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**RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**DOCKET NO. 4243**

**CITY OF NEWPORT WATER DIVISION**

**PREFILED TESTIMONY OF**

**CHRISTOPHER P.N. WOODCOCK**

**ON BEHALF OF**

**PORTSMOUTH WATER & FIRE DISTRICT**

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4 **PREFILED TESTIMONY OF  
CHRISTOPHER P.N. WOODCOCK**

5 **Q: Please state your name and business address?**

6 A: My name is Christopher P.N. Woodcock and my business address is 18 Increase  
7 Ward Drive, Northborough, Massachusetts 01532.

8 **Q: By whom are you employed and in what capacity?**

9 A: I am the President of Woodcock & Associates, Inc. a consulting firm specializing in  
10 water and wastewater rate and financial studies.

11  
12 **Q: Are you the same Christopher Woodcock that has provided prefiled testimony  
13 on behalf of the Portsmouth Water & Fire District in Dockets 4243 and 4355?**

14 A: Yes I am

15  
16 **Q: What is the purpose of this testimony?**

17 A: I was asked to review the multi-year rate plan compliance filing submitted by the  
18 City of Newport, Utilities Division, Water Department ("NWD") dated December 28,  
19 2012. NWD seeks to modify its previously approved multi-year rate plan and now  
20 seeks to increase its annual requirement for debt service by an amount not to ex-  
21 ceed \$2,145,647. NWD requests this increase to begin funding a proposed \$31 mil-  
22 lion bond issue that is anticipated in May 2013.

23 **Q: Do you contest any aspects of NWD's request?**

24 A: Yes. The actual repayment schedule for the proposed \$31 million in bonds is not  
25 yet known because those bonds have not yet been issued. When NWD made its  
26 initial filing seeking approval of the multi-year rate plan, I asserted that the estimat-  
27 ed borrowing costs and associated issuance costs proposed by NWD were exces-  
28 sive. I also questioned the timing of the then-proposed \$53.1 million bond issue.

1 The \$53.1 million loan has since closed, and the actual borrowing costs and issu-  
2 ance costs were, in fact, much lower than NWD's estimates or projections.  
3 NWD's assumptions for borrowing costs and issuance costs associated with its cur-  
4 rent request regarding the proposed \$31 million bond issue remain overly conserva-  
5 tive. The Commission should reduce those costs for the following reasons:

- 6 • The recent \$53.1 million bond issue carried a market rate of 4.029% that is re-  
7 duced by the 25% Rhode Island Clean Water Finance Agency subsidy (see re-  
8 sponse to PWFD 7-9). The loan rate shown on the debt service schedule at-  
9 tached to PWFD 7-9 indicates initial rates that are under 2% through September  
10 2019. The interest rate on the \$6.77 million 2012 SRF A bonds for the dam re-  
11 pair had an interest rate of 3.4% (see PWFD 7-10). Accordingly, NWD's assump-  
12 tion of a 4.5% average annual interest rate on the proposed \$31 million bond is-  
13 sue should be reduced to a rate that reflects the actual interest rates NWD ob-  
14 tained in its recent borrowings.
- 15 • The estimated issuance costs (including the debt service reserve) are detailed in  
16 NWD's response to PWFD 7-1. A comparison of these estimated costs to the  
17 actual costs of the \$53.1 million bond issue presented in response to PWFD 7-2  
18 reveals that the estimates for the proposed bond issue are higher than neces-  
19 sary. With lower interest rates available, as mentioned previously, the require-  
20 ment for the debt service reserve should also be reduced.

21 **Q: Looking at the responses to PWFD 7-16, NWD is proposing annual rate con-**  
22 **tributions in fiscal years 2013, 2014 and 2015 that exceed the estimated annu-**  
23 **al debt. Does this cause you concern?**

24 A: Yes. NWD's need for rate revenues for debt service in excess of actual debt ser-  
25 vice payments ends once it makes the large payment due in September of 2014.  
26 After that date, the amount in the restricted debt service fund continues to increase.  
27 Woodcock Exhibit 1, attached, shows that the schedule proposed by NWD results in  
28 a balance of nearly \$6.5 million in the debt service fund by the end of FY 2018. The

1 Commission should require NWD to present a plan to adjust the rate revenues to  
2 more closely match its actual debt service expenses and avoid the accumulation of  
3 millions of unnecessary dollars in the debt service fund.

4

# **EXHIBIT 1**

Newport Water Division  
 Cost Of Service Analysis  
 Debt Service Restricted Account Cashflow

FY 2012												
July	August	September	October	November	December	January	February	March	April	May	June	
<b>Debt Service Account</b>												
<b>Beginning Cash Balance</b>	\$ 1,989,949	\$ 1,989,964	\$ 2,325,118	\$ 1,789,176	\$ 1,952,744	\$ 1,555,935	\$ 1,688,396	\$ 1,820,952	\$ 1,953,399	\$ 1,795,553	\$ 1,928,001	\$ 2,042,962
<b>Additions</b>												
From Rates		\$335,137	\$167,569	\$167,569	\$167,569	\$132,447	\$132,447	\$132,447	\$132,447	\$132,447	\$132,447	\$132,447
Interest Income	15	17	18	14	15	14	108	-	-	-	-	-
<b>Total Additions</b>	\$ 15	\$ 335,154	\$ 167,587	\$ 167,583	\$ 167,584	\$ 132,461	\$ 132,556	\$ 132,447	\$ 132,447	\$ 132,447	\$ 132,447	\$ 132,447
<b>Deductions</b>												
Existing Debt Service			703,529	4,015	564,393			290,293		17,486	400	
Proposed Debt Service												
<b>Total Deductions</b>	\$ -	\$ -	\$ 703,529	\$ 4,015	\$ 564,393	\$ -	\$ -	\$ 290,293	\$ -	\$ 17,486	\$ 400	\$ -
<b>Ending Cash Balance</b>	\$ 1,989,964	\$ 2,325,118	\$ 1,789,176	\$ 1,952,744	\$ 1,555,935	\$ 1,688,396	\$ 1,820,952	\$ 1,953,399	\$ 1,795,553	\$ 1,928,001	\$ 2,042,962	\$ 2,175,010

Annual Contribution From Rates  
\$1,764,974

Annual Debt Service Payments  
\$ 1,580,115

FY 2013												
July	August	September	October	November	December	January	February	March	April	May	June	
% increase in DS Allowance 135%												
<b>Debt Service Account</b>												
<b>Beginning Cash Balance</b>	\$ 2,175,010	\$ 2,307,457	\$ 2,439,904	\$ 1,334,238	\$ 1,466,685	\$ 1,599,133	\$ 1,731,580	\$ 1,864,027	\$ 1,996,475	\$ 1,426,606	\$ 1,737,857	\$ 2,049,109
<b>Additions</b>												
From Rates	\$132,447	\$132,447	\$132,447	\$132,447	\$132,447	\$132,447	\$132,447	\$132,447	\$132,447	\$311,251	\$311,251	\$311,251
Interest Income												
<b>Total Additions</b>	\$ 132,447	\$ 132,447	\$ 132,447	\$ 132,447	\$ 132,447	\$ 132,447	\$ 132,447	\$ 132,447	\$ 132,447	\$ 311,251	\$ 311,251	\$ 311,251
<b>Deductions</b>												
Existing Debt Service			1,238,114					702,316				
<b>Total Deductions</b>	\$ -	\$ -	\$ 1,238,114	\$ -	\$ -	\$ -	\$ -	\$ 702,316	\$ -	\$ -	\$ -	\$ -
<b>Ending Cash Balance</b>	\$ 2,307,457	\$ 2,439,904	\$ 1,334,238	\$ 1,466,685	\$ 1,599,133	\$ 1,731,580	\$ 1,864,027	\$ 1,996,475	\$ 1,426,606	\$ 1,737,857	\$ 2,049,109	\$ 2,360,360

Annual Contribution From Rates  
\$2,125,780

Annual Debt Service  
\$ 1,940,430

(1) Estimated debt service on \$53M borrowing projected to close in June 2012.

FY 2014												
July	August	September	October	November	December	January	February	March	April	May	June	
% increase in DS Allowance 0%												
<b>Debt Service Account</b>												
<b>Beginning Cash Balance</b>	\$ 2,360,360	\$ 2,671,611	\$ 2,982,863	\$ 1,159,928	\$ 1,471,179	\$ 1,782,431	\$ 2,093,682	\$ 2,404,933	\$ 2,716,185	\$ 1,615,829	\$ 1,927,080	\$ 2,238,332
<b>Additions</b>												
From Rates	\$311,251	\$311,251	\$311,251	\$311,251	\$311,251	\$311,251	\$311,251	\$311,251	\$311,251	\$311,251	\$311,251	\$311,251
Interest Income												
<b>Total Additions</b>	\$ 311,251	\$ 311,251	\$ 311,251	\$ 311,251	\$ 311,251	\$ 311,251	\$ 311,251	\$ 311,251	\$ 311,251	\$ 311,251	\$ 311,251	\$ 311,251
<b>Deductions</b>												
To Capital Restricted Acct.												
Existing Debt Service			1,784,436					1,061,357				
Proposed Debt Service (\$31 M Loan)			349,750					350,250				
<b>Total Deductions</b>	\$ -	\$ -	\$ 2,134,186	\$ -	\$ -	\$ -	\$ -	\$ 1,411,607	\$ -	\$ -	\$ -	\$ -
<b>Ending Cash Balance</b>	\$ 2,671,611	\$ 2,982,863	\$ 1,159,928	\$ 1,471,179	\$ 1,782,431	\$ 2,093,682	\$ 2,404,933	\$ 2,716,185	\$ 1,615,829	\$ 1,927,080	\$ 2,238,332	\$ 2,549,583

Annual Contribution From Rates  
\$3,735,016

Annual Debt Service  
\$ 3,545,793

FY 2015												
	July	August	September	October	November	December	January	February	March	April	May	June
% increase in DS Allowance	110%											
<b>Debt Service Account</b>												
Beginning Cash Balance	\$ 2,549,583	\$ 3,203,226	\$ 3,856,871	\$ 17,644	\$ 671,286	\$ 1,324,929	\$ 1,978,570	\$ 2,632,306	\$ 3,285,949	\$ 2,227,319	\$ 2,880,962	\$ 3,534,605
<b>Additions</b>												
From Rates	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628
Interest Income	15	17	18	14	15	14	108	15	15	15	15	15
<b>Total Additions</b>	\$ 653,643	\$ 653,645	\$ 653,646	\$ 653,642	\$ 653,643	\$ 653,641	\$ 653,736	\$ 653,643	\$ 653,643	\$ 653,643	\$ 653,643	\$ 653,643
<b>Deductions</b>												
Existing Debt Service			3,813,586						1,033,986			
Proposed Debt Service (\$31 M Loan)			679,287						678,287			
<b>Total Deductions</b>	\$ -	\$ -	\$ 4,492,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,712,273	\$ -	\$ -	\$ -
Ending Cash Balance	\$ 3,203,226	\$ 3,856,871	\$ 17,644	\$ 671,286	\$ 1,324,929	\$ 1,978,570	\$ 2,632,306	\$ 3,285,949	\$ 2,227,319	\$ 2,880,962	\$ 3,534,605	\$ 4,188,248

Annual Contribution From Rates  
\$ 7,843,534

Annual Debt Service  
\$ 6,205,146

FY 2016												
	July	August	September	October	November	December	January	February	March	April	May	June
% increase in DS Allowance	0%											
<b>Debt Service Account</b>												
Beginning Cash Balance	\$ 4,188,248	\$ 4,841,890	\$ 5,495,535	\$ 721,015	\$ 1,374,656	\$ 2,028,299	\$ 2,681,941	\$ 3,335,677	\$ 3,989,320	\$ 2,980,932	\$ 3,634,575	\$ 4,288,218
<b>Additions</b>												
From Rates	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628
From Capital Restricted Acct.												
Interest Income	15	17	18	14	15	14	108	15	15	15	15	15
<b>Total Additions</b>	\$ 653,643	\$ 653,645	\$ 653,646	\$ 653,642	\$ 653,643	\$ 653,641	\$ 653,736	\$ 653,643	\$ 653,643	\$ 653,643	\$ 653,643	\$ 653,643
<b>Deductions</b>												
To Capital Restricted Acct.												
Existing Debt Service			3,837,461						1,003,821			
Proposed Debt Service (\$31 M Loan)			1,590,706						658,209			
<b>Total Deductions</b>	\$ -	\$ -	\$ 5,428,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,662,030	\$ -	\$ -	\$ -
Ending Cash Balance	\$ 4,841,890	\$ 5,495,535	\$ 721,015	\$ 1,374,656	\$ 2,028,299	\$ 2,681,941	\$ 3,335,677	\$ 3,989,320	\$ 2,980,932	\$ 3,634,575	\$ 4,288,218	\$ 4,941,861

Annual Contribution From Rates  
\$ 7,843,534

Annual Debt Service  
\$ 7,090,197

FY 2017												
	July	August	September	October	November	December	January	February	March	April	May	June
% increase in DS Allowance	0%											
<b>Debt Service Account</b>												
Beginning Cash Balance	\$ 4,941,861	\$ 5,595,504	\$ 6,249,148	\$ 1,425,563	\$ 2,079,204	\$ 2,732,847	\$ 3,386,489	\$ 4,040,225	\$ 4,693,868	\$ 3,739,377	\$ 4,393,020	\$ 5,046,663
<b>Additions</b>												
From Rates	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628
From Capital Restricted Acct.												
Interest Income	15	17	18	14	15	14	108	15	15	15	15	15
<b>Total Additions</b>	\$ 653,643	\$ 653,645	\$ 653,646	\$ 653,642	\$ 653,643	\$ 653,641	\$ 653,736	\$ 653,643	\$ 653,643	\$ 653,643	\$ 653,643	\$ 653,643
<b>Deductions</b>												
To Capital Restricted Acct.												
Existing Debt Service			3,865,545						970,905			
Proposed Debt Service (\$31 M Loan)			1,611,687						637,228			
<b>Total Deductions</b>	\$ -	\$ -	\$ 5,477,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,608,133	\$ -	\$ -	\$ -
Ending Cash Balance	\$ 5,595,504	\$ 6,249,148	\$ 1,425,563	\$ 2,079,204	\$ 2,732,847	\$ 3,386,489	\$ 4,040,225	\$ 4,693,868	\$ 3,739,377	\$ 4,393,020	\$ 5,046,663	\$ 5,700,306

Annual Contribution From Rates  
\$ 7,843,534

Annual Debt Service  
\$ 7,085,365

FY 2018												
	July	August	September	October	November	December	January	February	March	April	May	June
% increase in DS Allowance	0%											
<b>Debt Service Account</b>												
Beginning Cash Balance	\$ 5,700,306	\$ 6,353,949	\$ 7,007,594	\$ 2,184,008	\$ 2,837,650	\$ 3,491,293	\$ 4,144,934	\$ 4,798,670	\$ 5,452,313	\$ 4,497,823	\$ 5,151,465	\$ 5,805,108
<b>Additions</b>												
From Rates	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628	\$653,628
From Capital Restricted Acct.												
Interest Income	15	17	18	14	15	14	108	15	15	15	15	15
<b>Total Additions</b>	\$ 653,643	\$ 653,645	\$ 653,646	\$ 653,642	\$ 653,643	\$ 653,641	\$ 653,736	\$ 653,643	\$ 653,643	\$ 653,643	\$ 653,643	\$ 653,643
<b>Deductions</b>												
To Capital Restricted Acct.												
Existing Debt Service			3,865,545						970,905			
Proposed Debt Service (\$31 M Loan)			1,611,687						637,228			
<b>Total Deductions</b>	\$ -	\$ -	\$ 5,477,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,608,133	\$ -	\$ -	\$ -
Ending Cash Balance	\$ 6,353,949	\$ 7,007,594	\$ 2,184,008	\$ 2,837,650	\$ 3,491,293	\$ 4,144,934	\$ 4,798,670	\$ 5,452,313	\$ 4,497,823	\$ 5,151,465	\$ 5,805,108	\$ 6,458,751

Annual Contribution From Rates  
\$ 7,843,534

Annual Debt Service  
\$ 7,085,365

**Docket No. 4243 - City of Newport Water Division – Multi-year Rate Plan Filing  
Updated 1/31/13**

<b>Parties/Address</b>	<b>E-mail Distribution</b>	<b>Phone/Fax</b>
Joseph A. Keough, Jr., Esq. Keough & Sweeney 41 Mendon Ave. Pawtucket, RI 02861	<a href="mailto:jkeoughjr@keoughsweeney.com">jkeoughjr@keoughsweeney.com</a>	401-724-3600 401-724-9909
Julia Forgue, Director of Public Works Newport Water Department 70 Halsey St. Newport, RI 02840	<a href="mailto:jforgue@cityofnewport.com">jforgue@cityofnewport.com</a>	401-845-5601 401-846-0947
	<a href="mailto:kgarcia@cityofnewport.com">kgarcia@cityofnewport.com</a>	
	<a href="mailto:lsitrin@CityofNewport.com">lsitrin@CityofNewport.com</a>	
Karen Lyons, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:klyons@riag.ri.gov">klyons@riag.ri.gov</a>	401-222-2424
	<a href="mailto:sscialabba@ripuc.state.ri.us">sscialabba@ripuc.state.ri.us</a>	401-222-3016
	<a href="mailto:psmith@ripuc.state.ri.us">psmith@ripuc.state.ri.us</a>	
	<a href="mailto:jmunoz@riag.ri.gov">jmunoz@riag.ri.gov</a>	
	<a href="mailto:dmacrae@riag.ri.gov">dmacrae@riag.ri.gov</a>	
Harold Smith Raftelis Financial Consulting, PA 511 East Blvd. Charlotte, NC 28203	<a href="mailto:Hsmith@raftelis.com">Hsmith@raftelis.com</a>	704-373-1199 704-373-1113
Gerald Petros, Esq. Hinckley, Allen & Snyder 1500 Fleet Center Providence, RI 02903	<a href="mailto:gpetros@haslaw.com">gpetros@haslaw.com</a>	401-274-2000
	<a href="mailto:aramos@haslaw.com">aramos@haslaw.com</a>	
	<a href="mailto:jmansolf@haslaw.com">jmansolf@haslaw.com</a>	
William McGlinn Portsmouth Water & Fire District 1944 East Main Rd. PO Box 99 Portsmouth, RI 02871	<a href="mailto:wmcglinn@portsmouthwater.org">wmcglinn@portsmouthwater.org</a>	401-683-2090 ext. 224
Ellen M. Evans Senior Trial Attorney Naval Facilities Engineering Command Litigation Office 720 Kennon St., Bldg. 36, Room 233 Washington Navy Yard, DC 20374-5051	<a href="mailto:ellen.evans@navy.mil">ellen.evans@navy.mil</a>	202-685-2235 202-433-2591
Dr. Kay Davoodi, P.E. Utility Rates and Studies Office NAVFACHQ- Building 33 1322 Patterson Ave SE Washington Navy Yard, D.C. 20374-5065	<a href="mailto:Khojasteh.davoodi@navy.mil">Khojasteh.davoodi@navy.mil</a>	202-685-3319 202-433-7159
	<a href="mailto:Larry.r.allen@navy.mil">Larry.r.allen@navy.mil</a>	
Maurice Brubaker Brubaker and Associates, Inc. PO Box 412000 St.Louis, MO 63141-2000	<a href="mailto:mbrubaker@consultbai.com">mbrubaker@consultbai.com</a>	401-724-3600 401-724-9909
	<a href="mailto:bcollins@consultbai.com">bcollins@consultbai.com</a>	
Thomas S. Catlin Exeter Associates, Inc. 10480 Little Patuxent Parkway, Suite 300	<a href="mailto:tcatlin@exeterassociates.com">tcatlin@exeterassociates.com</a>	410-992-7500 410-992-3445

Columbia, MD 21044		
Christopher Woodcock Woodcock & Associates, Inc. 18 Increase Ward Drive Northborough, MA 01532	<a href="mailto:Woodcock@w-a.com">Woodcock@w-a.com</a>	508-393-3337 508-393-9078
<b>File an original and nine (9) copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:lmassaro@puc.state.ri.us">lmassaro@puc.state.ri.us</a>	401-780-2107 401-941-1691
	<a href="mailto:cwilson@puc.state.ri.us">cwilson@puc.state.ri.us</a>	
	<a href="mailto:sccamara@puc.state.ri.us">sccamara@puc.state.ri.us</a>	