



December 11, 2018

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Mrs. Luly Massaro
Commission Clerk
RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Dk 4618: Revenue Reserve Filing

Dear Mrs. Massaro:

Enclosed please find an original and nine (9) copies of Providence Water's responses to the third set of data requests from Bristol County Water Authority dated November 20, 2018.

An electronic copy of this document has been provided to the service list. If you have any questions I can be reached at 521- 6300 extension 7217.

Sincerely,

Mary L. Deignan-White
Senior Manager of Regulatory

cc: service list (via email)

Providence Water Docket 4618

Data Requests of the Bristol County Water Authority Set 3

BCWA 3-1: In Schedule HJS-5, Mr. Smith lists the Rates, Consumption and Revenues for FY 2017 and FY 2018. The Column titled “All Customers” lists the total consumption and total revenue from all customer classes on a monthly basis. The total consumption on a monthly basis matches the consumption set forth in Providence’s response to BCWA Data Request 1-1, but the total revenues do not. Please explain this discrepancy and which revenues are correct.

Response: The revenues shown in HJS-5 are calculated amounts, generated by multiplying the rates in effect at the time by the billed consumption reported in that month. The revenues reported in BCWA Data Request 1-1 are accrued revenues which were billed to customers. Both are an accurate representation of Providence Water’s Revenues.

The primary explanation for the difference is the lag between when consumption is recorded and when it is billed. For example, if a customer’s meter is read in July, that usage would be billed in August. In BCWA 1-1, the revenue would be recognized in August, when the bill is sent. In HJS-5, this same revenue would be calculated in July, when the usage occurred. In this case, both are accurate representations of the revenue generated, with the only difference being due to timing. Over the course of a Fiscal Year, the impact of these monthly differences is typically small. In FY 17, for example, the difference between calculated consumption revenues (i.e. those from HJS-5) and accrued consumption revenues (as recorded in Providence Water’s annual report) is less than 1%. This does not make either set of revenues ‘incorrect.’ Rather, the comparison is being made between two slightly different time periods.

Accordingly, Mr. Smith’s approach calculated both sets of revenues on the same basis, using billed consumption to calculate both the allowed and actual revenues.

PROVIDENCE WATER SUPPLY BOARD
Docket No. 4618
Data Requests of the Bristol County Water Authority
November 20, 2018

BCWA 3-2: Please update Providence's response to BCWA 1-3 and provide schedules in the same format as NEP 12A – 12I as submitted in Providence's original filing in Docket 4618 that show actual numbers for FY17 and FY 18 for each of Providence's restricted accounts.

RESPONSE:

BCWA 3-2: See Attached. Fiscal Year 2017 is audited and Fiscal Year 2018 is unaudited.

Schedule NEP-12A
 Capital Fund

	<u>FY 2017</u>	<u>FY2018</u>
Source of Funds		
D4571 (effective 9/1/2015)	\$ 2,127,000	\$ -
D4618 (effective 2/17/2017)	-	2,127,000
Bond Reimbursement	716,924	-
Interest Income/Grants	7,549	506,110
Carryover funds from prior year estimated	<u>9,656,094</u>	<u>9,406,851</u>
Total Sources	\$ 12,507,567	\$ 12,039,962
Less obligated uses of funds:		
RIIB Debt (2015)	<u>\$ 604,026.7</u>	<u>\$ 1,945,780.1</u>
Sub-total Debt Service	<u>\$ 604,027</u>	<u>\$ 1,945,780</u>
Program Expense	45,304	25,520
Cash Funded Projects	<u>2,451,384</u>	<u>5,320,230</u>
Total Uses	\$ 3,100,715	\$ 7,291,530
End of Year Balance	<u>\$ 9,406,851</u>	<u>\$ 4,748,432</u>
Due From/ (To) Operations	\$ (6,195)	\$ 25,000

Schedule NEP-12B
 Western Cranston Fund

	<u>FY 2017</u>	<u>FY2018</u>
Source of Funds		
D4571 (effective 9/1/2015)	\$ 41,380	\$ -
D4618 (effective 2/17/2017)	13,333	40,000
Impact Fees	75,251	81,878
Carryover funds from prior year estimated	547,944	477,550
Total Sources	\$ 677,908	\$ 599,428
Less obligated uses of funds		
RIIB Debt (2002)	\$ 169,286	\$ 170,835
Sub-total Debt Service	\$ 169,286	\$ 170,835
Program Expense	37	-
Write-Off FY2010 per DK4618	31,035	-
Total Uses	\$ 200,358	\$ 170,835
End of Year Balance	\$ 477,550	\$ 428,593
Due From/ (To) Operations	\$ 92,602	\$ 27,302

Schedule NEP-12C
IFR Replacement Fund

	<u>FY2017</u>	<u>FY2018</u>
Source of Funds		
D4571 (effective 9/1/2015)	\$ 16,000,000	\$ -
D4618 (effective 2/17/2017)	9,100,000	27,300,000
New Bond 2017	1,122,740	13,120,562
Miscellaneous Revenue	350,002	573,196
Carryover funds from prior year estimated	7,493,460	5,046,443
Total Sources	\$ 34,066,201	\$ 46,040,201
Less obligated uses of funds:		
RIIB (P&I)	\$ 5,170,159	\$ 5,442,522
Sub-total Debt Service	\$ 5,170,159	\$ 5,442,522
Program Expense	546,513	538,513
Bond Funded Projects	1,122,740	13,120,562
Cash Funded Projects	22,180,346	12,744,551
Total Uses	\$ 29,019,758	\$ 31,846,148
End of Year Balance	\$ 5,046,443	\$ 14,194,054
Due From/ (To) Operations	\$ 2,246,988	\$ 3,479,927

Schedule NEP-12D
AMR/Meter Replacement Fund

	<u>FY2017</u>	<u>FY2018</u>
Source of Funds		
D4571 (effective 9/1/2015)	\$ 666,667	\$ -
D4618 (effective 2/17/2017)	166,667	500,000
ESWD debt service surcharge	30,320	81,564
Interest Income	2,225	64,432
Carryover funds from prior year estimated	3,210,303	2,425,435
Total Sources	\$ 4,076,181	\$ 3,071,431
 Less obligated uses of funds		
RIIB Debt - East Smithfield	7,438	26,793
Sub-total Debt Service	\$ 7,438	\$ 26,793
 Program Expense	103,866	100,855
Meter Replacement	789,442	812,796
Write-Off FY2010 per DK4618	750,000	-
Total Uses	\$ 1,650,746	\$ 940,443
 End of Year Balance	<u>\$ 2,425,435</u>	<u>\$ 2,130,988</u>
 Due From/ (To) Operations	\$ 166,666	\$ -

Schedule NEP-12E
Equip/Vehicle Replacement Fund

	<u>FY2017</u>	<u>FY2018</u>
Source of Funds		
D4571 (effective 9/1/2015)	\$ 600,000	\$ -
D4618 (effective 2/17/2017)	-	600,000
Miscellaneous Revenue	4,517	6,735
Grants/Other	-	38,199
Carryover funds from prior year estimated	1,604,745	1,349,368
Total Sources	\$ 2,209,261	\$ 1,994,302
Less obligated uses of funds		
Vehicle and Equipment purchases	\$ 297,652	\$ -
Computer Equipment purchases	118,759	167,741
Office Furniture purchases	7,800	21,147
Shop & Plant Equipment	135,682	70,890
Write-Off FY2010 per DK4618	300,000	-
Total Uses	\$ 859,893	\$ 259,778
End of Year Balance	\$ 1,349,368	\$ 1,994,302
Due From/ (To) Operations	\$ (150,000)	\$ 100,000

Schedule NEP-12F
Insurance Fund

	857	<u>FY2017</u>	<u>FY2018</u>
Source of Funds			
D4571 (effective 9/1/2015)	\$	1,201,698	\$ -
D4618 (effective 2/17/2017)		767,371	2,302,113
Reimbursements / Interest Income		70	4,928
Carryover funds from prior year estimated		2,349,121	1,597,277
Total Sources	\$	4,318,259	\$ 3,904,318
Less obligated uses of funds			
Property & Casualty	\$	1,006,146	\$ 1,052,013
Workers Compensation		824,056	660,182
Injuries & Damages		110,971	67,150
Safety Supplies & Other		5,149	-
Program Expense		32,747	795
Write-Off FY2010 per DK4618		741,914	-
Total Uses	\$	2,720,983	\$ 1,780,140
End of Year Balance		<u><u>\$ 1,597,277</u></u>	<u><u>\$ 2,124,178</u></u>
Due From/ (To) Operations	\$	144,922	\$ 151,853

Schedule NEP-12G
 Chemicals/Sludge Maint. Fund

	878	<u>FY 2017</u>	<u>FY 2018</u>
Source of Funds			
D4571 (effective 9/1/2015)	\$	3,000,000	\$ -
D4618 (effective 2/17/2017)		933,333	2,800,000
Carryover funds from prior year estimated		<u>2,650,960</u>	<u>3,604,377</u>
Total Sources	\$	6,584,294	\$ 6,404,377
Less obligated uses of funds			
Chemicals		1,348,151	1,351,302
Professional Engineers		22,847	10,048
Sludge Maintenance		<u>1,608,918</u>	<u>1,620,702</u>
Total Uses	\$	2,979,917	\$ 2,982,051
End of Year Balance		<u><u>\$ 3,604,377</u></u>	<u><u>\$ 3,422,326</u></u>
Due From/ (To) Operations	\$	(51,769)	\$ 181,565

Schedule NEP-12H
Property Tax Refund Fund

	<u>FY 2017</u>	<u>FY 2018</u>
876		
Source of Funds		
Foster Tax Refund	127,439	131,781
Foster Tax Refund Interest	47,561	58,219
Carryover funds from prior year estimated	549,175	602,898
Total Sources	\$ 724,175	\$ 792,898
Less obligated uses of funds		
Transfer to Operations-Tax Reimb & Foster refund	\$ 116,667	\$ 291,667
Program Expense	4,611	14,724
Total Uses	\$ 121,278	\$ 306,391
End of Year Balance	\$ 602,898	\$ 486,507
Due From/ (To) Operations	\$ (4,611)	\$ (14,724)

Schedule NEP-12I
Revenue Reserve Fund

	<u>FY 2017</u>	<u>FY 2018</u>
874		
Source of Funds		
D4571 (effective 9/1/2015)	\$ 223,741	\$ -
D4618 (effective 2/17/2017)	120,706	362,119
Interest Income/Other	4,193	137,723
Carryover funds from prior year estimated	<u>5,553,051</u>	<u>4,669,373</u>
Total Sources	\$ 5,901,692	\$ 5,169,215
Less obligated uses of funds		
Bank fees	\$ 7,319	\$ 21,445
Transfer to - Capital Fund Per Dk 4618	<u>1,225,000</u>	<u>-</u>
Total Uses	\$ 1,232,319	\$ 21,445
End of Year Balance	<u>\$ 4,669,373</u>	<u>\$ 5,147,770</u>
Due From/ (To) Operations	\$56,801	\$ -

Schedule NEP-12J
Private Side Lead Service Replacement

	<u>FY 2017</u>	<u>FY 2018</u>
880		
Source of Funds		
D4618 (effective 2/17/2017)	\$ 83,333	\$ 250,000
Customer reimb for private side lead service replacements	-	135,916
Carryover funds from prior year estimated	-	83,333
Total Sources	<u>\$ 83,333</u>	<u>\$ 469,249</u>
Less obligated uses of funds		
Project expenditures	\$ -	\$ 135,916
Debt Service - RIIB Series 2018A	-	-
Total Uses	<u>\$ -</u>	<u>\$ 135,916</u>
End of Year Balance	<u>\$ 83,333</u>	<u>\$ 333,333</u>
Due From/ (To) Operations	<u>\$0</u>	<u>\$0</u>

Providence Water Supply Board
Docket 4618
Bristol County Water Authority– Set 3
November 20, 2018

BCWA 3-3: Please provide Providence's actual revenues and expenses for Fiscal Year 2018 in the same format used in HJS-1 (Cost of Service Summary) submitted with Providence's original rate application in Docket 4618.

Response: See attached Fiscal Year 2018 actual revenues and expenses. Please note Providence Water's audit has not been finalized therefore these numbers are subject to change.

**Providence Water
Cost of Service Summary
Dockete 4618**

**BCWA DR 3-3
11/20/2018**

	DK 4618 <u>New Rates</u>	FYE 2018 <u>Actuals *</u>
<u>Revenue</u>		
Service Charge	\$ 7,384,218	\$ 7,659,357
East Smithfield Surcharge	84,650	81,564
Retail Sales	43,311,637	41,881,656
Wholesale Sales	17,414,729	16,146,509
Private Fire Protection	2,963,456	3,156,754
Retail FPSC	1,440,250	1,325,220
Public Fire Protection	1,293,049	1,373,964
Miscellaneous	1,433,611	1,401,243
Total Revenue	\$ 75,325,600	\$ 73,026,267
<u>Expenses</u>		
Operations and Maintenance	\$ 32,653,706	\$ 31,392,339
Insurance	2,302,113	2,302,113
Chemical	2,800,000	2,800,000
City Service	839,167	839,167
Property Taxes	6,957,183	6,929,133
Capital Reimbursement	(2,261,814)	(1,486,434)
Net Operations	\$ 43,290,355	\$ 42,776,317
<u>Capital</u>		
Capital Fund	\$ 2,127,000	\$ 2,127,000
WCWDS	40,000	40,000
IFR Fund	27,300,000	27,300,000
AMR/Meter Replacement	500,000	500,000
Equipment Replacement	600,000	600,000
Lead Service Replacement **	-	250,000
Revenue Reserve	362,119	362,119
Total Capital	\$ 30,929,119	\$ 31,179,119
Total Expenses & Transfers	\$ 74,219,474	\$ 73,955,436
Unrestricted Operating Reserve ***	\$ 1,086,356	\$ 1,082,881
Total Revenue Requirement	\$ 75,305,830	\$ 75,038,318
Revenues over (under) Expenses	\$ 19,770	\$ (2,012,051)

Notes:

* The above amounts are not final numbers as the audit is not complete.

** The Commission approved \$250,000 in rates for a Lead Service Replacement Program(LSRP). PW setup the LSRP as a restricted fund as a result of that funding.

*** Unrestricted Operating Reserve is calculated based on FY2018 actuals.

PROVIDENCE WATER SUPPLY BOARD
Docket No. 4618
Data Requests of the Bristol County Water Authority
November 26, 2018

BCWA 3-4: Please identify any expenditures that Providence was not able to make, or had to defer, in Fiscal Year 2018 as a result of the reduction in consumption identified in Mr. Smith's testimony.

RESPONSE:

BCWA 3-4: Providence Water was unable to fully fund 5 restricted funds in FY2018 at the end of the year. As reported to the PUC in the quarterly restricted fund cash report for the fourth quarter of FY2018, unfunded amount due to the restricted funds at 6/30/2018 was \$4,433,886.24.

Providence Water Docket 4618

Data Requests of the Bristol County Water Authority Set 3

BCWA 3-5: In his testimony on page 4, Mr. Smith states that “If the projected consumption used to develop the rates is higher than what ultimately occurs, the utility will under-recover the allowed revenues.” However, Providence acknowledges that its consumption exceeded the consumption projected by the Commission in Fiscal Years 2011, 2012, 2014 and 2015. (See Providence Response to BCWA 1-4) Yet, for the years 2012, 2014 and 2015, Providence claims that it collected less revenue than approved by the Commission. (See Providence response to BCWA 2-1) How does Mr. Smith explain how Providence collected less revenue when it sold more water in those years?

Response: Mr. Smith’s testimony does not address the Fiscal Years 2011, 2012, 2014 and 2015 because they are not relevant to the request, which pertains to Docket 4618 allowed revenues only. However, it is possible to sell the projected volume of water or more and generate less than the projected revenue. For example, this can happen when customers with a lower volumetric rate purchase more water than expected. While I have not performed a detailed analysis of water sales in FY2014, it does appear that wholesale demand comprised approximately 51% of the consumption in that year, while wholesale demand was only projected to account for approximately 48% of demand. Since the wholesale volumetric rate is significantly lower than the retail volumetric rates this could account for the lower than expected revenues.