

**STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION**  
**DOCKET NO. 4025**  
**City Of Newport - Utilities Division - Water Department**  
**Response to**  
**Portsmouth Water & Fire District's Data Requests**  
**Set 5**

**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.

Prepared by: Julia Forgue

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**PWFD 5-2:** Regarding lines 14-15 of page 8 of Ms. Forgue's rebuttal testimony:

- (a) What is the amount of the deficit built up in FY 07 that Ms. Forgue refers to; and
- (b) What would that deficit (for FY 2007) have been if Newport Water did not pay the City for unreimbursed payrolls, payments to Water Pollution Control, and 4th quarter FY05 City Services reimbursements due as of June 30, 2005?

**Response:**

(a) On page 6, lines 11 through 18 of my rebuttal testimony, I cited the Commission's Order allowing Newport to pay \$1,584,171 in unreimbursed expenses to the City. It is my assumption that this figure was taken from Newport's Exhibit NWD 13 from Docket 3818. This exhibit showed that in July 2006, the beginning of Fiscal Year 2007, Newport Water had outstanding payroll owed to the City of Newport in the amount of \$126,585 (which is roughly the equivalent of one payroll), and \$113,812 for other transfers to the City. In June 2007, the end of Fiscal Year 2007, Newport Water had \$1,259,496 in outstanding payroll and \$324,674 in other transfer to the City. The total of these two figures is \$1,584,171. This is the build up to which I was referring to on page 8 of my testimony: Outstanding Payroll increasing from \$126,585 to \$1,259,496 in FY07 and other transfers to the City increasing from \$113,812 to \$324,674 in FY07.

Response: Julia Forgue

(b) This question is very difficult to answer as it is hypothetical; it does not account for a number of variables; it is unclear; and, it requires a number of assumptions.

First, it is unclear what amount is referred to in this question. On page 25, line 7, of Mr. Woodcock's testimony, he refers to a figure of \$709,421, which was reported on Newport's 2005 Annual report. However, as was established in Docket 3818, this total figure is not comprised entirely of "unreimbursed payrolls, payments to Water Pollution Control, and 4th quarter FY05 City Services reimbursements due as of June 30, 2005."

In the 2005 Annual Report, Newport listed \$356,081 for unreimbursed payroll and \$353,340 for payments due to "Other Funds." During the hearing in Docket 3818, Newport provided a breakdown of these numbers. (See for example, Harold Smith Testimony, July 25, 2007 transcript, pp 200-201). In addition, Newport provided this

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information in a response to the Commission's Post Hearing Record Request. (See Enclosed).

As set forth in Docket 3818, the unreimbursed payroll in the June 2005 Annual Report is broken down as follows:

**A. Due to payroll:**

Pay date 06-30-05	\$109,474.70
Pay date 06-16-05	\$104,629.10
Pay date 06-02-05	\$ 98,037.68
June monthly payroll	\$ 174.56
Accrual carried back to June 2005 required by GAAP (5 days)	\$ 43,764.96

**Total due for payroll expense** **\$ 356,081.00**

**B. Due to Other funds/Classified as required by GAAP (Generally Accepted Accounting Principles):**

Legal and administrative allocation 4 <sup>th</sup> qtr 2005	\$ 48,450.00
Engineering Division (Permits)	\$ 300.00
WPC Quarterly sludge bill	\$147,784.45
Electronic Fund Transfer (Navy Payment) – Water Pollution Control	\$146,864.90
Fleet maintenance cost Year end adjustment	\$ 9,940.19

**Total due to vendor for other expenses** **\$ 353,339.54**

It should be noted that the Annual Report requires Newport to report any accrued liabilities as of June 30, 2005. Thus, Newport reported five days of accrued liability for the July 7, 2005 payroll even though this amount was not yet owed to the City on June 30, 2005. In addition, the WPC and Fleet maintenance expenses were accrued as of June 30, 2005, but would not have been known by the Water Division as of June 30, 2005. The Water Division would have received the bills for these expenses during the summer of 2005, but after June 30, 2005.

It should be noted that the Electronic Fund Transfer was not a liability owed to the City. When the Navy pays its water and sewer bill, it does so through a single electronic payment. A full payment of both water and sewer charges went into the water account, and the amount properly owed to the Sewer Department had to be transferred into their account. Thus, it was not a "bill" the Water Department owed, but since the money did have to be transferred, it was reported as an accrued liability.

In addition, the question calls for Newport to assume there would not be a reason to pay the expenses listed in the request. This assumption is contrary to the Commission's prior

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Orders. Newport was never prohibited from reimbursing the City of Newport for payroll; it was never prohibited from making payments to Water Pollution Control; and, it was never prohibited from paying the City of Newport for City Services approved by the Commission.

The Docket 3578 Settlement Agreement was dated June 2, 2004 and contained the following language:

“Newport Water further agrees that it will not seek to recover in rates any additional monies that it may borrow from the City of Newport up through and including June 30, 2005.”

There was nothing in this language that prohibited Newport from reimbursing the City for routine payroll and City Services or paying Water Pollution Control fees. In fact, all three of these expenses were approved by the Commission. Thus, between the settlement date of June 2, 2004 and May 30, 2005, Newport made these reimbursements, and there is no reason Newport would not pay the June 2005 expenses as well. The language in the Docket 3578 settlement agreement did not prohibit Newport from making these payments and there was no requirement that Newport Water “zero out” expenses owed as of that date.

Thus, for the purposes of answering this question, Newport will use the figure \$507,631.04 for the “unreimbursed payrolls, payments to Water Pollution Control, and 4th quarter FY05 City Services reimbursements due as of June 30, 2005” as referenced in this data request. This amount is comprised of the following:

Pay date 06-30-05	\$109,474.70
Pay date 06-16-05	\$104,629.10
Pay date 06-02-05	\$ 98,037.68
June monthly payroll	\$ 174.56
Sludge Removal – Water Pollution Control	\$146,865.00
4 <sup>th</sup> Quarter FY05 City Services Charges –City of Newport	\$ 48,450.00
<b>Total</b>	<b>\$507,631.04</b>

Also, we will have to assume that somehow the payment of this amount could be isolated as a lump sum figure, which is not realistic because these expenses, especially payroll reimbursements, are made on a rolling basis. Furthermore, as set forth above, these three categories of expenses are legitimate Commission approved expenses. Thus, if they weren't paid as of June 30, 2005, they would have to be paid at a later date.

Therefore, and based on the assumptions listed hereinabove, if Newport had \$507,631.04 available as a lump sum as of June 30, 2005, and assuming it was not used to make payroll, City Services and Water Pollution Control payments, the deficit referenced in

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subsection (a) above would have been larger as there would have been additional funds owed to the City for payroll, City Services and Water Pollution Control expenses.

Response: Julia Forgue and Harold Smith

**CITY OF NEWPORT – UTILITIES DIVISION - WATER DEPARTMENT**  
**Docket No. 3818**  
**Response to Hearing Requests 07-25-07**

1. Pursuant to the live rebuttal testimony of Harold Smith, enclosed is the source of the testimony provided by Mr. Smith.

The breakdown of June 30, 2005 balances set forth in the FY 2005 Annual report is as follows:

**A. Due to payroll:**

Pay date 06-30-05	\$109,474.70
Pay date 06-16-05	\$104,629.10
Pay date 06-02-05	\$ 98,037.68
June monthly payroll	\$ 174.56
Accrual carried back to June 2005 required by GAAP (5 days)	\$ 43,764.96
<b>Total due to vendor for payroll expense</b>	<b>\$ 356,081.00</b>

**B. Due to Other funds/Classified as required by GAAP (Generally Accepted Accounting Principles):**

Legal and administrative allocation 4 <sup>th</sup> qtr 2005	\$ 48,450.00
Engineering Division	\$ 300.00
WPC Quarterly sludge bill	\$147,784.45
Receipt deposited into Water Acct from Navy EFT for sewer payment due to WPC fund	\$ 146,864.90
Fleet maintenance cost Year end adjustment	\$ 9,940.19
<b>Total due to vendor for other expenses</b>	<b>\$ 353,339.54</b>

Prepared by: Laura Sitrin, Finance Director, City of Newport

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**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 May 21, 2009, and one original to Luly Massaro, Clerk, Rhode Island Public Utilities Commission.

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