

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

**CITY OF NEWPORT)
UTILITIES DEPARTMENT,)
WATER DIVISION)** **DOCKET NO. 3818**

**SURREBUTTAL TESTIMONY
OF
THOMAS S. CATLIN**

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

JUNE 2007

EXETER
ASSOCIATES, INC.
5565 Sterrett Place
Suite 310
Columbia, Maryland 20904

TABLE OF CONTENTS

	<u>PAGE</u>
Introduction.....	1
Sewer Charges.....	2
City Services	3
Repayment of the City and Operating Revenue Allowance.....	4
Rate Design	9
Summary and Recommendations.....	9

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CITY OF NEWPORT)	
UTILITIES DEPARTMENT,)	DOCKET NO. 3818
WATER DIVISION)	

Surrebuttal Testimony of Thomas S. Catlin

Introduction

1

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 located at 5565 Sterrett Place, Suite 310, Columbia, Maryland 21044. Exeter is a
5 firm of consulting economists specializing in issues pertaining to public utilities.

6 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS
7 PROCEEDING?

8 A. Yes. My direct testimony on behalf of the Division of Public Utilities and Carriers (the
9 Division) was submitted on May 8, 2007. My qualifications and experience are set forth
10 in that testimony.

11 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

12 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of
13 Ms. Julia Forgue and Mr. Harold J. Smith that was submitted on behalf of the City of
14 Newport Utilities Department, Water Division (Newport Water or the Water Division).
15 In their rebuttal testimony, Ms. Forgue and Mr. Smith have accepted the adjustments for
16 vehicle maintenance costs, electricity costs, the allowance for doubtful accounts, SRF
17 debt issuance consulting fees, self insurance and debt costs set forth in my direct

1 testimony. The remaining issues that I will address in my surrebuttal testimony relate to
2 sewer charges, City Services, repayment of the City, and the appropriate operating
3 reserve allowance and rate design.
4

5 **Sewer Charges**

6 Q. WHAT WAS NEWPORT WATER'S RESPONSE TO YOUR
7 RECOMMENDED ADJUSTMENTS TO THE SEWER CHARGES FOR
8 WASTE DISCHARGED FROM THE NEWPORT AND LAWTON VALLEY
9 WATER TREATMENT PLANTS?

10 A. Newport Water accepted my recommendation to adjust the discharge volumes for the
11 Newport Plant to reflect the average volume for a recent two period. However, Ms.
12 Forgue and Mr. Smith disagreed with my recommendation to include only six months of
13 sewer charges for the Lawton Valley Plant based on the fact that the new Residuals
14 Management Project is only scheduled to be in operation for six months of the rate year.
15 They argued that the rates in this proceeding would not go into effect until after the
16 beginning of the rate year and were likely to remain in effect for more than one year. In
17 addition, Newport Water also updated the claimed level of sewer charges to reflect the
18 new sewer rates that become effective July 1, 2007.

19 Q. WHAT IS YOUR RESPONSE?

20 A. In developing my updated recommendation on behalf of the Division, I have accepted
21 Newport Water's claimed level of sewer charges as presented in its rebuttal filing.
22 Rather than reducing expenses to reflect an adjustment for the period of time from when
23 rates go into effect until Newport Water begins incurring sewer charges at Lawton
24 Valley, I am recommending that the avoided charges for that period be set aside in the
25 Operating Reserve Fund that Newport Water has proposed be established in this case. If

1 the Commission does not approve establishing such a reserve, I would propose that the
2 avoided charges be deposited into the restricted Debt Service Account.
3

4 **City Services**

5 Q. PLEASE SUMMARIZE NEWPORT WATER'S POSITION REGARDING THE
6 ADJUSTMENTS YOU RECOMMENDED TO THE ALLOWANCE FOR CITY
7 SERVICES.

8 A. In its rebuttal, Newport Water agreed that allocations of City Services costs that are based
9 on Newport Water's costs as a percentage of the City's total budget should be adjusted to
10 reflect the final cost of service established for the Water Division in this proceeding.
11 However, Newport Water disagreed with my adjustment to exclude \$705,000 of capital
12 costs from the allocation of Data Processing Services costs. In her rebuttal, Ms. Forgue
13 indicated that those costs were included in the FY 2007 CIP Schedule. She also indicated
14 that, after further review, \$105,000 of the \$705,000 should be excluded from the
15 calculation of Newport Water's costs.

16 Q. WHAT IS YOUR RESPONSE?

17 A. My recommendation to exclude the capital costs from the allocation of Data Processing
18 costs was based on the fact that those costs were not reflected in the budget provided in
19 response to Div. 1-21. In her rebuttal, Ms. Forgue provided the budgeted capital
20 improvement plan (CIP) expense for the FY 2007. Based on the information included
21 there and Ms. Forgue's explanation, I have accepted inclusion of \$600,000 of capital
22 expenditures as an element of the Data Processing costs allocable to Newport Water.
23 Also, in developing my updated cost of service recommendation, I have also accepted the
24 changes to the allocation procedures that Mr. Smith has adapted in his rebuttal filing,
25 largely in response to Mr. Woodcock's recommendations on behalf of the Portsmouth

1 Water & Fire District (PWFD). As a result, the only differences between the allowance
2 for City Services that I have included and Newport Water's claim are the result of the
3 effect that my other adjustments have on Newport Water's percentage of total City costs.
4

5 **Repayment of the City and Operating Revenue Allowance**

6 Q. WHAT WAS YOUR RECOMMENDATION TO HELP NEWPORT WATER
7 ADDRESS ITS DIFFICULTIES WITH BEING ABLE TO REDUCE ITS
8 ACCOUNTS PAYABLE AND FUND AN OPERATING RESERVE?

9 A. In its filing, Newport Water proposed to use the approximately \$800,000 in its
10 Repayment to the City Restricted Account to pay down its accounts payable to the City
11 of Newport. In conjunction with this proposal, Newport Water would continue to collect
12 \$250,000 per year from ratepayers for an extra three years after FY 2008 to pay off the
13 remaining \$1 million of the \$2.5 million loan from the City, thereby altering the
14 repayment schedule that was agreed upon in Docket No. 3578. In addition, Newport
15 Water requested an increase in its operating revenue allowance from 1.5 percent of total
16 operating costs to 6 percent of O&M expenses (an increase of approximately \$260,000)
17 to allow it to fund an Operating Reserve.

18 In response to these proposals, I recommended that Newport Water move from
19 billing those customers that are billed every four months to bi-monthly billing. Because
20 the vast majority of Newport Water's, customers are currently billed three times per year,
21 this change would have a significant one-time increase in revenues by reducing unbilled
22 revenue. This additional cash flow could then be utilized to pay down the Water
23 Division's accounts payable to the City of Newport.

24 In making the recommendation to move to bi-monthly billing, I recognized that it
25 would not be possible for Newport Water to implement this change immediately. As a

1 result, it is not possible to accurately predict the amount of the additional rate year
2 revenue that more frequent billing would produce. Accordingly, I did not take into
3 account any increase in billing charge revenue in this case in either determining revenue
4 at present rates or in calculating the revenue increase necessary to recover the allocated
5 cost of service. Instead, I recommended that the additional billing charge revenues, after
6 netting out any incremental expenses for meter reading, billing and postage, be used to
7 establish the Operating Reserve Fund that Newport Water has proposed. As I noted in
8 my direct testimony, at the current \$13.25 per bill, Newport Water would generate
9 approximately \$560,000 per year of additional revenue if it billed all of its customers that
10 are now billed three times per year on a bi-monthly basis. Even after netting out any
11 additional costs, the change to bi-monthly billing could provide a significant source of
12 funds for an Operating Reserve.

13 Q. DID YOU RECOMMEND THAT THE ADDITIONAL BILLING CHARGES
14 RESULTING FROM MORE FREQUENT BILLING BE USED IN FUTURE
15 CASES TO FUND THE OPERATING RESERVE FUND?

16 A. No. I recommended that, in Newport Water's next rate case, the rates and revenues be
17 reset to match the Water Division's overall cost of service. In doing so, the revenues
18 from the increased frequency of billing should be taken into account. To the extent that
19 continued funding of an Operating Reserve Fund is deemed to be appropriate in that
20 proceeding, the proper mechanism to do so can be addressed at that time.

21 Q. WHAT WAS NEWPORT WATER'S RESPONSE?

22 A. In her testimony, Ms. Forgue indicates that Newport Water appreciates my effort to set
23 forth a tangible plan for addressing Newport Water's cash flow problems and agrees that
24 increasing billing frequency would improve cash flow. However, she goes on to reject

1 the move to more frequent billing until the Water Division completes its radio read meter
2 program. She acknowledges that a bi-monthly program would be possible without
3 completing the radio read meter program. She then dismisses that option.

4 Q. WHY DID MS. FORGUE DISMISS THE MOVE TO MORE FREQUENT
5 BILLING PRIOR TO COMPLETION OF THE RADIO READ PROGRAM?

6 A. Her primary concern appears to be that making the move to more frequent billing would
7 require Newport Water to fund two new positions and incur other expenses in order to
8 perform the additional meter reads and that those costs were not included in the Water
9 Division's rate filing. She also indicated that hiring two new people would cause other
10 difficulties because the positions could not simply be eliminated when the radio read
11 program was completed. Ms. Forgue indicated this problem could not be solved by
12 hiring temporary employees because temporary employees become permanent classified
13 employees after 19 weeks.

14 Ms. Forgue also acknowledged that bi-monthly billing could be accomplished
15 without hiring additional personnel by using estimated meter readings. However, she
16 stated that using estimated reads would be inconsistent with Newport Water's attempts to
17 minimize estimate reads. She also indicated using estimates could cause other problems
18 such as customers requesting actual reads to replace estimates, increased charges to
19 customers, and over-estimates of usage in the fall and winter due to basing estimated
20 usage on actual summer usage.

21 Q. WHAT IS YOUR RESPONSE TO MS. FORGUE'S CONCERNS?

22 A. With regard to Ms. Forgue's concerns regarding the incremental costs, as stated in my
23 direct testimony, it was and is my recommendation that the additional billing charge
24 revenues after netting out any incremental costs be used to fund the Operating Reserve.

1 With regard to her concerns about having to add two new positions that could not simply
2 be eliminated or using temporary employees who would become permanent employees,
3 other alternatives exist that Ms. Forgue does not address. These would include:
4 coordinating meter readings and/or sharing meter readers with another utility; hiring
5 contract meter readers; or hiring temporary meter readers for less than 19 weeks to take
6 meter readings in the summer and early fall when consumption is highest. To the extent
7 that those options are not practicable, Newport should implement bi-monthly billing
8 using estimated meter reads.

9 Q. WHAT ABOUT MS. FORGUE'S CONCERNS REGARDING THE USE OF
10 ESTIMATED METER READINGS?

11 A. Although it may be Newport Water's goal to minimize estimated meter reads, it is or
12 should also be Newport Water's goal to improve its cash flow and financial health. One
13 way to help accomplish this is to move to bi-monthly meter reading immediately. To the
14 extent customers request actual reads, Newport Water could allow the customer to
15 provide the read telephonically or by postcard or simply encourage the customer to wait
16 until their next actual read.¹ One way to avoid the problem of overestimating fall and
17 winter water use is to base those estimates on the actual usage in the fall and winter of the
18 prior year for that account, not on the customer's summer usage as suggested by
19 Ms. Forgue. Another way to address this problem, as well as the concern of lack of
20 customer acceptance of estimated reads, might be to use temporary or contract meter
21 readers only in the summer and fall. Finally, with regard to Ms. Forgue's concern
22 regarding increased charges to customers, Ms. Forgue has ignored the fact that Newport

¹ I have been advised by the Division that using estimated meter readings as I have proposed is acceptable under the Division's rules governing billing by water utilities.

1 has requested an increase in rates to fund an Operating Reserve and has requested an
2 additional \$750,000 in future rates to pay to the City of Newport.

3 Q. PLEASE SUMMARIZE THE DIVISION'S POSITION REGARDING THE
4 REQUESTS OF NEWPORT WATER TO ALTER THE LOAN PAYMENT
5 SCHEDULE TO THE CITY AND TO INCREASE THE OPERATING
6 REVENUE ALLOWANCE TO FUND AN OPERATING RESERVE.

7 A. The Division opposes both of these requests in this proceeding. As I stated in my direct
8 testimony, Newport Water's proposals to meet its objectives of improving cash flow,
9 reducing its accounts payable and funding an operating reserve places the entire burden
10 on customers in the form of higher rates now and in the future. Rather than finding
11 reasons to wait another 2 or 3 or more years to move to bi-monthly billing, Newport
12 Water should find ways to make the change now. In this way, Newport Water
13 management can demonstrate that it is willing and able to take the actions necessary to
14 accomplish the financial improvements it has requested. To the extent that additional
15 steps are still necessary, they can be evaluated in a future proceeding.

16 Q. DO YOU HAVE ANY OTHER COMMENTS WITH REGARD TO NEWPORT
17 WATER'S REBUTTAL TESTIMONY ON THE FUNDING OF AN
18 OPERATING RESERVE?

19 A. Yes. In his rebuttal testimony, Mr. Smith indicates that because I proposed to use the
20 increase in billing charge revenues to pay down Newport Water's accounts payable, it is
21 unlikely that there would be any funds remaining to fund the Operating Reserve. (Page
22 19) I would like to reiterate that it is my recommendation that all of the increase in
23 billing charge revenues, net of any incremental expenses, would be used to fund the

1 Operating Reserve. The money to reduce accounts payable would be the result of
2 Newport Water reducing its unbilled accounts receivable by billing more frequently.
3

4 **Rate Design**

5 Q. WHAT RESPONSE DO YOU HAVE TO NEWPORT WATER'S REBUTTAL
6 TESTIMONY ON RATE DESIGN?

7 A. In his rebuttal testimony, Mr. Smith indicates that, because Newport Water has not
8 agreed that it can move to bi-monthly billing at the present time, the billing charge should
9 be increased by the same percentage as other rates. He then goes on to say that Newport
10 Water will consider leaving billing charges unchanged if it is determined that bi-monthly
11 billing is feasible.

12 As stated previously, I believe bi-monthly billing is feasible and continue to
13 recommend that the billing charge be left at the current rate of \$13.25 in conjunction with
14 the move to bi-monthly billing. However, if the Commission decides to allow Newport
15 Water to wait until the radio read meter program is complete to implement bi-monthly
16 billing, I do not oppose increasing the billing charge by the overall percentage increase.
17

18 **Summary and Recommendations**

19 Q. PLEASE SUMMARIZE YOUR UPDATED FINDINGS AND
20 RECOMMENDATIONS.

21 A. As shown on updated Schedule TSC-1, it is my recommendation that Newport Water
22 receive a revenue increase of \$1,095,668 in this proceeding. This represents a reduction
23 of \$266,636 compared to the increase of \$1,362,304 sought by Newport Water in its
24 rebuttal filing. This difference is due to my recommendation that the operating revenue
25 allowance not be increased to fund the Operating Reserve and the resulting reduction in

1 the allocation of City Services costs that results from the reduction in the overall cost of
2 service. My recommendation that the repayment schedule to the City for the \$2.5 million
3 loan not be altered does not affect the cost of service in this case. The one other
4 difference in my cost of service position with that of Newport is that I have accepted the
5 Water Division's requested allowance for sewer charges with the condition that the
6 charges that are not incurred from the time rates are implanted until the Lawton Valley
7 Residuals Management Project goes into service are set aside in the operating reserve
8 fund, if it is approved, or in the restricted Debt Service Account.

9 The calculations of my rate recommendations are presented on updated Schedule
10 TSC-10. As shown on page 1 of that schedule, the revenue increase of \$1,095,668 that I
11 have recommended on behalf of the Division represents an increase of 12.77 percent over
12 the rate year revenue at existing water and fire service rates. Page 2 of Schedule TSC-10
13 presents the calculation of the rates necessary to generate this increase and provides a
14 proof of revenue at proposed rates. I would note that the increase in the retail commodity
15 charge necessary to recover the revenue that would have been generated by the uniform
16 percentage increase in the billing charges was \$0.07 per thousand gallons.

17 Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?

18 A. Yes, it does.

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

**CITY OF NEWPORT)
UTILITIES DEPARTMENT,)
WATER DIVISION)** **DOCKET NO. 3818**

**SCHEDULES ACCOMPANYING THE
SURREBUTTAL TESTIMONY
OF
THOMAS S. CATLIN**

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

JUNE 2007

EXETER
ASSOCIATES, INC.
5565 Sterrett Place
Suite 310
Columbia, Maryland 20904

CITY OF NEWPORT--WATER DIVISION

Summary of Revenues and Expenses at
Present and Proposed Rates
Rate Year Ended June 30, 2008

	Rate Year Amount Per Newport Rebuttal	Division Adjustments	Rate Year at Present Rates	Proposed Rate Increase	Rate Year at Proposed Rates
Revenue					
Customer Charge	\$ 682,468	\$ -	\$ 682,468	\$ -	\$ 682,468
Retail Consumption	5,085,099	-	5,085,099	737,152	5,822,251
Wholesale/Bulk Sales	1,863,504	-	1,863,504	237,587	2,101,091
Fire Protection	948,275	-	948,275	120,990	1,069,265
Miscellaneous	441,568	-	441,568	-	441,568
Total Revenue	\$ 9,020,914	\$ -	\$ 9,020,914	\$ 1,095,729	\$ 10,116,643
Expenses					
Water Administration	1,670,978	(8,755)	1,662,223	-	1,662,223
Customer Accounts	611,982	-	611,982	-	611,982
Source of Supply-Island	567,828	-	567,828	-	567,828
Source of Supply-Mainland	103,040	-	103,040	-	103,040
Treatment & Pumping-Newport Plant	1,427,272	-	1,427,272	-	1,427,272
Treatment & Pumping-Lawton Valley	1,237,734	-	1,237,734	-	1,237,734
Water Laboratory	220,400	-	220,400	-	220,400
Transmission & Distribution Maintenance	936,541	-	936,541	-	936,541
Fire Protection	14,000	-	14,000	-	14,000
Subtotal	\$ 6,789,775	\$ (8,755)	\$ 6,781,020	\$ -	\$ 6,781,020
Payment to City General Fund	250,000		250,000	-	250,000
Debt Service	1,221,000	\$ -	1,221,000	-	1,221,000
Capital Outlays	1,715,056		1,715,056	-	1,715,056
Total Expenses	\$ 9,975,831	\$ (8,755)	\$ 9,967,076	\$ -	\$ 9,967,076
Operating Reserve	407,387	(257,880)	149,506	-	149,506
Total Cost of Service	\$ 10,383,218	\$ (266,636)	\$ 10,116,582	\$ -	\$ 10,116,582
Revenue Surplus/(Deficiency)	(\$1,362,304)	\$266,636	(\$1,095,668)	\$ 1,095,729	\$61

CITY OF NEWPORT--WATER DIVISION

Summary of Division Adjustments to Rebuttal
Rate Year Expenses at Present Rates
Rate Year Ending June 30, 2008

<u>Description</u>	<u>Amount</u>	<u>Source</u>
Sewer Charges	-	Schedule TSC-3
Vehicle Maintenance Costs	-	Schedule TSC-4
Electricity Costs	-	Schedule TSC-5
Allowance for Doubtful Accounts	-	Refer to Testimony
SRF Debt Issuance Consulting Fees	-	Schedule TSC-6
Self Insurance	-	Schedule TSC-7
City Services--Legal & Administrative	(5,030)	Schedule TSC-8
City Services--Data Processing	(3,725)	Schedule TSC-8
Updated Debt Costs	-	Schedule TSC-9
Operating Reserve	<u>(257,880)</u>	See Note (1)
Total Expense Adjustments	<u>\$ (266,636)</u>	

Note:

(1) Based on 1.5% of total expenses as reflected on Schedule TSC-1.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Sewer Charges for
Newport Water Treatment Plants
Rate Year Ending June 30, 2008

Newport Plant

Volumes for 12 Months Ending 1/31/2006 (1)	22,485,000
Volumes for 12 Months Ending 1/31/2007 (1)	22,447,000
Average Annual Volume	<u>22,466,000</u>
Unit Charge (2)	<u>\$ 0.00600</u>
Annual Charge per Division (rounded)	\$ 134,796
Annual Charge per Newport Water (2)	<u>134,796</u>
Adjustment to Newport Station Sewer Charges	<u>\$ -</u>

Lawton Valley Plant

Annual Charge per Newport Water (2)	\$ 136,986
Charge for January-June 2008	<u>68,493</u>
Portion Not Applicable during Rate Year	<u>\$ (68,493)</u>
Total Adjustment to Sewer Charges (3)	<u>\$ -</u>

Notes:

- (1) Per response to Div. 1-15.
- (2) Per RFC Schedule C-1 Rebuttal. Excludes \$3,026 CSO charge.
- (3) The Division is no longer proposing to adjust the cost of service for the portion of the rate year that sewer charges will not apply to the Lawton Valley Plant. Refer to testimony.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Vehicle Maintenance Costs
Rate Year Ending June 30, 2008

	<u>Adjustment</u>
City of Newport Total Vehicle Maintenance (1)	
Actual FY 2006 (Test Year)	\$ 1,150,337
Budget FY 2008 (Rate Year)	<u>1,349,142</u>
Growth Factor	1.1728
Water Division Vehicle Maintenance	
Actual FY 2006 (Test Year)	\$ 100,437
Growth Factor	<u>1.1728</u>
Adjusted Rate Year Expense	\$ 117,795
Amount per Newport Water (2)	<u>117,795</u>
Adjustment to Vehicle Maintenance	<u><u>\$ -</u></u>

Notes:

(1) Per response to Div. 1-16.

(2) Per RFC Schedule 2 Rebuttal

CITY OF NEWPORT--WATER DIVISION

Adjustment to Electricity Costs
 Rate Year Ending June 30, 2008

	<u>Rate Year Use (kWh) (1)</u>	<u>Rate (2)</u>	<u>Rate Year Amount</u>
Administration	57,000	\$ 0.100	5,700
Supply-Island	272,000	0.100	27,200
Supply-Mainland	648,000	0.105	68,040
Newport Plant (3)	1,877,500	0.095	178,363
Lawton Valley	1,180,000	0.100	123,000
Distribution	216,000	0.100	<u>21,600</u>
Total Per Division			\$ 423,903
Amount per Newport Water (4)			<u>423,903</u>
Adjustment			<u><u>\$ -</u></u>

Notes:

- (1) Per response to Div. 1-23.
- (2) Current rate excluding 6% Increase
- (3) Includes \$5,000 for normal pump station electricity costs.
- (4) Per Schedule RFC 3 Rebuttal.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Reflect Consulting Fees Related to SRF Borrowing
as Charges to Debt Service Restricted Account
Rate Year Ending June 30, 2008

	<u>Total</u>
Consulting Fees Related to Planned SRF Borrowing (1)	\$ -
Amount to be included in O&M Expense	<u>\$ -</u>
Adjustment to Include costs in Debt Service Resrtricted Account	<u><u>\$ -</u></u>

Note:

- (1) Fees have been treated as chargeable to Debt Service Restricted Account by Newport in its rebuttal filing.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Normalize Self Insurance Expense
Rate Year Ending June 30, 2008

	<u>Total</u>
Self Insurance Expense per Newport Water (1)	\$ 10,000
Allowance per Division	<u>10,000</u>
Adjustment to Include costs in Debt Service Resrtricted Account	<u><u>\$ -</u></u>

Note:

(1) Per RFC Schedule 2 Rebuttal.

CITY OF NEWPORT--WATER DIVISION

Adjustment to City Services Costs
 Rate Year Ending June 30, 2008

	<u>Total City Budget</u>	<u>Adjustment</u>	<u>Allocable Budget</u>	<u>Allocation to Water Division</u>	<u>Percent (1)</u>
City Council	\$ 149,932	\$ (51,962)	\$ 97,970	\$ 10,317	10.53%
City Manager	451,350	(40,000)	411,350	43,318	10.53%
City Solicitor	384,374	(192,187)	192,187	20,239	10.53%
City Clerk	538,658	(187,143)	351,515	37,017	10.53%
Finance Administration	347,357	(173,679)	173,679	18,290	10.53%
Assessment	303,983	(100,314)	203,669	15,564	7.64%
Collections	274,005	-	274,005	20,939	7.64%
Administrative Services	258,420	-	258,420	19,748	7.64%
Facilities Maintenance	654,108		654,108	32,705	5%
Total Allocated on Budget	\$ 3,362,187	\$ (745,285)	\$ 2,616,902	\$ 218,136	0.00%
Human Resources, Accounting, Purchasing				<u>71,395</u>	
Total				\$ 289,531	
Amount per Newport Water				<u>294,561</u>	
Adjustment to Legal & Administrative				<u>\$ (5,030)</u>	

	<u>Total City Budget</u>	<u>Adjustment</u>	<u>Allocable Budget</u>	<u>Allocation to Water Division</u>	<u>Percent (1)</u>
Data Processing Services	\$ 1,504,412	-	1,504,412	\$ 158,425	10.53%
Amount per Newport Water				<u>162,150</u>	
Adjustment to Data Processing Services				<u>\$ (3,725)</u>	

Note:

(1) Refer to page 2 of this schedule..

CITY OF NEWPORT--WATER DIVISION

Calculation of City Services Allocation Factors
 Rate Year Ending June 30, 2008

<u>Percentage Including Schools and Library</u>	<u>FY2007 Adopted Budget</u>	<u>Percentage</u>
General Fund Including School & Library	\$ 74,007,978	77.04%
Harbor	\$ 667,883	0.70%
Water Fund	\$ 10,116,582	10.53%
WPC	\$ 8,633,784	8.99%
Parking	\$ 1,681,564	1.75%
Beach	\$ 959,973	1.00%
Total Budget	\$ 96,067,764	100.00%

<u>Percentage Excluding Capital and Debt Service</u>	<u>FY2007 Adopted Budget</u>	<u>Percentage</u>
General Fund Less School & Library	\$ 71,818,795	79.19%
Harbor	\$ 667,883	0.74%
Water Fund	\$ 6,930,526	7.64%
WPC	\$ 8,633,784	9.52%
Parking	\$ 1,681,564	1.85%
Beach	\$ 959,973	1.06%
Total Budget	\$ 90,692,525	100.00%

CITY OF NEWPORT--WATER DIVISION

Adjustment to Reflect Updated Debt Service Costs
for Debt Service Restricted Account Contribution
Rate Year Ending June 30, 2008

	<u>Total</u>
2004 Bond Refinancing Debt (1)	\$ 1,010,000
SRF Series A Debt (2)	<u>211,000</u>
Adjusted Debt Service Requirement (1)	\$ 1,221,000
Amount per Newport Water Filing (3)	<u>1,221,000</u>
Adjustment to Debt Service Restrictred Account Contribution	<u><u>\$ -</u></u>

Notes:

(1) Per RFC Schedule B.

(2) Per response to PWFD 1-18. Reflects March and September 2008 payments.

(3) Per RFC Schedule 2 Rebuttal.

CITY OF NEWPORT--WATER DIVISION

Calculation of Uniform Percentage Increase in Rates
 Required to Generate Additional Revenues
 Rate Year Ending June 30, 2008

<u>Customer Class</u>	<u>Existing Rate</u>	<u>Rate Year Sales (1) (1,000 gals)</u>	<u>Rate Year Revenues at Existing Rates</u>
Retail	\$ 4.070	1,249,410	\$ 5,085,099
Navy	\$ 2.510	373,306	936,998
Portsmouth	\$ 2.000	463,253	926,506
Metered Sales Revenues at Existing Rates			\$ 6,948,603
<u>Type of Charge</u>	<u>Existing Charge</u>	<u>Number Billed (1)</u>	<u>Rate Year Revenues at Existing Rates</u>
Billing Charge	\$ 13.25	51,507	682,468
Fire Protection Charges (Public)	\$ 675.00	982	662,850
Fire Protection Charges (Private)			
less than 2"	\$ 13.25	-	-
2"	55.00	-	-
4"	343.00	55	18,865
6"	687.00	234	160,758
8"	1,572.00	62	97,464
10"	2,596.00	-	-
12"	4,169.00	2	8,338
Total Private Fire Service			\$ 285,425
Total Rate Year Revenues from Existing Rates and Charges			\$ 8,579,346
Net Rate Year Revenue Requirements (2)			\$ 9,675,014
Additional Revenue Needed			\$ 1,095,668
% Revenue Increase Required			<u>12.77%</u>

Notes:

(1) Per Schedule RFC 5.

(2) Per Schedule TSC-1. Equals total cost of service less miscellaneous revenue.

CITY OF NEWPORT--WATER DIVISION

Calculation of Proposed Rates and
 Proof of Revenue at Proposed Rates
 Rate Year Ending June 30, 2008

<u>Customer Class</u>	<u>Existing Rate</u>	<u>Percent Increase (1)</u>	<u>Proposed Rate</u>	<u>Rate Year Sales (2) (1,000 gals)</u>	<u>Rate Year Revenues at Proposed Rates</u>
Retail (3)	\$ 4.070	12.77%	\$ 4.660	1,249,410	\$ 5,822,251
Navy	2.510	12.77%	\$ 2.830	373,306	1,056,456
Portsmouth	2.000	12.77%	\$ 2.255	463,253	1,044,636
Metered Sales Revenues at Proposed Rates					\$ 7,923,342
<u>Type of Charge</u>	<u>Existing Charge</u>	<u>Percent Increase (1)</u>	<u>Existing Charge</u>	<u>Number Billed</u>	<u>Rate Year Revenues at Proposed Rates</u>
Billing Charge (3)	\$ 13.25	0.00%	\$ 13.25	51,507	682,468
Fire Protection Charges (Public)	\$ 675.00	12.77%	\$ 761.00	982	747,302
Fire Protection Charges (Private)					
less than 2"	\$ 13.25	12.77%	\$ 15.00	-	-
2"	55.00	12.77%	62.00	-	-
4"	343.00	12.77%	387.00	55	21,285
6"	687.00	12.77%	775.00	234	181,350
8"	1,572.00	12.77%	1,773.00	62	109,926
10"	2,596.00	12.77%	2,928.00	-	-
12"	4,169.00	12.77%	4,701.00	2	9,402
Total Private Fire Service					\$ 321,963
Total Rate Year Revenues from Proposed Rates and Charges					\$ 9,675,075
Net Rate Year Revenue Requirements (4)					\$ 9,675,014
Difference					\$ 61

Notes:

- (1) Per page 1 of this schedule.
- (2) Per Schedule RFC 5.
- (3) The billing charge has not been increased and the retail volumetric rate was adjusted to recover the revenue increase that otherwise would have been recovered through a uniform percentage increase in the billing charge.
- (4) Per Schedule TSC-1. Equals total cost of service less miscellaneous revenue.