

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: CITY OF NEWPORT, UTILITIES DIVISION, WATER DEPARTMENT

DOCKET NO: 4025

**MEMORANDUM IN SUPPORT OF NEWPORT WATER'S PROPOSED
CHANGES IN RATES**

June 18, 2009

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I. INTRODUCTION

On December 9, 2009, the City of Newport, Utilities Department, Water Division (“NWD”) filed an application to increase rates pursuant to Rhode Island General Laws § 39-3-11 and Part II of the Rhode Island Public Utilities Commission’s (“Commission”/“PUC”) Rules of Practice and Procedure. NWD’s proposed rates were designed to collect additional operating revenue of \$3,353,023 to support a \$12,754,756 total cost of service. The impact of this request would have resulted in a 28.8% increase in total cost of service. For a typical residential customer, this request would have resulted in an increase of \$92.84 per year. In support of its filing, NWD submitted testimony and supporting schedules from Julia Forgue, Utilities Director for the City of Newport; Harold Smith of Raftelis Financial Consulting; and, Laura Sitrin, City of Newport Finance Director.

As required by law, The Division of Public Utilities and Carriers (“Division”) reviewed NWD’s rate application and submitted testimony and supporting schedules from Thomas Catlin. In addition, NWD’s wholesale customers, the Portsmouth Water & Fire District (“PWFD”) and the United States Department of the Navy (“Navy”), intervened in this Docket. PWFD filed testimony and supporting schedules from Christopher Woodcock, and the Navy submitted testimony from Ernest Harwig.

At the hearing on May 27, 2009, NWD submitted supplemental Exhibits outlining its revised position seeking a total cost of service of \$11,678,118.¹ These exhibits showed two areas of disagreement between all the parties – City Services and Operating Reserve. There were also differences between specific parties:

1. NWD and the Division differed on Motor Vehicle Expense and Consultant Fees.
2. NWD and the Navy differed on Debt Service.

¹ See Docket 4025, NWD Exhibits 15 and 16

3. NWD and PWFD differed on expenses owed to the City of Newport for payroll, city services and sludge removal.

This memorandum addresses these areas of disagreement and several other issues raised during the hearing.

II. LEGAL STANDARD

When a public utility proposes a rate increase it has the burden of proving that the increase is necessary to obtain reasonable compensation for services rendered.² NWD asserts that it has met this burden. Thus, NWD requests that its proposed rates be granted by the Commission.

III. ARGUMENT

1. PAYROLL, CITY SERVICE AND WATER POLLUTION CONTROL EXPENSES – DOCKET 3818 ORDER

In Docket 3818, NWD requested rate relief to address an ongoing deficit resulting from a consistent pattern of revenue shortfalls. As NWD demonstrated, it experienced a continual decline in consumption over a six year period.³ In fact, between FY06 and FY07 alone, NWD experienced a ten percent drop in consumption.⁴ Overall, NWD demonstrated it had been unable to collect \$5,329,576 authorized by the Commission between FY04 and FY07.⁵ As a result of this revenue shortfall, NWD was unable to pay all of its Commission approved expenses over this time period. This forced NWD to choose among competing expenses.

As the Commission knows, NWD is required to fully fund its restricted accounts. It is not allowed to fund these accounts based on a percentage of collections. Thus, when revenue declined, the only place NWD could choose among competing expenses was Operations & Maintenance (O&M).

² R.I.G.L. § 39-3-2

³ Docket 3818 Order, p. 38

⁴ Docket 3818 Order, p. 30

⁵ Docket 3818, NWD Exhibit 11

Within O&M, NWD chose to pay outside vendor expenses first and internal payroll and city service expenses last.⁶ This left a series of payroll and other expenses owed to the City of Newport. It must be stressed that the expenses owed for payroll, city services and sludge removal were *legitimate Commission approved expenses*. The City simply allowed NWD to defer reimbursement as it struggled to collect revenue.

NWD's cash flow problems and revenue deficit became particularly acute in FY07. In Docket 3818, NWD provided evidence that it owed the City of Newport \$126,585 for outstanding payroll (roughly the equivalent of one pay period), and \$113,812 for other city service expenses at the start of FY07.⁷ At the end of FY07, NWD's monthly cash flow reports showed \$1,259,496 in outstanding payroll and \$324,674 of other expenses owed to the City. Faced with this deficit, and because it was caused by the under collection of revenues and not overspending, NWD sought rate relief in Docket 3818 to reduce this deficit.

During the litigation of Docket 3818, NWD, the Division and PWFD had different positions on this issue. NWD and the Division had divergent suggestions to reduce the deficit through bi-monthly billing. PWFD argued that *none* of the deficit should be repaid, or "at a minimum" NWD should be prohibited from paying \$709,421 of expenses owed to the City.⁸

In its Report and Order (No. 19240), the Commission rejected all three positions. The Commission did not approve bi-monthly billing, and it did not prevent NWD from paying the City of Newport for legitimate expenses, including payroll. Rather, the Commission ordered the following:

"Newport Water may repay \$1,584,171 to the City of Newport. This repayment shall not be made a part of Newport Water's revenue requirement, but may be made from savings from

⁶ Docket 4025 Transcript, pp.78-79

⁷ NWD Response to PWFD 5-2

⁸ PWFD Post Hearing Brief, Docket 3818, p. 4

efficiencies if such funds are not required for expenses included in the revenue requirement.”⁹

During the litigation of the present Docket, PWFD asked the Commission to re-visit this “repayment” issue. PWFD argued that any unpaid expenses currently owed to the City of Newport, including payroll, could be traced back to June 30, 2005. As a result, PWFD asked that NWD be prohibited from paying these expenses.

“Newport has paid its pre-June 30, 2005 to the City and has not had sufficient revenues to catch up. As a result it has a continuing amount payable to the City. This continuing payable is really because they used rate payer funds to pay off the pre-June 30, 2005 amounts.”¹⁰

“In light of the Commission’s past orders on this subject and Newport’s clear agreement to NOT collect any funds borrowed from the City prior to June 30, 2005, the amounts that Newport borrowed from the City prior to June 30, 2005 should be wiped off Newport Water’s books and the Commission should clearly order that these amounts be repaid or retroactively collected in rates.”¹¹

PWFD continued to press this issue in its surrebuttal testimony.¹² Thus, on May 18, 2009, the Commission requested pre-hearing briefs to address the following question:

“Whether the issue of repayment to the City of Newport in the amount \$1,584,171 has been decided by Order No. 19240. If so, can and should the Commission revisit this issue in the instant docket.”

In response, PWFD submitted a Pre-Hearing Brief requesting that the Commission revisit the issue and consider amending its Docket 3818 Order.¹³ In addition, PWFD raised an allegation – *for the first time* – that NWD had not identified any “efficiencies” as provided for in the Docket 3818 Order.”¹⁴ Thus, PWFD, once again argued that “the Commission should not permit Newport Water to pay down the

⁹ Docket 3818 Order, p. 46, paragraph 6

¹⁰ Woodcock, Docket 4025 Direct, p. 26

¹¹ Woodcock, Docket 4025 Direct, p. 29

¹² Woodcock, Docket 4025 surrebuttal, pp. 15-18

¹³ PWFD, Pre-Hearing Brief, p.2, footnote 1

¹⁴ PWFD, Pre-Hearing Brief, p.6

debt owed to the City.”¹⁵

It should be noted that none of the parties in this Docket – including PWFD – challenged whether Newport had realized specific “efficiencies” in their pre-filed testimony. In fact, most of NWD’s normalizing adjustments and rate year revenue requests were unchallenged by PWFD. With the exception of City Services, Mr. Woodcock claimed that only two rate year expenses (Regulatory Assessment and Fire Protection) were excessive.¹⁶ Mr. Woodcock left the examination of other rate year expenses to Mr. Catlin.¹⁷ When the hearing began, the only contested rate year expenses that remained between NWD, the Division and PWFD (other than City Services and the Operating Reserve) were Gasoline and Vehicle expense and Consultant Fees.

The first time PWFD raised the issue of “improper” normalization adjustments and lack of “efficiencies” was in its Pre-Hearing Brief twenty one hours before the hearing began. In this brief, PWFD alleged – for the first time – that NWD did not spend \$230,000 in FY08 that had been approved by the Commission; that between FY08 and FY09 NWD deferred \$500,000 in expenses; and, that NWD had increased revenues of \$464,308 in FY08.¹⁸ These specific allegations were not “vetted” through the exchange of pre-filed testimony and data requests. Since these allegations were only raised in a brief, PWFD’s witnesses did not have to adopt testimony under oath at the hearing concerning these allegations. Furthermore, NWD was not able to adequately address these allegations in a timely manner.

While this post-hearing brief will address the issues raised by PWFD, it is NWD’s position PWFD’s attempt to raise this issue through its Pre-Hearing Brief violates the Commission’s Rules of Practice and Procedure. As such, this issue is not properly before the Commission. The PUC’s Rules of

¹⁵ PWFD Pre-Hearing Brief, p. 9

¹⁶ Woodcock Docket 4025 Direct, pp. 30-32

¹⁷ Woodcock Docket 4025 Direct, pp. 30-32

¹⁸ NWD Pre-Hearing Brief, pp.6-12.

Practice and Procedure encourage an open litigation process. If intervenors are allowed to raise issues hours before a hearing begins that are not presented in direct or surrebuttal testimony, litigation before this Commission will turn into trial by ambush.

Without waiving its position on this issue, and without waiving its position with respect to the Doctrine of Administrative Finality, NWD addresses PWFD's argument herein below.

A. THE DOCKET 3818 ORDER

The Commission's Docket 3818 Order (No. 19240) was issued on March 24, 2008 and was signed by all three sitting Commissioners. PWFD argues that NWD was obligated to apply for permission from the Commission before making any payment to the City. This language is not included in the Order. The applicable language can be found on Page 46, Paragraph 6, and there is no requirement that NWD file an application with the Commission. Thus, PWFD is attempting to include language that simply is not there.

Clearly, if the Commission wanted to include this language, it could have done so. The Docket 3818 Order can be contrasted with the Commission's Order in Docket 3578. In that Order (No. 17992), the Commission established a detailed process NWD had to follow to repay \$2.5 million dollars loaned by the City of Newport.¹⁹ The Commission established specific reporting requirements; specific deadlines for submission of reports; specific deadlines for applying for repayments; and, a specific deadline for final repayment to the City. No similar requirements appear in the Docket 3818 Order, and PWFD's attempt to alter the Order language should be rejected.

Furthermore, the Docket 3818 Order cannot be read in a vacuum. The Order must be read in context with the underlying facts of Docket 3818. It is NWD's position that the lack of an "application"

¹⁹ Docket 3578 Order (No. 17992), pages 69-74

requirement or a specific timetable for payments to the City recognized several factors:

- The \$1,584,171 was not a “loan” from the City of Newport.
- Rather, the \$1,584,171 owed to the City was for legitimate Commission approved expenses (payroll, city services, sludge removal, etc.) that were unpaid at the end of FY07 due to a lack of revenue caused by under-consumption.²⁰
- This \$1,584,171 was part of what PWFD’s attorney described as a “structural deficit” whereby Newport could not pay Commission approved expenses due to a “chronic shortfall in revenue.”²¹
- After the Commission issued its Docket 3818 Order, the \$1,584,171 of expenses was not isolated or segregated. There was no restricted fund that NWD was required to fund. These expenses were simply added to NWD’s approved expenses in Docket 3818.
- Thus, and unlike the payment of the \$2.5 million dollar loan, no specific revenue was restricted and earmarked to pay these expenses.
- As such NWD did not have to apply to “un-restrict” funds.

Thus, and despite PWFD’s argument to the contrary, NWD has not violated any Commission Order requiring an application to the Commission, because no such requirement exists.

B. REDUCTION OF EXPENSES OWED TO THE CITY OF NEWPORT

PWFD has asked that “the Commission...not permit NWD to pay down the debt owed to the City.”²² PWFD requests that NWD be prohibited from paying \$1,584,171 identified in the Docket 3818 Order, or that NWD be otherwise penalized for not realizing “efficiencies.” To address PWFD’s demand, two questions must be answered:

- 1) How much has NWD paid for expenses owed to the City of Newport?
- 2) What were the efficiencies that allowed NWD to pay these expenses?

²⁰ As Chairman Germani stated in this Docket, the issue of the \$709,421 “loan” raised by PWFD, and dating back to June 30, 2005 had already been ruled on and already approved. Thus, the \$1,584,171 was not a “loan.”

²¹ Docket 3818, July 24, 2007 Transcript, pp. 152, 153 and 171.

²² PWFD Pre-Hearing Brief, Page 9

The Docket 3818 Order allowed NWD to pay \$1,584,171 for unreimbursed expenses owed to the City. This figure was taken from NWD's Docket 3818 Exhibit 13, which showed \$1,259,496 in outstanding payroll and \$324,674 in other expenses owed as of June 30, 2007. It is NWD's position that these specific expenses have been paid. As set forth in NWD's response to PUC Data Requests 2-2 and 2-3, expenses owed to the City are paid on a rolling basis. When funds are available, they are applied to the oldest payrolls and expenses first. Thus, while the specific payrolls and expenses referenced in the Commission's Order have been paid, NWD still has outstanding expenses owed to the City.

The rolling nature of NWD's expenses highlights the difficulty of PWFD's suggested analysis. In its Pre-Hearing Brief, PWFD argues that NWD paid \$952,252 to the City in FY 08.²³ This figure, which is found on page 4 of NWD's FY08 Annual Report, is the difference between the amount owed to the City at the end of FY 07 (\$1,901,412) and the amount owed at the end of FY08 (\$949,160).²⁴ In essence, PWFD is asking the Commission to deny a portion of NWD's revenue request based on two isolated snapshots in time. This is not an accurate way to examine this issue for two reasons.

First, NWD is constantly incurring expenses to the City. In the case of payroll, NWD owes a new payroll every two weeks. As such, payroll expenses owed to City continually fluctuate. Payroll can be contrasted with a payable such as the \$2.5 million dollar loan that was repaid to the City. The loan was a static amount that was repaid from an identifiable restricted account, and every payment decreased this static amount until it was reduced to zero. With ongoing expenses owed to the City, it is difficult to segregate a specific dollar amount that can be reduced until the balance reaches zero because

²³ PWFD Pre-Hearing Brief, Page 9, Exhibit F, NWD FY08 Annual Report, p.4

²⁴ PWFD correctly points out in its Pre-Hearing Brief (p.3 footnote 2), that the amount owed to the City at the end of FY07 differs between NWD's FY07 Annual Report (\$1,901,413) and NWD's June 30, 2007 cash flow report and the Commission's Docket 3818 Order (\$1,584,171). This difference is due to the fact that the Annual Report is an audited report that is filed in the December after the fiscal year closes out, and contains full accruals. The cash flow report is filed 15 days after the end of the month and does not contain all the year end accruals.

NWD incurs these expenses on a continual basis. This is especially true with payroll. Even when NWD pays off one payroll, it incurs another. As a result, isolating amounts owed at any one time, which are eventually zeroed out, is very difficult.

Second, because of the cyclical and seasonal nature of NWD's water sales, amounts owed to *all* vendors, including the City of Newport, differ at varying points during the year. For instance, while NWD owed \$949,160 to the City as of June 30, 2008, two months later it only owed \$304,912 as of August 30, 2008.²⁵ Presently, as of April 30, 2009, it owes \$621,711.²⁶ Thus, NWD's outstanding payables grow and shrink depending on the time of the year and the amount of NWD's collections.

This issue was succinctly and accurately addressed by the Division's expert, Thomas Catlin:

"...Accounts receivables go up significantly after the summer months when the customers are billed for the high summer usage and then decline, and so you have this fluctuation and effectively what has happened is the Newport -- City of Newport has acted as the working capital source for the water department and you really can't look at it as a snapshot at any one point in time and say this is some "back to" amount. It's simply the amount that Newport Water has been advanced by the city to meet its receivables, payables in advance of collecting its receivables. I mean, the water department employees are all paid. It's not as though they have to wait for the water department to reimburse the city until they get paid, so the City of Newport is paying those employees and then the water department eventually pays the payroll to the city in arrears."²⁷

The differing amounts owed to the City highlight another important issue – NWD *still* owes the City of Newport for ongoing expenses. Despite PWFD's arguments to the contrary, NWD has not deferred all its expenses to funnel money exclusively to the City of Newport. If that were the case, NWD would be current on all expenses owed to the City to the exclusion of all vendors. This is not the case. NWD still has expenses owed to the City, and it still has expenses owed to outside vendors. The

²⁵ See Exhibit F (NWD FY08 Annual Report p.4) and Exhibit G (NWD Docket 4025 Exhibit 21, August 30, 2008 Cash Flow Report)

²⁶ See, Exhibit H (NWD Docket 4025 Exhibit 17, April 30, 2009 Monthly Cash Flow Report)

²⁷ Docket 4025 Transcript, pp. 181-184

only difference is at the end of FY08 the ratios of expenses owed to the City and outside vendors was more proportionate than in prior years. Instead of paying outside vendors to the exclusion of the City, NWD has tried to be more equitable when paying its competing expenses.²⁸

Even though PWFD argues for a narrow and unrealistic analysis of expenses owed to the City, NWD will address PWFD's argument head-on. NWD will analyze the "efficiencies" that allowed for a \$952,252 reduction of expenses owed the City of Newport in FY08.

C. "EFFICIENCIES"

Efficiency - effective operation as measured by a comparison of production with cost (as in energy, time, and money) Merriam – Webster

It should be noted that the Docket 3818 Order did not contain an express definition of "efficiency." However, by any reasonable definition, a regulated utility realizes "efficiencies" when it provides safe water and collects more revenue than anticipated at a lower expense than forecasted. As demonstrated by NWD's testimony, schedules, and exhibits in this Docket, this is exactly what happened in FY08.

PWFD argues that NWD has not identified any "efficiencies." This is simply not true. To begin with, Ms. Forgue's direct testimony stated that "Newport was able to reduce its payables due to increased revenue and its conservative approach to purchasing, which reduced operations and maintenance spending."²⁹ This direct testimony was submitted in NWD's original filing on December 9, 2008. Thereafter, PWFD did not address or challenge this issue in its direct testimony (filed on April 1, 2009) or its surrebuttal testimony (filed on May 13, 2009).

In fact, PWFD did not issue a data requests about "efficiencies" until May 7, 2009.

²⁸ Docket 4025 Transcript, p. 78

PWFD now claims that NWD “failed to identify any efficiencies” in response to this data request.³⁰ Like most of PWFD’s claims, this is untrue. The data request, and NWD’s response, is as follows:

PWFD 5-1: Regarding the Commission's findings in Docket 3818 dealing with the \$1,584,171 deficit built up in FY 2007, has Newport realized savings from any efficiencies where the savings realized were not required for expenses included in the revenue requirements that were allowed by the Commission in that docket? If so, please (a) list each and every saving realized, (b) the efficiency that caused the savings, and (c) the amount of the savings that were not required for expenses included in the revenue requirements that were allowed by the Commission in that docket.

Response: As set forth in RFC Schedule 3, Newport spent less money in FY08 than was allowed by the Commission in Docket 3818. (See RFC Schedule 3 which lists each of these savings and the amount of each savings). As set forth on page 13 of my direct testimony, these savings resulted primarily from Newport cutting back a number of expenses in an effort to reduce payables. In addition, other actual expenses were not as high as forecasted in Docket 3818. Many of the reasons for the reduced expenses are more fully explained in my direct testimony in which I address the normalizing adjustments.

Thus, PWFD was directed to Harold Smith’s Schedule RFC 3, which identifies each instance where NWD’s expenses were less than forecasted in Docket 3818 and each instance where expenses were greater than forecasted. Furthermore, PWFD was directed to Ms. Forgue’s direct testimony on normalizing adjustments, which explains many of the variations between Docket 3818 expenses and actual Test Year (FY08) expenses. To say that NWD “did not identify a single efficiency”³¹ is a fallacy. PWFD was directed to the information that was available to all the parties since December 9, 2008, when this rate case was filed. In fact, PWFD used this specific information cited by NWD to make the “efficiencies” argument in its Pre-Hearing Brief. Unfortunately, PWFD chose to ignore the totality of information in Ms. Forgue’s direct testimony and Mr. Smith’s schedules and simply “cherry picked” information to support its renewed request for relief that was denied in Docket 3818.

What is worse, PWFD’s position on this issue was only raised for the first time in its pre-hearing

²⁹ Forgue Docket 4025 Direct, p.7

brief, which was submitted at noon the day before the hearing started. Once the hearing began and PWFD was allowed to raise issues related to “efficiencies” and payment of expenses to the City, PWFD still did not fully identify the exact dollar amount it wanted disallowed in this rate filing. While PWFD’s Pre-Hearing Brief alluded to figures of \$230,000 and \$500,000, it did not present evidence supporting these figures. In fact, had the Commission not issued a Record Request, the \$230,000 figure would not have been explained at all.³²

In response to this Record Request, PWFD identified \$228,816 that NWD “did not spend...in FY08 that the Commission approved as part of the revenue requirement in Docket 3818.”³³ This data was derived from NWD’s schedules and direct testimony (the same information NWD referenced in its response to PWFD 5-1). Yet, PWFD still did not identify all the expenses that support its claim. PWFD’s response states “Newport Water deferred additional expenses that are not reflected in the attached table.”

Thus, PWFD continues to press an issue that it never addressed in its pre-filed testimony, and that it won’t fully address in its response to the Commission’s Record Request. As a result, NWD can only address the specifics of PWFD’s claim raised in its Pre-Hearing Brief, which is not evidence in this Docket.

As set forth above, NWD will address PWFD’s claim that it reduced expenses owed to the City by \$952,252 in FY08. As NWD’s Counsel stated at the hearing, the documentation of “efficiencies” is contained in NWD’s testimony and schedules. However, one must look at the entire record, not just isolated line items. Specifically, Schedule RFC 3, which lists expenses allowed in Docket 3818, and the

³⁰ PWFD Pre-Hearing Brief, p.9

³¹ PWFD Pre-Hearing Brief, p. 9

³² PUC May 27, 2009 Record Request to PWFD

³³ PUC May 27, 2009 Record Request to PWFD

amounts spent in the Test Year (FY08), must be examined in its entirety. In addition, one must view this schedule in conjunction with NWD's testimony.

PWFD claims that NWD paid the City of Newport \$952,252 from "deferred" expenses. This is patently false. In fact, as demonstrated herein below, NWD's deferred expenses were not even sufficient to offset increased O&M expenses in FY08. Rather, NWD's ability to reduce outstanding payables came from a combination of factors. These factors, which are documented in NWD's pre-filed testimony, schedules and its FY08 Annual Report, demonstrate that NWD had approximately \$948,892 in excess revenue in FY08 from three primary sources:

\$658,622 (Net O&M Efficiencies) ³⁴
\$191,997 (Increased Revenue) ³⁵
<u>\$ 98,273 (Reduction in Receivables)³⁶</u>
\$948,892 Total

In addition, NWD had extra revenue available related to the Commission's Management Study. Each of these categories are examined herein below.

i. NET O&M EFFICIENCIES

PWFD's brief and its argument at hearing focused on several "deferred" expenses. While NWD acknowledges deferring some expenses, these deferrals are only a small part of a much larger picture. NWD's net O&M efficiencies cannot be viewed with tunnel vision. Rather, one must look at this issue through a wide angle lens. This entails looking at the reasons for the savings and looking at all of NWD's expenses. This comprehensive examination begins with the circumstances NWD faced when Docket 3818 was decided.

At the conclusion of Docket 3818, NWD faced conditions that called for conservative spending

³⁴ See Exhibits B, C, D and E incorporated herein and attached hereto

³⁵ See Exhibit A, incorporated herein and attached hereto

³⁶ See Exhibit F (NWD FY08 Annual Report, Page 3)

under any set of circumstances, even without the issue of “efficiencies” to pay for expenses owed to the City. The Docket 3818 rates became effective on September 1, 2007. As a result, the new rates were only in place for ten months of FY08. Furthermore, there is always a “regulatory lag” whereby the full revenue requirement granted takes longer than twelve months to collect. In addition, NWD had experienced severe revenue declines related to consumption between FY04 and FY07 and there was no guarantee FY08 would be any different. Thus, NWD started FY08 with an eye toward conservative spending.

PWFD focuses a great deal of attention on Ms. Forgue’s testimony that spending was curtailed to reduce outstanding payables.³⁷ PWFD construes this testimony in the narrowest context possible and argues that NWD cut back on expenses “for the purpose of accumulating an account balance to repay the City...”³⁸ This is simply not accurate. First, as addressed herein above, NWD did not set up a separate account funded by O&M savings to make payments to the City. Second, Ms. Forgue’s testimony regarding the reduction of “outstanding payables” refers to *all* of NWD’s payables both current and past due, and those owed to the City and outside vendors.

Once again, it must be stressed that NWD did not have any control over its revenue and there was no guarantee it would be greater than forecast in Docket 3818. In fact, if FY08 was anything like the previous four years, it was conceivable NWD would collect less. Furthermore, there were no assurances that NWD’s expenses wouldn’t be higher than anticipated. Thus, if NWD did not sell as much water as forecasted and/or its expenses were higher than anticipated, it ran the risk of increasing its payables rather than reducing them or keeping them level. As Ms. Forgue testified: “if we continue to -- if we had spent or tried to have spent everything that was listed here, we would have -- our vendor

³⁷ PWFD Pre-Hearing Brief, pp. 7-8

payables would be much larger and our city payables would be much larger...”³⁹ Thus, NWD took a conservative approach to spending in FY08.⁴⁰

Remarkably, PWFD criticizes NWD for taking this conservative approach. PWFD does so by isolating particular line items where NWD spent less than the Commission allowed in Docket 3818.⁴¹ This “pinhole view” fails to consider a number of factors. First, some of NWD’s expenses *were* greater than forecasted in Docket 3818. Second, most of the FY08 savings were caused by various circumstances beyond NWD’s control and were not due to conscious cost-cutting measures.

To that end, NWD has prepared several Exhibits to address the totality of its O&M savings in FY08. These exhibits synthesize the information in RFC Schedule 3 and list each instance where NWD’s FY08 expenses differed from those set in Docket 3818. NWD has also provided excerpts from Ms. Forgue’s testimony that explain many of these differences. It should be noted that this information was contained in NWD’s original filing and has been available to all the parties since December 9, 2008. These Exhibits are summarized as follows:

- **Exhibit A** – is a comparison between the revenue projected in Docket 3818 and NWD’s actual revenue in FY08. (The information for this exhibit is taken from NWD’s FY08 Annual Report and schedule RFC Schedule 1 Rebuttal).
- **Exhibit B** – is a comparison of Docket 3818 expenses versus the actual FY08 Expenses. (The information in this exhibit is taken from RFC Schedule 3). The differences between these two sets of expenses are categorized as follows:

Overages (O) – \$216,292 of expenses exceeding the amounts allowed in Docket 3818.

Savings (S) – \$709,891 of expenses that were less than allowed in Docket 3818, and were not the result of specific decisions to cut spending by NWD. Rather, the savings were realized for reasons beyond NWD’s control.

³⁸ PWFD Pre-Hearing Brief, p.7

³⁹ Forgue, Docket 4025 Direct, p. 83

⁴⁰ Docket 4025 Transcript, pp. 81-85 and 140-143

⁴¹ See PWFD Pre-hearing brief, pp. 10-11, PWFD Response to PUC Hearing Record Request

Reductions (R) – \$108,756 of expenses were less than allowed in Docket 3818 as a result of NWD's decision to spend less money.

Deferral (D) – \$101,123 of expenses for projects or expenditures that were deferred to a later date.

- **Exhibit C** – is a summary of the Docket 3818 expenses versus actual Test Year (FY08) expenses organized by budget line item. The Overages, Savings, Reductions and Deferrals are noted by their letter allocator on the right hand side. (The information for this exhibit was taken from RFC Schedule 3).
- **Exhibit D** – is a summary of the Docket 3818 expenses versus actual Test Year (FY08) expenses organized by department. The Overages, Savings, Reductions and Deferrals are noted by their letter allocator on the right hand side. (The information for this exhibit was taken from RFC Schedule 3).
- **Exhibit E** – is a listing of excerpts from the direct testimony of Julia Forgue, and it addresses many of the Overages, Savings, Reductions and Deferrals set forth in Exhibits B, C and D.⁴²

Finally, the examination of this issue must be confined to Fiscal Year 2008, which is the test year in the instant case. In its Pre-Hearing Brief, PWFD argues that NWD did not spend “\$230,000 that had been approved by the Commission” and that “Presumably, the same pattern was repeated in FY 09, meaning that almost \$500,000 in spending was deferred.”⁴³ This argument must be rejected. First, there is no evidence of NWD's total FY09 expenditures in the record. In fact, it would be impossible to do so because FY09 has not ended. Furthermore, to the extent there was any evidence of FY09 expenditures, Ms. Forgue dispelled PWFD's assertion that all the expenses deferred in FY08 were deferred again in FY09.⁴⁴

⁴² Each of the Overages, Savings, Reductions, and Deferrals set forth in Exhibits B and C are not addressed as the testimony on normalizations was limited to those that exceed \$5,000 or 10% of the test year, whichever was less. In addition, not all of the Overages, Savings, Reductions and Deferrals were normalized. Finally, where normalizations were made, they were not normalized in the same dollar for dollar amount in each case.

⁴³ PWFD Pre-Hearing Brief, p.8

⁴⁴ Docket 4025 Transcript pp. 70-72

(a) Overages

As referenced herein above, when FY08 began, nobody gave NWD a guarantee that its expenses would not exceed the amounts forecasted in Docket 3818. The “Overages” identified in Exhibits B, C and D confirm that NWD’s concerns were valid. In total, NWD had \$216,292 of increased expenses. As a matter of fact, in some line items NWD experienced an overage in one department and a corresponding decrease (through savings or reductions) in other departments (e.g. Salaries and Wages, Overtime, Temporary Salaries, Injury Pay, Employee Benefits, Annual Leave Buy Back, Water and Sewer, Electricity and Chemicals). In two instances, there were both Overages and Deferrals across different departments (Repair and Maintenance – Equipment, Reservoir Maintenance and Operating Supplies). Thus, even within certain line items, NWD did not solely slash spending. This dispels the myth that NWD blindly deferred projects and cut its expenses to repay the City.

(b) Savings

In many instances, NWD saved money without making conscious decisions to defer spending. For some items such as Natural Gas, Copying and Binding, Advertisement, Postage, Property Taxes, Mileage Reimbursement, Regulatory Expense, Chemicals and Laboratory Supplies, NWD did not consciously cut back purchases. Rather, the rate year expenses were simply less than forecasted.

For other expenses, unique circumstances existed in FY08 that led to savings without a conscious decision to defer spending. By way of example, NWD realized savings on the following expenses:

- Employee Benefits – In FY08, there were a number of employee vacancies. In addition, some employees chose less expensive health insurance and some new hires were not eligible for medical and dental insurance during their six month probationary period.⁴⁵

⁴⁵ Exhibit E incorporated herein and attached hereto

- Heavy Equipment Rental – In FY08, there were no large water main breaks or other circumstances that required rental equipment.⁴⁶
- Unemployment Claims – NWD was able to save money on this expense because it had no claims in the rate year.⁴⁷
- Self Insurance – NWD did not have a claim that required payment in the rate year.⁴⁸
- Overtime – normal overtime was not required in some departments due to a mild winter.⁴⁹
- Tuition Reimbursement – only one employee took advantage of this benefit that NWD is contractually obligated to provide.⁵⁰
- Water and Sewer – savings were realized in some departments because the Residuals Management System started up later than originally anticipated. Thus, NWD had only five months of expenses as opposed to the 12 months forecasted in Docket 3818.⁵¹

By far, the most important category of savings was Salaries and Wages, and the associated categories of Overtime, Holiday Pay and Injury Pay. The savings on these expenses were especially important because they provided two benefits. First, they freed up approximately \$225,776. Second, NWD did not add to, or increase, its ongoing payroll obligations by the same amount in FY08. These savings were achieved without NWD making any conscious deferrals or reductions. In fact, the primary reasons for the salary and wage savings were the lack of anticipated contract increases for NEA employees (the new union contract was not finalized until FY09) and employee vacancies.⁵²

NWD cannot and should not be penalized for using these savings to pay outstanding expenses. NWD did not defer any projects in this category. It simply realized savings in the operation of the utility.

⁴⁶ Exhibit E incorporated herein and attached hereto

⁴⁷ Exhibit E incorporated herein and attached hereto

⁴⁸ Exhibit E incorporated herein and attached hereto

⁴⁹ Exhibit E incorporated herein and attached hereto

⁵⁰ Exhibit E incorporated herein and attached hereto

⁵¹ Exhibit E incorporated herein and attached hereto

(c) Reductions

The Docket 3818 Order states that if “funds are not required for expenses included in the revenue requirement” they may be used to pay expenses owed to the City. In this category, the total funds allowed were not required. NWD found a way to operate by cutting back certain expenses. However, the reductions weren’t made to solely pay the City of Newport, and they did not impact NWD’s ability to provide service. There was no grand design to siphon off money to pay the City. NWD’s concerns were much simpler and more immediate. NWD’s chief goal was to get through the rate year without slipping further into debt and without increasing its “structural deficit.”

As set forth herein above, NWD began FY08 with an eye toward frugal spending. As Ms. Forgue testified:

Q. So after the Commission authorized you to repay the city you went back into your revenue requirement and you made decisions to -- not to spend money --

A. No.

Q. -- on those items you had included in the revenue requirement and to pay the city.

A. No, that's not correct. We prioritized. We took a closer look at how we spent our money. We prioritized what was the most efficient expenses that were necessary for the utility, that being treatment of water, distribution of water and operation of the facility.

Q. Didn't Newport take a close look at how it spent its money before it filed the rate case?

A. Yes, but we took a closer look. We took a closer look after that. We also had cash flow issues. We also at the end had -- we still -- if you look at our cash flow, our monthly cash flow, we still have a cash flow issues. So while we have these revenue requirements, we don't exactly have the revenues at that time to make the payments for everything we would like to do and so we determine or prioritize what expenses are absolutely necessary at that time for the operation of the utility.⁵³

It is easy for PWFD to use its 20/20 hindsight vision and say NWD should not have reduced expenses in certain departments during FY08. Unfortunately, NWD did not have the same luxury. It did

⁵² Exhibit E incorporated herein and attached hereto

⁵³ Docket 4025 Transcript, pp. 82-83

not have a crystal ball. It could not be sure how much revenue would be collected, and it could not be sure if its expenses would be greater than forecasted. One thing NWD could control was its purchases. As set forth herein above, NWD was wise to be concerned about increased expenses because it *did* experience a number of increases in FY08. NWD did not act improperly in making these reductions. In fact – faced with four prior years of declining consumption – NWD acted reasonably to control its spending.

This point is demonstrated by reviewing the reduced expenditures in this category. Many of the expenses (e.g. Dues and Subscriptions, Conferences and Training, Office Supplies, Uniforms) are lower priority items to a utility struggling with cash flow and revenue problems. While they are necessary for any utility, it is reasonable to look to these categories first for savings. In other categories, such as Maintenance and Office Supplies, NWD simply made purchases as frugally as possible without compromising its ability to provide water to its customers.⁵⁴ This should not disqualify these savings as “efficiencies.”

(d) Deferrals

Again, it is easy to play Monday Morning Quarterback and criticize NWD’s spending decisions. In hindsight, it is easy to say NWD did not have to defer any expenses because it brought in more money than forecasted, and it achieved savings on other expenses. However, NWD made good faith decisions on a reasonable and cautious foundation. NWD had no control over its water sales in FY08, and it had no control over savings on expense such as Salaries and Wages, Employee Benefits, etc. The only things NWD could control were the purchases it made and the projects it undertook.

In fact, had NWD *not* sold more water than forecasted, and had it *not* realized the savings

⁵⁴ Docket 4025 Transcript, pp. 138-142

outlined above, it *would* have gone deeper in debt. The savings from NWD's reductions and deferrals total \$209,879, while NWD's overages totaled \$261,148. As a result, NWD's reductions and deferrals were not sufficient to offset its overages. Thus, NWD acted prudently in its FY08 spending.

ii. INCREASED REVENUE

As set forth in Exhibit A, NWD's total FY08 revenues were \$9,710,847. This figure is supported by NWD's FY08 Annual Report, and it represents a \$191,997 increase from what was allowed in Docket 3818. Certainly under any definition, this must be considered an "efficiency."

PWFD's Pre-Hearing Brief cites a figure of \$464,308 in excess revenue.⁵⁵ However, PWFD did not submit any evidence to support this figure. Furthermore, if this figure is based on NWD's "water sales"⁵⁶ for FY08, it would not be accurate as the Docket 3818 rates did not go into effect until September 1, 2007. Thus, the total year's sales cannot be multiplied by Docket 3818 rates.

iii. RECEIVABLE REDUCTION

As set forth in its FY08 Annual Report, NWD was also efficient by reducing its accounts receivable.⁵⁷ By doing so, NWD collected \$98,273 of additional revenue that was not provided for in Docket 3818. Clearly, this must also be considered an "efficiency."

iv. COMMISSION MANAGEMENT STUDY

The three categories of efficiencies listed above account for \$948,892 of the \$952,252 reduction in City owed expenses. In addition, NWD realized savings related to the Commission's Management Study. In Docket 3818, NWD's total revenue was forecasted to be \$9,518,850.⁵⁸ It was anticipated that the additional billing charge resulting from the move to quarterly billing would produce \$117,119 of

⁵⁵ PWFD Pre-Hearing Brief, p.9, footnote 10

⁵⁶ PWFD Pre-Hearing Brief, p.9, footnote 10

⁵⁷ See Exhibit F (NWD FY08 Annual Report, p.3)

this total amount. The Docket 3818 Order directed Newport to restrict all revenue produced by the “extra” billing charge. However, the extra billing charge was only responsible for \$90,328 of NWD’s total FY08 revenue. This left \$26,791 of excess revenue that did not have to be restricted, and which was available to further reduce NWD’s outstanding expenses.⁵⁹

D. ADMINISTRATIVE FINALITY

Throughout the litigation of this Docket, PWFD requested that NWD be prohibited from paying \$709,421 in expenses owed to the City.⁶⁰ This request was made in PWFD’s Direct and Surrebuttal testimonies even though this issue had been decided in Docket 3818. PWFD continued to insist that since NWD paid \$709,421 for pre-June 30, 2005 expenses, it had violated the Docket 3578 Settlement Agreement. Thus, PWFD argued that NWD’s current expenses owed to the City were caused by payment of the \$709,421. PWFD continued pursuing this argument in its Pre-Hearing Brief and asked the Commission to “change its mind” by amending its Docket 3818 Order.⁶¹

On the morning of the hearing, PWFD abandoned this particular legal theory, but continued to pursue the same relief. Essentially, PWFD changed horses but kept riding down the same trail. PWFD now argued *for the first time* that expenses owed to the City should be disallowed because NWD did not realize “efficiencies.” This argument should be classified under the category of “same church, different pew,” and should be rejected under the Doctrine of Administrative Finality.

As set forth in NWD’s Pre-Hearing Brief, the Rhode Island Supreme Court recognized this Doctrine in *Johnston Ambulatory Surgical Associates Ltd. v. Nolan*, 755 A.2d 799 (RI 2000):

“Rhode Island and at least one other jurisdiction have promulgated a doctrine of administrative finality. *Day v. Zoning Board of Review of Cranston*, 92 RI 136, 140,

⁵⁸ See Exhibit A

⁵⁹ See Exhibit A

⁶⁰ Woodcock Docket 4025 Direct, pp. 23-29 and Surrebuttal, pp. 15-18, PWFD Pre-Hearing Brief, pp. 1-6

⁶¹ Woodcock Docket 4025 Surrebuttal, p. 15 and PWFD Pre-Hearing Brief, p. 2, footnote 1

167 A.2d 136, 139 (1961). See also *Florida Power & Light Co. v. Beard*, 626 So.2d 660, 662 (Fla. 1993) (applying administrative finality to Florida's Public Service Commission). Under this doctrine, when an administrative agency receives an application for relief and denies it, a subsequent application for the same relief may not be granted absent a showing of a change in material circumstances during the time between the two applications. *Audette v. Coletti*, 539 A.2d 520, 521-22 (RI 1988). **This rule applies as long as the outcome sought in each application is substantially similar, even if the two applications each rely on different legal theories.** (Emphasis Added)

The Doctrine serves a valid and legitimate purpose, which is especially applicable in this case.

As the Rhode Island Supreme Court stated:

"It is our conclusion that the Rhode Island doctrine of administrative finality . . . prevents repetitive duplicate applications for the same relief, thereby conserving the resources of the administrative agency and of interested third parties that may intervene. . . . Administrative finality also limits arbitrary and capricious administrative decision-making, while still preserving the ability of an agency to revisit earlier decisions when circumstances have changed. Finally, by requiring decision-makers to articulate the changed circumstances that support a different decision on a subsequent application, administrative finality provides for effective judicial review of these decisions (*Id.* at 810)."

PWFD's persistent attempts to resurrect the issue of repayments to the City of Newport violates both the letter and spirit of the Doctrine.

E. RETROACTIVE RATEMAKING

PWFD also suggests that payment of overdue Commission approved expenses to the City of Newport is retroactive ratemaking. This argument is without legal support. The Rhode Island Supreme Court has ruled that pursuant to R.I.G.L. § 39-3-11.1, payments from a municipal water utility to a municipality for monetary advances does not constitute retroactive ratemaking. *In Re: Woonsocket Water Department*, 538 A.2d 1011 (RI 1988).

F. TO WHAT END?

“Litigation is the pursuit of practical ends, not a game of chess.”
Honorable Justice Felix Frankfurter

The goal in any contested rate case should be to ensure that a utility has fair, just and reasonable rates to meet its expenses, which are necessary to provide water to its customers. *In Re: Woonsocket Water Department*, 538 A.2d 1011 (RI 1988); *See also* R.I.G.L. § 39-3-12.

In Docket 3818, PWFD seemingly expressed its agreement with this proposition:

“PWFD has stated that it wishes to see Newport receive sufficient funds to properly manage and operate its system, fund necessary improvements, and deliver quality water to all its customers, including those in Portsmouth.”⁶²

Unfortunately, these words ring hollow. PWFD – in the second consecutive rate case – has asked the Commission to disallow payment of legitimate operating expenses for payroll, city services, and sludge removal simply because they are owed to the City of Newport. It should not escape the Commission’s attention that the *only* party asking for this relief is PWFD. The Division, which represents the ratepayer,⁶³ and has no vested interest in the outcome of this Docket, except the setting of fair and reasonable rates, has not requested this relief.

PWFD’s tactics and motivations must be questioned. In Mr. Woodcock’s direct testimony he never mentioned the “efficiency” issue. In his surrebuttal he didn’t object to any specific efficiency. He only raised the issue tangentially in a single sentence by claiming NWD had to “apply to the commission to demonstrate any savings from efficiencies.”⁶⁴ Mr. Woodcock never alleged that NWD deferred \$230,000 in FY08 and \$500,000 between FY08 and FY09. So why would PWFD fail to raise these specific allegations in pre-filed testimony? Why wait until noon the day before the hearing?

⁶² Woodcock Docket 3818 Direct, p. 4

⁶³ *Narragansett Elec. Co. v. Harsch*, 368 A.2d 1194 (R.I. 1977).

⁶⁴ Woodcock Surrebuttal, p. 18

Clearly this was an issue they were going to press. Why not allow these allegations to be challenged through the exchange of pre-filed testimony and data requests? PWFD issued five sets of data requests consisting of seventy-four individual requests. Why did it wait until its fifth set issued on May 7, 2009 to ask about efficiencies? These are questions that should be considered by the Commission. As set forth hereinabove, the Commission's Rules, specifically those that call for pre-filed testimony, are designed to create an open litigation process. This goal is defeated when important issues are sprung upon the parties less than a day before hearings begin.

Furthermore, PWFD has a competent financial expert in Mr. Woodcock. Surely, PWFD looked at Schedule RFC 3 and saw that NWD did not simply "defer" all of its expenses to pay the City. Surely, PWFD saw that some of NWD's expenses were higher than allowed in Docket 3818. Surely, PWFD saw that the \$228,216 they identify as deferrals didn't even cover NWD's expense overages. In addition to the specific questions raised above, broader questions must be asked – To what end? What will be achieved by disallowing the payment of legitimate expenses owed to the City of Newport? In short – nothing.

As demonstrated in NWD's FY08 Annual Report and its monthly cash flow reports, NWD continues to owe both outside vendors and the City for legitimate Commission approved expenses. Depending on the time of year, payables can be high or they can be low. NWD's payables grow and shrink along with its collection of receivables. Yet, PWFD does not seek to disallow expenses to outside vendors be. Rather, PWFD continues to target expenses owed to the City for payroll, city services, and sludge removal. Disallowing these expenses does nothing but satisfy PWFD's narrow agenda. In fact, it will ultimately prove harmful to all of NWD customers for several reasons.

First, PWFD accuses NWD of deferring expenses solely to pay the City of Newport. The

evidence in this case does not support this allegation. However, if this continues to be an issue, and if PWFD continually asks that legitimate expenses owed to the City be “written off,” NWD may have to do that which they are accused of – solely pay the City.

As Mr. Catlin testified, the City of Newport provides a valuable service to NWD, and its customers, by acting as a source of working capital. This is especially true for payroll expense, which may be NWD’s most essential expense. For without employees a utility cannot operate. These employees are municipal employees who are paid by the City every two weeks no matter what NWD’s revenues are for those two weeks. Thus, the City pays this expense in advance, and NWD makes reimbursements as it collects its receivables. In this regard, NWD is like any other municipal water utility. The only difference is that from FY04 to FY07, NWD saw a sharp decline in consumption, which led to a commensurate drop in revenue. In an effort to assist NWD, the City allowed itself to be placed last on the list of vendors to be paid. By agreeing to be last in line, a deficit built, and PWFD sought to have these expenses “written off” in Docket 3818.

Thus, following Docket 3818, NWD sought to treat all its vendors more equitably, which meant the City of Newport was not last on the list.⁶⁵ However, NWD’s cash flow continues to fluctuate. As such, the City still acts as a source of working capital for payroll and other expenses. If this were not done, NWD could not operate. If NWD had to pay employees from its own operating account, its cash flow problems would be greatly exacerbated. NWD would have to focus almost exclusively on payroll. Currently, NWD doesn’t have to do that, and it has the luxury of prioritizing expenses.

The first among these priorities is restricted accounts,⁶⁶ and if PWFD’s request is granted, payroll and other City expenses will have to be added to these restricted accounts. NWD will have to

⁶⁵ Docket 4025 Transcript, pp. 155-156

fund an account weekly to ensure payroll and other City expenses are paid. Currently, the City does not require that it be paid first, but if payroll and other City expenses are continually targeted, this may have to change. While NWD is a municipal department, the City should not have to provide unreimbursed subsidies when collections are low. The City should not be constantly placed in jeopardy of having to “eat” legitimate Commission approved expenses.

Second, a reduction in NWD’s revenue requirement will do nothing but cause further financial difficulties. As PWFD’s own attorney phrased it, NWD’s “chronic shortfall in revenue” between FY04 and FY07 caused a “structural deficit.”⁶⁷ NWD has struggled to erase this structural deficit and it continues to do so.

These efforts have not gone unnoticed. As established in this case, NWD recently received an A+ credit rating from Standard & Poor’s.⁶⁸ This type of positive acknowledgement by an objective outside source is critical as NWD undertakes the vital tasks of building a new treatment plant at Lawton Valley and upgrading the Station 1 Plant. In fact, one of the criticisms in the Standard & Poor’s report is that “low unrestricted cash, combined with the lack of rate-setting autonomy, provides [NWD] with little flexibility to address a downturn in general operating revenues.”⁶⁹ NWD is moving toward a time when it will be able to meet its expenses on a timely basis. It must be allowed to do so for the benefit of all its ratepayers. Revenues should not be reduced based on PWFD’s continued self-serving and self-interested arguments.

2. CITY SERVICES

Until the late entry of PWFD’s “efficiencies” argument, City Services topped the charts as

⁶⁶ Docket 4025 Transcript, pp. 148-149

⁶⁷ Docket 3818, July 24, 2007 Transcript pp. 152, 153 and 171

⁶⁸ Julia Forgue, Docket 3818 Direct Testimony, p. 7, NWD Response to PWFD 1-24

“most litigated” issue in this Docket. It is NWD’s position that its burden was met in showing the increase in this expense is necessary and reasonable. NWD submitted a Cost Allocation Manual (“CAM”) prepared by Laura Sitrin, Finance Director for the City of Newport, to support its allocations. In addition, Ms. Sitrin provided detailed testimony to explain the basis for her allocations. Ms. Sitrin and NWD’s staff also answered numerous data requests on this subject.

After reviewing the testimony submitted by the Division, PWFD and the Navy, Ms. Sitrin made reasonable adjustments to her allocations. The final positions of NWD and the Division differ by approximately \$35,000. Clearly, this indicates NWD’s responsiveness to the reasonable suggestions of the parties in this Docket.

One major issue that continues to separate NWD, the Division, PWFD and the Navy is the allocations based on budget comparisons (i.e. City Manager, City Solicitor, Finance Administration (80%) and MIS). Originally, NWD excluded the School and Library Budget from the General Fund budget for these allocations, and the reasons for this exclusion were explained in Ms. Sitrin’s rebuttal testimony. In surrebuttal testimony, both Mr. Catlin and Mr. Woodcock seemed to acknowledge the City’s nominal involvement with the School and Library.

- “Ms. Sitrin argues that the level of involvement of the City Council, Manager and Finance Director is minimal and does not warrant the inclusion of the entire School Department and Library budgets in the budget percentage calculations. However, the fact that there is some involvement demonstrates that it is not appropriate to simply exclude the School and Library budgets from the calculation.” (T. Catlin)⁷⁰
- “I have not suggested that the Manager or City Council have control over the School Department as suggested by Ms. Sitrin. I do contend that there is involvement of time and effort in School (and Library) activities however, and that City management involvement in these two entities should be reflected in the allocations.”(C. Woodcock)⁷¹

⁶⁹ See Exhibit H, S&P Report attached to PWFD 1-24

⁷⁰ T. Catlin, Docket 4025 Surrebuttal,, p.8

⁷¹ Woodcock, Docket 4025 Surrebuttal, p. 8

It is NWD's position that inclusion of the School and Library budgets is not proper due to the City's minimal involvement. However, based on Messrs. Catlin and Woodcock's testimony, and in an effort to bridge the gap between the parties, NWD included a portion of the City's General Fund appropriation to the Schools (20%) and Library (4%) in the budget comparison allocations.⁷² As such, and because no other party suggested an allocation based on anything less than full inclusion of the School and Library budgets, NWD requests that its revised allocation be approved.

Finally, because there has been so much testimony devoted to this topic, NWD will not completely rehash each of its differences with PWFD. However, NWD takes this final opportunity to highlight the following points:

- In Mr. Woodcock's direct testimony, he alleged that NWD's City Service expenses are "out of line" compared to other utilities. In NWD data request 2-4, Mr. Woodcock was asked to provide support for this testimony (see Exhibit J attached). In response, Mr. Woodcock admitted that while he reviewed information on websites (including the Commission's), his analysis was "not in-depth," and he did not use all the financial information available to draw his conclusions. Yet, in surrebuttal, Mr. Woodcock continued to press this issue: "I am glad to see Newport's agreement to reduce its claim. I still believe that the City's claim for administrative functions (Manager, Council, Clerk, Human Resources) and financial support are out of line with other similar utilities."⁷³ Mr. Woodcock then provided a comparison between NWD, Providence Water and the Pawtucket Water Supply Board based solely on the ratio of city expenses to overall operating budget. Thus, at the hearing, Newport introduced evidence that Mr. Woodcock's analysis was truly not "in depth" and that he ignored relevant information available to him. In particular, NWD introduced Exhibits 12, 13, 14, 18 and 19, which provided information regarding Providence Water and the Pawtucket Water Supply Board.

At the hearing, Mr. Woodcock raised objections to these exhibits. However, Mr. Woodcock's

⁷² NWD Supplemental Response to PUC 1-5

objections shed light on the weaknesses of his own argument. First, he indicated that he had not had a lot of time to look at the information presented.⁷⁴ While he may not have seen these particular Exhibits, his reaction was surprising because one would expect that Mr. Woodcock would be familiar with this information if he was going to draw a comparison between these three utilities. In fact, the information in these Exhibits was taken directly from the Commission's own web site, which Mr. Woodcock said he reviewed when making his comparison. Exhibit 12 merely provided the number of employees at the three utilities, and Exhibit 13 simply added another line item (administrative salaries and wages) to Mr. Woodcock's comparison of City Services to overall O&M expenses. Again, one would expect that Mr. Woodcock would know this information if he was going to compare these utilities. Mr. Woodcock's unfamiliarity with this information demonstrates that he did not look at any other information – except that which supported his position – when making his comparison.

Exhibits 14, 18 and 19 contained information that drew a more direct comparison between NWD and Pawtucket, which Mr. Woodcock claimed is the “most similarly situated water utility in Rhode Island.”⁷⁵ When examining the organization charts for NWD and Pawtucket, Mr. Woodcock claimed that a valid comparison could not be drawn because: “I think to create it fairly and accurately would require some time with the people in Pawtucket and the people in Newport to understand who does what when and different job functions on that. It's probably not even a one-day type of thing to make sure that the apples-to-apples comparison are...”⁷⁶ Mr. Woodcock's critique is surprising because we know that he did not do an in depth analysis when he made *his* comparison, and we know that he didn't spend *any* time with the people in Pawtucket and Newport. (See PWFD response to NWD 2-4).

Putting these critiques aside, it is clearly unfair to draw a comparison between utilities by simply examining their city service allowance as a percentage of O&M expenses. To paraphrase Mr. Woodcock, it would take more time and more analysis to draw a fair and accurate comparison.

⁷³ Woodcock, Docket 4025 Surrebuttal, p. 4

⁷⁴ Docket 4025 Hearing Transcript, p. 224-225

⁷⁵ Woodcock Surrebuttal, p. 5

However, what is clear is that the Providence and Pawtucket have more staff than NWD. Thus, it is not surprising that these two utilities rely less on their municipalities for services than does NWD. It is also undisputed that NWD's Director of Utilities and Deputy Director – Finance only devote 60% of their time to drinking water (the remaining 40% being devoted to wastewater), while their counterparts in Pawtucket devote 100% of their time to drinking water.

- Mr. Woodcock candidly acknowledged that the allocation of City Services is not an exact science. In discussing the allocation of the Finance Department Costs he stated: "I'm not certain what the best method is." He also testified: "I agree that there is not a perfect method to determine the percentage of City Council time spent on water issues vs. other issues."⁷⁷ Thus, the inquiry should be limited to whether NWD has presented a fair and reasonable allocation of City Services. It is NWD's position that it has done so through its CAM and subsequent revisions thereto.
- Much of Mr. Woodcock's testimony consists of criticism, not evidence. By way of example, Mr. Woodcock testified that only 5% of the City Council's time should be allocated to the Water Department.⁷⁸ In response, NWD requested the basis for his allocation. He could not provide one. (See Exhibit J). It is also apparent that much of his testimony simply expresses a preference for his methodology over NWD's. In testifying on the Accounting allocation he stated: "As I explained in my prefiled testimony, I do not agree and believe the method I recommended is more appropriate."⁷⁹ Criticism and expressions of preference should not be basis for rejecting the allocations set forth by NWD in its CAM (and subsequent revisions thereto).
- Mr. Woodcock discussed PWFD's "historic" attempts to get records from Newport's City Clerk. These "historic" attempts consist of an alleged single call to the City Clerk's office by William McGlinn in 2007 requesting three documents and a call by Mr. Woodcock in 2003 to request records. PWFD acknowledges there have been no attempts to get documents from

⁷⁶ Docket 4025 Transcript, p. 229

⁷⁷ Woodcock, Docket 4025 Surrebuttal, p. 11

⁷⁸ Woodcock, Docket 4025 Direct, p.15

the City Clerk since Docket 3818, and it could not provide many of the details surrounding the two calls in 2003 and 2007. Yet, PWFD requests a reduced allocation based on these two isolated instances, one of which is over six years old.

Even assuming these two calls happened, the Newport City Clerk does keep all legal documents and provided services related to the Water Fund. NWD provided evidence of an email response dealing with Water Fund issues from the City Clerk to an outside requestor who was unrelated to any participant in this rate case.⁸⁰ In fact, the record will reflect that the person who made this request testified at the Open Hearing in Newport on March 26, 2009. In this response, the Clerk was able to provide documentation and information. Thus, if allocations are to be made based on contact with the City Clerk, then this is the most recent and most accurate evidence in this Docket.

- Mr. Woodcock suggests cutting the City Council allocation because of “the minimal Council time that is spent on the Water Division.”⁸¹ This is contradicted by PWFD’s Pre-Hearing Brief where it is alleged “the City exercises complete control over the operational and maintenance needs of the water system.”⁸²

3. OPERATING RESERVE

In his surrebuttal testimony, Mr. Woodcock testified that “I still maintain that the City owes the Water Fund for pre-June 30, 2005 borrowings and that plus the restricted amount from quarterly billing surpluses should be the source for funding the operating revenue allowance.”⁸³ At the hearing, Chairman Germani stated that the issue of the \$709,421 owed as of June 30, 2005 “is behind us, it’s

⁷⁹ Woodcock, Docket 4025 Surrebuttal, p. 13

⁸⁰ See Exhibit K (L. Sitrin Rebuttal Schedule, LS 5 Rebuttal)

⁸¹ Woodcock, Docket 4025, p.15

⁸² PWFD Pre-Hearing Brief, p. 7, Footnote 9.

⁸³ Woodcock, Docket 4025 Surrebuttal, p. 4

already been approved.”⁸⁴ Thus, NWD’s Operating Reserve should not be reduced by this amount.

Further, as Mr. Woodcock stated, an Operating Reserve equal to 1.5% of allowed operating expenses “is not sufficient.”⁸⁵ Thus, NWD requests an Operating Reserve equal to 3% of total O&M expenses. As set forth in Mr. Smith’s direct testimony, NWD will agree to the restrictions imposed by the Commission in the recent Kent County Water case (Docket 3942), such that NWD does not have unlimited access to these funds.

4. EXTRA BILLING CHARGE RESTRICTED FUND

As set forth in Ms. Forgue’s hearing testimony, NWD requests that the balance of this account (after payment for the PUC Management Study), be used to pay for outside vendor invoices due at the conclusion of this Docket. NWD will provide the Commission with proof of payment of specific invoices if so required.⁸⁶ NWD further requests that this restricted fund be discontinued. This will allow NWD to access additional revenues to assist with cash flow and its efforts to erase the “structural deficit.”

5. MOTOR VEHICLE EXPENSE

NWD originally calculated this expense by taking the June 2008 fuel costs and applying a three percent increase. In Mr. Catlin’s direct testimony, he recommended that the fuel costs be based on a three month average using the months November 2008 through January 2009. In its rebuttal testimony, NWD proposed using a twelve month average of prices from January 2008 to January 2009. In his surrebuttal testimony, Mr. Catlin suggested a seven month average using fuel prices in the months of October 2008 through April 2009. NWD disagrees with this seven month period and maintains that a

⁸⁴ Docket 4025 Transcript, p. 27

⁸⁵ Woodcock Docket 4025 Surrebuttal, pp. 3-4

⁸⁶ Docket 4025 Transcript, p.35

twelve month average is more appropriate.

6. CONSULTANT FEES

The only remaining dispute between NWD and the Division on this expense is for the Cost of Service Study. NWD believes that the \$50,000 expense should be fully recovered in the rate year, and the Division maintains it should be amortized over two years. Because this full expense will be paid in the rate year, NWD asks that the Commission accept its position on this item.

7. DEBT SERVICE

In his direct testimony, Mr. Harwig suggested that several projects in NWD's Capital Improvement Plan be switched from rate funded to debt funded. In Ms. Forgue's and Mr. Smith's rebuttal testimony, they both provide detailed reasons why this should not be done. Ironically, Mr. Woodcock agreed with NWD on this issue in his surrebuttal testimony.⁸⁷ In Mr. Harwig's surrebuttal, he briefly addressed Mr. Smith's testimony on this issue, but did not address Ms. Forgue's. It is NWD's position that the evidence on this issue clearly favors its position on this issue. As such, NWD requests that the Commission approve its requests for Debt Service and contributions to the Capital Spending Account.

8. ALLOCATION OF COSTS TO NEWPORT WATER POLLUTION CONTROL AND THE TOWN OF MIDDLETOWN

As set forth in NWD's pre-filed and hearing testimony, it requests that the costs allocated between Newport Water Pollution Control ("WPC") and the Town of Middletown (Customer Service O&M, Remote Radio Read Debt Service and the Meter Replacement Program) be revised. NWD proposes that 64% of these costs be split 50-50 between NWD and Newport WPC, and that 32% of

⁸⁷ Woodcock Docket 4025 Surrebuttal, p. 3

these costs be split 50-50 between NWD and the Town of Middletown. In addition, NWD requests that that it be allowed to directly bill both WPC and the Town of Middletown. There has been no opposition to this request.

9. RESTRICTION OF SALARY AND WAGE INCREASES

In response to the Commission's question at hearing, NWD indicated it would rather not restrict its proposed salary increases. This preference is based on two factors. First, the amount of increase is calculated to be \$91,213.88⁸⁹. Thus, setting up a restricted account for this amount may not make sense under a cost benefit analysis. Furthermore, the establishment of another restricted account will only exacerbate NWD's cash flow issues.

III. CONCLUSION .

For the reasons set forth herein. The City of Newport, Utilities Division, Water Department prays that The Rhode Island Public Utilities Commission grant the relief sought by Newport in its rate application (and subsequent revisions thereto) and that the Commission grant all other relief it deems meet and just.

CITY OF NEWPORT,
UTILITIES DEPARTMENT,
WATER DEPARTMENT

By its attorney,



Joseph A. Keough, Jr.
KEOUGH & SWEENEY
100 Armistice Boulevard
Pawtucket, RI 02860
(401) 724-3600

⁸⁹ See Exhibit L

CERTIFICATION

I hereby certify that I sent by electronic mail a copy of the within to all parties set forth on the attached Service List on June 18, 2009, and one original to Luly Massaro, Clerk, Rhode Island Public Utilities Commission.

Parties/Address	E-mail Distribution	Phone/Fax
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Dr. Kay Davoodi, P.E. Utility Rates and Studies Office NAVFACHQ- Building 33 1322 Patterson Ave SE Washington Navy Yard, D.C. 20374-5065	Khojasteh.davoodi@navy.mil	202-685-3319 202-433-7159
	Larry.r.allen@navy.mil	

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Christopher Woodcock Woodcock & Associates, Inc. 18 Increase Ward Drive Northborough, MA 01532	Woodcock@w-a.com	508-393-3337 508-393-9078
File an original and nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	lmassaro@puc.state.ri.us	401-780-2107 401-941-1691
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	anault@puc.state.ri.us	

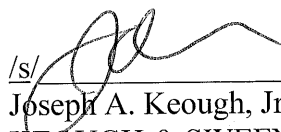

 /s/ Joseph A. Keough, Jr., Esquire # 4925
 KEOUGH & SWEENEY, LTD.
 100 Armistice Boulevard
 Pawtucket, RI 02860
 (401) 724-3600

EXHIBIT LIST

- A. Comparison of Docket 3818 and FY08 Revenues
- B. Comparison of Docket 3818 and FY08 Expenses (organized by efficiency category)
- C. Comparison of Docket 3818 and FY08 Expenses (organized by budget line item number)
- D. Comparison of Docket 3818 and FY08 Expenses (organized by Department)
- E. Excerpts of Testimony re Savings, Reductions, Deferrals and Overages
- F. NWD FY08 Annual Report excerpts (pages 3 and 4)
- G. NWD August 30, 2008 Cash Flow Report
- H. NWD April 30, 2009 Cash Flow Report
- I. Standard & Poor's August 8, 2008 Report re NWD
- J. PWFD's Response to NWD's Data Requests 2-4 and 2-8
- K. Laura Sitrin Rebuttal Schedule LS5 Rebuttal
- L. NWD Comparison of Payrolls

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EXHIBIT A

City of Newport, Rhode Island
FY 2010 Rate Filing
Comparison of Docket 3818 with FY 2008 Actual

	Docket 3818 15	Actual FY 2008	Source	Variance
Revenues				
<u>Billing Charge Revenues</u>				
Retail				
Residential	\$ 706,914	\$ 654,764	1	\$ (52,150)
Commercial	\$ 152,163	\$ 137,694	2	\$ (14,469)
Governmental	\$ 4,823	\$ 4,757	3	\$ (66)
Subtotal Retail Billing Charge Revenue	\$ 863,900	\$ 797,215		\$ (66,685)
Wholesale				
Navy	\$ 2,385	\$ 1,590	4	\$ (795)
Portsmouth Water & Fire District	\$ 159	\$ 159	5	\$ -
Subtotal Wholesale Billing Charge Revenue	\$ 2,544	\$ 1,749		\$ (795)
Total Billing Charge Revenues	\$ 866,444	\$ 798,964		\$ (67,480)
<u>From Water Commodity Charge</u>				
Retail				
Residential	\$ 3,346,015	\$ 3,380,288	6	\$ 34,273
Commercial	\$ 1,951,250	\$ 2,130,874	7	\$ 179,624
Governmental	\$ 117,610	\$ 101,868	8	\$ (15,742)
Subtotal Retail Commodity Revenue	\$ 5,414,874	\$ 5,613,030		\$ 198,156
Wholesale				
Navy	\$ 778,244	\$ 673,516	9	\$ (104,728)
Portsmouth	\$ 947,889	\$ 1,007,524	10	\$ 59,635
Subtotal Wholesale Commodity Revenue	\$ 1,726,133	\$ 1,681,040		\$ (45,093)
Total Commodity Charge Revenues	\$ 7,141,008	\$ 7,294,070		\$ 153,062
<u>From Fire Protection</u>				
Public Fire Protection Revenue	\$ 738,464	\$ 739,361	11	\$ 897
Private Fire Protection Revenue	\$ 317,866	\$ 312,085	12	\$ (5,781)
Total Fire Protection Revenues	\$ 1,056,330	\$ 1,051,446		\$ (4,884)
Other Revenue	\$ 455,068	\$ 566,367	13	\$ 111,299
Total Revenues	\$ 9,518,850	\$ 9,710,847		\$ 191,997
<u>Total Revenue Requirements</u>				
Operating	\$ 6,735,607	\$ 6,076,985	14	\$ (658,622)
Capital	\$ 2,527,182	\$ 2,527,182	14	\$ -
Less: Water Quality Protection Funds				
Subtotal Revenue Requirements	\$ 9,262,789	\$ 8,604,167		\$ (658,622)
Additional Rev Req.	\$ 138,942	\$ 138,942	14	\$ -
Total Revenue Requirements	\$ 9,401,731	\$ 8,743,109		\$ (658,622)
Surplus/(Deficit) of Revenues to be Recovered from All Charges				
Total Revenue Requirements	\$ 9,401,731	\$ 8,743,109		\$ (658,622)
Plus: Commission Management Study	\$ 117,119	\$ 90,328		\$ (26,791)
Other Revenue	\$ (455,068)	\$ (566,367)		\$ (111,299)
Net Revenue Requirements	\$ 9,063,782	\$ 8,267,070		\$ (796,712)
Total Revenue from Rates and Charges	\$ 9,063,782	\$ 9,144,480		\$ 80,698
Revenue Surplus/(Deficit)	\$ (0)	\$ 877,410		\$ 877,410

- 1 - Newport's FY 2008 PUC Annual Report Page 7, Line 11, col c
2 - Newport's FY 2008 PUC Annual Report Page 7, Line 18, col e
3 - Newport's FY 2008 PUC Annual Report Page 7, Line 29, col e
4 - Newport's FY 2008 PUC Annual Report Page 7, Line 45, col e
5 - Newport's FY 2008 PUC Annual Report Page 7, Line 47, col e
6 - Newport's FY 2008 PUC Annual Report Page 7, Line 11, col b
7 - Newport's FY 2008 PUC Annual Report Page 7, Line 18, col b
8 - Newport's FY 2008 PUC Annual Report Page 7, Line 29, col b
9 - Newport's FY 2008 PUC Annual Report Page 7, Line 45, col b
10 - Newport's FY 2008 PUC Annual Report Page 7, Line 47, col b
11 - Newport's FY 2008 PUC Annual Report Page 5, Line 16, col c
12 - Newport's FY 2008 PUC Annual Report Page 5, Line 17, col c
13 - Newport's FY 2008 PUC Annual Report Page 6, col b, Lines 28+32+49
14 - Docket # 4025 RFC Schedule 1 Rebuttal
15- Docket 3818 RFC Schedule 6 Final

Name of Respondent		This Report is:		Date of Report		Year of Report
Newport Water		(1) <input checked="" type="checkbox"/> An Original		(Mo, Da, Yr)		
		(2) <input type="checkbox"/> A Resubmission		12/19/2008		FY 2008
WATER UTILITY REVENUES BY CLASSIFICATION						
Report in each classification sales grouped by community						Service Chgs.
Account Name	Revenues	Gallons	No. Custs.	No. Bills	(Acct 474)	
(a)	(b)	(c)	(d)		(e)	
Residential Sales (Acct 461.1)						
Newport	\$2,311,784	533,161,716	8,708	32,977	\$436,960	
Middletown	\$1,021,490	234,752,315	4,088	15,462	\$204,872	
Portsmouth	\$47,014	10,813,986	246	976	\$12,932	
TOTAL (Forward p6, Ln7, Col(c))	\$3,380,288	778,728,017	13,042	49,415	\$654,764	
Commercial Sales (Acct 461.2)						
Newport	\$1,162,867	265,928,338	773	5,570	\$73,803	
Middletown	\$897,732	205,301,982	512	4,493	\$59,532	
Portsmouth	\$70,275	16,073,259	28	329	\$4,359	
TOTAL (Forward p6, Ln8, Col(c))	\$2,130,874	487,303,579	1,313	10,392	\$137,694	
Industrial Sales (Acct 461.3)						
TOTAL (Forward p6, Ln9, Col(c))	\$0	0	0	0	\$0	
Other Metered Sales (Acct 461.5)						
	\$101,868	23,532,229	76	359	4,757	
TOTAL (Forward p6, Ln10, Col(c))	\$101,868	23,532,229	76	359	\$4,757	
TOTAL METERED SALES (461)						
	\$5,613,030	1,289,563,825	14,431	60,166	\$797,214	
Oth. Sales to Public Auth. (Acct 464)						
TOTAL (Forward p6, Ln11, Col(c))	\$0	0	0	0	0	
Sales for Resale (Acct 466)						
Navy	\$673,516	247,727,930	10	120	1,590	
Portsmouth	\$1,007,524	469,915,285	1	13	159	
TOTAL (Forward p6, Ln12, Col(c))	\$1,681,040	717,643,215	11	133	\$1,749	
Misc (Acct 467) (For p6, Ln13, Col(c))	(\$624,840)	0	0	0	0	
Adjustment of accrued sales for change to quarterly billing						
TOTAL ALL METERED REVENUES	\$6,669,230	2,007,207,040	14,442	60,299	\$798,963	

Name of Respondent Newport Water	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/19/2008	Year of Report FY 2008	
INCOME AND EXPENSE STATEMENT				
Account Name (a)	Page# (b)	Revenues Prior Year (c)	Revenues Current Year (d)	Variance Cols. (d) - (c) (e)
<u>TOTAL OPERATING INCOME</u>	6	\$9,236,885	\$9,086,006	(\$150,879)
OPERATING EXPENSES - (from Matrix chart)				
Source of Supply Exp. - Operations	p34, (b)	\$264,418	\$328,041	\$63,623
Source of Supply Exp. - Maintenance	p34, (c)	\$287,529	\$269,664	(\$17,865)
Total Source of Supply Expenses		\$551,947	\$597,705	\$45,758
Water Treatment Exp. - Operations	p34, (d)	\$1,661,990	\$1,816,555	\$154,565
Water Treatment Exp. - Maintenance	p34, (e)	\$866,773	\$822,682	(\$44,091)
Total Water Treatment Expenses		\$2,528,763	\$2,639,237	\$110,474
Transmission & Distribution Exp. - Operations	p34, (f)	\$564,569	\$322,333	(\$242,236)
Transmission & Distribution Exp. - Maintenance	p34, (g)	\$326,443	\$493,666	\$167,223
Total Transmission & Distribution Expenses		\$891,012	\$815,998	(\$75,014)
Customer Accounts Expenses	p34, (h)	\$590,832	\$502,660	(\$88,172)
Administrative & General Expenses	p34, (i)	\$1,838,542	\$1,825,689	(\$12,853)
Other: Bad Debt Expense				\$0
TOTAL OPERATION AND MAINT. EXPS.	p34, (j)	\$6,401,096	\$6,381,290	(\$19,806)
Depreciation Expense (403)		\$1,263,229	\$1,000,190	(\$263,039)
Amortization Expenses (406, 407)		\$0	\$0	\$0
Taxes Other Than Income (408)				\$0
Taxes (409, 410, 411, 412)				
Other: Inventory Adjustment				
Total Operating Expenses		\$7,664,325	\$7,381,480	(\$282,845)
<u>OPERATING INCOME</u>		\$1,572,560	\$1,704,526	\$131,966
Interest Charges				
Adjustment to tie into prior year's annual report		\$0	\$0	\$0
Interest on short - Term Debt		\$0	\$0	\$0
Interest Long-Term Bonds in Rates	P24,L39(e)	\$144,724	\$197,959	\$53,235
Interest Long-Term Bonds Not in Rates	P25,L39(e)	\$0	\$0	\$0
Interest Long-Term Debt in Rates	P26,L39(e)	\$0	\$0	\$0
Interest Long-Term Debt Accoc. Co./ Entity	P27,L39(e)	\$0	\$0	\$0
Interest on Long - Term Debt (427.3)		\$144,724	\$197,959	\$53,235
Interest on Customer Deposits (427.4)		\$0	\$0	\$0
Interest - Other (427.5)		\$0	\$0	\$0
Amortization of Debt Disc. and Expense (428)	P22,L19(e)	\$0	\$0	\$0
Amortization of Premium on Debt (429)	P22,L19(f)			
Total Interest Charges		\$144,724	\$197,959	\$53,235
<u>INCOME (Loss)</u>		\$1,427,836	\$1,506,567	\$78,731
RETAINED EARNINGS Beginning Balance		\$32,537,401	\$34,845,340	\$2,307,939
Balance Transferred From Income (435)		\$1,427,836	\$1,506,567	\$78,731
Appropriations of Retained Earnings (436)		(\$1,494,979)		\$1,494,979
Div. Declared - Pref. & Comm Stock (437, 438)				
Adjustments to Retained Earnings (439)		\$2,375,082	\$0	(\$2,375,082)
RETAINED EARNINGS Ending Balance	23	\$34,845,340	\$36,351,907	\$1,506,567

Name of Respondent		This Report is:	Date of Report	Year of Report
Newport Water		(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/19/2008	FY 2008
WATER OPERATING REVENUES SUMMARY				
Account Name and Number	Revenues Prior Year	Revenues Current Year	Variance	
(a)	(b)	(c)	Cols. (c) - (b)	
(a)	(b)	(c)	(d)	
Unmetered Water Revenues (460)	\$0	\$0	\$0	
Residential Sales (461.1)	\$2,991,154	\$3,380,288	\$389,134	
Commercial Sales (461.2)	\$1,782,198	\$2,130,874	\$348,676	
Industrial Sales (461.3)				
Other Metered Sales (461.5)	\$105,434	\$101,868	(\$3,566)	
Other Sales to Public Authorities (464)				
Sales for Resale (466)	\$1,550,158	\$1,681,040	\$130,882	
Misc Metered Sales not listed (467)		(\$624,840)		
Total Metered Water Revenues (from p7, Ln56)	\$6,428,944	\$6,669,230	\$240,286	
Public Fire Protection Sales (462.1)	\$628,895	\$739,361	\$110,466	
Private Fire Protection Sales (462.2)	\$326,695	\$312,085	(\$14,610)	
Subtotal Fire Protection Sales (462)	\$955,590	\$1,051,446	\$95,856	
TOTAL WATER SERVICE REVENUES	\$7,384,534	\$7,720,676	\$336,142	
Forfeited Discounts/ Interest Charges (470)				
Miscellaneous Service Revenues (471)	\$18,938	\$43,917	\$24,979	
Explain:				
Explain: Penalty Charge	\$20,978	\$23,511	\$2,533	
Rents From Water Property (472)	\$78,100	\$81,075	\$2,975	
Other: City of Newport Minimum				
TOTAL OTHER OPERATING INCOME	\$118,016	\$148,503	\$30,487	
Other Water Revenues				
Misc. Metered not listed Service Charges				
Non Service Charges Other Water Revenues	\$268,409	\$319,491		
Utility Surcharge #1				
Utility Surcharge #2				
Other: Billing Charge	\$666,025	\$798,963	\$132,938	
TOTAL OTHER WATER REVENUES (474)	\$934,434	\$1,118,454	\$184,020	
TOTAL WATER INCOME	\$8,436,984	\$8,987,633	\$550,649	
Gain (loss) from Disposition of Property (414)	\$0	\$0	\$0	
Nonoperating Rental Income (418)				
Interest and Dividend Income (419)	\$56,924	\$39,191	(\$17,733)	
Nonutility - Water Quality Protection Rev. (421.1)	\$23,646	\$25,676	\$2,030	
Nonutility Income - Other (421.2)	\$45,831	\$7,515	(\$38,316)	
Nonutility Income (421)				
Miscellaneous Nonutility Expenses (426)	\$0	\$0	\$0	
Extraordinary Income (433) net of Cost (434)	\$673,500	\$25,991		
TOTAL NON OPERATING & OTHER INCOME	\$799,901	\$98,373	(\$701,528)	
TOTAL REVENUES (Forward to p5, line 5)	\$9,236,885	\$9,086,006	(\$150,879)	

Account	Docket # 3818	FY 2008 Test Year (1)	Test Year Normalizing Adjustments	Normalized Test Year	Rate Year Adjustment	FY 2010 Rate Year (2)
Operating Revenue Requirements						
Administration	\$ 1,589,812	\$ 1,606,358	\$ 105,885	\$ 1,712,242	\$ 677,788	\$ 2,310,030
Customer Service	\$ 638,982	\$ 502,249	\$ 138,905	\$ 641,178	\$ 78,761	\$ 719,939
Source of Supply - Island	\$ 567,828	\$ 484,797	\$ 62,753	\$ 547,551	\$ 72,849	\$ 620,400
Source of Supply - Mainland	\$ 103,040	\$ 105,725	\$ 1,994	\$ 107,719	\$ 35,281	\$ 142,800
Treatment - Newport Plant (Station One)	\$ 1,427,272	\$ 1,369,315	\$ 78,365	\$ 1,447,680	\$ 253,020	\$ 1,700,700
Treatment - Lawton Valley	\$ 1,237,734	\$ 1,058,872	\$ 127,716	\$ 1,186,587	\$ 418,363	\$ 1,604,950
Water Laboratory	\$ 220,400	\$ 196,363	\$ 4,507	\$ 200,870	\$ 48,580	\$ 249,450
Transmission & Distribution Maintenance	\$ 936,541	\$ 741,996	\$ 217,398	\$ 959,394	\$ 134,907	\$ 1,094,300
Fire Protection	\$ 14,000	\$ 11,310	\$ 2,690	\$ 14,000	\$ 500	\$ 14,500
Total Operating Requirements	\$ 6,735,609	\$ 6,076,985	\$ 740,214	\$ 6,817,221	\$ 1,720,049	\$ 8,457,070 (0)
Capital Revenue Requirements						
Contribution to Debt Service Account (3)	\$ 980,000	\$ 980,000	\$ 250,000	\$ 1,230,000	\$ 780,823	\$ 2,010,823
Contribution to Repayment to City Account (4)	\$ 250,000	\$ 250,000	\$ (250,000)	\$ -	\$ -	\$ -
Contribution to Capital Spending Account (3)	\$ 1,297,182	\$ 1,297,182	\$ 1,297,182	\$ 1,297,182	\$ (150,264)	\$ 1,146,918
Total Capital Requirements	\$ 2,527,182	\$ 2,527,182	\$ 1,297,182	\$ 2,527,182	\$ 630,559	\$ 3,157,741
SumCheck(0)						
Subtotal Revenue Requirements	\$ 9,262,791	\$ 8,604,167	\$ 2,037,396	\$ 9,344,403	\$ 2,350,608	\$ 11,614,811
Additional Rev Requirements (Operating Revenue) (5)	\$ 138,942	\$ 138,942	\$ -	\$ 140,166	\$ 113,546	\$ 253,712
Revenue Requirements before Offsets	\$ 9,401,733	\$ 8,743,109	\$ 2,037,396	\$ 9,484,569	\$ 2,464,154	\$ 11,868,523
Less: Revenue Offsets (6)	\$ (443,076)	\$ (540,376)	\$ -	\$ (540,376)	\$ -	\$ (741,827)
Net Revenue Requirements	\$ 8,958,657	\$ 8,202,733	\$ 2,037,396	\$ 8,944,193	\$ 2,182,503	\$ 11,126,696
Checksum	0	0	0	0	0	0

- (1) Test Year covers the period from July 1, 2007 to June 30, 2008.
- (2) Rate Year is the period beginning July 1, 2009 and ending June 30, 2010.
- (3) Funding of Debt Service and Capital Spending accounts based on projected spending on debt service and rate funding of capital projects for FY 2010
- (4) This contribution is related to the \$2.5 million that was to be paid back to the General Fund over a period of 5 years where each annual contribution of \$250,000 is to be funded through rates. The last payment was made to the City in FY 08 and no funding is requested in the Rate Year.
- (5) Used to fund operating reserve. Rate year amount equal to 3% of O&M expenses.
- (6) See RFC Schedule 6 "Offsets To Revenue Requirements" for further detail.

Docket No. 3818

**City of Newport, Rhode Island
Final Exhibits
Revenue Proof**

RFC Schedule 6 Final

Revenues

Billing Charge Revenues

Retail

Residential	\$ 512,723	\$ 706,914	\$ 706,914
Commercial	\$ 127,421	\$ 152,163	\$ 152,163
Governmental	\$ 2,906	\$ 4,823	\$ 4,823
Subtotal Retail Billing Charge Revenue	\$ 643,050	\$ 863,900	\$ 863,900

Wholesale

Navy	\$ 1,455	\$ 2,385	\$ 2,385
Portsmouth Water & Fire District	\$ 146	\$ 159	\$ 159
Subtotal Wholesale Billing Charge Revenue	\$ 1,601	\$ 2,544	\$ 2,544

Total Billing Charge Revenues	\$ 644,651	\$ 866,444	\$ 866,444
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From Water Commodity Charge

Retail

Residential	\$ 2,677,849	\$ 2,991,154	\$ 3,336,570
Commercial	\$ 1,725,843	\$ 1,749,248	\$ 1,951,250
Governmental	\$ 77,803	\$ 105,434	\$ 117,610
Metered Sundried Billed	\$ 20,260	\$ 8,467	\$ 9,445
Subtotal Retail Commodity Revenue	\$ 4,501,755	\$ 4,854,304	\$ 5,414,875

Wholesale

Navy	\$ 862,303	\$ 698,888	\$ 778,244
Portsmouth	\$ 830,744	\$ 851,270	\$ 947,889
Subtotal Wholesale Commodity Revenue	\$ 1,693,047	\$ 1,550,158	\$ 1,726,133

Total Commodity Charge Revenues	\$ 6,194,802	\$ 6,404,462	\$ 7,141,008
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From Fire Protection

Public Fire Protection Revenue	\$ 616,178	\$ 662,850	\$ 738,464
Private Fire Protection Revenue	\$ 223,110	\$ 285,425	\$ 317,866
Total Fire Protection Revenues	\$ 839,288	\$ 948,275	\$ 1,056,330

Other Revenue	\$ 252,796	\$ 441,568	\$ 455,068
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Total Revenues	\$ 7,931,537	\$ 8,660,749	\$ 9,518,850
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Total Revenue Requirements

Operating	\$ 5,630,788	\$ 6,735,607	\$ 6,735,607
Capital	\$ 2,971,686	\$ 2,527,182	\$ 2,527,182
Less: Water Quality Protection Funds	\$ (579,869)		
Subtotal Revenue Requirements	\$ 8,022,605	\$ 9,262,789	\$ 9,262,789
Additional Rev Req.	\$ 137,209	\$ 138,942	\$ 138,942
Total Revenue Requirements	\$ 8,159,814	\$ 9,401,731	\$ 9,401,731

Surplus/(Deficit) of Revenues to be Recovered from All Charges

Total Revenue Requirements	\$ 8,159,814	\$ 9,401,731	\$ 9,401,731
plus: Commission Management Study (1)			\$ 117,119
Other Revenue	\$ (252,796)	\$ (441,568)	\$ (455,068)
Net Revenue Requirements	\$ 7,907,018	\$ 8,960,163	\$ 9,063,782
Total Revenue from Rates and Charges	\$ 7,678,741	\$ 8,219,181	\$ 9,063,782
Revenue Surplus/(Deficit)	\$ (228,277)	\$ (740,982)	\$ -

EXHIBIT B

Savings		Docket # 3818	FY 2008 Test Year	Variance	
50 001	Salaries & Wages	\$ 1,473,511	\$ 1,284,649	\$ 188,862	S
	Customer Service	\$ 300,500	\$ 253,759	\$ 46,741	
	Source of Supply - Island	\$ 243,756	\$ 216,370	\$ 27,386	
	Treatment - Newport Plant (Station One)	\$ 424,555	\$ 381,325	\$ 43,230	
	Water Laboratory	\$ 112,700	\$ 102,596	\$ 10,104	
	Transmission & Distribution Maintenance	\$ 392,000	\$ 330,599	\$ 61,401	
50 002	Overtime	\$ 73,000	\$ 41,361	\$ 31,639	S
	Customer Service	\$ 8,000	\$ 4,076	\$ 3,924	
	Source of Supply - Mainland	\$ 10,000	\$ 3,758	\$ 6,242	
	Transmission & Distribution Maintenance	\$ 55,000	\$ 33,527	\$ 21,473	
50 003	Holiday Pay	\$ 36,000	\$ 31,925	\$ 4,075	S
	Treatment - Newport Plant (Station One)	\$ 18,000	\$ 16,438	\$ 1,562	
	Treatment - Lawton Valley	\$ 18,000	\$ 15,487	\$ 2,513	
50 056	Injury Pay	\$ 1,200	\$ -	\$ 1,200	S
	Transmission & Distribution Maintenance	\$ 1,200	\$ -	\$ 1,200	
50 100	Employee Benefits	\$ 1,088,700	\$ 897,100	\$ 191,600	S
	Administration	\$ 88,000	\$ 85,618	\$ 2,382	
	Customer Service	\$ 164,000	\$ 113,678	\$ 50,322	
	Source of Supply - Island	\$ 144,000	\$ 93,011	\$ 50,989	
	Treatment - Newport Plant (Station One)	\$ 222,500	\$ 174,497	\$ 48,003	
	Treatment - Lawton Valley	\$ 220,000	\$ 203,222	\$ 16,778	
	Water Laboratory	\$ 53,200	\$ 51,488	\$ 1,712	
	Transmission & Distribution Maintenance	\$ 197,000	\$ 175,586	\$ 21,414	
50 175	Annual Leave Buy-back	\$ 21,800	\$ 11,239	\$ 10,561	S
	Customer Service	\$ 4,500	\$ 2,144	\$ 2,356	
	Source of Supply - Island	\$ 6,000	\$ 3,871	\$ 2,129	
	Treatment - Lawton Valley	\$ 3,500	\$ 3,094	\$ 406	
	Water Laboratory	\$ 2,500	\$ -	\$ 2,500	
	Transmission & Distribution Maintenance	\$ 5,300	\$ 2,130	\$ 3,170	
50 205	Copy & Binding	\$ 1,000	\$ 626	\$ 374	S
	Customer Service	\$ 1,000	\$ 626	\$ 374	
50 207	Advertisement	\$ 1,500	\$ 1,110	\$ 390	S
	Administration	\$ 1,500	\$ 1,110	\$ 390	
50 308	Property Taxes	\$ 180,000	\$ 175,827	\$ 4,173	S
	Administration	\$ 180,000	\$ 175,827	\$ 4,173	
50 214	Tuition Reimbursement	\$ 2,000	\$ 540	\$ 1,460	S
	Administration	\$ 2,000	\$ 540	\$ 1,460	
50 220	Consultant Fees	\$ 140,000	\$ 105,354	\$ 34,646	S
	Administration	\$ 140,000	\$ 105,354	\$ 34,646	
50 225	Contract Services (Support Services)	\$ 37,508	\$ 20,168	\$ 17,340	S
	Customer Service (Net of Security Changes)	\$ 25,008	\$ 14,743	\$ 10,265	
	Transmission & Distribution Maintenance	\$ 12,500	\$ 5,425	\$ 7,075	
50 238	Postage & Delivery	\$ 30,665	\$ 28,294	\$ 2,371	S
	Administration	\$ 1,000	\$ 642	\$ 358	
	Customer Service	\$ 29,665	\$ 27,652	\$ 2,013	
50 251	Telephone & Communication	\$ 10,200	\$ 4,389	\$ 5,811	S
	Administration	\$ 10,200	\$ 4,389	\$ 5,811	

Savings (cont.)		Docket # 3818	FY 2008 Test Year	Variance	
50 260	Heavy Equipment Rental	\$ 14,660	\$ 1,367	\$ 13,293	S
	Treatment - Newport Plant (Station One)	\$ 1,000	\$ 479	\$ 521	
	Treatment - Lawton Valley	\$ 500	\$ 213	\$ 287	
	Transmission & Distribution Maintenance	\$ 13,160	\$ 675	\$ 12,485	
50 268	Mileage Reimbursement	\$ 1,500	\$ 953	\$ 547	S
	Administration	\$ 1,500	\$ 953	\$ 547	
50 277	Reservoir Maintenance	\$ 9,000	\$ -	\$ 9,000	S
	Source of Supply - Island (Dam Inspection)	\$ 7,000	\$ -	\$ 7,000	
	Source of Supply - Mainland (Dam Inspection)	\$ 2,000	\$ -	\$ 2,000	
50 280	Regulatory Expense	\$ 10,000	\$ 7,414	\$ 2,586	S
	Administration	\$ 10,000	\$ 7,414	\$ 2,586	
50 281	Regulatory Assessment	\$ 35,000	\$ 27,286	\$ 7,714	S
	Water Laboratory	\$ 35,000	\$ 27,286	\$ 7,714	
50 305	Water/Sewer	\$ 136,986	\$ 53,847	\$ 83,139	S
	Treatment - Lawton Valley	\$ 136,986	\$ 53,847	\$ 83,139	
50 306	Contribution to Electricity Restricted Account	\$ 350,163	\$ 327,652	\$ 22,511	S
	Source of Supply - Island	\$ 27,200	\$ 25,233	\$ 1,967	
	Treatment - Newport Plant (Station One)	\$ 178,363	\$ 173,534	\$ 4,829	
	Treatment - Lawton Valley	\$ 123,000	\$ 113,966	\$ 9,034	
	Transmission & Distribution Maintenance	\$ 21,600	\$ 14,919	\$ 6,681	
50 307	Natural Gas	\$ 72,700	\$ 53,681	\$ 19,019	S
	Administration	\$ 8,100	\$ 7,504	\$ 596	
	Treatment - Newport Plant (Station One)	\$ 30,300	\$ 21,750	\$ 8,550	
	Treatment - Lawton Valley	\$ 34,300	\$ 24,427	\$ 9,873	
50 311	Operating Supplies	\$ 15,440	\$ 3,788	\$ 11,652	S
	Source of Supply - Island	\$ 3,500	\$ 3,300	\$ 200	
	Source of Supply - Mainland	\$ 500	\$ 488	\$ 12	
	Treatment - Lawton Valley (SCADA Service Contract)	\$ 11,440	\$ -	\$ 11,440	
50 335	Contribution to Chemical Restricted Account	\$ 218,200	\$ 196,240	\$ 21,960	S
	Source of Supply - Island	\$ 46,200	\$ 41,720	\$ 4,480	
	Treatment - Lawton Valley	\$ 172,000	\$ 154,520	\$ 17,480	
50 339	Laboratory Supplies	\$ 16,000	\$ 14,032	\$ 1,968	S
	Water Laboratory	\$ 16,000	\$ 14,032	\$ 1,968	
50 505	Self Insurance	\$ 10,000	\$ -	\$ 10,000	S
	Administration	\$ 10,000	\$ -	\$ 10,000	
50 515	Unemployment Claims	\$ 12,000	\$ -	\$ 12,000	S
	Administration	\$ 12,000	\$ -	\$ 12,000	
Total Savings		\$ 3,998,733	\$ 3,288,842	\$ 709,891	

Reductions		Docket # 3818	FY 2008 Test Year	Variance	
50 004	Temp Salaries	\$ 30,000	\$ 2,208	\$ 27,792	R
	Customer Service	\$ 20,000	\$ 2,208	\$ 17,792	
	Transmission & Distribution Maintenance	\$ 10,000	\$ -	\$ 10,000	
50 210	Dues & Subscriptions	\$ 2,500	\$ 1,610	\$ 890	R
	Administration	\$ 2,500	\$ 1,610	\$ 890	
50 212	Conferences and Training	\$ 20,500	\$ 4,830	\$ 15,670	R
	Administration	\$ 2,500	\$ 331	\$ 2,169	
	Customer Service	\$ 5,000	\$ 1,045	\$ 3,955	
	Treatment - Newport Plant (Station One)	\$ 5,500	\$ 1,660	\$ 3,840	
	Treatment - Lawton Valley	\$ 3,500	\$ 1,475	\$ 2,025	
	Transmission & Distribution Maintenance	\$ 4,000	\$ 319	\$ 3,681	
50 276	Repairs/Main Maintenance	\$ 79,000	\$ 58,239	\$ 20,761	R
	Transmission & Distribution Maintenance	\$ 79,000	\$ 58,239	\$ 20,761	
50 296	Service Maintenance	\$ 33,500	\$ 17,490	\$ 16,010	R
	Transmission & Distribution Maintenance	\$ 33,500	\$ 17,490	\$ 16,010	
50 311	Operating Supplies	\$ 18,000	\$ 8,851	\$ 9,149	R
	Customer Service	\$ 7,000	\$ 2,383	\$ 4,617	
	Transmission & Distribution Maintenance	\$ 11,000	\$ 6,468	\$ 4,532	
50 320	Uniforms & Protective Gear	\$ 5,600	\$ 2,997	\$ 2,603	R
	Customer Service	\$ 1,000	\$ 584	\$ 416	
	Source of Supply - Island	\$ 750	\$ 659	\$ 91	
	Treatment - Newport Plant (Station One)	\$ 1,350	\$ -	\$ 1,350	
	Treatment - Lawton Valley	\$ 1,000	\$ 614	\$ 386	
	Transmission & Distribution Maintenance	\$ 1,500	\$ 1,141	\$ 359	
50 361	Office Supplies	\$ 30,000	\$ 14,119	\$ 15,881	R
	Administration	\$ 30,000	\$ 14,119	\$ 15,881	
	Total Reductions	\$ 219,100	\$ 110,344	\$ 108,756	

Overages		Docket # 3818	FY 2008 Test Year	Variance	
50 001	Salaries & Wages	\$ 619,500	\$ 645,543	\$ (26,043)	O
	Administration	\$ 214,000	\$ 236,016	\$ (22,016)	
	Treatment - Lawton Valley	\$ 405,500	\$ 409,527	\$ (4,027)	
50 002	Overtime	\$ 106,000	\$ 136,303	\$ (30,303)	O
	Source of Supply - Island	\$ 26,000	\$ 28,055	\$ (2,055)	
	Treatment - Newport Plant (Station One)	\$ 50,000	\$ 65,941	\$ (15,941)	
	Treatment - Lawton Valley	\$ 30,000	\$ 42,307	\$ (12,307)	
50 004	Temp Salaries	\$ 20,000	\$ 24,257	\$ (4,257)	O
O	Source of Supply - Island	\$ 10,000	\$ 11,537	\$ (1,537)	
O	Source of Supply - Mainland	\$ 10,000	\$ 12,720	\$ (2,720)	
50 044	Standby Salaries	\$ 9,641	\$ 12,400	\$ (2,759)	O
	Administration	\$ 9,641	\$ 12,400	\$ (2,759)	
50 056	Injury Pay	\$ -	\$ 1,283	\$ (1,283)	O
	Customer Service	\$ -	\$ 602	\$ (602)	
	Source of Supply - Island	\$ -	\$ 681	\$ (681)	
50 100	Employee Benefits	\$ 1,500	\$ 1,603	\$ (103)	O
	Source of Supply - Mainland	\$ 1,500	\$ 1,603	\$ (103)	
50 103	Retiree Insurance Coverage	\$ 210,000	\$ 234,929	\$ (24,929)	O
	Administration	\$ 210,000	\$ 234,929	\$ (24,929)	
50 105	Workers Compensation Insurance	\$ 76,000	\$ 87,455	\$ (11,455)	O
	Administration	\$ 76,000	\$ 87,455	\$ (11,455)	
50 175	Annual Leave Buy-back	\$ 6,460	\$ 6,935	\$ (475)	O
	Administration	\$ 1,960	\$ 2,106	\$ (146)	
	Treatment - Newport Plant (Station One)	\$ 4,500	\$ 4,829	\$ (329)	
50 239	Fire & Liability Insurance	\$ 93,725	\$ 99,221	\$ (5,496)	O
	Administration	\$ 80,000	\$ 84,691	\$ (4,691)	
	Treatment - Newport Plant (Station One)	\$ 5,500	\$ 5,823	\$ (323)	
	Treatment - Lawton Valley	\$ 6,000	\$ 6,352	\$ (352)	
	Transmission & Distribution Maintenance	\$ 2,225	\$ 2,355	\$ (130)	
50 271	Gas/Vehicle Maintenance	\$ 117,796	\$ 181,368	\$ (63,572)	O
	Administration	\$ 3,506	\$ 7,549	\$ (4,043)	
	Customer Service	\$ 14,482	\$ 25,254	\$ (10,772)	
	Source of Supply - Island	\$ 30,422	\$ 43,446	\$ (13,024)	
	Treatment - Newport Plant (Station One)	\$ 882	\$ 7,149	\$ (6,267)	
	Treatment - Lawton Valley	\$ 948	\$ 7,407	\$ (6,459)	
	Transmission & Distribution Maintenance	\$ 67,556	\$ 90,564	\$ (23,008)	
50 275	Repair & Maint - Equipment	\$ 3,000	\$ 12,210	\$ (9,210)	O
	Administration	\$ 1,200	\$ 1,656	\$ (456)	
	Source of Supply - Mainland	\$ 1,800	\$ 10,554	\$ (8,754)	
50 281	Regulatory Assessment	\$ 42,000	\$ 47,400	\$ (5,400)	O
	Administration	\$ 42,000	\$ 47,400	\$ (5,400)	
50 305	Water/Sewer	\$ 138,782	\$ 170,516	\$ (31,734)	O
	Administration	\$ 960	\$ 981	\$ (21)	
	Treatment - Newport Plant (Station One)	\$ 137,822	\$ 169,535	\$ (31,713)	
50 306	Contribution to Electricity Restricted Account	\$ 73,740	\$ 75,011	\$ (1,271)	O
	Administration	\$ 5,700	\$ 6,115	\$ (415)	
	Source of Supply - Mainland	\$ 68,040	\$ 68,896	\$ (856)	

Overages (cont.)

		Docket # 3818	FY 2008 Test Year	Variance
50 311	Operating Supplies	\$ 26,000	\$ 26,578	\$ (578) O
	Treatment - Newport Plant (Station One)	\$ 26,000	\$ 26,578	\$ (578)
50 335	Contribution to Chemical Restricted Account	\$ 286,000	\$ 293,925	\$ (7,925) O
	Treatment - Newport Plant (Station One)	\$ 286,000	\$ 293,925	\$ (7,925)
50 380	Customer Service Supplies	\$ 5,000	\$ 5,250	\$ (250) O
	Customer Service	\$ 5,000	\$ 5,250	\$ (250)
50 520	Accrued Benefits Buy-Out	\$ 70,000	\$ 104,103	\$ (34,103) O
	Administration	\$ 70,000	\$ 104,103	\$ (34,103)
	Total Overage	\$ 1,905,144	\$ 2,166,292	\$ (261,148)

Deferrals

		Docket # 3818	FY 2008 Test Year	Variance
50 225	Contract Services (Support Services)	\$ 2,825	\$ -	\$ 2,825 D
	Customer Service (Security Changes)	\$ 2,825	\$ -	\$ 2,825
50 275	Repair & Maint - Equipment	\$ 180,000	\$ 89,252	\$ 90,748 D
	Customer Service	\$ 40,000	\$ 38,763	\$ 1,237
	Source of Supply - Island	\$ 5,000	\$ 2,830	\$ 2,170
	Treatment - Newport Plant (Station One)	\$ 35,000	\$ 25,852	\$ 9,148
	Treatment - Lawton Valley	\$ 55,000	\$ 6,977	\$ 48,023
	Water Laboratory	\$ 1,000	\$ 961	\$ 39
	Transmission & Distribution Maintenance	\$ 30,000	\$ 2,559	\$ 27,441
	Fire Protection	\$ 14,000	\$ 11,310	\$ 2,690
50 277	Reservoir Maintenance	\$ 22,000	\$ 16,591	\$ 5,409 D
	Source of Supply - Island (Net of Dam Inspection)	\$ 18,000	\$ 14,085	\$ 3,915
	Source of Supply - Mainland (Net of Dam Inspection)	\$ 4,000	\$ 2,506	\$ 1,494
50 299	Meter Maintenance	\$ 11,000	\$ 9,483	\$ 1,517 D
	Customer Service	\$ 11,000	\$ 9,483	\$ 1,517
50 311	Operating Supplies	\$ 16,060	\$ 15,436	\$ 624 D
	Treatment - Lawton Valley (Net of SCADA Costs)	\$ 16,060	\$ 15,436	\$ 624
	Total Deferrals	\$ 231,885	\$ 130,762	\$ 101,123

50 005	Permanent - Part Time	\$ 5,200	\$ 5,200	\$ -
50 266	Legal & Administrative	\$ 219,177	\$ 219,177	\$ -
50 267	Data Processing	\$ 156,368	\$ 156,368	\$ -
	Total	\$ 6,735,607	\$ 6,076,985	\$ 658,622

Savings	\$ 709,891
Reductions	\$ 108,756
Deferrals	\$ 101,123
Overages	\$ (261,148)
	\$ 658,622

EXHIBIT C

001	Salaries & Wages								
		Administration	\$	214,000	\$	236,016	\$	(22,016)	O
		Customer Service	\$	300,500	\$	253,759	\$	46,741	S
		Source of Supply - Island	\$	243,756	\$	216,370	\$	27,386	S
		Treatment - Newport Plant (Station One)	\$	424,555	\$	381,325	\$	43,230	S
		Treatment - Lawton Valley	\$	405,500	\$	409,527	\$	(4,027)	O
		Water Laboratory	\$	112,700	\$	102,596	\$	10,104	S
		Transmission & Distribution Maintenance	\$	392,000	\$	330,599	\$	61,401	S
			\$	2,093,011	\$	1,930,192	\$	162,819	
002	Overtime								
		Customer Service	\$	8,000	\$	4,076	\$	3,924	S
		Source of Supply - Island	\$	26,000	\$	28,055	\$	(2,055)	O
		Source of Supply - Mainland	\$	10,000	\$	3,758	\$	6,242	S
		Treatment - Newport Plant (Station One)	\$	50,000	\$	65,941	\$	(15,941)	O
		Treatment - Lawton Valley	\$	30,000	\$	42,307	\$	(12,307)	O
		Transmission & Distribution Maintenance	\$	55,000	\$	33,527	\$	21,473	S
			\$	179,000	\$	177,664	\$	1,336	
003	Holiday Pay								
		Treatment - Newport Plant (Station One)	\$	18,000	\$	16,438	\$	1,562	S
		Treatment - Lawton Valley	\$	18,000	\$	15,487	\$	2,513	S
			\$	36,000	\$	31,925	\$	4,075	
004	Temp Salaries								
		Customer Service	\$	20,000	\$	2,208	\$	17,792	R
		Source of Supply - Island	\$	10,000	\$	11,537	\$	(1,537)	O
		Source of Supply - Mainland	\$	10,000	\$	12,720	\$	(2,720)	O
		Transmission & Distribution Maintenance	\$	10,000	\$	-	\$	10,000	R
			\$	50,000	\$	26,465	\$	23,535	
005	Permanent - Part Time								
		Source of Supply - Mainland	\$	5,200	\$	5,200	\$	-	
			\$	5,200	\$	5,200	\$	-	
044	Standby Salaries								
		Administration	\$	9,641	\$	12,400	\$	(2,759)	O
			\$	9,641	\$	12,400	\$	(2,759)	
056	Injury Pay								
		Customer Service	\$	-	\$	602	\$	(602)	O
		Source of Supply - Island	\$	-	\$	681	\$	(681)	O
		Transmission & Distribution Maintenance	\$	1,200	\$	-	\$	1,200	S
			\$	1,200	\$	1,283	\$	(83)	

100	Employee Benefits								
		Administration	\$	88,000	\$	85,618	\$	2,382	S
		Customer Service	\$	164,000	\$	113,678	\$	50,322	S
		Source of Supply - Island	\$	144,000	\$	93,011	\$	50,989	S
		Source of Supply - Mainland	\$	1,500	\$	1,603	\$	(103)	O
		Treatment - Newport Plant (Station One)	\$	222,500	\$	174,497	\$	48,003	S
		Treatment - Lawton Valley	\$	220,000	\$	203,222	\$	16,778	S
		Water Laboratory	\$	53,200	\$	51,488	\$	1,712	S
		Transmission & Distribution Maintenance	\$	197,000	\$	175,586	\$	21,414	S
			\$	1,090,200	\$	898,703	\$	191,497	
103	Retiree Insurance Coverage								
		Administration	\$	210,000	\$	234,929	\$	(24,929)	O
			\$	210,000	\$	234,929	\$	(24,929)	
105	Workers Compensation Insurance								
		Administration	\$	76,000	\$	87,455	\$	(11,455)	O
			\$	76,000	\$	87,455	\$	(11,455)	
175	Annual Leave Buy-back								
		Administration	\$	1,960	\$	2,106	\$	(146)	O
		Customer Service	\$	4,500	\$	2,144	\$	2,356	S
		Source of Supply - Island	\$	6,000	\$	3,871	\$	2,129	S
		Treatment - Newport Plant (Station One)	\$	4,500	\$	4,829	\$	(329)	O
		Treatment - Lawton Valley	\$	3,500	\$	3,094	\$	406	S
		Water Laboratory	\$	2,500	\$	-	\$	2,500	S
		Transmission & Distribution Maintenance	\$	5,300	\$	2,130	\$	3,170	S
			\$	28,260	\$	18,175	\$	10,085	
205	Copy & Binding								
		Customer Service	\$	1,000	\$	626	\$	374	S
			\$	1,000	\$	626	\$	374	
207	Advertisement								
		Administration	\$	1,500	\$	1,110	\$	390	S
			\$	1,500	\$	1,110	\$	390	
210	Dues & Subscriptions								
		Administration	\$	2,500	\$	1,610	\$	890	R
			\$	2,500	\$	1,610	\$	890	
212	Conferences and Training								
		Administration	\$	2,500	\$	331	\$	2,169	R
		Customer Service	\$	5,000	\$	1,045	\$	3,955	R
		Treatment - Newport Plant (Station One)	\$	5,500	\$	1,660	\$	3,840	R
		Treatment - Lawton Valley	\$	3,500	\$	1,475	\$	2,025	R
		Transmission & Distribution Maintenance	\$	4,000	\$	319	\$	3,681	R
			\$	20,500	\$	4,830	\$	15,670	

214	Tuition Reimbursement	Administration	\$	2,000	\$	540	\$	1,460	S
			\$	2,000	\$	540	\$	1,460	
220	Consultant Fees	Administration	\$	140,000	\$	105,354	\$	34,646	S
			\$	140,000	\$	105,354	\$	34,646	
225	Contract Services (Support Services)								
	Customer Service (Net of Security Changes)		\$	25,008	\$	14,743	\$	10,265	S
	Customer Service (Security Changes)		\$	2,825	\$	-	\$	2,825	D
	Transmission & Distribution Maintenance		\$	12,500	\$	5,425	\$	7,075	S
			\$	40,333	\$	20,168	\$	20,165	
238	Postage & Delivery	Administration	\$	1,000	\$	642	\$	358	S
		Customer Service	\$	29,665	\$	27,652	\$	2,013	S
			\$	30,665	\$	28,294	\$	2,371	
239	Fire & Liability Insurance	Administration	\$	80,000	\$	84,691	\$	(4,691)	O
	Treatment - Newport Plant (Station One)		\$	5,500	\$	5,823	\$	(323)	O
	Treatment - Lawton Valley		\$	6,000	\$	6,352	\$	(352)	O
	Transmission & Distribution Maintenance		\$	2,225	\$	2,355	\$	(130)	O
			\$	93,725	\$	99,221	\$	(5,496)	
251	Telephone & Communication	Administration	\$	10,200	\$	4,389	\$	5,811	S
			\$	10,200	\$	4,389	\$	5,811	
260	Heavy Equipment Rental	Treatment - Newport Plant (Station One)	\$	1,000	\$	479	\$	521	S
		Treatment - Lawton Valley	\$	500	\$	213	\$	287	S
	Transmission & Distribution Maintenance		\$	13,160	\$	675	\$	12,485	S
			\$	14,660	\$	1,367	\$	13,293	
266	Legal & Administrative	Administration	\$	219,177	\$	219,177	\$	-	
			\$	219,177	\$	219,177	\$	-	
267	Data Processing	Administration	\$	156,368	\$	156,368	\$	-	
			\$	156,368	\$	156,368	\$	-	
268	Mileage Reimbursement	Administration	\$	1,500	\$	953	\$	547	S
			\$	1,500	\$	953	\$	547	

271	Gas/Vehicle Maintenance								
	Administration	\$	3,506	\$	7,549	\$	(4,043)	O	
	Customer Service	\$	14,482	\$	25,254	\$	(10,772)	O	
	Source of Supply - Island	\$	30,422	\$	43,446	\$	(13,024)	O	
	Treatment - Newport Plant (Station One)	\$	882	\$	7,149	\$	(6,267)	O	
	Treatment - Lawton Valley	\$	948	\$	7,407	\$	(6,459)	O	
	Transmission & Distribution Maintenance	\$	67,556	\$	90,564	\$	(23,008)	O	
		\$	117,796	\$	181,368	\$	(63,572)		
275	Repair & Maint - Equipment								
	Administration	\$	1,200	\$	1,656	\$	(456)	O	
	Customer Service	\$	40,000	\$	38,763	\$	1,237	D	
	Source of Supply - Island	\$	5,000	\$	2,830	\$	2,170	D	
	Source of Supply - Mainland	\$	1,800	\$	10,554	\$	(8,754)	O	
	Treatment - Newport Plant (Station One)	\$	35,000	\$	25,852	\$	9,148	D	
	Treatment - Lawton Valley	\$	55,000	\$	6,977	\$	48,023	D	
	Water Laboratory	\$	1,000	\$	961	\$	39	D	
	Transmission & Distribution Maintenance	\$	30,000	\$	2,559	\$	27,441	D	
	Fire Protection	\$	14,000	\$	11,310	\$	2,690	D	
		\$	183,000	\$	101,462	\$	81,538		
276	Repairs/Main Maintenance								
	Transmission & Distribution Maintenance	\$	79,000	\$	58,239	\$	20,761	R	
		\$	79,000	\$	58,239	\$	20,761		
277	Reservoir Maintenance								
	Source of Supply - Island (Dam Inspection)	\$	7,000	\$	-	\$	7,000	S	
	Source of Supply - Island (Net of Dam Inspection)	\$	18,000	\$	14,085	\$	3,915	D	
	Source of Supply - Mainland (Dam Inspection)	\$	2,000	\$	-	\$	2,000	S	
	Source of Supply - Mainland (Net of Dam Inspection)	\$	4,000	\$	2,506	\$	1,494	D	
		\$	31,000	\$	16,591	\$	14,409		
280	Regulatory Expense								
	Administration	\$	10,000	\$	7,414	\$	2,586	S	
		\$	10,000	\$	7,414	\$	2,586		
281	Regulatory Assessment								
	Administration	\$	42,000	\$	47,400	\$	(5,400)	O	
	Water Laboratory	\$	35,000	\$	27,286	\$	7,714	S	
		\$	77,000	\$	74,686	\$	2,314		
296	Service Maintenance								
	Transmission & Distribution Maintenance	\$	33,500	\$	17,490	\$	16,010	R	
		\$	33,500	\$	17,490	\$	16,010		
299	Meter Maintenance								
	Customer Service	\$	11,000	\$	9,483	\$	1,517	D	
		\$	11,000	\$	9,483	\$	1,517		

305	Water/Sewer								
	Administration	\$	960	\$	981	\$	(21)	O	
	Treatment - Newport Plant (Station One)	\$	137,822	\$	169,535	\$	(31,713)	O	
	Treatment - Lawton Valley	\$	136,986	\$	53,847	\$	83,139	S	
		\$	275,768	\$	224,364	\$	51,404		
306	Contribution to Electricity Restricted Account								
	Administration	\$	5,700	\$	6,115	\$	(415)	O	
	Source of Supply - Island	\$	27,200	\$	25,233	\$	1,967	S	
	Source of Supply - Mainland	\$	68,040	\$	68,896	\$	(856)	O	
	Treatment - Newport Plant (Station One)	\$	178,363	\$	173,534	\$	4,829	S	
	Treatment - Lawton Valley	\$	123,000	\$	113,966	\$	9,034	S	
	Transmission & Distribution Maintenance	\$	21,600	\$	14,919	\$	6,681	S	
		\$	423,903	\$	402,663	\$	21,240		
307	Natural Gas								
	Administration	\$	8,100	\$	7,504	\$	596	S	
	Treatment - Newport Plant (Station One)	\$	30,300	\$	21,750	\$	8,550	S	
	Treatment - Lawton Valley	\$	34,300	\$	24,427	\$	9,873	S	
		\$	72,700	\$	53,681	\$	19,019		
308	Property Taxes								
	Administration	\$	180,000	\$	175,827	\$	4,173	S	
		\$	180,000	\$	175,827	\$	4,173		
311	Operating Supplies								
	Customer Service	\$	7,000	\$	2,383	\$	4,617	R	
	Source of Supply - Island	\$	3,500	\$	3,300	\$	200	S	
	Source of Supply - Mainland	\$	500	\$	488	\$	12	S	
	Treatment - Newport Plant (Station One)	\$	26,000	\$	26,578	\$	(578)	O	
	Treatment - Lawton Valley (SCADA Service Contract)	\$	11,440	\$	-	\$	11,440	S	
	Treatment - Lawton Valley (Net of SCADA Costs)	\$	16,060	\$	15,436	\$	624	D	
	Transmission & Distribution Maintenance	\$	11,000	\$	6,468	\$	4,532	R	
		\$	75,500	\$	54,653	\$	20,847		
320	Uniforms & Protective Gear								
	Customer Service	\$	1,000	\$	584	\$	416	R	
	Source of Supply - Island	\$	750	\$	659	\$	91	R	
	Treatment - Newport Plant (Station One)	\$	1,350	\$	-	\$	1,350	R	
	Treatment - Lawton Valley	\$	1,000	\$	614	\$	386	R	
	Transmission & Distribution Maintenance	\$	1,500	\$	1,141	\$	359	R	
		\$	5,600	\$	2,997	\$	2,603		
335	Contribution to Chemical Restricted Account								
	Source of Supply - Island	\$	46,200	\$	41,720	\$	4,480	S	
	Treatment - Newport Plant (Station One)	\$	286,000	\$	293,925	\$	(7,925)	O	
	Treatment - Lawton Valley	\$	172,000	\$	154,520	\$	17,480	S	
		\$	504,200	\$	490,165	\$	14,035		

339	Laboratory Supplies	Water Laboratory	\$	16,000	\$	14,032	\$	1,968	S
			\$	16,000	\$	14,032	\$	1,968	
361	Office Supplies	Administration	\$	30,000	\$	14,119	\$	15,881	R
			\$	30,000	\$	14,119	\$	15,881	
380	Customer Service Supplies	Customer Service	\$	5,000	\$	5,250	\$	(250)	O
			\$	5,000	\$	5,250	\$	(250)	
505	Self Insurance	Administration	\$	10,000	\$	-	\$	10,000	S
			\$	10,000	\$	-	\$	10,000	
515	Unemployment Claims	Administration	\$	12,000	\$	-	\$	12,000	S
			\$	12,000	\$	-	\$	12,000	
520	Accrued Benefits Buy-Out	Administration	\$	70,000	\$	104,103	\$	(34,103)	O
			\$	70,000	\$	104,103	\$	(34,103)	
			\$	6,735,607	\$	6,076,985	\$	658,622	

Savings	\$	709,891
Reductions	\$	108,756
Deferrals	\$	101,123
Overages	\$	(261,148)
Net Efficiencies	\$	658,622

EXHIBIT D

Administration

Account No. 15-500-2200		Docket # 3818	FY 2008 Test Year	
<u>Personnel</u>				
50 001	Salaries & Wages	\$ 214,000	\$ 236,016	\$ (22,016) O
50 044	Standby Salaries	\$ 9,641	\$ 12,400	\$ (2,759) O
50 520	Accrued Benefits Buyout	\$ 70,000	\$ 104,103	\$ (34,103) O
50 100	Employee Benefits	\$ 88,000	\$ 85,618	\$ 2,382 S
50 103	Retiree Insurance Coverage	\$ 210,000	\$ 234,929	\$ (24,929) O
50 105	Workers Compensation Insurance	\$ 76,000	\$ 87,455	\$ (11,455) O
	Subtotal	\$ 667,641	\$ 760,521	
<u>Other Operating</u>				
50 207	Advertisement	\$ 1,500	\$ 1,110	\$ 390 S
50 210	Dues & Subscriptions	\$ 2,500	\$ 1,610	\$ 890 R
50 212	Conferences and Training	\$ 2,500	\$ 331	\$ 2,169 R
50 214	Tuition Reimbursement	\$ 2,000	\$ 540	\$ 1,460 S
50 220	Consultant Fees	\$ 140,000	\$ 105,354	\$ 34,646 S
50 238	Postage & Delivery	\$ 1,000	\$ 642	\$ 358 S
50 239	Fire & Liability Insurance	\$ 80,000	\$ 84,691	\$ (4,691) O
50 251	Telephone & Communication	\$ 10,200	\$ 4,389	\$ 5,811 S
50 305	Water/Sewer	\$ 960	\$ 981	\$ (21) O
50 306	Contribution to Electricity Restricted Account	\$ 5,700	\$ 6,115	\$ (415) O
50 307	Natural Gas	\$ 8,100	\$ 7,504	\$ 596 S
50 308	Property Taxes	\$ 180,000	\$ 175,827	\$ 4,173 S
50 266	Legal & Administrative	\$ 219,177	\$ 219,177	\$ -
50 267	Data Processing	\$ 156,368	\$ 156,368	\$ -
50 268	Mileage Reimbursement	\$ 1,500	\$ 953	\$ 547 S
50 271	Gas/Vehicle Maintenance	\$ 3,506	\$ 7,549	\$ (4,043) O
50 275	Repair & Maint - Equipment	\$ 1,200	\$ 1,656	\$ (456) O
50 280	Regulatory Expense	\$ 10,000	\$ 7,414	\$ 2,586 S
50 281	Regulatory Assessment	\$ 42,000	\$ 47,400	\$ (5,400) O
50 361	Office Supplies	\$ 30,000	\$ 14,119	\$ 15,881 R
50 505	Self Insurance	\$ 10,000	\$ -	\$ 10,000 S
50 515	Unemployment Claims	\$ 12,000	\$ -	\$ 12,000 S
50 175	Annual Leave Buy-back	\$ 1,960	\$ 2,106	\$ (146) O
	Subtotal	\$ 922,171	\$ 845,837	
Total Administration Operating Requirements		\$ 1,589,812	\$ 1,606,358	

Customer Service

Account No. 15-500-2209		Docket # 3818	FY 2008 Test Year	
<u>Personnel</u>				
50 001	Salaries & Wages	\$ 300,500	\$ 253,759	\$ 46,741 S
50 002	Overtime	\$ 8,000	\$ 4,076	\$ 3,924 S
50 004	Temp Salaries	\$ 20,000	\$ 2,208	\$ 17,792 R
50 056	Injury Pay	\$ -	\$ 602	\$ (602) O
50 100	Employee Benefits	\$ 164,000	\$ 113,678	\$ 50,322 S
	Subtotal	\$ 492,500	\$ 374,323	
<u>Other Operating</u>				
50 205	Copy & Binding	\$ 1,000	\$ 626	\$ 374 S
50 212	Conferences and Training	\$ 5,000	\$ 1,045	\$ 3,955 R
50 225	Contract Services (Support Services)	\$ 27,833	\$ 14,743	\$ 13,090 S (1)
50 238	Postage & Delivery	\$ 29,665	\$ 27,652	\$ 2,013 S
50 271	Gasoline & Vehicle Maintenance	\$ 14,482	\$ 25,254	\$ (10,772) O
50 275	Repair & Maint - Equipment	\$ 40,000	\$ 38,763	\$ 1,237 D
50 299	Meter Maintenance	\$ 11,000	\$ 9,483	\$ 1,517 D
50 311	Operating Supplies	\$ 7,000	\$ 2,383	\$ 4,617 R
50 320	Uniforms & Protective Gear	\$ 1,000	\$ 584	\$ 416 R
50 380	Customer Service Supplies	\$ 5,000	\$ 5,250	\$ (250) O
50 175	Annual Leave Buy-back	\$ 4,500	\$ 2,144	\$ 2,356 S
	Subtotal	\$ 146,482	\$ 127,926	
Total Customer Accounts Operating Requirements		\$ 638,982	\$ 502,249	

(1) \$10,265 is Savings. \$2825 not spent on security changes is a Deferral

Source of Supply - Island

Account No. 15-500-2212		Docket # 3818	FY 2008 Test Year	
<u>Personnel</u>				
50 001	Salaries & Wages	\$ 243,756	\$ 216,370	\$ 27,386 S
50 002	Overtime	\$ 26,000	\$ 28,055	\$ (2,055) O
50 004	Temporary/Seasonal Wages	\$ 10,000	\$ 11,537	\$ (1,537) O
50 056	Injury Pay	\$ -	\$ 681	\$ (681) O
50 100	Employee Benefits	\$ 144,000	\$ 93,011	\$ 50,989 S
50 175	Annual Leave Buyback	\$ 6,000	\$ 3,871	\$ 2,129 S
	Subtotal	\$ 429,756	\$ 353,525	
<u>Other Operating</u>				
50 306	Contribution to Electricity Restricted Account	\$ 27,200	\$ 25,233	\$ 1,967 S
50 271	Gas/Vehicle Maintenance	\$ 30,422	\$ 43,446	\$ (13,024) O
50 275	Repair & Maint - Equipment	\$ 5,000	\$ 2,830	\$ 2,170 D
50 277	Reservoir Maintenance	\$ 25,000	\$ 14,085	\$ 10,915 S (2)
50 311	Operating Supplies	\$ 3,500	\$ 3,300	\$ 200 S
50 320	Uniforms & Protective Gear	\$ 750	\$ 659	\$ 91 R
50 335	Contribution to Chemical Restricted Account	\$ 46,200	\$ 41,720	\$ 4,480 S
	Subtotal	\$ 138,072	\$ 131,273	
Total Supply-Island Operating Requirements		\$ 567,828	\$ 484,797	

(2) \$7,000 not spent for dam inspections is a Savings. Remaining \$3,915 is a Deferral

Source of Supply - Mainland

Account No. 15-500-2213		Docket # 3818	FY 2008 Test Year	
<u>Personnel</u>				
50 002	Overtime	\$ 10,000	\$ 3,758	\$ 6,242 S
50 005	Permanent/Part Time	\$ 5,200	\$ 5,200	\$ -
50 004	Temporary/Seasonal Wages	\$ 10,000	\$ 12,720	\$ (2,720) O
50 100	Employee Benefits	\$ 1,500	\$ 1,603	\$ (103) O
	Subtotal	\$ 26,700	\$ 23,281	
<u>Other Operating</u>				
50 306	Contribution to Electricity Restricted Account	\$ 68,040	\$ 68,896	\$ (856) O
50 275	Repair & Maint - Equip	\$ 1,800	\$ 10,554	\$ (8,754) O
50 277	Reservoir Maintenance	\$ 6,000	\$ 2,506	\$ 3,494 S
50 311	Operating Supplies	\$ 500	\$ 488	\$ 12 S
	Subtotal	\$ 76,340	\$ 82,444	
Total Source of Supply - Mainland Operating Requirements		\$ 103,040	\$ 105,725	

(2) \$2,000 not spent for dam inspections is a Savings. Remaining \$1,494 is a Deferral

Treatment - Newport Plant (Station One)

Account No. 15-500-2222		Docket # 3818	FY 2008 Test Year		
<u>Personnel</u>					
50 001	Salaries & Wages	\$ 424,555	\$ 381,325	\$ 43,230	S
50 002	Overtime	\$ 50,000	\$ 65,941	\$ (15,941)	O
50 003	Holiday Pay	\$ 18,000	\$ 16,438	\$ 1,562	S
50 100	Employee Benefits	\$ 222,500	\$ 174,497	\$ 48,003	S
50 175	Annual Leave Buy Back	\$ 4,500	\$ 4,829	\$ (329)	O
	Subtotal	\$ 719,555	\$ 643,030		
<u>Other Operating</u>					
50 212	Conferences & Training	\$ 5,500	\$ 1,660	\$ 3,840	R
50 239	Fire & Liability Insurance	\$ 5,500	\$ 5,823	\$ (323)	O
50 306	Contribution to Electricity Restricted Account	\$ 178,363	\$ 173,534	\$ 4,829	S
50 307	Natural Gas	\$ 30,300	\$ 21,750	\$ 8,550	S
50 260	Heavy Equipment Rental	\$ 1,000	\$ 479	\$ 521	S
50 305	Water/Sewer	\$ 137,822	\$ 169,535	\$ (31,713)	O
50 271	Gasoline & Vehicle Maintenance	\$ 882	\$ 7,149	\$ (6,267)	O
50 275	Repair & Maint-Equipment	\$ 35,000	\$ 25,852	\$ 9,148	D
50 311	Operating Supplies	\$ 26,000	\$ 26,578	\$ (578)	O
50 320	Uniforms & Protective Gear	\$ 1,350	\$ -	\$ 1,350	R
50 335	Contribution to Chemical Restricted Account	\$ 286,000	\$ 293,925	\$ (7,925)	O
	Subtotal	\$ 707,717	\$ 726,285		
Treatment - Newport Plant Operating Requirements		\$ 1,427,272	\$ 1,369,315		

Treatment - Lawton Valley

Account No. 15-500-2223		Docket # 3818	FY 2008 Test Year	
<u>Personnel</u>				
50 001	Salaries & Wages	\$ 405,500	\$ 409,527	\$ (4,027) O
50 002	Overtime	\$ 30,000	\$ 42,307	\$ (12,307) O
50 003	Holiday Pay	\$ 18,000	\$ 15,487	\$ 2,513 S
50 100	Employee Benefits	\$ 220,000	\$ 203,222	\$ 16,778 S
50 175	Annual Leave Buy Back	\$ 3,500	\$ 3,094	\$ 406 S
	Subtotal	\$ 677,000	\$ 673,637	
<u>Other Operating</u>				
50 212	Conferences & Training	\$ 3,500	\$ 1,475	\$ 2,025 R
50 239	Fire & Liability Insurance	\$ 6,000	\$ 6,352	\$ (352) O
50 306	Contribution to Electricity Restricted Account	\$ 123,000	\$ 113,966	\$ 9,034 S
50 307	Natural Gas	\$ 34,300	\$ 24,427	\$ 9,873 S
50 260	Heavy Equipment Rental	\$ 500	\$ 213	\$ 287 S
50 305	Water/Sewer	\$ 136,986	\$ 53,847	\$ 83,139 S
50 271	Gas/Vehicle Maintenance	\$ 948	\$ 7,407	\$ (6,459) O
50 275	Repair & Maintenance	\$ 55,000	\$ 6,977	\$ 48,023 D
50 311	Operating Supplies	\$ 27,500	\$ 15,436	\$ 12,064 S (4)
50 320	Uniforms & Protective Gear	\$ 1,000	\$ 614	\$ 386 R
50 335	Contribution to Chemical Restricted Account	\$ 172,000	\$ 154,520	\$ 17,480 S
	Subtotal	\$ 560,734	\$ 385,235	
Treatment - Lawton Valley Operating Requirements		\$ 1,237,734	\$ 1,058,872	

(4) \$11,440 for SCADA service contract is an efficiency, rest is deferred

Water Laboratory**Account No. 15-500-2235****Docket # 3818****FY 2008
Test Year**Personnel

50 001	Salaries & Wages	\$	112,700	\$	102,596	\$	10,104	S
50 100	Employee Benefits	\$	53,200	\$	51,488	\$	1,712	S
50 175	Annual Leave Buy Back	\$	2,500	\$	-	\$	2,500	S
	Subtotal	\$	168,400	\$	154,084			

Other Operating

50 275	Repair & Maint - Equipment	\$	1,000	\$	961	\$	39	D
50 281	Water Lab Regulatory Assessment	\$	35,000	\$	27,286	\$	7,714	S
50 339	Laboratory Supplies	\$	16,000	\$	14,032	\$	1,968	S
	Subtotal	\$	52,000	\$	42,279			

Total Water Laboratory Operating Requirements	\$	220,400	\$	196,363
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Transmission & Distribution Maintenance

Account No. 15-500-2241		Docket # 3818	FY 2008 Test Year	
<u>Personnel</u>				
50 001	Salaries & Wages	\$ 392,000	\$ 330,599	\$ 61,401 S
50 002	Overtime	\$ 55,000	\$ 33,527	\$ 21,473 S
50 004	Temp Wages	\$ 10,000	\$ -	\$ 10,000 R
50 056	Injury Pay	\$ 1,200	\$ -	\$ 1,200 S
50 100	Employee Benefits	\$ 197,000	\$ 175,586	\$ 21,414 S
50 175	Annual Leave Buy Back	\$ 5,300	\$ 2,130	\$ 3,170 S
	Subtotal	\$ 660,500	\$ 541,842	
<u>Other Operating</u>				
50 212	Conferences & Training	\$ 4,000	\$ 319	\$ 3,681 R
50 225	Contract Services	\$ 12,500	\$ 5,425	\$ 7,075 S
50 239	Fire & Liability Insurance	\$ 2,225	\$ 2,355	\$ (130) O
50 306	Contribution to Electricity Restricted Account	\$ 21,600	\$ 14,919	\$ 6,681 S
50 260	Heavy Equipment Rental	\$ 13,160	\$ 675	\$ 12,485 S
50 271	Gas/Vehicle Maintenance	\$ 67,556	\$ 90,564	\$ (23,008) O
50 275	Repair & Maint - Equipment	\$ 30,000	\$ 2,559	\$ 27,441 D
50 276	Repairs/Main Maintenance	\$ 79,000	\$ 58,239	\$ 20,761 R
50 296	Service Maintenance	\$ 33,500	\$ 17,490	\$ 16,010 R
50 311	Operating Supplies	\$ 11,000	\$ 6,468	\$ 4,532 R
50 320	Uniforms & Protective Gear	\$ 1,500	\$ 1,141	\$ 359 R
	Subtotal	\$ 276,041	\$ 200,154	
Requirements		\$ 936,541	\$ 741,996	

Fire Protection

Account No. 15-500-2245		Docket # 3818	FY 2008 Test Year	
<u>Personnel</u>				
50 001	Salaries & Wages	\$ -	\$ -	
50 002	Overtime	\$ -	\$ -	
50 100	Employee Benefits	\$ -	\$ -	
	Subtotal	\$ -	\$ -	
<u>Other Operating</u>				
50 275	Repair & Maintenance - Equip.	\$ 14,000	\$ 11,310	\$ 2,690 D
	Subtotal	\$ 14,000	\$ 11,310	
Fire Protection Operating Requirements		\$ 14,000	\$ 11,310	

Savings \$ 709,891
 Reductions \$ 108,756
 Deferrals \$ 101,123
 Overages \$ (261,148)

 Net Efficiencies \$ 658,622

EXHIBIT E

TESTIMONY – SAVINGS, REDUCTIONS , DEFERRALS AND OVERAGES¹

I. SAVINGS

SALARIES & WAGES (50 001)

a. Customer Service

Q. Could you please explain the \$46,741 normalization adjustment to Salaries and Wages?

A. One employee retired in July and was not replaced during the year. This resulted in a difference of \$45,845. This position will be replaced. Another employee received injury pay of \$602 which reduced his base salary but was included in injury pay. Also, as a result of an AFSCME contractual job reclassification study performed by an independent firm, there were changes made to wages which netted to an additional increase of \$294.²

b. Source Of Supply – Island

Q. Could you please explain the \$27,386 normalization adjustment in Salaries & Wages?

A. An employee was absent due to disability for approximately three months, which reduced the Salaries & Wages by \$10,458. The Supervisor of Water Distribution/Collection is a member of NEA and the rate filing for Docket 3818 was based on the expectation that a new contract for NEA employees would be approved for FY 08. This did not happen in FY 08 and the Supervisor's salary was not changed in FY 08. This accounted for a \$15,206 reduction. A settlement on the NEA contract is anticipated in FY 09. Injury pay of \$681 was paid in FY 08 and budgeted in Salaries and Wages for the rate year. Also, as a result of an AFSCME contractual job pay reclassification study performed by an independent firm, there were other changes made to pays which netted to an additional increase of \$1,041.³

c. Treatment – Newport Plant

Q. Could you please explain the \$43,230 normalization adjustment for Salaries and Wages?

A. Part of the reduced spending in the test year was due to the fact that the Water Quality/Production Supervisor retired in February and was replaced by the Foreman Position on an interim basis until May when the replacement was made permanent. In addition, there were three operator positions that were open for portions of the year; new employees who filled these positions were hired at lower pay rates than the employees that they replaced. Other changes due to the AFSCME job classification study previously mentioned amounted to an additional cost of \$1,590.⁴

¹ Each of the Savings, Reductions, and Deferrals set forth in Exhibits B, C and D are not addressed in the testimony as the testimony on normalizations was limited to those in excess of \$5,000 or 10% of the test year expense, whichever was less. In addition, not all of the Savings, Reductions and Deferrals were normalized. Finally, where normalizations were made, they were not normalized in the same dollar for dollar amount.

² Forgue Direct, p. 16

³ Forgue Direct, p. 17

⁴ Forgue Direct, p. 19

d. Transmission and Distribution

Q. Could you please explain the \$61,401 normalization adjustment to Salaries and Wages?

A. The Heavy Equipment Operator retired in July 2007 and his position was filled by promotion of a Skilled Laborer Equipment Operator. The Skilled Laborer Equipment Operator Position was replaced by a new hire. During this period of transition, \$16,007 was not spent in this account. The Senior Maintenance Mechanic retired in July 2006 and has not been replaced at this time due to an issue finding a replacement with the required Grade 3 Operator Certification. A Maintenance mechanic is currently in the position on an interim basis. During this period of transition, \$37,053 was not spent in this account. The Supervisor of Water Distribution/Collection is a member of NEA and the rate filing for Docket 3818 was based upon the expectation that a new contract for NEA employees would be approved for FY 08. This did not happen in FY 08 and the Supervisor's salary was not changed in FY 08. This accounted for a savings of \$3,114. The City Council's approval of the proposed NEA contract is anticipated in FY 09. As a result of the AFSCME contractual City-wide pay reclassification study of union employees previously mentioned, other pays increased by a net of \$5,227.⁵

OVERTIME (50 002)

a. Source of Supply – Mainland

Q. Could you please explain the \$4,242 normalizing adjustment to Overtime?

A. Overtime was limited to 250 hours at the Sakonnet Pump station (which is required to be manned 24 hours per day, seven days a week when operating) because additional temporary employees were utilized for the work. Thus, the test year expense does not reflect a typical year of expenditures.⁶

b. Transmission and Distribution

Q. Could you please explain the \$21,473 normalization adjustment to Overtime?

A. Unscheduled overtime is dependent on many variables including water main breaks, freeze ups during unusually cold weather, emergency dig safes, etc. The mild winter of 2007-2008 resulted in a reduction from normal overtime requirements.⁷

EMPLOYEE BENEFITS (50 100)

a. Customer Service

Q. Could you please explain the \$50,322 normalization adjustment to Employee Benefits?

A. As noted above under Salaries and Wages, one employee retired in July and was not replaced during the test year, but will be replaced in the rate year. Also, two employees were budgeted for family medical and dental insurance but only availed themselves of individual plans.⁸

⁵ Forgue Direct, p. 22

⁶ Forgue Direct, p. 18

⁷ Forgue Direct, p. 23

⁸ Forgue Direct, p. 17

b. Source of Supply Island

Q. Could you please explain the normalization adjustment of \$22,080 to Employee Benefits?

A. There are two things that caused this adjustment. First, coverage changes to increase the equivalent of one employee who did not have medical and dental coverage in FY 08 to family coverage are more representative of normal conditions. In addition, there is an increase in Pension and FICA benefits due to the changes in Salaries and Wages mentioned above.⁹

c. Treatment – Newport Plant

Q. Could you please explain the \$33,484 normalization adjustment to Employee Benefits?

A. In FY 08, one employee did not elect to utilize the medical coverage, two more only had individual coverage and new hires were not eligible for medical and dental insurance during their six month probationary period. The adjustment is made to reflect a more normal distribution as two employees with individual coverage and the balance with family coverage.¹⁰

d. Transmission and Distribution

Q. Could you please explain the normalization adjustment of \$33,270 to Employee Benefits?

A. All employees were budgeted for family coverage. Two employees elected individual coverage and spending was decreased due to the open positions mentioned in Salaries and Wages. The normalization adjustment reflects full manning for the year.¹¹

RETIREE HEALTH CARE COSTS (50 103)

Administration

Q. Could you please explain the \$24,929 increase in Retiree Health Care costs that are carried over into the normalized test year?

A. The Retiree Health Care increased due to the addition of the premiums for the 2 employees who retired in FY 08, one in July and one in February.¹²

WORKER'S COMPENSATION INSURANCE (50 105)

Administration

Q. Could you please explain the \$11,455 increase in Workers' Compensation Insurance costs that are carried over into the normalized test year?

A. The amount used in Docket 3818 was based on the initial August 2007 premium from the RI Interlocal Risk Management Trust. There were additional premiums in March of FY 08 for claims filed.¹³

⁹ Forgue Direct, p. 18

¹⁰ Forgue Direct, p. 19

¹¹ Forgue Direct, p. 23

¹² Forgue Direct, p. 14

¹³ Forgue Direct, p. 14

TUITION REIMBURSEMENT (50 214)

Administration

Q. Could you please explain the \$1,460 normalizing adjustment to Tuition Reimbursement?

A. Only one employee took advantage of this benefit in FY 08 but it must be included to allow for others to take advantage of the contractual benefit.¹⁴

CONSULTANT FEES (50 220)

Administration

Q. Could you please explain the \$52,946 normalizing adjustment for Consultant Fees?

A. The consultant fees associated with the rate filing for Docket 3818 were approximately \$262,000 spread over FY 07 and FY 08 for an average annual spending of \$131,000 in rate filing assistance from consultants. In addition, there was spending on consultant fees in FY 08 of approximately \$37,000 for bond filings and other services. The normalized rate year is the amount spent on these additional consultant fees for FY 08 plus the average annual cost of the previous rate filing.¹⁵

CONTRACT SERVICES (SUPPORT SERVICES) (50 225)

Customer Services

Q. Could you please explain the \$6,279 normalization adjustment to Contract Services?

A. The City of Newport MIS Department paid \$3,500 budgeted for the OPAL maintenance Contract as part of the Data Processing Charge. This should properly have been paid by the Newport Water Division. In addition, \$2,825 that was budgeted for security changes and other enhancements was delayed until FY 09 in order to reduce payables.¹⁶

TELEPHONE & COMMUNICATION (50 251)

Administration

Q. Could you please explain the \$5,811 decrease in Telephone and Communication costs that are carried over into the normalized test year?

A. \$4,500 of the decrease was due to the charge for the Verizon landline telephones being paid by the City of Newport and included in the City's Data Processing Allocation instead of being paid directly by the Water Division as budgeted. This is a change in City policy which took effect as of July 2007. The remainder of the decrease was due to lower charges than expected on cell phones.¹⁷

¹⁴ Forgue Direct, p. 15

¹⁵ Forgue Direct, p. 15

¹⁶ Forgue Direct, p. 16

¹⁷ Forgue Direct, p. 15

HEAVY EQUIPMENT RENTAL (50 260)

Transmission and Distribution

Q. Could you please explain the \$8,225 normalization adjustment to Heavy Equipment Rental?

A. The rental of heavy equipment occurs when additional equipment is needed by the Water Division during times such as large water main breaks which cannot be supported by the department's equipment, or in circumstances where the department does not have a specialized piece of equipment. The rental of this equipment was not required during FY 08 but is being normalized to reflect the necessity of funding for the expenditure.¹⁸

RESERVOIR MAINTENANCE (50 277)

Source of Supply Island

Q. Could you please explain the \$10,915 normalizing Adjustment to Reservoir Maintenance?

A. In accordance with new Dam Safety Regulations, mandatory dam inspections originally budgeted at \$7,000 were not required to be spent in FY 08. The initial dam inspections were performed by RIDEM as part of the promulgation of the new regulations. Depending on the hazard classification of the dam, re-inspections are required every two years. Dam inspections will be performed by the City starting in FY 10. Raw material purchases for dam repairs were limited, as well as tree removals budgeted at \$3,000 were not performed.¹⁹

WATER/SEWER (50 305)

Treatment – Lawton Valley

Q. Could you please explain the \$83,139 normalization adjustment to Sewer Charge?

A. Startup of the Residuals Management system was accomplished on January 30, 2008, later than originally anticipated from the previous rate filing. The previous rate filing had assumed startup in July 2007. The expended amount only takes into account five months operation of the system in lieu of the 12 months budgeted.²⁰

REGULATORY ASSESSMENT (50 281)

Water Laboratory

Q. Can you explain the \$7,714 decrease in the Regulatory Assessment account spending that is carried over into the rate year?

A. As part of the Long Term 2 Enhanced Surface Water Treatment Rule, the analysis for cryptosporidium was budgeted for twelve months in the previous rate filing. This analysis was scheduled to run for two years starting in April 2006 and was completed in March 2008, resulting in three months savings of approximately \$3,000. RIDOH lab fees were also \$3,000 less than originally estimated.²¹

¹⁸ Forgue Direct, p. 23

¹⁹ Forgue Direct, p. 18

²⁰ Forgue Direct, p. 21

²¹ Forgue Direct, p. 22

OPERATING SUPPLIES (50 311)

Treatment Plant – Lawton Valley

Q. Could you please explain the \$6,564 normalization adjustment to Operating Supplies?

A. The anticipated service contract for the SCADA system budgeted at \$11,440 was not required during FY 08 as this was covered under the warranty period of the Residuals Management system and the Caustic Conversion project. The warranty period expires in December 2008 and will require partial year funding in FY 09 and full year funding starting in FY 10.²²

SELF INSURANCE (50 505)

Administration

Q. Could you please explain the \$10,000 normalization adjustment in Self Insurance?

A. The Self Insurance expense is for claims that are not covered by Newport Water's policy with the Rhode Island Interlocal Risk Management Trust and include (1) deductible billing from the trust and (2) liability claims requiring City Solicitor and/or City Council approval. No self insurance was needed in FY 08. However, this account needs to be funded in the event we have a claim.²³

UNEMPLOYMENT CLAIMS (50 515)

Administration

Q. Could you please explain the \$12,000 normalization adjustment in Unemployment Claims?

A. No employees were laid off in FY 08. However, this account requires funding in the event of a claim.²⁴

II. REDUCTIONS

TEMP SALARIES (50 004)

a. Customer Service

Q. Could you please explain the \$17,792 normalization adjustment to Temporary Salaries?

A. There were two temporary positions budgeted in Docket 3818. Only one temporary employee was hired late in the year and was employed for five weeks in FY 08. This was done to conserve cash in order to reduce outstanding payables. As such, this was not reflective of typical year of expenses.²⁵

²² Forgue Direct, p. 22

²³ Forgue Direct, p. 16

²⁴ Forgue Direct, p. 16

²⁵ Forgue Direct, p. 16

b. Transmission and Distribution

Q. Could you please explain the \$10,000 normalization adjustment to Temporary Wages?

A. Temporary seasonal help was not used during FY 08 in an effort to reduce our outstanding payables. As such, the test year expenses were not typical of a normal year of expenditures.²⁶

CONFERENCES AND TRAINING (50 212)

a. Administration

Q. Could you please explain the \$2,169 normalizing adjustment to Conferences and Training?

A. The spending in conferences and training was cut back in FY 08 to reduce our outstanding payables and does not reflect a normal year of expenses.²⁷

b. Transmission and Distribution

Q. Could you please explain the \$3,681 normalization adjustment to Conferences and Training?

A. The spending for conferences and training was held to the minimum necessary to maintain certifications in FY 08 in order to reduce payables. As such, the test year did not reflect a normal year of expenses.²⁸

REPAIRS/MAIN MAINTENANCE (50 276)

Transmission and Distribution

Q. Could you please explain the \$20,761 normalization adjustment for Main Maintenance?

A. In an effort to reduce our outstanding payables, the replacement of materials inventory, including ductile iron pipe, fittings, tapping sleeves, etc. were kept at a minimum during the test year. As a result, the test year did not reflect a typical year of expenses.²⁹

SERVICE MAINTENANCE (50 296)

Transmission and Distribution

Q. Could you please explain the \$16,010 normalization adjustment for Service Maintenance?

A. In an effort to reduce our outstanding payables, the replacement of materials inventory, including copper pipe, service boxes, fittings, etc. was kept at a minimum during this year. Replacement of service barricades, safety cones and tools was also deferred. As such, the test year did not reflect a typical year of expenses.³⁰

²⁶ Forgue Direct, p. 23

²⁷ Forgue Direct, p. 14

²⁸ Forgue Direct, p. 24

²⁹ Forgue Direct, p. 24

³⁰ Forgue Direct, p. 25

OFFICE SUPPLIES (50 361)

Administration

Q. Could you please explain the \$15,881 normalizing adjustment for Office Supplies?

A. The purchasing of office supplies was curtailed in an effort to reduce our outstanding payables. As such, the test year does not reflect a typical year of expenses.³¹

III. DEFERRALS

REPAIR & MAINTENANCE-EQUIPMENT (50 275)

a. Source of Supply Mainland

Q. Could you please explain the \$5,754 normalizing adjustment in Repairs and Maintenance?

A. A portion of the costs in the test year were for emergency repairs to the controls and piping at the Sakonnet Raw Water Pump Station. Some of these repairs were extraordinary in nature and Newport Water does not foresee emergency repairs remaining at this level.³²

b. Treatment Plant - Newport

Q. Could you please explain the \$9,148 normalization adjustment in the Repairs and Maintenance account?

A. The Water Division deferred maintenance at the plant including repairs to air handling equipment, heat and hot water heater maintenance, and replacement of analyzers. Thus, the test year expenses do not reflect a typical year of expenditures.³³

c. Treatment Plant – Lawton Valley

Q. Could you please explain the \$36,423 normalization adjustment to Repairs and Maintenance?

A. The Water Division has deferred maintenance at the plant, including maintenance to heat and hot water heater systems, valve updates, spare parts, and supplies, in an effort to reduce outstanding payables. There were also several major capitol projects performed at the plant, including the Residuals Management project, repairs to Sedimentation Basin #1, the Sodium Hydroxide feed system project, and the Lawton Valley reservoir aeration project, which delayed some of the maintenance work. Upgrades to the plant fire alarm and sprinkler system will be performed in FY 09.³⁴

d. Transmission and Distribution

Q. Could you please explain the \$27,441 normalizing adjustment for Repairs & Maintenance?

A. Repairs and Maintenance for Transmission & Distribution includes the garage portion of the building at 70 Halsey Street and the Forest Avenue pump station. Maintenance has been deferred at these two facilities. By way of example, roof replacement, air

³¹ Forgue Direct, p. 16

³² Forgue Direct, p. 19

³³ Forgue Direct, p. 20

³⁴ Forgue Direct, p. 21

conditioning, and overhead doors were deferred during FY 08. Therefore, the expenses in the test year were not reflective of a typical year of normal expenses.³⁵

RESERVOIR MAINTENANCE

Source of Supply Island

Q. Could you please explain the \$10,915 normalizing Adjustment to Reservoir Maintenance?

A. In accordance with new Dam Safety Regulations, mandatory dam inspections originally budgeted at \$7,000 were not required to be spent in FY 08. The initial dam inspections were performed by RIDEM as part of the promulgation of the new regulations. Depending on the hazard classification of the dam, re-inspections are required every two years. Dam inspections will be performed by the City starting in FY 10. Raw material purchases for dam repairs were limited, as well as tree removals budgeted at \$3,000 were not performed.³⁶

III. OVERAGES

SALARIES & WAGES (50 001) - \$162,819 (O/E)

Administration

Q. Could you please explain the \$22,016 increase in Salaries & Wages that is carried over into the normalized test year?

A. The City's recent reclassification of the Director of Public Works to Director of Utilities reduced the Director's base salary and changed the allocation of the Director's pay to 60% to the Water Division from 40% in January. Similarly, the City hired a new Clean City Coordinator in the Public Works Department which resulted in the salary allocation of the Administrative Secretary being changed from 70% to the Water Division to 60%. The Administrative Secretary is a member of NEA and the rate filing for Docket 3818 was based on the expectation that a new contract would be approved for FY 08. This did not happen in FY 08 and the Administrative Secretary's salary was not changed in FY 08. A settlement on this contract is anticipated in FY 09.³⁷

OVERTIME (50 002)

a. Treatment – Newport Plant

Q. Could you please explain the \$14,441 decrease normalization adjustment to Overtime?

A. Overtime at the treatment plants is required due to the operational nature of the facility, requiring the plant to be manned 24 hours per day, seven days a week. Overtime is required to cover vacation and sick time in addition to any vacancies which may exist. Vacancies in the permanent positions required unusual levels of overtime during FY 08.³⁸

³⁵ Forgue Direct, p. 24

³⁶ Forgue Direct, p. 18

³⁷ Forgue Direct, p. 13

³⁸ Forgue Direct, p. 19

b. Treatment Plant – Lawton Valley

Q. Could you please explain the \$12,307 increase in the Overtime account that is carried over into the rate year?

A. Overtime at the treatment plants is required due to the operational nature of the facility, requiring the plant to be manned 24 hours per day, seven days a week. Overtime is required to cover vacation and sick time in addition to any vacancies which may exist. The facility requires 1,200 hours per year of overtime to fully staff the plant and cover expected absences. This was underestimated at 923 hours in Docket 3818.³⁹

GAS/VEHICLE MAINTENANCE (50 271)

a. Customer Service

Q. Could you please explain the \$10,772 increase in spending for Gasoline & Vehicle Maintenance that is carried over into the Normalized Test Year?

A. The Docket 3818 expense of \$ 14,482 was based upon FY 06 actual charges for three vehicles plus an inflation adjustment of 17.28%. The actual amount charged by the City to Customer Service was \$25,254 based upon 2,355 gallons of gasoline at an average cost of \$2.479/gal; insurance charges of \$820 per vehicle and a per vehicle allocated portion of the City's cost of maintaining the City's fleet of vehicles of \$16,958.⁴⁰

b. Source of Supply Island

Q. Could you please explain the \$13,024 increase in Gas/Vehicle Maintenance Account that is carried over into the normalized test year?

A. The Docket 3818 expense of \$ 30,422 was based on FY 06 actual charges for five vehicles plus an inflation adjustment of 17.28%. The actual amount charged by the City to Source of Supply Island was \$43,446 based on 1,798 gallons of gasoline at an average cost of \$2.492/gal; 556 gallons of diesel fuel at an average cost of \$3.2322 per gallon; insurance charges of \$820 per vehicle and a per vehicle allocated portion of the City's cost of maintaining the City's fleet of vehicles of \$31,704.⁴¹

c. Treatment Plant - Newport

Q. Could you please explain the \$6,267 increase in Gasoline/Vehicle Maintenance spending that is carried over into the normalized test year?

A. The expense of \$882 allowed in Docket 3818 was based on FY 06 actual charges for one vehicle plus an inflation adjustment of 17.28%. The actual amount charged by the City to Treatment Plant - Newport was \$7,549 based upon 274 gallons of gasoline at an average cost of \$2.468/gal; insurance charges of \$820 per vehicle and a per vehicle allocated portion of the City's cost of maintaining the City's fleet of vehicles of \$5,653.⁴²

³⁹ Forgue Direct, p. 21

⁴⁰ Forgue Direct, p. 17

⁴¹ Forgue Direct, p. 18

⁴² Forgue Direct, p. 20

d. Treatment Plant – Lawton Valley

Q. Could you please explain the \$6,459 spending increase for Gasoline/Vehicle Maintenance that is carried over into the normalized test year?

A. The Docket 3818 expense of \$ 948 was based on FY 06 actual charges for one vehicle plus an inflation adjustment of 17.28%. The actual charged by the City to Treatment Plant – Lawton Valley was \$7,549 based upon 196 gallons of gasoline at an average cost of \$2.5684/gal; insurance charges of \$820 per vehicle and a per vehicle allocated portion of the City's cost of maintaining the City's fleet of vehicles of \$6,083.⁴³

e. Transmission and Distribution

Q. Could you please explain the \$23,008 increase in Gas/Vehicle Maintenance that is carried over into the normalized test year?

A. The \$67,556 expense set in Docket 3818 was based on FY 06 actual charges for ten vehicles plus an inflation adjustment of 17.28%. The actual amount charged by the City to Distribution was \$90,564 based upon 7,727 gallons of gasoline at an average cost of \$2.500/gal; 194 gallons of diesel fuel at an average cost of \$2.9239 per gallon; insurance charges of \$820 per vehicle and a per vehicle allocated portion of the City's cost of maintaining the City's fleet of vehicles of \$57,425.⁴⁴

WATER/SEWER (50 305)

Treatment Plant – Newport

Q. Could you please explain the \$31,713 increase in the Sewer account spending that is carried over into the normalized test year?

A. There are two reasons why spending was greater. The first is due to the sewer rates increases. The rate was \$5.17 per thousand gallons in FY 07 and the budget was developed based upon an estimated rate of \$5.40 per thousand gallons. The actual rate was established at \$6.00 per thousand gallons.

The second is due to the increased discharge of wastes at the plant from 25,300,000 gallons to 28,260,000 gallons. This increased discharge is due to increased production at Station 1 as the Water Division minimizes production at the Lawton Valley Plant, in accordance with the consent agreement signed with RIDEM. The consent agreement requires the Water Division to minimize plant residuals discharges to the Lawton Brook, which requires the increased production at Station 1.⁴⁵

REGULATORY ASSESSMENT (50 281)

Administration

Q. Could you please explain the \$5,400 increase in Regulatory Assessment costs that are carried over into the normalized test year?

A. The RIWWA Assessment was budgeted at \$630 but the actual spent was \$1,260. The Division of Public Utilities and Carriers' assessment was budgeted at \$22,980 but the actual was \$29,138. The RIDOH license was budgeted at \$16,151 and the actual was \$16,302. The RIPDES permit was budgeted at \$1,400 but the actual was \$700. The

⁴³ Forgue Direct, p. 21

⁴⁴ Forgue Direct, p. 24

⁴⁵ Forgue Direct, p. 20

balance of the estimate was \$839 for rounding and there were no other charges assessed to this account.⁴⁶

ACCRUED BENEFITS BUYOUT (50 520)

Administration

Q. Could you please explain the \$34,103 increase in Accrued Benefits Buyout costs that are carried over into the normalized test year?

A. Accrued Benefits Buyout had been budgeted for 2 employees retiring at an average cost of \$35,000 per employee. In FY 08, three employees retired at a total buyout cost of \$104,103.⁴⁷

⁴⁶ Forgue Direct, p. 15

⁴⁷ Forgue Direct, p. 14

EXHIBIT F

3	Name of Respondent Newport Water	This Report is: (1) <u>X</u> An Original (2) <u> </u> A Resubmission	Date of Report (Mo, Da, Yr) 12/19/08	Year of Report FY 2008
1	BALANCE SHEET - Assets and Other Debits			
2				
3	<u>ASSETS AND OTHER DEBITS</u>	Page #	Balance First	Balance End
4	(a)	(b)	of Year	of Year
5			(c)	(d)
5	<u>UTILITY PLANT</u>			
6	Utility Plant (101-106)	P10,L14	\$70,116,787	\$72,479,862
7	Less: Accum Prov. for Deprec. and Amort. (108-110)	P10,L24	(\$27,829,433)	(\$28,024,276)
8	Net Utility Plant	P10,L26	\$42,287,354	\$44,455,586
9	Utility Plant Acquisition Adjustments (114-115)	P10,L42		
10	Other Utility Plant Adjustments (116)	P10,L44		
11	Total Net Utility Plant	P10,L47	\$42,287,354	\$44,455,586
12				
13	<u>OTHER PROPERTY AND INVESTMENTS</u>			
14	Nonutility Property (Accts 121 and 122)	P17,L19		
15	Investments and Special Funds (Accts 123 - 127)	P17,L52		
16	Total Other Property and Investments		\$0	\$0
17				
18	<u>CURRENT AND ACCRUED ASSETS</u>			
19	Cash and Working Funds (131, 134)	P18,L15	\$321,761	\$159,733
20	Special Deposits & Other Special Deposits (132,133)	P18,L30	\$1,494,979	\$2,438,432
21	Temporary Cash Investments (135)	P18,L42	\$0	\$0
22	Total Cash		\$1,816,740	\$2,598,165
23				
24	Customer Accounts Receivable (141)	P19,L14	\$403,328	\$305,055
25	Other Accounts Receivable (142)	P19,L23	\$1,833,323	\$1,121,424
26	Accum. Prov. for Uncollectible Accounts-Cr. (143)	P19,L42	(\$225,000)	(\$225,000)
27	Notes Receivable (144)	P19,L54		
28	Accts Rec. from Assoc. Companies & Other Entities (145)	P20,L20(b)	\$0	\$0
29	Notes Rec. from Assoc. Companies & Other Entities (146)	P20,L20(c)		
30	Materials & Supplies (151-153)	P20,L39(c)	\$287,389	\$255,866
31	Stores Expense (161)	P20,L52(c)		
32	Prepayments (162)	P21,L12(c)	\$0	\$0
33	Accrued Interest and Dividends Receivable (171)			
34	Accrued Utility Revenues (173)	P21,L46(d)	\$0	\$0
35	Miscellaneous Current and Accrued Assets (174)	P21,L23(c)		
36	Other			
37	Total Current and Accrued Assets		\$4,115,780	\$4,055,510
38				
39	<u>DEFERRED DEBITS</u>			
40	Unamortized Debt Discount and Expense (181)	P22,L19		
41	Extraordinary Property Losses (182)			
42	Clearing Accounts (184)	P21,L54		
43	Temporary Facilities (185)			
44	Miscellaneous Deferred Debits (186)	P22,L39		
45	Research & Development Expenditures (187)	P22,L57		
46	Accumulated Deferred Income Taxes (190)			
47	Other			
48	Total Deferred Debits		\$0	\$0
49				
50	TOTAL ASSETS & OTHER DEBITS		\$46,403,134	\$48,511,096

Note: The provision for uncollectible accounts was increased to \$1,000,000 effective June 30, 2003.

This represents bills charged in error or disputed between the City of Newport and Portsmouth and the Navy.

4	Name of Respondent Newport Water	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/19/2008	Year of Report FY 2008
1	BALANCE SHEET - Capital, Long-Term Debt, Liabilities, Deferred Credits and Reserves			
2	LIABILITIES & OTHER CREDITS	Page #	Balance First	Balance End
3			of Year	of Year
4	(a)	(b)	(c)	(d)
5	CAPITAL ACCOUNTS			
6	Common Stock Issued (201)			
7	Preferred Stock Issued (204)			
8	Capital Stock Accounts (202, 203, 205, 206)			
9	Other Paid-in Capital (207-212)	P23,L14		
10	Retained Earnings (214-215)	P23,L38	\$34,845,340	\$35,408,455
11	Capital Stock Expense, Reacquired, Proprietary (213, 216, 218)			\$563,115
12	Total Capital		\$34,845,340	\$35,408,455
13	LONG-TERM DEBT			
14	Long-Term Bonds in Rates (221.1)	P24,L39(f,h)	\$4,476,935	\$6,123,936
15	Long -Term Bonds NOT in Rates (221.2)	P25,L39(f,h)		\$1,647,001
16	Other Long-Term Debt (224)	P26,L39(f,h)		
17	Advances from Associated Companies (includes notes) (223)	P27,L39(f,h)	\$0	\$0
18	Total Long-Term Debt		\$4,476,935	\$6,123,936
19				
20	CURRENT & ACCRUED LIABILITIES			
21	Matured Long-Term Debt in Rates (239.1)	P24,L39(d,g)	\$894,389	\$974,627
22	Matured Long-Term Debt NOT in Rates (239.2)	P25,L39(d,g)		\$80,238
23	Matured Other Long-Term Debt in Rates (239.3)	P26,L39(d,g)		
24	Matured Adv. From Assoc Cos & Other (223)	P27,L39(d,g)	\$500,000	\$0
25	Notes Payable to Assoc. Cos. & Entities (Short Term) (233 & 234)	P28,L16	\$1,901,412	(\$500,000)
26	Accounts Payable (231)		\$949,160	(\$952,252)
27	Notes Payable (Short Term due within 1 year) (232)	P23,L49	\$1,027,494	\$289,796
28	Customer Deposits (235)		\$0	\$0
29	Taxes Accrued (236)		\$6,864	\$0
30	Interest Accrued (237)	P28,L29	\$29,160	(\$0)
31	Miscellaneous Current & Accrued Liabilities (241)	P28,L50	\$48,194	
32	Other (Please Specify):		\$1,226,560	\$17,578
33	Total Current & Accrued Liabilities		\$5,585,879	\$4,540,273
34				(\$1,045,607)
35	DEFERRED CREDITS			
36	Unamortized Premium on Debt (251)	P22,L19		
37	Customer Advances for Construction (252)			
38	Other Deferred Crs. - Water Quality Protection Fund (253.1)	P29,L24		
39	Other Deferred Crs. - Unearned Service Charges (253.2)	P29,L40	\$0	\$0
40	Acc Deferred Investment & Income Tax Credits (255, 281, 282, 283)	P29,L57		\$0
41	Total Deferred Credits		\$0	\$0
42				
43	OPERATING RESERVES			
44	Property Insurance Reserve (261)	P30,L26(b)		
45	Injuries and Damages Reserve (262)	P30,L26(c)		
46	Pensions and Benefits Reserve (263)	P30,L26(d)		
47	Miscellaneous Operating Reserves (265.1)	P30,L26(e)	\$1,494,979	\$2,438,432
48	Misc - Maintenance & Expansion of Utility (265.2)	P30,L26(f)		\$943,453
49	Total Operating Reserves		\$1,494,979	\$2,438,432
50				
51	Net Contributions in Aid of Construction (271, 272)	P30,L49(c)	\$0	\$0
52				\$0
53	TOTAL LIABILITIES AND OTHER CREDITS		\$46,403,133	\$48,511,096
				\$2,107,962

EXHIBIT G

City of Newport Water Fund
Monthly Cash Flow as of August 31, 2008
Narrative

Due to cash flow issues, purchases are being reviewed to ensure that expenditures are being held to the minimum necessary for the safe and adequate operation of the department.

As of September 1, 2008 , known payables include:

One Payroll to be transferred to the City	\$	137,887
4th Qtr OH allocation	\$	93,886
WPC	\$	73,139
Vendors	\$	204,514
	\$	<u>509,426</u>

5 Payrolls totaling \$682,586.45 were transferred to the city in August along with an equipment service charge of \$14,573.01

Vendor AP Ageing as of follows

90 Days	\$	13,674
60 Days	\$	60,167
30 Days	\$	24,270
Current	\$	106,403
Total	\$	<u>204,514</u>

EXHIBIT H

City of Newport Water Fund
Monthly Cash Flow as of April 30, 2009
Narrative

Due to cash flow issues, purchases are being reviewed to ensure that expenditures are being held to the minimum necessary for
FOR THE MONTH ENDED April 30 ,2009

Known payables include:

Four payrolls to be transferred to the City PD 03-14-09,04-02-09,04-16-09,04-30-09	\$	516,934.22
FY 09 4th Qtr OH	\$	93,886.25
Equipment Service Charge - February	\$	10,890.75
Other Vendors	\$	293,523.07
	\$	<u>915,234.29</u>

Other Vendor AP Ageing follows

90 days	\$	19,629.13
60 Days	\$	38,536.52
30 Days	\$	75,833.58
Current*	\$	<u>159,523.84</u>
Total	\$	<u>293,523.07</u>

Payments made to the city during the month of April, 2009 include one payroll for \$129,849.49, Third quarter overhead charges \$93,886.25
and Third Quarter sludge charges \$79,373.57
Equipment Service Charges for March and April have not yet been billed.

* Current Vendor Payables includes \$81,662.44 that will be reimbursed from restricted accounts.

EXHIBIT I



PUBLIC FINANCE

Newport , Rhode Island

Primary Credit Analysts:

Victor Medeiros
Boston
(1) 617-530-8305
victor_medeiros@
standardandpoors.com

Secondary Credit Analysts:

Henry W Henderson
Boston
(1) 617-530-8314
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Credit Profile

ICR

Long Term Rating

A+/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'A+' issuer credit rating (ICR), and stable outlook, to Newport, R.I.'s net revenue pledge from the city's water enterprise fund.

The ICR reflects the city's:

- Diverse service area, centered on Newport's seasonal economy;
- Sufficient water supply and ample water capacity to meet demands;
- Adequate legal provisions and consistent financial operations;
- Low debt-to-plant ratios; and
- Manageable capital needs, funded, and will remain funded, on an ongoing basis from restricted funds and loans from Rhode Island Clean Water Finance Agency.

Mitigating factors include the city's:

- Low unrestricted days' cash on hand, and
- Lack of autonomous rate-setting authority.

Newport is Rhode Island's principal tourist center and resort community, about 30 miles south of Providence, R.I. The local economy is seasonal in nature, but it benefits from a

**RatingsDirect
Publication Date**

Aug. 8, 2008

number of large stable employers. The city's water department provides water on a retail and wholesale basis to roughly 45,000 customers; that number, however, increases when you include the summer months' transient population. The water department serves Newport; Middletown, R.I.; and a small section of Portsmouth, R.I. on a retail basis. Wholesale customers include Portsmouth Water & Fire District and the city's naval station. Annual water consumption totaled 2 billion gallons in 2008 with residential properties accounting for 39%; both the naval station and Portsmouth Water & Fire District account for 12% and 23%, respectively, of total water consumption. Overall consumption has decreased since 2000, and it bottomed out in 2007 at 1.8 billion gallons from 2.3 billion gallons in 2000. In the near term, the water department is projecting consumption to be above 1.8 billion gallons, which, given the city's stable and diverse customer base, is a conservative estimate.

Newport's water system benefits from nine surface reservoirs, supplying the system with a safe yield of about 12.1 million gallons per day (mgd). The water system also includes two treatment facilities with a total rated capacity of 16 mgd. Sufficient capacity exists with average daily demand typically around 10 mgd during the summer months.

Rhode Island Public Utility Commission, an independent state-level body, regulates water rates and charges. The lack of autonomy and ability for the board to raise rates as needed could potentially reduce revenue flexibility because a rate filing and actual implementation takes up to seven months. The last rate increase was for fiscal 2007; the average residential water bill based on 1,000 cubic feet of usage totaled \$47.30, including a \$13.25 automatic billing charge, which was about average for the region. The system bills residential customers quarterly and certain larger customers monthly. Management is planning to increase water rates for fiscal 2009. Overall, since 2000, water rates have increased twice: once in 2005 by 20.3% and 1.0% in 2007.

Financial operations have remained stable with debt service coverage (DSC) on water system debt ranging from 1.3x-2.7x since 2004. More recently, DSC for fiscal year-end June 30, 2007, was an adequate 2.5x; current projections indicate DSC will be roughly 1.5x at the close of 2008. According to the trust indenture, rates are managed so that DSC will be above 1.25x. If it is projected that rates and charges are not likely to meet coverage levels, the board will take the necessary steps permitted by law to recover the deficiency, including making an emergency request to the public utilities commission to raise rates and charges.

Newport's water division does not have any revenue bonds outstanding aside from loans from Rhode Island Clean Water Finance Agency. On June 30, 2007, the water fund had roughly \$4.4 million in long-term debt; and debt-to-plant ratios were a low 10.5%. In May 2008, the water department borrowed \$5.9 million from the agency; and it is planning to borrow an additional \$6.0 million as a private placement conduit loan. This brings total debt outstanding to roughly \$15.1 million, producing a low 36% debt-to-plant ratio compared with industry standards. Officials manage further capital needs according to the department's five-year capital improvement plan. The capital plan calls for roughly \$28 million of additional projects, some of which management will fund through restricted funds, as required by the state, and general revenues.

Newport , Rhode Island

System liquidity is low with unrestricted cash and investments of \$321,000, or 18 days' operating expenses at fiscal year-end 2007. The board, however, maintains roughly \$1.4 million of restricted funds, mainly reserved for debt, capital, and infrastructure, providing some relief in case of an unexpected emergency. Nevertheless, the low unrestricted cash, combined with the lack of rate-setting autonomy, provides the board little flexibility to address a downturn in general operating revenues. Currently, however, revenues are tracking to budget with cash flow comparable with previous years.

Outlook

The stable outlook reflects the system's history of maintaining good financial DSC, projected into the future. The stable outlook also reflects Standard & Poor's expectation that there will be limited additional debt, ensuring sound coverage levels and the maintenance of the limited cash position, and that the public utilities commission will continue to approve the necessary rate increases for the water supply board to maintain DSC consistent with the covenants for all parity debt outstanding.

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EXHIBIT J

**PORTSMOUTH WATER & FIRE DISTRICT'S
RESPONSES TO NEWPORT WATER'S
SECOND SET OF DATA REQUESTS
Docket No. 4025**

NWD 2-4:

Regarding Mr. Woodcock's testimony on Page 8, Lines 9-12, Mr. Woodcock testifies that "Based on Newport's calculations, the Newport Water Department accounts for more than 22% of the City of Newport's total government expenses. That is clearly out of line when compared to similar municipalities in Rhode Island like Woonsocket and Pawtucket." Please provide the following information regarding this testimony:

- a) All support for Mr. Woodcock's analysis that Newport Water's expenses as compared to the City of Newport's total governmental expenses are out of line when compared to similar municipalities like Woonsocket and Pawtucket.
- b) Any and all work papers that Mr. Woodcock used to support this testimony.
- c) Please provide the percentage of the water department cost as compared to the municipality's overall expenses for Woonsocket and Pawtucket.

Response:

- a) Mr. Woodcock compared the PUC authorized revenues for the Woonsocket and Pawtucket water utilities to the total general fund budgets of the cities. The analysis was not in-depth and Mr. Woodcock did not determine all the elements of the city budgets or expenses (e.g., were the enterprise funds included). Pawtucket's CY 2009 allowed revenues (Docket 3945) were \$19.94 million compared to the City's FY 08 budget of \$203.667 million or about 9.7%. Woonsocket's allowed revenues in Docket 3800 (FY 08) were \$8.227 million as compared to the City's actual 2008 total expenses of \$138.598 million or about 6%.
- b) See attached notes – raw data from RIPUC website and financials from city websites.
- c) See (a)

Prepared By:

Christopher Woodcock

**PORTSMOUTH WATER & FIRE DISTRICT'S
RESPONSES TO NEWPORT WATER'S
SECOND SET OF DATA REQUESTS
Docket No. 4025**

NWD 2-8: Please provide the support for Mr. Woodcock's calculation that five percent of the Newport City Council's time should be allocated to the Water Division as set forth on page 15, lines 7-13, of his testimony, including any and all work papers supporting his calculation.

Response: There are no work papers. It is up to Newport Water to propose a reasonable basis for this determination. This was the purpose of the Cost Allocation Manual ordered by the Commission. As indicated in Mr. Woodcock's prefiled testimony, Newport's proposed basis is unreasonable and not reflective of the time or cost of the City Council activities in support of the Water Division. In the absence of a reasonable basis to allocate the City Council time, 0% of the City Council's stipend could be allocated to the Water Division. Rather than simply suggesting 0%, Mr. Woodcock felt that 5% (a value that is about half the budget ratio) was not unreasonable. Until the City of Newport can provide a better basis, Mr. Woodcock believes the 5% allocation is more than sufficient. Because Newport failed to provide a reasonable basis for the determination of an appropriate share of the City Council's stipend, Mr. Woodcock would not object to a 0% allocation by the Commission until Newport does provide a reasonable basis. See also response to NWD 2-7.

Prepared By: Christopher Woodcock

EXHIBIT K

Sitrin, Laura

From: Silvia, Kathy
Sent: Tuesday, February 24, 2009 4:29 PM
To: 'johnstephenreed@aol.com'
Cc: Lavallee, Ed; Kathryn E. Leonard; Forgue, Julia; Sitrin, Laura
Subject: Requested Information

Hi, John.

I'm writing in response to your e-mail on Friday, February 20th.

Attached are (1) the City Services Cost Allocation Manual (8 pgs.) and the PUC Rate Filing--Exhibits for Testimony of Harold Smith (62 pages).

The Cost of Service Demand Study has not been completed. As it says in the testimony, it is due September 2009; however, the City will be requesting a 60 day extension as additional data will be collected this summer for the study.

Our Finance Director has the Cost Allocation Manual. I will ask her if she can provide an electronic study that can be forwarded to you.

With regard to the preliminary engineering drawings that have been completed, you will have to go to the Water Department on Halsey St. North to view them as there are not extra copies available. Also, the electronic versions of the schedules are not available; however, they can be printed from the website.

I hope this information is helpful. The person you really should speak to for more details is our Utilities Director, Julia Forgue at 845-5600, or she can be contacted by e-mail at jforgue@cityofnewport.com

I hope this is helpful.

Sincerely,

Kathy Silvia

FROM John Reed:

I'd like to request your assistance with locating the following items that are referenced in or pertinent to Docket # 4025 submitted by the Water Division to the PUC:

- Cost of Service and Demand Study (ref: Direct Testimony of Harold Smith, RFC, Inc Pg. 13, Line 22)
- Cost Allocation Manual (ref: Direct Testimony of Julia Forgue, Water Division Pg. 36 Line 12)

Both referenced documents are located at the following webiste:

<http://www.ripuc.org/eventsactions/docket/4025page.html>

4/6/2009

- Copy of Preliminary Design of Easton Pond Dam and Moat Study #07-005 completed in DEC 07 and referenced in City of Newport Communication #4490/09

http://70.168.205.112/newport_ri/lpext.dll?f=templates&fn=site_main-j.htm&2.0

If at all possible, I'd also like to request an electronic copy of the Schedules attached to the testimony provided by Harold Smith. I'd like to be able to use the data to prepare for the PUC meeting in March.

I plan to be in Newport next Friday, February 27 and can meet you at a time that is convenient for you.

Thanks.

John Reed
(401) 662-9676

4/6/2009

EXHIBIT L

Newport Water Division
Docket 4025
Comparison of payrolls

	Original FY 2010 Docket 4025	No COLA FY 2010
Administration	\$265,000	\$255,363
Customer Service	\$326,100	\$317,925
Source of Supply - Island	\$264,000	\$244,732
Source of Supply - Mainland	\$0	\$0
Station One	\$441,500	\$431,768
Lawton Valley	\$500,100	\$481,473
Laboratory	\$127,700	\$120,737
Distribution	\$463,300	\$444,489
Total	\$2,387,700	\$2,296,487
Difference		\$91,213

COLA's
2009 AFSCME
Administrative
NEA

Original
2010 AFSCME
Administrative
NEA