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May 13, 2009

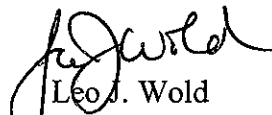
Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02889

Re: Docket No. 4025

Dear Ms. Massaro,

Enclosed for filing on behalf of the Division of Public Utilities and Carriers, please find the Surrebuttal Testimony of Thomas S. Catlin.

Very truly yours,



Leo J. Wold

Special Assistant Attorney General

cc: Service List

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

**CITY OF NEWPORT)
UTILITIES DEPARTMENT,)
WATER DIVISION)** **DOCKET NO. 4025**

SURREBUTTAL TESTIMONY

OF

THOMAS S. CATLIN

ON BEHALF OF THE

DIVISION OF PUBLIC UTILITIES AND CARRIERS

MAY 2009

EXETER

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

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BEFORE THE
PUBLIC UTILITIES COMMISSION
OF RHODE ISLAND

CITY OF NEWPORT)
UTILITIES DEPARTMENT,)
WATER DIVISION) DOCKET NO. 4025

Surrebuttal Testimony of Thomas S. Catlin

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Introduction

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

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

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

A. Yes. My direct testimony on behalf of the Division of Public Utilities and Carriers (the Division) was submitted on April 1, 2009. My qualifications and experience are set forth in that testimony.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Ms. Julia Forgue, Ms. Laura Sitrin and Mr. Harold Smith that was submitted on behalf of the City of Newport Utilities Department, Water Division (Newport Water or the Water Division). I also update the Division's position with regard to the

1 overall revenue increase to which Newport Water is entitled. The specific issues that
2 I address in my surrebuttal testimony are identified in the Table of Contents.

3

4

Employee Vacancies

5 Q.

WHAT POSITION DID NEWPORT WATER TAKE WITH REGARD TO
6 YOUR ADJUSTMENT TO SALARIES AND WAGES TO ACCOUNT FOR
7 EMPLOYEE VACANCIES?

8 A.

Ms. Forgue disagrees with my proposal to reflect two employee vacancies. She
9 argues my adjustment is overstated. She also claims that because the vacancies are
10 only temporary, adopting my recommendation will require Newport to permanently
11 eliminate two positions.

12 Q.

DO YOU AGREE WITH MS. FORGUE'S ARGUMENTS?

13 A.

No. Although it is not totally clear, Ms. Forgue's claim that my adjustment is
14 overstated appears to be based on the argument that the Company only had three
15 vacant positions instead of the four that I stated existed at the time my testimony was
16 filed. While Ms. Forgue is correct that the response to Div. 1-6 did identify three
17 employee vacancies as of the second quarter of FY 2009, the response to Div. 1-5,
18 coupled with the response to Div. 2-1 seeking additional information about the vacant
19 positions identified in Div. 1-5, identify four vacant positions. However, since my
20 adjustment was only based on reflecting two vacant positions, whether there were
21 three or four vacancies is not significant.

22

Ms. Forgue's argument may also be that my adjustment is overstated because
23 I included the vacant Assistant Water Protection Quality Supervisor position in
24 calculation of the average salary and benefits per employee vacancy that I used in my
25 calculation. If that is the case, I would point out that inclusion of this position does

1 not have a significant effect. However, for purposes of developing the Division's
2 updated position, I have excluded this vacant Assistant Supervisor position from my
3 calculation of the average salary and benefits per vacancy. This reduces my
4 recommended adjustment from \$145,752 as reflected in my direct testimony to
5 \$142,250 as shown on updated Schedule TSC-3 accompanying this testimony.

6 With regard to Ms. Forgue's claim that employee vacancies are temporary, I
7 agree that specific positions are normally vacant only temporarily. However, as I
8 pointed out in my direct testimony, Newport has routinely and consistently had at
9 least two vacant positions in recent years. As a result, Newport does not have to pay
10 100 percent of the salaries and benefits for its full complement of employees.
11 Including salaries and benefits as though all positions are filled all of the time would
12 overstate Newport Waters costs.

13 Q. HAS THE COMMISSION RECOGNIZED SIMILAR ADJUSTMENTS FOR
14 OTHER WATER UTILITIES IN RHODE ISLAND WITH WHICH YOU
15 ARE FAMILIAR?

16 A. Yes. In my experience the rate year costs for both the Providence Water Supply
17 Board and the Kent County Water Authority are routinely based on actual employee
18 levels taking into consideration normal employee vacancies. The same procedure is
19 followed for The Narragansett Bay Commission.

20 Q. DO YOU HAVE ANY OTHER OBSERVATIONS ON THIS ISSUE?

21 A. Yes. It is worth noting that when new union employees are hired, they are not
22 eligible for medical coverage during the first six months of employment. This results
23 in additional savings to Newport Water that I have not reflected in my adjustment for
24 employee vacancies.

25

1 **Overtime**

2 Q. HAVE YOU REVIEWED MS. FORGUE'S REBUTTAL TESTIMONY
3 WITH REGARD TO OVERTIME EXPENSE?

4 A. Yes. Ms. Forgue agreed, with a few minor exceptions, to my adjustment with regard
5 to overtime. I have accepted the overtime expense amount now proposed by Ms.
6 Forgue and reflected in Newport's revised revenue requirement position.

7
8 **Chemicals**

9 Q. DO YOU HAVE ANY COMMENTS REGARDING NEWPORT WATER'S
10 REVISED CLAIM FOR THE COST OF CHEMICALS?

11 A. Yes. Newport Water has now received its bids for chemicals for FY 2010. The
12 prices from those bids result in only a nominal overall increase in chemical costs for
13 the rate year compared to the prices in effect during FY 2009. Newport Water has
14 incorporated those prices in the revised revenue requirement claim submitted with its
15 rebuttal testimony and I have accepted the updated costs.

16
17 **Consultant Fees**

18 Q. WHAT POSITION DID NEWPORT WATER TAKE WITH REGARD TO
19 YOUR ADJUSTMENT TO CONSULTANT FEES?

20 A. Ms. Forgue accepted my adjustment to limit the amount included for other
21 consultant's fees to \$50,000. However, she disagreed with my adjustments to
22 amortize the \$10,000 cost for an updated risk management study over two years and
23 to defer the projected \$50,000 cost of preparing a new cost of service study for
24 recovery as part of the costs of Newport's next rate case.

25 Q. WHAT IS YOUR RESPONSE TO NEWPORT WATER'S REBUTTAL?

1 A. When costs, such as those for the risk management study, that are incurred only
2 periodically are included as an annual expense, the potential is created for the
3 overrecovery of costs in subsequent years. However, given the small amount of the
4 cost for the updated risk management study and the expectation that Newport Water
5 will file another rate case later this year, I have accepted inclusion of the full cost of
6 this study in developing the Division's updated recommendation regarding the
7 appropriate rate increase.

8 I continue to disagree with Ms. Forgue's position that the full cost of
9 preparing a new class cost of service study should be included in rate year expenses
10 in this proceeding because it is inappropriate to treat a study of this magnitude as an
11 annual expense. In response to Div. 3-5, however, Newport Water has indicated that
12 it has already begun to incur costs for the study. Accordingly, I am proposing to
13 amortize the expense for the cost of service study over two years in this proceeding
14 and have updated the Division's recommendation to reflect this change.

15

16

Motor Vehicle Fuel Expense

17 Q. DO YOU AGREE WITH NEWPORT WATER'S REBUTTAL POSITION
18 WITH REGARD TO MOTOR VEHICLE FUEL EXPENSE?

19 A. No. In her rebuttal testimony, Ms. Forgue agreed to reduce Newport Water's original
20 claim for gasoline and diesel fuel costs that was based on June 2008 fuel costs plus a
21 three percent increase. However, instead of accepting my recommendation that
22 gasoline and diesel prices be based upon the three-month average for November 2008
23 through January 2009, Ms. Forgue proposed to utilize a 12-month average for January
24 2008 through January 2009.

1 I do not agree with Ms. Forgue's rebuttal proposal because the use of a 12-
2 month average includes some of the highest gasoline and diesel fuel prices on record.
3 Moreover, those prices were incurred in a time of extremely high energy prices in
4 general prior to the current worldwide recession. There is no information that I have
5 seen that indicates similar motor vehicle prices are likely to be experienced again in
6 the coming year.¹

7 Q. ARE YOU PROPOSING TO MODIFY YOUR ORIGINAL ADJUSTMENT?

8 A. Yes. I have updated my recommendation to reflect average gasoline and diesel fuel
9 prices over the period October 2008 through April 2009. As shown on updated
10 Schedule TSC-7, I am proposing to include gasoline and diesel fuel costs of \$30,102.
11 This is \$12,174 less than Newport Water's rebuttal claim of \$42,276.

12

13

City Services

14 Q. HAVE YOU REVIEWED MS. SITRIN'S REBUTTAL TESTIMONY WITH
15 REGARD TO CITY SERVICES?

16 A. Yes. Ms. Sitrin's rebuttal testimony provides a more detailed explanation and
17 justification for several of the allocation procedures than was provided in her direct
18 testimony. Based on her rebuttal testimony and some of the changes in the
19 allocations of administrative and data processing services that Ms. Sitrin has made,
20 the allocations with which I have a disagreement have been narrowed.

¹ According to the April 2009 "Short-Term Energy and Summer Fuels Outlook, published by the Energy Information Administration, gasoline prices are projected to be 41.3 percent lower this summer than last summer and diesel fuel prices are projected to be 48.0 percent lower.

1 Q. PLEASE SUMMARIZE THOSE AREAS WHERE YOU RAISED A
2 CONCERN IN YOUR DIRECT TESTIMONY WHERE YOU NO LONGER
3 HAVE A DISAGREEMENT WITH NEWPORT.

4 A. The first concern that I raised in my direct was that the budget used for Newport
5 Water in calculating its percentage of the total City budget was excessive. I
6 recommended that Newport Water's approved cost of service be utilized to calculate
7 its percentage of the budget, consistent with past practice. In rebuttal, Ms. Sitrin has
8 agreed to utilize the approved cost of service for Newport Water excluding the
9 operating reserve allowance in determining its percentage of the budget, thereby
10 resolving this issue. (I continue to have an issue with the exclusion of the School and
11 Library budgets from the calculation of the budget percentage applied to the City
12 Manager, City Solicitor and Finance Administration costs, which I will address
13 subsequently.)

14 Newport Water has also addressed the concerns I identified with regard to
15 the allocation of City Council costs, Assessment Division costs, Collection Division
16 costs and Accounting Division costs. With regard to the City Council, Newport
17 Water has now proposed a 5.75 percent allocation based on a revised count of agenda
18 items. This percentage is more realistic than the 11.40 percent allocation initially
19 proposed and I have accepted it. With regard to Assessment Division costs, Ms.
20 Sitrin accepted my allocation factor. Similarly, Ms. Sitrin updated the allocation
21 percentage for Collection Division costs to address the concerns I raised. Finally,
22 after reviewing the explanation included in Ms. Sitrin's rebuttal testimony, I have
23 accepted Newport's treatment of accounting costs, including the assignment of five
24 percent of those costs directly to Newport Water.

1 Q. PLEASE ADDRESS THOSE AREAS WHERE YOU CONTINUE TO
2 DISAGREE WITH THE ALLOCATION OF CITY SERVICES COSTS TO
3 NEWPORT WATER.

4 A. The first area where I continue to disagree with the allocations proposed by Ms. Sitrin
5 is the exclusion of the School Department and Library from the overall City budget in
6 determining the percentage of City Manager, City Solicitor and Finance
7 Administration costs allocable to Newport Water. Ms. Sitrin argues that the level of
8 involvement of the City Council Manager and Finance Director is minimal and does
9 not warrant the inclusion of the entire School Department and Library budgets in the
10 budget percentage calculations. However, the fact that there is some involvement
11 demonstrates that it is not appropriate to simply exclude the School and Library
12 budgets from the calculations. It is also important to note that only the General Fund
13 contributions to the School and Library budgets are being included in the budget
14 percentage calculation, not the entire School and Library budgets. The City's General
15 Fund contribution to the School Department represents only 61 percent of the total
16 School Department Budget. For the Library, the City's contribution is 78 percent.

17 The second area where I continue to disagree with the allocations proposed by
18 Ms. Sitrin relates to the City Clerk. Ms. Sitrin has proposed to allocate 5.75 percent
19 of the costs of the City Clerk's office to Newport Water based on the percentage of
20 City Council agenda items associated with water issues. This allocation fails to
21 recognize that, in addition to the Clerk of the Council, the City Clerk also serves as
22 the Recorder of Deeds, Registrar of Vital Statistics and Clerk of the Probate Court.
23 Therefore, assigning 5.75 percent of the City Clerk's office costs to Newport Water
24 based on the same percentage as the City Council overstates the costs allocable to

1 water issues. It is my recommendation that the allocation to Newport Water remain
2 at the one percent approved in Docket No. 3818.

3 Q. DO YOU HAVE ANY REMAINING CONCERNS ABOUT THE
4 ALLOCATION OF FINANCE DEPARTMENT COST OTHER THAN
5 THAT WITH THE BUDGET PERCENTAGE DISCUSSED PREVIOUSLY?

6 A. I am still concerned that the overall portion of Finance Department costs assigned to
7 Newport Water is too high because it fails to give adequate consideration to the fact
8 that Newport Water has its own Director of Finance that it shares with the WPC
9 Division and has its own financial analyst. However, I am prepared to accept
10 Newport's allocations to the Water Division in this case if the School and Library
11 budgets are included in calculating Newport Water's share of the total City budget
12 used to allocate 80 percent of Finance Administration costs.

13

14

15 **Debt Service and Capital Spending**

16 Q. HAVE YOU REVIEWED MR. SMITH'S REBUTTAL TESTIMONY WITH
17 REGARD TO YOUR RECOMMENDATIONS CONCERNING THE
18 APPROPRIATE RATE YEAR ALLOWANCES FOR DEBT SERVICE
19 AND THE CONTRIBUTION TO THE CAPITAL SPENDING
20 RESTRICTED ACCOUNT?

21 A. Yes. Mr. Smith has accepted my proposal to utilize a two-year average for the
22 contribution to the capital spending restricted account. However, he points out that
23 my recommendation regarding the average annual cost did not take into account that
24 the project for the aeration of the 4 million gallon reservoir at Lawton Valley has
25 been removed from the capital improvement plan (CIP). I became aware of the

1 elimination of that project after my direct testimony was already complete and I agree
2 that the contribution to the restricted fund should reflect the change.

3 With regard to debt service, Mr. Smith agrees with recommendation that debt
4 service should be updated to reflect the most recent information on interest rates and
5 payment schedules. However, rather than using the rate year debt service, Mr. Smith
6 proposes to utilize a two-year average, which was recommended by Mr. Woodcock
7 on behalf of Portsmouth Water and Fire District. The use of a two-year average for
8 debt service is consistent with the manner in which the contribution to the Capital
9 Spending restricted account has been determined. Accordingly, I am accepting this
10 proposal.

11
12 **Meter Replacement Allocation**

13 Q. DO YOU HAVE ANY COMMENTS WITH REGARD TO NEWPORT'S
14 REBUTTAL RELATED TO THE ALLOCATION OF METER
15 REPLACEMENT COSTS?

16 A. Yes. Both Ms. Forgue and Mr. Smith noted they agreed in concept that 50 percent of
17 meter replacement costs should be shared by wastewater customers, but disagree that
18 all 50 percent should be allocated to Newport's Water Pollution Control Division. I
19 would like to clarify that I do not disagree that the costs should be recovered from
20 both Newport and Middletown wastewater customers. To the extent that the
21 Commission approves Newport Water's proposal to change the billing procedure for
22 the costs attributable to sewer service, then I agree that the Town of Middletown and
23 the Newport WPC Division should each be billed for their appropriate share of the
24 costs. I would also note that I am in agreement with the updated level of costs

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

**CITY OF NEWPORT)
UTILITIES DEPARTMENT,)
WATER DIVISION)** **DOCKET NO. 4025**

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

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

MAY 2009

EXETER

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

CITY OF NEWPORT--WATER DIVISION

Summary of Revenues and Expenses at
 Present and Proposed Rates
 Rate Year Ended June 30, 2010

	Rate Year Amount Per Newport Rebuttal	Division Adjustments	Rate Year at Present Rates	Proposed Rate Increase	Rate Year at Proposed Rates
Revenue					
Customer Charge	\$ 846,410	\$ -	\$ 846,410	\$ 139,897	\$ 986,307
Retail Consumption	5,631,414	-	5,631,414	932,783	6,564,197
Wholesale/Bulk Sales	1,783,620	-	1,783,620	295,503	2,079,123
Fire Protection	1,079,120	-	1,079,120	179,236	1,258,356
Miscellaneous	741,827	-	741,827	-	741,827
Total Revenue	\$ 10,082,391	\$ -	\$ 10,082,391	\$ 1,547,419	\$ 11,629,810
Expenses					
Water Administration	2,310,030	(77,822)	2,232,208	-	2,232,208
Customer Accounts	719,939	(1,751)	718,188	-	718,188
Source of Supply-Island	620,400	(73,376)	547,024	-	547,024
Source of Supply-Mainland	142,800	-	142,800	-	142,800
Treatment & Pumping-Newport Plant	1,700,700	(204)	1,700,496	-	1,700,496
Treatment & Pumping-Lawton Valley	1,604,950	(146)	1,604,804	-	1,604,804
Water Laboratory	249,450	-	249,450	-	249,450
Transmission & Distribution Maintenance	1,094,300	(78,614)	1,015,686	-	1,015,686
Fire Protection	14,500	-	14,500	-	14,500
Subtotal	\$ 8,457,070	\$ (231,913)	\$ 8,225,156	\$ -	\$ 8,225,156
Payment to City General Fund	-	-	-	-	-
Debt Service	2,010,823	-	2,010,823	-	2,010,823
Capital Outlays	1,146,918	-	1,146,918	-	1,146,918
Total Expenses	\$ 11,614,811	\$ (231,913)	\$ 11,382,897	\$ -	\$ 11,382,897
Operating Reserve	253,712	(6,957)	246,755	-	246,755
Total Cost of Service	\$ 11,868,523	\$ (238,870)	\$ 11,629,652	\$ -	\$ 11,629,652
Revenue Surplus/(Deficiency)	\$ (1,786,132)	\$ 238,870	(\$1,547,261)	\$ 1,547,419	\$ 158

CITY OF NEWPORT--WATER DIVISION

Summary of Division Adjustments to
Rate Year Expenses
Rate Year Ended June 30, 2010

<u>Description</u>	<u>Amount</u>	<u>Source</u>
Employee Vacancies	\$ (142,250)	Schedule TSC-3
Overtime Wages	-	Schedule TSC-4
Consultant Fees	(25,000)	Schedule TSC-5
Chemical Costs	-	Schedule TSC-6
Motor Vehicle Fuel Expense	(12,174)	Schedule TSC-7
City Services--Legal & Administrative	(50,891)	Schedule TSC-8
City Services--Data Processing	(1,598)	Schedule TSC-8
Updated Debt Costs	-	Schedule TSC-9
Capital Outlays	-	Schedule TSC-10
Operating Reserve	<u>(6,957)</u>	See Note (1)
Total Expense Adjustments	\$ (238,870)	
Revenue Offsets	<u>-</u>	Schedule TSC-11
Total Division Adjustments to Income	<u>\$ 238,870</u>	

Note:

(1) Based on 3.0% of total O&M expenses as reflected on Schedule TSC-1.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Salaries and Wages to
Reflect Normal Employee Vacancies
Rate Year Ended June 30, 2010

<u>Current Vacant Positions (1)</u>	<u>Salary (2)</u>	<u>Benefits (2)</u>
Maintenance Mechanic-Distribution	\$ 52,518	\$ 27,640
Maintenance Mechanic-Source of Supply	51,003	28,663
Laborer-Source of Supply	37,840	15,711
Assistant Water Quality Production Supervisor	N/A	N/A
Average	\$ 47,120	\$ 24,005
Normal Employee Vacancies (3)	<u>2</u>	<u>2</u>
Reduction in Claimed Salaries and Benefits	\$ 94,241	\$ 48,009
Total Adjustment to Rate Year Expense (4)		<u>\$ 142,250</u>

Notes:

- (1) Per responses to Div. 1-5 and 2-1.
- (2) Per RFC Schedule B-3, B-5, B-6 and B-8.
- (3) Per response to Div. 1-6.
- (4) Adjustment has been included one-half in Distribution and one-half in Source of Supply for income summary purposes.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Overtime Wages
 Rate Year Ended June 30, 2010

	<u>Adjustment</u>
<u>Customer Service Division</u>	
Test Year Overtime Hours (1)	143.0
Additional Hours for Radio Read	500.0
Overtime Hours per Division	<u>643.0</u>
Hours per Newport Water Filing (2)	<u>643.0</u>
Adjustment to Overtime Hours	-
Overtime Hourly Rate (2)	<u>\$ 33.00</u>
Adjustment to Customer Service Expense	\$ -
<u>Source of Supply-Mainland</u>	
Test Year Overtime Hours (3)	250.0
Additional Hours to Normalize	-
Overtime Hours per Division	<u>250.0</u>
Hours per Newport Water Filing (3)	<u>250.0</u>
Adjustment to Overtime Hours	-
Overtime Hourly Rate (3)	<u>\$ 18.00</u>
Adjustment to Source of Supply-Mainland Expense	\$ -
Total Adjustment to Overtime Wages	<u><u>\$ -</u></u>

Notes:

- (1) Per Rebuttal Testimony of Julia Forgeue.
- (2) Per RFC Schedule B-2 Rebuttal.
- (3) Per RFC Schedule B-4 Rebuttal.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Consulting Fees
Rate Year Ended June 30, 2010

	<u>Amount Per Newport (1)</u>	<u>Amount Per Division</u>	<u>Adjustment</u>
Rate Case Expense	\$ 116,500	\$ 116,500	\$ -
Cost of Service Study (2)	50,000	25,000	(25,000)
Updated Risk Management Study	10,000	10,000	-
Other Fees	50,000	50,000	-
Adjustment to Expense			<u>\$ (25,000)</u>

Notes:

(1) Per response to Div. 1-27.

(2) Division recommendation is for amortization over 2 years.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Chemicals Expense
 Rate Year Ended June 30, 2010

	Amount Per Newport (1)	Amount Per Division (2)	Adjustment
Newport Plant	\$ 399,000	\$ 399,000	\$ -
Lawton Valley	216,000	216,000	-
Source of Supply Island	54,000	54,000	-
Adjustment to Include costs in Debt Service Restricted Account	\$ 669,000	\$ 669,000	\$ -

Notes:

(1) Amounts per RFC Schedule 3 Rebuttal.

(2) Division agrees with update based on actual bid prices.

CITY OF NEWPORT--WATER DIVISION

Adjustment to City Motor Vehicle Fuel Costs
 Rate Year Ended June 30, 2010

	<u>Gallons (1)</u>	<u>Price per Gallon (2)</u>	<u>Cost per Division</u>	<u>Cost per Newport Water</u>	<u>Adjustment</u>
Administration	448	\$ 1.819	\$ 815	\$ 1,148	\$ (333)
Customer Service	2,355	1.819	4,284	6,035	(1,751)
Source of Supply-Island	556	2.349	1,306	1,810	(504)
Source of Supply-Island	2,346	1.819	4,267	6,014	(1,747)
Newport Plant	274	1.819	498	702	(204)
Lawton Valley	196	1.819	357	503	(146)
Distribution	1,924	2.349	4,519	6,259	(1,740)
Distribution	7,727	1.819	14,055	19,805	(5,750)
Total	15,826		\$ 30,102	\$ 42,276	\$ (12,174)

Notes:

(1) Per RFC Schedules B-1 through B-8.

(2) Based on average prices paid in October 2008 through April 2009.

CITY OF NEWPORT--WATER DIVISION

Adjustment to City Services Costs
 Rate Year Ended June 30, 2010

<u>Legal and Administrative Services</u>	<u>Total City Budget</u>	<u>Adjustment (1)</u>	<u>Allocable Budget</u>	<u>Allocation to Water Division</u>	<u>Percent</u>	<u>Note</u>
City Council	\$ 76,655	\$ -	\$ 76,655	\$ 4,408	5.75%	(3)
City Clerk	319,706	-	319,706	3,197	1.00%	(1)
City Manager	418,103	-	418,103	45,044	10.77%	(2)
Human Resources	303,388	-	303,388	39,137	12.90%	(3)
City Solicitor	289,177	-	289,177	31,154	10.77%	(2)
Finance Administration 80%	299,170	-	299,170	32,231	10.77%	(2)
Finance Administration 5%	18,698	-	18,698	6,918	37.00%	(3)
Purchasing	90,123	-	90,123	16,763	18.60%	(3)
Assessment	113,456	-	113,456	5,673	5.00%	(3)
Collections	313,663	-	313,663	47,865	15.26%	(3)
Accounting 5%	9,749	-	9,749	9,749	100.00%	(3)
Accounting	383,951	-	383,951	64,888	16.90%	(3)
Audit Fees	84,875	-	84,875	5,245	6.18%	(3)
Public Safety	28,531,884	-	28,531,884	28,532	0.10%	(3)
Facilities Maintenance	823,521	-	823,521	12,106	1.47%	(3)
Total Allocated on Budget	\$ 32,076,119	\$ -	\$ 32,076,119	\$ 352,909		

Amount per Newport Water

403,800

Adjustment to Legal & Administrative

\$ (50,891)

<u>Data Processing Services</u>	<u>Total City Budget</u>	<u>Adjustment</u>	<u>Allocable Budget</u>	<u>Allocation to Water Division</u>	<u>Percent (1)</u>	
MIS - Communications Costs	\$ 328,960	-	328,960	25,988	7.90%	(3)
MIS - Other Costs	841,172	-	841,172	118,414	14.08%	(2)
	\$ 1,170,132	\$ -	\$ 1,170,132	\$ 144,402		

Amount per Newport Water

146,000

Adjustment to Data Processing Services

\$ (1,598)

Notes:

- (1) Refer to testimony
- (2) Refer to page 2 of this schedule..
- (3) Percentage per Newport Water Rebuttal Filing

CITY OF NEWPORT--WATER DIVISION

Calculation of City Services Allocation Factors
 Rate Year Ended June 30, 2010

<u>Percentage Applicable to Non-MIS Costs</u>	FY 2009	
	<u>Adopted Budget</u>	<u>Percentage</u>
General Fund Including School & Library	\$ 77,948,747	73.77%
Maritime	\$ 1,483,000	1.40%
Water Fund	\$ 11,382,897	10.77%
WPC	\$ 12,628,836	11.95%
Parking	\$ 1,347,952	1.28%
Beach	\$ 866,324	0.82%
Total Budget	\$ 105,657,756	100.00%

<u>Percentage Applicable to MIS - Other Costs</u>	FY 2009	
	<u>Adopted Budget</u>	<u>Percentage</u>
General Fund Less School & Library	\$ 53,150,855	65.73%
Harbor	1,483,000	1.83%
Water Fund	11,382,897	14.08%
WPC	12,628,836	15.62%
Parking	1,347,952	1.67%
Beach	866,324	1.07%
Total Budget	\$ 80,859,864	100.00%

CITY OF NEWPORT--WATER DIVISION

Adjustment to Reflect Updated Debt Service Costs
for Debt Service Restricted Account Contribution
Rate Year Ended June 30, 2010

	<u>Total</u>
Updated Debt Service Requirement per Division (1)	\$ 2,010,823
Amount per Newport Water Filing (2)	<u>2,010,823</u>
Adjustment to Debt Service Restricted Account Contribution	<u><u>\$ -</u></u>

Notes:

- (1) The Division accepts Newport Water's updated claim.
- (2) Per RFC Schedule 2 Rebuttal

CITY OF NEWPORT--WATER DIVISION

Adjustment to Capital Spending Requirements
Rate Year Ended June 30, 2010

	<u>Total</u>
Updated Capital Spending per Division (1)	\$ 1,146,918
Amount per Newport Water Filing (2)	<u>1,146,918</u>
Adjustment to Capital Spending Restricted Account Contribution	<u>\$ -</u>

Notes:

- (1) The Division accepts Newport Water's updated claim.
- (2) Per RFC Schedule 2 Rebuttal.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Revenue Offsets
Rate Year Ended June 30, 2010

	<u>Total</u>
Cash Expenditures for Meter Replacements (1)	
Portion allocable to Water Service at 50%	<u>-</u>
Portion allocable to Wastewater Service at 50%	<u>\$ -</u>

Note:

(1) Adjustment has been reflected by Newport Water in its Rebuttal filing.

CITY OF NEWPORT--WATER DIVISION

Calculation of Uniform Percentage Increase in Rates
 Required to Generate Additional Revenues
 Rate Year Ended June 30, 2010

<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	\$ 4.540	1,240,400	\$ 5,631,414
Navy	\$ 2.795	278,289	777,818
Portsmouth	\$ 2.227	451,640	<u>1,005,802</u>
Metered Sales Revenues at Existing Rates			\$ 7,415,034
<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	63,880	846,410
Fire Protection Charges (Public)	\$ 752.00	999	751,248
Fire Protection Charges (Private)			
less than 2"	\$ 14.76	-	-
2"	62.00	1	62
4"	382.00	57	21,774
6"	765.00	246	188,190
8"	1,751.00	62	108,562
10"	2,891.00	-	-
12"	4,642.00	2	<u>9,284</u>
Total Private Fire Service			\$ <u>327,872</u>
Total Rate Year Revenues from Existing Rates and Charges			\$ 9,340,564
Net Rate Year Revenue Requirements (2)			<u>\$ 10,887,825</u>
Additional Revenue Needed			\$ 1,547,261
% Revenue Increase Required			<u>16.57%</u>

Notes:

(1) Per Schedule RFC 7 Rebuttal.

(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 Ended June 30, 2010

<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	\$ 4.540	16.57%	\$ 5.292	1,240,400	\$ 6,564,197
Navy	2.795	16.57%	\$ 3.258	278,289	906,666
Portsmouth	2.227	16.57%	\$ 2.596	451,640	1,172,457
Metered Sales Revenues at Proposed Rates					\$ 8,643,320
<u>Type of Charge</u>	<u>Existing Charge</u>	<u>Percent Increase (1)</u>	<u>Proposed Rate</u>	<u>Number Billed</u>	<u>Rate Year Revenues at Proposed Rates</u>
Billing Charge	\$ 13.25	16.57%	\$ 15.44	63,880	986,307
Fire Protection Charges (Public)	\$ 752.00	16.57%	\$ 877.00	999	876,123
Fire Protection Charges (Private)					
less than 2"	\$ 14.76	16.57%	\$ 17.00	-	-
2"	62.00	16.57%	72.00	1	72
4"	382.00	16.57%	445.00	57	25,365
6"	765.00	16.57%	892.00	246	219,432
8"	1,751.00	16.57%	2,041.00	62	126,542
10"	2,891.00	16.57%	3,370.00	-	-
12"	4,642.00	16.57%	5,411.00	2	10,822
Total Private Fire Service					\$ 382,233
Total Rate Year Revenues from Proposed Rates and Charges					\$ 10,887,983
Net Rate Year Revenue Requirements (3)					\$ 10,887,825
Difference					\$ 158

Notes:

- (1) Per page 1 of this schedule.
- (2) Per Schedule RFC 7 Rebuttal.
- (3) Per Schedule TSC-1. Equals total cost of service less miscellaneous revenue.