

DIRECT TESTIMONY OF
NANCY E. PARRILLO, SENIOR MANAGER – FINANCE

Before the
RI PUBLIC UTILITIES COMMISSION

DOCKET _____

For

PROVIDENCE WATER

May 16, 2016

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 **Q. Please state your full name and title?**

2 A. Nancy E. Parrillo, Senior Manager – Finance for the Providence Water Supply Board
3 (Providence Water, PW).

4 **Q. How long have you been employed by Providence Water?**

5 A. I have been employed since April of 2015 or 1 year.

6 **Q. Would you please state your education, background, and professional associations?**

7 A. I have a Master's Degree in Business Administration with a concentration in Finance from
8 Bryant University. I graduated from Wheaton College in Norton, Massachusetts with a Bachelor
9 of Arts degree with a major in Economics.

10 I participated in Providence Water's last filing, Docket 4571 in the summer of 2015.

11 Prior to joining Providence Water, I was the CFO for the RI Turnpike & Bridge Authority. I have
12 also spent 12 years in the water and wastewater sectors as CFO for the MA Water Pollution
13 Abatement Trust, which is the name of the Massachusetts State Revolving Fund agency, and as
14 CFO for the South Essex Sewerage District, Massachusetts's second largest wastewater treatment
15 facility.

16 I currently am the Treasurer for the RI Maritime Trades Association.

17 **Q. Please explain your duties and responsibilities.**

18 A. I am responsible for the Finance Department which includes Accounting, Financial
19 Planning, Budgeting, Accounts Payable, Payroll, and Regulatory. I am also responsible for

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 oversight of the Customer Service area which includes Billing, Collections, and the Meter
2 Department.

3 **Q. What is the purpose of your testimony?**

4 A. My testimony will support the revenue increase requested by Providence Water in this
5 rate filing and provide schedules in support of the requested cost of service. The cost of service
6 in this rate filing will be used to develop the proposed commodity rates and service charges for
7 the retail customers of Providence Water Supply Board ("PW"), as well as the wholesale rates for
8 East Providence, Greenville, Smithfield, Warwick, Lincoln, Johnston, Kent County Water
9 Authority, and Bristol County Water Authority. The East Smithfield Water District ("ESWD"),
10 which has been a wholesale customer, is now considered in the retail category in this rate filing
11 because the East Smithfield Water District and PW are now pursuing a consolidation whereby
12 the ESWD customers will become retail customers of PW by the end of 2016.

13 **Q. Have you prepared schedules to accompany your testimony?**

14 A. Yes, I have. Schedules NEP-1 through NEP-12I provide, in summary form, the test year
15 revenues and expenses and the necessary adjustments to normalize the test year, as well as the
16 adjustments we are proposing for the pro-forma rate year on a going-forward basis. I have
17 included supplemental schedules (SS) to provide additional information to support the core
18 schedules. Harold Smith, our consultant from Raftelis Financial Consultants will be testifying on
19 the cost allocations and rate design. Mr. Smith's schedules include the cost of services summary
20 (HJS-1) and those schedules that pertain to cost allocations and rate design.

21 **Q. Please summarize the rate relief that Providence Water is requesting in this filing.**

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 A. Providence Water is requesting a revenue increase of \$8,328,042 or 12%, for a total cost
2 of service of \$77,728,472. We utilized the fiscal year ended June 30, 2015 as the test year. We
3 adjusted the test year to reflect operations of PW for the rate year starting January 1, 2017. A
4 summary Cost of Service Schedule is presented in Schedule HJS-1.

5 **Q. How is your testimony organized?**

6 A. My testimony is organized in the same order as the schedules included with this
7 testimony. I will summarize the adjustments that were made to normalize the test year to derive
8 a true "rate making basis" for the rate year. I will address each topic as it appears in the Table of
9 Contents for the Cost of Service model (NEP-1 through NEP-12).

10 **Q. What adjustments were made to normalize the test year?**

11 A. Our audited financial statements for fiscal year 2015 are the basis for our test year. The
12 financial statements in our annual report to the PUC reflect the audited financial statements.
13 The following adjustments were made to the test year to present a normalized test year for rate-
14 making purposes:

- 15 • Salaries & Wages were reduced by \$357,294 which amount represents wages for the
16 five engineering positions who are funded through the IFR Fund. See NEP-2.
- 17 • An adjustment of \$131,968 was added to reflect wages for individuals now paid by
18 workers compensation. See NEP-2.
- 19 • A pension accrual under GASB 68 for fiscal year 2015 of \$755,157 was removed from
20 pension expense. This amount is not part of the annual required contribution that

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 Providence Water pays into the pension fund. It was not funded or paid by Providence
2 Water. See PW Audited Financial Statements for FY2015.

3 • Other post-employment benefit expenses ("OPEB") were reduced by \$1,285,739. This
4 represents an accrued amount for OPEB expense recorded for financial reporting, but
5 not recovered in rates as the accrual portion is not paid or funded. See NEP-3. See PW
6 Audited Financial Statements for FY2015.

7 • We removed the payroll clearing amounts which represents operating expenses which
8 are reimbursed from the IFR fund. This amounted to \$2,143,087. See NEP-3.

9 • The Capital Fund was increased by \$2,077,000 to reflect the debt service funding
10 provided in Docket 4571 which was effective subsequent to our test year period—fiscal
11 year 2015.

12 • The Revenue Reserve was increased by \$10,385 to \$335,611, the amount provided in
13 Docket 4571 which was effective subsequent to our test year period—fiscal year 2015.

14 **Q. Ms. Parrillo, in your professional opinion, does your test year present a proper**
15 **normalized test-year?**

16 A. Yes, I believe we have presented a normalized test year that fairly represents the
17 operations of Providence Water for the purposes of this filing on a rate making basis consistent
18 with currently approved rates and Commission directives.

19 **Q. What adjustments have you made for the rate year in this filing?**

20 A. Upon completion of the derivation of the normalized test year, several adjustments made
21 to arrive at the rate year cost of service. They are as follows:

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 1. An adjustment of \$1,472,549 was made to the salary and wages accounts for step
2 increases, promotions, new positions, and contractual obligations due to the Collective
3 Bargaining Agreement (CBA) between the union and the City. See Schedule NEP-2.

4 2. Pension and Other Benefits were increased by \$2,121,987 to reflect inflation and
5 contractual obligations under the CBA, as well as the retirement and retiree health benefits
6 estimates provided by the City's consultants. See NEP-3.

7 3. Property taxes are adjusted to reflect an annual average increase of 3% based on the
8 average increases over the last 3 years. See below and NEP-4.

9 4. We have added \$326,000 to the rate year for a payment in lieu of taxes ("PILOT") which
10 is equal to the last tax bill to the previous owners of the new COF. See below and NEP-5.

11 5. We increased insurance expense by \$670,690. This reflects an increase in workers
12 compensation costs, inflation, and additional premiums for the new facilities. See below and
13 NEP-6.

14 6. We are making an adjustment to the chemical and sludge maintenance funding that is
15 a *decrease* in funding of \$1,500,000. This decrease is due to a change in the type and quantity of
16 chemicals being used at the treatment plant and the level of carry-over balance in the fund. The
17 sludge maintenance expense remains the same as Providence Water is currently under contract
18 for that work. See below and NEP-7.

19 7. We have adjusted the rate year for utilities and maintenance in the amount of
20 \$750,744: \$575,046 for utilities and \$175,698 for maintenance. See below and NEP-8.

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 8. Rate case and regulatory expense is adjusted by \$92,307 to reflect the cost of this
2 current rate filing as well as the recovery of costs in Docket 4571 which were not addressed in
3 that docket at the time of filing. See below and NEP-9.

4 9. We have increased the revenue reserve account by \$40,010 to keep the funding
5 at .5% of "adjusted revenue", which is consistent with prior filings. See NEP-10.

6 10. We have *decreased* the AMR/ Meter Replacement fund by \$500,000 due to a surplus
7 that has accumulated over the last 3 years after the issuance of the ARRA bonds which paid for
8 the purchase of meter equipment as opposed to full payment from our AMR / Meter
9 Replacement fund. See below and NEP-11.

10 11. The Infrastructure Replacement Fund (IFR) has been adjusted by \$3,600,000 to allow
11 for the capture of overhead applied amounts and IFR direct labor costs as well as additional
12 estimated debt service on a bond issuance to fund the water main rehabilitation projects. See
13 below, NEP-12 C and SS NEP-12C-1.

14 More details as to the calculation of these adjustments are discussed later in my testimony.

15 **Q. How was consumption determined in the calculation of rate revenue for the rate year?**

16 A. The average consumption for the last 3 years for both retail and wholesale was used as
17 the basis for estimated consumption to determine rate year revenue. However, retail sales
18 projections have been adjusted to include sales to customers located in the East Smithfield
19 service area with a commensurate adjustment to reflect that East Smithfield will no longer be
20 wholesale customer. Additionally, water sales to Kent County have been adjusted to be

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 consistent with water purchase projections provided in Kent County's recent rate filing (Docket
2 4611). See HJS-15.

3 **Q. How did you calculate the rate of inflation that you have utilized for the rate filing?**

4 A. To calculate the inflation rate we used the Consumer Price Index – All Urban Consumers
5 (CPI-U). We took the average annual increase for the period 2013 through 2015, or .93% per
6 year. We multiplied .93% by 2.5 years to arrive at the 2.33% inflation rate for the period from
7 the end of the test year to the end of the rate year. See NEP-B.

8 **Q. What is the Raw Revenue Schedule (Schedule NEP-1)?**

9 A. The Raw Revenue Schedule is the summary schedule that reports the adjusted test year
10 expenses, the pro forma rate year expenses, and the necessary adjustments that get the test year
11 rolled forward to the rate year. It is broken down by NARUC account code so that these expenses
12 can be allocated by function to determine the appropriate cost of service for rate-making
13 purposes.

14 **Q. Please describe the calculations that determined the increase in salaries and wages.**

15 A. To calculate the amount needed for salaries and wages, we started with the salaries and
16 wages posted to our general ledger and reported in our financial statements for the test year.
17 We then backed out the salaries of the engineers that are paid directly from the Infrastructure
18 Replacement Fund (IFR). The salaries of the employees that were out of work on workers'
19 compensation are added back in as they were paid by the insurance company and need to be

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 accounted for in our normal salary expense for rate purposes. This results in a normalized salary
2 expense of \$14,488,400 for the test year. See NEP-2 and NEP-2A.

3 We then estimated increases based on expected step increases for existing employees as well as
4 promotions through calendar year 2017. We also added the salaries/wages for 14 new positions
5 that are important for the security, maintenance and operations of the water system over the
6 next 2 fiscal years. These new positions are for additional watershed inspectors to maintain
7 security in the watershed, entry level utility workers, additional flushing technicians and
8 engineering project coordinators. See SS NEP-2A through C. Ricky Caruolo and Gregg Giasson
9 provide more detailed testimony on these positions. The resulting salary expense is estimated
10 at \$15,436,121. See NEP-2. This amount was increased by 3.4% which is the compounded wage
11 increase as provided for in the current Collective Bargaining Agreement (CBA) that provides for
12 a 2% increase at July 1, 2016 and 2.75% increase in July 1, 2017. See SS NEP-2D.

13 These calculations increase the test year salaries and wages from \$14,488,400 to \$15,960,949 for
14 the rate year, an increase of \$1,472,549. See NEP-2.

15 **Q. How was the expense for Pension and Other Post-Employment Benefits ("OPEB") for**
16 **the rate year determined?**

17 **A.** A review of the Pension and OPEB contributions was performed.

18 The Union combined benefits and pension expense was increased in accordance with the current
19 Collective Bargaining Agreement (CBA).

20 The Providence Water pension contribution in fiscal year 2013 was \$2,687,806. In fiscal year
21 2014, the contribution increased by \$188,460, or 7%, bringing it to \$2,876,266. In fiscal year

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

2015, the contribution increased by \$249,955, or 8.7%, bringing the expense to \$3,126,221. The actuarial valuation report prepared by the Segal Group for the City's Employee Retirement System calculates the fiscal year 2016 contribution from Providence Water at \$3,615,102 which is an increase over fiscal year 2015 of \$488,881 or 15.5%. The average percentage increase for the last three years is 10.4%. Using a 10.4% annual increase, the fiscal year 2016 contribution amount results in an estimated rate year (calendar year) 2017 contribution of \$4,195,124.

The OPEB expense represents the cost of retirees' health care. The rate year amount for this expense was calculated by taking the average increase over the last three years, or 6%, and applying this annual increase to the test year 2015 expense of \$507,069. This results in a rate year (calendar year) 2017 expense of \$586,835. See NEP-3.

Q. Has Providence Water fulfilled its obligation to the City as it relates to its pension contribution?

A. Yes, it has. Providence Water has paid 100% of its annual required contribution ("ARC") for its pension expense. This matches the City's contribution to the pension fund.

Q. How did you calculate the health care (Blue Cross) expense for the rate year?

A. The average increase for Blue Cross over the last two years was 4.5%. This annual increase of 4.5% compounded was applied to the test year amount of \$2,346,090 to calculate the rate year (calendar year) 2017 expense of \$2,619,634. See NEP-3.

Q. How did you calculate the rate year property taxes for this filing?

A. We performed an analysis of the actual increases in the Providence Water tax bills for the test year and the two previous years. Based on that analysis, it was determined that the average actual increase in the overall amount that Providence Water paid in property taxes was

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 approximately 3%. It was decided that we would use the 3% actual annual increase as the factor
2 for determining the pro-forma amount of property taxes for the rate year. See Schedules NEP-4
3 and NEP-4A.

4 We then applied the 3% over the next two fiscal years to the actual 2016 property tax bill for
5 each community in which Providence Water pays taxes to estimate the 2017 tax bills. We then
6 applied the same 3% to the 2017 estimates to calculate the 2018 tax bills.

7 Based on these calculations, the average compounded percentage increase over the test year
8 was 6.26%. That factor was applied to the 2015 test year tax amounts paid to determine the
9 rate year amount.

10 Next we included an amount for the property that Providence Water is acquiring from the East
11 Smithfield Water District (ESWD). ESWD is tax exempt and therefore has not been responsible
12 for property taxes in the past. Using the Town of Smithfield's Tax Assessor website, we estimated
13 the potential tax liability for the property in question for FY2017 and used the 3% increase factor
14 for the FY2018 amount.

15 The total additional amount that is being requested is \$416,455 for total rate year property taxes
16 of \$6,957,183. See NEP-4.

17 **Q. Please explain the Payment In Lieu of Taxes ("PILOT") that is included in this filing.**

18 A. This Payment In Lieu of Taxes (PILOT) is related to the purchase of property located at 125
19 Dupont Drive in Providence. This property was on the tax rolls of the City of Providence for
20 \$325,991. This tax amount was based on the building being valued at \$8,870,500 at a rate of
21 \$36.75/\$1000. Because Providence Water is tax exempt in the City of Providence, these tax
22 dollars are lost to the City. If the property was located in another municipality, the taxes on the

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 property would have been allowed for recovery in Providence Water's cost of service. Since the
2 property is in Providence, if Providence taxpayers should lose the existing tax revenue that
3 otherwise would have been received from another owner of the property, this would be
4 equivalent to the Providence taxpayers subsidizing the ratepayers of Providence Water.
5 Therefore, it is the request of Providence Water that the Commission allow a payment in lieu of
6 taxes to the City to recover this otherwise lost tax revenue. We are using the tax amount billed
7 to the prior owner as the basis for this expense. With regard to the collection of the PILOT, as
8 Providence residents contribute approximately 38% of all Providence Water revenues, a large
9 portion of the responsibility for the PILOT will fall upon Providence ratepayers. See NEP-5 and
10 SS NEP-5A.

11 There is precedent by this Commission for allowance of a PILOT. The Commission has allowed
12 payments in lieu of taxes in Kent County Water's cost of service in the amount of \$23,123.
13 Recognizing the impact of lost taxes to municipalities, there is precedent elsewhere in the State
14 for the recovery of a PILOT. Although not regulated by the PUC, the Bristol County Water
15 Authority has agreements to pay the towns of Bristol County \$463,600 in lieu of taxes.

16 **Q: Please explain the increase in the Insurance expense.**

17 A. Providence Water insurance expense for the test year was \$1,837,216 at a current
18 funding rate of \$1,802,547. The property and casualty premiums on our property are 59.3% of
19 total insurance expense. Workers' compensation costs make up another 32.2%. Increases to
20 these 2 major policies contribute 99% of the increase in insurance. These two policies are almost
21 93.5% of our pro forma insurance expense.

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 The overall increase is based on utilizing our 2.33% inflation factor on all policies as the insurance
2 premiums have stayed relatively flat over the last 3 years except for some minor amounts.
3 However, we have included an increase on the property and casualty policy as we will need to
4 add coverage for the new Central Operations Facility (COF) located at 125 Dupont Drive as well
5 as the addition of two pump stations and an additional building being acquired from the East
6 Smithfield Water District (ESWD). These are additional buildings/structures that Providence
7 Water is now or will be responsible for. We are currently paying \$20,000 for insurance at Dupont
8 Drive.

9 The second major factor is increases to the workers' compensation policy. In the test year, the
10 premium was much lower than in previous years because the experience modification had
11 dropped significantly as Providence Water had very few workers' comp claims in the test year.
12 However, during Fiscal Year 2016, we currently have 7 employees that are out of work due to
13 injuries. According to The Hartford, the company that administers the Providence Water
14 Workers' Comp Policy, they have calculated that these claims would result in additional claims
15 expense to Providence Water in the amount of \$326,176.

16 The increase in funding is \$670,690, bringing the total funding level to \$2,473,237. See NEP-6.

17 **Q. Explain the significant decrease in the funding for Chemicals and Sludge Maintenance?**

18 A. There is an overall reduction in the amount of treatment chemicals that is expected to be
19 utilized at the water treatment plant. This change in the use of these chemicals nets as a
20 *decrease* in anticipated chemical expense of \$59,173 in the rate year based on the current costs
21 of these chemicals. The pro-forma chemical cost is \$1,832,359 for the rate year. See NEP-7, NEP-

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 7A, NEP-12G. For an explanation of the reduction in chemical usage please refer to the testimony
2 of Gregg Giasson.

3 The sludge maintenance expense remains constant at \$1,608,918 per year as Providence Water
4 has agreed to a long-term contract with the vendor that is valid through 2021. Therefore, the
5 annual expenditure for chemicals and sludge maintenance will be approximately \$3,441,277.

6 Current funding from rates for chemicals and sludge maintenance is \$4.5 million per year. There
7 has been a consistent carry-forward balance in this restricted fund of approximately \$2 million
8 for the last 3 years.

9 Given the slight reduction in the cost of chemicals and the carry forward balance in the chemical
10 account, we are requesting that the funding for the chemical and sludge maintenance restricted
11 account be *reduced* by \$1.5 million from \$4.5 million per year to \$3 million per year.

12 **Q. Could you please describe how the utilities and maintenance expense was calculated?**

13 A. Utilities and Maintenance expense covers the cost of gas, electric, sewer,
14 telephone/internet, and contractual services as well as materials and supplies related to the
15 maintenance of the facilities. Electric and gas expenses were grouped by pumping, treatment,
16 and administrative. The pro-forma amount for the rate year is \$2,137,910. See NEP-8.

17 To calculate electric expense we looked at the test year expense by location and separated it by
18 National Grid (the distribution costs) and Direct Energy (the electric power supply). Based on
19 consumption in kilowatt hours, we estimated the pro-forma usage by location.

20 Using the test year as a basis, we increased the National Grid cost by 2.33% for inflation. We did
21 not use an inflation factor for the Direct Energy costs as there is a current contract in place that

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

dictates the cost. For the Academy Avenue and Cranston facilities, we calculated the annual cost and reduced it by 4 months to reflect the staff move to the new Central Operations Facility (COF). When estimating the costs for the COF, we took the previous occupant's 12 month usage and reduced it to 75% based on the reconfiguration of the building into less office space than previously utilized. The cost for both delivery and supply for this facility was based on market rates. We could not apply the cost savings achieved through the Direct Energy contract as the COF is not covered by that contract. Taxes and customer charges were also added and the 2.33% inflation factor was applied.

The expense for gas was calculated in the same manner as electric costs, using the therms as opposed to kilowatt hours.

For the electric costs associated with the pumping stations and the treatment plant, the test year was used as a baseline and multiplied by the 2.33% inflation factor as well as the costs as outlined in the Direct Energy contract. We also included the ESWD annual usage multiplied by inflation for the 2 active pumping stations that will be absorbed through the acquisition.

The sewer expenses show a significant increase in expense over the test year due to the consolidation of the staff into the COF. Currently only the Academy Avenue location has sewer expense. To calculate the estimate for sewer expense at the COF, we looked at the "water consumption" (the basis for Narragansett Bay Commission billing) at Academy Avenue for the last 8 months and extrapolated that out for 12 months. We then added the annual meter charge of \$4,101 for the 2" meter plus \$475 for the pre-treatment discharge permit. The annualized test year is estimated at \$6,826.31. This was divided by the number of employees at Academy Avenue (117) to arrive at an annual per employee unit cost (\$58.34). We then multiplied that per

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

employee cost by the number of employees expected to be located at the COF (210) which equals \$12,251.40. We then added \$701.08 of estimated charges for the self-service car wash at the COF with an estimated consumption of 139.02 HCF. (The car wash is for the maintenance of the Providence Water vehicles and equipment.) Based upon anticipated increases in the Narragansett Bay Commission rates, we estimate an annual cost for sewer in the pro-forma year to be \$13,476.75. This is an increase from current spending of \$7,304.34

Q. Please address the assumptions used in calculating the telephone and internet expense.

A. Because of the consolidation of the staff into the COF, we will experience one-time charges in the telephone and internet expense that is directly related to the COF.

The first assumption made was that there would only be phone/internet charges for about 6 to 8 months at the Academy Avenue and Cranston locations which was a reduction in costs of about \$102,000. The cost of bringing phone and internet service to the COF is estimated at approximately \$270,600. This includes an upgrade in the transmission lines and installation of this upgraded service and the monthly service charges. After the consolidation, the annual cost will drop back to only the monthly service charges. See SS NEP-8A.

Also included in the cost of telephone and internet are the charges for the cellphones used by Providence Water personnel, as well as the plan charges for the tablets used primarily by the engineering and meter departments.

Q. Please explain the increase in maintenance expense, particularly contractual services.

A. The increase in the maintenance expense is due to bringing the COF on-line and maintaining it as well as the existing facilities. Materials and supplies increase because these

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 supplies need to be available in the COF while renovations are going on even though the staff will
2 not be in the building for the beginning of the calendar year 2017.

3 The contractual services are increasing as the COF has equipment that requires constant
4 maintenance and inspections. Services that require licensed professionals such as electrical,
5 HVAC, elevators, sprinkler system inspections, and pest control are new services necessary to
6 maintain the new building. Fire testing is also necessary. These will be more extensive than
7 experienced in the current facilities. See NEP-8.

8 **Q. How did you calculate the rate case expense for the rate year?**

9 A. This account reflects two separate items: the PUC / Division's annual assessment to
10 Providence Water for recovery of their annual budgetary expenses; and recovery of costs related
11 to filings and other matters before the PUC / Division. The baseline used for the PUC / Division's
12 assessment was the test year FY2015 assessment amount of \$268,875. This amount was
13 increased by the inflation factor of 2.33% to arrive at the estimated rate year assessment of
14 \$275,140.

15 The anticipated expenses for this rate case for legal, consultants, the plant asset accounts review,
16 and other anticipated expenses related to submitting this filing were added to the costs incurred
17 in the rate filing for Docket 4571 in 2015. The Docket 4571 costs were not recovered in that filing.
18 The total of the costs related to Docket 4571 and this rate filing amount to \$304,456 and are
19 being amortized over a two-year recovery period. There are also other amounts related to
20 miscellaneous matters associated with regulatory issues. These are based on actual costs
21 incurred in the test year that are increased by our inflation factor of 2.33% to arrive at the rate
22 year amount of \$23,921.

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 The total for the annual PUC / Division assessment, various miscellaneous regulatory costs, and
2 the annual recovery of rate filing costs amount to \$451,290. See NEP-9.

3 **Q. Please discuss how the city services expense was arrived at.**

4 A. The current City Services amount of \$839,167 was set by the Commission in Docket 3832 for
5 the calendar year 2008. In Docket 3832, Providence Water submitted a study performed to
6 support of an increase to its City Service expense. However, the Commission stated that it "was
7 unable to determine the known and measurable City Service expense from the evidence
8 presented." The Commission order went on to state:

9 "Therefore, the Commission determines that the best approach is to take the last amount
10 approved as just and reasonable for calendar year 2006 and to adjust it upward by the
11 inflation percentage utilized for certain other expenses in this filing to reach an appropriate
12 expense for Calendar Year 2008." Docket 3832, Commission order no. 19145, page 68.

13 In this filing we have taken the currently approved amount which was established for calendar
14 year 2008, \$839,167, and increased it by the change in the CPI-All Urban Consumer Index ("CPI-
15 U") from 2009 to 2016. This increase was approximately 13%, and results in a pro-forma City
16 Service amount of \$957,400. See NEP-B.

17 Over the seven-year period from the last increase in the City Services amount, many operational
18 costs have increased for the City that provide mutual benefit to Providence Water. For example,
19 from July 2008, to July 2017, City personnel will have received contractual wage increases
20 amounting to 13.75%.

21 **Q. Ms. Parrillo, are any adjustments being considered for the various restricted funds?**

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 A. Yes. I will address each restricted fund individually as the proposed adjustments are both
2 increases and decreases from the current funding levels.

3 *Capital Fund*

4 It is anticipated that the Capital Fund will begin FY2017 with a fund balance of approximately
5 \$8,594,032. This balance includes \$1,225, 000 that is due to it that has not been funded from a
6 revenue shortfall in 2010; see my testimony at pages 23 regarding funding. As discussed in
7 testimony in prior rate case filings, the Capital Fund balance has accrued over time as a result of
8 minimal spending so as to accumulate funds for the acquisition/renovation of a COF and for other
9 capital projects that would not be undertaken until that funding was secured. Through Docket
10 4571 filed in the summer of 2015, the borrowing of \$30 million and the appropriate rate relief
11 were approved in September for that purchase.

12 Now that the new COF is purchased, the monies in the Capital Fund are planned for cash-funded
13 or pay-as-you-go projects. The capital plan outlining these projects is included in this rate filing
14 as SS NEP-12A-1. The major projects in this plan include the renewable energy project,
15 virtualization/upgrade of the computer network, and an upgrade of the GIS mapping and asset
16 management system, and investment in cyber security. In addition to these projects, debt service
17 on the new \$30 million bond issue will be approximately \$500,000 in FY2017 and increases to
18 \$1,945,780 in FY2018. Because the rate relief for this debt service was approved in Docket 4571,
19 we are not requesting any additional funding for the Capital Fund.

20 *Western Cranston Fund*

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 The Western Cranston Fund is funded through impact fees from new development in the
2 Western Cranston area. The funds are restricted for maintaining and improving the delivery
3 system in the Western Cranston area. These impact fees are used to pay the debt service on
4 bonds that were issued to upgrade sections of the system in 2002 and also cover the costs of
5 cash funded projects as well.

6 The anticipated carry-over balance in this fund at year-end of FY2016 is approximately \$709,000.
7 With the rate relief for the debt service already established at \$62,069 and impact fees estimated
8 at \$15,819, Providence Water is not requesting any additional funding for this restricted fund.
9 See NEP-12B.

10 *Infrastructure Replacement Fund*

11 The Infrastructure Replacement Fund is restricted for projects outlined in the IFR expenditures
12 plan. The current IFR plan submitted to RIDOH calls for planned capital expenditures for FY2017
13 and FY2018 to be \$22,174,000 and \$23,458,000 respectively covering 54 projects (see SS NEP 12-
14 C-1). Of these 54 projects, there are 3 that are significant in their cost: the inspection and
15 rehabilitation of the 78" aqueduct, the sedimentation/clarification system improvements, and
16 the replacement and upgrade of the water mains. Debt Service is the other major expenditure
17 from this fund. These payments reach a little over \$5 million each for the next 2 years. With the
18 acquisition of the ESWD, there is additional debt service of approximately \$55,000 per year for
19 the next 9 years for 2 outstanding bond issues. These debt service payments will be funded by a
20 surcharge to the customers that are currently being serviced by the ESWD.

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 Providence Water is planning to apply to the Rhode Island Infrastructure Bank (RIIB) to borrow
2 for the planned work on the water mains which is estimated at \$32 million over the next 2 fiscal
3 years. A Certificate of Approval has been issued for this project and this project is currently on
4 the Safe Drinking Water SRF Project Priority List. The amount we are applying for is not to exceed
5 \$18 million to cover approximately \$15 million in construction costs that would not otherwise be
6 collected through rates because of the large amount necessary. We are planning to file with the
7 DPUC during the summer of 2016 for the approval to borrow. To calculate estimated debt
8 service, we assumed a construction fund of \$15 million, plus an 8% debt service reserve, 1%
9 origination fee to the RIIB, and \$75,000 for cost of issuance expense. The estimated debt service
10 for this new anticipated bond issue is approximately \$1,326,500 per year for 20 years.

11 The last cost attributable to the IFR is the applied overhead associated with the engineering
12 wages for those employees working directly on the IFR projects. This is by settlement agreement
13 when Providence Water accepted the DPUC decision that these applied overhead costs be
14 absorbed by the IFR. The amount agreed upon in the settlement of Docket 4406 was \$1,257,383
15 per schedule TSC-5 in the settlement testimony of Thomas Catlin. In her rebuttal testimony,
16 Jeanne Bondarevskis, the Senior Director-Administration of Providence Water, pointed out that
17 this cost to the IFR had not been included when developing the IFR expenditures and it would be
18 requested in a future rate filing.

19 The current funding level from rates is \$24 million as allowed in Docket 4406. We are proposing
20 an increase in funding to the IFR Fund in the amount of \$3.6 million to cover the applied overhead
21 and direct labor costs which are estimated at \$2.2 million and \$1.4 million to cover the estimated
22 debt service on the new bonds. See NEP-12C and SSNEP-12C-1.

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 *AMR/Meter Replacement Fund*

2 The AMR/Meter Replacement Fund was established to cover the cost of the upgrade of the
3 manual meter reading system to the current automated reading system and to provide funding
4 for the replacement of meters as they reach the end of their useful life or are broken or damaged
5 over time.

6 The plan for this fund for the next five years covers four areas: meter replacement, leak
7 detection, technology upgrades for meter reading, and emergency repairs.

8 The AMR / Meter Replacement Fund has authorized annual funding of \$1,000,000. It was based
9 on the anticipated expense of replacing the meters throughout the Providence Water system in
10 the early 2000's. The fund balance in this account grew due to the issuance of ARRA bonds in
11 2009 which provided low-cost funds in lieu of cash for the purchase of the necessary meters.

12 As a result, this fund will end FY2016 with a fund balance of approximately \$3.1 million. Based
13 on our budgeted expenses and debt service requirements, we are proposing a reduction of
14 \$500,000 in the current funding level, bringing it from \$1 million to \$500,000 annually.

15 See NEP-12D.

16 *Equipment/Vehicle Replacement Fund*

17 This fund is used to purchase replacement equipment and vehicles that have exceeded their
18 useful life. Providence Water maintains a listing of all vehicles and equipment and a schedule of
19 when each will be replaced on a rotating basis so that every year a portion of the inventory is
20 replaced thus spreading the expense.

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 The expected purchases for FY2017 and FY2018 are \$886,682 and \$707,800, respectively. With
2 the current fund balance, we feel the current level of approved funding is appropriate. See NEP-
3 12E.

4 *Property Tax Refund Fund*

5 This account is not funded through rates but through refund of municipal taxes resulting from
6 tax agreements that have been entered into with various municipalities. In 2015, Providence
7 Water and the Town of Foster entered into a tax agreement whereby Providence Water will be
8 receiving \$175,000 per year for 9 years and approximately \$290,000 in the 10th year from the
9 Town of Foster. The agreement reflects payment of \$1.6 million to Providence Water that settled
10 overcharges for property taxes for the twelve-year period ending in 2014. See NEP-12H.

11 **Q. Explain the funding for the Operations Reserve and the Revenue Reserve Fund.**

12 A. Prior to Docket 4406, Providence Water had a restricted Revenue Reserve of 2% and an
13 unrestricted Operating reserve of 1%. The calculation of the reserves amount is determined by
14 applying the reserve percentage to total revenues (excluding reserves) minus miscellaneous
15 revenues. In Docket 4406, the Settlement provided for funding the reserves at a total of 2%:
16 one-half percent for the Revenue Reserve and one and one-half percent for the Operating
17 Reserve. The same funding percentages were maintained in Docket 4571. In this filing we
18 continue to use these percentages to calculate the reserve funds.

19 *Revenue Reserve Fund*

20 The Revenue Reserve Fund is set aside to safeguard against revenue shortfalls due to "weather-
21 related" conditions resulting in lower consumption, or reduced sales from conservation. The

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 Revenue Reserve can only be drawn down if approved by the Commission. The last time
2 Providence Water received funds from its Revenue Reserve was in 2009. In this filing, Providence
3 Water has calculated the Revenue Reserve at the previously approved level of one-half of one
4 percent.

5 Current funding was set at \$335,611 in Docket 4571. Based on the revenue requirements in this
6 filing, the Revenue Reserve amount is \$375,621.

7 In fiscal year 2009, Providence Water experienced a shortfall in billings of \$4.3 million and the
8 Commission allowed Providence Water to draw down the balance of its Revenue Reserve, \$1.9
9 million, and to institute a mechanism to recover funding for the IFR account. In fiscal year 2010,
10 Providence Water's revenues amounted to \$58.2 million which was \$3.8 million less than the
11 previous year's revenues. The fiscal year 2010 shortfall was managed by underfunding certain
12 restricted accounts by \$3,047,949.

13 The amounts that are still due to the restricted accounts are as follows:

14	Capital Fund	\$	1,225,000
15	AMR/Meter		750,000
16	Insurance		741,914
17	Equipment/ Vehicle Replacement		300,000
18	Western Cranston		<u>31,035</u>
19	TOTAL	\$	3,047,949

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

We have been carrying these amounts in in our general operating fund as balances due to the restricted funds since fiscal year 2010. These amounts have also been included in the balances of our restricted funds as shown in this filing and as reported to the PUC in our restricted funds reporting.

Therefore, Providence Water requests that the Commission allow us to transfer the amounts owed to the restricted funds from our Revenue Reserve balance.

Operations Reserve

In Docket 4571, the current funding level of one and one-half percent was maintained for annual funding in the amount to \$1,006,834. In this filing, the Operations Reserve amount is \$1,126,863.

Q. Do you have anything else to add to your testimony?

A. I do. Thank you. In accordance with the Settlement and Commission's order in Docket 4406, Providence Water was directed to hire a consultant to verify the accuracy of plant accounts, depreciation, and the recording of contributions in aid of construction ("CIAC"). Providence Water engaged Marcum, LLP, the independent auditors for Providence Water, to perform this review. We have included, as SS NEP-C, a copy of the final report which indicates that based on their review, plant assets, depreciation, and CIAC amounts have been recorded properly and classified correctly in the appropriate accounts.

Q. Ms. Parrillo, does this conclude your testimony?

A. Yes it does.

STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

DOCKET NO. _____

ATTESTATION UNDER RULE 2.7
OF THE RULES OF PRACTICE AND PROCEDURE
OF THE PUBLIC UTILITIES COMMISSION

I, Nancy E. Parrillo, Senior Manager for Finance of the Providence Water Supply Board, in conformance with Rule 2.7 of the Rules of Practice and Procedure of the Public Utilities Commission, hereby attest that the financial data presented in the rate base, cost of service, and other financial statements, purports to reflect the books of Providence Water and the results of operations and is true and correct to the best of my knowledge, information, and belief. All changes and differences between the books and test year data and any changes in the manner of recording said data during the test year have been expressly noted.


Nancy E. Parrillo

STATE OF RHODE ISLAND
PROVIDENCE COUNTY

Subscribed and sworn to before me this 12th of May, 2016.


Notary Public



Providence Water

Rate Year Ending December 31, 2017

Test Year Ended June 30, 2015

Schedule Detail

Normalized Test-Year and Rate Year

Schedule HJS-1	Cost of Service Summary
Schedule NEP-1	Raw Revenue Requirements
Schedule NEP-2	Payroll Expense Adjustment
Schedule NEP-2A	Detail Payroll Expense
Schedule NEP-3	Pension and Other Benefits
Schedule NEP-3A	Allocation to NARUC Accounts
Schedule NEP-4	Property Tax Analysis
Schedule NEP-4A	Property Tax Detail
Schedule NEP-5	PILOT
Schedule NEP-6	Insurance Exp. Adj.
Schedule NEP-7	Chemical & Sludge Maint. Exp.
Schedule NEP-7A	Adjustment to Chemical Expense
Schedule NEP-8	Utilities & Maint. Exp.
Schedule NEP-9	Regulatory & Rate Case Exp.
Schedule NEP-10	Operating & Revenue Reserves
Schedule NEP-11	Restricted Fund Adjustments
Schedule NEP-12A	Capital Fund
Schedule NEP-12B	Western Cranston Fund
Schedule NEP-12C	Infrastructure Replacement Fund
Schedule NEP-12D	AMR/Meter Replacement Fund
Schedule NEP-12E	Equipment/Vehicle Replacement Fund
Schedule NEP-12F	Insurance Fund
Schedule NEP-12G	Chemical /Sludge Maintenance Fund
Schedule NEP-12H	Property Tax Refund Fund
Schedule NEP-12I	Revenue Reserve Fund

Supplemental Schedules

SS NEP-A	Letter to East Smithfield Water District
SS NEP-A1	Board Authorization for ESWD Acquisition
SS NEP-B	Inflation Calculation
SS NEP-C	Marcum Report
SS NEP-2A	Workers' Comp payroll detail
SS NEP-2B	Employee Promotions
SS NEP-2C	New Positions
SS NEP-2D	Article 5, Section 1 of CBA
SS NEP-5A	Property Tax Bill for DuPont Drive
SS NEP-8A	Communication Provider Analysis
SS NEP12A-1	5 Year CIP Plan
SS NEP12C-1	5 Year IFR Plan

Schedule HJS-1
Cost of Service Summary
Rate Year Ending December 31, 2017

Revenue	Adjusted Test Year	Combined Adjustments	Pro-Forma Old Rates	Additional Revenue Generated	Pro-Forma New Rates
Service Charge	\$ 7,367,470	\$ 236,052	\$ 7,603,522	\$ 42,811	\$ 7,646,333
East Smithfield Debt Surcharge	-	-	-	85,217	85,217
Retail Sales	38,173,132	1,031,751	39,204,882	6,209,514	45,414,396
Wholesale Sales	17,732,706	(1,230,624)	16,502,082	1,240,488	17,742,569
Private Fire Protection	2,576,961	-	2,576,961	386,544	2,963,505
Retail FPSC	1,252,391	46,719	1,299,110	194,866	1,493,976
Public Fire Protection	1,124,390	-	1,124,390	168,602	1,292,992
Miscellaneous Revenue	1,083,232	6,250	1,089,482	-	1,089,482
Other	-	-	-	-	-
TOTAL REVENUE	\$ 69,310,282	\$ 90,148	\$ 69,400,429	\$ 8,328,042	\$ 77,728,472
Total Rate Revenues	\$ 68,227,050	\$ 83,898	\$ 68,310,947	\$	\$ 76,638,990
Expenses					
Operations					
Operations and Maintenance	\$ 30,843,233	\$ 2,910,650	\$ 33,753,883	\$	\$ 33,753,883
Insurance	1,802,547	670,690	2,473,237		2,473,237
Chemical & Sludge	4,500,000	(1,500,000)	3,000,000		3,000,000
City Service	839,167	118,233	957,400		957,400
Property Taxes	6,540,728	416,455	6,957,183		6,957,183
Payment in Lieu of Taxes	-	326,000	326,000		326,000
Capital Reimbursement	(2,143,087)	-	(2,143,087)		(2,143,087)
Net Operations	\$42,382,588	\$2,942,028	\$45,324,616	\$	\$45,324,616
Capital					
Capital Fund	\$ 2,127,000	-	\$ 2,127,000	\$	\$ 2,127,000
Western Cranston	62,069	-	62,069		62,069
Infrastructure Replacement Fund	24,000,000	3,600,000	27,600,000		27,600,000
Cash-Funded AMR/Meter Repl. Fund	1,000,000	(500,000)	500,000		500,000
Equipment Replacement Fund	600,000	-	600,000		600,000
Revenue Reserve Fund (Restricted)	335,611	40,010	375,621		375,621
Capital	\$28,124,680	\$3,140,010	\$31,264,690		\$31,264,690
TOTAL EXPENSES	\$70,507,268	\$6,082,037.87	\$76,589,306		\$76,589,306
Operating Reserve (Unrestricted)	\$1,046,032		\$1,126,863		\$1,126,863
Total Revenue Requirements Including Reserve Funding	\$71,553,300		\$77,716,169		\$77,716,169
Revenues Over (Under) Expenses	(\$2,243,018.47)		(\$8,315,739)		\$12,303.08
Total Increase to Break-Even			\$	8,328,042	11.98%
Rate Revenue Increase to Break-Even					12.17%

Notes:
Operating Reserve is ((A-B+C)-(D+E))*0.01
Revenue surplus results from rounding

Schedule NEP-1
Raw Revenue Requirements

Raw Revenue Requirements
Rate Year Ending December 31, 2017

ACCOUNT	TITLE	Adjusted Test Year	Note	Rate Year Adjustments	Additional Adjustments	Proforma Rate Year
Source of Supply						
60110	Salaries + Wages - Emp	\$ 537,615	A	\$ 196,128		\$ 733,743
60120	Salaries + Wages - Emp	409,169	A	23,019	-	432,189
60220	Payroll Clearing	-		-	-	-
60410	Employee Pension + Ben	280,764	B	69,856		350,620
60420	Employee Pension + Ben	259,680	B	64,610	-	324,290
61510	Purchase Power	-		-		-
61610	Fuel for Power Purch	-		-	-	-
62010	Material + Supplies	14,941	I	347	-	15,289
62020	Material + Supplies	78,633	I	1,828	-	80,461
63110	Contractual Services - Engineer	-		-	-	-
63120	Contractual Services - Engineer	-		-	-	-
63310	Contract Services -Legal	-		-	-	-
63420	Contractual Services - Mgt. Fees	-		-	-	-
63510	Contractual Services - Other	59,471	I	1,383	-	60,854
63520	Contractual Services - Other	50,408	I	1,172	-	51,580
64210	Rental of Equipment	-		-	-	-
64220	Rental of Equipment	-		-	-	-
65010	Transportation Exp.	-		-	-	-
65020	Transportation Exp.	-		-	-	-
67510	Misc. Expenses	823	I	19	-	842
67520	Misc. Expenses	-		-	-	-
	Total Source of Supply Expense	\$ 1,691,504		\$ 358,362	\$ -	\$ 2,049,867
Pumping Expenses						
60123	Salaries + Wages - Emp	\$ -	1	\$ -	\$ -	\$ -
60126	Salaries + Wages - Emp	-	1	-	-	-
60423	Employee Pension + Ben	-		-	-	-
60426	Employee Pension + Ben	-		-	-	-
61523	Purchase Power	733,878	U	-	64,484	798,361
61623	Fuel for Power Purch	-		-	-	-
62023	Material + Supplies	-		-	-	-
62026	Material + Supplies	-		-	-	-
63123	Contractual Services - Engineer	-		-	-	-
63126	Contractual Services - Engineer	-		-	-	-
63523	Contractual Services - Other	4,809	I	112	-	4,921
63526	Contractual Services - Other	-		-	-	-
64223	Rental of Equipment	-		-	-	-
64226	Rental of Equipment	-		-	-	-
65023	Transportation Exp.	-		-	-	-
67523	Misc. Expenses	-		-	-	-
67526	Misc. Expenses	-		-	-	-
	Total Pumping Expenses	\$ 738,687		\$ 112	\$ 64,484	\$ 803,282
Water Treatment Expenses						
60130	Salaries + Wages - Emp	\$ 1,996,312	A	\$ 112,309	\$ -	\$ 2,108,621
60140	Salaries + Wages - Emp	410,287	A	23,082	-	433,369
60430	Employee Pension + Ben	1,022,390	B	254,378	-	1,276,768
60440	Employee Pension + Ben	241,904	B	60,187	-	302,091
61530	Purchase Power	218,782	U	-	9,536	228,318
61630	Fuel for Power Purch	195,348	I	4,542	-	199,889
61830	Chemicals	-		-	-	-
62030	Material + Supplies	164,221	I	3,818	-	168,039
62040	Material + Supplies	70,674	I	1,643	-	72,317
63130	Contractual Services - Engineer	-		-	-	-
63240	Contract Services - Acctg	-		-	-	-
63430	Contractual Services - Mgt. Fees	-		-	-	-
63530	Contractual Services - Other	135,629	I	3,153	-	138,782
63540	Contractual Services - Other	116,434	I	2,707	-	119,141
64140	Rental Bldg/Real Prop	-		-	-	-
64230	Rental of Equipment	-		-	-	-

Schedule NEP-1
Raw Revenue Requirements

Raw Revenue Requirements
Rate Year Ending December 31, 2017

ACCOUNT	TITLE	Adjusted Test Year	Note	Rate Year Adjustments	Additional Adjustments	Proforma Rate Year
64240	Rental of Equipment	-		-	-	-
65030	Transportation Exp.	3,877	I	90	-	3,968
65640	Insurance Vehicle	-		-	-	-
65830	Insurance - W/C	-		-	-	-
65840	Insurance - W/C	-		-	-	-
66730	Regulatory Com Exp. -Other	-		-	-	-
67530	Misc. Expenses	150,943	I	3,509	-	154,452
67540	Misc. Expenses	-		-	-	-
	Total Treatment Expense	\$ 4,726,800		\$ 469,419	\$ 9,536	\$ 5,205,755
Transmission + Dist. Expense:						
60150	Salaries + Wages - Emp	\$ 779,963	A	\$ 43,879		\$ 823,842
60160	Salaries + Wages - Emp	3,032,542	A	385,073		3,417,615
60250	Payroll Clearing -Emp	-		-	-	-
60260	Payroll Clearing -Emp	-		-	-	-
60450	Employee Pension + Ben	386,588	B	96,186		482,773
60460	Employee Pension + Ben	1,689,240	B	420,295		2,109,535
60550	Overhead Rate Applied	-		-	-	-
60560	Overhead Rate Applied	-		-	-	-
61550	Purchase Power	-		-	-	-
62050	Material + Supplies	-		-	-	-
62060	Material + Supplies	318,956	I	7,416	-	326,372
62560	Inventory Clearing	-		-	-	-
63150	Contractual Services - Engineer	49,905	I	1,160		51,065
63350	Contractual Services - Legal T&DI	-		-	-	-
63460	Contractual Services - Mgt. Fees	-		-	-	-
63550	Contractual Services - Other	-		-	-	-
63560	Contractual Services - Other	780,560	I,ES	18,148	80,682	879,390
64150	Rental Buildg/Real Prop	-		-	-	-
64160	Rental Buildg/Real Prop	-		-	-	-
64250	Rental of Equipment	-		-	-	-
64260	Rental of Equipment	-		-	-	-
65050	Transportation Exp. T&D	1,700	I	40	-	1,740
65850	Insurance W/C	-		-	-	-
65860	Insurance W/C	-		-	-	-
65950	Insurance Other	-		-	-	-
66750	Regulatory Com Exp - Other T & I	-		-	-	-
66760	Regulatory Com Exp - Other T & I	-		-	-	-
67550	Misc. Expenses	-		-	-	-
67560	Misc. Expenses	2,506	I	58	-	2,565
	Total Transmission & Distribution	\$ 7,041,961		\$ 972,255	\$ 80,682	\$ 8,094,898
Customer Accounts Expense:						
60170	Salaries + Wages - Emp	\$ 1,882,821	A	\$ 152,620		\$ 2,035,442
60270	Payroll Clearing -Emp	-		-	-	-
60470	Employee Pension + Ben	1,245,246	B	309,826		1,555,071
60570	Overhead Rate Applied	-		-	-	-
61670	Fuel for Power Purch	-		-	-	-
62070	Material + Supplies	8,867	I	206	-	9,073
63370	Contractual Services - Legal	-		-	-	-
63570	Contractual Services - Other	-		-	-	-
65070	Transportation Exp. -CAO	-		-	-	-
65870	Insurance - Other	-		-	-	-
65970	Insurance Other	-		-	-	-
67070	Bad Debt Expense - CAO	(315,600)	I	(7,338)	-	(322,938)
67570	Misc. Expenses	489,471	I,ES	11,380	38,844	539,695
	Total Customer Accounts	\$ 3,310,805		\$ 466,694	\$ 38,844	\$ 3,816,343
	Check	-				
Administrative and General						
60180	Salaries + Wages - Emp	\$ 5,307,723	A	\$ 536,438		\$ 5,844,161

Schedule NEP-1
Raw Revenue Requirements

Raw Revenue Requirements
Rate Year Ending December 31, 2017

ACCOUNT	TITLE	Adjusted Test Year	Note	Rate Year Adjustments	Additional Adjustments	Proforma Rate Year
60280	Payroll Clearing -Emp	-		-	-	-
60380	Salaries + wages - Officers, Dir.	-		-	-	-
60480	Employee Pension + Ben	3,402,839	B	846,650	-	4,249,488
60580	Overhead Rate Applied	-		-	-	-
61580	Purchase Power	107,559		-	331,228	438,787
61680	Fuel for Power Purch	-		-	-	-
62080	Material + Supplies	484,293	I,U	11,260	25,598	521,150
63180	Contractual Services - Engineer	-		-	-	-
63280	Contract Services - Acctg	-		-	-	-
63380	Contractual Services - Legal	75,072	I	1,745	-	76,818
63480	Contractual Services - Mgt. Fees	-		-	-	-
63580	Contractual Services - Other	1,308,938	I,U,LS	30,433	400,100	1,739,470
64180	Rental Bldg/Real Prop	-		-	-	-
64280	Rental of Equipment	-		-	-	-
65080	Transportation Exp.	4,642	I	108	-	4,750
65780	Ins. Gen. Liability	-		-	-	-
65880	Insurance - W/C	-		-	-	-
65980	Insurance Other	-		-	-	-
66080	Advertising Expense	-		-	-	-
66680	Reg Com Exp - Amort of Rate Cat	-		-	-	-
66780	Regulatory Com Exp. -Other	358,983	R	92,307	-	451,290
67580	Misc. Expenses	242,533	I,U	5,495	209,797	457,825
Total Administration + General		\$ 11,292,580		\$ 1,524,436	\$ 966,724	\$ 13,783,739
Total Operation & Maintenance		\$ 28,802,337		\$ 3,791,278	\$ 1,160,269	\$ 33,753,884
Source of Supply		\$ 1,691,504		\$ 358,362	\$ -	\$ 2,049,867
Pumping		738,687		112	64,484	803,282
Treatment		4,726,800		469,419	9,536	5,205,755
Transmission & Distrib.		7,041,961		972,255	80,682	8,094,898
Customer Accounts		3,310,805		466,694	38,844	3,816,343
Administration & General		11,292,580		1,524,436	966,724	13,783,739
Total Operation & Maintenance		\$ 28,802,337		\$ 3,791,278	\$ 1,160,269	\$ 33,753,884
Full O&M		\$ 28,802,337		\$ 3,791,278	\$ 1,160,269	\$ 33,753,884
857 Insurance Fund						
65840	Insurance W/C - WTM	\$ -	P	\$ -	\$ -	\$ -
65870	Insurance W/C - CAO	-	P	-	-	-
62080	Materials + Supplies - A&GO	4,418	P	103	-	4,521
63180	Contractual Services-Engineer	-	P	-	-	-
63380	Contract Services - Legal A&GO	-	P	-	-	-
63580	Contract Services - Other A&GO	-	P	-	-	-
	Injuries and Damages	117,059	P	2,721	-	119,780
65780	Ins. Gen. Liability	842,661	P	-	-	842,661
65980	Insurance-Other A&GO	247,136	P	78,186	-	325,322
65880	Insurance - W/C	591,015	P	554,198	-	1,145,213
67580	Misc. Expense	34,928	P	812	-	35,740
	Funding Adjustment	-		-	-	-
Total Insurance Fund		\$ 1,837,216		\$ 636,021	\$ -	\$ 2,473,237

Schedule NEP-1
Raw Revenue Requirements

Raw Revenue Requirements
Rate Year Ending December 31, 2017

ACCOUNT	TITLE	Adjusted Test Year	Note	Rate Year Adjustments	Additional Adjustments	Proforma Rate Year
878 Chemical and Sludge Maintenance Fund						
61830	Chemicals - WTO	\$ 1,891,533	C	\$ (59,173)	\$ -	\$ 1,832,359
62030	Materials + Supplies WTO	-		-	-	-
62050	Materials + Supplies T&DO	-		-	-	-
63540	Contract Services - Other WTM	1,608,918	C	-	-	1,608,918
	Funding Adjustment				(441,278)	(441,278)
Total Chemical and Sludge Maintenance Fund		\$ 3,500,451		\$ (59,173)	\$ (441,278)	\$ 3,000,000
Total O&M		\$ 34,140,004		\$ 4,368,125	\$ 718,991	\$ 39,227,121
Property Taxes- Other Local Govern.						
40820	Town of North Providence	\$ 295,574	T	\$ 18,503	\$ -	\$ 314,077
40821	Town of Glocester	57,532	T	3,601	-	61,133
40822	Town of West. Glocester	3,708	T	232	-	3,940
40823	Town Harmony	170	T	11	-	181
40824	Town Chepachet	134	T	8	-	143
40825	Town Scituate	5,654,737	T	353,987	-	6,008,724
40827	Town of Johnston	94,907	T	5,941	-	100,848
40828	Town of Foster	317,863	T	19,898	-	337,761
40829	City of Cranston	112,320	T	7,031	-	119,351
40830	City of West. Warwick	3,784	T	237	-	4,021
40831	Town of Smithfield	-	T	7,005	-	7,005
Total Property Taxes		\$ 6,540,728		\$ 416,455		\$ 6,957,183
<u>Other Expenditures</u>						
	City Services	\$ 839,167	C	118,233	\$ -	\$ 957,400
	Total Property Taxes	6,540,728		416,455	-	6,957,183
	Payment in lieu of Taxes (PILOT)	-	P	326,000	-	326,000
	Capital Reimbursement	(2,143,087)		-	-	(2,143,087)
Total Other Expenditures		\$ 5,236,808		\$ 860,688	\$ -	\$ 6,097,496
<u>Restricted Expenditures</u>						
	Capital Fund	\$ 2,127,000		\$ 9,087,814		\$ 2,127,000
	Western Cranston Fund	62,069			-	62,069
	IFR Replacement Fund	24,000,000	R	3,600,000	-	27,600,000
	AMR/Meter Replacement Fund	1,000,000		(500,000)	-	500,000
	Equip/Vehicle Replacement Fund	600,000		-	-	600,000
	Revenue Reserve Fund	335,611			40,010	375,621
Total Restricted Expenditures		\$ 28,124,680		\$ 3,100,000	\$ 40,010	\$ 31,264,690
Total Other & Rest. Expenditures		\$ 33,361,488		\$ 3,960,688	\$ 40,010	\$ 37,362,186
Grand Total		\$ 67,501,492		\$ 8,328,813	\$ 759,001	\$ 76,589,306

Explanation of Notes:

A	See Schedule NEP-2A	Detail Payroll Expense
B	See Schedule NEP-3 & A	Pension and Other Benefits
C	City Service Expense	See Testimony of Nancy Parrillo
ES	East Smithfield Acquisition	See Testimony of Gregg Giasson and Nancy Parrillo
I	Inflation Factor of 2.33%	See Testimony of Nancy Parrillo
LS	Lead Service Program	See Testimony of Ricky Caruolo
P	Pilot	See Testimony of Ricky Caruolo
R	See Schedule NEP-12	See Testimony of Gregg Giasson and Nancy Parrillo
S	See Schedule NEP-9	Regulatory Expense
T	See Schedule NEP-4	Property Tax Analysis
U	See Schedule NEP-8	Utilities & Maintenance Expense

Schedule NEP-2
Payroll Expense Adjustment

PROVIDENCE WATER
Salaries & Wages

Total FY 2015 Salaries	\$	14,713,727
Less: Wages for Engineers Paid Directly from IFR		<u>(357,294)</u>
Actual Payroll Expense FY 2015	\$	14,356,433
Plus: Normalizing Adjustments(Workers Compensation)		<u>131,968</u>
Adjusted Test Year	\$	14,488,400
Pro-Forma Adjustments		
Plus: Step Increases	\$	262,858
Plus: Promotions		41,843
Plus: 14 New Employees		<u>643,020</u>
Sub-Total Step Increases/New Positions	\$	947,721
Adjusted FY 2017 Salaries	\$	15,436,121
Contractual Increase *		<u>x 1.034</u>
Adjusted FY 2017 Salaries with Contract Raise	\$	15,960,949
Adjusted Test Year	\$	<u>14,488,400</u>
Pro-Forma Adjustment	\$	<u>1,472,549</u>

***Source: Union Contract Article VI, Section 1. Effective 7/1/15-6/30/18**
- 2% Increase on July 1, 2016 and 2.75% on July 1, 2017

Schedule NEP-2A
Detail Payroll Expense

PROVIDENCE WATER SUPPLY BOARD
Detail Payroll Expense

ACCOUNT DESCRIPTION	Test Year	Normalize Test Year	Adjusted Test Year	New Positions/ Upgrades	Contractual Inc. 3.4%	Pro-Forma Adjustment
SOURCE OF SUPPLY						
60110 Salaries & Wages - Emp	\$ 537,815	\$ 4,942	\$ 542,557	\$ 171,838	\$ 738,684	\$ 196,128
60120 Salaries & Wages - Emp	409,189	3,781	412,931	8,684	435,950	23,019
60220 Payroll Clearing						
TOTAL SOURCE OF SUPPLY	\$ 946,784	\$ 8,703	\$ 955,487	\$ 180,523	\$ 435,950	\$ 219,147
PUMPING						
60123 Salaries & Wages - Emp	-	-	-	-	-	-
60126 Salaries & Wages - Emp	-	-	-	-	-	-
TOTAL PUMPING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
WATER TREATMENT						
60130 Salaries & Wages - Emp	\$ 1,996,312	\$ 18,351	\$ 2,014,663	\$ 42,370	\$ 2,126,972	\$ 112,309
60140 Salaries & Wages - Emp	410,287	3,771	414,058	\$8,708	437,140	23,082
TOTAL WATER TREATMENT	\$ 2,406,599	\$ 22,122	\$ 2,428,721	\$ 51,078	\$ 2,564,112	\$ 135,391
TRANSMISSION & DISTRIBUTION						
60150 Salaries & Wages - Emp	\$ 779,963	\$ 7,170	\$ 787,133	\$ 16,554	\$ 831,012	\$ 43,879
60160 Salaries & Wages - Emp	3,032,542	27,876	3,060,418	271,779	3,445,491	385,073
60250 Payroll Clearing	-	-	-	-	-	-
60260 Payroll Clearing	-	-	-	-	-	-
TOTAL TRANSMISSION & DISTRIBUTION	\$ 3,812,505	\$ 35,045	\$ 3,847,551	\$ 288,333	\$ 4,276,503	\$ 428,953
CUSTOMER ACCOUNT EXPENSE						
60170 Salaries & Wages - Emp	\$ 1,882,821	\$ 17,307	\$ 1,900,129	\$ 85,122	\$ 2,052,749	\$ 152,620
60270 Payroll Clearing	-	-	-	-	-	-
TOTAL CUSTOMER ACCTS EXPENSE	\$ 1,882,821	\$ 17,307	\$ 1,900,129	\$ 85,122	\$ 2,052,749	\$ 152,620
ADMINISTRATION						
60180 Salaries & Wages - Emp	\$ 5,307,723	\$ 48,790	\$ 5,356,513	\$ 342,666	\$ 5,892,951	\$ 536,438
60280 Payroll Clearing	-	-	-	-	-	-
60380 Sal & Wages - Officers, Dir	-	-	-	-	-	-
TOTAL ADMINISTRATION EXPENSE	\$ 5,307,723	\$ 48,790	\$ 5,356,513	\$ 342,666	\$ 5,892,951	\$ 536,438
O/M LABOR SUMMARY						
SOURCE OF SUPPLY	\$ 946,784	\$ 8,703	\$ 955,487	\$ 180,523	\$ 435,950	\$ 219,147
PUMPING	-	-	-	-	-	-
WATER TREATMENT	2,406,599	22,122	2,428,721	51,078	2,564,112	135,391
TRANSMISSION & DISTRIBUTION	3,812,505	35,045	3,847,551	288,333	4,276,503	428,953
CUSTOMER ACCOUNTS	1,882,821	17,307	1,900,129	85,122	2,052,749	152,620
ADMINISTRATION	\$ 5,307,723	\$ 48,790	\$ 5,356,513	\$ 342,666	\$ 5,892,951	\$ 536,438
TOTAL	\$ 14,356,432	\$ 131,968	\$ 14,488,400	\$ 947,721	\$ 15,222,264	\$ 1,472,549
RECAP:						
Test Year						\$ 14,356,432
Normalizing Adjustments						\$ 131,968
Adjusted Test Year						\$ 14,488,400
New Positions/Contractual Increases						\$ 1,472,549
Pro-forma CY 2017						\$ 15,960,949

2% Increase on July 1, 2013 Per Union Contract
2.75% Increase on July 1, 2017 Per Union Contract

Schedule NEP-3
Pension and Other Benefits

PROVIDENCE WATER
Pension and Other Benefits

FRINGE BENEFIT	Notes	Test Year FY 2015	Adjustment	Pro-Forma Amount	% Increase	Reference
1033 Union Combined Benefits	1	\$ 629,359	\$ 15,734	\$ 645,093	2.50%	Per Union Contract
Union Pension	2	547,455	151,098	698,553	27.60%	Per Union Contract
Educational Classes/Certification	3	3,130	73	3,203	2.33%	Adjusted By Inflation
FICA	4	1,063,617	157,396	1,221,013	14.80%	See Note 4
State Unemployment Compensation	5	4,137	141	4,278	3.40%	Salary Increase Used
Healthcare EE Cash Payment	6	1,500	16,500	18,000		See Note 5
1/2% Wage Assignment	5	44,478	1,512	45,990	3.40%	Salary Increase Used
Blue Cross	7	2,346,090	273,544	2,619,634	11.66%	See Note
Delta Dental	7	255,596	11,502	267,098	4.50%	See Note
OPEB Retiree Health Benefits	8	507,069	79,766	586,835	15.73%	OPEB Report (Est.)
City Retirement	8	3,126,221	1,068,903	4,195,124	34.19%	Segal Report (Est.)
Benefits for New Positions	9	-	345,819	345,819		
Total		\$ 8,528,652	\$ 2,121,987	\$ 10,650,639		
Test Year				\$ 8,528,652		
Pro-Forma Adjustment				\$ 2,121,987		

Notes:

- 1 Union Benefits, Per Union Contract
- 2 Union Pension, Per Union Contract
- 3 Inflation Adjustment
- 4 Pro-Forma Salary x FICA Rate of 7.65%
- 5 Compounded Salary Increase, Per Union Contract
- 6 CITY Did not charge PW for 11 Employees
- 7 Average increase over last two fiscal years
- 8 Average increase over last two fiscal years
- 9 See Nancy Parrillo- Supplemental Schedules

2.50%
27.60%
2.33%
3.40%

PROVIDENCE WATER
Fringe Allocation to Naruc Accounts

Naruc Account	Test Year FY 2015	Allocation	Pro-forma Adjustment
60410	\$ 280,764	3.29%	\$ 69,856
60420	259,680	3.04%	64,610
60423	-	0.00%	-
60426	-	0.00%	-
60430	1,022,390	11.99%	254,378
60440	241,904	2.84%	60,187
60450	386,588	4.53%	96,186
60460	1,689,240	19.81%	420,295
60470	1,245,246	14.60%	309,826
60480	3,402,839	39.90%	846,650
	<u>\$ 8,528,650</u>	<u>100.00%</u>	<u>\$ 2,121,987</u>

The above allocations represent the Fringe Benefit increase to the various Cost Centers for the purpose of Cost Allocation and Rate Design.

PROVIDENCE WATER
Analysis of Property Taxes

<u>Municipality</u>	<u>FYE 6/30/2015</u> <u>Test Year</u>	<u>Adjustments</u>	<u>Pro-forma</u> <u>Amount *</u>
North Providence	\$ 295,574	18,503	\$ 314,077
Glocester	57,532	3,601	61,133
West Glocester Fire	3,708	232	3,940
Harmony Fire District	170	11	181
Chepachet Fire District	134	8	143
Scituate	5,654,737	353,987	6,008,724
Johnston	94,907	5,941	100,848
Foster	317,863	19,898	337,761
Cranston	112,320	7,031	119,351
West Warwick	3,784	237	4,021
Smithfield	-	7,005	7,005
Total Expense	\$ 6,540,728	416,455	\$ 6,957,183
Test Year			\$ 6,540,728
Pro-Forma Adjustment			\$ 416,455

Note:

Property taxes were increased for 3% percent per year for 2.5 years or 6.26% over 2.5 years
This 3% is based on in actual increases in tax bills over the last 3 years.
The 6.2% does not include any adjustment for Smithfield as this is new with no history.

The taxes due to Foster, Glocester, and Scituate are based on negotiated tax agreements where the tax rate changes but not the valuation of the property.

Smithfield has been included to cover properties located in Smithfield associated with the East Smithfield Water District being acquired by Providence Water by 2017.

Schedule NEP-4A
Property Tax Detail

PROVIDENCE WATER
COMPARATIVE SCHEDULE OF PROPERTY TAXES

Municipality	FISCAL YEAR 2013	FISCAL YEAR 2014	FISCAL YEAR 2015	FISCAL YEAR 2016
North Providence	\$ 266,581	\$ 268,174	\$ 295,574	\$ 297,224
Glocester	53,537	55,679	57,532	60,222
West Glocester Fire	3,708	3,708	3,708	3,708
Harmony Fire District	164	164	170	175
Chepachet Fire District	133	133	134	139
Scituate	5,087,357	5,566,124	5,654,737	5,706,534
Johnston	84,517	94,919	94,907	95,699
Foster	306,694	307,901	317,863	271,567
Cranston	118,597	112,596	112,320	116,861
West Warwick	3,761	3,682	3,784	3,865
Smithfield	-	-	-	-
Total	\$ 5,925,049	\$ 6,413,080	\$ 6,540,728	\$ 6,555,994

PROVIDENCE WATER
Payment In Lieu of Taxes (PILOT)

<u>Municipality</u>	<u>FYE 6/30/2015</u> <u>Test Year</u>	<u>Adjustments</u>	<u>Pro-forma</u> <u>Amount *</u>
Providence	\$ -	\$ 326,000	\$ 326,000
Total Expense	\$ -	\$ 326,000	\$ 326,000
Test Year			\$ -
Total Adjustment			\$ 326,000

Note:
See Testimony of Ricky Caruolo for explanation of adjustment.

PROVIDENCE WATER
Analysis of Insurance

	Test Year	Adjustments	Note	Pro-Forma Amount *
Worker's Compensation	\$ 591,015	\$ 554,198	1,4	\$ 1,145,213
Injuries and Damages	117,059	2,721	2	119,780
Property and Casualty	1,089,797	78,186	1,3	1,167,983
Program Expense	34,928	812	1	35,740
Safety Supplies & Other	4,418	103	2	4,521
Total Expenses	\$ 1,837,216	\$ 636,021		\$ 2,473,237
Test Year Funding				\$ 1,802,547
Pro-Forma Adjustment				\$ 670,690

Note:

1. Inflation Adjustment Based on 3 year average for the period of January 2013 through December 2015 of 0.93% multiplied by 2.5 which is the period from the end of the test year (June 2015) through the end of the rate year (December 2017).
2. Adjustments The adjustments for Injuries and Damages, Program Expense, and Safety Supplies % other are based solely on the Inflation Adjustment.
3. Property & Casualty The adjustment for the Property & Casualty expense is based on the Inflation adjustment 2.325% plus an additional \$30,000 for additional premium for the new Central Operating Facility plus \$22,849 on the vehicles and property for East Smithfield Water District.
4. Workers' Comp This adjustment is a combination of increased premium due to an increase in the Providence Water experience modification number that drives the premium. The experience modification number is expected to jump considerably due to the significant increase in the number of claims and the expected magnitude of the claims expense. The anticipated claims expense is calculated by the actuaries at The Hartford-the company that holds Providence Water Workers' Comp policy. The estimated premium based on this is \$425,000 plus the estimated claims amount of \$720,213.

PROVIDENCE WATER
Chemical & Sludge Maintenance Expense

	FY 2015 Test Year	Rate Year Adjustments	Pro-Forma Amount
Chemicals:			
Ferric Sulfate	\$ 1,142,492	\$ (205,137)	\$ 937,355
Quicklime	469,479	(54,203)	415,276
Chlorine	138,704	(13,454)	125,250
Flouride	140,857	(21,999)	118,858
Ortho-phosphate	-	210,000	210,000
DeChlor	-	25,620	25,620
Sub-total Chemicals	\$ 1,891,532	\$ (59,173)	\$ 1,832,359
Sludge Maintenance	\$ 1,608,918		\$ 1,608,918
Total Expenses	\$ 3,500,450		\$ 3,441,277
Test Year			\$ 3,500,450
Current Funding			\$ 4,500,000
Pro-Forma Adjustment			\$ (1,500,000)
Pro-Forma Chemical & Sludge Funding *			\$ 3,000,000

* Note: Funding for the Chemical Account is supplemented by the Restricted Account Carryforward. See schedule NEP 12-G.

PROVIDENCE WATER
Adjustment to Chemical Expense
to Reflect Estimated Quantities and Prices

Chemical		Quantity Used FY 2014	Quantity Used FY 2015	Quantity Projected CY 2017	Unit Price	Cost Projected CY 2017	Test Year Expense
Ferric Sulfate	Gallons	742,731	816,618	674,356	\$ 1.39	\$ 937,355	\$ 1,142,492
Quicklime	Tons	1,985	2,121	1,908	\$ 217.65	\$ 415,276	\$ 469,479
Chlorine	Tons	193	170	167	\$ 750.00	\$ 125,250	\$ 138,704
Flouride	Gallons	48,998	55,311	54,522	\$ 2.18	\$ 118,858	\$ 140,857
Ortho-phosphate	Pounds	-	-	280,000	\$ 0.75	\$ 210,000	\$ -
DeChlor	Pounds	-	-	7,000	\$ 3.66	\$ 25,620	\$ -
		793,907	874,220	1,017,953		\$ 1,832,359	\$ 1,891,532
Total Projected Costs						\$ 1,832,359	

Prices		FY 2014	FY 2015	FY 2016	CY 2017
* Ferric Sulfate (gallons)	\$	1.38	\$ 1.37	\$ 1.33	\$1.39
** Lime (tons)	\$	214.16	\$ 214.16	\$ 214.16	\$217.65
* Chlorine (tons)	\$	800.00	\$ 800.00	\$ 750.00	\$750.00
* Flouride liquid (gallons)	\$	2.52	\$ 2.608	\$ 2.18	\$2.18
*** Ortho-phosphate					\$0.75
*** DeChlor					\$3.66
* Bids effective through 6/30/18					
** Current bid ends 6/30/16					
*** Based on Quotes from Vendors					

PROVIDENCE WATER

Utilities & Maintenance Expense

	FY 2015 Test Year	Rate Year Adjustments	Pro-Forma Amount
Utilities			
61523 Electric/Gas - Pumping	\$ 734,306	\$ 64,484	\$ 798,790
61530 Electric/Gas - Treatment	218,782	9,536	228,318
61580 Electric/Gas - Admin	107,559	331,228	438,787
67580 Sewer	6,172	7,304	13,476
67580 Telephone/Internet	238,470	162,493	400,963
Sub-Total Utilities	\$ 1,305,288	\$ 575,046	\$ 1,880,334
Maintenance			
63580 Contractual Services	\$48,666	\$150,100	\$198,766
62080 Materials & Supplies	33,212	25,598	58,810
Sub-Total Other/Maintenance	\$ 81,878	\$ 175,698	\$ 257,576
Pro-Forma Amount			\$ 2,137,910
Test Year			\$ 1,387,166
Pro-Forma Adjustment			\$ 750,744

Schedule NEP-9
Regulatory & Rate Case Exp.

PROVIDENCE WATER
Regulatory and Rate Case Expense

	Test Year 2015	Pro-Forma 2017
Regulatory Commission Expense:		
Rate Case	\$ 33,280	\$ -
New Headquarters	33,451	-
Miscellaneous Legal Matters	5,154	5,274
Miscellaneous PUC Matters	18,223	18,647
Proportionate Share PUC Expenses	268,875	275,140
Sub-total	\$ 358,983	\$ 299,062
<u>This Filing:</u>		
Full Rate Filing Consultant		\$ 81,760
Legal		70,000
Division of Public Utilities estimated		30,000
Marcum Audit- Plant Accounts		25,000
Dk 4571:		
Recovery of Costs		97,696
Sub-Total		\$ 304,456
Two year Amortization		\$ 152,228
Pro-Forma Expenses		\$ 451,290
Test Year		\$ 358,983
Pro-Forma Adjustment		\$ 92,307

Schedule NEP-10
Operating & Revenue Reserves

Providence Water
Calculation of Operating Reserve and Revenue Reserve
Rate Year Ending December 31, 2017

	Total
Net Operations and Maintenance Expense	\$ 37,084,034
Capital Expense	30,889,069
City Services Expense	957,400
Property Taxes Expense	6,957,183
Pilot	326,000
Total Expenses Allocated	\$ 76,213,685
Less: Miscellaneous Revenues	(1,089,482)
Net Amount for Calculation of Revenues	\$ 75,124,203
.05% Revenue Reserve	\$ 375,621
1.5% Operating Reserve	1,126,863
	\$ 1,502,484
This Docket	\$ 375,621
Current Restricted Funding Level	335,611
Pro-Forma Adjustment to Restricted Fund	\$ 40,010

Schedule NEP-11
Restricted Fund Adjustments

PROVIDENCE WATER
Debt Service / Capital Funding Requirements

	<u>Test Year</u> <u>FYE 2015</u>	<u>Test Year</u> <u>Adjustments</u>	<u>Adjusted</u> <u>TY 2015</u>	<u>Pro-Forma</u> <u>Adjustments</u>	<u>Pro-Forma Amount</u> <u>CY 2017</u>
Capital Fund	\$ 50,000	\$ 2,077,000	\$ 2,127,000		\$ 2,127,000
Western Cranston Fund	62,069	-	62,069	-	62,069
IFR Replacement Fund	24,000,000	-	24,000,000	3,600,000	27,600,000
AMR/Meter Replacement Fund	1,000,000	-	1,000,000	(500,000)	500,000
Equip/Vehicle Replacement Fund	600,000	-	600,000	-	600,000
Sub-total Capital Funds	\$ 25,712,069	\$ 2,077,000	\$ 27,789,069	\$ 3,100,000	\$ 30,889,069
Insurance Fund	\$ 1,802,547	\$ -	\$ 1,802,547	\$ 670,690	\$ 2,473,237
Chemicals/Sludge Maint. Fund	4,500,000	-	4,500,000	(1,500,000)	3,000,000
Property Tax Refund Fund	-	-	-	-	-
Revenue Reserve Fund	325,226	10,385	335,611	40,010	375,621
Sub-total Operational Funds	\$ 6,627,773	\$ 10,385	\$ 6,638,158	\$ (789,300)	\$ 5,848,858
Total Restricted Funds	\$ 32,339,842	\$ 2,087,385	\$ 34,427,227	\$ 2,310,700	\$ 36,737,927
Adjusted Test Year					\$ 34,427,227
Pro-Forma Year					\$ 36,737,927
Pro-Forma Adjustment					\$ 2,310,700

Providence Water
Restricted Account Sources and Uses of Funds
Projected FY 2016 - FY 2019

Schedule NEP-12A
Capital Fund

Source of Funds	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
D4571 (effective 9/1/2015)	\$ 1,780,833	\$ 2,127,000	\$ 2,127,000	\$ 2,127,000
Adjustments to funding from new docket effective 1/1/17	-	-	-	-
Bond CWFA 2015	13,135,155	14,543,560	-	-
Repayment from Chemical Fund	600,000	-	-	-
Carryover funds from prior year estimated	8,220,349	8,594,032	4,070,561	1,076,781
Total Sources	\$ 23,736,338	\$ 25,264,592	\$ 6,197,561	\$ 3,203,781
Less obligated uses of funds:				
RICWFA Debt (2015)	72,151	500,471	1,945,780	1,948,871
Sub-total Debt Service	\$ 72,151	\$ 500,471	\$ 1,945,780	\$ 1,948,871
125 Dupont Drive	13,135,155	14,543,560	-	-
Cash Funded Projects*	1,935,000	6,150,000	3,175,000	275,000
Total Uses	\$ 15,142,306	\$ 21,194,031	\$ 5,120,780	\$ 2,223,871
 End of Year Balance	 \$ 8,594,032	 \$ 4,070,561	 \$ 1,076,781	 \$ 979,910

See SS NEP-12A-1

Providence Water
Restricted Account Sources and Uses of Funds
Projected FY 2016 - FY 2019

Schedule NEP-12B
Western Cranston Fund

Source of Funds	FY 2016	FY 2017	FY 2018	FY 2019
D4571 (effective 9/1/2015)	\$ 62,069	\$ 62,069	\$ 62,069	\$ 62,069
Impact Fees estimated	15,819	15,819	15,819	15,819
Carryover funds from prior year estimated	<u>1,033,513</u>	<u>708,938</u>	<u>615,991</u>	<u>523,132</u>
Total Sources	\$ 1,111,402	\$ 786,827	\$ 693,879	\$ 601,021
 Less obligated uses of funds				
RICWFA 2002B (P)	141,276	146,180	151,253	156,503
RICWFA 2002 (Pippin Main & WilburPS) (I)	<u>29,645</u>	<u>24,656</u>	<u>19,494</u>	<u>14,153</u>
Sub-total Debt Service	\$ 170,920	\$ 170,835	\$ 170,747	\$ 170,656
 Cash Funded Projects	231,543	-	-	-
Total Uses	\$ 402,463	\$ 170,835	\$ 170,747	\$ 170,656
 End of Year Balance	\$ 708,938	\$ 615,991	\$ 523,132	\$ 430,364

Providence Water
Restricted Account Sources and Uses of Funds
Projected FY 2016 - FY 2019

Schedule NEP-12C
IFR Replacement Fund

Source of Funds	FY 2016	FY 2017	FY 2018	FY 2019
D4571 (effective 9/1/2015)	24,000,000	24,000,000	24,000,000	24,000,000
Adjustments to funding from new docket effective 1/1/17	-	1,800,000	3,600,000	3,600,000
New Bond 2017 Est	-	7,000,000	8,000,000	-
Carryover funds from prior year estimated	<u>\$ 13,197,215</u>	<u>(\$1,911,287)</u>	<u>\$1,524,362</u>	<u>\$5,111,082</u>
Total Sources	\$ 37,197,215	\$ 30,888,713	\$ 37,124,362	\$ 32,711,082
Less obligated uses of funds:				
RICWFA (Arra) \$9.3M (P&I)	492,685	492,389	492,075	491,081
RICWFA \$35M 2008 (P&I)	2,449,058	2,447,674	2,445,458	2,444,232
RICWFA \$25M 2013 (P&I)	1,523,232	1,547,944	1,547,210	1,545,394
RICWFA \$8M 2014 (P&I)	479,240	502,397	502,090	501,911
East Smithfield RICWFA 2013 (P&I)	-	40,222	39,661	40,065
East Smithfield RICWFA 2008 (P&I)	-	14,725	14,375	14,025
Est. New Debt Service	-	-	1,326,511	1,326,511
Sub-total Debt Service	<u>\$ 4,944,215</u>	<u>\$ 5,045,351</u>	<u>\$ 6,367,380</u>	<u>\$ 6,363,219</u>
Cash Funded Projects **	\$ 34,164,287	\$ 24,319,000	\$ 25,645,900	\$ 25,597,658
Total Uses	\$ 39,108,502	\$ 29,364,351	\$ 32,013,280	\$ 31,960,877
End of Year Balance	\$ (1,911,287)	\$ 1,524,362	\$ 5,111,082	\$ 750,205

**Providence Water
Restricted Account Sources and Uses of Funds
Projected FY 2016 - FY 2019**

**Schedule NEP-12D
AMR/Meter Replacement Fund**

Source of Funds	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
D4571 (effective 9/1/2015)	1,000,000	1,000,000	1,000,000	1,000,000
Adjustments to funding from new docket effective 1/1/17	-	(250,000)	(500,000)	(500,000)
Carryover funds from prior year estimated	3,355,365	3,100,453	2,591,258	1,832,065
Total Sources	\$ 4,355,365	\$ 3,850,453	\$ 3,091,258	\$ 2,332,065
 Less obligated uses of funds				
East Smithfield RICWFA (Arra) \$400,000	\$ -	27,463	27,461	27,427
Meter Replacement, Test & Repair	1,254,911	1,231,732	1,231,732	1,231,732
Total Uses	\$ 1,254,911	\$ 1,259,195	\$ 1,259,193	\$ 1,259,159
 End of Year Balance	\$ 3,100,453	\$ 2,591,258	\$ 1,832,065	\$ 1,072,906

**Providence Water
Restricted Account Sources and Uses of Funds
Projected FY 2016 - FY 2019**

**Schedule NEP-12E
Equip/Vehicle Replacement Fund**

Source of Funds	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
D4571 (effective 9/1/2015)	600,000	600,000	600,000	600,000
Adjustments to funding from new docket effective 1/1/17	-	-	-	-
Carryover funds from prior year estimated	1,751,595	1,088,871	488,189	255,389
Total Sources	2,351,595	1,688,871	1,088,189	855,389
Less obligated uses of funds				
Vehicle and Equipment purchases	962,372	886,682	707,800	515,000
Computer Equipment purchases	100,000	100,000	100,000	100,000
Office Furniture purchases	25,000	25,000	25,000	25,000
Security Equipment	148,500	189,000	-	64,000
Shop & Plant Equipment	26,852	-	-	-
Total Uses	1,262,724	1,200,682	832,800	704,000
End of Year Balance	\$ 1,088,871	\$ 488,189	\$ 255,389	\$ 151,389

**Providence Water
Restricted Account Sources and Uses of Funds
Projected FY 2016 - FY 2019**

**Schedule NEP-12F
Insurance Fund**

Source of Funds	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
D4571 (effective 9/1/2015)	1,802,547	1,802,547	1,802,547	1,802,547
Adjustments to funding from new docket effective 1/1/17	-	318,010	636,021	636,021
Carryover funds from prior year estimated	<u>2,655,031</u>	<u>2,212,398</u>	<u>1,997,969</u>	<u>2,008,150</u>
Total Sources	4,457,578	4,332,955	4,436,536	4,446,717
Less obligated uses of funds				
Property & Casualty	1,054,593	1,096,777	1,140,648	1,186,274
Workers Compensation	1,026,940	1,068,017	1,110,738	1,155,167
Injuries & Damages	122,479	127,378	132,473	137,772
Safety Supplies & Other	4,623	4,808	5,000	5,200
Program Expense	<u>36,545</u>	<u>38,007</u>	<u>39,527</u>	<u>41,108</u>
Total Uses	2,245,180	2,334,987	2,428,386	2,525,522
End of Year Balance	<u>\$2,212,398</u>	<u>\$1,997,969</u>	<u>2,008,150</u>	<u>1,921,196</u>

Providence Water
Restricted Account Sources and Uses of Funds
Projected FY 2016 - FY 2019

Schedule NEP-12G
Chemicals/Sludge Maint. Fund

Source of Funds	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
D4571 (effective 9/1/2015)	4,500,000	4,500,000	4,500,000	4,500,000
Adjustments to funding from new docket effective 1/1/17		(750,000)	(1,500,000)	(1,500,000)
Carryover funds from prior year estimated	<u>1,429,677</u>	<u>2,232,855</u>	<u>2,482,404</u>	<u>2,074,791</u>
Total Sources	\$ 5,929,677	\$ 5,982,855	\$ 5,482,404	\$ 5,074,791
Less obligated uses of funds				
Reimburse CIP for borrowing	600,000	-	-	-
Chemicals	1,487,904	1,891,533	1,798,694	1,806,067
Sludge Maintenance	<u>1,608,918</u>	<u>1,608,918</u>	<u>1,608,918</u>	<u>1,608,918</u>
Total Uses	\$ 3,696,822	\$ 3,500,451	\$ 3,407,612	\$ 3,414,985
End of Year Balance	\$ 2,232,855	\$ 2,482,404	\$ 2,074,791	\$ 1,659,806

Providence Water
Restricted Account Sources and Uses of Funds
Projected FY 2016 - FY 2019

Schedule NEP-12H
Property Tax Refund Fund

Source of Funds	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
D4571 (effective 9/1/2015)	-	-	-	-
Foster Tax Refund	175,000	175,000	175,000	175,000
Carryover funds from prior year estimated	<u>384,942</u>	<u>369,942</u>	<u>319,942</u>	<u>269,942</u>
Total Sources	\$ 559,942	\$ 544,942	\$ 494,942	\$ 444,942
 Less obligated uses of funds				
JWater Protection Expenditures	175,000	175,000	175,000	175,000
Transfer to Operations-Est Legal/Tax fees	<u>15,000</u>	<u>50,000</u>	<u>50,000</u>	<u>25,000</u>
Total Uses	\$ 190,000	\$ 225,000	\$ 225,000	\$ 200,000
 End of Year Balance	<u>\$ 369,942</u>	<u>\$ 319,942</u>	<u>\$ 269,942</u>	<u>\$ 244,942</u>

Providence Water
Restricted Account Sources and Uses of Funds
Projected FY 2016 - FY 2019

Schedule NEP-12I
Revenue Reserve Fund

Source of Funds	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
D4571 (effective 9/1/2015)	\$ 333,880	\$ 335,611	\$ 335,611	\$ 335,611
Adjustments to funding from new docket effective 1/1/17	-	20,005	40,010	40,010
Carryover funds from prior year estimated	5,219,171	5,553,051	2,860,718	3,236,339
Total Sources	\$ 5,553,051	\$ 5,908,667	\$ 3,236,339	\$ 3,611,960
Less obligated uses of funds				
Transfer to Restricted Funds*	-	3,047,949	-	-
Total Uses	\$ -	\$ 3,047,949	\$ -	\$ -
End of Year Balance	\$ 5,553,051	\$ 2,860,718	\$ 3,236,339	\$ 3,611,960

Note:

*Providence Water is requesting Commission approval to transfer funds from the Revenue Reserve Fund to fully fund restricted accounts not funded in FY 2010 due to budget constraints. See testimony of Nancy Parrillo.



SS NEP-A

November 2, 2015

Mr. Todd Manni, Chairman
East Smithfield Water District
307 Waterman Avenue
Providence, Rhode Island 02908-5097

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

RE: Dissolution of East Smithfield Water District – Providence Water Supply Board Commitment

Dear Chairman Manni:

BOARD OF DIRECTORS

Kaykham Khamsyvoravong
Chairperson

Joseph D. Cataldi
Vice Chairperson

Michael J. Correia
Councilperson

Sabina Matos
Councilperson

Lawrence J. Mancini
Ex-Officio

Andy M. Andujar
Member

Kerri Lynn Thurber
Member

Carlissa R. Richard
Secretary

William E. O'Gara, Esq.
Legal Advisor

A work session was held on September 28, 2015 between the East Smithfield Water District Board members and the staff of the Providence Water Supply Board. The meeting was focused on the dissolution of the East Smithfield Water District and the Providence Water Supply Board acquiring East Smithfield Water District customers on a retail basis.

Subsequently, East Smithfield Water District Board Treasurer Ray DiSanto sent a letter requesting that Providence Water provide a clearer idea of what we would commit to in terms of infrastructure improvements to the East Smithfield system. After discussions amongst our staff, Providence Water is proposing the following commitment to current East Smithfield Water District customers:

- Replacement of existing water meters and automatic meter reading devices to ensure compatibility with PWSB Itron meter reading software.
- Evaluation and possible removal of the North Elmore Pump Station. Providence Water will evaluate the option of connecting the North Elmore service area directly to a main within the Providence Water transmission/distribution system that has a higher hydraulic grade line. This connection would eliminate the North Elmore Pump Station and the associated operating and maintenance costs.
- Include the approximately seven (7) miles of cast iron and fifteen (15) miles of asbestos cement pipe as part of Providence Water's ongoing main rehabilitation program.

Providence Water is committing to spending a minimum of \$4,000,000 on the aforementioned projects over the next ten (10) years. The commitment of \$4,000,000 includes the engineering, labor and construction costs associated with these projects.

MEMBER

Rhode Island Water Works Assn.
New England Water Works Assn.
American Water Works Assn.
Water Research Foundation

An EPA WaterSense Partner

(401) 521-6300

552 Academy Avenue
Providence, RI 02908

www.provwater.com

Follow us @provwater


Like us at:

facebook.com/Providencewater

It is our understanding that this commitment exceeds the East Smithfield Water District's current funding level for infrastructure improvements. Providence Water currently manages a \$24 million Infrastructure Replacement Plan. Including the East Smithfield Water District infrastructure improvements within Providence Water's Infrastructure Replacement Plan will ultimately cost the East Smithfield Water District ratepayers less money due to the volume of work that Providence Water undertakes in a given year.

Please feel free to contact me at 521-6300 ext. 7188 or rickyc@provwater.com if you have any questions.

Respectfully,
PROVIDENCE WATER SUPPLY BOARD


Ricky Caruolo, General Manager

cc: Peter Pallozzi, Deputy GM - Administration, PWSB (e-mail)
Gregg Giasson, P.E., Executive Engineer, PWSB (e-mail)
Carissa Richard, Manager – Intergovernmental Relations, PWSB (e-mail)
Peter LePage, Senior Manager – Engineering, PWSB (email)



SS NEP-A-1

CERTIFICATE OF SECRETARY

I, Carissa R. Richard, do upon oath say:

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

1. That I am the duly appointed Secretary of the Providence Water Supply Board (PWSB), an entity established by the Home Rule Charter of the City of Providence.

2. That at the meeting of the PWSB held on Wednesday, February 17, 2016, the following was voted by all members of the Providence Water Supply Board present:

BOARD OF DIRECTORS

Xaykham Khamsyvoravong
Chairperson

Joseph D. Cataldi
Vice Chairperson

Michael J. Correia
Councilperson

Sabina Matos
Councilperson

Lawrence J. Mancini
Ex-Officio

Andy M. Andujar
Member

Kerri Lynn Thurber
Member

Carissa R. Richard
Secretary

William E. O'Gara, Esq.
Legal Advisor

RESOLVED: That the Board of Directors voted authorize the General Manager to pursue negotiations for the acquisition of the East Smithfield Water District.

In Witness Whereof, I have set my hand this 9th day of May 2016.

Carissa R. Richard
Carissa R. Richard
Secretary
Providence Water Supply Board

STATE OF RHODE ISLAND
PROVIDENCE, sc.

In Providence on the 9th day of May 2016, there personally appeared before me the above-named, Carissa R. Richard, individually and in her capacity as Secretary of the Providence Water Supply Board, and she acknowledged the execution of this certificate to be her free act and deed and in her said capacity.

Joseph P. Murphy
Notary Public: Joseph P. Murphy
My Commission Expires: 4-7-18

MEMBER

Rhode Island Water Works Assn.
New England Water Works Assn.
American Water Works Assn.
Water Research Foundation

An EPA WaterSense Partner

(401) 521-6300

552 Academy Avenue
Providence, RI 02908

www.provwater.com

Follow us @provwater

Like us at:

facebook.com/Providencewater

SS NEP-B

Consumer Price Index - All Urban Consumers
Original Data Value

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan- December
2005	190.700	191.800	193.300	194.600	194.400	194.500	195.400	196.400	198.800	199.200	197.600	196.800	3.20%
2006	198.300	198.700	199.800	201.500	202.500	202.900	203.500	203.900	202.900	201.800	201.500	201.800	1.77%
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	3.76%
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	-0.40%
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	2.28%
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	1.15%
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	2.47%
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	1.30%
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	1.20%
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	0.38%
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	1.21%

<http://www.bls.gov/cpi/cpid1512.pdf>

1.31%

3 yr average
No. of years

0.93%
2.5
2.33%

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

AGREED UPON PROCEDURES EXAMINATION

FOR THE FISCAL YEARS BEGINNING
JULY 1, 2008 THROUGH JUNE 30, 2015

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

CONTENTS

Financial Section

Independent Accountants' Report.....1

Examination of Asset Records and Corresponding Accumulated Depreciation Amounts.... 2-3

INDEPENDENT ACCOUNTANTS' REPORT

Providence Water Supply Board
552 Academy Avenue
Providence, RI 02908

We have examined the asset records and corresponding accumulated depreciation amounts, including the contributions in aid of construction accounting and postings of Providence Water Supply Board for the fiscal years beginning July 1, 2008 through June 30, 2015. Providence Water Supply Board's management is responsible for the asset records and corresponding accumulated depreciation amounts, including the contributions in aid of construction accounting and postings of Providence Water Supply Board. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the asset records and corresponding accumulated depreciation amounts, including the contributions in aid of construction accounting and postings and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the items referred to above presents, in all material respects, the asset records and corresponding accumulated depreciation amounts, including contribution in aid of construction accounting and postings for the fiscal years beginning July 1, 2008 through June 30, 2015 based on 2013 General Rate Filing (Docket 4406) contained in the procedures and findings section of this report.

Marcum LLP

Providence, RI
May 12, 2016



PROCEDURES AND FINDINGS:

1. We have obtained Docket No. 4406 Second Revised Settlement agreement between Providence Water Supply Board (Entity) and the State of Rhode Island and Providence Plantations Public Utilities Commission (PUC). We noted in the agreement that it was determined for the period 2009 through 2012 that assets were not appropriately classified for the proper utility cost allocations. We noted that as a condition of the general rate filing in 2013 that Providence Water agrees to have an independent consultant verify the accuracy of each plant account, including accumulated depreciation and contributions in aid of construction, to resolve any questions and provide a level of confidence that future allocations are accurate. We noted that the firm of Marcum LLP meets the above-mentioned definition of an independent consultant for this purpose.
2. Marcum reviewed with appropriate financial staff (Division Manager - Finance and the Supervisor of Accounting) the procedures in prior years that contributed to the misclassification of assets resulting in improper utility cost allocations. The following is a narrative based on meeting with financial personnel regarding prior years inaccuracies and procedures to appropriately classify assets:

In 2013, during the Entity's last filing with the PUC, the PUC discovered that asset subgroups were not being properly classified from fiscal year 2009 to fiscal year 2012, specifically within the asset category 'Transmission and Distribution', (where almost all errors were located) the entity was mainly misclassifying the subgroup T&D Service within the subgroup T&D Main. (T&D Service assets are the pipes that run off the main distribution lines and into homes; T&D Main are the main pipes that are laid and where service pipes run off of to each location.) This meant wholesalers and distributors, who are billed based on usage of the pipe, were being billed in excess of what they actually used. Subsequently, the entity has corrected the problem and re-classed the incorrect allocations.

Assets are capitalized twice a year. All capitalized assets are assigned a project number and description by the engineering department. The Supervisor of Accounting (SA) refers to the current project listing provided by engineering when capitalizing assets. The description and project number will denote what category and subgroup the asset belongs to, and the size of the pipe being capitalized.

All project related expenses are recorded into the Lawson AC290 report. The AC290 report reflects all transactions related to a project that will eventually be capitalized. These transactions include the project work orders, in-house labor costs from the engineering department, invoices related to projects from accounts payable, and any project related bond payments. When project expenses are being capitalized, the SA gathers all the expenses associated with the project number and enters them into a spreadsheet and applies the overhead rates. The two overhead rates are a direct labor rate, which is the fringe benefit on in-house labor cost only, and general rate which is applied to all the costs of the project. The Division Manager-Finance calculates the overhead rates every fiscal year and provides these rates to the SA. The SA spreadsheet report is reconciled to the Lawson AC290 report before the project expenses are capitalized.

Based on our procedures, the procedures implemented by Providence Water Supply Board to address the prior year's misclassification of assets provide a level of confidence that future asset acquisitions will be categorized correctly within the accounting system to support proper utility cost allocations.

3. As noted in Docket No. 4406, "*an independent consultant will verify the accuracy of each plant account, including accumulated depreciation and contributions in aid of construction*". Marcum obtained a listing of each plant account, including accumulated depreciation and contributions in aid of construction from the Providence Water Supply Board. Marcum randomly selected 60 capitalized assets for the fiscal years beginning July 1, 2008 through June 30, 2015, including contributions in aid of construction for testing. Marcum obtained related asset documentation for each selected asset to verify that the asset and related accumulated depreciation had been categorized and calculated in accordance with the Docket. The following procedures were addressed:
 - a. Using the annual reports and more detailed asset record information provided by the Providence Water Board for the period July 1, 2008 through June 30, 2015 Marcum traced modifications to the plant records noting that the currently reported allocation and depreciation amounts are correct.
 - b. Marcum randomly selected plant additions for the period July 1, 2008 through June 30, 2015 noting that Providence Water has appropriately assigned new assets to the correct plant account and sub accounts.
 - c. Marcum reviewed Contributions in Aid of Constructions (CIAC) amounts ensuring that classifications of CIAC acquisitions from 2002 forward are appropriately recorded and assigned to the proper asset categories (mains-transmission, mains distribution, services and hydrants).

Based on the procedure performed and enumerated in Docket No. 4406 we are not aware of any instances of non-compliance as pertains to asset classification in the accounting records of the Providence Water Supply Board for the fiscal years beginning July 1, 2008 through June 30, 2015.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Providence Water Supply Board and is not intended to be and should not be used by anyone other than the specified party and to comply with the requirements of the State of Rhode Island and Providence Plantation Public Utilities Commission's *Docket No. 4406; Second Revised Settlement Agreement with the Providence Water Supply Board*.

SS NEP-2A

Worker's Compensation 7/1/14 - 6/30/15	Hourly Rate	Yearly Salary	Amount Paid During Year	Overtime During Year	Amount Paid Less Overtime to Normalize	Remaining Salary	Department
Utility Maintenance Worker	17.899	37,230	27,235	0	27,235	9,995	12
Meter Reader Tech	20.585	42,817	42,814	665	42,149	668	15
Meter Reader Tech	20.585	42,817	28,171	98	28,073	14,744	15
Water System Mechanic	24.282	50,507	53,271	13,325	39,946	10,561	3
Meter Reader Tech	20.585	42,817	38,764	139	38,625	4,192	15
Sr. Equipment Mechanic	23.653	49,198	44,435	4,170	40,266	8,933	12
Meter Reader Tech	20.585	42,817	25,805	0	25,805	17,011	15
Sr. Water Plant Mechanic	25.054	52,112	3,473	0	3,473	48,639	13
Dig Safe Worker	22.676	47,166	45,571	6,253	39,318	7,848	3
Utility Maintenance Repairperson	21.632	44,995	36,241	623	35,618	9,376	3
		\$ 452,475	\$ 345,780.54	\$ 25,273.16	\$ 320,507.38	\$ 131,967.50	10

SS NEP-2B

EMPLOYEE PROMOTIONS

	From	To	Fiscal Impact
FY2016			
	67,512.00	69,636.00	2,124.00
	58,841.00	60,692.00	1,851.00
	78,265.00	80,612.00	2,347.00
	85,522.00	87,307.00	1,785.00
	80,612.00	85,522.00	4,910.00
FY2016 Upgrade Totals			\$ 13,017.00
FY2017			
	47,419.00	53,924.00	6,505.00
	63,672.00	63,763.00	91.00
	58,319.00	66,320.00	8,001.00
	40,124.00	47,911.00	7,787.00
	78,265.00	81,449.00	3,184.00
	80,612.00	83,149.00	2,537.00
	90,730.00	91,672.00	942.00
	76,774.00	83,149.00	6,375.00
FY2017 Upgrade Totals			\$ 28,826.00
			\$ 41,843.00

SS NEP-2C

NEW POSITIONS

Fiscal Impact

FY2017		
	Position Title	Salary
	1 Engineering Project Coordinator - ES	47,863.00
	1 Engineering Project Coordinator - ES	47,863.00
	1 Flushing Technicians	47,863.00
	1 Flushing Technicians	47,863.00
	1 Director	89,128.61
	1 Supervisor - Customer Service - ES	45,160.72
	1 Technical Writer / Administrator	45,160.72
	1 Utility Worker In Training	37,230.00
	1 Utility Worker In Training	37,230.00
	1 Utility Worker In Training	37,230.00
	1 Watershed Inspector	40,107.00
	1 Watershed Inspector	40,107.00
	1 Watershed Inspector	40,107.00
	1 Watershed Inspector	40,107.00
14 FY2017 New Position Totals		\$ 643,020.04

3. Article IV – Hours of Work and Overtime

Section 3: (new) Recognizing the continuing requirement to provide the most effective and efficient public services, the parties hereto hereby commit to meet and confer in good faith within thirty (30) days of the ratification of this agreement to address the needs of the City and its Citizenry as to all methods of providing services to the Citizenry including merging the Police and Fire telecommunications division into one Public Safety dispatch center in the Department of Communications with a common work schedule.

4. Article VI – Economic Package

Section 1: The economic increases shall be as follows and as provided for in the below paragraphs:

- a. There shall be no increase in wages for the period of July 1, 2015 to June 30, 2016.
- b. Effective July 1, 2016 an amount equal to an across-the-board wage increase for all bargaining unit employees of two percent (2.0%), over the June 30, 2016 rate.
- c. Effective July 1, 2017 an amount equal to an across-the-board wage increase for all bargaining unit employees of two and three quarters percent (2.75%), over the June 30, 2017 rate.
- d. Commencing upon ratification of this agreement by all parties and terminating on June 29, 2018, all new employees shall be compensated at a wage rate of fifteen percent (15%) below the applicable wages. Wages for said employees shall be increased in five percent (5%) increments annually. The parties acknowledge that this provision shall sunset and become null and void on June 29, 2018, and on said date, any member receiving wages at a rate below the applicable union wage rate shall have his/her wages increased to the applicable union wage rate.

Section 5: Effective upon ratification of this agreement by all parties, premium for alternate work week is increased to \$1.20/hr.

5. Article VII – Longevity

Section 1: (new) For employees hired on or after July 1, 2015, the following longevity schedule shall apply:

Years of Service	Annual Percentage Amount
7 but less than 12 yrs.	2%
12 but less than 17 yrs.	3%
17 but less than 20 yrs.	4%
20 or more	5%

City of Providence

Duplicate Bill

SS NEP-5A

Providence Water Board
552 Academy Ave
Providence, RI 02908-2792

ACCOUNT NO:
LENDER:

2015 TAX DUE:	
2015 INTEREST DUE:	
PRIOR YEARS TAXES DUE:	
PRIOR YEARS INTEREST DUE:	\$0.00

TOTAL AMOUNT DUE:	\$0.00
-------------------	--------

DESCRIPTION

REAL ESTATE

YR	PLAT/LOT	PROPERTY LOC.	TOTAL A.	ORIG. DUE	ADJ./AB.	CHARGES	INT.	REVERS.	REFUND	PAYMENTS	TOT. DUE
2015	050-0724-0000	125 Dupont Dr	\$8,870,500.00	\$325,990.88		\$0.00	\$0.00			\$325,990.88	
REAL ESTATE TOTAL:			\$325,990.88			\$0.00	\$0.00		Interest as of date:		\$0.00
										\$325,990.88	

	<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>	<u>QTR1</u>	<u>QTR2</u>	<u>QTR3</u>	<u>QTR4</u>
REAL ESTATE TAX:						
TANGIBLE TAX:						
EXCISE TAX:						

TOTAL AMOUNT DUE :

City of Providence
Tax Map # 050-0724-0000
Parcel Id 18528
125 Dupont Dr, Providence
Providence Water Board
552 Academy Ave
Providence, RI 02908-2792

Class	06 Commercial II	Roll Section	1 Taxable
Property Type	3 Commercial	Nbhd	2224 2224
Zoning	M1 M-1	Zoning2	M1 M-1
Zoning3	M1 M-1	District No.	5
Living Units	0	Tax Code	R01 R01
Size Total	16.46 Acres		
FY	2016		



PROVIDENCE WATER

Tap Water Delivers

SS NEP-8A

Providence Water
Information Technology Department
Telecommunication Provider Analysis – Fiscal Year 2017

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

BOARD OF DIRECTORS

Xaykham Khamsyvoravong
Chairperson

Joseph D. Cataldi
Vice Chairperson

Michael J. Correia
Councilperson

Sabina Matos
Councilperson

Lawrence J. Mancini
Ex-Officio

Andy M. Andujar
Member

Kerri Lynn Thurber
Member

Carissa R. Richard
Secretary

William E. O'Gara, Esq.
Legal Advisor

MEMBER


Rhode Island Water Works Assn.
New England Water Works Assn.
American Water Works Assn.
Water Research Foundation

An EPA WaterSense Partner

(401) 521-6300

552 Academy Avenue
Providence, RI 02908

www.provwater.com

 Follow us @provwater

 Like us at:
facebook.com/Providencewater

With the acquisition of Providence Water's Central Operations Facility located at 125 Dupont Drive in Providence, RI the Information Technology Department of Providence Water was required to perform an analysis of the current leased network environment and calculate the telecommunication infrastructure improvements required to transfer extremely large volumes of data from two locations; located at 552 Academy Avenue, Providence, RI and 430 Scituate Avenue in Cranston, RI.

Providence Water's Information Technology Department has calculated the total volume of all data housed currently at the two aforementioned facilities. This figure was then used to predict how long data transfer would take at a given throughput. In order to ensure a timely transfer of data while maintaining adequate network bandwidth to conduct normal operations it was determined that the current inter-facility connections throughput would need to be increased from 30Mbps to 500Mbps. It is noteworthy that these proposed 500Mbps circuits will be terminated/canceled when the respective facilities are decommissioned. In addition, a new Metro-E circuit is required to be introduced from Providence Water's facility located at 61 North Road, Hope, RI to 125 Dupont Drive in order to complete the transfer of data. The total speed required on the connection between 61 North Road, Hope, RI and 125 Dupont Drive is required to be a throughput of 1000Mbps. This 1000Mbps will be permanent and is anticipated to be part of the final network configuration. At the conclusion of the project the total inter-facility connections will be reduced from three to one.

Additionally, given the criticality of the service that Providence Water provides a redundant optical internet connection of 50Mbps will be installed at the 61 North Road, Hope, RI location. The optical internet connection currently servicing 552 Academy Avenue will be transferred to 125 Dupont Drive, in turn, there is no cost increase to mention.

Lastly, with the removal of 430 Scituate Avenue from Providence Water's Wide Area Network a new 256k HFC circuit will need to be introduced to an out building on the property in order to receive SCADA telemetry.

The State of Rhode Island MPA prices for the above mentioned circuits are as follows:

Proposed Cox Communication Metro-E Connections

500Mbps	x	6 Interfaces	@	1,637.50	=	9,825.00	x	12 Mon	=	\$117,900.00
1000Mbps	x	2 Interfaces	@	1,925.00	=	3,850.00	x	12 Mon	=	\$46,200.00
256kbps	x	1 Interface	@	56.74	=	56.74	x	12 Mon	=	\$680.88
Total Metro-E/Year						13,731.74	x 12 Mon		=	\$164,780.88

Proposed Cox Communication Optical Internet Connections

50Mbps	x	1 Interface	@	1,250.00	=	1,250.00	x	12 Mon	=	\$15,000.00
Total Optical Internet/Year						1,250.00	x 12 Mon		=	\$15,000.00
One Time Setup Fees										\$1,100.00
Contingency										\$5,000.00

Less current yearly 30Mbps Metro-E fees **(\$45,000.00)**

TOTAL PROPOSED TELECOMMUNICATIONS BUDGET INCREASE F/Y 2017 **\$140,880.88**

The number stated above is anticipated to be reduced by \$124,000.00 in fiscal year 2018. This decrease would yield a delta of \$16,880.00 above Providence Water's 2016 telecommunications budget.

Respectfully Submitted,
PROVIDENCE WATER SUPPLY BOARD


Richard Pimental, Network Administrator

CC: S. Colman
N. Parrillo
E. Paquin
P. Matheson
File

**Providence Water
5 Year Capital Expenditure Plan
Fiscal Years 2016 through 2020**

	as of 6/30/15			
Beginning Balance				
Cash on Hand	7,620,349		8,220,349	7,994,031
Due to / Due From	600,000			
Budget Carry-over				
Available Bond Proceeds			13,135,155	14,543,560
Applied Overhead				
Estimated new Funding from RIPUC				
Estimated new debt service				
Contributions from Rates			1,780,833	2,127,000
Total Sources	8,220,349.00		23,136,336.50	24,664,590.38
				2,127,000
				5,597,559.85
				2,603,779.77
				2,506,909.14
				379,909

	Total Amount	Budget 2016	Budget 2017	Budget 2018	Budget 2019	Budget 2020
Renewable Energy/Feasibility Study	2,575,000	75,000	2,000,000	500,000		
GIS System (Asset Management System)	2,000,000	800,000	700,000	700,000		
Computer / IT equipment - Virtualization	2,000,000	500,000	1,500,000			
UDF Program development	400,000	200,000	200,000			
Orthophosphate - Storage/transfer/Feed System	1,350,000		150,000	1,200,000		
Water Main tie-ins	1,000,000		500,000	500,000		
Cyber Security	1,500,000	250,000	500,000	250,000	250,000	250,000
Security Improvements treatment plant	250,000		250,000			
Treatment Plant - on-site waste treatment system	110,000	110,000				
Installation of new fencing	125,000	25,000	25,000	25,000	25,000	25,000
125 Dupont Drive - not bond funded misc.expenses	500,000	175,000	325,000			
125 Dupont Drive - Construction/remodel	27,678,714	13,135,155	14,543,560			
TOTAL PROJECTS	39,488,714	15,070,155	20,693,560	3,175,000	275,000	275,000
Debt Service Payments	(6,415,447)	(72,151)	(500,471)	(1,945,780)	(1,948,871)	(1,948,174)
Surplus / (Deficit)		7,994,031	3,470,560	476,780	379,909	283,735

Providence Water
5 Year IFR Expenditure Plan

SS NEP-12C-1

Fiscal Years 2016 through 2020

as of 6/30/15

Beginning Balance		13,197,215	(1,911,257)	1,579,341	5,220,096	913,310
Cash on Hand	10,020,963					
Due to / Due From	3,176,252					
Budget Carry-over						
Bond 1 - \$15.0 Million - Water Mains			7,000,000	8,000,000		
Bond 2 - \$46 Million - Clarification						35,000,000
Est. new Funding from RIPUC			1,100,000	2,200,000	2,200,000	2,200,000
Estimated new Funding from RIPUC - Debt Service			700,000	1,400,000	1,400,000	5,200,000
Contributions from Rates		24,000,000	24,000,000	24,000,000	24,000,000	24,000,000
	13,197,215.03	37,197,215.03	30,886,743.02	37,179,340.83	32,820,096.09	67,313,308.92

		Total Amount	Budget 2016	Budget 2017	Budget 2018	Budget 2019	Budget 2020
	RAW WATER SUPPLY						
RWS		0					
RWS		0					
RWS	1 Various Large dam improvements	80,000		20,000	20,000	20,000	20,000
RWS		0					
RWS	2 Watershed fencing, fire lanes, property rehabilitation	60,000	10,000	10,000	10,000	10,000	10,000
RWS	3 Raw Water B. P. S. - generator upgrades	310,000			310,000		
RWS	4 Coomer dam rehabilitation	560,000				550,000	
RWS	5 60" Influent conduits - inspection	15,000		15,000			
RWS	6 90" Influent conduit inspection / rehabilitation	100,000	100,000				
	Raw Water Supply Total	1,105,000	110,000	45,000	340,000	580,000	30,000

	TREATMENT PLANT						
TP	7 Plant Influent and Aerator, and Conduits	2,400,000	2,000,000	400,000			
TP	8 Ferric system upgrades	65,000	65,000				
TP	9 Lime feed system upgrades	660,000	250,000	400,000			
TP	10 Lime transfer system upgrades	25,500	11,200				14,300
TP	11 Chlorine loading dock rehabilitation	10,000	10,000				
TP	12 Chlorine room monorail and scales replacement	171,000		171,000			
TP	13 Fluoride feed system improvements	8,800					8,800
TP	14 Filtration system improvements	8,700,000	8,700,000				
TP	15 Pilot of sedimentation / clarification processes	1,700,000	1,000,000	700,000			
TP	16 Sedimentation / Clarification system improvements	40,000,000			2,000,000	3,000,000	35,000,000
TP	17 Washwater tank inspection	10,000					10,000
TP	18 Service Water tank inspection	10,000					10,000
TP	19 Clearwell tank inspection	10,000					10,000
TP	20 Treatment process & water quality studies	1,495,000	520,000	375,000	600,000		
TP	21 Treatment plant building rehabilitation	100,000	20,000	20,000	20,000	20,000	20,000
TP	22 PW lab / equipment improvements	90,000	50,000	10,000	10,000	10,000	10,000
TP	23 SCADA / Control system upgrades	100,000	20,000	20,000	20,000	20,000	20,000
TP	24 Sludge removal and disposal	1,000,000	1,000,000				
	Treatment Plant Total	56,545,300	13,846,200	2,096,000	2,650,000	3,050,000	35,103,100

	PUMPING AND STORAGE						
P&S	25 Neutaconkanut reservoir inspection	60,000		50,000			
P&S	26 Longview reservoir inspection	50,000		50,000			
P&S	27 Lawton Hill reservoir inspection	25,000			25,000		
P&S	28 Ridge road tank reservoir inspection and rehabilitation	278,000			278,000		
P&S	29 Neutaconkanut reservoir WQ modifications	795,000			795,000		
P&S	30 Aqueduct reservoir WQ modifications	2,098,000					2,098,000
P&S	31 Neutaconkanut P.S. - VFD drives	115,000				115,000	
P&S	32 Bath St. P.S. - VFD drives	101,000				101,000	
P&S	33 Aqueduct P.S. - VFD drives	65,000		65,000			
P&S	34 Cranston Commons - VFD drive pumps	26,000		26,000			
P&S	35 Fruit Hill pump station - VFD drives, replace motors and generator	311,000		92,000			219,000
P&S	36 Atwood Ave pump station upgrades	263,000		263,000			
P&S	37 Neutaconkanut PS, Aqueduct GH - rehabilitate roofs	67,000		67,000			
P&S	38 Various pump station improvements	90,000	10,000	20,000	20,000	20,000	20,000
	Pumping and Storage Total	4,334,000	10,000	633,000	1,118,000	236,000	2,337,000

	TRANSMISSION SYSTEM						
TS	39 102" aqueduct inspection / rehabilitation	1,970,000	1,970,000				
TS	40 102" aqueduct fiber optic monitoring	550,000	110,000	110,000	110,000	110,000	110,000
TS	41 78" aqueduct inspection / rehabilitation	1,784,000		1,784,000			
TS	42 Feasibility assessment of 102" / 78" aqueducts	750,000			750,000		
TS	43 90" aqueduct inspection / rehabilitation	900,000				900,000	
TS	44 Condition assessment transmission mains	500,000		125,000	125,000	125,000	125,000
TS	45 16" and larger valves replacements	1,000,000	200,000	200,000	200,000	200,000	200,000
	Transmission System Total	7,454,000	2,280,000	2,219,000	1,186,000	1,335,000	436,000

Providence Water
5 Year IFR Expenditure Plan

Fiscal Years 2016 through 2020

as of 8/30/15

Beginning Balance	13,197,215	(1,911,257)	1,579,341	5,220,096	913,310
Cash on Hand	10,020,963				
Due to / Due From	3,176,252				
Budget Carry-over					
Bond 1 - \$15.0 Million - Water Mains		7,000,000	8,000,000		
Bond 2 - \$45 Million - Clarification					35,000,000
Est. new Funding from RIPUC		1,100,000	2,200,000	2,200,000	2,200,000
Estimated new Funding from RIPUC - Debt Service		700,000	1,400,000	1,400,000	5,200,000
Contributions from Rates	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000
	13,197,215.03	37,197,215.03	30,888,743.02	37,179,340.83	67,313,309.92

Total Amount	Budget 2016	Budget 2017	Budget 2018	Budget 2019	Budget 2020
-----------------	----------------	----------------	----------------	----------------	----------------

DISTRIBUTION SYSTEM

DS 46	Replace / Upgrade water mains	82,600,000	14,800,000	15,800,000	17,000,000	17,000,000	18,000,000
DS 47	Replace Distribution Valves	1,000,000	200,000	200,000	200,000	200,000	200,000
DS 48	Replace lead services	2,500,000	500,000	500,000	500,000	500,000	500,000
DS 49	Replace fire hydrants	1,500,000	300,000	300,000	300,000	300,000	300,000
DS 50	Replace blowoffs	500,000	100,000	100,000	100,000	100,000	100,000
	Distribution System Total	88,100,000	15,900,000	16,900,000	18,100,000	18,100,000	19,100,000

SUPPORT SYSTEM FACILITIES

SSF 51	Building and facilities rehabilitation	200,000	75,000	50,000	25,000	25,000	25,000
SSF 52	Forestry garage, Old transformer building - Rehabilitate roofs	211,000		211,000			
SSF 53	Records Management (GIS) upgrades	60,000			20,000	20,000	20,000
SSF 54	Facilities fencing and roads rehabilitation	80,000		20,000	20,000	20,000	20,000
	Support System Facilities Total	551,000	75,000	281,000	65,000	65,000	65,000

TOTAL PROJECTS	168,089,300	32,021,200	22,174,000	23,458,000	23,366,000	67,070,100
Debt Service Payments	24,884,444	4,944,185	4,990,402	4,986,834	4,982,617	4,980,405
Debt Service 1 - \$15.0 Million - Water Mains	3,979,533			1,326,511	1,326,511	1,326,511
Debt Service 2 - \$45 Million - Clarification						
Labor & Overhead	10,983,936	2,143,087	2,145,000	2,187,900	2,231,658	2,276,291
TOTAL Administrative	39,847,913	7,087,272	7,135,402	8,501,245	8,540,786	8,583,208
TOTAL EXPENDITURES - IFR FUND	197,937,213	39,108,472	29,309,402	31,959,245	31,906,786	66,653,308
Surplus / (Deficit)		(\$1,911,257)	\$1,579,341	\$5,220,096	\$913,310	\$1,660,002

Bond Issue amounts reflect construction fund deposits.

Debt Service is based on bond issue amount that is calculated on the construction fund deposit then grossed up for the 1% RIB origination fee, \$75,000 for Cost of Issuance expense and a 8% Debt Service Reserve Fund deposit

Construction fund of \$10 million = bond issue of	\$	16,750,000
Construction fund of \$45 million = bond issue of	\$	49,750,000
Construction fund of \$30 million = bond issue of	\$	33,500,000