

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: CITY OF NEWPORT WATER :
DIVISION APPLICATION TO : DOCKET NO. 4128
CHANGE RATE SCHEDULES :
:

REPORT AND ORDER

I. Background

On November 2, 2009, The City of Newport Utilities Department, Water Division (“Newport Water”) filed an Application to Change Rate Schedules with the Public Utilities Commission (“Commission”). In its filing, Newport Water was seeking to change rates based on a Cost of Service Study it had completed using demand data collected during the summer of 2009. Newport Water was not seeking an increase in its operating revenue.

II. Summary of Filings

In support of its filing, Newport Water submitted Pre-Filed Direct Testimony and Pre-Filed Rebuttal Testimony of Julia A. Forgue, P.E., Director of Utilities and Harold J. Smith, its consultant. Newport Water also submitted Pre-Filed Direct Testimony of Kenneth Mason, P.E., Deputy Director of Utilities, Engineering in which he discussed the technology used to gather the data used in the demand study, some technical problems and some of the results.¹ In her testimony, Ms. Forgue described the design of the water system while Mr. Mason discussed the water meter monitors used during the demand study and certain results that were seen.² Mr. Smith developed a cost of service allocation model using the data from the demand study conducted by Newport Water

¹ Newport Water Exhibit 1C (Direct Testimony of Kenneth Mason) at 2-7.

² Newport Water Exhibit 1B (Direct Testimony of Julia Forgue) at 2-5; Newport Water Exhibit 3 (Rebuttal Testimony of Julia Forgue) at 1-2.

during the summer of 2009.³ In his Rebuttal Testimony, Mr. Smith made certain modifications to his model based on testimony by other parties.⁴

Portsmouth Water and Fire District (“PWFD”), Newport Water’s largest wholesale customer, the United States Navy (“Navy”), and the Division of Public Utilities and Carriers (“Division”) each submitted Pre-Filed Direct and Surrebuttal Testimony of its witnesses. William McGinn, General Manager and Chief Engineer of PWFD filed testimony regarding the PWFD’s water system and his understanding of the NWD water system’s operations. Christopher Woodcock, a consultant to PWFD, Ernest Harwig, a consultant to the Navy, and Jerome Mierzwa, a consultant to the Division, each addressed various concerns they had regarding the demand study and the cost of service allocation methodology used by Mr. Smith.⁵ While Mr. Smith made many of the suggested changes to his cost allocation model, the parties still had a few issues outstanding at the time of Surrebuttal.⁶ However, Mr. Mierzwa stated in his Surrebuttal Testimony that “Since the filing of Newport’s rebuttal testimony, Newport, [PWFD] and the Division have reached agreement on all cost of service model allocation issues with the exception of the appropriate demand factors to be utilized in that study”⁷ and Mr. Harwig only addressed the demand study in his Surrebuttal.⁸

The parties agreed on the base-extra capacity method in which investment and costs are first classified into four primary functional cost categories: base or average capacity, extra capacity, customer, and direct fire protection. Customer costs are

³ Newport Water Exhibit 1A (Direct Testimony of Harold Smith) at 2-26 and attached schedules.

⁴ Newport Water Exhibit 2 (Rebuttal Testimony of Harold Smith) at 4-6, 10-12, 21.

⁵ See PWFD Exhibit 1 (Pre-Filed Testimony of William McGinn); PWFD Exhibit 2 (Pre-Filed Testimony of Christopher Woodcock); Navy Exhibit 1 (Pre-Filed Testimony of Ernest Harwig); Division Exhibit 1 (Pre-Filed Testimony of Jerome Mierzwa).

⁶ PWFD Exhibit 3 (Surrebuttal Testimony of Christopher Woodcock) at 2-6.

⁷ Division Exhibit 2 (Surrebuttal Testimony of Jerome Mierzwa) at 1-2.

⁸ Navy Exhibit 2 (Surrebuttal Testimony of Ernest Harwig).

normally further divided between meter and service related and account or bill related costs. Depending on the category, once investment and costs are classified to the appropriate functional categories, they are then allocated to customer classes based on water usage, demand patterns, meter and service investment, or number of customers or bills.⁹ However, the witnesses set forth modifications to Newport Water's Cost of Service Study and Rate Design proposals to correct for improper allocations. The parties also suggested that customer service charges should be based on meter size.¹⁰

The parties also expressed concern regarding the demand study conducted in 2009. The three primary concerns were that the summer of 2009 was not indicative of normal weather and as such, the usage patterns did not reflect what the parties expected. Additionally, related to the usage patterns, there was concern that the sample accounts chosen were not representative of the customer classes they were supposed to represent. Finally, there was concern that either the meters or meter monitors on the sample meters may not have been functioning properly.¹¹ Despite the fact that Mr. Smith made most of the parties' proposed adjustments to his allocation model, the demand study remained a primary source of disagreement between the parties.¹²

III. Settlement

On June 2, 2010, Newport Water submitted a Settlement Agreement ("Settlement") between itself, the Division, PWFD and the Navy ("the Parties") for Commission review and approval. A complete original was signed and placed in the

⁹ Division Exhibit 1 (Direct Testimony of Jerome Mierzwa), at 4.

¹⁰ Division Exhibit 1 at 5-6; PWFD Exhibit 2 at 9-11; Navy Exhibit 1 at 4-5.

¹¹ PWFD Exhibit 2 at 8, 12-16; Navy Exhibit 1 at 2-3.

¹² PWFD Exhibit 3 at 2, 12-16; Navy Exhibit 2 at 2-5; Division Exhibit 2 at 4.

record on June 8, 2010.¹³ The parties agreed that Newport Water's rates, approved in Order No. 19940 (Docket No. 4025) would remain in effect until Newport Water's next general rate case filing after approval by the Commission.¹⁴

In the interim, Newport Water will continue to collect demand data through September 15, 2010 with the possibility of an additional summer of data collection.¹⁵ While Newport Water is not precluded from filing a general rate filing prior to the completion of an acceptable demand study, in the event the 2010 demand study is deemed acceptable prior to a general rate filing, Newport Water will include the results in its next rate filing. Otherwise, Newport Water will undertake a 2011 demand study. Once an acceptable demand study is complete, "the Parties agree that the cost of service study submitted by Newport in its next general rate filing will utilize the cost allocation approach set forth in the cost allocation model developed by the Parties" and which was attached to the Settlement as Exhibit B. The actual allocation percentages used to allocate the costs will be based upon updated system peaking data and the demand factors developed as described in Exhibit A to the Settlement.¹⁶

With regard to the cost allocation model in Exhibit B, the parties agreed that such model will conform to the following twenty-one items:¹⁷

- (a) Properly reflect the maximum hour demands associated with fire protection service such that Max Hour fire demands reflect a rate of flow expressed in gallons per day;
- (b) Properly reflect costs in the Fire Protection account such that only costs in the Fire Protection account are assigned to the Fire category during the allocation to Base/Extra Capacity cost categories;

¹³ A copy of the Settlement Agreement and attachments is attached hereto as Appendix A.

¹⁴ A copy of the Settlement is attached hereto as Appendix A.

¹⁵ Specific terms of the demand study were set forth in Exhibit A to the Settlement and will be discussed further herein.

¹⁶ Settlement at 2.

¹⁷ Settlement at 3-4.

- (c) Allocate a fifty percent (50%) share of transmission and distribution costs to the Navy;
- (d) Allocate laboratory investment and chemical expenses based on average day demands;
- (e) Allocate service line investment to private fire protection as well as general water service;
- (f) Allocate benefits costs, which are included as an administration cost, based on non-administrative labor;
- (g) Allocate other administration costs based on non-administration operation and maintenance costs;
- (h) Assign City Services Collections Department costs to the billing function;
- (i) Develop service charges based on meter size;
- (j) Credit Water Quality Protection Fees to the residential and commercial retail classes;
- (k) Allocate unaccounted-for water ("UFW") to the Navy based on a 25 percent weighting of base, or average, demands;
- (l) No unaccounted for water shall be allocated to PWFD as long as PWFD is served directly from the Lawton Valley facilities;
- (m) Assign costs to the Base/Extra Capacity cost categories based on system data alone;
- (n) Determine and utilize system extra capacity factors developed based on actual volumes delivered from Newport's treatment facilities to storage;
- (o) Identify separately and allocate pumping costs, both O&M and capital;
- (p) Allocate each individual line item of cost to the Base/Extra Capacity cost categories instead of grouping costs within a cost category;
- (q) Allocate treatment plant electricity and sewer charges based on average demands instead of average and maximum day demands;
- (r) Assign a portion of transmission and distribution operation and maintenance costs to hydrants, services and meters;
- (s) Allocate an appropriate portion of labor and materials to service pipes and meters;

- (t) Adjust the allocation of administrative costs to reflect the removal of pumping and transmission and distribution costs in the allocations to PWFD; and,
- (u) Remove any public fire hydrants costs assigned to private fire service.

The Parties also agreed that costs reasonably incurred in conducting the customer demand study, amortized over a reasonable number of years, shall be included in Newport Water's revenue requirement calculation in the next general rate case.¹⁸

Specifically addressing the demand study, the Parties agreed that Newport Water will gather daily water consumption data during the months of June through September 15, 2010 and, if needed, June 2011 through September 2011. The parties agreed on the methodology for gathering data and agreed to the representative accounts selected. In total, Newport Water will sample 55 customers from the Commercial/Governmental class and 130 customers from the Residential class. The Settlement provides that any substitution of accounts needs to be agreed to by all Parties. All meters read manually or by PWFD are to be read at approximately the same time of day each day. Additionally, accounts in the sample must have annual consumption data available.¹⁹

The Parties agreed that in September, Newport Water will provide the results of the demand study to the Parties in a format to which the Parties have already agreed. Additionally, Newport Water will provide the prior two years of usage data for each of those accounts. The Parties will then jointly review the results and any conclusions including whether the weather was representative of a normal summer and whether any changes should be made for the second year of the demand study, if needed. The Parties

¹⁸ Settlement at 4.

¹⁹ Exhibit A to Settlement at 1.

agreed to the methodology that would be used to develop maximum day and maximum hour capacity factors for all customer classes including the Navy and PWFD.²⁰

Addressing the validity of the data, the Parties agreed that by majority determination, an account in the demand study could be discarded if it appeared to have unusual characteristics. The demand data would also be validated through an application of a system diversity test set forth in the AWWA M-1 Manual Appendix A to the resulting demand factors. Finally, the Parties agreed that by majority determination, the data could be deemed unacceptable “if rainfall in Newport as measured at the closest NOAA approved weather station during the daily sample period is more than 15% above or below the 10 year historical average rainfall for the same period....”²¹

IV. Hearing

Following notice, a public hearing was held at the Commission’s offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on June 8, 2010, to assess the propriety of the Settlement. The following appearances were entered:

The following appearances were entered:

FOR NEWPORT WATER: Joseph Keough, Jr., Esq.

FOR NAVY: Audrey Van Dyke, Esq.

FOR PWFD: Gerald J. Petros, Esq.

FOR DIVISION: Jon Hagopian, Esq.
Special Assistant Attorney General

FOR COMMISSION: Cynthia G. Wilson-Frias, Esq.
Senior Legal Counsel

²⁰ Exhibit A to Settlement at 2.

²¹ Exhibit A to Settlement at 2.

Newport Water presented Julia Forgue, Harold Smith and Kenneth Mason in support of the Settlement. PWFD presented Christopher Woodcock and William McGlinn in support of the Settlement. The Division presented Jerome Mierzwa in support of the Settlement. The witnesses all agreed that, with the exception of allocation of certain capital costs, the Settlement resolved all outstanding rate design issues and that the cost allocation model attached to the Settlement included all of the items listed in Paragraph 15 as "A" through "U".²² With regard to the capital costs related to pumping facilities, the witnesses expressed confidence that such allocations would be easily resolved.²³ Therefore, the witnesses maintained that the only issue that should arise in Newport Water's next filing that includes a change to rate design is the revenue requirements and not the rate design/appropriate cost allocations.²⁴

Addressing the rationale for allocating a 50% share of transmission and distribution costs to the Navy, but 25% of the unaccounted for water costs to the Navy, Mr. Mierzwa and Mr. Smith explained that the Navy is served by both transmission and distribution lines, but not a significant amount of distribution. Therefore, with regard to the transmission and distribution costs, Mr. Mierzwa used 50% based on his review of the service maps. Mr. Smith explained that he then allocated 50% of the transmission and distribution costs for the Navy to unaccounted for water, leading to a 25% allocation.²⁵

Discussing the mechanics of the demand study, Mr. Smith indicated that all of the meters to be monitored would be equipped with recording devices by July 1, 2010, allowing Newport Water to record information for the full months of July and August and

²² Tr. 6/8/10 at 11-12, 73-74.

²³ *Id.* at 16-18.

²⁴ *Id.* at 75.

²⁵ *Id.* at 12-13.

through September 15. The witnesses explained that despite the fact that the Settlement calls for the demand study to occur for the period June 1 through September 15, they were comfortable with the time frame of July 1 through September 15 because “the purpose of the study is to measure peak demands and you would ordinarily expect peak demands to occur in the July/August time period” and if the weather in June is “extremely hot and we had peaks in that period, and then it was raining for the rest of the summer,” there is the opportunity to repeat the demand study in 2011.²⁶

Mr. Smith explained that each of the meters to be studied had been chosen through a random sampling process which categorized the meters by account type and usage level by decile. He explained that each decile contained one class of meters with similar usage levels. Mr. Smith also provided alternates that could be used in the event an originally chosen meter could not be utilized, most likely because the account is closed. While these accounts originally contained no locational or other information in his spreadsheet, he stated that Newport Water could easily provide the locational and usage information to the other parties in advance so that it would be easy to substitute accounts with as little delay as possible. The parties agreed that this would be reasonable.²⁷ They explained that because the random sampling was designed to produce accounts within a decile that are similar, in the event one account in the sample is closed, the alternate would be utilized as if it were a continuation of the original account. Finally, because of the relatively large sample being utilized, the parties agreed that if, during the review process in the Fall 2010, the demand study appeared to produce

²⁶ *Id.* at 20-21.

²⁷ *Id.* at 24-28, 30-33, 78-79, 100-01.

reasonable results within a certain set of parameters but for one account within a decile, that account could be discounted without invalidating the entire demand study.²⁸

Certain of the accounts that were included in the sample will have to be read manually, including the Navy accounts. Newport Water expressed confidence that it should be able to read the meters each 24 hours within plus or minus one hour. Newport Water agreed with PWFD's witness that the plus one hour is not meant to be cumulative so as to gain an hour each day.²⁹ However, Newport water did express concern that there have been times in the past where the meter reader could not gain access to Navy meters and that it is important the utility always have a contact number in order to fulfill its meter-reading responsibility during the demand study. The Navy's attorney represented that the Navy would cooperate and would certainly provide such contact information.³⁰ Finally, PWFD will provide its own data to Newport Water. Mr. McGlinn explained that PWFD gathers its data through a computer program that prepares a report automatically each day at the same time. The only way there may be a problem is if there is a power outage or printer problem. In that case, PWFD may not discover the problem for an hour and would then re-run the report and provide the time the report was prepared.³¹

Finally, although not a part of the Settlement, the Commission asked Ms. Forgue to provide an update about the new treatment plant Newport Water plans to construct through a design/build contract. Ms. Forgue explained that the City had issued a Request for Qualifications, had narrowed the potential vendors from five to three, will issue a

²⁸ *Id.* at 32-33, 78-79. Mr. Smith explained the use of daily meter reads is fairly unusual, but that he expects that with advancing technology, the expectation in the future will be for more frequent reads. He indicated that the results should produce more accurate cost allocations than in the past. *Id.* at 94-95.

²⁹ *Id.* at 45-47.

³⁰ *Id.* at 79-81.

³¹ *Id.* at 49-50.

Request for Proposals in October 2010 with responses due by March 2011. The City plans to award a design/build contract in October 2011. She indicated that the original estimate had been for approximately \$57 million, but upon further review of the treatment processes that will be required to adequately remove organics from the water, Newport Water will be required to include an advanced treatment process after traditional treatment. Such an addition will cause the cost of the plant to be closer to \$83 to \$87 million. The expected operation date is by December 2014.³²

V. Commission Findings

On June 17, 2010, at an Open Meeting, after consideration of the Settlement and evidence presented, the Commission unanimously approved the Settlement without modification. The Commission notes that its research has shown that it does not appear Newport Water has ever conducted a cost of service study that has been accepted by the Commission. After reviewing the pre-filed testimony, discovery and Settlement in this case, the Commission is optimistic that the parties have made significant progress toward reaching an agreement that will allow for true cost-based rates, something which has been a goal of the Commission.

However, the Commission cautions the parties that while the rates that will be filed in the future based on the results of this study, because it will be the first time rates will be set in such a manner, the Commission always has the right and duty under Title 39 of the Rhode Island General Laws to ensure that such rates are equitably applied. For example, in previous electric and water rate cases, the Commission has approved rates that are slightly different than those which would have been implemented under a cost of

³² *Id.* at 90-93.

service study on the basis that following the strict results of the cost of service would result in inequitable rate changes for certain classes of customers.³³

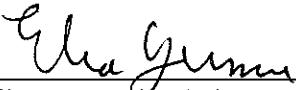
According, it is hereby

() ORDERED

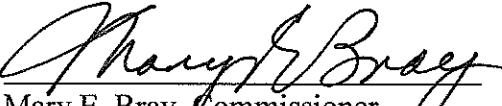
1. The Settlement Agreement filed on June 2, 2010 is hereby approved.
2. City of Newport, Utilities Department, Water Division shall comply with all other findings and instructions as contained in this Report and Order and with all terms of the Settlement Agreement incorporated herein.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISIONS ON JUNE 17, 2010. WRITTEN ORDER ISSUED OCTOBER 25, 2010.

PUBLIC UTILITIES COMMISSION



Elia Germani, Chairman



Mary E. Bray, Commissioner



Paul J. Roberti, Commissioner

NOTICE OF RIGHT OF APPEAL PURSUANT TO R.I.G.L. SECTION 39-5-1, ANY PERSON AGGRIEVED BY A DECISION OR ORDER OF THE COMMISSION MAY, WITHIN SEVEN DAYS (7) DAYS FROM THE DATE OF THE ORDER, PETITION THE SUPREME COURT FOR A WRIT OF CERTIORARI TO REVIEW THE LEGALITY AND REASONABLENESS OF THE DECISION OR ORDER.

³³ Order No. 17820 (issued May 5, 2004); Order No. 17344 (issued January 23, 2003); Order No. 19655 (issued March 1, 2010) and 19655A (issued April 29, 2010).

APPENDIX A

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

**IN RE: CITY OF NEWPORT, UTILITIES DEPARTMENT, WATER DIVISION
DOCKET NO. 4128**

SETTLEMENT AGREEMENT

The City of Newport, Utilities Department, Water Division (hereinafter "Newport Water" or "Newport"), the Division of Public Utilities and Carriers (hereinafter "Division"), the Portsmouth Water and Fire District (hereinafter "Portsmouth"), and the United States Department of the Navy (hereinafter "Navy") have reached an agreement on Newport Water's rate application filed on November 2, 2010 and jointly request the approval of this Settlement Agreement by the State of Rhode Island Public Utilities Commission (hereinafter the "Commission").

I. RECITALS

1. On November 2, 2009, Newport Water filed an application to change rates pursuant to R.I.G.L § 39-3-11.
2. In the application, Newport Water sought to change the existing rates it charges each of its customer classes through of a Cost of Service Study filed with the Commission.
3. Newport Water did not seek an increase in its operating revenues.
4. In support of its application, Newport Water filed the direct testimony and schedules of Julia A. Forgue, P.E., Newport's Director of Utilities, Harold J. Smith of Raftelis Financial Consulting, and Kenneth Mason, P.E., Newport's Deputy Director of Utilities, Engineering. Ms. Forgue and Mr. Smith also submitted rebuttal testimony.
5. In response to Newport's filing, the Division conducted an investigation of the rate application with the assistance of its staff and an outside expert consultant, Jerome D. Mierzwa, of Exeter Associates, Inc., who filed direct testimony on January 29, 2010 and surrebuttal testimony on May 3, 2010.

6. The Navy filed a Motion to Intervene in this Docket on November 30, 2009, and submitted direct testimony from Ernest Harwig on January 29, 2010. Mr. Harwig also filed surrebuttal testimony on May 3, 2010.
7. Portsmouth filed a Motion to Intervene in this Docket on November 19, 2009. On January 29, 2010, Portsmouth submitted direct testimony from William J. McGinn, P.E., General Manager and Chief Engineer for Portsmouth, and Christopher P.N. Woodcock of Woodcock & Associates, Inc. Mr. Woodcock also filed surrebuttal testimony on May 3, 2010.
8. After due consideration of the testimony, exhibits, schedules, data requests, data responses, settlement discussions, and other documentation included in the filings of the Parties in this Docket, Newport, the Division, the Navy and Portsmouth (hereinafter collectively "the Parties") have now agreed to a comprehensive settlement which resolves all issues relating to Newport's pending rate application.
9. The Parties to this Docket believe that this settlement, as a whole, constitutes a just and reasonable resolution of the issues in this proceeding, and jointly request its approval by the Commission.

II. TERMS OF SETTLEMENT

10. The Parties agree that Newport's current rates will not be changed, and will remain in effect until Newport's next general rate filing with the Commission.
11. Newport will continue to collect demand data from a segment of its customers.
12. The Parties agree that demand data will be collected in accordance with the terms set forth in Exhibit A, which is attached hereto and incorporated by reference herein.
13. The Parties agree that Newport Water will present a fully allocated cost of service study in its next general rate filing if an acceptable daily demand study has been completed. Newport Water is not precluded from filing for an overall revenue increase with no change in the rate structure if an acceptable study has not been completed.
14. The cost of service study will incorporate the demand data collected by Newport as set forth in paragraph 12 herein and Exhibit A.
15. The Parties agree that the cost of service study submitted by Newport in its next general rate filing will utilize the cost allocation approach set forth in the cost allocation model developed by the Parties and attached as Exhibit B. However, the actual allocation percentages used to allocate costs will be based upon updated system peaking data and the demand factors developed as described in Exhibit A. Specifically, the cost allocation model will:

- (a) Properly reflect the maximum hour demands associated with fire protection service such that Max Hour fire demands reflect a rate of flow expressed in gallons per day;
- (b) Properly reflect costs in the Fire Protection account such that only costs in the Fire Protection account are assigned to the Fire category during the allocation to Base/Extra Capacity cost categories;
- (c) Allocate a fifty percent (50%) share of transmission and distribution costs to the Navy;
- (d) Allocate laboratory investment and chemical expenses based on average day demands;
- (e) Allocate service line investment to private fire protection as well as general water service;
- (f) Allocate benefits costs, which are included as an administration cost, based on non-administrative labor;
- (g) Allocate other administration costs based on non-administration operation and maintenance costs;
- (h) Assign City Services Collections Department costs to the billing function;
- (i) Develop service charges based on meter size;
- (j) Credit Water Quality Protection Fees to the residential and commercial retail classes;
- (k) Allocate unaccounted-for water ("UFW") to the Navy based on a 25 percent weighting of base, or average, demands;
- (l) No unaccounted for water shall be allocated to PWFD as long as PWFD is served directly from the Lawton Valley facilities;
- (m) Assign costs to the Base/Extra Capacity cost categories based on system data alone;
- (n) Determine and utilize system extra capacity factors developed based on actual volumes delivered from Newport's treatment facilities to storage;
- (o) Identify separately and allocate pumping costs, both O&M and capital;
- (p) Allocate each individual line item of cost to the Base/Extra Capacity cost categories instead of grouping costs within a cost category;
- (q) Allocate treatment plant electricity and sewer charges based on average demands instead of average and maximum day demands;

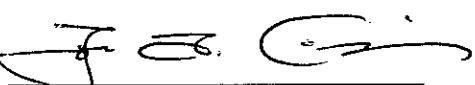
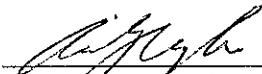
- (r) Assign a portion of transmission and distribution operation and maintenance costs to hydrants, services and meters;
 - (s) Allocate an appropriate portion of labor and materials to service pipes and meters;
 - (t) Adjust the allocation of administrative costs to reflect the removal of pumping and transmission and distribution costs in the allocations to PWFD; and,
 - (u) Remove any public fire hydrants costs assigned to private fire service.
16. Costs reasonably incurred in conducting the customer demand study, amortized over a reasonable number of years, shall be included in Newport's revenue requirement calculation in the next general rate case.

III. EFFECT OF SETTLEMENT

17. This Settlement Agreement is the result of a negotiated settlement. The discussions which have produced this Settlement Agreement have been conducted with the explicit understanding that all offers of settlement and discussion relating thereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or any other future proceedings.
18. The agreement by any party to the terms of this Settlement Agreement shall not be construed as an agreement as to any matter of fact or law beyond the terms thereof. By entering into this Settlement Agreement, matters or issues other than those explicitly identified in this agreement have not been settled upon or conceded by any party to this Settlement Agreement, and nothing in this agreement shall preclude any party from taking any position in any future proceeding regarding such unsettled matters.
19. By agreeing to this settlement, none of the Parties make any admissions, or surrender any rights in any future proceedings before the Commission.
20. In the event that the Commission rejects this Settlement Agreement, or modifies this agreement or any provision therein, then this agreement shall be deemed withdrawn and shall be null and void in all respects.

IN WITNESS WHEREOF, the Parties agree that this Settlement Agreement is reasonable, in the public interest and in accordance with law and regulatory policy, and have caused this agreement to be executed by their respective representatives, each being authorized to do so.

Dated at Warwick, Rhode Island this 8th day of June, 2010.

CITY OF NEWPORT, UTILITIES DEPARTMENT, WATER DIVISION By its Attorney,  Joseph A. Keough, Jr. KEOUGH & SWEENEY, LTD. 100 Armistice Boulevard Pawtucket, RI 02860 Tel: (401)-724-3600 jkeoughjr@keoughsweeney.com	DIVISION OF PUBLIC UTILITIES AND CARRIERS, By its Attorney,  Jon G. Hagopian, Special Assistant Attorney General 150 South Main Street Providence, RI 02903 Tel: 401-274-4400 Jhagopian@riag.ri.gov
PORPSMOUTH WATER AND FIRE DISTRICT By its Attorney,  Gerald J. Petros Hinckley, Allen & Snyder, LLP 1500 Fleet Center Providence, RI 02903 Tel: 401-274-2000 gpetros@haslaw.com	UNITED STATES DEPARTMENT OF THE NAVY By its Attorney,  Audrey Van Dyke, Counsel for the Secretary of the Navy Litigation Headquarters 1314 Harwood Street, Suite 412 Washington Navy Yard, DC 20374 Tel: 202-685-1931 Audrey.VanDyke@navy.mil

PUBLIC UTILITIES COMMISSION
DOCKET NO. <u>4128</u>
SPONSOR <u>Joint</u>
EXHIBIT NO. <u>1</u>
IDENT. (DATE) <u>6/8/10</u>
FULL (DATE) <u>6/8/10</u>
RECEIVED BY <u>cgw</u>

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

**IN RE: CITY OF NEWPORT, UTILITIES DEPARTMENT, WATER DIVISION
DOCKET NO. 4128**

SETTLEMENT AGREEMENT
Exhibit A

1. Data Collection

Newport Water will gather daily water consumption data from a sample of customers during the months of June through September 15, 2010 and June 2011 through September 2011. If agreed by all, the Parties may waive the analysis for 2011 if it is deemed unnecessary.

Data will be gathered for each day of the week, including weekends. The sample of customers from which data will be collected has been selected using a form of multistage sampling that involves first dividing Newport Water's customer base by customer class (Residential, Commercial/Governmental, and Wholesale). For the Residential and Commercial/Governmental classes, the sample has been stratified by dividing each customer class into deciles based on annual consumption in Fiscal Year 2008. After stratification, the sample population for the Residential class was determined by randomly selecting one percent (1%) of the customers in each stratum. For the Commercial/Governmental class, five accounts from each decile have been randomly selected. In addition to the randomly selected Commercial accounts, the meters for three typical hotels and two typical marinas will also be included in the Commercial class daily read sample. For Newport Water this results in a sample population for the retail customer classes of 55 customers from the Commercial/Governmental class and 130 customers from the Residential class. The list of accounts from which daily data will be gathered is included in Attachment 1 to this Exhibit A.

Once the accounts in the study are established, Newport will not change or substitute an account unless: (a) it provides a detailed explanation sent to the Parties of why the substitution is needed; and, (b) it provides records of use and meter size for the proposed substituted account to show it is similar. Any substitution must be agreed to by all Parties.

With respect to Newport Water's wholesale customers, the meters serving the Navy will either be equipped with data profilers that will allow for the collection of daily data or will be read manually on a daily basis. Meters read manually will be read at approximately the same time of day each day and Newport Water shall record the time of each reading. Portsmouth will make daily data available to Newport Water as it has done in the past, and said data from Portsmouth shall either indicate the time of each daily meter reading or otherwise demonstrate that the interval between each daily reading is approximately 24 hours.

Only accounts for which there is annual consumption data based on actual meter readings taken during a year long period that includes the daily sampling period will be included in the daily read sample.

2. Use of Daily Data

Newport will provide the results (in similar format to the spreadsheet provided in current case) to the Parties. In addition, Newport will provide the Parties with the total annual water use for each account for the current (sample) year and two past years.

The Parties will be provided the data to review at the end of each season (September) and shall jointly discuss the results and any conclusions, including a discussion of whether the weather was representative or unusual, and if any changes should be made for the next year.

Data gathered during the daily read period will be used to develop maximum day and maximum hour capacity factors for the Residential and Commercial customer classes and the Navy. Maximum day demand factors for Portsmouth will be determined based on the same daily read period as all others. Maximum day capacity factors for the retail classes and the Navy will be determined by comparing the class average day for a full year to the class maximum day during the daily sampling period. The class average day will be determined by totaling the annual consumption for a 365 day period that encompasses the full sampling period for all of the accounts in the daily read sample and then dividing by 365. The class maximum day will be determined by summing the daily consumption of all accounts in the class for each day and then determining the maximum daily consumption for each class during the sampling period.

Maximum hour demand factors will be determined using the methodology described in Appendix A of AWWA's M-1 Manual as shown in the sample calculation included as Attachment 2 of this Exhibit A.

3. Validity of Data

If, during the course of the study, any account is discovered to be unusual (leak, vacancy, etc.) it may be discarded from the analysis as non-representative if so determined by a majority of the Parties.

In an effort to verify the validity of the demand factors developed using daily demand data, the resulting demand factors will be tested using the system diversity test shown in Appendix A of AWWA's M-1 Manual as shown in the sample calculation included as Attachment 2 of this Exhibit A. In the event that the system diversity factor falls outside the acceptable range of 1.10 to 1.40, the demand factors will be deemed unacceptable for use.

Additionally, if rainfall in Newport as measured at the closest NOAA approved weather station during the daily sample period is more than 15% above or below the 10 year historical average rainfall for the same period, the data will be deemed unacceptable for use in developing demand factors if so determined by a majority of the Parties.

Docket 4128 Settlement

Exhibit A - Attachment 1

Residential Daily Read Sample for 2010 by Decile

1st Decile		Address		work required	status	Date
1	B001-17300	Existing	31 Bridge St.	Newport	none	Done
2	B022-24200	Existing	95 Coggeshall	Newport	none	Done
3	B031-10810	Existing	15 Newport Ave.	Newport	none	Done
4	B023-04105	Existing	5 Clay St	Newport	none	Done
5	B016-09510	Existing	19 1/2 Sherman	Newport	none	Done
6	B006-14600	Existing	40 Division	Newport	none	Done
7	B039-09280	Existing	38 Sherman	Newport	none	Done
8	B009-11300	New	69 Pope St	Newport	change head	Done
9	B012-17800	New	11 Hammond St.	Newport	new meter	
10	B018-14000	New	7 Prescott	Newport	change head	Done
11	B003-11700	New	4 Training Sta. rd.	Newport	change head	Done
12	B029-05002	New	268 Paradise	Middletown	change head	Done
13	B011-25500	New	31 Houston	Newport	new meter	
A1	B003-17300	Alternate				
A2	B023-02605	Alternate				
A3	B042-06500	Alternate				
A4	B023-20000	Alternate				
A5	B028-05400	Alternate				

2nd Decile		Address		work required	status	Date
1	B010-17400	Existing	36 Holland	Newport	none	Done
2	B131-23900	Existing	9 Gibson Pl	Newport	none	Done
3	B203-50600	Existing	1 Arnold Ave.	Newport	none	Done
4	B001-17301	Existing	31 Bridge St	Newport	none	Done
5	B014-15600	Existing	70 Kay St	Newport	none	Done
6	B042-12500	Existing	131 Mt. Vernon	Newport	none	Done
7	B015-24700	Existing	66 Prairie Ave	Newport	none	Done
8	B023-05900	Existing	22 Berkeley	Newport	none	Done
9	B027-01022	Existing	83 Shore Dr.	Middletown	none	Done
10	B006-17903	Existing	122 Spring St.	Newport	none	Done
11	B019-31101	New	inactive-discontinued			
12	B008-02500	New	80 Memorial Blvd	Newport	new meter	
13	B021-06800	New	4 Ernest St.	Newport	change head	Done
A1	B036-13484	Alternate	68 Swan Drive	Middletown	change head	Done
A2	B043-08900	Alternate				
A3	B011-23102	Alternate				
A4	B012-00100	Alternate				
A5	B030-06200	Alternate				

Docket 4128 Settlement

Exhibit A - Attachment 1

Residential Daily Read Sample for 2010 by Decile

3rd Decile		Address		work required	status	Date
1	B132-62200	Existing	7 marion St	Newport	none	Done
2	B016-18203	Existing	28 Kay St	Newport	none	Done
3	B025-19310	Existing	395A Valley Road	Middletown	none	Done
4	B005-17702	Existing	12 Johnson Ct.	Middletown	none	Done
5	B015-33430	Existing	183 Eustis Ave.	Newport	none	Done
6	B131-28800	New	28 Caswell Ave.	Newport	change head	Done
7	B030-05026	New	38 Ocean Ave.	Newport	new meter	
8	B023-16200	New	2 Slocum St.	Newport	new meter	
9	B132-69500	New	4 Holten Ave.	Newport	change head	Done
10	B009-06700	New	24 West St.	Newport	change head	Done
11	B202-30500	New	1 Bedlow	Newport	new meter	
12	B015-20100	New	67 Rhode Island Ave.	Newport	new meter	
13	B047-09600	New	513 Corey lane	Middletown	new meter	
A1	B022-36110	Alternate				
A2	B025-01205	Alternate				
A3	B002-16300	Alternate				
A4	B018-00100	Alternate				
A5	B131-06701	Alternate				

4th Decile		Address		work required	status	Date
1	B014-32201	Existing	19 Rhode Island Ave.	Newport	none	Done
2	B004-02900	Existing	44 Thames St.	Newport	none	Done
3	B016-11000	Existing	42 Sherman St.	Newport	none	Done
4	B043-00200	Existing	373 Boulevard	Middletown	change head	Done
5	B021-16106	Existing	10 Kerins Ct.	Newport	none	Done
6	B039-10601	Existing	31 Paquin Pl.	Middletown	none	Done
7	B005-23000	Existing	38 Callendar Ave.	Newport	none	Done
8	B022-35116	Existing	9 Atlantic Ave.	Newport	none	Done
9	B019-31000	Existing	4 Channing St.	Newport	none	Done
10	B003-15500	Existing	98 Third St.	Newport	none	Done
11	B040-10200	Existing	19 North Beacon Terr.	Middletown	none	Done
12	B043-08010	Existing	7 Boulevard East	Middletown	none	Done
13	B021-39910	New	13 Atlantic St.	Newport	new meter	
A1	B012-20800	Alternate				
A2	B031-03200	Alternate				
A3	B068-01200	Alternate				
A4	B023-22802	Alternate				
A5	B038-00400	Alternate				

Docket 4128 Settlement**Exhibit A - Attachment 1****Residential Daily Read Sample for 2010 by Decile**

5th Decile		Address			work required	status	Date
1	B067-10000	Existing	9 Redwood Rd	Middletown	none	Done	
2	B039-02300	Existing	39 King Rd	Middletown	none	Done	
3	B023-24700	Existing	38 Weaver Ave.	Newport	none	Done	
4	B008-08010	Existing	45 William St.	Newport	none	Done	
5	B034-07400	Existing	247 West Main Road	Middletown	none	Done	
6	B022-41200	Existing	124 Harrison Ave.	Newport	none	Done	
7	B018-13200	Existing	44 Evarts St.	Newport	none	Done	
8	B024-13100	Existing	2 Red Cross	Newport	none	Done	
9	B002-07800	Existing	25 Willow St.	Middletown	none	Done	
10	B021-16820	Existing	8 Vanderbilt Ave.	Newport	none	Done	
11	B012-12200	Existing	18 Carey St.	Newport	none	Done	
12	B019-26700	Existing	11 Hall Ave.	Newport	none	Done	
13	B015-29800	New	91 Kay St.	Newport	new meter		
A1	B015-29200	Alternate					
A2	B015-13900	Alternate					
A3	B014-31600	Alternate					
A4	B132-78700	Alternate					
A5	B014-25500	Alternate					

6th Decile		Address			work required	status	Date
1	B015-05000	Existing	9 Brinley St.	Newport	none	Done	
2	B037-11807	Existing	146 Corporate Pl.	Middletown	none	Done	
3	B042-04000	Existing	9 Livingston Pl.	Middletown	none	Done	
4	B003-24810	Existing	73A Second Ave.	Newport	none	Done	
5	B040-00843	Existing	114 Girard Ave.	Newport	none	Done	
6	B018-14300	Existing	11 Prescott Hall	Newport	none	Done	
7	B003-26000	Existing	19 Cherry St.	Newport	none	Done	
8	B044-03017	Existing	26 Pocahontas Dr.	Middletown	none	Done	
9	B044-00200	Existing	5 Squantum Dr.	Middletown	none	Done	
10	B039-07530	Existing	71 Maple Ave.	Middletown	none	Done	
11	B009-26000	Existing	27 Young St.	Newport	none	Done	
12	B010-06600	Existing	24 Byrnes Ct.	Newport	none	Done	
13	B044-02400	Existing	37 Squantum Dr.	Middletown	none	Done	

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Exhibit A - Attachment 1

Residential Daily Read Sample for 2010 by Decile

7th Decile		Address		work required	status	Date
1	B005-23200	Existing	7 Davis St.	Newport	none	Done
2	B009-25900	Existing	27 Young St.	Newport	none	Done
3	B014-21300	Existing	4 Tyler St.	Newport	none	Done
4	B018-30400	Existing	12 Warner St.	Newport	none	Done
5	B131-29500	Existing	25 Caswell Ave.	Newport	none	Done
6	B032-01702	Existing	12 St Georges	Middletown	none	Done
7	B005-02000	Existing	34 Gould St.	Newport	none	Done
8	B005-01801	Existing	38 Gould St.	Newport	none	Done
9	B003-25000	Existing	6 Pine St.	Newport	none	Done
10	B018-15310	Existing	65-67 Garfield St.	Newport	change head	Done
11	B011-23100	New	117 Wellington Ave.	Newport	new meter	
12	B018-07700	New	57 Garfield	Newport	new meter	
13	B039-01000	New	17 Hart St.	Newport	new meter	
A1	B005-07200	Alternate				
A2	B005-23500	Alternate				
A3	B015-25400	Alternate				
A4	B008-06900	Alternate				
A5	B010-17300	Alternate				

8th Decile		Address		work required	status	Date
1	B022-33400	Existing	214 Ocean Ave.	Newport	none	Done
2	B021-37900	Existing	9 Eastnor Rd.	Newport	none	Done
3	B012-05300	Existing	7 Webster St	Newport	none	Done
4	B031-02110	Existing	108 Allston Ave.	Middletown	none	Done
5	B131-32200	Existing	66 Bliss Road	Newport	none	Done
6	B203-47500	Existing	18 Mumford	Newport	none	Done
7	B031-01600	Existing	117 Center Ave.	Middletown	none	Done
8	B017-12500	Existing	9 Park St.	Newport	none	Done
9	B009-19300	Existing	38 Pope ST.	Newport	none	Done
10	B050-03800	New	32 Debbie Rd.	Middletown	change head	Done
11	B021-04800	New	88 Carroll Ave.	Newport	new meter	
12	B132-83800	New	120 Kay St.	Newport	change head	Done
13	B014-07300	New	33 Ayrault	Newport	change head	Done
A1	B019-05400	Alternate				
A2	B018-04400	Alternate				
A3	B043-04813	Alternate				
A4	B043-04600	Alternate				
A5	B030-01800	Alternate				

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Exhibit A - Attachment 1

Residential Daily Read Sample for 2010 by Decile

9th Decile		Address		work required	status	Date
1	B025-02400	Existing	7 Concord Dr.	Middletown	none	Done
2	B022-45400	Existing	169 Wellington Ave.	Newport	none	Done
3	B032-00315	Existing	31, Briarwood Ave.	Middletown	none	Done
4	B041-07600	Existing	8 Stockton Dr.	Middletown	none	Done
5	B067-09300	Existing	63 Stage Coach Rd.	Portsmouth	none	Done
6	B021-29000	Existing	66 Harrison Ave.	Newport	none	Done
7	B018-12900	Existing	52 Evarts St.	Newport	none	Done
8	B009-17700	Existing	13 Pope St.	Newport	none	Done
9	B017-15000	Existing	11 Gould St.	Newport	none	Done
10	B068-07300	Existing	7 AB Woolsey Rd.	Middletown	none	Done
11	B023-31620	New	3 Cliff Ave.	Newport	new meter	
12	B025-06922	New	162 Atlantic Dr.	Middletown	change head	Done
13	B024-13600	New	5 Red Cross Ave.	Newport	new meter	
A1	B022-30500	Alternate				
A2	B010-03000	Alternate				
A3	B019-21200	Alternate				
A4	B016-16800	Alternate				
A5	B036-02800	Alternate				

10th Decile		Address		work required	status	Date
1	B131-14010	Existing	15 Princeton St.	Newport	none	Done
2	B005-22200	Existing	78 Callendar Ave.	Newport	none	Done
3	B029-05411	Existing	150 Paradise Ave.	Newport	none	Done
4	B037-11115	Existing	32 Vanicek Ave.	Middletown	none	Done
5	B022-42530	Existing	25 Halidon Ave.	Newport	none	Done
6	B022-51990	Existing	93 Annandale Rd.	Newport	none	Done
7	B022-19300	Existing	211 Coggeshall Ave.	Newport	none	Done
8	B019-02600	Existing	21 Russell Ave.	Newport	none	Done
9	B040-00831	Existing	116 Girard Ave.	Newport	none	Done
10	B036-17000	Existing	2009 West Main Rd.	Middletown	none	Done
11	B022-10320	Existing	12 Wetmore	Newport	none	Done
12	B036-17100	New	2556 West Main Rd.	Portsmouth	new meter	
13	B050-07700	New	201 John Kesson Lane	Middletown	change head	Done
A1	B036-03350	Alternate				
A2	B201-00800	Alternate				
A3	B037-07324	Alternate				
A4	B022-43300	Alternate				
A5	B019-23200	Alternate				

Docket 4128 Settlement
 Exhibit A - Attachment 1
 Proposed Commercial Daily Read Sample for 2010 by Decile

1st Decile		Address	City/Town	Name	work required	Status	Date	Mtr Size
1	B078-12734	Existing 199 Connell Highway	Newport	Expressions	none	Done		
2	B023-01400	Existing 202 Bellevue Ave.	Newport	Hayes for Kids	none	Done		
3	B078-12747	Existing 199 Connell Highway	Newport	Only a Dollar	none	Done		
4	B023-01200	Existing 196 Bellevue Ave.	Newport	Linen Shop	none	Done		
5	B023-02402	Existing 1 Casino Terrace	Newport	Harvest	none	Done		

2nd Decile		Address	City/Town	Name	work required	Status	Date	Mtr Size
1	B078-10800	Existing 328 Broadway	Newport	Thrift LLC	none	Done		
2	B023-01201	Existing 198 Bellevue Ave.	Newport	Laura Jean	none	Done		
3	B078-09260	Existing 17 Chapel St.	Newport	Housing Authority	none	Done		
4	B023-01300	Existing 200 Bellevue Ave.	Newport	Portabello	none	Done		
5	B005-00300	New 127 Thames St.	Newport	Npt Museum	change head	Done		5/8"
A1	B079-11930	Alternate						
A2	B036-01813	Alternate						

3rd Decile		Address	City/Town	Name	work required	Status	Date	Mtr Size
1	B023-02403	Existing 1 Casino Terrace	Newport	Business	none	Done		
2	B007-30100	New 22 West Pelham St.	Newport	Brahmin	change head	Done		3/4"
3	B072-05199	New 1219 Aquidneck Ave.	Middletown	Npt Tool & Die	change meter			1"
4	B078-12733	Existing 199 Connell Highway	Newport	West Marine	none	Not Used		
5	B008-20200	New 424 Thames	Newport	Toohie	change head	Done		5/8"
A1	B036-13500	Alternate	Middletown	UG Nason	change head			
A2	B046-12347	Alternate 305B Oliphant Lane						5/8"

4th Decile		Address	City/Town	Name	work required	Status	Date	Mtr Size
1	B055-02752	New 199 Connell Highway	Newport	Super Cuts	none	Done		
2	B078-12738	Existing 284 Bellevue Ave.	Newport	Smith Barney	none	Done		
3	B078-06704	Existing 152 Wyatt Road	Middletown	St Paul's Lodge	change meter			3/4"
4	B046-00299	New 1 Casino Terr.	Newport	Ace Hardware	none			
5	B023-02401	Existing 94 John St.	Newport	Dr Walsh	change head	Done		5/8"
A1	B007-16900	Alternate						
A2	B036-00159	Alternate						

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Exhibit A - Attachment 1
Proposed Commercial Daily Read Sample for 2010 by Decile

5th Decile		Address	Name	work required	status	Date	Mtr Size
1	B023-02405	Existing	Bath and DOJO	none	Done		5/8"
2	B012-13100	New	2 Carey St.	change head			5/8"
3	B073-05700	New	28 Pelham St.	Segal			1-1/2"
				Wimco			
4	B006-24400	New	Inactive/discontinued	change meter	Not Handled		
5	B035-00300	New	178 East Main Rd.				
A1	B018-21715	Alternate	Middleton				
A2	B022-08300	Alternate	110A Connell Highway	Video Express	change head		5/8"
			Newport	R J Cawley	change meter		5/8"

6th Decile	Address	Name		work required	status	Date	Mtr Size
		Existing	New				
1	B078-06720	260 Bellevue Ave.	Newport	Radio Shack	none	Done	
2	B078-06709	268 Bellevue Ave.	Newport	Rite Aid	none	Done	
3	B023-01100	186 Bellevue Ave.	Newport	Tennis Hall of Fame (LaForge)	none	Done	5/8"
4	B023-02406	1 Casino Ter.	Newport	Katrinas Bakery	none	Done	
5	B078-09302	38 Bellevue Ave.	Newport	Hair Saloon	none	Done	
A1	B078-03740	Alternate					
A2	B006-01500	Alternate					

File Number	Address	Name	work required	status	Date	Mtr Size
1	BG78-06730	Existing	258 Bellevue Ave,	Newport	Coldstone Creamery	none
2	BG90-00003	New	hydrant meter		not to be used	
3	BG01-19260	Existing	62-64 Bridge St.	Newport	Rhumbline Restaurant	none
4	BG90-00008	New	hydrant meter		not to be used	
5	BG79-00701	New	70 Reservoir Rd.	Middletown	Aquidneck School	
A1	BG79-10118	Alternate	inactive/discontinued		change meter	3"
A2	BG40-07500	Alternate	10 Maple Ave.	Middletown	Brewskies Bar	
A3	BG09-16320	Alternate	300 Spring St.	Newport	Newport Library	change head
						5/8"
						1-1/2"

8th Decile	Address	Name	work required	status	Date	Mtr Size
1	B078-03501	Existing	23 Marlborough St.	Newport	Billy Goones	Done
2	B046-00253	New	239 Wyatt Rd.	Middletown	Midd Fire Station	1-1/2"
3	B078-00010	New	Thames St.	Newport	Wellington Business Assoc.	1-1/2"
4	B078-09210	New	23-25 Chapel St.	Newport	Housing Authority	2"
5	B079-03662	New	700 Aquidneck Ave.	Middletown	Ming Moon Rest	1-1/2"
A1	B032-10810	Alternate				1"
A2	B010-05551	Alternate				

Docket 4128 Settlement
 Exhibit A - Attachment 1
 Proposed Commercial Daily Read Sample for 2010 by Decile

9th Decile		Address		Name		work required		status		Date		Mtr Size
1	B079-00130	Existing	28 Wave Ave.	Middletown	Best Western Hotel	none	none	Done	Done			
2	B078-03610	Existing	26 Marlborough St.	Newport	White Horse Tavern	none	none	Done	Done			
3	B079-11200	Existing	875 West Main Rd.	Middletown	Home Depot	none	none	Done	Done			
4	B078-07630	New	30 Bowens Wharf	Newport	Landing Rest.	Change Head	Done	Done	Done	3/4"		
5	B055-01700	New	Eastons Beach	Newport	Eastons Beach	Change meter	Done	Done	Done	3"		
A1	B025-07250	Alternate										
A2	B046-12314	Alternate										

10th Decile		Address		Name		work required		status		Date		Mtr Size
1	B079-07230	Existing	66 Valley Road	Middletown	Newport Athletic Club	none	none	Done	Done			
2	B079-12900	New										2"
3	B078-20508	New	119 Long Wharf	Newport	Fairfield Resort	change meter						2"
4	B078-12735	New	1 John Chaffee Blvd	Newport	CCRI Campus	change transmitter						2"
5	B046-00259	New	Berkley Avenue	Middletown	Hoagendorf Nurseries	change meter						3"
A1	B079-10092	Alternate										
A2	B022-48920	Alternate	398 Bellevue Ave	Newport	Heatherwood Nursing Hm	change meter						1-1/2"

Hotels and Marinas		Address		Name		work required		status		Date		Mtr Size
Beachfront LLC	B079-00110	New	20 Wave Avenue	Middletown	Beach Front LLC	change transmitter	Not used					3"
Newport HH & Marina	B078-20700	New	49 Americas Cup Ave.	Newport	Newport HH & Marina - hotel	manual read						4"
Newport HH & Marina	B078-20710	New	49 Americas Cup Ave.	Newport	Newport HH & Marina- dock	change transmitter						2"
Island Hotel Group	B079-03813	New	325 West Main Road	Middletown	Island Hotel Group	change transmitter						3"
Holiday Inn Express	B079-08221	New	855 West Main Road	Middletown	Holiday Inn	change head	Done					1-1/2"
Holiday Inn Express	B079-08222	New	855 West Main Road	Middletown	Holiday Inn	change head	Done					1-1/2"
West Wind Marina	B079-00110	New	Waives Wharf	Newport	Waites Whf	change head						1-1/2"
Newport Yacht Club	B006-00103	New	Long Wharf	Newport	Newport Yacht Club	change meter						5/8"

Docket 4128 Settlement
Exhibit A - Attachment 2

Daily Demand Study Results

	Residential	Commercial	Navy	PWFD
FY 2010 Average Day ¹	12,000	70,000	600,000	1,250,000
Daily Read Maximum Day ²	21,000	160,000	1,400,000	2,500,000
Maximum-Day Demand Factor	1.75	2.29	2.33	2.00

1- Total FY 2010 Consumption/365

2 - Class maximum day from daily read data

Max Day Diversity Factor Calculation	Residential	Commercial	Navy	PWFD
Class Average Day (mgd)	2.0	1.4	0.7	1.2
Class MD Demand Factor	1.75	2.29	2.33	2.00
Max Day Demand (Avg. Day X MD Demand Factor)	3.50	3.20	1.63	2.40

System Average Day (mgd)	6
System Maximum Day (mgd)	9
System Maximum Hour (mgd)	12

Noncoincident MD Capacity Factor	10.73	/	6	=	1.79
Coincident MD Capacity Factor	9	/	6	=	1.50
System MD Diversity	1.79	/	1.50	=	1.19

Maximum Hour Demand Factor Calculation

	Residential	Commercial	Navy	PWFD
MD Capacity Factor	1.75	2.29	2.33	2.00
Estimated Maximum-Hour (MH)/MD Ratio	1.20	1.33	1.27	1.27
Calculated MH Capacity Factor	2.10	3.04	2.96	2.54

Max Hour Diversity Factor Calculation	Residential	Commercial	Navy	PWFD
Class Average Day (mgd)	2.0	1.4	0.7	1.2
Class MH Demand Factor	2.10	3.04	2.96	2.54
Max Hour Demand (Avg. Day X MH Demand Factor)	4.20	4.26	2.07	3.05

System Average Day (mgd)	6
System Maximum Day (mgd)	9
System Maximum Hour (mgd)	12

Noncoincident MH Capacity Factor	13.58	/	6	=	2.26
Coincident MH Capacity Factor	12	/	6	=	2.00
System MH Diversity	2.26	/	2.00	=	1.13

Newport Water Cost of Service Model
Index of Model Schedules

Docket No. 4128-Settlement Agreement-Exhibit B

Summary Schedules

Joint Schedule A-1	Revenue Requirements
Joint Schedule A-2	Cost of Service Rates and Charges
Joint Schedule A-3	Bill Impacts
Joint Schedule A-4	Revenue Proof

Core Model Schedules

Joint Schedule B-1	Base Extra Capacity Cost Allocations
Joint Schedule B-2	Allocation of Costs to Water Rate Classes
Joint Schedule B-3	Cost Allocation Bases
Joint Schedule B-4	Allocation Analyses
Joint Schedule B-5	Capital Functionalization
Joint Schedule B-6	Water Demand History
Joint Schedule B-7	Water Production Peaking Analysis
Joint Schedule B-8	Billed Demand Peaking Analysis: Determination of Customer Class Peaking Factors
Joint Schedule B-9	System Demands Imposed by Each Customer Class' Peaking Behavior
Joint Schedule B-10	Summary of Peak Load Distributions (by Rate Class and Base Extra-Capacity Categories)
Joint Schedule B-11	Fire Protection Demand Analysis

Supporting Data

Joint Schedule D-1	Water Accounts, by Size and Class
Joint Schedule D-2	Fire Protection Accounts
Joint Schedule D-3	Production Summary
Joint Schedule D-4	Demand Summary
Joint Schedule D-5	Development of Pumping Costs

O&M COSTS

Administration

	Rate Year Approved in Docket 4025
Salaries & Wages	\$ 265,000
AFSCME retro	-
NEA retro	-
AFSCME benefits on retro pay	-
NEA benefits on retro pay	-
Standby Salaries	12,500
Accrued Benefits Buyout	175,000
Employee Benefits	96,500
Retiree Insurance Coverage	347,200
Workers Compensation	114,000
Annual Leave Buyback	2,400
Advertisement	9,000
Membership Dues & Subscriptions	2,500
Conferences & Training	2,500
Tuition Reimbursement	2,000
Consultant Fees	201,500
Postage	1,000
Fire & Liability Insurance	86,000
Telephone & Communication	8,300
Water	1,050
Electricity	8,000
Natural Gas	8,000
Property Taxes	229,000
Legal & Administrative	
Audit Fees	5,245
OPEB Contribution	-
City Counsel	4,408
Citizens Survey	-
City Clerk	3,197
City Manager	55,212
Human Resources	30,521
City Solicitor	19,093
Finance Adimistrative 80%	19,753
Finance Adimistrative 5%	6,918
Purchasing	16,763
Assessment	5,673
Collections	47,865
Accounting 5%	9,749
Accounting	64,897
Public Safety	-
Facilities Maintenance	12,106
Data Processing	137,000
Mileage Allowance	2,000
Gasoline & Vehicle Allowance	8,481
Repairs & Maintenance	1,200
Regulatory Expense	10,000
Regulatory Assessment	46,770
Office Supplies	30,000
Self Insurance	10,000
Unemployment Claims	12,000
Subtotal:	\$ 2,130,301

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule A-1
 Revenue Requirements

Docket No. 4128-Settlement Agreement-Exhibit B

Customer Service

	Rate Year Approved in Docket 4025
Salaries & Wages	\$ 326,100
Overtime	21,218
Collections	-
Temp Salaries	22,800
Injury Pay	-
Employee Benefits	175,200
Annual Leave Buyback	4,950
Copying & binding	1,000
Conferences & Training	5,000
Support Services	21,000
Postage	34,300
Gasoline & Vehicle Allowance	27,852
Repairs & Maintenance	41,500
Meter Maintenance	11,000
Operating Supplies	9,000
Uniforms & protective Gear	1,000
Customer Service Supplies	15,000
Subtotal:	\$ 716,920

Source of Supply - Island

Salaries & Wages	\$ 216,900
Overtime	28,200
Temp Salaries	10,000
Injury Pay	-
Employee Benefits	111,296
Annual Leave Buyback	6,300
Electricity	34,100
Gas/Vehicle Maintenance	48,300
Repairs & Maintenance	8,300
Reservoir Maintenance	25,000
Operating Supplies	3,750
Uniforms & protective Gear	750
Chemicals	54,000
Subtotal:	\$ 546,896

Source of Supply - Mainland

Overtime	\$ 4,500
Temp Salaries	15,300
Permanent Part time	13,000
Employee Benefits	2,600
Electricity	92,600
Repairs & Maintenance	8,800
Reservoir Maintenance	6,000
Operating Supplies	500
Subtotal:	\$ 143,300

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule A-1
 Revenue Requirements

Docket No. 4128-Settlement Agreement-Exhibit B

Station One

	Rate Year Approved in Docket 4025
Salaries & Wages	\$436,670
Overtime	58,100
Holiday Pay	19,100
Employee Benefits	237,000
Annual Leave Buyback	4,950
Conferences & Training	5,500
Fire & Liability Insurance	12,700
Electricity	\$240,307
Natural Gas	23,300
Rental of Equipment	1,000
Sewer Charge	184,000
Gas/Vehicle Maintenance	8,100
Repairs & Maintenance	35,000
Operating Supplies	\$27,500
Uniforms & protective Gear	1,350
Station One Pumping	\$12,323
Chemicals	399,000
Subtotal:	\$ 1,705,900

Lawton Valley

Salaries & Wages	\$498,755
Overtime	42,400
Holiday Pay	20,000
Employee Benefits	\$275,207
Annual Leave Buyback	3,850
Conferences & Training	3,500
Fire & Liability Insurance	13,600
Electricity	\$158,888
Natural Gas	28,900
Rental of Equipment	500
Sewer Charge	242,000
Gas/Vehicle Maintenance	8,400
Repairs & Maintenance	\$35,366
Operating Supplies	\$21,694
Uniforms & protective Gear	1,000
LV Pumping	\$31,689
Chemicals	216,000
Subtotal:	\$ 1,601,750

Laboratory

Salaries & Wages	\$ 127,700
Employee Benefits	62,400
Annual Leave Buyback	2,750
Repairs & Maintenance	1,000
Regulatory Assessment	36,500
Laboratory Supplies	18,500
Subtotal:	\$ 248,850

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule A-1
 Revenue Requirements

Docket No. 4128-Settlement Agreement-Exhibit B

Transmission & Distribution

	Rate Year Approved in Docket 4025
Salaries & Wages	\$ 416,200
Overtime	52,000
Temp Salaries	10,000
Injury Pay	-
Employee Benefits	224,996
Annual Leave Buyback	5,900
Conferences & Training	4,000
Contract Services	12,500
Fire & Liability Insurance	2,400
Electricity	19,600
Heavy Equipment Rental	8,900
Gas/Vehicle Maintenance	99,400
Repairs & Maintenance	32,000
Main Maintenance	84,800
Hydrant Maintenance	-
Service Maintenance	33,500
Operating Supplies	11,000
Uniforms & protective Gear	1,500
Subtotal:	\$ 1,018,696

Fire Protection

Repair & Maintenance - Equipment	\$ 14,500
Subtotal:	\$ 14,500

Total O&M Costs \$ 8,127,113

CAPITAL COSTS

Contribution to Capital Spending Acct.

Rate Year Approved in Docket 4025
\$ 1,146,918
\$ 910,552
\$ 413,954
\$ -
\$ 686,317
2,010,823
-
\$ 3,157,741

Total Capital Costs

Contribution to Repayment to City Account

Operating Revenue Allowance	\$ 243,813
Total Costs before Offsets	\$ 11,528,667

OFFSETS

Nonrate Revenues

Sundry charges	\$ 140,016
WPC cost share on customer service	269,842
Middletown cost share on customer service	134,819
Rental of Property	81,000
Water Penalty	42,320
Miscellaneous	7,515
Investment Interest Income	39,191
Water Quality Protection Fees	25,676
Total Nonrate Revenues	\$ 740,378

Net Costs to Be Recovered through Rates

\$ 10,788,289

Rate Year costs are those approved in Docket No. 4025.

Docket No. 4128-Settlement Agreement-Exhibit B

Newport Water
 Cost Of Service Analysis
 Joint Schedule A-2
 Cost of Service Rates and Charges

(1)						
	Docket 4025 Rates	Cost of Service	Proposed Rates	% Change	Projected Revenues	
Base Charge (per bill)						
Monthly						
5/8	\$ 15.31	\$ 7,0486	\$ 7.05	-54%	\$ 8,627	
3/4	15.31	7,2300	7.23	-53%	5,032	
1	15.31	8,0916	8.09	-47%	17,187	
1.5	15.31	9,8396	9.84	-36%	18,656	
2	15.31	12,3960	12.40	-19%	31,982	
3	15.31	28,9013	28.90	89%	24,624	
4	15.31	34,3431	34.34	124%	5,358	
5	15.31	41,5989	41.60	172%	998	
6	15.31	47,0407	47.04	207%	11,290	
8	15.31	61,5523	61.55	302%	739	
10	15.31	87,8545	87.85	474%	1,054	
Quarterly						
5/8	\$ 15.31	\$ 11,4147	\$ 11.41	-23%	491,973	
3/4	15.31	11,9589	11.96	-22%	115,618	
1	15.31	14,5437	14.54	-5%	22,688	
1.5	15.31	19,7878	19.79	29%	13,693	
2	15.31	27,4569	27.46	79%	10,873	
3	15.31	76,9728	76.97	403%	9,237	
4	15.31	93,2984	93.30	509%	1,493	
5	15.31	115,0657	115.07	652%	0	
6	15.31	131,3912	131.39	758%	526	
8	15.31	174,9259	174.93	1043%	700	
10	15.31	253,8325	253.83	1558%	0	
					\$ 792,346	
Volume Charge (per 1,000 gallons)						
Retail						
Residential	\$ 5.25	\$ 5,5975	\$ 5.60	7%	4,217,217	
Commercial	\$ 5.25	\$ 5,5975	\$ 5.60	7%	2,725,871	
					\$ 6,943,088	
Wholesale						
Navy	\$ 3,2280	\$ 3,8283	\$ 3,8283	19%	1,065,371	
Portsmouth Water & Fire District	\$ 2,573	\$ 2,9503	\$ 2,9503	15%	1,332,465	
					\$ 2,397,836	
Fire Protection						
Public (per hydrant)	\$ 869.00	\$ 462.54	\$ 462.54	-47%	\$ 462,076	
Private (by Connection Size) (2)						
	Connection Size	Existing Charge Differential				
<2		\$ 17.05	\$ 13.16	\$ 13.16	-23%	
2	6.19	\$ 72.00	\$ 55.58	\$ 55.58	-23%	56
4	38.32	\$ 442.00	\$ 199.17	\$ 199.17	-55%	11,353
6	111.31	\$ 884.00	\$ 475.98	\$ 475.98	-46%	117,090
8	237.21	\$ 2,023.00	\$ 953.41	\$ 953.41	-53%	59,111
10	426.58	\$ 3,340.00	\$ 1,671.56	\$ 1,671.56	-50%	-
12	689.04	\$ 5,362.00	\$ 2,666.90	\$ 2,666.90	-50%	5,334
						\$ 192,943
					Total Projected Rate Revenues	\$ 10,788,289

- (1) From Joint Schedule B-2, 'Allocation of Costs to Water Rate Classes'.
 (2) From Joint Schedule D-2, 'Fire Protection Accounts'.

Customer Class		Proposed				Proposed				Proposed				Proposed					
Monthly Consumption (gallons)	All Meter Bill at Current Rates	Bill at 5/8 Inch Meter	Bill at 3/4 Inch Meter	Bill at Proposed Rates	Dollar Change	Percent Change	Bill at Proposed Rates	Dollar Change	Percent Change	Bill at Proposed Rates	Dollar Change	Percent Change	Bill at Proposed Rates	Dollar Change	Percent Change	Bill at 3 Inch Meter			
Residential (Monthly)																			
1,000	\$20.56	\$12.65	\$12.83	\$7.73	-38.5%	-29.3%	\$13.69	-\$6.87	-33.4%	\$15.44	-\$5.12	-24.9%	\$17.99	-\$2.57	-12.5%	\$34.50	\$13.94	67.8%	
2,000	\$25.81	\$18.24	\$7.57	-\$7.39	-28.6%	-25.3%	\$19.29	-\$6.52	-25.3%	\$21.03	-\$4.78	-18.5%	\$23.59	-\$2.22	-8.6%	\$40.10	\$14.29	55.4%	
4,000	\$29.44	-\$8.97	-18.9%	-\$7.39	-28.6%	-25.3%	\$30.48	-\$5.83	-16.1%	\$32.23	-\$4.08	-11.2%	\$34.79	-\$1.52	-4.2%	\$51.29	\$14.98	41.3%	
5,000	\$41.16	\$35.04	-\$6.52	-15.7%	\$35.22	-\$6.34	\$36.08	-\$5.48	-13.2%	\$37.83	-\$3.73	-9.0%	\$34.79	-\$1.18	-2.8%	\$56.89	\$15.33	36.9%	
Avg. Monthly Bill																			
7,500	\$54.69	\$49.03	-\$5.66	-10.3%	\$49.21	-\$5.47	-10.3%	\$50.07	-\$4.61	-8.4%	\$51.82	-\$2.86	-9.2%	\$54.38	-\$0.31	-0.6%	\$70.88	\$16.20	29.6%
10,000	\$67.81	\$63.02	-\$4.79	-7.1%	\$63.20	-\$4.61	-6.8%	\$64.07	-\$3.74	-5.5%	\$65.81	-\$2.00	-2.9%	\$68.37	\$0.56	0.8%	\$84.38	\$17.07	25.2%
Residential(Quarterly)																			
15,000	\$94.06	\$91.01	-\$3.05	-3.2%	\$91.19	-\$2.87	-3.0%	\$92.05	-\$2.01	-2.1%	\$93.80	-\$0.26	-0.3%	\$96.36	-\$1.28	-1.2%	\$112.86	\$18.80	20.0%
20,000	\$120.31	\$119.00	-\$1.31	-1.1%	\$119.18	-\$1.13	-1.1%	\$120.04	-\$0.27	-0.2%	\$121.79	-\$1.48	-1.2%	\$124.35	-\$4.04	-3.4%	\$140.85	\$30.54	17.1%
25,000	\$146.56	\$146.99	\$0.43	0.3%	\$147.17	\$0.61	0.6%	\$148.03	\$1.47	1.0%	\$149.78	\$3.22	2.2%	\$152.33	\$7.77	3.9%	\$168.84	\$22.28	15.2%
30,000	\$174.97	\$174.81	\$2.16	1.3%	\$175.15	\$2.34	1.4%	\$176.02	\$3.21	1.9%	\$177.76	\$4.95	2.9%	\$180.32	\$7.51	4.3%	\$196.83	\$24.02	13.9%
Residential(Annual)																			
4,000	\$365.31	\$333.80	-\$32.51	-6.9%	\$34.35	-\$1.96	-5.6%	\$36.93	\$0.62	1.7%	\$42.18	\$5.87	16.2%	\$49.85	\$13.54	37.3%	\$99.36	\$63.05	173.7%
8,000	\$57.31	\$56.19	-\$1.12	-1.9%	\$56.74	-\$0.57	-1.0%	\$59.32	\$2.01	3.5%	\$64.57	\$7.26	12.7%	\$72.24	\$14.93	26.0%	\$121.75	\$64.44	112.4%
15,000	\$94.06	\$95.38	\$1.32	1.4%	\$95.92	\$1.86	2.0%	\$98.49	\$4.45	4.7%	\$102.49	\$9.69	10.3%	\$111.42	\$17.36	18.5%	\$160.93	\$66.87	71.1%
20,000	\$120.31	\$123.36	\$3.05	2.5%	\$123.91	\$3.60	3.0%	\$126.49	\$6.18	5.1%	\$131.74	\$11.43	9.5%	\$139.41	\$19.10	15.9%	\$188.92	\$68.61	57.0%
30,000	\$172.81	\$173.34	\$6.53	3.8%	\$179.88	\$7.07	4.1%	\$182.47	\$9.66	5.6%	\$187.71	\$14.90	8.6%	\$195.38	\$22.57	13.1%	\$244.90	\$72.09	41.7%
40,000	\$225.31	\$235.31	\$10.00	4.4%	\$235.86	\$10.55	4.7%	\$238.44	\$13.13	5.8%	\$243.69	\$18.38	8.2%	\$251.36	\$26.05	11.6%	\$300.88	\$75.56	33.5%
Commercial (Monthly)																			
60,000	\$330.31	\$347.26	\$16.95	5.1%	\$347.81	\$17.50	5.3%	\$350.39	\$20.08	6.1%	\$355.64	\$25.33	7.7%	\$363.30	\$32.51	8.2%	\$412.82	\$82.51	25.0%
80,000	\$459.21	\$23.90	5.5%	5.5%	\$459.76	\$24.45	5.6%	\$462.34	\$27.03	6.2%	\$467.58	\$32.27	7.4%	\$475.25	\$39.94	9.2%	\$524.77	\$89.46	20.6%
100,000	\$540.31	\$71.16	\$20.85	5.7%	\$571.70	\$31.39	5.8%	\$574.29	\$33.98	6.3%	\$579.53	\$39.22	7.3%	\$587.20	\$46.89	8.7%	\$636.72	\$96.41	17.8%
120,000	\$683.51	\$77.80	\$27.81	5.9%	\$683.65	\$38.34	5.9%	\$686.24	\$40.93	6.3%	\$691.48	\$46.17	7.2%	\$699.15	\$53.84	8.3%	\$748.67	\$103.36	16.0%
Commercial(Quarterly)																			
2,000	\$25.81	\$18.24	-\$7.57	-29.3%	\$18.42	-\$7.39	-28.6%	\$19.29	-\$6.52	-25.3%	\$21.03	-\$4.78	-18.5%	\$23.59	-\$2.22	-8.6%	\$40.10	\$14.29	55.4%
5,000	\$35.04	\$34.56	-\$6.52	-15.7%	\$35.22	-\$6.34	-15.3%	\$36.08	-\$5.48	-13.2%	\$37.83	-\$3.73	-9.0%	\$40.38	-\$1.18	-2.8%	\$56.89	\$15.33	36.9%
Avg. Quarterly Bill																			
15,000	\$94.06	\$91.01	-\$3.05	-3.2%	\$91.19	-\$2.87	-3.0%	\$92.05	-\$2.01	-2.1%	\$93.80	-\$0.26	-0.3%	\$96.36	-\$1.18	-2.4%	\$112.86	\$30.54	17.1%
20,000	\$120.31	\$119.00	-\$1.31	-1.1%	\$119.18	-\$1.13	-1.1%	\$120.04	-\$0.27	-0.2%	\$121.79	-\$1.48	-1.2%	\$124.35	\$4.04	3.4%	\$140.85	\$32.15	13.9%
30,000	\$172.81	\$174.97	\$2.16	1.3%	\$175.15	\$2.34	1.4%	\$176.02	\$3.21	1.9%	\$177.76	\$4.95	2.9%	\$180.32	\$7.51	4.3%	\$196.83	\$32.42	13.9%
40,000	\$230.51	\$225.31	\$5.64	3.8%	\$231.13	\$5.82	2.8%	\$231.99	\$6.68	3.0%	\$233.74	\$8.43	3.7%	\$236.29	\$10.98	4.9%	\$252.80	\$27.49	12.2%
50,000	\$277.81	\$286.92	\$9.11	3.3%	\$287.10	\$9.29	3.3%	\$287.96	\$10.15	3.7%	\$289.71	\$11.90	4.3%	\$292.27	\$14.74	5.2%	\$348.71	\$39.65	9.7%
75,000	\$426.86	\$17.80	4.4%	4.4%	\$427.04	\$17.98	4.4%	\$427.90	\$18.84	4.6%	\$429.65	\$20.59	5.0%	\$432.21	\$23.15	5.7%	\$484.71	\$39.65	9.7%
100,000	\$540.31	\$566.79	\$26.48	4.9%	\$566.98	\$26.67	4.9%	\$567.84	\$27.53	5.1%	\$569.59	\$29.28	5.4%	\$572.14	\$31.81	5.9%	\$638.65	\$48.34	8.9%
Customer Class																			
Commercial (Monthly)																			
180,000	\$1,238.72	\$1,092.13	-\$36.59	-3.2%	\$1,094.30	-\$34.42	-3.0%	\$1,104.64	-\$24.08	-2.1%	\$1,125.62	-\$3.10	-0.3%	\$1,156.29	-\$27.57	-2.4%	\$1,354.36	\$225.64	20.0%
2,012.72	\$884.00	\$475.98	-\$408.02	-46.2%	\$475.98	-\$408.02	-46.2%	\$475.98	-\$408.02	-46.2%	\$475.98	-\$408.02	-46.2%	\$475.98	-\$408.02	-46.2%	\$475.98	\$475.98	20.0%
Total Annual Charges																			
Fire Protection Charge																			
\$444.62	\$1,568.10	\$444.62	-\$22.1%	\$1,570.28	-\$442.44	-\$22.0%	\$1,580.62	-\$432.10	-\$21.5%	\$1,601.59	-\$411.13	-\$20.4%	\$1,632.27	-\$380.45	-\$18.9%	\$1,830.33	#\$1,830.33	#\$1,830.33	-\$9.1%

Customer Class	Monthly Consumption (gallons)	Proposed		
		Bill at Current Rates	Bill at Proposed Rates	Dollar Change
Portsmouth (Monthly)				
	10,000,000	\$25,745	\$29,537	\$3,792 14.7%
	20,000,000	\$51,475	\$59,040	\$7,565 14.7%
	38,000,000	\$97,789	\$112,145	\$14,356 14.7%
	40,000,000	\$102,925	\$118,046	\$15,110 14.7%
	75,000,000	\$192,990	\$221,305	\$28,315 14.7%
	100,000,000	\$257,315	\$295,062	\$37,747 14.7%
	150,000,000	\$385,965	\$442,576	\$56,611 14.7%
Navy (Monthly)				
Avg. Monthly Bill (All Meters)				
	10,000,000	\$32,295	\$38,754	\$6,459 20.0%
	20,000,000	\$64,575	\$77,037	\$12,462 19.3%
	38,000,000	\$122,664	\$145,946	\$23,282 19.0%
	50,000,000	\$161,415	\$191,886	\$30,471 18.9%
	75,000,000	\$242,115	\$287,593	\$45,478 18.8%
	100,000,000	\$322,815	\$383,300	\$60,485 18.7%

Docket No. 4128-Settlement Agreement-Exhibit B
 Newport Water Division
 Cost Of Service Analysis
 Joint Schedule A-4
 Revenue Proof

	Rate Year Revenue	
	Existing Rates	Proposed Rates
REVENUES		
Water Rates		
Base Charge (Billing Charge)	\$ 1,000,907	\$ 792,346
Volume Charge		
Residential	3,955,435	4,217,217
Commercial	2,556,663	2,725,871
Navy	898,317	1,065,371
Portsmouth Water & Fire District	1,162,070	1,332,465
Fire Protection		
Public	868,131	462,076
Private	378,880	192,943
Total Rate Revenues	<u>\$ 10,820,402</u>	<u>\$ 10,788,289</u>
Other Operating Revenues		
Sundry charges	\$ 140,016	140,016
WPC cost share on customer service	\$ 269,842	269,842
Middletown cost share on customer service	\$ 134,819	134,819
Rental of Property	\$ 81,000	81,000
Total Other Operating Revenues	<u>\$ 625,676</u>	<u>625,676</u>
Total Operating Revenues	\$ 11,446,078	\$ 11,413,965
Add: Non-Operating Revenues		
Water Penalty	42,320	42,320
Miscellaneous	7,515	7,515
Investment Interest Income	39,191	39,191
Water Quality Protection Fees	25,676	25,676
Total Non Operating Revenues	\$ 114,702	\$ 114,702
Total Revenues	\$ 11,560,780	\$ 11,528,667
COSTS		
Departmental O&M	\$ (8,127,113)	(8,127,113)
Capital Costs		
Contribution to Capital Spending Acct.	(1,146,918)	(1,146,918)
Existing Debt Service	(1,324,506)	(1,324,506)
New Debt Service	(686,317)	(686,317)
Total Capital Costs	\$ (3,157,741)	(3,157,741)
Operating Revenue Allowance	(243,813)	(243,813)
Total Costs	\$ (11,528,667)	\$ (11,528,667)
Revenue Surplus (Deficit)	\$ 32,113	\$ -

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-1
 Base Extra Capacity Cost Allocations

Docket No. 4128-Settlement Agreement-Exhibit B

<u>Operation & Maintenance Costs</u>	
<u>Administration</u>	
Salaries, Wages, & Benefits	
Salaries & Wages	
AFSCME retro	
NEA retro	
AFSCME benefits on retro pay	
NEA benefits on retro pay	
Standby Salaries	
Accrued Benefits Buyout	
Employee Benefits	
Retiree Insurance Coverage	
Workers Compensation	
Annual Leave Buyback	
Subtotal	

<u>Docket 4025 Rate Year</u>	<u>Allocation Notes</u>	<u>Base</u>	<u>Max Day</u>	<u>Max Hour</u>	<u>Metering</u>	<u>Billing</u>	<u>Services</u>	<u>Fire</u>	<u>Total % Allocated</u>
\$ 265,000	Non-Administrative O&M costs	62%	20%	4%	7%	6%	0%	0%	100%
\$ -	Non-Administrative O&M costs	62%	20%	4%	7%	6%	0%	0%	100%
\$ -	Non-Administrative O&M costs	62%	20%	4%	7%	6%	0%	0%	100%
\$ -	Non-Administrative O&M costs	62%	20%	4%	7%	6%	0%	0%	100%
\$ -	Non-Administrative O&M costs	62%	20%	4%	7%	6%	0%	0%	100%
\$ 12,500	Non-Administrative O&M costs	62%	20%	4%	7%	6%	0%	0%	100%
\$ 175,000	O&M Labor	57%	23%	4%	7%	6%	0%	0%	100%
\$ 96,500	Non-Administrative O&M costs	62%	20%	4%	7%	6%	0%	0%	100%
\$ 347,200	O&M Labor	57%	23%	4%	9%	7%	0%	0%	100%
\$ 114,000	O&M Labor	57%	23%	4%	9%	7%	0%	0%	100%
\$ 2,400	Non-Administrative O&M costs	62%	20%	4%	7%	6%	0%	0%	100%
\$ 1,012,600									

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-1
 Base Extra Capacity Cost Allocations

Docket No. 4128-Settlement Agreement-Exhibit B

Docket 4025 Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
Customer Service									
Salaries & Wages	375,068	0%	0%	0%	56%	44%	0%	0%	100%
Benefits	17,200	0%	0%	0%	56%	44%	0%	0%	100%
Copying & binding	1,000								
Conferences & Training	5,000	100% billing (based on budget analysis)							
Support Services	21,000	100% billing (software support & printing/mailing)							
Postage	34,300	100% billing (based on budget analysis)							
Gasoline & Vehicle Allowance	27,852	Joint Schedule B-4, 'Allocation Analyses,							
Repairs & Maintenance	41,500	100% metering (meter repairs)							
Meter Maintenance	11,000	100% metering (based on budget analysis)							
Operating Supplies	9,000	100% metering (based on budget analysis)							
Uniforms & protective Gear	1,000	100% metering (based on budget analysis)							
Customer Service Supplies	15,000	100% billing (based on budget analysis)							
Subtotal	716,320								
Source of Supply - Island									
Salaries & Wages	\$ 216,900	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Overtime	\$ 28,200	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Temp Salaries	\$ 10,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Injury Pay	\$ 111,296	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Employee Benefits	\$ 6,300	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Annual Leave Buyback	\$ 34,100	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Electricity	\$ 48,300	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Gas/Vehicle Maintenance	\$ 8,300	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$ 25,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Reservoir Maintenance	\$ 3,750	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Operating Supplies	\$ 750	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Uniforms & protective Gear	\$ 50,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Subtotal	\$ 546,896								
Source of Supply - Mainland									
Overtime	\$ 4,500	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Temp Salaries	\$ 15,300	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Permanent Part time	\$ 13,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Employee Benefits	\$ 2,600	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Electricity	\$ 92,600	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$ 8,800	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Reservoir Maintenance	\$ 6,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Operating Supplies	\$ 500	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Subtotal	\$ 145,300								

Docket 4025 Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
Customer Service									
Salaries & Wages	375,068	0%	0%	0%	56%	44%	0%	0%	100%
Benefits	17,200	0%	0%	0%	56%	44%	0%	0%	100%
Copying & binding	1,000								
Conferences & Training	5,000	100% billing (based on budget analysis)							
Support Services	21,000	100% billing (software support & printing/mailing)							
Postage	34,300	100% billing (based on budget analysis)							
Gasoline & Vehicle Allowance	27,852	Joint Schedule B-4, 'Allocation Analyses,							
Repairs & Maintenance	41,500	100% metering (meter repairs)							
Meter Maintenance	11,000	100% metering (based on budget analysis)							
Operating Supplies	9,000	100% metering (based on budget analysis)							
Uniforms & protective Gear	1,000	100% metering (based on budget analysis)							
Customer Service Supplies	15,000	100% billing (based on budget analysis)							
Subtotal	716,320								
Source of Supply - Island									
Salaries & Wages	\$ 216,900	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Overtime	\$ 28,200	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Temp Salaries	\$ 10,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Injury Pay	\$ 111,296	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Employee Benefits	\$ 6,300	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Annual Leave Buyback	\$ 34,100	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Electricity	\$ 48,300	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Gas/Vehicle Maintenance	\$ 8,300	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$ 25,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Reservoir Maintenance	\$ 3,750	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Operating Supplies	\$ 750	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Uniforms & protective Gear	\$ 50,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Subtotal	\$ 546,896								
Source of Supply - Mainland									
Overtime	\$ 4,500	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Temp Salaries	\$ 15,300	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Permanent Part time	\$ 13,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Employee Benefits	\$ 2,600	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Electricity	\$ 92,600	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$ 8,800	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Reservoir Maintenance	\$ 6,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Operating Supplies	\$ 500	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	100%
Subtotal	\$ 145,300								

Newport Water Division
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 Joint Schedule B-1
 Base Extra Capacity Cost Allocations

Docket No. 4128-Settlement Agreement-Exhibit B

Docket 4125 Rate Year		Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
\$ 436,670	Salaries & Wages	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 58,100	Overtime	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 19,100	Holiday Pay	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 237,000	Employee Benefits	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 4,950	Annual Leave Buyback	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 5,500	Conferences & Training	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 12,700	Fire & Liability Insurance	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 240,307	Electricity	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
\$ 23,300	Natural Gas	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 1,000	Rental of Equipment	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 18,000	Sewer Charge	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
\$ 8,100	Gas/Vehicle Maintenance	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 35,000	Repairs & Maintenance	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 27,500	Operating Supplies	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 1,350	Uniforms & protective Gear	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$ 12,323	Station One Pumping	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
\$ 399,000	Station One Chemicals	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
\$ 1,705,900	Subtotal									

Docket 4125 Rate Year		Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
\$ 498,755	Station One (Excludes pumping and chemicals)	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$412,400	Salaries & Wages	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$20,000	Overtime	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$275,207	Holiday Pay	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$3,850	Employee Benefits	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$3,500	Annual Leave Buyback	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$13,600	Conferences & Training	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$158,888	Fire & Liability Insurance	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
\$28,900	Electricity	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$500	Natural Gas	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$242,000	Rental of Equipment	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
\$8,400	Sewer Charge	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$35,366	Gas/Vehicle Maintenance	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$21,694	Repairs & Maintenance	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$1,000	Operating Supplies	Maximum Day Demand Patterns	62%	38%	0%	0%	0%	0%	0%	100%
\$31,689	Uniforms & protective Gear	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
\$216,000	Lawton Valley Pumping	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
1,601,750	Lawton Valley Chemicals	Subtotal								

Newport Water Division
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 Joint Schedule B-1
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Docket 4025 Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
Laboratory									
Salaries & Wages	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Employee Benefits	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Annual Leave Buyback	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Regulatory Assessment	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Laboratory Supplies	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Subtotal	\$ 248,850								
Transmission and Distribution									
Salaries & Wages	416,200	48%	30%	22%	0%	0%	0%	0%	100%
Overtime	52,000	48%	30%	22%	0%	0%	0%	0%	100%
Temp Salaries	10,000	48%	30%	22%	0%	0%	0%	0%	100%
Injury Pay	-	48%	30%	22%	0%	0%	0%	0%	100%
Employee Benefits	224,996	48%	30%	22%	0%	0%	0%	0%	100%
Annual Leave Buyback	5,900	48%	30%	22%	0%	0%	0%	0%	100%
Conferences & Training	4,000	48%	30%	22%	0%	0%	0%	0%	100%
Contract Services	12,500	48%	30%	22%	0%	0%	0%	0%	100%
Fire & Liability Insurance	2,400	48%	30%	22%	0%	0%	0%	0%	100%
Electricity	19,600	48%	30%	22%	0%	0%	0%	0%	100%
Heavy Equipment Rental	8,900	48%	30%	22%	0%	0%	0%	0%	100%
Gas/Vehicle Maintenance	99,400	48%	30%	22%	0%	0%	0%	0%	100%
Repairs & Maintenance	32,000	48%	30%	22%	0%	0%	0%	0%	100%
Main Maintenance	84,800	48%	30%	22%	0%	0%	0%	0%	100%
Hydrant Maintenance	100% Fire	0%	0%	0%	0%	0%	0%	0%	100%
Service Maintenance	33,500	0%	0%	0%	0%	0%	0%	0%	100%
Operating Supplies	11,000	48%	30%	22%	0%	0%	0%	0%	100%
Uniforms & protective Gear	1,500	48%	30%	22%	0%	0%	0%	0%	100%
Subtotal	\$ 1,018,696								
Fire Protection	14,500	100% Fire	0%	0%	0%	0%	0%	0%	100%
Total O&M Costs	8,127,113								

Docket 4025 Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
Laboratory									
Salaries & Wages	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Employee Benefits	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Annual Leave Buyback	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Regulatory Assessment	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Laboratory Supplies	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Subtotal	\$ 248,850								
Transmission and Distribution									
Salaries & Wages	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Overtime	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Temp Salaries	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Injury Pay	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Employee Benefits	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Annual Leave Buyback	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Conferences & Training	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Contract Services	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Fire & Liability Insurance	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Electricity	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Heavy Equipment Rental	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Gas/Vehicle Maintenance	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Repairs & Maintenance	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Main Maintenance	Maximum Hour Demand Patterns	48%	30%	22%	0%	0%	0%	0%	100%
Hydrant Maintenance	100% Fire	0%	0%	0%	0%	0%	0%	0%	100%
Service Maintenance	33,500	0%	0%	0%	0%	0%	0%	0%	100%
Operating Supplies	11,000	48%	30%	22%	0%	0%	0%	0%	100%
Uniforms & protective Gear	1,500	48%	30%	22%	0%	0%	0%	0%	100%
Subtotal	\$ 1,018,696								
Fire Protection	14,500	100% Fire	0%	0%	0%	0%	0%	0%	100%
Total O&M Costs	8,127,113								

Joint Schedule B-1 Base Extra Capacity Cost Allocations

<u>CAPITAL COSTS</u>			
Water Supply	731,711		
Treatment Station 1	994,352		
Treatment Lawton Valley	236,326		
Treatment Both Plants	120,392		
T&D Pumping			
T&D	888,921		
Fire	22,550		
Meters	65,726		
Services	65,726		
Billing	32,037		
Total Capital Costs		3,157,741	
Revenue Allowance		243,813	
Total Costs before Offsets		11,528,667	

Net Costs To Recover Through Rates

<u>Operation & Maintenance Costs</u>	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
Administration								
Salaries, Wages, & Benefits	164,207	51,716	11,569	19,854	16,911	-	744	265,000
Salaries & Wages	-	-	-	-	-	-	-	-
AFSCME retro	-	-	-	-	-	-	-	-
NEA retro	-	-	-	-	-	-	-	-
AFSCME benefits on retro pay	-	-	-	-	-	-	-	-
NEA benefits on retro pay	-	-	-	-	-	-	-	-
Standby Salaries	7,746	2,439	546	936	798	-	35	12,500
Accrued Benefits Buyout	98,384	40,800	7,840	15,345	12,079	-	52	175,000
Employee Benefits	59,796	18,832	4,213	7,230	6,158	-	271	96,500
Retiree Insurance Coverage	196,185	80,948	15,555	30,444	23,964	-	103	347,200
Workers Compensation	64,416	26,578	5,107	9,996	7,868	-	34	114,000
Annual Leave Buyback	1,487	468	105	180	153	-	7	2,400
Subtotal	592,720	221,783	44,936	83,985	67,931	-	1,245	1,012,600

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	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
All Other Administrative Costs								
Advertisement	5,541	1,745	390	670	571	\$8	25	9,000
Membership Dues & Subscriptions	1,539	485	108	186	159	16	7	2,500
Conferences & Training	1,539	485	108	186	159	16	7	2,500
Tuition Reimbursement	1,231	388	87	149	127	13	6	2,000
Consultant Fees	124,055	39,070	8,740	14,999	12,776	1,298	562	201,500
Postage	616	194	43	74	63	6	3	1,000
Fire & Liability Insurance	52,947	16,675	3,730	6,402	5,453	554	240	86,000
Telephone & Communication	5,110	1,609	360	618	526	53	23	8,300
Water	646	204	46	78	67	7	3	1,050
Electricity	4,925	1,551	347	595	507	52	22	8,000
Natural Gas	4,925	1,551	347	595	507	52	22	8,000
Property Taxes	140,986	44,403	9,933	17,046	14,519	1,475	638	229,000
Legal & Administrative								
Audit Fees	3,479	1,001	235	253	202	55	21	5,245
OPEB Contribution	-	-	-	-	-	-	-	-
City Counsel	2,924	841	197	212	170	47	17	4,408
Citizens Survey	-	-	-	-	-	-	-	-
City Clerk	2,120	610	143	154	123	34	13	3,197
City Manager	36,619	10,537	2,470	2,661	2,125	583	218	55,212
Human Resources	17,246	7,116	1,367	2,676	2,107	-	9	30,521
City Solicitor	12,663	3,644	854	920	735	202	75	19,993
Finance Administrative 80%	13,101	3,770	884	952	760	209	78	19,753
Finance Administrative 5%	4,588	1,320	309	333	266	73	27	6,918
Purchasing	11,118	3,199	750	808	645	177	66	16,763
Assessment	3,578	1,410	350	118	58	118	41	5,673
Collections	-	-	-	-	47,865	-	-	47,865
Accounting 5%	6,466	1,860	436	470	375	103	38	9,749
Accounting	36,670	15,130	2,908	5,690	4,479	-	19	64,897
Public Safety	-	-	-	-	-	-	-	-
Facilities Maintenance	8,029	2,310	542	583	466	128	48	12,106
Data Processing	84,345	26,564	5,942	10,198	8,686	882	382	137,000
Mileage Allowance	1,231	388	87	149	127	13	6	2,000
Gasoline & Vehicle Allowance	5,221	1,644	368	631	538	55	24	3,481
Repairs & Maintenance	739	233	52	89	76	8	3	1,200
Regulatory Expense	6,157	1,939	434	744	634	64	28	10,000
Regulatory Assessment	28,794	9,069	2,029	3,481	2,965	301	130	46,770
Office Supplies	18,470	5,817	1,301	2,233	1,902	193	84	30,000
Self Insurance	6,157	1,939	434	744	634	64	28	10,000
Unemployment Claims	7,388	2,327	521	893	761	77	33	12,000
Subtotal	661,163	211,028	46,853	76,594	112,133	6,985	2,946	1,117,701

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 Base Extra Capacity Cost Allocations

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	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
Customer Service								
Salaries & Wages				210,627	164,441	-	-	375,068
Benefits				98,387	76,813	-	-	175,200
Copying & binding				-	1,000	-	-	1,000
Conferences & Training				-	5,000	-	-	5,000
Support Services				-	21,000	-	-	21,000
Postage				-	34,300	-	-	34,300
Gasoline & Vehicle Allowance				15,641	12,211	-	-	27,852
Repairs & Maintenance				41,500	-	-	-	41,500
Meter Maintenance				11,000	-	-	-	11,000
Operating Supplies				9,000	-	-	-	9,000
Uniforms & protective Gear				1,000	-	-	-	1,000
Customer Service Supplies				15,000	-	-	-	15,000
Subtotal								
Source of Supply - Island								
Salaries & Wages	216,900	-	-	-	-	-	-	216,900
Overtime	28,200	-	-	-	-	-	-	28,200
Temp Salaries	10,000	-	-	-	-	-	-	10,000
Injury Pay	-	-	-	-	-	-	-	-
Employee Benefits	111,296	-	-	-	-	-	-	111,296
Annual Leave Buyback	6,300	-	-	-	-	-	-	6,300
Electricity	34,100	-	-	-	-	-	-	34,100
Gas/Vehicle Maintenance	48,300	-	-	-	-	-	-	48,300
Repairs & Maintenance	8,300	-	-	-	-	-	-	8,300
Reservoir Maintenance	25,000	-	-	-	-	-	-	25,000
Operating Supplies	3,750	-	-	-	-	-	-	3,750
Uniforms & protective Gear	750	-	-	-	-	-	-	750
Chemicals	54,000	-	-	-	-	-	-	54,000
Subtotal								
Source of Supply - Mainland								
Overtime	4,500	-	-	-	-	-	-	4,500
Temp Salaries	15,300	-	-	-	-	-	-	15,300
Permanent Part time	13,000	-	-	-	-	-	-	13,000
Employee Benefits	2,600	-	-	-	-	-	-	2,600
Electricity	92,600	-	-	-	-	-	-	92,600
Repairs & Maintenance	8,800	-	-	-	-	-	-	8,800
Reservoir Maintenance	6,000	-	-	-	-	-	-	6,000
Operating Supplies	500	-	-	-	-	-	-	500
Subtotal								

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-1
 Base Extra Capacity Cost Allocations

Docket No. 4128-Settlement Agreement-Exhibit B

	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
Station One (Excludes pumping and chemicals)								
Salaries & Wages	269,039	167,631	-	-	-	-	-	436,670
Overtime	35,796	22,304	-	-	-	-	-	58,100
Holiday Pay	11,768	7,332	-	-	-	-	-	19,100
Employee Benefits	146,019	90,981	-	-	-	-	-	237,000
Annual Leave Buyback	-	3,050	1,900	-	-	-	-	4,950
Conferences & Training	-	3,389	2,111	-	-	-	-	5,500
Fire & Liability Insurance	-	7,825	4,875	-	-	-	-	12,700
Electricity	240,307	-	-	-	-	-	-	240,307
Natural Gas	14,555	8,945	-	-	-	-	-	23,500
Rental of Equipment	616	384	-	-	-	-	-	1,000
Sewer Charge	184,080	-	-	-	-	-	-	184,000
Gas/Vehicle Maintenance	-	4,991	3,109	-	-	-	-	8,100
Repairs & Maintenance	21,564	13,436	-	-	-	-	-	35,000
Operating Supplies	16,943	10,557	-	-	-	-	-	27,500
Uniforms & protective Gear	832	518	-	-	-	-	-	1,350
Station One Pumping	5,928	3,694	2,701	-	-	-	-	12,323
Station One Chemicals	399,000	-	-	-	-	-	-	399,000
Subtotal								
Lawton Valley (Excludes pumping and chemicals)								
Salaries & Wages	307,290	191,465	-	-	-	-	-	498,755
Overtime	26,123	16,277	-	-	-	-	-	42,400
Holiday Pay	12,322	7,678	-	-	-	-	-	20,000
Employee Benefits	169,559	105,648	-	-	-	-	-	275,207
Annual Leave Buyback	2,372	1,478	-	-	-	-	-	3,850
Conferences & Training	2,156	1,344	-	-	-	-	-	3,500
Fire & Liability Insurance	8,379	5,221	-	-	-	-	-	13,600
Electricity	158,888	-	-	-	-	-	-	158,888
Natural Gas	17,806	11,094	-	-	-	-	-	28,900
Rental of Equipment	308	192	-	-	-	-	-	500
Sewer Charge	242,000	-	-	-	-	-	-	242,000
Gas/Vehicle Maintenance	5,175	3,225	-	-	-	-	-	8,400
Repairs & Maintenance	21,790	13,577	-	-	-	-	-	35,366
Operating Supplies	13,366	8,328	-	-	-	-	-	21,694
Uniforms & protective Gear	616	384	-	-	-	-	-	1,000
Lawton Valley Pumping	15,245	9,499	6,946	-	-	-	-	31,689
Lawton Valley Chemicals	216,000	-	-	-	-	-	-	216,000
Subtotal								

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-1
 Base Extra Capacity Cost Allocations

Docket No. 4128-Settlement Agreement-Exhibit B

	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
Laboratory								
Salaries & Wages	127,700	-	-	-	-	-	-	127,700
Employee Benefits	62,400	-	-	-	-	-	-	62,400
Annual Leave Buyback	2,750	-	-	-	-	-	-	2,750
Repairs & Maintenance	1,000	-	-	-	-	-	-	1,000
Regulatory Assessment	36,500	-	-	-	-	-	-	36,500
Laboratory Supplies	18,500	-	-	-	-	-	-	18,500
Subtotal								
Transmission and Distribution								
Salaries & Wages	200,218	124,751	91,231	-	-	-	-	416,200
Overtime	25,015	15,386	11,398	-	-	-	-	52,000
Temp Salaries	4,811	2,997	2,192	-	-	-	-	10,000
Injury Pay	-	-	-	-	-	-	-	-
Employee Benefits	108,237	67,440	49,319	-	-	-	-	224,996
Annual Leave Buyback	2,838	1,768	1,293	-	-	-	-	5,900
Conferences & Training	1,924	1,199	877	-	-	-	-	4,000
Contract Services	6,013	3,747	2,740	-	-	-	-	12,500
Fire & Liability Insurance	1,155	719	526	-	-	-	-	2,400
Electricity	9,429	5,875	4,296	-	-	-	-	19,600
Heavy Equipment Rental	4,281	2,668	1,951	-	-	-	-	8,900
Gas/Vehicle Maintenance	47,818	29,794	21,788	-	-	-	-	99,400
Repairs & Maintenance	15,394	9,392	7,014	-	-	-	-	32,000
Main Maintenance	40,794	25,418	18,588	-	-	-	-	84,800
Hydrant Maintenance	-	-	-	-	-	-	-	-
Service Maintenance	-	-	-	-	-	-	-	-
Operating Supplies	5,292	3,297	2,411	-	-	-	-	11,000
Uniforms & protective Gear	722	450	329	-	-	-	-	1,500
Subtotal								
Fire Protection	-	-	-	-	-	-	-	14,500
Total O&M Costs	3,997,805	1,008,486	225,602	387,155	329,765	33,500	14,500	5,996,812
Non-Administrative O&M								

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-1
 Base Extra Capacity Cost Allocations

Docket No. 4128-Settlement Agreement-Exhibit B

<u>CAPITAL COSTS</u>	Water Supply						Services			Fire		Total \$ Allocated	
	Base	Max Day	Max Hour	Metering	Billing	Services	Base	Max Day	Max Hour	Metering	Billing	Services	Fire
Treatment Station 1	731,711	-	-	-	-	-	-	-	-	-	-	-	731,711
Treatment Lawton Valley	612,635	381,717	-	-	-	-	-	-	-	-	-	-	994,352
Treatment Both Plants	145,604	90,722	-	-	-	-	-	-	-	-	-	-	236,326
T&D Pumping	74,176	46,217	-	-	-	-	-	-	-	-	-	-	120,392
T&D	427,627	266,443	194,851	-	-	-	-	-	-	-	-	-	888,921
Fire	-	-	-	-	-	-	-	-	-	-	-	-	22,550
Meters	-	-	-	-	-	-	-	-	-	-	-	-	65,726
Services	-	-	-	-	-	-	-	-	-	-	-	-	65,726
Billing	-	-	-	-	-	-	-	-	-	-	-	-	32,037
Total Capital Costs	1,991,752	785,099	194,851	65,726	32,037	65,726	22,550	3,157,741	1%	10%	-	-	3,157,741
Revenue Allowance	63%	25%	6%	2%	1%	2%	1%	-	-	-	-	-	243,813
Total Non-Admin Costs	6,233,370	1,793,585	420,453	452,881	361,802	99,226	37,050	9,398,366	0%	100%	-	-	9,398,366
OFFSETS													
Nonrate Revenues													
Sundry charges	86,202	27,149	6,073	10,422	8,877	902	390	140,016	-	-	-	-	140,016
WPC cost share on customer service	-	-	-	134,921	134,921	-	-	-	-	-	-	-	269,842
Middletown cost share on customer service	-	-	-	67,409	67,409	-	-	-	-	-	-	-	134,819
Rental of Property	49,868	15,706	3,513	6,029	5,136	522	226	81,000	-	-	-	-	81,000
Water Penalty	26,055	8,206	1,836	3,150	2,633	273	118	42,320	-	-	-	-	42,320
Miscellaneous	4,627	1,457	326	559	476	48	21	7,515	-	-	-	-	7,515
Investment Interest Income	24,128	7,599	1,700	2,917	2,485	252	109	39,191	-	-	-	-	39,191
Water Quality Protection Fees	25,676	-	-	-	-	-	-	-	-	-	-	-	25,676
Total Nonrate Revenues	216,556	60,117	13,448	225,409	221,988	1,997	864	740,378	-	-	-	-	740,378
Net Costs To Recover Through Rates	\$ 6,016,814	\$ 1,733,468	\$ 407,005	\$ 227,472	\$ 139,814	\$ 97,229	\$ 36,185	\$ 8,657,988	-	-	-	-	\$ 8,657,988

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-1
 Base Extra Capacity Cost Allocations

Docket No. 4128-Settlement Agreement-Exhibit B

	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
Non-Admin O&M Costs								
Less: Chemicals	\$ 3,997,305	\$ 1,008,486	\$ 225,602	\$ 387,155	\$ 329,765	\$ 33,500	\$ 14,500	\$ 5,996,812
Station One	\$ (399,000)							\$ (399,000)
Lawton Valley	\$ (216,000)							\$ (216,000)
Source Supply	\$ (54,000)							\$ (54,000)
Electricity								\$ -
Source Supply	\$ (126,700)							\$ (126,700)
Station One	\$ -							\$ -
Lawton Valley	\$ -							\$ -
Costs Adjusted	\$ 3,202,105	\$ 1,008,486	\$ 225,602	\$ 387,155	\$ 329,765	\$ 33,500	\$ 14,500	\$ 5,201,112
62% 62%	19% 4%	7% 7%	6% 6%	1% 1%	0% 0%	100% 100%		
	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
Non-Administrative Labor								
Administration	173,440	54,624	12,220	20,970	17,861	0	785	279,900
Customer Service	0	0	0	210,627	164,441	0	0	375,068
Source of Supply - Island	255,100	0	0	0	0	0	0	255,100
Source of Supply - Mainland	32,800	0	0	0	0	0	0	32,800
Station One	319,653	199,167	0	0	0	0	0	518,820
Lawton Valley	348,108	216,897	0	0	0	0	0	565,905
Laboratory	130,450	0	0	0	0	0	0	130,450
Transmission/Distribution	232,882	145,103	106,114	0	0	0	0	484,100
Total	1,492,433	615,792	118,334	231,597	182,302	0	785	2,641,243
Percent	57%	23%	4%	9%	7%	0%	0%	100%

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-2
 Allocation of Costs to Water Rate Classes

Docket No. 4128-Settlement Agreement-Exhibit B

ALLOCATION PERCENTAGES		Commodity Charges					
Cost Category	Allocation Basis	Retail		Navy	Portsmouth	Fire	Total % Allocated
		Base Charge	Residential	Commercial & Governmental			
Base	Average annual demand	42%	27%	12%	18%	0%	100%
Base Excluding PWFD		52%	33%	15%	0%	0%	100%
Base Excluding PWFD & 50% Navy		56%	36%	8%	0%	0%	100%
Water Quality Protection Fees		61%	39%	0%	0%	0%	100%
Total Base to Class		44%	29%	12%	15%	0%	100%
Max Day	Estimated customer peaking factors	35%	23%	10%	15%	17%	100%
Base Excluding PWFD		41%	27%	12%	0%	20%	100%
Max Day Excluding PWFD & 50% Navy		44%	28%	6%	0%	22%	100%
Total Max Day to Class		38%	24%	9%	10%	19%	100%
Max Hour	Estimated customer peaking factors	29%	19%	8%	12%	32%	100%
Base Excluding PWFD		33%	21%	9%	0%	37%	100%
Max Hour Excluding PWFD & 50% Navy		34%	22%	5%	0%	38%	100%
Total Max Hour to Class		34%	22%	5%	0%	38%	100%
Metering	Direct Assignment	100%					100%
Billing	Direct Assignment	100%					100%
Services	Direct Assignment	100%					100%
Fire	Direct Assignment						100%

ALLOCATION RESULTS		Commodity Charges							
Cost Category	Rate Year	Retail		Navy	Portsmouth	Fire	Total \$ Allocated		
		Base Charge	Residential	Commercial					
Base									
Base excluding T&D & WQPF & Pumping	5,310,629		2,253,906	1,456,851	648,014	951,858	\$ 5,310,629		
Transmission & Distribution	901,568		503,635	325,533	72,399	-	901,568		
Pumping	21,173		10,948	7,077	3,148	-	21,173		
Water Quality Protection Fees	(25,676)		(15,595)	(10,080)	-	-	(25,676)		
Revenue Offsets	(190,880)		(84,777)	(54,797)	(22,157)	(29,148)	(190,880)		
Administrative Charges	1,253,883		556,900	359,962	145,549	191,472	-		
Max Day									
Max Day Except T&D & Pumping	1,218,649		427,947	276,611	123,038	180,728	1,218,649		
Transmission & Distribution	561,744		246,207	159,140	35,393	-	561,744		
Pumping	13,192		5,439	3,516	1,564	-	13,192		
Revenue Offsets	(60,117)		(22,778)	(14,723)	(5,363)	(6,058)	(60,117)		
Administrative Charges	432,811		163,993	106,000	38,608	43,612	432,811		
Max Hour									
Max Hr. Except T&D & Pumping	-		-	-	-	-	-		
Transmission & Distribution	410,806		141,311	91,339	20,314	-	410,806		
Pumping	9,647		3,162	2,044	909	-	9,647		
Revenue Offsets	(13,448)		(4,621)	(2,987)	(679)	-	(13,448)		
Administrative Charges	91,788		31,540	20,386	4,633	-	91,788		
Metering									
Revenue Offsets	(225,409)		452,881	-	-	-	(225,409)		
Administrative Charges	160,579		160,579	-	-	-	160,579		
Services									
Revenue Offsets	99,226		99,226	-	-	-	99,226		
Administrative Charges	(1,997)		(1,997)	-	-	-	(1,997)		
Billing									
Revenue Offsets	6,985		6,985	-	-	-	6,985		
Administrative Charges	361,802		361,802	-	-	-	361,802		
Fire									
Revenue Offsets	(221,988)		(221,988)	-	-	-	(221,988)		
Administrative Charges	180,063		180,063	-	-	-	180,063		
Total To Recover through Rates	\$ 10,788,289		\$ 812,143	\$ 4,217,217	\$ 2,725,871	\$ 1,065,371	\$ 1,332,465	\$ 635,222	\$ 10,788,289

COST OF SERVICE PER UNIT						
		(1)	(2)	(2)	(2)	(3)
Description of Billing Units	# of accounts x 12 months	1000's of gallons annually	1000's of gallons annually	1000's of gallons annually	Equivalent Connections	Total
Percentage of Dollars Allocated	3.6%	39.1%	25.3%	9.9%	12.4%	5.5% 100.0%
Allocated Cost	\$ 388,051	\$ 4,217,217	\$ 2,725,871	\$ 1,065,371	\$ 1,332,465	\$ 594,846 \$ 10,788,289
Divided by: Number of Units	213,926	753,416	486,983	278,289	451,640	156,857
Unit Cost of Service	\$1,8139 per equiv per month	\$5.60 per 1000 gallons	\$5.60 per 1000 gallons	\$3.83 per 1000 gallons	\$2.95 per 1000 gallons	\$3.79 Equivalent connections

Billing	Services	Hydrants
No. of bills per year	No. of bills per year	No. of Hydrants
3.0%	1.0%	0.4%
\$ 319,878	\$ 104,214	\$ 40,376
65,744	282,337	999
\$4,8655 per bill	\$0,3691 per equiv	\$40,4166 per Hydrant
(1)		

- (1) From Joint Schedule D-1, 'Water Accounts, by Size and Class'
 (2) From Joint Schedule B-6, 'Water Demand History'.
 (3) From Joint Schedule D-2, 'Fire Protection Accounts'.

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-3
 Cost Allocation Bases

Cost allocations will ensure that an appropriate amount of labor and materials costs are allocated to service pipes and meters.

Allocation Basis	Source Schedule	Base	Max Day	Max Hour	Metering	Billing	Services	Direct Fire Protection	Total % Allocated
Average Day Demand Patterns	N/A	100%	38%	0%					100%
Maximum Day Demand Patterns	B-1	62%	30%	22%					100%
Maximum Hour Demand Patterns	B-1	48%							100%
Fire Protection	D-2								100%
Salary Costs									100%
Administration	B-1	62%	19%	4%	7%	6%	1%	0%	100%
Customer Service	B-4	0%	0%	0%	56%	44%	0%	0%	100%
Non-Administrative Wages & Salaries	B-1	57%	23%	4%	9%	7%	0%	0%	100%
Capital Costs	B-1	63%	25%	6%	2%	1%	2%	1%	0%
Total Non-Admin Costs before Offsets	B-1	66%	19%	4%	5%	4%	1%	0%	100%
Other Costs	B-1	62%	19%	4%	7%	6%	1%	0%	100%

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-4
 Allocation Analyses

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FY 2010 Salary		Allocation of Salary Costs					Total Allocated
	Base	Max Day	Max Hour	Metering	Billing	Services	Direct Fire Protection
Administration 15-500-2200							
Salaries by Staff Position							
Director of Utilities	\$ 60,298	62%	1.9%	4%	7%	6%	0%
Administrative Secretary	\$ 32,441	62%	1.9%	4%	7%	6%	0%
Deputy Director - Finance	\$ 52,865	62%	1.9%	4%	7%	6%	0%
Deputy Director - Engineering	\$ 55,294	62%	1.9%	4%	7%	6%	0%
Financial Analyst	\$ 67,594	62%	1.9%	4%	7%	6%	0%
Salary \$ Allocation Results	\$ 268,192	62%	2.9%	4%	7%	6%	0%
Resulting % Allocation of Administration Salaries, Wages, & Benefits							
		62%	2.9%	4%	7%	6%	0%
							100%

FY 2010 Salary		Allocation of Salary Costs					Total Allocated
	Base	Max Day	Max Hour	Metering	Billing	Services	Direct Fire Protection
Administration 15-500-2200							
Salaries by Staff Position							
Director of Utilities	\$ 60,298	62%	1.9%	4%	7%	6%	0%
Administrative Secretary	\$ 32,441	62%	1.9%	4%	7%	6%	0%
Deputy Director - Finance	\$ 52,865	62%	1.9%	4%	7%	6%	0%
Deputy Director - Engineering	\$ 55,294	62%	1.9%	4%	7%	6%	0%
Financial Analyst	\$ 67,594	62%	1.9%	4%	7%	6%	0%
Salary \$ Allocation Results	\$ 268,192	62%	2.9%	4%	7%	6%	0%
Resulting % Allocation of Administration Salaries, Wages, & Benefits							
		62%	2.9%	4%	7%	6%	0%
							100%

FY 2010 Salary		Allocation of Salary Costs					Total Allocated
	Base	Max Day	Max Hour	Metering	Billing	Services	Direct Fire Protection
Customer Service 15-500-2209							
Salaries by Staff Position							
Meter Repairman/Reader	\$ 40,934	50%	50%	50%	50%	50%	100%
Principal Account Clerk	\$ 45,501	50%	50%	50%	50%	50%	100%
Meter Repairman/Reader	\$ 49,491	100%	100%	100%	100%	100%	100%
Maintenance Mechanic	\$ 42,818	100%	100%	100%	100%	100%	100%
SAE - Sr. Maintenance Mechanic	\$ 48,879	50%	50%	50%	50%	50%	100%
Water Meter Foreman	\$ 46,822	100%	100%	100%	100%	100%	100%
Water Meter Foreman	\$ 5,1493	50%	50%	50%	50%	50%	100%
Salary \$ Allocation Results	\$ 326,038	0%	0%	\$ 183,034	\$ 142,945	\$ 144,945	0%
Resulting % Allocation of Customer Service Salaries, Wages, & Benefits							
		0%	0%	56%	44%	44%	0%
							100%

Newport Water Division
Cost Of Service Analysis
Joint Schedule B-5
Capital Functionalization

Functional Break Down of Existing Fixed Assets:

	Supply	Treatment Station 1	Treatment Lawton Valley	Treatment Both Plants	T&D	Fire	Meters	Services	Billing
TRANSMISSION/DISTRIBUTION \$	18,817,129								
LAWTON VALLEY \$	5,351,452								
STATION 1 \$	22,516,441								
TREATMENT BOTH \$	2,726,208								
STORAGE \$	1,311,908								
SOURCE OF SUPPLY \$	16,492,953								
METERS/SERVICES \$	2,976,622								
BILLING \$	725,466								
FIRE \$	510,621								
Total \$	71,428,801								
LABORATORY \$	80,000								
LAND AND ROW \$	3,594,491								
	\$ 3,674,491								
Total Fixed Assets \$	75,103,292								

	Supply	Treatment Station 1	Treatment Lawton Valley	Treatment Both Plants	T&D	Fire	Meters	Services	Billing	Total
TRANSMISSION/DISTRIBUTION \$	18,817,129	\$	\$	\$	\$ 18,817,129	\$	\$	\$	\$	\$ 18,817,129
LAWTON VALLEY \$	5,351,452	-	5,351,452	-	-	-	-	-	-	5,351,452
STATION 1 \$	22,516,441	-	22,516,441	-	-	-	-	-	-	22,516,441
TREATMENT BOTH \$	2,726,208	-	-	2,726,208	-	-	-	-	-	2,726,208
STORAGE \$	1,311,908	-	-	-	1,311,908	-	-	-	-	1,311,908
SOURCE OF SUPPLY \$	16,492,953	-	-	-	-	-	-	-	-	16,492,953
METERS/SERVICES \$	2,976,622	-	-	-	-	-	-	-	-	2,976,622
BILLING \$	725,466	-	-	-	-	-	-	-	-	725,466
FIRE \$	510,621	-	-	-	510,621	-	-	-	-	510,621
Total \$	71,428,801	\$	16,492,953	\$ 22,516,441	\$ 5,351,452	\$ 2,726,208	\$ 20,129,037	\$ 510,621	\$ 1,488,311	\$ 725,466
LABORATORY \$	80,000									\$ 71,428,801
LAND AND ROW \$	3,594,491	\$ 829,570	\$ 1,133,088	\$ 269,360	\$ 137,190	\$ 1,012,948	\$ 25,696	\$ 74,896	\$ 36,507	- 80,300
	\$ 3,674,491	25%	31%	7%	4%	28%	1%	2%	2%	1% 3,594,491
Total Allocated \$	17,402,324	\$ 23,649,529	\$ 5,620,752	\$ 2,863,398	\$ 21,141,985	\$ 536,317	\$ 1,563,207	\$ 1,563,207	\$ 761,973	\$ 75,103,292

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-5
 Capital Functionalization

Functionalization of Capital Costs

	Supply	Treatment Station 1	Treatment Lawton Valley	Treatment Both Plants	T&D	Fire	Meters	Services	Billing
Capital Spending Restricted Account	\$ 1,146,918	23%	31%	7%	4%	28%	1%	2%	1%
Debt Service	\$ 2,010,823	23%	31%	7%	4%	28%	1%	2%	1%
	\$ 3,157,741								

	Supply	Treatment Station 1	Treatment Lawton Valley	Treatment Both Plants	T&D	Fire	Meters	Services	Billing
Capital Spending Restricted Account	\$ 1,146,918	\$ 265,764	\$ 361,157	\$ 85,536	\$ 43,728	\$ 322,864	\$ 8,190	\$ 23,872	\$ 11,636
Debt Service	\$ 2,010,823	\$ 465,948	\$ 631,195	\$ 150,91	\$ 76,565	\$ 565,058	\$ 14,359	\$ 41,853	\$ 20,401
	\$ 3,157,741	\$ 731,711	\$ 994,332	\$ 236,326	\$ 120,392	\$ 888,921	\$ 22,550	\$ 65,726	\$ 32,037

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-6
 Water Demand History

Docket No. 4128-Settlement Agreement-Exhibit B

	Annual Demand in 1000s Gallons							Baseline 3-Year Average	Rate Year Docket 4025		
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008		
Annual Demand by Class											
Residential	682,937	698,765	773,872	786,666	736,577	716,037	749,409	734,137	780,264	690,544	734,982
Commercial	724,094	640,379	580,798	583,184	663,766	573,711	493,539	456,486	503,914	519,521	493,674
Navy	466,167	450,247	307,051	348,222	511,299	417,869	373,306	278,441	247,728	225,392	250,520
Portsmouth	438,179	442,582	455,142	451,723	422,944	429,465	463,253	445,232	473,338	444,777	454,449
Total (in 1000's Gallons)	2,311,377	2,231,973	2,116,863	2,163,795	2,334,586	2,137,082	2,079,508	1,914,297	2,006,344	1,880,224	1,933,625
	-3.4%	-5.2%	2.2%	7.9%	-8.5%	-2.7%	-7.9%	-4.8%	-6.3%		

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule B-7
 Water Production Peaking Analysis

Docket No. 4128-Settlement Agreement-Exhibit B

Combined Station #1 and LV WTP Production Volumes in 1,000 gals			Peaking Comparison		
	FY 2007	FY 2008	FY 2009	3 Year Average Production Peaks	System Peaks Estimated from Monthly Data
Annual Production	2,456,363	2,524,784	2,437,440	2,472,862	
Average Day Production	6,730	6,917	6,678	6,775	
Maximum Month Production	256,796	269,819	280,875	269,163	
Maximum Day Production	10,165	10,724	12,100	10,996	
Max Day Date	6/28/2007	8/4/2007	7/18/2008		
Maximum Day Peaking Factor	1.51	1.55	1.81	1.62	
Max-Day to Avg. Day/Max-Month Ratio	1.19	1.23	1.34	1.27	
Maximum Hour	13,800	15,200	13,250	14,083	
Maximum Hour Peaking Factor	2.05	2.20	1.98	2.08	
					Coincident Noncoincident
					Excluding Fire Protection

(I) Calculated according to AWWA M-1 Guidelines

This system diversity ratio may be higher than it should be.

Max Day and Max Hour Factors to be determined per Settlement Agreement in Docket 4128

REMOVED
A/B
OPTIONS

Estimation of Each Customer Class' Peaking Factors

(1) These monthly peaking ratios was calculated using demand records from only those customers metered on a monthly basis.

(2) Daily Peaking Multipliers developed using data daily data collected during the summer of 2009

(3) Max Day / Avg. Day Max Month water production ratios are from Joint Schedule B-7 Water Production Pending Approval.

(4) Navy and Portsmouth demand peaking behavior is assumed to have both residential and nonresidential characteristics that resemble demand in the rest of the system.

% Residential Demand	% NonResidential Demand	
50%	50%	Used in Max Day and Max Hour calculations
60%	40%	Used in Max Hour calculations only.

(5) Fire peaking behavior is estimated using a separate methodology demonstrated in Joint Schedule B-11, Fire Protection Demand Analysis'.

Newport Water Division
Cost Of Service Analysis
Joint Schedule B-9
System Demands Imposed by Each Customer Class' Peaking Behavior

Docket No. 4128-Settlement Agreement-Exhibit B

		Rate Year Demand (1,000 gallons)				
		Annual Demand	Average Daily Demand	Lost Water Adjustment	Adjusted Daily Demand	% Average Demand by Class
Customer Class	Residential	753,416	2,064	866	2,930	42.4%
	Commercial	486,983	1,334	560	1,894	27.4%
	Navy	278,289	762	80	812	12.2%
	Portsmouth	451,640	1,237	-	1,237	17.9%
	Fire				N/A	0%
Total, w Fire Prot.		1,970,329	5,398	22%	6,904	100%
<i>Production</i>				(1)		100%
						21.81%

Production

		Max Day Calculations					Max Hour Calculations					% of Hourly Peaks				
		Max Day Peaking Factor	Demand x Peak Factor (3)	Incremental Demand	% of Daily Peak	With Full PWFD & Navy	Without PWFD & 50% Navy	% of Daily Peaks	Max Hour Peaking Factor	Demand x Factor (3)	Peak	Incremental Demand	With Full PWFD & Navy	Without PWFD & 50% Navy	% of Hourly Peaks	
Customer Class	Residential	2.00	5,860	2,930	35.4%	35.1%	43.8%	41.3%	3.32	9,728	3,868	28.8%	34.4%	32.8%		
	Commercial	2.00	3,788	1,894	22.7%	22.7%	28.3%	26.7%	3.32	6,288	2,500	18.6%	22.2%	21.2%		
	Navy	2.00	1,685	842	10.1%	10.1%	6.3%	11.5%	3.32	2,797	1,112	8.3%	4.9%	9.4%		
	Portsmouth	2.00	2,475	1,237	14.8%	14.8%	0.0%	0.0%	3.32	4,108	1,653	12.2%	0.0%	0.4%		
	Fire	(2)	1,440	1,440	17.3%	17.3%	21.5%	20.9%	3.32	5,760	4,320	32.2%	38.4%	36.6%		
Total, w Fire Prot.			15,247	8,344	100.0%	100.0%	100.0%	100.0%		22,920	13,433	100.0%	100.0%	100.0%		
Total, without Fire Protection			13,807	6,904						22,920	9,113					

(Demand is in thousands of gallons)

- (1) From Joint Schedule D-4. The lost water adjustment is made to the peaking analysis so that Portsmouth will not share in that portion of certain operating costs.
Navy allocation is reduced to 25%.

- (2) From Joint Schedule B-11, Fire Protection Demand Analysis'.

EACH RATE CLASS' SHARE OF SYSTEM PEAKS

Rate Class	Average Demand	Daily Peaks	Hourly Peaks
Retail			
Residential	42%	35%	29%
Commercial	27%	23%	19%
Navy	12%	10%	8%
Portsmouth	18%	15%	12%
Fire	N/A	17%	32%
	100%	100%	100%

Percentages are from Joint Schedule B-9, 'System Demands Imposed by Each Customer Class' Peaking Behavior'.

BASE/EXTRA-CAPACITY DISTRIBUTION OF SYSTEM PEAKS

	Incremental Demand	% Distribution for Max Day	% Distribution for Max Hour
Base Extra Capacity	6,775	61.6%	48.1%
Max Day	4,221	38.4%	30.0%
Max Hour	3,087		21.9%
Fire Protection			
Max Day	-	0.0%	0.0%
Max Hour	-	0.0%	0.0%
Total %			
Total 1000's Gallons		100.0%	100.0%
		10,996	14,083

Incremental demand data is from Joint Schedule B-11, Fire Protection Demand Analysis;
and from Joint Schedule B-9, 'System Demands Imposed by Each Customer Class' Peaking Behavior'.

Newport Water Division
Cost Of Service Analysis
Joint Schedule B-11
Fire Protection Demand Analysis

Docket No. 4128-Settlement Agreement-Exhibit B

FIRE PROTECTION ASSUMPTIONS

Fire Protection Flow (gals per minute)	4,000
Hourly Fire Protection Flow (1000's of gallons)	240
Length of Fire Event (in hours)	6

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule D-1
 Water Accounts, by Size and Class

Connection Size	Meter Factors	COMMERCIAL				RESIDENTIAL				WHOLESALE (Monthly)			
		Meter Read Frequency		Equivalent Meters		Meter Read Frequency		Equivalent Meters		Navy		Meters	Equivalents
		Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Meters	Equivalents	Meters	Equivalents
5/8	1.0	97	559	97	559	5	10,216	5	10,216	0	0	0	0
3/4	1.1	52	179	57	197	5	2,238	6	2,462	1	0	0	0
1	1.4	157	29	220	41	20	361	28	505	0	0	0	0
1.5	1.8	137	27	247	49	21	146	38	263	0	0	0	0
2	2.9	180	30	522	87	35	69	102	200	0	0	0	0
3	11.0	59	14	649	154	12	16	132	176	0	0	0	0
4	14.0	11	3	154	42	1	1	14	14	0	0	0	0
5	18.0	2	0	36	0	0	0	0	0	0	0	0	14
6	21.0	12	0	252	0	0	1	0	21	8	168	0	0
8	29.0	0	0	0	0	1	1	29	29	0	0	0	0
10	43.5	0	0	0	0	0	0	0	0	1	44	0	0
Total	14,708	707	841	2,234	1,123	100	13,049	353	13,886	10	213	1	14

Equivalent Billing Units		Equivalent Meter Units	
818	9,816	2,813	33,756
13,890	55,560	15,014	189,170
Total	65,744	N/A	N/A
		Total	213,926

Billed Monthly
 Billed Quarterly
 Billed Annually

Newport Water Division
Cost Of Service Analysis
Joint Schedule D-2
Fire Protection Accounts

General Water Service			
Bucket 4025		Connection	Service
Connection	Existing Differential Size	Number of Connections	Equivalent Connections (2)
Public Hydrants			
Newport	6	111.31	583
Middletown	6	111.31	408
Portsmouth	6	111.31	8
Subtotal: Public Hydrants		999	111,200
			71%
Private Fire Connections			
	2	6.19	1
	4	38.32	57
	6	111.31	246
	8	237.21	62
	10	426.58	0
	12	689.04	2
Subtotal: Private Fire Connections		368	1,378
			29%
Total Fire Connections		1,367	156,857
			100%
Private Fire Connections			
	2	6.150	1
	4	11,060	57
	6	11,060	246
	8	11,060	62
	10	11,060	0
	12	11,060	2
Subtotal: Private Fire Connections		368	4,065
			17%
Annualized Total Retail & Private Fire Connections		15,076	12
			282,337
			100%

- (1) Demand factors are based on the principles of the Hazen-Williams equation for flow through pressure conduits.
For more information, see the AWWA M1 rate manual chapter on fire protection charges.

(2) Equivalent connections are arrived at by multiplying the number of connections by the demand factor.

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule D-3
 Production Summary

		<u>Station #</u>		<u>Lawton Valley</u>			
		<u>In Gallons</u> <u>In 1000's</u>		<u>In Gallons</u> <u>In 1000's</u>			
<u>FY 07 JULY 2006 - JUNE 2007</u>	Max. Month June	1,176,356,210	1,176,356	1,280,006,852	1,280,007	2,456,363,062	2,456,363
		116,724,700	116,725	140,288,300	140,288	255,795,580	256,796
<u>FY 08 JULY 2007 - JUNE 2008</u>	Max. Month August	1,268,356,660	1,268,357	1,256,427,700	1,256,428	2,524,784,360	2,524,784
		141,803,530	141,804	144,557,900	144,558	269,819,450	269,819
<u>FY 09 JULY 2008 - JUNE 2009</u>	Max. Month March	1,152,697,400	1,152,697	1,284,742,500	1,284,743	2,437,439,900	2,437,440
		110,288,000	110,288	177,162,200	177,163	280,874,500	280,875

MAX DAY PRODUCTION AVAILABLE FOR SALE

		<u>Station #</u>		<u>Lawton Valley</u>			
		<u>Max Day Production</u> <u>In Gallons</u> <u>In 1000's</u>		<u>Max Day Production</u> <u>In Gallons</u> <u>In 1000's</u>			
	<u>Date</u>					<u>Date</u>	<u>Date</u>
<u>FY 07 JULY 2006 - JUNE 2007</u>		5,114,940	5,115	8/14/2006	5,958,100	5,958	6/28/2007
		includes booster to LV at 1,256,000 Gallons					
<u>FY 08 JULY 2007 - JUNE 2008</u>		6,179,670	6,180	6/10/2008	6,805,400	6,805	8/4/2007
		includes booster to LV at 2,251,000 Gallons					
<u>FY 09 JULY 2008 - JUNE 2009</u>		4,341,000	4,341	7/18/2008	7,845,700	7,846	7/18/2008
		includes booster to LV at 324,000 Gallons					

PEAK HOURLY FLOW

		<u>Station #</u>	<u>Date</u>	<u>Lawton Valley</u>
<u>FY 07 JULY 2006 - JUNE 2007</u>		7/6/2006	5.8	MGD
			7/1/2006	8.0 MGD
<u>FY 08 JULY 2007 - JUNE 2008</u>		8/26/2007	7.2	MGD
			6/18/2008	8.0 MGD
<u>FY 09 JULY 2008 - JUNE 2009</u>		7/18/2008	5.25	MGD
			7/18/2008	8.0 MGD

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule D-4
 Demand Summary

Fiscal Year Annual Demand

	FY 2006	FY 2007	FY 2008	FY 2009
Residential	718,022	734,137	780,264	690,544
Commercial (includes governmental)	505,804	456,486	505,014	519,521
Navy	373,306	278,441	247,728	225,392
Portsmouth	453,618	445,232	473,338	444,777
Total 1000's Gallons	2,050,751	1,914,297	2,006,344	1,880,234
	-6.7%	4.8%	-6.3%	

Max Month Demand

	<i>(1000's of gallons)</i>	FY 2007	FY 2008	FY 2009
Residential	79,586	103,115	83,630	
Commercial	51,545	66,684	61,978	
Navy	29,771	30,475	24,640	
Portsmouth	51,270	58,023	61,048	
NonCoincident Max Month	212,172	258,296	231,296	
Coincident Max Month	196,132	221,941	201,008	
Production Volume, Max Month	256,796	269,819	280,875	

Unaccounted for Water Analysis

	FY 2007	FY 2008	FY 2009	Average
Billed Consumption (1,000 gals.)	1,914,297	2,006,344	1,880,234	1,933,625
Total Water Produced (1,000 gals.)	2,456,363	2,524,784	2,437,440	2,472,862
Unaccounted for Water (1,000 gals.)	542,066	518,440	557,206	539,237
Percent Unaccounted for Water	22.07%	20.53%	22.86%	21.81%

Docket No. 4128-Settlement Agreement-Exhibit B

Newport Water Division
 Cost Of Service Analysis
 Joint Schedule D-5
 Development of Pumping Costs

Pumping Labor and Benefits

Station One		Lawton Valley	
Labor hours per day pump	0.5000	Labor hours per day pump	0.1667
Days per year	365	Days per year	365
Total Hours	182.5000	Total Hours	60.8455
Average per hour pay	\$21.78	Average per hour pay	\$22.10
Average per hour benefits	\$4.69	Average per hour benefits	\$4.82
Pumping Salaries	\$3,974.85	Pumping Salaries	\$1,344.69
Pumping Benefits	\$855.01	Pumping Benefits	\$293.15

Pumping Repairs and Supplies

Station One		Lawton Valley	
50275 Repair & Maintenance - Equipment		Repair & Maintenance - Equipment	
None	\$0.00	Vendor	amount
Total Repair & Maintenance Pumping	\$0.00	Bristol County Machine	\$125.00
		Broadway Electric	\$160.00
		Bristol County Machine	\$128.00
50311 Operating Supplies		Broadway Electric	\$85.10
Vendor	amount	Bristol County Machine	\$60.00
		Ralco Electric	\$306.00
National Electric Testing	\$300.00	Delta Electric Motor	\$496.00
Total - Operating Supplies - Pumping	\$300.00	Industrial Pump Sales & Service	\$5,521.56
		Industrial Pump Sales & Service	\$1,152.00
		Total Repair & Maintenance Pumping	\$8,033.66
		Operating Supplies	
		Vendor	amount
		National Electric Testing	\$300.00
		Raleo Electric	\$499.00
		Total Operating Supplies Pumping	\$799.00

Pumping Electricity

Station One		Lawton Valley	
Annual Pumping Power	\$7,193	Annual Pumping Power	\$21,712

Total Pumping Costs

Station One		Lawton Valley	
Pumping Salaries	\$3,975	Pumping Salaries	\$1,345
Pumping Benefits	\$855	Pumping Benefits	\$293
Total Repair & Maintenance Pumping	\$0	Total Repair & Maintenance Pumping	\$8,034
Total - Operating Supplies - Pumping	\$300	Total Operating Supplies Pumping	\$306
Annual Pumping Power	\$7,193	Annual Pumping Power	\$21,712
Total Annual Pumping Costs	\$12,323	Total Annual Pumping Costs	\$31,689