREEMENT WITH YOUR**
21 **RECOMMENDATION FOR ITS MULTI-YEAR STEP INCREASE PLAN.**

22 A. In my direct testimony, I explained that since the initial increase (which was to go into
23 effect on July 1, 2024) was suspended, the initial rate increase would then go into effect in
24 FY 2025. I assumed that the AFSCME contract negotiation would be concluded by the
25 time the Commission reached a decision in this proceeding. That way, the labor rate

1 increase would be rolled into the initial base rate increase. Hence, I recommended that there
2 be a three-step rate increase rather than the proposed four-step rate increase.

3 In Mr. Schultz's rebuttal testimony, he indicated that it does not appear that the
4 AFSCME contract negotiations will be concluded before this proceeding is decided.
5 Hence, it appears that a four-step multi-year rate increase plan will be required. Given that
6 the circumstances appear to require a four-step multi-year rate increase plan, I will
7 withdraw my recommended three-step multi-year rate increase plan.

8 **IV. PORTSMOUTH WITNESS MUMM'S RECOMMENDATIONS**

9 **Q. NWD HAS AGREED TO MR. MUMM'S RECOMMENDATION TO**
10 **ELIMINATE THE RESTRICTED ACCOUNTS FOR CHEMICALS,**
11 **ELECTRICITY AND REVENUE RESERVE. DO YOU AAGREE WITH**
12 **NWD'S DECISION?**

13 A. Yes, only if this elimination does not result in the establishment of rate riders to recover
14 the cost increases. The implementation of rate riders and the annual filings result in
15 additional administrative and legal costs for the utility. These costs would be passed on to
16 the customers.

17 **Q. NWD HAS AGREED TO PORTSMOUTH'S RECOMMENDATION TO**
18 **TRANSFER ITS RESTRICTED CAPITAL ACCOUNT TO AN INTEREST**
19 **BEARING ACCOUNT. DO YOU ACCEPT NWD'S DECISION?**

20 A. Yes, I do.
21

22 **Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

23 A. Yes, it does.

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF RHODE ISLAND**

**CITY OF NEWPORT, UTILITIES
DEPARTMENT, WATER DIVISION
REQUEST FOR GENERAL RATE
INCREASE**

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DOCKET NO. 24-30-WW

**SCHEDULES ACCOMPANYING THE
SURREBUTTAL TESTIMONY
OF
LAFAYETTE K. MORGAN, JR.
ON BEHALF OF THE
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

City of Newport Water Department

Summary of Revenues and Expenses at
 Present and Recommended Rates
 For the Rate Year Ended June 30, 2025

Line No.	Account No.	Description	NWD Test Year Amount	NWD Rate Year Adjustments	Rate Year Amount Per NWD	Division Adjustments	Rate Year Amount Per Division	Recommended Rate Increase	Rate Year at Recommended Rates
<u>Operating & Maintenance Expenses</u>									
1		<i>Administration</i>							
2	50001	Salaries & Wages	\$ 281,582	\$ 167,360	\$ 448,942	\$ (39,000)	\$ 409,942	\$ -	\$ 409,942
3	50044	Standby Salaries	18,420	300	18,720	(4,680)	14,040	-	14,040
4	50520	Accrued Benefits Buyout	-	-	-	-	-	-	-
5	50100	Employee Benefits	139,015	98,681	237,696	-	237,696	-	237,696
6	50103	Retiree Insurance Coverage	273,742	(163,321)	110,421	-	110,421	-	110,421
7	50105	Workers Compensation	81,379	34,047	115,426	(8,808)	106,618	-	106,618
8	50175	Annual Leave Buyback	3,750	(1,250)	2,500	-	2,500	-	2,500
9	50207	Advertisement	4,000	-	4,000	-	4,000	-	4,000
10	50210	Membership Dues & Subscriptions	14,946	54	15,000	-	15,000	-	15,000
11	50212	Conferences & Training	2,302	5,036	7,338	-	7,338	-	7,338
12	50214	Tuition Reimbursement	-	2,000	2,000	-	2,000	-	2,000
13	50220	Consultant Fees	44,624	48,998	93,622	(14,248)	79,374	-	79,374
14	50238	Postage	174	826	1,000	-	1,000	-	1,000
15	50239	Fire & Liability Insurance	49,955	10,490	60,445	-	60,445	-	60,445
16	50251	Telephone & Communication	9,166	(604)	8,562	-	8,562	-	8,562
17	50305	Water	2,015	407	2,422	-	2,422	-	2,422
18	50306	Electricity	7,988	854	8,842	-	8,842	-	8,842
19	50307	Natural Gas	6,700	838	7,538	-	7,538	-	7,538
20	50308	Property Taxes	464,475	12,440	476,915	(83,791)	393,124	-	393,124
21	50266	Legal & Administrative	318,524	-	318,524	-	318,524	-	318,524
22	50267	Data Processing	343,175	(1,155)	342,020	-	342,020	-	342,020
23	50268	Mileage Allowance	3,349	1,651	5,000	-	5,000	-	5,000
24	50271	Gasoline & Vehicle Allowance	8,724	2,905	11,629	(3,469)	8,160	-	8,160
25	50275	Repairs & Maintenance	465	2,035	2,500	-	2,500	-	2,500
26	50280	Regulatory Expense	-	1,500	1,500	-	1,500	-	1,500
27	50281	Regulatory Assessment	129,813	5,187	135,000	(10,569)	124,431	-	124,431
28	50361	Office Supplies	9,748	5,385	15,133	-	15,133	-	15,133
29	50505	Self Insurance	500	-	500	-	500	-	500
30	50515	Unemployment Claims	-	-	-	-	-	-	-
31		<i>Subtotal:</i>	\$ 2,218,533	\$ 234,663	\$ 2,453,195	\$ (164,566)	\$ 2,288,630	\$ -	\$ 2,288,630
<u>Customer Service</u>									
32		<i>Salaries & Wages</i>							
33	50001	Salaries & Wages	\$ 291,674	\$ 96,996	\$ 388,670	\$ -	\$ 388,670	\$ -	\$ 388,670
34	50002	Overtime	4,427	5,323	9,750	(5,323)	4,427	-	4,427
35		Collections	-	-	-	-	-	-	-
36	50004	Temp Salaries	8,800	(8,800)	-	-	-	-	-
37	50056	Injury Pay	-	-	-	-	-	-	-

City of Newport Water Department

Summary of Revenues and Expenses at
 Present and Recommended Rates
 For the Rate Year Ended June 30, 2025

Line No.	Account No.	Description	NWD Test Year Amount	NWD Rate Year Adjustments	Rate Year Amount Per NWD	Division Adjustments	Rate Year Amount Per Division	Recommended Rate Increase	Rate Year at Recommended Rates
38	50100	Employee Benefits	173,340	82,456	255,796	-	255,796	-	255,796
39	50120	Bank Fees (lock box & CC charges)	59,431	5,569	65,000	-	65,000	-	65,000
40	50175	Annual Leave Buyback	13,287	1,713	15,000	-	15,000	-	15,000
41	50205	Copying & binding	-	600	600	-	600	-	600
42	50212	Conferences & Training	375	1,460	1,835	-	1,835	-	1,835
43	50225	Support Services	19,252	32,363	51,615	-	51,615	-	51,615
44	50238	Postage	74,106	2,477	76,583	-	76,583	-	76,583
45	50271	Gasoline & Vehicle Allowance	40,510	2,229	42,739	(4,626)	38,113	-	38,113
46	50275	Repairs & Maintenance	4,638	35,362	40,000	(30,426)	9,574	-	9,574
47	50299	Meter Maintenance	19,339	661	20,000	-	20,000	-	20,000
48	50311	Operating Supplies	3,342	1,314	4,656	-	4,656	-	4,656
49	50320	Uniforms & protective Gear	1,947	2,968	4,915	-	4,915	-	4,915
50	50380	Customer Service Supplies	7,575	(75)	7,500	-	7,500	-	7,500
51		<i>Subtotal:</i>	\$ 722,044	\$ 262,615	\$ 984,659	\$ (40,375)	\$ 944,284	\$ -	\$ 944,284
52		<u><i>Source of Supply - Island</i></u>							
53	50001	Salaries & Wages	\$ 345,582	\$ 10,093	\$ 355,675	\$ -	\$ 355,675	\$ -	\$ 355,675
54	50002	Overtime	32,988	1,662	34,650	-	34,650	-	34,650
55	50004	Temp Salaries	-	34,580	34,580	(34,580)	-	-	-
56	50056	Injury Pay	-	-	-	-	-	-	-
57	50100	Employee Benefits	175,319	49,932	225,251	-	225,251	-	225,251
58	50175	Annual Leave Buyback	-	1,700	1,700	-	1,700	-	1,700
59	50306	Electricity	32,565	7,241	39,806	-	39,806	-	39,806
60	50271	Gas/Vehicle Maintenance	80,919	11,842	92,760	(10,419)	82,341	-	82,341
61	50275	Repairs & Maintenance	13,573	4,182	17,755	(889)	16,866	-	16,866
62	50277	Reservoir Maintenance	57,711	(10,211)	47,500	(9,882)	37,618	-	37,618
63	50311	Operating Supplies	2,718	3,522	6,240	-	6,240	-	6,240
64	50320	Uniforms & protective Gear	1,984	3,617	5,601	-	5,601	-	5,601
65	50335	Chemicals	94,690	33,435	128,125	(9,875)	118,250	-	118,250
66		<i>Subtotal:</i>	\$ 838,048	\$ 151,595	\$ 989,643	\$ (65,645)	\$ 923,998	\$ -	\$ 923,998
67		<u><i>Source of Supply - Mainland</i></u>							
68	50002	Overtime	\$ 11,871	\$ (2,517)	\$ 9,354	\$ -	\$ 9,354	\$ -	\$ 9,354
69	50004	Temp Salaries	51,930	2,597	54,527	(13,457)	41,070	-	41,070
70	50005	Permanent Part time	5,200	10,925	16,125	(10,492)	5,633	-	5,633
71	50100	Employee Benefits	2,461	2,944	5,405	-	5,405	-	5,405
72	50306	Electricity	240,273	41,679	281,952	-	281,952	-	281,952
73	50275	Repairs & Maintenance	25,259	(3,004)	22,255	(7,149)	15,106	-	15,106
74	50277	Reservoir Maintenance	4,787	3,297	8,084	-	8,084	-	8,084
75	50311	Operating Supplies	1,461	(461)	1,000	-	1,000	-	1,000

City of Newport Water Department

Summary of Revenues and Expenses at
Present and Recommended Rates
For the Rate Year Ended June 30, 2025

Line No.	Account No.	Description	NWD Test Year Amount	NWD Rate Year Adjustments	Rate Year Amount Per NWD	Division Adjustments	Rate Year Amount Per Division	Recommended Rate Increase	Rate Year at Recommended Rates
76		<i>Subtotal:</i>	\$ 343,243	\$ 55,459	\$ 398,702	\$ (31,098)	\$ 367,604	\$ -	\$ 367,604
77		<i>Station One</i>							
78	50001	Salaries & Wages	\$ 606,813	\$ 46,812	\$ 653,625	\$ (52,982)	\$ 600,643	\$ -	\$ 600,643
79	50002	Overtime	143,194	1,290	144,484	-	144,484	-	144,484
80	50003	Holiday Pay	20,674	3,285	23,959	-	23,959	-	23,959
81	50045	Lead Plant Operator Stipend	11,240	(3,073)	8,167	-	8,167	-	8,167
82	50100	Employee Benefits	280,974	90,701	371,675	(10,278)	361,397	-	361,397
83	50175	Annual Leave Buyback	14,273	1,427	15,700	-	15,700	-	15,700
84	50212	Conferences & Training	4,863	(363)	4,500	-	4,500	-	4,500
85	50239	Fire & Liability Insurance	88,364	5,864	94,228	-	94,228	-	94,228
86	50306	Electricity	239,417	41,531	280,948	-	280,948	-	280,948
87	50307	Natural Gas	45,226	739	45,965	-	45,965	-	45,965
88	50260	Rental of Equipment	719	431	1,150	-	1,150	-	1,150
89	50305	Sewer Charge	172,841	36,957	209,798	(76,269)	133,529	-	133,529
90	50271	Gas/Vehicle Maintenance	4,607	5,449	10,056	(4,822)	5,234	-	5,234
91	50275	Repairs & Maintenance	26,120	87,054	113,174	(70,668)	42,506	-	42,506
92	50311	Operating Supplies	22,149	(7,149)	15,000	(10,592)	4,408	-	4,408
93	50320	Uniforms & protective Gear	5,107	7,043	12,150	(4,843)	7,307	-	7,307
94	60000	Station One Pumping		-	-	-	-	-	-
95	50335	Chemicals	606,568	141,684	748,253	(57,673)	690,580	-	690,580
96		<i>Subtotal:</i>	\$ 2,293,149	\$ 459,683	\$ 2,752,832	\$ (288,127)	\$ 2,464,705	\$ -	\$ 2,464,705
97		<i>Lawton Valley</i>							
98	50001	Salaries & Wages	\$ 591,012	\$ 4,847	\$ 595,859	\$ 54,570	\$ 650,428	\$ -	\$ 650,428
99	50002	Overtime	140,879	4,121	145,000	(26,494)	118,506	-	118,506
100	50003	Holiday Pay	20,114	2,386	22,500	-	22,500	-	22,500
101	50045	Lead Plant Operator Stipend	7,461	59	7,520	-	7,520	-	7,520
102	50100	Employee Benefits	309,454	61,638	371,092	(63,332)	307,760	-	307,760
103	50175	Annual Leave Buyback	6,711	2,789	9,500	-	9,500	-	9,500
104	50212	Conferences & Training	2,693	(173)	2,520	-	2,520	-	2,520
105	50239	Fire & Liability Insurance	82,473	17,319	99,792	-	99,792	-	99,792
106	50306	Electricity	237,303	42,407	279,710	-	279,710	-	279,710
107	50307	Natural Gas	26,611	6,856	33,467	-	33,467	-	33,467
108	50260	Rental of Equipment	691	459	1,150	-	1,150	-	1,150
109	50305	Sewer Charge	486,497	(24,674)	461,823	-	461,823	-	461,823
110	50271	Gas/Vehicle Maintenance	5,373	4,683	10,056	(4,130)	5,926	-	5,926
111	50275	Repairs & Maintenance	92,995	22,179	115,174	(34,805)	80,369	-	80,369
112	50311	Operating Supplies	13,266	(880)	12,386	(9,021)	3,365	-	3,365
113	50320	Uniforms & protective Gear	835	10,100	10,935	(2,947)	7,988	-	7,988

City of Newport Water Department

Summary of Revenues and Expenses at
 Present and Recommended Rates
 For the Rate Year Ended June 30, 2025

Line No.	Account No.	Description	NWD Test Year Amount	NWD Rate Year Adjustments	Rate Year Amount Per NWD	Division Adjustments	Rate Year Amount Per Division	Recommended Rate Increase	Rate Year at Recommended Rates
114	60000	LV Pumping	-	-	-	-	-	-	-
115	50335	Chemicals	520,409	322,887	843,297	(64,998)	778,299	-	778,299
116		<i>Subtotal:</i>	\$ 2,544,776	\$ 477,004	\$ 3,021,780	\$ (151,157)	\$ 2,870,623	\$ -	\$ 2,870,623
117		<u>Laboratory</u>							
118	50001	Salaries & Wages	\$ 146,399	\$ 21,197	\$ 167,596	\$ -	\$ 167,596	\$ -	\$ 167,596
119	50100	Employee Benefits	56,521	30,253	86,774	-	86,774	-	86,774
120	50175	Annual Leave Buyback	3,834	416	4,250	-	4,250	-	4,250
121	50275	Repairs & Maintenance	5,517	5,847	11,364	(3,097)	8,267	-	8,267
122	50281	Regulatory Assessment	62,767	32,468	95,235	-	95,235	-	95,235
123	50339	Laboratory Supplies	41,865	36,601	78,466	(34,756)	43,710	-	43,710
124		<i>Subtotal:</i>	\$ 316,904	\$ 126,781	\$ 443,685	\$ (37,853)	\$ 405,832	\$ -	\$ 405,832
125		<u>Transmission & Distribution</u>							
126	50001	Salaries & Wages	\$ 607,077	\$ 53,997	\$ 661,074	\$ -	\$ 661,074	\$ -	\$ 661,074
127	50002	Overtime	68,473	837	69,310	-	69,310	-	69,310
128	50004	Temp Salaries	-	34,580	34,580	(34,580)	-	-	-
129	50056	Injury Pay	-	-	-	-	-	-	-
130	50100	Employee Benefits	323,274	74,689	397,963	1	397,964	-	397,964
131	50175	Annual Leave Buyback	3,085	2,915	6,000	-	6,000	-	6,000
132	50212	Conferences & Training	5,764	461	6,225	-	6,225	-	6,225
133	50225	Contract Services	11,822	1,678	13,500	-	13,500	-	13,500
134	50239	Fire & Liability Insurance	14,845	942	15,787	-	15,787	-	15,787
135	50306	Electricity	10,509	18,208	28,717	-	28,717	-	28,717
136	50260	Heavy Equipment Rental	1,819	7,181	9,000	-	9,000	-	9,000
137	50271	Gas/Vehicle Maintenance	99,615	14,100	113,715	(21,644)	92,071	-	92,071
138	50275	Repairs & Maintenance	8,736	15,055	23,791	(930)	22,861	-	22,861
139	50276	Main Maintenance	82,580	37,963	120,543	-	120,543	-	120,543
140	60001	Hydrant Maintenance	-	-	-	-	-	-	-
141	50296	Service Maintenance	37,770	57,230	95,000	-	95,000	-	95,000
142	50311	Operating Supplies	8,736	2,001	10,737	-	10,737	-	10,737
143	50320	Uniforms & protective Gear	4,710	2,663	7,373	-	7,373	-	7,373
144		<i>Subtotal:</i>	\$ 1,288,815	\$ 324,500	\$ 1,613,314	\$ (57,153)	\$ 1,556,162	\$ -	\$ 1,556,162
145		<u>Fire Protection</u>							
146	50275	Repair & Maintenance - Equipment	\$ 116,551	\$ 3,449	\$ 120,000	\$ (102,339)	\$ 17,662	\$ -	\$ 17,662
147		<i>Subtotal:</i>	\$ 116,551	\$ 3,449	\$ 120,000	\$ (102,339)	\$ 17,662	\$ -	\$ 17,662
148		Total O&M Costs	\$ 10,682,062	\$ 2,095,748	\$ 12,777,810	\$ (938,312)	\$ 11,839,498	\$ -	\$ 11,839,498

City of Newport Water Department

Summary of Revenues and Expenses at
 Present and Recommended Rates
 For the Rate Year Ended June 30, 2025

Line No.	Account No.	Description	NWD Test Year Amount	NWD Rate Year Adjustments	Rate Year Amount Per NWD	Division Adjustments	Rate Year Amount Per Division	Recommended Rate Increase	Rate Year at Recommended Rates
149		Capital Costs							
150		Contribution to Capital Spending Acct.	\$ 2,500,000	\$ 800,000	\$ 3,300,000	\$ -	\$ 3,300,000	\$ -	\$ 3,300,000
151		Contribution to Debt Service Acct.	6,920,000	-	6,920,000	-	6,920,000	-	6,920,000
152		<i>Total Capital Costs</i>	\$ 9,420,000	\$ 800,000	\$ 10,220,000	\$ -	\$ 10,220,000	\$ -	\$ 10,220,000
153		Operating Revenue Allowance	\$ 317,938	\$ (126,270)	\$ 191,668	\$ (14,076)	\$ 177,592	\$ -	\$ 177,592
154		Total Costs before Offsets	\$ 20,420,000	\$ 2,769,478	\$ 23,189,478	\$ (952,388)	\$ 22,237,091	\$ -	\$ 22,237,091
155		Offsets							
156		<i>Non-rate Revenues</i>							
157		Sundry charges	\$ 152,508	\$ (19,508)	\$ 133,000	\$ -	\$ 133,000	\$ -	\$ 133,000
158		WPC cost share on customer service	331,646	70,223	401,869	-	401,869	-	401,869
159		Middletown cost share on customer service	166,727	46,835	213,562	-	213,562	-	213,562
160		Rental of Property	92,371	(2,371)	90,000	-	90,000	-	90,000
161		Water Penalty	48,776	1,224	50,000	-	50,000	-	50,000
162		Miscellaneous*	-	11,300	11,300	-	11,300	-	11,300
163		Investment Interest Income	24,842	(4,842)	20,000	-	20,000	-	20,000
164		Water Quality Protection Fees	20,751	249	21,000	-	21,000	-	21,000
165		<i>Total Non-rate Revenues</i>	\$ 837,621	\$ 103,110	\$ 940,731	\$ -	\$ 940,731	\$ -	\$ 940,731
166		Net Cost of Service	\$ 19,582,379	\$ 2,666,368	\$ 22,248,747	\$ (952,388)	\$ 21,296,360	\$ -	\$ 21,296,360
		Service Revenues	\$ (19,905,357)	\$ -	\$ (19,905,357)	\$ -	\$ (19,905,357)	\$ (1,391,003)	\$ (21,296,360)
		(Revenue Surplus)/Deficiency	\$ (322,977)	\$ -	\$ 2,343,391	\$ -	\$ 1,391,003	\$ (1,391,003)	\$ -

City of Newport Water Department

Summary of Step Increases
For the Rate Year Ended June 30, 2025

Line No.	Description	Rate Year Amount Per Division	1st Step Increase	Amount After 1st Step Increase	2nd Step Increase	Amount After 2nd Step Increase
<u>Operating & Maintenance Expenses</u>						
1	Total Administration	\$ 2,288,630	\$ 4,265	\$ 2,292,894	\$ 4,307	\$ 2,297,202
2	Total Customer Service	944,284	4,081	948,365	4,122	952,487
3	Total Source of Supply - Island	923,998	3,920	927,918	3,959	931,878
4	Total Source of Supply - Mainland	367,604	94	367,698	94	367,792
5	Total Station One	2,464,705	7,848	2,472,553	7,926	2,480,479
6	Total Lawton Valley	2,870,623	8,009	2,878,632	8,089	2,886,721
7	Total Laboratory	405,832	1,676	407,508	1,693	409,200
8	Total Transmission & Distribution	1,556,162	7,364	1,563,525	7,437	1,570,963
9	Total Fire Protection	17,662	-	17,662	-	17,662
10	Total O&M Costs	\$ 11,839,498	\$ 37,257	\$ 11,876,755	\$ 37,629	\$ 11,914,384
<u>Capital Costs</u>						
12	Contribution to Capital Spending Acct.	\$ 3,300,000	\$ -	\$ 3,300,000	\$ -	\$ 3,300,000
13	Contribution to Debt Service Acct.	6,920,000	-	6,920,000	-	6,920,000
14	<i>Total Capital Costs</i>	\$ 10,220,000	\$ -	\$ 10,220,000	\$ -	\$ 10,220,000
15	Operating Revenue Allowance	\$ 177,592	\$ 559	\$ 178,151	\$ 564	\$ 178,716
16	Total Costs before Offsets	\$ 22,237,091	\$ 37,815	\$ 22,274,906	\$ 38,194	\$ 22,313,100
<u>Offsets</u>						
<i>Non-rate Revenues</i>						
19	Sundry charges	\$ 133,000	\$ -	\$ 133,000	\$ -	\$ 133,000
20	WPC cost share on customer service	401,869	-	401,869	-	401,869
21	Middletown cost share on customer service	213,562	-	213,562	-	213,562
22	Rental of Property	90,000	-	90,000	-	90,000
23	Water Penalty	50,000	-	50,000	-	50,000
24	Miscellaneous*	11,300	-	11,300	-	11,300
25	Investment Interest Income	20,000	-	20,000	-	20,000
26	Water Quality Protection Fees	21,000	-	21,000	-	21,000
27	<i>Total Non-rate Revenues</i>	\$ 940,731	\$ -	\$ 940,731	\$ -	\$ 940,731
28	Net Cost of Service	\$ 21,296,360	\$ 37,815	\$ 21,334,175	\$ 38,194	\$ 21,372,369

City of Newport Water Department

Adjustment to Payroll Expenses
 Administration Salaries & Wages
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount as of 7/1/24 + Longevity ^{1/}	Allocated to WPC Admin ^{1/}	Net Amount to Water Admin
1		<u>Administration Salaries & Wages</u>			
2	50001	Dep. Dir. Util/Assoc. Dir. Fin-Util	\$ 106,205	\$ 42,482	\$ 63,723
3	50001	Financial Analyst	83,566	33,426	50,140
4	50001	Executive Assistant (Vacant)	-	-	-
5	50001	Director of Utilities	180,000	72,000	108,000
6	50001	Dep. Dir., Util (Vacant)	-	-	-
7	50001	Utilities Infrastructure Asset Manager	94,953	37,981	56,972
8	50001	Parts/Invent Control Tech	60,466	24,186	36,280
9	50001	Utilities Engineer	89,867	35,947	53,920
10	50001	Special Projects	68,179	27,272	40,907
11		Total Administration Salaries & Wages per Division	\$ 683,236	\$ 273,294	\$ 409,942
12		Total Administration Salaries & Wages per NWD			448,942 ^{3/}
13		Adjustment to Administration Salaries & Wages			\$ (39,000)
14					
15	50044	Standby Salaries per Division			\$ 18,720 ^{2/}
16	50044	Standby Salaries per NWD			23,400 ^{3/}
17		Adjustment to Standby Salaries			\$ (4,680)

Notes

^{1/} Com. 1-1 Attachment.

^{2/} Response to Div. 3-13 (a).

^{3/} HJS Schedule D-7 - Rebuttal

City of Newport Water Department

Adjustment to Payroll Expenses
 Customer Service Salaries & Wages
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount as of 7/1/24 + Longevity ^{1/}	Allocated to WPC Admin ^{1/}	Net Amount to Water Admin
1		<u>Customer Service Salaries & Wages</u>			
2	50001	Meter Repairman/Reader	\$ 63,882	\$ -	\$ 63,882
3		Meter Repairman/Reader	63,605	-	63,605
4		Meter Repairman/Reader	54,617	-	54,617
5		Laborer	47,939	-	47,939
6		Water Meter Foreman	75,979	-	75,979
7		Prin. Account Clerk	54,617	-	54,617
8		Billing Clerk	46,718	18,687	28,031
9		Total Customer Service Salaries & Wages per Division	\$ 407,357	\$ 18,687	\$ 388,670
10		Total Customer Service Salaries & Wages per NWD			<u>388,670</u> ^{3/}
11		Adjustment to Customer Service Salaries & Wages			<u>\$ -</u>
12					
13					
14	50002	2023 Customer Service Overtime			\$ 4,427 ^{2/}
15	50002	Overtime-seasonal shutoff Notices - Lead Service Lines			<u>9,750</u> ^{3/}
16		Adjustment to Customer Service Salaries & Wages			<u>\$ (5,323)</u>

Notes

^{1/} Com. 1-1 Attachment.

^{2/} Page 33, FY 23 Annual Report

^{3/} HJS Schedule D-8 - Rebuttal

City of Newport Water Department

Adjustment to Payroll Expenses
 Source of Supply - Island Salaries & Wages
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount as of 7/1/24 + Longevity ^{1/}	Allocated to Distribution ^{1/}	Net Amount to Water Admin
1		<u>Source of Supply - Island Salaries & Wages</u>			
2	50001	Laborer	\$ 50,493	\$ -	\$ 50,493
3		Dist./Collection Operator	53,915	-	53,915
4		Maintenance Worker	66,680	-	66,680
5		Dist./Collect Foreman	72,414	-	72,414
6		CDL Licensed Operator	61,613	-	61,613
7		Super., Water Dist./Collect	101,120	50,560	50,560
8		Total Source of Supply-Island Salaries & Wages per Division	\$ 406,235	\$ 50,560	\$ 355,675
9		Total Source of Supply-Island Salaries & Wages per NWD			355,675 ^{2/}
10		Adjustment to Source of Supply-Island Salaries & Wages			\$ -
11					
12		<u>Source of Supply - Island Temp Salaries</u>			
13	50004	Temp Salaries per Division			\$ -
14	50004	Temp Salaries per NWD			34,580 ^{2/}
15		Adjustment to Temp Salaries			\$ (34,580)

Notes

^{1/} Com. 1-1 Attachment.

^{2/} HJS Schedule D-9 - Rebuttal

City of Newport Water Department

Adjustment to Payroll Expenses
 Source of Supply - Mainland
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount as of 7/1/24 + ^{1/} Longevity	Allocated to Distribution ^{1/}	Net Amount to Water Admin
1		<u>Source of Supply - Mainland Overtime</u>			
2	50002	Overtime per Division			\$ 9,354 ^{1/}
3	50002	Overtime per NWD			9,354 ^{2/}
4		Adjustment Source of Supply -Mainland Overtime			<u>\$ -</u>
5					
6		<u>Source of Supply - Mainland Temp Salaries</u>			
7	50004	Temp Salaries per Division			\$ 41,070 ^{1/}
8	50004	Temp Salaries per NWD			54,527 ^{2/}
9		Adjustment Source of Supply -Mainland Temp Salaries			<u>\$ (13,457)</u>
10					
11		<u>Source of Supply - Mainland Permanent Part time</u>			
12	50005	Permanent Part time per Division			\$ 5,633 ^{1/}
13	50005	Permanent Part time per NWD			16,125 ^{2/}
14		Adjustment Source of Supply -Mainland Permanent Part Time			<u>\$ (10,492)</u>

Notes

^{1/} Based on actual 3-year average for the account as provided in the Response to Div. 3-2 Attachment.

^{2/} HJS Schedule D-10 - Rebuttal

City of Newport Water Department

Adjustment to Payroll Expenses
 Station One Salaries & Wages
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount as of 7/1/24 + Longevity ^{1/}	Allocated to Distribution ^{1/}	Net Amount to Water Admin
1		<u>Station One Salaries & Wages</u>			
2	50001	Plant Operator Gr 1	\$ 46,717	\$ -	\$ 46,717
3		Water Plant Op - Grade3 (Vacant)	-	-	-
4		Water Plant Op - Gr1	67,325	-	67,325
5		Water Plant Op - Grade 3	57,340	-	57,340
6		Dist./Collect Operator	67,973	-	67,973
7		Water Plant Op - Grade 3	57,340	-	57,340
8		Asst Water Treat Sup	96,557	48,279	48,279
9		Water Plant Op - Grade3	70,432	-	70,432
10		Water Plant Op - Grade 3	63,273	-	63,273
11		Water Qual/Prod Sup.	109,278	54,639	54,639
12		Water Plant Op - Grade 3	67,326		67,326
13		Total Station One Salaries & Wages per Division	\$ 703,561	\$ 102,918	\$ 600,644
14		Total Station One Salaries & Wages per NWD			653,625 ^{3/}
15		Adjustment to Station One Salaries & Wages			\$ (52,982)
16					
17		<u>Station One Overtime</u>			
18	50002	Station One Overtime per Division			\$ 144,484 ^{2/}
19	50002	Station One Overtime per NWD			144,484 ^{3/}
20		Adjustment to Station One Overtime			\$ -
21					
22		<u>Station One Lead Plant Operator Stipend</u>			
23	50045	Lead Plant Operator Stipend per Division			\$ 8,167 ^{2/}
24	50045	Lead Plant Operator Stipend per NWD			8,167 ^{3/}
25		Adjustment to Station One Lead Plant Operator Stipend			\$ -

Notes

^{1/} Com. 1-1 Attachment.

^{2/} Based on actual 3-year average for the account as provided in the Response to Div. 3-2 Attachment.

^{3/} HJS Schedule D-11 - Rebuttal

City of Newport Water Department

Adjustment to Payroll Expenses
 Lawton Valley Salaries & Wages
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount as of 7/1/24 + Longevity ^{1/}	Allocated to Distribution ^{1/}	Net Amount to Water Admin
1		<u>Lawton Valley Salaries & Wages</u>			
2	50001	Plant Operator Gr 3	\$ 58,497	\$ -	\$ 58,497
3		Water Plant Op - Gr1	47,939	-	47,939
4		Water Plant Op - Grade3	62,097	-	62,097
5		Water Plant Op - Grade3	68,299	-	68,299
6		Water Plant Op - Gr1	55,842	-	55,842
7		Water Plant Op - Grade 3	60,466	-	60,466
8		Water Plant Op - Grade3	68,625	-	68,625
9		Water Plant Op - Grade3	62,097	-	62,097
10		50% Allocated from Station One	96,557	48,279	48,279
11		50% Allocated from Station One	109,278	54,639	54,639
12		Water Plant Op - Grade3	63,649	-	63,649
13		Total Lawton Valley Salaries & Wages per Division	\$ 753,346	\$ 102,918	\$ 650,429
14		Total Lawton Valley Salaries & Wages per NWD			595,859 ^{3/}
15		Adjustment to Lawton Valley Salaries & Wages			\$ 54,570
16					
17		<u>Lawton Valley Overtime</u>			
18	50002	Lawton Valley Overtime per Division			\$ 118,506 ^{2/}
19	50002	Lawton Valley Overtime per NWD			145,000 ^{3/}
20		Adjustment to Lawton Valley Overtime			\$ (26,494)
21					
22		<u>Lawton Valley Lead Plant Operator Stipend</u>			
23	50045	Lawton Valley Lead Plant Operator Stipend per Division			\$ 7,520 ^{2/}
24	50045	Lawton Valley Lead Plant Operator Stipend per NWD			7,520 ^{3/}
25		Adjustment to Lawton Valley Lead Plant Operator Stipend per NWD			\$ -

Notes

^{1/} Com. 1-1 Attachment.

^{2/} Based on actual 3-year average for the account as provided in the Response to Div. 3-2 Attachment.

^{3/} HJS Schedule D-12 - Rebuttal

City of Newport Water Department

Adjustment to Payroll Expenses
 Laboratory Salaries & Wages
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount as of 7/1/24 + Longevity ^{1/}	Allocated to Other Depts	Net Amount to Water Admin
1		<u>Laboratory Salaries & Wages</u>			
2	50001	Laboratory Supervisor	\$ 97,671	\$ -	\$ 97,671
3		Microbiologist	69,925	-	69,925
4		Total Laboratory Salaries & Wages per Division	<u>167,596</u>	<u>-</u>	<u>\$ 167,596</u>
5		Total Laboratory Salaries & Wages per NWD			167,596 ^{2/}
6		Adjustment to Lawton Valley Salaries & Wages			<u>\$ -</u>

Notes

^{1/} Com. 1-1 Attachment.

^{2/} HJS Schedule D-13 - Rebuttal

City of Newport Water Department

Adjustment to Payroll Expenses
 Distribution Salaries & Wages
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount as of 7/1/24 + Longevity ^{1/}	Allocated to Other Depts	Net Amount to Water Admin
1		<u>Distribution Salaries & Wages</u>			
2	50001	Dist./Collect Operator	\$ 55,353	\$ -	\$ 55,353
3		Dist./Collect Operator	68,625	-	68,625
4		Dist./Collect Operator	66,193	-	66,193
5		Dist./Collect Foreman	72,933	-	72,933
6		Engineering Technician	80,959	-	80,959
7		50% Allocated from Source of Supply	50,560	-	50,560
8		Dist./Collect Operator	64,648	-	64,648
9		Dist./Collect Mechanic	62,097	-	62,097
10		Dist./Collect Mechanic	58,879	-	58,879
		Utility GIS & Field Specialist	89,992	44,996	44,996
		Utility Locator/Damage Prevention Tech	71,664	35,832	35,832
11		Total Distribution Salaries & Wages per Division	741,903	80,828	661,075
12		Total Distribution Salaries & Wages per NWD			661,075 ^{3/}
13		Adjustment to Lawton Valley Salaries & Wages			\$ -
14					
15					
16		<u>Distribution Overtime</u>			
17	50002	Total Distribution Overtime per Division			\$ 69,310 ^{2/}
18	50002	Total Distribution Overtime per NWD			69,310 ^{3/}
19		Adjustment to Distribution Overtime			\$ -
20					
21					
22		<u>Distribution Temp Salaries</u>			
23	50004	Total Distribution Temp Salaries per Division			\$ - ^{2/}
24	50004	Total Distribution Overtime per NWD			34,580 ^{3/}
25		Adjustment to Distribution Overtime			\$ (34,580)

Notes

^{1/} Com. 1-1 Attachment.

^{2/} Based on actual 3-year average for the account as provided in the Response to Div. 3-2 Attachment.

^{3/} HJS Schedule D-14

City of Newport Water Department

Adjustment to Employee Benefits Expenses
 Administration Employee Benefits
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u>Administration Employee Benefits</u>	
2	50100	General Manager/Chief Engineer Utilities - 60%	\$ 31,620
3	50100	Deputy Utilities Director, Administration and Finance - 60%	10,393
4	50100	Deputy Utilities Director, Engineering and Operations - 60%	-
5	50100	Utilities Infrastructure Asset Manager	30,317
6	50100	Utilities Engineer	21,446
7	50100	Executive Assistant, Utilities - 60%	-
8	50100	Administrative Assistant, Utilities - 60%	26,091
9	50100	Assistant Supervisor Administration and Finance 60%	29,069
10	50100	Parts/Inventory Control Tech - 60%	25,428
11		Total Administration Employee Benefits per Division	\$ 174,364
12		Total Administration Employee Benefits per NWD	237,696
13		Adjustment to Administration Employee Benefits	\$ (63,332)

Notes

^{1/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Employee Benefits Expenses
 Station One Employee Benefits
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u>Station One Employee Benefits</u>	
2	50100	Water Treatment Superintendent - 50%	\$ 26,588
3	50100	Assistant Water Treatment Superintendent - 50%	14,964
4	50100	Water Plant Operator - Grade 4	44,897
5	50100	Water Plant Operator - Grade 4	44,321
6	50100	Water Plant Operator - Grade 4	44,092
7	50100	Water Plant Operator - Grade 3	30,524
8	50100	Water Plant Operator - Grade 3	43,540
9	50100	Water Plant Operator - Grade 3	43,540
10	50100	Water Plant Operator - Grade 3	28,408
11	50100	Water Plant Operator - Grade 2	40,522
12	50100	Vacant	-
13		Total Station One Employee Benefits per Division	\$ 361,397
14		Total Station One Employee Benefits per NWD	<u>371,675</u>
15		Adjustment to Station One Employee Benefits	<u>\$ (10,278)</u>

Notes

^{1/} HJS Schedule D-11

City of Newport Water Department

Adjustment to Employee Benefits Expenses
 Distribution Employee Benefits
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u><i>Distribution Employee Benefits</i></u>	
2	50100	Supervisor Water Distribution & Collection - 50%	\$ 26,004
3	50100	Water Distribution & Collection Foreperson	44,897
4	50100	Engineering Technician	45,570
5	50100	Utility GIS and Field Specialist - 50% (50% WPC)	24,702
6	50100	Utility Equipment Operator	44,286
7	50100	Utility Operator I, II, III or IV	29,972
8	50100	Utility Locator/Damage Prevention Technician - 50% (50% WPC)	22,046
9	50100	Utility Operator I, II, III or IV	41,461
10	50100	Utility Operator I, II, III or IV	41,461
11	50100	Utility Operator I, II, III or IV	26,425
12	50100	Utility Operator I, II, III or IV	25,571
13	50100	Utility Operator I, II, III or IV	25,571
14	50100	Total Station One Employee Benefits per Division	<u>\$ 397,964</u>
15		Total Station One Employee Benefits per NWD	397,963
16		Adjustment to Station One Employee Benefits	<u><u>\$ 1</u></u>

Notes

^{1/} HJS Schedule D-11

City of Newport Water Department

Adjustment to Annual Leave Buyback Expenses
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u>Administration Salaries & Wages</u>	
2	50175	Annual Leave Buyback	\$ - ^{1/}
3			
4	50100	FICA on Annual leave buyback	\$ - ^{2/}
5			
6		<u>Customer Service Salaries & Wages</u>	
7	50175	Annual Leave Buyback	\$ - ^{3/}
8			
9	50100	FICA on Annual leave buyback	\$ - ^{2/}
10			
11		<u>Source of Supply - Island Salaries & Wages</u>	
12	50175	Annual Leave Buyback	\$ - ^{4/}
13			
14	50100	FICA on Annual leave buyback	\$ - ^{2/}
15			
16		<u>Station One Salaries & Wages</u>	
17	50175	Annual Leave Buyback	\$ - ^{5/}
18			
19	50100	FICA on Annual leave buyback	\$ - ^{2/}
20			
21		<u>Lawton Valley Salaries & Wages</u>	
22	50175	Annual Leave Buyback	\$ - ^{6/}
23			
24	50100	FICA on Annual leave buyback	\$ - ^{2/}
25			
26		<u>Laboratory</u>	
27	50175	Annual Leave Buyback	\$ - ^{7/}
28			
29	50100	Benefits on Annual leave buyback	\$ - ^{7/}
30			
31		<u>Distribution Salaries & Wages</u>	
32	50175	Annual Leave Buyback	\$ - ^{8/}

Notes

- ^{1/} HJS Schedule D-7
- ^{2/} Based on 7.65% of Annual Buyback amount.
- ^{3/} HJS Schedule D-8
- ^{4/} HJS Schedule D-9
- ^{5/} HJS Schedule D-11
- ^{6/} HJS Schedule D-12
- ^{7/} HJS Schedule D-13
- ^{8/} HJS Schedule D-14

City of Newport Water Department

Adjustment to Retiree Insurance Coverage
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1	50107	Retiree Insurance Coverage per Division	\$ 110,421 ^{1/}
2			
3	50107	Retiree Insurance Coverage per NWD	<u>110,421 ^{2/}</u>
4		Adjustment to Reflect Recent Expense Level	<u>\$ -</u>
5		Amortization of Restricted Acct Accumulated Bal	<u>\$ -</u>
6		Total Adjustment	<u><u>\$ -</u></u>

Notes

^{1/} Div. 3-13 (c).

^{2/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Workers' Compensation Coverage
For the Rate Year Ended June 30, 2025

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
1	50109	Workers' Compensation Coverage per Division	\$ 106,618 ^{1/}
2			
3	50109	Workers' Compensation Coverage per NWD	<u>115,426 ^{2/}</u>
4		Adjustment to Workers Compensation	<u><u>\$ (8,808)</u></u>

Notes

^{1/} Div. 3-13 (d) Attachment

^{2/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Consulting Fees
For the Rate Year Ended June 30, 2025

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
1	50220	Consulting Fees per Division	\$ 79,374 ^{1/}
2			
3	50220	Consulting Fees per NWD	<u>93,622 ^{2/}</u>
4		Adjustment to Consulting Fees	<u><u>\$ (14,248)</u></u>

Notes

^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Phone and Communication Expense
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1	50251	Phone and Communication Expense per Division	\$ 8,562 ^{1/}
2			
3	50251	Phone and Communication Expense per NWD	<u>8,562 ^{2/}</u>
4		Adjustment to Phone and Communication Expense	<u><u>\$ -</u></u>

Notes

^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Property Taxes
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1	50261	Property Taxes	
2		Little Compton	\$ 10,512 ^{1/}
3		Middletown (PILOT)	62,183 ^{1/}
4		Portsmouth	306,365 ^{1/}
5		Tiverton	14,063 ^{1/}
6		Total Property Taxes per Division	393,124
7	50261	Property Taxes per NWD	476,915 ^{2/}
8		Adjustment to Property Taxes	\$ (83,791)

Notes

^{1/} Div. 3-13 (i) Attachment

^{2/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Conferences and Training Expenses
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u>Administration</u>	
2	50212	Conferences & Training per Division	\$ 7,338 ^{1/}
3	50212	Standby Salaries per NWD	7,338 ^{2/}
4		Adjustment to Conferences and Training Expenses	<u>\$ -</u>
5			
6			
7		<u>Customer Service</u>	
8	50212	Conferences & Training per Division	\$ 3,350 ^{1/}
9	50212	Conferences & Training per NWD	3,350 ^{3/}
10		Adjustment to Conferences and Training Expenses	<u>\$ -</u>
11			
12			
13		<u>Station One</u>	
14	50212	Conferences & Training per Division	\$ 4,500 ^{1/}
15	50212	Conferences & Training per NWD	4,500 ^{4/}
16		Adjustment to Conferences and Training Expenses	<u>\$ -</u>
17			
18			
19		<u>Lawton Valley</u>	
20	50212	Conferences & Training per Division	\$ 2,520 ^{1/}
21	50212	Conferences & Training per NWD	2,520 ^{5/}
22		Adjustment to Conferences and Training Expenses	<u>\$ -</u>
23			
24			
25		<u>Distribution</u>	
26	50212	Conferences & Training per Division	\$ 6,225 ^{1/}
27	50212	Conferences & Training per NWD	6,225 ^{6/}
28		Adjustment to Conferences and Training Expenses	<u>\$ -</u>

Notes

^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-7

^{3/} HJS Schedule D-8

^{4/} HJS Schedule D-11

^{5/} HJS Schedule D-12

^{6/} HJS Schedule D-14

City of Newport Water Department

Adjustment to Repair and Maintenance Expenses
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u>Administration</u>	
2	50275	Repair and Maintenance per Division	\$ 2,500 ^{1/}
3	50275	Repair and Maintenance per NWD	2,500 ^{2/}
4		Adjustment to Repair and Maintenance Expenses	<u>\$ -</u>
6		<u>Customer Service</u>	
7	50275	Repair and Maintenance per Division	\$ 9,574 ^{1/}
8	50275	Repair and Maintenance per NWD	40,000 ^{3/}
9		Adjustment to Repair and Maintenance Expenses	<u>\$ (30,426)</u>
11		<u>Source of Supply - Island</u>	
12	50275	Repair and Maintenance per Division	\$ 16,866 ^{1/}
13	50275	Repair and Maintenance per NWD	17,755 ^{4/}
14		Adjustment to Repair and Maintenance Expenses	<u>\$ (889)</u>
16		<u>Source of Supply - Mainland</u>	
17	50275	Repair and Maintenance per Division	\$ 15,106 ^{1/}
18	50275	Repair and Maintenance per NWD	22,255 ^{5/}
19		Adjustment to Repair and Maintenance Expenses	<u>\$ (7,149)</u>
21		<u>Station One</u>	
22	50275	Repair and Maintenance per Division	\$ 42,506 ^{1/}
23	50275	Repair and Maintenance per NWD	113,174 ^{6/}
24		Adjustment to Repair and Maintenance Expenses	<u>\$ (70,668)</u>
26		<u>Lawton Valley</u>	
27	50275	Repair and Maintenance per Division	\$ 80,369 ^{1/}
28	50275	Repair and Maintenance per NWD	115,174 ^{7/}
29		Adjustment to Repair and Maintenance Expenses	<u>\$ (34,805)</u>
31		<u>Laboratory</u>	
32	50275	Repair and Maintenance per Division	\$ 8,267 ^{1/}
33	50275	Repair and Maintenance per NWD	11,364 ^{8/}
34		Adjustment to Repair and Maintenance Expenses	<u>\$ (3,097)</u>
36		<u>Distribution</u>	
37	50275	Repair and Maintenance per Division	\$ 22,861 ^{1/}
38	50275	Repair and Maintenance per NWD	23,791 ^{9/}
39		Adjustment to Repair and Maintenance Expenses	<u>\$ (930)</u>
41		<u>Fire Protection</u>	
42	50275	Repair and Maintenance per Division	\$ 17,662 ^{10/}
43	50275	Repair and Maintenance per NWD	120,000 ^{9/}
44		Adjustment to Repair and Maintenance Expenses	<u>\$ (102,339)</u>

Notes

- ^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.
- ^{2/} HJS Schedule D-7
- ^{3/} HJS Schedule D-8
- ^{4/} HJS Schedule D-9
- ^{5/} HJS Schedule D-10
- ^{6/} HJS Schedule D-11
- ^{7/} HJS Schedule D-12
- ^{8/} HJS Schedule D-13
- ^{9/} HJS Schedule D-14
- ^{10/} 2-Year average based on data provided in Div. 3-2 Attachment.

City of Newport Water Department

Adjustment to Uniforms and Protective Gear Expenses
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u>Customer Service</u>	
2	50320	Uniforms and Protective Gear Expenses per Division	\$ 4,915 ^{1/}
3	50320	Uniforms and Protective Gear Expenses per NWD	4,915 ^{2/}
4		Adjustment to Uniforms and Protective Gear Expenses	<u>\$ -</u>
5			
6		<u>Source of Supply - Island</u>	
7	50320	Uniforms and Protective Gear Expenses per Division	\$ 5,601 ^{1/}
8	50320	Uniforms and Protective Gear Expenses per NWD	5,601 ^{3/}
9		Adjustment to Uniforms and Protective Gear Expenses	<u>\$ -</u>
10			
11		<u>Station One</u>	
12	50320	Uniforms and Protective Gear Expenses per Division	\$ 7,307 ^{1/}
13	50320	Uniforms and Protective Gear Expenses per NWD	12,150 ^{4/}
14		Adjustment to Uniforms and Protective Gear Expenses	<u>\$ (4,843)</u>
15			
16		<u>Lawton Valley</u>	
17	50320	Uniforms and Protective Gear Expenses per Division	\$ 7,988 ^{1/}
18	50320	Uniforms and Protective Gear Expenses per NWD	10,935 ^{5/}
19		Adjustment to Uniforms and Protective Gear Expenses	<u>\$ (2,947)</u>
20			
21		<u>Distribution</u>	
22	50320	Uniforms and Protective Gear Expenses per Division	\$ 7,373 ^{1/}
23	50320	Uniforms and Protective Gear Expenses per NWD	7,373 ^{6/}
24		Adjustment to Uniforms and Protective Gear Expenses	<u>\$ -</u>

Notes

- ^{1/} FY 2024 amount based on data provided in Div. 3-2 Attachment.
- ^{2/} HJS Schedule D-8
- ^{3/} HJS Schedule D-9
- ^{4/} HJS Schedule D-11
- ^{5/} HJS Schedule D-12
- ^{6/} HJS Schedule D-14

City of Newport Water Department

Adjustment to Gas and Vehicle Allowance
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u>Administration</u>	
2	50271	Gas and Vehicle Allowance per Division	\$ 8,160 ^{1/}
3	50271	Gas and Vehicle Allowance per NWD	11,629 ^{2/}
4		Adjustment to Gas and Vehicle Allowance	<u>\$ (3,469)</u>
5			
6		<u>Customer Service</u>	
7	50271	Gas and Vehicle Allowance per Division	\$ 38,113 ^{1/}
8	50271	Gas and Vehicle Allowance per NWD	42,739 ^{3/}
9		Adjustment to Gas and Vehicle Allowance	<u>\$ (4,626)</u>
10			
11		<u>Source of Supply - Island</u>	
12	50271	Gas and Vehicle Allowance per Division	\$ 82,341 ^{1/}
13	50271	Gas and Vehicle Allowance per NWD	92,760 ^{4/}
14		Adjustment to Gas and Vehicle Allowance	<u>\$ (10,419)</u>
15			
16		<u>Station One</u>	
17	50271	Gas and Vehicle Allowance per Division	\$ 5,234 ^{1/}
18	50271	Gas and Vehicle Allowance per NWD	10,056 ^{5/}
19		Adjustment to Gas and Vehicle Allowance	<u>\$ (4,822)</u>
20			
21		<u>Lawton Valley</u>	
22	50271	Gas and Vehicle Allowance per Division	\$ 5,926 ^{1/}
23	50271	Gas and Vehicle Allowance per NWD	10,056 ^{6/}
24		Adjustment to Gas and Vehicle Allowance	<u>\$ (4,130)</u>
25			
26		<u>Distribution</u>	
27	50271	Gas and Vehicle Allowance per Division	\$ 92,071 ^{1/}
28	50271	Gas and Vehicle Allowance per NWD	113,715 ^{7/}
29		Adjustment to Gas and Vehicle Allowance	<u>\$ (21,644)</u>

Notes

- ^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.
- ^{2/} HJS Schedule D-7
- ^{3/} HJS Schedule D-8
- ^{4/} HJS Schedule D-9
- ^{5/} HJS Schedule D-11
- ^{6/} HJS Schedule D-12
- ^{7/} HJS Schedule D-14

City of Newport Water Department

Adjustment to Sewer Charge
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u>Station One</u>	
2	50305	Sewer Charge per Division	\$ 133,529 ^{1/}
3	50305	Sewer Charge per NWD	209,798 ^{2/}
4		Adjustment to Sewer Charge	<u>\$ (76,269)</u>
5			
6		<u>Lawton Valley</u>	
7	50305	Sewer Charge per Division	\$ 461,823 ^{1/}
8	50305	Sewer Charge per NWD	461,823 ^{3/}
9		Adjustment to Sewer Charge	<u>\$ -</u>

Notes

- ^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.
- ^{2/} HJS Schedule D-11
- ^{3/} HJS Schedule D-12

City of Newport Water Department

Adjustment to Regulatory Expense
For the Rate Year Ended June 30, 2025

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
1	50280	Regulatory Expense per Division	\$ 1,500
2			
3	50280	Regulatory Expense per NWD	<u>1,500</u> ^{1/}
4		Adjustment to Regulatory Expense	<u><u>\$ -</u></u>

Notes

^{1/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Regulatory Assessments
For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1	50281	RI Div. of PUC - Assessment	\$ 100,067 ^{1/}
2		RI Dept. of Health - License	23,564 ^{3/}
3		RIWWA Assessment	800 ^{3/}
4		Total	124,431
5	50281	Regulatory Expense per NWD	135,000 ^{2/}
6		Adjustment to Regulatory Expense	\$ (10,569)

Notes

^{1/} PUC Assessment Invoice No. 41 dated December 20, 2023.

^{2/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Electric Expense
For the Rate Year Ended June 30, 2025

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
1	50306	Electric Expense per Division	\$ 919,976
2			
3	50306	Electric Expense per NWD	<u>919,976</u> ^{1/}
4		Adjustment to Electric Expense	<u><u>\$ -</u></u>

Notes

^{1/} HJS Schedule A-2A

City of Newport Water Department

Adjustment to Natural Gas Expense
For the Rate Year Ended June 30, 2025

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
2	50307	Natural Gas Expense per Division	\$ 96,632
2	50307	Natural Gas Expense per NWD	<u>96,632</u>
3		Adjustment to Natural Gas Expense	<u><u>\$ -</u></u>

Notes

^{1/} HJS Schedule D-7, D-11 & D-12.

City of Newport Water Department

Adjustment to Reservoir Maintenance Expense - Island
For the Rate Year Ended June 30, 2025

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
1	50277	Reservoir Maintenance Expense per Division	\$ 37,618 ^{1/}
2			
3	50277	Reservoir Maintenance Expense per NWD	<u>47,500 ^{2/}</u>
4		Adjustment to Reservoir Maintenance Expense	<u><u>\$ (9,882)</u></u>

Notes

^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Reservoir Maintenance Expense - Mainland
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1	50277	Reservoir Maintenance Expense per Division	\$ 8,084 ^{1/}
2			
3	50277	Reservoir Maintenance Expense per NWD	<u>8,084</u> ^{2/}
4		Adjustment to Reservoir Maintenance Expense	<u><u>\$ -</u></u>

Notes

^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-7

City of Newport Water Department

Adjustment to Operating Supplies Expense - Station One
For the Rate Year Ended June 30, 2025

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
1	50311	Operating Supplies Expense per Division	\$ 4,408 ^{1/}
2			
3	50311	Operating Supplies Expense per NWD	<u>15,000 ^{2/}</u>
4		Adjustment to Operating Supplies Expense	<u><u>\$ (10,592)</u></u>

Notes

^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-11.

City of Newport Water Department

Adjustment to Operating Supplies Expense - Lawton Valley
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1	50311	Operating Supplies Expense per Division	\$ 3,365 ^{1/}
2			
3	50311	Operating Supplies Expense per NWD	<u>12,386</u> ^{2/}
4		Adjustment to Operating Supplies Expense	<u><u>\$ (9,021)</u></u>

Notes

^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-12.

City of Newport Water Department

Adjustment to Laboratory Supplies Expense
For the Rate Year Ended June 30, 2025

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
1	50339	Laboratory Supplies Expense per Division	\$ 43,710 ^{1/}
2			
3	50339	Laboratory Supplies Expense per NWD	<u>78,466 ^{2/}</u>
4		Adjustment to Laboratory Supplies Expense	<u><u>\$ (34,756)</u></u>

Notes

^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-13.

City of Newport Water Department

Adjustment to Chemicals Expenses
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1		<u>Source of Supply - Island</u>	
2	50335	Chemicals Expenses per Division	\$ 118,250 ^{1/}
3	50335	Chemicals Expenses per NWD	128,125 ^{3/}
4		Adjustment to Chemicals Expenses	<u>\$ (9,875)</u>
5			
6		<u>Station One</u>	
7	50335	Chemicals Expenses per Division	\$ 690,580 ^{1/}
8	50335	Chemicals Expenses per NWD	748,253 ^{4/}
9		Adjustment to Chemicals Expenses	<u>\$ (57,673)</u>
10			
11		<u>Lawton Valley</u>	
12	50335	Chemicals Expenses per Division	\$ 778,299 ^{1/}
13	50335	Chemicals Expenses per NWD	843,297 ^{5/}
14		Adjustment to Chemicals Expenses	<u>\$ (64,998)</u>

Notes

^{1/} FY 2024 amount based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-8

^{3/} HJS Schedule D-9

^{4/} HJS Schedule D-11

^{5/} HJS Schedule D-12

^{6/} HJS Schedule D-14

City of Newport Water Department

Calculation of Annual Chemicals Usage
 For the Rate Year Ended June 30, 2025

Line No.	Description	FY2020	FY2021	FY2022	FY2023	FY2024	Average
1	PACl (Gallons)	141,805	131,158	135,065	136,037	124,604	133,734
2	Sodium Hypochlorite (Gallons)	50,879	56,154	58,839	58,381	59,446	56,740
3	Sodium Hydroxide (Gallons)	64,106	27,484	45,383	60,211	54,810	50,399
4	Hydrochloric Acid 31% (Gallons)	3,950	8,587	9,925	12,021	7,500	8,397
5	Sodium Chlorite (lbs.)	13,522	15,273	12,969	21,103	18,113	16,196
6	Fluoride (lbs.)	4,400	13,500	4,400	4,000	8,000	6,860
7	Magnafloc LT-7990 Coagulant (Gallons)	880	440	220	440	220	440

Data Source:
 Div. 2-26

City of Newport Water Department

Calculation of Annual Chemicals Expense
 For the Rate Year Ended June 30, 2025

Line No.	Description	Est. Usage	Units	Unit Price	Total Cost
1	Polyaluminum chloride, Liquid ^{1/}	133,734	Per Gallon	\$ 3.19	426,611
2	Sodium Hypochlorite, Liquid ^{1/}	56,740	Per Gallon	2.61	148,034
3	Commercial Grade Copper Sulfate Crystals	20	Per Ton	4,520.00	90,400
4	Hydrogen Peroxide Based Algaecide	15,000	Per Pound	1.35	20,250
5	Sodium Hydroxide (Liquid Caustic Soda) ^{1/}	50,399	Per Gallon	0.94	47,592
6	Liquid Hydrochloric Acid 31% Strength ^{1/}	8,397	Per Gallon	2.80	23,510
7	Sodium fluorosilicate ^{1/}	3	Per Ton	2,775.00	8,325
8	Sodium chlorite ^{1/}	16,196	Per Pound	0.98	15,840
9	Magnafloc LT-7990 Coagulant ^{1/}	440	Per Gallon	11.81	5,196
10	Advanced Treatment Vessel Custom Reactivated	200,000	Per Pound	1.21	242,500
11	Advanced Treatment Vessel Custom Virgin	120,000	Per Pound	2.68	321,000
12	Sta #1 Conventional Filter Reactivated	1,620	Per Cubic Feet	77.50	125,550
13	LVWTP Conventional Filter Reactivated	1,440	Per Cubic Feet	78.00	112,320
14				Total Cost	1,587,128

	Rate Year as Filed	
Island ^{2/}	128,125	118,250
Station One ^{3/}	748,253	690,580
Lawton Valley ^{4/}	843,297	778,299
	<u>1,719,674</u>	<u>1,587,128</u>

- Notes:
 Data Source Div. 2-27, except as noted.
^{1/} Div. 2-26
^{2/} HJS Schedule D-9
^{3/} HJS Schedule D-11
^{4/} HJS Schedule D-12

City of Newport Water Department

Adjustment to Distribution Service Maintenance Expense
 For the Rate Year Ended June 30, 2025

Line No.	Account	Description	Amount
1	50296	Service Maintenance Expense per Division	\$ 95,000 ^{1/}
2			
3	50296	Service Maintenance Expense per NWD	<u>95,000 ^{2/}</u>
4		Adjustment to Service Maintenance Expense	<u><u>\$ -</u></u>

Notes

^{1/} 3-Year average based on data provided in Div. 3-2 Attachment.

^{2/} HJS Schedule D-14.

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF RHODE ISLAND**

**CITY OF NEWPORT, UTILITIES)
DEPARTMENT, WATER DIVISION)
REQUEST FOR GENERAL RATE) DOCKET NO. 24-30-WW
INCREASE)
)**

**SURREBUTTAL EXHIBIT LKM-1 ACCOMPANYING THE
DIRECT TESTIMONY
OF
LAFAYETTE K. MORGAN, JR.
ON BEHALF OF THE
DIVISION OF PUBLIC UTILITIES AND CARRIERS**



FACT SHEET

2021 LCRR Requirements that Are Retained in the Final Lead and Copper Rule Improvements and Compliance Dates

October 2024

This fact sheet describes the requirements of the 2021 Lead and Copper Rule Revisions (LCRR) that EPA did not change in the final Lead and Copper Rule Improvements (LCRI) that systems must comply with starting October 16, 2024¹, clarify what requirements water systems must follow between October 16, 2024 and the LCRI compliance date, and describe the final LCRI compliance date requirements.

When must water systems comply with the LCRI?

Water systems must comply with the requirements of the LCRI three years after the date the final rule is published.

What requirements must water systems comply with between October 16, 2024, and the LCRI compliance date?

The Lead and Copper Rule (LCR) is the National Primary Drinking Water Regulation first promulgated in 1991 that requires actions by public water systems to reduce levels of lead and copper in drinking water. On January 15, 2021, EPA promulgated the LCRR. In October 2024, EPA published the final LCRI to significantly reduce exposure to lead through drinking water. The final LCRI builds on the 2021 LCRR and the original LCR and supersedes the 2021 LCRR.

The LCRI requirements replace most of the 2021 LCRR requirements and requires water systems to continue to comply with the LCR with the exception of certain 2021 LCRR requirements between the 2021 LCRR's October 16, 2024 compliance date and the LCRI compliance date. Specifically, in the LCRI, EPA retains the October 16, 2024 compliance date for the initial service line inventory, notification of service line material, Tier 1 public notification of a lead action level exceedance, and associated reporting requirements as listed in Tables 1 and 2 (water system requirements and State requirements that apply as a condition of primacy, respectively) below for water systems and States², respectively. Table 1 also clarifies the lead health effects language that must be used between October 16, 2024 and the LCRI compliance date. With these limited exceptions, water systems will comply with the LCR (as codified in the July 2020 Code of Federal Regulations) for all other rule provisions and transition directly to the LCRI at the LCRI compliance date.

¹ The 2021 LCRR requirements described are the same as those described in EPA's April 2024 [LCRR Implementation Fact Sheet](#).

² As part of this fact sheet, "State" refers to the agency of the state, Tribal, or territorial government that has jurisdiction over public water systems consistent with the definition of "State" in 40 CFR 141.2. During any period when a state or Tribal government does not have primary enforcement responsibility pursuant to section 1413 of SDWA, the term "State" means the relevant Regional Administrator of EPA.

Table 1: 2021 LCRR Water Systems Requirements Systems Must Comply with October 16, 2024 through the LCRI Compliance Date

System Requirements	Compliance Date	Code of Federal Regulations (CFR) Section
Initial Inventory and Associated Reporting		
Initial inventory development (includes making inventory publicly accessible).	October 16, 2024	40 CFR 141.84(a)(1) through 141.84(a)(10) (excluding 141.84(a)(6) and (a)(7))
Submission of initial inventory to the State	October 16, 2024	40 CFR 141.90(e)(1)
Failure to submit initial inventory to the State by October 16, 2024, requires Tier 3 Public Notification (PN).	Starting October 16, 2024	40 CFR Appendix A to Subpart Q of Part 141 I.C.1 (excludes Tier 3 notification for 141.90 except 141.90(e)(1), (e)(13), and (f)(4))
Notification of Service Line Material and Associated Reporting		
Notification of known or potential service lines containing lead within 30 days of completion of the inventory (initial) and repeat notification on an annual basis until the entire service connection is no longer lead, galvanized requiring replacement, or unknown. For new customers, water systems must also provide the notice at the time of service initiation.	Within 30 days of completion of the inventory and then annually	40 CFR 141.85(e)
Provide revised lead health effects language in public education materials to ensure consistent notification messaging with PN requirements (as referenced in 40 CFR 141.85(e)).	Starting October 16, 2024	40 CFR 141.85(e)(3) requires health information meeting the requirements of 40 CFR 141.85(a)(1)(ii)
Annual reporting to the State by July 1 that the system provided notification and delivered lead service line information materials to affected consumers with lead, galvanized requiring replacement, or unknown service lines for the previous calendar year. Water systems must provide a copy of the notification and information materials to the State.	July 1, 2025, and then annually	40 CFR 141.90(e)(13), 40 CFR 141.90(f)(4)
Failure to certify to the State that the system notified persons served at service connections of a known or potential service line containing lead requires Tier 3 PN.	Starting October 16, 2024	40 CFR Appendix A to Subpart Q of Part 141 I.C.1 (excludes Tier 3 for 141.90 except 141.90(e)(1), (e)(13), and (f)(4))
Other Public Education Materials¹		
Provide 2021 LCRR revised lead health effects language in public education materials (including public education after a lead action level exceedance) to ensure consistent messaging with	Starting October 16, 2024	40 CFR 141.85(a)(1)(ii)

System Requirements	Compliance Date	Code of Federal Regulations (CFR) Section
notification of service line material and PN requirements.		
Public Notification² and Associated Reporting		
Exceedance of the lead action level as specified in § 141.80(c) requires Tier 1 PN provided to persons served by the water system no later than 24 hours after the system learns of the exceedance.	Starting October 16, 2024	40 CFR 141.201(a)(3)(vi) (In Table 1 to § 141.201), 40 CFR 141.202(a)(10) (In Table 1 to § 141.202), 40 CFR Appendix A to Subpart Q of Part 141 C.2
A copy of the Tier 1 PN for lead action level exceedance must be sent to the head of the primacy agency and EPA Administrator no later than 24 hours after the system learns of the exceedance.	Starting October 16, 2024	40 CFR 141.201(c)(3), 40 CFR 141.31(d)(2)
Provide revised lead health effects language as required in Tier 1 PN for lead action level exceedance and Tier 2 and 3 PN for violations.	Starting October 16, 2024	40 CFR Appendix B (D.23) to Subpart Q of Part 141

¹ While discussed in the April 2024 LCRR Implementation Fact Sheet, a row was added to the table to ensure systems know the LCRR health effects language is required starting October 16, 2024 through the LCRI compliance date, upon which the LCRI health effects language is required.

² From October 16, 2024 through the LCRI compliance date, Tier 1 PN is triggered by a lead action level exceedance of 0.015 mg/L. Starting on the LCRI compliance date, Tier 1 PN is required if a system exceeds the new lead action level of 0.010 mg/L.

Table 2: 2021 LCRR State Requirements States Must Comply with October 16, 2024 through the LCRI Compliance Date

State Requirements	Compliance Date	Code of Federal Regulations (CFR) Sections
Initial Inventory and Associated Reporting		
States reporting to EPA: For each public water system, the number of lead, galvanized requiring replacement, and lead status unknown service lines in its distribution system, reported separately.	States receive information in Q4 2024 and report this information by the end of Q1 2025 (3/31/25) for the initial inventory.	40 CFR 142.15(c)(4)(iii)(D)
Quarterly reports to the Administrator include any system violations for failure to submit initial inventory to the State.	States receive information in Q4 2024 and report this information by the end of Q1 2025 (3/31/25) for the initial inventory.	40 CFR 142.15(a)(1)
Notification of Service Line Material and Associated Reporting		
Quarterly reports to the Administrator include any system violations for failure to certify notifications.	States receive information in Q4 2024 report this information	40 CFR 142.15(a)(1)

	by the end of Q1 2025 (3/31/25).	
Public Notification and Associated Reporting		
Quarterly reports to the Administrator include any system violations for failure to conduct Tier 1 PN.	States receive information in Q4 2024 report this information by the end of Q1 2025 (3/31/25).	40 CFR 142.15(a)(1)
Reporting of 90 th percentile lead concentrations where the State calculates a water system's 90 th percentile concentrations: The State provides the results of the 90 th percentile lead calculations, in writing, to the water system within 15 days of the end of the tap sampling period.	Within 15 days of the end of tap sampling periods.	40 CFR 141.90(h)(3)

What are water systems required to submit by the LCRI compliance date?

In addition to preparing to comply with all the LCRI requirements, water systems must submit the following to the State by the LCRI compliance date:

- All water systems must submit a baseline inventory or statement that they have no lead, galvanized requiring replacement or unknown service lines.
- All water systems with at least one lead, galvanized requiring replacement, or unknown service line must submit a service line replacement plan.
- All community water systems must submit a list of the schools and licensed child care facilities they serve or provide certification that they do not serve any.
- If a water system wishes to obtain a waiver from the inventory validation requirements, they must also submit a written request to the State demonstrating that they have conducted an inventory validation that is at least as stringent as the LCRI inventory validation requirements by the LCRI compliance date.

Please see the Service Line Replacement and the Lead in Schools and Child Care Facilities fact sheets for more information about these requirements.

Disclaimer: This document is being provided for informational purposes only to assist members of the public, States, Tribes, and/or public water systems in understanding the Lead and Copper Rule Improvements (LCRI). It includes descriptions of regulatory requirements. In the event that there are any differences, conflicts, or errors between this document and the LCRI, States, Tribes, and/or public water systems should refer to the LCRI. This document does not impose any legally binding requirements on the EPA, States, Tribes, or the regulated community. Further, this document does not confer legal rights or impose legal obligations on any member of the public. In the event of a conflict between the discussion in this fact sheet and any statute or promulgated regulation, the statute and any promulgated regulations are controlling.