

January 6, 2015

Memorandum

To: Rhode Island Public Utilities Commission  
From: Division of Public Utilities and Carriers  
Subject: Providence Water Supply Board  
Docket No. 4406 Motion to Reopen

The Division has reviewed Providence Water Supply Board's (Providence Water's) Motion to Reopen Docket No. 4406, as well as Providence Water's responses to the discovery requests submitted by the Division of Public Utilities and Carriers (the Division) and the Public Utilities Commission (the Commission or PUC). Subsequent to the conclusion of Docket No. 4406, it was determined that the water meter at the State of Rhode Island's Cranston Facility was over-registering and, as a result, the commercial consumption used in setting rates in Docket No. 4406 was overstated. In its Motion to Reopen, Providence Water has proposed that it be allowed to increase the volumetric rate for Commercial customers to make up for the revenue shortfall caused by the error in consumption. It is the Division's recommendation that Providence Water's filing be denied and that instead Providence Water be allowed to file a request to recover its 2014 revenue shortfall from the operating reserve that was established in Docket No. 3832 for that purpose.

In particular, Providence Water's response to the PUC's December 15, 2014 data request, question 3 indicates that Providence Water's estimated revenues are expected to be more than \$1.05 million, or more than 1.5% less than established in Docket No. 4406. This is well in excess of the limit of a 0.33% revenue shortfall that permits Providence Water to seek recovery from the

operating reserve. Moreover, the responses to the PUC's December 15, 2014 data requests indicate that the revenue shortfall is due to reduced sales to all customer classes, not just a shortfall in Commercial sales. Accordingly, the appropriate remedy is for Providence Water to file a request to recover its 2014 revenue shortfall from the Operating Reserve.