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

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

Q: Please describe your qualifications and experience.

1

1

2 **Q: Have you previously testified before state regulatory commissions or courts**
3 **on rate related matters?**

4 A: Yes, I have provided testimony on rate related matters before utility commissions in
5 Rhode Island, Maine, Connecticut, New York, New Hampshire, Texas, and Alberta,
6 Canada. In fact, I have testified on behalf of this agency a number of times. I have
7 also been retained as an expert witness on utility rate related matters in proceed-
8 ings in state courts in Massachusetts, Michigan, New Jersey, Maryland, Ohio, Ar-
9 kansas, Pennsylvania, and Florida as well as the Federal Court in Michigan. I have
10 been selected to several arbitration panels related to disputes over water rates and
11 charges, I have provided testimony on rate related matters to the Michigan and
12 Massachusetts legislatures, and I have provided testimony at administrative hear-
13 ings on a number of occasions.

14

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

16 A: Yes, I am a member of the Water Environment Federation, the Rhode Island Water
17 Works Association, the Massachusetts Water Works Association, the New England
18 Water Works Association, and the American Water Works Association. For the Wa-
19 ter Environment Federation, I am a member of the committee that prepares their
20 manual on Wastewater Rates and Financing. For the New England Water Associa-
21 tion, I am a member of the Conservation Committee and the co-chairman of the Fi-
22 nancial Management Committee. In my capacity as Assistant Treasurer for the
23 New England Water Works Association I also sit on the Board of Directors as well
24 as several other administrative committees. For the American Water Works Asso-
25 ciation, I am past chairman of the Financial Management Committee and the Rates
26 and Charges Committee that has prepared the manuals on Revenue Requirements,
27 Water Rates, Alternative Rate Structures, and Water Rates and Related Charges. I
28 have been reappointed to and am currently a member of the Rates & Charges
29 Committee.

30

1 **Q: What is your role in this proceeding?**

2 A: Working with the PWSB staff and its other consultants and advisors, I have pre-
3 pared a summary of the requested rate year revenue requirements. The Public Util-
4 ity Commission's Order in Docket 3497 stated: "The Commission orders PWSB to
5 file a full cost of service study and rate design recommendation with its next full rate
6 case, taking into account any differences between PWSB retail customers and Cen-
7 tral Falls retail customers, including any avoided maintenance costs or any addi-
8 tional maintenance costs that may be required after a purchase of the system." I
9 have developed the cost of service study and rate design ordered by the Commis-
10 sion. I believe it fully complies with the Commission's findings in Pawtucket's prior
11 dockets as well as the requirements found under Commission Docket 2049 – the
12 1993 Water Task Force Report on Cost of Service Study Methodology.

13
14 **Summary**

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

16 A: The test year is the twelve months ending June 30, 2004 (fiscal year 2004). The
17 proposed rate year is January 1, 2006 – December 31, 2006 (calendar year 2006).

18
19 **Q: Will you summarize your findings and conclusions?**

20 A: The Commission allowed the PWSB to increase its rates and charges 25% across
21 the Board, effective April 1, 2005 in Docket No. 3593. Applying those rates to the
22 rate year sales, meters and fire services results in annual revenues of \$16,431,983.
23 Pawtucket's rate year revenue requirement is \$19,972,083. As A result, the PWSB
24 needs to increase its revenues by \$3,540,101, or 22%. Based on the cost alloca-
25 tion study included in this filing, the proposed rates and charges change by varying
26 amounts. I believe this variation is due to several factors: (a) partially to the change
27 in costs resulting from the new operating contract and treatment facilities, (b) the
28 requirement that IFR costs only be recovered through the metered rates, and (c) the
29 fact that some of the charges were not adjusted to the cost of service in Docket No.
30 3378.

1

2 **Content of Schedules**

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

4 A: There are 12 main schedules, several of which include supporting schedules. I
5 have tried to use the same schedules and numbering as used in our prior dockets to
6 make comparisons easier. The schedules included in this filing are:

7 • **Schedule 1.0** This schedule presents the test year (FY 2004) along
8 with the adjustments that were used to derive the rate year (CY 2006)
9 revenue requirements. The test year expenses match the Adjusted
10 Test Year amounts presented in Mr. Bebyn's Schedule DGB-1. Most
11 line items include adjustments from the test year to the rate year with
12 notations as to which supporting schedule includes the explanation for
13 the adjustment. Attached to Schedule 1.0 are several supporting
14 schedules that demonstrate or support the requested increase:

15 • **Schedule 1.1.** This schedule provides the explanation for many
16 of the individual adjustments to the test year expenses. Salary
17 and labor items are presented later in Schedule 1.3

18 • **Schedule 1.2.** This presents the adjustments to the miscellane-
19 ous revenues. In several cases, Mr. Bebyn's schedules are ref-
20 erenced.

21 • **Schedule 1.3.** This presents the derivation of the rate year salary
22 and wage related items. Many of these adjustments are de-
23 scribed in Mr. Benson's testimony.

24 • **Schedule 2.0** This schedule presents the units of service including the
25 number of meters by size and billing frequency, the number of private
26 and public fire services by size of connection, and the retail and whole-
27 sale water sales. The miles of each size pipe are also presented – this
28 is used to allocate transmission and distribution costs between retail
29 and wholesale service.

30 • **Schedule 2.1** This schedule presents the historic water sales.

- 1 • **Schedule 3.0** presents the allocation of the rate year costs to various
2 cost of service components. These are the same components and
3 format used in the last full rate filing (Docket No. 3378). Schedule 3
4 also has several supporting schedules.
- 5 • **Schedule 3.1** This schedule presents the allocation of the PWSB
6 assets. It is based on the existing net assets plus the estimated
7 cost of new improvements. This is used to allocate many of the
8 capital items.
- 9 • **Schedule 3.2** This schedule presents the allocation of non-
10 administrative labor costs. It is used to allocate labor related
11 items that can not be allocated directly.
- 12 • **Schedule 3.3** This shows the allocation of the costs from Sched-
13 ule 3 to Fire Protection, Wholesale Service, and Retail Service.
14 These values are used in later schedules to derive the proposed
15 rates.
- 16 • **Schedule 3.4** contains an explanation for each of the symbols or
17 allocators that were used in the prior schedules.
- 18 • **Schedule 4.0** summarizes the proposed fire protection charges.
 - 19 • **Schedule 4.1** presents the allocation of total fire service ex-
20 penses (from Schedule 3.3) to Public Fire Service and to Private
21 Fire Service.
 - 22 • **Schedule 4.2** shows the calculation of the proposed public and
23 private fire protection charges.
- 24 • **Schedule 5.0** summarizes the proposed service charges and shows
25 their derivation.
- 26 • **Schedule 6.0** presents the allocation of general water costs (metered
27 rates) to the various customer classes.
- 28 • **Schedule 7.0** presents the calculation and summary of the proposed
29 retail and wholesale metered rates for each rate class.

- 1 • **Schedule 8.0** presents a summary of the current rates (effective
2 4/1/2005) and the rates derived from my cost of service study, includ-
3 ing the percentage change to each.
- 4 • **Schedule 9.0** This schedule presents the impact of the cost of service
5 rates and charges on various types of customers. The current bills are
6 based on the rates approved by the Commission in Docket No. 3593
7 (effective April 1, 2005).
- 8 • **Schedule 10.0** This schedule contains the proof of revenues, showing
9 the annual revenues under the existing rates and those derived from
10 the cost of service study. Because the rates are rounded to the near-
11 est penny, the cost of service rates provide slightly different total reve-
12 nues from those required.
- 13 • **Schedule 11.0** This schedule is a summary of the test year and rate
14 year revenues and expenses. The test year revenues are those de-
15 rived from Schedule 10.0; that is the revenues at the current rates with
16 the rate year usages.
- 17 • **Schedule 12.0** This schedule presents the proposed metered rates
18 with the Cumberland Tax Surcharge.

20 **Revenue Requirements**

21 **Q: Returning to Schedule 1.1, will you explain Pawtucket's request for debt ser-**
22 **vice in this docket?**

23 A: The Commission approved rates that became effective April 1, 2005 in Docket No.
24 3593. That docket was a single issue, abbreviated docket where the Commission
25 approved an increase in revenues that allowed PWSB to sell additional bonds for its
26 capital program. Those bonds were sold in early March of this year. The rates in
27 that docket go into effect April 1, 2005 in order to generate sufficient revenues. We
28 are not seeking any change to the debt service allowance in that Docket.

1 **Q: In Docket 3593 the PWSB proposed to use any excess revenues from the al-**
2 **lowed O&M Reserve and/or the \$778,000 allowance for the water treatment**
3 **plant O&M costs be used for debt service. The Order in that Docket stated:**
4 **“Accordingly, the parties agreed to reexamine the need to permit the PWSB to**
5 **use the amount currently designated for the O&M Reserve and Water Treat-**
6 **ment Plant O&M to meet its debt service requirements under the Trust Inden-**
7 **ture when PWSB files its next base rate case. At that time, the parties agreed**
8 **to take positions on whether the amounts designated to fund the O&M Re-**
9 **serve and Water Treatment Plant O&M requirements should be reduced or**
10 **eliminated from the PWSB’s revenue requirement.” Have you done this?**

11
12 **A:** As shown on Schedule 1.1, we have asked for a reduced allowance for both the
13 O&M Reserve and for the existing “water treatment plant O&M”.
14 The new treatment facility is expected to be in operation in April 2006. As a result,
15 there will only be three months or ¼ of the rate year when the existing plant is still in
16 operation. However, Pawtucket must also spend funds on the old plant to decom-
17 mission it. Accordingly, we have reduced the request for the \$778,000 “water
18 treatment plant O&M” line item to ½ the previously allowed amount, or just under
19 \$400,000.
20 As the Commission may recall, the O&M Reserve must be funded to an amount
21 equal to 25% of the PWSB’s O&M budget. Initially this Reserve was to be funded in
22 three years, with that funding starting with the rates adopted in Docket 3378. As
23 shown on page 1 of Schedule 1.1 the balance of this fund was \$1,642,039 on Feb-
24 ruary 28, 2005. The balance at the start of the Rate Year is estimated to be
25 \$2,212,863. As a result, the incremental annual deposit needed would be
26 \$158,721. That is all we are requesting in this docket.

27
28 **Q: Will the amount requested for the O&M Reserve fully fund that account?**

29 **A:** Each year the fund must have additions to reflect the increase in operating costs.
30 Theoretically, once the initial three year funding is up and the fund is brought to the

1 required level, the only addition each year would be 25% of the annual increase in
2 operating costs.

3
4 **Q: Is the funding level of the O&M Reserve requirement based on the O&M costs**
5 **allowed by the Commission?**

6 A: The O&M Reserve must be equal to 25% of Pawtucket's O&M budget by the end of
7 each fiscal year. Because the PWSB's fiscal year does not coincide with the rate
8 year (a calendar year), the actual requirement will be different and Pawtucket must
9 fund the reserve at the levels required in its bond indenture. Recognizing the
10 Commission's role in providing an allowed revenue requirement, we have asked for
11 an allowance that is equal to 25% of the requested (rate year) operating costs. If
12 Pawtucket's FY 2007 O&M budget exceeds the amount provided in this docket,
13 they must none-the-less fund the O&M Reserve at that higher level. Because the
14 new treatment plant is expected to be in operation for all of FY 2007 (the last half of
15 the rate year plus the next six months) it can be expected that the operating budget
16 will indeed be more than that we have requested in this docket, and thus the depos-
17 its to the O&M Reserve will have to reflect the actual O&M budget for FY 2007.

18
19 **Q: What does Pawtucket propose to do with the approximately \$400,000 re-**
20 **quested for the existing water treatment plant once the new plant becomes**
21 **operational?**

22 A: First, the existing water treatment plant must be decommissioned. Next, as shown
23 on Schedule 1.1, the annual operating cost for the new plant is more than \$400,000
24 per year more expensive than the existing treatment plant. We would ask that the
25 \$400,000 provided for upkeep and repairs to the existing plant be moved to the op-
26 erating costs for the new plant to help cover that increased contractual expense and
27 be used in part to fund the O&M reserve if needed.

1 **Q: How much is Pawtucket seeking for IFR in this docket?**

2 A: We are looking for \$3.1 million in the rate year. This is consistent with Pawtucket's
3 capital plan.

4
5 **Q: What have you assumed for the costs of the new water treatment DBO con-**
6 **tract?**

7 A: The DBO contract runs for one year terms from February to February each year,
8 with an annual escalation based on the New England Consumer Price Index.
9 Schedule 1.1 shows the current amount from February 2005 and the estimated
10 amount starting in February 2006. The details of these amounts are included with
11 Ms. Marchand's testimony and exhibits. Once the new facility is operational, a dif-
12 ferent base applies. It is expected that the new plant will become operational in
13 April 2006. To derive the rate year operating contract cost I used one month at the
14 existing plant rate (January 2006), two months at the escalated rate for the existing
15 plant (February and March 2006), and nine months at the rate for the new treatment
16 plant (April – December 2006).

17
18 **Q: What inflation rate did you use?**

19 A: As shown on Schedule 1.1, I used an inflation rate of 3.5% per year. This was
20 based on the annual change in the NE CPI from 2003 to 2004. While this is a little
21 higher than some prior years, I also recognize that the Federal Reserve Board
22 raised interest rates on March 22, 2005 in response to concerns about rising infla-
23 tion.

24 I used the 3.5% inflation rate on many of the items noted in Schedule 1.0. Because
25 the rate year is 2 ½ years from the test year I compounded this increase for that
26 time period.

27 For energy or utility related items (noted with a "u"), I used an inflation rate of 7%
28 per year – again compounded for the difference between the test year and rate
29 year. In recent months, energy prices have been climbing much faster than other

1 costs. While the CPI for energy has been well over 10%, I have (perhaps optimisti-
2 cally) used a lower inflation rate for utility costs.

3
4 **Q: How did you derive the Education and Training costs for the rate year?**

5 A: In most cases I have used the amounts provided by the Commission in Docket
6 3497, increased by just one year for inflation. As indicated on Schedule 1.1, there
7 are several changes from that prior docket, including the elimination of some
8 \$18,000 in Education & Training costs from Purification and the additions in Source
9 of Supply and Administration.

10
11 **Q: What have you recommended for property taxes?**

12 A: In all cases the property taxes expenses have been increased 3.5% per year (the
13 maximum allowed) for 2 ½ years.

14
15 **Q: Please explain the property insurance adjustment.**

16 A: For the current fiscal year (FY 2005) the property insurance is \$155,558. For pur-
17 poses of this filing it was increased 10% per year for 1 ½ years to the rate year. As
18 indicated on Schedule 1.1, we hope to have a bid price for FY 2006 during the in-
19 vestigatory portion of this docket, and will be glad to update that claim.

20
21 **Q: Please explain what you have included for expenses related to Central Falls in**
22 **the rate year.**

23 A: Ms. Marchand's testimony covers much of the detail on this matter. In short, Paw-
24 tucket is negotiating the purchase of the Central Falls system and hopes to take it
25 over and be running it in the rate year. There are several expenses involved in that.
26 First there is the purchase of the Central Falls system. As the Commission may re-
27 call, Pawtucket has a federal grant that can be used towards that purchase. The
28 current revenue allowance included \$172,831 for Franchise Fee Payments to Cen-
29 tral Falls. These payments to Central Falls are concluded and Pawtucket has been
30 accumulating those revenues to use towards the purchase of the Central Falls dis-

1 tribution system. We are asking that the allowance be continued in this case in or-
2 der to accumulate sufficient funds to make the purchase at the negotiated price.
3 After the system is purchased, Pawtucket will be responsible for operating and
4 maintaining that system. We believe there is considerable work to do. Pawtucket is
5 looking to hire a crew leader, an equipment operator, and three utility workers. We
6 have included the salaries and related benefits for these five additional people as
7 well as the equipment, tools and parts that will be needed. As shown on Schedule
8 1.1, the cost of operating and maintaining the Central Falls system (excluding the
9 amount included under Capital Leases) is just over \$399,000 per year.

10
11 **Q: Are there other adjustments you would like to discuss?**

12 A: There are quite a few adjustments to Source of Supply items that I have indicated.
13 We would be happy to provide more detail or explanation, although I believe Mr.
14 Benson and Ms. Marchand have covered this in some greater detail.

15
16 **Q: Have you presented the estimated rate case expenses?**

17 A: This too is shown on the second page of Schedule 1.1. We estimate that this rate
18 case including charges from the Division will cost some \$250,000. We will gladly
19 update this estimate as the case progresses. As the record will show, Pawtucket
20 has been before the Commission rather frequently with rate requests. The recent
21 history has been:

- 22 • This docket filed 4/1/05 (approx)
- 23 • Docket 3593: 2/23/04
- 24 • Docket 3497: 2/28/03
- 25 • Docket 3378: 8/2/01
- 26 • Docket 3164: 6/30/00

27 This filing is the 5th such rate filing in five years. I understand that the Commission
28 typically spreads rate case expenses over several years to reflect a normal level of
29 expenses. In the case of Pawtucket, the normal period has clearly been about a
30 year.

1 I recognize that this filing may be somewhat more complicated with the cost of ser-
2 vice study, Central Falls Purchase and Cumberland tax issues. As a result I have
3 normalized the rate case expenses over 18 months. I think this is perhaps a better
4 or more normal representation of Pawtucket's expected rate case expenses. I do,
5 however expect that they will need to file for new rates as the next bond issue ap-
6 proaches. In large part the frequency of rate filings is dependant on the relief
7 granted by the Commission. In the past, revenues have not met expectations, ne-
8 cessitating more frequent rate filings by Pawtucket.

9
10 **Q: What level of operating reserve is the Pawtucket seeking?**

11 A: We are asking for a 5% allowance on total revenues. I recognize that in some re-
12 cent dockets the Commission has been providing the traditional 1.5% allowance,
13 but has started to only apply it to operating expenses. As such, the request in this
14 docket is more than traditionally provided but on the total revenues as was the tradi-
15 tion, not just operating expenses.

16 In recent cases the appropriate amount of the operating reserve has been an issue.
17 The Commission's recent position seems to have been that the reserve should only
18 be dependant on operating costs because the capital or debt costs do not fluctuate
19 or vary, therefore, no allowance is needed. Respectfully, I request that this reason-
20 ing be re-examined for several reasons.

21 1. In looking over historic records I can find no basis for the 1.5% allowance. I'm
22 frankly unable to determine where it came from. I do know that it was derived
23 based on the total revenue allowance until recently however, and was still al-
24 lowed as recently as Newport Water's last rate filing.

25 2. The variability of an expense is not the only issue the Commission should exam-
26 ine. While it is true that debt service costs are indeed known with some degree
27 of certainty, other costs are as well. Pawtucket now has a contract for opera-
28 tions. That contract is set with an allowance for inflation. Should that amount be
29 removed from the calculation of the operating reserve? And what about the la-
30 bor costs? While not known exactly, they can be derived with a fair degree of

1 certainty, especially if a contract is involved. Once established by the Commis-
2 sion – rate case expenses are also “known”, so these too could be excluded.
3 My point is that many operating costs are fairly well fixed; there is not a huge
4 degree of uncertainty. If a 1.5% operating reserve were only allowed to reflect
5 the variability in expenses, it could be minimal.

- 6 3. The greatest unknown is not expenses, but the sales of water and the resulting
7 revenues. Looking at Schedule 2.1 one can see that over the past five years,
8 Pawtucket's water sales have differed from the five year average by more than
9 6% on average. In one year they were more than 10% below the average, and
10 in only one year were they less than 1% different from the average. Setting an
11 operating reserve in this case based on 1.5% of the operating costs provides an
12 operating reserve allowance that is less than 0.8% of the total revenues. In no
13 year has the variation in sales been that low.

14 By only providing a 1.5% allowance on operating expenses, the Commission is not
15 providing a sufficient cushion or allowance for water utilities to generate sufficient
16 revenues to meet its expenses. This is compounded by the Division's insistence on
17 using historic averages of sales that fail to recognize lost customers, increased con-
18 servation, and a general downward trend in water sales. Again looking at Schedule
19 2.1, I believe the graph shows that downward trend in Pawtucket. However, I will be
20 quite surprised if the Division's position in this Docket is not to urge the Commission
21 to use a three or five, or as in the case of wholesale purchases in Docket 3497, a
22 nine year average. The middle of Schedule 2.1 presents the positions of Pawtucket
23 and the Division in Docket 3497 as they related to rate year water sales. As this
24 schedule shows, we were both high in our estimates of FY 2004 water sales. As a
25 result, the revenues were considerably less than either of us projected. The 1.5%
26 operating allowance on operating expenses provided less than 0.9% on total reve-
27 nues, not nearly enough to make up for the variation in sales.

1 **Q: Can't the utilities just file for another rate increase if revenues fall short of ex-**
2 **pectations?**

3 A: Yes they can, but even this remedy has serious short comings. A utility may not
4 know the extent of shortfalls in sales until well into the year. Even if they suspected
5 such reductions, it would be difficult to predict the extent so far in advance. This
6 remedy is further compounded by regulatory lag. Assuming at least a month to
7 prepare and file a case followed by at least six months of investigations and hear-
8 ings, we are looking at more than seven months before a decision. With quarterly
9 billing of most accounts, the full impact of new rates does not even begin to impact
10 the utility until about a year after the preparation of the case began, and the full in-
11 crease will not be collected for another 12 months!

12 I strongly urge the Commission to reconsider its position on an appropriate operat-
13 ing reserve for Rhode Island's water utilities. The recent position that provides a re-
14 serve that amounts to less than 1% of total revenues for virtually all of the state's
15 major water utilities puts them in a very difficult position, particularly when coupled
16 with overly optimistic projections of sales.

17
18 **Usage**

19 **Q: What is the basis for your rate year water sales, numbers of meters, and fire**
20 **services?**

21 A: This information is generally presented on Schedule 2.0 and represents the usage
22 for the test year or numbers of meters and services at the end of the test year.
23 The water use data is for the 12 months ending June 30, 2004 (the test year).

24
25 **Q: In the last full rate filing, Docket 3497, an average of past year sales was used**
26 **to derive the rate year sales. Is there a reason why you have not used an av-**
27 **erage of past sales in this case?**

28 A: As I alluded to earlier, I am concerned that the use of historic averages has over-
29 stated water sales in the past. I believe one of Ms. Marchand's exhibits demon-
30 strates that the sales projections that were used to calculate rates in past dockets

1 have consistently overstated actual sales. This has resulted in rates that were
2 lower than they should have been and it resulted in revenues that were less than al-
3 lowed by the Commission. If the Commission will provide a reasonable operating
4 reserve on total revenues that reflects this variation, use of a reasonable average
5 that considers past trends may allow the PWSB to achieve the revenues needed to
6 cover its expenses. However, the provision of an operating reserve that is less than
7 1% of the total revenues coupled with a higher than reasonably expected sales pro-
8 jection will only assure that Pawtucket will operate at a loss and/or be able to fund
9 its restricted accounts at the required amounts.

10 I believe that an examination of past sales and the clear downward trend must lead
11 one to the logical conclusion that future sales will not increase over those in the test
12 year, and if anything, will probably be less. The use of the test year sales without
13 any further reduction may very well be overly optimistic. It is for this reason that I
14 strongly urge the Commission to use the actual test year sales rather than an in-
15 flated historic average along with a 5% operating reserve applied to total revenues
16 (not expenses).

17
18 **Q: What if you are incorrect and sales do increase over the test year amounts?**

19 **A:** In that case Pawtucket will indeed generate revenues that are in excess of those al-
20 lowed. Unlike an investor owned utility with stockholders, no one gets a dividend for
21 profits at Pawtucket. No one gets a higher return on their investment. Perhaps the
22 added revenues would allow Pawtucket to delay its next rate filing somewhat,
23 thereby reducing its regulatory expenses in the long run, saving the rate payers a lit-
24 tle money. I do not see a down side in the unlikely event that revenues slightly ex-
25 ceed expectations. On the other hand, while another revenue deficit may result in
26 slightly lower rates in the short run, they will be more than offset by increased regu-
27 latory costs necessitated by more frequent filings before the PUC.

1
2 **Cost Allocations and Rate Design**

3 **Q: The Commission ordered a full cost of service study and rate design as part**
4 **of Pawtucket's next rate filing. Have you done this?**

5 A: Yes I have. Schedule 3.0 and its supporting schedules contain the cost allocation
6 study. I have used the same general basis as the filing approved in Docket 3378.
7 The revenue requirements and some basis have been updated to reflect more cur-
8 rent information, but the basic structure is exactly the same as that reviewed and
9 accepted by the Division in the last docket.

10 In his direct testimony in Docket No. 3378 the Division's expert (Mr. Catlin) noted:
11 "In Docket No. 3193, the Division, PWSB and OSRAM Sylvania Products, Inc.
12 (OSRAM) entered into a Settlement Agreement (Settlement) regarding the cost of
13 service study to be submitted in this proceeding. In that Settlement, which was ap-
14 proved by the Commission, PWSB agreed to file a cost study based on the base -
15 extra capacity methodology. The study was to be generally consistent with the
16 study presented by the Division in Docket No. 3193 and was to reflect a fire flow re-
17 quirement of 6,000 gallons per minute with a duration of six hours. The cost of ser-
18 vice study presented by Mr. Woodcock on behalf of PWSB in this proceeding com-
19 ports with the Settlement."

20 As Mr. Catlin also noted in that Docket, I suggested three revisions to the Docket
21 3193 settlement (which Mr. Catlin agreed with) and Mr. Catlin suggested four more
22 (which I agreed with). I believe the cost allocation study included in this filing con-
23 tinues to include those revisions or modifications, is consistent with past analysis I
24 have prepared for Pawtucket, and complies with the Commission's rules for such
25 studies.

26
27 **Q: Are you proposing a change in rate design?**

28 A: While I am not proposing any major change to the general rate design, the rates
29 that result from the study have changed by different percentages. There is one
30 change to the rate design that I am recommending, and that is the removal of the

1 extra large rate class. This class was essentially established for a single large user
2 that had intervened in prior dockets. That customer's water use has been reduced
3 substantially as a result of their movement of most jobs from Pawtucket. The ex-
4 traordinary uses that justified a special class for that customer no longer exist, and I
5 recommend that the class be eliminated.

6
7 **Q: In Docket 3497 Central Falls raised questions about rate design for its cus-**
8 **tomers. Will you address that please?**

9 A: In its order in Docket 3497 the Commission stated: "(T)he Commission finds that
10 Central Falls retail customers have sufficient similarities to other retail customers to
11 pay the same rates as other retail customers. The Commission finds that the rates
12 are not discriminatory. The Commission finds that Central Falls did not provide ade-
13 quate information upon which the Commission could determine how much a rea-
14 sonable rate differential or maintenance fee would be if Central Falls customers
15 were substantially different than other retail customers of PWSB. The Commission
16 orders PWSB to file a full cost of service study and rate design recommendation
17 with its next full rate case, taking into account any differences between PWSB retail
18 customers and Central Falls retail customers, including any avoided maintenance
19 costs or any additional maintenance costs that may be required after a purchase of
20 the system."

21 As I have discussed, the required cost of service study was performed and is in-
22 cluded in the schedules attached to my testimony. As discussed by Ms. Marchand,
23 Pawtucket hopes to purchase the Central Falls system and incorporate those cus-
24 tomers into the rest of the retail water supply and distribution system. While this will
25 clearly add to Pawtucket's operating costs, the customers will be treated just like all
26 other retail customers. As noted by the Commission, "Central Falls retail customers
27 have sufficient similarities to other retail customers to pay the same rates as other
28 retail customers."

1 **Q: Have you prepared a comparison of the current rates and those derived from**
2 **your cost of service study?**

3 A: Yes I have. Schedule 8.0 presents this comparison. As I noted earlier in my testi-
4 mony, there are various percentage changes to the various rates and charges. This
5 is a result of the cost allocations and the calculations presented in the earlier
6 schedules. While I have recommended the elimination of the Extra Large metered
7 rate, I have still shown it for comparison purposes. The cost of service rate for the
8 Large and Extra Large class are the same.

9
10 **Q: There are some rather large reductions to the proposed service charges –**
11 **particularly for larger size meters and to the larger private fire services. Can**
12 **you explain this?**

13 A: The PWSB was ordered to complete a cost of service study that was presented in
14 Docket 3378. In that study we found that the cost of service for larger private fire
15 services and the service charge for larger meters indicated a reduction to the then
16 present charges. Anticipating large future increases that would result from Paw-
17 tucket's capital program, we suggested that these charges not be reduced. The Di-
18 vision agreed with the recommendation and the Commission concurred. It seemed
19 that the increased future costs would only result in these charges coming back up,
20 so a short term decrease made little sense.

21 In subsequent dockets, Pawtucket's rates and charges were increased by equal
22 percentages across the board to all rates and charges. This only magnified the dif-
23 ferences between the cost of service and the rates charged. Further compounding
24 this, Pawtucket's costs have changed and less is being spent on customer service
25 than several years ago. Lastly, Rhode Island law mandates that all Infrastructure
26 Replacement costs be recovered based on usage – they can not be recovered
27 through fire service charges or service charges.

28 All these factors combined have resulted in some charges increasing over the past
29 few dockets to more than the current cost of service. Rather than keeping them at
30 the higher amounts, I believe it is proper to make an adjustment now. If they do in-

crease in the future, so be it. We should bring them back to a proper base however.

Q: What is the overall impact of the cost of service based rates on a typical residential customer?

A: Schedule 9.0 presents the impact on various customers and types of service. A typical residential customer using 2,500 cubic feet per quarter (205 gallons per day) will see their quarterly water bill increase just slightly less than the overall increase we are proposing. Because the cost based rates result in a slightly larger overall increase to the metered rates (vs. the service charges or private fire charges), larger volume customers would see a bigger impact than smaller residential customers. The cost allocation study also shows that the wholesale rate (primarily Cumberland) would not increase as much as the overall increase.

Q: Have you prepared a summary of revenues under the current and cost of service based rates?

A: Yes I have. Schedule 10.0 presents this calculation. Because the rates have been rounded off, the revenues do not match the requirements exactly. However, Schedule 10.0 does demonstrate that the difference is within limits that are normally accepted by the Commission.

Cumberland Surcharge

Q: You have referred to the rates in the previous schedules as the “cost of service based rates”. Are these the rates that Pawtucket is proposing?

A: In the case of the public and private fire service charges and the service charges, the cost of service rates are the rates we are proposing. However, we are proposing a further adjustment to the initial cost of service metered rates – a surcharge to Cumberland rate payers. The rates that result from that adjustment are presented in Schedule 12.0 and are the proposed metered rates in this docket.

1 **Q: Are the proposed rates in Schedule 12.0 based on cost of service principles?**

2 A: Yes they are. The basic idea behind a cost of service study is to determine the
3 various components of systems costs and then assign these to classes of custom-
4 ers in proportion to level or degree of each type of service they impose on the sys-
5 tem or demand. Because there is a unique cost that is only applicable to customers
6 in Cumberland, to be truly cost based rates, I believe that unique cost of providing
7 service needs to be identified and assigned to those customers that are the benefi-
8 ciaries of that cost – the customers in Cumberland.

9
10 **Q: In Docket 3497 you proposed a special surcharge for Cumberland as an alter-
11 native. Is that what you proposing that in this docket as well?**

12 A: Yes it is. As noted by the Commission in its order, “PWSB and the Division agree
13 that the Commission has the authority to set a different rate for different classes of
14 customers. After reviewing the arguments of both parties, the Commission agrees
15 that it may set a different rate for customers in different geographical areas. How-
16 ever, the Commission still has to have justification for the rate differential.” I believe
17 we have full justification now. The portion of Cumberland’s tax that is related solely
18 to tangible property has been identified and copies of the 2004 tax bills are attached
19 to this testimony.

20 Unlike any other entity served by Pawtucket, Cumberland has decided to levy a tax
21 on Pawtucket’s tangible property within Cumberland. By including the cost of this
22 unique tax in Pawtucket’s overall revenue requirement, all rate payers are making a
23 contribution to Cumberland’s general fund through the payment of this tax through
24 the water bills they pay. The businesses and residents of Cumberland are the sole
25 beneficiaries – the amount they must contribute in property taxes is reduced by the
26 payment that Pawtucket and ultimately its ratepayers make to Cumberland. There
27 is no such benefit to the tax payers of Pawtucket or Central Falls. It is unfair for
28 Cumberland to be the sole recipient of this unique benefit – the payment of taxes on
29 tangible property.

1 Not only are the businesses and residents the sole recipient of the benefit, but the
2 bulk of the tangible property that is taxed – Pawtucket’s distribution pipes – are
3 there for service to those same businesses and residents of Cumberland. They do
4 not provide a general benefit or use to all the system rate payers like water supply
5 land would.

6 In this docket we are not asking the Commission to examine or rule on the propriety
7 of the tangible property taxes that Cumberland has levied. Cumberland had levied
8 the tax and until the issue is resolved elsewhere, Pawtucket must pay that unique
9 tax to Cumberland.
10

11 **Q: In Docket 3497 the Commission also stated: “Although arguing that the Com-**
12 **mission does possess the authority to adjust the rate design, the Division**
13 **quotes its witness, stating: ‘property subject to taxation is normally used for**
14 **the benefit of all customers. Under such circumstances, it would be inappro-**
15 **prate to recover the property taxes assessed by a given municipality. Instead,**
16 **it is normally appropriate that all property taxes be recovered from all cus-**
17 **tomers as part of base rates.’” Do you agree with this?**

18 A: In general, I do agree with that statement. *Normally* property taxes should be re-
19 covered from all users. This is because the property taxes are typically assessed
20 on land or above ground structures that are used to provide service to all custom-
21 ers. Typically this includes property taxes on water supply land and treatment facili-
22 ties. However, in this case, we have a rather unique tax on the tangible property or
23 pipes in the ground within Cumberland. Pipes are not assessed taxes by Pawtucket
24 or Central Falls. Further, the pipes in Cumberland are there to serve the customers
25 in Cumberland. The tangible property tax levied by Cumberland is not the “normal”
26 situation. That is what distinguished this special case.
27

28 **Q: The Commission went on to say “PWSB has one burden of proof in this rate**
29 **case. It needs to show that its requested increase is based on the evidence.”**

1 **Have you identified the tangible portion of the property taxes from Cumber-**
2 **land?**

3 A: Yes – the amounts from Cumberland and the Valley Falls Fire District are shown on
4 Schedule 12.0. Copies of the bills are attached to this testimony. In Docket 3497
5 the Commission stated “However, this finding is in no way intended to suggest that
6 the Commission does not believe it could not impose a rate differential based on
7 geographic boundaries if a cost of service study or other circumstances were to
8 warrant. The Commission most certainly does have the authority to set different
9 rates for different classes of customers so long as those rates are reasonable and
10 not discriminatory.” I believe we have provided the information the Commission re-
11 quested in that last docket, we have met our burden of proof, and we have set forth
12 the justification.

13
14 **Q: What is the impact of the proposed surcharge on customers in Cumberland?**

15 A: The surcharge would add about \$5 per month to the typical residential customer’s
16 bill in Cumberland. It would save the typical non-Cumberland residents about \$1
17 per month.

18
19 **Summary**

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

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

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TEST YEAR & RATE YEAR EXPENSES

<u>Expense Item</u>	<u>Test Year FY 2004</u>	<u>Summary of Adjustments</u>	<u>Rate Year CY 2006</u>	<u><----- Adjustments Detail -----></u>		
				<u>Labor & Related Items</u>	<u>Other Adjustments</u>	<u>Supporting Schedule</u>
ADMINISTRATION						
Admin Salaries	\$440,532	\$158,918	\$599,450	\$158,918	\$0	Sch. 1.3
Admin Overtime	\$4,245	\$3,707	\$7,952	\$3,707	\$0	Sch. 1.3
Police Payroll	\$18,176	\$1,632	\$19,809	\$0	\$1,632	Sch. 1.1 (i)
Out of Class Pay	\$2,419	-\$2,419	\$0	-\$2,419	\$0	Sch. 1.3
Admin. Longevity	\$19,890	\$7,942	\$27,832	\$7,942	\$0	Sch. 1.3
Admin. Vacation & Sick Pay	\$80,118	-\$80,118	\$0	-\$80,118	\$0	Sch. 1.3
FICA Payroll Tax	\$29,112	\$8,483	\$37,595	\$8,483	\$0	Sch. 1.3
Medicare Payroll Tax	\$7,237	\$1,974	\$9,211	\$1,974	\$0	Sch. 1.3
Health/Dental Benefits	\$581,012	\$143,088	\$724,100	\$143,088	\$0	Sch. 1.3
MERS Contribution	\$7,797	\$25,178	\$32,975	\$25,178	\$0	Sch. 1.3
Education & Training	\$9,727	\$5,223	\$14,950	\$0	\$5,223	Sch. 1.1
Outside Services	\$113,407	\$10,185	\$123,592	\$0	\$10,185	Sch. 1.1 (i)
Pagers/Cell Phones	\$16,964	\$1,524	\$18,487	\$0	\$1,524	Sch. 1.1 (i)
Maint. of Gen'l Plant	\$18,454	\$1,657	\$20,111	\$0	\$1,657	Sch. 1.1 (i)
Repairs & Main/water plant	\$1,566	\$141	\$1,707	\$0	\$141	Sch. 1.1 (i)
Telephone	\$12,666	\$1,138	\$13,803	\$0	\$1,138	Sch. 1.1 (i)
Heating Fuel	\$18,841	\$3,472	\$22,313	\$0	\$3,472	Sch. 1.1 (u)
Other Utilities	\$2,252	\$415	\$2,667	\$0	\$415	Sch. 1.1 (u)
Unemployment Insurance	\$2,277	\$2,307	\$4,584	\$2,307	\$0	Sch. 1.3
Workers Compensation	\$32,414	\$65,909	\$98,323	\$65,909	\$0	Sch. 1.3
Property Insurance	\$143,287	\$36,179	\$179,466	\$0	\$36,179	Sch. 1.1
Advertising/Classified	\$9,490	\$852	\$10,342	\$0	\$852	Sch. 1.1 (i)
Printing	\$8,068	\$725	\$8,793	\$0	\$725	Sch. 1.1 (i)
Dues & Subscriptions	\$29,107	\$2,614	\$31,722	\$0	\$2,614	Sch. 1.1 (i)
Office Supplies/Other	\$17,449	\$1,567	\$19,016	\$0	\$1,567	Sch. 1.1 (i)
Postage	\$12,222	\$1,098	\$13,320	\$0	\$1,098	Sch. 1.1 (i)
Housekeeping Supplies	\$7,778	\$699	\$8,477	\$0	\$699	Sch. 1.1 (i)
Municipal Charges	\$136,250	\$12,237	\$148,486	\$0	\$12,237	Sch. 1.1 (i)
Capitalized Materials	\$32,142	\$16,000	\$48,142	\$0	\$16,000	Sch. 1.1
Materials & Supplies	\$1,722	\$155	\$1,877	\$0	\$155	Sch. 1.1 (i)
Bad Debt Expense	\$0	\$0	\$0	\$0	\$0	Sch. 1.1 (i)
Damage Claims	\$7,499	\$673	\$8,172	\$0	\$673	Sch. 1.1 (i)
Bond Trustee Fees	\$0	\$13,000	\$13,000	\$0	\$13,000	Sch. 1.1
Cent Falls Franch. Fee/Purchase	\$172,831	\$0	\$172,831	\$0	\$0	Sch. 1.1
Regulatory Comm. Expense	\$134,861	\$71,806	\$206,667	\$0	\$71,806	Sch. 1.1
Other Miscellaneous	\$10,511	\$0	\$10,511	\$0	\$0	Sch. 1.2
Subtotal - Admin	\$2,142,323	\$517,959	\$2,660,282	\$334,968	\$182,991	
CUSTOMER SERVICE						
Payroll	\$127,577	\$7,584	\$135,161	\$7,584	\$0	Sch. 1.3
Overtime	\$2,501	\$13	\$2,514	\$13	\$0	Sch. 1.3
Out of Class Pay	\$115	\$512	\$627	\$512	\$0	Sch. 1.3
Longevity	\$2,584	\$4,304	\$6,888	\$4,304	\$0	Sch. 1.3
Vacation & Sick Time	\$0	\$0	\$0	\$0	\$0	Sch. 1.3
FICA	\$8,197	\$805	\$9,002	\$805	\$0	Sch. 1.3
Medicare	\$1,917	\$188	\$2,105	\$188	\$0	Sch. 1.3
MERS Contribution	\$2,258	\$5,473	\$7,731	\$5,473	\$0	Sch. 1.3
Education & Training	\$398	\$2,707	\$3,105	\$0	\$2,707	Sch. 1.1
Outside Services	\$15,895	\$1,428	\$17,322	\$0	\$1,428	Sch. 1.1 (i)
Vehicle Maint - Fuel & Misc.	\$1,774	\$327	\$2,101	\$0	\$327	Sch. 1.1 (u)
Main. of Misc Equipment	\$1,186	\$107	\$1,293	\$0	\$107	Sch. 1.1 (i)
Telephone	\$1,287	\$116	\$1,402	\$0	\$116	Sch. 1.1 (i)
Other Utilities	\$0	\$0	\$0	\$0	\$0	Sch. 1.1 (u)
Printing	\$16,103	\$1,446	\$17,549	\$0	\$1,446	Sch. 1.1 (i)
Dues & Subscriptions	\$0	\$0	\$0	\$0	\$0	Sch. 1.1 (i)
Postage	\$25,840	\$2,321	\$28,161	\$0	\$2,321	Sch. 1.1 (i)

TEST YEAR & RATE YEAR EXPENSES

<----- Adjustments Detail ----->

Expense Item	Test Year FY 2004	Summary of Adjustments	Rate Year CY 2006	Labor Increase	Other Adjustments	Supporting Schedule
Miscellaneous Supplies	\$130	\$12	\$142	\$0	\$12	Sch. 1.1 (i)
Other Misc.	\$1,776	\$160	\$1,936	\$0	\$160	Sch. 1.1 (i)
Subtotal - Customer Accts	\$209,538	\$27,502	\$237,040	\$18,880	\$8,622	
SOURCE OF SUPPLY						
Salaries	\$123,400	\$22,224	\$145,624	\$22,224	\$0	Sch. 1.3
Overtime	\$377	-\$377	\$0	-\$377	\$0	Sch. 1.3
Source of Supply Beeper	\$2,146	\$29	\$2,175	\$29	\$0	Sch. 1.3
Longevity	\$0	\$12,299	\$12,299	\$12,299	\$0	Sch. 1.3
Vacation & Sick Time	\$14,925	-\$14,925	\$0	-\$14,925	\$0	Sch. 1.3
FICA	\$11,750	-\$1,824	\$9,926	-\$1,824	\$0	Sch. 1.3
Medicare Payroll Tax	\$2,748	-\$427	\$2,321	-\$427	\$0	Sch. 1.3
MERS Contribution	\$798	\$7,315	\$8,113	\$7,315	\$0	Sch. 1.3
Education Training	\$45	\$1,955	\$2,000	\$0	\$1,955	Sch. 1.1
Security Services	\$67,847	\$6,213	\$74,060	\$0	\$6,213	Sch. 1.1
Vehicle Maint - Fuel & Misc.	\$105	\$1,895	\$2,000	\$0	\$1,895	Sch. 1.1
Maint of Structures	\$2,752	\$4,258	\$7,010	\$0	\$4,258	Sch. 1.1
Maint - Collection Reservoirs	\$78,048	\$52,452	\$130,500	\$0	\$52,452	Sch. 1.1
Maint - Wells	\$0	\$0	\$0	\$0	\$0	Sch. 1.1 (i)
Maint - Misc. Plant	\$569	\$431	\$1,000	\$0	\$431	Sch. 1.1
Maint - Wells & Springs	\$0	\$0	\$0	\$0	\$0	Sch. 1.1 (i)
Light & Power	\$23,888	\$4,402	\$28,290	\$0	\$4,402	Sch. 1.1 (u)
Other Utilities	\$0	\$0	\$0	\$0	\$0	Sch. 1.1 (u)
Materials & Supplies	\$85	\$6,654	\$6,739	\$0	\$6,654	Sch. 1.1
Property Tax	\$644,909	\$57,919	\$702,828	\$0	\$57,919	Sch. 1.1
Miscellaneous	\$46	\$7,106	\$7,152	\$0	\$7,106	Sch. 1.1
Subtotal - Supply	\$974,437	\$167,601	\$1,142,038	\$24,315	\$143,286	
PUMPING						
Salaries	\$0	\$0	\$0	\$0	\$0	
Overtime	\$0	\$0	\$0	\$0	\$0	
Longevity	\$0	\$0	\$0	\$0	\$0	
Vacation & Sick Time	\$0	\$0	\$0	\$0	\$0	
FICA	\$0	\$0	\$0	\$0	\$0	
Medicare Payroll Tax	\$0	\$0	\$0	\$0	\$0	
MERS Contribution	\$0	\$0	\$0	\$0	\$0	
Maint - Structures & Improvmnt	\$0	\$0	\$0	\$0	\$0	
Maint - Water Treatment Plant	\$0	\$0	\$0	\$0	\$0	
Maint - Equipment	\$6,233	-\$6,233	\$0	\$0	-\$6,233	To DBO Contract
Plant Maintenance	\$0	\$0	\$0	\$0	\$0	
Telephone	\$1,953	-\$1,953	\$0	\$0	-\$1,953	To DBO Contract
Heating	\$0	\$0	\$0	\$0	\$0	
Purchased Power	\$476,271	\$87,774	\$564,045	\$0	\$87,774	Sch. 1.1 (u)
Depreciation	\$0	\$0	\$0	\$0	\$0	
Property Tax	\$23,528	\$2,113	\$25,641	\$0	\$2,113	Sch. 1.1
Miscellaneous	\$0	\$0	\$0	\$0	\$0	
Subtotal - Pumping	\$507,985	\$81,701	\$589,685	\$0	\$81,701	
PURIFICATION						
DBO O&M Contract	\$1,148,904	\$410,948	\$1,559,852	\$0	\$410,948	Sch. 1.1
Overtime	\$0	\$0	\$0	\$0	\$0	
Out of Class Pay	\$0	\$0	\$0	\$0	\$0	
Beeper Stipend	\$0	\$0	\$0	\$0	\$0	
Longevity	\$0	\$0	\$0	\$0	\$0	
Vacation & Sick Time	\$0	\$0	\$0	\$0	\$0	
FICA	\$0	\$0	\$0	\$0	\$0	
Medicare	\$0	\$0	\$0	\$0	\$0	
MERS Contribution	\$0	\$0	\$0	\$0	\$0	

TEST YEAR & RATE YEAR EXPENSES

	Test Year	Summary of	Rate Year	<----- Adjustments Detail ----->			Supporting
Expense Item	FY 2004	Adjustments	CY 2006	Labor Increase	Other Adjustments	Schedule	
Education & Training	\$0	\$0	\$0	\$0	\$0		
Lab Testing	\$0	\$0	\$0	\$0	\$0		
Vehicle Maint - Tires	\$0	\$0	\$0	\$0	\$0		
Vehicle Maint - Batteries	\$0	\$0	\$0	\$0	\$0		
Vehicle Maint - Outside Parts	\$0	\$0	\$0	\$0	\$0		
Vehicle Maint - Fuel & Misc	\$0	\$0	\$0	\$0	\$0		
Maint - Structures	\$0	\$0	\$0	\$0	\$0		
Maint - Distrib. Reservoirs	\$0	\$0	\$0	\$0	\$0		
Maint - Wells	\$0	\$0	\$0	\$0	\$0		
Maint - Equipment	\$0	\$0	\$0	\$0	\$0		
Maint - Facilities	\$0	\$0	\$0	\$0	\$0		
Telephone	\$0	\$0	\$0	\$0	\$0		
Light & Power	\$172,477	\$37,786	\$210,263	\$0	\$37,786	Sch. 1.1	
Heating	\$0	\$0	\$0	\$0	\$0		
Other Utilities	\$0	\$0	\$0	\$0	\$0		
Advertising/Classified	\$0	\$0	\$0	\$0	\$0		
Dues & Subscriptions	\$0	\$0	\$0	\$0	\$0		
Office Supplies	\$0	\$0	\$0	\$0	\$0		
Postage	\$0	\$0	\$0	\$0	\$0		
Materials & Supplies	\$0	\$0	\$0	\$0	\$0		
Chemicals	\$0	\$0	\$0	\$0	\$0		
Depreciation	\$0	\$0	\$0	\$0	\$0		
Property Tax	\$48,116	\$4,321	\$52,438	\$0	\$4,321	Sch. 1.1	
Other Miscellaneous	\$0	\$0	\$0	\$0	\$0		
Subtotal - Purification	\$1,369,497	\$453,056	\$1,822,553	\$0	\$453,056		
TRANSMISSION & DISTRIBUTION							
Payroll	\$648,851	\$254,496	\$903,347	\$254,496	\$0	Sch. 1.3	
Overtime	\$111,019	-\$12,657	\$98,362	-\$12,657	\$0	Sch. 1.3	
Out of Class Pay	\$8,539	-\$6,448	\$2,091	-\$6,448	\$0	Sch. 1.3	
Beeper Stipend	\$6,465	\$1,146	\$7,611	\$1,146	\$0	Sch. 1.3	
Longevity	\$52,124	\$3,067	\$55,191	\$3,067	\$0	Sch. 1.3	
Vacation & Sick Time	-\$41,584	\$95,881	\$54,298	\$95,881	\$0	Sch. 1.3	
FICA	\$55,289	\$9,721	\$65,009	\$9,721	\$0	Sch. 1.3	
Medicare	\$12,931	\$3,322	\$16,253	\$3,322	\$0	Sch. 1.3	
MERS Contribution	\$10,392	\$40,145	\$50,537	\$40,145	\$0	Sch. 1.3	
Education & Training	\$4,047	\$3,241	\$7,288	\$0	\$3,241	Sch. 1.1	
Vehicle Maint-Registration	\$96	\$9	\$105	\$0	\$9	Sch. 1.1 (i)	
Vehicle Maint - Inspection	\$614	\$55	\$669	\$0	\$55	Sch. 1.1 (i)	
Vehicle Maint - Tires	\$879	\$79	\$958	\$0	\$79	Sch. 1.1 (i)	
Vehicle Maint - Batteries	\$0	\$0	\$0	\$0	\$0	Sch. 1.1 (i)	
Vehicle Maint - Outside Parts	\$31,641	\$2,842	\$34,482	\$0	\$2,842	Sch. 1.1 (i)	
Vehicle Maint - Fuel & Misc	\$15,796	\$2,911	\$18,707	\$0	\$2,911	Sch. 1.1 (u)	
Maint - Misc Plant	\$2,789	\$251	\$3,040	\$0	\$251	Sch. 1.1 (i)	
Maint - T&D Mains	\$19,541	\$1,755	\$21,296	\$0	\$1,755	Sch. 1.1 (i)	
Maint - Services	\$11,225	\$1,008	\$12,233	\$0	\$1,008	Sch. 1.1 (i)	
Maint - Hydrants	\$4,254	\$382	\$4,636	\$0	\$382	Sch. 1.1 (i)	
Telephone	\$1,930	\$173	\$2,104	\$0	\$173	Sch. 1.1 (i)	
Advertising & Classified	\$1,473	\$132	\$1,606	\$0	\$132	Sch. 1.1 (i)	
Dues & Subscriptions	\$30	\$3	\$33	\$0	\$3	Sch. 1.1 (i)	
Postage	-\$494	-\$44	-\$539	\$0	-\$44	Sch. 1.1 (i)	
Capitalized Materials	\$0	\$0	\$0	\$0	\$0	Sch. 1.1 (i)	
Misc. Tools & Supplies/Inventory	\$11,634	\$35,000	\$46,634	\$0	\$35,000	Sch. 1.1	
Inventory Water Material	\$5,404	\$485	\$5,890	\$0	\$485	Sch. 1.1 (i)	
Road Surface Restoration	\$0	\$0	\$0	\$0	\$0	Sch. 1.1 (i)	
Other Misc Supplies	\$872	\$78	\$950	\$0	\$78	Sch. 1.1 (i)	
Central Falls System Operations	\$0	\$399,096	\$399,097	\$0	\$399,096	Sch. 1.1	
Property Tax	\$126,182	\$11,332	\$137,514	\$0	\$11,332	Sch. 1.1	

TEST YEAR & RATE YEAR EXPENSES

<u>Expense Item</u>	<u>Test Year FY 2004</u>	<u>Summary of Adjustments</u>	<u>Rate Year CY 2006</u>	<----- Adjustments Detail ----->		
				<u>Labor Increase</u>	<u>Other Adjustments</u>	<u>Supporting Schedule</u>
Other Miscellaneous	<u>\$29,117</u>	<u>\$2,615</u>	<u>\$31,732</u>	<u>\$0</u>	<u>\$2,615</u>	Sch. 1.1 (i)
Subtotal - T&D	\$1,131,056	\$850,077	\$1,981,132	\$388,673	\$461,403	
ENGINEERING						
Payroll	<u>\$311,411</u>	<u>\$80,720</u>	<u>\$392,131</u>	<u>\$80,720</u>	<u>\$0</u>	Sch. 1.3
Overtime	<u>\$8,018</u>	<u>-\$2,330</u>	<u>\$5,687</u>	<u>-\$2,330</u>	<u>\$0</u>	Sch. 1.3
Out of Class Pay	<u>\$2,402</u>	<u>-\$436</u>	<u>\$1,965</u>	<u>-\$436</u>	<u>\$0</u>	Sch. 1.3
Beeper Stipend	<u>\$240</u>	<u>-\$240</u>	<u>\$0</u>	<u>-\$240</u>	<u>\$0</u>	Sch. 1.3
Longevity	<u>\$17,609</u>	<u>\$5,699</u>	<u>\$23,309</u>	<u>\$5,699</u>	<u>\$0</u>	Sch. 1.3
Vacation & Sick Time	<u>\$8,889</u>	<u>-\$2,494</u>	<u>\$6,395</u>	<u>-\$2,494</u>	<u>\$0</u>	Sch. 1.3
FICA	<u>\$24,401</u>	<u>\$2,227</u>	<u>\$26,628</u>	<u>\$2,227</u>	<u>\$0</u>	Sch. 1.3
Medicare	<u>\$5,707</u>	<u>\$521</u>	<u>\$6,228</u>	<u>\$521</u>	<u>\$0</u>	Sch. 1.3
MERS Contribution	<u>\$2,802</u>	<u>\$19,852</u>	<u>\$22,654</u>	<u>\$19,852</u>	<u>\$0</u>	Sch. 1.3
Education & Training	<u>\$1,670</u>	<u>\$2,056</u>	<u>\$3,726</u>	<u>\$0</u>	<u>\$2,056</u>	Sch. 1.1
Outside Services	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (i)
Vehicle Maint-Registration	<u>\$56</u>	<u>\$5</u>	<u>\$61</u>	<u>\$0</u>	<u>\$5</u>	Sch. 1.1 (i)
Vehicle Maint - Inspec	<u>\$76</u>	<u>\$7</u>	<u>\$83</u>	<u>\$0</u>	<u>\$7</u>	Sch. 1.1 (i)
Vehicle Maint - Tires	<u>\$452</u>	<u>\$41</u>	<u>\$492</u>	<u>\$0</u>	<u>\$41</u>	Sch. 1.1 (i)
Vehicle Maint - Batteries	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (i)
Vehicle Maint - Outside Parts	<u>\$2,041</u>	<u>\$183</u>	<u>\$2,224</u>	<u>\$0</u>	<u>\$183</u>	Sch. 1.1 (i)
Vehicle Maint - Fuel & Misc	<u>\$4,862</u>	<u>\$896</u>	<u>\$5,758</u>	<u>\$0</u>	<u>\$896</u>	Sch. 1.1 (u)
Maint - Misc Equipment	<u>\$148</u>	<u>\$13</u>	<u>\$161</u>	<u>\$0</u>	<u>\$13</u>	Sch. 1.1 (i)
Telephone	<u>\$3,217</u>	<u>\$289</u>	<u>\$3,506</u>	<u>\$0</u>	<u>\$289</u>	Sch. 1.1 (i)
Utilities Exp	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (u)
Advertising and Classifieds	<u>\$563</u>	<u>\$51</u>	<u>\$613</u>	<u>\$0</u>	<u>\$51</u>	Sch. 1.1 (i)
Printing	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (i)
Dues & Subscriptions	<u>\$35</u>	<u>\$3</u>	<u>\$38</u>	<u>\$0</u>	<u>\$3</u>	Sch. 1.1 (i)
Office Supplies & Other	<u>\$19,406</u>	<u>\$1,743</u>	<u>\$21,149</u>	<u>\$0</u>	<u>\$1,743</u>	Sch. 1.1 (i)
Postage	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (i)
Capitalized Materials	<u>\$92</u>	<u>\$8</u>	<u>\$101</u>	<u>\$0</u>	<u>\$8</u>	Sch. 1.1 (i)
Other Misc. Expense	<u>\$3,177</u>	<u>\$285</u>	<u>\$3,462</u>	<u>\$0</u>	<u>\$285</u>	Sch. 1.1 (i)
Miscellaneous Expense	<u>\$9,036</u>	<u>\$812</u>	<u>\$9,848</u>	<u>\$0</u>	<u>\$812</u>	Sch. 1.1 (i)
Subtotal - Engineering	\$426,310	\$109,910	\$536,219	\$103,518	\$6,392	
METER DEPARTMENT						
Payroll	<u>\$328,182</u>	<u>\$58,240</u>	<u>\$386,422</u>	<u>\$58,240</u>	<u>\$0</u>	Sch. 1.3
Overtime	<u>\$5,046</u>	<u>-\$3,764</u>	<u>\$1,283</u>	<u>-\$3,764</u>	<u>\$0</u>	Sch. 1.3
Out of Class Pay	<u>\$646</u>	<u>-\$332</u>	<u>\$314</u>	<u>-\$332</u>	<u>\$0</u>	
Beeper Stipend	<u>\$1,311</u>	<u>\$48</u>	<u>\$1,359</u>	<u>\$48</u>	<u>\$0</u>	
Longevity	<u>\$12,985</u>	<u>\$7,125</u>	<u>\$20,110</u>	<u>\$7,125</u>	<u>\$0</u>	Sch. 1.3
Vacation & Sick Time	<u>\$3,813</u>	<u>-\$3,813</u>	<u>\$0</u>	<u>-\$3,813</u>	<u>\$0</u>	Sch. 1.3
FICA	<u>\$21,572</u>	<u>\$3,816</u>	<u>\$25,388</u>	<u>\$3,816</u>	<u>\$0</u>	Sch. 1.3
Medicare	<u>\$5,045</u>	<u>\$893</u>	<u>\$5,938</u>	<u>\$893</u>	<u>\$0</u>	Sch. 1.3
MERS Contribution	<u>\$4,986</u>	<u>\$16,461</u>	<u>\$21,447</u>	<u>\$16,461</u>	<u>\$0</u>	
Education & Training	<u>\$935</u>	<u>-\$246</u>	<u>\$688</u>	<u>\$0</u>	<u>-\$246</u>	Sch. 1.1
Vehicle Maint - Inspec	<u>\$8</u>	<u>\$1</u>	<u>\$9</u>	<u>\$0</u>	<u>\$1</u>	Sch. 1.1 (i)
Vehicle Maint - Batteries	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (i)
Vehicle Maint - Tires	<u>\$102</u>	<u>\$9</u>	<u>\$111</u>	<u>\$0</u>	<u>\$9</u>	Sch. 1.1 (i)
Vehicle Maint - Outside Parts	<u>\$1,658</u>	<u>\$149</u>	<u>\$1,807</u>	<u>\$0</u>	<u>\$149</u>	Sch. 1.1 (i)
Vehicle Maint - Fuel & Misc	<u>\$6,238</u>	<u>\$1,150</u>	<u>\$7,387</u>	<u>\$0</u>	<u>\$1,150</u>	Sch. 1.1 (u)
Maint - Misc Equipment	<u>\$3,017</u>	<u>\$271</u>	<u>\$3,288</u>	<u>\$0</u>	<u>\$271</u>	Sch. 1.1 (i)
Maint - Meters	<u>\$845</u>	<u>\$76</u>	<u>\$921</u>	<u>\$0</u>	<u>\$76</u>	Sch. 1.1 (i)
Telephone	<u>\$1,501</u>	<u>\$135</u>	<u>\$1,636</u>	<u>\$0</u>	<u>\$135</u>	Sch. 1.1 (i)
Advertising & Classified	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (i)
Travel	<u>\$1,554</u>	<u>\$140</u>	<u>\$1,694</u>	<u>\$0</u>	<u>\$140</u>	Sch. 1.1 (i)
Supplies	<u>\$2,743</u>	<u>\$246</u>	<u>\$2,989</u>	<u>\$0</u>	<u>\$246</u>	Sch. 1.1 (i)
Postage	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (i)
Capitalized Materials	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (i)
Merchandising & Jobbing	<u>\$26,062</u>	<u>\$2,341</u>	<u>\$28,403</u>	<u>\$0</u>	<u>\$2,341</u>	Sch. 1.1 (i)
Meter Maint. Expense	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	Sch. 1.1 (i)
Meter Reading Expense	<u>\$4,867</u>	<u>\$437</u>	<u>\$5,304</u>	<u>\$0</u>	<u>\$437</u>	Sch. 1.1 (i)
Meter Inventory	<u>\$678</u>	<u>\$61</u>	<u>\$739</u>	<u>\$0</u>	<u>\$61</u>	Sch. 1.1 (i)
Other Misc. Expense	<u>\$136</u>	<u>\$12</u>	<u>\$148</u>	<u>\$0</u>	<u>\$12</u>	Sch. 1.1 (i)
Subtotal - Meter Department	\$433,929	\$83,455	\$517,384	\$78,674	\$4,781	

TEST YEAR & RATE YEAR EXPENSES

<u>Expense Item</u>	<u>Test Year FY 2004</u>	<u>Summary of Adjustments</u>	<u>Rate Year CY 2006</u>	<----- Adjustments Detail ----->		
				<u>Labor Increase</u>	<u>Other Adjustments</u>	<u>Supporting Schedule</u>
CAPITAL EXPENSE						
PBA Misc. Exp.	\$0	\$0	\$0	\$0	\$0	
CWFA Fees	\$0	\$0	\$0	\$0	\$0	incl w/ debt
Restrict. Bond Principal & Interest	\$2,313,602	\$3,422,412	\$5,736,014	\$0	\$3,422,412	Sch. 1.1
Lease Principal	\$110,689	\$25,040	\$135,729	\$0	\$25,040	Sch. 1.1
Lease Interest	\$7,444	\$7,789	\$15,233	\$0	\$7,789	Sch. 1.1
Capitalized Labor	\$0	\$0	\$0	\$0	\$0	
Capitalized Material & Supply	\$0	\$0	\$0	\$0	\$0	
IFR	\$2,671,039	\$428,961	\$3,100,000	\$0	\$428,961	Sch. 1.1
WRB - Settlement	\$0	\$0	\$0	\$0	\$0	
Cent Falls Franch. Fee Settlement	\$0	\$0	\$0	\$0	\$0	
Lead Pipe Replacement	\$0	\$0	\$0	\$0	\$0	
T&D Replacement	\$0	\$0	\$0	\$0	\$0	
Rate Stabiliz/Capital Program	\$0	\$0	\$0	\$0	\$0	
O&M Reserve Deposit	\$666,997	-\$508,276	\$158,721	\$0	-\$508,276	Sch. 1.1
R & R Reserve Deposit	\$0	\$0	\$0	\$0	\$0	
WTP Reserve	\$778,000	-\$389,000	\$389,000	\$0	-\$389,000	Sch. 1.1
Subtotal - Capital	\$6,547,771	\$2,986,926	\$9,534,698	\$0	\$2,986,926	
TOTAL EXPENSES	\$13,742,847	\$5,278,185	\$19,021,032	\$949,028	\$4,329,157	
PLUS: OPERATING INCOME	\$0	\$951,052	\$951,052			Sch 1.1
LESS: MISC. REVENUES	-\$430,721	\$127,496	-\$303,226			Sch. 1.2
REQUIRED FROM RATES	\$13,312,126	\$6,356,732	\$19,668,858	\$949,028	\$4,329,157	
			47.75%			

DETAILS OF ADJUSTMENTS TO TEST YEAR EXPENSES**Capital Requirements****Debt Service**

The Commission allowance for debt service and CWF Agency Fees in Docket No. 3593 was **\$ 5,736,014**. PWSB is not seeking a change in that allowance at this time. Accordingly, this allowance is shown for Debt Service principal and interest. Because this included allowances for Agency fees. No additional cost is presented for these fees in the Rate Year.

WTP Reserve

In Docket No. 3497, the Commission made an allowance for \$778,000 to be used for interim repairs and improvements at the existing water treatment plant. While the new plant is expected to be completed part way into the rate year, there will be additional demolition costs -- 50% of the a

Trustee Fees - paid to trustee for administration of bonds and funds **\$ 13,000**

Capital Leases	<u>Rate Year</u>	<u>Test Year</u>	<u>Adjustment</u>
Normal Principal	\$107,566	\$110,689	-\$3,123
Central Falls Prin	\$28,163	\$0	\$28,163
Total Principal	\$135,729	\$110,689	\$25,040
Normal Interest	\$15,233	\$7,444	\$7,789
Central Falls Int	\$0	\$0	\$0
Total Interest	\$15,233	\$7,444	\$7,789

	<u>Rate Year</u>	<u>Test Year</u>	<u>Adjustment</u>	
IFR - PAYGO	\$3,100,000	\$2,671,039	\$428,961	Note:TY based on \$900,000 for 2 months from 11/1/00

O&M Reserve Requirement

Rate Year O&M =	\$9,486,334
Required Level (25%)	\$2,371,584
Balance 2/28/05	\$1,642,033
Monthly Additions	\$57,083 (includes estim interest)
Estimated Balance 12/30/05	\$2,212,863
Rate Year Addition =	\$158,721

DBO Contract

	<u>Existing WTP</u>	<u>New WTP *</u>	<u>Pro Rated **</u>
Annual Contract 2/05-2/06	\$1,184,652		
Annual Contract 2/06 - 2/07	\$1,232,062	\$ 1,674,383	\$ 1,559,852
Increase Over Test Year =	\$410,948		

* New Plant assumed in Operation April 2006. Annual cost includes allowance for UV license/patent and EPA monitoring.

** One month at 2/05-2/06 amount, 2 months at 2/06-2/07 amount and 9 months at new WTP amount.

WTP Power: new facility will include additional power for UV unit = \$6000

Inflation Adjustments

Certain items (with an "i" notation) were increased from test year amounts by an inflation rate of **3.50%** per year over 2 1/2 years. Utility costs ("u" notation) were increased for inflation by **7.00%** for 2.5 years.

Education & Training

These are set at the amounts provided for in Docket 3497, increased for inflation for one year. The amount included in Purification (\$18,313) has been eliminated and replaced with the following:

Source of Supply **\$ 2,000**

In addition, the amounts have been adjusted for specific programs/courses as follows:

Administration

required courses for new CFO	\$ 2,000
AWWA Water Dist Conf - Assist. Chief Engineer	\$ 2,000
CFO Membership AICPA, RISCPA (2) & GFOA	\$ 600
T&D - Debt Manager - AWWA Water Distrib Conf	\$ 2,000

Property Taxes have been increased in each case by the maximum allowable amount of 3.5% per year for 2 1/2 years.

PWSB Share of City wide GIS included in **Admin Capitalized Materia** **\$16,000**

Property Insurance has been increased by 10% per year (1.5 years) from the FY 2005 base. For FY 2005 the Property Insurance was **\$155,558**. It is hoped that a new bid price will be available during hearings.

DETAILS OF ADJUSTMENTS TO TEST YEAR EXPENSES**Central Falls System Operation* (see Testimony of P. Marchand)**

Labor Costs - Crew Leader, Equipment Operator, and 3 Utility Workers

CY 2006 Salary & Long	\$	215,988	
Overtime	\$	19,672	
Out of Class	\$	418	
Pager/Beeper	\$	1,522	
Payroll Taxes	\$	16,523	
Benefits	\$	89,955	(Includes Health Insurance, Worker's Compensation and MERS Contribution)
Total	\$	344,078	
Tools/Supplies for Equip Truck	\$	23,000	
Expenses for CF system	\$	32,018	
	\$	-	
CF System O&M	\$	399,096	

*Note: Additional lease costs presented above

Cent Falls Franch. Fee/Purchase

In order to accumulate sufficient funds to purchase the Central Falls system, PWSB is requesting continued funding for this line item.

Transmission & Distribution - Misc Tools & Supplies

Based on Test Year actual plus \$15,000 for new road saw to be used for cutting asphalt & concrete plus \$20,000 for leak detection equipment app docket but not purchased due to insufficient revenues.

Source of Supply

Rate year adjustments based on:

Security Costs

Private security for reservoir patrol	\$	66,060	
Police Band Radio	\$	900	
Security Lighting (11 lights @\$50/mo each)	\$	6,600	
Security Lighting maintenance	\$	500	\$ 74,060

Vehicle Maintenance

Vehicle Expense	\$	1,000	
Misc Vehicle Items	\$	400	
Gasoline	\$	600	\$ 2,000

Maint of Structures & Improvements

Bascule Gate - H.H. Dam Paint & oil	\$	200	
Caretakers House	\$	6,810	\$ 7,010

Maint of Reservoirs

various items	\$	30,500	
brush control	\$	100,000	\$ 130,500

Misc Maint - Source Plant

Diesel engine & pump main Diamond Hill	\$	1,000	
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Materials & Supplies & Operating/Office Supplies

various items	\$	6,739	
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Misc. Expenses

Uniforms - 3 employees			
Fees & Permits	\$	5,600	
Communications Expense - Outside Lines	\$	1,400	
Dues & Subscriptions	\$	152	\$ 7,152

Regulatory Expenses*Estimated Rate Year*

Rate Case Costs (estim)	\$250,000
Spread over 1.5 yrs	\$166,667
PUC Fee	\$35,000
Other	\$5,000
Total Rate Year	\$206,667
Test Year	\$134,861
Adjustment	\$71,806

Operating Reserve

See testimony of C. Woodcock. An operating reserve allowance of 5.0% on total revenues is requested in this case. As shown On Schedule 2, the annual changes in sales exceeds 5% per year on average for the past five years.

ADJUSTMENTS TO MISCELLANEOUS REVENUES

	Test Year	Summary of	Rate Year	
	<u>FY 2004</u>	<u>Adjustments</u>	<u>CY 2006</u>	<u>Notes</u>
Service Installation	\$241,670	-\$135,318	\$106,352	1
Merchandising & Jobbing	\$4,719	\$0	\$4,719	2
Rental Income	\$21,320	\$0	\$21,320	2
Misc Non-operating	\$11,581	\$7,822	\$19,403	1
Interest/Dividends	\$26,031	\$0	\$26,031	1
Penalties	\$61,037	\$0	\$61,037	2
State Surcharge (Admin)	\$64,364	\$0	\$64,364	
Total	\$430,721	-\$127,496	\$303,226	

Notes:

1. Average of past six years		<u>Serv Instal.</u>	<u>Misc Non-Op</u>
1999	\$	56,223	\$ 30,957
2000	\$	41,741	\$ 24,428
2001	\$	78,098	\$ 15,693
2002	\$	64,320	\$ 33,757
2003	\$	156,062	\$ -
2004	\$	241,670	\$ 11,581
Avg	\$	106,352	\$ 19,403
Adjustment	\$	(135,318)	\$ 7,822

2. See DGB - 1

SALARY & LABOR ADJUSTMENTS

Salary Costs

See Testimony of R. Benson. Amounts are net of amounts funded through IFR.

	<u>CY06 Salary</u>	<u>Longevity</u>	<u>Overtime</u>	<u>Out of Grade</u>	<u>Vac/Sick Payout</u>	
Administration	\$599,450	\$ 27,832	\$ 7,952	\$ -	\$ -	
Customer Service	\$135,161	\$ 6,888	\$ 2,514	\$ 627	\$ -	
Meter Department	\$386,422	\$ 20,110	\$ 1,283	\$ 314	\$ -	
Engineering	\$392,131	\$ 23,309	\$ 5,687	\$ 1,965	\$ 6,395	
Source of Supply	\$145,624	\$ 12,299	\$ -	\$ -	\$ -	
Transmission & Distribution	<u>\$903,347</u>	<u>\$ 55,191</u>	<u>\$ 98,362</u>	<u>\$ 2,091</u>	<u>\$ 54,298</u>	
Totals	\$2,562,135	\$145,630	\$115,798	\$4,997	\$60,693	\$4,081,882

	<u>Health/Dental</u>	<u>Workers Comp</u>	<u>MERS</u>	<u>Beeper Stip.</u>	<u>FICA</u>	<u>Medicare</u>
Administration	\$ 242,966	\$ 11,300	\$ 32,975	\$ -	\$ 37,595	\$ 9,211
Customer Service	\$ 28,353	\$ 2,222	\$ 7,731	\$ -	\$ 9,002	\$ 2,105
Meter Department	\$ 111,098	\$ 15,596	\$ 21,447	\$ 1,359	\$ 25,388	\$ 5,938
Engineering	\$ 61,829	\$ 16,300	\$ 22,654	\$ -	\$ 26,628	\$ 6,228
Source of Supply	\$ 40,880	\$ 6,612	\$ 8,113	\$ 2,175	\$ 9,926	\$ 2,321
Transmission & Distribution	<u>\$ 238,974</u>	<u>\$ 46,293</u>	<u>\$ 50,537</u>	<u>\$ 7,611</u>	<u>\$ 65,009</u>	<u>\$ 16,253</u>
Subtotals	\$724,100	\$98,323	\$143,457	\$11,144	\$173,549	\$42,056

Unemployment Insurance \$ 4,584

UNITS OF SERVICE

METERS

<u>Meter Size</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Total</u>	<u>Equiv Factor</u>	<u># of Equivs</u>
5/8	21,243	8	21,251	1.00	21,251
3/4	239	4	243	1.39	337
1	474	11	485	2.00	970
1 1/2	230	6	236	4.07	961
2	374	28	402	5.29	2,125
3	24	16	40	6.00	240
4	10	6	16	14.00	224
6	4	3	7	21.00	147
8	0	0	0	30.00	0
	=====	=====	=====		=====
Totals	22,598	82	22,680		26,254

PUBLIC FIRE HYDRANTS

	<u>Test Year</u>	<u>Adjustments</u>	<u>Rate Year</u>
Pawtucket	1,514	0	1,514
Central Falls	201	0	201
Valley Falls	197	0	197
Totals	1,912	0	1,912

PRIVATE FIRE SERVICE

<u>Size</u>	<u>Test Year</u>	<u>Adjustments</u>	<u>Rate Year</u>	<u>Equiv Factor</u>	<u># of Equivs</u>
2	18	0	18	5.3	95
4	29	0	29	14.0	406
6	354	0	354	21.0	7,434
8	88	0	88	30.0	2,640
10	4	0	4	30.0	120
12	0	0	0	30.0	0
Total	493	0	493		10,695

UNITS OF SERVICE

METERED WATER USE (ccf/year)

<u>Class</u>	<u>Test Year</u>	<u>Adjustments</u>	<u>Rate Year</u>
Small (5/8 - 1")	3,095,831	0	3,095,831
Medium (1.5 - 2" & By pass)	763,379	0	763,379
Large (3" and up)	367,351	0	367,351
Very Large (6" and up)	312,360	0	312,360
Total	4,538,921	0	4,538,921
Wholesale			
Cumberland	548,162	0	548,162
Seekonk	0	0	0
Total	548,162	0	548,162

Miles of Mains

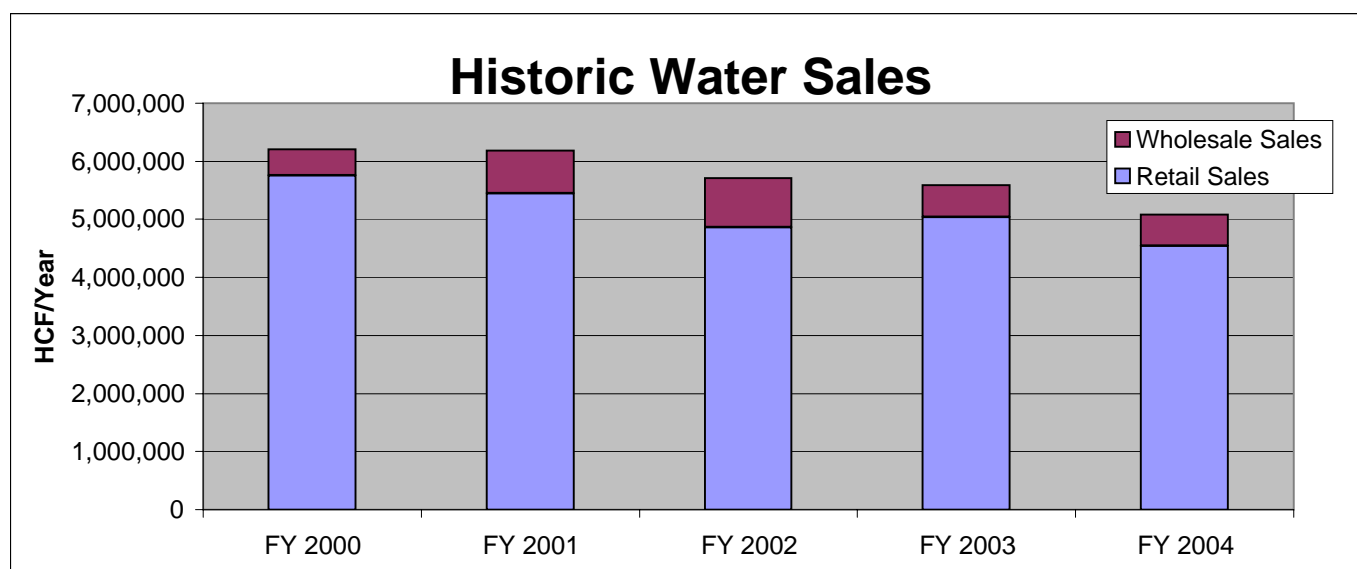
<u>Size</u>	<u>Miles</u>	<u>Inch-Miles</u>	
2	1.29	2.6	
4	1.50	6.0	
6	113.08	678.5	
8	77.97	623.8	
10	1.78	17.8	
12	45.76	549.1	80.7%
16	4.24	67.8	
20	9.13	182.6	
24	6.06	145.4	
30	0.10	3.0	
36	0.35	12.6	
48	0.04	1.9	
54	0.65	35.1	19.3%
Totals		2,326	

Variations in Historic Water Sales (hcf/year)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Average</u>
Retail Sales	<u>5,758,813</u>	<u>5,443,371</u>	<u>4,864,720</u>	<u>5,042,979</u>	<u>4,538,921</u>	5,129,761
Wholesale Sales	<u>443,892</u>	<u>741,077</u>	<u>845,377</u>	<u>545,224</u>	<u>548,162</u>	624,746
Total	6,202,705	6,184,448	5,710,097	5,588,203	5,087,083	5,754,507
<u>Percent Variation from Average</u>						
Retail Sales	12.3%	6.1%	5.2%	1.7%	11.5%	7.4%
Wholesale Sales	28.9%	18.6%	35.3%	12.7%	12.3%	21.6%
Total Sales	7.8%	7.5%	0.8%	2.9%	11.6%	6.1%

Docket No. 3497 Initial Positions on Sales vs. Actual

	<u>Division</u>	<u>PWSB</u>	<u>Actual FY 04</u>
Retail Sales	4,905,276	4,864,720	4,538,921
Wholesale Sales	<u>712,834</u>	<u>630,530</u>	<u>548,162</u>
Total Sales	5,618,110	5,495,250	5,087,083
Diff from Actual	10.4%	8.0%	



ALLOCATION OF RATE YEAR EXPENSES TO COST COMPONENTS

<u>EXPENSE ITEM</u>	<u>PRO FORMA</u> <u>EXPENSE</u>	<u>ALLOC.</u> <u>SYMBOL (1)</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
ADMINISTRATION								
Admin Salaries	\$599,450	L	\$171,965	\$71,964	\$52,049	\$175,744	\$39,775	\$87,954
Admin Overtime	\$7,952	L	\$2,281	\$955	\$690	\$2,331	\$528	\$1,167
Police Payroll	\$19,809	L	\$5,683	\$2,378	\$1,720	\$5,807	\$1,314	\$2,906
Out of Class Pay	\$0	L	\$0	\$0	\$0	\$0	\$0	\$0
Admin. Longevity	\$27,832	L	\$7,984	\$3,341	\$2,417	\$8,160	\$1,847	\$4,084
Admin. Vacation & Sick Pay	\$0	L	\$0	\$0	\$0	\$0	\$0	\$0
FICA Payroll Tax	\$37,595	L	\$10,785	\$4,513	\$3,264	\$11,022	\$2,494	\$5,516
Medicare Payroll Tax	\$9,211	L	\$2,642	\$1,106	\$800	\$2,700	\$611	\$1,351
Health/Dental Benefits	\$724,100	L	\$207,723	\$86,928	\$62,872	\$212,288	\$48,045	\$106,243
MERS Contribution	\$32,975	L	\$9,460	\$3,959	\$2,863	\$9,668	\$2,188	\$4,838
Education & Training	\$14,950	E	\$8,306	\$2,356	\$832	\$1,900	\$520	\$1,036
Outside Services	\$123,592	E	\$68,664	\$19,478	\$6,877	\$15,710	\$4,300	\$8,564
Pagers/Cell Phones	\$18,487	E	\$10,271	\$2,914	\$1,029	\$2,350	\$643	\$1,281
Maint. of Gen'l Plant	\$20,111	E	\$11,173	\$3,169	\$1,119	\$2,556	\$700	\$1,394
Repairs & Main/water plant	\$1,707	E	\$948	\$269	\$95	\$217	\$59	\$118
Telephone	\$13,803	E	\$7,669	\$2,175	\$768	\$1,755	\$480	\$956
Heating Fuel	\$22,313	E	\$12,397	\$3,517	\$1,241	\$2,836	\$776	\$1,546
Other Utilities	\$2,667	E	\$1,481	\$420	\$148	\$339	\$93	\$185
Unemployment Insurance	\$4,584	L	\$1,315	\$550	\$398	\$1,344	\$304	\$673
Workers Compensation	\$98,323	L	\$28,206	\$11,804	\$8,537	\$28,826	\$6,524	\$14,426
Property Insurance	\$179,466	P	\$99,015	\$44,355	\$24,407	\$9,799	\$144	\$1,746
Advertising/Classified	\$10,342	E	\$5,746	\$1,630	\$575	\$1,315	\$360	\$717
Printing	\$8,793	E	\$4,885	\$1,386	\$489	\$1,118	\$306	\$609
Dues & Subscriptions	\$31,722	E	\$17,623	\$4,999	\$1,765	\$4,032	\$1,104	\$2,198
Office Supplies/Other	\$19,016	E	\$10,565	\$2,997	\$1,058	\$2,417	\$662	\$1,318
Postage	\$13,320	E	\$7,400	\$2,099	\$741	\$1,693	\$463	\$923
Housekeeping Supplies	\$8,477	E	\$4,709	\$1,336	\$472	\$1,078	\$295	\$587
Municipal Charges	\$148,486	E	\$82,494	\$23,401	\$8,262	\$18,874	\$5,166	\$10,289
Capitalized Materials	\$48,142	E	\$26,746	\$7,587	\$2,679	\$6,119	\$1,675	\$3,336
Materials & Supplies	\$1,877	E	\$1,043	\$296	\$104	\$239	\$65	\$130
Bad Debt Expense	\$0	E	\$0	\$0	\$0	\$0	\$0	\$0
Damage Claims	\$8,172	E	\$4,540	\$1,288	\$455	\$1,039	\$284	\$566
Bond Trustee Fees	\$13,000	P	\$7,172	\$3,213	\$1,768	\$710	\$10	\$126
Cent Falls Franch. Fee/Purcl	\$172,831	C	\$126,365	\$30,266	\$16,201	\$0	\$0	\$0
Regulatory Comm. Expense	\$206,667	E	\$114,817	\$32,570	\$11,499	\$26,270	\$7,190	\$14,321
Other Miscellaneous	\$10,511	E	\$5,840	\$1,657	\$585	\$1,336	\$366	\$728
Subtotal - Admin	\$2,660,282		\$1,087,911	\$380,876	\$218,778	\$561,591	\$129,291	\$281,835
CUSTOMER SERVICE								
Payroll	\$135,161	B	\$0	\$0	\$0	\$0	\$135,161	\$0
Overtime	\$2,514	B	\$0	\$0	\$0	\$0	\$2,514	\$0
Out of Class Pay	\$627	B	\$0	\$0	\$0	\$0	\$627	\$0
Longevity	\$6,888	B	\$0	\$0	\$0	\$0	\$6,888	\$0
Vacation & Sick Time	\$0	B	\$0	\$0	\$0	\$0	\$0	\$0
FICA	\$9,002	B	\$0	\$0	\$0	\$0	\$9,002	\$0
Medicare	\$2,105	B	\$0	\$0	\$0	\$0	\$2,105	\$0
MERS Contribution	\$7,731	B	\$0	\$0	\$0	\$0	\$7,731	\$0
Education & Training	\$3,105	B	\$0	\$0	\$0	\$0	\$3,105	\$0
Outside Services	\$17,322	B	\$0	\$0	\$0	\$0	\$17,322	\$0
Vehicle Maint - Fuel & Misc.	\$2,101	B	\$0	\$0	\$0	\$0	\$2,101	\$0
Main. of Misc Equipment	\$1,293	B	\$0	\$0	\$0	\$0	\$1,293	\$0
Telephone	\$1,402	B	\$0	\$0	\$0	\$0	\$1,402	\$0
Other Utilities	\$0	B	\$0	\$0	\$0	\$0	\$0	\$0
Printing	\$17,549	B	\$0	\$0	\$0	\$0	\$17,549	\$0
Dues & Subscriptions	\$0	B	\$0	\$0	\$0	\$0	\$0	\$0
Postage	\$28,161	B	\$0	\$0	\$0	\$0	\$28,161	\$0
Miscellaneous Supplies	\$142	B	\$0	\$0	\$0	\$0	\$142	\$0
Other Misc.	\$1,936	B	\$0	\$0	\$0	\$0	\$1,936	\$0
Subtotal - Customer Accts	\$237,040		\$0	\$0	\$0	\$0	\$237,040	\$0

ALLOCATION OF RATE YEAR EXPENSES TO COST COMPONENTS

<u>EXPENSE ITEM</u>	<u>PRO FORMA EXPENSE</u>	<u>ALLOC. SYMBOL (1)</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
SOURCE OF SUPPLY								
Salaries	\$145,624	A	\$145,624	\$0	\$0	\$0	\$0	\$0
Overtime	\$0	A	\$0	\$0	\$0	\$0	\$0	\$0
Source of Supply Beeper	\$2,175	A	\$2,175	\$0	\$0	\$0	\$0	\$0
Longevity	\$12,299	A	\$12,299	\$0	\$0	\$0	\$0	\$0
Vacation & Sick Time	\$0	A	\$0	\$0	\$0	\$0	\$0	\$0
FICA	\$9,926	A	\$9,926	\$0	\$0	\$0	\$0	\$0
Medicare Payroll Tax	\$2,321	A	\$2,321	\$0	\$0	\$0	\$0	\$0
MERS Contribution	\$8,113	A	\$8,113	\$0	\$0	\$0	\$0	\$0
Education Training	\$2,000	A	\$2,000	\$0	\$0	\$0	\$0	\$0
Security Services	\$74,060	A	\$74,060	\$0	\$0	\$0	\$0	\$0
Vehicle Maint - Fuel & Misc.	\$2,000	A	\$2,000	\$0	\$0	\$0	\$0	\$0
Maint of Structures	\$7,010	A	\$7,010	\$0	\$0	\$0	\$0	\$0
Maint - Collection Reservoirs	\$130,500	A	\$130,500	\$0	\$0	\$0	\$0	\$0
Maint - Wells	\$0	A	\$0	\$0	\$0	\$0	\$0	\$0
Maint - Misc. Plant	\$1,000	A	\$1,000	\$0	\$0	\$0	\$0	\$0
Maint - Wells & Springs	\$0	A	\$0	\$0	\$0	\$0	\$0	\$0
Light & Power	\$28,290	A	\$28,290	\$0	\$0	\$0	\$0	\$0
Other Utilities	\$0	A	\$0	\$0	\$0	\$0	\$0	\$0
Materials & Supplies	\$6,739	A	\$6,739	\$0	\$0	\$0	\$0	\$0
Property Tax	\$702,828	A	\$702,828	\$0	\$0	\$0	\$0	\$0
Miscellaneous	<u>\$7,152</u>	A	<u>\$7,152</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal - Supply	\$1,142,038		\$1,142,038	\$0	\$0	\$0	\$0	\$0
PUMPING								
Salaries	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Overtime	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Longevity	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Vacation & Sick Time	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
FICA	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Medicare Payroll Tax	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
MERS Contribution	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Telephone	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Heating	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Purchased Power	\$564,045	A	\$564,045	\$0	\$0	\$0	\$0	\$0
Depreciation	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Property Tax	\$25,641	D	\$16,258	\$9,383	\$0	\$0	\$0	\$0
Miscellaneous	<u>\$0</u>	D	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal - Pumping	\$589,685		\$580,303	\$9,383	\$0	\$0	\$0	\$0
PURIFICATION								
DBO O&M Contract	\$1,559,852	D	\$989,044	\$570,807	\$0	\$0	\$0	\$0
Overtime	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Out of Class Pay	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Beeper Stipend	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Longevity	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Vacation & Sick Time	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
FICA	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Medicare	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
MERS Contribution	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Education & Training	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Lab Testing	\$0	A	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Maint - Tires	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Maint - Batteries	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Maint - Outside Parts	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Maint - Fuel & Misc	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Maint - Structures	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Maint - Distrib. Reservoirs	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Maint - Wells	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Maint - Equipment	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Maint - Facilities	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Telephone	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Light & Power	\$210,263	A	\$210,263	\$0	\$0	\$0	\$0	\$0
Heating	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Other Utilities	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Advertising/Classified	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Dues & Subscriptions	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0

ALLOCATION OF RATE YEAR EXPENSES TO COST COMPONENTS

<u>EXPENSE ITEM</u>	<u>PRO FORMA EXPENSE</u>	<u>ALLOC. SYMBOL (1)</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
Property Tax	\$52,438	D	\$33,249	\$19,189	\$0	\$0	\$0	\$0
Other Miscellaneous	\$0	D	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal - Purification	\$1,822,553		\$1,232,557	\$589,996	\$0	\$0	\$0	\$0
TRANSMISSION & DISTRIBUTION								
Payroll	\$903,347	O	\$202,892	\$135,412	\$113,370	\$180,669	\$0	\$271,004
Overtime	\$98,362	O	\$22,092	\$14,744	\$12,344	\$19,672	\$0	\$29,509
Out of Class Pay	\$2,091	O	\$470	\$313	\$262	\$418	\$0	\$627
Beeper Stipend	\$7,611	O	\$1,709	\$1,141	\$955	\$1,522	\$0	\$2,283
Longevity	\$55,191	O	\$12,396	\$8,273	\$6,926	\$11,038	\$0	\$16,557
Vacation & Sick Time	\$54,298	O	\$12,195	\$8,139	\$6,814	\$10,860	\$0	\$16,289
FICA	\$65,009	O	\$14,601	\$9,745	\$8,159	\$13,002	\$0	\$19,503
Medicare	\$16,253	O	\$3,650	\$2,436	\$2,040	\$3,251	\$0	\$4,876
MERS Contribution	\$50,537	O	\$11,351	\$7,575	\$6,342	\$10,107	\$0	\$15,161
Education & Training	\$7,288	O	\$1,637	\$1,092	\$915	\$1,458	\$0	\$2,186
Vehicle Maint-Registration	\$105	O	\$23	\$16	\$13	\$21	\$0	\$31
Vehicle Maint - Inspection	\$669	O	\$150	\$100	\$84	\$134	\$0	\$201
Vehicle Maint - Tires	\$958	O	\$215	\$144	\$120	\$192	\$0	\$287
Vehicle Maint - Batteries	\$0	O	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Maint - Outside Parts	\$34,482	O	\$7,745	\$5,169	\$4,328	\$6,896	\$0	\$10,345
Vehicle Maint - Fuel & Misc	\$18,707	O	\$4,202	\$2,804	\$2,348	\$3,741	\$0	\$5,612
Maint - Misc Plant	\$3,040	O	\$683	\$456	\$381	\$608	\$0	\$912
Maint - T&D Mains	\$21,296	T	\$9,870	\$5,696	\$5,730	\$0	\$0	\$0
Maint - Services	\$12,233	M	\$0	\$0	\$0	\$12,233	\$0	\$0
Maint - Hydrants	\$4,636	F	\$0	\$0	\$0	\$0	\$0	\$4,636
Telephone	\$2,104	O	\$472	\$315	\$264	\$421	\$0	\$631
Advertising & Classified	\$1,606	O	\$361	\$241	\$201	\$321	\$0	\$482
Dues & Subscriptions	\$33	O	\$7	\$5	\$4	\$7	\$0	\$10
Postage	-\$539	O	-\$121	-\$81	-\$68	-\$108	\$0	-\$162
Capitalized Materials	\$0	O	\$0	\$0	\$0	\$0	\$0	\$0
Misc. Tools & Supplies/Inven	\$46,634	O	\$10,474	\$6,990	\$5,853	\$9,327	\$0	\$13,990
Inventory Water Material	\$5,890	O	\$1,323	\$883	\$739	\$1,178	\$0	\$1,767
Road Surface Restoration	\$0	O	\$0	\$0	\$0	\$0	\$0	\$0
Other Misc Supplies	\$950	O	\$213	\$142	\$119	\$190	\$0	\$285
Central Falls System Operati	\$399,097	T	\$184,965	\$106,749	\$107,384	\$0	\$0	\$0
Property Tax	\$137,514	O	\$30,886	\$20,613	\$17,258	\$27,503	\$0	\$41,254
Other Miscellaneous	<u>\$31,732</u>	O	<u>\$7,127</u>	<u>\$4,757</u>	<u>\$3,982</u>	<u>\$6,346</u>	<u>\$0</u>	<u>\$9,520</u>
Subtotal - T&D	\$1,981,132		\$541,588	\$343,871	\$306,869	\$321,007	\$0	\$467,797
ENGINEERING								
Payroll	\$392,131	P	\$216,346	\$96,915	\$53,328	\$21,411	\$315	\$3,815
Overtime	\$5,687	P	\$3,138	\$1,406	\$773	\$311	\$5	\$55
Out of Class Pay	\$1,965	P	\$1,084	\$486	\$267	\$107	\$2	\$19
Beeper Stipend	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
Longevity	\$23,309	P	\$12,860	\$5,761	\$3,170	\$1,273	\$19	\$227
Vacation & Sick Time	\$6,395	P	\$3,528	\$1,580	\$870	\$349	\$5	\$62
FICA	\$26,628	P	\$14,691	\$6,581	\$3,621	\$1,454	\$21	\$259
Medicare	\$6,228	P	\$3,436	\$1,539	\$847	\$340	\$5	\$61
MERS Contribution	\$22,654	P	\$12,498	\$5,599	\$3,081	\$1,237	\$18	\$220
Education & Training	\$3,726	P	\$2,056	\$921	\$507	\$203	\$3	\$36
Vehicle Maint-Registration	\$61	P	\$34	\$15	\$8	\$3	\$0	\$1
Vehicle Maint - Inspec	\$83	P	\$46	\$20	\$11	\$5	\$0	\$1
Vehicle Maint - Tires	\$492	P	\$272	\$122	\$67	\$27	\$0	\$5
Vehicle Maint - Batteries	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Maint - Outside Parts	\$2,224	P	\$1,227	\$550	\$302	\$121	\$2	\$22
Vehicle Maint - Fuel & Misc	\$5,758	P	\$3,177	\$1,423	\$783	\$314	\$5	\$56
Maint - Misc Equipment	\$161	P	\$89	\$40	\$22	\$9	\$0	\$2
Telephone	\$3,506	P	\$1,934	\$867	\$477	\$191	\$3	\$34
Advertising and Classifieds	\$613	P	\$338	\$152	\$83	\$33	\$0	\$6
Printing	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
Dues & Subscriptions	\$38	P	\$21	\$9	\$5	\$2	\$0	\$0
Office Supplies & Other	\$21,149	P	\$11,668	\$5,227	\$2,876	\$1,155	\$17	\$206
Postage	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Materials	\$101	P	\$55	\$25	\$14	\$5	\$0	\$1
Other Misc. Expense	\$3,462	P	\$1,910	\$856	\$471	\$189	\$3	\$34
Miscellaneous Expense	<u>\$9,848</u>	P	<u>\$5,433</u>	<u>\$2,434</u>	<u>\$1,339</u>	<u>\$538</u>	<u>\$8</u>	<u>\$96</u>
Subtotal - Engineering	\$536,219		\$295,843	\$132,526	\$72,924	\$29,279	\$431	\$5,217

ALLOCATION OF RATE YEAR EXPENSES TO COST COMPONENTS

<u>EXPENSE ITEM</u>	<u>PRO FORMA</u> <u>EXPENSE</u>	<u>ALLOC.</u> <u>SYMBOL (1)</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
METER DEPARTMENT								
Payroll	\$386,422	M	\$0	\$0	\$0	\$386,422	\$0	\$0
Overtime	\$1,283	M	\$0	\$0	\$0	\$1,283	\$0	\$0
Out of Class Pay	\$314	M	\$0	\$0	\$0	\$314	\$0	\$0
Beeper Stipend	\$1,359	M	\$0	\$0	\$0	\$1,359	\$0	\$0
Longevity	\$20,110	M	\$0	\$0	\$0	\$20,110	\$0	\$0
Vacation & Sick Time	\$0	M	\$0	\$0	\$0	\$0	\$0	\$0
FICA	\$25,388	M	\$0	\$0	\$0	\$25,388	\$0	\$0
Medicare	\$5,938	M	\$0	\$0	\$0	\$5,938	\$0	\$0
MERS Contribution	\$21,447	M	\$0	\$0	\$0	\$21,447	\$0	\$0
Education & Training	\$688	M	\$0	\$0	\$0	\$688	\$0	\$0
Vehicle Maint - Inspec	\$9	M	\$0	\$0	\$0	\$9	\$0	\$0
Vehicle Maint - Batteries	\$0	M	\$0	\$0	\$0	\$0	\$0	\$0
Vehicle Maint - Tires	\$111	M	\$0	\$0	\$0	\$111	\$0	\$0
Vehicle Maint - Outside Parts	\$1,807	M	\$0	\$0	\$0	\$1,807	\$0	\$0
Vehicle Maint - Fuel & Misc	\$7,387	M	\$0	\$0	\$0	\$7,387	\$0	\$0
Maint - Misc Equipment	\$3,288	M	\$0	\$0	\$0	\$3,288	\$0	\$0
Maint - Meters	\$921	M	\$0	\$0	\$0	\$921	\$0	\$0
Telephone	\$1,636	M	\$0	\$0	\$0	\$1,636	\$0	\$0
Advertising & Classified	\$0	M	\$0	\$0	\$0	\$0	\$0	\$0
Travel	\$1,694	M	\$0	\$0	\$0	\$1,694	\$0	\$0
Supplies	\$2,989	M	\$0	\$0	\$0	\$2,989	\$0	\$0
Postage	\$0	M	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Materials	\$0	M	\$0	\$0	\$0	\$0	\$0	\$0
Merchandising & Jobbing	\$28,403	M	\$0	\$0	\$0	\$28,403	\$0	\$0
Meter Maint. Expense	\$0	M	\$0	\$0	\$0	\$0	\$0	\$0
Meter Reading Expense	\$5,304	M	\$0	\$0	\$0	\$5,304	\$0	\$0
Meter Inventory	\$739	M	\$0	\$0	\$0	\$739	\$0	\$0
Other Misc. Expense	\$148	M	\$0	\$0	\$0	\$148	\$0	\$0
Subtotal - Meter Department	<u>\$517,384</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$517,384</u>	<u>\$0</u>	<u>\$0</u>
TOTAL O&M	\$9,486,334	I	\$4,880,239	\$1,456,652	\$598,571	\$1,429,261	\$366,762	\$754,849
CAPITAL EXPENSE								
PBA Misc. Exp.	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
CWFA Fees	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
Restrict. Bond Principal & Int	\$5,736,014	P	\$3,164,670	\$1,417,650	\$780,075	\$313,201	\$4,610	\$55,808
Lease Principal	\$135,729	P	\$74,885	\$33,545	\$18,459	\$7,411	\$109	\$1,321
Lease Interest	\$15,233	P	\$8,405	\$3,765	\$2,072	\$832	\$12	\$148
Capitalized Labor	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Material & Supply	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
IFR	\$3,100,000	A	\$3,100,000	\$0	\$0	\$0	\$0	\$0
WRB - Settlement	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
Cent Falls Franch. Fee Settl	\$0	C	\$0	\$0	\$0	\$0	\$0	\$0
Lead Pipe Replacement	\$0	T	\$0	\$0	\$0	\$0	\$0	\$0
T&D Replacement	\$0	T	\$0	\$0	\$0	\$0	\$0	\$0
Rate Stabiliz/Capital Program	\$0	A	\$0	\$0	\$0	\$0	\$0	\$0
O&M Reserve Deposit	\$158,721	E	\$88,180	\$25,014	\$8,831	\$20,175	\$5,522	\$10,999
R & R Reserve Deposit	\$0	P	\$0	\$0	\$0	\$0	\$0	\$0
WTP Reserve	<u>\$389,000</u>	D	<u>\$246,651</u>	<u>\$142,349</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal - Capital	<u>\$9,534,698</u>		<u>\$6,682,789</u>	<u>\$1,622,324</u>	<u>\$809,436</u>	<u>\$341,619</u>	<u>\$10,253</u>	<u>\$68,275</u>
TOTAL EXPENSES	\$19,021,032		\$11,563,029	\$3,078,977	\$1,408,007	\$1,770,881	\$377,015	\$823,124
PLUS: OPERATING INCOM	\$951,052	I	\$489,268	\$146,037	\$60,010	\$143,290	\$36,770	\$75,677
LESS: MISC. REVENUES	<u>-\$303,226</u>	I	<u>-\$155,994</u>	<u>-\$46,561</u>	<u>-\$19,133</u>	<u>-\$45,686</u>	<u>-\$11,723</u>	<u>-\$24,128</u>
REQUIRED FROM RATES	\$19,668,858		\$11,896,302	\$3,178,452	\$1,448,883	\$1,868,485	\$402,061	\$874,673

ALLOCATION OF PROJECTED PLANT IN SERVICE TO COST COMPONENTS

<u>EXPENSE ITEM</u>	<u>PROJECTED PLANT *</u>	<u>ALLOC. SYMBOL (1)</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
<i>SOURCE OF SUPPLY</i>								
Land & Land Rights	\$4,050,849	A	\$4,050,849	\$0	\$0	\$0	\$0	\$0
Structures & Improvements	\$16,499,969	A	\$16,499,969	\$0	\$0	\$0	\$0	\$0
Wells & Springs	\$726,712	A	\$726,712	\$0	\$0	\$0	\$0	\$0
<i>PUMPING</i>								
Land & Land Rights	\$30,133	D	\$19,106	\$11,027	\$0	\$0	\$0	\$0
Structures & Improvements	\$937,301	D	\$594,308	\$342,993	\$0	\$0	\$0	\$0
Electric Pumping Equipment	\$1,566,482	D	\$993,248	\$573,233	\$0	\$0	\$0	\$0
<i>PURIFICATION</i>								
Land & Land Rights	\$26,046	D	\$16,515	\$9,531	\$0	\$0	\$0	\$0
Structures & Improvements	\$51,603,859	D	\$32,720,100	\$18,883,759	\$0	\$0	\$0	\$0
Purification Equipment	\$635,768	D	\$403,117	\$232,651	\$0	\$0	\$0	\$0
CWIP - Purif Plant	\$71,584	D	\$45,389	\$26,195	\$0	\$0	\$0	\$0
<i>TRANSM & DISTRIBUTION</i>								
Land & Land Rights	\$1,590	H	\$672	\$388	\$530	\$0	\$0	\$0
Distribution Reservoirs	\$693,080	H	\$292,971	\$169,082	\$231,027	\$0	\$0	\$0
Transmission Mains	\$17,465,935	D	\$11,074,504	\$6,391,431	\$0	\$0	\$0	\$0
Distribution mains	\$73,124,828	H	\$30,910,500	\$17,839,385	\$24,374,943	\$0	\$0	\$0
Fire Mains	\$0	F	\$0	\$0	\$0	\$0	\$0	\$0
Services	\$7,541,970	M	\$0	\$0	\$0	\$7,541,970	\$0	\$0
Meters	\$1,895,440	M	\$0	\$0	\$0	\$1,895,440	\$0	\$0
Hydrants	\$1,484,763	F	\$0	\$0	\$0	\$0	\$0	\$1,484,763
<i>GENERAL</i>								
Miscellaneous Equipment	\$141,833	E	\$78,798	\$22,353	\$7,891	\$18,029	\$4,934	\$9,828
Structures & improvements	\$2,152,888	E	\$1,196,073	\$339,292	\$119,784	\$273,657	\$74,897	\$149,185
Office Furniture & Improvem	\$512,614	E	\$284,791	\$80,787	\$28,521	\$65,159	\$17,833	\$35,522
Transportation Equipment	\$1,209,691	E	\$672,064	\$190,646	\$67,306	\$153,766	\$42,084	\$83,826
Stores Equipment	\$7,525	E	\$4,181	\$1,186	\$419	\$957	\$262	\$521
Tools & Shop Equipment	\$41,651	E	\$23,140	\$6,564	\$2,317	\$5,294	\$1,449	\$2,886
Laboratory Equipment	\$85,723	A	\$85,723	\$0	\$0	\$0	\$0	\$0
Power Operated Equipment	\$50,343	E	\$27,969	\$7,934	\$2,801	\$6,399	\$1,751	\$3,489
Communication Equipment	\$103,470	E	\$57,484	\$16,307	\$5,757	\$13,152	\$3,600	\$7,170
TOTAL PLANT	\$182,662,047		\$100,778,183	\$45,144,745	\$24,841,296	\$9,973,822	\$146,810	\$1,777,191
PERCENT		P	55.17%	24.71%	13.60%	5.46%	0.08%	0.97%

Note: Projected Plant = Test Year Net Plant plus proposed Treatment Plant and Distribution Improvements

ALLOCATION OF NON-ADMINISTRATIVE LABOR COSTS TO COST COMPONENTS

<u>EXPENSE ITEM</u>	<u>PRO FORMA</u> <u>AMOUNT</u>	<u>ALLOC.</u> <u>SYMBOL (1)</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
CUSTOMER SERVICE								
Payroll	\$135,161	B	\$0	\$0	\$0	\$0	\$135,161	\$0
Overtime	\$2,514	B	\$0	\$0	\$0	\$0	\$2,514	\$0
Out of Class Pay	\$627	B	\$0	\$0	\$0	\$0	\$627	\$0
Longevity	\$6,888	B	\$0	\$0	\$0	\$0	\$6,888	\$0
SOURCE OF SUPPLY								
Salaries	\$145,624	A	\$145,624	\$0	\$0	\$0	\$0	\$0
Overtime	\$0	A	\$0	\$0	\$0	\$0	\$0	\$0
Longevity	\$12,299	A	\$12,299	\$0	\$0	\$0	\$0	\$0
TRANSMISSION & DISTRIBUTION								
Payroll	\$903,347	O	\$202,892	\$135,412	\$113,370	\$180,669	\$0	\$271,004
Overtime	\$98,362	O	\$22,092	\$14,744	\$12,344	\$19,672	\$0	\$29,509
Out of Class Pay	\$2,091	O	\$470	\$313	\$262	\$418	\$0	\$627
Longevity	\$55,191	O	\$12,396	\$8,273	\$6,926	\$11,038	\$0	\$16,557
ENGINEERING								
Payroll	\$392,131	P	\$216,346	\$96,915	\$53,328	\$21,411	\$315	\$3,815
Overtime	\$5,687	P	\$3,138	\$1,406	\$773	\$311	\$5	\$55
Out of Class Pay	\$1,965	P	\$1,084	\$486	\$267	\$107	\$2	\$19
Longevity	\$23,309	P	\$12,860	\$5,761	\$3,170	\$1,273	\$19	\$227
METER DEPARTMENT								
Payroll	\$386,422	M	\$0	\$0	\$0	\$386,422	\$0	\$0
Overtime	\$1,283	M	\$0	\$0	\$0	\$1,283	\$0	\$0
Out of Class Pay	\$314	M	\$0	\$0	\$0	\$314	\$0	\$0
Longevity	\$20,110	M	\$0	\$0	\$0	\$20,110	\$0	\$0
TOTALS	\$2,193,326		\$629,201	\$263,310	\$190,442	\$643,028	\$145,531	\$321,814
PERCENT		L	28.7%	12.0%	8.7%	29.3%	6.6%	14.7%

ALLOCATION TO FIRE, WHOLESALE & RETAIL SERVICE

<u>UNITS OF SERVICE</u>	<u>TOTAL</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
Number Units		5,087,083 ccf/yr	21,444 ccf/day	13,860 ccf/day	26,254 equiv meters	91,869 bills	1,912 hydrants
Revenue Requirements	\$19,668,858	\$11,896,302	\$3,178,452	\$1,448,883	\$1,868,485	\$402,061	\$874,673
Allocation to Fire Protection	\$1,412,481	\$59,482	\$428,013	\$50,313	included in calculation		\$874,673
Allocation to Wholesale *	\$1,320,987	\$1,114,690	\$182,368	\$23,928			
Net To Retail Metered Rates	\$16,935,391	\$10,722,130	\$2,568,071	\$1,374,643	\$1,868,485	\$402,061	\$0

* Allocation to wholesale based on:

BASE

Total Sales (ccf)	5,087,083
Plus Unacctd For (15%)	763,062
Total Production	5,850,145
Wholesale Sales	548,162
Percent	9.37%
Wholesale Allocation	<u>\$1,114,690</u>

MAX DAY

Total Max Day Allocation	\$3,178,452	
Less: Distribution Costs		
80.7% of T&D	-\$277,573	
80.7% of Engineering	-\$106,975	
Admin Share	-\$100,549	26.1%
Capital Items	<u>-\$957,347</u>	59.01% (Less Distribution Mains & Gen'l Items allocated to Max Day)
Total Net of Distribution	\$1,736,008	
Wholesale Max Day %	10.51%	See Sch. 2.1
Wholesale Allocation	\$182,368	

PEAK HOUR

Total Peak Hour Allocation	\$1,448,883	
Less: Distribution Costs		
80.7% of T&D	-\$247,705	
80.7% of Engineering	-\$58,864	
Admin Share	-\$112,051	36.6%
Capital Items	<u>-\$809,436</u>	100.00%
Total Net of Distribution	\$220,828	
Wholesale Peak Hr %	10.84%	See Sch. 2.1
Wholesale Allocation	\$23,928	

ALLOCATION SYMBOLS

ALLOCATION								
	<u>SYMBOL</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>	
100.00%	A	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Supply & Treatment
100.00%	B	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	Billing
100.00%	C	73.11%	17.51%	9.37%	0.00%	0.00%	0.00%	Central Falls Franchise Fee
100.00%	D	63.41%	36.59%	0.00%	0.00%	0.00%	0.00%	Max Day Demand
100.00%	E	55.56%	15.76%	5.56%	12.71%	3.48%	6.93%	O&M less A&G
100.00%	F	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	Fire Service
100.00%	H	42.27%	24.40%	33.33%	0.00%	0.00%	0.00%	Max Hour Demand
100.00%	I	51.44%	15.36%	6.31%	15.07%	3.87%	7.96%	Total O&M
100.00%	L	28.69%	12.01%	8.68%	29.32%	6.64%	14.67%	Labor
100.00%	M	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	Meters
100.00%	O	22.46%	14.99%	12.55%	20.00%	0.00%	30.00%	Mains, Hydrants & Service
100.00%	P	55.17%	24.71%	13.60%	5.46%	0.08%	0.97%	Plant
100.00%	T	46.35%	26.75%	26.91%	0.00%	0.00%	0.00%	T&D Mains

<i>Symbol D</i>	<u>MGD</u>	<u>%</u>
Avg Day	12.746	63.41%
Max Day Inc	<u>7.356</u>	<u>36.59%</u>
Total Max Day	20.101	100.00%

<i>Symbol E</i>	Total	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
Amount	\$6,826,052	\$3,792,328	\$1,075,776	\$379,793	\$867,670	\$237,471	\$473,014
Percent	E	55.6%	15.8%	5.6%	12.7%	3.5%	6.9%

<i>Symbol H</i>	<u>MGD</u>	<u>%</u>
Avg Day	12.746	42.27%
Max Day Inc	7.356	24.40%
Peak Hour Inc	<u>10.051</u>	<u>33.33%</u>
Total Peak Hour	30.152	100.00%

	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>Average</u>	
Avg Day mgd	<u>13.122</u>	<u>13.389</u>	<u>13.035</u>	<u>11.954</u>	<u>12.229</u>	12.75	17,582
Max Day (mgd)	<u>21.357</u>	<u>21.085</u>	<u>21.395</u>	<u>17.583</u>	<u>19.087</u>	20.10	29,316

Symbol O Per Settlement in Docket No. 3373

	<u>% of Time</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
Mains	50.00%	22.46%	14.99%	12.55%	0.00%	0.00%	0.00%
Hydrants	30.00%	0.00%	0.00%	0.00%	0.00%	0.00%	30.00%
Services	20.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%
Total	100.0%	22.5%	15.0%	12.6%	20.0%	0.0%	30.0%

Symbol T

	<u>Plant Amt.</u>	<u>BASE</u>	<u>MAX. DAY</u>	<u>PEAK HOUR</u>	<u>METERING</u>	<u>BILLING</u>	<u>DIRECT FIRE</u>
Transmission	\$17,465,935	\$11,074,504	\$6,391,431	\$0	\$0	\$0	\$0
Distribution	<u>\$73,124,828</u>	<u>\$30,910,500</u>	<u>\$17,839,385</u>	<u>\$24,374,943</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$90,590,764	\$41,985,005	\$24,230,816	\$24,374,943	\$0	\$0	\$0
		46.35%	26.75%	26.91%	0.00%	0.00%	0.00%

FIRE SERVICE CHARGES

PUBLIC FIRE SERVICE

Annual Charge/Hydrant = \$674.34

PRIVATE FIRE SERVICE

SERVICE SIZE (inches)	ANNUAL CHARGE
2	\$146.88
4	\$424.54
6	\$739.51
8	\$1,206.90
10	\$1,575.87
12	\$2,087.24

**ALLOCATION OF FIRE SERVICE EXPENSES
TO PUBLIC AND PRIVATE FIRE SERVICE**

	<u>NUMBER</u>	<u>DEMAND FACTOR (1)</u>	<u>NO. OF EQUIVS.</u>	<u>PERCENT OF DEMAND</u>	<u>NON-HYDR. REQUIRED</u>	<u>DIRECT HYDRANT</u>	<u>TOTAL</u>
PUBLIC FIRE SERVICE							
Hydrants	1,912	111.31	212,826.5	77.10%	\$414,658	\$874,673	\$1,289,332
PRIVATE FIRE SERVICE							
SIZE (IN)							
2	18	6.19	111.4				
4	29	38.32	1,111.3				
6	354	111.31	39,404.1				
8	88	237.21	20,874.2				
10	4	426.58	1,706.3				
12	<u>0</u>	<u>689.04</u>	<u>0.0</u>				
TOTAL-PRIV.	493		63,207.2	22.90%	\$123,149	\$0	\$123,149
	=====		=====	=====	=====	=====	=====
GRAND TOTALS	2,405		276,033.7	100.00%	\$537,807	\$874,673	\$1,412,481
Total Fire Allocation	\$1,412,481						
Less Direct Fire	\$874,673						
Net Non-Hydrant	\$537,807						

(1) Based on size to the 2.63 power.

DETERMINATION OF FIRE SERVICE CHARGES

<u>PUBLIC FIRE PROTECTION</u>		CALCULATED <u>CHARGE</u>
PUBLIC FIRE ALLOCATION (1)	\$1,289,332	
----- =	----- =	\$674.34 per year
NUMBER OF PUBLIC HYDRANTS	1,912	

PRIVATE FIRE PROTECTION

PRIVATE FIRE ALLOCATION (1,2)	\$123,149	
----- =	----- =	\$1.95 /EQUIV.
NO. OF EQUIV. UNITS	63,207.25	

<u>SIZE (IN)</u>	<u>DEMAND FACTOR</u>	<u>DEMAND CHARGE</u>	<u>SERVICE LINE CHRG</u>	<u>BILLING CHARGE</u>	<u>CALCULATED CHARGE</u>
2	6.19	\$12.06	\$130.45	\$4.38	\$146.88
4	38.32	\$74.66	\$345.51	\$4.38	\$424.54
6	111.31	\$216.87	\$518.26	\$4.38	\$739.51
8	237.21	\$462.16	\$740.37	\$4.38	\$1,206.90
10	426.58	\$831.12	\$740.37	\$4.38	\$1,575.87
12	689.04	\$1,342.49	\$740.37	\$4.38	\$2,087.24

(1) Allocation from CPNW Sch 4.1

(2) Private Fire includes allocated service maintenance costs as detailed below:

Service Line Maintenance Cost =	\$911,877 (Total Metering O&M less Meter Dept)
Addnl Allocation to Fire Service =	\$263,945 (28.95%)

DETERMINATION OF SERVICE CHARGES**BILLING CHARGE**

CUST. BILLING ALLOC.		\$402,061	
-----	=	-----	= \$4.38 PER BILLING
NUMBER OF BILLINGS		91,869	

METER CHARGE

CUST. METER ALLOC. (1)		\$1,604,540	
-----	=	-----	= \$61.12 / EQ. METER/YR
NO. EQUIV. METERS		26,254	

TOTAL SERVICE CHARGES

<u>METER SIZE (IN)</u>	<u>QUARTERLY ACCOUNTS</u>			<u>MONTHLY ACCOUNTS</u>		
	<u>METER CHARGE</u>	<u>BILLING CHARGE</u>	<u>TOTAL CHARGE</u>	<u>METER CHARGE</u>	<u>BILLING CHARGE</u>	<u>TOTAL CHARGE</u>
5/8	\$15.28	\$4.38	\$19.66	\$5.09	\$4.38	\$9.47
3/4	\$21.17	\$4.38	\$25.55	\$7.06	\$4.38	\$11.43
1	\$30.56	\$4.38	\$34.93	\$10.19	\$4.38	\$14.56
1 1/2	\$62.21	\$4.38	\$66.58	\$20.74	\$4.38	\$25.11
2	\$80.76	\$4.38	\$85.14	\$26.92	\$4.38	\$31.30
3	\$91.67	\$4.38	\$96.05	\$30.56	\$4.38	\$34.93
4	\$213.90	\$4.38	\$218.28	\$71.30	\$4.38	\$75.68
6	\$320.85	\$4.38	\$325.23	\$106.95	\$4.38	\$111.33
8	\$458.36	\$4.38	\$462.74	\$152.79	\$4.38	\$157.16

(1) Less allocation of Service Maintenance Costs to Private Fire Service - see CPNW Sch. 4.2

**ALLOCATION OF GENERAL WATER EXPENSES
TO CUSTOMER CLASSES**

Class Demands

CUSTOMER CLASS	AVERAGE DEMANDS		FACTOR	MAX DAY EXTRA CAPACITY		
	(CCF/DAY)	PERCENT		(CCF/DAY)	XTRA CCF/DAY	PERCENT
<u>Retail</u>						
Small (5/8 - 1")	8,482	60.86%	2.50	21,204	12,723	68.56%
Medium (1.5 - 2" & By pa	2,091	15.01%	2.00	4,183	2,091	11.27%
Large (3" and up)	1,862	13.36%	1.80	3,352	1,490	8.03%
<u>Wholesale</u>						
Cumberland	1,502	10.78%	2.50	3,755	2,253	12.14%
Seekonk	0	0.00%	2.50	0	0	0.00%
Total	13,937	100.00%		32,494	18,557	100.00%

CUSTOMER CLASS	AVERAGE DEMANDS		FACTOR	PEAK HOUR EXTRA CAPACITY		
	(CCF/DAY)	PERCENT		(CCF/DAY)	XTRA CCF/DAY	PERCENT
<u>Retail</u>						
Small (5/8 - 1")	8,482	60.86%	3.50	29,686	8,482	63.40%
Medium (1.5 - 2" & By pa	2,091	15.01%	3.00	6,274	2,091	15.63%
Large (3" and up)	1,862	13.36%	2.50	4,656	1,304	9.74%
<u>Wholesale</u>						
Cumberland	1,502	10.78%	3.50	5,256	1,502	11.23%
Seekonk	0	0.00%	3.50	0	0	0.00%
Total	13,937	100.00%		45,872	13,379	100.00%

Allocation of Retail Metered Sales Costs to Classes (see Sch 3.3)

CUSTOMER CLASS	BASE COSTS		MAX. DAY XTRA CAPACITY		PEAK HR. XTRA CAPACITY		TOTAL AMOUNT
	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	
<u>Retail</u>							
Small (5/8 - 1")	68.21%	\$7,313,171	78.03%	\$2,003,980	71.41%	\$981,696	\$10,298,847
Medium (1.5 - 2" & By pa:	16.82%	\$1,803,303	12.83%	\$329,431	17.61%	\$242,070	\$2,374,804
Large (3" and up)	<u>14.98%</u>	<u>\$1,605,657</u>	<u>9.14%</u>	<u>\$234,660</u>	<u>10.98%</u>	<u>\$150,877</u>	<u>\$1,991,194</u>
Total	100.00%	\$10,722,130	100.00%	\$2,568,071	100.00%	\$1,374,643	\$14,664,844
		73.1%		17.5%		9.4%	

METERED WATER RATES

Small (5/8 - 1")

Total Expense (2)	\$10,298,847		
-----		=	
Metered Sales (HCF) (1)	3,095,831		\$3.327 per ccf

Medium (1.5 - 2" & By pass)

Total Expense (2)	\$2,374,804		
-----		=	
Metered Sales (HCF) (1)	763,379		\$3.111 per ccf

Large (3" and up)

Total Expense (2)	\$1,991,194		
-----		=	
Metered Sales (HCF) (1)	679,711		\$2.929 per ccf

Wholesale

Total Expense (3)	\$1,320,987		
-----		=	
Metered Sales (HCF) (1)	548,162		\$2.410 per ccf

- (1) See CPNW Sch 2.0
(2) See CPNW Sch 6.0
(3) See CPNW Sch. 3.3

COMPARISON OF CURRENT & COST OF SERVICE RATES

		<u>Current (4/1/05)</u>	<u>Cost of Service</u>	<u>% Change</u>	
<u>Metered Rates</u>					
Small (5/8 - 1")		\$2.571	\$3.327	29.4%	
Medium (1.5 - 2" & By pass)		\$2.395	\$3.111	29.9%	
Large (3" and up)		\$2.265	\$2.929	29.3%	
Extra Large		\$2.120	\$2.929	38.2%	
<u>Wholesale</u>		\$2.132	\$2.410	13.0%	
<u>Service Charges</u>					
Quarterly	5/8	\$21.16	\$19.66	-7.1%	
	3/4	\$26.49	\$25.55	-3.5%	
	1	\$36.73	\$34.93	-4.9%	
	1 1/2	\$73.71	\$66.58	-9.7%	
	2	\$117.78	\$85.14	-27.7%	
	3	\$235.67	\$96.05	-59.2%	
	4	\$368.37	\$218.28	-40.7%	
	6	\$736.63	\$325.23	-55.8%	
Monthly	8	\$1,694.23	\$462.74	-72.7%	
	5/8	\$11.99	\$9.47	-21.0%	
	3/4	\$13.76	\$11.43	-16.9%	
	1	\$16.57	\$14.56	-12.1%	
	1 1/2	\$26.09	\$25.11	-3.8%	
	2	\$39.26	\$31.30	-20.3%	
	3	\$78.56	\$34.93	-55.5%	
	4	\$122.79	\$75.68	-38.4%	
	6	\$245.54	\$111.33	-54.7%	
	8	\$564.74	\$157.16	-72.2%	
	<u>Fire Service (annual)</u>				
	Public	/hydrant/yr	\$527.50	\$674.34	27.8%
	Private				
		2	\$189.95	\$146.88	-22.7%
		4	\$449.20	\$424.54	-5.5%
		6	\$734.00	\$739.51	0.8%
	8	\$1,641.76	\$1,206.90	-26.5%	
	10	\$2,712.50	\$1,575.87	-41.9%	
	12	\$4,354.30	\$2,087.24	-52.1%	

IMPACT OF COST OF SERVICE RATES

(quarterly bills unless otherwise noted)

METER SIZE	QUARTERLY USE - CU FT	CURRENT RATES	<----- COST OF SERVICE ----->			
			NEW BILL	\$ INCREASE	% INCREASE	
<u>Metered Service (Quarterly Bills)</u>						
Small						
5/8	2,000	\$72.58	\$86.20	\$13.62	18.77%	
5/8	2,500	\$85.44	\$102.84	\$17.40	20.37%	
5/8	4,000	\$124.00	\$152.74	\$28.74	23.18%	
5/8	5,000	\$149.71	\$186.01	\$36.30	24.25%	
5/8	7,500	\$213.99	\$269.19	\$55.20	25.80%	
5/8	10,000	\$278.26	\$352.36	\$74.10	26.63%	
5/8	15,000	\$406.81	\$518.71	\$111.90	27.51%	
5/8	20,000	\$535.36	\$685.06	\$149.70	27.96%	
5/8	25,000	\$663.91	\$851.41	\$187.50	28.24%	
1	30,000	\$808.03	\$1,033.03	\$225.00	27.85%	
1	40,000	\$1,065.13	\$1,365.73	\$300.60	28.22%	
1	75,000	\$1,964.98	\$2,530.18	\$565.20	28.76%	
Medium						
1 1/2	100,000	\$2,468.71	\$3,177.58	\$708.87	28.71%	
1 1/2	200,000	\$4,863.71	\$6,288.58	\$1,424.87	29.30%	
2	300,000	\$7,302.78	\$9,418.14	\$2,115.36	28.97%	
2	400,000	\$9,697.78	\$12,529.14	\$2,831.36	29.20%	
Large						
3	250,000	\$5,898.17	\$7,418.55	\$1,520.38	25.78%	
3	500,000	\$11,560.67	\$14,741.05	\$3,180.38	27.51%	
4	750,000	\$17,355.87	\$22,185.78	\$4,829.91	27.83%	
6	1,000,000	\$21,936.63	\$29,615.23	\$7,678.60	35.00%	
6	3,000,000	\$64,336.63	\$88,195.23	\$23,858.60	37.08%	
<u>Fire Service (Annual Bill)</u>						
Municipal Fire Service	200 hydrants	\$105,500.00	\$134,868.00	\$29,368.00	27.84%	
	1400 hydrants	\$738,500.00	\$944,076.00	\$205,576.00	27.84%	
Private Fire Service	4 Inch Service	\$449.20	\$424.54	-\$24.66	-5.49%	
	6 Inch Service	\$734.00	\$739.51	\$5.51	0.75%	
	8 Inch Service	\$1,641.76	\$1,206.90	-\$434.86	-26.49%	

REVENUE RECONCILIATION**Service Charge:**

		<----- Current ----->		<---- Cost of Service ----->	
		Rate	Revenue	Rate	Revenue
<u>Quarterly</u>	<u>Number</u>				
5/8	21,243	\$21.16	\$1,798,008	\$19.66	\$1,670,550
3/4	239	\$26.49	\$25,324	\$25.55	\$24,426
1	474	\$36.73	\$69,640	\$34.93	\$66,227
1 1/2	230	\$73.71	\$67,813	\$66.58	\$61,254
2	374	\$117.78	\$176,199	\$85.14	\$127,369
3	24	\$235.67	\$22,624	\$96.05	\$9,221
4	10	\$368.37	\$14,735	\$218.28	\$8,731
6	4	\$736.63	\$11,786	\$325.23	\$5,204
8	0	\$1,694.23	\$0	\$462.74	\$0
<u>Monthly</u>					
5/8	8	\$11.99	\$1,151	\$9.47	\$909
3/4	4	\$13.76	\$660	\$11.43	\$549
1	11	\$16.57	\$2,187	\$14.56	\$1,922
1 1/2	6	\$26.09	\$1,878	\$25.11	\$1,808
2	28	\$39.26	\$13,191	\$31.30	\$10,517
3	16	\$78.56	\$15,084	\$34.93	\$6,707
4	6	\$122.79	\$8,841	\$75.68	\$5,449
6	3	\$245.54	\$8,839	\$111.33	\$4,008
8	0	\$564.74	\$0	\$157.16	\$0
Consumption Charge:					
Small (5/8 - 1")	3,095,831	\$2.571	\$7,959,382	\$3.327	\$10,299,830
Medium (1.5 - 2" & By p:	763,379	\$2.395	\$1,828,293	\$3.111	\$2,374,872
Large (3" and up)	367,351	\$2.265	\$832,050	\$2.929	\$1,075,971
Extra Large	312,360	\$2.120	\$662,203	\$2.929	\$914,902
<u>Wholesale</u>	548,162	\$2.132	\$1,168,681	\$2.410	\$1,321,070

REVENUE RECONCILIATION

		<----- Current ----->		<---- Cost of Service ----->	
<u>Fire Protection:</u>					
Public Hydrants	1,912	\$527.50	\$1,008,580	\$674.34	\$1,289,338
Private Fire Protection					
2	18	\$189.95	\$3,419	\$146.88	\$2,644
4	29	\$449.20	\$13,027	\$424.54	\$12,312
6	354	\$734.00	\$259,836	\$739.51	\$261,787
8	88	\$1,641.76	\$144,475	\$1,206.90	\$106,207
10	4	\$2,712.50	\$10,850	\$1,575.87	\$6,303
12	0	\$4,354.30	\$0	\$2,087.24	\$0
		=====		=====	
Total			\$16,128,757		\$19,670,086
Plus: Misc Revenues			\$303,226		\$303,226
		=====		=====	
Pro Forma Revenue			\$16,431,983		\$19,973,311
Required Revenue			\$19,972,083		\$19,972,083
Difference			-\$3,540,101		\$1,228
Increase in Revenues					\$3,541,328
Percent Increase in Total Revenues					21.6%
Percent Increase in Rate Revenues (non-misc)					22.0%

SUMMARY OF COST OF SERVICE

	<u>Test Year</u>	<u>Adjustments</u>	<u>Rate Year</u>
Revenues			
Service Charges	\$2,237,962	-\$233,113	\$2,004,849
Metered Rates	\$12,450,609	\$3,536,037	\$15,986,646
Fire Protection	\$1,440,187	\$238,404	\$1,678,591
Miscellaneous	<u>\$430,721</u>	<u>-\$127,496</u>	<u>\$303,226</u>
<i>Total Revenue</i>	\$16,559,478	\$3,413,833	\$19,973,311
Expenses			
<u>O&M</u>			
Admin	\$2,142,323	\$517,959	\$2,660,282
Customer Serv	\$209,538	\$27,502	\$237,040
Supply	\$974,437	\$167,601	\$1,142,038
Pumping	\$507,985	\$81,701	\$589,685
Purification	\$1,369,497	\$453,056	\$1,822,553
Trans & Distrib	\$1,131,056	\$850,077	\$1,981,132
Engin	\$426,310	\$109,910	\$536,219
Meter Dept	<u>\$433,929</u>	<u>\$83,455</u>	<u>\$517,384</u>
Total O&M	\$7,195,075	\$2,291,259	\$9,486,334
<u>Capital</u>			
Debt Service/Leases	\$2,431,735	\$3,455,242	\$5,886,977
Capitalized Costs	\$0	\$0	\$0
IFR	\$2,671,039	\$428,961	\$3,100,000
Reserves	\$666,997	-\$508,276	\$158,721
Rate Stabilization	\$0	\$0	\$0
Cent Falls Settlement	\$0	\$0	\$0
Other Capital	<u>\$778,000</u>	<u>-\$389,000</u>	<u>\$389,000</u>
Total Capital	\$6,547,771	\$2,986,926	\$9,534,698
<u>Operating Revenue</u>	<u>\$0</u>	<u>\$951,052</u>	<u>\$951,052</u>
<i>Total Expenses</i>	\$13,742,847	\$6,229,237	\$19,972,083

CUMBERLAND TAX SURCHARGE/PROPOSED METERED RATES

Calculation of Surcharge

FY 2004 Tangible Tax	\$487,068
Estimated RY Tax	\$530,812
Sales to Cumberland (hcf)	
Retail	367,982
Wholesale	<u>548,162</u>
Total	916,144
Surcharge (\$/ccf)	\$0.579
Annual Revenue	\$530,447

Non-Cumberland Sales (hcf)	4,170,939
Rate Reduction to Others	-\$0.127

Comparison of Current & Proposed Rates with Surcharge

	<u>Current</u>	<u>Proposed w/o Surcharge</u>	<u>Proposed w/ Surcharge</u>
<u>Metered Rates (no change to others)</u>			
<u>Non-Cumberland</u>			
Small (5/8 - 1")	\$2.571	\$3.327	\$3.200
Medium (1.5 - 2" & By pass)	\$2.395	\$3.111	\$2.984
Large (3 - 4')	\$2.265	\$2.929	\$2.802
Very Large (6" and up)	\$2.120	\$2.929	\$2.802
Wholesale	\$2.132	\$2.410	\$2.283
<u>Cumberland</u>			
Small (5/8 - 1")	\$2.571	\$3.327	\$3.906
Medium (1.5 - 2" & By pass)	\$2.395	\$3.111	\$3.690
Large (3 - 4')	\$2.265	\$2.929	\$3.508
Very Large (6" and up)	\$2.120	\$2.929	\$3.508
Wholesale	\$2.132	\$2.410	\$2.989

CUMBERLAND TAX SURCHARGE/PROPOSED METERED RATES

Impact of Proposed Surcharges on Quarterly Bills

METER SIZE	QUARTERLY USE - CU FT	CURRENT RATES	<----- PROPOSED----->	
			W/O SURCHARGE	W/ SURCHARGE
<u>Metered Service (Quarterly Bills)</u>				
<i>Small</i>				
5/8 Non-Cumberland	2,000	\$72.58	\$86.20	\$83.66
5/8 Cumberland		\$72.58	\$86.20	\$97.78
5/8 Non-Cumberland	2,500	\$85.44	\$102.84	\$99.66
5/8 Cumberland		\$85.44	\$102.84	\$117.31
5/8 Non-Cumberland	4,000	\$124.00	\$152.74	\$147.66
5/8 Cumberland		\$124.00	\$152.74	\$175.90
5/8 Non-Cumberland	5,000	\$149.71	\$186.01	\$179.66
5/8 Cumberland		\$149.71	\$186.01	\$214.96
5/8 Non-Cumberland	7,500	\$213.99	\$269.19	\$259.66
5/8 Cumberland		\$213.99	\$269.19	\$312.61
5/8 Non-Cumberland	10,000	\$278.26	\$352.36	\$339.66
5/8 Cumberland		\$278.26	\$352.36	\$410.26
5/8 Non-Cumberland	15,000	\$406.81	\$518.71	\$499.66
5/8 Cumberland		\$406.81	\$518.71	\$605.56