



June 2, 2021

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

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

RE: Dk 4994; New Cost of Service Study

Dear Mrs. Massaro:

Enclosed please find Providence Water's responses to the eight (8th) set of data requests from the Division of Public Utilities.

Thank you for your attention to this matter.

Sincerely,

Mary L. Deignan-White

Mary L. Deignan-White
Division Manager-Finance

cc: service list(via email)

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PROVIDENCE WATER SUPPLY BOARD
RIPUC DK. 4994
Division of Public Utilities Set 8
NEW COST OF SERVICE STUDY

(Issued May 12, 2021)

DIV 8-1: Reference HJS-17:Units of Service in the April 1, 2021 new COSS. Please explain why the Base, Maximum Day, and Maximum Hour determinants for the Retail class for CTA-Supply, Treatment & Low Service are identical to those for High Service & Retail when all retail customers are not served by the low-pressure system.

Response:

All retail customers use the low pressure system. In addition, some customers require additional pumping and or elevated storage to meet their demands based on their location and usage characteristics. That said, retail customers, as a class, use all of Providence Water's assets to receive water service.

PROVIDENCE WATER SUPPLY BOARD
RIPUC DK. 4994
Division of Public Utilities Set 8
NEW COST OF SERVICE STUDY

(Issued May 12, 2021)

DIV 8-2: Reference HJS-15a: Pro-Forma Water Sales and Schedule HJS-17: Units of Service in the April 1, 2021 new COSS. Please explain why the Retail Pro Forma Rate Year volumes of 16,108,376 in HJS-17 exceed the Base volumes reflected on HJS-15a of 12,625,027

Response:

The difference (3,483,349 HCF) is non-revenue water (NRW). The amount on HJS-15 represents pro-forma water sales only. HJS-17 includes the pro-forma sales volumes from HJS-15, plus the retail class' allocated share of NRW from HJS-15b. HJS-16a includes all three figures under the "Base Demand" header:

- Rate Year Sales: 12,625,027 HCF
- Plus NRW: 3,483,349 HCF
- Base: 16,108,376 HCF

PROVIDENCE WATER SUPPLY BOARD
RIPUC DK. 4994
Division of Public Utilities Set 8
NEW COST OF SERVICE STUDY

(Issued May 12, 2021)

DIV 8-3: Reference the Compliance Testimony of Harold J. Smith dated April 21, 2021, page 14, lines 24-27:

- a. Is it correct that Mr. Smith's testimony does not include these alternative rate structures? If no, identify the schedules in which these rate structures are presented; and
- b. If yes, please provide such rates complete with supporting calculations and workpapers.

Response:

- a. Yes.
- b. Revised versions of Schedule HJS-15 under the two options have been attached. The excel file used to calculate the two options has been provided via email to the service list as "DIV 8-3, New COSS.xlsm".

The "1/3rd Phase-In" option applies 1/3rd of the change in wholesale rates from the FY 2022 compliance rates to the FY 2023 cost of service rates, using the approved FY 2023 revenue requirement. This increases the revenue from wholesale customers relative to a pure cost of service rate calculation. To remain revenue neutral, I decreased the retail volume rates. All other charges were calculated according to cost of service.

The "Cap" version caps the increase to any given class at 1.75x the overall revenue increase, or 6.86%. The classes which would be capped are: retail, Greenville, Lincoln and Smithfield. Bristol County's 3.59% increase was maintained. To remain revenue neutral I made the following adjustments relative to a pure cost of service rate calculation:

1. Reduced the calculated reduction for Kent County and Warwick.
2. Held East Providence's rate constant.

Kent County and Warwick share in the cost of the cap in proportion to their calculated FY 2023 cost of service, after accounting for the additional revenue from holding the East Providence rate constant. East Providence does not fully share in the cost of the cap because doing so would result in a rate increase, which would run counter to the intent of the phase-in (i.e., an incremental step towards cost of service).

Note that these are two options among many reasonable approaches to phasing in the rates and mitigating rate shock for the impacted customers. The manner in which gradualism is ultimately applied is a policy decision.

Schedule HJS-22: Proposed Rates - 1/3rd Phase-In

Providence Water Supply Board
Docket # 4994
Individual Wholesale Cost of Service Study
Per RIPUC Report and Order No. 23928
Test Year Ending June 30, 2019
Rate Years Ending June 30, 2021 through 2023

Description	Units	FY 2022 - Compliance		FY 2023 - Cost of Service			FY 2023 - 1/3rd Phase-In		
		Rates	Revenue	% Change	Rates	Revenue	% Change	Rates	Revenue
Service Charges									
5/8"	57,812	\$ 10.47	\$ 7,260,244	1.38%	\$ 10.61	\$ 7,360,624	1.38%	\$ 10.61	\$ 7,360,624
3/4"	11,326	\$ 11.15	\$ 1,515,560	1.34%	\$ 11.30	\$ 1,535,806	1.34%	\$ 11.30	\$ 1,535,806
1"	5,335	\$ 13.16	\$ 842,214	1.33%	\$ 13.33	\$ 853,387	1.33%	\$ 13.33	\$ 853,387
1.5"	1,547	\$ 15.82	\$ 293,767	1.30%	\$ 16.03	\$ 297,581	1.30%	\$ 16.03	\$ 297,581
2"	1,357	\$ 23.20	\$ 377,769	1.30%	\$ 23.50	\$ 382,674	1.30%	\$ 23.50	\$ 382,674
3"	73	\$ 77.53	\$ 67,916	1.30%	\$ 78.54	\$ 68,801	1.30%	\$ 78.54	\$ 68,801
4"	35	\$ 97.66	\$ 41,017	1.30%	\$ 98.93	\$ 41,551	1.30%	\$ 98.93	\$ 41,551
6"	57	\$ 144.60	\$ 98,910	1.30%	\$ 146.48	\$ 100,192	1.30%	\$ 146.48	\$ 100,192
8"	42	\$ 198.25	\$ 99,918	1.30%	\$ 200.82	\$ 101,213	1.30%	\$ 200.82	\$ 101,213
10"	4	\$ 246.87	\$ 11,850	1.29%	\$ 250.07	\$ 12,003	1.29%	\$ 250.07	\$ 12,003
12"	-	\$ 295.50	\$ -	1.29%	\$ 299.32	\$ -	1.29%	\$ 299.32	\$ -
Total Service Charge	77,588		\$ 10,609,165	1.36%		\$ 10,753,832	1.36%		\$ 10,753,832
Retail Fire Protection Service Charges (Providence Only)									
5/8"	25,954	\$ 1.92	\$ 597,995	1.56%	\$ 1.95	\$ 607,324	1.56%	\$ 1.95	\$ 607,324
3/4"	4,580	\$ 2.87	\$ 157,709	1.41%	\$ 2.91	\$ 159,934	1.41%	\$ 2.91	\$ 159,934
1"	2,091	\$ 7.13	\$ 178,946	1.38%	\$ 7.23	\$ 181,415	1.38%	\$ 7.23	\$ 181,415
1.5"	902	\$ 19.02	\$ 205,885	1.31%	\$ 19.27	\$ 208,578	1.31%	\$ 19.27	\$ 208,578
2"	792	\$ 45.63	\$ 433,644	1.30%	\$ 46.22	\$ 439,275	1.30%	\$ 46.22	\$ 439,275
3"	55	\$ 123.55	\$ 81,541	1.30%	\$ 125.15	\$ 82,599	1.30%	\$ 125.15	\$ 82,599
4"	20	\$ 209.07	\$ 50,178	1.29%	\$ 211.78	\$ 50,827	1.29%	\$ 211.78	\$ 50,827
6"	28	\$ 427.65	\$ 143,692	1.29%	\$ 433.19	\$ 145,552	1.29%	\$ 433.19	\$ 145,552
8"	15	\$ 646.23	\$ 116,322	1.29%	\$ 654.59	\$ 117,826	1.29%	\$ 654.59	\$ 117,826
10"	2	\$ 988.36	\$ 23,721	1.29%	\$ 1,001.14	\$ 24,027	1.29%	\$ 1,001.14	\$ 24,027
12"	-	\$ 1,634.58	\$ -	1.29%	\$ 1,655.72	\$ -	1.29%	\$ 1,655.72	\$ -
Total Retail FPSC (Providence Only)	34,439		\$ 1,989,631	1.39%		\$ 2,017,357	1.39%		\$ 2,017,357
Total Retail Service Charge Revenue			\$ 12,598,796	1.37%		\$ 12,771,189	1.37%		\$ 12,771,189
Retail Consumption Charges									
Residential	8,396,176	\$ 3.873	\$ 32,516,684	8.86%	\$ 4.216	\$ 35,398,278	7.42%	\$ 4.160	\$ 34,929,815
Commercial	4,041,665	\$ 4.058	\$ 16,402,983	8.00%	\$ 4.383	\$ 17,714,618	6.57%	\$ 4.325	\$ 17,480,181
Industrial	187,186	\$ 3.690	\$ 690,770	9.77%	\$ 4.051	\$ 758,291	8.32%	\$ 3.997	\$ 748,255
Total Retail Consumption Charge	12,625,027		\$ 49,610,436	8.59%		\$ 53,871,186	7.15%		\$ 53,158,252
East Smithfield Debt Surcharge	235,576	\$ 0.350	\$ 82,451	0.00%	\$ 0.350	\$ 82,451	0.00%	\$ 0.350	\$ 82,451
Total Retail Volume Charge Revenue			\$ 49,692,888	8.57%		\$ 53,953,638			\$ 53,240,703
Total Retail Revenue			\$ 62,291,684	7.12%		\$ 66,724,827	5.97%		\$ 66,011,892

Schedule HJS-22: Proposed Rates - 1/3rd Phase-In

Providence Water Supply Board
Docket # 4994
Individual Wholesale Cost of Service Study
Per RIPUC Report and Order No. 23928
Test Year Ending June 30, 2019
Rate Years Ending June 30, 2021 through 2023

Description	Units	FY 2022 - Compliance		FY 2023 - Cost of Service			FY 2023 - 1/3rd Phase-In		
		Rates	Revenue	% Change	Rates	Revenue	% Change	Rates	Revenue
Wholesale Charges									
Bristol County	1,494,845	\$ 1.637161	\$ 2,447,301	3.59%	\$ 1.695888	\$ 2,535,090	1.20%	\$ 1.656736	\$ 2,476,564
East Providence	1,822,773	\$ 1.673692	\$ 3,050,760	-3.77%	\$ 1.610633	\$ 2,935,818	-1.26%	\$ 1.652672	\$ 3,012,446
Greenville	421,521	\$ 1.718264	\$ 724,285	14.40%	\$ 1.965627	\$ 828,554	4.80%	\$ 1.800718	\$ 759,041
Kent County	2,727,147	\$ 1.634723	\$ 4,458,129	-28.16%	\$ 1.174359	\$ 3,202,650	-9.39%	\$ 1.481268	\$ 4,039,636
Lincoln	1,038,229	\$ 1.688999	\$ 1,753,567	13.68%	\$ 1.920075	\$ 1,993,477	4.56%	\$ 1.766024	\$ 1,833,537
Smithfield	391,600	\$ 1.725918	\$ 675,870	48.73%	\$ 2.566966	\$ 1,005,225	16.24%	\$ 2.006268	\$ 785,655
Warwick	3,466,644	\$ 1.756228	\$ 6,088,219	-7.56%	\$ 1.623448	\$ 5,627,917	-2.52%	\$ 1.711968	\$ 5,934,785
Total Wholesale Revenue	11,362,760		\$ 19,198,131	-5.57%		\$ 18,128,729	-1.86%		\$ 18,841,664

Wholesale Charges									
Bristol County	1,118	\$ 2,188.72	\$ 2,447,301	3.59%	\$ 2,267.23	\$ 2,535,090	1.20%	\$ 2,214.89	\$ 2,476,564
East Providence	1,363	\$ 2,237.56	\$ 3,050,760	-3.77%	\$ 2,153.25	\$ 2,935,818	-1.26%	\$ 2,209.45	\$ 3,012,446
Greenville	315	\$ 2,297.14	\$ 724,285	14.40%	\$ 2,627.84	\$ 828,554	4.80%	\$ 2,407.38	\$ 759,041
Kent County	2,040	\$ 2,185.46	\$ 4,458,129	-28.16%	\$ 1,570.00	\$ 3,202,650	-9.39%	\$ 1,980.30	\$ 4,039,636
Lincoln	777	\$ 2,258.02	\$ 1,753,567	13.68%	\$ 2,566.95	\$ 1,993,477	4.56%	\$ 2,361.00	\$ 1,833,537
Smithfield	293	\$ 2,307.38	\$ 675,870	48.73%	\$ 3,431.77	\$ 1,005,225	16.24%	\$ 2,682.18	\$ 785,655
Warwick	2,593	\$ 2,347.90	\$ 6,088,219	-7.56%	\$ 2,170.39	\$ 5,627,917	-2.52%	\$ 2,288.73	\$ 5,934,785
Wholesale (per million gallons)	8,499		\$ 19,198,131	-5.57%		\$ 18,128,729	-1.86%		\$ 18,841,664

Description	Units	FY 2022 - Compliance		FY 2023 - Cost of Service			FY 2023 - 1/3rd Phase-In		
		Rates	Revenue	% Change	Rates	Revenue	% Change	Rates	Revenue
Private Fire Service Charges									
3/4"	2	\$ 11.96	\$ 287	1.31%	\$ 12.12	\$ 291	1.31%	\$ 12.12	\$ 291
1"	9	\$ 14.14	\$ 1,527	1.30%	\$ 14.32	\$ 1,547	1.30%	\$ 14.32	\$ 1,547
1-1/2"	2	\$ 17.41	\$ 418	1.34%	\$ 17.64	\$ 423	1.34%	\$ 17.64	\$ 423
2"	68	\$ 25.80	\$ 21,057	1.30%	\$ 26.14	\$ 21,330	1.30%	\$ 26.14	\$ 21,330
4"	391	\$ 110.28	\$ 517,415	1.30%	\$ 111.71	\$ 524,143	1.30%	\$ 111.71	\$ 524,143
6"	1,245	\$ 179.79	\$ 2,686,034	1.30%	\$ 182.12	\$ 2,720,873	1.30%	\$ 182.12	\$ 2,720,873
8"	256	\$ 272.30	\$ 836,501	1.29%	\$ 275.82	\$ 847,319	1.29%	\$ 275.82	\$ 847,319
10"	4	\$ 379.34	\$ 18,208	1.29%	\$ 384.24	\$ 18,444	1.29%	\$ 384.24	\$ 18,444
12"	18	\$ 508.87	\$ 109,915	-4.03%	\$ 488.38	\$ 105,490	-4.03%	\$ 488.38	\$ 105,490
16"	-	\$ 794.62	\$ -	-8.20%	\$ 729.44	\$ -	-8.20%	\$ 729.44	\$ -
Total			\$ 4,191,361	1.16%		\$ 4,239,860	1.16%		\$ 4,239,860
Hydrants (Excluding Providence)	3,318	\$ 628.42	\$ 2,085,114	1.29%	\$ 636.55	\$ 2,112,073	1.29%	\$ 636.55	\$ 2,112,073
Total Fire Protection Charge Revenue			\$ 6,276,475			\$ 6,351,933			\$ 6,351,933
Total Rate Revenues			\$ 87,766,290			\$ 91,205,489			\$ 91,205,489
Miscellaneous Revenues			1,543,163			1,543,163			1,543,163
Total Revenues			\$ 89,309,453	3.85%		\$ 92,748,652	3.85%		\$ 92,748,652

Schedule HJS-22: Proposed Rates - Increase Cap

Providence Water Supply Board	Revenue Increase	3.92%
Docket # 4994	Cap (times revenue increase)	1.75
Individual Wholesale Cost of Service Study	Rev Increase Cap	6.86%
Per RIPUC Report and Order No. 23928		
Test Year Ending June 30, 2019		
Rate Years Ending June 30, 2021 through 2023		

Description	Units	FY 2022 - Compliance			FY 2023 - Cost of Service			FY 2023 - Increase Cap		
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Service Charges										
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10"	4	\$ 246.87	\$ 11,850	1.29%	\$ 250.07	\$ 12,003	1.29%	\$ 250.07	\$ 12,003	
12"	-	\$ 295.50	\$ -	1.29%	\$ 299.32	\$ -	1.29%	\$ 299.32	\$ -	
Total Service Charge	77,588		\$ 10,609,165	1.36%		\$ 10,753,832	1.36%		\$ 10,753,832	
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4"	20	\$ 209.07	\$ 50,178	1.29%	\$ 211.78	\$ 50,827	1.29%	\$ 211.78	\$ 50,827	
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10"	2	\$ 988.36	\$ 23,721	1.29%	\$ 1,001.14	\$ 24,027	1.29%	\$ 1,001.14	\$ 24,027	
12"	-	\$ 1,634.58	\$ -	1.29%	\$ 1,655.72	\$ -	1.29%	\$ 1,655.72	\$ -	
Total Retail FPSC (Providence Only)	34,439		\$ 1,989,631	1.39%		\$ 2,017,357	1.39%		\$ 2,017,357	
Total Retail Service Charge Revenue			\$ 12,598,796	1.37%		\$ 12,771,189	1.37%		\$ 12,771,189	

Description	Units	FY 2022 - Compliance			FY 2023 - Cost of Service			FY 2023 - Increase Cap		
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Retail Consumption Charges										
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Commercial	4,041,665	\$ 4.058	\$ 16,402,983	8.00%	\$ 4.383	\$ 17,714,618	7.68%	\$ 4.370	\$ 17,662,673	
Industrial	187,186	\$ 3.690	\$ 690,770	9.77%	\$ 4.051	\$ 758,291	9.45%	\$ 4.039	\$ 756,067	
Total Retail Consumption Charge	12,625,027		\$ 49,610,436	8.59%		\$ 53,871,186	8.27%		\$ 53,713,219	
East Smithfield Debt Surcharge	235,576	\$ 0.350	\$ 82,451	0.00%	\$ 0.350	\$ 82,451	0.00%	\$ 0.350	\$ 82,451	
Total Retail Volume Charge Revenue			\$ 49,692,888	8.57%		\$ 53,953,638			\$ 53,795,671	
Total Retail Revenue			\$ 62,291,684	7.12%		\$ 66,724,827	6.86%		\$ 66,566,860	

Schedule HJS-22: Proposed Rates - Increase Cap

Providence Water Supply Board
Docket # 4994
Individual Wholesale Cost of Service Study
Per RIPUC Report and Order No. 23928
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Rate Years Ending June 30, 2021 through 2023

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Wholesale Charges									
Bristol County	1,494,845	\$ 1.637161	\$ 2,447,301	3.59%	\$ 1.695888	\$ 2,535,090	3.59%	\$ 1.695888	\$ 2,535,090
East Providence	1,822,773	\$ 1.673692	\$ 3,050,760	-3.77%	\$ 1.610633	\$ 2,935,818	0.00%	\$ 1.673692	\$ 3,050,760
Greenville	421,521	\$ 1.718264	\$ 724,285	14.40%	\$ 1.965627	\$ 828,554	6.86%	\$ 1.836137	\$ 773,971
Kent County	2,727,147	\$ 1.634723	\$ 4,458,129	-28.16%	\$ 1.174359	\$ 3,202,650	-24.09%	\$ 1.240881	\$ 3,384,066
Lincoln	1,038,229	\$ 1.688999	\$ 1,753,567	13.68%	\$ 1.920075	\$ 1,993,477	6.86%	\$ 1.804865	\$ 1,873,862
Smithfield	391,600	\$ 1.725918	\$ 675,870	48.73%	\$ 2.566966	\$ 1,005,225	6.86%	\$ 1.844316	\$ 722,235
Warwick	3,466,644	\$ 1.756228	\$ 6,088,219	-7.56%	\$ 1.623448	\$ 5,627,917	-2.32%	\$ 1.715409	\$ 5,946,713
Total Wholesale Revenue	11,362,760		\$ 19,198,131	-5.57%		\$ 18,128,729	-4.75%		\$ 18,286,696

Wholesale Charges									
Bristol County	1,118	\$ 2,188.72	\$ 2,447,301	3.59%	\$ 2,267.23	\$ 2,535,090	3.59%	\$ 2,267.23	\$ 2,535,090
East Providence	1,363	\$ 2,237.56	\$ 3,050,760	-3.77%	\$ 2,153.25	\$ 2,935,818	0.00%	\$ 2,237.56	\$ 3,050,760
Greenville	315	\$ 2,297.14	\$ 724,285	14.40%	\$ 2,627.84	\$ 828,554	6.86%	\$ 2,454.73	\$ 773,971
Kent County	2,040	\$ 2,185.46	\$ 4,458,129	-28.16%	\$ 1,570.00	\$ 3,202,650	-24.09%	\$ 1,658.93	\$ 3,384,066
Lincoln	777	\$ 2,258.02	\$ 1,753,567	13.68%	\$ 2,566.95	\$ 1,993,477	6.86%	\$ 2,412.92	\$ 1,873,862
Smithfield	293	\$ 2,307.38	\$ 675,870	48.73%	\$ 3,431.77	\$ 1,005,225	6.86%	\$ 2,465.66	\$ 722,235
Warwick	2,593	\$ 2,347.90	\$ 6,088,219	-7.56%	\$ 2,170.39	\$ 5,627,917	-2.32%	\$ 2,293.33	\$ 5,946,713
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Description	Units	FY 2022 - Compliance		FY 2023 - Cost of Service			FY 2023 - Increase Cap		
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1"	9	\$ 14.14	\$ 1,527	1.30%	\$ 14.32	\$ 1,547	1.30%	\$ 14.32	\$ 1,547
1-1/2"	2	\$ 17.41	\$ 418	1.34%	\$ 17.64	\$ 423	1.34%	\$ 17.64	\$ 423
2"	68	\$ 25.80	\$ 21,057	1.30%	\$ 26.14	\$ 21,330	1.30%	\$ 26.14	\$ 21,330
4"	391	\$ 110.28	\$ 517,415	1.30%	\$ 111.71	\$ 524,143	1.30%	\$ 111.71	\$ 524,143
6"	1,245	\$ 179.79	\$ 2,686,034	1.30%	\$ 182.12	\$ 2,720,873	1.30%	\$ 182.12	\$ 2,720,873
8"	256	\$ 272.30	\$ 836,501	1.29%	\$ 275.82	\$ 847,319	1.29%	\$ 275.82	\$ 847,319
10"	4	\$ 379.34	\$ 18,208	1.29%	\$ 384.24	\$ 18,444	1.29%	\$ 384.24	\$ 18,444
12"	18	\$ 508.87	\$ 109,915	-4.03%	\$ 488.38	\$ 105,490	-4.03%	\$ 488.38	\$ 105,490
16"	-	\$ 794.62	\$ -	-8.20%	\$ 729.44	\$ -	-8.20%	\$ 729.44	\$ -
Total			\$ 4,191,361	1.16%		\$ 4,239,860	1.16%		\$ 4,239,860
Hydrants (Excluding Providence)	3,318	\$ 628.42	\$ 2,085,114	1.29%	\$ 636.55	\$ 2,112,073	1.29%	\$ 636.55	\$ 2,112,073
Total Fire Protection Charge Revenue			\$ 6,276,475			\$ 6,351,933			\$ 6,351,933
Total Rate Revenues			\$ 87,766,290			\$ 91,205,489			\$ 91,205,489
Miscellaneous Revenues			1,543,163			1,543,163			1,543,163
Total Revenues			\$ 89,309,453	3.85%		\$ 92,748,652	3.85%		\$ 92,748,652

PROVIDENCE WATER SUPPLY BOARD
RIPUC DK. 4994
Division of Public Utilities Set 8
NEW COST OF SERVICE STUDY

(Issued May 12, 2021)

DIV 8-4: The AWWA M1 Manual states at page 277:

However, as noted in section II, when that utility serves outside of its legal boundaries to nonowner customers, it is often appropriate to develop (or restate) the revenue requirements for the outside retail or wholesale customers on a utility basis, which provides for an appropriate (fair) return to the owners based on the value of the assets devoted to serving the nonowner customer groups. When properly established, the rate of return under the utility-basis approach is considered fair to both the owner (inside) customers and the nonowner (outside) customers. It compensates the owners for the risks incurred in providing services outside its jurisdictional boundaries, while at the same time protecting outside customers from excessive rates and fees.

Please explain whether the PWSB believes it would be appropriate to develop rates for wholesale customers on a utility basis.

Response:

It could be appropriate to develop rates for Providence Water's wholesale customers using the utility approach; however, doing so would be a significant departure from the way in which wholesale rates have been calculated for at least the last twenty years. Additionally, it is likely that there will still be significant disparity in the rates (relative to current rates) calculated for each wholesale customer in that the utility approach would recognize the differences in the costs to serve each wholesale customer.