

February 28, 2019

Via E-mail/Federal Express Delivery


Ms. Luly Massaro, Commission Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

In re: Woonsocket Water Division – Docket No. 4879 – Rate Filing

Dear Luly:

On behalf of the Woonsocket Water Division (“WWD”), enclosed please find an original and nine (9) copies of the WWD Rebuttal Testimony of David G. Bebyn, CPA.

Very truly yours,


ALAN M. SHOER
ashoer@apslaw.com

Enclosure

cc: Service List

**Rebuttal Testimony
of
David G. Bebyn, CPA**

**Woonsocket Water Division
Docket 4879**

February 2019

1 **Q. Will you please provide your full name and your employer for the record?**

2 **A.** Yes, my name is David George Bebyn, CPA. I am the president of B&E Consulting
3 LLC.

4
5 **Q. Are you the same David Bebyn who filed direct testimony in this docket?**

6 **A.** Yes.

7
8 **Q. Have you reviewed the direct testimony filed by the witnesses from the Division
9 of Public Utilities and Carriers (“the Division”)?**

10 **A.** Yes. I would like to address aspects of each of those, starting with Mr. Jerome D.
11 Mierzwa on behalf of the Division.

12

13 **Direct Testimony of Jerome D. Mierzwa**

14

15 **Q. Please summarize your response to Mr. Mierzwa’s direct testimony.**

16 **A.** Mr. Mierzwa had reviewed Woonsocket Water Division’s (“WWD”) originally filed
17 rate design and cost of service. No adjustments were proposed to WWD’s originally filed
18 rate design and cost of service. Mr. Mierzwa did, however, recommend that WWD re-
19 examine and document the reasonableness of its historical one (1) percent assignment of
20 transmission mains to fire protection service in its next base rate application.

21

22 **Q. Can you address this recommendation?**

23 **A.** Yes. I believe that Mr. Mierzwa’s recommendation that WWD re-examine and
24 document the reasonableness of its historical one (1) percent assignment of transmission
25 mains to fire protection service in its next base rate application is reasonable in light of the
26 fact that WWD indicated it is considering upgrading 12-inch mains to address certain fire
27 flow issues discussed in the response to the Division’s Data Request, No. 3-3 regarding
28 WWD’s updated IRF Plan. WWD agrees to address this issue in its next base rate
29 application.

30

31

1 **Direct Testimony of Lafayette Morgan, Jr.**

2
3 **Q. Please summarize your response to Mr. Morgan's direct testimony.**

4 **A.** Mr. Morgan had seven rate year revenue and expense recommendations, together with
5 recommendation for DBO contract expenses, inflation escalation, and a proposed
6 modification to the step increases. The first adjustment was to increase Service
7 and Extension Revenue, Miscellaneous Revenues and Interest on Bills of \$1,610, \$4,031
8 and \$3,421, respectively. The second adjustment was to decrease pension expenses by
9 \$14,005. The third adjustment was to decrease the National Grid portion of the electrical
10 expenses by \$8,519. The fourth adjustment was to decrease the rate year property tax
11 expenses by \$5,204. The fifth adjustment was to decrease medical and dental insurance
12 expenses by \$141,007 and \$10,107, respectively. The sixth adjustment was to reduce the
13 city service charge operating expenses by \$63,167. The seventh adjustment was to
14 decrease rate case expenses by \$32,500.

15
16 Regarding the DBO contract, Mr. Morgan made a recommendation to reduce the annual
17 Renewal and Replacement for years three, four and five of the step increases. In addition,
18 Mr. Morgan recommends a different approach for calculating the Inflation Escalation used
19 in years two through five of the step increases. Lastly, years four and five of the step increases,
20 are limited only to recovering the increases in the debt funding reserve, the contractual
21 increases in the DBO contract and the corresponding increases in the operating reserve.

22
23 **Q. Can you address the first recommendation – increasing Service and Extension**
24 **Revenue, Miscellaneous Revenues and Interest on bills?**

25 **A.** Yes. I believe that Mr. Morgan's recommendation to increase Service and Extension
26 Revenue, Miscellaneous Revenues and Interest on bills were de minimis and reasonable in
27 light of the fact that WWD maintains its books on a fiscal year basis and that these
28 accounts are only posted at June year ending instead of the December year ending
29 unadjusted Test Year. WWD accepts this adjustment.

1 **Q. Mr. Bebyn do you agree with the second recommendation – decrease pension**
2 **expense?**

3 **A.** Yes. I believe that Mr. Morgan’s recommendation to decrease pension expense is
4 reasonable considering updated information provided in the response the Division’s Data
5 Request, No. 2-14. WWD accepts this adjustment.

6
7 **Q. Can you address the third recommendation – electrical expenses?**

8 **A.** Yes. I believe that Mr. Morgan’s recommendation to decrease the National Grid
9 portion of the electrical expenses is reasonable in light of WWD agreeing to this reduction
10 in response to the Division’s Data Request, No. 2-15. WWD accepts this adjustment. Mr.
11 Morgan also proposed that since WWD’s current power supply contract is expiring and it
12 is probable that a new contract will be executed, WWD should update its filing for the new
13 power supply contract rate. The current contract had a fixed rate of \$.040191 and a variable
14 capacity charge rate. Taking an average of calendar year 2018 Direct Energy KWH and
15 total bills, the total rate averaged \$0.089856 (both fixed and capacity charge). The rate for
16 the new contract under Constellation NewEnergy, Inc. is an all-in rate of \$0.0707. This is a
17 21.32% reduction in the purchase energy cost, which will reduce the rate year by \$46,644.

18
19 **Q. Mr. Bebyn do you agree with the fourth recommendation – decrease property tax**
20 **expenses?**

21 **A.** Yes. I believe that Mr. Morgan’s recommendation to decrease property tax expenses
22 based upon a three-year average to be reasonable. WWD accepts this adjustment.

23
24 **Q. Mr. Bebyn do you agree with the fifth recommendation – decrease medical and**
25 **dental insurance expense?**

26 **A.** Yes. I believe that Mr. Morgan’s recommendation to decrease medical and dental
27 insurance expenses is reasonable considering the updated information provided in the
28 response to the Division’s Data Request, No. 2-18. WWD accepts this adjustment.

29
30 **Q. Mr. Bebyn does WWD agree with the sixth recommendation – to lower the City**
31 **service charge expense?**

1 **A.** Partially. Mr. Morgan's recommendation to decrease city service charge by \$63,167
2 which was in light to the WWD response to the Division's Data Request, No. 2-28 that
3 indicated the July thru December 2017 balance on Schedule DGB-TY-3 had more than six
4 (6) months of activity that should have been adjusted on Schedule DGB-TY-1. However,
5 the response to the Division's Data Request, No. 2-29 indicates that based upon this factor,
6 the FYE Dec. 2017 balance should have been \$322,769. Using \$322,769 would result in a
7 \$49,291 reduction. WWD accepts that this account should be adjusted; however, WWD
8 would agree only to a \$49,291 adjustment.

9

10 **Q. Mr. Bebyn, does WWD agree with the seventh recommendation – to rate case**
11 **expense?**

12 **A.** Partially. Mr. Morgan correctly points out that WWD on Schedule DGB-RY-3, the
13 annual amount included in the cost of service was determined based upon a 3-year
14 amortization of \$200,000 of rate case expense and that the electronic version of Schedule
15 DGB-RY-3 is based upon a 4-year amortization of \$250,000 in rate case expense. Mr.
16 Morgan recommends the Commission of Public Utilities adopt the \$150,000 as a
17 reasonable level of rate case expense and that that balance be averaged over five (5) years.
18 The footnote on DGB-RY-3 indicates that a three (3)-year amortization of \$200,000 of rate
19 case expense was a typo. The \$250,000, however, was not addressing only the base filing
20 by the compliance filings for each of step increases. I assumed the base filing to be
21 \$170,000 and that each compliance filing to be \$20,000. If WWD agrees with the \$150,000
22 base filing, then the WWD total would be \$230,000. WWD accepts that this account
23 should be adjusted, however, would only agree to a \$16,500 adjustment, which would be
24 calculated on a \$230,000 total amortized over 5 years.

25

26 **Q. Mr. Bebyn do you agree with Mr. Morgan's recommendation regarding the**
27 **Renewal and Replacement portion of the DBO contract?**

28 **A.** No. Mr. Morgan's recommendation is assuming that the Renewal and Replacement of
29 the DBO contract is paid on a pay as you go basis. Mr. Morgan uses the annual Renewal
30 and Replacement costs presented in response to the Division's Data Request, No. 4-10 to
31 adjust the DBO contract annual service fee for the new plant. The problem is that the

1 \$105,733 Renewal and Replacement used in my originally filed testimony is the embedded
2 average cost for Renewal and Replacement which is charged each year in the annual
3 service fee of the contract for the new plant. This is further explained in Section 3.11.2 of
4 the service contract which was attached to WWD's response to the Division's Data
5 Request, No. 1-2. WWD accepts this adjustment.

6
7 **Q. Mr. Bebyn do you agree with Mr. Morgan's recommendation regarding the**
8 **Inflation Escalation?**

9 **A.** Yes. I believe that Mr. Morgan's recommendation to adjust the Inflation Escalation was
10 di minimis, but reasonable. WWD accepts the inflation factors Mr. Morgan uses in his
11 testimony.

12
13 **Q. What is your opinion of the proposed step increases?**

14 **A.** Aside from the DBO contract and inflation items directly addressed above, WWD is in
15 agreement that the years four and five of the step increases, WWD will be allowed to
16 recover the increases in the debt funding reserve, the contractual increases in the DBO
17 contract and the corresponding increases in the operating reserve fund while removing
18 property tax, labor and non-labor inflation increases on other costs. WWD appreciates that
19 the Division has recognized the need for this multiyear approach because of this crucial
20 aspect of the new WTP cost, the Division is willing not to oppose recognizing these costs
21 through the step increases.

22
23 **Q. Does that conclude your rebuttal testimony?**

24 **A.** Yes.