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October 27, 2017


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

Re: Providence Water: Revenue Reserve Account

Dear Luly:

Enclosed for filing are an original and nine copies of the testimony of Nancy Parrillo in support of Providence Water's request to transfer \$2,394,651.28 from the Restricted Revenue Reserve account into the Operating Account to cover revenue shortfalls due to reduced consumption.

Very truly yours,



Michael R. McElroy

MRMc/tmg

cc: Service List – Docket 4618

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 2 1/2 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 last two filings, Docket 4571 in the summer of 2015
16 and Docket 4618 in summer/fall of 2016.

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, as well as Debt
20 Management and Cash Management.

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

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

2 A. To request the drawdown of funds in the Providence Water's Restricted Revenue Reserve
3 Fund as allowed in Report and Order number 20160 in Docket 4061. On Page 20 of the Order,
4 item 3 states that "Two percent (2%) of the reserve shall be restricted and may only be used to
5 cover shortfalls in allowed revenues upon a showing by Providence Water Supply Board that
6 the shortfall resulted from reduced consumption."

7 Q. **Did Providence Water experience reduced consumption in FY2017?**

8 A. Yes, Providence Water experienced a reduction in consumption in FY2017 as compared to the
9 allowed consumption allowed in Dockets 4571 and 4618 (25,261,135 hcf and 25,972,317 hcf
10 respectively). Allowed consumption for FY2017 was calculated using 8 months of allowed
11 consumption for Docket 4571 and 4 months of allowed consumption for Docket 4618. Retail
12 consumption was down 785,991 hcf or 6.01%. This was offset slightly by a minor increase of
13 74,810 hcf (less than 1%) in wholesale consumption. Overall, system-wide consumption is down
14 711,182 hcf or 2.74%. See Exhibit NEP1 and Exhibit NEP 1A.

15 Q. **How does this compare to the prior year, FY2016?**

16 A. Actual total consumption in FY2016 also showed a continued decline from the projected
17 numbers used in Docket 4571 to set rates. The decrease in consumption in FY2016 versus
18 projected numbers in Docket 4571 was 273,945 hcf or 1.05%. See Exhibit NEP2.

19 Q. **Is this decline in consumption isolated or an overall trend?**

20 A. This is an on-going trend. As shown in Exhibits NEP2 and NEP2A, retail consumption continues
21 a general downward trend as it has for the last ten (10) years. Wholesale consumption has had
22 fluctuations on a year-to-year basis but is down 10.65% from consumption levels 10 years ago.

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PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF NANCY E. PARRILLO

1 Q. Have you calculated the revenue impact of the reduced consumption for FY2017?

2 A. Yes, as shown in Exhibit NEP1, prorated for 8 months at Docket 4571 rates and 4 months at
3 Docket 4618 rates, the dollar shortfall is \$2,394,651.28.

4 Q. What is the current balance in the Restricted Revenue Reserve Fund?

5 A. The current balance in the Restricted Revenue Reserve Fund (as of August 31, 2017) is
6 \$4,669,372.94. This fund is fully funded as of August 31, 2017.

7 Q. What does Providence Water propose to do?

8 A. Providence Water is requesting authority from the Commission to transfer \$2,394,651.28 from
9 the Restricted Revenue Reserve Fund to the Operating Fund. This will result in an ending
10 balance as of August 31, 2017 of \$2,274,721.66 in the Restricted Revenue Reserve Fund.

11 Q. Does this conclude your testimony?

12 A. Yes.

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EXHIBIT NEP.1

Providence Water
Water Sales (hcf) FY2017

Customer Class	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Total	DK 4571/4618 *	Variance HCF
Residential	764,403	601,242	635,524	615,405	506,869	587,071	444,909	610,876	693,876	8,190,206	8,556,556	(366,350)
Commercial	390,051	336,529	301,842	300,209	221,719	288,525	164,158	288,351	352,275	3,923,978	4,329,728	(405,750)
Industrial	15,100	14,552	12,710	11,691	14,531	13,033	14,066	13,479	19,966	175,696	189,588	(13,892)
Total Retail	1,169,553	952,323	950,075	927,304	743,119	888,630	623,133	912,706	1,066,118	12,289,881	13,075,872	(785,991)
Wholesale	1,065,036	741,951	950,813	921,131	744,108	737,903	931,355	901,289	1,239,766	12,971,255	12,896,445	74,810
Total Consumption	2,234,590	1,694,274	1,900,888	1,848,436	1,487,227	1,626,533	1,554,488	1,813,994	2,305,884	25,261,135	25,972,317	(711,182)
Customer Class										Total	DK 4571/4618	Variance \$\$\$
Residential	\$ 2,328,439	\$ 1,829,325	\$ 1,811,097	\$ 1,869,562	\$ 611,533	\$ 3,106,030	\$ 1,494,317	\$ 2,065,686	\$ 2,359,605	\$ 25,816,891	\$ 27,070,092	\$ (1,253,200.95)
Commercial	\$ 1,121,885	\$ 963,329	\$ 859,847	\$ 857,161	\$ 282,605	\$ 1,445,712	\$ 523,168	\$ 930,405	\$ 1,135,551	\$ 11,785,362	\$ 13,025,264	\$ (1,239,902.16)
Industrial	\$ 50,528	\$ 47,451	\$ 43,224	\$ 38,860	\$ 39,151	\$ 59,131	\$ 49,760	\$ 51,575	\$ 55,198	\$ 580,891	\$ 560,234	\$ 20,657.50
Total Retail	\$ 3,500,852	\$ 2,840,105	\$ 2,714,168	\$ 2,765,583	\$ 933,289	\$ 4,610,872	\$ 2,067,245	\$ 3,047,666	\$ 3,550,355	\$ 38,183,144	\$ 40,655,590	\$ (2,472,445.61)
Wholesale	\$ 1,379,124	\$ 960,758	\$ 1,230,985	\$ 1,192,780	\$ 971,969	\$ 1,057,719	\$ 1,197,211	\$ 1,217,513	\$ 1,674,748	\$ 17,017,954	\$ 16,940,160	\$ 77,794.33
Total Consumption Revenue	\$ 4,879,976	\$ 3,800,862	\$ 3,945,153	\$ 3,958,363	\$ 1,905,258	\$ 5,668,592	\$ 3,264,456	\$ 4,265,179	\$ 5,225,103	\$ 55,201,099	\$ 57,595,750	\$ (2,394,651.28)

PROVIDENCE WATER
 CONSUMPTION/RATE ANALYSIS
 FOR FYE 6/30/17

EXHIBIT NEPIA

	(A) DK 4571 @12 Months	(B) DK 4571 @ 8 Months	(C) DK 4618 @ 12 Months	(D) DK 4618 @ 4 Months	(B+D) Blended Dockets	Prorated Allowed Rate Revenue
CONSUMPTION						
Residential	8,517,528	5,678,352.00	8,634,613	2,878,204	8,556,556	\$ 27,070,092.05
Commercial	4,427,015	2,951,343.33	4,135,153	1,378,384	4,329,728	\$ 13,025,264.06
Industrial	189,644	126,429.33	189,477	63,159	189,588	\$ 560,233.53
	13,134,187	8,756,124.67	12,959,243	4,319,748	13,075,872	\$ 40,655,589.64
Wholesale	12,898,865	8,992,433.33	12,891,606	4,297,202	12,896,445	\$ 16,940,160.16
	26,033,052	17,355,368.00	25,850,849	8,616,950	25,972,318	\$ 57,995,749.80

EXHIBIT NEP 2

**Providence Water
Water Sales (hcf)**

	FYE 08	FYE 09	FYE 10	FYE 11	FYE 12	FYE 13	FYE 14	FYE 15	FYE 16	Projected Dk 4571 (HCF)	FY16 vs D4571 Variance HCF
Wholesale											
East Providence	2,172,914	2,034,591	2,024,316	2,217,299	2,015,565	1,947,969	2,201,598	2,010,940	1,869,775	2,051,287	(181,512)
East Smithfield	358,783	318,002	300,103	311,937	279,817	272,257	278,534	318,959	280,994	291,029	(10,035)
Greenville	532,126	459,960	423,935	450,932	442,413	416,633	431,647	443,841	477,556	433,478	44,078
Kent County	3,249,131	2,663,178	2,602,627	2,717,984	2,800,752	2,424,743	2,561,361	2,561,821	2,381,066	2,636,527	(255,461)
Smithfield	490,053	454,602	394,162	413,570	438,706	436,247	497,433	477,254	427,370	420,671	6,699
Warwick	4,819,131	4,674,254	4,195,038	4,526,769	4,272,694	4,050,757	4,202,875	4,665,329	4,553,730	4,261,314	292,416
Lincoln	1,175,749	1,016,655	1,016,536	1,075,944	1,017,940	1,007,955	1,025,337	1,119,193	1,082,008	1,029,594	52,414
Cranston (Western)	-	-	-	-	-	-	-	-	-	-	-
Johnston	392,166	302,765	248,060	309,030	262,814	303,084	337,577	433,844	421,362	280,747	140,615
Bristol County	1,327,848	1,283,706	1,210,901	1,502,205	1,682,988	1,580,779	1,608,984	1,663,045	1,579,991	1,494,218	85,773
Total Wholesale	14,517,901	13,207,713	12,415,678	13,525,669	13,213,689	12,440,424	13,145,345	13,694,226	13,073,852	12,898,865	174,987
Retail											
Residential	10,192,807	9,201,454	8,482,954	8,754,316	8,487,320	8,345,520	8,627,628	8,347,957	8,269,834	8,517,528	(247,694)
Commercial	4,060,451	4,636,996	4,465,417	4,284,895	4,392,712	4,565,034	3,903,139	4,230,647	4,251,054	4,427,015	(175,961)
Industrial	377,235	198,132	190,880	181,838	201,227	184,632	185,888	171,644	164,367	189,644	(25,277)
Sub-total Retail	14,630,493	14,036,583	13,139,251	13,221,050	13,081,259	13,095,186	12,716,655	12,750,248	12,685,256	13,134,187	(448,931)
Total Consumption	29,148,394	27,244,296	25,554,929	26,746,719	26,294,948	25,535,610	25,862,000	26,444,474	25,759,107	26,033,052	(273,945)

**Docket No. 4618 - Providence Water Supply Board – General Rate Filing
Service List updated 7/13/16**

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