

TESTIMONY
of
BOYCE SPINELLI
before the
PUBLIC UTILITIES COMMISSION

FOR AN
ABBREVIATED FILING

for
PROVIDENCE WATER

June 2005

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
BOYCE SPINELLI**

1 Q. Please state your full name and title?

2 A. Boyce Spinelli, Deputy General Manager - Administration of
3 the Providence Water Supply Board (Providence Water).
4

5 Q. How long have you held the position of Deputy General
6 Manager of the Agency?

7 A. I have held this position since January, 2001. Prior to
8 that I was Director of Administration for the City of
9 Providence. From September, 1992 to July, 1999, I was
10 Finance Director for the City of Providence and was an ex-
11 officio member of the Providence Water Supply Board.
12

13 Q. Would you please state your education, background and
14 professional associations?

15 A. I graduated from LeMoyne College in Syracuse, New York with
16 a Bachelor of Science in Economics, and completed two years
17 of graduate work in Economics at Washington State
18 University. I have worked in the private sector as well
19 as serving as finance director for three cities in
20 Virginia, Connecticut, and Rhode Island.
21

22 Q. Have you testified before a regulatory agency with respect
23 to operating matters or rates either in your current
24 position or in your previous positions?

25 A. I have testified before the Rhode Island PUC on several
26 occasions in my capacity as finance director for the City
27 of Providence.
28

29 Q. What is the purpose of this filing?

30 A. Providence Water is seeking an abbreviated filing to raise

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1 rates to cover known and measurable increases in costs.

2

3 Q. Why not incorporate these increases in a full filing?

4 A. The categories of cost increases addressed in this filing
5 are all eligible for an abbreviated filing.

6

7 An abbreviated filing is quicker, less complex, and,
8 because Providence Water can assist with a large portion
9 of it in house, it is less expensive than a full filing.

10

11 Q. What will the abbreviated filing increase generally cover?

12 A. The majority of the increase is for known and measurable
13 changes for salaries and wages, insurance, employee
14 benefits, and property taxes.

15

16 Our last general rate order was issued for calendar year
17 2001, and our last abbreviated rate order was issued for
18 calendar year 2003. Since that time, costs have increased
19 and while Providence Water has been able to avoid any
20 additional customer impact by absorbing these increases,
21 we can no longer continue to do so.

22

23 Q. Who prepared the documentation in support of this filing?

24 A. Providence Water staff has assisted and reviewed the
25 calculations and testimony necessary for this filing.
26 Jeanne Bondarevskis in the capacity of Finance Director has
27 coordinated the efforts, and will be testifying on behalf
28 of Providence Water. In addition, Walter Edge, of B&E
29 Consulting, has prepared and is responsible for the
30 schedules, rates and testimony.

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1 Q. When is the proposed rate relief needed to take effect?

2 A. Providence Water is requesting an effective date of July
3 XX, 2005. This allows for the thirty days required by law.
4 The rate year used in the filing is calendar year 2006.
5 We understand that the Commission will probably issue a
6 suspension to allow for investigation and a hearing;
7 however, a decision that would allow for the new rates to
8 take effect on January 1, 2006, would be appreciated.

9
10 Q. Are there any other items being addressed in this filing?

11 A. Yes. Testimony in Docket 3446 explained that Providence
12 Water was planning to utilize some of the available fund
13 balance in its insurance restricted fund to supplement the
14 reduced insurance amount requested in its abbreviated
15 filing. This approach provided over two years of rate
16 relief to consumers. Now Providence Water is requesting
17 that full insurance funding be provided by rates.
18 Estimated annual insurance expense has increased from
19 approximately \$1.2 million in FY 2003 to \$2.1 million in
20 FY 2006.

21
22 Q. Will you please update the situation with respect to the
23 Scituate property taxes?

24
25 A. As explained in Docket 3446, the Town of Scituate completed
26 a town-wide revaluation of property values effective
27 December 21, 2003. As a result, Providence Water's
28 property tax bill has increased as follows:

29
30

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<u>TAX PERIOD</u>	<u>TAX BILL</u>	<u>\$ & % INCREASE OVER PRIOR YEAR</u>
CY 2000, FY 2001	\$3,261,814	
CY 2001, FY 2002	4,125,554	\$863,740 26.48%
CY 2002, FY 2003	4,229,623	104,069 2.52%
CY 2003, FY 2004	4,657,789	428,166 10.12%
CY 2004, FY 2005	4,604,051	-53,738 -1.15%
CY 2005, FY 2006(est)	4,949,355	345,304 7.50%

9

10 Providence Water has applied to the Town of Scituate to
 11 have 10,031.6 acres of forest land classified as forest
 12 land for tax purposes consistent with the forest land
 13 certificate and designations received by Providence Water
 14 from the Rhode Island Department of Environmental
 15 Management (DEM). The Town of Scituate denied Providence
 16 Water's application to classify the 10,031.6 acres as
 17 forest land for tax purposes. Providence Water appealed
 18 the denial to the Town of Scituate Tax Review Board. The
 19 Board has also denied Providence Water's applications.
 20 Providence Water has now taken the matter to the Rhode
 21 Island Superior Court.

22

23 In addition to appealing the denial of the application for
 24 forest land classification, Providence Water has also
 25 appealed to Superior Court the valuation of all taxable
 26 property located in the Town of Scituate from 2001 until
 27 the present. It is Providence Water's assertion that even
 28 if the courts were to rule against the forest land
 29 classification, the property in question is overvalued,
 30 even without the benefit of the land being classified as

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1 forest land. While the appeals are pending, Providence
2 Water is required to pay the full amount of the tax bill.

3
4 Q. You testified in Docket 3446 that beginning in fiscal year
5 ending June 30, 2003, Providence Water would always
6 contribute the exact same percentage of the actuary
7 recommended pension contribution as the City of Providence.
8 Has this actually occurred?

9
10 A. Yes, it has. The City of Providence and Providence Water
11 have contributed the same percentage of the actuary
12 recommended pension contribution. The fiscal years and
13 percentages are as follows:

14	FY 2003	80%	(actual)
15	FY 2004	85%	(actual)
16	FY 2005	92%	(appropriated)
17	FY 2006	96%	(proposed)

18 The plan is to gradually increase the percentage until the
19 City of Providence and Providence Water are annually
20 contributing the full actuary recommendation.

21

22 Q. Does this conclude your testimony?

A. Yes.