

December 5, 2005

Memo To: Luly Massaro, Commission Clerk

From : John Bell
Public Utilities Analyst

Subject : Docket 3699 - Kent County Water Authority's Motion To Pass
Through Wholesale Rate Increase

On November 14, 2005, the Kent County Water Authority (KCWA) filed updated schedules in the above pass through docket in anticipation of the Providence Water Supply Board's new wholesale rate of \$1,236/mg as reflected in the settlement agreement in Docket 3684. The filing included schedules detailing the increased purchased water costs, calculation of proposed rates, impact of proposed rates, and a comparison of current and proposed rates.

The Division reviewed KCWA's filing and found that the calculations to be mathematically accurate. To calculate its proposed rates KCWA utilized purchase and sales volumes for fiscal year 2005, which is the most recent data available. However, since KCWA had a recently litigated rate case where the Commission decided purchased water and sales issues (Docket 3660, Decided July 2005), the Division believes it would be more appropriate to utilize the volumes set in that case as opposed to the most recent volumes.

The Division prepared a schedule (JB-1) that shows a comparison between the proposed rates based on fiscal year 2005 volumes and the volumes from Docket 3660. Below is a summary of the rates under each method.

	<u>Rates Based on FY 05 Volumes</u>		<u>Rates Based on Docket 3660 Volumes</u>	
<u>Customer Class</u>	<u>Rate</u>	<u>% Increase</u>	<u>Rate</u>	<u>% Increase</u>
Small	3.625	2.34	3.623	2.28
Medium	3.071	2.34	3.069	2.28
Large	2.602	2.34	2.601	2.28

Though the rates are nearly identical under both methods, due to the fact that Docket 3660 was decided so recently and also because purchase and sales volumes was an issue decided in that case, the Division recommends the Commission approve the rates calculated based on Docket 3660 volumes.

cc: Joseph J. McGair, Esq.
Timothy Brown
Christopher Woodcock

**Kent County Water Authority
Docket 3699 - Passthrough Filing**

	<u>Actual FY 05 Volumes</u>			<u>Volumes per Docket 3660</u>		
	<u>Rate (@/mg)</u>	<u>Purchases (mg)</u>	<u>Cost</u>	<u>Rate (@/mg)</u>	<u>Purchases (mg)</u>	<u>Cost</u>
Current PWSB Rate	\$ 1,132.89	3,302.96	\$ 3,741,890.35	\$ 1,132.89	3,110.00	\$ 3,523,287.90
Proposed Rate	\$ 1,236.00	3,302.96	\$ 4,082,458.56	\$ 1,236.00	3,110.00	\$ 3,843,960.00
Increase %	9.10%		9.10%	9.10%		9.10%
Increase \$	\$ 103.11		\$ 340,568.21	\$ 103.11		\$ 320,672.10
	<u>Volumes</u>	<u>Current Rates</u>	<u>Current Rev.</u>	<u>Volumes</u>	<u>Current Rates</u>	<u>Current Rev.</u>
Small (5/8-2" meters)	3,443,638.00	\$ 3.542	12,197,365.80	3,261,885.00	\$ 3.542	11,553,596.67
Medium (3&4" meters)	377,633.00	\$ 3.001	1,133,276.63	398,697.00	\$ 3.001	1,196,489.70
Large (6" & up meters)	488,209.00	\$ 2.543	1,241,515.49	518,839.00	\$ 2.543	1,319,407.58
	<u>4,309,480.00</u>		<u>14,572,157.92</u>	<u>4,179,421.00</u>		<u>14,069,493.94</u>
Increased Annual Rev Req.			340,568			320,672
Increased Req. %			2.34%			2.28%
	<u>Current Rates</u>	<u>% Increase</u>	<u>Proposed Rates</u>	<u>Current Rates</u>	<u>% Increase</u>	<u>Proposed Rates</u>
Small (5/8-2" meters)	\$ 3.542	2.34%	\$ 3.625	\$ 3.542	2.28%	\$ 3.623
Medium (3&4" meters)	\$ 3.001	2.34%	\$ 3.071	\$ 3.001	2.28%	\$ 3.069
Large (6" & up meters)	\$ 2.543	2.34%	\$ 2.602	\$ 2.543	2.28%	\$ 2.601
	<u>Proposed Rates</u>	<u>Consumption (CCF)</u>	<u>Revenue</u>	<u>Proposed Rates</u>	<u>Consumption (CCF)</u>	<u>Revenue</u>
Revenues	\$ 3.625	3,443,638	\$ 12,483,188	\$ 3.623	3,261,885	\$ 11,817,809
Small (5/8-2" meters)	\$ 3.071	377,633	1,159,710.94	\$ 3.069	398,697	1,223,601.09
Medium (3&4" meters)	\$ 2.602	488,209	1,270,319.82	\$ 2.601	518,839	1,349,500.24
Large (6" & up meters)			<u>\$ 14,913,219</u>			<u>\$ 14,390,911</u>
Required Revenues						
Current		\$ 14,572,157			\$ 14,069,494	
Increase		\$ 340,568			\$ 320,672	
Total			\$ 14,912,725			\$ 14,390,166
Difference			\$ 494			\$ 745
Percentage			0.003%			0.005%