

STATE OF RHODE ISLAND
BEFORE THE
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION) Docket No. 3674
OF THE PAWTUCKET WATER SUPPLY)
BOARD FOR AN INCREASE IN RATES FOR)
WATER SERVICE)

DIRECT TESTIMONY OF
ANDREA C. CRANE
REGARDING REVENUE REQUIREMENTS

ON BEHALF OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

July 26, 2005

TABLE OF CONTENTS

I.	Statement of Qualifications	3
II.	Purpose of Testimony	4
III.	Summary of Conclusions	5
IV.	Discussion of the Issues	
	A. Introduction	6
	B. Pro Forma Operating Rate Revenue	7
	C. Wholesales Sales Revenue	14
	D. Miscellaneous Revenue	16
	E. Incremental Volumetric Adjustments	19
	F. Employee Related Costs	19
	G. Inflation Adjustment	22
	H. Regulatory Commission Expense	24
	I. Security Costs	26
	J. Property Insurance	26
	K. Fees and Permits	27
	L. Operating Reserve	28
	M. WTP Reserve	29
	N. Operating Income Allowance	31
V.	Summary of Revenue Requirement Recommendations	33

Appendix A - List of Previous Testimonies

Appendix B - Supporting Schedules

Appendix C - Referenced Data Requests

1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Andrea C. Crane and my business address is One North Main Street, PO Box
4 810, Georgetown, Connecticut 06829.

5

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

7 A. I am Vice President of The Columbia Group, Inc., a financial consulting firm that specializes
8 in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and
9 undertake various financial studies regarding utility rates and regulatory policy.

10

11 **Q. Please summarize your professional experience in the utility industry.**

12 A. Prior to my association with The Columbia Group, Inc., I held the position of Economic
13 Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to
14 January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic
15 subsidiaries. While at Bell Atlantic, I held assignments in the Product Management,
16 Treasury, and Regulatory Departments.

17

18 **Q. Have you previously testified in regulatory proceedings?**

19 A. Yes, since joining The Columbia Group, Inc., I have testified in approximately 200
20 regulatory proceedings in the states of Arizona, Connecticut, Delaware, Hawaii, Kansas,
21 Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode

1 Island, South Carolina, Vermont, West Virginia and the District of Columbia. These
2 proceedings involved water, wastewater, gas, electric, telephone, solid waste, cable
3 television, and navigation utilities. A list of dockets in which I have filed testimony is
4 included in Appendix A. I have also been engaged to provide testimony as an expert witness
5 in several civil proceedings.

6
7 **Q. What is your educational background?**

8 A. I received a Masters degree in Business Administration, with a concentration in Finance,
9 from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A.
10 in Chemistry from Temple University.

11
12 **Q. Do you have any additional relevant experience?**

13 A. Yes, from January 1991 until January 1998, I served as Vice Chairman of the Water
14 Pollution Control Commission in Redding, Connecticut. This Commission was charged with
15 designing, constructing, and operating a sewage collection and treatment facility for the
16 Town of Redding.

17
18 **II. PURPOSE OF TESTIMONY**

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

20 A. The Columbia Group, Inc. was engaged by The Division of Public Utilities and Carriers
21 (“Division”) to review the recent base rate filing by The Pawtucket Water Supply Board

1 (“PWSB”) and to provide revenue requirement recommendations. In developing my revenue
2 requirement recommendations, I reviewed the PWSB’s testimony and exhibits and the
3 responses to data requests propounded upon the PWSB by the Division and by the State of
4 Rhode Island, Public Utilities Commission (“Commission”). I also reviewed several prior
5 Commission decisions as well as other documents useful in an analysis of the PWSB’s filing.
6

7 **III. SUMMARY OF CONCLUSIONS**

8 **Q. What are your conclusions concerning the PWSB's revenue requirement?**

9 A. Based on my review, my conclusions and recommendations are as follows:

- 10 1. Based on the rate year ending December 31, 2006, the PWSB has pro forma revenue
11 at present rates of \$17,039,350, including \$16,725,105 in operating rate revenue and
12 \$314,245 in miscellaneous revenue (see Schedule ACC-1).
- 13 2. The PWSB has pro forma costs, including pro forma debt service costs, of
14 \$18,244,499 and an operating income allowance requirement of \$137,645, for a
15 total revenue requirement of \$18,382,144 (see Schedule ACC-1).
- 16 3. Based on these determinations, a rate increase of \$1,342,795 is appropriate. This
17 represents an increase of 8.03% over total rate revenue at present rates. My
18 recommendation is significantly less than the rate increase of \$3,540,099 or
19 21.95% increase requested by the PWSB (see Schedule ACC-1).
20

1 **IV. DISCUSSION OF THE ISSUES**

2 **A. Introduction**

3 **Q. Please summarize the PWSB’s request for rate relief in this case.**

4 **A.** The PWSB is requesting a rate increase of \$3,540,099 or 21.95% over its claimed level of
 5 pro forma revenue at present rates. The current filing is the first rate request that includes
 6 the operational impact of the new treatment plant. The PWSB estimates that the new
 7 treatment plant will be completed and on-line in April 2006. Thus, it has included certain
 8 adjustments to reflect the fact that service during at least a part of the rate year will be
 9 provided by Earth Tech as operators of the new treatment facility under the Design, Build,
 10 Operate (“DBO”) mechanism discussed in previous regulatory submissions. In addition, the
 11 PWSB’s filing includes significant new expenditures relating to operation of the Central
 12 Falls system, assuming that the Central Falls system is acquired by the PWSB.

13 Listed below are some of the major items contributing to the PWSB’s request for rate
 14 relief in this case and the relative magnitude of each item:

15	Central Falls Operations	\$400,000
16	Impact of New Treatment Plant	411,000
17	Employee Related Cost Increases	949,000
18	Operating Revenue Allowance	951,000
19	Inflation Adjustments	195,975
20	Regulatory Commission Costs	72,000
21	Brush Control Expenditures	52,000
22		
23		

24 In addition, the PWSB has reflected a significant decline in revenues from the
 25 revenues approved in the last abbreviated rate filing, Docket No. 3593. In that docket, the

1 Commission approved a total cost of service of \$17,348,757. In this case, the PWSB has
2 reflected pro forma revenue at present rates of only \$16,431,983, a significant reduction from
3 the revenue approved in Docket No. 3593.

4
5 **B. Pro Forma Operating Rate Revenue**

6 **Q. How did the PWSB develop its pro forma operating rate revenue claim in this case?**

7 A. In order to develop its pro forma revenue claim, the PWSB used the actual number of
8 customers at June 30, 2004. Consumption was based on actual test year sales during the
9 twelve months ending June 30, 2004.

10
11 **Q. How should pro forma revenues for a water utility be determined?**

12 A. In order to determine pro forma revenue, it is preferable to first examine metered
13 consumption, i.e. sales per customer. Consumption fluctuates from year-to-year due to a
14 variety of factors. The most significant factors that influence the variations in annual water
15 consumption from year-to-year are rainfall and temperature. Given that metered
16 consumption fluctuates, it is common to use an average consumption over a period of time to
17 determine a “normalized” level of consumption for ratemaking purposes. That normalized
18 consumption can then be applied to the pro forma customer counts to develop overall
19 volumetric sales for the utility.

20
21 **Q. Is this the methodology that you used in this case to determine pro forma revenues?**

1 A. In an attempt to develop a normalized consumption per customer in this case, I requested
2 information from the PWSB regarding historic usage and historic customer counts by
3 customer class over the past ten years. The PWSB responded in DIV 2-26 that information
4 on customer counts was only available for four of the last ten years, corresponding with years
5 in which a base rate case was filed. I next attempted to obtain customer count information
6 from the Annual Reports to the Public Utilities Commission filed each year by the PWSB.
7 However, there were discrepancies between the customer counts as reported in these Annual
8 Reports and the customer counts provided in response to DIV 2-26.

9 Given this lack of consistent documentation on customer counts, I focused my efforts
10 on utilizing average total sales consumption over a multi-year period, instead of on
11 consumption per customer. In a system that is growing rapidly, using total sales
12 consumption over a multi-year period will likely understate pro forma sales, since there is no
13 recognition of customer growth in the pro forma consumption projection. However, in a
14 system like the PWSB, where growth has been more modest, the use of total pro forma sales
15 can be reasonably estimated by using a pro forma average based on total consumption instead
16 of on an average based on consumption per customer.

17
18 **Q. Based on the limited information available to you, do you believe that the PWSB's**
19 **customer growth is modest?**

20 A. Yes, I do. According to the response to DIV 2-26, the PWSB added 470 5/8" meters from
21 1997 to 2004, a period of seven years, for an average of 67 customers per year. This

1 represents growth of less and 0.5 percent annually. The increases in ¾” meters and 1”
2 meters, which I understand also provide service to some residential and small commercial
3 customers, have also been modest. Therefore, the use of total average consumption, while
4 likely understating pro forma consumption per customer to some degree, is not a bad proxy,
5 especially if it is coupled with a customer growth adjustment, as discussed below.

6
7 **Q. Based on the use of total consumption over a multi-year period, what level of sales are**
8 **you recommending?**

9 A. According to the response to DIV 2-27, following are the actual residential and small
10 commercial sales experienced by the PWSB over the past several years:

11

12	FY 2004	3,068,335 HCF
13	FY 2003	3,399,237
14	FY 2002	3,156,077
15	FY 2001	3,223,327
16	FY 2000	3,392,896
17	FY 1999	3,249,056
18	FY 1998	3,360,820
19	FY 1997	3,837,774

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Three-Year Average	3,207,883
Five-Year Average	3,247,974
Eight Year Average	3,335,940

The test year in this case had total sales that were lower than sales in any of the past eight years. This is not surprising when one examines the rainfall data during calendar year 2003, which included the summer months of fiscal year 2004. According to the National Oceanic and Atmospheric Administrative (“NOAA”), in calendar year 2003, the months of June to August in Rhode Island were ranked 100 out of 111 years of data studied, with the highest precipitation rank being the wettest year for the period. Thus, the summer of 2003, which was billed in fiscal year 2004, was the 12th wettest summer on record over the past 111 years. Since irrigation is generally assumed to be the primary reason for fluctuation of residential and small commercial water usage from year to year, it is not surprising that the test year in this case had relatively low sales. However, it is important that the Commission recognize that the test year is not necessarily representative of future operating conditions and take steps to normalize the actual test year consumption for purposes of setting prospective rates in this case.

Q. How did the PWSB determine pro forma sales in its last base rate case?

A. Mr. Woodcock states at page 14 of his Testimony that an average of past years was utilized

1 in Docket No. 3497. Specifically, the PWSB used a five-year average in that case. The
2 Division did not oppose the use of a five-year average in that proceeding and the
3 Commission adopted the PWSB's proposal to use a five-year average.

4
5 **Q. Has the Commission accepted the use of a multi-year average in other recent water
6 utility cases?**

7 A. Yes, it has. In recent cases involving the Woonsocket Water Division and the Kent County
8 Water Authority, the Commission utilized a multi-year average to determine pro forma
9 metered sales. In those cases, the Commission utilized a three-year average.

10
11 **Q. What are you recommending in this case?**

12 A. In this case, I am recommending that the Commission utilize a five-year average of total
13 consumption in fiscal years 2000-2004 to determine pro forma metered sales revenue. My
14 adjustment is shown in Schedule ACC-2. This is consistent with the Commission's most
15 recent decision with regard to metered consumption for the PWSB. As previously stated,
16 the use of a multi-year average is a better determinant of pro forma sales than is the use of
17 historic sales from any one particular fiscal year.

18 In addition, as shown below, the use of a five-year average results in rainfall from
19 June-August that is very close to the NOAA normal over a period of 111 years:

1

June-August	Rainfall Rank
FY 2004 (Calendar Year 2003)	100
FY 2003 (Calendar Year 2002)	25
FY 2002 (Calendar Year 2001)	97
FY 2001 (Calendar Year 2000)	85
FY 2000 (Calendar Year 1999)	3
Average Over Three Years	74
Average Over Five Years	62

2

3 Assuming a total of 111 years of data, the NOAA midpoint of the data would be a ranking of
 4 55. The five-year average, while still containing rainfall above the median, is relatively close
 5 to the median rank of 55.

6

7 **Q. In addition to your consumption adjustment, are you recommending any other pro**
 8 **forma operating revenue adjustment?**

9 A. Yes, I am. The PWSB based its pro forma revenue claim on the number of customers at
 10 June 30, 2004. However, the rate year in this case is the twelve months ending December 31,
 11 2006. Based upon my review of the response to DIV 2-26, residential and small commercial
 12 customers, which include 5/8” meters, 3/4” meters, and 90% of the PWSB’s 1” meters, have

1 increased by approximately 72 customers per year over the past seven years. Therefore,
2 basing pro forma revenues on the number of customers at June 30, 2004 is likely to
3 understate the actual average number of customers in the rate year.

4
5 **Q. What do you recommend?**

6 A. I recommend that the Commission adopt a revenue adjustment to reflect an additional 144
7 residential customers. Assuming annual growth of 72 residential and small commercial
8 customers, my adjustment reflects 24 months of growth, from June 30, 2004 to June 30,
9 2006, the midpoint of the rate year. My adjustment is shown in Schedule ACC-3.

10
11 **Q. Are you making similar adjustments relating to consumption or customer counts for
12 industrial customers?**

13 A. No, I am not. Usage among customers in the industrial class typically varies much more
14 than usage among customers in the residential and small commercial classes, and is largely
15 dependent upon the parameters of the specific industrial customer. In addition, the variation
16 in number of customers is not as predictable as the variation for other customer classes.
17 Therefore, I am not recommending any adjustment to the actual test year number of industrial
18 customers or industrial consumption used in the PWSB's filing.

1 **C. Wholesale Sales Revenue**

2 **Q. How did the PWSB determine its wholesale sales revenue claim in this case?**

3 A. The PWSB calculated its wholesale sales revenue claim based on the actual wholesale sales
 4 made in the test year. The PWSB sells water at wholesale to Cumberland. In addition, in
 5 some years, it has also sold water at wholesale to Seekonk.

6
 7 **Q. Are you recommending any adjustment to the PWSB’s claim?**

8 A. Yes, I am. Wholesale sales fluctuate from year-to-year, as demonstrated below:¹

Fiscal Year 2004	548,162 HCF
Fiscal Year 2003	545,224
Fiscal Year 2002	845,377
Fiscal Year 2001	741,077
Fiscal Year 2000	443,893
Fiscal Year 1999	668,024
Fiscal Year 1998	462,074
Fiscal Year 1997	676,117

1 Per the response to DIV 2-27. FY 1999 includes 31,172 to Seekonk; FY 2000 includes 25,496 to Seekonk, and FY 2002 includes 33,392 to Seekonk.

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Three Year Average	646,254
Five Year Average	624,747
Eight Year Average	616,243

Consistent with my recommendation that residential and small commercial sales be normalized over a five-year period, I am making a similar recommendation with regard to wholesale sales. However, my adjustment is based solely on sales made to Cumberland. PWSB did not make any wholesale sales to Seekonk over the past three years. Accordingly, I do not believe that it would be appropriate to consider sales to Seekonk in developing a multi-year average. Therefore, at Schedule ACC-4, I have made an adjustment to reflect a five-year average of wholesale sales to Cumberland. In developing the five-year average, I excluded all sales to Seekonk.

Q. How did the Commission determine pro forma wholesale sales in the PWSB’s last base rate case?

A. In the last case, the Commission accepted PWSB’s claim that wholesale sales should be based on a five-year average of such sales. As noted in the Commission’s Order, “This is based on the average usage over the same time period as that used for retail usage.”²

1 **Q. If the Commission preferred to utilize a three-year average to calculate metered sales,**
2 **consistent with its position in the recent Woonsocket Water Division and Kent County**
3 **Water Authority base rate cases, would you have any objection?**

4 A. No, I would not. I have utilized a five-year average to be consistent with the Commission's
5 decision in the most recent full base rate case filing by the PWSB. However, I would have
6 no objection to the use of a three-year average instead of a five-year average. The important
7 point is that some multi-year average should be utilized, to mitigate fluctuations that occur in
8 water usage from year to year.

9
10 **D. Miscellaneous Revenue**

11 **Q. Please describe the sources of miscellaneous revenue included in the PWSB's claim.**

12 A. As shown in the PWSB's filing at Schedule CPNW Schedule 1.2, the PWSB has various
13 sources of miscellaneous revenue. These include service installation revenue, merchandising
14 and jobbing revenue, rental income, miscellaneous non-operating income, interest/dividend
15 income, penalties, and the state surcharge. The majority of these revenue sources do not
16 vary significantly from year-to-year. Therefore, for most categories of miscellaneous
17 revenue, the PWSB used the actual test year amount for the rate year. However, the PWSB
18 used a six-year average for two revenue sources, namely service installation revenue and
19 miscellaneous non-operating revenue.

1 **Q. Are you recommending any adjustment to the PWSB’s claims for service installation**
 2 **revenue and miscellaneous non-operating revenue?**

3 A. Yes, I am. Consistent with my recommendations regarding metered sales revenue and
 4 wholesale sales revenue, I am recommending that a five-year average be used for service
 5 installation revenue and miscellaneous non-operating revenue. Following are service
 6 installation revenues and non-operating revenues received by the PWSB in each of the past
 7 six years, as shown in PWSB’s filing at Schedule CPNW Schedule 1.2:
 8

	Service Installation Revenue	Miscellaneous Non-Operating Revenue
2004	\$241,670	\$11,581
2003	\$156,062	\$0
2002	\$64,320	\$33,757
2001	\$78,098	\$15,693
2000	\$41,741	\$24,428
1999	\$56,223	\$30,957
Three Year Average	\$154,017	\$15,113
Five Year Average	\$116,378	\$17,092
Six Year Average	\$106,352	\$19,403

9

10

1 Therefore, my recommendation to utilize a five-year average for service installation revenue
2 and miscellaneous non-operating revenue results in a slight net increase to the PWSB's
3 miscellaneous revenue claim. My adjustment is shown in Schedule ACC-5.

4
5 **Q. What would be the net impact on your revenue requirement recommendation if the**
6 **Commission decides to utilize a three-year average, rather than the five-year average,**
7 **for residential and commercial consumption, wholesale sales, and miscellaneous**
8 **revenue?**

9 A. The use of a three-year average, rather than a five-year average, will not have a significant
10 impact on my recommendation. The net result of using a three-year average instead of a
11 five-year average is an increase in pro forma revenue at present rates of approximately
12 \$4,300. Thus, if the Commission decides to utilize a three-year average, consistent with
13 recent decisions regarding Woonsocket Water Division and the Kent County Water
14 Authority, then my recommended rate increase would be approximately \$4,300 lower.

15
16 **Q. Are you recommending any adjustment to any other categories of miscellaneous**
17 **revenue?**

18 A. Yes, I am. It is my understanding that the PWSB collects a surcharge imposed by the State
19 of Rhode Island of \$0.0292 for every 100 gallons of water sold, and that the PWSB retains
20 6.9% of this amount. Since I am recommending an adjustment to increase the PWSB's total
21 sales, then it is necessary to make a corresponding adjustment to increase that portion of the

1 surcharge that is retained by the PWSB.³ My adjustment is shown on Schedule ACC-6.

2
3 **E. Incremental Volumetric Expenses**

4 **Q. In quantifying your revenue adjustments relating to consumption and customer**
5 **growth, did you consider incremental variable costs associated with increased sales?**

6 A. Yes, I did. I included an incremental cost adjustment relating to additional power costs as
7 shown in Schedule ACC-7. To calculate my adjustment, I first calculated the ratio of total
8 power costs to total sales, as determined by the PWSB. This resulted in a unit power cost of
9 \$0.16 per HCF sold. I then multiplied my recommended sales (volume) adjustment, in
10 HCFs, by the incremental power cost per HCF, to determine the total incremental power
11 costs associated with these incremental sales

12
13 **F. Employee Related Costs**

14 **Q. Has the PWSB included costs for several new positions in its filing?**

15 A. Yes, it has. In Docket No. 3497, the Division found that during PWSB’s recent history, the
16 PWSB had operated with an average of 62 employees. In that docket, the Commission
17 approved funding for 65 positions and required the PWSB to transfer 17 employees to Earth
18 Tech. To do otherwise, stated the Commission, “could allow the vendor an undue reduction

³ The portion of the surcharge proceeds that are actually paid to the State of Rhode Island are considered a direct pass-through and therefore they do not appear in the revenue requirement developed by either the Division or the PWSB.

1 in expenses - expenses covered through rates.”⁴ This suggests that it was the Commission’s
2 expectation that the PWSB would operate with 48 positions (65 less 17) after the transfer to
3 Earth Tech. However, in this case, the PWSB is requesting funding for 55 positions, as
4 shown in the response to DIV 2-12. Thus, the PWSB’s filing includes funding for 7
5 positions over and above the number anticipated to be funded in its last full base rate case.
6 This increase is surprising, especially since the move to Earth Tech was expected to reduce
7 the responsibilities of the PWSB. One of the benefits of the DBO proposal for the new
8 treatment plant was that it would reduce employees at the PWSB. However, the benefits of
9 the DBO structure will be mitigated if the PWSB simply replaces employees transferred to
10 Earth Tech with new employees on the PWSB payroll, resulting in even higher costs to
11 ratepayers.

12 According to Schedule CNPW Schedule 1, approximately \$949,000 of the PWSB’s
13 requested rate increase in this case is due to increases in payroll and other employee-related
14 costs. This includes costs for three vacant positions as well as significant increases in costs
15 for temporary labor.

16
17 **Q. Do these increases include the additional employees that the PWSB states it will need if**
18 **it acquires the Central Falls system?**

19 **A.** No, it does not. In addition to the increases discussed above, the PWSB has also included
20 costs in its filing for a crew leader, equipment operator, and three utility workers related to

4 Order in Docket No. 3497, page 49.

1 work on the Central Falls system, assuming that this system will be acquired by the PWSB.
2 These costs are included in the Central Falls Systems Operations adjustment in the amount of
3 \$399,096 shown in the PWSB's filing at CPNW Schedule 1, page 3, and are not included in
4 the salary and wage adjustments shown on CPNW Schedule 1.3.

5
6 **Q. Are you concerned about the magnitude of the PWSB's payroll claim?**

7 A. Yes, I am very concerned. The Earth Tech arrangement was presented as a mechanism that
8 would allow the PWSB to reduce its personnel. In the last full base rate case, it was the
9 Commission's expectation that the PWSB would have 48 employees after the transfer to
10 Earth Tech. Instead, the PWSB is requesting funding in this case for 55 employees, in
11 addition to several employees who will be assigned to the Central Falls system.

12
13 **Q. What do you recommend?**

14 A. I am making two recommendations in an effort to mitigate the PWSB's request for additional
15 personnel. First, I am recommending that that PWSB's payroll expense claim be reduced to
16 eliminate costs for several vacant employee positions. According to the response to DIV 2-
17 12, there are currently 3 vacant positions. Therefore, at Schedule ACC-8, I have eliminated
18 costs associated with these three positions.

19 Second, I am recommending that the PWSB's proposed increase for temporary
20 employees be denied. The PWSB is requesting an increase in temporary employee costs
21 from the \$80,852 incurred during the test year to \$127,600, an increase of approximately

1 58%. At the same time, the PWSB is requesting funding for seven additional positions.
2 Given these additional positions and the fact that Earth Tech has assumed operations for the
3 treatment plant, there is no rationale for the PWSB's claim for significant additional
4 temporary employees.

5
6 **Q. What level of temporary employee costs have you included in your revenue
7 requirement?**

8 A. I have included the actual test year costs of \$80,852. The PWSB has not justified any
9 increase in its actual test year costs for temporary employees and therefore costs above the
10 test year actual amount should be denied. My adjustment is shown in Schedule ACC-9. For
11 ease of presentation, I have shown my adjustment relating to temporary employee costs under
12 Transmission and Distribution costs in my summary Schedule ACC-1, since that expense
13 category has more pro forma temporary labor costs projected for the rate year than any other
14 expense category.

15
16 **G. Inflation Adjustment**

17 **Q. Did the PWSB include an inflation adjustment in its filing?**

18 A. Yes, it did. As discussed on page 9 of Mr. Woodcock's Testimony, the PWSB's included an
19 inflation adjustment of 3.5% annually for a large number of its expense accounts. For fuel
20 and utility accounts, the PWSB used an inflation adjustment of 7%.

21

1 **Q. Are you recommending any adjustments to the PWSB's claims?**

2 A. I generally oppose inflation adjustments since such adjustments do not reflect known and
3 measurable changes to test year results. However, I recognize that this Commission has
4 permitted inflation adjustments to be applied in the past. Therefore, I have not eliminated the
5 inflation adjustments proposed by the PWSB, but I am recommending one revision to its
6 claim.

7 Given the recent increase in fuel prices, I am not recommending any adjustment to the
8 Company's fuel and utility accounts. However, I am recommending a modification to the
9 Company's inflation adjustment relating to other accounts.

10 According to the response to DIV 2-33, the PWSB stated that it utilized the annual
11 change in the Consumer Price Index ("CPI") for the year from 2003 to 2004 to develop its
12 recommended annual inflation adjustment. I am recommending that this annual inflation rate
13 be updated to reflect the most recent CPI, which reflects increases from June 2004, the end of
14 the test year, to June 2005. According to the Bureau of Labor Statistics, the result is an
15 annual increase of 2.5% instead of the 3.5% reflected in the PWSB's filing.

16
17 **Q. How did you utilize this annual inflation rate to calculate your adjustment?**

18 A. As shown in Schedule ACC-10, the 3.5% annual inflation adjustment reflected in the
19 PWSB's filing results in an inflation adjustment over 2 ½ years of 9.00% (1.035 X 1.035 X
20 1.0175). Using an inflation rate of 2.5% results in an adjustment over this same period of
21 6.38% (1.025 X 1.025 X 1.0125), for a difference of 2.62%. I have multiplied the total test

1 year expenses adjusted by the PWSB of \$549,922 by this difference to develop my pro forma
2 expense adjustment.

3

4 **H. Regulatory Commission Expense**

5 **Q. Please summarize the PWSB's claim for regulatory commission expense.**

6 A. The PWSB is requesting recovery of rate case costs of \$250,000 relating to the current
7 docket. The PWSB proposes to recover these costs over a period of 18 months, for an annual
8 cost of \$166,667. In addition, the PWSB proposes to recover annual PUC Fees of \$35,000
9 and unspecified other regulatory costs of \$5,000 annually, for a total annual regulatory
10 commission expense of \$206,667.

11

12 **Q. Are you recommending any adjustments to the PWSB's claim?**

13 A. Yes, I am recommending a reduction in the pro forma costs for the current case. Following
14 are the total costs incurred for the past several rate case proceedings:⁵

5 Per the response to DIV 2-39.

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Docket	Total Cost
1989	\$144,224
2158	\$129,136
2674	\$136,356
3164	\$95,004
3378	\$166,573
3497	\$154,968
3593	\$35,905

Based on the historic costs incurred in prior cases, the PWSB’s claim for this case appears excessive.

Q. Based upon your review of the costs incurred in prior cases, what level of regulatory commission expense are you recommending be approved in this case?

A. I am recommending a pro forma cost for the current case of \$200,000. This still represents a significant increase over costs incurred in any of the prior PWSB rate case proceedings during the last eight years. However, I believe that my recommendation is more reasonable than the PWSB’s claim in light of recent historical experience. My adjustment is shown in Schedule ACC-11.

I. Security Costs

1 **I. Security Costs**
2 **Q. Are you recommending any adjustment to the PWSB's claim for security costs in this**
3 **case?**

4 **A.** Yes, I am. The PWSB included rate year security costs of \$74,060 in its filing, which
5 included a security patrol contract as well as other security-related costs such as lighting
6 costs and certain equipment costs. In the response to DIV 2-41, the PWSB stated that its rate
7 year security cost claim was overstated by \$8,000, since costs that were actually incurred in
8 the test year were apparently also included in the PWSB's rate year adjustment. At Schedule
9 ACC-12, I have made an adjustment to reduce the PWSB's security costs by \$8,000, to
10 reflect removal of this double charge.

J. Property Insurance

11
12 **J. Property Insurance**
13 **Q. How did the PWSB develop its claim for property insurance?**

14 **A.** As stated on page 10 of Mr. Woodcock's testimony, the PWSB's claim for property
15 insurance was developed by increasing the fiscal year 2005 property insurance costs of
16 \$155,558 by 10% annually for 18 months, resulting in a total claim of \$179,466. At the time
17 of filing its testimony, the PWSB stated that it hoped to have a bid for fiscal year 2006 during
18 the investigation phase of this proceeding.

19
20 **Q. Has that bid now been received?**

21 **A.** Yes, it has. According to the response to DIV 2-49, the fiscal year 2006 premium is

1 \$137,784. This premium is lower than the amount included in the PWSB's filing and is also
2 lower than the actual fiscal year 2005 costs. At Schedule ACC-13, I have made an
3 adjustment to reflect the insurance premium of \$137,784 in my revenue requirement
4 recommendation.

5
6 **K. Fees and Permits**

7 **Q. Please describe the PWSB's claim for fees and permits included in miscellaneous**
8 **Source of Supply expenses.**

9 A. As shown on CPNW Schedule 1.1, page 2, the PWSB included fees and permit expenses of
10 \$6,500 in its filing. This entire amount was included as a rate year adjustment, i.e., the
11 PWSB's test year apparently does not include any such costs.

12
13 **Q. Did you request additional information from the PWSB on these fees and permits?**

14 A. Yes, I did. In response to DIV 2-48, the PWSB stated that in prior years the manager of the
15 treatment plant was assigned responsibility for these expenses and that this manager was
16 subsequently transferred to the position of Source Water Manager. However, this response
17 does not explain why in fact these costs were not incurred in the test year. If these fee and
18 permit costs are new costs, then the PWSB should identify them and provide documentation
19 for its claim. If these fee and permit costs are not new costs, then presumably they were
20 incurred in the test year and therefore such costs are already embedded in the PWSB's test
21 year costs. Assuming that these costs were incurred in the test year, then the PWSB's

1 adjustment results in double recovery of these costs.

2
3 **Q. What do you recommend?**

4 A. Given the fact that the PWSB has not demonstrated that these costs are reasonable and
5 necessary, and has not demonstrated that the costs are incremental to the actual costs incurred
6 in the test year, I am recommending that the PWSB's claim for these costs be denied. My
7 adjustment is shown in Schedule ACC-14. If the PWSB subsequently provides adequate
8 supporting documentation for these costs, I will modify my recommendation accordingly.

9
10
11 **L. Operating Reserve**

12 **Q. Please provide a brief description of the Operating Reserve that is included in the**
13 **PWSB's claim.**

14 A. The Operating Reserve is a requirement of the PWSB's bond indentures whereby the PWSB
15 is required to maintain a reserve of 25% of its annual operating expenses. Based on its
16 projected rate year expenses, the PWSB estimated that the operating reserve would require
17 additional funding of \$158,721 in the rate year, as shown on CPNW Schedule 1.1, page 1.

18
19 **Q. Are you recommending any adjustments to the PWSB's claim?**

20 A. Yes, I am. I am recommending several operating expense adjustments that will result in a
21 reduction to the PWSB's rate year operating expenses. Since the Operating Reserve

1 requirement is based on annual operating expenses, my recommendation will also result in a
2 lower Operating Reserve requirement. Accordingly, at Schedule ACC-15, I have made an
3 adjustment to reduce the PWSB's rate year Operating Reserve addition, consistent with the
4 operating expense adjustments recommended in my testimony.

5
6 **M. Water Treatment Plant ("WTP") Reserve**

7 **Q. What is the WTP Reserve?**

8 A. The WTP Reserve is a reserve fund that was approved by the Commission in Docket No.
9 3497. In that case, the PWSB requested funding of \$778,000 for repairs on the existing
10 water treatment plant. In that case, the Division recommended that the \$778,000 be collected
11 over two years instead of over one year. However, the Commission accepted the PWSB's
12 proposal that the entire \$778,000 should be funded over one year, noting that "[t]his money
13 is for repairs on the existing plant scheduled to be completed by FY 2005."⁶

14
15 **Q. Is the PWSB requesting continued funding for the WTP Reserve?**

16 A. The PWSB is requesting continued funding for the WTP Reserve in this case, but at a
17 reduced amount of \$389,000 annually. The PWSB states that this funding "should be
18 sufficient to cover any required repairs and provide a contribution towards the demolition of
19 the water treatment plant and the Spring St. pump station."⁷

6 Order in Docket No. 3497, page 48.

7 Testimony of Mr. Woodcock, page 4.

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Q. Has the PWSB identified any required repairs at the water treatment plant in this docket?

A. No, no specific repairs have been identified.

Q. Has the PWSB provided support for any demolition costs at the water treatment plant or at the Spring St. pump station?

A. No, it has not. In response to DIV 2-38, the PWSB indicated that, with regard to the water treatment plant, “[t]here is no estimate of the demolition costs at this time...” Moreover, in that same response, the PWSB noted that “...Earth Tech is considering building the new raw water pump station in the location of the Spring St. pump station. If Earth Tech proceeds with this plan, they will include the cost of the demolition in their contract for no additional cost.” Therefore, there remains a great deal of uncertainty with regard to the demolition costs to be incurred by the PWSB.

Q. What is the current balance in the WTP Reserve?

A. The most recent report that I have shows a balance in the WTP Reserve of approximately \$560,000 at February 28, 2005. This report does not report any disbursements since the fund was initially established.

Q. What do you recommend?

1 A. I recommend that the PWSB's request for continued funding of the WTP Reserve be denied.
2 The PWSB has not provided any documentation quantifying possible demolition costs.
3 Moreover, there is some question as to whether any costs at all will be incurred with regard
4 to the Spring St. pump station. In addition, even if such costs are incurred, the current WTP
5 Reserve has a substantial balance. For all these reasons, the PWSB has not supported its
6 request for continued funding in the amount of \$389,000. At Schedule ACC-16, I have made
7 an adjustment to eliminate these costs from the PWSB's revenue requirement claim.

8
9 **N. Operating Income Allowance**

10 **Q. What do you mean by the PWSB's "Operating Income Allowance"?**

11 A. The PWSB is not an investor-owned utility. Accordingly, it is regulated on a cash flow
12 basis. The PWSB's revenue requirement does not include any return on rate base, which is
13 traditionally included in the revenue requirement of an investor-owned utility. However, the
14 Commission has in the past allowed municipal water utilities to collect an operating income
15 allowance of 1.5% in order to mitigate cash flow problems, and to provide for unforeseen
16 expenditures or reduced revenue.

17 In recent years, the Commission has applied the 1.5% operating income allowance to
18 a utility's operating expenses. In this case, the PWSB is requesting an operating income
19 allowance of 5.0%. Moreover, the PWSB is requesting that the 5.0% be applied not only to
20 operating expenses, but to the total costs of the utility, including such fixed costs as debt
21 service, the Infrastructure Rehabilitation Fund ("IFR"), and other reserve deposits. The

1 PWSB is requesting annual funding of \$951,052 relating to its Operating Income Allowance
2 in its filing. This claim constitutes over 25% of the total rate increase being requested by the
3 PWSB.

4
5 **Q. Does the PWSB have another reserve fund available to meet fluctuations in cash flow?**

6 A. Yes, it does. As discussed above, the PWSB also has an Operating Reserve, which is
7 required to be funded at 25% of the PWSB's annual operating expenses. According to the
8 response to DIV 2-64, this reserve can be used "to make payments for operation and
9 maintenance if the amounts in the operation and maintenance fund is insufficient." Thus, in
10 the event of revenue shortfalls or unanticipated expense increases, the Operating Reserve
11 Fund can be used, although the Operating Reserve would subsequently need to be
12 replenished. By December 31, 2005, the Operating Reserve is projected to have a balance of
13 \$2.2 million.

14
15 **Q. What are you recommending in this case?**

16 A. While I believe that an additional Operating Income Allowance is unnecessary, given the
17 Operating Reserve of \$2.2 million that has already been funded by ratepayers, I recognize
18 that the Commission recently rejected a similar argument that I made in the Kent County
19 Water Authority base rate case, Docket No. 3660. Instead, it is my understanding that the
20 Commission reaffirmed its practice to provide for an Operating Income Allowance, based on
21 1.5% of the operating expenses of the utility. Given this recent decision, I have reflected an

1 Operating Income Allowance of 1.5% of pro forma operating expenses in my revenue
2 requirement recommendation.

3 As shown on Schedule ACC-17, I have made an adjustment to the PWSB's claim for
4 an Operating Income Allowance of 5% of total costs. I calculated my pro forma Operating
5 Income Allowance based on 1.5% of my pro forma rate year operating expenses, resulting in
6 an Operating Income Allowance of \$137,645 instead of the \$951,052 requested by the
7 PWSB.

8
9

10 **V. SUMMARY OF REVENUE REQUIREMENT RECOMMENDATIONS**

11 **Q. What is the result of the adjustments that you are recommending in this case?**

12 A. My adjustments reduce the PWSB's revenue requirement from the \$19,972,082 reflected in
13 Mr. Woodcock's testimony to \$18,382,144. Based on my pro forma revenue
14 recommendation at present rates of \$17,039,350, I recommend a rate increase of \$1,342,795
15 or 8.03% of total rate revenue.

16

1 To summarize, I am recommending the following adjustments to the PWSB's claim:

2		
3	Normalized Consumption	\$ 391,160
4	Customer Growth	67,019
5	Wholesale Revenue	138,169
6	Miscellaneous Revenue	7,715
7	State Surcharge Revenue	3,304
8	Incremental Volumetric Expense	(37,593)
9	Vacant Positions	193,362
10	Temporary Employees	50,324
11	Inflation Adjustment	14,415
12	Regulatory Commission Expense	33,333
13	Security Costs	8,000
14	Property Insurance	41,682
15	Fees and Permits	6,500
16	Operating Reserve	77,507
17	WTP Reserve	389,000
18	Operating Income Allowance	<u>813,407</u>
19		
20	Total	<u>\$2,197,304</u>
21		
22		

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

24 A. Yes, it does.

PAWTUCKET WATER SUPPLY BOARD**RATE YEAR ENDING DECEMBER 31, 2006****REVENUE REQUIREMENT SUMMARY**

	Company Claim	Recommended Adjustment	Recommended Position	
	(A)			
1. Administration	\$2,660,282	(\$151,131)	\$2,509,151	(B)
2. Customer Service	237,040	0	237,040	
3. Source of Supply	1,142,038	(6,500)	1,135,538	(C)
4. Pumping	589,685	37,593	627,278	(D)
5. Purification	1,822,553	0	1,822,553	
6. Transmission and Distribution	1,981,132	(189,986)	1,791,146	(E)
7. Engineering	536,219	0	536,219	
8. Meter Department	517,384	0	517,384	
9. Total Operating Expenses	\$9,486,333	(\$310,024)	\$9,176,309	
10. Debt Service	\$5,736,014	\$0	\$5,736,014	
11. Lease Principal	135,729	0	135,729	
12. Lease Interest	15,233	0	15,233	
13. Infrastructure Rehabilitation	3,100,000	0	3,100,000	
14. Operating Reserve Deposit	158,721	(77,507)	81,214	(F)
15. R&R Reserve Deposit	0	0	0	
16. WTP Reserve	389,000	(389,000)	0	(G)
17 Total Capital Costs	\$9,534,697	(\$466,507)	\$9,068,190	
18 Operating Income Allowance	951,052	(813,407)	137,645	(H)
19 Total Revenue Requirement	\$19,972,082	(\$1,589,938)	\$18,382,144	
20 Miscellaneous Revenues	303,226	11,019	314,245	(I)
21 Required Rate Revenue	\$19,668,856	(\$1,600,956)	\$18,067,900	
22 Rate Revenue at Present Rates	16,128,757	596,348	16,725,105	(J)
23 Required Increase	\$3,540,099	(\$2,197,304)	\$1,342,795	
24 Percentage Increase	21.95%		8.03%	

Sources:

- (A) PWSB CPNW Schedule 1.0.
- (B) Schedules ACC-8, ACC-10, ACC-11, ACC-12, and ACC-13.
- (C) Schedule ACC-14.
- (D) Schedule ACC-7.
- (E) Schedules ACC-8 and ACC-9.
- (F) Schedule ACC-15.
- (G) Schedule ACC-16.
- (H) Schedule ACC-17.
- (I) Schedules ACC-5 and ACC-6.
- (J) Schedules ACC-2, ACC-3, and ACC-4.

PAWTUCKET WATER SUPPLY BOARD**RATE YEAR ENDING DECEMBER 31, 2006****RESIDENTIAL AND SMALL COMMERCIAL CONSUMPTION**

1. Five Year Average Consumption (HCF)	3,247,974	(A)
2. PWSB Claim (HCF)	<u>3,095,831</u>	(B)
3. Recommended Volume Adjustment (HCF)	152,143	
4. Current Rate Per HCF	<u>\$2.57</u>	(C)
5. Recommended Revenue Adjustment (\$)	<u>\$391,160</u>	

Sources:

(A) Derived from the response to DIV 2-27.

(B) PWSB CPNW Schedule 10.0, page 1.

(C) Current tariff rate.

Schedule ACC-3

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2006

CUSTOMER GROWTH ADJUSTMENT

1. Pro Forma Residential and Small Commercial Sales (HCF)	3,247,974	(A)
2. Residential and Small Commercial Customers at 6/24/04	<u>21,931</u>	(B)
3. Average Usage Per Customer (HCF)	148	(C)
4. Customer Growth Through June 30, 2006	<u>144</u>	(D)
5. Total Incremental Consumption (HCF)	21,327	(E)
6. Tariff Rate	<u>\$2.57</u>	(F)
7. Annual Volumetric Revenue Adjustment	\$54,831	(G)
8. Annual Fixed Charges @ \$21.16/quarter	<u>12,188</u>	(H)
9. Total Annual Revenue Adjustment	<u>\$67,019</u>	

Sources:

(A) Schedule ACC-2.

(B) Includes 5/8 " meters, 3/4 " meters, and 90% of 1" meters per the response to DIV 2-26.

(C) Line 1 / Line 2.

(D) Reflects two years of average annual growth derived from the response to DIV 2-26.

(E) Line 3 X Line 4.

(F) Current Tariff rate.

(G) Line 5 X Line 6.

(H) \$21.16 per quarter X 4 quarters X 144 customers per line 4.

PAWTUCKET WATER SUPPLY BOARD**RATE YEAR ENDING DECEMBER 31, 2006****WHOLESALE REVENUE**

1. Five Year Average Wholesale Sales (HCF)	612,969	(A)
2. PWSB Claim (HCF)	<u>548,162</u>	(B)
3. Recommended Sales Adjustment (HCF)	64,807	
4. Current Tariff Rate Per HCF	<u>\$2.13</u>	(B)
5. Recommended Revenue Adjustment	<u>\$138,169</u>	

Sources:

(A) Derived from Response to DIV 2-27.

(B) PWSB CPNW Schedule 10.0, page 1.

PAWTUCKET WATER SUPPLY BOARD**RATE YEAR ENDING DECEMBER 31, 2006****MISCELLANEOUS REVENUE**

1. Five Year Average Service Installations	\$116,378	(A)
2. Five Year Average Misc. Non-Operating	<u>17,092</u>	(A)
3. Total Service Install. and Misc. Non-Op. Revenue	\$133,470	
4. PWSB Claim	<u>125,755</u>	
5. Recommended Adjustment	<u>\$7,715</u>	

Sources:

(A) Derived from PWSB CPNW Schedule 1.2.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2006

STATE SURCHARGE REVENUE

1. Total Volumetric Sales Adjustments (HCF)	238,277	(A)
2. Volumetric Sales Adjustments (100 Gals.)	1,782,312	(B)
3. State Surcharge Per 100 Gallons	<u>\$0.001854</u>	(C)
4. Pro Forma Revenue Adjustment	<u>\$3,304</u>	

Sources:

(A) Schedule ACC-7.

(B) Line 1 X 748 Gallons per HCF / 100 gallons.

(C) State surcharge of \$0.0292 is paid by app. 92% of customers, and 6.9% is retained by the PWSB. Rate = $\$0.0202 \times .92 \times .069$.

PAWTUCKET WATER SUPPLY BOARD**RATE YEAR ENDING DECEMBER 31, 2006****INCREMENTAL VOLUMETRIC EXPENSE**

1. Residential and Small Commercial Adjustment	152,143	(A)
2. Customer Growth Adjustment	21,327	(B)
3. Wholesale Sales Adjustment	<u>64,807</u>	(C)
4. Total Volumetric Adjustment	238,277	
5. Incremental Costs Per HCF	<u>\$0.16</u>	(D)
6. Total Recommended Expense Adjustment	<u>\$37,593</u>	

Sources:

(A) Schedule ACC-2.

(B) Schedule ACC-3.

(C) Schedule ACC-4.

(D) See below:

Light and Power - Supply	28,290	CPNW Sch. 1, page 2.
Purchased Power - Pumping	564,045	CPNW Sch. 1, page 2.
Light and Power - Purification	<u>210,263</u>	CPNW Sch. 1, page 3.
Total Costs	\$802,598	
Total Claimed Volumes (HCF)	5,087,083	
Costs Per HCF	\$0.16	

Schedule ACC-8

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2006

VACANT POSITIONS

	<u>Administration</u>	<u>Tran. & Dis.</u>
	(A)	(A)
1. Base Pay	(\$34,152)	(\$106,844)
2. Longevity Costs	0	(3,317)
3. Health Insurance	(13,627)	(27,253)
4. Workers Comp	(1,410)	(4,550)
5. MERS	(1,899)	(6,125)
6. Payroll Taxes	(2,613)	8,427
7. Total Adjustment	<u>(\$53,701)</u>	<u>(\$139,661)</u>

Sources:

(A) All amounts per the response to DIV 2-12.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2006

TEMPORARY LABOR COSTS

1. Temporary Labor Costs - TY	\$80,852	(A)
2. PWSB Claim	<u>127,600</u>	(B)
3. Recommended Payroll Adjustment	(\$46,748)	
4. Payroll Taxes @ 7.65%	<u>(3,576)</u>	(C)
5. Total Temporary Labor Adjustment	<u>(\$50,324)</u>	

Sources:

(A) Response to DIV 2-6.

(B) Derived from response to DIV 2-12.

(C) Based on Statutory Tax Rate.

PAWTUCKET WATER SUPPLY BOARD**RATE YEAR ENDING DECEMBER 31, 2006****INFLATION ADJUSTMENT**

1. Inflation Index Per PWSB	9.00%	(A)
2. Current Annual Inflation Index	<u>6.38%</u>	(B)
3. Recommended Adjustment	-2.62%	
4. Costs Inflated by PWSB	<u>\$549,922</u>	(C)
5. Pro Forma Inflation Adjustment	<u>(\$14,415)</u>	

Sources:

(A) Assumes 3.5% for 2 1/2 years per PWSB CPNW Schedule 1.1, page 1.

(B) Assumes 2.5% for 2 1/2 years based on most recent inflation update.

(C) Derived from PWSB CPNW Schedule 1.0.

PAWTUCKET WATER SUPPLY BOARD**RATE YEAR ENDING DECEMBER 31, 2006****REGULATORY COMMISSION EXPENSE**

1. PWSB Claim - Current Case	\$250,000	(A)
2. Pro Forma Recommendation - Current Case	<u>200,000</u>	
3. Recommended Adjustment	(\$50,000)	
4. Requested Amortization Period (Yrs.)	<u>1.5</u>	(A)
5. Recommended Annual Adjustment	<u>(\$33,333)</u>	

Sources:

(A) PWSB CPNW Schedule 1.1, page 2.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2006

SECURITY COSTS

1. PWSB Claim	\$74,060	(A)
2. PWSB Revised Claim	<u>66,060</u>	(B)
3. Recommended Adjustment	<u>(\$8,000)</u>	

Sources:

(A) PWSB CPNW Schedule 1.1, page 2.

(B) Response to DIV 2-41.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2006

PROPERTY INSURANCE

1. Recommended Pro Forma Premiums	\$137,784	(A)
2. PWSB Claim	<u>179,466</u>	(B)
3. Recommended Adjustment	<u>(\$41,682)</u>	

Sources:

(A) Response to DIV 2-49.

(B) PWSB CPNW Schedule 1.0, page 1.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2006

FEES AND PERMITS

1. PWSB Rate Year Claim	\$6,500	(A)
2. Recommended Adjustment	<u>(\$6,500)</u>	

Sources:

(A) PWSB CPNW Schedule 1.1, page 2.

PAWTUCKET WATER SUPPLY BOARD**RATE YEAR ENDING DECEMBER 31, 2006****OPERATING RESERVE FUND**

1. Pro Forma Operating Expenses	\$9,176,309	(A)
2. Required Reserve @ 25%	2,294,077	(B)
3 Estimated Balance at December 31, 2005	<u>2,212,863</u>	(C)
4. Required Rate Year Addition	\$81,214	
5. PWSB Claim	<u>158,721</u>	(C)
6. Recommended Adjustment	<u>(\$77,507)</u>	

Sources:

(A) Schedule ACC-1.

(B) 25% of Line 1.

(C) PWSB Filing, CPNW Schedule 1.1, page 1.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2006

WTP RESERVE

1. Company Claim	\$389,000	(A)
2. Recommended Adjustment	<u>(\$389,000)</u>	

Sources:

(A) PWSB CPNW Schedule 1.0, page 5.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2006

OPERATING INCOME ALLOWANCE

1. Pro Forma Operating Expenses	\$9,176,309	(A)
2. Income Allowance @ 1.5%	137,645	(B)
3. PWSB Claim	<u>951,052</u>	(C)
4. Recommended Adjustment	<u>(\$813,407)</u>	

Sources:

(A) Schedule ACC-1.

(B) 1.5% of Line 1.

(C) PWSB CNPW Schedule 1.0, page 5.

APPENDIX C

Referenced Data Requests

DIV 2-6

DIV 2-12

DIV 2-26

DIV 2-27

DIV 2-33

DIV 2-38

DIV 2-39

DIV 2-41

DIV 2-48

DIV 2-49

DIV 2-64

**PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674**

**Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2**

DIV 2-6. Please provide, for each of the past three years as well as for the test year, the total costs incurred for a) part-time employees and b) temporary employees.

RESPONSE: The total costs for temporary employees and part-time employees for the last three years are as follows (FY05 is for 49 weeks or thru w/e 6/11/05) :

	<u>FY05</u>	<u>FY04</u>	<u>FY03</u>
<u>Part- Time Employees</u>	\$23,761	\$26,153	\$25,289
<u>Temporary Employees</u>	\$52,362	\$80,852	\$53,345

Prepared by: Robert Benson

PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674

Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2

DIV 2-12. Please provide all supporting assumptions, workpapers, and calculations for the FY2006 salary cost of \$2,562,135 shown on CPNW Schedule 1.3.

RESPONSE: See the attached schedules DR DIV 2-12 RY2006 Salary Budget.

Prepared by: Robert Benson

**CALENDAR YEAR 2006
PAYROLL BUDGET**

OUT OF GRADE

**CELL PHONES &
PAGERS**

**RETIREE PAYOUTS -
SICK & VACATION**

PAYROLL TAXES

Job Title	OUT OF GRADE		CELL PHONES & PAGERS		RETIREE PAYOUTS - SICK & VACATION		TAXABLE WAGES	OASDI 6.20%	MEDICARE 1.45%	TOTAL	
	FY05 Budget	CY06	FY05 Budget	CY06	FY05 Budget	CY06	limits	90,000.00	unlimited		
contribution rates											
ADMINISTRATION											
Chief Engineer & General Manager							118,861.91	5,580.00	1,723.50		
Assistant Chief Engineer							73,050.00	4,529.10	1,059.23		
Administrative Ass't							49,629.10	3,077.00	719.62		
Water Board Floater Clerk							37,131.12	2,302.13	538.40		
Chief Financial Officer							62,339.85	3,865.07	903.93		
Financial Administrator							61,366.22	3,804.71	889.81		
Finance Assistant							38,430.62	2,382.70	557.24		
Water Stock Clerk							34,151.69	2,117.40	495.20		
Information Systems Manager							62,538.80	3,877.41	906.81		
Information Systems Specialist							55,582.95	3,446.14	805.95		
post employment benefits											
Temporary staffing							34,200.00	2,120.40	495.90		
overtime-out of grade-payouts							7,951.69	493.00	115.30		
Dept Total	-	-	-	-	-	-	635,233.94	37,595.06	9,210.89		
CUSTOMER SERVICE											
Customer Service Manager							61,226.71	3,796.06	887.79		
Customer Service Representative							41,778.65	2,590.28	605.79		
Customer Service Agent							36,044.07	2,234.73	522.64		
Temporary staffing							3,000.00	186.00	43.50		
overtime-out of grade-payouts	600.00	627.27					3,141.58	194.78	45.55		
Dept Total	600.00	627.27	-	-	-	-	145,191.00	9,001.85	2,105.27		
METER DEPARTMENT											
Technical Assistance Supvrs.							56,608.46	3,509.72	820.82		
Cross Connection Control Technician							45,266.65	2,806.53	656.37		
Water Meter Service Technician							36,641.75	2,271.79	531.31		
Water Meter Service Technician							37,341.89	2,315.20	541.46		
Water Meter Service Technician							36,641.75	2,271.79	531.31		
Water Meter Service Technician							36,558.45	2,266.62	530.10		
Water Meter Reader Service Person							32,818.64	2,034.76	475.87		
Water Meter Reader Service Person							32,818.64	2,034.76	475.87		
Water Meter Reader Service Person							34,991.63	2,169.48	507.38		
Customer Service Agent							36,044.07	2,234.73	522.64		
Temporary staffing							20,800.00	1,289.60	301.60		
overtime-out of grade-payouts	300.00	313.64	1,300.00	1,359.09			2,955.49	183.24	42.85		
Dept Total	300.00	313.64	1,300.00	1,359.09	-	-	409,487.38	25,388.22	5,937.58		
SOURCE OF SUPPLY											
Water Production Manager							69,364.67	4,300.61	1,005.79		
Bldg. Maintenance Mechanic							33,175.86	2,056.90	481.05		
Plant Maintenance Technician							43,382.84	2,689.74	629.05		
Temporary staffing							12,000.00	744.00	174.00		
overtime-out of grade-payouts			2,080.00	2,174.54			2,174.54	134.82	31.53		
Dept Total	-	-	2,080.00	2,174.54	-	-	160,097.90	9,926.07	2,321.42		

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**CALENDAR YEAR 2006
PAYROLL BUDGET**

Job Title	eligible for retirement	HEADCOUNT					BASE SALARY				LONGEVITY			
		FULL TIME	PART TIME	VACANT	Total Employees	temporary staffing	Job Code	6/30/2006	Job Code	12/31/2006	temporary staffing	CY06	ANNUAL BASE	%
ADMINISTRATION														
Chief Engineer & General Manager	N	1			1	X003	54,901.58	X003	56,823.13		111,724.71	109,803.15	6.5%	
Assistant Chief Engineer	N	1			1	X002	36,300.00	X002	36,750.00		73,050.00	72,600.00	0.0%	
Administrative Ass't	N	1			1	X001	22,411.38	X001	23,263.01		45,674.39	46,526.02	8.5%	
Water Board Floater Clerk	N	1			1	R34C	17,126.90	R34C	17,777.72		34,904.62	34,253.80	6.5%	
Chief Financial Officer	N	1			1	X15C	29,827.97	X15D	32,511.88		62,339.85	59,655.94	0.0%	
Financial Administrator	N	1			1	W13C	28,241.11	W13C	29,314.27		57,555.37	58,628.53	6.5%	
Finance Assistant	N	1			1	R36C	17,686.00	R36C	18,358.07		36,044.07	36,716.14	6.5%	
Water Stock Clerk	N		1		1	R30C	16,757.45	R30C	17,394.24		34,151.69	34,788.47	0.0%	
Information Systems Manager	N	1			1	W13C	28,241.11	W13C	29,314.27		57,555.37	58,628.53	8.5%	
Information Systems Specialist	N	1			1	W11C	25,637.89	W11C	26,612.13		52,250.02	51,275.78	6.5%	
post employment benefits														
Temporary staffing										34,200.00	34,200.00			
overtime-out of grade-payouts														
Dept Total		9	0	1	10		277,131.38		288,118.70	34,200.00	599,450.08			
CUSTOMER SERVICE														
Customer Service Manager	N	1			1	W13C	28,241.11	W13C	29,314.27		57,555.37	56,482.21	6.5%	
Customer Service Representative	N	1			1	R38C	18,921.49	R38C	19,640.51		38,562.00	37,842.98	8.5%	
Customer Service Agent	N	1			1	R36C	17,686.00	R36C	18,358.07		36,044.07	36,716.14	0.0%	
Temporary staffing										3,000.00	3,000.00			
overtime-out of grade-payouts														
Dept Total		3	0	0	3		64,848.60		67,312.84	3,000.00	135,161.44			
METER DEPARTMENT														
Technical Assistance Supvrs.	N	1			1	W11C	25,637.89	W11C	26,612.13		52,250.02	51,275.78	8.5%	
Cross Connection Control Technician	N	1			1	R42C	20,317.17	R42C	21,089.22		41,406.39	40,634.34	9.5%	
Water Meter Service Technician	N	1			1	R32C	16,862.75	R32C	17,503.54		34,366.29	35,007.07	6.5%	
Water Meter Service Technician	N	1			1	R32C	16,862.75	R32C	17,503.54		34,366.29	35,007.07	8.5%	
Water Meter Service Technician	N	1			1	R32C	16,862.75	R32C	17,503.54		34,366.29	35,007.07	6.5%	
Water Meter Service Technician	N	1			1	R32C	16,862.75	R32C	17,503.54		34,366.29	33,725.50	6.5%	
Water Meter Reader Service Person	N	1			1	R28C	16,103.36	R28C	16,715.28		32,818.64	32,206.71	0.0%	
Water Meter Reader Service Person	N	1			1	R28C	16,103.36	R28C	16,715.28		32,818.64	32,206.71	0.0%	
Water Meter Reader Service Person	N	1			1	R28C	16,103.36	R28C	16,715.28		32,818.64	33,430.56	6.5%	
Customer Service Agent	N	1			1	R36C	17,686.00	R36C	18,358.07		36,044.07	35,372.00	0.0%	
Temporary staffing										20,800.00	20,800.00			
overtime-out of grade-payouts														
Dept Total		10	0	0	10		179,402.13		186,219.40	20,800.00	386,421.53			
SOURCE OF SUPPLY														
Water Production Manager	Y	1			1	W15C	31,133.16	W15C	32,316.22		63,449.37	62,266.31	9.5%	
Bldg. Maintenance Mechanic	Y	1			1	R16C	14,842.33	R16C	15,406.34		30,248.66	30,812.67	9.5%	
Plant Maintenance Technician	Y	1			1	R40C	19,590.71	R40C	20,335.15		39,925.86	40,670.30	8.5%	
Temporary staffing										12,000.00	12,000.00			
overtime-out of grade-payouts														
Dept Total		3	0	0	3		65,566.19		68,057.70	12,000.00	145,623.89			

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**CALENDAR YEAR 2006
PAYROLL BUDGET**

HEADCOUNT

BASE SALARY

LONGEVITY

Job Title	eligible for retirement	FULL TIME	PART TIME	VACANT	Total Employees	temporary staffing	BASE SALARY			ANNUAL			
							Job Code	6/30/2006	Job Code	12/31/2006	temporary staffing	CY06	BASE
ENGINEERING													
Water Engineering Manager	N	1			1		W15C	31,133.16	W15C	32,316.22	63,449.37	64,632.43	8.5%
Water Project Manager (IFR)	N	1			1		W14C	29,648.53	W14C	30,775.17	60,423.70	61,550.34	8.5%
Sr. Water Project Engineer	N	1			1		W12C	26,909.44	W12C	27,932.00	54,841.43	55,863.99	8.5%
Sr. Water Project Engineer	N	1			1		W12C	26,909.44	W12C	27,932.00	54,841.43	53,818.87	7.5%
Water Project Engineer	N	1			1		R48C	25,516.72	R48C	26,486.35	52,003.07	51,033.43	0.0%
Water Project Engineer	N	1			1		R48C	25,516.72	R48C	26,486.35	52,003.07	52,972.70	6.5%
Jr. Water Project Engineer	N	1			1		R36C	17,686.00	R36C	18,358.07	36,044.07	36,716.14	0.0%
Water Board Eng Intern	N		1		1		UO1C	17,126.90	UO1C	17,777.72	34,904.62	34,253.80	6.5%
Water Board Engineering Clerk	Y	1			1		R36C	17,686.00	R36C	18,358.07	36,044.07	35,372.00	9.5%
Temporary staffing						2				8,000.00	8,000.00		
overtime-out of grade-payouts													
Dept Total		8	1	0	9	2		218,132.88		226,421.94	8,000.00	452,554.82	
Less: IFR								(29,648.53)		(30,775.17)	-	(60,423.70)	
Dept Total less IFR funding								188,484.36		195,646.77	8,000.00	392,131.12	
TRANSMISSION & DISTRIBUTION													
Transmission & Distribution Manager	N	1			1		W15C	31,133.16	W15C	32,316.22	63,449.37	64,632.43	0.0%
Operations Assistant	Y	1			1		R38C	18,921.49	R38C	19,640.51	38,562.00	37,842.98	9.5%
Water Utility Supervisor Grade IV	N	1			1		W12C	26,909.44	W12C	27,932.00	54,841.43	55,863.99	0.0%
Water Utility Supervisor Grade IV	N			1	1		W12C	26,909.44	W12C	27,932.00	54,841.43	55,863.99	0.0%
Fleet Maintenance Mechanic	N	1			1		R42C	20,317.17	R42C	21,089.22	41,406.39	40,634.34	9.5%
Water Utility Worker II	Y	1			1		R36C	17,686.00	R36C	18,358.07	36,044.07	35,372.00	9.5%
Crew Leader Grade III	N	1			1		R48C	25,516.72	R48C	26,486.35	52,003.07	51,033.43	6.5%
Water Utility Worker III	Y	1			1		R40C	19,590.71	R40C	20,335.15	39,925.86	40,670.30	9.5%
Water Utility Worker I	N	1			1		R28C	16,103.36	R28C	16,715.28	32,818.64	32,206.71	6.5%
Crew Leader Grade III	N			1	1		R48C	25,516.72	R48C	26,486.35	52,003.07	51,033.43	6.5%
Water Utility Worker II	N	1			1		R32C	16,862.75	R32C	17,503.54	34,366.29	33,725.50	6.5%
Water Utility Worker I	N	1			1		R32C	16,862.75	R32C	17,503.54	34,366.29	35,007.07	8.5%
Crew Leader Grade III	Y	1			1		R48C	25,516.72	R48C	26,486.35	52,003.07	52,972.70	9.5%
Water Equip. Operator II	Y	1			1		R36C	17,686.00	R36C	18,358.07	36,044.07	36,716.14	9.5%
Water Utility Worker I	N	1			1		R32C	16,862.75	R32C	17,503.54	34,366.29	35,007.07	7.5%
Water Utility Worker I	N	1			1		R32C	16,862.75	R32C	17,503.54	34,366.29	33,725.50	7.5%
Crew Leader Grade III	N	1			1		R48C	25,516.72	R48C	26,486.35	52,003.07	51,033.43	8.5%
Water Equip. Operator II	Y	1			1		R36C	17,686.00	R36C	18,358.07	36,044.07	35,372.00	9.5%
Water Utility Worker III	Y	1			1		R40C	19,590.71	R40C	20,335.15	39,925.86	40,670.30	7.5%
Water Utility Worker I	N	1			1		R32C	16,862.75	R32C	17,503.54	34,366.29	33,725.50	6.5%
Temporary staffing						4				49,600.00	49,600.00		
overtime-out of grade-payouts													
Dept Total		18	0	2	20	4		418,914.06		434,832.80	49,600.00	903,346.86	
TOTAL PWSB		51	1	3	55	13		1,223,995.22		1,270,963.37	127,600.00	2,622,550.59	
Less: IFR								(29,648.53)		(30,775.17)	-	(60,423.70)	
total PWSB less IFR funded								1,194,346.70		1,240,188.20	127,600.00	2,562,134.90	

CALENDAR YEAR 2006
PAYROLL BUDGET

Job Title	eligible for retirement	HEADCOUNT					BASE SALARY				LONGEVITY	
		FULL TIME	PART TIME	VACANT	Total Employees	temporary staffing	Job Code	6/30/2006	Job Code	12/31/2006	CY06	ANNUAL BASE
contribution rates												
CF SYSTEM T&D CREW												
Crew Leader Grade III	N	1				R48C	25,516.72	R48C	26,486.35	52,003.07	51,033.43	6.5%
Water Equip. Operator II	N	1				R36C	17,686.00	R36C	18,358.07	36,044.07	35,372.00	6.5%
Water Utility Worker III	N	1				R40C	19,590.71	R40C	20,335.15	39,925.86	39,181.41	6.5%
Water Utility Worker III	N	1				R40C	19,590.71	R40C	20,335.15	39,925.86	40,670.30	0.0%
Water Utility Worker III	N	1				R40C	19,590.71	R40C	20,335.15	39,925.86	40,670.30	0.0%
overtime-out of grade-payouts												
Dept Total		5	0	0	5		101,974.83		105,849.87	-	207,824.70	

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CALENDAR YEAR 2006
PAYROLL BUDGET

OUT OF GRADE

CELL PHONES &
PAGERS

RETIREE PAYOUTS -
SICK & VACATION

PAYROLL TAXES

Job Title	FY05 Budget		CY06		FY05 Budget		CY06		FY05 Budget		CY06		TAXABLE	OASDI	MEDICARE
									WAGES	6.20%	1.45%	limits	90,000.00	unlimited	
contribution rates															
ENGINEERING															
Water Engineering Manager									68,943.13	4,274.47	999.68				
Water Project Manager (IFR)									65,655.48	4,070.64	952.00				
Sr. Water Project Engineer									59,589.87	3,694.57	864.05				
Sr. Water Project Engineer									58,877.85	3,650.43	853.73				
Water Project Engineer									52,003.07	3,224.19	754.04				
Water Project Engineer									55,446.30	3,437.67	803.97				
Jr. Water Project Engineer									36,044.07	2,234.73	522.64				
Water Board Eng Intern									37,131.12	2,302.13	538.40				
Water Board Engineering Clerk									39,404.41	2,443.07	571.36				
Temporary staffing									8,000.00	496.00	116.00				
overtime-out of grade-payouts	1,880.00	1,965.45							11,337.00	6,394.86	203.69				
Dept Total	1,880.00	1,965.45							11,337.00	6,394.86	7,179.56				
Less: IFR	-	-							-	-	(952.00)				
Dept Total less IFR funding	1,880.00	1,965.45							11,337.00	6,394.86	6,227.56				
TRANSMISSION & DISTRIBUTION															
Transmission & Distribution Manager									63,449.37	3,933.86	920.02				
Operations Assistant									42,157.08	2,613.74	611.28				
Water Utility Supervisor Grade IV									54,841.43	3,400.17	795.20				
Water Utility Supervisor Grade IV									54,841.43	3,400.17	795.20				
Fleet Maintenance Mechanic									45,266.65	2,806.53	656.37				
Water Utility Worker II									39,404.41	2,443.07	571.36				
Crew Leader Grade III									55,320.24	3,429.85	802.14				
Water Utility Worker III									43,789.54	2,714.95	634.95				
Water Utility Worker I									34,912.08	2,164.55	506.23				
Crew Leader Grade III									55,320.24	3,429.85	802.14				
Water Utility Worker II									36,558.45	2,266.62	530.10				
Water Utility Worker I									37,341.89	2,315.20	541.46				
Crew Leader Grade III									57,035.48	3,536.20	827.01				
Water Equip. Operator II									39,532.10	2,450.99	573.22				
Water Utility Worker I									36,991.82	2,293.49	536.38				
Water Utility Worker I									36,895.70	2,287.53	534.99				
Crew Leader Grade III									56,340.91	3,493.14	816.94				
Water Equip. Operator II									39,404.41	2,443.07	571.36				
Water Utility Worker III									42,976.13	2,664.52	623.15				
Water Utility Worker I									36,558.45	2,266.62	530.10				
Temporary staffing									49,600.00	3,075.20	719.20				
overtime-out of grade-payouts	2,000.00	2,090.90	7,280.00	7,610.88	32,214.00	54,297.69			162,361.67	5,580.00	2,354.24				
Dept Total	2,000.00	2,090.90	7,280.00	7,610.88	32,214.00	54,297.69			1,120,899.42	65,009.32	16,253.04				
TOTAL PWSB	4,780.00	4,997.25	10,660.00	11,144.50	43,551.00	60,692.55			2,966,052.48	177,619.37	43,007.76				
Less: IFR	-	-	-	-	-	-			(65,655.48)	(4,070.64)	(952.00)				
Total PWSB less IFR funded	4,780.00	4,997.25	10,660.00	11,144.50	43,551.00	60,692.55			2,900,397.01	173,548.73	42,055.76				

CALENDAR YEAR 2006
PAYROLL BUDGET

HEALTH INS PLAN

Job Title		HEALTH INSURANCE			WORKERS COMP		MERS	
		thru 6/30/06	thru 12/31/06	CY06	RATE PER \$1000 Insurable wages	CY06	BASE (salary + longevity + out of grade)	CY06
contribution rates							MERS rate	5.56%
ADMINISTRATION								
Chief Engineer & General Manager	F	6,432.66	7,193.88	13,626.54	41.30	4,909.00	118,861.91	6,608.72
Assistant Chief Engineer	F	6,432.66	7,193.88	13,626.54	41.30	3,016.97	73,050.00	4,061.58
Administrative Ass't	I	2,470.50	2,766.84	5,237.34	4.80	238.22	49,629.10	2,759.38
Water Board Floater Clerk	I	2,470.50	2,766.84	5,237.34	4.80	178.23	37,131.12	2,064.49
Chief Financial Officer	WI		1,100.00	1,100.00	4.80	299.23	62,339.85	3,466.10
Financial Administrator	I	2,470.50	2,766.84	5,237.34	4.80	294.56	61,366.22	3,411.96
Finance Assistant	F	6,432.66	7,193.88	13,626.54	4.80	184.47	38,430.62	2,136.74
Water Stock Clerk	F	6,432.66	7,193.88	13,626.54	41.30	1,410.46	34,151.69	1,898.83
Information Systems Manager	F	6,432.66	7,193.88	13,626.54	4.80	300.19	62,538.80	3,477.16
Information Systems Specialist	F	6,432.66	7,193.88	13,626.54	4.80	266.80	55,582.95	3,090.41
post employment benefits				144,395.10				
Temporary staffing					4.80	164.16		
overtime-out of grade-payouts					4.80	38.17		
Dept Total		46,007.46	52,563.80	242,966.36		11,300.46	593,082.25	32,975.37
CUSTOMER SERVICE								
Customer Service Manager	F	6,432.66	7,193.88	13,626.54	4.80	293.89	61,226.71	3,404.21
Customer Service Representative	F	6,432.66	7,193.88	13,626.54	41.30	1,725.46	41,778.65	2,322.89
Customer Service Agent	WI		1,100.00	1,100.00	4.80	173.01	36,044.07	2,004.05
Temporary staffing					4.80	14.40		
overtime-out of grade-payouts					4.80	15.08		
Dept Total		12,865.32	15,487.76	28,353.08		2,221.84	139,049.43	7,731.15
METER DEPARTMENT								
Technical Assistance Supvr.	F	6,432.66	7,193.88	13,626.54	41.30	2,337.93	56,608.46	3,147.43
Cross Connection Control Technician	F	6,432.66	7,193.88	13,626.54	41.30	1,869.51	45,266.65	2,516.83
Water Meter Service Technician	F	6,432.66	7,193.88	13,626.54	41.30	1,513.30	36,641.75	2,037.28
Water Meter Service Technician	F	6,432.66	7,193.88	13,626.54	41.30	1,542.22	37,341.89	2,076.21
Water Meter Service Technician	F	6,432.66	7,193.88	13,626.54	41.30	1,513.30	36,641.75	2,037.28
Water Meter Service Technician	F	6,432.66	7,193.88	13,626.54	41.30	1,509.86	36,558.45	2,032.65
Water Meter Reader Service Person	I	2,470.50	2,766.84	5,237.34	41.30	1,355.41	32,818.64	1,824.72
Water Meter Reader Service Person	I	2,470.50	2,766.84	5,237.34	41.30	1,355.41	32,818.64	1,824.72
Water Meter Reader Service Person	F	6,432.66	7,193.88	13,626.54	41.30	1,445.15	34,991.63	1,945.53
Customer Service Agent	I	2,470.50	2,766.84	5,237.34	4.80	173.01	36,044.07	2,004.05
Temporary staffing					41.30	859.04		
overtime-out of grade-payouts					41.30	122.06		
Dept Total		52,440.12	58,657.68	111,097.80	459.10	15,596.20	385,731.90	21,446.70
SOURCE OF SUPPLY								
Water Production Manager	F	6,432.66	7,193.88	13,626.54	41.30	2,864.76	69,364.67	3,856.68
Bldg. Maintenance Mechanic	F	6,432.66	7,193.88	13,626.54	41.30	1,370.16	33,175.86	1,844.58
Plant Maintenance Technician	F	6,432.66	7,193.88	13,626.54	41.30	1,791.71	43,382.84	2,412.09
Temporary staffing					41.30	495.60		
overtime-out of grade-payouts					41.30	89.81		
Dept Total		19,297.98	21,581.64	40,879.62	206.50	6,612.04	145,923.37	8,113.35

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**CALENDAR YEAR 2006
PAYROLL BUDGET**

HEALTH INS PLAN

Job Title		HEALTH INSURANCE			WORKERS COMP		MERS	
		thru 6/30/06	thru 12/31/06	CY06	RATE PER \$1000 Insurable wages	CY06	BASE (salary + longevity + out of grade)	CY06
contribution rates							MERS rate	5.56%
ENGINEERING								
Water Engineering Manager	I	2,470.50	2,766.84	5,237.34	41.30	2,847.35	68,943.13	3,833.24
Water Project Manager (IFR)	F	6,432.66	7,193.88	13,626.54	41.30	2,711.57	65,655.48	3,650.44
Sr. Water Project Engineer	F	6,432.66	7,193.88	13,626.54	41.30	2,461.06	59,589.87	3,313.20
Sr. Water Project Engineer	F	6,432.66	7,193.88	13,626.54	41.30	2,431.66	58,877.85	3,273.61
Water Project Engineer	F	6,432.66	7,193.88	13,626.54	41.30	2,147.73	52,003.07	2,891.37
Water Project Engineer	I	2,470.50	2,766.84	5,237.34	41.30	2,289.93	55,446.30	3,082.81
Jr. Water Project Engineer	I	2,470.50	2,766.84	5,237.34	41.30	1,488.62	36,044.07	2,004.05
Water Board Eng Intern	NE				41.30	1,533.52	37,131.12	2,064.49
Water Board Engineering Clerk	I	2,470.50	2,766.84	5,237.34	4.80	189.14	39,404.41	2,190.89
Temporary staffing					41.30	330.40		
overtime-out of grade-payouts					41.30	580.16		
Dept Total		35,612.64	39,842.88	75,455.52		19,011.14	473,095.29	26,304.10
Less: IFR		(6,432.66)	(7,193.88)	(13,626.54)		(2,711.57)	(65,655.48)	(3,650.44)
Dept Total less IFR funding		29,179.98	32,649.00	61,828.98		16,299.57	407,439.81	22,653.66
TRANSMISSION & DISTRIBUTION								
Transmission & Distribution Manager	F	6,432.66	7,193.88	13,626.54	41.30	2,620.46	63,449.37	3,527.78
Operations Assistant	F	6,432.66	7,193.88	13,626.54	41.30	1,741.09	42,157.08	2,343.93
Water Utility Supervisor Grade IV	F	6,432.66	7,193.88	13,626.54	41.30	2,264.95	54,841.43	3,049.18
Water Utility Supervisor Grade IV	F	6,432.66	7,193.88	13,626.54	41.30	2,264.95	54,841.43	3,049.18
Fleet Maintenance Mechanic	F	6,432.66	7,193.88	13,626.54	41.30	1,869.51	45,266.65	2,516.83
Water Utility Worker II	F	6,432.66	7,193.88	13,626.54	41.30	1,627.40	39,404.41	2,190.89
Crew Leader Grade III	F	6,432.66	7,193.88	13,626.54	41.30	2,284.73	55,320.24	3,075.81
Water Utility Worker III	I	2,470.50	2,766.84	5,237.34	41.30	1,808.51	43,789.54	2,434.70
Water Utility Worker I	F	6,432.66	7,193.88	13,626.54	41.30	1,441.87	34,912.08	1,941.11
Crew Leader Grade III	F	6,432.66	7,193.88	13,626.54	41.30	2,284.73	55,320.24	3,075.81
Water Utility Worker II	I	2,470.50	2,766.84	5,237.34	41.30	1,509.86	36,558.45	2,032.65
Water Utility Worker I	I	2,470.50	2,766.84	5,237.34	41.30	1,542.22	37,341.89	2,076.21
Crew Leader Grade III	F	6,432.66	7,193.88	13,626.54	41.30	2,355.57	57,035.48	3,171.17
Water Equip. Operator II	I	2,470.50	2,766.84	5,237.34	41.30	1,632.68	39,532.10	2,197.98
Water Utility Worker I	F	6,432.66	7,193.88	13,626.54	41.30	1,527.76	36,991.82	2,056.74
Water Utility Worker I	F	6,432.66	7,193.88	13,626.54	41.30	1,523.79	36,895.70	2,051.40
Crew Leader Grade III	F	6,432.66	7,193.88	13,626.54	41.30	2,326.88	56,340.91	3,132.55
Water Equip. Operator II	F	6,432.66	7,193.88	13,626.54	41.30	1,627.40	39,404.41	2,190.89
Water Utility Worker III	F	6,432.66	7,193.88	13,626.54	41.30	1,774.91	42,976.13	2,389.47
Water Utility Worker I	F	6,432.66	7,193.88	13,626.54	41.30	1,509.86	36,558.45	2,032.65
Temporary staffing					41.30	2,048.48		
overtime-out of grade-payouts					41.30	6,705.54		
Dept Total		112,804.56	126,169.44	238,974.00		46,293.15	908,937.75	50,536.93
TOTAL PWSB		279,028.08	314,303.20	737,726.38		101,034.83	2,645,819.96	147,107.60
Less: IFR		(6,432.66)	(7,193.88)	(13,626.54)		(2,711.57)	(65,655.48)	(3,650.44)
total PWSB less IFR funded		272,595.42	307,109.32	724,099.84		98,323.26	2,580,164.49	143,457.16

CALENDAR YEAR 2006
PAYROLL BUDGET

Job Title	HEALTH INS PLAN	HEALTH INSURANCE			WORKERS COMP		MERS	
		thru 6/30/06	thru 12/31/06	CY06	RATE PER \$1000 Insurable wages	CY06	BASE (salary + longevity + out of grade)	CY06
contribution rates							MERS rate	5.56%
CF SYSTEM T&D CREW								
Crew Leader Grade III	F	6,432.66	7,193.88	13,626.54	41.30	2,284.73	55,320.24	3,075.81
Water Equip. Operator II	F	6,432.66	7,193.88	13,626.54	41.30	1,583.58	38,343.25	2,131.88
Water Utility Worker III	F	6,432.66	7,193.88	13,626.54	41.30	1,754.12	42,472.65	2,361.48
Water Utility Worker III	F	6,432.66	7,193.88	13,626.54	41.30	1,648.94	39,925.86	2,219.88
Water Utility Worker III	F	6,432.66	7,193.88	13,626.54	41.30	1,648.94	39,925.86	2,219.88
overtime-out of grade-payouts					41.30	892.61		
Dept Total		32,163.30	35,969.40	68,132.70		9,812.92	215,987.84	12,008.93

PAWTUCKET WATER SUPPLY BOARD
CURRENT AND BUDGETARY PAY PLAN

CURRENT LABOR UNION CONTRACTS	CONTRACT DATES								
		Commences	Expires						
AFSCME	7/1/2003	6/30/2006							
Teamsters	7/1/2002	6/30/2005							
Six month period ending	12/31/2004	6/30/2005	12/31/2005	6/30/2006	12/31/2006	6/30/2007	12/31/2007	6/30/2008	
Budget increase:	% Increase	% Increase	% Increase	% Increase	% Increase	% Increase	% Increase	% Increase	
AFSCME	per contract	per contract	per contract	per contract	3.80%				
Teamsters	per contract	per contract	3.80%						
Classified & Unclassified	Actual	Actual	3.80%						

Pay									
code	12/31/2004	6/30/2005	12/31/2005	6/30/2006	12/31/2006	6/30/2007	12/31/2007	6/30/2008	
col	1	2	3	4	5	6	7	8	9
AFSCME	R16A	27,139.93	27,614.88	28,167.18	28,660.10	29,749.18			
	R16B	27,592.04	28,074.91	28,636.40	29,137.54	30,244.77			
	R16C	28,110.14	28,602.07	29,174.11	29,684.65	30,812.67			
	R28A	29,236.71	29,748.35	30,343.32	30,874.33	32,047.55			
	R28B	29,840.73	30,362.94	30,970.20	31,512.18	32,709.64			
	R28C	30,498.42	31,032.15	31,652.79	32,206.71	33,430.56			
	R30A	29,544.55	30,061.58	30,662.81	31,199.41	32,384.99			
	R30B	30,597.72	31,133.18	31,755.84	32,311.57	33,539.41			
	R30C	31,737.23	32,292.63	32,936.46	33,514.90	34,788.47			
	R32A	29,742.92	30,263.42	30,868.69	31,408.89	32,602.43			
	R32B	30,793.96	31,332.86	31,959.51	32,518.81	33,754.52			
	R32C	31,936.66	32,495.55	33,145.46	33,725.50	35,007.07			
	R34A	30,403.38	30,935.44	31,554.14	32,106.34	33,326.38			
	R34B	31,384.62	31,933.85	32,672.52	33,142.54	34,401.96			
	R34C	32,436.93	33,004.58	33,664.67	34,253.80	35,555.44			
	R36A	31,384.62	31,933.85	32,672.52	33,142.54	34,401.96			
	R36B	32,436.93	33,004.58	33,664.67	34,253.80	35,555.44			
	R36C	33,495.82	34,082.00	34,763.64	35,372.00	36,716.14			
	R38A	33,495.82	34,082.00	34,763.64	35,372.00	36,716.14			
	R38B	34,627.69	35,233.88	35,938.35	36,567.27	37,956.83			
	R38C	35,835.73	36,462.86	37,192.12	37,842.98	39,281.01			
	R40A	34,385.41	34,987.15	35,686.90	36,311.42	37,691.25			
	R40B	35,699.74	36,324.48	37,050.97	37,699.37	39,131.95			
	R40C	37,103.18	37,752.48	38,507.53	39,181.41	40,670.30			
	R42A	35,762.33	36,388.17	37,115.93	37,765.46	39,200.55			
	R42B	36,332.43	37,003.25	37,783.31	38,479.52	42,017.74			
	R42C	36,479.03	37,152.42	37,935.47	40,634.34	42,178.44			
	R46A	38,738.72	39,416.65	40,204.98	46,710.01	48,484.99			
	R46B	41,410.45	42,135.13	42,977.84	48,746.45	50,598.82			
	R46C	41,565.54	42,292.94	43,138.79	51,033.43	52,972.70			
	R48A	40,214.72	40,918.47	41,736.84	46,710.01	48,484.99			
	R48B	42,994.44	43,746.84	44,621.78	48,746.45	50,598.82			
	R48C	43,152.71	43,907.88	44,786.04	51,033.43	52,972.70			
	U01A	30,403.38	30,935.44	31,554.14	32,106.34	33,326.38			
	U01B	31,384.62	31,933.85	32,672.52	33,142.54	34,401.96			
	U01C	32,436.93	33,004.58	33,664.67	34,253.80	35,555.44			
TEAMSTERS	W11A	42,795.51	42,795.51	44,421.74	44,421.74	46,109.77			
	W11B	45,937.20	45,937.20	47,682.81	47,682.81	49,494.76			
	W11C	49,398.63	49,398.63	51,275.78	51,275.78	53,224.26			
	W12A	44,822.73	44,822.73	46,525.99	46,525.99	48,293.98			
	W12B	46,225.14	46,225.14	50,057.70	50,057.70	51,959.89			
	W12C	51,848.62	51,848.62	53,818.87	53,818.87	55,863.99			
	W13A	47,051.67	47,051.67	48,839.63	48,839.63	50,695.54			
	W13B	50,623.62	50,623.62	52,547.32	52,547.32	54,544.12			
	W13C	54,414.46	54,414.46	56,482.21	56,482.21	58,628.53			
	W14A	49,398.42	49,398.42	51,275.56	51,275.56	53,224.03			
	W14B	53,131.53	53,131.53	55,150.53	55,150.53	57,246.25			
	W14C	57,126.25	57,126.25	59,297.05	59,297.05	61,550.34			
	W15A	51,848.62	51,848.62	53,818.87	53,818.87	55,863.99			
	W15B	55,770.35	55,770.35	57,889.62	57,889.62	60,069.43			
	W15C	59,986.81	59,986.81	62,266.31	62,266.31	64,632.43			
CLASSIFIED & UNCLASSIFIED	X001	43,181.85	43,181.85	44,822.76	44,822.76	46,526.02			
	X002		70,000.00	72,600.00	72,600.00	73,500.00			
	X003	106,090.00	106,090.00	109,803.15	109,803.15	113,646.26			
	X15A	52,182.00	52,182.00	54,144.16	54,144.16	56,201.64			
	X15B	54,744.00	54,744.00	56,824.27	56,824.27	58,983.59			
	X15C	57,472.00	57,472.00	59,655.94	59,655.94	61,922.87			
X15D	60,350.00	60,350.00	62,643.30	62,643.30	65,023.75				

NOTE: For code X002, the annual pay of 70,000 is effective 3/1/05. The increase to 72,600 is effective 9/1/05 and the increase to 73,500 is effective 9/1/06.

**PAWTUCKET WATER SUPPLY BOARD
HEALTH INSURANCE PLAN**

COVEREAG	Medical Premium Monthkly	Dental Premium Monthkly	Weekly Employee co-pay	ANNUAL Medical Premium	ANNUAL Dental Premium	ANNUAL Employee co-pay	INSURANCE WAIVER ELECTION
7/1/2004 - 6/30/2005							
F	917.91	66.71	6.00	11,014.92	800.52	312.00	
I	359.19	21.39	3.00	4,310.28	256.68	156.00	
WF							3,300.00
WI							1,100.00
7/1/2005 - 12/31/2005							
F	1,028.06	70.05	6.00	6,168.36	420.30	156.00	
I	402.29	22.46	3.00	2,413.74	134.76	78.00	
WF							3,300.00
WI							1,100.00
1/1/2006 - 6/30/2006							
F	1,028.06	70.05	6.00	6,168.36	420.30	156.00	3,300.00
I	402.29	22.46	3.00	2,413.74	134.76	78.00	1,100.00
7/1/2006 - 12/31/2006							
F	1,151.43	73.55	6.00	6,908.58	441.30	156.00	
I	450.56	23.58	3.00	2,703.36	141.48	78.00	
WF							3,300.00
WI							1,100.00
1/1/2007 - 6/30/2007							
F	1,151.43	73.55	6.00	6,908.58	441.30	156.00	3,300.00
I	450.56	23.58	3.00	2,703.36	141.48	78.00	1,100.00

NOTE: SEE ATTACHED MEMO STATING A 12% MEDICAL INSURANCE INCREASE AND 5% DENTAL INSURANCE INCREASE. FY07 RATES WERE COMPUTED USING THE FY06 INCREASES

CODE	CODE DESCRIPTION
F	HEALTHMATE COAST TO COAST - FAMILY
I	HEALTHMATE COAST TO COAST - INDIVIDUAL
WF	INSURANCE WAIVER family
WI	INSURANCE WAIVER individual
NE	NOT ELIGIBLE FOR COVERAGE

Employees electing the insurance waiver when their spouse as a city employee has elected health coverage is eligible for individual

PAWTUCKET WATER SUPPLY BOARD
POST EMPLOYMENT BENEFITS
for the year ended
12/31/2006

HEALTH PLAN % increase	FY05		FY06			FY07		
	MONTHLY	ANNUAL	MONTHLY 12.00%	6 MOS.	ANNUAL	MONTHLY 12.00%	6 MOS.	ANNUAL
PLAN 65	105.63	1,267.56	118.31	709.86	1,419.72	132.51	795.06	1,590.12
PLAN 65	105.63	1,267.56	118.31	709.86	1,419.72	132.51	795.06	1,590.12
CB - I	518.03	6,216.36	580.19	3,481.14	6,962.28	649.81	3,898.86	7,797.72
PLAN 65	105.63	1,267.56	118.31	709.86	1,419.72	132.51	795.06	1,590.12
PLAN 65	105.63	1,267.56	118.31	709.86	1,419.72	132.51	795.06	1,590.12
HM - F	917.91	11,014.92	1,028.06	6,168.36	12,336.72	1,151.43	6,908.58	13,817.16
PLAN 65	105.63	1,267.56	118.31	709.86	1,419.72	132.51	795.06	1,590.12
HM - I	359.19	4,310.28	402.29	2,413.74	4,827.48	450.56	2,703.36	5,406.72
PLAN 65	105.63	1,267.56	118.31	709.86	1,419.72	132.51	795.06	1,590.12
HM - I	359.19	4,310.28	402.29	2,413.74	4,827.48	450.56	2,703.36	5,406.72
PLAN 65	105.63	1,267.56	118.31	709.86	1,419.72	132.51	795.06	1,590.12
CB - F	1,341.08	16,092.96	1,502.01	9,012.06	18,024.12	1,682.25	10,093.50	20,187.00
HM - F	917.91	11,014.92	1,028.06	6,168.36	12,336.72	1,151.43	6,908.58	13,817.16
CB - F	1,341.08	16,092.96	1,502.01	9,012.06	18,024.12	1,682.25	10,093.50	20,187.00
CB - F	1,341.08	16,092.96	1,502.01	9,012.06	18,024.12	1,682.25	10,093.50	20,187.00
HM - F	917.91	917.91	1,028.06	6,168.36	12,336.72	1,151.43	6,908.58	13,817.16
PLAN 65	105.63	422.52	118.31	709.86	1,419.72	132.51	795.06	1,590.12
HM - I	359.19	2,155.14	402.29	2,413.74	4,827.48	450.56	2,703.36	5,406.72
HM - F	917.91	-	1,028.06	6,168.36	12,336.72	1,151.43	6,908.58	13,817.16
		97,514.13			136,221.72			152,568.48

**PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674**

**Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2**

DIV 2-26. For each of the past ten years please provide the number of customers, by customer class.

Response: The attachment to this response lists the meter count for FY 1997, 2000, 2002 & 2004. These were the only meter counts readily available since they coincide with Dockets 2674, 3193, 3497 & 3674. Furthermore, meter counts are provided since the PWSB charges water consumption rate by meter size and not by customer classes. See Attached.

Response by: D. Bebyn

ANALYSIS--CUSTOMER COUNT
PAWTUCKET WATER SUPPLY BOARD

Attachment for the
Response to DIV2-26

Meter Count

<u>Meter Size</u>	<u>Fiscal Year 1997</u>	<u>Fiscal Year 2000</u>	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2004</u>
5/8"	20,781	20,932	21,076	21,251
3/4"	209	236	239	243
1"	483	481	480	485
1 1/2"	254	244	239	236
2"	498	409	415	402
3"	73	41	57	40
4"	56	18	24	16
6"	22	8	9	7
8"	2	-	-	-
	<u>22,378</u>	<u>22,369</u>	<u>22,539</u>	<u>22,680</u>

Please note the 5/8" & 3/4" are exclusive to Cycles 1-6 (residential & small commercial)
& approx 90% of 1" meter. The remaining meter sizes are exclusive to Cycles 7 & 11.

\\Kslawserver\lawoffice\JAK,,JR\JAKJR\PAWTUCKET WATER SUPPLY BOARD CASES\Docket 3674\Div 2-26 Page 2
2nd Data Request\div 2-26

Meter Size	Cons(HCF)	Percentage of Total Consumption	Units of Service
5/8	2,846,127	63.2%	21,251
3/4	61,632	1.4%	243
1	167,258	3.7%	485
1-1/2	132,165	2.9%	236
2	625,657	13.9%	402
3	269,332	6.0%	40
4	95,788	2.1%	16
6	308,930	6.9%	7
Totals	4,506,889	100.0%	22,680

Docket 3497
rate

Service Charge

Quarterly

5/8	21,243	16.93	1,438,575.96
3/4	239	21.19	20,257.64
1	474	29.39	55,723.44
1-1/2	230	58.97	54,252.40
2	374	94.23	140,968.08
3	24	188.55	18,100.80
4	10	294.72	11,788.80
6	4	589.35	9,429.60
8	-	1355.49	-

Monthly

5/8	8	9.59	920.64
3/4	4	11.01	528.48
1	11	13.26	1,750.32
1-1/2	6	20.87	1,502.64
2	28	31.41	10,553.76
3	16	62.85	12,067.20
4	6	98.24	7,073.28
6	3	196.45	7,072.20
8	-	451.83	-

	<u>22,680</u>		<u>1,790,565.24</u>
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Docket 3497
rate

Service Charge

Quarterly

5/8	21243	16.93	359,643.99
3/4	239	21.19	5,064.41
1	474	29.39	13,930.86
1-1/2	230	58.97	13,563.10
2	374	94.23	35,242.02
3	24	188.55	4,525.20
4	10	294.72	2,947.20
6	4	589.35	2,357.40
8	0	1355.49	-

Monthly

5/8	8	9.59	76.72
3/4	4	11.01	44.04
1	11	13.26	145.86
1-1/2	6	20.87	125.22
2	28	31.41	879.48
3	16	62.85	1,005.60
4	6	98.24	589.44
6	3	196.45	589.35
8	0	451.83	-

22680	<u>440,729.89</u>	1,790,565.24
-------	-------------------	--------------

cycle 1	71,138.77	284,555.08
cycle 2	72,268.52	289,074.08
cycle 3	75,897.44	303,589.76
cycle 4	75,695.43	302,781.72
cycle 5	45,372.06	181,488.24
cycle 6	47,129.33	188,517.32
cycle 7	45,351.75	181,407.00
cycle 11	<u>4,113.61</u>	<u>49,363.32</u>

<u>436,966.91</u>	<u>1,780,776.52</u>
-------------------	---------------------

3,762.98	9,788.72
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PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674

Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2

DIV 2-27. For each of the past ten years, please provide the total water sales, by customer class.

Response: See Attached. Data was only available for eight years.

Response by: D. Bebyn

Analysis of Water Sales by Customer Class
Pawtucket Water Supply Board

Attachment

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
<u>Retail</u>							
Pawtucket Residential & Small Commercial CYCLES 1-4	2,850,180	2,459,874	2,363,385	2,462,945	2,330,209	2,276,838	2,444,800
Central Falls Residential & Small Commercial CYCLE 5	645,588	584,982	582,140	604,752	587,559	574,589	638,150
Cumberland Residential & Small Commercial CYCLE 6	342,006	315,964	303,531	325,199	305,559	304,650	316,280
Total	3,837,774	3,360,820	3,249,056	3,392,896	3,223,327	3,156,077	3,399,230
Industrial & Large Commercial CYCLE 7	2,818,537	2,517,828	2,397,109	2,365,917	1,134,760	727,100	773,880
Industrial & Large Commercial CYCLE 11					1,085,284	981,543	869,850
Total	2,818,537	2,517,828	2,397,109	2,365,917	2,220,044	1,708,643	1,643,730
Total Retail	6,656,311	5,878,648	5,646,165	5,758,813	5,443,371	4,864,720	5,042,960
<u>Wholesale</u>							
Cumberland	676,117	462,074	636,852	418,397	707,685	845,377	545,220
Seekonk	-	-	31,172	25,496	33,392	-	-
Total	676,117	462,074	668,024	443,893	741,077	845,377	545,220

RI PUC Docket No. 3674
Pawtucket Water Supply Board's Responses
To Division Data Request Set 2

DIV 2-33: Please provide the basis and supporting documentation for the 3.5% inflation rate used to adjust many of the test year expenses, as discussed on page 16, lines 20-21 of Ms. Marchand's testimony.

RESPONSE: The inflation rate was provided by Mr. Woodcock. The estimated rate was based on news reports regarding the Consumer Price Index and the Bureau of Labor Statistics reported change in the CPI-U. A March 24, 2005 report in CNNMoney discussed the Federal Reserve's "new concern about inflation". The BLS report for the consumer price index as of March 2, 2005 showed an annual change from 193.5 for the year 2003 to 200.2 for the year 2004 – an increase of 3.5%. Coupled with the Federal Reserve's reported concerns, the inflation factor of 3.5% was appropriate.

WITNESS RESPONSIBLE: C. Woodcock

**PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674**

**Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2**

DIV 2-33. Please provide the basis and supporting documentation for the 3.5% inflation rate used to adjust many of the test year expenses, as discussed on page 16, lines 20-21 of Ms. Marchand's testimony.

Response: Please see attached.

Prepared by: Christopher Woodcock



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CPI posts biggest rise in four months

Following Fed inflation warning, reading sparks worries about bigger rate hikes to come.
March 24, 2005 5:14:7 AM EST
By Chris Isidore, CNN/Money senior writer

NEW YORK (CNN/Money) - Boosted by the soaring price of oil, retail prices rose faster in February than they have in four months, the government reported Wednesday, a day after the Federal Reserve voiced new concern about inflation.

The reading on the Consumer Price index, the government's main inflation gauge, came in higher than most economists had forecast. The Labor Department said CPI rose 0.4 percent in February after a 0.1 percent increase in January. It was the biggest increase since October.

The "core" CPI, which excludes often volatile food and energy prices, rose 0.3 percent after a 0.2 percent January increase, the department said. Economists surveyed by Briefing.com had forecast CPI would be up 0.3 percent in February and core CPI would gain 0.2 percent.

On Wall Street, bond prices initially fell along with stocks on concerns that a pickup in inflation would force the Fed to start raising short-term rates more aggressively in a bid to maintain price stability. But both stock and bond prices stabilized later in the morning as oil futures tumbled for a second straight session.

The Fed, the nation's central bank, raised rates another quarter percentage point Tuesday -- the seventh straight increase since it started its tightening campaign last June.

While the Fed also said it expected future hikes would be at a "measured" pace, it warned that "pressures on inflation have picked up in recent months," adding, however, that "longer-term inflation expectations remain well contained" and that the rise in oil prices has "not notably fed through to core consumer prices."

But the gain in the core CPI reported Wednesday is the biggest since September, while the increase in the overall CPI is the highest since October.

The overall reading means retail prices have risen 3 percent over the last 12 months, with core prices up 2.4 percent over that period. That's the largest 12-month change in the core CPI since August 2002.

Energy prices jumped 2 percent in the month, the department said, while food prices posted a modest 0.1 percent increase. Gasoline rose 5 percent from January and a whopping 14.7 percent from a year earlier.

Clothing prices fell as the end of import quotas on cotton clothes in January apparently helped push prices lower. Health care costs and transportation posted increases, the latter due partly to the rise in the price of fuel.

More aggressive stance?

The CPI report raises the risk that inflation is taking hold and will surely spark more aggressive action by the Fed, some economists said.

"Inflation is rising in more sectors than it is falling. It is doing so across horizons of one month, six months and 12 months," said Robert Brusca of FAO Economics. "We are left in all this wondering what the Fed is up to and what it is waiting for."

But Anthony Chan, senior economist with JPMorgan Fleming Asset Management, said increases in items such as airline tickets, cars and housing are unlikely to be repeated.

"Price pressures are starting to build. The question is if these are sustainable. I think the jury is still out," he said.

Chan said the Fed will see the March inflation numbers before its next meeting May 3, which could take the pressure off the Fed to get more aggressive.

But he acknowledged that the inflation readings are getting near the tipping point at which the central bankers would feel compelled to raise rates by a half point rather than a quarter point.

"I think if we get another 0.3 rise in the core CPI, I think the Fed will want to draw line in the sand," said Chan. "The Fed statement shows there are a lot of anxious parties at that meeting willing to be (more) aggressive."

For more on the Fed and rates, [click here](#).

For more on the economy, [click here](#). ■

Find this article at:
<http://money.ah.com/2005/03/23/news/occurrence/cpi/index.htm>

Check the box to include the list of links referenced in the article.



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include graphs NEW!

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Data extracted on: March 2, 2005 (2:00:58 PM)

Consumer Price Index - All Urban Consumers

Series Id: CUURO100SA0, CUUS0100SA0
 Not Seasonally Adjusted
 Area: Northeast urban
 Item: All items
 Base Period: 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1
1995	157.1	157.6	158.0	158.3	158.5	158.9	159.2	159.7	160.0	160.3	160.5	160.5	159.1	158.1
1996	161.4	162.2	162.8	162.9	163.0	163.1	163.4	164.0	164.6	165.1	165.4	165.7	163.6	162.6
1997	166.2	166.9	167.3	167.1	166.8	167.0	167.6	167.8	168.4	168.7	168.5	168.4	167.6	166.9
1998	168.8	169.1	169.3	169.5	169.4	169.6	169.9	170.5	170.6	171.3	171.2	171.2	170.0	169.3
1999	171.4	171.6	171.9	172.8	172.8	173.1	173.4	174.1	174.8	175.5	175.5	175.5	173.5	172.3
2000	176.2	177.6	178.5	178.5	178.4	179.0	179.8	179.9	180.7	181.2	181.5	181.3	179.4	178.0
2001	182.2	182.8	183.7	184.2	184.6	185.3	185.0	185.1	185.1	185.0	185.0	184.2	184.4	183.8
2002	184.9	186.1	187.0	187.8	187.7	187.8	188.3	189.3	189.5	189.9	190.1	189.6	188.2	186.9
2003	190.5	191.7	193.0	192.6	192.7	192.8	193.5	194.3	195.0	195.4	195.1	194.9	193.5	192.2
2004	195.9	196.8	198.6	199.4	199.9	201.1	201.0	201.0	201.2	202.5	202.6	201.9	200.2	198.6
2005	202.6													

3.50%

News

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OTHER AVAILABLE ECONOMIC NEWS

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U. S.

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, by expenditure category and service group

(1982-84=100, unless otherwise noted)

Expenditure category	CPI-U	Relative importance, December 2004	Unadjusted indexes		Unadjusted percent change Jan. 2005
			Dec. 2004	Jan. 2005	
All items.....	100.000		190.3	190.7	3.0
All items (1967=100).....	-		570.1	571.2	-
Food and beverages.....	15.291		188.9	189.5	2.8
Food.....	14.295		188.5	189.1	2.9
Food at home.....	8.183		188.5	188.9	2.7
Cereals and bakery products.....	1.185		206.4	207.6	1.8
Meats, poultry, fish, and eggs.....	2.272		183.1	183.4	1.9
Dairy and related products.....	.849		180.1	183.3	6.3
Fruits and vegetables.....	1.276		250.8	242.9	4.5
Nonalcoholic beverages and beverage materials.....	.884		140.6	142.2	1.1
Other food at home.....	1.716		163.6	165.6	1.7
Sugar and sweets.....	.296		161.3	163.0	0.0
Fats and oils.....	.258		167.4	170.4	6.0
Other foods (1).....	1.163		178.3	180.3	1.3

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Other miscellaneous foods (1) (2).....	.301	110.8	110.1	0.9
Food away from home (1).....	6.113	189.9	190.8	3.2
Other food away from home (2).....	.332	127.0	127.5	2.9
Alcoholic beverages (1).....	.996	193.9	194.3	2.6
Housing.....	41.993	190.7	191.8	3.0
Shelter.....	32.686	219.8	221.0	2.7
Rent of primary residence (3).....	6.133	213.9	214.5	3.0
Lodging away from home (2).....	3.008	118.7	122.6	4.6
Owners' equivalent rent of primary residence (3) (4).....	23.158	227.2	227.8	2.3
Tenants' and household insurance (1) (2).....	.337	118.7	118.5	3.2
Fuels and utilities.....	4.951	165.7	166.9	6.8
Fuels.....	4.021	143.0	149.0	7.0
Fuel oil and other fuels.....	.300	183.7	181.2	20.9
Gas (piped) and electricity (3).....	3.722	153.0	154.3	6.0
Water and sewer and trash collection services (2).....	.930	126.3	127.6	5.8
Household furnishings and operations.....	4.355	125.5	126.1	0.6
Household operations (1) (2).....	.707	127.0	127.9	4.2
Apparel.....	3.841	118.8	116.1	0.3
Men's and boys' apparel.....	.977	116.3	115.0	-0.4
Women's and girls' apparel.....	1.638	110.0	105.1	-0.6
Infants' and toddlers' apparel.....	.188	118.6	117.5	-0.2
Footwear.....	.765	120.3	119.4	3.0
Transportation.....	17.414	164.8	164.0	4.5
Private transportation.....	16.385	161.3	160.5	4.8
New and used motor vehicles (2).....	7.744	95.4	95.8	1.6
New vehicles.....	4.692	138.8	139.8	1.3
Used cars and trucks (1).....	2.037	137.3	137.5	5.1
Motor fuel.....	3.969	161.2	156.4	14.4
Gasoline (all types).....	3.934	160.4	155.6	14.3
Motor vehicle parts and equipment (1).....	.364	109.9	110.6	2.4
Motor vehicle maintenance and repair.....	1.341	203.3	204.0	2.9
Public transportation.....	1.029	205.4	204.4	-0.9
Medical care.....	6.132	314.9	316.8	4.3
Medical care commodities.....	1.484	270.8	271.6	2.3
Medical care services.....	4.649	327.3	329.5	5.0
Professional services.....	2.767	274.6	276.2	4.0
Hospital and related services (3).....	1.516	428.0	431.0	5.2

Other services.....	10.833	264.3	265.1	2.6
Special indexes				
All items less food.....	85.705	190.6	190.9	2.9
All items less shelter.....	67.314	180.9	180.9	3.0
All items less medical care.....	93.868	183.9	184.2	2.8
Commodities less food.....	25.943	139.3	138.6	2.9
Nondurables less food.....	14.976	159.5	157.5	4.4
Nondurables less food and apparel.....	11.135	185.1	183.5	6.1
Nondurables.....	29.271	173.3	172.5	3.7
Services less rent of shelter (4).....	27.462	236.5	237.4	3.4
Services less medical care services.....	55.113	216.0	217.0	2.8
Energy.....	7.991	153.7	151.9	10.6
All items less energy.....	92.009	195.8	196.4	2.3
All items less food and energy.....	77.714	197.8	198.4	2.3
Commodities less food and energy commodities.....	21.674	139.8	139.7	0.9
Energy commodities.....	4.269	163.4	158.7	14.8
Services less energy services.....	56.040	231.9	232.9	2.8
Purchasing power of the consumer dollar (1982-84=\$1.00).....	-	\$.525	\$.524	-
Purchasing power of the consumer dollar (1967=\$1.00).....	-	\$.175	\$.175	-

- 1 Not seasonally adjusted.
 - 2 Indexes on a December 1997=100 base.
 - 3 This index series was calculated using a Laspeyres estimator. All other item stratum using a geometric means estimator.
 - 4 Indexes on a December 1982=100 base.
 - 5 Indexes on a December 1988=100 base.
 - Data not available.
- NOTE: Index applies to a month as a whole, not to any specific date.

Table of Contents

Last Modified Date: February 23, 2005

[▲ Back to Top](#)

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DATA REQUESTS TO THE PAWTUCKET WATER SUPPLY BOARD (PWSB)
FROM THE DIVISION OF PUBLIC UTILITIES AND CARRIERS
DOCKET 3674
SET 2

DIV 2-38. Regarding page 7, lines 16-17 of Mr. Woodcock's testimony, please provide supporting documentation, assumptions, and calculations for the decommissioning costs of the old plant and state how these costs were originally expected to be funded by the Authority.

Response: Response to Comm 1-16: "Once the new water treatment plant is in operation, Earth Tech will shut down the old plant and remodel the newer section (chemical area built in 1970) for the Transmission and Distribution Department. The demolition of the older section of the plant is the PWSB's responsibility. There is no salvage value except as scrap material. Most of the materials are original to the plant construction in 1938. Removal of the piping and pumps would be more costly than the scrap value. There is no estimate of the demolition costs at this time, but it is proposed to utilize the funds remaining in the WTP restricted account. Going forward we are asking for 1/2 the \$778,000 approved in the prior docket plus anything remaining in that restricted account. If it is sufficient, we will move any remaining to restricted IFR account as approved in last case."

The PWSB is also responsible for the cost of demolition of the Spring St. pump station, located between the source water and the new treatment plant, once the new treatment facilities are in operation. It is proposed that the balance of the WTP restricted account provide funding for the demolition. However, at this time Earth Tech is considering building the new raw water pump station in the location of the Spring St. pump station. If Earth Tech proceeds with this plan, they will include the cost of the demolition in their contract for no additional cost.

Response by: PM Marchand

PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674

Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2

DIV 2-39. For each rate case filed since 1985, please provide a) the amount of the increase requested, b) the percentage increase requested, c) the amount of the increase granted, d) whether the case was litigated or settled, and e) the total rate case costs incurred.

Response: See Attached

Prepared by: D. Bebyn

Analysis of Regulatory Expenses By Docket
Pawtucket Water Supply Board

Support for Att

	Docket 2674 *	Docket 3164	Docket 3193	Dockets 3164 & 3193	Docket 3378	Docket 3452
Breakdown by Source						
Legal		17,592.40	9,423.63	27,016.03	49,009.75	8,497.84
Rate Consultants & Expert Witnesses		22,295.00	23,582.40	45,877.40	103,924.46	-
PUC & Division Charges		20,552.16	-	20,552.16	-	11,688.13
Document & Court Reporting		1,205.20	353.25	1,558.45	13,638.38	339.25
Total	<u>136,355.63</u>	<u>61,644.76</u>	<u>33,359.28</u>	<u>95,004.04</u>	<u>166,572.59</u>	<u>20,525.22</u>
Breakdown of when disbursed						
FY 1998	120,500.46			-		
FY 1999	15,855.17			-		
FY 2000		6,150.00		6,150.00		
FY 2001		37,255.15	33,359.28	70,614.43	36,808.02	
FY 2002		18,239.61		18,239.61	126,342.69	
FY 2003				-	3,421.98	20,525.22
FY 2004				-		
	<u>136,355.63</u>	<u>61,644.76</u>	<u>33,359.28</u>	<u>95,004.04</u>	<u>166,572.69</u>	<u>20,525.22</u>
	Full Filing	Revenue Requirement Portion	Cost of Service Portion	Combined to Provide Full Filing	Full Filing	Treatment Plant Inquiry

* Detail Breakdown not available prior to FY 1999

Analysis of Regulatory Expenses By Docket
Pawtucket Water Supply Board

Sup

Reconciliation of Regulatory Expenses by Year						
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure
Docket 2674 Disbursed 1998 (1)	40,166.82	40,166.82	40,166.82			
Docket 2674 Disbursed 1999		15,855.17				
Dockets 3164 & 3193 Disbursed 2000			6,150.00			
Dockets 3164 & 3193 Disbursed 2001 (2)				23,533.81	47,067.62	
Dockets 3164 & 3193 Disbursed 2002 (3)					9,119.81	9,119.81
Docket 3378 Disbursed 2001 (2)				12,269.34	24,538.68	
Docket 3378 Disbursed 2002 (3)					63,171.35	63,171.35
Docket 3378 Disbursed 2003 (3)						1,710.99
Docket 3452 Disbursed 2003 (3)						10,262.61
Docket 3497 Disbursed 2003 (3)						33,191.27
Docket 3497 Disbursed 2004 (3)						
Docket 3593 Disbursed 2004 (3)						
<i>Other Regulatory Disbursements</i>						
2001 Bond Issuance (3)					937.50	937.50
Division 04-02 (3)						
PUC FY 1999 Assessment		19,030.63				
PUC FY 2000 Assessment			16,475.81			
PUC FY 2001 Assessment (4)				17,970.63	2,353.78	
PUC FY 2002 Assessment (3)					11,794.01	
PUC FY 2003 Assessment (3)						10,510.01
PUC FY 2004 Assessment (3)						11,030.49
	<u>40,166.82</u>	<u>75,052.62</u>	<u>62,792.63</u>	<u>53,773.78</u>	<u>158,982.74</u>	<u>139,934.02</u>
Balance per DGB-2				<u>\$ 53,774</u>	<u>\$ 158,983</u>	<u>\$ 139,934</u>

- (1) Amortized over 3 year Period
- (2) Amortized incorrectly over 3 year Period then changed to 2 year period in second year
- (3) Amortized over 2 year period
- (4) \$16500 was expensed in the current year the remainder was Amortized over 2 year period

Rate filings with RIPUC
Pawtucket Water Supply Board

<u>Docket</u>	<u>Filed</u>	<u>Requested</u>	<u>Allowed</u>	<u>% Inc</u>	<u>Litigated or Settled</u>	<u>Rate Co</u>
1989	2-Nov-90	2,025,617	1,247,185			\$ 1
2158	7-Dec-93	1,460,486	624,876			\$ 1
2674	9-Jan-98	3,634,020	614,430	7.5%	Settled/Litig.	\$ 1
3164	30-Jun-00	2,289,601	1,820,799	22.1%	Settled	\$
3378	20-Aug-01	3,828,966	2,732,584	29.9%	Settled	\$ 1
3497	1-Mar-03	3,157,389	2,383,375	21.1%	Litigated	\$ 1
3593	23-Feb-04	3,157,389	3,414,969	25.0%	Settled	\$

Note: Docket 3193 was combined with 3164 since these two docket covered the same rate year. Docket 3164 covered which was expedited due to emergency rate relief and docket 3193 followed shortly there after to cover the cost of ser

PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674

Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2

DIV 2-41. Regarding the security costs shown on CPNW Schedule 1.1, page 2, please a) identify the security costs incurred in the test year, b) describe any additional measures to be undertaken in the rate year, and c) state why the Authority believes that the requested increase is necessary.

RESPONSE: The security costs in the test year and rate year are as follows:

<u>Description</u>	<u>Test Yr</u>	<u>RateYr</u>
Security patrol service contract	\$67,211	\$66,060
Power costs for security lighting		6,600
Maintenance – security lighting		500
Police Ban Radio for security		900
Security service monitoring equipment	<u>636</u>	<u>0</u>
Total	67,847	74,060

The rate year costs were are overstated by \$8,000. In preparing this budget, all costs for watershed security are included here and not deducted from the rate year costs in the expense items where they were incurred in the test year. Therefore, this item is overstated and can be reduced by the power costs, police ban radio and security lighting maintenance costs.

WITNESS: R. Benson

PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674

Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2

DIV 2-48. Please provide all supporting assumptions, workpapers, and calculations for the \$5,600 fees and permits adjustment shown on CPNW Schedule 1.1, page 2.

RESPONSE: In prior years the manager of the treatment plant was assigned responsibility for these expenses now included in Source of Supply for the rate year. This manager, transferred to the position of Source Water Manager as of the date Earth Tech assumed operation of treatment plant (see the response to DIV 2-11), continues to be responsible for these items.

This account is titled miscellaneous expenses and includes employee uniforms including uniform laundering for three employees, state (i.e. RI Dept of Environmental Management, etc.) and local fees & permits.

WITNESS: R. Benson

**PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674**

**Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2**

DIV 2-49. Please identify each type of insurance included in the Company's insurance expense claim. For each, please provide a) the current premium, b) the prior premium, and c) the premium assumed for purposes of this case.

RESPONSE: See the attached schedule DIV 2-49 Insurance Coverage.

Prepared by: Robert Benson

PWSB PROPERTY INSURANCE COVERAGE

COVERAGE	Actual	Actual	Actual	Actual	Actual	Rate Year
	Premiums	Premiums	Premiums	Premiums	Premiums	
	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	
Commercial General Liability (FY01 no policy detail avail.)	57,500	18,959	35,380	31,059	37,181	42,
Commercial Property and Inland Marine Coverage	9,255	6,492	18,432	21,743	28,793	33,
Commercial Automobile						
Employment Practices		28,578	24,211	44,754	38,492	44,
Public Officials		included with Public Officials	included with Public Officials	6,268	6,603	7,
Boiler & Machinery	2,574	17,450	17,250	7,135	10,008	11,
Blanket Contractor's Utility Bond		2,200	-	1,711	1,954	2,
Commercial Umbrella		250	-			
	<u>no coverage</u>	<u>no coverage</u>	<u>26,427</u>	<u>30,367</u>	<u>32,527</u>	<u>37,</u>
Fidelity Bond	69,329	73,929	121,700	143,037	155,558	179,
	<u>-</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>263</u>	
TOTAL ANNUAL PREMIUMS	<u>69,329</u>	<u>74,179</u>	<u>121,950</u>	<u>143,287</u>	<u>155,821</u>	<u>179,</u>

No quotes were provided for FY07 and FY08 in our recent RFP.

PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674

**Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2**

DIV 2-64. Please describe the situations whereby the O&M reserve can be used to meet operating and maintenance expenses and provide a copy of the relevant section of the Authority's bond resolution discussing the reserve.

The Operation and Maintenance Reserve Fund is established under Sections 502 and 510 of PWSB's General Bond Resolution. The language in the Trust Indenture is as follows:

Section 502. Establishment of Funds and Accounts. The following funds shall be established to be held by the Trustee, except the Operating Fund, the Insurance Reserve Fund, and the Unrestricted Fund, which shall be held by the City in the custody of one or more banks selected by the City (including but not limited to the Trustee or any Depository) and the Revenue Fund, which, prior to the occurrence of any Event of Default hereunder, shall be under the exclusive control of the City, and which shall be held by the Trustee upon the occurrence of any Event of Default hereunder:

- (i) Project Fund
- (ii) Revenue Fund
- (iii) Operating Fund
- (iv) Debt Service Fund
- (v) Redemption Fund
- (vi) Debt Service Reserve Fund
- (vii) Rebate Fund
- (viii) Operation and Maintenance Reserve Fund
- (ix) Insurance Reserve Fund
- (x) Unrestricted Fund

There shall be established in the Project Fund an Infrastructure Replacement Account. There shall be established within the Debt Service Fund separate accounts to be known as the Debt Service Account, the Stabilization Account and the Debt Service Assistance Account. The City may establish, in connection with the issuance of one or more Series of Bonds or Subordinated Bonds, or pursuant to an order of the Public Utilities Commission, additional funds or accounts hereunder to be held for the benefit of one or more Series of Bonds or Subordinated Bonds and subaccounts within the funds and accounts established hereunder, as set forth in Supplemental Indentures. Any fund or account established pursuant to an order of the Public Utilities Commission may be closed with the approval of the Public Utilities Commission.

Section 510. Operation and Maintenance Reserve Fund.

(a) If any time the amount on deposit and available therefor in the Debt Service Fund, Redemption Fund, Stabilization Fund, Debt Service Reserve Fund, and one or more Infrastructure Replacement Accounts is insufficient to pay the Principal Installments and

PAWTUCKET WATER SUPPLY BOARD
Docket No. 3674

Data Requests of the Division of Public Utilities and Carriers
to Pawtucket Water Supply Board
Set 2

Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from the Operation and Maintenance Reserve Fund to the Debt Service Fund the amount necessary to meet the deficiency.

(b) Subject to subsection (a) of this Section, if at any time the amount on deposit in the Operating Fund is insufficient to pay all Operation and Maintenance Expenses then payable, the Trustee, upon receipt of a certificate of an Authorized Officer to that effect, shall withdraw from the Operation and Maintenance Reserve Fund and pay to the City for deposit in the Operating Fund the amount specified in such certificate.

The O&M Reserve Fund can be used for specific purposes only: (1) to make principal and/or interest payments if there are insufficient amounts available in the debt service fund, debt service reserve fund, renewal and replacement reserve fund or the renewal and replacement account or (2) to make payments for operation and maintenance if the amounts in the operation and maintenance fund is insufficient. Unlike the 1.5% operating revenue allowance, the O&M Reserve Fund can not be used for other purposes such as payments towards IFR costs if revenues are insufficient or to the O&M or R&R reserve funds. The O&M Reserve Fund is also quite different in that this fund or account may not simply be used up if revenues are insufficient – the fund must be repaid. It is only to be used for a short term cash flow. At the end of each fiscal year, the O&M Reserve Fund must have an amount on deposit equal to 25% of the operating budget. While money can be withdrawn and used in an emergency, unlike the 1.5% operating reserve it must be paid back in the fiscal year. With the 1.5% operating reserve, a shortfall in sales and revenues can be covered by that reserve for the year and no repayment is needed. That is not the case with the O&M Reserve Fund. Theoretically PWSB could tap into the O&M Reserve Fund in an emergency; however, this is generally not practical. First, PWSB would have to recognize the shortfall in revenues in sufficient time to prepare an emergency rate filing. It is unclear when this might be possible. For example, it would probably be unreasonable to suggest an emergency exists for the whole year if billings in the fall (three or four months into the fiscal year) are down. However, waiting until January or February might be too late – their may only be one billing left after emergency rates are approved, and that one quarter would not necessarily be sufficient to refund the O&M Reserve Fund so that 25% of the budget (the amount required in the bond resolution) is in the account on June 30. Under this scenario other expenses and restricted deposits must still be made in the year with revenues that are insufficient to cover those expenses. Assuming that funds would be left over to make all the normal payments and reimburse the O&M Reserve Fund by the end of the fiscal year is unlikely.

Response by: Christopher Woodcock in consultation with Bond Counsel