

1 **RHODE ISLAND PUBLIC UTILITIES COMMISSION**

2
3 **DOCKET NO. 3675**

4
5 **NEWPORT WATER DEPARTMENT**

6
7 **PREFILED TESTIMONY OF**

8
9 **CHRISTOPHER P.N. WOODCOCK**

10
11 **ON BEHALF OF**

12 **PORTSMOUTH WATER & FIRE DISTRICT**

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1 **Q: Please state your name and business address?**

2 A: My name is Christopher P.N. Woodcock and my business address is 18 Increase
3 Ward Drive, Northborough, Massachusetts 01532.

4

5 **Q: By whom are you employed and in what capacity?**

6 A: I am the President of Woodcock & Associates, Inc. a consulting firm specializing in
7 water and wastewater rate and financial studies.

8 **Prior Experience**

9 **Q: Please describe your qualifications and experience.**

10 A: I have undergraduate degrees in Economics and in Civil Engineering from Tufts
11 University in Medford, Massachusetts. After graduating in 1974, I was employed by
12 the environmental consulting firm of Camp, Dresser and McKee Inc. (CDM). For
13 approximately 18 months I worked in the firm's environmental engineering group
14 performing such tasks as designing water distribution and transmission pipes,
15 sewer collection and interception systems, pumping facilities and portions of a
16 wastewater treatment facility. From approximately January 1976, I worked in the
17 firm's management and financial consulting services group, gaining increasing re-
18 sponsibility. At the time of my resignation, I was a corporate Vice President and
19 appointed the leader of the group overseeing all rate and financial studies. In my
20 career, I have worked on more than 300 water and wastewater rate and financial
21 studies, primarily in the United States, but also for government agencies overseas.
22 I have also worked on a number of engineering and financial feasibility studies in
23 support of revenue bond issues, I have helped draft and review revenue bond in-
24 dentures, and I worked on several valuation studies, capital improvement financing
25 analyses and management audits of public works agencies. In addition to my pro-
26 fessional experience I have also held elected and appointed positions on municipal
27 boards overseeing public works functions.

28

29 **Q: Have you previously testified before state regulatory commissions or courts**

1 **on rate related matters?**

2 A: Yes, I have provided testimony on rate related matters before utility commissions in
3 Rhode Island, Maine, Connecticut, New York, New Hampshire, Texas, and Alberta,
4 Canada. I have also been retained as an expert witness on utility rate related mat-
5 ters in proceedings in state courts in Arkansas, Florida, Massachusetts, Michigan,
6 New Jersey, Maryland, Ohio, and Pennsylvania, as well as the Federal Court in
7 Michigan. I have been selected to several arbitration panels related to disputes
8 over water rates and charges, I have provided testimony on rate related matters to
9 the Michigan and Massachusetts legislatures, and I have provided testimony at
10 administrative hearings on a number of occasions.

11
12 **Q: Do you belong to any professional organizations or committees?**

13 A: Yes, I am a member of the Water Environment Federation, the Rhode Island Water
14 Works Association, the Massachusetts Water Works Association, the New England
15 Water Works Association, and the American Water Works Association. For the
16 Water Environment Federation, I was a member of the committee that prepared
17 their manual on Wastewater Rates and Financing. For the New England Water
18 Association, I am a member of the Conservation Committee and the co-chairman of
19 the Financial Management Committee. In my capacity as Assistant Treasurer for
20 the New England Water Works Association I also sit on the Executive Committee
21 and the Board of Directors as well as several other administrative committees. For
22 the American Water Works Association, I am past chairman of the Financial Man-
23 agement Committee and the Rates and Charges Committee that has prepared the
24 manuals on Revenue Requirements, Water Rates, Alternative Rate Structures, and
25 Water Rates and Related Charges. I have been reappointed to and am currently a
26 member of the Rates & Charges Committee.

1 **Summary**

2 **Q: Please describe your role in this proceeding.**

3 A: I have been retained by the Portsmouth Water & Fire District (Portsmouth) to re-
4 view Newport Water's rate filing in Docket 3675. I had been involved in a similar
5 capacity in Newport's last rate filing.

6

7 **Q: Would you summarize your overall findings?**

8 A: Although Newport's filing in this docket is *starting* to address critical issues and
9 provide information that assures ratepayers of fair and reasonable rates, several
10 areas of concern remain:

11

- 12 • I believe the amounts that are being requested for services from the City
13 are overstated.
- 14 • I am concerned that Newport's projection of rate year sales are overly op-
15 timistic, and will continue to leave the Water Department short of needed
16 revenues.
- 17 • I believe that the amounts allocated to the City's Wastewater Division are
18 still understated and that the full cost should be recovered for the benefit
19 of the water rate payers.

20

21 Since the last Docket (# 3578), it appears that Newport is (a) reporting to the Com-
22 mission, (b) restricting funds as ordered, to the extent possible, and (c) beginning
23 to work with its customers for an Island-wide treatment solution. The reports don't
24 yet provide a true picture of the monthly cash position (an accrual basis would be
25 more meaningful), but it is an improvement. I hope and expect that the quality of
26 information improves.

27 **Revenue Requirements**

28 **Q: Have you reviewed the rate year revenue requirements as proposed by New-**
29 **port Water?**

1 A: Yes, but to help control Portsmouth's costs, I have not spent substantial time re-
 2 viewing issues that the Division is expected to consider. However, I am con-
 3 cerned about the increase in charges from the City of Newport that take funds out
 4 of the Water Department and; I have looked into these issues in greater detail. Af-
 5 ter reviewing the Division's testimony in this docket, I expect I will comment on
 6 other matters that I have not addressed herein.

7 **Q: Do you have any general comments on Newport's claimed revenue require-**
 8 **ments for FY 2006?**

9 A: I have looked at the Test Year (FY 2004) operating expense, the just completed
 10 year (FY 2005) and the proposed Rate Year (FY 2006) Expenses. These are
 11 summarized on the following Table:

| <u>Account</u> | Test Year (FY 2004) | FY 2005 (Unaudited) | Rate Year (FY 2006) |
|---|--------------------------------|--------------------------------|--------------------------------|
| <u>Operating Revenue Requirements</u> | | | |
| Administration | \$ 1,163,524 | \$ 1,329,889 | \$ 2,032,168 |
| Customer Accounts | 476,661 | 456,593 | 536,815 |
| Customer Services | - | - | - |
| Source of Supply - Island | 406,243 | 427,330 | 455,087 |
| Source of Supply - Mainland | 16,936 | 17,683 | 95,663 |
| Treatment - Newport Plant | 1,304,989 | 1,190,176 | 1,352,566 |
| Pumping - Newport Plant | - | - | - |
| Treatment - Lawton Valley | 890,469 | 822,250 | 1,026,354 |
| Pumping - Lawton Valley | - | - | - |
| Water Laboratory | 187,215 | 174,644 | 213,952 |
| Transmission & Distribution Maintenance | 767,708 | 787,789 | 838,893 |
| Fire Protection | 5,378 | 1,253 | 14,000 |
| Total Operating Requirements | 5,219,123 | 5,207,607 | 6,565,498 |
| <u>Capital Revenue Requirements</u> | | | |
| Contribution to Debt Service Account (3) | 1,521,815 | 1,271,815 | 1,378,768 |
| Contribution to Repayment to City Account (4) | - | 250,000 | 250,000 |
| Contribution to Capital Spending Account (3) | 1,090,340 | 1,090,340 | 1,267,088 |

| | | | |
|--|---------------------|---------------------|---------------------|
| Total Capital Requirements | 2,612,155 | 2,612,155 | 2,895,856 |
| Subtotal Revenue Requirements | 7,831,278 | 7,819,762 | 9,461,353 |
| Additional Rev Requirements (5) | 117,469 | 115,749 | 141,920 |
| Revenue Requirements before Offsets | 7,948,747 | 7,935,511 | 9,603,274 |
| Less: Revenue Offsets (6) | (278,113) | (157,768) | (259,060) |
| Net Revenue Requirements | <u>\$ 7,670,634</u> | <u>\$ 7,777,743</u> | <u>\$ 9,344,214</u> |

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One can see that there was virtually no change from FY 2004 to FY 2005. However, an increase of about 20% is shown for the Rate Year. I believe that the expenses in FY 2005 showed little or no change from FY 2004 due to Newport's reduced revenues, controls put on their expenses (see response to Div 1-41 and 1-43), and staff vacancies. However, even if the FY 2004 expenses increased 5% per year from FY 2004 they would be significantly less (almost \$900,000) than those projected for the rate year. Administrative salaries generally show a 35% increase over two years. The largest changes are in the Legal & Administrative and Data Processing line items where the rate year request of \$800,071 is about \$600,000 more than the test year amount of \$193,800.

City Services Charges

Q: Have you reviewed the Legal & Administrative adjustments?

A: I have. These are shown on Newport's Schedule RFC-C, and are the proposed reimbursements to the City of Newport. The increase over the test year is nearly 350%, or \$400,000.

Q: Do you have any comments to Newport's calculation of the proposed Legal & Administrative charges from the City of Newport to the Water Department?

A: Yes. I believe they overstate an appropriate allocation by almost \$285,000 per year. I have looked at the various departments and Newport's explanations in various data requests and the schedules attached to Mr. Smith's testimony.

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Mr. Smith has taken the Water Department's FY 2006 budget and divided it by the City's budget, excluding schools and the library. My first concern is that the Water Department budget value that was used significantly exceeds the cost of service as presented by Newport and thus I have adjusted it. I have replaced the Water Department budget with the cost of service in this docket. That adjustment lowers the percentage applicable to the Water Department.

My second general concern is that the school and library budgets have been excluded from the calculation. I have read Newport's testimony and data responses that the schools and library provide many services internally; however, the Water Department also provides many of these services and has a layer of administration or management from the Public Works Department that is already allocated to the Water Department. The Administration costs presented in Schedule RFC 1 Supplemental is nearly 1/3 of the total operating costs – this is not a trivial amount. By comparison, the administrative costs in Pawtucket and Kent County's recent filing were just over 1/4 the operating costs.

Q: Have you calculated an amount you believe is appropriate?

A: Yes I have. This is shown on the attached schedule that is a restatement of a part of Schedule RFC C. First, I have made no adjustment to Newport's calculation of the amounts for Human Resources, Accounting or Purchasing. While I feel these are also generous given that the Public Works Administration and Finance staff provide some level of these services that other departments don't have available, the calculations are not reasonable.

For several of the other City Departments I have calculated a new percentage based on the City's total budget including schools and the library and using the cost of service I developed for the Water Department. As I indicated earlier, I believe the schools and library are more similar to the Water Department, in terms of

1 services provided internally than many other departments of the City. Accordingly,
2 I believe the total budget of all these departments should be used. I have not used
3 the total school and library budgets, only those supported by Newport's general
4 fund – this has the effect of increasing the percentage over what would be derived
5 if the total school and library budget were used. I calculated 9.94% as the amount
6 of the Water Department budget. This was used to allocate costs to the Water De-
7 partment from The City Council, the City Manager, and City Services departments
8 of the City.

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10 For the City Solicitor's office I used 50% of the 9.94% in recognition that the Water
11 Department engages outside counsel for work such as this rate case. I also used
12 only 50% of the 9.94% for the Finance Administration. I realize that Ms. Sitrin has
13 probably spent an unusual amount of time in recent years on Water Department
14 business. However, Ms. Garcia was hired several years ago to assist with some of
15 the Finance efforts and Newport has proposed funding for an Assistant Director for
16 Finance in this docket. With this staff, the continued reliance on Ms. Sitrin's office
17 should diminish significantly. It seems unreasonable to request funding for a new
18 finance position and continue to ask for time from Mr. Sitrin at the same level as in
19 the past.

20
21 For the City Clerk and Assessment Departments I have only allocated 1% of each
22 office. From Newport's data responses, it appears that these two departments pro-
23 vide very little, if any real service to the Water Department. The property assess-
24 ment for the Water Department is no different than that provided to the schools,
25 where Newport asserts there are essentially no services provided.

26
27 For the Collections Department I have used the percentage of the Water Depart-
28 ment budget to the total budget excluding schools and the library. In this case it

1 does appear that the budget for those two departments should be excluded as little
2 service is reported to be provided to them by the Collections Department.

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4 Lastly, for Facilities Maintenance I have assigned 5% of the costs. This is based
5 on Newport's data response (Div 1-17) that $\frac{1}{4}$ of a person's time plus supervision is
6 associated with the Water Department.

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Q: Did you also review Newport’s proposed allocation for Management Information Systems?

A: Yes. Again, I believe that Newport’s claim in this docket is overstated by about \$190,000. Based on the response to Div 1-25 it is clear that the School Department will use the new general ledger and payroll systems so the exclusion of the School Department is not appropriate. Further, in reviewing the response to Div 1-19, it appears that the normal level of effort of the MIS Department for the Water Fund is about 5.5%. Accordingly, I have allocated 5.5% of the MIS Department costs to the Water Department. This calculation is also shown on the attached schedule 1.

Sewer Billing

Q: Have you reviewed the miscellaneous revenues that Newport has presented in this case?

A: Yes I have.

Q: Do you agree with the \$10,560 that Newport proposes to allocate to the Water Pollution Control (WPC) Division for billing?

A: No I do not. The basis for this new allocation is found in Newport’s response to Div 2-1. In the past the WPC Division has received this service for free, with the water rate payers picking up the entire cost. Newport is now proposing to charge the WPC Division, but only for a share of postage and contract services. Newport is not proposing to assign any other costs, even though there is a clear service being provided and a benefit to the WPC.

Q: What do you propose?

1 A: I propose that the WPC Division be assessed 1/3 (approximately the 33.21% pro-
2 posed by Newport) of the total costs associated with Customer Accounts. Based
3 on the proposed rate year expense of \$536,815, this amounts to \$178,938.

4

5 **Q: This is a large increase over the \$10,560 proposed by the City. Is that fair?**

6 A: First, I should point out that the WPC Division has been getting this service for no
7 charge. In addition, I have not allocated any of the Water Division overhead or
8 administrative costs to my proposed WPC Division charge – this would add more
9 than \$150,000 more. Lastly, I have not assigned any capital related costs associ-
10 ated with meters to the WPC Division. In short, I believe the proposed allocation of
11 \$178,938 is a reasonable first step.

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13 **Accrued Benefits Buy-Out**

14 **Q: In response to Division 1-7, Newport agreed to restrict any allowance for ABB**
15 **(Accrued Benefits Buy-Out). Do you believe these should be restricted?**

16 A: In this case I do believe this allowance should be restricted. Newport should be
17 provided with sufficient funds to pay its operating expenses. As explained in Ms.
18 Forgue's response to this data request, there is a degree of uncertainty with the
19 proposed rate year expenses. However, I don't think Newport should have to
20 scramble for funds to pay the ABB costs if they do indeed materialize. It would be
21 counterproductive if funds had to be diverted from another program to make these
22 payments. Accordingly, I recommend that the Commission restrict the allowance
23 for ABB.

24

1 **Projected Water Sales/Revenues**

2 **Q: Do you agree with the sales and revenue projections prepared by Newport in**
3 **this docket?**

4 A: As the Commission is aware, I have expressed concern in recent Rhode Island wa-
5 ter utility dockets that sales projections have been overly optimistic. As a result,
6 water utilities have not been able to earn the revenues allowed when sales come in
7 below the forecasts. It seems to me that there has been a trend with Rhode Island
8 water utilities for decreased sales in recent years. In part this *may* be related to
9 weather conditions and resulting irrigation demands, but I think it also is related to
10 wiser water use in the face of increasing water rates and sewer rates that are
11 based on metered water sales.

12

13 I was very concerned that Newport’s original filing was grossly over estimating the
14 rate year sales. As a result of the data requests from Portsmouth and the Navy,
15 Newport has supplemented its filing and revised the rate year sales estimates down
16 considerably. Newport has looked at an overall trend in sales from FY 2000 – 2004
17 and is now projecting sales based on a very slight increase from the historic four
18 year average.

19

20 Newport has provided us with sales for FY 2005 in response to Navy 1-4. The FY
21 2005 sales figures show a continuing drop in sales (that has resulted in a shortfall
22 in revenues in FY 2005). I believe the Commission should consider this more re-
23 cent information.

24

25 The table below shows the historic sales for FY 2000 – 2005 as well as my projec-
26 tion of sales for FY 2006 (the Rate Year) and FY 2007.

27

Annual Consumption in 1000's Gallons

| <u>FY 2000</u> | <u>FY 2001</u> | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>Projected</u> <u>FY 2006</u> | <u>Projected</u> <u>FY 2007</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|------------------------------------|------------------------------------|
|----------------|----------------|----------------|----------------|----------------|----------------|------------------------------------|------------------------------------|

| | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|-----------|--------------|--------------|
| Residential | 682,937 | 698,765 | 773,872 | 780,666 | 736,577 | 712,992 | 758,019 | 765,747 |
| Commercial | 703,460 | 620,182 | 561,576 | 564,052 | 640,632 | 557,293 | 541,165 | 522,108 |
| Governmental | 20,634 | 20,197 | 19,222 | 19,132 | 23,134 | 19,461 | 20,582 | 20,664 |
| Navy | 466,167 | 450,247 | 307,051 | 348,222 | 511,299 | 417,869 | 415,093 | 414,602 |
| PWFD | 438,179 | 442,582 | 455,142 | 451,723 | 422,944 | 429,465 | 429,416 | 426,390 |
| Sundry Billed Total (in 1000's Gal- lons) | <u>5,866</u> | <u>4,431</u> | <u>6,353</u> | <u>5,244</u> | <u>3,992</u> | | <u>4,297</u> | <u>4,003</u> |
| | 2,317,243 | 2,236,404 | 2,123,216 | 2,169,039 | 2,338,578 | 2,137,080 | 2,168,571 | 2,153,514 |

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Q: What sales values do you recommend in this case for the rate year?

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A: I believe the projected FY 2006 sales of 2,168,571 thousand gallons that I have shown above are reasonable.

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Q: How does this recommendation impact the increase requested by Newport?

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A: Newport's Supplemental testimony (Schedule RFC E) shows total revenues from rates and charges under the existing rates and charges as \$7,876,351. With the adjusted sales values I have proposed and the additional revenues from charges to the WPC Fund for water billing, I calculate the total revenues under the existing rates and charges to be \$7,808,045.

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Q: Should the Commission accept your recommendation for reduced rate year sales, won't it result in higher rates for the Portsmouth Water & Fire District?

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A: Yes it will. However, Portsmouth's interest is to have fair and equitable rates for Newport that provide the Newport Water Department with sufficient revenues to provide safe and dependable water. If Newport continues to run short on allowed revenues because of overly optimistic sales projections, there may be a short term

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1 financial benefit to Portsmouth, but I believe the long term consequences are not in
2 Portsmouth's or Newport's interests.

3 **Cost Allocation Study**

4 **Q: In response to the Department of the Navy's Data Request 1-2, Newport**
5 **states, "Since the rates, and underlying allocation of costs to each party, ef-**
6 **fectively remained unchanged as a result of the settlement agreement in**
7 **Docket 3578 it can be inferred that when the parties to the settlement agree-**
8 **ment agreed to the rates that were approved in Docket 3578, they also agreed**
9 **to the underlying cost allocations." Do you agree with this?**

10
11 **A:** Absolutely not. I believe that Portsmouth has been quite clear in prior dockets that
12 the cost allocation studies put forth by Newport are not adequate, have not con-
13 formed to the Commission's directives to Newport, and have not followed the direc-
14 tives and guidance that were provided in Docket No. 2049. I understand that in the
15 absence of an accepted cost allocation study the Commission has historically taken
16 the position that there is a presumption of fairness or equity to the existing rates
17 and charges. This position dates back to a case I was involved with in the 1970's
18 and I believe still continues. However, in this particular circumstance, the Commis-
19 sion had raised substantive issues with Newport's rates and had ordered a study
20 based on rather specific criteria. The parties agreed to retain many of the rates in
21 Docket 3578 but also agreed to change some. I do not believe that the settlement
22 in that case at all constituted an agreement to the underlying cost allocations. In
23 fact I believe the concerns that have existed for several decades remain and I
24 would not like the Commission to believe that Portsmouth agrees with the assertion
25 that the parties "also agreed to the underlying cost allocations".

26
27 In my direct testimony in Docket No. 3578 I cited a number of issues or questions
28 associated with the cost allocation study proposed by Newport in that docket.
29 Those issues remain.

1

2 In subsequent data responses (see PWFD 1-10, 1-11, and 2-2), I believe that New-
3 port has acknowledged that this filing does not represent a new cost allocation
4 study and I urge the Commission to reflect this in its decision.

5

1 **Q: Do you agree with Newport's proposed across the board increase?**

2

3 A: Yes, I support that proposal. Unless Newport prepares a new cost allocation study,
4 I don't believe the Commission has any choice but to revise all of Newport's rates
5 across the board.

6

7 **Q: Does this conclude your testimony?**

8 A: Yes it does.

9

10

11 **Attachments**

- 12 • Navy Data Request: 1-2, 1-4,
13 • Division Data Requests, 1-16, 1-17, 1-18, 1-19, 1-25, 1-41, 1-43, 2-1
14 • PWFD Data Requests: see text for references

Recommended City Services Expenses

266 Legal & Administrative

| | FY 2006 Budget | Percentage | Percentage |
|------------------------------------|------------------|---------------|--------------|
| General Fund Less School & Library | 46,904,339 | 69.67% | 51.10% |
| Harbor | 542,600 | 0.81% | 0.59% |
| Water Fund | 9,124,532 | 13.55% | 9.94% |
| WPC | 9,021,183 | 13.40% | 9.83% |
| Parking | 1,044,362 | 1.55% | 1.14% |
| Beach | 686,039 | 1.02% | 0.75% |
| Subtotal Budget | 67,323,055 | 100.00% | |
| School & Library | 24,462,547 | | 26.65% |
| Total Budget | 91,785,602 | | 100.00% |

| Divisions/Functions to be Allocated: Based on Percentage of Budget | Total City Budget | Allocation to Water Fund | % Allocation to Water Fund |
|---|-------------------|--------------------------|----------------------------|
| City Council | \$ 130,230 | \$ 12,946 | 9.94% |
| City Manager | 296,918 | \$ 29,517 | 9.94% |
| City Solicitor | 360,705 | \$ 17,929 | 4.97% |
| City Clerk | 458,964 | \$ 4,590 | 1.00% |
| Finance Administration | 329,332 | \$ 16,370 | 4.97% |
| Assessment | 270,906 | \$ 2,709 | 1.00% |
| Collections | 263,286 | \$ 35,684 | 13.55% |
| Administrative Services | 134,628 | \$ 13,384 | 9.94% |
| Facilities Maintenance | 602,116 | \$ 30,106 | 5.00% |
| Planning | 1,037,343 | \$ - | 0.00% |
| | <u>3,884,428</u> | <u>163,234</u> | |

| | | | |
|---|---------|--------|-------|
| To be allocated based on Payroll checks | | | |
| Human Resources | 231,323 | 13,440 | 5.81% |

| | | | |
|-------------------------|---------|--------|--------|
| Based on Vendor Checks: | | | |
| Accounting | 340,285 | 36,785 | 10.81% |

| | | | |
|---------------------------|------------------|----------------|--------|
| Based on Purchase Orders | | | |
| Purchasing | 90,000 | 13,419 | 14.91% |
| Total Legal & Admin Costs | <u>4,546,036</u> | <u>226,878</u> | |

| | |
|------------|------------|
| Rate Year | \$ 226,878 |
| Test Year | \$ 112,700 |
| Adjustment | \$ 114,178 |

267 Data Processing

| | Total City Budget | Allocation to Water Fund | % Allocation to Water Fund |
|--------------------------------|-------------------|--------------------------|----------------------------|
| Management Information Systems | \$ 1,845,933 | \$ 101,526 | 5.50% |

| | |
|------------|------------|
| Rate Year | \$ 101,526 |
| Test Year | \$ 81,100 |
| Adjustment | \$ 20,426 |

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-1: If the response to the Department of Navy's Data Request 1 is not available, please provide a comparison of the FY 2005 Commercial water sales through the most recent period available to the similar period for the prior two years.

Response: It is assumed that this question refers to the Navy's request 1-3. As such, please see the response to the Navy's first data request, question 3. If this request does not refer to Navy 1-3, please identify the specific Navy request.

Response prepared by: Harold Smith

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-2: Please provide Newport Water's explanation for the increase in sales to the Navy in FY 2004. If available please provide the sales to the Navy for FY 2005. If not yet available, please provide it when it becomes available and provide a comparison of the sales to the Navy through the most recent period available to the similar period for the prior two years.

Response: The Sales data available for the Navy is shown in the table below. Any and all requests for explanations for increase and or decrease in the Navy water consumption should be addressed to the Navy.

| | Consumption Fiscal 2005(through May) | Consumption Fiscal 2004 | Consumption Fiscal 2003 |
|---------------|---|------------------------------------|------------------------------------|
| Totals | 389,018 | 511,298 | 348,222 |

Prepared by: K Garcia

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-3: Please provide Newport Water's explanation as to why the projected rate year sales to Portsmouth will be greater than any of the prior historic years presented on Mr. Smith's Schedule RFC G.

Response: As a result of an error in the consumption data for Newport's Commercial customer class for FY 2004, the projected rate year sales to Portsmouth was overstated in Schedule RFC G. Once this error is corrected, the projected rate year sales to Portsmouth will not be greater than the consumption in all of the years presented in Schedule RFC G. This issue will be addressed further in supplemental testimony prepared by Harold Smith that will be presented to the Commission and the parties to this Docket. It is anticipated that this testimony will be submitted within the next 7 days.

Response prepared by: Harold Smith

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-4: Schedule RFC H shows an annual decrease in accounts while RFC G shows an increase. Is it Newport Water's testimony that the use per account will be increasing?

Response: As stated in the response to the previous question, an error in the consumption data for Newport's Commercial customer class for FY 2004, resulted in the projected rate year sales to all customers being overstated in Schedule RFC G. Once this error is corrected, the total projected sales to all customers are less than the consumption in FY 2004 which is consistent with the information presented in RFC H.

Response prepared by: Harold Smith

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-6: Referring to page 9 lines 21-22 of Mr. Smith's testimony, do the proposed private fire charges include a billing and collection component? Are the fire services included in the "number of bills anticipated in the rate year"? If not, please explain why no such component is included.

Response: The proposed private fire charges reflect the same percent increase to the rates allowed in Docket # 3578 as all of the other rates and charges proposed in this filing. The study prepared for this filing did not attempt to re-classify or re-allocate costs.

The fire services are not included in the number of bills anticipated in the rate year.

Response prepared by: Harold Smith

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-7: In other water and wastewater rate studies that Mr. Smith is familiar with is it his opinion that it is common to not charge wastewater enterprises with a portion of the water department metering, meter reading and billing costs? Does Mr. Smith agree with the presentations on this issue in the Water Environment Federation's Manual *Financing & Charges for Wastewater Systems* (pg. 133) and Mr. Raftelis's recent edition of the book *Water & Wastewater Finance and Pricing*?

Response: In other water and wastewater rate studies that I am familiar with, wastewater enterprises have been charged for a portion of the water department metering, meter reading and billing costs.

I do agree with the statement on page 133 of the Water Environment Federation's Manual *Financing & Charges for Wastewater Systems* which states, "Where wastewater charges are based on quantity of water use, a portion of water-meter-related costs may be distributed to the wastewater system customers." However, it should be noted that the use of the word *may* in this statement implies that utility management has some discretion as to whether these types of costs should be distributed to the wastewater customers.

As for whether I agree with the presentation on this issue in Mr. Raftelis' recent edition of the book *Water & Wastewater Finance and Pricing*, I am unsure which specific portion of the book is being referenced, and thus cannot provide a specific answer.

Response prepared by: Harold Smith

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-8: Newport Water has recently indicated (6/24/2005 letter from Mr. Keough to Commission Council) that until this docket is resolved "Newport Water will continue to struggle with cash flow issues" and that Newport may have trouble funding its current expenses and restricted accounts. Does Newport Water project that it will need to borrow additional funds from the City prior to the rates in this docket going into effect? If so, what are Newport's proposed plans for such borrowing, how much is anticipated (if any), and how does Newport Water propose to pay this back?

Response: First, Newport Water's legal counsel notes there has been no borrowing from the City of Newport other than the \$2.5 million dollars that was addressed in Docket 3578. Thus, to the extent that the question assumes that there has been "additional" borrowing other than the \$2.5 million dollars, then the question assumes facts that are incorrect. Counsel does not take the position that a formal objection, pursuant to Commission Rule 1.18, is necessary, but notes that Newport does wish to clarify this issue.

Prepared by: Joseph A. Keough, Jr.

Response: At this point, Newport Water does not anticipate that it will borrow any funds from the City of Newport.

Prepared by: Julia Forgue

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-9: The recent refinancing of Newport's general obligation bonds resulted in greater upfront debt payments by Newport Water for its share than would have been required prior to the refinancing. Please indicate the additional (or reduced) general obligation debt payments for Newport Water for FY 2005, FY 2006 and FY 2007 that resulted from the refinancing.

Response: Please see the attached schedule.

Prepared by: Harold Smith

Debt Service on Old Bonds

| | Payment Due Date | Principal | Interest | Total Requirement | Annual Debt Service |
|----------------|-----------------------------|---------------------|---------------------|------------------------------|--------------------------------|
| FY 2005 | 8/15/2004 | 225,000 | 58,838 | 283,838 | |
| | 11/15/2004 | 360,000 | 128,937 | 488,937 | |
| | 2/15/2005 | 0 | 51,750 | 51,750 | |
| | 5/15/2005 | 345,000 | 120,477 | 465,477 | \$ 1,290,002 |
| FY 2006 | 8/15/2005 | 225,000 | 51,750 | 276,750 | |
| | 11/15/2005 | 360,000 | 112,197 | 472,197 | |
| | 2/15/2006 | 0 | 44,550 | 44,550 | |
| | 5/15/2006 | 335,000 | 103,557 | 438,557 | \$ 1,232,054 |
| FY 2007 | 8/15/2006 | 225,000 | 44,550 | 269,550 | |
| | 11/15/2006 | 360,000 | 95,350 | 455,350 | |
| | 2/15/2007 | 0 | 37,238 | 37,238 | |
| | 5/15/2007 | 325,000 | 86,530 | 411,530 | \$ 1,173,668 |
| FY 2008 | 8/15/2007 | 225,000 | 37,238 | 262,238 | |
| | 11/15/2007 | 360,000 | 78,405 | 438,405 | |
| | 2/15/2008 | 0 | 29,869 | 29,869 | |
| | 5/15/2008 | 315,000 | 69,405 | 384,405 | \$ 1,114,917 |
| FY 2009 | 8/15/2008 | 225,000 | 29,869 | 254,869 | |
| | 11/15/2008 | 360,000 | 64,432 | 424,432 | |
| | 2/15/2009 | 0 | 22,444 | 22,444 | |
| | 5/15/2009 | 305,000 | 52,192 | 357,192 | \$ 1,058,937 |
| FY 2010 | 8/15/2009 | 225,000 | 22,444 | 247,444 | |
| | 11/15/2009 | 360,000 | 44,415 | 404,415 | |
| | 2/15/2010 | 0 | 14,963 | 14,963 | |
| | 5/15/2010 | 295,000 | 35,235 | 330,235 | \$ 997,057 |
| FY 2011 | 8/15/2010 | 225,000 | 14,963 | 239,963 | |
| | 11/15/2010 | 360,000 | 27,675 | 387,675 | |
| | 2/15/2011 | 0 | 7,481 | 7,481 | |
| | 5/15/2011 | 0 | 18,450 | 18,450 | \$ 653,569 |
| FY 2012 | 8/15/2011 | 225,000 | 7,481 | 232,481 | |
| | 11/15/2011 | 360,000 | 18,450 | 378,450 | |
| | 5/15/2012 | 0 | 9,225 | 9,225 | \$ 620,156 |
| FY 2013 | 11/15/2012 | 360,000 | 9,225 | 369,225 | \$ 369,225 |
| Total | | \$ 6,960,000 | \$ 1,549,585 | \$ 8,509,585 | |

Debt Service on New Bonds

| | Payment Due Date | Principal | Interest | Total Requirement | Annual Debt Service |
|----------------|-----------------------------|---------------------|-------------------|------------------------------|--------------------------------|
| FY 2005 | 8/15/2004 | 225,000 | 58,838 | 283,838 | |
| | 11/15/2004 | 360,000 | 128,937 | 488,937 | |
| | 11/15/2004 | 86,834 | 19,450 | 106,284 | |
| | 5/15/2005 | 426,380 | 91,263 | 517,643 | \$ 1,396,702 |
| FY 2006 | 11/15/2005 | 639,096 | 87,465 | 726,561 | |
| | 5/15/2006 | 356,072 | 80,275 | 436,347 | \$ 1,162,908 |
| FY 2007 | 11/15/2006 | 625,203 | 76,270 | 701,473 | |
| | 5/15/2007 | 344,203 | 68,455 | 412,658 | \$ 1,114,131 |
| FY 2008 | 11/15/2007 | 607,836 | 61,570 | 669,406 | |
| | 5/15/2008 | 286,553 | 53,973 | 340,526 | \$ 1,009,932 |
| FY 2009 | 11/15/2008 | 593,943 | 50,032 | 643,975 | |
| | 5/15/2009 | 274,684 | 41,123 | 315,807 | \$ 959,782 |
| FY 2010 | 11/15/2009 | 580,049 | 37,346 | 617,395 | |
| | 5/15/2010 | 264,510 | 28,646 | 293,156 | \$ 910,551 |
| FY 2011 | 11/15/2010 | 562,682 | 24,678 | 587,360 | |
| | 5/15/2011 | 38,998 | 16,238 | 55,236 | \$ 642,596 |
| FY 2012 | 11/15/2011 | 548,789 | 15,604 | 564,393 | |
| | 5/15/2012 | 0 | 6,686 | 6,686 | \$ 571,079 |
| FY 2013 | 11/15/2012 | 382,068 | 6,686 | 388,754 | \$ 388,754 |
| Total | | \$ 7,202,900 | \$ 953,535 | \$ 8,156,435 | |

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-10: Referring to Mr. Smith's testimony on page 8, lines 24 – 28, does Newport contend that the Commission has accepted Newport's cost of service study in any of the prior dockets in the past 10 years? If so, please provide a citation to a prior Commission Order or Settlement language that leads Newport Water to that conclusion.

Response: Newport Water does not contend that the Commission has accepted Newport's cost of service study in any of the prior dockets in the past 10 years. The cited portion of my direct testimony was simply meant to communicate that since the study performed for this filing did not attempt to re-classify or re-allocate costs to Newport's customers, the cost allocations that underlie the rates that were approved in Newport Water's previous dockets, in particular Docket 3578, have been preserved.

Response prepared by: Harold Smith

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-11: Does Newport Water contend that it has provided a cost of service study or a study showing an industry accepted method of allocating costs to various cost components and classes of customers in this docket?

Response: As stated on page 9, line 1 of my testimony, "a detailed cost of service study was not performed for this rate filing". Newport Water has elected to maintain the cost allocations that are inherent in the rates that were approved in Docket #'s 2985 and 3578 and is simply requesting an equal increase in rates charged to all customers such that it will be able to generate revenues that will offset the revenue requirements that are proposed in this rate filing.

Response prepared by: Harold Smith

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-12: Does Newport contend that the study presented in this docket does not assign Portsmouth Water with "transmission, distribution or peak costs associated with supply or treatment"? If so, please explain where or if this claim is supported.

Response: Since the proposed rates in this rate filing are based on the rates approved in Docket #3578 and in the Settlement Agreement that was reached in Docket # 3578, the parties agreed that Newport's cost allocation study presented in that docket did not seek to charge Portsmouth with transmission, distribution or peak costs associated with supply or treatment it must be inferred that the study presented in this docket does not assign these types of costs to Portsmouth either.

Response prepared by: Harold Smith

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-13: If the Commission agrees to allow Newport to combine its restricted debt service and capital accounts (page 11, lines 12-13 of Mr. Smith's testimony) what assurances can Newport provide that each individual restricted account will be properly funded?

Response: It is presumed that if the Commission allows Newport to combine the restricted debt service account and the restricted capital account, the Commission will seek the same assurances of proper account funding that Newport has been providing since the resolution of Docket # 3578.

Please note that the revenue requirements on which the proposed rates are based include funding of both the capital and debt service restricted accounts and that in the event that the Commission allows the accounts to be combined, the total amount of funding required for the separate accounts would be obligated to the combined account.

Response prepared by: Harold Smith

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-14: Please explain why the Commission should allow a new Deputy Utilities Director for Finance and continue to provide funding in the rate year for the City Finance Department (as a part of the City Services expenses).

Response: Funding for the new position and City Services, Finance Department should be allowed as the new Deputy Utilities Director will not replace all of the duties the Finance Department performs for the Water Division.

As set forth in Julia Forgue's testimony, there are a number of increasingly complex regulatory, compliance and financial management issues facing any regulated water utilities. In addition, Newport Water has been dealing with a number of issues left over from past management teams. These financial administration duties for Newport Water had fallen primarily on Laura Sitrin, the Finance Director for the City of Newport. This caused a severe strain on Ms. Sitrin's time and resources. As the Commission can no doubt appreciate, Ms. Sitrin has a number of other responsibilities in her position as City Finance Director. In the months following the conclusion of Docket 3578, Ms. Sitrin was assisting Newport Water as it was adjusting its restricted accounts to effectuate the retroactive nature of the settlement agreement in Docket 3578; ensuring that reports to the Commission were filed in a timely manner; resolving issues related to TSC-16; and dealing with cash flow issues related to Newport Water's status as a stand alone account separate from the General Fund. At the same time, she was responsible for completing the 2004 City audit, participating in the Police arbitration, and preparing the Citywide CIP for FY 2006-2010 on top of her day to day managerial responsibilities.

In addressing our financial issues, we consulted with other municipal water utilities such as Providence Water and the Pawtucket Water Supply Board. We discovered that the City Finance Directors for these municipalities did not have the same level of day to day involvement with the regulatory process as did Ms. Sitrin. We also discovered that these utilities had a higher level financial position to deal with the financial management. As such, it was decided that Newport should create the new position of Deputy Utilities Director (Finance).

However, this new position will not totally replace all the services provided by the City's Finance Department.

As indicated in the response to Div 1-17, Finance Administration provides all finance management, including review of the Deputy Utilities Director for Finance work, review and entry of all information into the Water Fund's general ledger and management of the accounting, payroll, accounts payable, budget, cash collections, management information systems and the assessment functions. Finance administration provides all cash

CITY OF NEWPORT - WATER DEPARTMENT
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Response to
Portsmouth Water & Fire District
Set I

management and prepares any and all transfers, bank reconciliations, debt service payment, bond disclosure agreements, year-end closing and audit preparation and monthly general ledger review. Finance administration participates in all high-level discussions that include financial impacts of the water fund. The Finance Department Senior Accountant assists the Water Department when needed. Finally, all interaction with the auditors and the payment of all audit fees (estimated to be \$100,000 in FY2005) are done by Finance Administration. Note that audit fees are not charged back to the Water Fund.

The new position will work in concert with the Finance Department to strengthen the financial oversight and management of Newport Water.

Prepared by: J. Forgue/L. Sitrin

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD. 1-15: Please explain the increase shown on RFC 2 for "Temp Account".

Response: The last rate filing approved "Temp Wages" of \$15,000.00. The build up of the requested "temp wages" for the current rate filing is provided in Schedule RFC C. Newport Water has determined it is cost effective to rely on temporary employees during periods of labor shortages rather than have permanent employees work overtime.

Prepared by: K Garcia

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD 1-16: Regarding the \$225,000 rate year claim for "Allowance for Doubtful Accounts", is it Newport's contention that this will also occur in the rate year? If so, please explain why. If not, please explain why it is a rate year cost. Also please explain why Portsmouth Water and the Navy should share in this expense.

Response: As set forth in response to Div 1-27, Newport Water does not require a bad debt reserve of \$225,000. In the last rate case the Commission approved a doubtful account allowance of \$30,000, which is sufficient.

Prepared by: L Sitrin

CITY OF NEWPORT - WATER DEPARTMENT

Docket No. 3675

**Response to
Portsmouth Water & Fire District
Set I**

PWFD 1-17: Regarding Schedule RFC C, why is there an additional cost for support services (such as List Perfect Labor Costs) in addition to the proposed Data Processing allocation of nearly \$290,000? Please list all direct charges from Data Processing that are included in the revenue requirement claim.

Response: There are no direct charges for Data Processing. The indirect allocation for data processing includes all phone service including the cost of local and long-distance calls. This does not include cell phones which are paid directly by the water fund. The Data Processing indirect allocation includes all in-house and contracted support for all phone and computer infrastructure, hardware, software and peripherals such as printers. The indirect allocation also includes all postage costs except for utility bills which are processed by List Perfect and paid for by the water fund directly. The indirect allocation includes all new equipment, software, training and licenses. The Water Fund uses the City's payroll, financial, human resources, billing and collection, permit, accounts payable, disbursement and banking systems. These all involve computer and phone infrastructure, hardware, software and peripheral costs. Further information can be found in responses to Div. 1-22, 1-19, 1-20, 1-21, 1-23 and 1-24. A detailed budget has been previously provided showing line item projected costs for the Management Information Systems department.

Prepared by: L. Sitrin

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD. 1-19: Has Newport included the administrative portion of the State Water Quality protection charge it is allowed to retain as revenue offset? If so, please indicate the amount and where it is shown.

Response: Yes, Newport has included the administrative portion the State Water Quality protection charges in revenue offsets. Please see Revenue Offsets, RFC D.

Prepared by: K Garcia

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Portsmouth Water & Fire District
Set I

PWFD. 1-20: Has Newport included the cell antenna rental income as revenue offset? If so, please indicate the amount and where it is shown.

Response: Yes, Newport has included the income from cell antenna lease agreements in revenue offsets. Please see RFC D, revenue offsets, line item 342, rental of property.

Prepared by: K Garcia

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Data Responses to Portsmouth Water & Fire District's
Second Set of Data Requests

PWFD 2-1: Referring to the response to PWFD 1-8 and Newport Water's monthly cash flow submittal to the Commission for June 2005 (submitted July 18, 2005): the cash flow report indicates that three payrolls for June 2, June 16 and June 30 "totaling \$317,630.19 remain to be transferred". The report shows ending cash on June 30, 2005 of only \$83,323.69, or some \$234,000 less than the payrolls owed to the City or due to be transferred. Is it true that Newport Water did not have sufficient cash to meet its payroll obligations for June?

Response: Yes, it is true that Newport Water did not have sufficient cash as of the date that the above referenced cash flow submittal was prepared. However, as of August 10, 2005, Newport Water has made the transfers to cover payroll for the month of June, 2005.

Prepared by: Harold J. Smith

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Data Responses to Portsmouth Water & Fire District's
Second Set of Data Requests

PWFD 2-2: Referring to:

- the response to PWFD 1-10,
- the Commission's rejection of the cost allocation study in Docket 1581 when the Commission's order noted: "Even though ... there is some indication that at present, tail block rates (and fire protection charges) may be disproportionately low under existing rates, we do not believe, from the state of the present record, that Newport has met its burden of proof on this issue. The present rates carry with them a presumption of non-discrimination, in view of the prior across-the-board increase in Docket 1480.", and
- the Commission's Order in Docket 2029 when the Commission stated, "This Commission is mindful that the issue of Commission authority over rate design has continually manifested itself in Newport's rate filings. In this decision we reaffirm our charge to develop an appropriate cost-of-service and the framework to provide rates which recover the revenue requirement fairly.", and the Commission went on to note they were persuaded of "deficiencies in Newport's existing rate design" and that "the current rate design, now approximately ten years old, must be revised."

Considering the above, does Newport contend that the current rates are based on any cost allocation study that was approved by the Commission prior to Docket 1480? When did Newport file Docket No. 1480? If Newport contends that a cost allocation study subsequent to Docket No. 1480 was approved by the Commission, please provide the Docket Number and a reference to a page in an order so indicating approval.

Response: No, Newport Water does not contend that the current rates are based on any cost allocation study that was approved by the Commission.

As set forth in my response to PWFD 1-10, Newport Water does not contend that the Commission has accepted Newport's cost of service study in any of the prior dockets in the past 10 years. The portion of my direct testimony on this subject was simply meant to communicate that the study performed for this filing did not attempt to re-classify or re-allocate costs to Newport's customers since the last Docket. As such, the cost allocations that underlie the rates that were agreed to in the Settlement Agreement and the Commission's Order in Docket 3578 have been preserved.

Prepared by: Harold Smith

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Data Responses to Portsmouth Water & Fire District's
Second Set of Data Requests

PWFD. 2-3: Referring to the response to PWFD 1-17: Please explain the services provided by List Perfect to (a) the water fund and (b) other City departments.

Response: (a). The Water Division's Contract with List Perfect is for the printing and mailing of the water bills including past due notices.

(b) To my knowledge, List Perfect does not provide services to any other City Department.

Prepared by: J. Forgue

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Responses To Portsmouth Water & Fire District's
Third Set of Data Requests

PWFD 3-1: Regarding the response to Division 1-13: How many of the "General" checks in each category were for the School Department? For the Library?

Response: There are no checks for the School Department or the Library. The City does not process the checks for either the School Department or the Library.

Prepared by: L. Sitrin

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Responses To Portsmouth Water & Fire District's
Third Set of Data Requests

PWFD 3-2: Regarding the response to Division 1-13 and 1-15: Does the City Human Resources Department maintain employee records for the school department or the library? Does it get involved in hiring for either of these two departments in any way? Does it assist in any labor negotiations? Please explain what is meant by the School Department using "the same accounting and payroll software as the City".

Response: The City's Human Resources Department does not assist in hiring or in labor negotiations for either the City of Newport School District or the Newport Public Library. The City Human Resources Department does not maintain employee records or assist in any way for the City of Newport School District and the Newport Public Library. The City and School purchased a financial software package called GEMS several years ago. The School uses this software to maintain their accounts and pay their bills. The City and School use a VAX system to process payroll. Each is responsible for processing their own payroll.

Prepared by: L. Sitrin

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Responses To Portsmouth Water & Fire District's
Third Set of Data Requests

PWFD 3-3: Regarding the response to Div 1-17: How are the City Clerk's services for the Water Department different than the services it provides to the School Department? Does the clerk maintain copies of school contracts or School Board minutes?

Response: The City Clerk does not provide any services to the City of Newport School District. The City Clerk does not maintain copies of school contracts or School Board minutes.

Prepared by: L. Sitrin

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Responses To Portsmouth Water & Fire District's
Third Set of Data Requests

PWFD 3-4: Regarding the Response to Div 1-17: Is an audit of the School Department activities part of the City's Audit? Does the School Department have a separate audit from the City?

Response: The City of Newport School District is audited as a special revenue fund of the City. School personnel work with the auditors for this. The City of Newport School District does not have a separate audit as they are precluded from this by Rhode Island State Laws.

Prepared by: L. Sitrin

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Responses To Portsmouth Water & Fire District's
Third Set of Data Requests

PWFD 3-5: Regarding the Response to Div 1-17: Who values the School Department properties if not the Assessment Division?

Response: The City Assessor does value the City of Newport School District properties. The City of Newport School District owns 22 of 10,292 parcels in the City of Newport. The School's properties are tax-exempt and as such, a minimal amount of time is spent on valuing their properties. No other services are provided by the Assessor to the School.

Prepared by: L. Sitrin

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Responses To Portsmouth Water & Fire District's
Third Set of Data Requests

PWFD 3-6: Regarding the Response to Div 1-17: Does the Water Department provide its own janitorial services for Water Department buildings? What is the cost of the custodian's time (25%) allocated to the Water Division and how much supervision time is allocated? Who ensures compliance with new state fire code regulations for the School Department Buildings?

Response: The Water Department provides services in some of their buildings and supplies for all buildings.

The custodian's salary and benefits for FY2006 is \$50,943 and 25% of that is \$12,736. The City has four custodians and two maintenance staff that are under the supervision of a foreman. One-tenth of the supervisor's time is allocated to the Water Fund. The supervisor's salary and benefits for FY2006 is \$61,488.

The Newport Public School District School Committee and Facilities Manager are responsible for ensuring that school buildings comply with the new state fire code regulations.

Prepared by: L. Sitrin

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Responses To Portsmouth Water & Fire District's
Third Set of Data Requests

PWFD 3-7: Regarding the Response to Div 1-18: Please clarify if the FY 2006 "General Fund Budget less School & Library" of \$46,904,339 shown on RFC C includes the City allocations of \$23,041,396 for the Schools and \$1,421,151 for the Library as discussed in the response.

Response: Schedule RFC C was prepared using the FY2006 City of Newport Proposed Operating Budget. The total General Fund Proposed Operating Budget was \$71,366,886. The proposed allocations to the City of Newport School District and The Newport Public Library are \$23,041,396 and \$1,421,151, respectively. The proposed general fund amount of \$71,366,886 less \$23,041,396 less \$1,421,151 equals \$46,904,339 as indicated in RFC C.

The Adopted FY2006 Operating Budget for the City of Newport General Fund is \$71,018,944 and the allocations to the City of Newport School District and the Newport Public Library are \$23,041,396 and \$1,418,897, respectively.

Prepared by: L. Sitrin

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Responses To Portsmouth Water & Fire District's
Third Set of Data Requests

PWFD 3-8: Aside from the Water Department and School Department, what other City Departments have a full time Financial Analyst and Deputy Director for Finance?

Response: No other departments have these positions. All other departments fall under the Finance Department. No other fund in the City other than the General Fund requires the same level of service, nor does any other Fund in the City have regular billing and collection cycles except for Water Pollution Control. This billing is included with the water bills. The only regulated fund in the City is the Water Fund, therefore no other fund in the City is required to go through a formal rate filing process.

Prepared by: L. Sitrin

Rhode Island Public Utilities Commission
Docket No. 3675 – Newport Water
Responses To Portsmouth Water & Fire District's
Third Set of Data Requests

PWFD 3-9: Regarding the response to Div 1-34: What other departments of the City internally prepare and send bills for services?

Response: The Maritime Fund prepares mooring bills once a year, and the General Fund prepares tax bills, special detail bills for police and fire and other miscellaneous bills required during the course of the year.

Prepared by: L. Sitrin

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Division of Public Utilities & Carriers' Data Requests
Set I

Div. 1-16:

Question: For each of the City divisions/functions whose costs are allocated based on percent of budget, please state whether it is the City's position that that division/function undertakes no activities and/or perform no functions related to the Schools and/or Library.

Response:

- The City Council approves an amount in the capital and operating budget for the School and the Library. This involves meeting twice a year with the School Committee and once a year with the Library Board. In addition, three councilors meet with three school committee members three to four times a year for an hour and one-half.
- The City Manager spends some time during the course of the year meeting with school personnel on issues. He estimates this time at 10 hours.
- The City Solicitor only addresses school issues if they relate to funding from the City. Both the School and Library have their own legal counsel.
- The City Clerk performs no functions for the Schools or Library.
- The Finance Administration meets with School personnel during the budget process and during the end-of-year audit. This amounts to about 20 hours a year.
- The Assessment Division performs no functions for the Schools or Library.
- The Collections Division performs no functions for the Schools or Library.
- Administrative Services performs no functions for the Schools or Library.
- Facilities Maintenance performs no functions for the Schools or Library.
- Planning performs no functions for the Schools or Library.

Prepared by: L. Sitrin

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Division of Public Utilities & Carriers' Data Requests
Set I

Div. 1-17:

Question: Please identify what services each City division/function that is allocated to the Water Division on the basis of percent of budget performs for the Water Division.

Response:

- The City Council approves all bids, contracts, ordinances and resolutions. All purchases greater than \$4,000 are subject to bid and Council approval. The Council reviews and approves the operating and capital budgets for the Water Division. The Council sets policy for the Water Division. The Council makes final decisions on any and all litigation, union contracts and grievances, where appropriate and changes to operations.
- The City Manager provides top level management of the Water Division. The City Manager estimates that a minimum of 5% of his time is spent on water fund management. This office also schedules meetings, prepares the City Council Docket and refers customer service issues except for those where the customer wants the City Manager to deal with the issue. The City Manager's assistants estimate that 20% of time and resources are spent on all Water Division functions.
- The City Solicitor's office represents the water fund in tax cases along with the City assessor, processes and handles worker's compensation and liability claims, advises the City Council on any or all matters related to the Water Fund, handles any legal questions or actions, reviews all water fund contracts and negotiates and handles all labor contract issues and grievances.
- The City Clerk processes all City Council agendas and actions. They are responsible for recording and disseminating all official decisions and actions related to the Water Fund. They are also responsible for storing contracts and providing assistance to any customer who requests information or copies of Water Fund resolutions, ordinances or contracts.
- Finance Administration provides all finance management, cash management, year-end closing and audit preparation, and monthly general ledger review. Finance Administration will also provide oversight and review of the quarterly, semi-annual and annual reports required by the PUC and responses to any and all finance related

questions. Finance Administration provides management of the accounting, payroll, MIS, collection and assessment functions.

- The Assessment Division values all property in the City of Newport, including that owned by the Water Department. They also defend and or fight tax claims brought against the City as well as those brought by the City against other municipalities.
- The Collections Division collects most of the water bills, reconciles and deposits cash on a daily basis, posts to the subsidiary ledgers and general ledgers, provides daily, quarterly and annual reporting, tracks accounts receivable and assists in pursuing overdue bills.
- Administrative Services and Facility Maintenance provide some city-wide project management including those of the Water Department administration buildings. An example would include ensuring compliance with the new state fire code regulations. 25% of one custodian's time is allocated to the Water Division, along with supervision. The City has not allocated any portion of the building repairs or public works and water offices capital projects to the Water Fund.

Prepared by: L. Sitrin

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Division of Public Utilities & Carriers' Data Requests
Set I

Div. 1-18:

Question: Please identify the FY2006 budget for the Schools and Library.

Response: The proposed FY2006 budget for the School Department is \$37,823,223. The City has proposed to provide the school with an allocation of \$23,041,396. The Library's FY2006 budget is \$1,873,851 and has requested \$1,421,151 from the City. Please note that the School Department and Library budgets are provided as a courtesy and are separate documents approved by their respective governing Boards. They are not part of the City's budget. The City's contribution is included in the City Budget.

Prepared by: L. Sitrin

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Division of Public Utilities & Carriers' Data Requests
Set I

Div. 1-19:

Question: Please provide documentation for the 6 to 11 percent of their time that MIS department personnel are identified as spending on Water Fund issues each month.

Response: The MIS division has been tracking their time. The MIS manager advises that:

- 60 hours were spent in August 10.7%
- 56.5 hours were spent in September 10.1%
- 28 hours were spent in October 5.0%
- 37 hours were spent in November 6.6%
- 25 hours were spent in December 4.5%
- 30 hours were spent in January 2005 5.4%
- 32 hours were spent in February 2005 5.7%

There are 560 hours available in a month determined by taking the 4 employees at 35 hours/week times 4 weeks. Please note that this does not include time spent on bidding for and putting in the new phone system.

Prepared by: L. Sitrin

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Division of Public Utilities & Carriers' Data Requests
Set I

Div. 1-25:

Question: Will the Schools and Library utilize the new general ledger and payroll systems? Please explain.

Response: The Library will not. They have their own systems. The School will likely use the new general ledger and payroll systems at a central level. The individual schools will probably continue to use their own systems.

Prepared by: L. Sitrin

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Division of Public Utilities & Carriers' Data Requests
Set I

Div. 1-41:

Question: Please identify the budgeted and actual expenditures for Source of Supply-Island Reservoir Maintenance (line 277) in FY 2002, FY 2003, FY 2004 and FY 2005 to date

Response: The budgeted and actual expenses are set forth below:

| 2002 | 2002 | 2003 | 2003 | 2004 | 2004 | 2005 | 2005 |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual |
| 25,000. | 11,825. | 15,000. | 14,485. | 24,000. | 4,393. | 24,000 | 14,042 |

The actual expenditures do not meet the budgeted amounts due to cash flow problems. As a result of this stop in spending, the costs shown here do not reflect the amounts that should be spent on maintenance.

Prepared by: K.Garcia

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Division of Public Utilities & Carriers' Data Requests
Set I

Div. 1-43:

Question: Please identify the actual amount spent for each of the following

Transmission and Distribution Maintenance line items in FY 2002, FY 2003, FY

2004 and FY 2005 to date:

- a. Contract Services
- b. Main Maintenance
- c. Service Maintenance
- d. Gate Maintenance

| | Item | 2002 | 2003 | 2004 | 2005 |
|----------|---------------------------------|-------------|-------------|-------------|--|
| A | Contract Services(225) | \$24.00 | \$291.86 | \$319.01 | Pending pmt \$3,849.45 |
| B | Main Maintenance(295) | \$39,765.16 | \$57,791.17 | \$54,499.76 | \$47,933.04 |
| C | Service Maintenance(296) | \$19,596.32 | \$15,201.45 | \$19,966.79 | \$1,462.61+ pending amt \$2,828.91 |
| D | Gate(Valve) Maintenance | \$0 | \$570.54 | \$3,030.00 | |

Please note these cost figures for fiscal 2005 only include paid expenditures to date. It does not include outstanding requisitions and unpaid invoices. In addition, during fiscal 2004 and fiscal 2005, due to cash flow issues, Staff was instructed to stop all spending. As a result of this stop in spending, the costs shown here do not reflect the amounts that should be spent on maintenance.

Prepared by: K.Garcia

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3675

Response to
Division of Public Utilities & Carriers' Data Requests
Set II

Div. 2-1:

Question: Please explain what is included in the transfer from the Water Pollution Control division of schedule RFC D and provide supporting documentation showing how that amount was derived.

Response: The transfer from the Water Pollution Control Division on Schedule RFC D includes a proportionate share of the cost associated with the mailing of the utility bill. Sixty-six percent (66%) of Newport Water's accounts are for customers within the City of Newport. The bills on these accounts also include charges assessed by the City of Newport for the Water Pollution Control Division. As such, the Water Division has charged the Water Pollution Control Division one half (33.21%) of the cost for mailing these particular utility bills to customers in Newport. The transfer amount of \$ 10,560.00 is indicated in the Schedule RFC D.

| Item | Amount | 66 % | Sewer (33.21%) |
|-------------------|-------------|-------------|--------------------|
| Postage | \$22,000.00 | \$14,520.00 | \$7,260.00 |
| Contract services | \$10,000.00 | \$6,600.00 | \$3,300.00 |
| Total | | | \$10,560.00 |

Prepared by: K.Garcia