



May 16, 2018

The Hon. Jorge O. Elorza
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General Manager

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

RE: Docket 4618 – Revenue Reserve Request

Dear Mrs. Massaro:

Enclosed please find an original and nine (9) copies of Providence Water's comments as they relate to the following:

1. Bristol County Water Authority's Supplemental Objection to The Providence Water Supply Board's Request to Transfer Funds filed on May 11, 2018.
2. City of Warwick's Position Statement in the above matter filed on May 11, 2018.

Electronic copies of these documents have been sent to the service list. If you have any questions, I can be reached at 521-6300 ext.7217.

Respectfully,

Mary L. Deignan-White
Senior Manager of Regulatory

cc:
Dk 4618 service list (via email)
File

PROVIDENCE WATER SUPPLY BOARD
REBUTTAL 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 3 years.

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
9 Bachelor of Arts degree with a major in Economics.

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

15 I participated in Providence Water's Docket 4618 in May 2016 through February 2017 and
16 Docket 4571 in the summer of 2015. I also filed initial testimony in this Docket 4618 in
17 October 2017 in support of Providence Water's request to transfer \$2,394,651.28 from
18 the Revenue Reserve Fund to the Operating Fund.

19

20

PROVIDENCE WATER SUPPLY BOARD
REBUTTAL TESTIMONY OF NANCY E. PARRILLO

1 Q. Please explain your duties and responsibilities.

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

4 Q. What is the purpose of your testimony?

5 A. To provide rebuttal testimony for Providence Water in this Docket.

6 Q. What issues will you address in you rebuttal testimony?

7 A. I will be addressing issues raised by the wholesale interveners in their statements filed with the
8 Commission on May 11, 2018 in response to Providence Water's transfer request.

9 Q. How would you like to proceed?

10 A. First, I will address Bristol County Water Authority's (BCWA) Supplemental Objection.

11 BCWA objects to the Providence Water's transfer request for 2 reasons:

12 “1. Fiscal Year 2017 used to support Providence’s request is a “mixed” year
13 that incorporates projected consumption from two different dockets and is
14 not a representative rate year.
15 2. Providence’s request lacks an evidentiary basis.” (BCWA Supp. Objection, at 1).

18 The correct years were used.

19 The correct years were used in the calculation. It is true that Providence Water used 2 dockets
20 to calculate the allowed revenues for this filing. However, that was necessary to properly make
21 the calculation. Rates set in Docket 4571 were used for consumption covered by those rates
22 (July 1, 2016 through February 16, 2017), and the rates set in Docket 4618 were used for
23 consumption covered by those rates (February 17, 2017 through June 30, 2017). See Exhibit

PROVIDENCE WATER SUPPLY BOARD
REBUTTAL TESTIMONY OF NANCY E. PARRILLO

1 NEP1A of my initial testimony which illustrates how allowed revenue was properly calculated
2 based on this pro-rata basis. It represents the reality of the rate structure and revenue
3 generation.

4 Consumption was not addressed in Docket 4571.

5 BCWA also contends that consumption was addressed by the Commission in Docket 4571. This
6 is incorrect. Docket 4571 addressed only the additional debt service required by the issuance of
7 bonds to purchase and renovate the new Central Operating facility located at 125 Dupont Drive
8 in Providence. The new debt service amount was added to the Cost of Service summary from
9 Docket 4406 for retail sales, and the new rates were calculated based on the consumption
10 allowance in Docket 4406.

11 Consumption and revenue are directly correlated.

12 We also disagree with BCWA's claim that there is no direct correlation between consumption
13 and revenue. Revenues are primarily based on consumption (i.e., water sales) because
14 consumption is the unit of measure that we use to we invoice our customers. During the rate
15 making process, future expenses are calculated, and then the revenue needed to cover those
16 expenses is calculated based primarily on consumption (with various service charges added to
17 cover related expenses). In FY2018, retail and wholesale consumption accounts for 77% of total
18 revenue.

19 Providence Water did not submit contradictory information; information was updated.

20 BCWA asserts that PW submitted contradictory information. Schedule NEP1 filed with my initial
21 testimony notes that the numbers shown in that Schedule were unaudited. At that time

PROVIDENCE WATER SUPPLY BOARD
REBUTTAL TESTIMONY OF NANCY E. PARRILLO

(October 2017), Providence Water's audit was not yet complete. However, the numbers filed in Providence Water's annual report filed on April 5, 2018 reflect the final audited numbers. Although final audited revenues show an additional \$400,000, this revenue is attributed to revenue that was income to the East Smithfield Water District and has offsetting expenses that are related to their operation prior to their merging with Providence Water and thus was not revenue available to Providence Water. This is required under GASB rules.

Providence Water correctly calculated the shortfall due to reduced consumption.

BCWA also asserts that PW should not be allowed to transfer the amount requested because the deficit between revenue and expenses was only \$762,779 (BCWA Supp. Objection, pg.3). However, the Docket 4061 Report and Order issued on October 12, 2010 on page 20 item 3 states:

"3. The Providence Water Supply Board is allowed a three percent (3%) net operating reserve. Two percent (2%) of the reserve shall be restricted and may only be used to cover shortfalls in allowed revenues upon a showing by Providence Water Supply Board that the shortfall resulted from reduced consumption."(Emphasis added).

My initial testimony documented that the shortfall from reduced consumption was \$2,394,651. Moreover, a transfer from the Revenue Reserve was not intended to trigger a new rate case examination of all revenues and expenses.

PROVIDENCE WATER SUPPLY BOARD
REBUTTAL TESTIMONY OF NANCY E. PARRILLO

1 The information submitted to the Superior Court was based on a calendar year.

2
3 In the Superior Court cases of Town of Burrillville vs. Clear River Energy, LLC, and et. al. (P.C.
4 No. 2017-1039) and Conservation Law Foundation, Inc. vs. Clear River Energy, LLC, et. al.
5 (P.C. No 2017-1037), the consumption information that was submitted was based on a
6 calendar year and not a fiscal year. We used a fiscal year in this request. There is
7 therefore no contradiction in these numbers.

8 Reduced consumption is continuing.

9 BCWA contends that reduced consumption and resulting revenues are not continuing.
10 BCWA is incorrect. Please see attached Exhibits NEP-REB-1 and 2. Exhibit NEP-REB-1
11 illustrates that consumption and resulting revenues for FY2016 were down from the
12 allowed consumption and revenue from Dockets 4406/4571. Consumption in FY2016
13 was 25,758,388 hcf versus an allowed amount of 26,033,052 hcf, a shortfall of 274,644
14 hcf. As a result, the revenues for FY2016 were \$53,820,837 versus the allowed revenue
15 of \$56,015,821, a shortfall of \$2,194,984, which resulted from reduced consumption.
16 Exhibit NEP-REB-2 further demonstrates that reduced consumption continues.
17 Consumption numbers for FY2018 are anticipated to be approximately 24,461,349 based
18 on the first 10 months of actual consumption (July through April, 2018) and estimated
19 consumption for May and June of 2018 based on an average over the last 3 years. The
20 anticipated shortfall is approximately 1,389,500 hcf. This FY2018 shortfall will result in
21 an additional revenue shortfall of approximately \$3,627,750.

PROVIDENCE WATER SUPPLY BOARD
REBUTTAL TESTIMONY OF NANCY E. PARRILLO

1 Q. Do you have anything else?

2 A. Yes. I would like to address the City of Warwick's objection.

3 Approval of the transfer will not create a structural deficit.

4 Mr. Ruggerio contends that this request will establish a "structural deficit" and is an
5 illustration of a fundamental imbalance in government receipts and expenditures that if
6 not addressed, will allegedly undermine the financial integrity of Providence Water. This
7 contention is incorrect. The rate-making process requires that revenues and
8 expenditures be vetted and approved by the Commission in each rate case. The transfer
9 will reduce the amount that has accumulated in the revenue reserve, but PW cannot
10 raise rates to refill that reserve by that amount in the following year as posited by Mr.
11 Ruggerio. The reserve is funded through an allowed transfer from Operations annually,
12 but PW is not required nor is it in a position to replace what was used from the reserve in
13 addition to the required funding authorized in Docket 4618.

14
15 The requested transfer is in accordance with the intent of the Commission
16 in establishing a Revenue Reserve.

17
18 The City further contends that PW has not examined options to reduce or eliminate
19 expenses to reduce the need for the transfer from the Reserve. The Commission
20 established the Reserve for the explicit purpose of declining consumption and transfers
21 do not require a rate case to examine expenses. As revenues are received, there is a
22 specific order in which they are applied to expenses. This is due to a combination of the
23 Report & Orders issued by the Commission and the PW bond covenants which secure the

PROVIDENCE WATER SUPPLY BOARD
REBUTTAL TESTIMONY OF NANCY E. PARRILLO

1 bondholders that are owed debt service. First, the monies required to pay debt service
2 are accounted for. Next operating expenses are paid to ensure the utility continues to
3 function properly. Last is the funding of the restricted funds as approved by the PUC in
4 the current Report & Order. In FY2017, as shown on Exhibit NEP-REB-3, the amount that
5 did not get transferred to the restricted funds at the close of the fiscal year was
6 \$2,426,468.64. The revenue reserve fund transfer request submitted here was
7 \$2,394,651.28, which is \$31,817.36 less than the final amount certified by the
8 independent auditors.

9 **Q. Do you have anything else to add to this testimony?**

10 A. Yes. In conclusion, this transfer request, if approved, would allow Providence Water to
11 fund its restricted funds at the levels required for FY2017.

**Providence Water
Water Sales (hcf) FY2016**

Customer Class	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Total	DK 4571	Variance
Residential	823,668	913,681	949,919	779,423	644,579	613,920	526,959	475,860	596,136	589,167	577,788	778,735	8,269,834	8,517,528	(247,694)
Commercial	393,374	423,632	487,961	412,642	374,029	307,687	274,516	249,586	315,992	298,267	311,411	401,957	4,250,335	4,427,015	(176,680)
Industrial	14,441	15,251	14,775	14,229	15,255	13,056	14,118	4,244	14,153	14,498	13,130	17,218	164,367	189,644	(25,277)
Total Retail	1,231,482	1,352,563	1,452,655	1,206,294	1,033,864	934,663	815,593	729,690	926,281	901,932	902,328	1,197,910	12,684,536	13,134,187	(449,651)
Wholesale	1,524,002	1,357,230	1,581,977	1,074,468	712,226	1,011,072	797,199	374	1,672,238	867,282	1,052,692	1,423,092	13,073,852	12,898,865	(174,987)
Total Consumption	2,755,485	2,709,793	3,034,632	2,280,762	1,746,090	1,945,735	1,612,793	730,064	2,598,519	1,769,214	1,955,021	2,621,002	25,758,388	26,033,052	(274,664)

Consumption Revenue FY2016

Customer Class	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Total	DK 4571	Variance
Residential	2,378,382	2,645,741	2,804,676	2,376,227	1,964,469	1,858,897	1,603,053	1,441,948	1,807,940	1,785,239	1,782,990	2,373,785	24,512,003	25,931,493	(1,419,490)
Commercial	1,047,510	1,144,542	1,345,954	1,177,208	1,074,156	893,992	784,607	725,472	910,983	857,366	899,139	1,155,240	11,865,460	12,841,401	(975,941)
Industrial	45,401	44,626	45,922	46,072	48,796	41,467	43,377	17,701	44,743	46,328	41,053	54,852	513,852	540,135	(26,283)
Total Retail	3,471,293	3,834,910	4,196,552	3,599,507	3,087,421	2,794,356	2,431,037	2,185,121	2,763,665	2,688,933	2,723,182	3,583,877	36,891,315	39,313,029	(2,421,714)
Wholesale	1,973,442	1,757,487	2,048,513	1,391,337	922,267	1,309,244	1,032,330	1,143,573	1,022,273	1,173,050	1,363,139	1,842,865	16,979,522	16,702,792	276,730
Total Consumption	5,444,735	5,592,397	6,245,065	4,990,844	4,009,688	4,103,600	3,463,367	3,328,695	3,785,938	3,811,983	4,086,321	5,426,742	53,820,837	56,015,821	(2,194,984)

**Providence Water
Water Sales (hcf) FY2018**

Customer Class	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Total	Over/(Under)
Residential	829,095	874,467	867,659	734,875	517,944	568,890	631,014	496,747	590,195	588,637	594,332	736,306	8,030,162	8,634,613 (604,451)
Commercial	374,768	420,841	453,952	372,403	303,864	332,388	294,320	290,663	285,782	267,953	299,881	377,116	4,073,932	4,135,153 (61,221)
Industrial	15,672	18,281	16,380	19,674	14,478	16,095	17,012	15,892	14,119	14,145	13,305	18,592	193,644	189,477 4,167
Total Retail	1,219,536	1,313,589	1,337,991	1,126,952	836,287	917,372	942,346	803,302	890,097	870,735	907,517	1,132,014	12,297,738	12,959,243 (661,505)
Wholesale	1,321,770	1,516,532	1,096,214	908,432	721,743	1,028,122	794,781	754,067	745,903	759,389	1,059,401	1,457,257	12,163,612	12,891,606 (727,994)
Total Consumption	2,541,306	2,830,121	2,434,205	2,035,384	1,558,030	1,945,495	1,737,127	1,557,369	1,635,999	1,630,125	1,966,918	2,589,271	24,461,349	25,850,849 (1,389,500)

Consumption Revenue FY2018

Customer Class \$\$\$	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Total	Over/(Under)
Residential	\$ 2,819,368	\$ 2,971,947	\$ 2,969,198	\$ 2,503,251	\$ 1,741,837	\$ 1,931,387	\$ 2,146,118	\$ 1,698,357	\$ 1,999,238	\$ 2,000,404	\$ 2,022,511	\$ 2,505,648	\$ 27,309,265	\$ 29,383,587 (2,074,322)
Commercial	\$ 1,201,186	\$ 1,338,097	\$ 1,260,874	\$ 1,199,698	\$ 1,242,914	\$ 622,988	\$ 942,219	\$ 918,380	\$ 916,664	\$ 857,570	\$ 966,515	\$ 1,215,446	\$ 12,682,552	\$ (645,046)
Industrial	\$ 57,706	\$ 67,066	\$ 61,348	\$ 58,421	\$ 48,128	\$ 55,702	\$ 58,249	\$ 56,564	\$ 57,625	\$ 43,303	\$ 42,162	\$ 58,918	\$ 665,192	\$ 64,740
Total Retail	\$ 4,078,259	\$ 4,377,110	\$ 4,291,420	\$ 3,761,371	\$ 3,032,880	\$ 2,610,077	\$ 3,146,586	\$ 2,673,301	\$ 2,973,527	\$ 2,901,277	\$ 3,031,189	\$ 3,780,013	\$ 40,657,009	\$ (2,654,628)
Wholesale	\$ 1,785,524	\$ 2,048,619	\$ 1,480,829	\$ 1,478,571	\$ 1,029,276	\$ 891,567	\$ 1,265,205	\$ 1,018,637	\$ 1,007,609	\$ 1,025,827	\$ 1,431,100	\$ 1,968,547	\$ 16,431,313	\$ (983,416)
Total	\$ 5,863,783	\$ 6,425,729	\$ 5,772,249	\$ 5,239,941	\$ 4,062,156	\$ 3,501,644	\$ 4,411,791	\$ 3,691,938	\$ 3,981,136	\$ 3,927,104	\$ 4,462,289	\$ 5,748,560	\$ 57,088,322	\$ (3,638,044)

Restricted Fund Reconciliation

Providence Water Supply Board

EXHIBIT NEP-REB-3

TOTAL AMOUNTS NOT FUNDED DUE TO REVENUE SHORTFALL (FY2017)

1-Apr-17	Opening Cash Balance	8,859,767.19	(174,815.34)	2,247,617.27	598,973.12	1,560,611.96	734,942.11	352,609.58	2,347,099.49	5,692,178.91	-
	April Expenditures	(167,899.06)	(454,524.29)	(18,410.98)	(36,982.62)	(3,752.15)			(96,685.22)		
	Debt Service										
	Reimbursement RIB										
	April Funding	177,250.00	1,275,000.00	166,666.66	150,212.25			20,689.68	375,000.00		
	Misc. Income/Reimb.							110.00			
	Interest	(641.50)		(206.10)	5.76					(440.55)	
30-Apr-17											
	Due TO	8,868,476.63	645,660.37	2,395,666.85	712,208.51	1,556,859.81	734,942.11	373,409.26	2,625,414.27	5,691,738.36	-
	Due FROM	(59,081.00)	(1,346,740.03)	(44,340.58)	(10,701.00)	(29,389.03)	(10,766.91)		(4,823.89)		
		1,575,333.84	2,934,558.82	312,430.19	530,815.61	199,154.00		33,968.92	794,721.88	145,121.31	41,666.66
	o/s checks	(147,081.04)	(184,634.47)	(5,731.44)	(1,494.77)	-			(76,862.04)	-	-
	Bank Balance	9,015,557.67	830,294.84	2,401,398.29	713,703.28	1,556,859.81	734,942.11	373,409.26	2,702,276.31	5,691,738.36	-
1-May-17	Opening Cash Balance	8,868,476.63	645,660.37	2,395,666.85	712,208.51	1,556,859.81	734,942.11	373,409.26	2,625,414.27	5,691,738.36	-
	May Expenditures	(487,072.38)	(304,384.56)	(27,402.80)	(11,286.32)	(30,658.47)			(86,596.06)		
	Debt Service										
	Reimbursement RIB										
	May Funding	177,250.00	1,275,000.00		191,842.75	250,000.00		3,333.33	608,333.33	58,144.16	
	Transfer to CIP (per PUC)	1,225,000.00								(1,225,000.00)	
	Misc. Income/Reimb.		28,800.00	41,666.67		1,000.00					
	Interest	6,994.84		2,247.34	5.95					4,803.68	-
31-May-17											
	Due TO	9,790,649.09	1,645,075.81	2,412,178.06	892,770.89	1,777,201.34	734,942.11	376,742.59	3,147,151.54	4,529,686.20	-
	Due FROM	(40,925.50)	(1,437,158.45)	(44,405.02)	(8,678.00)	(29,389.03)	(10,766.91)		(4,823.89)		
		350,333.84	3,934,558.81	325,106.86	530,815.61	(846.00)		33,968.92	415,721.88	117,848.01	62,499.99
	o/s checks	(386,833.53)	(28,303.64)	(9,814.15)	(1,488.82)	(27,683.47)			(29,616.63)	-	-
	Bank Balance	10,177,482.62	1,673,379.45	2,421,992.21	894,259.71	1,804,884.81	734,942.11	376,742.59	3,176,768.17	4,529,686.20	-
1-Jun-17	Opening Cash Balance	9,790,649.09	1,645,075.81	2,412,178.06	892,770.89	1,777,201.34	734,942.11	376,742.59	3,147,151.54	4,529,686.20	-
	June Expenditures	(300,797.68)	(755,401.25)	(128,119.68)	(7,818.00)	(15,427.05)	(127,433.58)	(65,299.40)	(109,140.77)		
	Debt Service										
	Reimbursement RIB										
	June Funding	531,750.00	3,275,000.00	125,000.02	575,528.25	150,000.00		9,999.98	700,000.00	90,529.78	83,333.32
	Misc. Income/Reimb.	(79,203.12)	(1,365,219.33)	27,324.29	91,322.00	13,764.97			4,823.89	(7,643.57)	
	Interest				321.69						-
30-Jun-17											
	Due TO	9,942,398.29	2,799,455.23	2,436,382.69	1,552,124.83	1,931,539.26	607,508.53	321,443.17	3,742,834.66	4,612,572.41	83,333.32
	Due FROM	(2,029.00)	(837,639.56)	(8,511.23)	(67,507.06)	(6,489.88)	(4,610.85)	(65,299.40)	(4,823.89)		(996,910.87)
		(4,166.16)	3,084,627.75	182,854.89	147,130.11	(150,000.00)		157,901.07	(51,768.68)	56,800.53	3,423,379.51
	TOTAL AMOUNTS NOT FUNDED DUE TO REVENUE SHORTFALL										2,426,468.64
	o/s checks	(126,007.38)	(56,176.91)	(43,353.09)	(4,283.26)	-			(42,462.45)	-	-
	Bank Balance	10,068,405.67	2,855,632.14	2,479,735.78	1,556,408.09	1,931,539.26	607,508.53	321,443.17	3,785,297.11	4,612,572.41	83,333.32