

GENERAL RATE FILING

**REBUTTAL TESTIMONY & EXHIBITS
OF ELDA GIL**

July 25, 2018

Submitted to:
State of Rhode Island and Providence
Plantations Public Utilities Commission

RIPUC Docket No. 4800

Submitted by:

SUEZ Water Rhode Island Inc.

1 **Q. State your name and business address.**

2 A. My name is Elda Gil and my business address is 461 From Road,
3 Paramus, New Jersey 07652.

4

5 **Q. Have you previously provided testimony in this proceeding?**

6 A. Yes, I have.

7

8 **Q. Are you adopting Testimony and Exhibits previously supplied by Ms. Arp for**
9 **purposes of this rebuttal?**

10 A. Yes, I am.

11

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

13 A. The purpose of my testimony is to address several operation and maintenance
14 expense adjustments made by Mr. Ralph Smith, witness for the Rhode Island Division
15 of Public Utilities and Carriers ("Division"), in the following areas:

- 16 ▪ Wages and Salaries Expense
- 17 ▪ Payroll Tax Expense
- 18 ▪ Transportation and Vehicle Lease Expense
- 19 ▪ Management & Services ("M&S") Expense
- 20 ▪ Power Expense
- 21 ▪ Chemical Expense

1 **Q. Are there any adjustments that SUEZ Water Rhode Island Inc. (the “Company”**
2 **or “SWRI”) proposes that Mr. Smith did not consider in his testimony?**

3 A. Yes, in response to data request COM 2-15, the Company is excluding the Holiday
4 party as it should be a non-recoverable expense. This was inadvertently included in
5 the rate case filing and was identified in response to data request COM 2-15.

6

7

8 **Q. Are there any Division adjustments that SWRI is not contesting?**

9 A. Yes. SWRI is not contesting the Division’s adjustments relating to:

- 10 ▪ Depreciation Expense related to the Customer Information System
- 11 ▪ Incentive Compensation Expense
- 12 ▪ Property Tax Expense
- 13 ▪ Unamortized Rate Case Expense

14

15 **Q. Have you provided exhibits to support the Company’s rebuttal position?**

16 A. Yes, they include all summary schedules and only those individual schedules that
17 have changed from the original filing.

18

19

Wages and Salaries Expense

20 **Q. Please summarize the Division’s Wages and Salaries Adjustment.**

21 A. The Division proposes three adjustments. First, the Division proposes to use a three-
22 year average to normalize overtime, labor transferred and capitalization. This
23 Division’s proposed average includes calendar years 2015 and 2016 and the Test
24 Year (i.e., the twelve months ended September 30, 2017). The second adjustment

1 eliminates the new position for a Customer Service / Data Entry Technician. Third, the
2 Division proposed to eliminate 40% of employee incentive compensation.

3

4 **Q. Does the Company agree with these adjustments?**

5 A. Not entirely. The Company agrees with the use of a three-year average to normalize
6 overtime, labor transferred and capitalization. Accordingly, in this Rebuttal Testimony,
7 the Company is calculating the average using calendar years 2015, 2016 and 2017,
8 instead of using the twelve months ended September 30, 2017, in order to be
9 consistent and not overlap information from 2016 and 2017.

10 The Company does not agree with the Division's proposal to eliminate the new
11 position for Customer Service / Data Entry Technician. An individual is actually
12 already working in this role as a temporary employee and the Company is in the
13 process of permanently hiring her. The Company's pro forma wages and salaries as
14 filed eliminated the amount for the temporary position in Exhibit 3 Schedule 13A, Line
15 8 in the amount of \$24,863 in order to include the position in Payroll. Mr. Smith
16 eliminated the employee because at the time his testimony was filed, the employee
17 had not been hired. However, Mr. Smith did not add back the temporary expense that
18 the Company deducted. Company Witness Christopher Jacobs will be discussing the
19 status of hiring this employee in his rebuttal testimony.

20 Lastly, the Company accepts Mr. Smith's adjustment with respect to employee
21 incentive compensation which allows the Company recovery of 60% of the incentive
22 compensation which corresponds to the portion of incentive compensation related to
23 the achievement of employee personal goals.

1 **Q. Does the Company have any updates to Wages and Salaries Expense?**

2 A. Yes. The Company updated the salary increases for 2018 which were originally
3 projected at 3%. In response to data request COM 1-19, the Company revised the pro
4 forma wages and salaries to reflect the actual salaries increase of 2.61%.

5

6 **Q. Please provide the Schedule numbers where the Company summarized the
7 propose adjustments to Wages and Salaries Expenses.**

8 A. The updated schedules for Wages and Salaries Expenses are Exhibit 3 Schedule 2-
9 2A-2B Rebuttal.

10

11

Payroll Tax Expense

12 **Q. What adjustments did the Division make to Payroll Tax Expense?**

13 A. The Division adjusted the Payroll Tax expense to reflect its proposal to eliminate the
14 Customer Service / Data Entry Technician position (discussed above), its adjustments
15 to overtime, and its adjustments to incentive compensation for SWRI's employees and
16 the incentive compensation allocated from M&S to SWRI.

17

18 **Q. Does the Company agree with the adjustment to Payroll Tax Expense?**

19 A. While the Company agrees that the adjustments to Wages and Salaries Expenses
20 directly affect Payroll Taxes, the Company does not agree with the Division's
21 adjustment to Payroll Taxes resulting from the elimination of a percentage of incentive
22 compensation allocated from M&S.

23 **Q. What adjustment does the Company propose to Payroll Tax Expense?**

1 A. The adjustment to Payroll Tax expense shown in Exhibit 3 Schedule 19A Rebuttal
2 reflects the flow through of the Division's adjustments to Wages and Salaries,
3 described above.

4
5 **Q. Why does the Company not adjust the Payroll Tax Expense for incentive**
6 **compensation allocated from M&S?**

7 A. The allocations from M&S are net and applying a Payroll Tax adjustment would result
8 in double counting or adjusting down the expense.

9

10 **Transportation and Vehicle Lease Expense**

11 **Q. Please summarize the Division's recommendation for Transportation Expense.**

12 A. The Transportation Expense adjustment is composed of vehicle leases, fuel,
13 maintenance, repair, insurance, depreciation and other miscellaneous costs, net of
14 transfers and capitalization. The Company has seven leased vehicles. For two of
15 these vehicles, the leases will end on August 31, 2018 and these vehicles will
16 subsequently be replaced. The leases on two other vehicles ended during 2017; the
17 Company currently pays only the taxes on these vehicles.

18

19 The Division adjusted the Transportation Expense that the Company filed for the two
20 vehicles that will be replaced in 2018 and eliminated the Transportation Expense that
21 it is paying for the leases which ended during 2017. For all other transportation items,
22 Mr. Smith applied a three-year average for normalization with inconsistent periods.
23 Specifically, Mr. Smith calculated the average using calendar years 2015, 2016 and
24 the twelve months ended September 30, 2017 for

1 Fuel, Transfers and Capitalization. However, he calculated the average for
2 Maintenance, Repair, Insurance and Other Miscellaneous using calendar years 2014,
3 2015 and 2016.

4
5 **Q. Do you agree with the Division's proposed adjustment?**

6 A. No. Regarding the two vehicles whose leases ended in 2017, the Company actually
7 pays the monthly taxes on each one. For the two vehicles whose leases end in
8 August 2018, the Company already ordered replacement vehicles. For the three-year
9 average normalization, as with Wages and Salaries expenses, I propose using
10 consistent periods rather than the Division's proposal to use inconsistent periods.

11

12 **Q. What do you propose?**

13 A. I propose to: 1) use a three-year normalization with calendar years 2015, 2016 and
14 2017; 2) include the cost for the two new vehicles that the Company will purchase to
15 replace the two vehicles whose leases will end in August 2018; and 3) update the
16 taxes for the two vehicles whose leases ended in 2017. These adjustments are
17 reflected in Exhibit 3 (Gil) Schedule 10, 10A and 10B Rebuttal. A copy of the new
18 leases are provided with the schedules.

19

Management & Services (M&S) Expense

20 **Q. What adjustments did the Division make to M&S Expense?**

21 A. The Division made two adjustments to M&S Expense. First, it recommended a three-
22 year historical average utilizing calendar years 2015, 2016 and 2017. Second, it
23 adjusted the incentive compensation allocated to SWRI.

24

1 **Q. Do you agree with the proposed adjustments?**

2 A. While the Company agrees with the adjustment made by Mr. Smith to only allow 60%
3 of the incentive compensation allocated to SWRI (which represents the incentive
4 compensation associated with the achievement of employee personal goals), the
5 Company does not agree with the Division's adjustment resulting from using a three-
6 year historical average utilizing calendar years 2015, 2016 and 2017. The Company
7 during these periods has changed the allocation process pursuant to a new contract
8 and costing methodology which includes items that were previously charged and
9 booked directly to the Company, known as corporate assumptions (General
10 Corporate Insurance, Corporate Property Insurance, Outside Services, etc.). Using a
11 straight average will not reflect all of these changes.

12

13 **Q. What do you propose?**

14 A. For the reasons previously stated, the Company proposes using the level of M&S
15 expenses as-filed, with the exception of adjusting for the 40% STIP disallowance
16 proposed by Mr. Smith, which is shown on Exhibit 3 Schedule 14, 14A Rebuttal.

17

Power

18 **Q. Please summarize the Division's recommendation for Power Expense.**

19 A. The Division proposes two adjustments. First, the Division proposes to use a three-
20 year average with calendar years 2015, 2016 and the 12 months ended 9/30/2017 to
21 calculate the rate year kWh for commodity and distribution, the non-revenue water
22 percentage to adjust the water production, and the other Utilities Power. Second, the
23 Division recommends disallowing the Company's proposal to calculate its rate year
24 kWh price for transmission and distribution using a 10.21% increase based on

1 National Grid's proposed rates in Commission Docket 4770. Since the Division filed
2 its testimony, this case has settled.

3

4 **Q. Do you agree with the proposed adjustment?**

5 A. While I agree with the first adjustment, the Company is updating the average to
6 include calendar years 2015, 2016 and 2017 to calculate the rate year kWh for
7 commodity and distribution and the non-revenue water percentage to adjust the billed
8 consumption and the other Utilities Power, as mentioned above, to keep the data
9 consistent.

10 With respect to the second adjustment, the Company originally filed an
11 increase of 10.21% based on National Grid's proposed rate increase. The Company
12 now changes its Power Expense based on an increase of 4.74% to reflect National
13 Grid's settlement in Commission Docket 4770.

14 These adjustments are referenced on Exhibit 3(Gil), Schedule 4, 4A Rebuttal.

15

Chemical Expense

16 **Q. Please summarize the Division's recommendation for Chemical Expense.**

17 A. The Division proposes to use a three-year average with calendar years 2015, 2016
18 and the 12 months ended 9/30/2017 to calculate the projected chemical usage for the
19 rate year and the non-revenue water percentage to adjust the water production.

20

21 **Q. Do you agree with the proposed adjustment?**

22 A. While I agree with the adjustment, the Company is updating the average to include
23 calendar years 2015, 2016 and 2017 to calculate the projected chemical usage for the
24 rate year and the non-revenue water percentage to adjust the water production. The

1 Company is also updating the prices of the chemicals provided in response to data
2 request COM 1-25.

3 These adjustments are referenced on Exhibit 3(Gil), Schedule 5, 5A Rebuttal.

4 **Other Operation and Maintenance Expenses**

5 **Q. What adjustments are you proposing to Other Operation and Maintenance**
6 **Expenses?**

7 A. The Company is excluding the Holiday party as it should be a non-recoverable
8 expense. This was inadvertently included in the rate case filing and was identified in
9 response to data request COM 2-15.

10

11

12

Depreciation Expense

13 **Q. Did the Company revise the amount for Depreciation Expense?**

14 A. The Company agrees with the depreciation adjustment recommended by Mr. Smith
15 for the CIS (Customer Information and Billing System) that reduces the proposed
16 depreciation rates by \$43,694. The Company does not agree with the proposed rates
17 for the following two plant accounts: Account 325 - Pumping Plant - Electric Pump,
18 and (2) Plant Account 343 - T&D. These are discussed in detail in Company Witness
19 John Spanos' Rebuttal Testimony.

20

21 **Q. Does the Company have a revised operation and maintenance expenses total**
22 **and Taxes Other than Income tax total?**

23 A. Yes. The total operation and maintenance expense proposed by the Company in its
24 original filing was \$2,514,887. As a result of the adjustments noted in my rebuttal

1 testimony above, the revised total for operation and maintenance expenses is
2 \$2,379,879. Please refer to Exhibit 3 (Gil), Schedule 1 Rebuttal, for the computation
3 of this amount and the supporting Schedules 2, 2A, 4, 4A, 5, 5A, 7, 10, 14, 16, 17,
4 17A. For Taxes other than Income, the original filing was \$549,653 and the revised
5 total is \$535,835 shown on Schedules 18, 19 and 20.

6

7 **Q. Does the Company have a revised Rate Base?**

8 A. Yes; the adjustments to Cash Working Capital and Deferred Rate Case Expense
9 included in Rate Base are discussed in Company Witness Gary Prettyman's Rebuttal
10 Testimony.

11 **Q. Does the Company have a revised Capital Structure and Cost Rates?**

12 A. No; the Capital Structure and Cost Rates are discussed in Company Witness Harold
13 Walker's Rebuttal Testimony.

14

15 **Q. As a result of all the adjustments in this Rebuttal, does the Company have a
16 revised revenue requirement?**

17 A. Yes; the Company's original filing requested an increase of \$1,024,856 and the
18 revised position after the adjustments in this Rebuttal is \$865,913 as shown on Exhibit
19 1 (Gil) Schedule 1 Rebuttal.

20

21 **Q. Does this conclude your rebuttal testimony?**

22 A. Yes; it does.