

December 9, 2004

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02889

Re: Docket No. 3626

Dear Luly,

Enclosed for filing with the Commission, please find the surrebuttal testimony of Andrea C. Crane in the above-entitled matter.

Thank you for your attention to this matter

Very truly yours,

Leo J. Wold
Special Assistant Attorney General

cc: Service List

STATE OF RHODE ISLAND
BEFORE THE
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION) Docket No. 3626
OF WOONSOCKET WATER DIVISION)
FOR AN INCREASE IN RATES FOR)
WATER SERVICE)

SURREBUTTAL TESTIMONY OF
ANDREA C. CRANE
REGARDING REVENUE REQUIREMENTS

ON BEHALF OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

December 9, 2004

1 **Q. Please state your name and business address.**

2 A. My name is Andrea C. Crane and my business address is P.O. Box 810, 1 North
3 Main Street, Georgetown, Connecticut 06829.

4

5 **Q. Did you previously file testimony in this case?**

6 A. Yes, on October 29, 2004, I filed Direct Testimony on behalf of the Rhode Island
7 Division of Public Utilities and Carriers (“Division”). In that testimony, I
8 recommended that the Public Utilities Commission (“Commission”) approve a
9 revenue increase for the Woonsocket Water Division (“WWD” or “Company”) of
10 \$1,528,892.

11

12 **Q. What is the purpose of your Surrebuttal Testimony?**

13 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony
14 submitted by Emerson J. Marvel and Christopher P.N. Woodcock on November
15 24, 2004.

16

17 **Q. Please comment on the temperature and rainfall data provided by Mr.**

18 **Woodcock on page 2 of his Rebuttal Testimony.**

19 A. Mr. Woodcock argues that the summer of 1999 was unusually hot and dry and
20 therefore the inclusion of 1999 data in my five-year average may overstate pro
21 forma consumption. However, I believe that Mr. Woodcock’s data confirms my
22 conclusion that the use of 2003 data alone, as proposed by WWD, will seriously
23 understate pro forma consumption. As shown on page 2 of Mr. Woodcock’s

1 testimony, the summer of 2003 was unusually wet. All three summer months
2 were wetter than normal and June and August 2003 were very close to the wettest
3 months experienced in the last 105 years.

4 More importantly, the data shown in Mr. Woodcock's Rebuttal Testimony
5 highlights the deficiencies inherent in using any one particular year for the
6 purpose of determining pro forma consumption. Accordingly, I continue to
7 recommend that the Commission set rates for WWD based on a five-year average
8 of total consumption, as explained in my Direct Testimony.

9

10 **Q. Should your revenue recommendation be revised as a result of Mr.**
11 **Woodcock's arguments regarding the impact of higher sewer rates or the**
12 **loss of several large industrial customers?**

13 A. No, Mr. Woodcock speculates about the impact of these factors on test year sales,
14 but no supporting documentation has been provided to demonstrate the impact of
15 either increasing sewer rates or the loss of industrial customers on the Company's
16 test year claim. Moreover, even if customers have conserved as a result of
17 increasing sewer bills, such conservation is often temporary. While Mr.
18 Woodcock has discussed factors potentially impacting on water sales, he has not
19 shown that either of these factors have actually impacted sales of WWD in the test
20 year.

21

1 **Q. Should the Commission adopt Mr. Woodcock’s recommendation, outlined in**
2 **his Rebuttal Testimony, that the Commission adopt an operating reserve of**
3 **4% of total revenue?**

4 A. No, it should not, for several reasons. First, Mr. Woodcock’s proposal is an
5 entirely new concept and should not be offered at the rebuttal stage of this case.
6 If the Company wanted to change the manner in which the operating reserve is
7 calculated, it had the obligation to propose such a change in its Direct Testimony.

8 The proposal made by Mr. Woodcock, which would tie the amount of the
9 operating reserve to the annual variation in water sales, would provide the
10 Company with a windfall in those years where water sales were higher than
11 “normal”. Moreover, Mr. Woodcock did not identify what is the base around
12 which his alleged 0.9% to 7.4% variation occurs. Is this variation in actual
13 consumption per customer, total sales, normalized sales, etc.?

14 Mr. Woodcock ignores the fact that the fixed charges of water utilities
15 have increased dramatically since the Commission first established the 1.5%
16 operating reserve allowance. The operating reserve allowance was meant to serve
17 as a cushion for variations in expenses. Given the implementation of
18 infrastructure rehabilitation program funding and the increase in debt service costs
19 experienced by Rhode Island water utilities, the 1.5% operating reserve should be
20 limited to those operating expenses that are not fixed charges but rather are
21 subject to variation, as was intended by the Commission. Mr. Woodcock’s
22 proposal, on the other hand, is the first step down the slippery slope of proposing

1 a weather normalization adjustment, which could result in reimbursement
2 ratemaking.

3

4 **Q. Did the Company provide any additional information that would cause you**
5 **to revise the adjustments you recommended in your Direct Testimony**
6 **regarding WWD’s claimed light and power expense?**

7 A. No, they did not. In the letter transmitting its rebuttal testimony, the Company
8 explained the discrepancy between the generation supply rates received initially
9 from Constellation New Energy (“CNE”) and the rates that were ultimately
10 included in the contract with the WDD and other city agencies. However, since I
11 had used the actual contractual rates in my Direct Testimony, rather than the rates
12 included in the original proposal from CNE, no revision to the recommendations
13 contained in my Direct Testimony are necessary. Moreover, I continue to
14 recommend that the Commission use a weighted city-wide rate when determining
15 the pro forma supply costs to recover from ratepayers, rather than the higher rates
16 that were allocated to WWD.

17

18 **Q. Has the Company adequately explained the significant increase in costs for**
19 **Maintenance – Roads and Walks in its Rebuttal Testimony?**

20 A. No, it has not. On page 2 of his Rebuttal Testimony, Mr. Marvel discusses the
21 new city policy requiring WWD to perform curb-to-curb paving restoration on
22 roads that have been resurfaced within five years. However, the “city” in this
23 case is not an independent third-party, but instead is the same entity that operates

1 the water utility. This policy change may be an attempt to shift costs from to the
2 water utility from other city departments. Moreover, even if the policy change is
3 appropriate, the WWD has not demonstrated that its pro forma claim is
4 reasonable, or is representative of pro forma costs during the rate year.

5

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

7 A. Yes, it does.

8