

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF RHODE ISLAND**

**THE NARRAGANSETT
BAY COMMISSION**

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DOCKET NO. 3775

DIRECT TESTIMONY

OF

THOMAS S. CATLIN

**ON BEHALF OF THE
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

NOVEMBER 2006

EXETER

ASSOCIATES, INC.
5565 Sterrett Place
Suite 310
Columbia, Maryland 21044

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Direct Testimony of Thomas S. Catlin

Introduction

2 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

3 A. My name is Thomas S. Catlin. I am a principal with Exeter Associates, Inc. Our offices
4 are currently located at 5565 Sterrett Place, Suite 310, Columbia, Maryland 21044.
5 Exeter is a firm of consulting economists specializing in issues pertaining to public
6 utilities.

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

8 A. I hold a Master of Science Degree in Water Resources Engineering and Management
9 from Arizona State University (1976). Major areas of study for this degree included
10 pricing policy, economics, and management. I received my Bachelor of Science Degree
11 in Physics and Math from the State University of New York at Stony Brook in 1974. I
12 have also completed graduate courses in financial and management accounting.

13 Q. WOULD YOU PLEASE DESCRIBE YOUR PROFESSIONAL
14 EXPERIENCE?

15 A. From August 1976 until June 1977, I was employed by Arthur Beard Engineers in
16 Phoenix, Arizona, where, among other responsibilities, I conducted economic feasibility,

1 financial and implementation analyses in conjunction with utility construction projects. I
2 also served as project engineer for two utility valuation studies.

3 From June 1977 until September 1981, I was employed by Camp Dresser &
4 McKee, Inc. Prior to transferring to the Management Consulting Division of CDM in
5 April 1978, I was involved in both project administration and design. My project
6 administration responsibilities included budget preparation and labor and cost monitoring
7 and forecasting. As a member of CDM's Management Consulting Division, I performed
8 cost of service, rate, and financial studies on approximately 15 municipal and private
9 water, wastewater and storm drainage utilities. These projects included: determining
10 total costs of service; developing capital asset and depreciation bases; preparing cost
11 allocation studies; evaluating alternative rate structures and designing rates; preparing bill
12 analyses; developing cost and revenue projections; and preparing rate filings and expert
13 testimony.

14 In September 1981, I accepted a position as a utility rates analyst with Exeter
15 Associates, Inc. I became a principal and vice-president of the firm in 1984. Since
16 joining Exeter, I have continued to be involved in the analysis of the operations of public
17 utilities, with particular emphasis on utility rate regulation. I have been extensively
18 involved in the review and analysis of utility rate filings, as well as other types of
19 proceedings before state and federal regulatory authorities. My work in utility rate filings
20 has focused on revenue requirements issues, but has also addressed service cost and rate
21 design matters. I have also been involved in analyzing affiliate relations, alternative
22 regulatory mechanisms, and regulatory restructuring issues. This experience has
23 involved electric, natural gas transmission and distribution, and telephone utilities, as
24 well as water and wastewater companies.

1 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY
2 PROCEEDINGS ON UTILITY RATES?

3 A. Yes. I have previously presented testimony on more than 200 occasions before the
4 Federal Energy Regulatory Commission and the public utility commissions of Arizona,
5 California, Colorado, Delaware, the District of Columbia, Florida, Idaho, Illinois,
6 Indiana, Kentucky, Louisiana, Maine, Maryland, Montana, Nevada, New Jersey, Ohio,
7 Oklahoma, Pennsylvania, Utah, Virginia and West Virginia, as well as before this
8 Commission. I have also filed rate case evidence by affidavit with the Connecticut
9 Department of Public Utility Control.

10 Q. ARE YOU A MEMBER OF ANY PROFESSIONAL SOCIETIES?

11 A. Yes. I am a member of the American Water Works Association (AWWA) and the
12 Chesapeake Section of the AWWA. I serve on the AWWA's Rates and Charges
13 Committee and the AWWA Water Utility Council's Technical Advisory Group on
14 Economics.

15 Q. ON WHOSE BEHALF ARE YOU APPEARING?

16 A. I am presenting testimony on behalf of the Division of Public Utilities and Carriers (the
17 Division).

18 Q. DO YOU HAVE PREVIOUS EXPERIENCE IN MATTERS INVOLVING THE
19 NARRAGANSETT BAY COMMISSION?

20 A. Yes, I presented testimony on behalf of the Division in the Narragansett Bay
21 Commission's (NBC's) general rate case in Docket No. 3162, its abbreviated rate
22 proceeding in Docket No. 3409, in the Commission's examination of issues related to the
23 implementation of a CSO abatement fee or stormwater fee by NBC in Docket No. 3432,

1 NBC's last general rate case in Docket No. 3483, its abbreviated rate filings in Docket
2 Nos. 3592 and 3707, and its compliance filing in Docket No. 3639.

3 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

4 A. Exeter Associates was retained by the Division to assist it in the evaluation of the
5 Compliance Rate Filing submitted by NBC on October 4, 2006. This testimony presents
6 my findings and recommendations with regard to NBC's request.

7 Q. HAVE YOU REVIEWED NBC'S FILING IN SUPPORT OF ITS REQUEST
8 FOR AN INCREASE IN RATES?

9 A. Yes. NBC is seeking an increase in its overall revenues of \$6,010,883 or 9.50 percent to
10 take effect on July 1, 2007. The purpose of this increase is to provide sufficient revenues
11 to meet additional debt service and coverage requirements in the fiscal year ended June
12 30, 2008 (FY 2008). NBC has made this filing to comply with the requirements
13 established by the Commission in its Order in Docket No. 3483 for obtaining rate relief to
14 cover the costs of new debt.

15 Q. HAVE YOU REVIEWED THE REQUIREMENTS SET FORTH IN THE
16 ORDER IN DOCKET NO. 3483?

17 A. Yes.

18 Q. DOES NBC'S FILING SATISFY THE REQUIREMENTS SET FORTH IN THE
19 COMMISSION'S ORDER IN DOCKET NO. 3483?

20 A. Yes. Based on the information provided in Mr. Edge's and Mr. Gurghigian's testimony
21 and the clarification provided in response to a Division's informal data request, I believe
22 NBC has complied with the Commission's requirements.

23 Q. HOW HAS NBC PROPOSED TO DESIGN RATES TO RECOVER THE
24 PROPOSED REVENUE INCREASE?

1 A. Consistent with the requirements of the Order in Docket No. 3483, NBC has proposed
2 that the rates necessary to generate the revenue increase be developed by increasing rates
3 on a uniform percentage basis. This uniform percentage increase would be applied to
4 both flat fees and measured usage fees for residential, commercial and industrial
5 customers. NBC has excluded connection permit fees, septage fees, BOD/TSS
6 surcharges and discharge permit fees. This results on a 9.99 percent increase in user fees.

7 Q. WHAT IS YOUR RECOMMENDATION

8 A. In order to allow NBC to have access to additional Rhode Island Clean Water Finance
9 Agency (RICWFA) debt and to allow RICWFA to issue that debt as soon as possible to
10 take advantage of current favorable interest rates, it is necessary for NBC to be able to
11 demonstrate that it will have sufficient revenues to meet the associated debt service and
12 coverage requirements. Accordingly, it is my recommendation that the Commission
13 approve the requested revenues increase of \$6,010,883 to become effective July 1, 2007.

14 Q. DOES THAT CONCLUDE YOUR TESTIMONY?

15 A. Yes, it does.
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