

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: CITY OF WOONSOCKET :  
WATER DEPARTMENT APPLICATION : DOCKET NO. 4320  
TO CHANGE RATE SCHEDULES :

REPORT AND ORDER

**I. Introduction**

On March 15, 2012, the City of Woonsocket Water Division (“WWD” or “Company”), a non-investor owned utility, filed with the Public Utilities Commission (“Commission”) an abbreviated rate application filing. WWD requested a rate increase of 10.86% for the collection of \$813,326 in additional operating revenues for a total cost of service of \$8,301,954.<sup>1</sup> WWD requested an effective date of April 15, 2012. On March 29, 2012, at an open meeting, the Commission suspended the effective date of the filing.<sup>2</sup>

The instant general rate case filing represents WWD’s fourth such filing in the last thirteen years. The following table provides a brief history:

<u>Docket No.</u>	<u>Filing Date</u>	<u>Amount Requested</u>	<u>Amount Allowed</u>	<u>% increase</u>
2904	3/25/99	\$1,232,142	\$ 800,544	20.7%
3512	3/27/03	\$1,093,451	\$ 970,596	22.4%
3626	7/13/04	\$2,067,150	\$1,602,231	30.4%
3626(reopened)	6/6/05	\$1,819,773	\$1,819,773	34.8% <sup>3</sup>

<sup>1</sup> On March 23, 2012, WWD made a supplemental filing to include certain other documentation required by the Commission’s Rules of Practice and Procedure.

<sup>2</sup> On May 18, 2012, the Town of North Smithfield, WWD’s only wholesale customer, intervened and was granted full party status. However, North Smithfield did not actively participate in the discovery process, filing of testimony, the Settlement negotiations, or the hearing.

<sup>3</sup> WWD filed a Motion to Reopen the Proceedings after being notified of a discrepancy between the frequency of billing approved by the Commission and the frequency of billing set forth in WWD’s compliance tariffs. WWD explained that while it anticipated increased revenues as a result of quarterly

3800            12/8/06                    \$1,700,000                    \$1,091,664    15.3%

## **II.    Woonsocket Water Department's Pre-Filed Testimony**

In support of this filing, WWD filed the testimony of Sheila McGauvran, Director of the City of Woonsocket ("City") Department of Public Works, and WWD's consultants, Walter E. Edge, Jr., MBA, CPA and David Bebyn, CPA. The Test Year used was Fiscal Year Ending ("FYE") June 30, 2011 and the Rate Year used was FYE June 30, 2013.<sup>4</sup> Mr. Bebyn explained the thirteen adjustments he made to normalize the Test Year and Mr. Edge determined that all revenue accounts should be left at Test Year levels because of the multi-year downward trend in consumption that WWD has experienced.<sup>5</sup> Mr. Edge testified that WWD had not spent in excess of the operating budget funded through rates set in Docket No. 3800. He did note that the IFR account was not fully funded during the years between the last rate case and this one as a result of revenue shortfalls.<sup>6</sup>

In her Pre-Filed Testimony, Ms. McGauvran discussed WWD's activities relative to a new water treatment plant and IFR projects. Ms. McGauvran explained that the City engaged Camp Dresser and McKee, consulting engineers, to explore several options. According to Ms. McGauvran, "the Mayor and Council determined that the best option was to continue to pursue acquisition of a site within the City of Woonsocket" for the construction of a new treatment plant.<sup>7</sup> She advised that after entering into a Consent Agreement with the RI Department of Environmental Management ("RIDEM")

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billing versus semi-annual billing, consumption was less and expenses were greater than allowed by the Commission at its March 8, 2005 Open Meeting. In an Open Meeting on June 16, 2005, the Commission allowed for an increase to rates of 34.84% or \$1,819,773.

<sup>4</sup> WWD Exhibit 1B (Pre-Filed Testimony of Walter Edge) at 1.

<sup>5</sup> WWD Exhibit 1C (Pre-Filed Testimony of David Bebyn) at 3-4; WWD Exhibit 1B at 8.

<sup>6</sup> WWD Exhibit 1B at 9.

<sup>7</sup> WWD Exhibit 1A (Pre-Filed Testimony of Sheila McGauvran) at 3.

following the issuance of the Commission's Order in Docket No. 3800, WWD had a new pH adjustment system for backwash from the treatment plant installed in order to meet one component of that Consent Agreement.<sup>8</sup>

In his testimony, Mr. Edge indicated that because WWD had not been able to make sufficient progress toward constructing a new treatment plant as discussed in Docket No. 3800, RIDEM had agreed to an extension to 2013 for permitting. He indicated that "this time the WWD is very close to purchasing a suitable site for the new plant." He explained that WWD would require at least two additional rate cases to fully fund the costs of the treatment plant.<sup>9</sup>

Turning to the Infrastructure Replacement ("IFR") Plan, Ms. McGauvran explained that WWD had updated its IFR Plan since the Commission's Order in Docket No. 3800. The plan was approved by the Department of Health. As part of the plan, WWD has been working to increase the number of interconnections with other communities.<sup>10</sup> Mr. Edge recommended leaving the funding for the IFR account at the Test Year levels.<sup>11</sup>

Addressing other specific expense items included in the Rate Year revenue requirement, Mr. Edge did not discuss those that were less than 1% of the revenue requirement. In preparing the rate year level of expense for Personnel Expenses, Mr. Edge calculated rate year salary levels and longevity for a total increase to personnel of \$100,943.<sup>12</sup> He estimated a \$7,794 increase to Light and Power using the Test Year level

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<sup>8</sup> *Id.* at 4.

<sup>9</sup> WWD Exhibit 1B at 5.

<sup>10</sup> WWD Exhibit 1A at 5.

<sup>11</sup> WWD Exhibit 1B at 12.

<sup>12</sup> WWD Exhibit 1B at 11, Schedule WEE-3.

of consumption with increased energy charges.<sup>13</sup> He increased property taxes by increasing the interim year property taxes by the percentage increase between the Test Year and Interim year of 4%, resulting in a \$10,903 increase.<sup>14</sup> Mr. Edge next increased Health, Dental and Worker's Compensation insurance by more than 9.5%, leaving other insurance expenses at interim year levels for a total increase of \$155,589.<sup>15</sup>

Reviewing restricted accounts, Mr. Edge recommended adjusting the Debt Service and Renewal/Replacement accounts, leaving the remaining at Test Year levels. After his review, Mr. Edge recommended reducing both Debt Service and Renewal/Replacement by a total of \$232,067.<sup>16</sup> In reaching his conclusions regarding the restricted accounts, Mr. Edge estimated the costs for the Rate Year and two subsequent years, allowing for a "reasonable positive balance after three years."<sup>17</sup>

In his Testimony, Mr. Bebyn reviewed the structure of rates and determined that no major changes needed to be made. However, because of a change in law since WWD's last rate case, Mr. Bebyn reallocated the IFR costs to reflect the ability of a utility to recover IFR costs through both fixed and usage based charges. This was a change from the past law where IFR costs could only be recovered through usage based charges.<sup>18</sup> In order to accomplish the reallocation, Mr. Bebyn allocated IFR costs in the same manner as non-IFR capital expenditures.<sup>19</sup> In allocating costs, Mr. Bebyn used meter counts and fire service counts as of June 30, 2011.<sup>20</sup>

### **III. Division's Testimony**

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<sup>13</sup> *Id.*

<sup>14</sup> WWD Exhibit 1B at 12, WEE Schedule 3.

<sup>15</sup> *Id.*

<sup>16</sup> WWD Exhibit 1B at 12.

<sup>17</sup> *Id.* at 13.

<sup>18</sup> WWD Exhibit 1C at 5.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at 7.

On July 13, 2012, the Division of Public Utilities and Carriers (“Division”) submitted the Pre-Filed Testimony of Andrea C. Crane in support of its adjustments to WWD’s claims. The Division also submitted the Pre-Filed Testimony of Jerome Mierzwa, its rate design consultant. Mr. Mierzwa accepted WWD’s cost of service study and proposed rate design, noting that it was very similar to prior filings. However, Mr. Mierzwa recommended that because WWD’s next rate filing will include costs related to a new water treatment plant that “WWD re-examine and document the reasonableness of its historical allocation factors in its next rate case as appropriate.”<sup>21</sup>

Ms. Crane made seven adjustments to WWD’s claim totaling (\$806,782) for a total rate year revenue requirement of \$7,495,172. Where she had accepted WWD’s pro forma revenue at present rates of \$7,488,628, she recommended a rate increase of \$6,544 compared to WWD’s requested \$813,326. She reduced the following expenses by the following amounts: Light and Power (\$1,202), Property and Fire Taxes (\$3,516), Insurance Expense (\$81,425), City Services Expense (\$175,130), Infrastructure Replacement Fund (\$456,000), Debt Service (\$30,000), and Operating Reserve Allowance (\$59,509).<sup>22</sup> Ms. Crane also recommended removing Chemicals and Rate Case Expense from WWD’s restricted accounts because they are more akin to normal operating expense accounts over which WWD has discretion.<sup>23</sup>

Ms. Crane’s adjustment to Light and Power was to remove late fees from the rate year expenses claiming that this is not an appropriate expense claim to recover from regulated ratepayers.<sup>24</sup> Ms. Crane’s adjustment to the Property and Fire Taxes was to

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<sup>21</sup> Division Exhibit 1 (Pre-Filed Testimony of Jerome Mierzwa) at 4.

<sup>22</sup> Division Exhibit 2 (Direct Testimony of Andrea Crane), p. 29.

<sup>23</sup> *Id.* at 26-29.

<sup>24</sup> *Id.* at 10.

leave the Rate Year costs at the Interim Year level on the basis that there is no evidence that the increase between the Test Year and Interim Year would be repeated, thus not satisfying the known and measurable test.<sup>25</sup> She made a similar argument to justify her adjustment to Insurance, noting that between the Test Year and Interim Year, some insurance expenses have not increased at all.<sup>26</sup>

Turning to City Services Expense, Ms. Crane noted that this charge included labor costs for services provided to WWD by the City for personnel and also non-labor costs, the largest of which was a general City Property Expense allocation that includes electric, heating, security and other costs related to the City Hall building.<sup>27</sup> Noting that City employees do not keep time records related to specific tasks, Ms. Crane argued that this lack of documentation makes it “impossible to verify that the City Services Charge Expenses do not result in any subsidization of other City services by water utility customers.”<sup>28</sup> Ms. Crane recommended eliminating personnel costs for the Mayor’s office and the City Property Expenses associated with City Hall because these are “costs that would be incurred by the City regardless of whether or not it offered municipal water services.”<sup>29</sup> Additionally, citing a prior Commission Order whereby the Commission ordered WWD to withhold City Service payments until such time as the hydrant fees owed to WWD by the City were netted to zero and WWD’s response that it could not comply with the Order due to the City receiving the City Services payment at the start of the fiscal year, Ms. Crane suggested imputing the past-due City hydrant revenue into

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<sup>25</sup> *Id.* at 11-12.

<sup>26</sup> *Id.* at 12.

<sup>27</sup> *Id.* at 13-14.

<sup>28</sup> *Id.* at 15.

<sup>29</sup> *Id.* at 15-16.

rates and amortize the \$90,977 over three years for a \$173,130 total reduction in the City Service Expense.<sup>30</sup>

Addressing the IFR Fund, Ms. Crane noted that WWD has not expended the level of authorized IFR allocations over the last four years. She also noted that “WWD currently has accrued carryover funds of \$5,791,096.”<sup>31</sup> Therefore, she concluded, “WWD has not undertaken the level of Infrastructure Replacement Fund expenditures authorized by the Commission even though significant funds were available for additional projects.”<sup>32</sup> Therefore, she recommended funding in the Rate Year of \$1,500,000, still more than WWD spent in any of the past four years.<sup>33</sup>

Despite the fact that WWD was seeking lower debt service funding than was in current rates, Ms. Crane maintained that WWD’s request was still too high because of the predictable nature of debt service requirements. She calculated that WWD would require \$1,557,518 per year if the FY 2012 projected reserve balance of \$436,781 were amortized over three years. Therefore, she recommended reducing WWD’s claim for \$1,630,000 by \$30,000.<sup>34</sup>

Finally, Ms. Crane recommended only applying the operating reserve to the operating and maintenance (“O&M”) expenses rather than to the overall revenue requirement. She noted that the O&M expenses are more volatile than the IFR and debt service. She also noted that her recommendation was consistent with the most recent Commission Order regarding WWD’s rates.<sup>35</sup>

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<sup>30</sup> *Id.* at 17-19.

<sup>31</sup> *Id.* at 19.

<sup>32</sup> *Id.* at 20.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.* at 21-23.

<sup>35</sup> *Id.* at 23-26.

#### IV. WWD's Rebuttal Testimony

On August 20, 2012, WWD submitted the Rebuttal Testimony of Ms. McGauvran and Mr. Edge to address continuing items of dispute between the Company and the Division. Ms. McGauvran stated that WWD had been unable to perform a carbon filter replacement in the interim year and even with Mr. Edge's proposed chemical funding would result in a \$136,401 deficit.<sup>36</sup>

Turning to City Services, Ms. McGauvran provided examples of activities performed by the Mayor's office and City employees who perform finance, personnel, IT and building maintenance duties for WWD. She argued that with regard to office space provided to WWD employees in City Hall, the building should be prorated and the amount charged should be even higher. She concluded that if WWD had to employ these positions, the utility's costs would be higher.<sup>37</sup> With regard to the payment of City Service expenses to the City at the beginning of the fiscal year rather than as incurred, Ms. McGauvran argued that the charge "should not be adjusted to reflect underpayment of hydrant fees."<sup>38</sup> She maintained that because the hydrant charge was booked as a liability by the City in FY 2012, it could not be amortized over three years.<sup>39</sup> Mr. Edge reiterated that because "the City recognized the offset in FY 2012, amortizing one third of the total over fiscal years 2013, 2014 and 2104 is double counting the off-set."<sup>40</sup>

Addressing the IFR, Ms. McGauvran maintained that Ms. Crane did not include in her analysis the activity that took place in FY 2012, including a water main replacement and a submission to Rhode Island Clean Water Finance for financing. She

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<sup>36</sup> WWD Exhibit 4 (Rebuttal Testimony of Sheila McGauvran), pp. 1-2.

<sup>37</sup> *Id.* at 3-5.

<sup>38</sup> *Id.* at 5-6.

<sup>39</sup> *Id.* at 6.

<sup>40</sup> WWD Exhibit 5 (Rebuttal Testimony of Walter Edge), p. 6



reviewed the IFR plans WWD has and argued that it would not be possible to complete the projects if the Commission accepted Ms. Crane's recommendation.<sup>41</sup> Mr. Edge added that the lack of IFR expenditures was "the direct result of the underfunding of the IFR fund by \$2,634,915 over the last four years (\$1,277,649 in the last two years). This shortfall is the direct result of revenues over the last few years not achieving the projected revenue level approved in the last rate case."<sup>42</sup> He added that relying on past practice in undertaking IFR projects does not suggest future practices and in fact, suggests that WWD will have to undertake additional IFR projects in order to catch up.<sup>43</sup>

Addressing several of Ms. Crane's other adjustments, Mr. Edge argued that it was an unreasonable assumption that property taxes and insurance rates would not increase in the Rate Year.<sup>44</sup> With regard to the operating reserve, Mr. Edge noted that since WWD's last rate case, the Commission has allowed different methodologies for setting the operating reserve, each of which would result in a higher amount than his proposed 1.5% on total operating revenues. He noted that Ms. Crane suggested a 1.5% operating reserve on operating revenues minus IFR, R&R and Debt Service. Mr. Edge argued that utilizing an old methodology unfairly treated WWD and was inconsistent with other non-investor owned water utilities.<sup>45</sup> Addressing Ms. Crane's adjustment to debt service, Mr. Edge expressed concern that her \$30,000 downward adjustment would leave too small of a reserve by 2015.<sup>46</sup> Finally, Mr. Edge agreed that ratepayers should not be responsible for late charges on electric bills and accepted her adjustment.<sup>47</sup>

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<sup>41</sup> WWD Exhibit 4 at 6-8.

<sup>42</sup> WWD Exhibit 5 at 3.

<sup>43</sup> *Id.* at 4-5.

<sup>44</sup> *Id.* at 6-8.

<sup>45</sup> *Id.* at 9-10.

<sup>46</sup> *Id.* at 10.

<sup>47</sup> *Id.*

## V. Division's Surrebuttal Testimony

On September 14, 2012, the Division submitted the Surrebuttal Testimony of Ms. Crane wherein she did not alter any of her recommendations. Ms. Crane noted that while Ms. McGauvran stated that WWD was unable to replace its carbon filter in the Interim Year, WWD completed a replacement in FY 2011 and anticipated a replacement in FY 2013, not FY 2012 or FY 2014. Furthermore, Ms. Crane indicated that she had not recommended adjustments to WWD's requested chemical funding, including carbon replacements.<sup>48</sup> With regard to her adjustments to insurance and certain taxes, Ms. Crane indicated that WWD had not demonstrated that their claims were based on known and measurable changes to the Test Year. She also noted that she had still included amounts higher than the Test Year amounts.<sup>49</sup>

Addressing City Services, Ms. Crane noted that her recommendations had been made based on the lack of supporting documentation, particularly related to payroll costs from the Mayor's office and City Property expenses. She stated that she "agree[d] that the City should not subsidize the WWD but neither should the ratepayers of WWD be charged for costs that are unsubstantiated."<sup>50</sup> Despite this, Ms. Crane noted that she included in excess of \$200,000 for City personnel costs in the revenue requirement recommendation, a total of 75% of WWD's overall City Services claim.<sup>51</sup>

With regard to her adjustments to the IFR account, Ms. Crane disputed WWD's claim that there would be insufficient funds to undertake the work, noting that the IFR account had a balance of almost \$5.8 million at the end of FY 2011 and was projected to

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<sup>48</sup> Division Exhibit 3 (Surrebuttal Testimony of Andrea Crane), p. 3.

<sup>49</sup> *Id.* at 5.

<sup>50</sup> *Id.* at 6.

<sup>51</sup> *Id.* at 6-7.

have a surplus of \$2.5 million by the end of FY 2015.<sup>52</sup> Additionally, with regard to her Debt Service Reserve adjustment, Ms. Crane asserted that because debt service costs are the most predictable, she could make an argument that no surplus funding is necessary, but that her adjustment to WWD's claim will still result in an 8% surplus by FY 2015.<sup>53</sup>

Ms. Crane expressed confusion with regard to Mr. Edge's discussion of the treatment of the overdue hydrant fees. She opined that as long as the City of Woonsocket had not reimbursed WWD for the hydrant fees, WWD was still in violation of a Commission Order that required WWD to withhold the payment of City Services until such time as the hydrant fees had been satisfied, either through payment from the City or through an offset.<sup>54</sup>

## **VI. Commission Data Request 5-1**

During the course of the docket, a review of WWD's previously filed Semi-Annual Reports showed a balance in the IFR account that was inconsistent with WWD's claim that IFR had been underfunded. The Commission issued the following data request: "Please provide an analysis of the IFR Account for FY 2006 through FY 2011 which includes the information provided in WWD's periodic reports, the actual amounts, and bank statement amounts...."<sup>55</sup> In its response, WWD provided the IFR Fund balances assuming WWD had been able to fully fund the IFR account from FY 2006 through FY 2011 which reflected the amounts that had been included in WWD's Semi-Annual Reports. The estimated ending balance as of June 30, 2011 was over \$5.7 million. WWD also provided the actual cash balances reflecting the actual activity in the

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<sup>52</sup> *Id.* at 8.

<sup>53</sup> *Id.* at 12.

<sup>54</sup> *Id.* at 9-10.

<sup>55</sup> Commission Exhibit 9 (WWD's Response to Comm. 5-1).

account over the same period. The ending balance as of FY 2011 was \$1,424,750 and was consistent with the balances as reflected on the bank statements.<sup>56</sup>

## VII. Settlement

On October 11, 2012, WWD and the Division filed a Settlement Agreement for Commission review.<sup>57</sup> The Settlement Agreement purported to resolve all issues between the parties in a just and reasonable manner. In the Recitals, the parties indicated that during negotiations following the filing of the Division's Surrebuttal, it became apparent "that the pro-forma chemical costs were underestimated by \$100,000."<sup>58</sup> This was the result of calculating rates based on biennial replacement of carbon filters whereas in reality, they must be replaced annually. According to the Settlement, "[h]ad WWD's original filing included the appropriate level for chemical expenses, the requested revenue increase would have been \$913,326 or 12.2% and a total revenue requirement of \$8,401,954."<sup>59</sup>

In the Settlement, the parties agreed to a net revenue requirement of \$7,997,009 requiring an increase of \$508,381 or 6.79% over WWD's present rate revenues.<sup>60</sup> The increase would be applied to customers based on the uncontested rate design proposed by WWD in its initial filing. The parties agreed to funding chemicals to a level of \$396,000 and IFR at \$1,700,000.<sup>61</sup> Additionally, the parties agreed to unrestrict the rate case expense account. WWD agreed to file revised semi-annual reports from 2006 to 2012 to

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<sup>56</sup> *Id.* Tr. 10/18/12 at 57-61.

<sup>57</sup> A copy of the Settlement Agreement is attached hereto as Appendix A.

<sup>58</sup> Settlement at 2-3.

<sup>59</sup> *Id.* at 3.

<sup>60</sup> *Id.*

<sup>61</sup> *Id.* at 4.

reflect actual starting balances. Finally, WWD is required to re-examine and document the reasonableness of its historical allocation factors in its next rate case.<sup>62</sup>

### VIII. Hearing

Following notice, a public hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on October 18, 2012 to assess the evidence.<sup>63</sup> The following appearances were entered:

FOR WOONSOCKET WATER	Alan M. Shoer, Esq.
FOR THE DIVISION :	Karen Lyons, Esq. Special Assistant Attorney General
FOR THE COMMISSION:	Cynthia G. Wilson-Frias, Esq. Senior Legal Counsel

WWD and the Division presented Ms. McGauvran, Mr. Edge, Mr. Bebyn and John Bell, Rate Analyst V, in support of the Settlement.<sup>64</sup> Mr. Edge explained that while it appeared WWD and the Division were originally very far apart on dollars, Ms. Crane's IFR adjustment and City Services/hydrants adjustment made up the majority of the dispute. Furthermore, during settlement discussions, Mr. Edge realized that unlike in the past, more frequent filter replacements would need to occur, thus increasing the amount of funds required for chemicals, something the Division supported. According to Mr. Edge, WWD "had not done a good job presenting [IFR] to the Commission and the Division" but would address this area of spending more thoroughly in future rate cases.<sup>65</sup> He explained that the Debt Service adjustment was a "comfort" adjustment and WWD

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<sup>62</sup> *Id.*

<sup>63</sup> A previous hearing was held in the City of Woonsocket on May 17, 2012 at 6:00 p.m. for the purposes of taking public comment.

<sup>64</sup> Mr. Bell adopted the pre-filed testimony of Ms. Crane and Mr. Mierzwa. Tr. 10/18/12 at 5.

<sup>65</sup> Tr. 10/18/12 at 7-10.

agreed to the Division's recommendation. With regard to the remaining items, including the operating reserve, they were all simply settled figures.<sup>66</sup> Mr. Bell stated that because the overall revenue being allowed in the settlement is lower than that which was approved in Docket No. 3800, five years past, he believed "the settlement is very reasonable, the utility has had to really watch their spending and the Division thinks it's a reasonable settlement and recommends approval."<sup>67</sup>

Mr. Bebyn testified that a typical residential customer with a 5/8 inch meter and 10,000 cubic feet of consumption will experience a 7.35% increase, or approximately \$37 per year, if he or she lives within Woonsocket and a 5.18% increase, or approximately \$23 per year, if he or she lives outside of Woonsocket. The difference results from the impact of the separate hydrant service charge on Woonsocket residents.<sup>68</sup> North Smithfield's annual wholesale rate will increase from \$3,748 per 1,000,000 gallons to \$4,544 per 1,000,000 gallons for an annual increase of \$41,000.<sup>69</sup>

Discussing some City financial issues, Ms. McGauvran stated that Woonsocket financial decisions are under the jurisdiction of a Budget Commission. The Budget Commission was in negotiations with all of the unions with the goal of seeking concessions and cost savings. According to Ms. McGauvran, the Budget Commission needs to approve any expenditures in excess of \$15,000, but that the Budget Commission meets often enough that WWD is able to anticipate its larger expenditures and receive approval in a timely manner, thus avoiding a delay in payments to vendors.<sup>70</sup> The Budget Commission also has a review of hiring decisions. Agreeing that the Settlement was

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<sup>66</sup> *Id.* at 10-12, 14-16.

<sup>67</sup> *Id.* at 12.

<sup>68</sup> *Id.* at 17-18; Schedule Settlement-4.

<sup>69</sup> Tr. 10/18/12 at 20; Schedule Settlement-3.

<sup>70</sup> Tr. 10/18/12 at 20-22.

based on funding of 33 positions, Ms. McGauvran indicated that she had been successful in receiving approval to fill vacant positions because of the impact of vacancies on overtime expense.<sup>71</sup>

However, Ms. McGauvran explained that the purchase of land for the new treatment facility has been delayed by the Budget Commission's review of the transaction. She stated that the seller was begrudgingly agreeing to the delay and she was optimistic that it would move forward soon.<sup>72</sup>

Explaining the processing of purchase orders and payroll, Ms. McGauvran explained that purchasing begins with WWD's account clerk who requests a purchase order, orders materials, reviews invoices, and processes the requests for payment which is approved by Ms. McGauvran with payment issued by the City Treasurer. The only extra step is to receive prior approval by the Budget Commission for expenses over \$15,000. Payroll is done by the WWD clerk and sent down to the treasurer and when the payroll checks are cut, they are charged to the proper account, in this case, WWD's accounts.<sup>73</sup>

Turning to the Commission's prior Order requiring WWD to withhold City Service payments until such time as the hydrant fees due from the City of Woonsocket to the WWD had been netted to zero, Mr. Edge explained that he believed the City was in the process of going out for deficit bonds and once complete, would pay the amount owed to WWD. However, because he was not sure, the Commission issued a Record Request seeking updated information.<sup>74</sup>

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<sup>71</sup> *Id.* at 22-23.

<sup>72</sup> *Id.* at 24-25.

<sup>73</sup> *Id.* at 26-27.

<sup>74</sup> *Id.* at 50-53. In its response to the Commission's Record Request, WWD notified the Commission that the City had paid the amount due to WWD for the FY 2012 hydrant expense in September 2012. Response to RR-1-4.

Addressing restricted accounts, Mr. Edge explained that unlike Debt Service, Renewable and Replacement and IFR, chemicals and rate case expense are really operating accounts and are not like the former accounts that are designed to accumulate specific amounts for specific purposes to be expended at scheduled intervals. Therefore, he agreed with Ms. Crane that they should be unrestricted. However, in this case, because of the additional filter replacements, the parties had agreed to keep chemicals restricted.<sup>75</sup>

Turning to City Services, Ms. McGauvran agreed that it would make sense to develop a cost allocation manual similar to one developed by Newport in the past. She testified that WWD has taken a step in that direction to try to better quantify the time allocated.<sup>76</sup>

Discussing the disconnect that had occurred with IFR funding and various reports, WWD had agreed to revise and re-file its semi-annual reports from 2006 through 2012 in order to provide the Commission and Division with actual cash balances. Through its witnesses, WWD agreed to provide more detailed schedules of restricted account balances with its Semi-Annual Reports. There was additional discussion of WWD submitting quarterly reports.<sup>77</sup>

### **VIII. Commission Findings**

At an Open Meeting held on October 24, 2012, the Commission considered the Settlement and supporting evidence and approved the Settlement, finding it to be in the best interest of ratepayers and WWD. The Commission notes that the revenue

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<sup>75</sup> *Id.* at 74-77.

<sup>76</sup> *Id.* at 78-80.

<sup>77</sup> *Id.* at 64-71.



requirement in this case is lower than that which was approved in Docket No. 3800. The Commission commends WWD for controlling its expenses.

The Commission is concerned, however, with the status of the treatment plant, particularly in light of the financial condition of the City of Woonsocket. Since the findings made in Docket No. 3800, there have been several delays in the construction of the treatment plant. WWD is under a Consent Agreement with RIDEM and the Commission recalls having denied rate recovery for EPA fines imposed on water utilities in the past.

The Commission is aware that the Budget Commission has authority over approving certain of WWD's expenditures and believes that the revenue requirement approved in this case will provide WWD with sufficient funds such that the Budget Commission will be able to approve its necessary expenditures. Furthermore, the Commission takes comfort in a legal opinion provided by Edmund L. Alves, Jr., Esq. to the Woonsocket Budget Commission which stated, in part: "[t]he Budget Commission certainly recognizes that the budget of the Water Division is a regulated enterprise fund which must be devoted to its restricted purpose."<sup>78</sup> However, because of the need to ensure that WWD can continue to provide safe and potable water despite the financial constraints the City is facing, the Commission will be exercising its supervisory authority under Title 39 of the Rhode Island General Laws, particularly with regard to periodic reviews of WWD's bank accounts. The Settlement approved by the Commission should be sufficient to provide WWD the revenues it requires to provide safe and potable water to its customers, despite financial hardship facing the City. Finally, the Commission

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<sup>78</sup> Memorandum prepared by Edward Alves, Esq. counsel to the State of Rhode Island designated Budget Commission for the City of Woonsocket, dated July 11, 2012.

directs staff to meet with WWD and the Division to develop the quarterly reports discussed at the hearing.

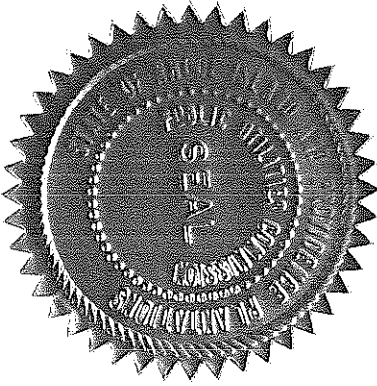
Accordingly, it is hereby

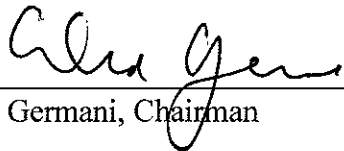
(21066) ORDERED:

1. Woonsocket Water Department's General Rate Filing of March 16, 2012 is hereby denied and dismissed.
2. Woonsocket Water Department has a total cost of service of \$7,997,009 and a net revenue requirement of \$7,752,077 from rates, resulting in an increase to rates in the amount of \$508,381, or 6.79%, effective for usage on and after October 24, 2012.
3. The Commission finds Woonsocket Water Department's rate design to be reasonable for this case.
4. Woonsocket Water Department shall restrict the following accounts in the following amounts: Debt Service - \$1,600,000, Renewal and Replacement - \$120,000, Infrastructure Replacement - \$1,700,000, Chemicals - \$396,000.
5. Woonsocket Water Department shall not use ratepayer funds to pay late fees or interest charges on past due accounts if there are funds available to pay such accounts by the due date.
6. Woonsocket Water Department's Compliance Tariffs filed on December 17, 2012 are hereby approved.
7. Woonsocket Water Department shall comply with all other instructions contained in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO OPEN  
MEETING DECISIONS ON OCTOBER 24, 2012 AND DECEMBER 20, 2012.  
WRITTEN ORDER ISSUED JUNE 13, 2013.

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.

APPENDIX A

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

**IN RE: CITY OF WOONSOCKET                   :**  
**WATER DIVISION APPLICATION               :**                                 **DOCKET NO. 4320**  
**TO CHANGE RATES                           :**

**SETTLEMENT AGREEMENT**

This Settlement Agreement is entered into by and between The City of Woonsocket, Water Division (“WWD”) and the Division of Public Utilities and Carriers (“Division”), collectively the “Parties”, in order to resolve the issues pending in the above-captioned proceeding. The Parties jointly request approval of this Settlement Agreement by the Rhode Island Public Utilities Commission (“Commission”).

**I. RECITALS**

Pursuant to R.I.G.L. § 39-3-11, on March 16, 2012, WWD filed with the Commission a Filing for Rate Change. In the initial filing, WWD requested approval of new rates designed to collect additional revenues in a 12-month period equal to \$813,326, over the current rates and charges, or an increase of approximately 10.86% (11.58% to a typical residential customer). The filed total revenue requirement was \$8,301,954. In the initial filing, WWD filed testimony and supporting exhibits and schedules by Sheila McGauvran, the City of Woonsocket’s Director of Public Works, Walter E. Edge, MBA, C.P.A., and David Bebyn C.P.A. After the procedural schedule was established by the Commission, the Town of North Smithfield intervened as a party on May 18, 2012.

In response to WWD's filing, the Division conducted an investigation of WWD's proposed rate request through data requests. The Division, through its consultants Ms. Crane and Mr. Mierzwa, filed direct testimony, dated July 13, 2012. Ms. Crane reviewed revenue requirements and recommended several adjustments to the WWD’s request for additional revenues concerning

the following expense items: Light and Power expenses; Property and Fire Tax Expenses; Insurance Expenses; City Services Charges (including hydrant charges); Infrastructure Replacement Fund (IFR); Debt Service Reserve; and Operating Revenue allowance. The Division's adjustments, taken together, suggested a revenue increase for WWD of \$6,544, or an increase over present rates of 0.09%. Mr. Mierzwa reviewed WWD's Cost of Service Study and rate design proposals. Mr. Mierzwa did not recommend any changes to WWD's Cost of Service Study and rate design with this rate proceeding before the Commission. However, Mr. Mierzwa did recommend that WWD re-examine and document the reasonableness of its historical allocation factors in its next rate case.

On August 17, 2012, WWD filed Rebuttal Testimony through its consultant Walter E. Edge, Jr. and by its Public Works Director, Sheila McGauvran. Mr. Edge's Rebuttal Testimony concurred with the Division's consultant, Mr. Mierzwa regarding cost of service and rate design recommendations. Mr. Edge concurred with the Division's consultant, (Ms. Crane) regarding Light and Power Expenses. However, Mr. Edge and Ms. McGauvran did not agree with Ms. Crane's recommendations regarding: IFR; City Services; Insurance Expenses; Operating Reserve Allowance; Debt Service; and Property and Tax Expenses.

On September 19<sup>th</sup>, after the Division's surrebuttal filing, WWD and the Division met to discuss several issues and the possibility of settlement. During this meeting the parties reviewed the information in the filing which resulted in modification of several schedules. Subsequently, on September 25, 2012, a pre-hearing conference was held with Commission legal counsel, Commission staff, WWD and the Division.

Following this conference, another settlement conference was held between the Division and WWD. During negotiations with the Division, it was determined that the pro-forma

chemical costs were underestimated by \$100,000. The initial filing called for carbon filter replacement every other year, however, the filters must be replaced yearly thus raising the chemical account costs by \$100,000. Had WWD's original filing included the appropriate level for chemical expense, the requested revenue increase would have been \$913,326 or 12.2% and a total revenue requirement of \$8,401,954. Additionally, the Division recommended that the rate case account and the chemical account be unrestricted, however due to WWD's underestimate, it was agreed that only the rate case account will be unrestricted.

After due consideration of the Parties' testimony, exhibits and other documentation included in the filings of WWD and the Division, the Parties have now agreed to a settlement which resolves all issues relating to WWD's Rate Filing. Schedules reflecting the settlement are restated and incorporated in this settlement agreement and are attached hereto and marked as: The Rate Year Summary ("Schedule SETTLEMENT – 1"); Statement of Revenues - Rate Year ("Schedule SETTLEMENT – 1A"); Expense Summary - Rate Year ("Schedule SETTLEMENT – 1B"); Comparison of Existing and Proposed Rates and Charges ("Schedule SETTLEMENT – 2"); Proof of Revenues ("Schedule SETTLEMENT – 3"); Impact of Proposed Rates ("Schedule SETTLEMENT – 4"). Schedules WEE-9 and WEE-10 are restated and incorporated in this Settlement Agreement by reference. The Parties 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**

1. The Parties agree to a net revenue requirement of \$7,997,009 which is an increase of \$508,381 or 6.79 % over WWD's present rate revenues. See Schedule SETTLEMENT-1.

2. The increase shall be applied to all WWD customer classes based upon the rate design submitted by WWD in this filing. As noted in the previous section the Division proposed no changes to the rate design submitted by WWD.

3. The Parties agree funding to a chemical level of \$396,000, as more fully set forward in the revised schedule WEE-9 attached to this settlement. This revised schedule correctly listed carbon change out every year instead of every other year.

4. The Parties agreed a funding account for IFR of \$1,700,000, as more fully set forward in the revised schedule WEE-10 attached to this settlement. This revised schedule also corrects the beginning carryover balance from \$5,746,580 to \$3,361,210. The FY 2012 expenditures have been updated to reflect actual amounts and the schedule includes projects listed on the Project Priority List (PPL). This correction is detailed in the data response to Commission request 5-1, filed on October 5, 2012.

5. The Parties agree to unrestrict the rate case expense account.

6. WWD shall file with the Commission revised semi-annual reports from 2006 to 2012.

7. WWD shall re-examine and document the reasonableness of its historical allocation factors in its next rate case.

8. All other accounts shall be funded at levels in the Rate Year as reflected in the attached "Schedule SETTLEMENT-1B," for "Expense Summary – Rate Year."

9. This Settlement Agreement is the product of negotiation and compromise. The making of this agreement establishes no principles or precedents. This agreement shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation.

10. The acceptance of this agreement by the Commission shall not in any respect constitute a determination by the Commission as to the merits of any issue in any subsequent rate proceeding.

11. In the event that the Commission (i) rejects this Settlement Agreement, (ii) fails to accept this Settlement Agreement as filed, or (iii) accepts the Settlement Agreement subject to conditions unacceptable to any party hereto, then this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects.

12. The undersigned signatories hereby attest that each believes that the settlement is reasonable, in the public interest and in accordance with law and regulatory policy.

DIVISION OF PUBLIC UTILITIES  
AND CARRIERS

By its attorney,

PETER KILMARTIN  
ATTORNEY GENERAL

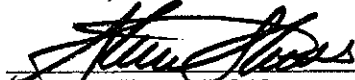


Karen Lyons, #6797  
Special Assistant Attorney General  
150 South Main Street  
Providence, RI 02903  
Tel (401) 274-4400, ext 2403  
Fax (401) 222-3016  
E-mail: [klyons@riag.state.ri.us](mailto:klyons@riag.state.ri.us)

THE CITY OF WOONSOCKET, WATER  
DIVISION

By its attorney,

ADLER, POLLOCK & SHEEHAN, P.C.



Alan M. Shoer, #3248  
One Citizens Plaza, 8<sup>th</sup> Floor  
Providence, RI 02903  
Tel (401) 274-7200  
Fax (401) 751-0604  
E-mail: [AShoer@apslaw.com](mailto:AShoer@apslaw.com)

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TAB 1

RATE YEAR SUMMARY  
WOONSOCKET WATER DIVISION

Schedule SETTLEMENT-1

	WWD Claim	WWD/Division Adjustments	Proposed Settlement	Rate Increase	Proposed New rates	
Revenue	\$ 7,488,628	\$ -	\$ 7,488,628	\$ 508,381	\$ 7,997,009	6.79%
Expenses	8,301,954	(304,945)	7,997,009	(63,180)	7,933,829	
Net Profit	\$ (813,326)	\$ 304,945	\$ (508,381)	\$ 571,561	\$ 63,180	

Net revenue requirement Rate Revenues	\$ 7,752,077
Misc. Revenues	244,932
	<u>\$ 7,997,009</u>

TAB A

**STATEMENT OF REVENUE - RATE YEAR    Schedule SETTLEMENT-1A**  
**WOONSOCKET WATER DIVISION**

ACCT. #	BUDGET ACCOUNT DESCRIPTION	WWD CLAIM	WWD/DIVISION ADJUSTMENT	PROPOSED SETTLEMENT
<b>REVENUE</b>				
<i>Revenue from Rates and Charges</i>				
41010	Water Sales	\$ 5,795,350		\$ 5,795,350
	Wholesale Sales	193,146	-	193,146
	Customer Service Revenue	1,162,655		1,162,655
	Public Fire Service Revenue	21,374		21,374
	Private Fire Service Revenue	71,171		71,171
		7,243,696	-	7,243,696
<i>Miscellaneous Revenue</i>				
41030	Service & Extensions	57,709		57,709
41035	Repairs	6,017		6,017
41040	Miscellaneous Income	41,335		41,335
41070	Water Surcharge	21,787		21,787
42310	Interest on Bills	117,635		117,635
42320	Interest on Investments	449		449
	Interest on Restricted Accounts	-		-
		244,932	-	244,932
	<b>TOTAL REVENUE</b>	<b>\$ 7,488,628</b>	<b>\$ -</b>	<b>\$ 7,488,628</b>

TAB B

**EXPENSE SUMMARY - RATE YEAR  
WOONSOCKET WATER DIVISION**

Schedule **SETTLEMENT-1B**

ACCT. #	BUDGET ACCOUNT DESCRIPTION	WWD CLAIM	WWD/DIVISION ADJUSTMENT	PROPOSED SETTLEMENT
<b>EXPENSES</b>				
<i>Personnel Expense</i>				
51110	Permanent Services	\$ 1,217,021		1,217,021
51122	Temporary Labor	14,075		14,075
51141	Overtime Pay	157,108		157,108
51144	Out of Class	1,094		1,094
51145	Longevity Pay	47,886		47,886
51146	Medical Buy Back	-		-
51147	Sick Leave Reimbursement	59		59
51149	Shift Differential	8,424		8,424
51153	Non-sick/Injury Bonus	500		500
51155	Bonus for Course	19,395		19,395
51160	Retirement	32,110		32,110
<i>Total Personnel Expenses</i>		1,497,672	-	1,497,672
<i>Maintenance &amp; Servicing Expenses</i>				
52211	Postage	16,055		16,055
52212	Telephone	20,105		20,105
52213	Dues & Subscriptions	1,414		1,414
52214	Advertising	2,382		2,382
52216	Travel Out of City	174		174
52219	Educational Training	6,761		6,761
52221	Printing & Reproducing	13,573		13,573
52231	General Maint. & Upkeep	27,041		27,041
52234	Vehicle & Outside Equip. Upkeep	21,119		21,119
52236	Maintenance - Office Equipment	406		406
52238	Maintenance - Roads & Walks	88,129		88,129
52239	Computer Software	19,057		19,057
52244	Land Rental Charges	2,043		2,043
52249	Other Rentals	6,685		6,685
52251	Heating	16,093		16,093
52252	Light & Power	261,881	(1) (1,202)	260,679
52255	Property & Fire Taxes	171,030	(2) (3,516)	167,514
52256	Sewer Assessment	53,771		53,771
52258	State Pollution Monitoring Program	13,183		13,183
52260	Regulatory Assessments	34,556		34,556
52261	Conservation Services	2,070		2,070
52266	Police Details	6,029		6,029
52281	Other Independent Service	65,623		65,623
52282	Audit Service	7,500		7,500
52283	Legal Service	37,778		37,778
52289	Medical Examinations	-		-
52290	Engineering Service	4,063		4,063
<i>Total Maintenance &amp; Servicing Expenses</i>		898,518	(4,718)	893,800
<i>Operating Supplies &amp; Expenses</i>				
53311	Office Supplies	3,552		3,552
53321	Gas & Diesel	28,357		28,357
53322	Tires & Batteries	541		541
53336	Chemicals - Water Supply	-		-

**EXPENSE SUMMARY - RATE YEAR  
WOONSOCKET WATER DIVISION**

Schedule SETTLEMENT-1B

ACCT. #	BUDGET ACCOUNT DESCRIPTION	WWD CLAIM	WWD/DIVISION ADJUSTMENT	PROPOSED SETTLEMENT
<i>Operating Supplies &amp; Expenses (Continued)</i>				-
53344	Tools & Implements	5,476		5,476
53346	Cleaning & Housekeeping Supplies	1,616		1,616
53349	Other Supplies	33,055		33,055
53351	Lab Supplies	22,542		22,542
53363	Clothing & Footware	5,406		5,406
53366	Drug & Medical Supplies	1,098		1,098
53369	Clothing Allowance	4,490		4,490
<i>Total Operating Supplies &amp; Expenses</i>		106,133	-	106,133
<i>General Expenses</i>				
54433	Pensions	43,513		43,513
54434	FICA Employer Cost	114,572		114,572
54446	City Service Charges	320,453	(3) (10,718)	309,735
54451	Insurance - Vehicles & Equipment	78,280	(4) (2,779)	75,501
54452	Insurance - Workmen's Comp	136,652	(4) (4,852)	131,800
54453	Insurance - Liability	126,822	(4) (4,503)	122,319
54456	Insurance - Group Life	7,563	(4) (269)	7,294
54471	Health Insurance	735,829	(4) (26,127)	709,702
54472	Dental Insurance	41,394	(4) (1,470)	39,924
<i>Total General Expenses</i>		1,605,078	(50,718)	1,554,360
<i>Restricted Account Expenses</i>				-
53336	Chemicals - Water Supply	296,000	(5) 100,000.00	396,000
54417	Operating Resrve	122,689	(6) (59,509)	63,180
54463	Infrastructure Replacement	1,956,000	(7) (256,000)	1,700,000
54464	Rate Case Expense	69,864	(8) (4,000)	65,864
54467	Debt Service Reimbursement Non-IFR	505,000	-	505,000
	Debt Service Reimbursement IFR	1,125,000	(9) (30,000)	1,095,000
54473	Renewal & Replace Fund	120,000	-	120,000
<i>Total Other Miscellaneous Expenses</i>		4,194,553	(249,509)	3,945,044
<b>TOTAL EXPENSES</b>		\$ 8,301,954	\$ (304,945)	\$ 7,997,009

Excluding Operating Reserve \$ 7,933,829

- (1) = Electrical adjustment per ACC-2
- (2) = Property tax adjustment per ACC-3
- (3) = Executive allocation to City Service adjustment per ACC-6
- (4) = Net \$40,000 adjustment to Insurance expense spread among the various insurance account pro-rata.
- (5) = Agreed upon adjustment to Chemical Reserve
- (6) = Agreed upon adjustment to Operating reserve
- (7) = Agreed upon adjustment to IFR
- (8) = Rate Case adjustment to remove transcript costs of \$8,000 amortized over 2 years
- (9) = Debt Service adjustment per ACC-7

TAB 2



**Comparison of Existing and Proposed Rates & Charges**

**Woonsocket Water Division**

**Schedule SETTLEMENT-2**

		Current	Proposed	% Increase
<b><u>Public Fire Protection</u></b>				
<b><u>City of Woonsocket</u></b>				
	4 Inch	\$ -	\$ -	0.00%
	6 Inch	\$ -	\$ -	0.00%
<b><u>Other</u></b>				
	4 Inch	\$ 130.74	\$ 163.74	25.24%
	6 Inch	\$ 379.76	\$ 475.62	25.24%
	Per Bill	\$ 7.84	\$ 9.27	18.26%
<b><u>Private Fire Protection</u></b>				
	2 Inch	\$ 39.04	\$ 46.94	20.23%
	3 Inch	\$ 83.08	\$ 101.54	22.22%
	4 Inch	\$ 159.68	\$ 196.49	23.05%
	6 Inch	\$ 424.84	\$ 526.32	23.89%
	8 Inch	\$ 882.24	\$ 1,095.32	24.15%
	10 Inch	\$ 1,556.64	\$ 1,935.97	24.37%
<b><u>Minimum Service Charge</u></b>				
<b><u>Customer Service Charge All Ratepayers</u></b>				
	5/8 Inch	\$ 14.57	\$ 16.82	15.47%
	3/4 Inch	\$ 17.39	\$ 20.00	14.98%
	1 Inch	\$ 19.67	\$ 22.55	14.63%
	1 1/2 Inch	\$ 29.77	\$ 33.89	13.84%
	2 Inch	\$ 38.62	\$ 43.82	13.47%
	3 Inch	\$ 50.23	\$ 56.85	13.18%
	4 Inch	\$ 72.27	\$ 81.59	12.89%
	6 Inch	\$ 121.55	\$ 136.90	12.63%
	8 Inch	\$ 206.73	\$ 232.51	12.47%
	10 Inch	\$ 293.12	\$ 329.47	12.40%
<b><u>Additional Fire Protection Service Charge Only Ratepayers in Woonsocket</u></b>				
	5/8 Inch	\$ 13.58	\$ 17.01	25.25%
	3/4 Inch	\$ 19.29	\$ 24.15	25.21%
	1 Inch	\$ 23.88	\$ 29.90	25.25%
	1 1/2 Inch	\$ 44.28	\$ 55.45	25.23%
	2 Inch	\$ 62.14	\$ 77.82	25.24%
	3 Inch	\$ 85.56	\$ 107.16	25.24%
	4 Inch	\$ 130.06	\$ 162.89	25.24%
	6 Inch	\$ 229.53	\$ 287.47	25.24%
	8 Inch	\$ 401.47	\$ 502.81	25.24%
	10 Inch	\$ 575.86	\$ 721.22	25.24%
<b><u>Metered Rates</u></b>				
Wholesale	Rate per 1,000,000 gallons	\$ 3,748.14	\$ 4,544.45	21.25%
Retail	Rate per 100 Cubic Feet	\$ 3.92	\$ 4.06	3.66%

TAB 3

**Proof of Revenues**  
Woonsocket Water Division

**Schedule SETTLEMENT-3**

	Count or Usage	Current Rate	Proposed Rate	Current Revenue	Proposed Revenue	Dollar Increase	
<b>Public Fire Protection</b>							
<i>City of Woonsocket</i>							
4 Inch	20	\$ -	\$ -	\$ -	\$ -	\$ -	
6 Inch	1,488	\$ -	\$ -	\$ -	\$ -	\$ -	
<i>Other</i>							
4 Inch	9	\$ 130.74	\$ 163.74	\$ 1,177	\$ 1,474	\$ 297	
6 Inch	53	\$ 379.76	\$ 475.62	\$ 20,127	\$ 25,208	\$ 5,081	
Per Bill	9	\$ 7.84	\$ 9.27	\$ 71	\$ 83	\$ 13	
				<u>\$ 21,375</u>	<u>\$ 26,765</u>	<u>\$ 5,391</u>	
<b>Private Fire Protection</b>							
2 Inch	11	\$ 39.04	\$ 46.94	\$ 429	\$ 516	\$ 87	
3 Inch	6	\$ 83.08	\$ 101.54	\$ 498	\$ 609	\$ 111	
4 Inch	62	\$ 159.68	\$ 196.49	\$ 9,900	\$ 12,182	\$ 2,282	
6 Inch	90	\$ 424.84	\$ 526.32	\$ 38,236	\$ 47,369	\$ 9,133	
8 Inch	18	\$ 882.24	\$ 1,095.32	\$ 15,880	\$ 19,716	\$ 3,835	
10 Inch	4	\$ 1,556.64	\$ 1,935.97	\$ 6,227	\$ 7,744	\$ 1,517	
				<u>\$ 71,171</u>	<u>\$ 88,136</u>	<u>\$ 16,966</u>	
<b>Minimum Service Charge</b>							
<i>Customer Service Charge All Ratepayers</i>							
5/8 Inch	33,732	\$ 14.57	\$ 16.82	\$ 491,475	\$ 567,500	\$ 76,025	
3/4 Inch	1,068	\$ 17.39	\$ 20.00	\$ 18,573	\$ 21,355	\$ 2,783	
1 Inch	1,464	\$ 19.67	\$ 22.55	\$ 28,797	\$ 33,010	\$ 4,214	
1 1/2 Inch	272	\$ 29.77	\$ 33.89	\$ 8,097	\$ 9,218	\$ 1,121	
2 Inch	536	\$ 38.62	\$ 43.82	\$ 20,700	\$ 23,489	\$ 2,788	
3 Inch	32	\$ 50.23	\$ 56.85	\$ 1,607	\$ 1,819	\$ 212	
4 Inch	60	\$ 72.27	\$ 81.59	\$ 4,336	\$ 4,895	\$ 559	
6 Inch	44	\$ 121.55	\$ 136.90	\$ 5,348	\$ 6,024	\$ 675	
8 Inch	72	\$ 206.73	\$ 232.51	\$ 14,885	\$ 16,741	\$ 1,856	
10 Inch	4	\$ 293.12	\$ 329.47	\$ 1,172	\$ 1,318	\$ 145	
				<u>\$ 594,991</u>	<u>\$ 685,369</u>	<u>\$ 90,378</u>	
<b>Additional Fire Protection Service Charge Only Ratepayers in Woonsocket</b>							
5/8 Inch	31,476	\$ 13.58	\$ 17.01	\$ 427,452	\$ 535,405	\$ 107,952	
3/4 Inch	964	\$ 19.29	\$ 24.15	\$ 18,596	\$ 23,285	\$ 4,689	
1 Inch	1,352	\$ 23.88	\$ 29.90	\$ 32,279	\$ 40,429	\$ 8,150	
1 1/2 Inch	252	\$ 44.28	\$ 55.45	\$ 11,159	\$ 13,974	\$ 2,815	
2 Inch	516	\$ 62.14	\$ 77.82	\$ 32,063	\$ 40,155	\$ 8,092	
3 Inch	32	\$ 85.56	\$ 107.16	\$ 2,738	\$ 3,429	\$ 691	
4 Inch	60	\$ 130.06	\$ 162.89	\$ 7,803	\$ 9,773	\$ 1,970	
6 Inch	40	\$ 229.53	\$ 287.47	\$ 9,181	\$ 11,499	\$ 2,318	
8 Inch	60	\$ 401.47	\$ 502.81	\$ 24,088	\$ 30,169	\$ 6,081	
10 Inch	4	\$ 575.86	\$ 721.22	\$ 2,303	\$ 2,885	\$ 581	
				<u>\$ 567,664</u>	<u>\$ 711,003</u>	<u>\$ 143,339</u>	
				<u>\$ 1,162,655</u>	<u>\$ 1,396,372</u>	<u>\$ 233,717</u>	
<b>Metered Rates</b>							
Wholesale	Rate per 1,000,000 gallons	52	\$ 3,748.14	\$ 4,544.45	\$ 193,146	\$ 234,181	\$ 41,035
Retail	Rate per 100 Cubic Feet	1,478,405	\$ 3.92	\$ 4.06	<u>\$ 5,795,348</u>	<u>\$ 6,007,524</u>	<u>\$ 212,177</u>
					<u>\$ 5,988,494</u>	<u>\$ 6,241,705</u>	<u>\$ 253,211</u>
Total Rates and Charges				\$ 7,243,694	\$ 7,752,979	\$ 509,285	
Misc Revenue				\$ 244,932	\$ 244,932	\$ -	
Total Revenue				\$ 7,488,626	\$ 7,997,911	\$ 509,285	
Revenue Required					7,997,009		
Variance					\$ 902	0.01%	

TAB 4

**Impact of Proposed Rates  
Woonsocket Water Division**

**Schedule SETTLEMENT-4**

			Count or Usage	Current Revenue	Proposed Revenue	Dollar Increase	% Increase
<i>Ratepayers in the City of Woonsocket</i>							
5/8	Inch Meter	7,000 cu ft/yr	7,000	\$ 387.00	\$ 419.78	\$ 33	8.47%
5/8	Inch Meter	10,000 cu ft/yr	10,000	\$ 504.60	\$ 541.67	\$ 37	7.35%
5/8	Inch Meter	20,000 cu ft/yr	20000	\$ 896.60	\$ 948.04	\$ 51	5.74%
1	Inch Meter	50,000 cu ft/yr	50,000	\$ 2,134.18	\$ 2,241.57	\$ 107	5.03%
4	Inch Meter	500,000 cu ft/yr	500,000	\$ 20,409.31	\$ 21,295.49	\$ 886	4.34%
6	Inch Meter	1,000,000 cu ft/yr	1,000,000	\$ 40,604.31	\$ 42,332.64	\$ 1,728	4.26%
<i>Ratepayers in Other Communities serviced by Woonsocket</i>							
5/8	Inch Meter	7,000 cu ft/yr	7,000	\$ 332.68	\$ 351.74	\$ 19	5.73%
5/8	Inch Meter	10,000 cu ft/yr	10,000	\$ 450.28	\$ 473.63	\$ 23	5.18%
5/8	Inch Meter	20,000 cu ft/yr	20000	\$ 842.28	\$ 880.00	\$ 38	4.48%
1	Inch Meter	50,000 cu ft/yr	50,000	\$ 2,038.68	\$ 2,121.95	\$ 83	4.08%
4	Inch Meter	500,000 cu ft/yr	500,000	\$ 19,889.08	\$ 20,643.94	\$ 755	3.80%
6	Inch Meter	1,000,000 cu ft/yr	1,000,000	\$ 39,686.20	\$ 41,182.77	\$ 1,497	3.77%

TAB 9

**Woonsocket Water Division  
Chemical  
Sources and Uses of Funds  
Projected FY 2012 - FY 2015**

**Schedule WEE-9  
Settlement**

Source of Funds	<u>Fy 2011</u>	<u>Interim Fy 2012</u>	<u>Rate Year Fy 2013</u>	<u>Fy 2014</u>	<u>Fy 2015</u>
D3800	296,000	296,000	-	-	-
cover by Water O&M fund	153,872				
New Docket effective 7/1/12 proposed			396,000	396,000	396,000
Interest	-	-	-	-	-
Carryover funds from prior year estimated	93,212	20,466	94,332	(36,401)	(167,135)
	-	-	-	-	-
<b>Total Sources</b>	<b>543,084</b>	<b>316,466</b>	<b>490,332</b>	<b>359,599</b>	<b>228,865</b>
<b>Less obligated uses of funds</b>					
Chemicals	218,018	222,134	222,134	222,134	222,134
Carbon	304,600		304,600	304,600	304,600
	-	-	-	-	-
<b>Total Uses</b>	<b>522,618</b>	<b>222,134</b>	<b>526,734</b>	<b>526,734</b>	<b>526,734</b>
<b>Total</b>	<b><u>\$20,466</u></b>	<b><u>\$94,332</u></b>	<b><u>(\$36,401)</u></b>	<b><u>(\$167,135)</u></b>	<b><u>(\$297,869)</u></b>

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Interim Year</u>
Water Production	1,847,137	1,744,933	1,712,535	1,736,195	1,736,195
Cost of Chemicals Less Carbon \$	144,421.47	\$ 187,959.00	\$ 227,597.00	\$ 213,526.00	\$ 222,133.71
Cost per produced \$	0.08	\$ 0.11	\$ 0.13	\$ 0.12	\$ 0.13
					2 year weighted