
RATE FILING

**Testimony & Data in Support of the
KENT COUNTY WATER AUTHORITY
ABBREVIATED RATE FILING**

January 14, 2004

*1072 Main Street
P.O. Box 192
West Warwick, RI 02893-0192*

TABLE OF CONTENTS

Letter of Transmittal

Notice of Proposed Changes in Rate Tariffs

Current Tariff Schedules

Proposed Tariff Schedules

Letters of Notice to Municipalities and Agencies

ATTESTATIONS:

Timothy J. Brown, Kent County Water Authority

Christopher Woodcock, Woodcock & Associates

TESTIMONY:

Direct Testimony of Timothy J. Brown

Direct Testimony of Christopher Woodcock

INDEX OF EXHIBITS:

Exhibit 1 Statements in Accordance with 39-3-12.1

Exhibit 2 Information Required by Rule 2.10 (d)

January 14, 2005

The Honorable Elia Germani
Chairman Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Kent County Water Authority Tariff Filing

Dear Chairman Germani:

On Behalf of the Kent County Water Authority, we herewith file a revised tariff to be effective February 15, 2005. These tariffs represent a general increase in our rate revenues in the amount of 3,172,794. The rate structure remains consistent and conforms to that (1993) Cost of Service Study.

We have included in our tariff filing pre-filed testimony from two witnesses to be presented by the Kent County Water Authority including all supporting documents as required by the abbreviated rule requirements 2.10 of the rules of practice and procedure. We have complied with all requirements including Rhode Island General Laws 39-3-12.1 by filing that information as exhibits attached to our filing.

We are filing along with these, copies to all affected parties within our system those being the following communities and organizations:

- Attorney General's Office
- Town Clerk of the Town of East Greenwich
- City Clerk of the City of Warwick
- Town Clerk of the Town of West Greenwich
- Town Clerk of the Town of Coventry
- Town Clerk of the Town of West Warwick
- City Clerk of the City of Cranston
- Town Clerk of the Town of Scituate
- Town Clerk of the Town of North Kingstown

Also, in accordance with RIGL 3-3-16 all fire districts will be notified via certified mail of notice of this rate increase.

We have included a copy of our proposed notice to be published in the Providence Journal. Once approved, we will forward copies via mail to our customers.

The following individuals should receive all correspondence for any additional information requested by the Public Utilities Commission; 1.) General Manager of the Kent County Water Authority, Timothy J. Brown, P.E., General Manager/Chief Engineer, P.O. Box 192, West Warwick, Rhode Island 02893: 2.) Joseph J. McGair, Attorney, 797 Bald Hill Road, Warwick, Rhode Island 02886 as our legal counsel who will represent us in all rate filing matters concerning this document.

Very truly yours,
Kent County Water Authority

Timothy J. Brown, P.E.
General Manager Chief Engineer

TB/lms

State of Rhode Island and Providence Plantations
PUBLIC UTILITIES COMMISSION

RE: KENT COUNTY WATER AUTHORITY
Docket No. _____

NOTICE OF CHANGE IN RATE

Pursuant to Rhode Island General Laws (R.I.G.L.), Sections 39-3-11, and in accordance with Section 2.4 of the Rules of Practice and Procedure of the Rhode Island Public Utilities Commission, the Kent County Water Authority ("KCWA") hereby gives notice of a proposed change in rates filed and published in compliance with R.I.G.L. 39-3-10.

The proposed changes are contained in accompanying exhibits. The new rates, as proposed, are to become effective February 15, 2005. The new rates are designed to collect additional revenues in a twelve (12) month period equal to 3,172,974. For the average customer this represents a 25% increase and for public and private fire customers a 25% and 25% respectively.

The proposed rate structure will not change the current three (3) block uniform rate structures based on meter size. That is contained in our current rates.

A copy of this filing is on file at our office at 1072 Main Street and at the Public Utilities Commission, 89 Jefferson Boulevard, Warwick, Rhode Island 02889 and may be examined by the public during business hours. Also, copies are available at the public libraries and the cities and towns we service. The commission will publish a notice of the hearing dates when they are scheduled.

Francis Perry, P.E.
Chairman
Kent County Water Authority

CURRENT TARIFF SCHEDULES

**KENT COUNTY WATER AUTHORITY
RATE SCHEDULE**

Page 1
KCWA PUC DOCKET# 3453
(PWSB Pass Through #3446)

METER SALES VOLUME:

Applicable to all metered water in the Kent County system for residential, commercial and industrial consumption.

Rates:

	<u>Rate Per</u> <u>100 cu. ft.</u>
Small (5/8" to 2" meters)	\$2.851
Medium (3" to 4" meters)	\$2.416
Large (6" meters and up)	\$2.047

Terms of payment: All metered sales bills are rendered quarterly or monthly and are due and payable in full when rendered.

METERED SALES SERVICE CHARGE:

Applicable to all metered sales of customers of Kent County Water Authority exclusive of fire service connections.

<u>Rates:</u>	<u>Meter Size (in)</u>	<u>Quarterly Accounts</u>	<u>Monthly Accounts</u>
	5/8 & 3/4	\$ 6.60	\$ 5.50
	1	\$ 7.92	\$ 5.94
	1 ½	\$ 10.40	\$ 6.76
	2	\$ 12.54	\$ 7.48
	3	\$ 15.35	\$ 8.42
	4	\$ 20.80	\$10.23
	6	\$ 32.86	\$14.25
	>8	\$ 53.83	\$21.24

Terms of Payment:

All customer service charges are billed quarterly or monthly in advance, and are due and payable in full when rendered.

PUBLIC FIRE SERVICE:

Applicable for service to public fire hydrants in the Kent County service area.

Rates:

	<u>Quarterly</u>
Hydrant	\$ 95.30/hydrant
Plus	\$ 4.95/billing

Terms of Payment:

All bills for public fire service are rendered quarterly in advance and are due payable in full when rendered.

PRIVATE FIRE SERVICE:

Applicable for service to private fire protection systems and private hydrants in the Kent County service area.

<u>Rates:</u>	<u>Service Size (in.)</u>	<u>Quarterly Accounts</u>
	4	\$ 41.59
	6	\$109.46
	8	\$225.85
	10	\$402.60
	12	\$646.64
	hydrant	\$109.46

Terms of Payment:

All bills for private fire services are rendered quarterly in advance and are due and payable in full when rendered.

OTHER CHARGES

WHOLESALE RATE WARWICK WATER DEPARTMENT: Same rate as charged by Providence Water Supply Board. Rate will change upon changes to Providence Water Supply Board wholesale rate charges.

INTEREST ON DELINQUENT ACCOUNTS: Applicable to all water account balances over 30 days from billing date. Interest charges are payable as incurred.

CHARGE: 1.5% per month on unpaid balances.

TURN ON CHARGE: Applicable to all services turned on after the interruption of a service due to a specific violation which resulted in the service shut off and requests prior to 8:00 a.m. and after 3:00 p.m., Monday thru Friday and all day Saturday, Sunday, and any Holiday. Charges payable in full prior to turn-on.

CHARGE: \$50.00 per occurrence

INSTALLATION AND REPAIR WORK: Applicable to all installation and repair work.

CHARGE: Cost of all material, labor and equipment plus applicable overhead, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

CHLORINATION CHARGE: Applicable to all main extensions to existing systems.

CHARGE: Cost of laboratory and labor to collect, flush and test sample, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

MATERIAL PURCHASE: Applicable to all material sales.

CHARGE: Cost of material plus handling and applicable overhead, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

INSUFFICIENT FUND RETURNED CHECKS: Applicable to all payment checks returned to Kent County Water Authority by our bank due to insufficient funds available or account problems will bear a charge for our handling and bank charges.

CHARGE: \$20.00 Per occurrence.

METER TESTING: Applicable to all meter testing services.

CHARGE: \$50.00 Per occurrence

INSPECTION FEE'S: Applicable to all developer installation work, public or private, in regards to all main or service extensions.

CHARGE: \$5.00/ft of installed main or for service pipe from main to curb stop.

LEGAL FEE'S: Applicable to all services requiring legal assistance by the Kent County Water Authority's legal counsel including but not limited to easement description preparation or review, deed restriction preparation or review, involvement with actions necessary for review or approvals of any water service request to the Authority.

CHARGE: Cost as billed to Kent County Water Authority by legal counsel on a monthly basis.

Terms of Payment for All Other Charges: All bills rendered quarterly or monthly are due and payable in full when rendered.

PROPOSED TARIFF SCHEDULES

**KENT COUNTY WATER AUTHORITY
RATE SCHEDULE**

Page 1
KCWA PUC DOCKET# _____
EFFECTIVE: 2-15-2005

METER SALES VOLUME:

Applicable to all metered water in the Kent County system for residential, commercial and industrial consumption.

Rates:

	<u>Rate Per</u> <u>100 cu. ft.</u>
Small (5/8" to 2" meters)	\$3.564
Medium (3" to 4" meters)	\$3.020
Large (6" meters and up)	\$2.559

Terms of payment:

All metered sales bills are rendered quarterly or monthly and are due and payable in full when rendered.

METERED SALES SERVICE CHARGE:

Applicable to all metered sales of customers of Kent County Water Authority exclusive of fire service connections.

<u>Rates:</u>	<u>Meter Size (in)</u>	<u>Quarterly Accounts</u>	<u>Monthly Accounts</u>
	5/8 & 3/4	\$ 8.25	\$ 6.88
	1	\$ 9.90	\$ 7.43
	1 ½	\$ 13.00	\$ 8.45
	2	\$ 15.68	\$ 9.35
	3	\$ 19.19	\$10.53
	4	\$ 26.00	\$12.79
	6	\$ 41.08	\$17.81
	>8	\$ 67.29	\$26.55

Terms of Payment:

All customer service charges are billed quarterly or monthly in advance, and are due and payable in full when rendered.

PUBLIC FIRE SERVICE:

Applicable for service to public fire hydrants in the Kent County service area.

Rates:

	<u>Quarterly</u>
Hydrant	\$119.13/hydrant
Plus	\$ 6.19/billing

Terms of Payment:

All bills for public fire service are rendered quarterly in advance and are due payable in full when rendered.

PRIVATE FIRE SERVICE:

Applicable for service to private fire protection systems and private hydrants in the Kent County service area.

<u>Rates:</u>	<u>Service Size (in.)</u>	<u>Quarterly Accounts</u>
	4	\$ 51.99
	6	\$136.83
	8	\$282.31
	10	\$503.25
	12	\$808.30
	hydrant	\$136.83

Terms of Payment:

All bills for private fire services are rendered quarterly in advance and are due and payable in full when rendered.

OTHER CHARGES

WHOLESALE RATE WARWICK WATER DEPARTMENT: Same rate as charged by Providence Water Supply Board. Rate will change upon changes to Providence Water Supply Board wholesale rate charges.

INTEREST ON DELINQUENT ACCOUNTS: Applicable to all water account balances over 30 days from billing date. Interest charges are payable as incurred.

CHARGE: 1.5% per month on unpaid balances.

TURN ON CHARGE: Applicable to all services turned on after the interruption of a service due to a specific violation which resulted in the service shut off and requests prior to 8:00 a.m. and after 3:00 p.m., Monday thru Friday and all day Saturday, Sunday, and any Holiday. Charges payable in full prior to turn-on.

CHARGE: \$50.00 per occurrence

INSTALLATION AND REPAIR WORK: Applicable to all installation and repair work.

CHARGE: Cost of all material, labor and equipment plus applicable overhead, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

CHLORINATION CHARGE: Applicable to all main extensions to existing systems.

CHARGE: Cost of laboratory and labor to collect, flush and test sample, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

MATERIAL PURCHASE: Applicable to all material sales.

CHARGE: Cost of material plus handling and applicable overhead, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

INSUFFICIENT FUND RETURNED CHECKS: Applicable to all payment checks returned to Kent County Water Authority by our bank due to insufficient funds available or account problems will bear a charge for our handling and bank charges.

CHARGE: \$20.00 Per occurrence.

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CHARGE: \$50.00 Per occurrence.

INSPECTION FEE'S: Applicable to all developer installation work, public or private, in regards to all main or service extensions.

CHARGE: \$5.00/ft of installed main or for service pipe from main to curb stop.

LEGAL FEE'S: Applicable to all services requiring legal assistance by the Kent County Water Authority's legal counsel including but not limited to easement description preparation or review, deed restriction preparation or review, involvement with actions necessary for review or approvals of any water service request to the Authority.

CHARGE: Cost as billed to Kent County Water Authority by legal counsel on a monthly basis.

Terms Of Payment For All Other Charges: All bills rendered quarterly or monthly are due and payable in full when rendered.

In Reference:

Kent County Water Authority
Tariff Filing of 2004

State of Rhode Island
Public Utilities Commission
Docket

Attestation Under Rule 1.20 (e) (2) and 2.7
of the Rules of Practice and Procedures
of the Public Utilities Commission

I, Timothy J. Brown, PE, General Manager & Chief Engineer of the Kent County Water Authority, in conformance with Rule 1.20 (e) (2) and 2.7 of the Rules and Practice and Procedure of the Public Utilities Commission, hereby attest that the facts contained in the documents and testimony prepared by me are true and correct to the best of my knowledge, information, and belief.

Timothy J. Brown, PE
General Manager/Chief Engineer

STATE OF RHODE ISLAND
KENT COUNTY

Subscribed and sworn to me this _____ of _____, 2004.

Notary Public

**PRE-FILED TESTIMONY
OF
TIMOTHY J. BROWN**

1 PRE-FILED TESTIMONY

2 TIMOTHY J. BROWN, PE

3
4
5 Q. Please state your name and business address.

6 A. My name is Timothy J. Brown, P.E. My current business address is 1072 Main Street,
7 West Warwick, Rhode Island 02893.
8

9 Q. By whom are you employed and in what capacity?

10 A. I am the General Manager/Chief Engineer of the Kent County Water Authority. I have
11 been so employed since September 14, 1988.
12

13 Q. Please describe your qualifications and experience.

14 A. I'm a Registered Professional Engineer in the State of Rhode Island and three other New
15 England States. I have been certified by the R. I. Department of Health as a Class 4
16 Drinking Water Distribution Operator and a Class 3 Water Treatment Operator. I have
17 been a Civil and Sanitary Engineer for 29 years. My career has encompassed professional
18 engineering services in various New England States including the State of Rhode Island
19 and overseas in North Africa in both sanitary waste water and water engineering project
20 facilities. I have a Bachelor of Science Degree from the University of Rhode Island.
21

22 Q. Have you previously testified before State Regulatory Commissions concerning the
23 operations matters of Kent County Water Authority?

24 A. Yes - Dockets #1952, #2034, #2098, #2440, #2555, #2860 and #3311 along with various
25 Division Dockets.
26

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

28 A. Yes. I'm a member of the American Society of Civil Engineers, American Water Works
29 Association, New England Water Works Association, Rhode Island Water Works
30 Association, National Society of Professional Engineers, Rhode Island Society of
31 Professional Engineers, The American Arbitration Association, American Backflow

TABLE 1
Cost of Board Member
Salary & Benefits
Test Year (7/1/03 – 6/30/04)

Member	Salary	Blue Cross/Delta Dental
Robert Boyer	\$3,000	\$13,336.88
Joseph Gallucci	\$3,000	\$6,196.96
Barbara Graham	\$3,000	\$13,336.88
Peter Masterson	\$3,000	\$14,923.60
Francis Perry	\$3,000	\$5,604.42
Total	\$15,000	\$53,398.74

1 Prevention Association and R. I. Backflow Association. I was past president of the Rhode
2 Island Section of the American Society of Civil Engineers and the Rhode Island Society of
3 Professional Engineers.
4

5 Q. Are you a member of any boards or commission?

6 A. Yes I am currently a member of the Rhode Island Water Resources Board.
7

8 Q. What is your role in these proceedings?

9 A. As General Manager/Chief Engineer of the Kent County Water Authority, I am responsible
10 for the Authority operations including plant, transmission, pumping stations and storage
11 facilities within the Kent County Water Authority.
12

13 Q. What are the total water sales for the Kent County Water Authority during each of the last
14 five fiscal years (excluding Warwick)?

15 A. Last five fiscal year water sales in cubic feet (unadjusted) are as follows:
16

17 FY 00 – 441.5 million cubic feet

18 FY 01 – 427.3 million cubic feet

19 FY 02 – 456.6 million cubic feet

20 FY 03 – 447.0 million cubic feet

21 FY 04 – 435.8 million cubic feet
22

23 Q. What is the fiscal year of the Kent County Water Authority?

24 A. From July 1st to the succeeding June 30th.
25

26 Q. What is the test year of the Kent County Water Authority in this filing?

27 A. From July 1, 2003 to the succeeding June 30, 2004.
28

29 Q. What is the rate year of the Kent County Water Authority in this filing?

30 A. July 1, 2005 to the succeeding June 30, 2006

1
2 Q. What is the average number of customers for the Kent County Water Authority?

3 A. The number of retail billable customers based on our records is 26,176 (adjusted for
4 compound meters) as of June 30, 2004.
5

6 Q. Please describe the Kent County Water Authority's system?

7 A. Kent County Water Authority encompasses eight cities and towns in central Rhode Island.
8 These municipalities are either completely or partially served by the Authority. They are
9 the Town of Scituate, City of Cranston, Town of West Warwick, City of Warwick, Town
10 of Coventry, Town of East Greenwich, Town of West Greenwich and the Town of North
11 Kingstown. We have two active wells and two currently offline. The active wells are
12 located in the City of Warwick and Town of Coventry. The offline wells are located in
13 Coventry in the Mishnock wellfield. We have eight active water storage tanks, Tiogue
14 Tank, Frenchtown Road Tank, Setian Lane Tank, Read School House Road Tank, two (2)
15 underground tanks at Seven Mile Road, Wakefield Street Tank, Technology Park Tank and
16 Carr Pond Tank. We have two non-active tanks, the West Street Tank rehabilitated but
17 offline, and a non-operable abandoned tank, the West Warwick Industrial Park Tank. Kent
18 County Water Authority was formed in 1946 by an Act of the General Assembly; and, at
19 that time, it purchased three existing water systems to encompass the areas in question. We
20 have approximately 384 miles of distribution mains along with 2,265 public and 157
21 private fire hydrants as of June 30, 2004.
22

23 Q. Does the Kent County Water Authority currently have an active infrastructure program in
24 accordance with State statutes?

25 A. Yes, we do and it has been funded by the Commission to a maximum level of \$3.4 million
26 dollars per year. It was also recently revised and approved on June 13, 2003 by RIDOH.
27

28 Q. Mr. Brown, is it your intention under this filing to increase the request for infrastructure
29 funding?

1 A. No not at this time. If, however, the Commission reduces any item, we request
2 consideration for an increase in the IFR allowance to bring our funding level closer to the
3 \$6,000,000 approved plan requirement.
4

5 Q. What infrastructure funding level is currently approved?

6 A. \$3.4 million dollars
7

8 Q. Doesn't the IFR approved plan funding level require \$6,000,000/year?

9 A. Yes, but due to the decision for an abbreviated rate case and to some degree the Boards
10 desire to limit the increase, the active infrastructure program will be reduced, but certainly
11 not stopped.
12

13 Q. Mr. Brown, please explain briefly to the Commission the current infrastructure program.

14 A. I'd be happy to. Currently our infrastructure program is based on a year-to-year design and
15 construction program based on funding. We have issued a project each year for
16 infrastructure improvements, in particular, water main replacement. We have also
17 included, within that program, issues concerning refurbishment of storage tanks, GIS
18 program implementation, a small modification of the pressure gradient within our system
19 on Tiogue Avenue, and as needed re-service booster pumping most recently the new Setian
20 Lane booster station for high service gradient pumping. Currently, our program design
21 estimate for 2004 has been completed. A total of \$12,000,000 for its construction has been
22 provided by our engineer. It will be separated into multiple construction contracts to match
23 the available funding per year. Most certainly our infrastructure program has been key to
24 our improved transmission system. Quality, pressure and fire protection have all been
25 improved in the areas we have completed. Our program is extremely active and we believe
26 aggressive but needed for our 120 year old system. We are beginning to see quite vividly
27 the improvements due to water line replacements that have occurred. Needless to say, we
28 have a long way to go, but we are very pleased with our activities to date. The program
29 will need to be accelerated in future years to make up for the shortfall in funding between
30 the approved plan and the proposed funding sought under this filing.
31

1 Q. Is KCWA current with the IFR payments to the restricted account for the program?

2 A. As of the end of this calendar year after a transfer from stabilization we will be current.

3
4 Q. Mr. Brown, in the previous rate order, the Commission provided a Renewal and
5 Replacement Fund for equipment replacement at \$100,000 per year. Is that correct?

6 A. Yes.

7
8 Q. Is it your desire to continue that funding under this rate case?

9 A. Yes, we have proposed no changes to the Renewal and Replacement Equipment Fund.

10
11 Q. Is the Authority requesting any additional personnel requirements in this filing?

12 A. No, except we are requesting an increase in salaries to our historic levels. Mr. Woodcock
13 in his schedule 1B outlines that request.

14
15 Q. Is the Authority proposing any new bond or debt service instruments with this filing?

16 A. No new bond issues, but an increase to existing debt service is required. Mr. Woodcock
17 will discuss that in his testimony and accompanying schedules to his testimony.

18
19 Q. Mr. Brown in Docket 3311 Order # 17024, Page 29 states “we direct that in future rate
20 filings, KCWA file detailed information on the annual cost of stipends and benefits for
21 Board members”. Please elaborate on that requirement.

22 A. I would be happy to. In KCWA enabling legislation Title 39 Section 16-5 and 16-6
23 statutorily defines the annual salary of the Board and their powers to provide various
24 benefits.

25
26 39-16-5 The board may provide, in the fixing of compensation, for a retirement
27 program, commonly known as a pension plan, funded by individual or group
28 insurance or annuity contracts or otherwise, for health and accident insurance, for life
29 insurance, for hospital service commonly known as blue cross, and for physicians
30 service for any one or more or all of its employees; and the Board is hereby
31 authorized to expend the moneys of the authority for such purposes and programs as

1 it may deem advisable. These programs and purposes may be financed in full or in
2 part by the moneys of the Authority.

3
4 39-16-6 Compensation of members and agents. – Each member of the board shall
5 receive an annual salary not to exceed three thousand dollars (\$3,000) per year, and
6 shall be entitled to reimbursement of his or her actual and necessary expenses
7 incurred in the performance of his or her official duties. The salaries, compensation,
8 and expenses of all members, officers, employees, and agents shall be paid solely out
9 of the funds of the Authority. No part of the earnings of the Authority shall inure to
10 the benefit of any private person.

11
12 Attached as Table 1 to my testimony is the test year cost for salary and benefits to each
13 Board member.

14
15 Q. Historically how long have the board members received medical benefits?

16 A. I do not know the exact date since the formation of the Authority. I can tell you that since I
17 have been employed (September 1988) the board has been afforded the same medical
18 coverage of all employees. I am also aware that medical coverage has been in place on or
19 before 1973 through information from a long serving board member since his appointment
20 began in 1973.

21
22 Q. Do you have any other knowledge on the duration of board member benefits.

23 A. No.

24
25 Q. Does this conclude your testimony?

26 A. Yes.

**PRE-FILED TESTIMONY
OF
CHRISTOPHER PN WOODCOCK**

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A: My name is Christopher P.N. Woodcock and my business address is 18 Increase Ward Drive, Northborough, Massachusetts 01532.

A: I am the President of Woodcock & Associates, Inc. a consulting firm specializing in water and wastewater rate and financial studies.

Q: Please describe your qualifications and experience.

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**PRE-FILED TESTIMONY
OF
CHRISTOPHER PN WOODCOCK**

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Q: Have your previously testified before state regulatory commissions or courts on rate related matters?

A: Yes, I have provided testimony on rate related matters before utility commissions in Rhode Island, Maine, Connecticut, New York, New Hampshire, Texas, and Alberta, Canada. In fact, I have testified on behalf of the Kent County Water Authority numerous times. I have also been retained as an expert witness on utility rate related matters in proceedings in state courts in Massachusetts, Michigan, New Jersey, Maryland, Pennsylvania, and Florida as well as the Federal Court in Michigan. I have been selected to several arbitration panels related to disputes over water rates and charges, I have provided testimony on rate related matters to the Michigan and Massachusetts legislatures, and I have provided testimony at administrative hearings on a number of occasions.

Q: Do you belong to any professional organizations or committees?

A: Yes, I am a member of the Water Environment Federation, the Rhode Island Water Works Association, the Massachusetts Water Works Association, the New England Water Works Association, and the American Water Works Association. For the Water Environment Federation, I am a member of the committee that prepares their manual on Wastewater Rates and Financing. For the New England Water Association, I am a member of the Conservation Committee and the co-chairman of the Financial Management Committee. In my capacity as Assistant Treasurer for the New England Water Works Association I also sit on the Board of Directors as well as several other administrative committees. For the American Water Works Association, I am past chairman of the Financial Management Committee and the Rates and Charges Committee that has prepared the manuals on Revenue Requirements, Water Rates, Alternative Rate Structures, and Water Rates and Related Charges. I have been reappointed to and am currently a member of the Rates & Charges Committee.

1 **Summary**

2 **Q: Please describe your role in this proceeding.**

3 A: Working with the staff of the Authority, I have developed the rate year revenue re-
4 quirements and the proposed new rates and charges. The results of my analyses
5 are included in the schedules included with this testimony.

6
7 **Q: What are the test year and rate year you are proposing in this docket?**

8 A: The test year is the twelve months ending June 30, 2004 (fiscal year 2004). The
9 proposed rate year is July 1, 2005 – June 30, 2006 (fiscal year 2006).

10
11 **Q: Will you please summarize your findings and recommendations?**

12 A: The Authority has prepared an abbreviated rate filing under the Commission's rules,
13 and as such has limited its requested increase to 25%. While there is certainly a
14 need to increase the annual Infrastructure Replacement allowance, we have not re-
15 quested an increase in the current funding level in order to remain within the 25%
16 limit allowed in an abbreviated filing.

17 The Authority's last rate filing (Docket No. 3311) included an annual revenue allow-
18 ance of \$13,956,116. This gross revenue value included nearly \$600,000 that was
19 to be derived from funds available in the restricted debt service account. Deducting
20 this and some other miscellaneous revenues resulted in annual revenues from rates
21 of \$13,287,091. In Docket No. 3453, the Authority was provided an additional
22 \$327,742 in rate revenues as a pass through of the increased wholesale charges
23 from Providence Water. In total, the Authority's approved annual revenues from
24 rates and charges are thus \$13,614,833 per year. Because of reductions in water
25 use, the Authority's pro forma annual revenues under the current rates are only
26 \$12,687,340 – amounting to an annual deficit over the approved revenues of nearly
27 \$1 million. As noted earlier, the rates and charges that were approved as part of
28 Docket No. 3311 reflected an annual transfer of nearly \$600,000 (for two years)
29 from excess funds in the restricted debt service account. All told, the Authority's
30 revenues are approximately \$1.5 million less than the cost of service found in the

1 June 2002 order (and updated for the Providence pass though). As a result, much
2 of the increase we are now seeking is related to a deficit in revenues over what was
3 allowed or expected in prior orders.
4

5 **Q: Can you quantify the increase in revenues you are seeking and explain how**
6 **much of those are related to an increase in expenses?**

7 A: Annual revenues at the current rates (including miscellaneous revenues) are
8 \$12,854,431. Revenues from rates and charges are \$12,687,340. We are seeking
9 an increase of \$3,172,794 in total annual revenues. The test year expenses in this
10 docket are \$15,434,482. We are asking for a rate year cost of service of
11 \$16,115,660¹, or an increase in expenses over the test year of \$681,179. As noted
12 above, much of the increase in revenues is due to a reduction in revenues over
13 those that have previously been allowed by the Commission.

14 The increase in expenses from the test year to the rate year is primarily related to
15 the increase in debt service (\$611,495). We are also seeking an increase in labor
16 costs of about \$133,000, an increase in insurance costs of some \$24,500, an in-
17 crease in payroll taxes of \$11,300, and increase in employee benefit costs of
18 \$57,500. Other changes are detailed on the attached schedules.
19

20 **Q: It appears that some items are showing a decrease. Is this true?**

21 A: Yes, because of reductions in purchases, the supply costs have been decreased
22 from the test year. In addition, the funding required for the Reserves also show a
23 decrease from the test year.
24

25 **Q: Are you proposing a new rate design or an across the board increase?**

26 A: Because this is an abbreviated filing, I am proposing an across the board increase
27 to all rates and charges.
28

¹ Note that the rate year cost of service differs from the proposed revenues due to rounding of the proposed rates.

1 **Content of Schedules**

2 **Q: Please describe your prefiled schedules.**

3 A: There are six main schedules, several of which include supporting schedules. I
4 have tried to use the same schedules and numbering as used in our previous filings
5 to make comparisons easier. Because we are proposing an across the board in-
6 crease in rates, several schedules related to cost allocation and rate design are not
7 needed and have been omitted. The schedules included in this filing are:

- 8 • **Schedule 1:** This schedule presents the test year along with the ad-
9 justments that were used to derive the rate year revenue requirements.
10 Attached are several supporting tables that demonstrate the needed
11 increase:
 - 12 • **Schedule 1A.** This schedule presents the detail of the test year
13 miscellaneous revenues as well as the revenues from rates and
14 charges.
 - 15 • **Schedule 1B.** This presents the test year labor costs and the ad-
16 justments to the rate year.
 - 17 • **Schedule 1C.** This presents the derivation of the rate year pur-
18 chased water costs. It also shows the production from the Au-
19 thority's own sources and how they have dropped in recent years.
 - 20 • **Schedule 1D** This schedule presents the other adjustments to
21 the rate year expenses we are proposing in this docket.
 - 22 • **Schedule 1E** This schedule presents the historic regulatory ex-
23 penses of the Authority (note that the detailed breakdown of FY
24 2004 was not available – only the total). In the past the Commis-
25 sion has allowed an allowance for regulatory expenses based on
26 the average of prior years. In this docket we are once again
27 seeking an allowance based on the historic five year average. As
28 the Commission is aware, the Authority incurs regulatory ex-
29 penses for its own rate filings as well as for intervention in dock-
30 ets filed by Providence Water and subsequent pass through

dockets. Accordingly, the cost of any particular rate filing is not particularly relevant to the Authority's overall annual regulatory expense, and the overall cost of all dockets needs to be considered.

- **Schedule 2** This schedule presents the units of service including the number of meters by size and billing frequency, the number of billings, the number of private and public fire services by size of connection, and water sales. The adjustments to the test year due to the loss of Om Semiconductor are also presented.
- **Schedules 3 – 8:** These schedules are related to cost allocation and rate design and have not been included.
- **Schedule 9** This schedule presents a comparison of the current and proposed rates and charges. In each case the current rates were simply increased by 25% and rounded.
- **Schedule 10** This schedule presents the impact of the proposed rates and charges on various types of customers.
- **Schedule 11** This schedule contains the proof of revenues, showing the annual revenues under the existing and proposed rates at the rate year usage levels. Because the rates are rounded to the nearest penny, the proposed rates provide slightly different total revenues from those required.
- **Schedule 12** This schedule is a summary of the test year and rate year revenues and expenses. The test year revenues are those derived from Schedule 11; that is the revenues at the current rates with the rate year usages.

1 **Revenue Requirements**

2 **Q: You summarized the change in expenses earlier. Can you explain the change**
3 **in debt service in some more detail?**

4 A: Page 1 of my Schedule 1D presents the annual debt service costs for the Author-
5 ity's bond issues. As shown, the 1994 bonds were refunded in March 2004; this re-
6 sulted in a slight increase in the overall annual debt. In addition, the full or normal
7 annual payments on the 2002 bonds have begun. In total, the annual debt service
8 has increased by more than \$600,000 over the test year amount. I should note that
9 the rate year (CY 2002) debt service in Docket 3311 was just over \$4 million as
10 compared to the rate year debt now of \$4.5 million.

11
12 **Q: Page 3 of Schedule 1D shows that there was some \$3.2 million in the re-**
13 **stricted debt accounts as of June 30, 2004. In Docket 3311, the Authority's**
14 **revenue allowance was reduced by some \$1.2 million due to over funding of**
15 **the debt service reserves. Are these restricted debt accounts still over**
16 **funded?**

17 A: As shown on the Authority's detailed schedule of debt payments, the Authority had
18 principal and interest due the next month (in July 2004) of more than \$2 million.
19 The levels in these accounts at the end of fiscal year 2004 reflected the pre-funding
20 of debt that was becoming due.

21
22 **Q: You mentioned you are asking for no increase for IFR funding despite a need**
23 **for such an increase. Can you explain that please?**

24 A: The Authority was provided with annual funding for IFR of \$3.4 million in the last
25 docket (reduced by \$100,000 from the prior approved amount of \$3.5 million). The
26 current approved IFR plan calls for annual funding closer to \$6 million per year. In
27 order to remain within the 25% cap allowed for in an abbreviated filing, the Authority
28 is not requesting a change at this time. However, should the Commission reduce
29 any other item; we request that the IFR funding allowance be increased by that

1 amount to bring the Authority closer to the approved funding level of \$6 million per
2 year.

3 I should also note that the IFR expense presented for FY 2004 is \$3,464,000, not
4 \$3.4 million. As shown in the Authority's semi-annual reports to the Commission,
5 the Authority made an additional deposit to its IFR fund of \$64,600 in February 2004
6 as a correction.

7
8 **Q: Can you discuss the increase in labor costs?**

9 A: The Authority has a full compliment of employees now. We are not seeking any
10 change in the number of positions. Rather, we are requesting annual increases to
11 the employee costs. Historically the Authority has provided salary increases of 4%
12 per year. That is what is requested in this filing. The increase in salaries is shown
13 on Sch. 1B and represents about \$133,000 over a two year period. In addition to
14 the salary increases, the cost of payroll taxes was also increased to reflect the addi-
15 tional contribution required.

16 I would like to note that Kent County Water's labor costs represent about 11% of
17 their total expenses. This is far less than most of the comparable water utilities in
18 Rhode Island.

19
20 **Q: How did you determine the purchased water costs?**

21 A: This was derived in the same manner as the Authority's past filings before the
22 Commission. As shown on Sch. 1C we took the total water purchased from Provi-
23 dence Water directly by Kent County and added the water purchased from Warwick
24 (KCWA pays Warwick the current Providence rate). From that total we subtracted
25 the water sold to Warwick (KCWA charges Warwick the current Providence rate).
26 These net sales were then multiplied by the current Providence Water wholesale
27 tariff of \$1,132.89 per million gallons. The resultant cost represents the cost for wa-
28 ter sales and deliveries in the test year. Actual billings and payments to Providence
29 in the test year can differ from this calculated amount.

1 In the past we have looked at a three year average of purchases and KCWA's own
2 production of water. As shown on Sch. 1C, the Authority's own production dropped
3 significantly in the test year from about 17% of the total to about half that. This was
4 due to the closing of a well field, and it is not at all certain when this source may be
5 used again. As a result, using a three year average would understate the pur-
6 chases that are truly expected from Providence. I should also note that the power
7 and chemical costs presented herein are based on the lower production by KCWA
8 in the test year, not the higher volumes in previous years.

9
10 **Q: How were the chemical costs determined?**

11 A: In each case we took the actual use of each chemical in the test year and applied
12 the most recent unit cost. I have also added the cost of a new sequestering agent
13 that is being used by the Authority. Because use of this chemical began after the
14 test year, I have taken the current cost and the engineer's estimate of annual use
15 based on the pilot testing. Lastly, I have added a 4% allowance to the chemical
16 costs to reflect the fact that chemical costs and delivery have been increasing lately
17 with the increased cost of fuel.

18
19 **Q: Please discuss the reserves.**

20 A: As mentioned in my introductory remarks, we are looking at a decrease in the fund-
21 ing of reserves. This is shown on page 1 of Sch. 1D. Based on the existing depos-
22 its to the O&M reserve and expected funding this year, we do not expect a require-
23 ment for deposits to the O&M reserve in the rate year. The R&R reserve is required
24 to be funded at 1% of the Authority's Net Utility Plant (NUP). The NUP is projected
25 to increase by \$5 million from June 30, 2004 to June 30 2006 (end of the rate year).
26 This will require additional deposits as shown on Sch. 1D, but at a lower level than
27 previously required, thus the decrease from the test year.

1 **Q: An increase of \$8,373 is shown for Source of Supply Operations from the test**
2 **year to the rate year. Can you explain this?**

3 A: Yes. The Authority has been allowed to recover the cost of various mandated engi-
4 neering studies, including the IFR Plan and the Water Supply Management Plan.
5 These plans are required periodically and the Authority has been provided with
6 \$25,000 of funding each year for these. The rate year amount is based on this al-
7 lowance.

8
9 **Q: Please discuss the Insurance costs.**

10 A: The Insurance costs include both worker's compensation insurance and prop-
11 erty/liability insurance. The costs of these for the current year (FY 2005) are known
12 and presented on page 2 of Sch. 1D. In the case of worker's compensation, I have
13 increased this to the rate year based on the increase from FY 2004 to FY 2005. For
14 Property & Liability Insurance, this cost has changed as a result of 9/11. I am not
15 as sure of the increase for the rate year, so I have left this at the current FY 2005
16 level for the rate year. While some increase can be expected, I am hoping that the
17 Operating Reserve allowance (discussed later) can pay for the change.

18
19 **Q: Please discuss the proposed Pension and Benefit costs.**

20 A: Page 2 of Sch. 1D also shows these in detail for the test year and the current year.
21 I have shown no increase for the rate year over the current year as we do not know
22 these yet. As with the Property & Liability Insurance, my hope is that these in-
23 creases can be covered by the Operating Reserve allowance.

24
25 **Q: Have you analyzed the Authority's various restricted accounts?**

26 A: Yes. Page 3 of Sch. 1D shows each of these for the test year. The values pre-
27 sented should match those reported to the Commission in the Authority's semi-
28 annual reports.
29 I discussed the R&R and O&M Reserves earlier – these are reserves that are re-
30 quired by the Authority's bond covenants. As shown on the schedule, the Authority

1 has been spending the deposits to the IFR and R&R Equipment Reserves. The Au-
2 thority has established a separate reserve or account for each bond issue. This de-
3 tail is also presented on the schedule as well as the summary data.

4
5 **Q: What is the purpose of Sch. 1E?**

6 A: This schedule shows the regulatory expenses for the Authority since 1996. It pre-
7 sents what the Authority has had to spend for this item. For the rate year we are
8 requesting an allowance of \$78,000. While this is somewhat higher than the past
9 two years, the Authority has not had a full rate case before the Commission since
10 Docket 3311, nor has Providence Water filed a case in some time. I think the
11 Commission will agree that this inactivity is a little unusual for Kent County as
12 shown by its expenses since 1996. We now have the current case and expect that
13 we will have additional costs as an intervenor in a rate filing by Providence Water in
14 the next 6 – 12 months. We have used an average of the past five years as a basis
15 for the claim in this docket.

16
17 **Q: What level of operating reserve is the Authority seeking?**

18 A: We are asking for a 1.5% allowance on total revenues, or nearly \$130,000. I rec-
19 ognize that this is an issue that the Commission has been looking at closely in re-
20 cent water rate cases. In the recent Newport Water case, the settlement included a
21 1.5% allowance on all expenses. I have submitted testimony in Docket No. 3626
22 (Woonsocket Water) indicating that I believe the Commission should examine this
23 issue further and not make case by case decisions. In general, there is no good
24 mechanism for municipal water utilities to provide for contingencies, unforeseen
25 events, or variations in water use. Further, the built in regulatory lag and the time it
26 takes to prepare a rate filing creates a situation whereby water utilities must ask for
27 a rate year that often starts well before the revenues are actually received. I believe
28 the Commission should provide a mechanism that allows the regulated water utili-
29 ties a real opportunity to have sufficient funds if water sales drop as they have re-
30 cently.

1 In this case, we are only asking for an operating reserve that is 1.5% of the total
2 revenues. While I believe this may be inadequate, I also believe that the tradition of
3 providing this to Rhode Island's water utilities should not be revised without a thor-
4 ough review by the Commission.

5 As discussed earlier, the Authority's annual revenues are substantially (nearly 4%)
6 less than those authorized by the Commission in prior dockets. The shortfall in
7 revenues has caused the Authority to under fund its restricted accounts – it simply
8 has not had sufficient funds to pay its operating expenses and make these deposits.
9 I have no problem with the requirement that the restricted accounts be funded at set
10 levels rather than as percentages of actual receipts (this would obviously not work
11 for the debt service payments). In a case like Kent County's where the fixed and
12 restricted expenses represent about half the total expense, a 4% shortfall in annual
13 revenues results in about an 8% shortfall to pay the operating expenses. Operating
14 costs must be paid however, resulting in the under funding of the restricted ac-
15 counts.

16 **Usage**

17 **Q: What information have you used for water use, numbers of meters, and fire**
18 **services?**

19 A: This information is generally presented on Sch. 2. and represents the usage for the
20 test year or numbers of meters and services at the end of the test year (6/30/2004).
21 The number of water meters by billing frequency and size, the number of fire hy-
22 drants, and the number of private fire services by size are reflective of accounts as
23 of June 30, 2004. The water use data is for the 12 months ending June 30, 2004
24 (the test year). I should note that the test year water use is net of adjustments to
25 customers' bills during the test year. As shown on the bottom of Sch. 2, KCWA is
26 losing one of its larger water customers. I have shown that customer's water use in
27 the test year and removed it from the expected sales in the rate year.
28

1 **Q: In 2001 you used a three year average to derive the rate year sales. Is there a**
2 **reason why you have not done this in this case?**

3 A: The rate year sales used in Docket 3311 were a three year average of calendar
4 years 1998, 1999, and 2000. They resulted in sales of 4,350,173 hundred cubic
5 feet that were used in that filing and the basis for the settlement in that case. In
6 2002 we used these same values for the pass through increase approved by the
7 Commission. The test year sales in this case are 4,204,409 hundred cubic feet, are
8 in the range of historic sales, and I believe are an appropriate basis for this docket.
9 As indicated on the bottom of the sheet, I have removed the sales for one large cus-
10 tomer that has been an Authority customer for decades – On Semiconductor (for-
11 merly Cherry Semiconductor). I believe it is essential to make this adjustment as
12 this one customer represents nearly \$500,000 per year of revenues.

13 **Rate Design**

14 **Q: Are you proposing a change in rate design?**

15 A: No, I am not. The proposed rates are based on the cost allocation study performed
16 in prior dockets. In this case I have simply increased all rates and charges by 25%.
17 This is shown on Sch. 9.

18
19 **Q: What is the overall impact of the proposed rates on a typical residential cus-**
20 **tomer?**

21 A: Sch. 10 presents the impact on various customers and types of service. A typical
22 residential customer using 2,500 cubic feet per quarter (205 gallons per day) will
23 see their quarterly water bill increase from \$77.88 to \$97.35. This is a 25% in-
24 crease or about \$6.50 per month.

25
26 **Q: Have you prepared a calculation of revenues under the current and proposed**
27 **rates?**

28 A: Yes I have. Sch. 11 presents this calculation. Because the rates have been
29 rounded off and restricted to a 25% increase, the revenues do not match the re-

1 quirements exactly, but are just slightly less than the revenue requirements pro-
2 posed.

3
4 **Summary**

5 **Q: Does this conclude your testimony?**

6 A: Aside from new information that may be brought to my attention and without review-
7 ing testimony from the Division or other witnesses, yes it does.

PRO FORMA EXPENSES

<u>Expense Item</u>	<u>Test Year FY 2004</u>	<u>Summary of Adjustments</u>	<u>Rate Year FY 2006</u>	<u>Labor Increase (CPNW Sch 1B)</u>	<----- Adjustments Detail ----->			
					<u>One Time Costs</u>	<u>Other Adjustments</u>	<u>Supporting Schedule</u>	<u>Non-Labor Inflation</u>
SOURCE OF SUPPLY								
operations	\$16,627	\$8,373	\$25,000	0	\$8,373		Sch. 1C, 1D	0
purchased water	<u>3,866,831</u>	<u>-76,248</u>	<u>3,790,583</u>	<u>0</u>		-76,248	Sch. 1C	
Subtotal	3,883,458	-67,875	3,815,583	0	8,373	-76,248		0
PUMPING OPERATIONS								
fuel for pumping	813	\$0	813	0				0
power-pumping	415,850	\$0	415,850	0				0
labor-pumping	59,551	\$4,865	64,417	4,865				0
pumping expense	4,655	\$0	4,655	0				0
maint. - structures & improv	32,596	\$2,134	34,730	2,134				0
diesel oil	0	\$0	0	0				0
maint. - equip	<u>45,056</u>	<u>\$2,418</u>	<u>47,474</u>	<u>2,418</u>				<u>0</u>
Subtotal	558,522	9,417	567,939	9,417	0	0		0
WATER TREATMENT								
chemicals	45,456	\$17,705	63,161	0		17,705	Sch. 1D	0
labor	66,938	\$5,462	72,400	5,462				0
operating	49,901	\$0	49,901	0				0
maint. - water treat equip	7,862	\$130	7,992	130				0
maint. - structure	<u>183</u>	<u>\$0</u>	<u>183</u>	<u>0</u>				<u>0</u>
Subtotal	170,339	23,297	193,636	5,592	0	17,705		0
TRANS & DISTR. EXPENSE								
storage facilities exp.	427	\$0	427	0				0
labor	24,954	\$2,036	26,990	2,036				0
supplies	30,153	\$0	30,153	0				0
labor-meter	2,576	\$665	3,242	665				0
material-meter	6,378	\$0	6,378	0				0
cust. install.	0	\$0	0	0				0
misc.	15,993	\$0	15,993	0				0
maint - struct. & improv.	2,204	\$0	2,204	0				0
maint.- res & stdp	11,296	\$766	12,061	766				0
maint. - mains	468,020	\$29,005	497,024	29,005				0
maint. - service	133,116	\$6,926	140,041	6,926				0
maint. - meters	44,527	\$3,583	48,110	3,583				0
maint. - hydrants	84,620	\$4,466	89,086	4,466				0
construction labor	<u>-27,826</u>	<u>\$0</u>	<u>-27,826</u>	<u>0</u>				<u>0</u>
Subtotal	796,437	47,446	843,883	47,446	0	0	0	0

PRO FORMA EXPENSES

Expense Item	Test Year FY 2004	Summary of Adjustments	Rate Year FY 2006	Labor Increase (CPNW Sch 1B)	<----- Adjustments Detail ----->			
					One Time Costs	Other Adjustments	Supporting Schedule	Non-Labor Inflation
CUSTOMER ACCOUNT								
labor- meter read	74,671	\$6,093	80,765	6,093				0
cust record labor	145,116	\$11,841	156,957	11,841				0
cust records exp	48,156	\$0	48,156	0				0
meter read supplies	0	\$0	0	0				0
uncollectible	0	\$0	0	0				0
Subtotal	267,944	17,935	285,878	17,935	0	0		0
ADMIN. & GENERAL								
salaries	227,101	\$18,531	245,632	18,531				0
office supplies & expenses	136,477	\$0	136,477	0				0
insurance	139,252	\$24,549	163,801	0		24,549	Sch. 1D	0
injuries & damages	598	\$0	598	0				0
employee benefits	769,058	\$57,668	826,726	150		57,518	Sch. 1D	0
fees	0	\$1,224	1,224	1,224				0
maint. - plant	132,160	\$7,464	139,624	7,464				0
maint. - vehicles	58,623	\$1,541	60,163	1,541				0
miscellaneous	53,569	\$0	53,569	0				0
vacation, holiday, sick	188,175	\$17,331	205,506	17,331				0
regul. exp.	49,817	\$28,183	78,000	0		28,183	Sch. 1E	0
other	0	\$0	0	0				0
outside service	153,761	\$0	153,761	0				0
Subtotal	1,908,590	156,491	2,065,082	46,241	0	110,250		0
TOTAL O&M	\$7,585,290	\$186,712	\$7,772,001	\$126,631	\$8,373	\$51,707		\$0

PRO FORMA EXPENSES

					<----- Adjustments Detail ----->			
<u>Expense Item</u>	<u>Test Year</u>	<u>Summary of</u>	<u>Rate Year</u>	<u>Labor Increase</u>	<u>One</u>	<u>Other</u>	<u>Supporting</u>	<u>Non-Labor</u>
	<u>FY 2004</u>	<u>Adjustments</u>	<u>FY 2006</u>	<u>(CPNW Sch 1B)</u>	<u>Time Costs</u>	<u>Adjustments</u>	<u>Schedule</u>	<u>Inflation</u>
FIXED CHARGES								
Debt Service								
Existing	\$3,899,419	\$611,495	\$4,510,914			611,495	Sch. 1D	
New	0	\$0	0			0		
Reserves and Coverage								
O&M Reserve	181,575	-181,575	0			-181,575	Sch. 1D	
R&R Reserve	56,506	-5,493	51,013			-5,493	Sch. 1D	
Renewal & Replacement - Equip	100,000	\$0	100,000					
Infrastructure Replacement	3,464,600	-64,600	3,400,000			-64,600	Sch. 1D	
Payroll Taxes	123,920	11,335	135,255			11,335	Sch. 1D	
PILOT	23,172	0	23,172			0		
SUBTOTAL FIXED	\$7,849,192	\$371,162	\$8,220,354	\$0	\$0	\$371,162		\$0
OPERATING REVENUE	\$0	\$123,305	123,305			123,305		
TOTAL EXPENSES	\$15,434,482	\$681,179	\$16,115,660	\$126,631	\$8,373	\$546,174		\$0
Less:								
Available Restrict Debt	\$0	\$0	\$0			0		
Miscellaneous Income	-57,432	0	-57,432				Sch. 1A	
Interest Income	-27,257	0	-27,257				Sch. 1A	
Merchand & Jobbing	-21,126	0	-21,126				Sch. 1A	
6.9% of Water Prot Fee	-61,276	0	-61,276				Sch. 1A	

TEST YEAR & PRO FORMA REVENUES

<u>Revenues</u>	<u>Test Year Revenues</u>	<u>Adjustments</u>	<u>Normalized Test Year</u>
Miscellaneous			
Available Restrict Debt	\$0	\$0	\$0
Miscellaneous Income	\$57,432	\$0	\$57,432
Interest Income	\$27,257	\$0	\$27,257
Merchand & Jobbing	\$21,126	\$0	\$21,126
6.9% of Water Prot Fee	\$61,276	\$0	\$61,276
Total Misc.	\$167,091		\$167,091
Metered Rates	\$12,166,342	(\$492,611)	\$11,673,732 (1)
Public Fire	\$865,493	(\$1,818)	\$863,675 (1)
Private Fire	\$147,205	\$2,728	\$149,933 (1)
Total Revenue	\$13,346,132	-\$491,701	\$12,854,431

Required Revenue

\$16,115,660

Required Revenue from Rates

\$15,948,569

Rate Increase Needed (2)

\$3,261,229

25.70%

NOTES:

(1) Rate Year Revenues at Current Rates based on Sch. 11 - current rates for full year.

(2) Normalized Test Year Revenues (Sch. 11) = \$12,854,431

TEST YEAR & RATE YEAR LABOR COSTS

EXPENSE ITEM	Test Year		Rate Year
	<u>FY 2004</u>	<u>Adjustments (1)</u>	<u>FY 2006</u>
SOURCE OF SUPPLY			
operations	\$0	0	\$0
purchased water	\$0	0	\$0
PUMPING OPERATIONS			
fuel for pumping	\$0	0	\$0
power-pumping	\$0	0	\$0
labor-pumping	\$59,624	4,865	\$64,489
pumping expense	\$0	0	\$0
maint. - structures & improv	\$26,148	2,134	\$28,281
diesel oil	\$0	0	\$0
maint. - equip	\$29,636	2,418	\$32,055
WATER TREATMENT			
chemicals	\$0	0	\$0
labor	\$66,938	5,462	\$72,400
operating	\$0	0	\$0
maint. - water treat equip	\$1,590	130	\$1,720
maint. - structure	\$0	0	\$0
TRANS & DISTR. EXPENSE			
storage facilities exp.	\$0	0	\$0
labor	\$24,954	2,036	\$26,990
supplies	\$0	0	\$0
labor-meter	\$8,154	665	\$8,820
material-meter	\$0	0	\$0
cust. install.	\$0	0	\$0
misc.	\$0	0	\$0
maint - struct. & improv.	\$0	0	\$0
maint.- res & stdp	\$9,382	766	\$10,147
maint. - mains	\$355,448	29,005	\$384,453
maint. - service	\$84,872	6,926	\$91,798
maint. - meters	\$43,905	3,583	\$47,488
maint. - hydrants	\$54,733	4,466	\$59,199
construction labor	\$0	0	\$0
CUSTOMER ACCOUNT			
labor- meter read	\$74,671	6,093	\$80,765
cust record labor	\$145,116	11,841	\$156,957
cust records exp	\$0	0	\$0
meter read supplies	\$0	0	\$0
uncollectible	\$0	0	\$0
ADMIN. & GENERAL			
salaries	\$227,101	18,531	\$245,632
office supplies & expenses	\$0	0	\$0
insurance	\$0	0	\$0
injuries & damages	\$0	0	\$0
employee benefits	\$4,950	150	\$5,100
fees	\$15,000	1,224	\$16,224
maint. - plant	\$91,473	7,464	\$98,937
maint. - vehicles	\$18,881	1,541	\$20,422
miscellaneous	\$0	0	\$0
vacation, holiday, sick	\$212,390	17,331	\$229,721
regul. exp.	\$0	0	\$0
other	\$0	0	\$0
outside service	\$0	0	\$0
SUBTOTAL LABOR	\$1,554,967	\$126,631	\$1,681,598
Capitalized Labor	\$79,921	6,522	\$86,442
TOTAL LABOR COSTS	\$1,634,888	\$133,153	\$1,768,040

(1) See Schedule 1D

WHOLESALE WATER COSTSWholesale Water Purchases

	<u>Rate (\$/mg)</u>	<u>Purchases (mg)</u>	<u>Cost</u>
PWSB Rate (/mg)	<u>\$1,132.89</u>	3,345.94	\$3,790,583
Net Wholesale Purchases (gallons) - 3 yr avg.			
Warwick Purchases		528,560,956	
PWSB Purchases		<u>2,884,657,700</u>	
Total Purchases		3,413,218,656	
Sales To Warwick		<u>-67,277,364</u>	
Net Purchases		3,345,941,292	

Fiscal Yr -- >	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Pro Forma</u>
KCWA Production (1000 gal)	<u>602,399</u>	<u>655,223</u>	<u>370,545</u>	370,545
Warwick Purch (1000 gal)	<u>437,042</u>	<u>314,439</u>	<u>528,561</u>	528,561
PWSB Purch (1000 gal)	<u>2,642,298</u>	<u>2,662,409</u>	<u>2,884,658</u>	2,884,658
Total	3,681,739	3,632,071	3,783,764	3,783,764
 Total Purchased	 3,079,340	 2,976,848	 3,413,219	 3,413,219
Sales To Warwick (1000 gal)	<u>72,294</u>	<u>71,910</u>	<u>67,277</u>	67,277
Net Purchases	3,007,046	2,904,938	3,345,941	3,345,941
	16.4%	18.0%	9.8%	9.8%

EXPLANATION OF ADJUSTMENTS TO TEST YEAR COSTS

<u>Adjustment to:</u>	<u>Explanation</u>	<u>lbs or gal/yr</u>	<u>cur. \$/lb or gal</u>	<u>Annual Cost</u>
Treatment: Chemicals				
	Lime			
	Bulk (lbs)	35,400	\$0.0702	\$2,485
	Bags (lbs)	42,500	\$0.1250	\$5,313
	Pot. Hydrox. (lbs)	289,595	\$0.1631	\$47,233
	Sequestering Agent *	511	\$7.6132	\$3,890
	Chlorine (gal)	990	\$1.4960	\$1,481
	Fuel Charge			\$330
	Annual Amount			\$60,732
	Plus Inflation (4%)			\$2,429
	Rate Year Amount			\$63,161
	* new chemical - based on Engineer's Estimate of 1.4 gal/day			

Fixed Charges Associated with Debt Service:

O&M Reserve	Set to achieve reserve level equal to 25% of operating costs.		
	"O&M" Costs (Sch. 1) =	\$7,772,001	
	Payroll Taxes	\$135,255	
	PILOT	\$23,172	
	Total Operating	\$7,930,428	
	Required O&M Reserve	\$1,982,607	
	Balance 7/1/04	\$1,898,250	
	Estim FY 2005 Deposits	181,575	
	Estim. Balance 6/3/05	2,079,825	
	Required deposit =	\$0	
R&R Reserve	Set to equal 1% of Net Utility Plant (NUP)		
	NUP Value (6/30/04)	\$58,499,021	
	Estimated Additions	\$5,000,000	
	Pro Forma NUP	\$63,499,021	
	Required Balance (1%)	\$634,990	
	Balance 7/1/04	\$521,820	
	Estimated Additions	62,157	
	Estim. Balance 6/30/05	583,977	
	Addition to Reserve Required	\$51,013	

Debt Service

<u>1994 Bonds - Refunded 3/2004</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Principal	\$710,000	\$400,000	\$810,000
Interest	\$715,345	\$1,296,050	\$1,056,208
Total	\$1,425,345	\$1,696,050	\$1,866,208
<u>2001 Bonds (\$10 million)</u>			
Principal	\$340,000	\$355,000	\$365,000
Interest	\$438,024	\$425,418	\$412,374
Total	\$778,024	\$780,418	\$777,374
<u>2002 Bonds (\$24.39 million)</u>			
Principal	\$400,000	\$810,000	\$840,000
Interest	\$1,296,050	\$1,056,208	\$1,027,333
Total	\$1,696,050	\$1,866,208	\$1,867,333
Total Existing	\$3,899,419	\$4,342,675	\$4,510,914

*Note: In FY 2004 there was an additional redemption for the 1994 Series A bonds of \$968,805.06. These bonds were refinanced in March 2004 and payments in 05 and 06 reflect the refunded bonds. There were disbursements of \$66,627 on the refunded bonds for issuance costs that are not shown.

EXPLANATION OF ADJUSTMENTS TO TEST YEAR COSTS**Infrastructure Replacement**

Based on the June 2003 IFR Report for KCWA the annual IFR requirement is approximately \$6 million. In this case we are requesting annual funding of **\$3,400,000**
 Increase over test year = **(\$64,600)**

Water Supply Management Plan (Source of Supply Ops)

Cost of Water Supply & Infrastructure Plans **\$125,000**
 Amortize over 5 yrs **\$25,000**
 Change over Test Year **\$8,373**

Payroll Taxes set at 7.65% of salaries

Insurance - Worker's Comp and Liability/Property

	<u>FY 05 Premiums</u>	<u>FY 06</u>	
Worker's Comp	\$45,668	\$51,246	Based on Increase FY 04 - FY 05
Liability/Property	<u>\$112,555</u>	<u>\$112,555</u>	
Total	\$158,223	\$163,801	
Increase over Test Year		\$24,549	

Benefits/Pension

	<u>Test Year</u>	<u>FY 2005</u>	<u>Rate Year</u>	Increase
Medical - Blue Cross	\$452,381	\$479,973	\$479,973	0.00%
Dental - Delta Dental	\$39,664	\$41,437	\$41,437	0.00%
Group P-65 Retirees	\$37,158	\$63,203	\$63,203	0.00%
Life insurance - Boston Mutual	\$7,271	\$7,954	\$7,954	0.00%
Disability Insurance - Fortis	\$3,510	\$3,802	\$3,802	0.00%
Pension	\$216,088	\$218,400	\$218,400	0.00%
RIEAP	\$2,172	\$972	\$972	0.00%
Education	\$5,866	\$5,884	\$5,884	0.00%
Totals	\$764,108	\$821,626	\$821,626	
Increase over Test Year			57,518	

PILOT

based on following payments in lieu of taxes:

<u>City & Towns</u>	<u>Totals</u>
W. Warwick	\$8,264.82
Warwick	\$106.81
Coventry	\$12,813.37
Scituate	\$260.05
W. Greenwich	\$364.43
<u>Fire Districts</u>	
Coventry	\$302.50
Harris	\$50.00
Tiogue	\$121.29
Cent Coventry	\$348.51
Hopkins Hills	<u>\$540.18</u>
	\$23,171.96

Labor Adjustments - Based on Test Year Labor costs

A. All items labor increased by **4.0%** per year for 2 years. Includes longevity and certification upgrades.

Non-Labor Inflation

Non-labor items were increased from the test year **0.00%**
 per year or 0.00% over 2 years to account for inflation.

Restricted Funds Activity FY 2004

	<u>R&R Reserve</u>	<u>O&M Reserve</u>	<u>Debt ***</u>	<u>IFR **</u>	<u>R&R Equip</u>
Beginning Balance (7/1/03)	\$465,314	\$1,716,675	\$4,728,149	\$5,566,851	\$96,372
Funding	\$56,506	\$181,575	\$3,410,156	\$3,464,600	\$100,000
Interest	\$4,202	\$22,923	\$36,397	\$52,769	\$512
Expenditures (actual) *	\$4,202	\$22,923	\$4,934,851	\$6,327,965	\$86,569
Ending Balance (6/30/04)	\$521,820	\$1,898,250	\$3,239,852	\$2,756,256	\$110,314

* For O&M Reserves and R&R Accounts the expenditures = transfers of interest earnings to revenue fund

** In FY 2004 an additional \$64,600 was deposited due to trustee making incorrect transfers.

*** Debt Service is maintained in separate accounts for each bond issue as follows:

	<u>1994 Series A</u>	<u>2001 Series A</u>	<u>2002 Series A</u>	<u>2004 Series A</u>	<u>Total Debt</u>
Beginning Balance (7/1/03)	\$1,182,074	\$729,058	\$2,817,017	\$0	\$4,728,149
Funding (TY - Restricted Amt)	\$1,206,811	\$842,004	\$1,212,088	\$149,254	\$3,410,156
Interest	\$6,677	\$4,336	\$25,371	\$13	\$36,397
Expenditures (actual)	\$2,394,150	\$778,024	\$1,696,050	\$66,627	\$4,934,851
Ending Balance (6/30/04)	\$1,411	\$797,374	\$2,358,426	\$82,641	\$3,239,852

SUPPLEMENTAL DATARegulatory Expenses

<u>Fiscal Year</u>	<u>PUC</u>	<u>Legal</u>	<u>Consultants</u>	<u>Other</u>	<u>Assessment</u>	<u>Total</u>
1996	1,471	21,492	32,013	2,095		57,071
1997	1,579	14,654	60,776	7,378		84,387
1998	20,769	19,524	18,719	324		59,336
1999	17,345	25,745	29,135	5,909		78,134
2000	31,761	16,442	22,538	198		70,939
2001	23,224	24,077	57,935	5,601		110,837
2002	28,422	26,717	43,348	1,289		99,776
2003	25,732	10,143	18,707	99	0	54,681
2004						49,817
5 Year Average						77,210
Estimated RY						78,000

Note: Annual regulatory expense allowance per Docket No. 3311 (effective 12/13/2001) was \$89,888. Estimated costs for current docket are shown below. These do **NOT** include KCWA regulatory costs for intervention in filings by Providence Water nor do they included costs for pass through rate filings to pass on wholesale rate increases.

	<u>Estim -Dec 2004</u>	<u>To Complete</u>	<u>Total</u>
KCWA Consulting/Legal	\$30,000	\$50,000	\$80,000
KCWA Expenses		\$5,000	\$5,000
Division		\$30,000	\$30,000
Total	\$30,000	\$85,000	\$115,000

Revised/updated 1/21/2005

UNITS OF SERVICE

	Test Year <u>Actual</u>	<u>Adjustments</u>	Rate <u>Year</u>	<u>Explanation</u>
<u>Metered Water Sales (100 cubic feet)</u>				
Small (5/8-2" meters)	3,261,885	0	3,261,885	
Medium (3&4" meters)	398,697	0	398,697	
Large (6" & up meters)	<u>543,827</u>	-220,257	<u>323,570</u>	see below
	4,204,409		3,984,152	
<u>Meters By Size</u>				
<u>Quarterly</u>	<u>6/30/04</u>			
5/8 & 3/4	<u>22,079</u>	0	22,079	
1	<u>3,260</u>	0	3,260	
1 1/2	<u>306</u>	0	306	
2	<u>491</u>	0	491	
3	<u>19</u>	0	19	
4	<u>47</u>	0	47	
6	<u>57</u>	0	57	
8 & up	<u>36</u>	0	36	
<u>Monthly</u>				
5/8 & 3/4	<u>5</u>	0	5	
1	<u>0</u>	0	0	
1 1/2	<u>7</u>	0	7	
2	<u>10</u>	0	10	
3	<u>2</u>	0	2	
4	<u>5</u>	0	5	
6	<u>6</u>	0	6	
8 & up	<u>4</u>	0	4	
<u>Public Fire Service</u>				
	<u>6/30/04</u>			
Public Fire Hydrants	<u>2,265</u>	0	2,265	
Bills	<u>52</u>	0	52	
<u>Private Fire Service (as of 6/30/04)</u>				
<u>Size (in)</u>				
4	<u>16</u>	0	16	
6	<u>112</u>	0	112	
8	<u>28</u>	0	28	
10	<u>1</u>	0	1	
12	<u>1</u>	0	1	
Hydrants	<u>157</u>	0	157	
<u>Changes in Water Use (ccf/yr)</u>				
<u>On Semiconductor</u>	<u>TY Use</u>	<u>RY Use</u>	<u>Adjustment</u>	
311074	<u>219,417</u>	0	-219,417	
312645	<u>0</u>	0	0	
312646	<u>1,300</u>	<u>460</u>	<u>-840</u>	
Total	220,717	460	-220,257	

COMPARISON TO CURRENT RATES

		<u>Current</u>	<u>Proposed</u>	<u>% Change</u>
<u>Metered Rates</u>				
Small (5/8-2" meters)		\$2.851	\$3.564	25.01%
Medium (3&4" meters)		\$2.416	\$3.020	25.00%
Large (6" & up meters)		\$2.047	\$2.559	25.01%
<u>Service Charges</u>				
Quarterly	5/8 & 3/4	\$6.60	\$8.25	25.00%
	1	\$7.92	\$9.90	25.00%
	1 1/2	\$10.40	\$13.00	25.00%
	2	\$12.54	\$15.68	25.04%
	3	\$15.35	\$19.19	25.02%
	4	\$20.80	\$26.00	25.00%
	6	\$32.86	\$41.08	25.02%
	8 & up	\$53.83	\$67.29	25.00%
Monthly	5/8 & 3/4	\$5.50	\$6.88	25.09%
	1	\$5.94	\$7.43	25.08%
	1 1/2	\$6.76	\$8.45	25.00%
	2	\$7.48	\$9.35	25.00%
	3	\$8.42	\$10.53	25.06%
	4	\$10.23	\$12.79	25.02%
	6	\$14.25	\$17.81	24.98%
	8 & up	\$21.24	\$26.55	25.00%
<u>Fire Service (per quarter)</u>				
Public	/hydrant	\$95.30	\$119.13	25.01%
	/bill	\$4.95	\$6.19	25.05%
Private (per quarter)				
	4 in	\$41.59	\$51.99	25.01%
	6 in	\$109.46	\$136.83	25.00%
	8 in	\$225.85	\$282.31	25.00%
	10 in	\$402.60	\$503.25	25.00%
	12 in	\$646.64	\$808.30	25.00%
	hydrant	\$109.46	\$136.83	25.00%

IMPACT OF PROPOSED RATES

	METER	QUARTERLY	CURRENT	<----- PROPOSED ----->		
	SIZE	USE - CU FT	RATES	NEW BILL	\$ INCREASE	% INCREASE
Small						
	5/8	2,000	\$63.62	\$79.53	\$15.91	25.01%
	5/8	2,500	\$77.88	\$97.35	\$19.48	25.01%
	5/8	3,500	\$106.39	\$132.99	\$26.61	25.01%
	5/8	4,000	\$120.64	\$150.81	\$30.17	25.01%
	5/8	5,000	\$149.15	\$186.45	\$37.30	25.01%
	5/8	6,000	\$177.66	\$222.09	\$44.43	25.01%
	5/8	6,666	\$196.65	\$245.83	\$49.18	25.01%
	5/8	8,000	\$234.68	\$293.37	\$58.69	25.01%
	5/8	10,000	\$291.70	\$364.65	\$72.95	25.01%
	5/8	12,000	\$348.72	\$435.93	\$87.21	25.01%
	5/8	14,000	\$405.74	\$507.21	\$101.47	25.01%
	5/8	15,000	\$434.25	\$542.85	\$108.60	25.01%
	5/8	20,000	\$576.80	\$721.05	\$144.25	25.01%
	5/8	25,000	\$719.35	\$899.25	\$179.90	25.01%
	1	30,000	\$863.22	\$1,079.10	\$215.88	25.01%
	1	40,000	\$1,148.32	\$1,435.50	\$287.18	25.01%
	1	46,666	\$1,338.37	\$1,673.08	\$334.71	25.01%
	1	75,000	\$2,146.17	\$2,682.90	\$536.73	25.01%
	2	100,000	\$2,863.54	\$3,579.68	\$716.14	25.01%
	2	200,000	\$5,714.54	\$7,143.68	\$1,429.14	25.01%
	2	300,000	\$8,565.54	\$10,707.68	\$2,142.14	25.01%
	2	400,000	\$11,416.54	\$14,271.68	\$2,855.14	25.01%
	2	600,000	\$17,118.54	\$21,399.68	\$4,281.14	25.01%
Medium						
	3	200,000	\$4,847.35	\$6,059.19	\$1,211.84	25.00%
	3	400,000	\$9,679.35	\$12,099.19	\$2,419.84	25.00%
	3	600,000	\$14,511.35	\$18,139.19	\$3,627.84	25.00%
	4	800,000	\$19,348.80	\$24,186.00	\$4,837.20	25.00%
	4	1,000,000	\$24,180.80	\$30,226.00	\$6,045.20	25.00%
	4	1,200,000	\$29,012.80	\$36,266.00	\$7,253.20	25.00%
Large						
	6	400,000	\$8,220.86	\$10,277.08	\$2,056.22	25.01%
	6	600,000	\$12,314.86	\$15,395.08	\$3,080.22	25.01%
	6	800,000	\$16,408.86	\$20,513.08	\$4,104.22	25.01%
	6	1,200,000	\$24,596.86	\$30,749.08	\$6,152.22	25.01%
	6	1,333,333	\$27,326.19	\$34,161.07	\$6,834.88	25.01%
	8	2,000,000	\$40,993.83	\$51,247.29	\$10,253.46	25.01%
	8	5,000,000	\$102,403.83	\$128,017.29	\$25,613.46	25.01%
	8	10,000,000	\$204,753.83	\$255,967.29	\$51,213.46	25.01%
	8	24,000,000	\$491,333.83	\$614,227.29	\$122,893.46	25.01%
Municipal Fire Service	300 hydrants		\$28,594.95	\$35,745.19	\$7,150.24	25.01%
Private Fire Service	6 Inch Service		\$109.46	\$136.83	\$27.37	25.00%

REVENUE RECONCILIATION

Service Charge:		<----- Current ----->		<----- Proposed ----->	
<u>Quarterly</u>	<u>Number</u>	<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>
5/8 & 3/4	88,316	\$6.60	\$582,886	\$8.25	\$728,607
1	13,040	\$7.92	\$103,277	\$9.90	\$129,096
1 1/2	1,224	\$10.40	\$12,730	\$13.00	\$15,912
2	1,964	\$12.54	\$24,629	\$15.68	\$30,796
3	76	\$15.35	\$1,167	\$19.19	\$1,458
4	188	\$20.80	\$3,910	\$26.00	\$4,888
6	228	\$32.86	\$7,492	\$41.08	\$9,366
8 & up	144	\$53.83	\$7,752	\$67.29	\$9,690
Monthly					
5/8 & 3/4	60	\$5.50	\$330	\$6.88	\$413
1	0	\$5.94	\$0	\$7.43	\$0
1 1/2	84	\$6.76	\$568	\$8.45	\$710
2	120	\$7.48	\$898	\$9.35	\$1,122
3	24	\$8.42	\$202	\$10.53	\$253
4	60	\$10.23	\$614	\$12.79	\$767
6	72	\$14.25	\$1,026	\$17.81	\$1,282
8 & up	48	\$21.24	\$1,020	\$26.55	\$1,274
Consumption Charge:	100/cu.ft.				
Proposed					
Small (5/8-2" meters)	3,261,885	\$2.85	\$9,299,635	\$3.56	\$11,625,359
Medium (3&4" meters)	398,697	\$2.42	\$963,251	\$3.02	\$1,204,064
Large (6" & up meters)	323,570	\$2.05	\$662,348	\$2.56	\$828,015
Fire Protection:					
Public Hydrants	2,265	\$381.20	\$863,418	\$476.52	\$1,079,318
# bills	52	\$4.95	\$257	\$6.19	\$322
Private Fire Protection					
4 in	16	\$166.36	\$2,662	\$207.96	\$3,327
6 in	112	\$437.84	\$49,038	\$547.32	\$61,300
8 in	28	\$903.40	\$25,295	\$1,129.24	\$31,619
10 in	1	\$1,610.40	\$1,610	\$2,013.00	\$2,013
12 in	1	\$2,586.56	\$2,587	\$3,233.20	\$3,233
hydrant	157	\$437.84	\$68,741	\$547.32	\$85,929
Total			=====		=====
			\$12,687,340		\$15,860,134
Plus: Misc Revenues			\$167,091		\$167,091
			=====		=====
Pro Forma Revenue			\$12,854,431		\$16,027,225
Required Revenue			\$16,115,660		\$16,115,660
Difference			(\$3,261,229)		(\$88,435)
Increase in Revenues					\$3,172,794
Increase in Rate Revenues					\$3,172,794
Percent Increase in Total Revenues					24.68%
Percent increase in Rate Revenues					25.01%

SUMMARY OF COST OF SERVICE

	<u>Test Year</u>	<u>Adjustments</u>	<u>Rate Year</u>
Revenues			
Service Charges	\$748,498	\$187,136	\$935,634
Metered Rates	\$10,925,234	\$2,732,205	\$13,657,439
Fire Protection	\$1,013,608	\$253,453	\$1,267,061
Miscellaneous	<u>\$167,091</u>	<u>\$0</u>	<u>\$167,091</u>
<i>Total Revenue</i>	\$12,854,431	\$3,172,794	\$16,027,225
Expenses			
<u>O&M</u>			
Supply	\$3,883,458	(\$67,875)	\$3,815,583
Pumping	\$558,522	\$9,417	\$567,939
Treatment	\$170,339	\$23,297	\$193,636
T&D	\$796,437	\$47,446	\$843,883
Customer	\$267,944	\$17,935	\$285,878
Admin	<u>\$1,908,590</u>	<u>\$156,491</u>	<u>\$2,065,082</u>
Total O&M	\$7,585,290	\$186,712	\$7,772,001
<u>Fixed Charges</u>			
Debt Service	\$3,899,419	\$611,495	\$4,510,914
Reserves and Coverage	\$238,081	(\$187,068)	\$51,013
Renewal & Replacement	\$100,000	\$0	\$100,000
Infrastructure Replacement	\$3,464,600	(\$64,600)	\$3,400,000
Payroll Taxes	\$123,920	\$11,335	\$135,255
PILOT	<u>\$23,172</u>	<u>\$0</u>	<u>\$23,172</u>
Total Fixed	\$7,849,192	\$371,162	\$8,220,354
<u>Operating Revenue</u>	<u>\$0</u>	<u>\$123,305</u>	<u>\$123,305</u>
<i>Total Expenses</i>	\$15,434,482	\$681,179	\$16,115,660

EXHIBITS

Table A
Status of Physical Plant

The physical plant of the Kent County Water Authority consists of the following items as of December 30, 2004.

REAL ESTATE

IN THE CITY OF WARWICK:

- A. On the Easterly side of Rhode Island Highway Route 1 and Post Road, 8.2 acres with one gravel-packed well.
- B. On the West side of Route 2, 9.0 million gallon per day booster station with generator.

IN THE TOWN OF COVENTRY:

- A. On the East side of Route 3 abutting the Coventry-West Greenwich town line, ninety acres of land, two gravel-packed wells and lime silo. Plus approximately 300 acres of land purchased for wellhead protection and new well sites.
- B. On Route 3, at the top of Tiogue Hill, land with a three-quarter million-gallon storage tank.
- C. On Read Schoolhouse Road, land and one and one half million gallon steel storage tank. To the north of the existing site an additional site of two acres has been acquired for the proposed new replacement tank.
- D. On the East side of Route 3, in Coventry, 17 acres of land, one gravel-packed well and lime facility
- E. On Knotty Oak Road, Rhode Island Highway Route 116, pumping station, 1,750,000 gal/day capacity.
- F. Site on 7,500 sq. ft. leased land for 99 years location of Johnsons Blvd. High Service Booster Station.
- G. North side Mishnock Road 9 acres land for future storage and treatment facility.

IN THE TOWN OF WEST WARWICK:

- A. At the intersection of Gough Avenue and West Street, land and steel storage tank one million gallons.

**STATEMENTS IN ACCORDANCE
WITH SECTION 2.10(d) FILING REQUIREMENTS**

- (1) The Cost of Service Schedules for the test year and rate year are included in Mr. Woodcock's testimony and accompanying schedules. Copy of test year Balance Sheet is attached.
- (2) Supporting calculation for known and measurable changes is included in Mr. Woodcock's testimony and accompanying schedules.
- (3) A comparative Statement of Revenues and Expenditures for the past three fiscal years is attached in the balance sheets from the auditors.
- (4) Work papers detailing test year revenues and sales values, with customer counts, are included in Mr. Woodcock's testimony and accompanying schedules.
- (5) Schedules for the principal and interest amounts for the test and rate years can be found in Mr. Woodcock's testimony and accompanying schedules. A description of our current bond issue have previously been provided along with all bond documents under a previous rate case. We have attached copies of the pertinent Bond Offering Statement cover sheet of all outstanding issues.
- (6) (i) The Capital Program in support of this debt service increase has been previously approved by the Commission along with the Capital Program.
- (6) (ii) Voter approval is not applicable.
- (6) (iii) N/A
- (7) Kent County Water Authority is not requesting reimbursement for rate case costs under this docket. Mr. Woodcock's testimony schedule 1-E reviews previous expenses.
- (8) Kent County Water Authority is in full compliance with all previous rate orders and all required reporting requirements are current.
- (9) Kent County Water Authority is in full compliance with the restricted account reporting requirements and updates reports service annually. The December report will be filed in January after the close of the calendar year as required.

- B. On the North side of East Greenwich Avenue, Setian Lane, land and a three million gallon steel storage tank plus high service booster station.
- C. At 1072 Main Street, two buildings consisting of office building, storage facilities, workshop, garage, operation headquarters.
- D. On the North side of Wakefield Street a 2.0 million gallon storage tank.
- E. North side of Crompton Road (Nottingham Estates) 10,000 sq. ft. land for proposed tank site.
- F. West Warwick Industrial Park Tank, land (new high service booster station and abandoned tank).

IN THE TOWN OF SCITUATE:

- A. On Clinton Avenue, an eight million gallon per day pumping station.

IN THE CITY OF CRANSTON:

- A. One and one half million gallon combined capacity underground concrete storage tanks; Seven Mile Road.

IN THE TOWN OF WEST GREENWICH:

- A. 1.5 million gallon storage tank on easement land behind Wel-Gen Manufacturing.
- B. On the north side of Mishnock Road, approximately 100 acres of wellhead protection land proposed new well sites.
- C. On west side of Carrs Pond Road leased site and 3.0 million gallon storage tank.

IN THE TOWN OF EAST GREENWICH:

- A. 1.5 million gallon concrete storage tank on land off of Frenchtown Road.

The above listed items constitute the physical plant of the Kent County Water Authority and cite the source of supply owned by the Kent County Water Authority. All property unless otherwise noted, is held in fee simple and not subject to any mortgage, liens, attachments or other encumbrances.

In addition to wells cited, the Kent County Water Authority has as a source of supply the Scituate Reservoir owned by the City of Providence and has two connections into the source of supply; one, on Oaklawn Avenue in the City of Cranston and one, at the cited-pumping station in the Town of Scituate. A connection is also available at Bald Hill Road in Warwick from the Warwick Water Department system obtained from Providence Water supply Board.

The volume of the four wells cited has not been determined for safe yield. We also periodically modify the impeller setting to adjust flow based on ground water levels and gradient backpressure.

Our estimates are as follows:

Mishnock Well #1	450 gpm (Emergency use only & out of service)
Mishnock Well #3	690 gpm (out of service)
Spring Lake Well	300 gpm
Warwick Well (AKA – East Greenwich)	1600 gpm

The volume of water from Scituate Reservoir Providence Water Supply Board is variable depending on our demand. By state law, Kent County Water Authority has a daily draw from Providence of a maximum of 150 gpcd for all individuals of Kent County proper except Potowomut in Warwick.

Table B
Maintenance Policy

It is and has been the policy of the Kent County Water Authority to maintain its system in proper operating condition accordance with acceptance with accepted standards. All damaged items, valves, hydrants, pipe, etc. of our distribution system are repaired as expeditiously as possible. Replacement of deteriorated lines via the Infrastructure Program is replaced during the construction period each year. Any emergency items are repaired immediately. All physical plant is maintained and performed by staff of the Kent County Water Authority. With the addition of the IFR Program, a continual replacement program has been established for this system. This is outside and separate for our Capital Improvement Program. Distribution pipes were last installed this construction season by the Authority and its contractors. Total pipe installed in a 10-year period is:

1994	1,877,248 ft
2004	<u>2,050,521 ft</u>
	173,273 ft

Table C
Water Treatment Methods Chemicals Used
For Last Twelve Months
(7/1/03 – 6/30/04)

- 1) Lime is added for pH adjustment. The wells are Mishnock 1 and 3 currently off line and Spring Lake.

Spring Lake Well	42,500 lbs @ \$0.125/lb = \$5312.50
Mishnock 1 & 2 Wells	35,400 lbs @ \$0.0702/lb = \$2,485.08

Potassium hydroxide is added to the East Greenwich well for pH adjustment.

East Greenwich Well	289,595 @ 0.1631/lb = \$47,232.94
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- 2) Chlorine solution is used at all wells for bacteria control, 990 gallons used in twelve months at a cost of \$1.496/gal and for twelve months total of \$1,481.04.

- 3) Sequestering agent for one year East Greenwich well estimated @ 1.4 gal/day

511 gal @ \$7.6132	\$3890.34
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Table D

Policy Relating to Expansion and Renovation

It is and has been the policy of the Kent County Water Authority to assure that the system will continue to provide service to all existing customers. It is the requirement and the established legislation of the Kent County Water Authority to service all customers within the borders of Kent County proper and has been our policy to extend our service to areas where the Providence Water Supply Board contiguous and not serviced by that public water system. Capital Improvement Programs have been developed and are in existence to provide existing customers and proposed future customers the same level of service throughout. All Capital Improvement Programs, Infrastructure Programs and restricted accounts are reported to the Commission semi annually and are up to date. Additional copies can be provided if requested. These reports list funds expended and projects completed or under construction. A current Capital Improvement Program exists and is under implementation. An Infrastructure Program is current an is under implementation.

Table E

All statements of service can be found in the first section of this filing.