

GENERAL RATE FILING

**REBUTTAL TESTIMONY
OF GARY S. PRETTYMAN**

March 2014

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

RIPUC Docket No. 4434

Submitted by:

United Water Rhode Island Inc.

UNITED WATER RHODE ISLAND, INC
GARY S. PRETTYMAN

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

2 A. My name is Gary S. Prettyman and I am Senior Director Regulatory Business
3 at United Water. My business address is 200 Old Hook Road, Harrington Park,
4 NJ 07640.

5

6 **Q. Have you previously provided testimony in this proceeding?**

7 A. Yes I have.

8

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. I will discuss the testimony of the Division witness Thomas Catlin and the
11 Intervenor witness David Bebyn.

12

13 **Q. What will you be addressing regarding Mr. Catlin's testimony?**

14 A. I will be addressing Mr. Catlin's adjustment to revenues and his adjustment to
15 ADIT in rate base.

16

17 **Q. Please discuss Mr. Catlin's revenue adjustments.**

18 A. Mr. Catlin has an issue with the Company's projection for the number of
19 customers as well as the projection of Residential Consumption and the other
20 classes consumption.

21

22 **Q. Do you agree with Mr. Catlin's adjustments for the number of customers?**

23 A. While I may not agree with the method utilized by Mr. Catlin, the end result is

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1 that the total number of customers he projects is only 1 customer different than
2 the Company's projection. Therefore I will accept his number of customers.

3
4 **Q. Please discuss the consumption adjustments to the Residential Class.**

5 A. While Mr. Catlin may not agree with the trending method utilized by the
6 Company, it cannot be denied that consumption for the residential class
7 continues to decrease. This is especially true when you look at the average use
8 per customer. The actual average use per residential customer is shown below:

9 (1,000 gallons)

10	2005	65.32
11	2006	58.91
12	2007	62.78
13	2008	59.95
14	2009	53.65
15	2010	57.40
16	2011	54.87
17	2012	56.61
18	2013	55.93

19
20 Mr. Catlin projects a total Residential consumption level of 410,917 thousand
21 gallons and a customer level of 7370. That equates to an average annual use
22 per Residential customer of 55.76. While this is close to 2013 actual, it does
23 not reflect the downward trend. Attached is a graph (Schedule GSP-1) that

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1 depicts the actual average use per customer over the period, a trend line for
2 the entire period, a trend line for the four years used by Mr. Catlin and where
3 his projection falls on the line. It clearly shows that the trend line for residential
4 usage is still declining.

5
6 **Q. Do you agree with Mr. Catlin's statement on page 9, lines 3-5 of his**
7 **testimony where he states "This statement suggests that the quantitative**
8 **methodology was selected based on the results obtained rather than on**
9 **an objective assessment of the appropriateness of the approach"**

10 A. No, I do not. The Company spends a lot of time analyzing the various
11 consumption patterns and trends. Even the seven trend lines mentioned by Mr.
12 Catlin that Mr. Ugboaja did proves that the Company did not pick the lowest
13 number.

14
15 **Q. What do you propose be used to determine the residential usage?**

16 A. In my opinion the Company's as-filed amount of 396,152 thousand gallons
17 should be used as it best represents the residential class usage for 2014. This
18 would result in reducing Mr. Catlin's adjustment by \$42,127.

19
20 **Q. Please discuss Mr. Catlin's adjustment for consumption for the other**
21 **classes.**

22 A. The Company's as-filed consumption for the other class was based upon a
23 four year average from 2009-2012. This was because for these classes it was

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1 the Company's opinion that the consumption data prior to 2009 had abnormal
2 swings. Mr. Catlin because of his issues with customers also used a four year
3 average for consumption however the four years he used was 2010-2013. I do
4 not object to incorporating 2013 into the average however I believe that we
5 should start with 2009 and calculate a five year average. Schedule GSP-2
6 attached shows the details of this calculation. The result is that Mr. Catlin's
7 adjustment should be reduced by \$6,851.

8
9 **Q. Please summarize your revenue adjustments?**

10 A. Mr. Catlin's total revenue adjustment increases present rate revenues by
11 \$80,673. Based upon my discussion above this should be reduced by \$48,978
12 (\$42,127 + \$6,851) which would result in an overall adjustment to the
13 Company's present rate revenues of \$31,695 instead of the \$80,673 as
14 suggested by Mr. Catlin.

15
16 **Q. Did Mr. Catlin have a recommendation regarding rate design?**

17 A Yes, unlike Mr. Bebyn, Mr. Catlin agreed with the Company's proposed
18 across-the-board increase to all classes of customer.

19
20 **Q. Please discuss Mr. Catlin's adjustment to Accumulated Deferred Income**
21 **Taxes.**

22 A. Mr. Catlin states at page 7 of his testimony that UW Rhode Island did not take
23 into account the provision for bonus depreciation of 50% for 2013 when

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1 calculating its accumulated deferred income tax. There is a very good reason
2 for that. The Company had elected not to take bonus depreciation for tax
3 purposes because there is only a benefit when the Company has positive
4 taxable income or would be able to carry forward the tax loss created by the
5 bonus depreciation and expect to offset that loss in a relatively short time. In
6 the case of Rhode Island they had a tax loss in 2011 of (\$413,877) which
7 creates the net operating loss carry forward of (\$144,857) in tax, offsetting the
8 positive tax in 2012 of \$159,310.

9 Mr. Catlin's calculation only considers the rate base impact on the ADIT
10 liability. His adjustment does not account for the deferred tax asset created by
11 the net operating loss carry forward ("NOL") which is created in UW Rhode
12 Island by his theoretical calculation. The NOL absorbs the current tax liability
13 and creates an asset to which taxable income would offset in the future.

14 Attached is Schedule GSP-3 which shows the effects of bonus
15 depreciation if the Company actually took it for tax purposes. The schedule
16 starts with the as-filed tax calculation (Schedule 22). Then it adds Mr. Catlin's
17 adjustment of \$2,965,499 to the original calculated amount of \$337,559. Under
18 present rates this creates a NOL of (\$1,190,708) for 2013. Then for 2014 I
19 added to present rates approximately ½ of the requested rate increase as a
20 proxy for 2014. This results in positive tax of \$164,481 which reduces the NOL
21 to a level of (\$1,026,227). This then becomes a regulatory asset in rate base
22 and more than offsets Mr. Catlin's negative adjustment to ADIT of (\$906,105)
23

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1 **Q. What issues will you be addressing regarding Mr. Bebyn's testimony?**

2 A. While Mr. Bebyn does address certain issues regarding operating expenses,
3 capital structure and return on equity, he primarily makes no supporting
4 conclusion of his own and merely accepts Mr. Catlin's recommendations. As
5 such, my testimony regarding Mr. Catlin's adjustments applies to Mr. Bebyn's
6 as well. Therefore, I will address Mr. Bebyn's testimony regarding return on
7 equity, rate case expense, consumption revenues and rate design.

8

9

10 **Q. Is there an issue regarding return on equity you would like to discuss?**

11 A. Yes, I will briefly address Mr. Bebyn's testimony on this subject and refer to Ms.
12 Ahern's testimony, which addresses this issue in more detail. On page 3 of Mr.
13 Bebyn's testimony he states that at a minimum the return on equity should be
14 set at a return of 9.85% allowed by the Commission in Docket 4255. Then,
15 without explanation Mr. Bebyn states at page 4, line 3, that he supports Mr.
16 Kahal's overall rate of return of 7.72% in this Docket. However, Mr. Kahal's
17 overall rate of return reflects a return on equity of 9.25%. Therefore, if Mr.
18 Bebyn believes that 9.85% is the appropriate return on equity, then Mr. Kahal's
19 overall rate of return in this Docket would increase to 8.04%.

20

21 **Q. Please discuss Mr. Bebyn's adjustment to Rate Case Expense.**

22 A. Mr. Bebyn is concerned that if the Company does not file a new rate case in
23 two years, there is a possibility the Company may over earn on this one

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1 expense item. Therefore Mr. Bebyn suggests that rate case expense be
2 amortized over a three year period. I disagree with this position. First, Mr.
3 Catlin did not make this kind of adjustment as he recognizes the Company will
4 file in two years as it will need to build a new tank. Second, when projecting
5 expenses for the rate year one must make reasonable assumptions. In this
6 case – as Mr. Catlin recognizes – it is reasonable to assume the Company will
7 file another case in two years to fund the new tank construction. As such, Mr.
8 Bebyn's adjustment should be disregarded.

9
10 **Q. Does Mr. Bebyn make any revenue adjustments?**

11 A. Although Mr. Bebyn discusses customers and consumption, in the end he
12 merely agrees with Mr. Catlin's adjustments, which I addressed previously in
13 my testimony.

14
15 **Q. Please discuss your concerns regarding Mr. Bebyn testimony on rate
16 design.**

17 A. There are several issues I have with Mr. Bebyn's testimony regarding the cost
18 of service study he attached as Schedule DGB-COS. First, Mr. Bebyn states
19 that the only thing he changed in the Docket 4255 COSS was the use of
20 UWRI's pre-filed numbers in this rate case for operating expenses and rate
21 base. That is not true. Mr. Bebyn also changed the Fire Adjustment. On page
22 11 (lines 3-5) of his testimony, he concedes that it is necessary to maintain
23 both the Customer Service Adjustment *and* Fire Adjustment . However, his fire

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1 adjustment in Schedule DGB-COS-7 (\$506,156) differs substantially from the
2 adjustment in Docket 4255. Attached is Schedule GSP-4 which is Exhibit 2
3 Schedule 7 from the Joint Settlement from Docket 4255 which shows a fire
4 adjustment of \$325,000. This is a completely unjustified and un-explained
5 change.

6 Second, Mr. Bebyn provided unsubstantiated testimony on alleged
7 “deficiencies” in the Commission approved COSS from Docket 4255. On page
8 11, (lines 17 to 25), Mr. Bebyn discusses the footnote on Schedule 2A from the
9 Docket 4255 Joint Settlement Agreement, which indicates the demand factors
10 in the approved COSS were based on a 1991 COSS prepared by Christopher
11 Woodcock for UWRI. Mr. Woodcock also prepared the COSS for UWRI in
12 Docket 4255, and he used the demand factors from his previous COSS. The
13 COSS approved by the Commission in Docket 4255 incorporated these
14 demand factors. Furthermore, one of Mr. Bebyn’s clients, the Town of South
15 Kingstown, intervened in Docket 4255, but did not raise any objection to the
16 demand factors. Mr. Bebyn’s other clients, the Town of Narragansett and the
17 Union Fire District, did not intervene and did not raise any objection to the
18 demand factors.

19 Now, in this Docket, Mr. Bebyn testifies that the demand factors used in
20 the Docket 4255 COSS approved by the Commission “may be contributing in
21 part to the extra ordinary large increases, without an adjustment in the model,
22 for fire service”. (See page 11, lines 24-25, emphasis added) There is
23 absolutely nothing in the record of this Docket, or Docket 4255, to support that

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1 statement nor does Mr. Bebyn provide any support or documentation for that
2 statement and therefore it should be disregarded.

3
4 **Q. Please comment on Mr. Bebyn's testimony on page 11 and 12 of his**
5 **comparing UWRI fire rates to those of regulated municipal systems.**

6 A. Mr. Bebyn's testimony provides no in depth, critical analysis in his comparison
7 between UWRI and regulated municipal utilities such as Kent County, Newport
8 and Providence. He merely cites percentages of revenues derived from "fire
9 rates." While it may be possible to compare various charges between
10 companies, a number of factors must be analyzed not just the percent to total
11 of one element of cost. First, it is important to look at the size and composition
12 of a utility's customer base when examining percentages of revenues from
13 various charges. United Water's customer base is not identical to the utilities
14 cited by Mr. Bebyn. In addition, it is extremely difficult to make the comparison
15 between privately owned companies and municipal utilities. For instance,
16 privately owned companies pay both Federal and Local taxes that municipal
17 utilities don't pay. Additionally, the facilities necessary to serve the customers
18 of the utilities can be very different.

19
20 **Q. Can you please comment on Mr. Bebyn's suggestion that the**
21 **Commission require the Company to prepare a full cost of service study**
22 **which updates customer demand factors and identifies individual assets**
23 **by asset basis.**

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1 A. As set forth above, in 2011 UWRI prepared a complete COSS for Docket 4255.
2 UWRI hired Mr. Woodcock (who also performed the 1991 COSS study) to
3 perform this study and it was thoroughly reviewed by the Division and the
4 Commission. Furthermore, the Town of South Kingstown intervened in that
5 Docket and failed to provide any input, critique, analysis or recommendations
6 regarding the COSS. Now, Mr. Bebyn suggests that UWRI should prepare
7 *another* full COSS that separately identifies the system on an asset by asset
8 basis. The Commission must consider whether the cost of doing another
9 COSS benefits all of UWRI's rate payers. To do such a detailed study for 7,000
10 customers could be in the range of \$50,000 to \$75,000. Is that expense
11 warranted to provide the intervenors information they request? Maybe the
12 intervenors should bear the cost of the requested study and not the UWRI's
13 other rate payers if they truly believe the study is warranted.

14

15 **Q. Are there any other areas you would like to address.**

16 A. Yes, there is. Mr. Bebyn's schedules show that he is purporting to develop
17 rates to support a total revenue requirement of \$5,233,421 (less other
18 operating revenue of \$35,337) which is what the Company's proposed total
19 operating revenue request is in this Docket. However nowhere in Mr. Bebyn's
20 schedules does he provide a proof of revenues that proves his recommended
21 rates will produce the total level of revenues. Attached as Schedule GSP-5 is a
22 proof of revenues that utilizes Mr. Bebyn's proposed rates from DGB-COS-9.
23 The proof of revenues is from Schedule 2.8h, pages 22 and 23 of 23. As can

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1 be seen on Schedule GSP-5 Mr. Bebyn's rates only produce total revenues of
2 \$4,939,242 or approximately \$294,177 less than \$5,233,419 the Company
3 requests in this Docket.

4
5 **Q. Please discuss the percentage increases that Mr. Bebyn is proposing on**
6 **Schedule DGB-COS-9.**

7 A. The Company proposed an across the board increase and that approach was
8 accepted by Division Witness Catlin. Mr. Bebyn discusses at page 10, lines 15-
9 21 that an across the board increase should not be utilized in this case. While
10 he does state some reasons that could impact the results of an updated cost of
11 service study, what he fails to discuss are the results that are contained on
12 Schedule DGB-COS-9. While Mr. Bebyn drastically reduces the recommended
13 fixed service charges (by approximately 50%), his Residential First Block rate is
14 reasonably close (36.87%) to the Company's increase of 43%, however his
15 recommended Second Block increase is greater than the Company's (50.15%
16 vs 43%).

17
18 As a result, as shown on Schedule DGB-COS-10, only the small residential
19 user would get an increase less than the Company recommended 43%. That
20 would still be a 32.06% increase. Non-residential would be close to the
21 Company recommended consumption rate (38.15% vs 43%). The Wholesale
22 rate would be 39.3% vs the Company's 43%, again not drastically different.

23

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1 However the Public Fire rates recommended by Mr. Bebyn would be much
2 higher than the Company (49.84% vs. 43%). Additionally, the private fire rates
3 on the smaller service sizes would increase as much as a 67.41%.

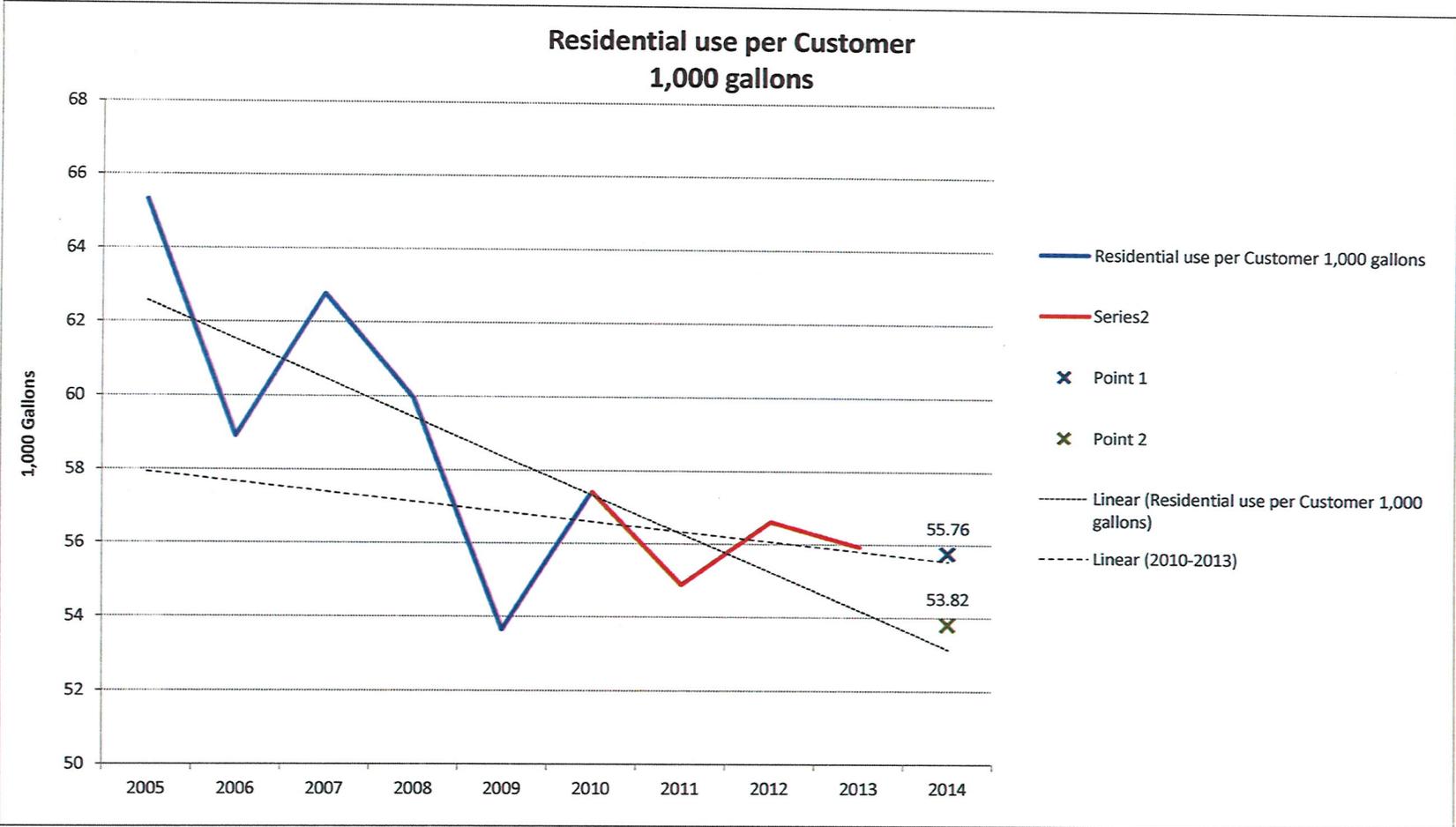
4
5 **Q. Can you comment on Mr. Bebyn's recommendation on Wholesale rate**
6 **and Public Fire rates?**

7 A. Yes. As set forth in my response to the Towns' Data Requests 1-1, there is a
8 certain balancing that must take place when implementing cost of service
9 based rates. This balancing can be illustrated by examining the potential
10 differing interests of Mr. Bebyn's clients. The Towns of South Kingston and
11 Narragansett are wholesale customers and would benefit from a reduction in
12 the wholesale rate recommended by UWRI. The Town of Narragansett and the
13 Union Fire District receive bills for Public Fire Protection and the Town of South
14 Kingston's fire protection is provided by the Union Fire District who issues tax
15 bills to the residents. Thus, they would not benefit from public fire protection
16 charges higher than recommended by UWRI.

17
18 It is UWRI's position that the balance achieved through the COSS study
19 approved by the Commission in Docket 4255 strikes the appropriate balance
20 and prevents rate shock to any particular class of customer.

21
22 **Q. Does this conclude your testimony at this time?**

23 A. Yes it does.



United Water Rhode Island**Consumption For Commercial, Industrial, Public Authority and Resale**

Company Pro forma	Catlin 2014 Consumption	Five Year Average	Difference To Catlin	Present Rate per 1,000 Gallons	Adjustment to Catlin
Commercial	174,771	181,700	(950)	2.173	(2,065)
Industrial	2,082	2,136	49	2.173	107
Public Authority	25,810	27,374	(112)	2.173	(243)
Resale	397,385	404,341	(4,137)	1.124	(4,650)
	<u>600,048</u>	<u>615,551</u>	<u>(5,149)</u>		<u>(6,851)</u>

**Historical Consumption
(in '000 Gallons)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	Four Year Average	Five Year Average
Residential						181,700	180,750
Commercial	176,949	178,475	181,502	182,404	184,418	2,136	2,186
Industrial	2,383	1,952	2,514	2,163	1,916	27,374	27,262
Public Authority	26,816	26,361	27,698	28,202	27,235	404,341	400,204
Resale	383,658	359,934	426,596	419,351	411,483	615,551	610,402
Total	<u>589,806</u>	<u>566,722</u>	<u>638,310</u>	<u>632,120</u>	<u>625,052</u>		

United Water Rhode Island, Inc.
Federal Income Tax Expense
Part of Account Number 408
For the Rate Year Adjusted for Bonus Depreciation

Schedule GSP-3

Purpose and Description: To reflect Federal Income expense based upon
Rate Year changes in taxable income at present and proposed rates.

Line No.	Description	[-----Rate Year-----]		Adjust Present Rates for 2013 Bonus Depreciation	Adjust Proposed Rates for 2014 Bonus Depreciation (1)
		Present Rates Rates	Proposed Rates Rates		
1	Revenues	\$ 3,670,266	\$ 5,233,419	\$ 3,670,266	\$ 4,451,842
2	Operating Expenses:				
3	Operation and Maintenance	2,301,468	2,306,364	2,301,468	2,301,468
4	Depreciation and Amortization	600,370	600,370	600,370	600,370
5	Taxes other than income	420,167	439,707	420,167	420,167
6	Operating Expenses Before Income Taxes	3,322,005	3,346,441	3,322,005	3,322,005
7	Operating Income Before Income Taxes	348,261	1,886,978	348,261	1,129,837
8	Interest Expense	447,247 (a)	447,247 (a)	447,247	447,247
9	Excess of Tax Depreciation Over Book	337,539	337,539	(2) \$ 3,303,038	\$ 212,644
10	Federal Taxable Income	\$ (436,525)	\$ 1,102,192	\$ (3,402,024)	\$ 469,946
12	Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%
13	Federal Income Tax Current	\$ (152,784)	\$ 385,767	\$ (1,190,708)	\$ 164,481
14	Deferred Federal Income Tax:				
15	Excess of Tax Depreciation Over Book	\$ 337,539	\$ 337,539	\$ 3,303,038	\$ 212,644
16	Deferral Base Federal Income Tax	337,539	337,539	3,303,038	212,644
17	Federal Income tax Rate	35.00%	35.00%	35.00%	35.00%
18	Deferred Federal Income Tax	\$ 118,139	\$ 118,139	\$ 1,156,063	\$ 74,425
19	Amortization of Flow-Through Tax	\$ -	\$ -	\$ -	\$ -
21	Amortization of ITC	\$ (4,662)	\$ (4,662)	\$ (4,662)	\$ (4,662)
22	Total Federal Income tax	\$ (39,307)	\$ 499,244	\$ (39,307)	\$ 234,244
23	Reference:				
24	(a) Interest Expense				
25	Rate Base	\$ 15,859,818	\$ 15,859,818	\$ 15,859,818	\$ 15,859,818
26	Weighted Cost of Debt	2.8200%	2.8200%	2.8200%	2.8200%
27	Interest Expense	\$ 447,247	\$ 447,247	\$ 447,247	\$ 447,247
		<u>Taxable income</u>	<u>Tax</u>		
	2011 Net operating loss	\$ (413,877)	\$ (144,857)		
	2012 Net operating loss	\$ 455,170	\$ 159,310		
	Cumulative Net Operating Loss		\$ 14,453		
	Adjusted 2013			\$ (1,190,708)	
	Adjusted 2014 (rate year)				\$ 164,481
	Cumulative Net Operating Loss (regulatory asset)				\$ (1,026,227)

Note (1) reflects approximately 1/2 of the proposed rate increase for illustration purposes

(2) reflects the addition of \$2,965,499 of additional excess tax depreciation to the as-filed excess tax depreciation of \$337,559.

Ex. 2 (Joint Settlement) Sch. 7

**ALLOCATION OF GENERAL WATER EXPENSES
TO CUSTOMER CLASSES**

	<u>Total</u>	<u>Base</u>	<u>Max Day</u>	<u>Peak Hour</u>	
Revenue Requirements	\$2,438,940	\$1,105,644	\$960,023	\$373,272	see Ex. 5 (Joint Settlement) Sch. 6
Allocation to Fire Service	<u>\$642,973</u>	<u>\$5,528</u>	<u>\$372,602</u>	<u>\$264,843</u>	see Ex. 5 (Joint Settlement) Sch. 2A
Net to Wholesale/Retail	\$1,795,967	\$1,100,116	\$587,421	\$108,430	
Allocation to Wholesale *	<u>\$448,523</u>	<u>\$404,401</u>	<u>\$44,122</u>	<u>\$0</u>	
Subtotal	<u>\$1,347,444</u>	<u>\$695,715</u>	<u>\$543,299</u>	<u>\$108,430</u>	
+ Fire Adjustment (Sch 4A)	\$325,000	\$325,000			
+ Cust Adjustment (Sch 5A)	<u>\$329,000</u>	<u>\$329,000</u>			
Net to Retail Metered Rates	\$2,001,444	\$1,349,715	\$543,299	\$108,430	
<u>Residential</u>					
Percent		66.2%	73.1%	75.1%	see Ex. 5 (Joint Settlement) Sch. 2A
Amount	\$1,371,570	\$893,079.23	\$397,107.92	\$81,382.50	
<u>Non-Residential</u>					
Percent		33.8%	26.9%	24.9%	see Ex. 5 (Joint Settlement) Sch. 2A
Amount	\$629,874	\$456,635.83	\$146,191.13	\$27,047.33	

* Allocation to fire protection:

Base: 0.05% assigned to fire to reflect minimal use on fires
Max Day & Peak Hour -- see Ex. 5 (Joint Settlement) Sch. 2A

** Allocation to wholesale based on:

<u>BASE</u>		
Metered Sales (ccf/yr)	1,390,080	
Retail Sales (ccf/yr)	856,600	61.6%
Retail Unacct For (ccf/yr)	<u>68,924</u>	Based on miles of pipe: 100% of distribution/service plus 61.6% of transmission
Total Retail (ccf/yr)	925,525	
Wholesale Sales (ccf/yr)	533,480	38.4%
Wholesale Unacct For (ccf/yr)	<u>4,504</u>	
Total Wholesale (ccf/yr)	<u>537,983</u>	
Grand Total (ccf/yr)	1,463,508	
Wholesale % of Grand Total	36.8%	
Net Base Allocation	\$1,100,116	
Wholesale Allocation	<u>\$404,401</u>	
<u>MAX DAY</u>		
Net Max Day Allocation	\$587,421	
Less: Distribution Costs		
share of T&D O&M	-\$79,138	Based on inch-miles of distrib. pipe
Admin O&M Share	-\$31,371	39.6%
Distribution Capital Items	<u>-\$313,682</u>	55.2% (Less Distribution Mains & Gen'l Items allocated to Max Day)
Total Net of Distribution	\$163,231	
Wholesale Max Day %	27.03%	See Ex. 5 (Joint Settlement) Sch. 2A
Wholesale Allocation	<u>\$44,122</u>	
<u>PEAK HOUR</u>		
Total Peak Hour Allocation	\$373,272	
Wholesale Peak Hr %	0.00%	See Ex. 5 (Joint Settlement) Sch. 2A
Wholesale Allocation	<u>\$0</u>	

**United Water Rhode Island, Inc.
Operating Revenue Under Present and Proposed Rates
For Period Ended December 31, 2014**

Line # Col. 1	Account Title Col. 2	Account Number Col. 3	Rate Year Revenues at Current Rates 12/31/2014 Col. 4	Revenue Change Col. 5	Rate Year Revenues at Proposed Rates 12/31/2014 Col. 6	Percent Revenue Change To Rate Year Col. 7 [Col 5 / Col 4]
1	Residential	40105	\$ 1,976,282	\$ 620,356	\$ 2,596,638	31.39%
2	Commercial	40110	626,968	214,223	841,191	34.17%
3	Industrial	40115	8,625	2,731	11,356	31.66%
4	Public Authorities	40120	97,919	32,791	130,710	33.49%
5	Total Metered Sales		<u>2,709,794</u>	<u>870,101</u>	<u>3,579,895</u>	<u>32.11%</u>
6	Sales for Resale	40155	447,403	176,177	623,580	39.38%
7	Public Fire Protection	40145	342,160	170,526	512,686	49.84%
8	Private Fire Protection	40140	135,572	52,236	187,808	38.53%
9	Total Fire Protection		<u>477,732</u>	<u>222,762</u>	<u>700,494</u>	<u>46.63%</u>
10	Other Sales (Pool Fills)	40165	11,050	-	11,050	0.00%
11	Miscellaneous Service Revenue-WQPF	40200	15,120	-	15,120	0.00%
12	Refunds & Allowances	40230	(1,843)	-	(1,843)	0.00%
13	Turn On / Off Fees	40245	8,065	-	8,065	0.00%
14	Other Fees (Frozen Meters & Returned Checks)	40250	755	-	755	0.00%
15	Point Judith Country Club	40110	2,190	-	2,190	0.00%
16	Total Other Revenue		<u>35,337</u>	<u>-</u>	<u>35,337</u>	<u>0.00%</u>
17	Total Operating Revenue:		<u>\$ 3,670,266</u>	<u>\$ 1,269,040</u>	<u>\$ 4,939,306</u>	<u>34.58%</u>
18	Revenue Requirement:				<u>\$ 5,233,419</u>	
19	Variance:				<u>\$ (294,113)</u>	

United Water Rhode Island, Inc.
Rate Design
Proposed rates reflect Bepyn Proposed
Revenue Requirement Increase Percent

<u>Line #</u> Col. [1]	Proposed rates SERVICE CHARGE Meter Size <u>Quarterly</u> Col. [2]	Current Meter <u>Count</u> Col. [3]	Current <u>Rates</u> Col. [4]	Proposed <u>Rates</u> Col. [5]	Rate Increase Percentage <u>Impact</u> Col. [6]
1	5/8	7,404	24.01	27.52	14.62%
2	3/4	4	25.72	29.59	15.05%
3	1	275	37.73	44.06	16.78%
4	1 1/2	74	63.45	75.07	18.31%
5	2	148	85.75	101.94	18.88%
6	3	10	114.91	137.08	19.29%
7	4	1	171.51	205.30	19.70%
8	6	6	296.72	356.20	20.05%
9	8 & up	1	514.55	618.73	20.25%
10					
11	Monthly				
12	5/8	3	12.57	13.74	9.31%
13	3/4	-	13.14	14.43	9.82%
14	1	4	17.14	19.25	12.31%
15	1 1/2	1	25.72	29.59	15.05%
16	2	9	33.15	38.55	16.29%
17	3	3	42.87	50.26	17.24%
18	4	2	61.74	73.00	18.24%
19	6	-	103.48	123.30	19.15%
20	8 & up	-	176.09	210.81	19.72%
21					
22					
23	CONSUMPTION CHARG	Normalized			
24	Residential:	<u>Consumption</u>			
25	1st Block	406,100	2.276	3.115	36.86%
26	2nd Block	123,515	2.853	4.284	50.16%
27					
28	Non-Residential				
29	All CCF	270,942	2.173	3.002	38.15%
30					
31	Sales for Resale (CCF)	531,264	0.841	1.172	39.36%
32	(in Gallons)	397,385	1.124	1.567	39.37%
33					
34	Fire Protection:				
35	Public Hydrants	658	130	194.79	49.84%
36					
37	<u>Private Fire Protection</u>				
38	2 1/2" SERVICE LINES	5	22.00	36.83	67.41%
39	3" SERVICE LINES	-	32.00	49.78	55.56%
40	4" SERVICE LINES	20	60.00	87.86	46.43%
41	6" SERVICE LINES	139	162.00	224.85	38.80%
42	8" SERVICE LINES	27	337.00	461.04	36.81%
43	10" SERVICE LINES	-	601.00	816.39	35.84%
44	12" SERVICE LINES	1	966.00	1,308.71	35.48%
45	16" SERVICE LINES	-	2,050.00	2,771.02	35.17%
46					
47					

**United Water Rhode Island, Inc.
Proof of Revenues with Proposed Rates**

Rate Class	Bill Freq.	Bill Units	Meter Size	Normalized Test Year Bills	Incremental Bills Due to Cust. Growth	Pro Forma Yr. Normalized Bills	Number of Cust. Billed	Service Charge	Fixed Meter Revenue	Consumption		Volumetric Rate Per 100 Cubic Feet			Total Class Revenues
										CCF	CCF	Consumption Rate	Consumption Rate	Consumption Revenue	
										0-24 CCF	Over 24 CCF	0-24 CCF	Over 24 CCF		
Residential															
RES	Q	CCF	5/8"	27,643	424	28,067	7,017	27.52	\$ 772,399	395,346	101,363	3.115	4.284	\$ 1,665,742	
RES	Q	CCF	3/4"	15	-	15	4	29.59	437	240	155	3.115	4.284	1,412	
RES	Q	CCF	1"	565	8	573	143	44.06	25,224	9,235	14,359	3.115	4.284	90,281	
RES	Q	CCF	1 1/2"	39	-	39	10	75.07	2,905	841	6,012	3.115	4.284	28,375	
RES	Q	CCF	2"	15	-	15	4	101.94	1,533	364	1,362	3.115	4.284	6,969	
RES	Q	CCF	3"	-	-	-	-	137.08	-	-	-	3.115	4.284	-	
RES	Q	CCF	4"	-	-	-	-	205.30	-	-	-	3.115	4.284	-	
RES	Q	CCF	6"	-	-	-	-	356.20	-	74	264	3.115	4.284	1,361	
RES	Q	CCF	8"	-	-	-	-	618.73	-	-	-	3.115	4.284	-	
			Total	28,276	432	28,708	7,178		\$ 802,498	406,100	123,515			\$ 1,794,139	\$ 2,596,638
Commercial															
COM	M	CCF	5/8"	24	-	24	2	13.74	\$ 330	All CCF	N/A	All CCF	N/A	\$ 606	
COM	M	CCF	3/4"	-	-	-	-	14.43	-	-	-	3.002	-	-	
COM	M	CCF	1"	36	-	36	3	19.25	687	1,403	-	3.002	-	4,212	
COM	M	CCF	1 1/2"	-	-	-	-	29.59	-	-	-	3.002	-	-	
COM	M	CCF	2"	82	-	82	7	38.55	3,166	26,615	-	3.002	-	79,898	
COM	M	CCF	3"	35	-	35	3	50.26	1,771	11,154	-	3.002	-	33,484	
COM	M	CCF	4"	-	-	-	-	73.00	-	-	-	3.002	-	-	
COM	M	CCF	6"	-	-	-	-	123.30	-	-	-	3.002	-	-	
COM	M	CCF	8"	-	-	-	-	210.81	-	-	-	3.002	-	-	
			Total	177	-	177	15		\$ 5,953	39,374	-			\$ 118,201	\$ 124,154
COM	Q	CCF	5/8"	1,437	8	1,445	361	27.52	\$ 39,764	All CCF	N/A	All CCF	N/A	\$ 99,774	
COM	Q	CCF	3/4"	-	-	-	-	29.59	-	33,236	-	3.002	-	-	
COM	Q	CCF	1"	467	4	471	118	44.06	20,757	31,385	-	3.002	-	94,218	
COM	Q	CCF	1 1/2"	215	-	215	54	75.07	16,157	23,164	-	3.002	-	69,538	
COM	Q	CCF	2"	436	4	440	110	101.94	44,881	89,915	-	3.002	-	269,925	
COM	Q	CCF	3"	20	-	20	5	137.08	2,685	9,123	-	3.002	-	27,387	
COM	Q	CCF	4"	-	-	-	-	205.30	-	-	-	3.002	-	-	
COM	Q	CCF	6"	20	-	20	5	356.20	7,189	6,425	-	3.002	-	19,288	
COM	Q	CCF	8"	4	-	4	1	618.73	2,378	1,031	-	3.002	-	3,095	
			Total	2,599	16	2,615	654		\$ 133,812	194,279	-			\$ 583,226	\$ 717,037
Industrial															
IND	Q	CCF	5/8"	4	-	4	1	27.52	\$ 105	All CCF	N/A	All CCF	N/A	\$ 411	
IND	Q	CCF	3/4"	-	-	-	-	29.59	-	137	-	3.002	-	-	
IND	Q	CCF	1"	8	-	8	2	44.06	363	388	-	3.002	-	1,165	
IND	Q	CCF	1 1/2"	-	-	-	-	75.07	-	-	-	3.002	-	-	
IND	Q	CCF	2"	4	-	4	1	101.94	378	702	-	3.002	-	2,107	
IND	Q	CCF	3"	-	-	-	-	137.08	-	-	-	3.002	-	-	
IND	Q	CCF	4"	-	-	-	-	205.30	-	-	-	3.002	-	-	
IND	Q	CCF	6"	-	-	-	-	356.20	-	-	-	3.002	-	-	
IND	Q	CCF	8"	-	-	-	-	618.73	-	-	-	3.002	-	-	
			Total	16	-	16	4		\$ 845	1,227	-			\$ 3,683	\$ 4,528
IND	M	CCF	5/8"	12	-	12	1	13.74	\$ 165	All CCF	N/A	All CCF	N/A	\$ 120	
IND	M	CCF	3/4"	-	-	-	-	14.43	-	40	-	3.002	-	-	
IND	M	CCF	1"	12	-	12	1	19.25	229	20	-	3.002	-	60	
IND	M	CCF	1 1/2"	-	-	-	-	29.59	-	-	-	3.002	-	-	
IND	M	CCF	2"	23	-	23	2	38.55	905	1,444	-	3.002	-	4,335	
IND	M	CCF	3"	-	-	-	-	50.26	-	-	-	3.002	-	-	
IND	M	CCF	4"	12	-	12	1	73.00	855	53	-	3.002	-	159	
IND	M	CCF	6"	-	-	-	-	123.30	-	-	-	3.002	-	-	
IND	M	CCF	8"	-	-	-	-	210.81	-	-	-	3.002	-	-	
			Total	59	-	59	5		\$ 2,154	1,557	-			\$ 4,674	\$ 6,828

Rate Class	Bill Freq.	Bill Units	Meter Size	Normalized Test Year Bills	Incremental Bills Due to Cust. Growth	Pro Forma Yr. Normalized Bills	Number of Cust. Billed	Service Charge	Fixed Meter Revenue	Consumption CCF	Consumption CCF	Volumetric Rate Per 100 Cubic Feet			Total Class Revenues
												Consumption Rate	Consumption Rate	Consumption Revenue	
Public Authority															
PATH	Q	CCF	5/8"	99	-	99	25	27.52	\$ 2,716	961	-	3.002	-	\$ 2,885	
PATH	Q	CCF	3/4"	-	-	-	-	29.59	-	-	-	3.002	-	-	
PATH	Q	CCF	1"	49	-	49	12	44.06	2,154	613	-	3.002	-	1,840	
PATH	Q	CCF	1 1/2"	39	-	39	10	75.07	2,891	2,511	-	3.002	-	7,538	
PATH	Q	CCF	2"	133	-	133	33	101.94	13,536	17,253	-	3.002	-	51,794	
PATH	Q	CCF	3"	19	-	19	5	137.08	2,658	9,292	-	3.002	-	27,895	
PATH	Q	CCF	4"	4	-	4	1	205.30	829	1,055	-	3.002	-	3,167	
PATH	Q	CCF	6"	5	-	5	1	356.20	1,705	2,762	-	3.002	-	8,292	
PATH	Q	CCF	8"	-	-	-	-	618.73	-	-	-	3.002	-	-	
Total				347	-	347	87		\$ 26,489	34,447	-			\$ 103,410	\$ 129,899
Residential															
PATH	M	CCF	5/8"	6	-	6	0	13.74	\$ 76	58	-	3.002	-	\$ 174	
PATH	M	CCF	3/4"	-	-	-	-	14.43	-	-	-	3.002	-	-	
PATH	M	CCF	1"	-	-	-	-	19.25	-	-	-	3.002	-	-	
PATH	M	CCF	1 1/2"	12	-	12	1	29.59	349	-	-	3.002	-	-	
PATH	M	CCF	2"	6	-	6	0	38.55	212	-	-	3.002	-	-	
PATH	M	CCF	3"	-	-	-	-	50.26	-	-	-	3.002	-	-	
PATH	M	CCF	4"	-	-	-	-	73.00	-	-	-	3.002	-	-	
PATH	M	CCF	6"	-	-	-	-	123.30	-	-	-	3.002	-	-	
PATH	M	CCF	8"	-	-	-	-	210.81	-	-	-	3.002	-	-	
Total				23	-	23	2		\$ 636	58	-			\$ 174	\$ 810

Proposed Revenue Summary

Residential	Commercial	Industrial	Public Authority	Resale	Public Fire	Private Fire	Total
\$ 2,596,638	\$ 841,191	\$ 11,356	\$ 130,710	\$ 623,580	\$ 512,686	\$ 187,808	\$ 4,903,969

United Water Rhode Island, Inc.
Fire Protection Services Analysis

Rate Year Fire Protection Revenues using current rates

2014	<u>Connections</u>	<u>Current Rates</u>	<u>Revenues</u>
2 1/2" SERVICE LINES	5	22.00	\$ 440
3" SERVICE LINES	-	32.00	-
4" SERVICE LINES	20	60.00	4,800
6" SERVICE LINES	139	162.00	90,072
8" SERVICE LINES	27	337.00	36,396
10" SERVICE LINES	-	601.00	-
12" SERVICE LINES	1	966.00	3,864
16" SERVICE LINES	-	2,050.00	-
	<u>192</u>		<u>135,572</u>
	<u>Hydrants</u>		
Public Fire Hydrants-Q	351	130.00	182,520
Public Fire Hydrants-SA	307	260.00	159,640
Total Public Fire	<u>658</u>		<u>\$ 342,160</u>

Rate Year Fire Protection Revenues using proposed rates

2014	<u>Connections</u>	<u>Proposed Rates</u>	<u>Revenues</u>
2 1/2" SERVICE LINES	5	36.83	\$ 736
3" SERVICE LINES	-	49.78	-
4" SERVICE LINES	20	87.86	7,028
6" SERVICE LINES	139	224.85	125,016
8" SERVICE LINES	27	461.04	49,792
10" SERVICE LINES	-	816.39	-
12" SERVICE LINES	1	1,308.71	5,236
16" SERVICE LINES	-	2,771.02	-
	<u>192</u>		<u>187,808</u>
	<u>Hydrants</u>		
Public Fire Hydrants-Q	351	194.79	273,484
Public Fire Hydrants-SA	307	389.58	239,202
Total Public Fire	<u>658</u>		<u>\$ 512,686</u>

Summary of Connections & Hydrants

Projection

<u>Connections</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2012</u>	<u>2014</u>
2 1/2" SERVICE LINES	5	5	5	5	5	5	5
3" SERVICE LINES	-	-	-	-	-	-	-
4" SERVICE LINES	19	19	20	19	19	20	20
6" SERVICE LINES	115	121	126	132	135	139	139
8" SERVICE LINES	25	26	27	27	27	27	27
10" SERVICE LINES	-	-	-	-	-	-	-
12" SERVICE LINES	-	-	-	1	1	1	1
16" SERVICE LINES	-	-	-	-	-	-	-
Total Private Fire Service Lines	<u>164</u>	<u>171</u>	<u>177</u>	<u>184</u>	<u>187</u>	<u>192</u>	<u>192</u>
<u>Hydrants</u>							
Public Fire Hydrants-Quarterly	339	342	350	352	351	351	351
Public Fire Hydrants-Semi Annual	303	303	304	304	307	307	307
Total Public Fire	<u>642</u>	<u>645</u>	<u>654</u>	<u>656</u>	<u>658</u>	<u>658</u>	<u>658</u>

**United Water Rhode Island, Inc.
Resale Customer Analysis - Manually Billed**

Yr. 2012	Resale Customer 1	
	South Kingstown Torrey Rd & Middle Bridge	South Kingstown Rt.1 [a]
Jan	\$ 1,194	\$ 8,645
Feb	1,142	7,454
Mar	1,167	7,289
Apr	1,347	8,650
May	1,513	10,206
Jun	1,698	13,219
Jul	1,906	19,802
Aug	2,133	24,391
Sep	2,086	24,217
Oct	1,343	13,043
Nov	1,191	10,874
Dec	-	-
	<u>\$ 16,721</u>	<u>\$ 147,791</u>

Yr. 2012	Resale Customer 2	
	Point Judith System [a]	Narragansett North End [a]
Jan	\$ 8,875	\$ 3,385
Feb	10,714	4,248
Mar	11,006	3,403
Apr	10,821	3,420
May	22,857	4,135
Jun	26,755	4,458
Jul	29,638	4,595
Aug	41,900	5,953
Sep	36,084	4,578
Oct	27,356	3,829
Nov	30,438	3,484
Dec	-	-
	<u>\$ 256,443</u>	<u>\$ 45,487</u>

Total for South Kingstown	<u>\$ 164,511</u>
Total Test Year Resale Bill	<u>\$ 466,442</u>
Booked to I/S Acct: 40155	<u>\$ 466,442</u>

Total for Narragansett	<u>\$ 301,930</u>
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Meter Size

Middlebridge & Torrey Rd, South Kingstown = 8" meter size - billed fixed charges plus \$1.124 per 1000 gallons
 Route 1 Connection, South Kingstown = 10"
 Narragansett's North End, West Bay & Scarborough = 6"
 Narragansett's Pt. Judith (S. End) = 10"

Rate Type	Current Rate	New Rate [a]
Volumetric	<u>\$ 1.124</u>	<u>\$ 1.5670</u>
Fixed - 4 " [d]	<u>\$ 61.74</u>	<u>\$ 73.00</u>

Resale Customer

2012 Actual Consumption MGL

South Kingstown	149,402
Narragansett	269,950
	<u>419,351</u>

Resale Customer

Test Year Usage ('000 gallons) [b]

South Kingstown Middlebridge Connection	15,185	Monthly
South Kingstown Rt 1 Connection	134,216	Monthly
Narragansett Point Judith Connection	229,280	Monthly
Narragansett North End Connection	40,669	Monthly
	<u>419,350</u>	

Rate Year [c]	Rate Year	Rate Year
Usage ('000 gallons)	Revenue at Current Rates	Revenue at Proposed F
14,390	\$ 16,915	\$ 23,425
127,186	142,957	199,300
217,271	244,213	340,464
38,539	43,318	60,391
<u>397,386</u>	<u>\$ 447,403</u>	<u>\$ 623,580</u>

Notes

- [a] Customer owns meter, therefore no meter charge is billed
- [b] Used historical percent to total revenue for each resale customer to split actual consumption between connection points
- [c] Based upon 4 Year Average
- [d] Customer billed at 4" meter rate. 8" meter needed by Company to wheel water to Narragansett North End