

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

**IN RE: KENT COUNTY WATER SUPPLY AUTHORITY'S :  
APPLICATION TO CHANGE RATES : DOCKET NO. 4611**

**REPORT AND ORDER**

**I. Introduction**

On October 27, 2017, the Kent County Water Authority (Kent County) filed a Multi-Year Rate Plan Compliance Filing and Notice of Change in Rates, pursuant to R.I. Gen. Laws § 39-15.1-4.<sup>1</sup> This Compliance Filing sought to implement the second phase of the Multi-Year Rate Plan, part of an earlier Settlement Agreement, approved by the Public Utilities Commission (PUC) on December 7, 2016.<sup>2</sup>

The Settlement included an across-the-board rate increase in step two, not to exceed \$1,057,660 or 4.77%. The Compliance Filing sought a lower-than- allowed increase of 4.73% on all rate classes, with an effective date of January 1, 2018.<sup>3</sup> Kent County sought to increase its rates to derive additional revenue of \$1,057,660, resulting in total operating revenue of \$23,434,296. As noted by the Division of Public Utilities and Carriers (Division) consultants, James D. Mierzwa and Lafayette K. Morgan, Jr., the \$1,057,660 step increase set forth in the Settlement Agreement was described as a 4.77% increase. Because Kent County was allowed a pass-through rate increase to reflect Providence Water's wholesale rate increase, Kent County's overall annual revenue is now higher. Therefore, the \$1,057,660 increase now translates to a 4.73% increase, although the

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<sup>1</sup> All filings in this docket are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at <http://www.ripuc.org/eventsactions/docket/4611page.html>.

<sup>2</sup> [http://www.ripuc.org/eventsactions/docket/4611-KCWA-Ord23343\\_11-26-18.pdf](http://www.ripuc.org/eventsactions/docket/4611-KCWA-Ord23343_11-26-18.pdf).

<sup>3</sup> The decrease in the proposed increase was due to a pass-through revenue increase of \$185,690 in Providence Water's wholesale rate which was approved in Docket No. 4618.

dollar value remained unchanged from the Settlement.<sup>4</sup> For the typical residential customer using 2,000 cubic feet of water per quarter, or 30 ccf (166 gallons per day), the impact of this second step rate increase was calculated at \$6.26 per quarter.<sup>5</sup>

In support of its petition, Kent County submitted prefiled testimony from its consultant, Christopher P.N. Woodcock. On December 6, 2017, the Division filed a memorandum from its consultants. On December 19, 2017, the City of Warwick, which was not a party to the Settlement Agreement, filed a response requesting the Commission to inquire why Kent County had not reduced its expenses in response to declining revenue and to protect ratepayers from unneeded and unjustified rate increases.<sup>6</sup> On December 20, 2017, the PUC convened an Open Meeting, determined that the proposed rates were just and reasonable, and voted unanimously to approve the requested rate increase.

## **II. Direct Testimony of Kent County Water Authority**

Mr. Woodcock testified that he reviewed and compared the actual FY 2017 expenses with the estimated expenses. He found that the actual operation and maintenance expenses were \$156,614 or 1.5% higher than those projected. The unrestricted 1.5% operating revenue allowance was sufficient to cover this difference. Mr. Woodcock also reviewed and compared actual rate year sales and determined that actual sales in FY2017 were 3,200,823 ccf, or 1.5% less, resulting in a revenue shortfall of about \$276,000.<sup>7</sup> Despite the shortfall, Kent County did not request an adjustment to sales in the filing because the shortfall was not entirely unexpected. In its filing, Kent County updated its production numbers, as required by the Settlement Agreement.<sup>8</sup>

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<sup>4</sup> Memo of Mierzwa & Morgan at 1, note 1 (Dec. 6, 2017); [http://www.ripuc.org/eventsactions/docket/4611-DPU-Memo\(12-6-17\).pdf](http://www.ripuc.org/eventsactions/docket/4611-DPU-Memo(12-6-17).pdf).

<sup>5</sup> Woodcock Test. at 4; [http://www.ripuc.org/eventsactions/docket/4611-KCWA-StepRateFiling\(10-27-17\).pdf](http://www.ripuc.org/eventsactions/docket/4611-KCWA-StepRateFiling(10-27-17).pdf).

<sup>6</sup> Letter of Warwick City Solicitor at 2; [http://www.ripuc.org/eventsactions/docket/4611-Warwick-Position\(12-19-17\).pdf](http://www.ripuc.org/eventsactions/docket/4611-Warwick-Position(12-19-17).pdf)

<sup>7</sup> Woodcock Test. at 3.

<sup>8</sup> Woodcock Test.at 5.

### **III. Memorandum of the Division of Public Utilities and Carriers**

The Division filed a joint memorandum, dated December 4, 2017, from its expert rate design and revenue consultants, James D. Mierzwa and Lafayette K. Morgan, Jr. They indicated that they had reviewed Kent County's compliance filing, examined the reasonableness of each of the elements (or line items) of the step increase, and concluded that it was consistent with the Settlement Agreement. Therefore, they had no objection to the implementation of the rates as filed.<sup>9</sup>

### **IV. Response of the City of Warwick**

On December 19, 2017, the City of Warwick filed a letter, expressing concern that Kent County had offered no explanation as to why it had not even attempted to reduce its expenses in response to decreased revenues. The City reminded the PUC that the City was not a signatory to the Settlement Agreement and requested the PUC to inquire what, if any, effort was made by Kent County to reduce expenses. The City argued that ratepayers must be protected from unneeded and unjustified revenue increases.

### **V. Decision**

At an Open Meeting on December 20, 2017, the PUC reviewed the Compliance Filing, the Division's response thereto, and the City of Warwick's position statement. The PUC found Kent County's filing for the second step of the multi-year rate plan to be in accordance with Commission Order No. 23343.

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<sup>9</sup> Mierzwa & Morgan Memo at 2.

Accordingly, it is hereby

(23436) ORDERED:

1. The Compliance Filing dated October 27, 2017 is hereby approved.
2. The Revised Tariff filed by the Kent County Water Authority on October 27, 2017, is hereby approved, and the same shall be incorporated by reference as Appendix A and made a part of this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2018, PURSUANT TO A BENCH DECISION ISSUED ON DECEMBER 20, 2017 WRITTEN ORDER ISSUED FEBRUARY 22, 2019.

PUBLIC UTILITIES COMMISSION



*Margaret E. Curran*  
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Margaret E. Curran, Chairperson

*Marion Gold*  
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Marion Gold, Commissioner

*Abigail Anthony*  
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Abigail Anthony, Commissioner

**NOTICE OF RIGHT OF APPEAL:** Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.