

# *Schacht & McElroy*

*Michael R. McElroy  
Leah J. Donaldson*

*Attorneys at Law*

*Michael@McElroyLawOffice.com  
Leah@McElroyLawOffice.com*

*Members of the Rhode Island  
and Massachusetts Bars*

*21 Dryden Lane  
Post Office Box 6721  
Providence, RI 02940-6721*

*(401) 351-4100  
fax (401) 421-5696*

June 17, 2015

Luly E. Massaro, Clerk  
Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

Re: Providence Water Supply Board – Docket No. 4406 – Motion to reopen proceedings to adopt revised Settlement Agreement dated November 8, 2013

Dear Luly:

As you know, this office represents Providence Water Supply Board (Providence Water).

Enclosed are an original and nine copies of the following:

1. Providence Water's Motion to Reopen Proceedings pursuant to Rule 1.26 for the purpose of adopting the revised Settlement Agreement dated November 8, 2013 (excluding paragraph 11).
2. A proposed Notice for publication.
3. Supporting testimony of Ricky Caruolo, General Manager.
4. Supporting testimony of Tom Massaro, Senior Manager-Finance.
5. Supporting testimony of Harold J. Smith, Vice President of Raftelis Financial Consultants, Inc., with exhibits, including a proposed revised tariff (Exhibit 5).
6. Supporting testimony of Gregg Giasson, Deputy General Manager-Operations.

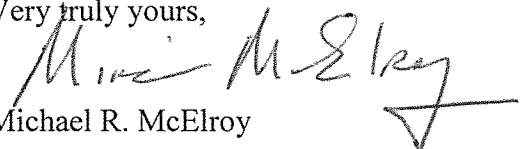
Hard copies of this Motion and supporting testimony are being sent to you, to the Attorney General's office, to Mr. Watson, and to Mr. Ruggiero. Electronic copies are being sent to the remainder of the service list.

You will note that Providence Water is seeking the restoration of the \$2.4 million of capital funding that was eliminated by the Commission at the open meeting in this docket because the details of Providence Water's proposed Central Office Facility were not known and measurable at that time. Providence Water has now entered into an agreement to purchase (and will rehabilitate) a Central Office Facility located in Providence, and the costs are now known and measurable, as set forth in the supporting testimony.

In this regard, Providence Water would like to set up a tour of the Central Office Facility for the Commission and all parties to this docket. Please let me know what dates work best.

If you have any questions, please feel free to call.

Very truly yours,

  
Michael R. McElroy

MRMc:tmg

cc: Service List  
Ricky Caruolo  
Peter Pallozzi  
Thomas Massaro

*PWSB/Headquarters/Motion to Reopen*

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: PROVIDENCE WATER SUPPLY BOARD : DOCKET No. 4406

**PROVIDENCE WATER SUPPLY BOARD'S MOTION PURSUANT TO RULE 1.26 TO  
REOPEN THIS DOCKET AND ADOPT THE REVISED SETTLEMENT AGREEMENT  
DATED NOVEMBER 8, 2013, PREVIOUSLY FILED IN THIS DOCKET**

Providence Water Supply Board (Providence Water) files this motion seeking to have the Commission reopen proceedings pursuant to Rule 1.26 and to adopt the revised Settlement Agreement dated November 8, 2013, previously filed in this docket.

Rule 1.26(a) allows the parties, for good cause shown, to move to reopen proceedings at any time after the conclusion of a hearing, but before the issuance of the written Order. In addition, Rule 1.26(b) allows the Commission, at any time prior to the issuance of its written Order, after notice to the parties and an opportunity to be heard, to reopen the proceeding. Accordingly, whether on motion of a party or by order of the Commission, a docket may be reopened for good cause shown where the written Order has not yet been issued.

In a revised Settlement Agreement dated November 8, 2013, by and among all the parties to this docket, the parties sought approval from the Commission for a settlement that included the annual amount of \$2,450,000 for Providence Water's restricted Capital Fund.

However, at the open meeting in this docket held on November 22, 2013, the Commission voted to remove \$2,400,000 of the \$2,450,000 from the restricted Capital Fund. The reason for this removal was that the Commission felt that the \$2,400,000, which was to be used for Providence Water's new Central Operating Facility (COF), did not at that time constitute a "known and measurable" expense because a specific facility had not yet been identified. Therefore, the Commission instructed the parties to modify the November 8, 2013

revised Settlement Agreement by reducing the funding amount for the capital improvement fund by \$2,400,000. The benefit of this removal was allocated exclusively to retail customers.

At that open meeting, the Commission encouraged Providence Water to return to the Commission if and when the COF expense became known and measurable.

The costs associated with the \$2,400,000 in requested funding for the COF are now known and measurable because on May 7, 2015, Providence Water signed an Agreement to purchase property to be renovated and used as the new COF. The cost of the property is \$10,350,000, and the cost of renovations, professional fees, and the necessary debt service reserve are anticipated to total an additional approximate \$20 million, for a total cost of \$30 million. Providence Water is seeking financing from the Rhode Island Clean Water Financing Agency (RICWFA). Although the exact terms are not yet finalized, as set forth in the testimony of Harold Smith, assuming a borrowing of \$30 million, a term of 20 years, and an interest rate of 5%, the annual debt service would be approximately \$2.4 million per year.

Accordingly, Providence Water is seeking the restoration of the \$2,400,000 in capital improvement funding, to be primarily used to service the debt associated with the COF. The restoration of the \$2,400,000 can be accomplished by reverting back to the terms of the revised Settlement Agreement dated November 8, 2013, which was the Agreement signed by all of the parties to this docket and pending before the Commission at the time the Commission removed the \$2,400,000 (excluding paragraph 11).<sup>1</sup>

Because the benefit of the removal of the \$2,400,000 was given exclusively to the retail customers, the impact associated with the restoration of the \$2,400,000 will impact only the retail customers, not the wholesale customers. For a typical residential customer using 100 hcf

---

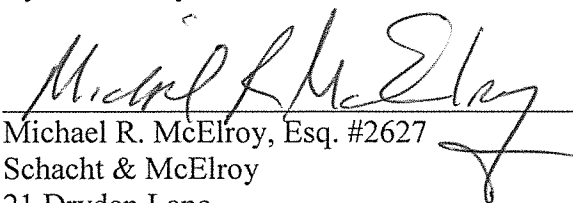
<sup>1</sup> Because Providence Water has already agreed to purchase the COF, we assume that paragraph 11 of the November 8, 2013 revised Settlement Agreement is moot and therefore inapplicable.

per year, the annual bill would increase by \$19.00 from \$382.68 to \$401.68, which represents a 5% increase over the rates currently in effect.

The “due diligence” period in the Purchase and Sale Agreement expires on September 1, 2015. Therefore, Providence Water needs a decision on this filing prior to September 1, 2015 or it stands to, at a minimum, lose its \$250,000 deposit.

WHEREFORE, for the reasons set forth above, Providence Water respectfully requests that the Commission (1) reopen this docket and restore the \$2,400,000 in annual restricted capital funding, effective thirty (30) days from the date of this Motion,<sup>2</sup> (2) approve the November 8, 2013 revised Settlement Agreement (excluding paragraph 11), (3) waive the requirements of R.I.G.L. § 39-3-12.1 and Part Two of the Commission’s Rules of Practice and Procedure because the information was previously filed in this docket, and (4) grant expedited relief so that Providence Water has a decision prior to September 1, 2015.

Respectfully submitted,  
PROVIDENCE WATER SUPPLY BOARD  
By its attorney

  
Michael R. McElroy, Esq. #2627  
Schacht & McElroy  
21 Dryden Lane  
P.O. Box 6721  
Providence, RI 02940-6721  
Tel: (401) 351-4100  
Fax: (401) 421-5696  
[Michael@McElroyLawOffice.com](mailto:Michael@McElroyLawOffice.com)

Dated: June 17, 2015

---

<sup>2</sup> The total request is \$2,448,000, which includes the amount of \$12,000 for inclusion in our Revenue Reserve Fund (.5% of the \$2,400,000), and the \$36,000 for inclusion in our Operating Reserve (1.5%).

**CERTIFICATE OF SERVICE**

I hereby certify that on the 17<sup>th</sup> day of June, 2015, I sent a true copy of the foregoing to the attached service list.

  
\_\_\_\_\_  
Theresa Gallo

*PWSB/Headquarters/Motion to Reopen*

**Docket No. 4406 - Providence Water Supply Board – General Rate Filing  
Service List updated 11/13/14**

\*Requested to receive hard copy of all data responses.

<b>Parties/Address</b>	<b>E-mail Distribution</b>	<b>Phone</b>
<b>Providence Water Supply Board (PWSB)</b> Michael McElroy, Esq. Schacht & McElroy PO Box 6721 Providence, RI 02940-6721	<a href="mailto:Michael@McElroyLawOffice.com">Michael@McElroyLawOffice.com</a>	401-351-4100
Rick Caruolo, Acting General Mgr. Providence Water Supply Board 552 Academy Avenue Providence, RI 02908	<a href="mailto:Rcaruolo@provwater.com">Rcaruolo@provwater.com</a>	401-521-6300
	<a href="mailto:Greggg@provwater.com">Greggg@provwater.com</a>	
Jean Bondarevski, Director of Finance Providence Water Supply Board	<a href="mailto:jbondarevskis@provwater.com">jbondarevskis@provwater.com</a>	
	<a href="mailto:mdeignan-white@provwater.com">mdeignan-white@provwater.com</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
<b>Division of Public Utilities (Division)</b> Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:Lwold@riag.ri.gov">Lwold@riag.ri.gov</a>	401-222-2424
	<a href="mailto:Jmunoz@riag.ri.gov">Jmunoz@riag.ri.gov</a>	
	<a href="mailto:Dmacrae@riag.ri.gov">Dmacrae@riag.ri.gov</a>	
John Spirito, Esq. Division of Public Utilities & Carriers	<a href="mailto:John.spirito@dpuc.state.ri.us">John.spirito@dpuc.state.ri.us</a>	
	<a href="mailto:steve.scialabba@dpuc.state.ri.us">steve.scialabba@dpuc.state.ri.us</a>	
	<a href="mailto:Al.mancini@dpuc.state.ri.us">Al.mancini@dpuc.state.ri.us</a>	
	<a href="mailto:john.bell@dpuc.state.ri.us">john.bell@dpuc.state.ri.us</a>	
Thomas S. Catlin Exeter Associates, Inc. 10480 Little Patuxent Parkway Suite 300 Columbia, MD 21044	<a href="mailto:tcatlin@exeterassociates.com">tcatlin@exeterassociates.com</a>	410-992-7500
Jerry Mierzwa Exeter Associates, Inc.	<a href="mailto:jmierzwa@exeterassociates.com">jmierzwa@exeterassociates.com</a>	
<b>Kent County Water Authority (KCWA)</b> *Robert A. Watson, Esq. (Hard copy) 1050 Main St. Suite 23 East Greenwich, RI 02818	<a href="mailto:Rwatson247@cox.net">Rwatson247@cox.net</a>	401-884-1455
Timothy Brown, P.E. General Manager Chief Engineer Kent County Water Authority PO Box 192 West Warwick, RI 02893-0192	<a href="mailto:tbrown@kentcountywater.org">tbrown@kentcountywater.org</a>	401-821-9300
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

<b>Bristol County Water Authority (BCWA)</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
Pamela Marchand, Executive Director Bristol County Water Authority	<a href="mailto:pamelam6011@gmail.com">pamelam6011@gmail.com</a>	
David Russell, Russell Consulting	<a href="mailto:davidrussell015@comcast.net">davidrussell015@comcast.net</a>	
<b>City of Warwick</b> *Peter Ruggiero, City Solicitor (Hard copy) David R. Petrarca, Jr. Esq. RUGGIERO BROCHU 20 Centerville Road Warwick, RI 02886	<a href="mailto:peter@rubroc.com">peter@rubroc.com</a> <a href="mailto:david@rubroc.com">david@rubroc.com</a> <a href="mailto:maryann@rubroc.com">maryann@rubroc.com</a>	401-737-8700
<b>City of East Providence</b> Timothy Chapman, Esq. East Providence City Solicitor 145 Taunton Avenue East Providence, RI 02914	<a href="mailto:tchapman@cityofeastprov.com">tchapman@cityofeastprov.com</a>	401-435-7523
<b>File original and nine (9) copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:luly.massaro@puc.ri.gov">luly.massaro@puc.ri.gov</a> <a href="mailto:cynthia.wilsonfrias@puc.ri.gov">cynthia.wilsonfrias@puc.ri.gov</a> <a href="mailto:sharon.colbycamara@puc.ri.gov">sharon.colbycamara@puc.ri.gov</a>	401-780-2107
<b>Interested Parties:</b>		
Douglas Jeffery Town of Johnston	<a href="mailto:djeffrey@johnston-ri.us">djeffrey@johnston-ri.us</a>	401-553-8866
Seth Lemoine, P.E. Director Smithfield Dept. of Public Works	<a href="mailto:slemoine@smithfieldri.com">slemoine@smithfieldri.com</a>	401-233-1034 Ext. 102
Raymond DiSanto, General Mgr. East Smithfield Water District	<a href="mailto:rdisanto@eastsmithfieldwater.com">rdisanto@eastsmithfieldwater.com</a>	401-231-6990
Ken Burke, General Mgr. RI Water Resources Board	<a href="mailto:Ken.burke@wrb.ri.gov">Ken.burke@wrb.ri.gov</a>	401-222-4890



Testimony  
of  
RICKY CARUOLO  
before the  
PUBLIC UTILITIES COMMISSION

for

PROVIDENCE WATER

DOCKET# 4406

June 2015

1 **Q. Please state your full name and title.**

2 A. Ricky Caruolo, General Manager of the Providence Water Supply Board (Providence Water)

3 **Q. How long have you been employed at Providence Water?**

4 A. I have been employed at Providence Water since April 1993, or approximately 22 years. I  
5 was appointed Acting General Manager in February 1, 2014 and became the permanent  
6 General Manager on June 11, 2014.

7 **Q. Please describe your education and work experience.**

8 A. I graduated from the University of Rhode Island in 1990 with a Bachelor of Science in  
9 Finance and a Bachelor of Science in Management. I also graduated from Providence  
10 College in 1994 with a Master of Business Administration. As an employee of Providence  
11 Water, I have held various management positions in the finance department, commercial  
12 services department and executive management.

13 **Q. What are your duties and responsibilities?**

14 A. I am responsible for managing the operations of a public water supply system that serves  
15 more than 600,000 people. I provide administrative, financial and supervisory oversight of  
16 all divisions within the organization.

17 **Q. Do you belong to any professional organizations or committees?**

18 A. Yes. I belong to the American Water Works Association, the New England Water Works  
19 Association and the Rhode Island Water Works Association.

20 **Q. What is the purpose of your testimony?**

21 A. I am asking that the Commission restore \$2,448,000 in restricted capital funding primarily to  
22 fund the acquisition and renovation of a Central Operations Facility (COF). In this filing, the

1 total revenue increase would be \$2,448,000 reflecting adjustments of \$12,000 to the Revenue  
2 Reserve Fund and \$36,000 to the Operating Reserve Fund.

3 **Q. How many employees does Providence Water have at its Providence and Cranston**  
4 **facilities?**

5 A. We have approximately 130 employees in Providence and 60 employees in Cranston. In  
6 Providence, the employees are primarily management, customer service, and transmission  
7 and distribution employees. The Providence facility also houses our heavy equipment, repair  
8 materials, and replacement materials, such as new fire hydrants. Our Cranston facility is a  
9 temporary modular trailer-type facility that has reached the end of its useful life. In  
10 Cranston, the employees are primarily engineering and finance. Having engineering and  
11 financial employees physically separate from administrative management presents a daily  
12 challenge.

13 **Q. Are there problems with the location of your current facility 552 Academy Ave?**

14 A. Yes. Our building at 552 Academy Avenue sits squarely in a residential neighborhood and is  
15 surrounded by five (5) elementary schools, two (2) high schools and two (2) colleges within a  
16 one-mile radius.

17 **Q. Is this a new problem?**

18 A. No. However, the pedestrian and street traffic continues to hinder our operational efficiency  
19 and is a danger to Providence Water and our neighbors. Also, among other things, the  
20 congestion that we experience twice a day while school is in session delays our response  
21 time.

1 **Q. Is highway access a concern from your current Providence location?**

2 A. Yes. Access to the nearest highway continues to be a concern for us because we need to  
3 travel through congested areas for almost 2 miles in order to obtain access to the nearest  
4 highway.

5 **Q. Is the Providence facility large enough to accommodate the finance and engineering**  
6 **employees currently located in Cranston?**

7 A. No. Providence Water has out grown the Providence facility and we do not have enough  
8 parking for all of our employees. In addition, we do not have space in our Providence  
9 building to house the Cranston employees.

10 **Q. Is the size of the current Providence facility a concern?**

11 A. Yes. Because we are very limited with our space, it is difficult and dangerous to continue to  
12 operate out of this facility. For example, our parking lot is very small and it is dangerous for  
13 employees to walk in the parking lot while large construction vehicles are being dispatched  
14 or returning. Deliveries continue to present a major challenge for us on a regular basis. New  
15 fire hydrants can't be delivered on site because the delivery trucks are unable to maneuver in  
16 our parking lot. Therefore, fire hydrants have to be unloaded in the middle of Academy Ave.  
17 and our staff has to transport them into the building.

18 **Q. Does Providence Water own the building and land at 552 Academy Avenue?**

19 A. No. The building and land are owned by the City of Providence.

20 **Q. Does Providence Water have a lease or pay rent to the City?**

21 A. No, we do not have a lease or pay rent.

22 **Q. Who pays when repairs, renovations or upgrades are needed to 552 Academy Avenue?**

23 A. Providence Water incurs the cost of all repairs and upgrades as needed.

1 **Q. How old is the Academy Ave. facility?**

2 A. It is my understanding that the Academy Ave. facility was originally a trolley barn built in  
3 the early 1900's. A two story addition was added in 1953. In the late 1990's it became  
4 impossible for everyone to operate out of the Academy Ave. location and approximately 50-  
5 60 employees were relocated to the Cranston facility.

6 **Q. Does 552 Academy Avenue require any immediate repairs or upgrades?**

7 A. Yes. The roof is very old and it is leaking; the cost to replace it is approximately \$300,000.  
8 The parking lot is in need of repair and proper drainage needs to be installed which could  
9 cost approximately \$600,000.

10 **Q. Are there other repairs or upgrades that will need to be made in the near future?**

11 A. Yes. The current heating system and piping will need to be replaced shortly, the cost is  
12 approximately \$300,000. The current windows will need to be replaced with energy efficient  
13 windows costing approximately \$300,000. The existing drainage system in the bathrooms  
14 and garage floor needs to be replaced costing approximately \$200,000. We have also been  
15 made aware that the building has asbestos and lead paint that needs to be removed, but we do  
16 not yet have a cost estimate.

17 **Q. Has a facility assessment been completed?**

18 A. Yes. A facility assessment was completed in 2008. It categorized our existing Providence  
19 location as functionally obsolete.

20 **Q. Have you identified a new location?**

21 A. Yes. After years of searching, we have located what we believe is an ideal facility located  
22 off of Niantic Avenue. The property address is 125 DuPont Drive, Providence. I recently  
23 signed a Purchase and Sale Agreement and hope to close by the end of the year. However,

1 our due diligence period expires on September 1, 2015, and we will need restoration of the  
2 \$2.4 million in capital finding before that date in order to obtain the necessary financing.

3 **Q. Does this property resolve your location issues?**

4 A. Yes. The new facility is located in an industrial park, and it has a natural security boundary.

5 **Q. Does the new location have better highway access?**

6 A. Yes. The new location is in the heart of our distribution system and has highway access north  
7 in .3 of a mile and access south in one mile.

8 **Q. Can the new location accommodate all employees in Providence and Cranston?**

9 A. Yes. The new location will allow us to all operate in one central location, with the exception  
10 of the employees at the purification plant in Scituate. It also allows for future growth if we  
11 were to grow as an organization.

12 **Q. Is the new location large enough to accommodate deliveries and all vehicles?**

13 A. Yes. The new location solves virtually all of the issues that we experience at our current  
14 location because it has the necessary size that we need to operate efficiently.

15 **Q. Is the new location centrally located within your distribution system?**

16 A. Yes. It is more centrally located than our existing location. It also provides better access to  
17 our purification plant and most pump stations.

18 **Q. Would the new location be purchased and owned by the City of Providence?**

19 A. No. The new location would be owned by Providence Water.

20 **Q. Could you provide other details about the proposed purchase?**

1 A. Yes, Thomas Massaro, Senior Manager-Finance, is simultaneously filing testimony that  
2 details the financial aspects of this proposal, and Gregg Giasson, Deputy General Manager -  
3 Operations is simultaneously filing testimony that details the renovation plans.

4 **Q. Does this conclude your testimony?**

5 A. Yes.

Testimony  
of  
THOMAS MASSARO  
before the  
PUBLIC UTILITIES COMMISSION

for

PROVIDENCE WATER

DOCKET# 4406

June 2015



1 **Q. Please state your full name and title.**

2 A. Thomas Massaro, Senior Manager of Finance, for the Providence Water Supply Board  
3 (Providence Water).

4 **Q. How long have you been employed at Providence Water?**

5 A. I have been employed at Providence Water since March 2015.

6 **Q. Please describe your education and work experience.**

7 A. I graduated from the Bryant University with Bachelor of Science in Business Administration,  
8 majoring in Accounting. I recently was employed as Finance Director / Treasurer for the  
9 town of North Providence. Prior to that I was employed by the Rhode Island Public Utilities  
10 Commission (PUC) for 24 years. I served as Chief Accountant for the Commission and the  
11 Division of Public Utilities from 1984 to 1990, and I served as Chief Financial Analyst for  
12 the PUC from 1991 until my retirement in 2008. Prior to my employment at the PUC, I  
13 worked at the RI Auditor General's office for nine years. I also worked for an international  
14 and a local CPA firm for three years.

15 **Q. What are your duties and responsibilities?**

16 A. I am responsible for all areas of finance and accounting including budgetary and regulatory  
17 matters. However, I do not oversee the metering, billing, or collection functions.

18 **Q. What is the purpose of your testimony?**

19 A. I will provide: a summary of the terms of the purchase and sale agreement that was entered  
20 into on May 7, 2015; information on the costs associated with the project and financing  
21 through the Rhode Island Clean Water Finance Agency (CWF); and information in support  
22 of the requested revenue increase of \$2,448,000.

1 **Q. What are the terms of the Purchase and Sale Agreement (PSA)?**

2 A. The PSA was signed on May 7, 2015. The purchase price is \$10,350,000, and a deposit for  
3 \$250,000 was made when the PSA was executed. Providence Water has a due diligence  
4 period that ends on September 1, 2015. Providence Water may elect to terminate the  
5 agreement for any reason, or for no reason, any time prior to the expiration of the due  
6 diligence period. If terminated by September 1, Providence Water will receive a refund of  
7 the \$250,000; after September 1, the deposit is no longer refundable. Under the terms of the  
8 PSA, the purchase must close by 2:00 PM on December 29, 2015. Prior to September 1,  
9 2015, Providence Water must receive approval from all applicable state and local regulatory  
10 and financial authorities to acquire the property. This requires us to receive PUC approval  
11 for funding the debt service associated with the purchase and renovation of the facility.

12 **Q. What is the projected cost for acquisition and renovation of the building?**

13 A. We currently project a cost of approximately \$27,000,000, consisting of the following:

14 ~ The purchase price for the building and land is \$10,350,000.

15 ~ Expenditures of approximately \$130,000 will be incurred for work through the remainder  
16 of the due diligence period associated with engineering and design costs, inspections,  
17 surveys, appraisals, and legal costs.

18 ~ Dimeo Construction Company has made a preliminary cost estimate of \$16.3 million to  
19 perform the necessary renovations to the building and property.

20 ~ Office furnishing of the building and moving of furnishings / equipment from the  
21 Providence and Cranston facilities at an estimated cost of \$100,000.

1 **Q. How will Providence Water finance the acquisition and renovate the land and building**  
2 **at Dupont Drive?**

3 A We anticipate that in March of 2016, the RI Clean Water Finance Agency (CWF) will issue  
4 bonds for funding the Central Operations Facility (COF) project through the Drinking Water  
5 State Revolving Fund (DWSRF). Providence Water has applied for \$30 million in direct  
6 loans that will have an interest rate subsidy of 25%. The CWF Board will meet on June 22,  
7 when it is expected that the Board will provide conditional approval of our request for  
8 funding. The final CWF approval will be subject to the Department of Health providing a  
9 Certificate of Approval for the project; this Certificate is expected to be issued sometime  
10 after July 6. We have requested \$30,000,000 in funding from CWF. From the \$30,000,000,  
11 there will be payment of costs associated with the financing and the set aside of one year's  
12 debt service as the required debt service reserve fund, leaving approximately \$27,480,000 of  
13 funding remaining for the cost of the acquisition and renovations. A summary of the bond  
14 funds and allocation of proceeds is shown on attached exhibit TM-1.

15 **Q. With a March 2016 issuance of bonds by CWF, how will Providence Water be able to**  
16 **close on the purchase by December 29, 2015 (the latest date allowed by the Purchase**  
17 **and Sale Agreement)?**

18 A. We will use a combination of funding from our Capital Fund and our available line of credit.  
19 We have approximately \$7.5 million in our Capital Fund, and we have a line of credit with  
20 Century Bank for \$5,000,000. Currently, there is no borrowing on the line of credit. After  
21 the DWSRF bonds are issued, we will pay down the line of credit and restore funds to the  
22 Capital Fund.

1 **Q. How was the requested revenue increase of \$2,448,000 determined?**

2 A. We are asking the Commission to restore the amount of \$2.4 million in funding that was  
3 eliminated by the Commission in Docket 4406 because the costs associated with Providence  
4 Water's Central Operations Facility were not known and measurable at that time. The total  
5 request includes the amount of \$12,000 for inclusion in our Revenue Reserve Fund (.5% of  
6 the \$2,400,000), and \$36,000 for inclusion in our Operating Reserve (1.5%). These  
7 amounts were taken out of the allowance for reserves funding when the Commission reduced  
8 the Capital Fund by \$2.4 million. Mr. Harold Smith's testimony includes additional  
9 information, schedules, and tariffs in support of the revenue request.

10 **Q. What is the projected debt service cost associated with the new COF?**

11 A. Our financial consultants, First Southwest, prepared estimated debt service schedules  
12 associated with the issuance of \$30 million of debt through the DWSRF. The schedules were  
13 prepared in May and add 50 basis points (.5%) to allow for market rate fluctuations between  
14 now and when the bonds are actually issued. The actual issuance by CWF will be in March  
15 of 2016. On the date of issuance, the actual costs of borrowing will be determined based on  
16 Providence Water's AA- bond rating less the 25% subsidy provided by CWF. The effective  
17 interest rate also reflects CWF's annual administrative fee of .5% on the principal balance of  
18 the debt. The estimated annual debt service cost is approximately \$2,075,000. The schedule  
19 prepared by First Southwest is attached as exhibit TM-2.

20 **Q. Why has Providence Water requested restoration of the \$2.4 million when the annual**  
21 **debt service costs are estimated at about \$2.1 million?**

1 A. Prior to Docket 4406, Providence Water has had \$2,450,000 of annual funding for the  
2 Capital Improvement Fund since Docket 3684 (2006). Docket 4406 left us with only  
3 \$50,000 of annual funding in the Capital Improvement Fund. This funding has paid debt  
4 service amounts and provided funding for capital projects that are not in our Infrastructure  
5 Replacement Plan (IFR) or are not funded by bond proceeds. In Docket 4406, Providence  
6 Water provided testimony and exhibits that reflected over \$1 million of planned capital  
7 spending on GIS mapping, the flushing program, and new fencing over three fiscal years  
8 (fiscal years 2014, 2015, and 2016). To date, fiscal year 2015 expenditures amount to  
9 \$587,000 expended on: design and construction for our residual handling treatment; the GIS  
10 system; new fencing and roads; and preliminary study and design work on the COF.  
11 Expenditures for fiscal years 2016 and 2017 are expected to total \$2.1 million. (See attached  
12 exhibit TM-3.) These types of capital requirements are outside of our IFR program and have  
13 always been supported by the Capital Improvement Fund. Therefore, Providence Water  
14 requests that any portion of the \$2.4 million that is not used for debt service be allowed to  
15 fund other items in our Capital Improvement Plan that are outside of the 20-year IFR Plan, or  
16 are of a scale or nature that they would not be supported by a debt issuance.

17 **Q. Does this conclude your testimony?**

18 A. Yes.

19

20

21

**Rhode Island Clean Water Finance Agency  
2015 Drinking Water Program Loan  
Rates as of 5/6/2015 Plus 50 BP**

**Sources & Uses**

**Providence WSB- \$30.0M Admin Funds**

**Sources:**

Admin Funds	30,000,000.00
Fed Direct - Prin Forgiveness Funds	-
Total Sources	30,000,000.00

**Uses:**

Admin Loan - Deposit to Construction Fund	27,483,800.00
Principal Forgiveness Funds	-
Deposit to DSRF	2,066,200.00
Capitalized Interest	-
Loan Origination Fee (1.0%)	300,000.00
Costs of Issuance - Local Level	150,000.00
Total Uses	30,000,000.00

Providence WSB - Admin Loan Statistics (Exclusive of Fees):	
---	--

Weighted Average Maturity (Years)	11.4289
Market Yield on the Loan:	3.839%
Effective Yield* on Total Admin Loan	2.823%
 Net Effective Subsidy:	 26.461%

---

\*Effective Yield incorporates:  
\* 25% DWSRF Interest Rate Subsidy

Rhode Island Clean Water Finance Agency  
 2015 Drinking Water Program Admin Funds Loan  
 Rates as of 5/6/2015 Plus 50 BP

Loan Debt Service  
 Providence WSB- \$30.0M Admin Funds

Date	Principal	Loan Rate	(1) Interest	Net Fees @ 0.500%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
09/15/15							-
03/01/16	-	-	207,020.74	41,075.54	248,096.28	248,096.28	-
09/01/16	1,170,000.00	0.730%	354,067.56	70,251.50	424,319.06	1,594,319.06	1,842,415.34
03/01/17	-	-	373,092.00	72,075.00	445,167.00	445,167.00	-
09/01/17	1,184,000.00	1.180%	373,092.00	72,075.00	445,167.00	1,629,167.00	2,074,334.00
03/01/18	-	-	366,106.40	69,115.00	435,221.40	435,221.40	-
09/01/18	1,204,000.00	1.600%	366,106.40	69,115.00	435,221.40	1,639,221.40	2,074,442.80
03/01/19	-	-	366,474.40	66,105.00	422,579.40	422,579.40	-
09/01/19	1,230,000.00	1.800%	366,474.40	66,105.00	422,579.40	1,652,579.40	2,075,158.80
03/01/20	-	-	345,404.40	63,030.00	408,434.40	408,434.40	-
09/01/20	1,258,000.00	1.850%	345,404.40	63,030.00	408,434.40	1,666,434.40	2,074,868.80
03/01/21	-	-	333,767.90	59,885.00	393,652.90	393,652.90	-
09/01/21	1,267,000.00	1.950%	333,767.90	59,885.00	393,652.90	1,680,652.90	2,074,305.80
03/01/22	-	-	321,219.65	56,667.50	377,887.15	377,887.15	-
09/01/22	1,319,000.00	2.090%	321,219.65	56,667.50	377,887.15	1,696,887.15	2,074,774.30
03/01/23	-	-	307,436.10	53,370.00	360,806.10	360,806.10	-
09/01/23	1,353,000.00	2.250%	307,436.10	53,370.00	360,806.10	1,713,806.10	2,074,612.20
03/01/24	-	-	292,214.85	49,987.50	342,202.35	342,202.35	-
09/01/24	1,390,000.00	2.360%	292,214.85	49,987.50	342,202.35	1,732,202.35	2,074,404.70
03/01/25	-	-	275,812.85	46,512.50	322,325.35	322,325.35	-
09/01/25	1,430,000.00	2.350%	275,812.85	46,512.50	322,325.35	1,752,325.35	2,074,650.70
03/01/26	-	-	259,010.35	42,937.50	301,947.85	301,947.85	-
09/01/26	1,471,000.00	2.590%	259,010.35	42,937.50	301,947.85	1,772,947.85	2,074,895.70
03/01/27	-	-	239,960.90	39,260.00	279,220.90	279,220.90	-
09/01/27	1,516,000.00	2.770%	239,960.90	39,260.00	279,220.90	1,795,220.90	2,074,441.80
03/01/28	-	-	218,964.30	35,470.00	254,434.30	254,434.30	-
09/01/28	1,566,000.00	2.900%	218,964.30	35,470.00	254,434.30	1,820,434.30	2,074,868.60
03/01/29	-	-	196,257.30	31,555.00	227,812.30	227,812.30	-
09/01/29	1,619,000.00	2.990%	196,257.30	31,555.00	227,812.30	1,846,812.30	2,074,624.60
03/01/30	-	-	172,053.25	27,507.50	199,560.75	199,560.75	-
09/01/30	1,676,000.00	3.070%	172,053.25	27,507.50	199,560.75	1,875,560.75	2,075,121.50
03/01/31	-	-	146,326.65	23,317.50	169,644.15	169,644.15	-
09/01/31	1,735,000.00	3.130%	146,326.65	23,317.50	169,644.15	1,904,644.15	2,074,288.30
03/01/32	-	-	119,173.90	18,980.00	138,153.90	138,153.90	-
09/01/32	1,798,000.00	3.170%	119,173.90	18,980.00	138,153.90	1,936,153.90	2,074,307.80
03/01/33	-	-	90,675.60	14,485.00	105,160.60	105,160.60	-
09/01/33	1,864,000.00	3.030%	90,675.60	14,485.00	105,160.60	1,969,160.60	2,074,321.20
03/01/34	-	-	62,436.00	9,825.00	72,261.00	72,261.00	-
09/01/34	1,930,000.00	3.040%	62,436.00	9,825.00	72,261.00	2,002,261.00	2,074,522.00
03/01/35	-	-	33,100.00	5,000.00	38,100.00	38,100.00	-
09/01/35	2,000,000.00	3.310%	33,100.00	5,000.00	38,100.00	2,038,100.00	2,076,200.00
<b>30,000,000.00</b>			<b>9,580,061.90</b>	<b>1,681,497.04</b>	<b>11,261,558.94</b>	<b>41,261,558.94</b>	<b>41,261,558.94</b>

(1) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 2.520%.

**Providence Water  
CIP Expenditure Plan  
Fiscal Years 2016 through 2019**

	Total	Fy 2016	Fy 2017	Fy 2018	Fy 2019
GIS System mapping conversion, data acquisition	1,600,000	1,000,000	500,000	100,000	
UDF Program Development	300,000	150,000	150,000		
Installation of new fencing	100,000	25,000	25,000	25,000	25,000
Security and site improvements	250,000	250,000			
<b>Total Amount</b>	<b>\$2,250,000</b>	<b>\$1,425,000</b>	<b>\$675,000</b>	<b>\$125,000</b>	<b>\$25,000</b>



**DIRECT TESTIMONY OF  
HAROLD J. SMITH, VICE PRESIDENT  
RAFTELIS FINANCIAL CONSULTANTS, INC.**

**for**

**PROVIDENCE WATER SUPPLY BOARD  
DOCKET # 4406**

**June 2015**

## INTRODUCTION

1 **Q. Please state your name and business address.**

2 A. My name is Harold J. Smith and my business address is, 1031 South Caldwell Street,  
3 Suite 100, Charlotte, North Carolina, 28203.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am a Vice President of Raftelis Financial Consultants, Inc. (RFC), a consulting firm  
7 specializing in the areas of water and wastewater finance, pricing and ratemaking. RFC  
8 was established in 1993 in Charlotte, North Carolina, by George A. Raftelis to provide  
9 environmental and management consulting services to public and private sector clients.  
10 RFC is a national leader in the development of water and wastewater rates.

11

12 **Q. Please describe your educational background and work experience.**

13 A. I obtained a Master of Business Administration from Wake Forest University in 1997  
14 and a Bachelor of Science in Natural Resources from the University of the South in 1987.  
15 As an employee of Raftelis Financial Consultants, I have been involved in numerous  
16 projects for public utilities including a number of studies involving a wide range of  
17 technical specialties including water utility cost of service and rate structure studies and  
18 water utility financial planning studies.

19

20 **Q. Have you previously testified before any Rhode Island regulatory agencies on  
21 utility rate related matters?**

22 A. Yes. I provided testimony before the Rhode Island Public Utilities Commission  
23 (RIPUC) in four of Providence Water Supply Board's (Providence Water) rate filings  
24 (Docket Nos. 3832, 4061, 4070 and 4406) and in Newport Water's six most recent  
25 filings (Docket Nos. 3578, 3675, 3818, 4025, 4243 and 4355). I have also provided  
26 testimony on water rate related matters before the Tennessee Regulatory Authority,  
27 the Indiana Utility Regulatory Commission, the Maryland Public Service  
28 Commission, the Connecticut Utilities Regulatory Authority and the Nova Scotia

1 Utility and Review Board as well as in utility rate related court proceedings in  
2 Arizona, Maine and Connecticut.

3

4 **Q. Do you belong to any professional organizations or committees?**

5 A. Yes. I am a member of the American Water Works Association where I served as  
6 chairman of the Strategic Management Practices Committee and I am a member of the  
7 Financial Management Committee of the New England Water Works Association.

8

9 **Q. Please describe your role in this proceeding?**

10 A. RFC was retained to provide schedules and testimony in support of the restoration of  
11 \$2.4 million in restricted capital funding to be used to fund the acquisition and renovation  
12 of Providence Water's new Central Operations Facility (COF). Providence Water has  
13 been allowed to contribute \$2.45 million per year to the restricted Capital Funding since  
14 Docket # 3832 in 2007. In Providence Water's rate filing in Docket # 4406 \$2.4 million  
15 of the previously allowed \$2.45 million was earmarked to fund the COF and was  
16 authorized as part of the November 8, 2013 Revised Settlement Agreement (Exhibit 1) in  
17 Docket #4406 signed by the Division of Public Utilities (the Division) as well as the  
18 wholesale interveners. However, it was later removed by the RIPUC during the Open  
19 Meeting held on November 22, 2013 because, as mentioned in the minutes from that  
20 meeting (Exhibit 2), the costs associated with the COF did not constitute a known and  
21 measurable expense at that time. As the minutes state:

22 "Commissioner DeSimone expressed concern with \$2.4 million funding for the  
23 new Central Operating Facility. The testimony does not support funding of \$2.4  
24 for the facility. He opined that the new facility project did not constitute a  
25 known and measurable expense and suggested that the revenue requirement  
26 could be reduced by \$2.4 million. Commissioner DeSimone moved to propose a  
27 modification to the Settlement Agreement by reducing the funding amount in  
28 capital improvement by \$2.4 million. The benefit of the modification shall be  
29 allocated to retail customers. Commissioner Roberti concurred and seconded  
30 the motion. The motion was unanimously passed."

1

2 At that meeting the Commission encouraged Providence Water to return to the  
3 Commission when the COF expense became known and measurable.

4

5 This testimony is submitted in support of Providence Water's request to revert back to  
6 the November 8, 2013 Revised Settlement Agreement. This would restore the \$2.4  
7 million in restricted capital funding for the new COF, and retain the cost allocation  
8 methodology upon which all parties (including the Division and Interveners) agreed.

9

10 **Q. Are the costs associated with the COF known and measurable at this time?**

11 A. Yes. The costs associated with the \$2.4 million in funding are now known and  
12 measurable. On May 7, 2015 Providence Water signed an agreement to purchase a  
13 building to be renovated and used as the new COF. The bond issue will be in the amount  
14 of \$30,000,000. This amount covers the cost of the building, \$10,350,000, the estimated  
15 cost of the property renovations, \$16,272,853, and a \$3,000,000 debt reserve fund. The  
16 initial cost for renovations was determined by Dimeo Construction Company in  
17 conjunction with Providence Water's engineering staff. See Exhibit 3.

18

19 **Q. How will the COF project be financed?**

20 A. Providence Water is seeking financing via the Rhode Island Clean Water Financing  
21 Agency (RICWFA). The restoration of the \$2.4 million will be used to service the debt  
22 associated with the project. Although the exact terms are not yet finalized, assuming a  
23 borrowing amount of \$30 million, a term of 20 years, and an interest rate of 5 percent, the  
24 annual debt service would be approximately \$2.4 million per year.

25

26 **Q. Is it possible that the project cost will be lower and/or the financing conditions  
27 more favorable than current projections? If so, how will Providence Water spend  
28 any variance between the \$2.4 million and the debt service which is ultimately  
29 incurred?**

30 A. Yes, it is possible that project costs will be lower than anticipated or that financing  
31 will be attained at more favorable terms. In that case the Capital Fund funding level

1 would somewhat exceed what is needed to pay the COF debt service. However, capital  
2 needs come up regularly for a utility the size of Providence Water. The previous removal  
3 of the \$2.4 million left only \$50,000 for non-replacement related (e.g. IFR) capital  
4 expenditures. Therefore, any funding remaining after the payment of COF debt service  
5 would be used for other capital needs as they arise. When funding is available, the  
6 Capital Fund is used to cover the cost of expenditures not funded in the IFR program or  
7 by bond proceeds. This has included such items as:

- 8 • Fencing and road improvements on Providence Water properties
- 9 • Development costs for our GIS system
- 10 • Initial design / consulting costs in the planning of various capital projects.

11  
12 **Q. What is the impact of restoring the \$2.4 million in Capital Fund funding?**

13 A. Reverting to the November 8, 2013 Revised Settlement Agreement would increase  
14 total revenue by \$2,448,000 which equates to a rate revenue increase of 3.62%. The  
15 \$48,000 in addition to the \$2.4 million is for contributions to the restricted Revenue  
16 Reserve Fund and the Operating Reserve Fund. Since the contributions to these funds is  
17 a percentage of total revenue requirements, these amounts increase with any addition to  
18 total revenue requirements.

19  
20 **Q. Would the 3.62% be applied to all customer rates in an across the board fashion?**

21 A. No. When the funding for the \$2.4 million was originally disallowed, the benefit of  
22 this reduction was allocated entirely to retail customers. Consequently, returning to the  
23 original settlement and restoring this funding will only impact retail rates.

24  
25 **Q. Have you provided information on what the customer impacts are projected to  
26 be?**

27 A. Yes, Schedule HJS-A, which is provided as Exhibit 4, shows bills under existing and  
28 proposed rates and the percentage impacts that are likely to occur for typical residential,  
29 commercial, and industrial customers. For a typical residential customer using 100 hcf  
30 per year, their annual charges increase from \$382.68 to \$401.68 which represents a 5.0%

1 increase. Exhibit 4 also includes additional schedules to support the requested rate  
2 increase.

3 **Q. Please list the exhibits that you have included with your testimony?**

4 A. The following exhibits are attached:

- 5 • Exhibit 1- November 8, 2013 Revised Settlement Agreement
- 6 • Exhibit 2 – Minutes from RIPUC Open Meeting held on November 22, 2013
- 7 • Exhibit 3 – Estimate of Costs for COF Renovations
- 8 • Exhibit 4 – Schedules HJS – 1 through HJS -3
  - 9 ○ Schedule HJS - 1 – Cost of Service Summary
  - 10 ○ Schedule HJS - 2 – Typical Bill Comparison
  - 11 ○ Schedule HJS – 3 – Revenue Proof
- 12 • Exhibit 5 – Providence Water Tariff Schedule B - Proposed

13

14 **Q. Mr. Smith, does that conclude your testimony?**

15 A. Yes it does.

16

**DIRECT TESTIMONY OF  
HAROLD J. SMITH, VICE PRESIDENT  
RAFTELIS FINANCIAL CONSULTANTS, INC.**

**for**

**PROVIDENCE WATER SUPPLY BOARD  
DOCKET # 4406**

**EXHIBIT 1**

# Schacht & McElroy

Michael R. McElroy  
Robert M. Schacht (retired)

Attorneys at Law

(401) 351-4100  
fax (401) 421-5696

Members of Rhode Island  
and Massachusetts Bars

21 Dryden Lane  
Post Office Box 6721  
Providence, RI 02940-6721

[www.McElroyLawOffice.com](http://www.McElroyLawOffice.com)  
[Michael@McElroyLawOffice.com](mailto:Michael@McElroyLawOffice.com)

November 8, 2013

Luly E. Massaro, Esq., Clerk  
Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

Re: Providence Water Supply Board – Docket No. 4406

Dear Luly:


As you know, this office represents the Providence Water Supply Board (Providence Water).

Enclosed for filing with the Commission is a revised Settlement Agreement dated November 8, 2013, which supercedes the Settlement Agreement previously filed on November 4, 2013. An original and nine copies are enclosed.

Hard copies have been sent only to the Commission and those on the service list who specifically requested hard copies.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:tmg  
cc: Service List



**Docket No. 4406 - Providence Water Supply Board – General Rate Filing  
Service List updated 6/25/13**

\*Requested to receive hard copy of all data responses.

<b>Parties/Address</b>	<b>E-mail Distribution</b>	<b>Phone</b>
Providence Water Supply Board (PWSB) Michael McElroy, Esq. Schacht & McElroy PO Box 6721 Providence, RI 02940-6721	<a href="mailto:Michael@McElroyLawOffice.com">Michael@McElroyLawOffice.com</a>	401-351-4100
Boyce Spinelli, General Manager Providence Water Supply Board 552 Academy Avenue Providence, RI 02908	<a href="mailto:bspinelli@provwater.com">bspinelli@provwater.com</a>	401-521-6300
	<a href="mailto:pgadoury@provwater.com">pgadoury@provwater.com</a>	
Jean Bondarevski, Director of Finance Providence Water Supply Board	<a href="mailto:jbondarevskis@provwater.com">jbondarevskis@provwater.com</a>	
	<a href="mailto:mdeignan-white@provwater.com">mdeignan-white@provwater.com</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
Division of Public Utilities (Division) Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:Lwold@riag.ri.gov">Lwold@riag.ri.gov</a>	401-222-2424
	<a href="mailto:Jmunoz@riag.ri.gov">Jmunoz@riag.ri.gov</a>	
	<a href="mailto:Dmacrae@riag.ri.gov">Dmacrae@riag.ri.gov</a>	
John Spirito, Esq. Division of Public Utilities & Carriers	<a href="mailto:Jspirito@ripuc.state.ri.us">Jspirito@ripuc.state.ri.us</a>	
	<a href="mailto:sscialabba@ripuc.state.ri.us">sscialabba@ripuc.state.ri.us</a>	
	<a href="mailto:Amancini@ripuc.state.ri.us">Amancini@ripuc.state.ri.us</a>	
	<a href="mailto:jbell@ripuc.state.ri.us">jbell@ripuc.state.ri.us</a>	
Thomas S. Catlin Exeter Associates, Inc. 10480 Little Patuxent Parkway Suite 300 Columbia, MD 21044	<a href="mailto:tcatlin@exeterassociates.com">tcatlin@exeterassociates.com</a>	410-992-7500
Jerry Mierzwa Exeter Associates, Inc.	<a href="mailto:jmierzwa@exeterassociates.com">jmierzwa@exeterassociates.com</a>	
Kent County Water Authority (KCWA) *Robert A. Watson, Esq. (Hard copy) 1050 Main St. Suite 23 East Greenwich, RI 02818	<a href="mailto:Rwatson247@cox.net">Rwatson247@cox.net</a>	401-884-1455
Timothy Brown, P.E. General Manager Chief Engineer Kent County Water Authority PO Box 192 West Warwick, RI 02893-0192	<a href="mailto:tbrown@kentcountywater.org">tbrown@kentcountywater.org</a>	401-821-9300
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

Bristol County Water Authority (BCWA) 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
Pamela Marchand, Executive Director Bristol County Water Authority	<a href="mailto:pamelam6011@gmail.com">pamelam6011@gmail.com</a>	
David Russell, Russell Consulting	<a href="mailto:davidrussell015@comcast.net">davidrussell015@comcast.net</a>	
City of Warwick *Peter Ruggiero, City Solicitor (Hard copy) David R. Petrarca, Jr. Esq. RUGGIERO BROCHU 20 Centerville Road Warwick, RI 02886	<a href="mailto:peter@rubroc.com">peter@rubroc.com</a> <a href="mailto:david@rubroc.com">david@rubroc.com</a> <a href="mailto:maryann@rubroc.com">maryann@rubroc.com</a>	401-737-8700
City of East Providence Timothy Chapman, Esq. East Providence City Solicitor 145 Taunton Avenue East Providence, RI 02914	<a href="mailto:tchapman@cityofeastprov.com">tchapman@cityofeastprov.com</a>	401-435-7523
File original and nine (9) copies w/ Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:luly.massaro@puc.ri.gov">luly.massaro@puc.ri.gov</a> <a href="mailto:cynthia.wilsonfrias@puc.ri.gov">cynthia.wilsonfrias@puc.ri.gov</a> <a href="mailto:sharon.colbycamara@puc.ri.gov">sharon.colbycamara@puc.ri.gov</a>	401-780-2107
Interested Parties:		
Douglas Jeffery Town of Johnston	<a href="mailto:djeffrey@johnston-ri.us">djeffrey@johnston-ri.us</a>	401-553-8866
Seth Lemoine, P.E. Director Smithfield Dept. of Public Works	<a href="mailto:slemoine@smithfieldri.com">slemoine@smithfieldri.com</a>	401-233-1034 Ext. 102
Raymond DiSanto, General Mgr. East Smithfield Water District	<a href="mailto:rdisanto@eastsmithfieldwater.com">rdisanto@eastsmithfieldwater.com</a>	401-231-6990
Ken Burke, General Mgr. RI Water Resources Board	<a href="mailto:Ken.burke@wrb.ri.gov">Ken.burke@wrb.ri.gov</a>	401-222-4890

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

**IN RE:            PROVIDENCE WATER SUPPLY BOARD            :**  
**APPLICATION TO CHANGE RATE                 :**            **Docket No. 4406**  
**SCHEDULES     :**

**REVISED SETTLEMENT AGREEMENT**

Pursuant to Rule 1.24 of the Commission’s Rules of Practice and Procedure, Providence Water Supply Board (“Providence Water”), the Division of Public Utilities and Carriers (the “Division”), the Kent County Water Authority, the Bristol County Water Authority, the City of Warwick, and the City of East Providence (collectively referred to as the “Parties”), hereby agree as follows:

1.        On or about March 29, 2013, Providence Water filed for additional revenues of \$14,621,794 (an increase of 24.3%) to support a total revenue request of \$74,709,281. After extensive negotiations, the Parties agree that Providence Water may be granted additional revenues of \$9,942,513 (an increase of 16.9% in service revenues) to provide total pro forma revenues of \$69,974,756 as set forth on the schedules attached hereto and incorporated by reference herein.<sup>1</sup>

2.        The agreed calculations and adjustments are set forth in the following updated settlement schedules which include:

- TSC-1.            Summary of Revenues and Expenses (Revised).
- TSC-2.            Summary of Division Adjustments to Rate Year Expenses
- TSC-3            Adjustment to Salaries and Wages
- TSC-4            Adjustment to Payroll Clearing Expense

---

<sup>1</sup> Due to rounding, the revenues generated by the proposed rates exceed these amounts by \$1,413.

- TSC-5 Adjustment to Recognize Overheads Applied
- TSC-6 Adjustment to Benefits Expense
- TSC-7 Adjustment to Inflation Related Expense Increases
- TSC-8 Adjustment to Bad Debt Expense
- TSC-9 Adjustment to Insurance Expense
- TSC-10 Adjustment to Chemicals Expense
- TSC-11 Adjustment to Reflect Updated Property Tax Expense
- TSC-12 Adjustment to Unidirectional Flushing Expense
- TSC-13 Adjustment to Rate Case and Regulatory Expense
- TSC-14 Adjustment to Miscellaneous Expense
- TSC-15 Adjustment to Eliminate Incremental Costs of Monthly Billing
- TSC-2 (Note 1) Adjustment to Operating Reserve
- JDM-19S Proposed Rates and Impacts (Revised)
- JDM-20S Comparison of Revenues by Customer Class (Revised)
- JDM-21S Typical Bill Comparison (Revised)
- JDM-22S Revenue Proof (Revised)

3. A brief explanation of the adjustments from Providence Water's original position and/or rebuttal, as applicable, are as follows:

A. **Salaries and Wages.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

B. **Payroll Clearing.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

C. **Overhead Applied.** In its Rebuttal Testimony, Providence Water disagreed with the Division's proposal to recognize overhead rate applied amounts as a capitalized cost that is charged to the IFR fund. The Parties agree to reduce rate year costs to recognize overhead rates applied as being reimbursed from the IFR fund.

D. **Pension and Benefits.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

E. **Inflation.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

F. **Bad Debt.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

G. **Insurance.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

H. **Chemicals.** In their Rebuttal Testimony, Ms. Bondarevskis and Mr. Smith generally accepted the Division's adjustment to chemicals expense, but proposed to increase the amount of the contribution to the Chemical and Sludge Handling Restricted Account by \$50,000 to reflect an increase in sludge handling expense. The Parties accept this update.

I. **Property Tax.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

J. **Unidirectional Flushing.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

K. **Rate Case and Regulatory.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

L. **Miscellaneous.** In its Rebuttal Testimony, Providence Water provided additional information about the miscellaneous expenses that the Division questioned in its Direct Testimony. The Parties agree to eliminate the amounts related to an air quality violation (except for \$400 for the annual permit fee) and the amounts related to customer refunds. In determining the revenue requirement in this settlement, the Parties further agreed that: the test year expense of \$28,000 for software conversion will be eliminated; the \$35,000 test year expense for appraisal services will be normalized based on one-third of the test year amount; and the \$69,933 test year expense for legal services and strategic planning will be normalized at a level of \$45,000 based on FY 2013 expense. The remaining items for Oracle support services and hazardous waste disposal and containment will be allowed.

M. **Incremental Monthly Billing.** The Parties agree that, in lieu of utilizing the one-time increase in revenues from monthly billing to partially fund the operating reserve, the costs of converting to monthly billing will be excluded from the rate year cost of service in this case. This results in a reduction in rate year expenses of \$431,693.

N. **Operating Reserve.** Providence Water's restricted operating reserve fund is expected to exceed the limit of two times the current total operating reserve allowance of three percent of revenues by the time the rates approved in this case go into effect. Therefore, the settlement reduces the operating revenue allowance to two percent with 0.5 percent restricted and 1.5 percent unrestricted. The current limitation on the use of the restricted reserve established in Docket No. 4061 will remain in effect. It is agreed that no request will be made for the Commission to open a proceeding at this time to adjust rates due to the limit being reached. Instead, in Providence Water's next rate case, the Parties will have the opportunity to review the

level of the fund at that time and to propose alternative uses of the amounts in the fund in excess of the limitation of two times the current operating revenue allowance.

4. Providence Water agrees to submit status reports to the Commission every six (6) months regarding the status of its Capital Fund. This will provide the opportunity for the Commission to review the potential use of the monies in the Capital Fund, <sup>and</sup> to request additional information if needed.

*PH*  
*NRMC*  
*10*  
*JAK*  
*TC, by NRMC*  
*AP, by MDK*

5. The wholesale rate is set at \$1.294904 per HCF, which is \$1,731.16 per million gallons.

6. The residential retail rate is set at \$3.070 per hundred cubic feet (HCF); the commercial retail rate is set at \$2.925 per HCF; and the industrial retail rate is set at \$2.872 per HCF.

7. Retail consumption is projected at 13,134,187 HCF. Wholesale consumption is projected at 12,898,865 HCF. A four-year average (FY 2010 – FY 2013) of actual consumption used for both retail and wholesale consumption.

8. The overall rate revenue increase is 16.9%.

9. The Public Fire Supply rate is set at \$394.80 per hydrant, and Private Fire Service rates are shown on the attached Schedule JDM-19 Settlement.

10. Providence Water agrees to have an independent consultant verify the accuracy of each plant account, including accumulated depreciation and contributions in aid of construction, to resolve any questions and provide a level of confidence that future allocations are accurate. This will be done prior to the filing of Providence Water's next full filing and the report will be included in said filing, which will be filed by December 1, 2016.

~~11. In this Docket, Providence Water requested permission to continue funding its Capital Improvement Program Fund ("CIP") in the amount of \$2,450,000 per year. Providence Water requested permission to use this fund, among other things, to cover costs associated with a proposed Central Operations Facility ("COF"). The Parties agree that Providence Water may continue funding the CIP in the amount of \$2,450,000 annually. The Parties further agree that the current balance, and all future contributions to this account, are hereby restricted. Providence Water may not use any proceeds from this account for any purpose related in any way to a COF without first seeking permission from the Commission through an Order of the Commission, provided, however, that Providence Water may periodically seek reimbursement from the CIP for soft costs associated with the search for a COF. "Soft costs" shall include such items as surveys, engineering assessments, appraisals, cost estimates, legal fees, etc. Providence Water is required to file a formal request with the Commission, with notice to all of the Parties in this Docket, before withdrawing, committing, or encumbering any funds from this account for any purpose related in any way to a COF. Furthermore, Providence Water agrees that it will not enter into any contracts for the purchase or lease of any land or buildings or renovations to any existing buildings for a COF without first seeking permission from the Commission through an Order of the Commission. The Commission will allow the Parties a minimum of thirty (30) days to respond to any such requests. The Parties to this Docket hereby reserve the right to object to any request made by Providence to withdraw, commit or encumber funds from the CIP, for any purpose related in any way to a COF, and to any request to enter into contracts for the purchase or lease of any land or buildings or renovations to any existing buildings for a COF. By agreeing to the continued annual funding of the CIP, the Parties to this agreement do not waive any rights~~



~~or issues they asserted or raised in this Docket, or any issues they may raise in future proceedings, regarding a proposed COF.~~

12. In this Docket, the Parties had differing positions on the classification of Providence Water's pipes as distribution pipe or transmission pipe, and its effect on rates. The Parties agree that this Settlement Agreement and the rate to be charged to wholesale customers, if approved by the Commission, do not resolve this dispute. Furthermore, the rate to be charged to wholesale customers, if approved by the Commission, does not reflect a resolution of this issue. This settlement will have no precedential effect in future Dockets on the classification of Providence Water's pipe as distribution pipe or transmission pipe, and its effect on rates. The Parties hereby reserve their respective rights to raise the same issues and advance the same positions that they did in this Docket, or alternative positions in future dockets, regarding Providence Water's pipe classification and its effect on rates.

13. It is agreed that this change in rates may be implemented by Providence Water for consumption on and after approval by the Commission at Open Meeting.

14. It is agreed that all accounts restricted by previous Commission Orders shall remain restricted, except as provided herein.

15. It is agreed that Providence Water's new tariffs will be those shown as Schedules A through F inclusive, attached hereto.

16. This Settlement Agreement is the result of negotiated settlement among the Parties. The agreement by the Parties to this Settlement shall not be construed as an agreement to any matter of fact or law addressed in this Settlement in any future Division or Commission proceedings, and no party, by executing this Settlement, is bound by any of the positions taken in this Settlement in any said future proceedings, and no position taken by any of the Parties to this

Settlement on any issue is to be construed as a precedent in any future Division or Commission proceedings, nor shall it be cited as a precedent.

17. In the event the Commission rejects or fails to approve any part of this Stipulation/Settlement, the entire Settlement shall be void.

Executed as of this 8<sup>th</sup> day of November, 2013.

**Providence Water Supply Board**

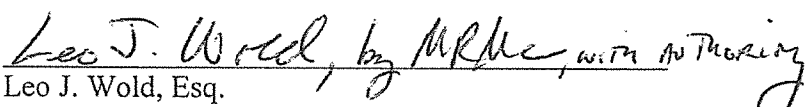
By its attorney,

 #2627

Michael R. McElroy, Esq.  
21 Dryden Lane  
P.O. Box 6721  
Providence, RI 02940-6721  
Tel: (401) 351-4100  
Fax: (401) 421-5696  
Email: Michael@McElroyLawOffice.com

**Division of Public Utilities and Carriers**

By its attorney,

 by MRMc, with AUTHORIZING

Leo J. Wold, Esq.  
Assistant Attorney General  
150 South Main Street  
Providence, RI 02903  
Tel: (401) 274-4400, ext. 2218  
Fax: (401) 222-3016  
Email: [LWold@riag.ri.gov](mailto:LWold@riag.ri.gov)

Kent County Water Authority  
By its attorney,



Robert A. Watson, Esq.  
1050 Main Street, Suite 23  
East Greenwich, RI 02818  
Tel: (401) 884-1455  
Fax: (401) 884-1490  
Email: [Rwatson247@cox.net](mailto:Rwatson247@cox.net)

**Bristol County Water Authority**  
By its attorney,

Joseph A. Keough, Esq. by *MR Mc*, with authority

Keough & Sweeney, Ltd.

41 Mendon Avenue

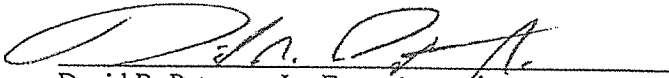
Pawtucket, RI 02861

Tel: (401) 724-3600

Fax: (401) 724-9909

Email: [jkeoughjr@keughsweeney.com](mailto:jkeoughjr@keughsweeney.com)

City of Warwick  
By its attorney,



David R. Petrarca, Jr., Esq. (#8176)

Ruggiero Brochu  
20 Centerville Road  
Warwick, RI 02886  
Tel: (401) 737-8700  
Fax: (401) 737-0735  
Email: [david@rubroc.com](mailto:david@rubroc.com)

City of East Providence  
By its attorney,



Timothy Chapman, Esq.  
City Solicitor  
145 Taunton Avenue  
East Providence, RI 02914  
Tel: (401) 435-7523  
Email: [tchapman@cityofeastprov.com](mailto:tchapman@cityofeastprov.com)

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	\$ 1,599,434	\$ 7,425,283
Retail Sales	32,217,079	-	32,217,079	7,425,407	39,642,486
Wholesale Sales	16,375,278	-	16,375,278	327,514	16,702,792
Private Fire Protection	2,290,098	-	2,290,098	340,028	2,630,126
Retail FPSC	1,182,374	-	1,182,374	94,452	1,276,826
Public Fire Protection	960,983	-	960,983	157,091	1,118,074
Miscellaneous	1,179,169	-	1,179,169	-	1,179,169
Total Revenue	\$ 60,030,830	\$ -	\$ 60,030,830	\$ 9,943,926	\$ 69,974,756
<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)	\$ 9,943,926	\$1,413

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>1,045,454</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>

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><u>\$ (1,257,383)</u></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>

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	(1,320,107)
Total	<u>\$ (678,703)</u>
 Average Annual Expense (divide by 4)	 <u>\$ (193,915)</u>
 Amount per Providence Water Rebuttal Filing (2)	 <u>-</u>
 Adjustment to Bad Debt Expense (Eliminate Claimed Expense)	 <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						\$ 2,499,322
Sludge Maintenance Costs						1,700,000
Total Chemical Costs and Sludge Handling Costs						\$ 4,199,322
Incremental Restricted Fund Contribution to Eliminate Shortfall (5)						300,000
Division Recommended Funding of Chemical and Sludge Maintenance Restricted Account (Rounded)						\$ 4,500,000
Proposed Funding Contribution per Providence Water Rebuttal (Schedule HJS-S-8.)						\$ 4,500,000
Adjustment to Chemical and Sludge Maintenance Funding						\$ -

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>

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	24,933	Reflects allowance of \$45,000
Total	<u>\$ 76,266</u>	
Escalation Factor for Inflation (2)	<u>1.04695</u>	
Adjustment to Miscellaneous Expenses	<u>\$ (79,847)</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.

Schedule JDM-19 Settlement  
Proposed Rates and Impacts

Proposed Rates and Impacts  
Rate Year Ending December 31, 2014

Billing Unit	Current Units of Service	Proposed Units of Service	Proposed Retail Service Charge	Retail Service Charge Revenues	Current Rates	% Change
<b>Quarterly Service Charges</b>						
5/8"	53,151	-	\$ -	-	18.34	
3/4"	10,645	-	\$ -	-	19.47	
1"	5,067	-	\$ -	-	22.85	
1.5"	1,493	-	\$ -	-	27.39	
2"	1,502	-	\$ -	-	39.77	
3"	93	-	\$ -	-	131.15	
4"	32	-	\$ -	-	164.98	
6"	59	-	\$ -	-	243.95	
8"	36	-	\$ -	-	334.19	
10"	2	-	\$ -	-	415.97	
12"	1	-	\$ -	-	497.76	
Total	72,081	-	\$ -	-		
<b>Monthly Service Charges</b>						
5/8"	1	53,152	\$ 7.89	5,032,431.36	10.82	-27.08%
3/4"	-	10,645	\$ 8.32	1,062,796.80	11.19	-25.65%
1"	-	5,067	\$ 9.58	582,502.32	12.32	-22.24%
1.5"	2	1,495	\$ 11.27	202,183.80	13.83	-18.51%
2"	34	1,536	\$ 15.91	293,253.12	17.97	-11.46%
3"	13	106	\$ 50.10	63,727.20	48.42	3.47%
4"	7	39	\$ 62.77	29,376.36	59.70	5.14%
6"	17	76	\$ 92.31	84,186.72	86.02	7.31%
8"	8	44	\$ 126.08	66,570.24	116.11	8.59%
10"	-	2	\$ 156.68	3,760.32	143.37	9.28%
12"	1	2	\$ 187.28	4,494.72	170.63	9.76%
Total	83	72,164		7,425,282.96		
<b>Total Retail Service Charge Revenue</b>					\$ 5,825,849	27.45%

Schedule JDM-19 Settlement  
Proposed Rates and Impacts

Proposed Rates and Impacts  
Rate Year Ending December 31, 2014

Billing Unit	Current Units of Service	Proposed Units of Service	Proposed Fire Service Charge	Fire Service Charge Revenues	Current Rates	% Change
<b>Quarterly Service Charges</b>						
5/8"	25,266	-	\$ -	\$ -	3.08	
3/4"	4,207	-	\$ -	\$ -	4.62	
1"	1,998	-	\$ -	\$ -	11.54	
1.5"	896	-	\$ -	\$ -	30.77	
2"	874	-	\$ -	\$ -	73.86	
3"	58	-	\$ -	\$ -	200.04	
4"	14	-	\$ -	\$ -	338.52	
6"	18	-	\$ -	\$ -	692.43	
8"	8	-	\$ -	\$ -	1,046.34	
10"	1	-	\$ -	\$ -	1,600.29	
12"	-	-	\$ -	\$ -	2,646.63	
<b>Total</b>	<b>33,340</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Monthly Service Charges</b>						
5/8"	1	25,267	\$ 1.20	\$ 363,844.80	1.03	16.50%
3/4"	-	4,207	\$ 1.80	\$ 90,871.20	1.54	16.88%
1"	-	1,998	\$ 4.48	\$ 107,412.48	3.85	16.36%
1.5"	-	896	\$ 11.95	\$ 128,486.40	10.26	16.47%
2"	27	901	\$ 28.66	\$ 309,871.92	24.62	16.41%
3"	11	69	\$ 77.62	\$ 64,269.36	66.68	16.41%
4"	5	19	\$ 131.35	\$ 29,947.80	112.84	16.40%
6"	12	30	\$ 268.67	\$ 96,721.20	230.81	16.40%
8"	8	16	\$ 405.99	\$ 77,950.08	348.78	16.40%
10"	-	1	\$ 620.93	\$ 7,451.16	533.43	16.40%
12"	-	-	\$ 1,026.91	\$ -	882.21	16.40%
<b>Total</b>	<b>64</b>	<b>33,404</b>	<b>\$ -</b>	<b>\$ 1,276,826.40</b>		
<b>Total Retail Fire Protection Service Charge Revenue</b>					<b>\$ 1,182,373.64</b>	<b>8%</b>
<b>Total Retail Service Charge Revenue</b>					<b>\$ 7,008,222.28</b>	<b>24.17%</b>

**Schedule JDM-19 Settlement  
Proposed Rates and Impacts**

		Proposed Rates and Impacts	
		Rate Year Ending December 31, 2014	
<b>Retail Consumption Charges</b>			
Residential (HCF)	8,517,528	\$ 3,070	\$ 26,148,809.87
Commercial (HCF)	4,427,015	\$ 2,925	\$ 12,949,017.85
Industrial (HCF)	189,644	\$ 2,872	\$ 544,658.18
<b>Total</b>	<u>13,134,187</u>		<u>\$ 39,642,485.90</u>

	\$ 2,488	23.39%
	\$ 2,390	22.38%
	\$ 2,346	22.42%
	<u>\$ 32,217,079</u>	<u>23.05%</u>

**Wholesale Charges  
Volume Charge**

Consumption (HCF)	12,898,865	\$ 1,294,904	16,702,791.92	
Consumption (MG)	9,648	\$ 1,731.16		2.00%

**Total Consumption Charge Revenue**

**48,592,356.99**      **15.96%**

**Private Fire Service Charges**

	Current Units of Service	Proposed Units of Service	Proposed Monthly Pvt. Fire Charge	Private Fire Charge Revenues	Current Quarterly Pvt. Fire Charge
3/4"	3	3	\$7.51	270.36	\$ 19.67
1"	10	10	\$8.88	1,065.60	\$ 23.31
1-1/2"	3	3	\$10.93	393.48	\$ 28.70
2"	50	50	\$16.21	9,726.00	\$ 42.63
4"	349	349	\$69.28	290,144.64	\$ 182.72
6"	1,272	1,272	\$112.95	1,724,068.80	\$ 295.45
8"	254	254	\$171.07	521,421.36	\$ 443.93
10"	4	4	\$238.31	11,438.88	\$ 613.33
12"	17	17	\$319.69	65,216.76	\$ 816.53
16"	1	1	\$531.68	6,380.16	\$ 1,340.64
<b>Total</b>	<u>1,963</u>	<u>1,963</u>		<u>2,630,126.04</u>	<u>\$ 2,290,098</u>

14.85%

**Public Fire Service Charges  
Hydrants**

	2,832	Proposed Rate	\$394.80	Revenue	\$1,118,073.60	Current Rate	\$	339.33	Revenue	\$ 960,983	% Change	16.35%
--	-------	---------------	----------	---------	----------------	--------------	----	--------	---------	------------	----------	--------

**Total Fire Protection Charge Revenue**

**\$3,748,199.64**      **15.29%**

**Miscellaneous Revenues**

\$ (1,179,169.01)

**Total Rate Revenues**

58,851,660.15      16.90%

**Total Revenues**

\$ 60,030,829.16      16.56%



**Schedule JDM-20 Settlement**  
**Comparison of Revenues by Customer Class**

**Comparison of Revenues by Customer Class**  
Rate Year Ending December 31, 2014

	Existing Rates	Proposed Rates	% Change
<b>Retail</b>			
Monthly Service Charge	\$ 5,825,849	\$ 7,425,283	27.5%
Periodic FPSC	\$ 1,182,374	\$ 1,276,826	8.0%
Volume Charge			
Residential	\$ 21,191,609	\$ 26,148,810	23.4%
Commercial	\$ 10,580,565	\$ 12,949,018	22.4%
Industrial	\$ 444,905	\$ 544,658	22.4%
<b>Total Retail</b>	<b>\$ 39,225,301</b>	<b>\$ 48,344,595</b>	<b>23.2%</b>
<b>Wholesale</b>			
East Providence	\$ 2,604,138	\$ 2,656,220	2.0%
East Smithfield	\$ 369,465	\$ 376,854	2.0%
Greenville	\$ 550,307	\$ 561,313	2.0%
Kent County	\$ 3,347,107	\$ 3,414,049	2.0%
Smithfield	\$ 534,048	\$ 544,729	2.0%
Warwick	\$ 5,409,798	\$ 5,517,993	2.0%
Lincoln	\$ 1,307,083	\$ 1,333,225	2.0%
Johnston	\$ 356,412	\$ 363,540	2.0%
Bristol County	\$ 1,896,931	\$ 1,934,869	2.0%
<b>Total Wholesale</b>	<b>\$ 16,375,290</b>	<b>\$ 16,702,792</b>	<b>2.0%</b>
<b>Fire Protection</b>			
Private Fire Protection	\$ 2,290,098	\$ 2,630,126	14.8%
Public Fire Protection	\$ 960,983	\$ 1,118,074	16.3%
<b>Total Fire Protection</b>	<b>\$ 3,251,081</b>	<b>\$ 3,748,200</b>	<b>15.3%</b>
<b>Total Rate Revenues</b>	<b>\$ 58,851,672</b>	<b>\$ 68,795,587</b>	<b>16.9%</b>
<b>Miscellaneous Revenues</b>	<b>\$ (1,179,169)</b>	<b>\$ (1,179,169)</b>	
<b>Total Revenues</b>	<b>\$ 60,030,841</b>	<b>\$ 69,974,756</b>	<b>16.56%</b>

Schedule JDM-21 Settlement  
 Typical Bill Comparison

Comparison of Typical Annual Charges  
 Rate Year Ending December 31, 2014

	Proposed Rates	Existing Rates	% Change
<b>Residential - (5/8" Meter, 100 HCF)</b>			
Service Charge*	\$ 94.68	\$ 73.36	29.1%
Volume Charge	\$ 307.00	\$ 248.80	23.4%
<b>Total</b>	<b>\$ 401.68</b>	<b>\$ 322.16</b>	<b>24.7%</b>
<b>Commercial - (2" Meter, 2,000 HCF)</b>			
Service Charge*	\$ 190.92	\$ 159.08	20.0%
Volume Charge	5,850.00	4,780.00	22.4%
<b>Total</b>	<b>\$ 6,040.92</b>	<b>\$ 4,939.08</b>	<b>22.3%</b>
<b>Industrial - (6" Meter, 10,000 HCF)</b>			
Service Charge *	\$ 1,107.72	\$ 975.80	13.5%
Volume Charge	\$ 28,720.00	\$ 23,460.00	22.4%
<b>Total</b>	<b>\$ 29,827.72</b>	<b>\$ 24,435.80</b>	<b>22.1%</b>

\*Existing rates based on Quarterly billing, proposed based on Monthly Billing, for Wholesale Impacts see JDM-20

**Schedule JDM-22 Settlement  
Revenue Proof**

**Revenue Proof**  
Rate Year Ending December 31, 2014

Net Operations & Maintenance Expense	\$	33,185,687
Capital Expense	\$	28,112,069
City Services Expense	\$	839,167
Property Taxes Expense	\$	6,487,515
<hr/>		
Total Expenses Allocated	\$	68,624,438
plus: Net Operating Revenue		\$1,348,905.38
<hr/>		
<b>Net Revenue Requirement</b>	<b>\$</b>	<b>69,973,343</b>
Retail		
Monthly Service Charge	\$	7,425,283
Retail FPSC	\$	1,276,826
Volume Charge		
Residential	\$	26,148,810
Commercial	\$	12,949,018
Industrial	\$	544,658
<hr/>		
Total Retail	\$	48,344,595
Wholesale		
East Providence	\$	2,656,220
East Smithfield	\$	376,854
Greenville	\$	561,313
Kent County	\$	3,414,049
Smithfield	\$	544,729
Warwick	\$	5,517,993
Lincoln	\$	1,333,225
Johnston	\$	363,540
Bristol County	\$	1,934,869
<hr/>		
Total Wholesale	\$	16,702,792
Fire Protection		
Private Fire Protection	\$	2,630,126
Public Fire Protection	\$	1,118,074
<hr/>		
Total Fire Protection	\$	3,748,200
Total Rate Revenues	\$	68,795,587
<hr/>		
Miscellaneous Revenues	\$	1,179,169
<hr/>		
<b>Total Revenues</b>	<b>\$</b>	<b>69,974,756</b>
<b>Total Surplus / (Deficit)</b>	<b>\$</b>	<b>1,413</b>

Note: Surplus due rounding

# PROPOSED TARIFFS

## PROVIDENCE WATER SUPPLY BOARD TARIFF

Replaces Tariff  
April 27, 2010 & November 01, 2011

Effective: January 1, 2014

RI Public Utilities Commission Docket No. 4406

### TARIFF SCHEDULES

#### Schedule

- |   |   |
|---|---|
| A | Service Charges – Retail                    |
| B | Metered Sales – Retail                      |
| C | Bulk Sales to Public Authorities for Resale |
| D | Public Fire Protection                      |
| E | Private Fire Service                        |
| F | Miscellaneous Charges                       |

# PROPOSED TARIFFS

## SCHEDULE A

### Providence Water Supply Board Service Charges Retail

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

#### Applicability

Applicable to all metered customers for industrial, commercial and residential use, exclusive of fire service connection, in the Providence Water Supply Board service area.

#### Rates

For each service connected to the Providence Water Supply Board mains, the following customer service charges shall apply:

<u>Size of Meter</u>	<u>Monthly</u>
5/8"	\$ 7.89
3/4	8.32
1	9.58
1 ½	11.27
2	15.91
3	50.10
4	62.77
6	92.31
8	126.08
10	156.68
12	187.28

However, for each Providence Water service connected in the City of Providence the following additional Fire Protection service charge shall apply to Providence ratepayers:

<u>Size of Meter</u>	<u>Monthly</u>
5/8"	\$ 1.20
3/4	1.80
1	4.48
1 ½	11.95
2	28.66
3	77.62
4	131.35
6	268.67
8	405.99
10	620.93
12	1,026.91

#### Terms of Payment

All customer service charges are billed monthly and are due and payable when rendered. Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

# PROPOSED TARIFFS

## SCHEDULE B

### Providence Water Supply Board Metered Sales Retail

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

#### Applicability

Applicable to all general metered water service in the Providence Water Supply Board service area.

#### Rates

For all quantities used, except for bulk sales to public authorities for resale, the following rates per HCF shall apply:

#### Monthly Accounts

Residential	\$3.070
Commercial	\$2.925
Industrial	\$2.872

#### Terms of Payment

All metered sales bills are rendered in arrears monthly and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

# PROPOSED TARIFFS

## SCHEDULE C

### Providence Water Supply Board Bulk Sales to Public Authorities for Resale

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

#### Applicability

Applicable to all public authorities in the Providence Water Supply Board service area purchasing water for resale.

#### Rates-Volume Charge

\$1,731.16 per million gallons, or  
\$1.294904 per HCF

#### Terms of Payment

All bills for bulk sales are rendered monthly in arrears and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date

**PROPOSED TARIFFS**

**SCHEDULE D**

**Providence Water Supply Board  
Public Fire Protection**

**Rhode Island Public Utilities Commission Docket No. 4406**

Effective: January 1, 2014

Applicability

Applicable to all service to public fire hydrants in the Providence Water Supply Board service area.

Rates

For each hydrant: \$394.80

For each hydrant in Providence, as allowed by statute: \$0

Terms of Payment

All bills for public fire service are rendered quarterly and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

.



## PROPOSED TARIFFS

### SCHEDULE E

#### Providence Water Supply Board Private Fire Service

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

#### Applicability

Applicable for service to private fire protection appliances owned and maintained by the customer in the Providence Water Supply service area.

#### Rates

For each fire service connection to the Providence Water Supply Board mains, the following charges shall apply:

<u>Size of Service</u>	<u>Monthly</u>
3/4"	\$ 7.51
1	8.88
1 ½	10.93
2	16.21
4	69.28
6	112.95
8	171.07
10	238.31
12	319.69
16	531.68

#### Terms of Payment

All bills for private fire services are rendered monthly and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

## PROPOSED TARIFFS

**SCHEDULE F  
PROVIDENCE WATER  
TERMS & CONDITIONS  
SERVICE FEE SCHEDULE  
(effective January 1, 2014)  
page 1 of 2**

**NOTE:** All applicants must complete financial arrangements prior to services being rendered. Applicants are responsible for obtaining and paying for all permits and any additional fees.

<b>SERVICE</b>	<b>FEE</b>
PHOTOCOPYING	
Distribution Sheet	\$ 3.00/copy
Letter or Legal Size Document	\$ .15/copy
LIEN CERTIFICATE	\$ 6.00
RETURNED CHECK FEE	\$ 20.00
PLAN CHECKING/WATER AVAILABILITY REVIEW	\$ 57.00/hour
EASEMENT/ABANDONMENT REQUEST	\$ 50.00/hour
FIRE HYDRANT FLOW TEST	\$ 118.00
NEW WATER SERVICE INSTALLATION - BASIC	
1" Water Service	\$1,673.00
1 ½" Water Service	2,596.00
2" Water Service	2,931.00
4" Water Service	3,700.00
6" Water Service	3,998.00

### NEW WATER SERVICE INSTALLATION - SPECIAL CIRCUMSTANCES

All services greater than 6" will be installed and charged on a time and materials basis, consistent with the methodology used in computing the above service charges. **Notwithstanding the above schedule**, any sites where special circumstances may be encountered (ie. ledge, special fittings, routing around other utilities) will also be charged on a time and materials basis. The average time rate for all manpower and equipment (including overhead) averages approximately \$400/hr.

### PAVEMENT/SIDEWALK RESTORATION CHARGES

Applicants are responsible for all *actual* road and/or sidewalk restoration charges, as the charge varies with the size of the excavation and the pavement thickness. For illustrative purposes, on average, the charge is approximately \$300 for pavement restoration and \$75 for sidewalk.

## PROPOSED TARIFFS

**SCHEDULE F  
PROVIDENCE WATER  
TERMS & CONDITIONS  
SERVICE FEE SCHEDULE  
(effective January 1, 2014)  
page 2 of 2**

<b>SERVICE</b>	<b>FEE</b>
----------------	------------

### POLICE DETAILS

If the work being performed presents a safety hazard and it is necessary to employ police details for traffic control, the applicant will be responsible for such costs at the then current rate of the respective Town or City. For illustrative purposes, the hourly detail rates as of February 20, 2013 are as follows:

Cranston	\$40.55
Johnston	44.36
North Providence	41.62
Providence	52.89

### NEW WATER METER INSTALLATION - INCLUDING ERT

5/8" Meter	\$ 184.00
3/4" Meter	230.00
1" Meter	266.00
1 1/2" Meter	457.00
2" Meter	545.00

All meters greater than 2" will be charged on an actual time and materials basis.

NEW ERT - ALL METER SIZES	\$ 109.00
---------------------------	-----------

(Applies only to existing ERT's that are lost, stolen, or damaged by customers. There is no charge to retro-fit an existing meter to AMR technology.)

SERVICE SHUTOFF FEE	\$ 64.00
---------------------	----------

SERVICE RESTORATION FEE	\$ 43.00
-------------------------	----------

SPECIAL REQUESTS FOR SERVICES NOT LISTED ABOVE THAT DO NOT BENEFIT ALL CUSTOMERS	Billed at actual Cost plus overhead Rates in effect
--	---

**DIRECT TESTIMONY OF  
HAROLD J. SMITH, VICE PRESIDENT  
RAFTELIS FINANCIAL CONSULTANTS, INC.**

**for**

**PROVIDENCE WATER SUPPLY BOARD  
DOCKET # 4406**

**EXHIBIT 2**

**State of Rhode Island and Providence Plantations**

**Public Utilities Commission**

**Minutes of Open Meeting Held November 22, 2013**

**Attendees:** Chairperson Margaret Curran, Commissioner Paul Roberti, Commissioner Herbert DeSimone, Patricia Lucarelli, Cindy Wilson-Frias, Amy D'Alessandro, Sharon Colby Camara, Alan Nault, Dilip Shah and Luly Massaro. Staff Nicholas Ucci was not present.

**Chairperson Curran called the open meeting to order at 9:30 A.M. in the first-floor hearing room of the Public Utilities Commission. A quorum was present.**

**Approval of the Minutes of Open Meetings held on October 25, 2013:** Chairperson Curran moved to approve the minutes with edits. Commissioner DeSimone accepted the minutes. Commissioner Roberti seconded the motion. **Vote 3-0.**

**4456 – Teleport Communications America, LLC (TCA) –** TCA's filed on October 29, 2013 a Request for Waiver of NANPA's Denial of Request for a Block of numbers in the Newport Rate Center. After review, Commissioner DeSimone moved to approve TCA's request. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**

**4405 - National Grid –** The PUC review the record regarding National Grid's April 11, 2013 filing to modify the General Terms and Condition of its current gas tariff relating to the Discontinuation of Service. The Company seeks to add a provision that addresses situations in which customers fail to grant the Company access to its gas meter to terminate service. The modification will allow the Company to assign the full cost of installing a street or curb valve to the account of the customer whose gas service is being terminated for nonpayment and who has refused to give National Grid access to the customer's gas meter in order to effect the service termination. The cost of installing the curb valve will be accounted in the utility's plant in service (which will be credited when the Company receives the payments from the customers).

Commissioner Roberti expressed concern that the tariff imposes additional costs on delinquent customers. Commissioner DeSimone understood the Division's position, however, he opined that the tariff would result in an increase to the customer's arrearage which ultimately would become part of the company's uncollectible. He was also concerned with the effect on customers in multi-unit dwellings. Chairperson Curran appreciates the work from the Division but recognizes that in some circumstance, it may be not be reasonable in all possible circumstance. After review, Commissioner Roberti moved to deny National Grid's tariff filing. Commissioner DeSimone seconded the motion and the motion was unanimously passed. **Vote 3-0.**

**4406 – Providence Water Supply Board (PWSB)** – The PUC discussed the record relating to the November 8, 2013 Revised Settlement Agreement executed between the PWSB, the Division of Public Utilities and Carriers, the Kent County Water Authority, the Bristol County Water Authority, the City of Warwick and the City of East Providence. As filed, the Settlement will provide PWSB with additional revenues of \$9,942,513 or 16.9% to provide total pro forma revenues of \$69,974,756.

Commissioner DeSimone expressed concern with \$2.4 million funding for the new Central Operating Facility. The testimony does not support funding of \$2.4 for the facility. He opined that the new facility project did not constitute a known and measurable expense and suggested that the revenue requirement could be reduced by \$2.4 million. Commissioner DeSimone moved to propose a modification to the Settlement Agreement by reducing the funding amount in capital improvement by \$2.4 million. The benefit of the modification shall be allocated to retail customers. Commissioner Roberti concurred and seconded the motion. The motion was unanimously passed. **Vote 3-0.** The parties have until November 26 to notify whether it accepts or rejects the PUC's settlement modification.

Commissioner DeSimone also expressed his concern with the percentage of expense associated with police detail at 9% of replacement costs. He would like to see the utility and the police departments maintain dialogue in an effort to reach a reasonable and necessary consensus in having police detail. He cautioned that the PUC will be looking at this issue closely in future cases. Commissioner Roberti agreed with Commissioner DeSimone, referencing RI law regarding police jurisdiction, but not cost. Commissioner Roberti agreed with further addressing this issue in future rate cases. Chairperson Curran opined that there may be excessive police details and cost, but expressed concern that the PUC may not have all the information.

The open meeting adjourned at 10:35 A.M.

**DIRECT TESTIMONY OF  
HAROLD J. SMITH, VICE PRESIDENT  
RAFTELIS FINANCIAL CONSULTANTS, INC.**

**for**

**PROVIDENCE WATER SUPPLY BOARD  
DOCKET # 4406**

**EXHIBIT 3**

# Providence Water Supply

Providence, Rhode Island

March 20, 2015



<i>Order of Magnitude Budget, based on Program Area Layout, Pre-Design.</i>		
01000	General Conditions	\$400,000
02050	Demolition	\$867,750
02100	Sitework	\$669,600
02900	Landscape	\$50,000
03100	Concrete	\$142,200
04200	Masonry	\$156,013
05100	Steel Structure	\$248,000
05500	Misc Metals	\$16,625
06100	Temp Requirements	\$617,350
06200	Millwork	\$251,650
07400	Metal Panel	\$100,000
07500	Roof	\$162,802
07900	Joint Sealants	\$37,000
08100	Doors / Frames / Hardware	\$167,500
08300	OH Coiling Door	\$170,400
08410	Glass & Aluminum	\$291,250
09250	Drywall	\$458,030
09300	Tile	\$83,600
09510	Ceiling Systems	\$179,200
09680	Carpet / Resilient	\$245,627
09900	Paint	\$373,183
10440	Signage	\$40,000
10505	Lockers	\$18,500
10605	Wire Mesh Partitions	\$50,000
11160	Loading Dock Equip	\$23,500
12500	Window Treatments	\$12,500
15300	Fire Protection	\$365,910
15400	Plumbing	\$556,825
15500	HVAC	\$675,314
16000	Electrical	\$1,471,350
	Subtotal:	\$8,901,677
<i>Allowance</i>	Fuel Disp AST Storage Tanks	\$300,000
<i>Allowance</i>	Covered Storage	\$420,803
<i>Allowance</i>	Granular Storage	\$346,419
<i>Allowance</i>	Fixtures & Equipment / Security	\$1,000,000
<i>Allowance</i>	Data / Network / Phone	\$500,000
<i>Allowance</i>	Haz Mat Abate Allowance	\$100,000
<i>Allowance</i>	Escalation Factor Excluded	\$0
		\$11,568,899
8.00%	Architectural Fee	\$925,512
		\$12,494,411
\$8.5/\$1000	General Liability	\$106,203
1.20%	Subguard Insurance	\$149,933
		\$12,750,547
LS	Prov Building Permit \$2,200 + \$19/k	\$2,200
\$19/\$1000	Prov Building Permit \$2,200 + \$19/k	\$242,260
LS	Prov FireDept Permit \$3,033 + \$4/k	\$3,033
\$4/\$1000	Prov FireDept Permit \$3,033 + \$4/k	\$51,002
		\$13,049,042
10%	Contingency- Estimate / Design	\$1,304,904
10%	Contingency- Construction	\$1,304,904
		\$15,658,850
3.25%	CM Fee	\$508,913
		\$16,167,763
	Payment & Performance Bond	\$105,090
	<b>TOTAL</b>	<b>\$16,272,853</b>



**DIRECT TESTIMONY OF  
HAROLD J. SMITH, VICE PRESIDENT  
RAFTELIS FINANCIAL CONSULTANTS, INC.**

**for**

**PROVIDENCE WATER SUPPLY BOARD  
DOCKET # 4406**

**EXHIBIT 4**

Schedule HJS-1  
Cost of Service Summary

	Existing Rates Second Revised Settlement	Proposed Adjustments	Pro-Forma Old Rates	Additional Revenue Generated	Proposed Rates Revised Settlement
<u>Revenue</u>					
Service Charge	\$7,425,283		\$7,425,283	\$0	\$7,425,283
Retail Sales	\$37,194,486		\$37,194,486	\$2,448,000	\$39,642,486
Wholesale Sales	\$16,702,792		\$16,702,792	\$0	\$16,702,792
Private Fire Protection	\$2,630,126		\$2,630,126	\$0	\$2,630,126
Retail FPSC	\$1,276,826		\$1,276,826	\$0	\$1,276,826
Public Fire Protection	\$1,118,074		\$1,118,074	\$0	\$1,118,074
Miscellaneous Revenue	\$1,179,169		\$1,179,169	\$0	\$1,179,169
Other	\$0		\$0	\$0	\$0
<b>TOTAL REVENUE</b>	<b>\$67,526,756</b>	<b>\$0</b>	<b>\$67,526,756</b>	<b>\$2,448,000</b>	<b>\$69,974,756</b>
Total Rate Revenues	\$66,347,587	\$0	\$66,347,587		\$68,795,587
<u>Expenses</u>					
Operations and Maintenance	\$28,974,912		\$28,974,912		\$28,974,912
Insurance	\$1,802,547		\$1,802,547		\$1,802,547
Chemical & Sludge	\$4,500,000		\$4,500,000		\$4,500,000
City Service	\$839,167		\$839,167		\$839,167
Property Taxes	\$6,487,515		\$6,487,515		\$6,487,515
Capital Reimbursement	(\$2,091,772)		(\$2,091,772)		(\$2,091,772)
Net Operations	\$40,512,369	\$0	\$40,512,369		\$40,512,369
Capital Fund	\$50,000	\$2,400,000	\$2,450,000		\$2,450,000
Western Cranston	\$62,069	\$0	\$62,069		\$62,069
Infrastructure Replacement Fund	\$24,000,000	\$0	\$24,000,000		\$24,000,000
Cash-Funded AMR/Meter Repl. Fund	\$1,000,000	\$0	\$1,000,000		\$1,000,000
Equipment Replacement Fund	\$600,000	\$0	\$600,000		\$600,000
Property Tax Refund Fund	\$0	\$0	\$0		\$0
Revenue Reserve Fund (Restricted)	\$325,226	\$12,000	\$337,226		\$337,226
Capital	\$25,037,295	\$2,412,000	\$28,449,295		\$28,449,295
<b>TOTAL EXPENSES</b>	<b>\$66,549,664</b>	<b>\$2,412,000</b>	<b>\$68,961,664</b>		<b>\$68,961,664</b>
Operating Reserve (Unrestricted)	\$975,679	\$36,000	\$1,011,679		\$1,011,679
<b>Total Cost of Service</b>	<b>\$67,525,343</b>		<b>\$69,973,343</b>		<b>\$69,973,343</b>
<b>Revenues Over (Under) Expenses</b>	<b>\$1,413</b>		<b>(\$2,446,587)</b>		<b>\$1,413</b>
Total Increase to Break-Even			\$1,413		3.62%
Rate Revenue Increase to Break-Even					3.69%

Notes:

No Operating Reserve is  $((A-B+C)-(D+E)) \cdot .01$   
Revenue surplus results from rounding

Schedule HJS-2  
 Typical Bill Comparison

Comparison of Typical Annual Charges  
 Rate Year Ending December 31, 2014

	Proposed Rates	Rates Effective 12/7/13	% Change
<b>Residential - (5/8" Meter, 100 HCF)</b>			
Service Charge	\$ 94.68	\$ 94.68	0.0%
Volume Charge	\$ 307.00	\$ 288.00	6.6%
<b>Total</b>	<b>\$ 401.68</b>	<b>\$ 382.68</b>	<b>5.0%</b>
<b>Commercial - (2" Meter, 2,000 HCF)</b>			
Service Charge	\$ 190.92	\$ 190.92	0.0%
Volume Charge	\$ 5,850.00	\$ 5,488.00	6.6%
<b>Total</b>	<b>\$ 6,040.92</b>	<b>\$ 5,678.92</b>	<b>6.4%</b>
<b>Industrial - (6" Meter, 10,000 HCF)</b>			
Service Charge	\$ 1,107.72	\$ 1,107.72	0.0%
Volume Charge	\$ 28,720.00	\$ 26,950.00	6.6%
<b>Total</b>	<b>\$ 29,827.72</b>	<b>\$ 28,057.72</b>	<b>6.3%</b>

**Schedule HJS-3  
Revenue Proof**

**Revenue Proof**  
Rate Year Ending December 31, 2014

Net Operations & Maintenance Expense	\$33,185,687
Capital Expense	\$28,112,069
City Services Expense	\$839,167
Property Taxes Expense	\$6,487,515
<b>Total Expenses Allocated</b>	<b>\$68,624,438</b>
plus: Net Operating Revenue	\$1,348,905
<b>Net Revenue Requirement</b>	<b>\$69,973,343</b>
<b>Retail</b>	
Monthly Service Charge	\$7,425,283
Retail FPSC	\$1,276,826
Volume Charge	
Residential	\$26,148,810
Commercial	\$12,949,018
Industrial	\$544,658
<b>Total Retail</b>	<b>\$48,344,595</b>
<b>Wholesale</b>	
East Providence	\$2,656,220
East Smithfield	\$376,854
Greenville	\$561,313
Kent County	\$3,414,049
Smithfield	\$544,729
Warwick	\$5,517,993
Lincoln	\$1,333,225
Johnston	\$363,540
Bristol County	\$1,934,869
<b>Total Wholesale</b>	<b>\$16,702,792</b>
<b>Fire Protection</b>	
Private Fire Protection	\$2,630,126
Public Fire Protection	\$1,118,074
<b>Total Fire Protection</b>	<b>\$3,748,200</b>
<b>Total Rate Revenues</b>	<b>\$68,795,587</b>
Miscellaneous Revenues	\$1,179,169
<b>Total Revenues</b>	<b>\$69,974,756</b>
<b>Total Surplus / (Deficit)</b>	<b>\$1,413</b>

Note: Surplus due to rounding

**DIRECT TESTIMONY OF  
HAROLD J. SMITH, VICE PRESIDENT  
RAFTELIS FINANCIAL CONSULTANTS, INC.**

**for**

**PROVIDENCE WATER SUPPLY BOARD  
DOCKET # 4406**

**EXHIBIT 5**

# PROPOSED TARIFFS

## SCHEDULE B

### Providence Water Supply Board Metered Sales Retail

Rhode Island Public Utilities Commission Docket No. 4406

Effective:

#### Applicability

Applicable to all general metered water service in the Providence Water Supply Board service area.

#### Rates

For all quantities used, except for bulk sales to public authorities for resale, the following rates per HCF shall apply:

#### Monthly Accounts

Residential	\$3.070
Commercial	\$2.925
Industrial	\$2.872

#### Terms of Payment

All metered sales bills are rendered in arrears monthly and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.