

1 **Q. Please provide your full name, title and business address for the record.**

2 A. Julia Forgue, P.E. I am employed by the City of Newport where I serve as Director of  
3 Public Works. My business address is 70 Halsey Street, Newport, RI.

4

5 **Q: Are you the same Julia Forgue who submitted pre-filed direct testimony in this**  
6 **docket?**

7 A: Yes, I am.

8

9 **Q: What is the purpose of this testimony?**

10 A: I would like to respond to certain points or conclusions that were made in the pre-filed  
11 testimony of Thomas Catlin, Christopher Woodcock and William McGlinn, Philip  
12 Driscoll. I will address some of the points raised in these testimonies and Harold Smith  
13 will address certain issues in his rebuttal testimony.

14

15 **Q: What issues would you like to address?**

16 A: There are several areas I will address. With respect to Newport's revenue request, I  
17 will address the areas where we agree with the issues raised by Mr. Catlin and Mr.  
18 Woodcock. These issues are:

- 19
- 20 • Customer Billing
  - 21 • Restriction of the Accumulated Benefit Buy-Out funds
  - 22 • Reduction of Projected Rate Year Consumption

23 I will also address several areas in which Newport disagrees with the positions taken  
24 by Mr. Catlin and Mr. Woodcock. These include:

- 25 • Employee Vacancies
- 26 • Funding of the Accumulated Benefit Buy-Out fund
- 27 • Retiree Insurance Expense
- 28 • City Legal and Administrative Services
- 29 • Water Pollution Control Revenue

30 In addition, Newport disagrees with the positions taken by Mr. McGlinn and Mr.  
31 Monaco with respect to treatment issues, and with Mr. Driscoll's request for a financial  
and management audit.

1 **REVENUE - AGREED UPON ISSUES**

2 **Customer Billing**

3 **Q. You indicated that there are areas where you are in agreement with the positions**  
4 **taken by Mr. Catlin and Mr. Woodcock. Can you please address these areas?**

5 A. Yes. First, Mr. Catlin suggests that Newport Water's tariffs be modified to state that  
6 metered water customers with 5/8 inch and 3/4 inch meters be billed tri-annually. In  
7 general, we also agree that customers with one inch and larger meters should be billed  
8 monthly. However, for a number of practical reasons, we do not agree that the tariffs  
9 should be changed at this time to require monthly billing for customers with one inch or  
10 larger meters. This issue is covered more extensively in Mr. Smith's testimony.

11  
12 **Restriction of Accumulated Benefits Buyout Funds**

13 **Q. Do you agree with Mr. Catlin's and Mr. Woodcock's recommendation that the**  
14 **Commission restrict any allowance granted by the Commission for Accrued Benefits**  
15 **Buyouts?**

16 A. Yes. While we do not agree with Mr. Catlin's suggestion to reduce Newport's request  
17 for these funds (as addressed below), Newport would agree to restrict these funds.

18  
19 **Projected Consumption**

20 **Q. Do you agree with Mr. Woodcock's position that Newport's projected**  
21 **consumption in the rate year should be reduced?**

22 A. Yes. In reviewing Mr. Woodcock's testimony and his analysis on this issue, Newport  
23 Water agrees with Mr. Woodcock's position.

24  
25 **REVENUE - DISPUTED ISSUES**

26 **Employee Vacancies**

27 **Q. Do you agree with Mr. Catlin's recommendation to adjust rate year salaries and**  
28 **wages and employee insurance to reflect an average of two vacant positions?**

29 A. No I do not. The current staff levels are appropriate and necessary in order to operate  
30 the utility efficiently. Mr. Catlin is correct that employee vacancies will occur during the  
31 rate year, and any time there are vacancies, Newport seeks to fill them as quickly as  
32 possible. However, if salaries and wages are eliminated because of temporary vacancies,

1 then Newport will not have sufficient funds to fill vacancies. Rather, permanent positions  
2 will have to be eliminated simply because the position was temporarily vacant. This may  
3 actually lead to an increase in salary and wage expense as operating with vacancies  
4 results in increased overtime costs to cover for the duties of the vacant positions.

5  
6 It is Newport's goal to be fully staffed. As set forth above, vacancies occur from time to  
7 time, and the vacancies are usually in different positions for different reasons. During the  
8 litigation of this Docket, three positions (not including the Deputy Director – Finance)  
9 became vacant. These positions are: Meter Reader Repairman; and, two (2) Skilled  
10 Labor Equipment Operators for Distribution and Source of Supply. The Meter Reader  
11 Repairman position became vacant when the employee in this position took a higher  
12 position that became vacant due to retirement. One of the skilled operators' positions  
13 became vacant when the employee left to work in the private sector, and the other  
14 became vacant due to a termination.

15  
16 Presently we are working to fill these three vacant positions. For the Meter Reader  
17 Repairman position, no one in the Union took the position, so it was advertised, and we  
18 received twenty applications. The Human Resources Office is conducting testing for this  
19 position to narrow the field of candidates to be interviewed. For the other two positions,  
20 we had two candidates who were offered the job, but rejected it. Therefore, we are  
21 continuing to look for other candidates.

22  
23 Eliminating funding for two positions will not allow us to hire replacements, and not  
24 filling any of these positions in the rate year will have a negative effect on the operations  
25 whether it is reading meters for billing, assisting in water main repairs, maintenance of  
26 reservoir property, or implementing capital projects.

27  
28 In addition, it must be remembered that the Deputy Director- Engineering resigned, and  
29 the position was left vacant so we could use the funds for this position to hire someone  
30 for the newly created position of Deputy Director – Finance. Therefore, as set forth in my  
31 direct testimony, we are asking for are funds to restore the Engineering position.

1 Presently, as the only engineer in the division, I am performing the duties of the Deputy  
2 Director- Engineering in addition to my administrative responsibilities. It is not feasible  
3 to expect the Water Division to continue operating in this manner while implementing a  
4 progressive capital improvement program. Without assistance from a Deputy Director-  
5 Engineering, I do not feel I will be able to provide the appropriate supervision for  
6 improved operations of the Water Division in addition to my other responsibilities as  
7 Director of Public Works.

8

9 **Accumulated Benefit Buy-Out**

10 **Q. Do you agree with Mr. Catlin's recommendation to decrease the funding for**  
11 **Accumulated Benefits Buyout (ABB) account ?**

12 A. No, I do not. Despite Mr. Catlin's analysis, we are concerned that we won't be able to  
13 meet this expense if we are faced with maximum exposure. As set forth in Mr.  
14 Woodcock's testimony (p. 10, l. 16-17), we don't want to have to scramble for funds if  
15 faced with the maximum amount of this expense. We do not want to be unprepared for  
16 the expenses associated with buyouts at the time of employee's retirement, and we  
17 believe the requested funding is necessary.

18

19 Presently, we are only aware of three (3) employees eligible for retirement in the rate  
20 year (FY 2006) based on years of service with the City only. However, an additional nine  
21 (9) employees become eligible for retirement based on years of service with the City over  
22 the next five years (FY 2007- FY 2011). Employees may also retire at 58 years of age  
23 with 10 years of service which we have not included. Furthermore, employees may have  
24 military service or other credits toward retirement which the City has no knowledge or  
25 record of and therefore are not included here. Based on the possible worst case scenarios,  
26 the Water Fund would have to divert funds from operating accounts in order to cover the  
27 ABB costs we are obligated to pay. This practice again would have a negative effect on  
28 the operations and cash flow of the utility.

1 **City Legal and Administrative Services**

2 **Q. Mr. Catlin's testimony recommends eliminating the costs of the Assessment**  
3 **Division within the Finance Department when allocating cots to Newport, do you**  
4 **agree with this?**

5 A. No, I do not. The Division's Data Request 3-4 sought the overall functions of each  
6 City Division, not those solely provided to the Water Division. Thus, our response and  
7 explanation in Division Data Response 3-4 describes the City Assessor's overall  
8 responsibilities and not the services provided to Newport. However, the Assessor's  
9 office does provide specific services to the Water Division.

10  
11 The City Assessor acts as the Newport's appraisal expert for Newport's properties in all  
12 communities where Newport is subject to property taxation. Specifically when the  
13 properties are subject to the 3 year statistical revaluation and/or complete revaluation. In  
14 addition, the Assessor acts as our appraisal expert when property is acquired, sold or  
15 modified, which results in a change in assessment in any of the four (4) communities  
16 where we own property . The City Assessor performs a value analysis on the properties to  
17 determine the market value and, based on his opinion, recommends if we should appeal  
18 any assessments. This analysis (appraisal) is the same analysis that would be performed if  
19 the Newport hired a private appraisal firm.

20  
21 The Director and the City Assessor attend appeal hearings in each of the four  
22 communities and before appraisal companies, Tax Assessors and Tax Boards of Appeals.  
23 The Assessor prepares and provides a packet of information that he then distributes and  
24 presents at each appeal hearing. He has been successful at these appeal hearings in having  
25 assessments adjusted in Newport's favor. In some cases, the City Assessor works with  
26 the City Solicitor's office to file appeals in Superior Court.

27  
28 In addition to the above, the City Assessor each year prepares and submits Newport  
29 Water's annual tangible property reports to each of the four communities.

1 **WATER QUALITY ISSUES**

2 **Q. As in Docket 3578, Mr. McGlenn’s testimony provides a detailed discussion on**  
3 **TTHM’s, do you have any additional comments?**

4 A. Yes I do. First, Newport Water takes all treatment issues very seriously. As I testified  
5 in Docket 3578, it must be stressed that Newport is committed to providing safe drinking  
6 water for all its customers. Further, the EPA and the Rhode Island Department of Health  
7 (RIDOH), are the regulatory agencies that are primarily responsible for ensuring public  
8 drinking water quality and safety, and for verifying that water utilities maintain  
9 compliance with drinking water standards. Presently, Newport is working to improve  
10 treatment operations to meet the current and future regulations including TTHM  
11 standards. Any changes or modifications to the treatment process are subject to the  
12 review and approval of the RIDOH. Newport and its engineering consultant are currently  
13 working with RIDOH regarding modifications to the treatment processes and the RIDOH  
14 is aware that Newport serves two wholesale customers. For these reason, and other  
15 reasons I will address below, this particular issue should not be addressed in this Docket.

16  
17 **Q. Mr. McGlenn in his testimony refers to findings from the draft of the final report**  
18 **for the joint water study approved in the settlement agreement in Docket No. 3578.**

19 **Do you have comments regarding his testimony?**

20 A. Yes I do. First, there is a history which resulted in the agreement to perform this study,  
21 which needs to be summarized briefly. In 2003, Newport conducted a regulatory  
22 compliance evaluation of existing treatment processes at both water treatment facilities to  
23 evaluate their ability to maintain regulatory compliance with current and future drinking  
24 water regulations. As part of this compliance evaluation, CDM prepared a Compliance  
25 Evaluation Report (hereinafter “CDM Report”) in February, 2004 that proposed plant  
26 modifications for both the short term and the long term.

27  
28 The content of this report, and its recommendation for the use of chloramines as a  
29 secondary disinfectant to control the TTHM levels was criticized by the Navy and  
30 Portsmouth in Docket 3578. The criticism focused on the fact that the evaluation did not  
31 provide the detail of a final design and implementation document. However, the

1 evaluation report was not intended to provide a high level of detail to use for  
2 implementation of a new treatment process. Attempts were made to allay concerns by  
3 asserting that a contract for the design and the implementation of the treatment change,  
4 with RIDOH approval, was the next step.

5  
6 In November 2004, Newport awarded a contract to CDM to implement the short term  
7 improvements identified in the CDM Report. A meeting was held with Newport's  
8 wholesale customers on December 20, 2004 at which CDM reviewed in detail the  
9 implementation of the short term proposals as well as the chloramine planning and  
10 implementation. CDM also discussed that the current corrosion control had to be  
11 optimized prior to the conversion to chloramines. Since that time, CDM continued  
12 working with Portsmouth and the Navy as they prepare to implement the short term  
13 solutions identified in their 2004 report.

14  
15 It was also explained during the course of Docket 3578 that the RIDOH, Office of  
16 Drinking Water Quality issued a May 24, 2004 directive indicating that any proposed  
17 change to existing treatment, or the installation of new treatment, must be reviewed for  
18 any potential effects on lead and copper levels in the distribution system, including that  
19 of any wholesale customer. Based on their review of the Compliance Evaluation CDM  
20 Report, the RIDOH indicated they would require Newport to submit a pilot study  
21 proposal for their approval for the proposed use of chloramines as a secondary  
22 disinfectant for both the Station 1 and Lawton Valley facilities.

23  
24 It was further required by RIDOH that the pilot study include extensive bench testing and  
25 off line piloting, prior to implementing on-line piloting in the distribution system. The  
26 pilot studies have to fully evaluate year round conditions at each treatment facility  
27 considering the significant differences in demand and operations between winter and  
28 summer months. The RIDOH requires a review of the effect from the use of chloramines  
29 on overall water quality, throughout the distribution system including the systems of  
30 Newport's wholesale customers. Newport's pilot study proposal was submitted to  
31 RIDOH on March 25, 2005, and was partially approved on July 1, 2005. Supplemental

1 information was provided on July 25, 2005, and final approval of the pilot program was  
2 received from RIDOH on September 15, 2005.

3  
4 Newport was confident in the work and recommendations presented in the 2004 CDM  
5 Report. Nevertheless, in order to assist our wholesale customers in reaching the same  
6 comfort level, Newport agreed in Docket 3578 to a joint study with the focus of  
7 evaluating available data and conducting an island-wide evaluation of measures available  
8 to control disinfectant by products and identify secondary impacts that may be associated  
9 with implementation of DBP control alternatives. Pursuant to the agreement, a contract  
10 was awarded to the Maguire Group in March, 2005 to conduct the joint study (hereinafter  
11 “Island Wide Study”) with concurrence from Portsmouth and the Navy on the scope of  
12 services. The level of detail required in the joint study is similar to that of the CDM  
13 report, as neither report can be considered to provide final design details for  
14 implementing a new treatment process for the Newport Water facilities. At the June 8,  
15 2005 meeting to review the Island Wide Study, the Maguire Group and their  
16 subconsultant endorsed the recommendations in the 2004 CDM Report as being the most  
17 logical based on current conditions. The consultants further remarked that they would  
18 have made the same recommendations independently.

19  
20 **Q. Is Newport Water currently taking any steps to address the TTHM issues raised**  
21 **by Portsmouth and the Navy?**

22 A. Yes. Treatment optimization to address TTHM levels are underway, specifically the  
23 conversion to the use of chloramines as a secondary disinfectant. The RIDOH pilot study  
24 bench scale testing for chloramines is completed and the bench scale testing for corrosion  
25 control is beginning. After completion of the bench scale testing and review of the results  
26 with the RIDOH pipe loop testing will be initiated.

27  
28 **Q. Can you comment on Mr. McGlenn’s request that the Commission authorized**  
29 **Portsmouth to relocate its connection to the Newport system?**

30 A. Yes. Relocation of Portsmouth’s connection as requested in Mr. McGlenn’s testimony,  
31 based on current operations and hydraulics, would likely result in violations of drinking



1 water regulations. In the island wide study, the relocation of the connection is identified  
2 only as a “potential solution.” The relocation options as indicated would result in water  
3 not meeting primary disinfection regulations. The drinking water regulations have  
4 changed since the early 1990’s when Portsmouth updated their current connection and the  
5 requested changes would have significant impacts on the system as a whole. The  
6 concerns Mr. McGlenn associates with the connection change (water age with respect to  
7 chloramine conversion and potential for nitrification) is being addressed with the design  
8 and implementation of chloramines as part of CDM’s November 2004 contract. It also is  
9 worth noting that the Island Wide Study indicates that Newport has a slight advantage in  
10 nitrification control due to the residual chlorite in the system resulting from our use of  
11 chlorine dioxide for disinfection.

12

13 **Q. Can you please comment on the PH variability raised by Portsmouth?**

14 A. Yes. With respect to the pH variability issue, Newport is not only looking at the  
15 variability, but more important, we are identifying the optimum pH in the system that is  
16 compatible with the conversion to chloramines. The optimum pH also relates to optimum  
17 corrosion control and nitrification control system wide. The adjustment of the pH level is  
18 being reviewed with the RIDOH with bench scale testing previously referenced in my  
19 testimony.

20

21 **Q. Can you please comment on Mr. McGlenn’s and Mr. Monaco’s request to have**  
22 **the Commission establish a goal for NEWPORT to meet 20% below the MCL for**  
23 **TTHM in the drinking water regulations?**

24 Yes. Newport’s goal is to minimize the formation of disinfectant by products to meet  
25 current and future drinking water regulations and the respective established levels.  
26 However, all “goals” and limits of the type suggested should be set by the EPA and  
27 RIDOH.

1 **Q. Can you comment on the actions that PWFD would like the Commission to order**  
2 **NEWPORT to take as a result of the island wide study?**

3 A. Yes I can. First I believe the issues and actions that Mr. McGlinn requests on page 12  
4 of his testimony are items that are best addressed by the RIDOH. Also, it should be  
5 stressed that while the information provided in the Island Wide Study is valid and  
6 important, the study is not comprehensive enough to make detailed recommendations for  
7 specific actions. The information provided in the study is based on review of existing  
8 data and not original testing. The study also does not address what impacts one change in  
9 the operation of the water treatment process will have on the utility as a whole.

10  
11 **AUDIT**

12 **Q. Do you agree with Mr. Driscoll’s request that the Rhode Island Public Utilities**  
13 **Commission perform a financial and management audit?**

14 A. No. I do not agree. I also do not think it is at all productive to engage in a protracted  
15 discussion, examination and challenge of Mr. Driscoll’s assertions at this time. Newport  
16 Water prefers to look forward, rather than backward. Suffice to say that Newport Water  
17 does not agree that it has become “mired in financial or operational problems.” Certainly,  
18 Newport Water has had problems, and we have worked (and will continue to work)  
19 diligently to address and solve these problems. However, Newport does not believe that  
20 the time and cost of a financial and management audit is warranted. Currently, Newport’s  
21 biggest problem is that we are not collecting enough revenue to fund operations.  
22 Therefore, Newport would prefer to focus its efforts in this Docket on collecting an  
23 adequate rate that will allow us to properly operate the system.

24  
25 **Q. Does this conclude your rebuttal testimony?**

26 A. Yes it does.  
27  
28  
29