



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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*Peter F. Kilmartin, Attorney General*

May 13, 2016

*VIA HAND DELIVERY & ELECTRONIC MAIL*

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

**Re: Docket 4550 – The Pawtucket Water Supply Board, Multi-Year Rate Plan  
Compliance Filing, Notice of Proposed Tariff Change and Change in Rate Schedules**

Dear Ms. Massaro:

Enclosed please find an original and nine (9) copies of a Memorandum prepared by Division consultants Jerome D. Mierzwa and Lafayette Morgan of Exeter Associates, Inc., for filing by the Division of Public Utilities and Carriers in the above-captioned proceeding.

Consistent with the findings contained therein, the Division recommends that the Commission accept Pawtucket Water Supply Board's Compliance Filing, to include its Supplemental Compliance Filing, as justified and reasonable.

An electronic copy shall be served upon the service list. Thank you for your attention in this matter.

Very truly yours,

Christy Hetherington  
Special Assistant Attorney General

Enclosure

cc: Service List

# EXETER

ASSOCIATES, INC.

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REF: 3540

## Memorandum

To: Luly Massaro, Clerk,  
Rhode Island Public Utilities Commission

From: Jerry Mierzwa and Lafayette Morgan,  
Exeter Associates, Inc.  
Consultants to the Division of Public Utilities and Carriers

Date: May 13, 2016

Subject: The Pawtucket Water Supply Board, Multi-Year Rate Plan Compliance Filing,  
Notice of Proposed Tariff Change and Change in Rate Schedules  
Docket No. 4550

### Introduction

On April 8, 2016, the Pawtucket Water Supply Board (PWSB) filed a Multi-Year Rate Plan Compliance Filing and Notice of Change in Rates pursuant to R.I.G.L. § 39-15.1-4 with the Rhode Island Public Utilities Commission (Commission). The Compliance Filing sought to implement the second phase of a Multi-Year Rate Plan approved by the Commission in Docket No. 4550. In its Compliance Filing, PWSB sought to increase its rates to derive additional revenues of \$739,914 resulting in total operating revenue of \$21,199,075. The impact of this request was an across-the-board rate increase of 3.6% on all rate classes. For a typical residential customer who uses 800 cubic feet of water per month, the impact of this request would result in an increase of \$18.60 per year. PWSB proposed for the increase in rates to become effective July 1, 2016.

On April 26, 2016, PWSB filed a supplement to its Compliance Filing. The Supplemental Compliance Filing corrected an error that was embedded in the cost of service which was filed on April 8, 2016. As a result, PWSB submitted Schedule RB-05 Revised (attached to PWSB witness Robert Benson's testimony) and Step One Sch. 1.0 Revised (attached to PWSB witness

Christopher Woodcock's testimony). Schedule RB-05 Revised corrects an error which overstated the annual cost of PWSB's DBO O&M contract. Based upon the Supplemental Compliance Filing, PWSB now seeks to increase its rates to derive additional revenues of \$581,773, or an across-the-board rate increase of 2.8% on all rate classes. The resulting total operating revenue after reflecting this increase will be \$21,040,933.

### **Findings**

We have reviewed PWSB's Compliance Filing and its Supplemental Compliance Filing to ensure PWSB's proposed rate increase complies with the Settlement Agreement reached between the parties in Docket No. 4550, and approved by the Commission. During our review of PWSB's original filing, regarding revenue requirements issues, we examined the reasonableness of the overall claim, including debt service, labor, rate case expenses, and the water treatment plant (the DBO Contract). We discovered that a component of the water treatment plant expense was overstated by \$138,358 related to the service fee. The Division of Public Utilities and Carriers (the Division) then notified PWSB about the discrepancy in its filing. After the Division's notification, PWSB made its Supplemental Compliance Filing. In PWSB's supplemental filing, the annual DBO Contract amount was corrected, consistent with our finding. With regard to the change in rates, we verified that rates proposed by PWSB in its supplemental filing are adequate based upon the revised revenue requirements as presented by PWSB. Therefore, we find that PWSB's Compliance Filing and Supplemental Compliance Filing is consistent with the Settlement Agreement in Docket No. 4550.