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November 24, 2004

Via Hand Delivery

Luly Massaro, Commission Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

Re: Docket No. 3626; Rebuttal Testimony

Dear Luly:

On behalf of the Woonsocket Water Division ("WWD"), please find an original and nine copies of the rebuttal testimony of Emerson J. Marvel and Christopher P.N. Woodcock.

Further, the Division has taken the position that an overall weighted average rate for electric supply should be used instead of actual cost. It is important to explain why this position is incorrect.

Initial bids for electricity supply were received November 3, 2003. The bids received from Constellation New Energy ("CNE") were 5.56 cents per kwh for the wastewater facility and 5.62 cents per kwh for the other city accounts (including the WWD accounts). However, when entering into a market based contract for a commodity such as electricity, established practice is that electric suppliers will only provide pricing the day the contract is to be signed. This concept is called "refreshed pricing" (see attached for the refreshed pricing sheet). Accordingly, on November 16, 2003 (the day the electricity supply contract was signed), the refreshed pricing terms of 5.72 cents per kwh for city accounts and 5.40 cents per kwh for the wastewater plant were provided by CNE and accepted by the City. There was no negotiation or intentional shifting of costs.

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The reason the wastewater plant is paying less is simple economics – it costs less to supply power to the wastewater plant. The wastewater plant uses the majority of the City power (70%) and, unlike the other city accounts, uses the power at a relatively consistent rate. In other words, the wastewater plant runs 24 hours per day. Because demand for electricity is at its lowest and supply at its highest during the overnight hours, the cost of electricity is also at its lowest. Accordingly, the wastewater plant is afforded the benefit of a lower cost because of what is termed an “advantageous load profile”. If the WWD is only allowed to recover the average cost of all electricity, it still will have to pay the higher cost to CNE, resulting in a negative cost recovery position. Basic ratemaking and regulatory principles dictate that WWD should be allowed to recover the cost of the rate paid to CNE for electricity supply.

Thank you for your attention to this filing. If you have any questions, please give me a call.

Sincerely,



Craig L. Eaton
Attorney for the Woonsocket Water Division

Enclosure

cc: Thomas Ahern, Division Administrator
John Bell, Division

**CITY OF WOONSOCKET
PROVISION OF ELECTRIC POWER
REFRESHED PRICING – 12/16/03**

“Refreshed Pricing – Cost for Provision of Electric Power”

Note: Costs specified below are exclusive of any LDC charges for transmission and distribution services or any applicable taxes with regard to the delivery of electricity.

A) CITY Facilities ONLY:

Quantity (KwH per Month)	City Facilities: \$ / KwH	
	<i>3 Year Contract</i>	<i>4 Year Contract</i>
Typical Usage Profile (May 2003)*	See Alternative Price Sheet	
150% of Typical Usage Profile	See Alternative Price Sheet	

* The Typical Usage Profile is the usage profile specified in Attachment A for CITY Facilities for May 2003. Attachment A was provided in the RFP document previously issued by the City as “November 5, 2003 Electric Power Procurement – Bid #5079 (the “RFP”), as amended on November 7, 2003. The Typical Usage Profile is therefore 1,400,919 KwH per month. The desired **Contract Quantity** is therefore set at 150% of the Typical Usage Profile or 150% x 1,400,919 KwH per month.

The “Refreshed Pricing” provided above updates the pricing provided to your Proposal submitted to the City on November 20, 2003. The submitted proposal, including contract terms and provisions, shall remain valid with the “Refreshed Pricing” replacing the pricing submitted as Proposal Form 1 in the submitted Proposal.

Cost for Usage in Excess of Contract Quantity: There is no additional cost for usage in excess of contract quantity (see Section T2.2 of the revised agreement)

Quantity kWh per Month	School Facilities 3 Years	School Facilities 4 Years	CITY Facilities 3 Years	CITY Facilities 4 Years
Combined Use	\$0.0544 thru May 2004 then \$0.0572 thru Dec 2006	\$0.0544 thru May 2004 then \$0.0572 thru Dec 2007	\$0.0544 for City Accounts thru May 2004 then \$0.0572 thru Dec 2006. \$0.0537 for Wastewater Plant thru May 2006, then \$0.540 thru Dec 2006	\$0.0544 for City Accounts thru May 2004 then \$0.0572 thru Dec 2007. \$0.0537 for Wastewater Plant thru May 2006, then \$0.540 thru Dec 2007
125 % Of Combined Use	\$0.0544 thru May 2004 then \$0.0572 thru Dec 2006	\$0.0544 thru May 2004 then \$0.0572 thru Dec 2007	\$0.0544 for City Accounts thru May 2004 then \$0.0572 thru Dec 2006. \$0.0537 for Wastewater Plant thru May 2006, then \$0.540 thru Dec 2006	\$0.0544 for City Accounts thru May 2004 then \$0.0572 thru Dec 2007. \$0.0537 for Wastewater Plant thru May 2006, then \$0.540 thru Dec 2007
150 % Of Combined Use	\$0.0544 thru May 2004 then \$0.0572 thru Dec 2006	\$0.0544 thru May 2004 then \$0.0572 thru Dec 2007	\$0.0544 for City Accounts thru May 2004 then \$0.0572 thru Dec 2006. \$0.0537 for Wastewater Plant thru May 2006, then \$0.540 thru Dec 2006	\$0.0544 for City Accounts thru May 2004 then \$0.0572 thru Dec 2007. \$0.0537 for Wastewater Plant thru May 2006, then \$0.540 thru Dec 2007

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4 **PREFILED REBUTTAL TESTIMONY OF**
5 **CHRISTOPHER P.N. WOODCOCK**

6 **Q: Are you the same Christopher Woodcock that prefiled testimony in this**
7 **docket?**

8 A: Yes I am.

9 **Q: Have you had an opportunity to review the Division's prefiled testimony in**
10 **this Docket?**

11 A: Yes I have. While there are some matters that Mr. Marvel will discuss in his rebuttal
12 testimony, there are a number of areas I will discuss. In general there were five
13 major areas where Ms. Crane has suggested adjustments:

- 14 • Revenues under the current rates or pro forma water sales,
- 15 • Personnel costs,
- 16 • Maintenance and servicing items,
- 17 • General charges, and
- 18 • The operating reserve.

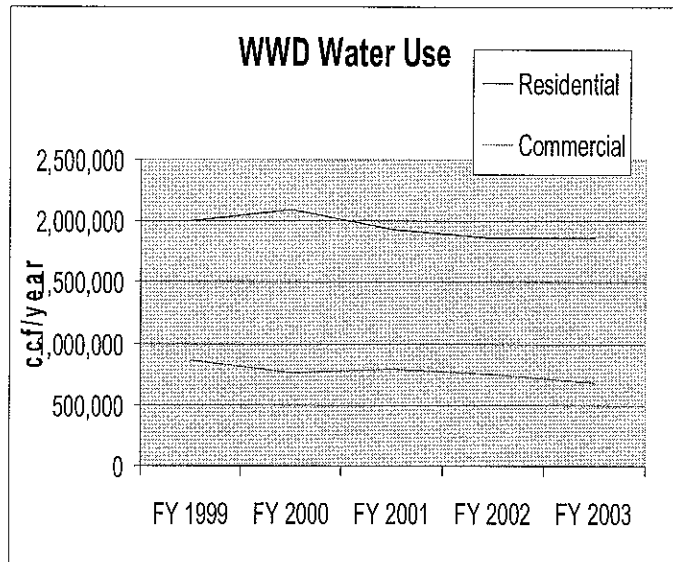
19 Revenues at Current Rates

20 **Q: Please start with the projected rate year revenues at the current rates.**

21 A: As with most items, the areas of disagreement with the Division are rather limited.
22 In this case, the Division has projected revenues in the rate year based on a three
23 year average of sales with an adjustment for the revenues lost from businesses that
24 were destroyed in the 2003 Mill Fire (see Ms. Crane's Schedule ACC-2). Because
25 of her projected increase in sales over the actual test year, she has also included
26 adjustments for costs that are highly dependant on the volume of water treated and
27 delivered (such as chemicals and power).

28 The tables included in Ms. Crane's testimony clearly demonstrate the downward
29 trend in sales since FY 1999. With the exception of FY 2000, there has been a de-
30 crease each year.

1 While I agree with Ms. Crane
 2 that water sales can be influ-
 3 enced by temperature and rain-
 4 fall, I believe she has failed to
 5 recognize two other factors that
 6 may be equally or more impor-
 7 tant: (1) the impact of climbing
 8 sewer rates; and (2) the per-
 9 manent loss of major commer-
 10 cial customers. These two fac-
 11 tors may very well play a much
 12 larger role in an industrial area
 13 such as Woonsocket.



14 First I must point out that the summer of 1999 (consumption and revenue in FY
 15 2000) was one of the hottest and driest periods in recent Rhode Island history. The
 16 following table for Rhode Island from the Northeast Regional Climate Center clearly
 17 shows this.

	<u>1999</u>		<u>2003</u>	
	<u>Temp</u>	<u>Rainfall</u>	<u>Temp</u>	<u>Rainfall</u>
June-99	105	2	52	103
July-99	104	16	97	71
August-99	85	43	108	93

18 Rankings are for 105 yrs 1895-1999 1=coolest or driest, 105 = warmest/wettest
 19 June and July 1999, typically high irrigation periods, were among the hottest for
 20 those months in 105 years, and August was in the top 20% of the hottest Augusts
 21 for the period. Similarly, June and July 1999 were among the driest for those
 22 months, with some marginal improvement in August. To the extent that tempera-
 23 ture and rainfall are the most significant factors influencing water use, FY 2000 was
 24 not at all "normal".

25 I have also shown data for the summer of 2003 (the test year in this docket). June
 2003 was a fairly normal temperature with far above average rainfall. Temperatures

1 the rest of the summer were warmer than normal (indicating higher water use) but
2 rainfall was also higher than normal (balancing off the need for water). Without de-
3 tailed evaporation data, it is difficult to tell if the test year was above or below nor-
4 mal. The rainfall and temperature data seem to compensate, perhaps indicating a
5 normal year.

6 In summary, I believe it is clear that 2000 was a statistically aberrational and ab-
7 normal year. Removing this from the analysis leaves us with a clearly downward
8 trend in water use in Woonsocket. I believe it is a mistake to ignore this downward
9 trend and forecast an increase over the test year as Ms. Crane has done.

10

11 **Q: You also mentioned the impact of sewer rates. Do you have the history of**
12 **sewer rate increases in Woonsocket?**

13 A: Woonsocket's sewer rates have increased as follows:

14	July 1, 2000	9.0%
15	July 1, 2001	9.0%
16	July 1, 2002	92.1%
17	July 1, 2003	2.9%
18	July 1, 2004	2.8%

19 As can be seen, there was a large increase six months before the test year began.
20 Even if they had not read about or heard accounts of the rate increase, customers
21 would have been billed for the near doubling of the sewer rates prior to the start of
22 the test year, providing incentive to reduce their usage in the test year. An increase
23 of this magnitude following two increases of 9% would certainly impact customer
24 sewer bills, particularly larger volume users.

25 The Commission is certainly aware of Woonsocket's 22% water rate increase that
26 became effective in September 2003. While most bills would not be impacted until
27 the very end of the test year, I think it is unlikely that customers would choose to in-
28 crease their water use from the test year.

29

1 **Q: Do you have any other concerns regarding Ms. Crane's analysis of rate year**
2 **water sales?**

3 A: Yes I do. I don't believe Ms. Crane was involved in Woonsocket's prior filing in
4 Docket 3512. Accordingly, she would not be aware of the loss of several other
5 large water consumers (Dorado, Consolidated Real Estate, Florence Drive LLC and
6 ACS Industry) that were the subject of the prior docket and whose use would be in-
7 cluded in the consumption values used in Ms. Crane's averaging. There were data
8 requests and testimony in Docket 3512 that detailed their use and the loss of these
9 customers.

10 Taking the clear downward trend in water use in Woonsocket along with the known
11 losses of a number of large volume users and the increased water and sewer rates,
12 I believe it would be a mistake to assume that water sales in the rate year will in-
13 crease by more than 3% to the values suggested by Ms. Crane. If anything, a fur-
14 ther adjustment downward from the test year is more likely.

15

16 Personnel Costs

17 **Q: Please discuss your disagreement with the Division's position on personnel**
18 **costs.**

19 A: There are actually three adjustments proposed by the Division. I will address them
20 one at a time.

21 The first adjustment suggested by the Division is a reduction in the rate year salary
22 and wage costs. This was derived by simply taking the actual FY 2004 costs and
23 increasing that by the contracted amount (Ms. Crane's Schedule ACC-3). This rec-
24 ommendation is apparently based (at least in part) on Woonsocket's response to a
25 Division data request that showed an average of 32 employees during the test year.
26 Woonsocket has 33 positions authorized and has based its rate year claim on 33
27 employees. As noted on the response to Division 1-6, there were a number posi-
28 tions that became vacant and were subsequently filled during that year. At this
29 time, Woonsocket has 33 employees. If we were to follow the Division's recom-
30 mendation, a position would have to be eliminated. We have asked for funding for

1 the full number of positions that are now filled -- the number authorized in the prior
2 docket.

3

4 **Q: What was the second adjustment by Ms. Crane?**

5 A: As discussed on pages 12 and 13 of her testimony, she has reduced the requested
6 upgrade to salaries based on the overall reduction in salaries and wages discussed
7 above (eliminating a currently filled position). As with the salaries and wages, we
8 do not believe that the elimination of funding for a currently filled position is appro-
9 priate. Likewise, elimination of the upgrade adjustment for that position is similarly
10 inappropriate.

11

12 **Q: What was the third personnel cost adjustment?**

13 A: The Division's third adjustment was to longevity. As with the upgrade costs, this re-
14 duction was based on using the 32 employee average in the test year rather than
15 the 33 now employed. As with the upgrade adjustment, we do not believe this is
16 appropriate given that we have 33 employee positions filled.

17

18 Maintenance and Servicing Costs

19 **Q: The Division has proposed some \$272,352 of adjustments in this category.**

20 **Do you have any comments on these?**

21 A: Mr. Marvel will provide rebuttal testimony on these issues.

22

23 General Charges

24 **Q: The Division has proposed three adjustments to the General Charges. Do you
25 agree with these?**

26 A: No I do not. The first adjustment (Schedule ACC-6) is related to payroll taxes. This
27 reduction is solely the result of the reductions in personnel costs that I discussed
28 earlier. As I have stated, this reduction is based on reducing the current number of
29 employees from the current 33 positions that are filled to an average from a prior

1 period. I would again point out that the 33 positions we are asking for is the same
2 as that previously authorized by the Commission.

3 The other two General Charges adjustments are related to the Rate Case Costs
4 and Debt Service.

5
6 **Q: Will you address the Rate Case costs?**

7 A: Woonsocket Water is unique for RI water utilities in that it has a restricted account
8 for its rate case expenses. This has worked quite well for Woonsocket because it
9 allows the Department to accumulate funds to pay for its rate case costs as and
10 when they are incurred. There is no amortization of the costs; they are treated like
11 a cash expense.

12 Woonsocket had \$57,105 in the restricted account at the end of FY 2004
13 (6/30/2004). Along with the additions since July 1, 2004, this will hopefully be suffi-
14 cient to fund the current docket. Ms. Crane assumes that only an additional
15 \$30,000 per year will be needed to build up a sufficient amount for a rate case in
16 three years. While I have used three years in my calculation as well, I have not
17 simply looked at this as an amortization calculation.

18 The purpose of the restricted rate case fund was to establish an account that had
19 sufficient funds for Woonsocket to pay its regulatory expenses as and when they
20 are incurred. Woonsocket last filed for a rate adjustment in March 2003 and filed
21 this case in July 2004 – about 15 months later, not 36 months. Woonsocket will
22 have to file a new case very shortly. They are preparing a filing with the Division for
23 a new bond issue. In order to fund these new bonds, Woonsocket will have to file at
24 least an abbreviated rate filing very shortly. It can NOT wait for three years. In or-
25 der to have sufficient funds to pay for its filings, an increase in the rate case re-
26 stricted fund will be needed. I believe the annual funding included in our original fil-
27 ing is the appropriate value for the Commission to allow.

28

1 **Q: What if Woonsocket does not file a new case shortly?**

2 A: While my analysis for First Southwest shows that a case will have to be filed to
3 meet the coverage requirements and have funds for its IFR program; if Woonsocket
4 delays this filing, the funds will be set aside in a restricted account. The Commis-
5 sion can always reduce the funding later if the funds are not used. However, if
6 Woonsocket does not have sufficient funds in its restricted rate case account, it will
7 have to pay its bills by drawing on other line items. Woonsocket does not have ex-
8 tra cash because of the reduction in water sales and revenues it has experienced.

9
10 **Q: Ms. Crane's testimony states (pg 27) that you do not state any intention to file**
11 **more frequently than every three years. Are you saying that filings will be**
12 **more frequent?**

13 A: Yes I am. I believe that Woonsocket will have to file a new case in less than 12
14 months in order to meet the coverage requirements for its proposed new bond issue
15 and have funds to pay for its IFR program.

16
17 **Q: The Division has suggested that a debt service allowance should be estab-**
18 **lished based on a three year average from CY 2005 through CY 2007. Do you**
19 **agree with this?**

20 A: No I do not. Under Woonsocket's bond resolution, the City must establish rates that
21 are sufficient each year, not just on average. Section 603 (2) of that Resolution re-
22 quires that: "Without limiting the generality of the foregoing, the City shall use its
23 best efforts to establish and maintain Rates and Charges at levels sufficient so that
24 total Net Revenues in each Fiscal Year during which Bonds are Outstanding, shall
25 equal at least one hundred twenty-five percent (125%) of the Debt Service Re-
26 quirement during such Fiscal Year with respect to all Bonds Outstanding as of the
27 first day of such Fiscal Year." (emphasis added) Woonsocket needs to have suffi-
28 cient revenues in FY 2006 to meet its debt service for that year. FY 2006 begins
29 July 1, 2005 – in some 6 months. To collect sufficient revenues for that year, it
30 would have to have rates approved on use in March or April. As the Commission

1 knows, establishing new rates takes more than a few months. Even if Woonsocket
2 were to file a new case in December 2004, the normal review process would take
3 us well beyond the spring of 2005.

4 I believe it is essential that Woonsocket be provided sufficient funding in this case to
5 meet its obligations in FY 2006. I would point out that we are well into FY 2005 at
6 this point and new rates are not in place. Should revenues be sufficient so that
7 funds in the restricted debt service account are in excess of needs, the Commission
8 can always order them transferred or used for other activities in a subsequent filing.

9 Operating Reserve

10 **Q: The Division has also recommended a reduction in the Operating Reserve al-**
11 **lowance that Woonsocket has requested. Can you comment on that?**

12 A: Ms. Crane's proposed reduction comes from essentially two different analyses: (1)
13 she has recommended a reduction in some expenses thereby reducing the 1.5% al-
14 lowance; and (2) she has recommended that the 1.5% allowance only be provided
15 on operating expenses (not on debt and capital items). The first difference is simply
16 a calculation using the allowed expenses and Ms. Crane and I are not in disagree-
17 ment with the method, only with the base to which it is applied. The second ele-
18 ment – what the percentage is applied to – is where we have a methodological or
19 philosophical difference.

20 As Ms. Crane correctly notes (pg. 29), the Commission has traditionally provided for
21 a 1.5% allowance on total expenses, not just operating costs. In some cases this
22 has been adjusted to reflect Commission concerns with management and more re-
23 cently, the Division has suggested that it only be applied to operating costs and not
24 debt or capital expenses. The Division points out that the capital (and debt) costs
25 are not subject to the variation that operating costs may be.

26 I think that concentrating only on the variability of costs is a mistake – one also must
27 consider the variability of total revenues. As discussed earlier, Ms. Crane and I
28 have a difference of 3% in what we believe sales and revenues will be under the
29 current rates, not just 1.5%. I believe the purpose of the operating reserve allow-
30 ance is or should be to provide sufficient funds for unforeseen increases in ex-

1 penses or decreases in revenues. I further believe that the current 1.5% allowance
2 on total costs is insufficient and that a further erosion of this provision will squeeze
3 the State's water utilities too hard.

4
5 **Q: What do you believe the Commission should allow?**

6 A: Because many of the Rhode Island water utilities are beginning to fund projects with
7 revenue bonds, there is a built in requirement for most of these bond issues to es-
8 tablish a debt service reserve. The purpose of that reserve is to provide funds for
9 the repayment of debt if revenues are less than expected. Given this extra protec-
10 tion, I can understand the Division's position that an additional allowance may not
11 be needed. However, if the Commission decides to do this, two critical points must
12 be made: (1) any funds withdrawn from the debt service reserve must be paid back
13 or made up within a year or so; and (2) the process to apply for and receive addi-
14 tional revenues to make up such a deficit typically takes longer than that. Without a
15 truly expedited process to replenish the reserve with a temporary surcharge or other
16 similar mechanism, the drawing down of the debt service reserve can put the water
17 utility at some risk of violating its bond covenants. Accordingly, I don't believe the
18 Commission should view the debt service reserve as some sort of "slush fund" that
19 shortfalls can simply be made up from. They really are only a temporary stop gap
20 for cash flow problems, not overall revenue deficiency.

21 I think it is also important to note that many of the State's water utilities still have
22 outstanding general obligation bonds. Typically there are no reserves for these
23 bonds and they are often subordinate to the revenue bond repayment requirements.
24 As a result, the municipality is on the hook to repay these bonds if there are insuffi-
25 cient revenues.

26
27 **Q: Should the Commission change its policy on operating reserve allowances?**

28 A: Yes, I do think this policy or tradition needs to be reconsidered by the Commission.
29 As I said earlier, I think the appropriateness of an operating reserve allowance is as
30 much a function of the variation in revenues as it is in expenses. I will certainly

1 agree that a reduction in production will typically result in some savings associated
2 with power and chemical costs, but these truly variable costs are a relatively small
3 percentage of the total water costs (less than 8% of Woonsocket's test year costs).
4 As a result, changes in water sales do not result in corresponding changes in costs.
5 If we look at the last five year's of Woonsocket's water sales (pg. 9 of Ms. Crane's
6 testimony) I believe the annual variation in water sales to the five year average is a
7 low of 0.9% and a high of 7.4%. The five year average variation is 4%. Based on
8 the variation of use for this period, I think a 4% operating reserve allowance on total
9 allowed revenues appears to be appropriate.

10

11 **Q: Is it your position that the Commission should allow a 4% operating reserve**
12 **allowance to Woonsocket in this docket?**

13 A: No it is not. While I think it is at least quantifiably supportable in this case (I do not
14 know where the 1.5% was derived), I recognize that this is a departure from the tra-
15 ditional allowance. I don't think such a change is appropriate based on this one
16 case or one utility, just as I don't think the departure suggested by Ms. Crane is ap-
17 propriate. Rather I would suggest that the Commission has ample evidence to con-
18 tinue with the full 1.5% allowance on total revenues (or allowed expenses) that it
19 has traditionally provided to Rhode Island's water utilities.

20 If the Commission believes that this is a tradition or policy that is in need of a
21 change, I suggest a generic docket be opened to consider this policy. Certainly, the
22 Division has suggested in some recent dockets that the 1.5% tradition be changed.
23 With a generic docket, suggestions and testimony could be taken from all the state's
24 regulated water utilities, policies in other states that regulate municipal water rates
25 (such as Maine) could be reviewed, and consideration could be given to providing a
26 variable allowance as a reward for proper utility management and fiscal controls or
27 penalty for mismanagement and lack of controls. In any case I don't believe an "on-
28 the-fly" change is appropriate, particularly with the uncertainties in Woonsocket's
29 revenues and expenses.

**PREFILED RUBUTTAL TESTIMONY OF
EMERSON J. MARVEL**

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Q. Are you the same Emerson Marvel that prefiled testimony in this docket?

A. Yes I am.

Q. Have you had the opportunity to review the Division's testimony?

A. Yes. I will discuss items relating to personnel, operating expenses, and rate case expense.

Q. Please discuss your position on the Division's recommendation regarding personnel expense.

A. I disagree with Ms Crane's recommendation on page 12 lines 2-4. In Docket 3512, the Woonsocket Water Division ("WWD") asked for and received funding for 33 employees. WWD has filled the remaining vacant positions and currently has 33 employees. By using FY2004 salary expenses increased by 3%, funding would only be available for 32 positions, not the 33 currently employed and needed to effectively operate the system. This would result in laying-off an employee. As a government entity, WWD cannot hire employees that are not funded. WWD requests the funding remain for the 33 positions currently filled.

Q. Are there any other adjustments you believe should be made to the Division's position on permanent services expenses?

A. Yes. Since the Division recommended basing permanent services expense on 32 employees, they reduced the upgrade amounts, payroll taxes and longevity by one position. I believe these adjustments should be added back and the personnel costs approved as filed.

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Q. Do You Agree with Ms. Crane’s position on roads and walks?

A. No. In Docket 3512, I testified that mid-year FY 2003 the City began requiring WWD to perform curb to curb paving restoration on roads that have been resurfaced within five years. This requirement results in a minimum patch of 25 feet in width for a standard trench 3.5 to 4 feet wide. This has resulted in a significant increase in road and walks expense in the last few years.

Q. Should the costs for roads and walks repair be averaged over a three-year period?

A. No. WWD should be allowed to recover “known and measurable” costs. The full width paving policy was implemented in midyear FY 2003 and is known and measurable. Averaging the last three fiscal years expenses includes 18 months where the policy and increased cost was not in place (FY 2002 and half of FY2003). This method of calculation produces a lower value that has no basis in terms of today’s requirement or in the trends shown in the test year and FY 2004.

Q. Is there any other testimony you want to make regarding road and walks expenses?

A. Yes. On page 15 of Ms Crane’s direct testimony, lines 3 through 7, she states” nor do we know if the utility is being required to perform work that may be more appropriately performed by, and funded by, other city departments. I am concerned about the possibility that certain costs are being allocated to the utility that may be more appropriately charged to other city departments, and which may have been charged to other departments in the past.”
While the city engineering department supervises road repair, all invoices from engineering are reviewed by WWD, matched to a WWD work order, and checked by WWD for appropriateness and relevancy of the charge. This has been standard

1 practice for many years. I am confident that WWD is not paying for repairs
2 performed by or for another department.

3

4 **Q. What is your recommendation for Rate Case Expense?**

5 A. I recommend that the rate case expense should be based on the actual expense for
6 this Docket, recovered over a two-year period.

7

8 **Q. Why is this your recommendation?**

9

10 A. WWD has had rate filings in 1999, 2003 and 2004. This represents three filings in
11 five years. The frequency of filings has increased considerably due to the need for
12 infrastructure improvement and the need to pay for and provide coverage for
13 Clean Water Finance Agency bonds. We expect this frequency to continue.
14 WWD is currently preparing a filing to obtain Division approval for an additional
15 \$5 million in bonds from Clean Water. This will necessitate another filing within
16 12 to 18 months of gaining Division approval. Consequently, it is imperative that
17 the funds be in place within two years in order to go forward with the next filing.

18

19 **Q. Does this conclude your testimony?**

20 A. Yes.

21

22 *316898_1.doc*