

Rebuttal Testimony  
of  
NANCY E. PARRILLO  
before the  
PUBLIC UTILITIES COMMISSION

for

PROVIDENCE WATER

DOCKET No. 4994

JUNE, 2020

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.

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 **Q. Please explain your duties and responsibilities.**

16 A. I am responsible for the Finance Department which includes Accounting, Financial  
17 Planning, Budgeting, Accounts Payable, Payroll, and Regulatory.

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

19 A. To provide rebuttal testimony for Providence Water in our current rate case.

1 **Q. What issues will you address in your rebuttal testimony?**

2 A. I will be addressing issues raised by the Division and the Wholesaler interveners in their direct  
3 testimony. The following are the issues that I will be addressing:

4	Insurance Fund	Infrastructure Replacement Fund (IFR)
5	Equipment Fund	Property Tax Expense

6 **Restricted – Insurance Fund**

7 **Q. What is Providence Water’s position on the Division’s proposed reduction of funding to the**  
8 **Restricted Insurance Fund?**

9 A. The Division has proposed a reduction of the Restricted Insurance Fund by \$502,113. We do not  
10 agree with this adjustment. We propose a reduction in program expenses of \$50,000 in FY2021  
11 which would bring that line down to \$205,000. The adjustment is a reduction to the original  
12 estimate of \$250,000 bringing it to \$200,000 to cover the costs of the valuation/appraisal of all of  
13 Providence Water’s assets for insurance purposes. This estimate is consistent with the cost  
14 incurred by the City of Providence associated with the valuation/appraisal of Providence Water  
15 during the exploration of potentially monetizing Providence Water. We also propose reducing  
16 that same expense line by \$250,000 in FY2022 which was originally thought to be a continuation  
17 of the estimate for the re-evaluation beginning FY2021 which we have determined will not be  
18 necessary.

19 In light of these adjustments, we propose to reduce funding to the Restricted Insurance Fund by  
20 \$100,000 to an annual funding rate of \$2,202,113 from the current amount of \$2,302,113.

21 **Restricted - Equipment Fund**

1 **Q. Does Providence Water agree with the reduction in the additional funding for the restricted**  
2 **Equipment Fund as proposed in Mr. Ralph Smith’s testimony?**

3 A. No, we do not. As described in my pre-filed testimony (page 4, line 20 through page 5, line 18),  
4 Providence Water is experiencing higher repair and maintenance costs to its fleet of vehicles and  
5 trucks as technology becomes more prevalent in those vehicles, it becomes more difficult to  
6 perform routine maintenance in-house. Also, Providence Water is updating its fleet to newer,  
7 more eco-friendly vehicles that are more costly to purchase and maintain than previously owned  
8 vehicles. In our response to Bristol County Water Authority’s data request 1-14, a schedule of  
9 vehicles to be replaced was provided. The dollar amounts that we expect to spend on these new  
10 vehicles is higher than the amounts that we have spent historically. Also, we are looking at  
11 replacing vehicles and equipment more frequently than previously experienced as the age of the  
12 current fleet has been extended beyond the traditional useful life through routine maintenance  
13 performed in-house that can no longer be performed due to the technological advancements in  
14 newer vehicles.

15 The other contributing factor for not agreeing with this proposed reduction is the increased costs  
16 associated with our information technology area. As described in the pre-filed testimony of Mr.  
17 Stephen Colman, the ever increasing issues of cyber security and changing software and licensing  
18 requirements are expensive and are causing stresses in our ability to keep up with these  
19 technology changes.

20 Therefore, we oppose this reduction in the Equipment Fund.

21

22

1 **Restricted – Infrastructure Replacement Fund (IFR)**

2 **Q. Does Providence Water agree with Mr. Smith’s proposal to reduce the additional funding for**  
3 **the Infrastructure Replacement Fund?**

4 A. No, we do not. The IFR Fund is the key to maintaining clean, safe drinking water to over 600,000  
5 people in the State of Rhode Island. Mr. Giasson has submitted a IFR plan that includes 40 projects  
6 that total \$28.8 million in FY2021, \$52.7 million in FY2022, and \$35.6 million in FY2023. (See Mr.  
7 Giasson’s pre-filed testimony, Exhibit GG-1 and data response for BCWA 1-12). By borrowing from  
8 the RI Infrastructure Bank (RIIB) for the Water Main Rehabilitation (WMR) project, we can  
9 reallocate pay-as-you-go cash dollars to smaller projects that do not qualify for State Revolving  
10 Fund loans and add a smaller annual dollar amount to the debt service obligation expense for that  
11 WMR project. This allows us to stay in compliance with the Bilateral Consent Agreement with the  
12 Department of Health (RIDOH) for the water main work and complete many other projects that  
13 we would not have been able to complete had we needed to pay cash for the WMR project.

14 Although it appears in certain years that the ending balance is accumulating in the fund, it is  
15 necessary to look at the overall IFR plan to evaluate the cash needs of the projects going forward.

16 The schedule of IFR projects is not bound by fiscal years. Many of these projects are multiple year  
17 projects and run over into another fiscal year. It is imperative that we have sufficient funds in the  
18 IFR fund year to year to pay for those projects and at the same time mitigate rate spikes to fund  
19 the IFR in specific fiscal years to cover project costs that may fluctuate from year to year.

20 The increase in funding for the IFR Fund that Providence Water has proposed is necessary to  
21 match the funding needs for the projects included in the IFR plan that has been approved by  
22 RIDOH and meets the debt service requirements for future borrowings that are necessary to fund

1 the WMR without Providence Water having to come back to the PUC every year for rate increases  
2 to cover new debt service payments.

3 **Property Tax Expense**

4 **Q. Ms. Parrillo, would you like to address Mr. Bebyn’s position on property tax expense?**

5 A. Yes. I agree that the FY 2021 amount should be updated to reflect the actual amounts  
6 due once they are known. However, Providence Water maintains that the 4 percent  
7 increase proposed in its testimony should remain for the step increases. Currently, with  
8 the fiscal pressures on municipal budgets due to the Coronavirus pandemic, in my  
9 opinion, municipalities are likely to increase their taxes at the 4% cap. We need to ensure  
10 adequate funding for this expense.

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

12 A. Yes.