

Rebuttal Testimony
of
RICKY CARUOLO
before the
PUBLIC UTILITIES COMMISSION

for

PROVIDENCE WATER

DOCKET #4994

June 2020

1 **Q. Please state your full name and title.**

2 A. Ricky Caruolo, General Manager of the Providence Water Supply Board (Providence
3 Water).

4 **Q. How long have you been employed at Providence Water?**

5 A. I have been employed at Providence Water for more than 27 years. I was appointed
6 General Manager on June 11, 2014.

7 **Q. Please describe your education and work experience.**

8 A. I graduated from the University of Rhode Island in 1990 with a Bachelor of Science in
9 Finance and a Bachelor of Science in Management. I also graduated from Providence
10 College in 1994 with a Master of Business Administration. As an employee of
11 Providence Water, I have held various management positions in the finance department,
12 commercial services department and in executive management.

13 **Q. What are your duties and responsibilities?**

14 A. I am responsible for managing the operations of a public water supply system that serves
15 more than 600,000 people. I provide administrative, financial and supervisory oversight
16 of all divisions within the organization.

17 **Q. Do you belong to any professional organizations or committees?**

18 A. Yes. I belong to the American Water Works Association, the New England Water Works
19 Association and the Rhode Island Water Works Association.

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

21 A. To provide rebuttal testimony and additional information supporting Providence Water's
22 multi-year rate increase.

1 **Q. Do you have any information with regard to the ownership of 552 Academy Avenue,**
2 **if yes please explain?**

3 A. Yes. In Docket 2048, Providence Water initially requested funding for rent payments to
4 the City of Providence for the use of 552 Academy Avenue. The Commission denied the
5 request. Additional similar requests were made in Docket 2304 and 3163 which were
6 also denied by the Commission.

7 In 2010, the property at 552 Academy Avenue was utilized by the Providence Public
8 Building Authority (PPBA) of the City of Providence as collateral for a new bond issue.
9 The title to the property was in the City's name before that transaction. It is my
10 understanding that the deed was presented to the Commission during the hearings in
11 Docket 4406 when Providence Water provided evidence that the building was owned by
12 the City of Providence. It is my understanding that the Commission has accepted that
13 552 Academy Avenue has been owned by the City for many years.

14 **Q. Did Providence Water explore the possibility of selling the Renewable Energy**
15 **Certificates (RECs) that would be produced by the new solar array?**

16 A. Yes, and after careful consideration we determined that retiring the RECs would be much
17 more beneficial to the environment as opposed to the monetary value of selling them. As
18 I previously documented in my initial testimony, it is Providence Water's goal to
19 virtually eliminate our carbon footprint by utilizing 100% renewable power. The new
20 solar array will allow us to reach this goal and have a positive impact on the environment
21 while saving money for our rate payers.

22

1 **Q. Why is it so important for Providence Water to utilize 100% renewable power?**

2 A. Please refer to my initial testimony and BCWA 1-40 where I stated that Providence
3 Water shares an enormous responsibility to lead by example and implement
4 environmentally friendly initiatives throughout our organization. Utilizing 100%
5 renewable power will have a long lasting positive impact on the environment. We
6 believe that the positive impact is much more important than selling the RECs which
7 would at best have a negligible impact on our rates based on the analysis provided in
8 BCWA 1-40. In addition, we have learned from our solar consultant that the REC
9 program could be eliminated in the future.

10 **Q. Did Providence Water's board make a policy decision to retire the RECs?**

11 A. Yes. The Board passed this policy on June 26, 2019. Please see the attached.

12 **Q. Should the property tax refund account be reduced, if not please explain?**

13 A. No, it should not be reduced. Maintaining the current balance in the restricted tax refund
14 account has directly saved money for our rate payers. The funding for legal fees and
15 expert fees for appraisers provides Providence Water with a tool that we are able to
16 utilize when disputing and seeking to reduce tax bills with political and legal
17 representatives of various municipalities. Most municipalities do not have many dollars
18 budgeted for legal fees to go to court for a final resolution of a complex tax dispute.
19 Therefore, they are more willing to resolve these disputes in a fair and equitable manner
20 as opposed to dragging out legal proceedings and running the risk of having to refund
21 money, together with added legal and expert expenses.

22

1 **Q. Please provide specific examples where rate payers benefitted from the negotiations.**

2 A. In 2001, Providence Water disputed the tax bills issued by the Town of Scituate, and a
3 long legal battle commenced, lasting approximately 8 years. The courts eventually sided
4 with Providence Water, which resulted in a refund of approximately \$5 million dollars
5 for our rate payers, together with a significant going forward reduction of about \$9
6 million in our taxes. This covered a 17-year period from 2001-2017. The legal battle
7 was costly for both parties, but having the financial ability to go back to court if
8 necessary has provided Providence Water with a valuable tool during the negotiations
9 that ultimately has saves money for our rate payers.

10 The Scituate tax treaty was renegotiated in 2017 for only two years (2018-2019) without
11 any significant change as Scituate officials contemplated whether they should challenge
12 our position during the next round of negotiations. In 2019, Providence Water once again
13 negotiated a favorable tax agreement for our rate payers because we only agreed to pay the
14 same future tax rate increases that were applied to all property owners in Scituate. The
15 recent 10-year deal that was signed in 2019 also eliminated taxation all land purchased
16 from 2009 forward.

17 In 2012, Providence Water and the Town of Foster came to an agreement covering the
18 tax years from 2003-2012, and an additional ten years beyond 2012. Providence officials
19 (Mayor, City Council President, etc.) signed off on all the necessary documentation, but
20 Foster political leaders held off because of local elections and the deal eventually fell
21 through. The new political leaders attempted to negotiate an agreement that was much
22 more favorable to the town, but Providence Water rejected it, and it appeared that the

1 dispute would have to be resolved in court. The cost of litigating the dispute concerned
2 town officials and they eventually agreed to terms that resulted in a refund of
3 approximately \$1.6 million for our rate payers.

4 We challenged our taxes in Cranston and received a tax refund of \$1.5 million.

5 We also litigated and negotiated significant tax reductions to benefit our rate payers with
6 the town of Glocester in which we received a refund of approximately of \$123,000 and a
7 savings of approximately \$139,000 pursuant to a new tax treaty.

8 In my opinion, none of this would have been possible without a significant fund for
9 Providence Water to draw upon to cover legal and expert appraisal fees. It is our goal to
10 continually monitor Providence Water property taxes every year and to challenge any
11 municipal taxation that is unjustified. Having this fund allows us to effectively do that
12 and I believe it should be maintained because Providence Water rate payers have already
13 benefitted from savings of a minimum of \$17.5 million over recent years.

14 **Q. Does this conclude your testimony?**

15 A. Yes.

Providence Water

General Policy Renewable Energy

POLICY: It is the policy of the Board of Directors of Providence Water to promote green renewable energy and install the necessary renewable systems to supply all of Providence Water's electricity demands. It is also the policy of Providence Water to maintain ownership or exclusive rights to all associated Renewable Energy Certificates (RECs) created through our systems in order to receive the social and environmental value of all electricity produced by our renewable energy systems.

GOAL: It is the goal of Providence Water to produce enough renewable electricity in order for Providence Water to become 100% green and utilize all electricity from our own in-house renewable energy systems.

STRATEGY: A REC is a tradable, market-based instrument that represents the legal property rights to the social, environmental and other non-power attributes of renewable electricity generation. A REC is issued for every megawatt hour (MWh) of electricity generated and delivered to the electrical grid from a renewable energy source. Electricity cannot be considered renewable without an associated REC to substantiate the renewable attribute. Maintaining ownership of the RECs created through our systems will allow Providence Water to take a community leadership role by being reliant on renewable energy to power our facilities.

AUTHORITY: The General Manager shall ensure the implementation of practices and procedures consistent with this policy, as empowered by the Board of Directors on the 26th day of June 2019.

Attested by:



Carissa R. Richard
Secretary for the Board