

GENERAL RATE FILING

REBUTTAL TESTIMONY & EXHIBITS

OF ELDA GIL

March 3, 2014

Submitted to:
State of Rhode Island and Providence
Plantations Public Utilities Commission

RIPUC Docket No. 4434

Submitted by:

United Water Rhode Island Inc.

1 **Q. State your name and business address.**

2 A. My name is Elda Gil and my business address is 200 Old Hook Road,
3 Harrington Park, New Jersey 07640.

4 **Q. Are you the same Elda Gil who previously testified on behalf of United?
5 Water Rhode Island, Inc. (UWRI or the Company)?**

6 A. Yes I am.

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

8 A. The purpose of my testimony is to address several operation and maintenance expense
9 adjustments made by Mr. Thomas S. Catlin, witness for the Division of Public Utilities, in the
10 following areas:

- 11 ▪ Incentive compensation
- 12 ▪ Power
- 13 ▪ Transportation
- 14 ▪ Outside services-Hydrants Painting
- 15 ▪ Property Taxes

16 **Q. Are there any adjustments that UWRI is not contesting?**

17 A. Yes. UWRI is not contesting adjustments relating to:

- 18 ▪ Percentage of Wages and Benefits Charged to Expense
- 19 ▪ Fringe Benefits transferred out
- 20 ▪ Chemicals
- 21 ▪ PEBOB Amortization of ITO
- 22 ▪ Outside Services-Testing Wells
- 23 ▪ Outside Services- Well Rehabilitation
- 24 ▪ Inflation Adjustments

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Incentive Compensation

Q. Please summarize the Division's incentive compensation recommendation.

A. The Division proposes to lower the Company's projected payroll expense adjusting the incentive compensation amounts paid to UWRI's exempt employees that are directly associated with meeting financial performance goals. The Division reduced the full target incentive compensation percentages under the Company's Short Term Incentive Plan (STIP), for the Manager from 15% to 7.5%, the Superintendent from 10% to 5% and the Supervisor Office from 5% to 3%. Also for the Management and Services (M&S) fee billed to the Company by United Water Management and Services (UWM&S) which includes incentive compensation paid proposes to lower by 40% the portion for STIP and by 100% the Long Term Incentive Plan (LTIP).

Q. Why did the Division eliminate the financial portion of the STIP and LTIP?

A. It is Mr. Catlin's premise that this portion of benefits is not properly recoverable from ratepayers for several reasons. First, if the financial goals are set properly, achieving the necessary performance should be self-supporting. That is, measures that achieve additional cost saving, improve sales, or otherwise improve the financial results of the Company should provide the income necessary to fund the awards. Second, the payouts are made independent of the quality of service, efficiency or safety goals. Finally, the incentive to improve financial performance is not necessarily consistent with ratepayer's interests.

Q. Do you agree with the adjustment to the financial portion of the STIP and LTIP?

A. No, I do not.

1 **Q. Why do you think the incentive compensation costs should not be eliminated?**

2 A. First, incentive compensation plans are a common and accepted component for many
3 Companies that allow them to attract and retain talented and capable employees. Additionally
4 tying pay to performance can reduce costs and improve productivity; incentive compensation
5 is an important tool that allows the Company to focus on employee's efforts in achieving
6 specific goals and rewarding higher performance; and incentive plans align the interests of all
7 involved, specifically, the Company's employees, shareholders, and its customers.

8 What Mr. Catlin fails to consider in his arguments is the Company's incentive plans
9 support the continuation of the Company's workforce efficiency initiatives in providing a
10 utility service at the lowest reasonable cost. The customers benefit in receiving more efficient
11 service at significant cost reductions which they have already benefited from in the form of
12 delayed rate increases and lower rates, and will continue to benefit in the form of a reduced
13 revenue requirement going forward; and the employees benefit through personal recognition
14 and financial rewards for their efforts.

15 The incentive plans at UWRI are based on both financial and non-financial measures.
16 The plans are based on employee's achievement of personal goals and to a lesser extent on
17 financial objectives. For the Short Term Incentive Plan (STIP), as part of the Performance and
18 Development Review (PDR) process, employees have specific annual objectives that support
19 the attainment of departmental or organizational objectives. These objectives form the basis
20 for the personal objective portion of the incentive and are based upon eligible employee's
21 job/salary grade. The Company appreciated Mr. Catlin's recognition of this portion of the
22 STIP. The smaller portion of the plan that relates to the financial performance of the Company
23 is a necessary component that must meet a minimum level in order to ensure that earnings
24 were adequate to authorize the payment. The payment can only be made if 80% of the

1 financial goals of the Company are met. These plans are therefore clearly not solely
2 financially driven. Structured this way, and since this plan's implementation, the Company
3 has always paid this compensation pursuant to the plan. The amount requested in the rate
4 filing is assuming average financial performance by the Company. If the Company exceeds
5 average performance, as rated by these financial measures, then employees can earn above
6 their target payout. These costs above the target payout are paid by UWRI's shareholders, not
7 customers and are not included in the Company's filing.

8

9 **Q. What is your recommendation for the incentive compensation cost?**

10 A. The Company believes it is time to recognize these best efforts and allow recovery of incentive
11 pay since it is directly tied to quantifiable customer benefits. Therefore, Division's \$13,341
12 reduction to labor expense, and \$14,116 reduction to M&S incentives should be rejected. The
13 Company's original amounts of \$27,356 for incentives and \$23,772 for the portion of
14 UWM&S costs representing incentives respectively should be adopted.

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Power

17 **Q. Please summarize the recommendation from Division for Power expense**

18 A. The Division proposes five adjustments. These adjustments are referenced on Exhibit 3(Gil),
19 Schedule 4A Rebuttal. First (Adj. 1), for Power account 50610 to separate the account for
20 water production and non-production related power. Second (Adj. 2), to estimate the power
21 usage based in the proposed water production by the Division. Third (Adj. 3), to apply the new
22 rates for commodity per contract for Constellation Energy for 2014 and for distribution the
23 average rate from 2012 and 2013 paid to National Grid. Fourth (Adj. 4), to add back the
24 amount paid to National Grid for commodity for the small sites non-production related. And

1 fifth (Adj. 5), for Other Utilities Power account 50620 to adjust the 2011 cost downward to
2 exclude \$12,659 incurred for additional fuel and diesel for the generator due to power outages
3 caused by Hurricane Irene. The other adjustments are to update the average cost of three years
4 including the most recent year 2013 and to exclude the inflation adjustment. Total upward
5 adjustment to Power \$10,129 from the Company original filing.

6

7 **Q. Do you agree with the proposed adjustment?**

8 A. I agree with the first and second adjustment.

9 The third adjustment is updating the rates for Constellation Energy and National Grid;
10 for the distribution prices from National Grid the Division is updating the price based in
11 average calculation of the prices paid in 2012 and 2013, I am not agreeing with this part since
12 the Company provided the most recent actual prices paid in response to "DIV 4-10 updated"
13 and the average price for 2013 was \$0.05211 per kWh instead of \$0.04918 proposed by the
14 Division.

15 The fourth adjustment where he is adding back the amount paid to National Grid for
16 commodity for the small sites non-production related power is missing to add back the part
17 related to distribution. Also in Schedule TSC-12 even that shows as adding back the amount of
18 \$8,175 in the total net adjustment is not considered and the proposed adjustment in the
19 Schedule should be \$26,206 instead of \$18,031.

20 For the fifth adjustment the Company agrees with the updated cost average including
21 the most recent three years data, but doesn't agree with the exclusion of the storm cost in 2011
22 and the exclusion of the inflation adjustment. The Company has seen an increase in natural
23 events happening in average at least one per year and its unreasonable to exclude any cost
24 relate to storms. During these storm events the Company has maintained service to its

1 customers and should not be penalized. The way the Company originally filed represents a
2 normalization of three years. Regarding the inflation adjustment proposed by Mr. Catlin, the
3 Company is adjusting by the factor proposed by the Division.

4 **Q. What are you proposing for a Power expense based upon your previous discussion?**

5 A. I am proposing an upward adjustment of \$33,816 as shown in Exhibit 3 (Gil) Schedule 4 and
6 4A Rebuttal, instead of the proposed adjustment by the Division of \$10,129.

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Transportation

9 **Q. Please summarize the recommendation from Division for Transportation expense**

10 A. The Division proposes three adjustments. First is the adjustment for inflation to reflect the
11 most recent data available. Second, to eliminate \$7,798 from the 2012 expenses related to
12 trailer and truck repairs and third to adjust the portion of transportation cost charged to
13 construction based on the percentages of wages capitalized.

14 **Q. Do you agree with the proposed adjustment?**

15 A. I agree with the first and third adjustment. I am not agreeing to the second adjustment that
16 eliminates \$7,798 for trailer and truck repairs but accepts the normalization of three years of
17 the backhoe repairs. The trailer and truck repairs were included in 2012 and because of taking
18 a three year average of the transportation account in effect results in an amortization over three
19 years for the trailer expenses. The Company filed and the Division accepted the three year
20 average for the Backhoe repairs. The Trailer repairs are no different and therefore should be
21 allowed.

22

23 **Q. What are you proposing?**

1 A. I am proposing 3 years normalization of the \$7,798 for trailer and truck repair included in
2 2012 or \$2,599 every year, reflected in Exhibit 3 (Gil) Schedule 10 Rebuttal. This is
3 essentially reflected in the as-filed amount since the actual amounts, including the trailer was
4 averaged over three years. My proposal specifically identifies the trailer amortization.

5

6

Outside Services-Hydrant Painting

7 **Q. Did the Division make any adjustments to Outside Services-Hydrant Painting?**

8 A. Yes, there was a reduction of \$5,000 of the \$10,000 for Outside Services - Hydrant Painting
9 expense.

10 **Q. Why did the Division make this adjustment?**

11 A. Mr. Catlin stated that the Company has not done hydrant painting previously and has no
12 experience as to how well this program will work.

13 **Q. Do you agree with the proposed adjustment?**

14 A. No, I do not. Part of the maintenance program of the Company includes hydrant painting to
15 enhance the appearance and improve visibility of faded and weathered hydrants. The Company
16 had been doing it with staff but the hydrant painting is falling behind and will need summer
17 help to catch back up over the next few summers.

18 **Q. What are you proposing?**

19 A. I am proposing that the \$5,000 reduction to Outside Services- Hydrant Painting reflected by
20 Mr. Catlin be added back and the Company's proposed cost of service amount for this
21 category be accepted.

22

Property Taxes

23 **Q. Please summarize Division's adjustment to Property Taxes expense**

1 A. Mr. Catlin recommends that the growth rate in property tax expense be based on three year
2 average annual growth rate from 2010 to 2013 to maintain consistency with the procedure used
3 in the last case, as well as the general practice in this case of relying on cost data from 2010 to
4 2013. This result in a reduction adjustment of \$8,192 from what the Company claims.

5

6 **Q. Do you agree with the proposed adjustment?**

7 A. No, I do not. While I agree in the use of consistent methodology to project the costs for the
8 rate year, using a four-year average produces a more comparable result than the three-year
9 average used in prior case when compared to the 2013 actual bills. The actual property taxes
10 from 2012 to 2013 increased 8.57% and the Company's adjustment produced a normalized
11 increase of 7.28% which is somewhat lower than the actual. Mr. Catlin only uses a 4.49%
12 increase which is considerably lower.

13

14 **Q. What are you proposing?**

15 A. I am proposing that the \$8,192 reduction to Property Taxes reflected by Mr. Catlin be added
16 back and the Company's proposed amount for this category be accepted.

17 **Q. Does the Company have a revised operation and maintenance expenses total?**

18 A. Yes. The total operation and maintenance expense proposed by the Company in its original
19 filing was \$2,301,468. As a result of the adjustments noted in my rebuttal testimony above,
20 the revised total for operation and maintenance expenses is \$2,266,440. Please refer to Exhibit
21 3 (Gil), Schedule 1 Rebuttal, for the computation of this amount and the supporting Schedules
22 2, 2A, 3, 4, 4A, 5, 7, 8, 10, 11, 12, 15A and 17.

23 **Q. Does this conclude your rebuttal testimony?**

24 A. Yes it does.

United Water Rhode Island, Inc.
Summary of Utility Proposed Adjustments at Current and Proposed Rates
For the Test Year Ending December 31, 2012 and Rate Year at Present and Proposed Rates

Line No.	Elements of Operating Expenses	Exh 3 Sch. No.	Company's Original Filing				Adjustments Rebuttal [1]	Company Revised Rate Year Present Rates
			Test Year	Adjustments	Rate Year			
			12/31/2012		Present Rates	Proposed Rates		
1	Operation and Maintenance Expenses:							
2	Wages and Salaries	Sch 2 Rebuttal	\$ 571,205	\$ 28,353	\$ 599,558	\$ 599,558	\$ (15,952)	583,606
3	Fringe Benefits Transferred	Sch 3 Rebuttal	(81,949)	10,886	(71,063)	(71,063)	(10,169)	(81,233)
4	Power Expense	Sch 4 Rebuttal	235,296	7,331	242,627	242,627	33,816	276,442
5	Chemical Expense	Sch 5 Rebuttal	48,876	3,859	52,735	52,735	(9,043)	43,692
6	Pension Expense		138,662	(3,527)	135,135	135,135	-	135,135
7	PEBOP Expense	Sch 7 Rebuttal	70,196	(11,896)	58,300	58,300	(2,557)	55,744
8	Employee Health and Welfare Expense	Sch 8 Rebuttal	152,748	35,382	188,130	188,130	(59)	188,071
9	Tank Painting Amortization		110,040	(66,657)	43,383	43,383	-	43,383
10	Transportation/Vehicle Expense	Sch 10 Rebuttal	68,217	7,112	75,329	75,329	(2,776)	72,553
11	Insurance Expense	Sch 11 Rebuttal	29,561	22,153	51,714	51,714	(203)	51,511
12	Customer Information/Billing Expense	Sch 12 Rebuttal	56,375	2,191	58,566	58,566	(502)	58,064
13	Rate Case Expense		68,737	158,242	226,979	226,979	-	226,979
14	Rent Expense		29,939	(4,139)	25,800	25,800	-	25,800
15	Outside Services Expense	Sch 15 Rebuttal	307,769	67,671	375,440	375,440	(26,316)	349,123
16	Regulatory Commission Expense		13,558	(2,064)	11,494	16,390	-	11,494
17	Other Operation and Maintenance Expense	Sch 17 Rebuttal	219,498	7,845	227,343	227,343	(1,267)	226,076
18	Total Operation and Maintenance Expenses		<u>\$ 2,038,728</u>	<u>\$ 262,741</u>	<u>\$ 2,301,468</u>	<u>\$ 2,306,364</u>	<u>\$ (35,028)</u>	<u>\$ 2,266,440</u>
19	Taxes other than Income							
20	Property Tax Expense		\$ 274,768	\$ 40,256	\$ 315,024	\$ 315,024		315,024
21	Payroll Tax Expense		56,082	3,183	59,265	59,265		59,265
22	Gross Receipts Tax Expense		48,233	(2,355)	45,878	65,418		45,878
			<u>\$ 379,083</u>	<u>\$ -</u>	<u>\$ 420,167</u>	<u>\$ 439,707</u>	<u>\$ -</u>	<u>\$ 420,167</u>

Notes:

[1] Accepted Division Adjustment

**United Water Rhode Island, Inc.
Adjustments to Division**

**Exhibit 3 (Gil)
Schedule 1A Rebuttal
Page 1 of 1**

<u>Line No.</u>	<u>Elements of Operating Expenses</u>	<u>Adjustments</u>
1	UWRI Incentives Compensation	\$ 13,341
2	UWM&S Incentives Compensation	14,116
3	Power Expense	23,687
4	Transportation/Vehicle Expense	2,599
5	Outside Services Hydrant Painting	5,000
6	Property Tax Expense	8,192
7	Total	<u>\$ 66,935</u>

**United Water Rhode Island, Inc.
Wages and Salaries Expense**

Description	Amount
Payroll Expense as filed	\$ 599,558 (a)
Payroll Expense Adjusted	<u>583,606 (b)</u>
Adjustment	<u>\$ (15,952)</u>

<u>Company Original File</u>			
(a)	Total Labor		711,022
	Labor Capitalized/Transferred Out	17.38%	(123,597)
	Labor Transferred In	1.71%	<u>12,133</u>
	Expense	84.32%	<u><u>599,558</u></u>

<u>Adjustments per Division [1]</u>			
(b)	Total Labor		711,022
	Labor Capitalized/Transferred Out	19.92%	(141,636)
	Labor Transferred In	2.00%	<u>14,220</u>
	Expense	82.08%	<u><u>583,606</u></u>

[1] Accepted proposed adjustments by Division Schedule TSC-8

ORIGINAL FILE					
[-----Calendar Year-----]					
		2012	2011	2010	3 Yr Avg
Gross Payroll	(a)	\$ 692,066	\$ 668,290	\$ 626,842	\$ 662,399
-Capitalized	(b)	(132,479)	(126,307)	(86,650)	(115,145)
-Transferred to Other BU's	(c)	-	-	-	-
Net Payroll	(d)	\$ 559,587	\$ 541,983	\$ 540,192	\$ 547,254
Expense Rate	(d) / (a)	80.86%	81.10%	86.18%	82.62%
Capitalized/Transferred Out	(b) & (c)	\$ (132,479)	\$ (126,307)	\$ (86,650)	\$ (115,145)
Capitalized/Transferred Out Rate	(b) & (c) / (a)	19.14%	18.90%	13.82%	17.38%
Transferred in	(c)	\$ 11,618	\$ 9,923	\$ 12,369	\$ 11,303
Transferred in Rate	(c) / (a)	1.68%	1.48%	1.97%	1.71%

ADJUSTMENTS PER DIVISION [1]					
		2011	2012	12 mons Dec12-Nov13	3 Yr Avg
Gross Payroll	(a)	\$ 668,290	\$ 692,066	\$ 675,743	\$ 678,700
-Capitalized	(b)	(126,307)	(132,479)	(146,804)	(135,197)
-Transferred to Other BU's	(c)	-	-	-	-
Net Payroll	(d)	\$ 541,983	\$ 559,587	\$ 528,939	\$ 543,503
Expense Rate	(d) / (a)	81.10%	80.86%	78.28%	80.08%
Capitalized/Transferred Out	(b) & (c)	\$ (126,307)	\$ (132,479)	\$ (146,804)	\$ (135,197)
Capitalized/Transferred Out Rate	(b) & (c) / (a)	18.90%	19.14%	21.72%	19.92%
Transferred in	(c)	\$ 9,923	\$ 11,618	\$ 19,327	\$ 13,623
Transferred in Rate	(c) / (a)	1.48%	1.68%	2.86%	2.00%

Notes:

[1] Accepted Expense rate and Transfer out/Capitalized rate proposed by Division Schedule TSC-8

<u>Description</u>	<u>Amount</u>
Rate Year Fringe Benefits Transferred Out as filed	\$ 71,063 (a)
Test Year Fringe Benefits Transferred Out Adjusted	<u>81,232 (b)</u>
Adjustment	<u>\$ (10,169)</u>

<u>Company Original File</u>			
(a)	Rate Year Benefits as filed		\$ 453,306
	Benefits Capitalized/Transferred Out	15.68%	71,063

<u>Adjustments per Division [1]</u>			
(b)	Total Labor		453,306
	Benefits Capitalized/Transferred Out	17.92%	81,232

[1] Accepted Expense rate and Transfer out/Capitalized rate proposed by Division

United Water Rhode Island, Inc.
Purchased Power Expense

Description	Amount
Power as filed	\$ 242,627 (a)
Power Adjusted	<u>276,443 (b)</u>
Adjustment	<u><u>\$ 33,816</u></u>

<u>Company Original File</u>			
(a)	Purchase Power	acct 50610	\$ 210,429
	Other Utilities - Power	acct 50620	<u>32,197</u>
	Total Power		<u><u>242,627</u></u>

<u>Rebuttal Adjustments</u>			
(b)	Purchase Power	acct 50610	\$ 246,554
	Other Utilities - Power	acct 50620	<u>29,888</u>
	Total Power		<u><u>276,443</u></u>

Power Act 50610 as filed					
Rate Year 2014	kWh	Projected Water Production (MG)	kWh Avge Usage	kWh Avge Cost	Total Cost
Commodity (Constellation New Energy)	1,625,497	1,053.59	1,542.82	\$ 0.0839	136,349
Distribution (National Grid)	1,625,497	1,053.59	1,542.82	\$ 0.0456	74,081
Total Rate Year Power Cost					<u>\$ 210,429</u>
Other Utilities-Power Act 50620 as filed					
	2010		26,601		
	2011		40,347		
	2012		24,416		
	3 years average		<u>\$ 30,455</u>		
	Rate Year 2014	5.722%	<u>\$ 32,197</u>		

Power Act 50610 Rebuttal							
Rate Year 2014		kWh	Projected Water Production (MG) [Adj.2]	kWh Avge Usage [Adj.2]	kWh Avge Cost		Total Cost
Commodity (Constellation New Energy)	[Adj.1]	1,613,090	1,065.30	1,514.21	[Adj.3] \$ 0.09245		149,130
Distribution (National Grid)	[Adj.1]	1,613,090	1,065.30	1,514.21	[Adj.3] \$ 0.05211		<u>84,058</u>
							233,188
Commodity (National Grid)	[Adj.1]	99,620			[Adj.3] \$ 0.08206	[Adj.4]	8,175
Distribution (National Grid)	[Adj.1]	99,620			[Adj.3] \$ 0.05211	[Adj.4]	<u>5,191</u>
							13,366
Total Rate Year Power Cost							<u>\$ 246,554</u>
Other Utilities-Power Act 50620 Rebuttal							
		2011		40,347 [Adj.5]			
		2012		24,416			
		2013		20,781			
		3 years average		<u>\$ 28,515</u>			
		Rate Year 2014	4.817%	<u>\$ 29,888 [Adj.5]</u>			

Notes:
 [Adj.1] To accept breakdown for power related to water production and non production related.
 [Adj.2] To update water production per Division Schedule TSC-11 and to updated KWH average usage per Division Schedule TSC-12 (1,582,200 kWh / 1,044.9MG =1,514.21 Kwh/MG)
 [Adj.3] To accept price for Commodity per Division Sch TSC-12 and to update price for Distribution per Company response to DIV 4-10
 [Adj.4] Power (Commodity and Distribution) require in small sites as boosters, tanks, pump stations and meter pits, provided by National Grid. 99620 kwh per Company DIV 4-10 Updated
 [Adj.5] To rebuttal cost for Hurricane Irene and accepted proposed inflation by Division 4.817% instead of 5.722% as filed.

Description	Amount
Chemicals as filed	\$ 52,735 (a)
Chemicals Adjusted	<u>43,692 (b)</u>
Adjustment	<u><u>\$ (9,043)</u></u>

(a)

Chemicals as filed				
Chemical Name	Average Usage Per MG	Water Production	Rate Year Unit Cost	Rate Year Costs
Lime (pounds)	102.29	1,053.59	\$ 0.1549	\$ 16,694
Sodium Hypochlorite (gallons)	7.43	1,053.59	\$ 1.7553	13,733
Nalco C-9 (pounds)	20.37	1,053.59	\$ 1.0395	22,309
				<u>\$ 52,735</u>

(b)

Chemicals adjustments per Division [1]				
Chemical Name	Average Usage Per MG	Water Production	Rate Year Unit Cost	Rate Year Costs
Lime (pounds)	102.84	1,065.30	\$ 0.1730	\$ 18,953
Sodium Hypochlorite (gallons)	7.71	1,065.30	\$ 1.6300	13,388
Nalco C-9 (pounds)	12.39	1,065.30	\$ 0.8600	11,351
				<u>\$ 43,692</u>

[1] Accepted proposed adjustments by Division Schedule TSC-11

Description	Amount
PEBOP Cost as filed	\$ 58,300 (a)
PEBOP Cost Adjusted	<u>55,744 (b)</u>
Adjustment	<u><u>\$ (2,557)</u></u>

<u>Company Original File</u>	
(a) FAS 106 net periodic PEBOP costs per Tower Watson 20	\$ 53,187
Amortization of Initial Transition Obligation	<u>5,113</u>
PEBOP Cost	<u><u>58,300</u></u>

<u>Adjustments per Division [1]</u>	
(b) FAS 106 net periodic PEBOP costs per Tower Watson 20	\$ 53,187
Amortization of Initial Transition Obligation	<u>2,557</u>
PEBOP Cost	<u><u>55,744</u></u>

[1] Accepted proposed adjustments by Division Schedule TSC-13

Description	Amount
Employee Health and Welfare Expenses as filed	\$ 188,130 (a)
Employee Health and Welfare Expenses Adjusted	<u>188,071 (b)</u>
Adjustment	<u><u>\$ (59)</u></u>

<u>Company Original File</u>	
(a) Medical	151,909
Life	3,267
401k	23,930
Other (Adjusted by Inflation 3.887%)	7,024
Medical Waiver	2,000
Employee Health and Welfare	<u><u>\$ 188,130</u></u>

<u>Adjustments per Division</u>	
(b) Medical	151,909
Life	3,267
401k	23,930
Other (Adjusted by Inflation 2.997%)	[1] 6,965
Medical Waiver	2,000
Employee Health and Welfare	<u><u>\$ 188,071</u></u>

[1] Accepted proposed inflation by Division 2.997% instead of 3.887% as filed.

United Water Rhode Island, Inc.
Transportation/Vehicle Expenses

Exhibit 3 (Gil)
Schedule 10 Rebuttal
Page 1 of 1

Description	Amount
Transportation as filed	\$ 75,329 (a)
Transportation Adjusted	<u>72,553 (b)</u>
Adjustment	<u><u>\$ (2,776)</u></u>

Description	Company As Filed (a)	Adjustments	Company Adjusted (b)
Leases	\$ 32,902	-	\$ 32,902
Fuel	36,104	(309)	35,795 [1]
Maintenance & Repair	11,974	(197)	11,777 [1] [2]
Insurance	5,963	(51)	5,913 [1]
Depreciation	1,655	0	1,655
Other-Registration, plates, tolls, mileage, etc.	2,580	(22)	2,559 [1]
Total Costs	91,178	(578)	90,601
Capitalized/Transferred Out	(15,850)	(2,198)	(18,048) [3]
Net Transportation Expense	<u>\$ 75,329</u>	<u>\$ (2,776)</u>	<u>\$ 72,553</u>

[1] Accepted proposed inflation by Division 4.817% instead of 5.722% as filed.
[2] Propose 3 years normalization adjustment for trailer and truck repairs in 2012 for \$7,798 /3= \$2,599
[3] Accepted Capitalized and Transfer out rate of 19.92% instead of 17.38% as filed

**United Water Rhode Island, Inc.
Insurance**

<u>Description</u>	<u>Amount</u>
Insurance as Filed	\$ 51,714 (a)
Insurance Adjusted	<u>51,511 (b)</u>
Adjustment	<u>\$ (203)</u>

<u>Company Original File</u>	
(a) General Corporate Insurance	\$ 31,542
Property	2,583
Workers Compensation (Injuries & Damages)	<u>17,589</u>
Insurance	<u>\$ 51,714</u>

<u>Adjustments per Division [1]</u>	
(b) General Corporate Insurance	\$ 31,419
Property	2,573
Workers Compensation (Injuries & Damages)	<u>17,520</u>
Insurance	<u>\$ 51,511</u>

[1] Accepted proposed inflation by Division 1.6% instead of 2% as filed.

Description	Amount
Customer Information/ Billing Expense as filed	\$ 58,566 (a)
Customer Information/ Billing Expense Adjusted	<u>58,064 (b)</u>
Adjustment	<u>\$ (502)</u>

<u>Company Original File</u>	
(a) Billing	\$ 41,303
Postage	<u>17,263</u>
Customer Information/ Billing Expense	<u>\$ 58,566</u>

<u>Adjustments per Division [1]</u>	
(b) Billing	\$ 40,949
Postage	<u>17,115</u>
Customer Information/ Billing Expense	<u>\$ 58,064</u>

[1] Accepted proposed inflation by Division 2.997% instead of 3.887% as filed.

Description	Amount
Outside Services as filed	\$ 375,440 (a)
Outside Services Adjusted	<u>349,123 (b)</u>
Adjustment	<u>\$ (26,316)</u>

Description	Company As Filed (a)	Adjustments	Company Adjusted (b)
M & S Fees	\$ 273,503	\$ -	\$ 273,503
Accounting & Auditing	4,220	(36)	4,184 [1]
Legal	2,088	(18)	2,070 [1]
Information Systems	14,558	(125)	14,433 [1]
Temporary Help	10,000	-	10,000 [4]
Other	11,945	(102)	11,843 [1]
Well Testing	3,325	(1,900)	1,425 [2]
Management Fee (R&I Alliance)	15,801	(135)	15,666 [1]
Well Rehabilitation	40,000	(24,000)	16,000 [3]
Total Outside Services	<u>\$ 375,440</u>	<u>\$ (26,316)</u>	<u>\$ 349,123</u>

[1] Accepted proposed inflation by Division 2.997% instead of 3.887% as filed.

[2] Well Testing updated amount per response to DIV 4-17

[3] Well Rehabilitation 3 years normalization

[4] Hydrant Painting Rebuttal

United Water Rhode Island, Inc.
 Other Operation and Maintenance Expenses

Description	Amount
Other Operation and Maintenance Expenses as filed	\$ 227,343 (a)
Other Operation and Maintenance Expenses Adjusted	<u>226,076 (b)</u>
Adjustment	<u>\$ (1,267)</u>

Account Number	Account Description	Company As Filed (a)	Adjustments [1]	Company Adjusted (b)
620	Operation Supervision and Engineering	\$ 203	\$ (2)	\$ 201
621	Fuel for Power Production	6,435	(55)	6,380
624	Pumping Expenses	13,383	(115)	13,269
626	Miscellaneous Expenses	14,826	(127)	14,699
632	Maintenance of Power Production Equipment	5,619	(48)	5,571
633	Maintenance of Pumping Equipment	34	(0)	33
640	Operation Supervision and Engineering	789	(7)	783
642	Operation Labor and Expenses	4,293	(37)	4,256
643	Miscellaneous Expenses	44,025	(377)	43,647
660	Operation Supervision and Engineering	8,191	(70)	8,121
662	Transmission and Distribution Lines Expenses	3,600	(31)	3,569
665	Miscellaneous Expenses	13,897	(119)	13,778
671	Maintenance of Structures and Improvements	2,329	(20)	2,309
673	Maintenance of Trans. & Distribution Mains	534	(5)	529
675	Maintenance of Services	525	(5)	521
677	Maintenance of Hydrants	1,766	(15)	1,751
902	Meter Reading Expenses	(2,171)	19	(2,152)
903	Customer Records & Coll. Expenses-Labor	10,418	(89)	10,329
905	Miscellaneous Customer Account Expense	11,944	(102)	11,842
921	Office Supplies and Other Expenses	47,778	(409)	47,369
923	Outside Services Employed	(1,035)	9	(1,026)
926	Employee Pension and Benefits	0	(0)	0
930	Miscellaneous General Expenses	39,456	343	39,799
932	Maintenance of General Plant	503	(4)	499
Total Operation and Maintenance Expenses		<u>\$ 227,343</u>	<u>\$ (1,267)</u>	<u>\$ 226,076</u>

[1] Accepted proposed inflation by Division 2.997% instead of 3.887% as filed.