



January 11, 2019

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

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

RE: Dk 4618: Revenue Reserve Filing

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Dear Mrs. Massaro:

Enclosed please find an original and nine (9) copies of Providence Water's responses to the second set of data requests from the Commission dated today.

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

Sincerely,

Mary L. Deignan-White
Senior Manager of Regulatory

cc: service list (via email)

MEMBER

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Providence Water Docket 4618

Public Utilities Commission Data Request – Set 2
January 11, 2019

- 2-1. Please confirm that the reference to Feb. 2016 throughout Harold J. Smith's Supplemental Direct Testimony (Schedule HJS-1) is incorrect and that it should be Feb. 2017.

Response: Yes it is incorrect and it should be Feb. 2017.

Providence Water Docket 4618

Public Utilities Commission Data Request – Set 2 January 11, 2019

- 2-2. Referring to Harold J. Smith's Supplemental Direct Testimony at p. 8, lines 17-18, he states: "This projection has proven to be too high, resulting in rates that are too low, and ultimately a shortfall in revenues from what was allowed in Docket 4618."

Please explain how a transfer of the entire Restricted Revenue Reserve Fund to either operating or other restricted revenue accounts will address the problem of rates being set too low.

Response: The transfer of the Revenue Reserve fund does not address the problem of rates being set too low. It allows us to fill funding gaps in the restricted funds that are a result of a shortfall in revenues. This request will allow current activities to continue while Providence Water prepares a new full rate filing which will address the declining consumption issue.

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Public Utilities Commission Data Request – Set 2 January 11, 2019

2-3 Providence Water's Restricted Account Analysis for first quarter FY 2019 appears to report the following amounts being "Outstanding" to the following Restricted Accounts:

Capitol	\$177,500
Infrastructure	\$6,825,000
Meter	\$41,666
Insurance	\$575,528
Revenue Reserve	\$90,530
Equipment	\$150,000
Western Cranston	\$10,000
Chemical Sludge	\$700,000
Lead Service Replacement	\$62,500
Total	\$8,632,474

a. Please confirm these figures as being the amount that the Restricted Reserve Accounts are underfunded as of September 30, 2018. If, not, please provide correct amounts.

b. Please update these figures, as of December 31, 2018.

Response:

- a. Yes these figures are the correct amounts.
- b. See below.

Capitol	\$531,750
Infrastructure	\$9,100,000
Meter	\$125,000
Insurance	\$575,528
Revenue Reserve	\$90,530
Equipment	\$150,000
Western Cranston	\$10,000
Chemical Sludge	\$700,000
Lead Service Replacement	\$62,500
Total	\$11,345,307

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- 2-4. Please indicate which of the Restricted Accounts identified in PUC 2-3 will be funded, in what amounts, if the PUC approves Providence Water's October 17, 2018 request to transfer the entire balance of the Restricted Revenue Reserve Fund. Is there a specified planned order to the funding of reserve accounts?

Response: Providence Water plans to fund the IFR fund. As of December 2018, the IFR fund is owed \$9,100,000. Providence Water will transfer to the IFR fund whatever is authorized by the Commission to transfer.

PROVIDENCE WATER SUPPLY BOARD

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Data Requests of the Commission - Set 2

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2-5 In Nancy E. Parillo's Direct Testimony dated October 27, 2017, at page 3. Lines 8-10, she indicated that Providence Water sought to transfer funds from the Restricted Revenue Reserve Fund to the Operating Fund.

In Providence Water's answer to BCWA's data Request 4-1, Ricky Carulo states:

"Upon approval by the PUC, the money from the restricted reserve revenue fund will first be used to fund restricted accounts that have gone unfunded due to reduction in consumption. If any of the money from the restricted revenue reserve fund is also used to fund the operating revenue account, then it is Providence Water's intention to transfer funds back to the restricted revenue reserve fund if the system is leased prior to 6/30/19."

In Harold J. Smith's direct testimony dated October 17, 2018, at page 6, he is asked the following two questions:

1. Why is Providence Water refiling its request to transfer from the restricted revenue reserve to the *operating reserve*? (Emphasis added)
2. What amount is Providence Water requesting to transfer from the restricted revenue reserve to the *operating reserve*? (Emphasis added)

In light of these inconsistencies and use of varying terms, please answer the following:

- a. Is Providence Water seeking a transfer of any of the funds from the Restricted Revenue Reserve Fund to the Operating Fund? If so, what amount is sought to be placed in the Operating Fund? And, how does Providence Water intend to use these funds?
- b. How does Providence Water define the Operating Fund vis-à-vis the term "operating reserve"? What is the difference, if any?
- c. What does Providence Water consider to be the operating reserve? If there is such a reserve fund, what is its balance?

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Response:

1. We are not asking to transfer any funds from the Restricted Revenue Reserve to the Operating Reserve.
2. \$0.
 - a. No, we are not asking to transfer any funds to the Operating Fund for operating expenses. All transfers to the Restricted Funds must be accounted for through the Operating Fund in order to properly state the financial activity in the Operating Fund. Funding of the Restricted Funds are approved as transfers from the Operating Fund. See paragraph 5 of Ms. Parrillo's letter to the Commission dated January 11, 2019.
 - b. The Operating Fund is the Fund that all operating expenses are paid out of, including transfers that fund the restricted funds. The operating reserve is an allowance approved by the PUC that is currently set at 1.5% of the revenue requirement less miscellaneous revenue. There is no "Operating Reserve Fund" with a balance.
 - c. See b.

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2-6 Is the Providence Water Employee Pension Fund fully funded? If the PUC approves the transfer, will any transferred funds be used to fund the Providence Water Employee Pension Fund?

Response:

Providence Water does not have an employee pension fund, because Providence Water is included in the City of Providence's Pension Fund. No funds will be transferred to the City of Providence Pension Fund.

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2-7 Please update Providence Water's answer to the PUC's data request 1-4.

Response:

Yes, Providence Water is planning to make a full rate filing by the end of calendar 2019.

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2-8 Please update BCWA's data request 3-3 with audited figures, if available.

Response:

Audited financials are not yet available.