

TESTIMONY
of
JEANNE BONDAREVSKIS
before the
PUBLIC UTILITIES COMMISSION

FOR AN
ABBREVIATED RATE FILING

for
PROVIDENCE WATER

June 2005

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
JEANNE BONDAREVSKIS**

1 Q. Please state your full name and title?

2 A. Jeanne Bondarevskis, Director of Finance for the
3 Providence Water Supply Board (Providence Water).
4

5 Q. How long have you been employed by Providence Water?

6 A. I have been employed since March of 1987 or approximately
7 18 years.
8

9 Q. Would you please state your education, background and
10 professional associations?

11 A. I have a Master's Degree in Business Administration from
12 Bryant College. I graduated Magna Cum Laude from
13 Providence College with a Bachelor of Science Degree,
14 majoring in Accounting.
15

16 I have worked for Providence Water since March of 1987.
17 Prior to becoming Director of Finance, I was responsible
18 for the Accounting area, the preparation of various
19 reports, assistance to outside consultants and/or
20 auditors, and I was Acting Director of Finance. I have
21 participated to some degree in all of Providence Water's
22 PUC and Division filings dating back to Docket 1900.
23

24 Since August of 1994, I have been a member of the New
25 England Water Works Association Program Committee. I
26 also am a member of the American Water Works Association
27 and New England Water Works Association. Since January
28 of 2002, I have been Treasurer of the Rhode Island Water
29 Works Association.
30

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1 Q. Please explain your duties and responsibilities.

2 A. As Director of Finance I am responsible for four areas or
3 Divisions. They are Accounting, Training, Financial
4 Planning and Management Information Systems.
5

6 Q. What is the purpose of your testimony?

7 A. Pursuant to Commission Rule 2.10, ABBREVIATED FILING
8 REQUIREMENTS FOR NON-INVESTOR-OWNED UTILITIES Providence
9 Water is submitting this abbreviated filing to increase
10 rates. Finance Department staff or I have assisted in
11 the preparation of, or reviewed, all of the financial
12 data, analysis, and schedules for this filing. I have
13 also prepared this testimony to support our request, and
14 have also included an Exhibit, and Tables which provide
15 the information required of water utilities pursuant to
16 R.I.G.L. § 39-3-12.1 (See Exhibit I, Table A through E).
17
18

19 Q. Why has Providence Water sought to increase rates through
20 an Abbreviated filing and not a General rate filing?

21 A. Providence Water requires a limited revenue increase. We
22 are seeking a modest increase in revenue to cover
23 increases in costs which are specifically identified in
24 the Commission Rule 2.10, Abbreviated Rate Filings.
25

26 Providence Water has utilized outside consultants to
27 prepare this filing. We have assisted and supported
28 their efforts. We are primarily requesting this increase
29 to cover contractual increases in employee related

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1 expenses, as well as insurance, property taxes, and
2 restricted funding adjustments.

3
4 Q. Will any other staff members from Providence Water be
5 filing testimony?

6 A. Yes. Boyce Spinelli, Deputy General Manager, will also
7 file testimony.

8
9 Q. What is the test year?

10 A. We have used the fiscal year ending June 30, 2004 as the
11 test year. The Commission approved the use of this test
12 year at its open meeting on May 26, 2005.

13
14 Q. What is the pro-forma or rate year?

15 A. We have used the calendar year ending December 31, 2006
16 as the rate year.

17
18 Q. What type of adjustments is Providence Water proposing to
19 restricted funds?

20 A. Providence Water is proposing to keep restricted funds at
21 Docket 3446 levels, except for the 102" Valve,
22 Alternative Supply Study, AMR Replacement, and Equipment
23 Replacement funds. We are not proposing any changes to
24 our CIP funding, IFR funding, or Western Cranston Water
25 Distribution System funding levels.

26
27 The 102" valve and the Alternative Supply Study funds
28 were established in Docket 3163. In our last docket, the
29 funding was maintained in order to finish the projects.

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1 The Alternative Supply Study is completed. Any
2 additional efforts resulting from the study will be
3 included in Providence Water's Capital Improvement
4 program, in the future. Currently there are sufficient
5 funds in the 102" valve project fund to complete the
6 contract for the installation of the valves. Any
7 additional efforts, beyond the contractual amount, will
8 be included in our Infrastructure program.

9
10 The AMR fund was established in Docket 2304. The purpose
11 of the funding is to install Automated Meter Reading
12 (AMR) devices in Providence Water's retail customer base.
13 Providence Water has been very successful in our program.
14 As of March 31, 2005, 76% of the retail customer have
15 been retrofitted with AMR devices. Providence Water's
16 actual meter read percentage has increased dramatically
17 and a large portion of revenues is now based on actual
18 reads. We are proposing no change to the funding level.
19 The program is in its final phase and is concentrating on
20 the hard to install areas. With the help of the Division
21 of Public Utilities, Providence Water has prepared a
22 customer outreach that we hope will prove successful.

23
24 The Equipment/Vehicle Replacement fund was established in
25 Docket 3163. When it was established, Providence Water
26 was heavily reliant on vehicle leasing as a means of
27 replacing aged equipment and vehicles. This resulted in
28 additional costs to the ratepayers in the form of
29 interest expense and administrative fees. Providence

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1 Water requested the Equipment Replacement fund to begin
2 to replace vehicles and equipment on a pay as you go
3 basis, similar to our Infrastructure Replacement program.
4 In order to pay the existing leases and provide a cash
5 fund, we had to request a large allotment of funds
6 initially. As we project our needs for calendar year
7 2006, we feel we are able to reduce the funding level to
8 an amount necessary to provide good working equipment,
9 with replacements scheduled on a revolving basis. The
10 amount included in rates reflects our planned amounts.
11

12 Q. What will be done with any surplus funds accumulated in
13 the 102" Valve and Alternative Supply Study funds?

14 A. Providence Water would request the Commission's
15 permission to transfer any surplus funds to our Insurance
16 fund.
17

18 Q. How has Providence Water addressed Insurance expenses?

19 A. Providence Water submitted a study in its last rate
20 filing, Docket 3446. Because of a build up of
21 accumulated funds, Providence Water kept the funding
22 level at a very reduced amount. This was done purposely
23 to draw down the accumulated funds and keep rates low.
24

25 This has worked exactly as planned. Unfortunately, it
26 may have worked a little too well. We now find ourselves
27 with very high insurance costs and very little funding.
28 We are requesting an increase to insurance costs to cover
29 projected expenses. We are also asking the commission to

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1 allow Providence Water to transfer unneeded funds in two
2 other restricted funds to the Insurance fund, to cover
3 current increasing costs.
4

5 Q. Has the utility served a notice of the abbreviated rate
6 filing on the Department of Attorney General and other
7 interested parties?

8 A. Yes. Included in this filing is a copy of the letter to
9 this effect and the letters to other affected parties.
10

11 Q. Have you addressed the items included in section 2.10 of
12 the Commission's Rules of Practice and Procedure in this
13 filing?

14 A. Yes, I believe we have. The appendix includes an index
15 which lists each item with the reference to its location
16 in the filing.
17

18 Q. Do you have any final comments?

19 A. Yes. We have had this abbreviated filing prepared in an
20 effort to increase rates to cover our known and
21 measurable cost increases. We have requested adjustments
22 to our restricted funding and have requested the use of
23 surplus funds for insurance needs. The overall rate
24 increase is less than 10%. Even with this increase
25 Providence Water's rates are among the lowest in the
26 State of RI, and are the lowest regulated rates. We are
27 available to present testimony at the earliest
28 convenience of the Commission, and we are hopeful that we
29 can get a decision that authorizes the new rates for

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1 January 1, 2006.

2

3 Q. Does this conclude your testimony?

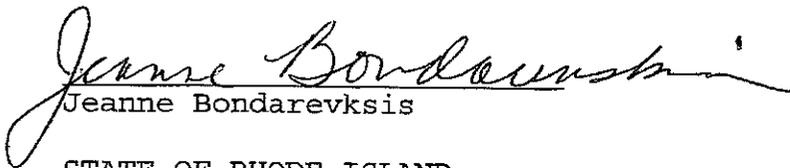
4 A. Yes.

STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

DOCKET NO. _____

ATTESTATION UNDER RULE 2.7
OF THE RULES OF PRACTICE AND PROCEDURE
OF THE PUBLIC UTILITIES COMMISSION

I, Jeanne Bondarevskis, in conformance with Rule 2.7 of the Rules of Practice and Procedure of the Public Utilities Commission, hereby attest that the facts contained in my direct testimony with exhibits and supporting documents are true and correct to the best of my knowledge, information, and belief. All changes and differences between the books and test year data and any changes in the manner of recording said data during the test year have been expressly noted.


Jeanne Bondarevskis

STATE OF RHODE ISLAND
PROVIDENCE COUNTY

Subscribed and sworn to me this 30th of June, 2005.


Notary Public



EXHIBIT I
TABLE A

STATUS OF PHYSICAL PLANT

The physical plant of the Providence Water Supply Board consists of five (5) feeder reservoirs (Ponagansett, Moswansicut, Barden, Westconnaug, and Regulating) and the main Scituate Reservoir, a 100% surface water supply with a total storage capacity of 41,268 million gallons; a filtration plant with associated sedimentation basins, and chemical storage and feeding equipment, and a filtration capacity of 144 million gallons per day; a transmission and distribution system, consisting of more than 945 miles of transmission and distribution mains, which vary in size from 6 inch to 66 inches, and consisting primarily of pipe constructed of cast and ductile iron, asbestos-cement and concrete; four (4) completely enclosed distribution reservoirs with a total capacity of 115.3 million gallons; one (1) prestressed concrete cylindrical tank with a total capacity of 3.5 million gallons; four (4) distribution system pumping stations; raw water booster pumping station; twelve (12) emergency power systems, eight (8) driven by diesel engines, four (4) driven by gas engines; six (6) pressure boosting pumping stations; and administrative and maintenance garage facilities.

EXHIBIT I
TABLE B

MAINTENANCE POLICY

It is the policy of the Water Supply Board to maintain its system in proper operating condition in accordance with all accepted standards. Leaks and damaged valves, hydrants and other appurtenances of the distribution system are repaired and/or replaced expeditiously. Physical plant maintenance is performed in a planned manner by permanent crews when possible. Outside contractors are used to supplement forces when needed. Distribution pipes (most recent main extension) were installed through fiscal reporting year ending June 30, 2004. Total pipe installed (and or replaced) in the last ten (10) year period is as follows:

| <u>Year</u> | <u>Feet</u> | <u>Miles</u> |
|-------------|--------------|--------------|
| 1995 | 7,195 | 1.36 |
| 1996 | 7,624 | 1.44 |
| 1997 | 11,951 | 2.26 |
| 1998 | 22,017 | 4.17 |
| 1999 | 6,513 | 1.23 |
| 2000 | 7,015 | 1.33 |
| 2001 | 8,420 | 1.59 |
| 2002 | 15,990 | 3.03 |
| 2003 | 11,424 | 2.16 |
| 2004 | <u>7,606</u> | <u>1.44</u> |
| Total | 105,755 | 20.03 |

EXHIBIT I
TABLE C

WATER TREATMENT METHODS AND CHEMICALS USED

During the last fiscal reporting period, (July 2003 through the end of June 2004), Providence Water utilized the following four (4) chemicals during the treatment process, as follows:

- 1) Ferric sulfate - used to coagulate and settle out micro-organisms and particles that cause color and turbidity,
- 2) Lime - used to adjust the pH,
- 3) Chlorine - used to control bacteria,
- 4) Fluoride - used to control dental cavities.

The quantities and costs of the chemicals used based on purification plant reporting data for dosing of all specified water are as follows:

| | <u>Chemical Quantity Used</u> | <u>Unit Cost</u> | <u>Total Cost</u> |
|----------------|-------------------------------|-------------------|-----------------------|
| Ferric Sulfate | 1,239,706gallons | \$0.71/per gallon | \$880,191.26 |
| Lime | 2,464.54tons | \$133.75/ton | \$329,632.23 |
| Chlorine | 114.14tons | \$440.00/ton | \$50,221.60 |
| Fluoride | 157.99tons | \$1,020./ton | \$161,149.80 |
| | | Total | <u>\$1,421,194.89</u> |

EXHIBIT I
TABLE D

POLICY RELATING TO EXPANSION AND RENOVATION

It is the policy of the Board to assure that the system will continue to provide service to all existing customers. Technical evaluations are made to determine future needs so that required expansion can proceed in a timely manner in order to assure that new customers can be provided with the same level of service without any degradation of service to existing customers. Providence Water has an Infrastructure Replacement Program that addresses the renovation or replacement of major system components. A Capital Improvement Program is also in place to address the implementation of new capital assets. Funding has been provided through rates established by the Public Utilities Commission. The programs are administered through restricted funds which require semi-annual reports to the Commission.

In fiscal year ending June 30, 2004, Providence Water invested approximately \$11.6 million into the infrastructure replacements and capital improvements to the system. During July through December 2004, an additional \$6.4 million (approximately) was invested. We expect to invest approximately \$11 million and \$13.3 million into the system during fiscal years 2005 and 2006 respectively.

EXHIBIT I
TABLE E

PROVIDENCE WATER SUPPLY BOARD
NON-ACCOUNTED FOR WATER
Hundred Cubic Feet

| | <u>FYE '00</u> | <u>FYE '01</u> | <u>FYE '02</u> | <u>FYE '03</u> | <u>FYE '04</u> |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Quantity of Water Pumped | 32,976,257 | 33,450,414 | 33,530,214 | 34,607,340 | 34,403,770 |
| Sales to Ultimate Consumer | 17,251,123 | 14,902,273 | 15,565,691 | 15,967,340 | 15,915,370 |
| Sales for Resale | <u>13,779,257</u> | <u>13,828,616</u> | <u>14,054,674</u> | <u>15,042,791</u> | <u>14,826,899</u> |
| Sub-total Sales | 31,030,380 | 28,730,889 | 29,620,365 | 31,010,131 | 30,742,269 |
| Water used by Company | 0 | 0 | 0 | 0 | 0 |
| Non-accounted for Water | 1,945,877 | 4,719,525 | 3,909,849 | 3,597,209 | 3,661,501 |
| % of Total Water Pumped | 5.90% | 14.11% | 11.66% | 10.39% | 10.64% |

