

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND**

**PROVIDENCE WATER     )  
SUPPLY BOARD         )     DOCKET NO. 4406**

**SETTLEMENT TESTIMONY**

**OF**

**THOMAS S. CATLIN**

**ON BEHALF OF THE**

**DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**November 4, 2013**

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**EXETER**

ASSOCIATES, INC.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, Maryland 21044

BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND

PROVIDENCE WATER        )  
SUPPLY BOARD            )        DOCKET NO. 4406

**Settlement Testimony of Thomas S. Catlin**

1    Q.            WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS  
2                    ADDRESS?

3    A.    My name is Thomas S. Catlin. I am a principal with Exeter Associates, Inc. Our  
4            offices are located at 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland  
5            21044. Exeter is a firm of consulting economists specializing in issues pertaining to  
6            public utilities.

7    Q.            HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS  
8                    PROCEEDING?

9    A.    Yes. My direct testimony on behalf of the Division of Public Utilities and Carriers  
10           (the Division) was submitted on August 23, 2013. My qualifications and experience  
11           are set forth in that testimony.

12   Q.            WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?

13   A.    The purpose of my settlement testimony is to briefly explain the how the issues that I  
14           raised in my direct testimony that remained after Providence Water Supply Board  
15           (Providence Water) filed its rebuttal testimony are resolved by the settlement that has  
16           been reached between Providence Water and the Division. I also sponsor the

1 schedules that show the calculation of the overall revenue increase that Providence  
2 Water will receive under the settlement.

3 Q. PLEASE EXPLAIN HOW THE SETTLEMENT RESOLVES THE  
4 REAMINING ISSUES THAT YOU RAISED IN YOUR DIRECT  
5 TESTIMONY IN LIGHT OF PROVIDENCE WATER'S REBUTTAL  
6 TESTIMONY.

7 A. In his rebuttal testimony, Mr. Smith accepted my adjustments to salaries and wages,  
8 payroll clearing (capitalized wages), benefits expense, insurance expense, property  
9 taxes, inflation, unidirectional flushing program costs, bad debt expense, and  
10 regulatory and rate case expense. The settlement resolves the remaining issues that I  
11 raised in my direct testimony as follows:

- 12  
13 • Chemicals and Sludge Handling. In rebuttal, Ms. Bondarevskis and Mr.  
14 Smith generally accepted my adjustment to chemicals expense, but  
15 proposed to increase the amount of the contribution to the Chemical and  
16 Sludge Handling Restricted Account by \$50,000 to reflect an increase in  
17 sludge handling expense. The settlement accepts this update.  
18
- 19 • Overhead Rate Applied. Providence Water disagreed with my proposal to  
20 recognize overhead rate applied amounts as a capitalized cost that is  
21 charged to the IFR fund. For purposes of settlement, Providence Water  
22 and the Division have agreed to reduce rate year costs to recognize  
23 overhead rates applied as being reimbursed from the IFR fund.  
24
- 25 • Operating Reserve. Providence Water did not accept my proposal to use  
26 the one time increase in revenues generated from the conversion to  
27 monthly billing to help fund the operating reserve in its rebuttal testimony.  
28 For settlement purposes, the Division and Providence Water have agreed  
29 that, in lieu of utilizing the one-time increase in revenues from monthly  
30 billing to partially fund the operating reserve, the costs of converting to  
31 monthly billing would be excluded from the rate year cost of service in  
32 this case. This results in a reduction in rate year expenses of \$431,693.  
33
- 34 • Miscellaneous Expenses. In its rebuttal, Providence Water provided  
35 additional information about the miscellaneous expenses that I questioned  
36 in my direct testimony and agreed to eliminate the amounts related to an  
37 air quality violation (except for \$400 for the annual permit fee) and the

1 amounts related to customer refunds. In determining the revenue  
2 requirement in this settlement, it has been further agreed that: the test year  
3 expense of \$28,000 for software conversion would be eliminated; the  
4 \$35,000 test year expense for appraisal services would be normalized  
5 based on one-third of the test year amount; and the \$69,933 test year  
6 expense for legal services and strategic planning would be normalized at a  
7 level of \$45,000 based on FY 2013 expense. The remaining items for  
8 Oracle support services and hazardous waste disposal and containment  
9 would be allowed.  
10

11 Q. DOES THE SETTLEMENT INCLUDE OTHER ADJUSTMENTS TO  
12 PROVIDENCE WATER'S RATE YEAR COST OF SERVICE?

13 A. Yes. Providence Water's restricted operating reserve fund is expected to exceed the  
14 limit of two times the current total operating reserve allowance of three percent of  
15 revenues by the time the rates approved in this case go into effect. Therefore, the  
16 settlement reduces the total operating revenue allowance to two percent with 0.5  
17 percent restricted and 1.5 percent unrestricted. The current limitation on the use of  
18 the restricted reserve established in Docket No. 4061 will remain in effect. It has  
19 been agreed that no request will be made for the Commission to open a proceeding at  
20 this time to further adjust rates due to the limit being reached. Instead, in Providence  
21 Water's next rate case, the parties will have the opportunity to review the level of the  
22 fund at that time and to propose alternative uses of any amounts in the fund in excess  
23 of the limitation of two times the current operating revenue allowance.

24 Q. ARE THERE ANY OTHER ASPECTS OF THE SETTLEMENT YOU  
25 WOULD LIKE TO ADDRESS?

26 A. Yes. One of the issues that has received a great deal of attention is the potential use  
27 of the revenues being collected for the Capital Fund to acquire a new operations  
28 facility for Providence Water. The settlement requires Providence Water to submit  
29 status reports to the Commission every six months. This will provide the opportunity

1 for the Commission to review the potential use of the monies in the Capital Fund, to  
2 request additional information if needed, and to advise Providence Water if it views  
3 any acquisition of property for a new facility as inappropriate.

4 Q. HAVE YOU PREPARED SCHEDULES THAT SHOW THE  
5 DETERMINATION OF THE REVENUE INCREASE THAT WILL BE  
6 ALLOWED UNDER THE SETTLEMENT?

7 Yes. As shown on my Settlement Schedule TSC-1, Providence Water's overall  
8 revenue requirement under the settlement is \$69,973,343. This represents an increase  
9 of \$9,942,513 over revenues at present rates.

10 Q. DOES THIS COMPLETE YOUR TESTIMONY?

11 A. Yes, it does.

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND**

**PROVIDENCE WATER )  
SUPPLY BOARD ) DOCKET NO. 4406**

**SCHEDULES ACCOMPANYING THE  
SETTLEMENT TESTIMONY  
OF  
THOMAS S. CATLIN**

**ON BEHALF OF THE  
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**November 4, 2013**

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**EXETER**

ASSOCIATES, INC.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, Maryland 21044

PROVIDENCE WATER SUPPLY BOARD

Summary of Revenues and Expenses at  
Present and Proposed Rates  
Rate Year Ended December 31, 2014

	Rate Year Per Providence Rebuttal	Settlement Adjustments	Rate Year at Present Rates	Proposed Rate Increase	Rate Year at Proposed Rates
<b>Revenue</b>					
Service Charge	\$ 5,825,849	\$ -	\$ 5,825,849	\$ 1,755,250	\$ 6,642,360
Retail Sales	32,217,079	-	32,217,079	6,604,044	37,887,558
Wholesale Sales	16,375,278	-	16,375,278	994,192	18,598,873
Private Fire Protection	2,290,098	-	2,290,098	339,612	2,641,337
Retail FPSC	1,182,374	-	1,182,374	94,466	1,616,210
Public Fire Protection	960,983	-	960,983	157,148	1,415,519
Miscellaneous	1,179,169	-	1,179,169	-	1,179,169
Total Revenue	\$ 60,030,830	\$ -	\$ 60,030,830	\$ 9,944,712	\$ 69,975,542
<b>Expenses</b>					
Operation & Maintenance (1)	29,486,452	(511,540)	28,974,912	-	28,974,912
Insurance	1,802,547	-	1,802,547	-	1,802,547
Chemicals & Sludge	4,500,000	-	4,500,000	-	4,500,000
City Services	839,167	-	839,167	-	839,167
Property Taxes	6,487,515	-	6,487,515	-	6,487,515
Capital Reimbursement	(834,389)	(1,257,383)	(2,091,772)	-	(2,091,772)
Net Operations	\$ 42,281,292	\$ (1,768,923)	\$ 40,512,369	\$ -	\$ 40,512,369
Capital Fund	2,450,000	-	2,450,000	-	2,450,000
Western Cranston	62,069	-	62,069	-	62,069
Infrastructure Replacement Fund	24,000,000	-	24,000,000	-	24,000,000
Cash Funded AMR/Meter Replacement	1,000,000	-	1,000,000	-	1,000,000
Equipment Replacement Fund	600,000	-	600,000	-	600,000
Property Tax Refund Fund	-	-	-	-	-
Revenue Reserve Fund	1,384,284	(1,047,057)	337,226	-	337,226
Less: Reserve Funded from Monthly Billing	-	-	-	-	-
Total Capital	\$ 29,496,353	\$ (1,047,057)	\$ 28,449,295	\$ -	\$ 28,449,295
Total Expenses	\$ 71,777,645	\$ (2,815,980)	\$ 68,961,664	\$ -	\$ 68,961,664
Operating Reserve	692,142	319,537	1,011,679	-	1,011,679
Total Cost of Service	\$ 72,469,786	\$ (2,496,443)	\$ 69,973,343	\$ -	\$ 69,973,343
Revenue Surplus/(Deficiency)	\$ (12,438,956)	\$ 2,496,443	(\$9,942,513)	\$ 9,944,712	\$2,199

Note:

(1) Amount per Providence Water includes a correction to filed rebuttal amount.

PROVIDENCE WATER SUPPLY BOARD

Summary of Division Adjustments to  
 Rate Year Expenses  
 Rate Year Ended December 31, 2014

<u>Description</u>	<u>Amount</u>	<u>Source</u>
Rate Year Salaries and Wages	\$ -	Schedule TSC-3
Payroll Clearing	-	Schedule TSC-4
Overhead Clearing	(1,257,383)	Schedule TSC-5
Benefits	-	Schedule TSC-6
Inflation	-	Schedule TSC-7
Bad Debt	-	Schedule TSC-8
Insurance	-	Schedule TSC-9
Chemicals	-	Schedule TSC-10
Property Taxes	-	Schedule TSC-11
Unidirectional Flushing	-	Schedule TSC-12
Regulatory and Rate Case Expense	-	Schedule TSC-13
Miscellaneous Expenses	(79,847)	Schedule TSC-14
Incremental Monthly Billing	(431,693)	Schedule TSC-15
Operating Reserve	(727,520)	See Note (1)
Total Expense Adjustments	<u>\$ (2,496,443)</u>	

Note:

- (1) Based on 2.0% of total expenses less miscellaneous revenues. Total is split with 0.5% going to restricted revenue reserve fund and 1.5% being unrestricted.



PROVIDENCE WATER SUPPLY BOARD

Adjustment to Salaries and Wages to  
Reflect Normal Employee Vacancies  
Rate Year Ended December 31, 2014

	<u>Salary</u>
Total FY 2013 Wages (1)	\$ 13,587,511
Less: Wages for Engineers Paid directly from IFR Fund (1)	<u>(332,464)</u>
FY 2013 Wage Expense per Books	\$ 13,255,047
Plus Wages for Employees on Workers Compensation (1)	<u>274,221</u>
Total Salaries and Wages for Existing Employees	\$ 13,529,268
Plus Wages for 3 New Employees (2)	<u>\$ 132,384</u>
Adjusted FY 2013 Salaries and Wages	\$ 13,661,652
Adjustment to Bring to Rate Year Level	<u>1,04545</u>
Rate Year Wages per Division	\$ 14,282,574
Amount per Providence Water Rebuttal (4)	<u>14,282,574</u>
Adjustment to Salaries and Wages	<u><u>\$ -</u></u>

Notes:

- (1) Per response to DIV 4-12.
- (2) Based on average wages for 19 vacant positions as of June 30, 2013.
- (3) Per Schedule HJS-S3. Reflects rate year effect of 3 % wage increases on July 1, 2013 and July 1, 2014.
- (4) Per Rebuttal Schedule HJS-S3.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Payroll Clearing Expense  
Rate Year Ended December 31, 2014

Payroll Clearing in Test Year (1)	\$ 798,115
Adjustment to Reflect Wage Increases (2)	<u>1,045</u>
Rate Year Payroll Clearing	\$ 834,389
Amount per Providence Water Rebuttal Filing	<u>834,389</u>
Adjustment to Rate Year Expense	<u><u>\$ -</u></u>

Notes:

(1) Per Rebuttal Schedule HJS-S1.

(2) Reflects 3 percent increase on July 1, 2013 and one-half of the annual effect of a 3% increase on July 1, 2014. Providence Water did not grant wage increases on July 1, 2012

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Recognize Overheads Applied  
As Reimbursable from Capital Funds  
Rate Year Ended December 31, 2014

Overhead Clearing in Test Year (1)	\$ 1,202,719
Adjustment to Reflect Increase to Rate Year (2)	<u>1.0455</u>
Rate Year Payroll Clearing	\$ 1,257,383
Amount per Providence Water	<u>-</u>
Adjustment to Rate Year Expense	<u>\$ (1,257,383)</u>

Notes:

(1) Per Schedule HJS-A1.

(2) Based on increase in payroll clearing from test year to rate year per  
Schedule TSC-4.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Benefits Expense  
 Rate Year Ended December 31, 2014

FRINGE BENEFIT	Test Year FY 2012	Adjustment	Rate Year CY 2014
Union Combined Benefits (1)	\$ 586,821	\$ -	\$ 586,821
Union Pension (1)	331,312	124,905	456,217
Death Benefit Insurance (2)	1,943	91	2,034
Educational Classes/Certification (2)	2,649	124	2,773
FICA (3)	1,014,048	46,139	1,060,187
State Unemployment Compensation (3)	14,716	670	15,386
Healthcare EE Cash Payment (4)	9,500	(500)	9,000
1/2% Wage Assignment (3)	35,820.00	1,630	37,450
Blue Cross (4)	2,072,201	792,107	2,864,308
Less Employee Co-Share (4)	(355,216)	(137,709)	(492,925)
Delta Dental (4)	254,556	3,731	258,287
GASB 43/45 Reserve Required (5)	1,230,000	(750,000)	480,000
City Retirement (6)	2,315,228	629,981	2,945,209
Total	\$ 7,513,577.79	\$ 711,169	\$ 8,224,746
Amount per Providence Water Rebutal (Schedule HJS-S6)			\$ 8,224,746
Adjustment			\$ -

Notes:

- (1) Amounts per DIV 1-18. Union Combined Benefits are not subject to increase. Union Pension increased by 37.7%.
- (2) Adjusted by Division inflation rate per Schedule TSC-7.
- (3) Reflects compounded salary increase of 4.55% per Schedule HJS-S6.
- (4) Reflects FY 2014 rates per Comm 1-11. Amounts have been adjusted to reflect 240 full time employees instead of 254 full time employees including 19 vacancies as of June 30, 2013.
- (5) Per Schedule HJS-S6A.
- (6) Per response to DIV 1-20.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Inflation Related Expense Increases  
Rate Year Ended December 31, 2014

	Inflation Base (1)	Inflation per Division (2) 4.695%	Inflation per Prov. Water (3) 4.695%	Adjustment
<u>Purchased Power Costs (4)</u>				
Pumping	\$ 778,684	\$ -	\$ -	\$ -
Water Treatment	457,253	-	-	-
Transmission and Distribution	12,019	-	-	-
Administrative and General	113,972	-	-	-
Subtotal	<u>\$ 1,361,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other Expenses</u>				
Source of Supply	638,455	29,976	29,976	-
Pumping Expenses	11,629	546	546	-
Water Treatment	523,922	24,599	24,599	-
Transmission and Distribution	865,429	40,633	40,633	-
Customer Accounts (5)	208,639	9,796	9,796	-
Administrative and General	1,877,577	88,155	88,155	-
Subtotal	<u>\$ 4,125,651</u>	<u>\$ 193,705</u>	<u>\$ 193,705</u>	<u>\$ -</u>
Total	<u>\$ 5,487,579</u>	<u>\$ 193,705</u>	<u>\$ 193,705</u>	<u><u>\$ -</u></u>

Notes:

- (1) Amounts subject to inflation adjustment per Rebuttal Schedule HJS-S2.
- (2) Based on increase in Average GDP-PI for four quarters ending 2Q12 to four quarters ending 4Q14 per Blue Chip Economic Indicators dated August 10, 2013.
- (3) Per Rebuttal Schedule HJS-S2.
- (4) Refer to testimony for explanation regarding not inflating power supply costs.
- (5) Excludes Bad Debt which is treated separately on Schedule TSC-8.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Bad Debt Expense  
Rate Year Ended December 31, 2014

	<u>Total</u>
Bad Debt Expense (1)	
12 Months Ending 6/30/2010	\$ 720,206
12 Months Ending 6/30/2011	(524,135)
12 Months Ending 6/30/2012	445,333
6 Months Ending 12/31/2012	<u>(1,320,107)</u>
Total	\$ (678,703)
 Average Annual Expense (divide by 4)	 <u><u>\$ (193,915)</u></u>
 Amount per Providence Water Rebuttal Filing (2)	 <u>-</u>
 Adjustment to Bad Debt Expense (Eliminate Claimed Expense)	 <u><u>\$ -</u></u>

Notes:

(1) Per response to DIV 1-4 and Comm 1-28.

(2) Per Rebuttal Schedule HJS-S2.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Insurance Expense  
 Rate Year Ended December 31, 2014

	<u>FY 2011 (1)</u>	<u>FY 2012 (2)</u>	<u>FY 2013 (3)</u>	<u>FY 2014/ CY 2014 (4)</u>
Worker's Compensation	\$ 837,689	\$ 874,015	\$ 848,550	\$ 693,532
Injuries and Damages	28,851	54,528	109,666	64,348
Property and Casualty	1,011,910	1,006,353	1,062,090	1,018,753
Program Expense	1,800	7,150	N/A	7,486
Safety Supplies & Other	<u>36,627</u>	<u>17,602</u>	<u>N/A</u>	<u>18,428</u>
Total Expenses (5)	\$ 1,916,877	\$ 1,959,648	\$ 2,020,306	\$ 1,802,547
Amount per Providence Water Rebuttal (2)				<u>1,802,547</u>
Adjustment to Insurance Expense				<u>\$ -</u>

Notes:

- (1) Per response to DIV 1-13.
- (2) Per Rebuttal Schedule HJS-S5.
- (3) Per response to DIV 1-14.
- (4) Refer to testimony for explanation of development of costs.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Chemicals Expense  
 Rate Year Ended December 31, 2014

	Estimated Quantity (1)	Actual Usage		Greater of FY 2012 or FY 2013	Rate Year Unit Price (4)	Annual Cost
		FY 2012 Usage (2)	FY 2013 Usage (3)			
Ferric Sulfate (Gallons)	1,460,000	1,136,679	870,563	1,136,679	\$ 1.4000	\$ 1,591,351
Quicklime (Tons)	3,139	2,834	2,322	2,834	214.1600	606,929
Chlorine (Tons)	200	173	194	194	800.0000	155,200
Flouide (Gallons)	70,000	56,903	50,681	56,903	2.5630	145,842
Carbon Dioxide (Tons)	1,000	506	353	See Note (5)	-	-
Total Treatment Chemical Costs						<u>\$ 2,499,322</u>
Sludge Maintenance Costs						<u>1,700,000</u>
Total Chemical Costs and Sludge Handling Costs						<u>\$ 4,199,322</u>
Incremental Restricted Fund Contribution to Eliminate Shortfall (5)						<u>300,000</u>
Division Recommended Funding of Chemical and Sludge Maintenance Restricted Account (Rounded)						<u>\$ 4,500,000</u>
Proposed Funding Contribution per Providence Water Rebuttal (Schedule HJS-S-8.)						<u>\$ 4,500,000</u>
Adjustment to Chemical and Sludge Maintenance Funding						<u><u>\$ -</u></u>

Notes:

- (1) Per response DIV 1-27.
- (2) Per response to DIV 1-26.
- (3) Per response to DIV 4-10.
- (4) Per response to DIV 4-1.
- (5) Refer to testimony.



PROVIDENCE WATER SUPPLY BOARD

Adjustment to Reflect Updated Property Tax Expense  
Rate Year Ended December 31, 2014

<u>Municipality</u>	<u>Actual FY 2011 (1)</u>	<u>Actual FY 2012 (1)</u>	<u>Actual FY 2013 (1)</u>	<u>Actual FY 2014 (2)</u>	<u>Estimated FY 2015 (3)</u>	<u>CY 2014 Average</u>
Scituate	4,974,437	5,087,357	5,087,357	5,566,124	5,677,446	5,621,785
Glocester	49,380	51,478	53,537	55,679	57,906	56,793
All Other						
North Providence	\$ 239,090	\$ 266,581	\$ 266,581	\$ 268,137	\$ 273,500	\$ 270,818
West Glocester Fire	3,932	3,708	3,708	3,708	3,782	3,745
Harmony Fire District	155	164	164	171	177	174
Chepachet Fire District	120	131	133	138	144	141
Johnston	86,695	90,117	90,117	94,907	98,703	96,805
Foster	331,673	331,673	306,694	307,901	314,059	310,980
Cranston	107,568	110,523	118,597	120,152	124,958	122,555
West Warwick	3,761	3,761	3,761	3,682	3,756	3,719
Subtotal-All Other	\$ 772,994	\$ 806,658	\$ 789,755	\$ 798,796	\$ 819,079	\$ 808,938
Total Property Taxes	\$ 5,796,811	\$ 5,945,492	\$ 5,930,648	\$ 6,420,599	\$ 6,554,432	\$ 6,487,515
Amount per Providence Water Rebuttal (1)				6,608,270	6,872,599	<u>6,487,515</u>
Adjustment to Property Tax Expense						<u>\$ -</u>

Notes:

(1) Per Rebuttal Schedule HJS-S4A.

(2) Per response to DIV 4-7 except Harmony and Chepachet Fire Districts which are increased by 4 percent over FY 2013.

(3) Refer to testimony for derivation of FY 2015 amounts. Scituate is based on recent increases in the property tax rate. Glocester reflects the taxes due pursuant to the tax treaty with Providence Water. All other amounts escalated by 2% based on the overall average increase in taxes other than Scituate and Gloster in recent years. Refer to testimony.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Unidirectional Flushing Expense  
Rate Year Ended December 31, 2014

	<u>Total</u>
Field Operations-per Company Rebuttal (1)	\$ 290,000
Field Operations-Revised Estimate (2)	<u>290,000</u>
Adjustment to Unidirectional Flushing Costs	<u><u>\$ -</u></u>

Note:

(1) Per Rebuttal Schedule HJS-S2.

(2) Per response to DIV 1-30.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Rate Case and Regulatory Expense  
Rate Year Ended December 31, 2014

	<u>Total</u>
Docket 4062/Conservation Rate Filing (1)	\$ 8,593
Field Operations-Revised Estimate (1)	<u>9,033</u>
Adjustment to Remove Costs of Prior Proceedings (2)	<u><u>\$ -</u></u>

Note:

(1) Per response to DIV 1-24.

(2) Amounts have been removed in Providence Water's rebuttal filing.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Miscellaneous Expense  
 Rate Year Ended December 31, 2014

	<u>Total (1)</u>	
Hazardous Waste Disposal and Containment-Triumvirate Environmental	\$ -	Accepted Test Year Amount
Air Quality Violation-R.I. Department of Environmental Management	-	Eliminated by Prov. Water
Customer Refund 1	-	Eliminated by Prov. Water
Customer Refund 2	-	Eliminated by Prov. Water
Software Conversion-Zandar	28,000	
Billing Software/Oracle Support-Adaptive Minds	-	Accepted Test Year Amount
Appraisal Service-Sansoucy	23,333	Reflects 3 year Normalization
Legal Services/Strategic Plan-Partridge, Snow & Hahn	<u>24,933</u>	Reflects allowance of \$45,000
Total	<u>\$ 76,266</u>	
Escalation Factor for Inflation (2)	<u>1.04695</u>	
Adjustment to Miscellaneous Expenses	<u><u>\$ (79,847)</u></u>	

Notes:

(1) Per response to Comm 1-33.

(2) Per Schedule TSC-7. Amount in Providence Water reflected inflation factor of 6.376% which was adjusted to reflect Division inflation factor of 4.695% on Schedule TSC-7.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Eliminate Incremental Costs of Monthly Billing  
Rate Year Ended December 31, 2014

	<u>Total (1)</u>
Sr, Administrative Clerk	\$ 42,452
Fringe Benefits	21,226
Bill Processing	319,015
Additional Lock Box Costs	<u>49,000</u>
Total Incremental Costs Per Filing	\$ 431,693
Amount per Settlement	<u>-</u>
Adjustment to Rate Year Expenses	<u><u>\$ (431,693)</u></u>

Notes:

(1) Amounts per response to DIV 1-39.