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October 14, 2016

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

Re: *Providence Water Supply Board*
Docket 4618

Dear Ms. Massaro:

Enclosed please find an original and nine copies of the Direct Testimony of Pamela M. Marchand, Executive Director and Chief Engineer of the Bristol County Water Authority. Please note that an electronic copy of this document has been provided to the service list.

Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough, Jr.

JAK/kf
Enclosure
cc: Service List (*via electronic mail*)

STATE OF RHODE ISLAND
AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

TESTIMONY

of

PAMELA M. MARCHAND, P.E.
EXECUTIVE DIRECTOR & CHIEF ENGINEER
BRISTOL COUNTY WATER AUTHORITY

IN RE:

PROVIDENCE WATER SUPPLY BOARD

DOCKET 4618

OCTOBER 14, 2016

1 **Introduction**

2 **Q. Please state your full name and by whom you are employed?**

3 A. Pamela M. Marchand, P.E., and since February, 2012 I have been the Executive
4 Director and Chief Engineer of the Bristol County Water Authority ("BCWA").

5

6 **Q. Would you please state your education, work history, and professional
7 associations?**

8 A. I have a MS in Environmental Engineering and Public Administration and a BS in
9 Environmental Engineering from Syracuse University, and an AAS in Chemical
10 Technology from Onondaga County Community College.

11

12 I have been General Manager and Chief Engineer for the Pawtucket Water Supply
13 Board and the Providence Water Supply Board, and Executive Engineer for the
14 Onondaga County Water Authority in Syracuse, NY.

15

16 I am Past-President of the Rhode Island Water Works Association, past Director-at-
17 Large of the American Water Works Association (AWWA), former member of the
18 AWWA Standards Council, and serve, and have served, on a number of committees of
19 the AWWA and the New England Water Works Association.

20

21 **Q. Have you testified before any regulatory agencies in your current or previous
22 positions?**

23 A. Yes, I have testified before the Rhode Island Public Utilities Commission and the
24 Rhode Island Division Of Public Utilities And Carriers ("Division") in numerous dockets
25 for the Pawtucket Water Supply Board, the Providence Water Supply Board and the
26 Bristol County Water Authority.

27

1 **Q. What is the purpose of your testimony in this Docket?**

2 A. I am providing testimony on issues that affect the BCWA in my role as Executive
3 Director and Chief Engineer.

4

5 **Q. Have you reviewed the filings to date in this Docket?**

6 A. Yes, I reviewed the filings in this Docket with a focus on how Providence's proposed
7 increase will affect wholesale customers in general, and the BCWA and its customers
8 in particular.

9

10 **Q. Please provide an overview of your observations after reviewing the filings to date
11 in this Docket.**

12 A. The BCWA purchases all of its water supply from Providence Water and will be
13 impacted by Providence's requested rate increase. Providence's original filing
14 requested a 7.5% increase for wholesale customers. After Providence filed its original
15 rate application, the Division, the Commission and the Kent County Water Authority
16 ("KCWA") issued a number of data requests. After responding to these data requests,
17 Providence filed a First Corrected Rate Model on September 13, 2016. This lowered
18 the increase for wholesale customers to 6.25%. Thereafter, Providence Water filed a
19 Second Corrected Rate Model on September 28, 2016 that again lowered the
20 wholesale increase to 4.34%.

21

22 After reviewing the docket filings, I will address the following issues on behalf of the
23 BCWA:

- 24 1. Costs related to Providence's Central Operations Facility ("COF").
25 2. Providence's unaccounted for water ("UFW") calculation.
26 3. Providence's allocation of unidirectional flushing costs to wholesale
27 customers.

1 **Q. In Providence’s last general rate filing, you were concerned about the allocation of**
2 **water mains attributed to wholesale use. Is that still a concern in this Docket?**

3 A. No. In Docket 4406, Providence categorized 12” water mains as transmission mains
4 and assigned costs associated with these mains to the wholesale customers. The
5 BCWA objected because the largest wholesale customers – the City of Warwick,
6 KCWA, the City of East Providence and the BCWA – represent 81% of Providence’s
7 wholesale consumption, and these customers are served directly or indirectly (in the
8 case of one connection) from transmission mains 30” and larger. Thus, the BCWA
9 argued that all mains 12” and smaller be classified as distribution rather than
10 transmission mains. In this Docket, Providence has categorized all 12” mains as
11 distribution mains.
12

13 **Central Operations Facility**

14 **Q. You indicate that the BCWA has concerns with the costs for the COF approved by**
15 **the Commission in Docket 4571?**

16 A. Yes, in Docket 4571, Providence requested rates that would allow it to service a \$30
17 million loan for the purchase and renovation of a COF at 125 Dupont Drive,
18 Providence, RI. The proposed borrowing would yield approximately \$27,843,000 in
19 construction costs. However, the purchase price for Dupont Drive was \$10.35 million,
20 and the renovation costs Providence provided were \$16,272,843, for a total of
21 \$26,622,843, which leaves approximately \$1,220,157 in excess construction funds. It
22 now appears these excess construction funds may be used to pay higher renovation
23 costs than those presented to the Commission in Docket 4571.
24

25 In response to Commission 1-14, Providence provided a five year Capital Expenditure
26 Plan that shows total Construction/Remodel costs for 125 Dupont Drive as
27 \$27,678,714. This figure seems to include the purchase price because the “Budget

1 Estimates FY16 through 2018,” which Providence also provided in response to
2 Commission 1-14, has the same number (\$27,678,714), which is comprised of
3 \$10,387,155 for the purchase and \$17,291,560 for Design/Construction Remodel.
4 Thus, it seems the renovation costs are now over a million dollars more than
5 presented to the Commission in Docket 4571.
6

7 **Q. Does the BCWA have any concerns regarding the proposed PILOT?**

8 A. Yes. As set forth in Christopher Woodcock’s testimony on behalf of the BCWA in
9 Docket 4571, the Commission previously addressed this issue when Providence
10 requested rates for a PILOT in Docket 2048:
11

12 “This docket does not represent the Commission's first exposure to a proposal
13 by a municipal water utility for a PILOT expense in its cost of service. This very
14 same issue came up in a Pawtucket Water Supply Board rate case in 1991
15 (Docket No. 1989) and in a Newport Water Department rate case earlier this
16 year (Docket No. 2029). The Commission rejected a PILOT expense in both of
17 these cases. In the Newport case we held that we could "not philosophically
18 or regulatorily accept the notion of the City of Newport taxing its own water
19 department" and that a "payment in lieu of taxes...is an element of expense
20 which this Commission has not previously allowed in rates." (Order No.
21 13947). We see no justification to deviate from this prior holding in this
22 docket.” (See PUC Order No. 14096)
23

24 The BCWA does not believe there is any justification for the PILOT in this Docket.
25

26 **Q. Isn’t the allocation of the proposed PILOT to the wholesale customers relatively
27 minor?**

28 A. Yes – for now. Providence proposes a payment of \$326,000 to make the City of
29 Providence “whole” for the taxes lost from the previous owner of the Dupont Drive

1 property. The amount allocated to the wholesale customers is \$69,750. However, the
2 BCWA is concerned that this PILOT payment will increase. As Mr. Woodcock testified
3 in Docket 4571:

4
5 “The City of Providence currently collects \$325,990.88 per year in property
6 taxes on the Dupont Drive Property. This amount is based on an assessed
7 value of \$8,870,500 and a tax rate of \$36.75/\$1,000 of assessed value. Once
8 Providence purchases the property and finishes renovations, the COF will
9 have a minimum value of \$27,000,000. Thus, based on the current tax rate,
10 Providence Water will pay \$992,250 per year in taxes to the City of
11 Providence. This annual payment is likely to increase over the years.”

12 (Woodcock Direct Testimony, p. 16)

13
14 The BCWA is concerned the PILOT will grow, and more of the payment may be
15 assigned to the wholesale customers.

16
17 **UFW Calculations**

18 **Q. Do you have an issue with the Unaccounted For Water allocation?**

19 A. Yes. As I testified in Docket 4406, I am concerned about the amount of water
20 Providence uses for continuous running of blow-offs and the flushing of the
21 distribution system for water quality, summer open hydrants, construction, meter
22 error and unauthorized usage in the distribution system. The AWWA provides a
23 methodology for calculating UFW taking these factors into account. In fact, the State
24 Water Resources Board, under the State Water Efficiency Act, requires that these
25 factors be reported annually. If these amounts of water use are not deducted, the
26 proportionate share of leakage attributed to transmission pipes is significantly
27 overstated.

1 **Q. Didn't Providence address this issue in Docket 4406?**

2 A. Providence did address it, but not adequately. In response to BCWA 2-2 in Docket
3 4406, Providence defined the calculation of unaccounted water as the "difference
4 between the volume of water leaving the treatment plant and the volume of metered
5 water consumption". (See Exhibit 1) Providence did not address ANY use of water in
6 the distribution system that is not metered. Rather, Providence considered this
7 difference to be "leakage" charged to both wholesale and retail. When asked to
8 include any calculations or estimates of water used for flushing, running bleeders or
9 blow-offs, and fire department use," Providence stated that "such information is not
10 available."

11

12 The BCWA followed up with a data request that asked if Providence was aware of the
13 AWWA methods of calculating unmetered water use and why such information is not
14 available. Providence's response was that it was aware of the AWWA methodology
15 but that:

16

17 "the outlined methodology is, however, not feasible in the Providence Water
18 system. The information and data necessary for this, as outlined in the
19 methodology, is simply not available, nor is it reasonably obtainable. As such,
20 Providence Water does not believe in engaging in a spurious exercise just for
21 the sake of being able to purport figures which would in fact, in many cases,
22 be unreliable and substantially fictitious." (See Exhibit 1, Providence's
23 Response to BCWA 4-2, Docket 4406)

24

25 The BCWA disagrees with Providence's position. The State of Rhode Island Water
26 Resources Board's "Rules And Procedures Governing The Water Use And Efficiency
27 Act For Major Public Water Suppliers" requires all water utilities to report water loss
28 data beginning in 2011. Article 5.3.5 states the report must include "Non-billed water
29 and the components of non-billed water (to include leakage)". Thus, the BCWA urges
30 the Commission to deduct water used for flushing, running bleeders or blow-offs, and

1 fire department use from any unaccounted for water allocated to the wholesale
2 customers. Under-registration of meters can also be a significant contribution to
3 UFW as meters age, even in meters less than fifteen years old. The BCWA urges the
4 Commission to consider deducting at least 2% of the recorded meter use from the
5 unaccounted allocation.

6
7 **Unidirectional Flushing Program**

8 **Q. Why is unidirectional flushing an issue with the BCWA?**

9 A. Flushing programs, including unidirectional flushing, are only effective in the
10 distribution system. It is not possible to develop enough velocity in the larger mains
11 to flush any sediment. Since the transmission system is a constant supply, and does
12 not have static periods, there is no need to flush for water quality. Any contractor,
13 operational, employee, overhead, or other expense related to flushing should be
14 removed from the wholesale allocation.

15
16 **Conclusion**

17 **Q. Do you have any additional issues you would like to address?**

18 A. Not at this time, but I reserve the right to address any further changes Providence
19 makes in this filing. In addition, I expect that the Division and KCWA will raise certain
20 issues in their respective testimonies, and I will examine and comment on these
21 issues in my surrebuttal testimony. Also, to the extent that any further issues are
22 raised through ongoing data requests, I will address these issues as well in my
23 surrebuttal testimony.

24
25 **Q. With these exceptions, does this conclude your direct testimony?**

26 A. Yes. It does.

27

EXHIBIT 1

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION
IN RE: PROVIDENCE WATER SUPPLY BOARD:
DOCKET NO. 4406
THE BRISTOL COUNTY WATER AUTHORITY'S SECOND SET OF DATA
REQUESTS
DIRECTED TO PROVIDENCE WATER SUPPLY BOARD
(Issued July 26, 2013)

BCWA 2-2. With regard to Providence's leakage calculations:

- a. Please provide all calculations as to how the leakage amount was determined.
- b. Please include any calculations or estimates of water used for flushing, running bleeders or blow-offs, and fire department use.

Response:

- a. Assuming that what is termed "leakage" above is referring to Providence Water's non-account water, this volume represents the difference between the volume of water leaving the treatment plant and the volume of metered water consumption.

For example, in FY2012, the volume of water leaving the plant was 3,012,006,700 cubic feet and the metered customer consumption was 2,629,494,800 cubic feet. This leaves a non-account volume of 382,511,900 cubic feet.

- b. Such information is not available.

Providence Water Docket 4406

**Data Requests of the
Bristol County Water Authority
Set 4 Issued September 3, 2013)**

BCWA 4-2. With regard to Providence's response to BCWA 2-2,

- a. Does Providence agree that the AWWA provides a methodology for calculating actual leakage taking into account the following:
 1. continuous running of blow-offs and the flushing of the distribution system for water quality;
 2. summer open hydrants;
 3. usage for fire fighting;
 4. construction;
 5. meter error; and,
 6. unauthorized usage in the distribution system.
- b. If the answer to part a. is in the affirmative, please explain why such information is not available as set forth in Providence's response to BCWA 2-2.
- c. Does Providence agree that the State Water Resources Board, under the State Water Efficiency Act, requires that the factors enumerated in part a.1-5 be reported annually?
- d. If the answer to part c. is in the affirmative, please explain why such information is not available as set forth in Providence's response to BCWA 2-2.

Answer:

- a/b) Providence Water is familiar with the methodology presented in AWWA guidance manual M36 that might potentially be used, where feasible, to attempt to sub-categorize non-account water use. The outlined methodology is, however, not feasible in the Providence Water system. The information and data necessary for this, as outlined in the methodology, is simply not available, nor is it reasonably obtainable. As such, Providence Water does not believe in engaging in a spurious exercise just for the sake of being able to purport figures which would in fact, in many cases, be unreliable and substantially fictitious.
- c/d) The State Water Efficiency Act does not specifically address any requirement for non-account water reporting. The RI Water Resources Board (RIWRB), in concert with the general objectives outlined in the act, has formulated Rules and Procedures that include the annual reporting of various operating statistics by water utilities. Among these, the rules request the reporting of "non-billed water and the components of non-billed water", without enumerating any specific categories as indicated in the above data request.

Providence Water Docket 4406

Data Requests of the Bristol County Water Authority Set 4 Issued September 3, 2013)

Providence Water has had past discussions with the Water Resources Board relative to its concerns, as explained above, over manufacturing subcategory usage figures that would lack sound basis and reliability, and also of the expected relatively insignificant contribution of these subcategories, in comparison to leakage, towards non-account water. The referenced Rules and Procedures include provisions for the RIWRB, where it finds a utility's submission or report to be incomplete or deficient, to issue Notices of Violation and/or Orders requiring the submission of required information, of which Providence Water has received none.

CERTIFICATION

I hereby certify that on October 14, 2016, I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Luly Massaro, Commission Clerk, by electronic mail and regular mail.

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