

**Rebuttal Testimony**  
**of**  
**David G. Bebyn CPA**

**For**  
**Pawtucket Water Supply Board**  
**City of Pawtucket**

**Docket No. 3674**

**August 2005**

1 **Q. Please state your name and business address for the record.**

2 A. My name is David G. Bebyn CPA and my business address is 21 Dryden Lane,  
3 Providence, Rhode Island 02904.

4

5 **Q. Mr. Bebyn, are you the same David Bebyn who filed prefiled direct testimony in**  
6 **this Docket No. 3674 in April of 2005?**

7 A. Yes.

8

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. I have read the prefiled direct testimony of Andrea C. Crane, which she prepared for  
11 the Division of Public Utilities and Carriers (DPU) regarding revenue requirement in this  
12 docket. This rebuttal testimony presents my comments relating to Ms. Crane's  
13 recommendation relating to PWSB's pro forma retail revenue, wholesale sales, surcharge  
14 revenue, and installation and miscellaneous revenue.

15

16 **Pro Forma Retail Revenue**

17 **Q. Mr. Bebyn what are your comments regarding the PWSB's pro forma retail**  
18 **revenue?**

19 A. Ms. Crane's approach averages seasonal fluctuations by calculating a five year average  
20 on residential and small commercial customers. While there have been fluctuations in  
21 residential and small commercial consumption from year to year, total consumption in  
22 2005 is significantly lower than total consumption in 2000. Ms. Crane's calculation  
23 completely ignores the continued decline in industrial and large commercial sales. Her one  
24 directional adjustment results in an erroneous overstatement of projected rate year revenue.  
25 Please refer to Mr. Woodcock's rebuttal for greater detail regarding this issue.

26

27 **Q. Do you have any other information that would support PWSB's initial projection**  
28 **of retail consumption?**

29 A. Yes. Subsequent to the filing of prefiled testimonies, fiscal year 2005 has ended and  
30 retail consumption data for the year became available. Total consumption for 2005 was

1 172,000HCF less than the test year. I have updated Ms. Crane's five year average  
2 approach using 2005 and determined that her adjustment decreased to 89,837 HCF from  
3 her initial adjustment of 152,143 HCF. Given that the PWSB's pro forma consumption is  
4 higher than fiscal year 2005 actual consumption, I believe that the retail consumption as  
5 originally filed is reasonable and appropriate, thus no retail water revenue adjustment is  
6 necessary for the rate year.

7  
8 **Q. What was the retail consumption for FY 2005?**

9 A. Schedule DGB-R-1 presents the 2000 - 2005 data in a format consistent with the data  
10 response to DIV 2-27.

11  
12 **Q. Mr. Bebyn, has Ms. Crane made any other customer growth adjustments besides  
13 her averaging approach previously discussed?**

14 A. Yes, she has calculated an additional growth adjustment on her schedule ACC-3.

15  
16 **Q. Mr. Bebyn do you agree with Ms. Crane's adjustment to additional customer  
17 growth on her schedule ACC-3?**

18 A. No, I do not. Once again, Ms. Crane has ignored the fact that industrial sales have  
19 steadily declined since fiscal year 1997. These declines have far exceeded any fluctuations  
20 from residential and small commercial. In the past five years, FY 2001 through FY 2005,  
21 there has only been a 330,000 HCF variance from highest to lowest year for residential and  
22 small commercial. Conversely industrial has steadily declined nearly 1,000,000 HCF  
23 during the same period. Given that industrial consumption decline is out pacing any  
24 residential growth and the fact that Ms. Crane has not build in any factor for industrial  
25 losses, I believe that the additional residential growth adjustment as calculated on schedule  
26 ACC-3 is unnecessary.

1 **Wholesale Sales Revenue**

2 **Q. What are you recommending for wholesale sales?**

3 A. I believe that fiscal years 2004 and 2003 are the most representative of the current  
4 wholesale water sales. I previously explained through my prefiled and rebuttal testimonies  
5 in Docket 3497 that the fiscal year 2002 was abnormally high due to Cumberland  
6 experiencing drought levels with their reservoir requiring Cumberland to discontinue  
7 production from its own treatment plant and to purchase from the PWSB the majority of  
8 the water it sold to its own ratepayers. Fiscal year 2002 was 20% higher than the second  
9 highest year for the past nine years.

10  
11 In addition, the consumption growth in fiscal year 2005 coincides with the period  
12 Cumberland's Manville wells went down. These wells were down from mid December to  
13 mid June. My schedule DGB-R-2 demonstrates that prior to January reads from 2004 and  
14 2005 there was only 5% growth in consumption. Consumption between January and June  
15 of 2004 and 2005 was up 36%. Since much of the period occurs outside summer this  
16 growth is unlikely due to rain conditions.

17  
18 Since the test year is the higher year of FY 2004 and 2003, I believe that the wholesale  
19 consumption as originally filed is reasonable and appropriate, thus no wholesale water  
20 revenue adjustment is necessary for the rate year.

21  
22  
23 **Surcharge and Miscellaneous Revenues**

24 **Q. What is your position regarding the adjustment to State Surcharge Revenue?**

25 A. Setting aside the fact that this adjustment is unnecessary since the retail consumption  
26 should not be adjusted as shown above and further explained in Mr. Woodcock's rebuttal  
27 testimony, Ms. Crane's calculation of the surcharge amount is in error.

1 **Q. Mr. Bebyn are the gallons sold to wholesales customers subject to the State**  
2 **Surcharge?**

3 A. No. Section 46-15.3-4 of the law covering the surcharge, states that “sale” shall mean  
4 all retail sales except for sales exempt under section 46-15.3-5. Wholesale sales therefore  
5 are exempt from the surcharge and should have been excluded from Ms. Crane’s  
6 adjustment.

7  
8 **Q. Do you agree with the surcharge rate used in Ms. Crane’s testimony regarding**  
9 **the State Surcharge?**

10 A. Yes. Although, Ms. Crane used a different rate than is reflected in the law, her adjusted  
11 rate is correct. Ms. Crane has made an adjustment to the state surcharge rate to remove the  
12 residential consumption of the elderly ratepayers. Section 46-15.3-5(c) of the state law  
13 exempts the elderly from being charged the surcharge, therefore Ms. Crane’s adjusted rate  
14 although confusing is correct.

15  
16 **Q. What are your comments regarding the PWSB’s installation and miscellaneous**  
17 **revenue?**

18 A. The City of Pawtucket has seen a large growth in housing construction due to lower  
19 mortgage rates and rising housing prices. The available land for new construction has been  
20 declining and now there are already signs that service installation are beginning to decline.  
21 The fiscal year 2005 installation revenue was down to \$163,950 from the \$241,670 level of  
22 fiscal year 2004. This represents a 32% reduction in revenue from the prior year. Due to  
23 the abnormally high service installation for the past three year which peaked fiscal year  
24 2004, I believe that the PWSB originally presented position of \$106,352 is reasonable and  
25 no adjustment is necessary. Based upon the availability of buildable lots the PWSB expects  
26 new installation revenue to decrease to pre housing boom levels of \$50,000 to \$80,000 per  
27 year.

28  
29 **Q. Does that conclude your testimony?**

30 A. Yes.

Analysis of Water Sales by Customer Class  
Pawtucket Water Supply Board

DGB-R-1

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
<b><u>Retail</u></b>						
Pawtucket Residential & Small Commercial CYCLES 1-4	2,462,945	2,330,209	2,276,838	2,444,801	2,192,098	2,212,849
Central Falls Residential & Small Commercial CYCLE 5	604,752	587,559	574,589	638,154	587,389	572,107
Cumberland Residential & Small Commercial CYCLE 6	325,199	305,559	304,650	316,282	288,848	296,411
<b>Total</b>	<b>3,392,896</b>	<b>3,223,327</b>	<b>3,156,077</b>	<b>3,399,237</b>	<b>3,068,335</b>	<b>3,081,367</b>
Industrial & Large Commercial CYCLE 7	2,365,917	1,134,760	727,100	773,883	680,771	643,820
Industrial & Large Commercial CYCLE 11		1,085,284	981,543	869,859	789,815	641,400
<b>Total</b>	<b>2,365,917</b>	<b>2,220,044</b>	<b>1,708,643</b>	<b>1,643,742</b>	<b>1,470,586</b>	<b>1,285,220</b>
<b>Total Retail</b>	<b>5,758,813</b>	<b>5,443,371</b>	<b>4,864,720</b>	<b>5,042,979</b>	<b>4,538,921</b>	<b>4,366,587</b>

**Reduction from the prior year**

<b><u>Wholesale</u></b>						
Cumberland	418,397	707,685	845,377	545,224	548,162	686,462
Seekonk	25,496	33,392	-	-	-	-
<b>Total</b>	<b>443,893</b>	<b>741,077</b>	<b>845,377</b>	<b>545,224</b>	<b>548,162</b>	<b>686,462</b>

CONSUMPTION ANALYSIS--WHOLESALE REVENUE  
PAWTUCKET WATER SUPPLY BOARD

Schedule DGB-R-2

<u>READ DATE</u>	<u>CYCLE</u>	<u>CONS(HCF)</u>	<u>READ DATE</u>	<u>CONS(HCF)</u>	
08/04/04	CUMBER	89,602	8/2/2003	<b>71,600</b>	
09/01/04	CUMBER	56,668	9/4/2003	85,438	
			credit	-43,490	
09/29/04	CUMBER	59,197	10/9/2003	57,967	
11/03/04	CUMBER	37,790	11/8/2003	46,939	
12/09/04	CUMBER	27,249	12/2/2003	39,823	
		<u>270,506</u>		<u>258,277</u>	4.73%
01/05/05	CUMBER	35,485	1/6/2004	34,517	
02/03/05	CUMBER	50,493	2/4/2004	33,348	
03/03/05	CUMBER	49,494	3/3/2004	34,645	
03/31/05	CUMBER	50,825	4/21/2004	21,542	
05/05/05	CUMBER	65,460	5/4/2004	52,246	
06/01/05	CUMBER	63,454	6/2/2004	47,818	
06/29/05	CUMBER	100,745	6/30/2004	81,236	
		<u>415,956</u>		<u>305,352</u>	36.22%