

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PAWTUCKET WATER SUPPLY :
BOARD APPLICATION TO CHANGE : DOCKET NO. 3378
RATE SCHEDULES :

ORDER

WHEREAS, On August 20, 2001, the Pawtucket Water Supply Board (“PWSB”) filed an application with the Rhode Island Public Utilities Commission (“Commission”) seeking a general increase in its existing rate schedules, effective September 20, 2001. The rate increase was suspended by the Commission at an open meeting on September 12, 2001.

WHEREAS, The PWSB’s rate filing was designed to generate total revenue in the amount of \$13,217,213. This request, if granted, would have increased the PWSB’s current total annual revenues by \$3,830,462, or by 40.8%.

WHEREAS, On December 17, 2001, the Division of Public Utilities and Carriers (“Division”) filed its Direct Testimony. The Division’s position was that PWSB had a total revenue requirement of \$11,971,929. This represented an increase of total annual revenues by \$2,315,010, or by 23.97%.

WHEREAS, On January 15, 2002, PWSB filed its Rebuttal Position wherein its original rate request was increased to \$3,865, 412, or to 42.30%.

WHEREAS, On March 13, 2002,¹ PWSB, the Division and Central Falls,² filed a Draft Settlement Agreement (“Settlement”) with the Commission which, if approved,

¹ On February 26, 2002, the parties filed a draft Settlement Agreement for review by the Commission. See Joint Exhibits 1, 2. The terms of the draft were the same as the March 13, 2002 Settlement Agreement, with updated numbers and grammatical changes. See Joint Exhibit 3.

² Central Falls was allowed to intervene in this proceeding.

would increase annual rates by \$2,732,584, or by 29.9%. This Settlement, if approved, would allow the PWSB to collect a total of \$11,870,199 in annual revenue. The impact on a typical residential bill for a customer using 2,500 cubic feet of water per quarter would be an increase of \$16.40 or 40.96% per quarter, for a total quarterly bill of \$56.43.

WHEREAS, Under the Settlement, the additional revenues would principally be utilized by the PWSB for the following purposes: (a) to service approximately \$27 million in taxable and tax-exempt bonds, the proceeds of which will be used to retire or refinance outstanding debt of the Pawtucket Building Authority, (b) to fund a water main infrastructure replacement program, (c) to employ four additional employees, and (d) to establish an Operating and Maintenance reserve that will be needed for treatment plant bonds.

WHEREAS, PWSB will be making substantial capital improvements to its water system between 2002 and 2010, including the construction of a water treatment facility, a new storage tank and pump station. The total estimated cost for these projects is \$74,500,000. The Board has chosen a Design/Build/Operate (“DBO”) procurement method for the water treatment facility. As part of the Settlement, the Parties have agreed that the DBO method, in general, is an appropriate process and that the proposed capital improvement projects are reasonable.

WHEREAS, The Settlement Agreement incorporates a fully executed Agreement entered into between PWSB and the City of Central Falls, settling both the issue of termination of the 1938 franchise contract between the two entities and the payment of past miscalculated franchise fees.

WHEREAS, Following notice, on March 14, 2002, the Commission conducted a public hearing on the Settlement at its offices at 89 Jefferson Boulevard, Warwick, RI.

WHEREAS, On March 15, 2002, the Commission reviewed the evidence presented at an open meeting and approved the Settlement between the PWSB and the Division, finding that it was just, reasonable and in the best interests of the ratepayers.³

Accordingly, it is

(16949) ORDERED:

1. The general rate increase filed by the PWSB on August 20, 2001 is hereby denied and dismissed.
2. The Settlement Agreement filed by the PWSB, the Division and Central Falls on March 13, 2002 is hereby approved. The rates contained in the Agreement are approved for consumption on and after April 1, 2002.
3. PWSB shall restrict the following accounts: Debt Service; Infrastructure Replacement; Capital Lease Payments; Operations and Maintenance Reserve; and Central Falls Franchise Fee Requirements.
4. PWSB shall fund its Restricted Accounts on a monthly basis.
5. The restricted funds shall be kept in a segregated interest-bearing account with notice provided to the Commission upon the establishment thereof.
6. PWSB shall report to the Commission and Division every four months regarding the monthly balance and activity of each Restricted Account, with the first report due on or before August 31, 2002, for the four-month period ending June 30, 2002.

³ This Order is being issued to implement the terms of the Settlement between PWSB and the City of Central Falls. A full Report and Order to address all issues raised in the filing and during the hearing will follow.

7. PWSB shall continue to deposit hydrant fees received from the City of Pawtucket into the IFR Account and shall continue to report on the collection of past hydrant fees due from the City of Pawtucket with each report on the restricted accounts.
8. Upon completion of franchise fee payments to the City of Central Falls as contemplated by the Settlement, any remaining funds from the annual restricted allocation of \$357,371 shall accrue to the IFR account unless PWSB receives Commission approval for another disposition of the funds.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON March 14, 2002. WRITTEN ORDER ISSUED MARCH 14, 2002.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Kate F. Racine, Commissioner

Brenda K. Gaynor, Commissioner