

RHODE ISLAND PUBLIC UTILITIES COMMISSION

**DOCKET NO. 4618
PROVIDENCE WATER**

**PREFILED TESTIMONY OF
CHRISTOPHER P.N. WOODCOCK
ON BEHALF OF
KENT COUNTY WATER AUTHORITY**

Woodcock & Associates, Inc.
18 Increase Ward Drive
Northborough MA 01532

1
2
3
4 **PREFILED TESTIMONY OF**
5 **CHRISTOPHER P.N. WOODCOCK**

6
7
8 **Q: Please state your name and business address?**

9 A: My name is Christopher P.N. Woodcock and my business address is 18 Increase Ward
10 Drive, Northborough, Massachusetts 01532.

11
12 **Q: By whom are you employed and in what capacity?**

13 A: I am the President of Woodcock & Associates, Inc. a consulting firm specializing in water
14 and wastewater rate and financial studies.

15
16 **Prior Experience**

17 **Q: Please describe your qualifications and experience.**

18 A: I have undergraduate degrees in Economics and in Civil Engineering from Tufts University in
19 Medford, Massachusetts. After graduating in 1974, I was employed by the environmental
20 consulting firm of Camp, Dresser, and McKee Inc. (now CDM-Smith). For approximately 18
21 months I worked in the firm's environmental engineering group performing such tasks as
22 designing water mains, sewer collection and interception systems, pumping facilities and
23 portions of a wastewater treatment facility. From approximately January 1976, I worked in
24 the firm's management and financial consulting services group, gaining increasing responsi-
25 bility. At the time of my resignation, I was a corporate Vice President and appointed the
26 leader of the group overseeing rate and financial studies. In my career, I have worked on
some 500 water and wastewater rate and financial studies, primarily in the United States,
but also for government agencies overseas. I also have worked on a number of engineer-
ing and financial feasibility studies in support of revenue bond issues, I have drafted and
reviewed revenue bond indentures, and I worked on several valuation studies, capital im-

1 provement financing analyses, and management audits of public works agencies. In addi-
2 tion to my professional experience I have held elected and appointed positions on municipi-
3 pal boards overseeing public works functions.

4
5 **Q: Have you previously testified before state regulatory commissions or courts on rate re-**
6 **lated matters?**

7 A: Yes, in addition to testimony in support of water rates submitted to the Rhode Island Public
8 Utilities Commission, I have provided testimony on rate related matters before utility com-
9 missions in Massachusetts, Maine, Connecticut, New York, New Hampshire, Maryland,
10 Texas, and Alberta, Canada. I have also been retained as an expert witness on utility rate
11 related matters in proceedings in state courts in Massachusetts, Michigan, California, Ar-
12 kansas, Florida, New Jersey, Maryland, Ohio, Virginia, and Pennsylvania, as well as the Fed-
13 eral Court in Michigan. I have been selected to several arbitration panels related to dis-
14 putes over water rates and charges, I have provided testimony on rate related matters to
15 the Michigan and Massachusetts legislatures, and I have provided testimony at administra-
16 tive hearings on a number of occasions.

17
18 **Q: Do you belong to any professional organizations or committees?**

19 A: Yes, I am a member of the Water Environment Federation, the Rhode Island Water Works
20 Association, the Massachusetts Water Works Association, the New England Water Works
21 Association, and the American Water Works Association. For the Water Environment Fed-
22 eration, I was a member of the committee that prepared the manual on Wastewater Rates
23 and Financing. I am past chairman and a current member of the New England Water
24 Works Association's Financial Management Committee. In my capacity as Past President of
25 the New England Water Works Association I also sat on the Board of Directors as well as
26 chairing and sitting on a number of other administrative committees. For the American
27 Water Works Association, I am past chairman of the Financial Management Committee and

1 the Rates and Charges Committee that has prepared the manuals on Revenue Require-
2 ments, Water Rates, Alternative Rate Structures, and Water Rates and Related Charges. I
3 have been reappointed to and am currently the longest standing member of the AWWA
4 Rates & Charges Committee. I recently lead the preparation of the 7th Edition of AWWA's
5 M1 Manual on Water Rates.

6
7 **Q: Are you the same Christopher Woodcock that has prefiled testimony on behalf of the**
8 **Kent County Water Authority in other rate filings?**

9 A: Yes, I am.

10
11 **Summary**

12 **Q: Can you summarize the issues you would like to discuss in this filing?**

13 A: I will address the following matters in my testimony:

- 14 • The request to change Commission precedence for a payment in lieu of taxes to be
15 made by Providence Water to the City of Providence,
- 16 • The allocation of the costs associated with Providence Water's new central office facility
17 (COF) on Dupont Drive and the costs associated with the proposed acquisition of the
18 East Smithfield water utility,
- 19 • The valuation of Providence Water's assets,
- 20 • Providence Water's proposed adjustment to the purchased water volume from the Kent
21 County Water Authority,
- 22 • Claimed rate case expenses,
- 23 • Proceeds from the sale of the Academy Avenue facility, and
- 24 • The allocation of unmetered (lost or unaccounted for) water.

25
26 KCWA will be looking to the Division's witnesses to address most of the revenue require-
27 ment issues.

1 **Payment in Lieu of Taxes (PILOT)**

2 **Q: Does Providence Water have approval from the PUC to pay property taxes to the City of**
3 **Providence?**

4 A: No they do not. Providence Water is a department of the City of Providence. Providence
5 Water’s web site acknowledges this fact – “Providence Water, although a department of
6 the City of Providence, is regulated by state and federal agencies in addition to city policies
7 and procedures.” In fact, according to the City of Providence borrowing resolution, the
8 Providence City Council appropriated \$39,000,000 for the COF and authorized the Mayor
9 and City Treasure to borrow up to this amount “at one time, or from time to time, in order
10 to meet” the appropriation. Thus, the City must finance this purchase because Providence
11 Water has no independent borrowing authority. Yet, the City of Providence plans on taxing
12 itself once it makes the purchase.

13
14 No other City of Providence department pays property taxes to the City. (See Providence
15 response to BCWA 2-3, Doc. No. 4571) Providence Water does not currently pay any taxes
16 to the City of Providence, including vehicle and inventory tax. (See Providence response to
17 PUC 2-1, 2-2, BCWA 2-3, Doc. No. 4571) Providence Water cannot provide any legal author-
18 ity to support its position that the City of Providence is authorized to tax its own depart-
19 ment. (See Providence response to BCWA 2-3, Doc. No. 4571) Providence Water also could
20 not provide clear legal authority that authorizes it to take title to the Dupont Drive prop-
21 erty. (See Providence response to BCWA 2-3, Doc. No. 4571)

22
23 **Q: Has the Commission addressed this issue in prior dockets?**

24 A: Yes, this matter has been addressed extensively by the Commission in prior dockets involv-
25 ing municipal water departments. Over the past 30 years I believe the Commission has
26 consistently disallowed the requests of every municipal water department for tax pay-

1 ments or for payments in lieu of taxes (PILOT) to the owning city. The denial of such pay-
2 ments for Providence Water has been subject to numerous dockets and denied in each¹
3 case.

4
5 Aside from tax payments (or PILOTs) to agencies outside a city’s corporate bounds, the only
6 tax payments that I am aware of that have been allowed are the PILOT payments by the
7 Kent County Water Authority to a number of communities and fire districts² within Kent
8 County. The payments by KCWA are unique and distinct from the requests by others in
9 that (a) they are specifically called for in the legislation that established the Kent County
10 Water Authority, (b) KCWA is not an “owning” city or agency that is looking to tax itself,
11 and (c) the payments are fixed³ at the amounts that were historically being paid at the time
12 the Authority acquired real property.

13
14 Q: **Do you believe that Providence Water has provided any new evidence that should cause**
15 **the Commission to revise its decades long denial of such payments?**

16 A: No I do not believe they have added anything new to their past claims for such an allow-
17 ance. The Commission has consistently ruled against such payments and, I believe, should
18 continue such rulings. If the Commission were to modify its position in this docket, it
19 would open the flood gates to similar requests from Woonsocket, Pawtucket, and New-
20 port. Allowing this would simply switch the burden of municipal tax supported programs
21 from tax payers in the municipality (that benefit from those programs) onto rate payers. In
22 each of the communities listed, the burden would not just shift to rate payers in the city,

¹ I raised this matter most recently in Docket 4571 in testimony on behalf of the Bristol County Water Au-
thority. While the Commission decided that the matter was premature in that docket and made no ruling,
it has consistently ruled against the prior requests.

² These are really no different than the payments by Providence Water to other municipalities, except they
are capped by the amount at the time of acquisition.

³ KCWA’s total PILOT payments are only \$23,123 as compared to the nearly \$7,000,000 of payments
made by Providence Water and their proposed PILOT of \$326,000 – an amount that is more than 1400%
of all the payments by KCWA.

1 but to all the rate payers that reside outside the city and already pay for their own municipi-
2 palities services through their own local property taxes. In the case of Providence Water,
3 nearly 25% of the revenues are derived from wholesale rate payers that do not live in Prov-
4 idence and an additional portion is paid by the retail rate payers who do not live in Provi-
5 dence.

6
7 **Allocation of COF Costs**

8 **Q: Was the allocation of the costs associated with the new COF addressed in Docket 4571**
9 **when Providence Water asked for approval to purchase the site?**

10 A: Yes. Because Providence sought funding for the COF under the Commission's rules regard-
11 ing abbreviated filings⁴, the proper or fair allocation of the costs associated with the COF
12 were not part of that docket. However, this issue was raised by me on behalf of a whole-
13 sale customer - the Bristol County Water Authority. We noted that wholesale customers
14 received little, if any, benefit from the central operations facility; and that the testimony
15 from Providence Water witnesses supported our claim that the facility was nearly all for
16 the benefit and use of the retail customers. There was certainly no benefit to the wholesale
17 customers as a result of the relocation of the facility.

18
19 In Docket 4571, Providence Water proposed that the entire cost be borne by the retail rate
20 payers. Page 21 of the Commission's Report and Order in Docket 4571 said, "Agreeing
21 that the rate request in this docket would not affect wholesale rates, Mr. Woodcock ex-
22 pressed concern about the rate impact in future rate cases. The witnesses agreed that an
23 allocation of the central operations facility to various rate classes would be based on func-
24 tion."

25

⁴ Initially this was filed as a reopening of a prior docket.

1 **Q: Has Providence water presented an allocation in this docket that is based on function?**

2 A: No, they have not. This can easily be seen on Schedule HJS-4 where the proposed PILOT
3 payment for the COF is allocated based on factor K2, which is an allocator based on the
4 overall values of all Providence Water assets.

5

6 **Q: Has Providence Water included any costs associated with the new central office facility
7 on Dupont Drive?**

8 A: Yes they have. In response to KCWA 2-1 Providence has listed in excess of \$1.2 million of
9 expenses associated with this new facility. That is 15% of the total increase that Providence
10 Water is seeking in this docket. Bristol County Water Authority data request set 1 also
11 raises a number of questions regarding the new central office facility and its costs. At the
12 time this testimony was prepared, those data requests had not been responded to; I ex-
13 pect the responses will provide additional information that can be addressed in our surre-
14 buttal testimony.

15

16 **Q: Did you have a specific proposal on how the costs of this new facility should be allo-
17 cated?**

18 A: Yes. In Docket No. 4571 we had proposed the following language to ensure that the
19 wholesale customers are not charged for what is essentially, a retail only facility:
20 “In its next general rate filing, Providence Water will add the value of the new COF assets
21 to the total assets used for the allocation of debt service. The new COF net asset value will
22 be assigned to various functions including: administration, customer service (including me-
23 ter reading, billing, collection, customer service representatives, and customer accounting),
24 meters and metering, hydrants/fire protection, storage, transportation equipment, other
25 tools and equipment, distribution mains, transmission mains, and other functions, as appli-
26 cable) based on the use of the asset considering factors such as numbers of employees by
27 function, square footage of garage or work space by function, etc. Once assigned to func-
28 tions, the costs assigned to each function will be allocated to cost of service categories

1 based on the allocation methodology for like functions or categories as presented on
2 Schedule JDM-24 Settlement from the settlement agreement in Docket No. 4406. It is rec-
3 ognized that some space in the new facility cannot not be directly functionalized and allo-
4 cated (e.g., central heating and air conditioning, employee parking, etc.) and this space will
5 not be included in the calculation of allocation percentages used for the overall COF invest-
6 ment. (This space will be allocated in proportion to the directly assignable space.)”

7
8 Providence Water did not do any such analysis for this Docket (see data response to KCWA
9 1-2e). Prior to this docket, all costs associated with the new COF have been assigned 100%
10 to retail customers. There is no basis or precedence to do otherwise unless and until, an
11 allocation is presented to the parties as part of the rate filing in a subsequent docket and
12 approved by the Commission.

13
14 **Q: How do you propose the costs of the new COF be allocated in this docket?**

15 A: The intervenors first raised this issue in Docket No. 4406. Based on the evidence in that
16 docket and the additional evidence that came forth in Docket No. 4571, it was quite clear
17 that the COF is overwhelmingly, if not totally, for the benefit of the retail customers only.
18 It is proposed to be situated in Providence so it is nearby the retail distribution system
19 where Providence Water carries out improvements to its retail only distribution system,
20 fire hydrants, meters and customer service functions. None of these functions have any
21 benefit to the retail customers – they are not used by or useful to the wholesale custom-
22 ers. There was no evidence ever presented that service to wholesale customers was hin-
23 dered because of the Academy Avenue location.

24
25 It is possible that there may be some limited administrative functions that would be
26 housed in the COF. To the extent there may be some administrative uses, these could be
27 shared between the wholesale and retail customers. However, it is up to Providence Wa-
28 ter to provide an analysis that shows if there is any benefit to the wholesale customers that

1 would warrant them paying any of those costs. Providence Water did not do this. Based
2 on the Order in Docket 4571, all costs should remain as retail only. Unless and until Provi-
3 dence Water can provide quantitative evidence that shows the wholesale customers bene-
4 fit from this relocation, no costs should be assigned to the wholesale customers.

5
6 As discussed later, I have not provided an update to the cost allocation and resulting rates
7 as we are still awaiting final asset values from Providence Water. I expect that along with
8 our surrebuttal testimony that we will be able to present an update allocation that only al-
9 locates the Dupont Avenue costs (from KCWA 2-1) to retail customers.

11 **Allocation of East Smithfield Costs**

12 **Q: Please discuss the issue you have raised regarding the expenses associated with the pro-**
13 **posed new retail service to East Smithfield.**

14 A: Providence Water has proposed to add customers from East Smithfield to its retail cus-
15 tomer group (removing the wholesale sales to this agency). Adding service to these new
16 retail customers will add at least \$387,000 to Providence Water's proposed rate year costs
17 (see the response to KCWA 2-2).

18
19 **Q: Should the wholesale customers pay for any of the new costs associated with the conver-**
20 **sion of East Smithfield customers to retail service?**

21 A: No they should not. These are new costs that are associated with services to be provided
22 to a new retail customer. They have nothing to do with service to the wholesale customers
23 and the costs of providing those services should be retail only.

24
25 I expect that our surrebuttal testimony will also show these new costs that are associated
26 with service to East Smithfield allocated only to the retail customers.

1 **Asset Values**

2 **Q: Please describe the issue you have with Providence Water’s restated asset values.**

3 A: As the Commission is aware, we had raised the accuracy of various asset values, particu-
4 larly those related to services and meters in Providence Water’s last full rate filing (Docket
5 4406). The settlement in that case called for Providence Water to complete an independ-
6 ent study of the asset values.

7

8 **Q: Why is the value of Providence Water’s assets so important?**

9 A: As shown on Mr. Smith’s schedule HJS-4, most of the claimed capital expenses are allo-
10 cated in the cost of service study based on the value of Providence Water’s assets (the K1
11 and K2 allocators). In fact, nearly 40% of ALL of the claimed expenses are allocated based
12 on the value of the assets that are shown on HJS Schedule 16.

13

14 **Q: Did Providence Water complete the independent study that was agreed to?**

15 A: The filing that was submitted on May 16, 2016 did include a new asset listing of the gross
16 values of assets along with values for the accumulated depreciation and the resulting net
17 value of the assets. However, in reviewing the information provided, several questions
18 arose that were the subject of various informal data requests that we made to Providence
19 Water in September. In particular, there were several asset groups that were listed with a
20 negative value, a situation that is nearly impossible to have and quite unlikely in this case.
21 In Mid-September, counsel for Providence Water acknowledged issues with the asset list-
22 ing on HJS-16 and submitted a new model with revised rates and charges. This submission
23 raised additional questions and issues, and after conversations among KCWA, the Division’s
24 expert, and Mr. Smith, and second update was submitted on September 27. This latest
25 submission still raised questions regarding the net asset values. It is my understanding that
26 Providence Water will be updating the asset listing further in its rebuttal submissions.

27

1 **Q: Considering these issues, what are your recommendations at this point?**

2 A: Because Providence Water's final proposal and models are still incomplete, I have not sub-
3 mitted KCWA's proposed modifications to the Providence Water rate filing. I expect that
4 we will do this after receiving Providence Water's position in its rebuttal filing.

5

6 That said, I do have a recommendation that I will ask all the parties to consider. As dis-
7 cussed above, the values of Providence Water's assets are used to allocate nearly 40% of
8 their proposed costs. The vast majority of these costs relate to Infrastructure Replacement
9 expenses. These are future expenses that are for the replacement of aging assets and infra-
10 structure.

11

12 We have typically allocated the capital costs based on the net (depreciated) value of assets
13 after the removal of contributed assets. Using the net value of assets reduces the weight
14 or value given to older (more depreciated) assets. However, these older assets are the
15 very assets that will likely need replacing first. The newer (less depreciated) assets have a
16 greater value, but are not as likely to need replacement as soon, yet they are given more
17 weight because they have less accumulated depreciation.

18

19 Because the IFR allowance will be used to fund the replacement of older assets, I believe it
20 would be better to allocate the capital costs using the gross (undepreciated) value of as-
21 sets. Further, because Providence Water will need to replace assets that were contributed
22 by others, I believe the value of the contributed assets should not be deducted from the
23 gross value.

24

25 **Q: Will this assist Providence Water with their reconciliation of asset values?**

26 A: I believe it might. My understanding is that many of the ongoing asset value problems that
27 are being discovered have to do with the (mis)classification of past depreciation and the

1 resulting accumulated depreciation reserve and with the classification of contributed capi-
2 tal. Apparently, the misclassification of depreciation and contributions has been a major
3 factor in the resulting negative asset values. If the parties agree and the Commission al-
4 lows it, the use of the gross asset values would likely remove many of the issues.

5
6 Perhaps more importantly, I believe this change would also result in a fairer and more ap-
7 propriate allocation of the capital expenses.

8
9 **Q: Do you have other questions or issues with the asset listings in this docket?**

10 A: Yes. The response to KCWA 1-3 (regarding the value of the Academy Avenue office facility)
11 indicates that in excess of \$2.2 million in assets are included in Providence Water's claimed
12 value of assets it owns. More than \$1 million of this is related to structures and improve-
13 ments. Providence Water has consistently claimed it does not own the Academy Avenue
14 facility⁵. In fact, in its response to the very next data request (KCWA 1-4), Providence Wa-
15 ter asserts that it does not own the property. It is unclear how Providence Water can claim
16 something it professes not to own as their asset. I believe the Commission needs to re-
17 solve this matter once and for all.

18
19 **Water Purchases**

20 **Q: Aside from moving the East Smithfield wholesale purchases to retail purchases, has Prov-**
21 **idence Water proposed any other adjustments to the three-year average of water sales?**

22 A: Yes, they have. While a three-year average was used for all other sales (retail and whole-
23 sale), Mr. Smith's Schedule HJS-15 shows that the sales to the Kent County Water Authority
24 have been proposed to be adjusted from the average.

25

⁵ See later discussion on the disposition of the proceeds from the sale of Academy Avenue.

1 **Q: Does the Kent County Water Authority agree with this adjustment to their sales?**

2 A: No. Providence Water made the adjustment to the Kent County Water Authority sales
3 based on our filing on April 7 in Docket 4611. (see Smith Direct Testimony, page 8, line 7)

4

5 Mr. Smith apparently did not understand that the value he used from that docket was in
6 gallons (not cubic feet)⁶. Further, the value that was used by Providence Water was a net
7 number -- net of the purchases and sales to Warwick that are made at Providence Water's
8 approved wholesale rate. The Kent County Water Authority does not purchase all its pur-
9 chased water directly from Providence Water; it also buys some from Warwick. In addi-
10 tion, some of Providence Water's sales to Kent County are subsequently sold back to War-
11 wick. Since KCWA's filing, various data requests have been issued including Division Data
12 request 3-9 regarding purchases from Providence Water. KCWA provided an updated re-
13 sponse to this data request on July 27 where we showed the most recent purchases
14 through June 30, 2016 (fiscal year 2016). The current evidence⁷ in Docket 4611 shows that
15 the KCWA purchases from Providence Water were 1,781.270 million gallons or 2,381,377
16 hundred cubic feet (ccf).

17

18 **Q: What do you propose for sales to the Kent County Water Authority?**

19 A: Because Providence Water's sales to Warwick that are subsequently "resold" to Kent
20 County are already included in the sales to Warwick, the sales value to Kent County for this
21 docket should only reflect Providence Water's sales to the Kent County Water Authority.
22 We propose to use the most recent (through June 30, 2016) purchases by Kent County
23 from Providence Water of 1,781.270 million gallons or 2,381,377 hundred cubic feet (ccf).

24

⁶ The value used in Schedule HJS-15 for purchases by Kent County Water were in gallons, not hundred cubic feet as indicated in Mr. Smith's schedule. Because the net purchases in thousand gallons was similar to the gross purchases in hundred cubic feet, the mix-up is understandable.

⁷ KCWA Data Response to Division data request 3-9.

1 **Rate Case Expenses**

2 **Q: Providence Water has included \$97,696 in rate case expenses related to Docket 4571 (the**
3 **filing for approval of the Dupont Ave facility). Should the Commission allow those ex-**
4 **penses in this docket?**

5 A: No, I don't believe they are appropriate. Docket 4571 was initially filed in November 2014
6 as a request to reopen Docket 4406. Subsequently, Providence was allowed to open the
7 docket as an abbreviated filing under the Commission's rules. The Commission's rules (sec-
8 tion 2.10 (b)) provide specific items that may be included in an abbreviated rate filing. Rate
9 case expenses are not one of the costs that are listed, although other items may be in-
10 cluded when the amounts are at least 10% greater than the test year⁸.

11
12 The rate case costs that are now claimed were not an element in Docket 4571. Contrary to
13 Providence Water's assertion in its response to KCWA 2-3, the request to recover costs
14 from a prior docket that were not a part of that docket is a classic example of retroactive
15 rate making. As Providence Water notes, the rate case costs were not included in Docket
16 No. 4571. Asking for recovery after the fact is retroactive rate making.

17
18 Lastly, these claimed rate case expenses are not rate year costs. They were clearly incurred
19 long before the rate year. Providence Water is simply looking to recover these costs retro-
20 actively, which should not be allowed.

21
22 **Proceeds from Sale of Academy Avenue**

23 **Q: Please discuss your concerns regarding the proceeds of the sale of Academy Avenue.**
24 **Wouldn't these just go to the City?**

25 A: I understand that the Academy Avenue facility is still being used by Providence Water and
26 will not be disposed of in the next few months. However, I believe the Commission should

⁸ As noted in the response to KCWA 2-3, Commission Rule 210 (d) (7) calls for a summary of rate case expenses, but does not call for the recovery of those expenses.

1 be providing direction or guidance on how the proceeds should be used when the central
2 office operations are moved to Dupont Avenue. If the Commission does not provide ap-
3 propriate guidance in this docket before the property is sold, I expect that (based on Provi-
4 dence Water’s position on this matter) the City of Providence will take the proceeds from
5 this sale upon the disposal of the property sale or may sell the property at a discounted
6 value. In either or both cases it will be quite difficult to restore the funds if the City takes
7 the proceeds.

8
9 While Providence Water claims that the Academy Avenue facility is owned by the City and
10 that the City should get the proceeds of any sale, I don’t believe this position has been
11 proven nor do I think it is consistent with the record of Providence Water filings going back
12 to 1992. Independent of the question of the minimal initial purchase price, there is no
13 question that Providence Water has made substantial payments towards improvements on
14 the property that were all funded by rate payers. This issue was raised in Docket 4406 as
15 well as many previous dockets.

- 16 • In Docket 2304 the Division (Witness Randy M. Allen) rejected Providence Water’s
17 claimed rental cost because “PWSB has been using the properties in question since their
18 purchases in 1949 and 1927. He related that during the intervening years the PWSB has
19 borne all costs of repairs and improvements, costs which he noted are usually the re-
20 sponsibility of the landlord. (see pg 69 of Docket 2304 order)
- 21 • In RI PUC Order no. 14096, p. 59, issued 12/30/92, the Commission said “Before this
22 Commission could consider this expense (either a rent payment or PILOT) an appropri-
23 ate one, the PWSB must produce evidence of title and lease agreements based on fair
24 market values. We would additionally expect the PWSB to demonstrate that PWSB rate-
25 payers have not previously paid for these properties through rates.” Please provide the
26 documentation proving that PWSB does NOT own the facility at Academy Avenue.
- 27 • Page 59 of the Commission’s Order in Docket 2048(discussing Division Exhibit 14)
28 showed that all of Providence Water’s “land and buildings in Providence, as well as its

1 motor vehicles, are all considered PWSB assets which are recorded on the PWSB's
2 books."

- 3 • In response to KCWA 1-4 In Docket 3163, Providence Water shows an asset listing with
4 over \$25 million in buildings, many of which are associated with Academy Avenue. It is
5 presumed that Providence Water does not claim assets that it does not own as it has
6 been collecting revenues based on these assets for more than half a century. In this
7 Docket, Providence Water now claims over \$2.2 million of NET (depreciated) assets as-
8 sociated with Academy Avenue that are owned by Providence Water.
- 9 • The commercial insurance policies list the "Providence Water Supply Board" as the in-
10 sured party – not the City of Providence. Despite assertions by Providence Water in
11 Docket 4571 that the policy only covered "contents", the actual policy was provided to
12 show that the full building was covered in the property insurance policy.

13
14 In consideration of the above, Providence Water rate payers should be reimbursed for all
15 the improvements to the property since it was purchased in 1927. The Commission should
16 order that the proceeds from the future sale should go to a restricted fund such as the Cap-
17 ital Fund. The costs of the Academy Avenue facility have been included in the rates paid by
18 all rate payers; the proceeds should likewise benefit all rate payers.

20 **Allocation of Unmetered Water**

21 **Q: The Bristol County Water Authority has raised several questions regarding unmetered or**
22 **unaccounted for water. Will the responses to these questions be addressed in your sur-**
23 **rebuttal testimony?**

24 **A:** Yes. The American Water Works Association has a manual and a program regarding ac-
25 ceptable allowances for unmetered or unaccounted for water. The manual includes meth-
26 ods that can be used to quantify or identify acceptable sources. Many of the uses outlined

1 in BCWA data request set 2 are uses that should first be assigned only to retail customers.
2 In the past Providence was unable to identify these.

3

4 Once the retail uses that are the subject to the data request are identified it will be possi-
5 ble to reallocate the unmetered water volumes. I expect that with the responses to BCWA
6 data request set #2 I will be able to include these in surrebuttal testimony and schedules.

7

8 **Summary**

9 **Q: Does this conclude your testimony?**

10 A: Aside from new information that may be brought to my attention and without reviewing
11 testimony from the Division or other witnesses, yes it does.