

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PROVIDENCE WATER SUPPLY :
BOARD'S ABBREVIATED RATE FILING : DOCKET NO. 3684

REPORT AND ORDER

I. Introduction

On June 30, 2005, Providence Water Supply Board ("Providence Water") made an abbreviated rate filing with the Public Utilities Commission ("Commission"). The abbreviated rate filing, if approved, would result in an overall increase of 10.74 percent, increasing rates across-the-board by 11.01 percent, for a total revenue requirement of \$51,128,280, an increase of \$4,957,115. The effect on a typical residential customer using 74,800 gallons of water per year would be a rate increase of \$24.62 per year, or approximately \$6.16 per quarter. Providence Water requested an effective date of July 31, 2005.¹ On July 14, 2005, the Commission suspended the filing. On August 12, 2005, Kent County Water Authority ("KCWA") filed a Motion to Intervene based on its status as a wholesale purchaser of water from Providence Water. No objection was filed and the Motion was granted in accordance with Rule 1.13(e) of the Commission's Rules of Practice and Procedure.

This is Providence Water's fourth request for rate adjustments in the past six years. A brief history follows:

Docket No.	Filing Date	Effective Date	Increase Requested	Increase Allowed	Percentage Increase
3446	7/1/02	1/1/03	\$5,448,798	\$4,658,599	11.1%
3163	6/30/00	1/1/01	\$5,416,622	\$2,813,974	7.34%

¹ Although Providence Water requested an effective date of July 31, 2005, it presented its filing based on an effective date of January 1, 2006.

2961 6/30/99 2/1/00 \$2,549,504 \$2,073,709 5.7%

In its filing, Providence Water indicated that the rate increase was necessary due to the following: (1) contractual wage increases; (2) increased pension and benefit expenses; (3) increased purchased power expenses; (4) increased insurance expenses; (5) increased chemical expenses; (6) increased property taxes; and (7) a revenue shortfall in the test year. These increases were partially offset by proposed decreases totaling \$1,150,000 in three of Providence Water's restricted accounts (102 inch Valve Fund, Alternative Source of Supply Study, and Equipment Replacement Fund).

In accordance with the Commission's restrictions regarding rate design in Abbreviated Rate Filings, Providence Water filed for the increase to be applied across-the-board to all customer classes.

II. Providence Water's Pre-Filed Testimony

Providence Water submitted the Direct Pre-Filed Testimony of Boyce Spinelli, Acting General Manager, Jeanne Bondarevskis, Director of Finance, and Walter E Edge, Jr., consultant to Providence Water. Mr. Spinelli provided an overview of the filing, several updates from the last filing and the general reasons for the requested increase.² Ms. Bondarevskis provided more detail regarding the reasons for the requested increase and discussed proposed adjustments to restricted funds.³

Mr. Edge's testimony addressed specific adjustments related to the requested increase. Using a Test Year of FYE June 30, 2004, Mr. Edge made twelve normalizing adjustments, most of which were based on updated data.⁴ Discussing the Rate Year of CYE December 31, 2006, Mr. Edge made adjustments to eight groups of accounts: (1)

² Providence Water Exhibit 2 (Pre-Filed Testimony of Boyce Spinelli), pp. 1-5.

³ Providence Water Exhibit 3 (Pre-Filed Testimony of Jeanne Bondarevskis), pp. 2-6.

⁴ Providence Water Exhibit 4 (Pre-Filed Testimony of Walter E. Edge), pp. 5-8.

Salaries and Wages; (2) Property Taxes; (3) Insurance expense; (4) Pension and other Benefits; (5) Regulatory and Rate Case expense; (6) Chemical and Sludge; (7) Purchased Power; and (8) Debt Service/Restricted Funding.⁵

Mr. Edge's salary and wages adjustments reflected contractual increases.⁶ His property tax adjustments reflected projected increases for FYE 2006 and one half of FYE 2007. However, he stated that he would update the figures upon receipt of more updated information from the taxing authorities.⁷ With regard to insurance expense, Mr. Edge explained that Property and Casualty and Workers Compensation make up approximately 90% of the total insurance expense. In order to arrive at his projection for these rate year premiums, he increased the FYE 2005 premium by 10%. According to Mr. Edge, Pensions and benefits were calculated based on known FYE 2006 expenses and a projected increase for the first half of FYE 2007.⁸ Regulatory and rate case expense was based on estimates for the rate year.⁹ Chemicals and sludge expenses were calculated by taking the average usage for the Test Year and the period July 1, 2004 through March 31, 2005 and multiplying that average with the estimated chemical prices during the rate year. Mr. Edge indicated that any estimates would be updated as the real costs become known.¹⁰ Mr. Edge increased purchased power costs based on the Test Year and Interim Year (July 1, 2004 through June 30, 2005) period. He used the Interim Year costs as the expected Rate Year costs.¹¹

⁵ Id. at 9.

⁶ Id.

⁷ Id. at 10.

⁸ Id. at 10-12.

⁹ Id. at 12.

¹⁰ Id.

¹¹ Id. at 13.

Addressing the funding of Restricted Accounts, Mr. Edge explained that after a review of Providence Water's Restricted Accounts, funding could be reduced by \$500,000 in the Equipment Replacement Fund and that the 102" Valve Fund (\$500,000) and Alternative Supply Fund (\$150,000) could each be eliminated. He recommended levelized funding for the Capital Improvement Program ("CIP") Account, the Western Cranston Account, the Infrastructure Replacement ("IFR") Fund, and the AMR/Meter Replacement Account. He recommended increasing the Insurance Account with funds from the two accounts being eliminated. He also recommended that if there were insufficient funds in the Insurance Account at FYE 2008, any balance in the Chemical Account be transferred to Insurance.¹²

III. KCWA's Pre-Filed Testimony

On October 14, 2005, KCWA filed the Direct Pre-Filed Testimony of Christopher P.N. Woodcock, its consultant. Mr. Woodcock made adjustments to Providence Water's claim for salary and wages by the amount of capitalized labor costs which are to be recovered through the CIP and IFR accounts.¹³ He adjusted the property tax claim to reflect Providence Water's updated expenses as provided during discovery. He suggested adjustments to the insurance claim to reflect a half year of actual data and a half year of projected data.¹⁴

With regard to the restricted accounts, Mr. Woodcock did not agree with Providence Water's request that the amounts already set aside for the Alternative Supply Study be transferred to the restricted Insurance account because of the way the respective costs have been allocated between the wholesale and retail customers. He maintained

¹² Id. at 13-15.

¹³ KCWA Exhibit 1 (Pre-Filed Testimony of Christopher P.N. Woodcock), pp. 4-5.

¹⁴ Id. at 5-6.

that wholesale customers would be paying more than their fair share of the insurance costs under Providence Water's proposal. Rather, he suggested that the funds in the Alternative Supply Study account be transferred to the restricted Chemical account to reduce the claim for those funds.¹⁵ Mr. Woodcock had no issue with the proposed transfer of funds from the 102" Valve Replacement Fund to the Insurance account.¹⁶

Addressing the sales and revenue projections made by Providence Water, Mr. Woodcock recommended that the rate year revenue projection for wholesale customers be based on actual FY 2005 sales with an adjustment for reduced sales to the Bristol County Water Authority. He indicated that he could not make a recommendation regarding retail sales as the most updated figures were unavailable.¹⁷

IV. Division's Pre-Filed Testimony

On October 13, 2005, the Division of Public Utilities and Carriers ("Division") filed the Direct Pre-Filed Testimony of Thomas Catlin, its consultant. Mr. Catlin recommended a total cost of service of \$49,742,654, necessitating a revenue increase of \$3,527,460, or 7.63%.

In arriving at his revenue requirement, Mr. Catlin made adjustments to rate year revenue to reflect a current count of the number of retail and private fire service customers and to properly account for changes to wholesale sales and associated variable costs.¹⁸ He proposed adjustments to salaries and wages in order to account for employee vacancies that normally develop during any given year.¹⁹ He made adjustments to

¹⁵ Id. at 6-7.

¹⁶ Id. at 7.

¹⁷ Id. at 7-8.

¹⁸ Division Exhibit 1 (Pre-Filed Testimony of Thomas Catlin), pp. 5-6, 10-11.

¹⁹ Id. at 7-8.

operating expenses and to the IFR and CIP expenses to properly account for capitalized expenses in accordance with the Commission's Order in Docket No. 3446.²⁰

Mr. Catlin also adjusted Providence Water's projected chemical costs based on bids received after Providence Water filed its case.²¹ Likewise, insurance costs and property taxes were updated based on information supplied during the discovery phase of this case.²²

Addressing health care benefits to Providence Water Board members, Mr. Catlin noted that in its Order setting KCWA's rates in June 2005, the Commission determined that the cost of health care benefits for Board members is not properly recoverable from ratepayers. Therefore, Mr. Catlin suggested that "as existing Board members are replaced, the new Board members that replace them not be provided health insurance coverage, or to the extent coverage is provided, that costs not be recovered from ratepayers."²³

Finally, with regard to rate design, Mr. Catlin explained that, consistent with the Commission's Rules of Practice and Procedure related to Abbreviated Rate Filings, Providence Water proposed to recover its revenue increase through a uniform percentage increase in all rates. Mr. Catlin provided schedules showing his adjustments consistent with Providence Water's filing. However, in response to the Commission's policy decision in Providence Water's last two rate increases to reduce the difference between

²⁰ Id. at 8-9.

²¹ Id. at 9-10.

²² Id. at 11-13.

²³ Id. at 14.

Public and Private Fire Service based on prior cost of service studies, Mr. Catlin also proposed an alternative method that includes no increase in private service rates.²⁴

V. Providence Water's Rebuttal Testimony

On October 28, 2005, Providence Water submitted the Rebuttal Testimony of Mr. Edge and Ms. Bondarevskis. Mr. Edge's testimony described a tentative settlement between Providence Water and the Division. A full Settlement was subsequently filed as described below.

Ms. Bondarevskis responded to two issues raised by Mr. Woodcock in his Direct Testimony. First, with regard to Providence Water's request to apply the balance of the Alternative Supply Fund to the Insurance Account, Ms. Bondarevskis explained that due to increased chemical costs in the rate year, now known, Providence Water would prefer to transfer the balance to the Chemical Account rather than the Insurance Account. In order to fund the Insurance Account, Ms. Bondarevskis proposed reducing the funding of the Wholesale Valve Fund and transferring the remaining balance to the Insurance Account. In order to address any contingency costs associated with the 102" Valve Project, that project would be moved into IFR. According to Ms. Bondarevskis, the IFR account should be able to absorb the original contingency estimate.²⁵

Second, addressing Mr. Catlin's recommendation regarding Board members' health insurance benefits, Ms. Bondarevskis indicated that Providence Water concurred with allowing Board members to continue receiving benefits until such time as they leave

²⁴ *Id.* at 13-15.

²⁵ Providence Water Exhibit 5 (Rebuttal Testimony of Jeanne Bondarevskis), pp. 1-5.

their position. She noted that their compensation had been set at \$2,400 per year since 1984.²⁶

VI. Settlement

On November 9, 2005, Providence Water filed a Stipulation/Settlement (“Settlement”) between itself, the Division and subsequently, KCWA, wherein the parties indicated that all issues were resolved.²⁷ The parties to the Settlement agreed to additional revenues of \$4,065,347, an increase of 8.84% to support a total cost of service of \$50,074,116. Rates would be effective for usage on and after January 1, 2006. The parties provided two rate design options to the Commission, both an across-the-board increase and one where Private Fire Service would remain constant, with the increase that would have been applied to Private Fire Service absorbed by all other retail ratepayers.

The result of the Settlement would be to set the wholesale rate at \$1,236.00 per million gallons. The retail rates under an across-the-board rate design would be as follows: residential at \$1.952 per HCF, commercial at \$1.876 per HCF, industrial at \$1.82 per HCF, and Public Fire Service at \$250.24 per hydrant. The uniform percentage rate increase would be 9.065% under this scenario. Under the alternative scenario, the retail rates would be as follows: residential at \$1.958 per HCF, commercial at \$1.882 per HCF, industrial at \$1.825 per HCF, and Public Fire Service at \$250.99 per hydrant. The percentage increase to all retail rate classes, with the exception of Private Fire Service would be 9.364%. Wholesale rates would increase 9.065% under both scenarios.

²⁶ *Id.* at 5-6.

²⁷ A copy of the Stipulation/Settlement is attached as Appendix A and incorporated herein by reference.

Addressing City Service expenses, Providence Water agreed to reevaluate the expenses in its next full rate filing.²⁸ With regard to capitalized labor and benefits, the parties agreed that Providence Water may use IFR and CIP funds to pay for \$518,006 of capitalized labor costs, and for \$259,003 of capitalized benefits costs. In addition, the parties agreed that Providence Water may utilize IFR and CIP funds to pay for three additional engineers as previously approved by the Commission in Docket No. 3163.²⁹

The IFR and CIP accounts will remain restricted along with Water Capital Fund, the Western Cranston Fund, the Meter Replacement Fund, the Equipment and Vehicle Replacement Fund, the Insurance Fund, and the Sludge Removal and Chemical Expense Fund. The Wholesale Valve and Alternative Supply Funds will be closed on or before June 30, 2006. The balance remaining in the first account will be transferred to the Insurance Fund with the balance in the latter being transferred to the Sludge Removal and Chemical Expense Fund on or before June 30, 2006. The contingency for the wholesale valve project in the amount of \$400,000, intended to cover the cost of a line stop shall be added as a line item to the IFR Fund.³⁰

Finally, with regard to health care benefits to Providence Water Board Members, the parties agreed that:

the three Board members of the Providence Water Supply Board currently receiving health benefits may continue to have those benefits paid from rates because those Board members were appointed with the explicit understanding that the health benefits were available to them. However, when each such member is replaced and a new Board member is appointed, it is agreed that such new Board member will not be paid by Providence Water ratepayers.³¹

²⁸ Settlement at paragraph 8. Under the time limits contained in the Commission's Rules of Practice and Procedure, Providence Water is precluded from filing another Abbreviated Rate Application until it files a General Rate Filing.

²⁹ Settlement at paragraph 9.

³⁰ Settlement at paragraph 12.

³¹ Settlement at paragraph 11.

VII. Hearing

A public hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on November 21, 2005 to assess the propriety of the Settlement.

The following appearances were entered:

FOR PROVIDENCE WATER:	Michael McElroy, Esq.
FOR KENT COUNTY WATER:	Joseph McGair, Esq.
FOR THE DIVISION:	William Lueker, Esq. Special Assistant Attorney General
FOR THE COMMISSION:	Cynthia G. Wilson-Frias, Esq. Senior Legal Counsel

Providence Water presented Mr. Spinelli, Ms. Bondarevskis and Mr. Edge in support of the Settlement. KCWA presented Mr. Woodcock in support of the Settlement. The Division presented Mr. Catlin in support of the Settlement.³² Mr. McElroy summarized the components of the Settlement before presenting the witnesses for examination by the Commission.

Discussing various issues related to Providence Water's expenses, Ms. Bondarevskis explained that Providence Water is taking its electricity through National Grid's Last Resort Service Tariff, but is in the process of investigating the possibility of entering into a competitive supply contract.³³

Addressing a billing dispute in the amount of almost \$200,000 between Providence Water and Shank Balfour Beatty, the contractors for the Narragansett Bay Commission ("NBC") Combined Sewer Overflow project, Ms. Bondarevskis explained

³² Mr. Catlin testified live via speaker telephone. His voice is familiar to the Commission as are his credentials and character as an expert witness. Therefore, the Commission believed it could adequately assess his credibility as a witness for the Division in this settled matter.

³³ Tr. 11/21/05, pp. 22-24.

that neither the delayed collection of revenues nor the water usage for the related time period has affected this rate case because all events occurred during the interim year between the Test Year and proposed Rate Year.³⁴ Ms. Bondarevskis testified that the situation was remedied by billing NBC as a wholesale customer and transferring the responsibility for billing Shank Balfour Beatty to NBC, albeit with a turnkey bill from Providence Water which could be remitted directly to Providence Water.³⁵

Discussing rising fuel costs and chemicals, Ms. Bondarevskis confirmed that while Providence Water has received requests from suppliers to pay a fuel surcharge in addition to the contracted price for chemicals, they had been crossing the charge off the bills and paying the remaining balance. To date, she testified that none of the suppliers had threatened any adverse action as a result of Providence Water's refusal to pay the new charge. She did note that one supplier was no longer supplying chemicals as a result of the impact of Hurricane Katrina on the supplier's business. To her knowledge, Providence Water was not pursuing any legal action against the supplier.³⁶

Turning to health care expenses, specifically those related to Providence Water board members, Ms. Bondarevskis testified that the expected expense would be approximately \$26,000. Clarifying a data response to a Commission data request, Ms. Bondarevskis conceded that while certain miscellaneous revenues do not result from rates charged to ratepayers, such revenues are a part of Providence Water's rate setting process in that expenses are determined, miscellaneous revenues are subtracted, and the remainder is the amount necessary to be collected through rates. She therefore did not explain why those miscellaneous revenues should be available to pay healthcare expenses

³⁴ Id. at 24-28, 30.

³⁵ Id. at 26.

³⁶ Id. at 50-53.

for board members, but not to pay the City of Providence a portion of its statutory “rate of return.”³⁷ With regard to the policy determination of providing free healthcare to Providence Water board members, the Providence Water witnesses testified that benefits should not cease during each board member’s current term because that was a condition upon which each member accepted his or her respective position.³⁸ With regard to future benefits to be allowed for only those current board members who are reappointed and not to new appointees, Ms. Bondarevskis testified that they should be compensated for the fact that they have years of knowledge.³⁹ Furthermore, Mr. Spinelli argued that without the health care benefit, the \$2,400 stipend paid to the board members and the \$3,000 paid to the chairman is too limited to encourage them to stay on the board. Board members work less than 20 hours per week.⁴⁰ However, Mr. Spinelli conceded that allowing continuation of the health care benefit until each board member’s respective term expires is a transition plan.⁴¹ Additionally, Mr. Edge testified that the board member not receiving health care is qualified and conceded that qualified members could be attracted without the healthcare compensation.⁴² He also noted that the members of KCWA receive \$3,000 per year while those serving on the Pawtucket Water Supply Board do not receive compensation for their services.⁴³

³⁷ Id. at 30-33, 50. R.I. Gen. Laws § 39-3-11.3 states that the rate of return shall not come out of rates set by the Commission. Ms. Bondarevskis testified that the calculation of miscellaneous revenue is a part of the ratemaking process.

³⁸ Tr. 11/21/05, p. 34. Ms. Bondarevskis testified that the next term for a board member receiving health care benefits ends January 1, 2007, with the following two on January 1, 2008 and January 1, 2009, respectively. Id. at 107.

³⁹ Id. at 34.

⁴⁰ Id. at 38.

⁴¹ Id. at 38.

⁴² Id. at 48.

⁴³ Id. at 49.

With regard to rate design issues, Ms. Bondarevskis confirmed that the annual charge for private fire service is approximately three times more than that of public fire hydrants.⁴⁴ Mr. Catlin opined that there are additional costs associated with providing private fire service, but that “it’s probably that the public hydrant charge is low, [and] it may not be that the private fire service charge is too high compared to costs.”⁴⁵ When discussing the option in the Settlement to maintain the private fire service charge and reallocate the private fire service increase to all other rates rather than to the public hydrant charge, Ms. Bondarevskis testified that this option was designed to cause the least rate impact on the remaining customers to protect against rate shock on the public hydrant rates. Mr. Catlin added that the difference in the proposed rates under each proposed design (across-the-board on all rates versus maintaining the private fire service rates while increasing all other rates in equal percentages) was de minimus.⁴⁶

Discussing property taxes, Mr. McElroy updated the Commission regarding the status of the various challenges currently being litigated between Providence Water and the Town of Scituate. Again, he explained that the taxes must be paid in full in order to maintain the challenge. He also confirmed that once the litigation is completed, in the event of a refund to Providence Water, the utility will not disburse the funds until receiving approval from the Commission.⁴⁷

Updating the Commission regarding the installation of the Automated Meter Readers (“AMRs”), Mr. Spinelli testified that virtual completion will most likely take another two years. He defined virtual completion as 96 to 97 percent completed. He

⁴⁴ Id. at 54-55.

⁴⁵ Id. at 56.

⁴⁶ Id. at 59-60, 62-63.

⁴⁷ Id. at 73-74.

noted that Providence Water has completed the “easy” installations and has moved on to those where property owners have not responded to requests from Providence Water for installation appointments. As a result, Providence Water has engaged the assistance of the Division to attempt to reach these customers.⁴⁸

Updating the Commission on pension contributions, Mr. Spinelli explained that after the last rate case, with the Commission’s consent, Providence Water adjusted its pension contribution to agree with the percentage made by the City of Providence in order to avoid a situation where ratepayers could be subsidizing taxpayers when Providence Water’s contribution was a higher percentage than that of the City of Providence.⁴⁹

Finally, addressing public comment, Ms. Bondarevskis testified that there was a period of time where customers could not make cash payments to Providence Water. She explained that while customers will still not be allowed to make payments at the Providence Water office, they may again begin to make those payments at Providence City Hall. She testified that if someone in imminent danger of having service terminated attempts to pay in cash at the Providence Water office, they are given a period of time to return with a money order or check. Otherwise, they can go to Providence City Hall to pay in cash. She explained that this system protects Providence Water’s workers from theft and protects the utility from cash loss. She did not address anticipated additional costs associated with accepting cash payments at the Providence Water facility.⁵⁰

⁴⁸ Id. at 82-86.

⁴⁹ Id. at 88-93.

⁵⁰ Id. at 63-70.

VIII. Commission Findings

On November 30, 2005, the Commission rendered its decision at an Open Meeting. The Commission approved the Settlement with one modification to Paragraph 11. The Commission found by a vote of 2-1 that: The three Board members of the Providence Water Supply Board currently receiving health benefits may continue to have those benefits paid from rates until the expiration of each Board member's respective term, at which time, health care benefits shall no longer be paid out of funds included in Providence Water's revenue requirement as approved by the Commission. Commissioner Bray would have voted to accept the Settlement in full. Providence Water subsequently accepted the modification.

The Commission unanimously approved the Settled Cost of Service of \$50,074,116, requiring a revenue increase of \$4,065,347 or 8.84% over the current Cost of Service. The Commission also unanimously chose the Division's alternative proposal regarding rate design. The effect of this decision is to hold Private Fire Service rates constant and allocate the incremental increase across-the-board to all other retail rates. The effect of the Commission's decision on the average residential customer using 100 HCF per year is an annual increase of \$21.00, or 9.39% for a total annual bill of \$244.56 (\$61.14 per quarter).

Addressing the issue of cash payments, the Commission noted that Providence Water has made accommodations for customers at risk of service termination whereby customers are granted a reasonable time to obtain a money order if they only present cash at Providence Water's offices. Providence Water has also made arrangements with Providence City Hall to accept cash payments on Providence Water's behalf. Although

the Commission expressed concern regarding the policy, customers are not unduly burdened by Providence Water's policy not to accept cash payments at its offices. Providence Water has raised some valid concerns regarding the safety of its staff and accountability for the cash. Finally, the Commission has no indication of the additional costs ratepayers may face if Providence Water is required to accept cash payments.

Discussing the Board members' health care, the Commission noted that allowing continuation of the benefits through the end of each board member's respective current term is a transition plan consistent with the treatment given to KCWA.⁵¹ KCWA was advised in its 2001 rate case of the Commission's concern regarding continued health care benefits to board members paid for with ratepayer dollars and required KCWA to address it in its next following rate case, which was decided in 2005, almost four years later. In this case, the Commission is advising Providence Water through this decision that it will not longer allow health care benefits to be paid for from revenues that benefit ratepayers, such as miscellaneous revenues after each board member's respective current term ends. Providence Water board members are not considered to work the equivalent of full time or part time employees who would be entitled to health care benefits. They have four year terms, with the last term ending January 1, 2009, approximately three years from the decision in this docket.

Regarding the compensation of water board members, the Commission notes that KCWA board members are compensated in accordance with its enabling legislation. Pawtucket Water Supply Board members are not compensated for their services. Providence Water's compensation level, absent the health care benefits is consistent with

⁵¹ Order No. 18316 (a utility's board members are not employees and thus are not entitled to health care benefits).

KCWA's statutory level. There was discussion during the hearing of compensation levels and the Commission notes here that the State of Rhode Island has moved away from the policy of compensating part time board members. For example, a review of changes to the compensation structure of 35 part time boards and commissions in the FY 2006 State of Rhode Island Budget shows that compensation was eliminated entirely for several of those boards and commissions and that other than actual costs, compensation was eliminated for all but one of the remainder. Notably, the stipend, up to \$3,000, formerly paid to NBC board members for their attendance at meetings, was eliminated.⁵²

⁵² P.L. 2005, ch. 117 (Article 21 Sub A) (Relating to Compensation of Board Members).

Accordingly, it is hereby

(18496) ORDERED

1. Providence Water Supply Board's Abbreviated Rate Filing of June 30, 2005, is hereby denied and dismissed.
2. The Stipulation/Settlement filed on November 9, 2005 by and between Providence Water, Kent County Water Authority and the Division of Public Utilities and Carriers, providing for a revenue increase of \$4,065,347, total revenue of \$50,074,694, and a total cost of service of \$50,074,116, is hereby approved, with the following modification to Paragraph 11:

The three Board members of the Providence Water Supply Board currently receiving health benefits may continue to have those benefits paid from rates until the expiration of each Board member's respective term, at which time, health care benefits shall no longer be paid out of funds included in Providence Water's revenue requirement as approved by the Commission.
3. Private fire service rates shall not be increased and the amount of the increase shall be allocated to all other retail rate classes in accordance with the Stipulation/Settlement of November 9, 2005.
4. Providence Water Supply Board shall include in its semi-annual reports a line item that breaks out capitalized labor in its reports on IFR and CIP projects.

5. Any refund received as a result of the litigation between Providence Water Supply Board and the Town of Scituate, the subject of which is property tax disputes, shall be maintained in a separate account, the disposition of which shall be subject to Commission approval.
6. The compliance tariffs filed by the Providence Water Supply Board as part of the Settlement are hereby approved for consumption on and after January 1, 2006.
7. The Providence Water Supply Board shall continue to restrict the following accounts in the following amounts collected through rates: Capital Improvements - \$2,450,000; Western Cranston Fund - \$62,069; IFR - \$12,500,000; Meter Replacement - \$400,000; Insurance Fund - \$1,777,444; Chemicals and Sludge - \$2,107,247; and Equipment Replacement - \$600,000.
8. The Providence Water Supply Board shall comply with the reporting requirements and all other terms and conditions imposed by the Stipulation/Settlement Agreement and this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2006
PURSUANT TO AN OPEN MEETING DECISION ON NOVEMBER 30, 2005.
WRITTEN ORDER ISSUED JANUARY 11, 2006.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Robert B. Holbrook, Commissioner

*Mary E. Bray, Commissioner

*Commissioner Bray concurs with the decision but for the modification to Paragraph 11 of the Settlement. She would have approved it as filed.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PROVIDENCE WATER SUPPLY BOARD :
 ABBREVIATED APPLICATION : Docket No. 3684
 FOR GENERAL RATE RELIEF :

STIPULATION/SETTLEMENT

Pursuant to Rule 1.24 of the Rules of Practice and Procedure, the parties executing this Stipulation/Settlement hereby stipulate and agree as follows:

1. On or about June 30, 2005, Providence Water Supply Board (Providence Water) filed for additional revenues of \$4,957,115 (an overall increase of 10.74%) to support a total revenue request of \$51,128,280. However, after negotiating several issues, all parties now agree that Providence Water may be granted additional revenues of \$4,065,347 (an overall increase of 8.84%) to provide total proforma revenues of \$50,074,694, as set forth on Schedule TSC-1 attached hereto and incorporated by reference herein.

2. Agreed calculations and adjustments to Providence Water's original proposal are set forth in the following schedules:

- Schedule TSC-2 (Summary of Division Adjustments).
- Schedule TSC-3 (page 1 of 2) (Adjustment to Revenues to Reflect Rate Year Billing Units at Present Rates).
- Schedule TSC-3 (page 2 of 2) (Calculation of Rate Year Sales Volumes Based on Average Sales over Period FY 2002 through FY 2005).
- Schedule TSC-4 (Adjustments to Salaries & Wages).

- Schedule TSC-5 (Adjustment to Remove Labor Expense Charged to Capital Projects).
- Schedule TSC-6 (Adjustment to Chemical Costs to Reflect Updated Chlorine Price).
- (There is no Schedule TSC-7).
- Schedule TSC-8 (Adjustment to Insurance Expense to Reflect Updated Results).
- Schedule TSC-9 (Adjustment to Property Tax Expense to Reflect Actual FY 2006 Tax Bills).
- Schedule TSC-10 (page 1 of 2) (Calculation of Uniform Percentage Increase Required to Recover Calculated Revenue Deficiency).
- Schedule TSC-10 (page 2 of 2) (Development of Proposed Rates and Proof of Revenue at Proposed Rates).
- Schedule TSC-11 (page 1 of 2) (Calculation of Incremental Percentage Increase Required to Recover Increase in Private Fire Rates from Other Services excluding Wholesale Service).
- Schedule TSC-11 (page 2 of 2) (Development of Alternative Rates with No Increase in Private Fire Service and Proof of Revenue at Alternative Rates).
- Schedule WEE-Rebuttal-2 (Purchase Power Expense).

3. The wholesale rate is set at \$1,236.00 per million gallons.

4. The residential retail rate is set at \$1.952 per hundred cubic feet (hcf); the commercial retail rate is set at \$1.876 per hcf; and the industrial retail rate is set at \$1.82 per hcf. However, if the Commission elects not to increase Private Fire Service rates, the residential retail rate will be set at \$1.958 per hcf; the commercial retail rate will be set at \$1.882 per hcf; and the industrial retail rate will be set at \$1.825 per hcf.

5. Retail consumption is projected at 15,307,697 hcf. Wholesale consumption is projected at 13,766,672 hcf. (See TSC-3 page 2 of 2). A four-year average (FY 2002

– FY 2005) was used, except that wholesale purchases by Bristol County Water Authority were adjusted as shown on TSC-3 page 2 of 2.

6. The uniform percentage rate increase is 9.065%. However, if the Commission elects not to increase Private Fire Service rates, the uniform percentage rate increase will be 9.364%, except there will be no increase in Fire Service rates, and Wholesale rates will increase 9.065%.

7. The Public Fire Supply rate is set at \$250.24 per hydrant, and Private Fire Service rates are shown on TSC-10 page 2 of 2. However, if the Commission elects not to increase Private Fire Service rates, then the Public Fire Supply rate will be \$250.99 per hydrant, and the Private Fire Service rates will be as set forth on Schedule TSC-11 page 2 of 2.

8. With regard to City services expenses, Providence Water agrees that these expenses will be reevaluated and restudied in its next full rate filing, including, but not limited to, purchasing, legal, personnel, and data processing expenses and allocations, as well as Providence Water's own expenses in relation to other City departments.

9. It is agreed that Providence Water may use IFR and CIP funds to pay for \$518,006 of capitalized labor costs, and for \$259,003 of capitalized benefits costs, for a total of \$777,009. In addition, Providence Water may use IFR and CIP funds to pay for the three additional engineers approved by the Commission to be paid from IFR and CIP funds in Docket No. 3163 on the terms set forth therein.

10. It is agreed that this change in rates may be implemented by Providence Water for consumption on and after January 1, 2006.

11. It is agreed that the three Board members of the Providence Water Supply Board currently receiving health benefits may continue to have those benefits paid from rates because those Board members were appointed with the explicit understanding that the health benefits were available to them. However, when each such member is replaced and a new Board member is appointed, it is agreed that such new member will be appointed with the explicit understanding that health benefits for the new Board member will not be paid by Providence Water ratepayers.

12. It is agreed that all accounts currently restricted by previous Commission Orders shall remain restricted, except as provided herein. It is agreed that the Wholesale Valve Restricted Fund and the Alternative Supply Restricted Fund shall both be closed on or before June 30, 2006. It is further agreed that all remaining balances (estimated to be \$702,905) in the Wholesale Valve Restricted Fund shall be transferred to the Insurance Restricted Fund on or before June 30, 2006, and that all remaining balances (estimated to be \$443,149) in the Alternative Supply Restricted Fund will be transferred to the Chemical/Sludge Restricted Fund on or before June 30, 2006. Lastly, it is agreed that the contingency for the wholesale valve project in the amount of \$400,000, which is intended to cover the cost of a line stop for the project as well as project overruns and any potential delay charges, shall be added as a line item to the Infrastructure Replacement (IFR) Restricted Fund.

13. It is agreed that Providence Water's new tariffs will be those shown as Schedules A through F (Attachment 1) inclusive, attached hereto. However it is also agreed that if the Commission elects not to increase Private Fire Service rates, then

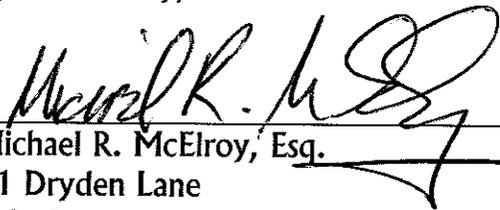
Providence Water's new tariffs will be those shown as Schedules A through F (Attachment 2) attached hereto.

14. This Stipulation/Settlement is the result of negotiated settlement among the parties. The agreement by the parties to this Stipulation/Settlement shall not be construed as an agreement to any matter of fact or law addressed in this Stipulation/Settlement in any future Division or Commission proceedings, and no party, by executing this Stipulation/Settlement, is bound by any of the positions taken in this Stipulation/Settlement, and no position taken by any of the parties to this Stipulation/Settlement on any issue is to be construed as a precedent in any future Division or Commission proceedings, nor shall it be cited as a precedent.

15. In the event the Commission rejects or fails to approve any part of this Stipulation/Settlement, the entire Stipulation/Settlement shall be void.

Executed this 4th day of November, 2005.

Providence Water Supply Board
By its attorney,



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By its attorney,

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Kent County Water Authority
By its attorney,

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PROVIDENCE WATER SUPPLY BOARD

Summary of Revenues and Expenses at
 Present and Proposed Rates
 Rate Year Ended December 31, 2006

	Rate Year Amount Per PWSB	Division Adjustments	Rate Year at Present Rates	Increase from Proposed Rates	Rate Year at Proposed Rates
Revenue					
Retail Water Sales	\$27,054,402	\$ 55,001	\$ 27,109,403	\$ 2,453,166	\$ 29,562,569
Wholesale Water Sales	11,903,083	(237,181)	11,665,902	1,061,772	12,727,674
Retail Service Charges	3,523,890	10,691	3,534,581	320,418	3,854,998
Private Fire Protection	1,142,763	9,673	1,152,436	104,484	1,256,920
Public Fire Protection	1,384,441	-	1,384,441	125,507	1,509,948
Miscellaneous	1,162,585	-	1,162,585	-	1,162,585
Total Revenue	\$46,171,164	\$ (161,817)	\$ 46,009,347	\$ 4,065,347	\$ 50,074,694
Expenses					
Operation & Maintenance	22,765,246	(236,658)	22,528,588	-	22,528,588
Insurance	1,999,100	(221,656)	1,777,444	-	1,777,444
Chemical & Sludge	2,069,714	37,533	2,107,247	-	2,107,247
City Service Expense	729,994	-	729,994	-	729,994
Property Taxes	6,295,742	(99,799)	6,195,943	-	6,195,943
Capitalized Labor	518,006	(518,006)	(0)	-	(0)
Net Operations	\$34,377,802	\$ (1,038,586)	\$ 33,339,216	\$ -	\$ 33,339,216
Capital Improvements	2,450,000	-	2,450,000	-	2,450,000
Western Cranston Fund	62,069	-	62,069	-	62,069
Infrastructure Replacement	12,500,000	-	12,500,000	-	12,500,000
Wholesale 102" Valves	-	-	-	-	-
Alternative Source of Supply	-	-	-	-	-
Meter Replacement	400,000	-	400,000	-	400,000
Equipment Replacement	600,000	-	600,000	-	600,000
Net Restricted	\$16,012,069	\$ -	\$ 16,012,069	\$ -	\$ 16,012,069
Total Expenses	\$50,389,871	\$ (1,038,586)	\$ 49,351,285	\$ -	\$ 49,351,285
Operating Reserve	738,409	(15,579)	722,831	-	722,831
Total Cost of Service	\$51,128,280	\$ (1,054,164)	\$ 50,074,116	\$ -	\$ 50,074,116
Revenue Surplus/(Deficiency)	\$ (4,957,116)	\$ 892,348	\$ (4,064,769)	\$ 4,065,347	\$ 579

PROVIDENCE WATER SUPPLY BOARD

Summary of Division Adjustments to
 Rate Year Revenues and Expenses at Present Rates
 Rate Year Ending December 31, 2006

<u>Description</u>	<u>Amount</u>	<u>Source</u>
Water and Fire Service Revenue	\$ (161,817)	Schedule TSC-3
Total Revenue Adjustments	\$ (161,817)	
Employee Vacancies	(127,313)	Schedule TSC-4
Capitalized Labor	(518,006)	Schedule TSC-5
Capitalized Benefits	(259,003)	Schedule TSC-5
Chemical Cost Update	37,533	Schedule TSC-6
Variable Electric Costs	-	Adjustment Withdrawn
Variable Chemical Costs	-	Adjustment Withdrawn
Insurance Update	(221,656)	Schedule TSC-8
Property Tax Expense	(99,799)	Schedule TSC-9
Electricity Cost Update	149,659	See Note (2)
Operating Reserve	(15,579)	See Note (1)
Total Expense Adjustments	\$ (1,054,164)	
Total Revenue Requirement Effect of Division Adjustments at Present Rates	<u>\$ (892,348)</u>	

Note:

- (1) Based on 1.5% of total expenses net of miscellaneous revenue.
- (2) Per response to informal data request.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Revenues to Reflect
 Rate Year Billing Units at Present Rates
 Rate Year Ending December 31, 2006

Billing Unit	Units of Service	Unit Rate	Annual Revenue
Quarterly Service Charge:			
5/8"	53,885	\$ 11.14	\$ 2,401,116
3/4"	9,797	11.93	467,513
1"	5,049	14.00	282,744
1.5"	1,470	16.76	98,549
2"	1,849	24.37	180,241
3"	42	80.38	13,504
4"	33	101.14	13,350
6"	70	149.54	41,871
8"	30	204.86	24,583
10"	4	254.99	4,080
12"	1	305.13	1,221
Total	72,230		\$ 3,528,771
Monthly Service Charge:			
1"	1	\$ 7.55	\$ 91
1.5"	1	8.47	102
2"	4	11.01	528
4"	1	36.59	439
6"	6	52.72	3,796
8"	1	71.17	854
Total	14		\$ 5,810
Total Service Charge Revenue			\$ 3,534,581
Retail Consumption Charges:			
Residential (HCF)	11,855,827	\$ 1.79	\$ 21,221,930
Commercial (HCF)	2,457,002	\$ 1.72	\$ 4,226,043
Industrial (HCF)	994,866	\$ 1.67	\$ 1,661,429
Total	15,307,695		\$ 27,109,402
Wholesale Consumption Charge:			
Consumption (HCF)	13,766,672	\$ 0.84740	\$ 11,665,902
(Million Gallons)	10,297.47	\$ 1,132.89	
Private Fire Service Charge:			
3/4"	8	\$ 10.77	\$ 345
1"	16	14.26	913
1.5"	4	23.00	368
2"	29	33.48	3,884
4"	247	92.87	91,756
6"	1,089	180.22	785,038
8"	201	285.03	229,164
10"	5	407.30	8,146
12"	15	547.05	32,823
Total	1,614		\$ 1,152,436
Public Fire Service Charge:			
Hydrants	6,034	\$ 229.44	\$ 1,384,441
Total Revenue			\$ 44,846,762
Amount Per PWSE			\$ 45,008,579
Adjustment to Revenue			\$ (161,817)

PROVIDENCE WATER SUPPLY BOARD

Calculation of Rate Year Sales Volumes Based on
 Average Sales over Period FY 2002 through FY 2005
 Rate Year Ending December 31, 2006
 (Volumes in HCF)

	FY2002	FY 2003	FY 2004	FY2005	Four Year Average	Adjustments	Pro Forma Rate Year
<u>Retail</u>							
Residential	11,946,454	12,203,733	12,030,853	11,242,268	11,855,827	-	11,855,827
Commercial	2,308,845	2,206,004	2,356,680	2,956,479	2,457,002	-	2,457,002
Industrial	1,049,987	1,000,891	877,656	1,050,937	994,868	-	994,868
Sub-total Retail	15,305,286	15,410,628	15,265,189	15,249,684	15,307,697	-	15,307,697
<u>Wholesale</u>							
East Providence	2,346,770	2,493,285	2,347,620	2,414,642	2,400,579		2,400,579
East Smithfield	333,442	346,036	349,221	347,134	343,958		343,958
Greenville	445,396	470,702	428,017	470,107	453,556		453,556
Kent County	3,532,443	3,529,317	3,867,756	3,915,227	3,708,686		3,708,686
Smithfield	447,447	433,016	425,587	434,665	435,179		435,179
Warwick	4,372,840	4,654,592	4,292,842	4,313,222	4,408,374		4,408,374
Lincoln	1,047,007	1,059,985	1,027,574	1,108,820	1,060,847		1,060,847
Johnston	199,022	163,387	156,251	180,321	174,745		174,745
Bristol County (1)	1,350,122	1,892,471	1,942,031	1,803,583	1,942,031	(1,161,282)	780,749
Sub-total Wholesale	14,074,489	15,042,791	14,826,899	14,987,721	14,927,954	(1,161,282)	13,766,672
Grand Total	29,379,775	30,453,419	30,092,088	30,237,405	30,235,651	(1,161,282)	29,074,369

Note:

(1) Four year average for Bristol County is equal to FY 2004 volume. Adjustment is based on a reduction in purchases to a level of 1.6 MGD per Attachment A to the testimony of Walter Edge.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Salaries & Wages
to Reflect Rate Year Wage Levels
Rate Year Ending December 31, 2006

Adjusted Test Year Wage Levels (1)	\$ 11,841,580
Reverse 50% of Adjustment to Reflect No Vacancies (2)	<u>(119,979)</u>
Actual Test Year Payroll	11,721,602
Rate Year Effect of Contractual Wage Increases (1)	<u>1.06113175</u>
Annualized Rate Year Wages	\$ 12,438,164
Amount per Company	<u>12,565,477</u>
Adjustment to Rate Year Expense	<u>\$ (127,313)</u>

Notes:

(1) Amounts per Schedule WEE-5.

(2) Reflects one half the annual effect of normalizing adjustment on Schedule WEE-5.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Remove Labor Expense
Charged to Capital Projects
Rate Year Ending December 31, 2006

Test Year Capitalized Labor (1)	\$ 488,164
Rate Year Effect of Contractual Wage Increases (1)	<u>1.06113175</u>
Rate Year Labor Charged to IFR and CIP Funds	\$ 518,006
Fringe Benefits Capitalized at 50%	<u>259,003</u>
Adjustment to Rate Year Expense	<u><u>\$ (777,009)</u></u>

Notes:

- (1) Amount per Schedules WEE-4 and WEE-5.
- (2) Based on test year benefits and labor.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Chemical Costs to Reflect Updated Chlorine Price
Rate Year Ending December 31, 2006

FY 2006 Chlorine Price per Ton (1)	\$	840
FY 2007 Chlorine Price per Ton (1)		<u>940</u>
Average Rate Year Price	\$	890
Annual Usage in Tons		<u>117</u>
Updated Annual Cost	\$	104,130
Amount Per Company (2)		<u>66,597</u>
Adjustment to Rate Year Expense	\$	<u><u>37,533</u></u>

Notes:

(1) Per response to DIV 2-2.

(2) Per Schedule WEE-10A.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Insurance Expense
 to Reflect Updated Results
 Rate Year Ending December 31, 2006

	<u>FY2004 (1)</u>	<u>FY2005 (1)</u>	<u>FY2006 (1)</u>	<u>FY 2007 (2)</u>	<u>Rate Year Expense (3)</u>
Property and Casualty	\$ 751,134	\$ 1,158,536	\$ 1,237,535	\$ 1,321,921	\$ 1,279,728
Workers Compensation	166,383	408,009	404,039	404,039	404,039
Old Workers Comp Claims	68,094	130,762	50,000	50,000	50,000
Injuries & Damages	34,962	16,075	25,519	25,519	25,519
Safety Supplies & Other	22,046	10,233	16,140	16,140	16,140
Program Expense	<u>2,388</u>	<u>1,650</u>	<u>2,019</u>	<u>2,019</u>	<u>2,019</u>
Total Insurance Expense	\$ 1,045,007	\$ 1,725,265	\$ 1,735,251	\$ 1,819,637	\$ 1,777,444
Amount per PWSB Filing (3)				<u>1,999,100</u>	
Adjustment to Rate Year Expense					<u>\$ (221,656)</u>

Notes:

- (1) Per response to DIV 1-14.
- (2) Property and Casualty amount for FY 2007 reflects percentage over FY 2006 equal to FY 2006 percentage increase over FY 2005. Workers Comp was left at FY 2006 level. Old Workers Comp claims per Providence Water filing. Remaining items reflect average of FY 2004 and FY 2005 amounts.
- (3) Equal to average of FY 2006 and FY 2007.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Property Tax Expense
to Reflect Actual FY 2006 Tax Bills
Rate Year Ending December 31, 2006

<u>Municipality</u>	<u>Actual FY 2006 Property Tax Expense (1)</u>	<u>Rate Year Property Tax Expense (2)</u>	<u>Rate Year Amount per PWSB (3)</u>	<u>Adjustment to Rate Year Expense</u>
Town of Scituate	\$ 4,857,896	\$ 4,991,488	\$ 5,017,408	\$ (25,920)
Town of Foster	308,492	316,975	319,899	(2,924)
City of Cranston	531,738	546,361	568,801	(22,440)
Town of North Providence	224,715	230,895	264,372	(33,477)
Town of Johnston	56,424	57,976	57,524	452
Glocester	43,112	44,298	59,702	(15,404)
Town of West Warwick	3,855	3,961	4,082	(121)
West Glocester Fire	3,577	3,675	3,646	29
Harmony Fire Department	147	147	142	5
Chepachet Fire District	145	145	145	-
City of Warwick	21	21	20	1
Total Property Taxes	\$ 6,030,123	\$ 6,195,942	\$ 6,295,741	\$ (99,799)

Notes:

- (1) Per response to Division 1-12. Amount for the West Glocester Fire District is estimated and the amount for the Chepachet Fire District is the FY 2005 amount because FY 2006 tax bills have not been received.
- (2) Actual FY 2006 expense plus one half of maximum increase of 5.5% to reflect growth for one-half year.
- (3) Per Schedule WEE-6.

PROVIDENCE WATER SUPPLY BOARD

Calculation of Uniform Percentage Increase
Required to Recover Calculated Revenue Deficiency
Rate Year Ending December 31, 2006

	<u>Amount (1)</u>
Revenue at Existing Rates	
Retail Water Sales	\$ 27,109,403
Wholesale Water Sales	11,665,902
Retail Service Charges	3,534,581
Private Fire Protection	1,152,436
Public Fire Protection	1,384,441
Total Service Revenue	<u>\$ 44,846,762</u>
Revenue Deficiency per Division	<u>\$ 4,065,347</u>
Uniform Percentage Increase	<u><u>9.065%</u></u>

Note:

(1) Per Schedule TSC-1.

PROVIDENCE WATER SUPPLY BOARD

Development of Proposed Rates and
 Proof of Revenue at Proposed Rates
 Rate Year Ending December 31, 2006

Billing Unit	Units of Service	Current Rates	Proposed Rates	Settlement Revenues
Quarterly Service Charges				
5/8"	53,885	\$ 11.14	\$ 12.15	\$ 2,618,811
3/4"	9,797	11.93	13.01	509,836
1"	5,049	14.00	15.27	308,393
1.5"	1,470	16.76	18.28	107,486
2"	1,849	24.37	26.58	196,586
3"	42	80.38	87.67	14,729
4"	33	101.14	110.31	14,561
6"	70	149.54	163.10	45,668
8"	30	204.86	223.43	26,812
10"	4	254.99	278.10	4,450
12"	1	305.13	332.79	1,331
Total	72,230			\$ 3,848,662
Monthly Service Charges				
5/8"	-	\$ 6.63	\$ 7.23	\$ -
3/4"	-	\$ 6.86	7.48	-
1"	1	\$ 7.55	8.23	99
1.5"	1	\$ 8.47	9.24	111
2"	4	\$ 11.01	12.01	576
3"	-	\$ 29.68	32.37	-
4"	1	\$ 36.59	39.91	479
6"	6	\$ 52.72	57.50	4,140
8"	1	\$ 71.17	77.62	931
10"	-	\$ 87.88	95.85	-
12"	-	\$ 104.59	114.07	-
Total	14			\$ 6,336
Total Service Charge Revenue				\$ 3,854,998
Retail Consumption Charges				
Residential (HCF)	11,855,827	\$ 1.79	\$ 1.9520	23,142,574
Commercial (HCF)	2,457,002	\$ 1.72	\$ 1.8760	4,609,336
Industrial (HCF)	994,868	\$ 1.67	\$ 1.8200	1,810,659
Total	15,307,697			\$ 29,562,569
Wholesale Consumption Charges				
Consumption (HCF)	13,766,672	\$ 0.84740	\$ 0.92453	\$ 12,727,674
	10,297.47	\$ 1,132.89	\$ 1,236.00	
Private Fire Service Charges				
3/4"	8	\$ 10.77	\$ 11.75	376
1"	16	\$ 14.26	\$ 15.55	995
1.5"	4	\$ 23.00	\$ 25.08	401
2"	29	\$ 33.48	\$ 36.51	4,235
4"	247	\$ 92.87	\$ 101.29	100,075
6"	1,089	\$ 180.22	\$ 196.56	856,215
8"	201	\$ 285.03	\$ 310.87	249,939
10"	5	\$ 407.30	\$ 444.22	8,884
12"	15	\$ 547.05	\$ 596.64	35,798
Total	1,614			\$ 1,256,920
Public Fire Service Charges				
Hydrants	6,034	\$ 229.44	\$ 250.24	\$ 1,509,948
Miscellaneous Revenue				1,162,585
Total Revenue				\$ 50,074,694
Revenue Requirement				\$ 50,074,116
Difference				\$ 579

PROVIDENCE WATER SUPPLY BOARD

Calculation of Incremental Percentage Increase
Required to Recover Proposed Increase in Private Fire Rates
from Other Services excluding Wholesale Service
Rate Year Ending December 31, 2006

	<u>Amount (1)</u>
Revenue at Proposed Rates	
Retail Water Sales	\$ 29,562,569
Wholesale Water Sales	-
Retail Service Charges	3,854,998
Private Fire Protection	-
Public Fire Protection	<u>1,509,948</u>
Total Service Revenue	<u>\$ 34,927,516</u>
Proposed Increase in Private Fire	<u>\$ 104,484</u>
Incremental Percentage Increase	<u><u>0.299%</u></u>

Note:

(1) Per Schedule TSC-1.

PROVIDENCE WATER SUPPLY BOARD

Development of Alternative Rates with No Increase in Private Fire Service
 and Proof of Revenue at Alternative Rates
 Rate Year Ending December 31, 2006

Billing Unit	Units of Service	Current Rates	Proposed Rates	Settlement Revenues
Quarterly Service Charges				
5/8"	53,885	\$ 11.14	\$ 12.19	\$ 2,627,433
3/4"	9,797	11.93	13.05	511,403
1"	5,049	14.00	15.32	309,403
1.5"	1,470	16.76	18.33	107,780
2"	1,849	24.37	26.66	197,177
3"	42	80.38	87.93	14,772
4"	33	101.14	110.64	14,604
6"	70	149.54	163.59	45,805
8"	30	204.86	224.10	26,892
10"	4	254.99	278.93	4,463
12"	1	305.13	333.79	1,335
Total	72,230			\$ 3,861,068
Monthly Service Charges				
5/8"	-	\$ 6.63	\$ 7.25	\$ -
3/4"	-	\$ 6.86	7.50	-
1"	1	\$ 7.55	8.25	99
1.5"	1	\$ 8.47	9.27	111
2"	4	\$ 11.01	12.05	578
3"	-	\$ 29.68	32.47	-
4"	1	\$ 36.59	40.03	480
6"	6	\$ 52.72	57.67	4,152
8"	1	\$ 71.17	77.85	934
10"	-	\$ 87.88	96.14	-
12"	-	\$ 104.59	114.41	-
Total	14			\$ 6,355
Total Service Charge Revenue				\$ 3,867,424
Retail Consumption Charges				
Residential (HCF)	11,855,827	\$ 1.79	\$ 1.958	23,213,709
Commercial (HCF)	2,457,002	\$ 1.72	\$ 1.882	4,624,078
Industrial (HCF)	994,868	\$ 1.67	\$ 1.825	1,815,634
Total	15,307,697			\$ 29,653,421
Wholesale Consumption Charges				
Consumption (HCF)	13,766,672	\$ 0.84740	\$ 0.92453	\$ 12,727,674
	10,297.47	\$ 1,132.89	\$ 1,236.00	
Private Fire Service Charges				
3/4"	8	\$ 10.77	\$ 10.77	345
1"	16	\$ 14.26	14.26	913
1.5"	4	\$ 23.00	23.00	368
2"	29	\$ 33.48	33.48	3,884
4"	247	\$ 92.87	92.87	91,756
6"	1,089	\$ 180.22	180.22	785,038
8"	201	\$ 285.03	285.03	229,164
10"	5	\$ 407.30	407.30	8,146
12"	15	\$ 547.05	547.05	32,823
Total	1,614			\$ 1,152,436
Public Fire Service Charges				
Hydrants	6,034	\$ 229.44	\$ 250.99	\$ 1,514,474
Miscellaneous Revenue				1,162,585
Total Revenue				\$ 50,078,013
Revenue Requirement				\$ 50,074,116
Difference				\$ 3,897

PURCHASE POWER EXPENSE
PROVIDENCE WATER

Schedule WEE-Rebuttal-2

	FY02	FY03	FY04	FY05	PRO-FORMA Originally Filed	PRO-FORMA per compliance *	Compliance ADJUSTMENT
61510 \$	- \$	- \$	4 \$	- \$	- \$	- \$	- \$
61523	452,235	441,041	475,707	568,227	569,700	676,190	106,490
61530	100,100	104,036	127,781	145,680	151,753	173,359	21,606
61550	3,192	3,305	7,643	8,406	8,820	10,003	1,183
61580	48,172	44,665	79,129	103,302	102,549	122,929	20,380
\$	603,699 \$	593,047 \$	690,264 \$	825,615 \$	832,822 \$	982,482 \$	149,659

	FY 02	FY 03	FY 04	FY 05
61523				
Activity Electric	452,235	441,041	475,707	568,227
61530				
Activity Electric	100,100	104,036	127,781	145,680
61550				
Activity Electric	3,192	3,305	7,643	8,405
61580				
Activity Electric	48,172	43,206	61,263	73,373
Gas	-	1,459	17,722	29,929
Inventory Control	-	-	144	-
	48,172	44,665	79,129	103,302

<i>Combined Narratives by Activity</i>				
Electric	603,699	591,588	672,394	795,685
Gas	-	1,459	17,722	29,929
Inventory Control	-	-	144	-
	603,699	593,047	690,260	825,614

* Proforma amount calculated by increasing FY05 by 19%.
The usage of 19% is further explained in Mr. Edge's Compliance Testimony.

**ATTACHMENT 1
PROPOSED TARIFFS**

PROVIDENCE WATER SUPPLY BOARD TARIFF

Replaces Tariff
January 1, 2003

Effective: January 1, 2006

RI Public Utilities Commission Docket No. 3684

TARIFF SCHEDULES

Schedule

- | | |
|---|---|
| A | Service Charges – Retail |
| B | Metered Sales – Retail |
| C | Bulk Sales to Public Authorities for Resale |
| D | Public Fire Protection |
| E | Private Fire Service |
| F | Miscellaneous Charges |

**ATTACHMENT 1
PROPOSED TARIFFS**

SCHEDULE A

Providence Water Supply Board
Service Charges
Retail

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable to all metered customers for industrial, commercial and residential use, exclusive of fire service connection, in the Providence Water Supply Board service area.

Rates

For each service connected to the Providence Water Supply Board mains, the following customer service charges shall apply:

<u>Size of Meter</u>	<u>Quarterly</u>	<u>Monthly</u>
5/8 "	\$12.15	\$7.23
3/4	13.01	7.48
1	15.27	8.23
1 ½	18.28	9.24
2	26.58	12.01
3	87.67	32.37
4	110.31	39.91
6	163.10	57.50
8	223.43	77.62
10	278.10	95.85
12	332.79	114.07

Terms of Payment

All customer service charges may be billed quarterly or monthly and are due and payable when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 1
PROPOSED TARIFFS**

SCHEDULE B

Providence Water Supply Board
Metered Sales
Retail

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable to all general metered water service in the Providence Water Supply Board service area.

Rates

For all quantities used, except for bulk sales for resale, the following rates shall apply:

Quarterly Accounts

Residential	\$1.9520
Commercial	\$1.8760
Industrial	\$1.8200

Monthly Accounts

Residential	\$1.9520
Commercial	\$1.8760
Industrial	\$1.8200

Terms of Payment

All metered sales bills are rendered in arrears quarterly or monthly at the option of the Providence Water Supply Board and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 1
PROPOSED TARIFFS**

SCHEDULE C

Providence Water Supply Board
Bulk Sales to Public Authorities for Resale

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable to all public authorities in the Providence Water Supply Board service area purchasing water for resale.

Rates

\$1,236.00 per million gallons

Terms of Payment

All bills for bulk sales are rendered quarterly or monthly in arrears in accordance with contract agreements and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 1
PROPOSED TARIFFS**

SCHEDULE D

Providence Water Supply Board
Public Fire Protection

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable to all service to public fire hydrants in the Providence Water Supply Board service area.

Rates

For each hydrant: \$250.24

Terms of Payment

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

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 1
PROPOSED TARIFFS**

SCHEDULE E

Providence Water Supply Board
Private Fire Service

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable for service to private fire protection appliances owned and maintained by the customer in the Providence Water Supply service area.

Rates

For each fire service connection to the Providence Water Supply Board mains, the following charges shall apply:

<u>Size of Service</u>	<u>Quarterly</u>
3/4"	\$11.75
1	15.55
1 ½	25.08
2	36.51
4	101.29
6	196.56
8	310.87
10	444.22
12	596.64

Terms of Payment

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

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 1
PROPOSED TARIFFS**

**SCHEDULE F
PROVIDENCE WATER
TERMS & CONDITIONS
SERVICE FEE SCHEDULE
(effective January 1, 2006)
page 1 of 2**

NOTE: All applicants must complete financial arrangements prior to services being rendered. Applicants are responsible for obtaining and paying for all permits and any additional fees.

SERVICE	FEE
PHOTOCOPYING	
Distribution Sheet	\$ 3.00/copy
Letter or Legal Size Document	\$.15/copy
LIEN CERTIFICATE	\$ 6.00
RETURNED CHECK FEE	\$ 20.00
PLAN CHECKING/WATER AVAILABILITY REVIEW	\$ 57.00/hour
EASEMENT/ABANDONMENT REQUEST	\$ 50.00/hour
FIRE HYDRANT FLOW TEST	\$ 118.00
NEW WATER SERVICE INSTALLATION - BASIC	
1" Water Service	\$1,673.00
1 ½" Water Service	2,596.00
2" Water Service	2,931.00
4" Water Service	3,700.00
6" Water Service	3,998.00

NEW WATER SERVICE INSTALLATION - SPECIAL CIRCUMSTANCES

All services greater than 6" will be installed and charged on a time and materials basis, consistent with the methodology used in computing the above service charges. **Notwithstanding the above schedule**, any sites where special circumstances may be encountered (ie. ledge, special fittings, routing around other utilities) will also be charged on a time and materials basis. The average time rate for all manpower and equipment (including overhead) averages approximately \$400/hr.

PAVEMENT/SIDEWALK RESTORATION CHARGES

Applicants are responsible for all *actual* road and/or sidewalk restoration charges, as the charge varies with the size of the excavation and the pavement thickness. For illustrative purposes, on average, the charge is approximately \$300 for payment restoration and \$75 for sidewalk.

**ATTACHMENT 1
PROPOSED TARIFFS**

**SCHEDULE F
PROVIDENCE WATER
TERMS & CONDITIONS
SERVICE FEE SCHEDULE
(effective January 1, 2006)
page 2 of 2**

SERVICE	FEE
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POLICE DETAILS

If the work being performed presents a safety hazard and it is necessary to employ police details for traffic control, the applicant will be responsible for such costs at the then current rate of the respective Town or City. For illustrative purposes, the hourly detail rates as of June 15, 2002 are as follows:

Cranston	\$40.12
Johnston	30.00
North Providence	33.00
Providence	42.00

NEW WATER METER INSTALLATION - INCLUDING ERT

5/8" Meter	\$ 184.00
3/4" Meter	230.00
1" Meter	266.00
1 1/2" Meter	457.00
2" Meter	545.00

All meters greater than 2" will be charged on an actual time and materials basis.

NEW ERT - ALL METER SIZES \$ 109.00

(Applies only to existing ERT's that are lost, stolen, or damaged by customers. There is no charge to retro-fit an existing meter to AMR technology.)

SERVICE SHUTOFF FEE \$ 64.00

SERVICE RESTORATION FEE \$ 43.00

SPECIAL REQUESTS FOR SERVICES NOT LISTED ABOVE THAT DO NOT BENEFIT ALL CUSTOMERS Billed at actual
Cost plus overhead
Rates in effect

**ATTACHMENT 2
ALTERNATIVE TARIFFS**

PROVIDENCE WATER SUPPLY BOARD TARIFF

Replaces Tariff
January 1, 2003

Effective: January 1, 2006

RI Public Utilities Commission Docket No. 3684

TARIFF SCHEDULES

Schedule

- | | |
|---|---|
| A | Service Charges – Retail |
| B | Metered Sales – Retail |
| C | Bulk Sales to Public Authorities for Resale |
| D | Public Fire Protection |
| E | Private Fire Service |
| F | Miscellaneous Charges |

**ATTACHMENT 2
ALTERNATIVE TARIFFS**

SCHEDULE A

Providence Water Supply Board
Service Charges
Retail

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable to all metered customers for industrial, commercial and residential use, exclusive of fire service connection, in the Providence Water Supply Board service area.

Rates

For each service connected to the Providence Water Supply Board mains, the following customer service charges shall apply:

<u>Size of Meter</u>	<u>Quarterly</u>	<u>Monthly</u>
5/8"	\$12.19	\$ 7.25
3/4	13.05	7.50
1	15.32	8.25
1 ½	18.33	9.27
2	26.66	12.05
3	87.93	32.47
4	110.64	40.03
6	163.59	57.67
8	224.10	77.85
10	278.93	96.14
12	333.79	114.41

Terms of Payment

All customer service charges may be billed quarterly or monthly and are due and payable when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 2
ALTERNATIVE TARIFFS**

SCHEDULE B

Providence Water Supply Board
Metered Sales
Retail

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable to all general metered water service in the Providence Water Supply Board service area.

Rates

For all quantities used, except for bulk sales for resale, the following rates shall apply:

Quarterly Accounts

Residential	\$1.958
Commercial	\$1.882
Industrial	\$1.825

Monthly Accounts

Residential	\$1.958
Commercial	\$1.882
Industrial	\$1.825

Terms of Payment

All metered sales bills are rendered in arrears quarterly or monthly at the option of the Providence Water Supply Board and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 2
ALTERNATIVE TARIFFS**

SCHEDULE C

Providence Water Supply Board
Bulk Sales to Public Authorities for Resale

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable to all public authorities in the Providence Water Supply Board service area purchasing water for resale.

Rates

\$1,236.00 per million gallons

Terms of Payment

All bills for bulk sales are rendered quarterly or monthly in arrears in accordance with contract agreements and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 2
ALTERNATIVE TARIFFS**

SCHEDULE D

Providence Water Supply Board
Public Fire Protection

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable to all service to public fire hydrants in the Providence Water Supply Board service area.

Rates

For each hydrant: \$250.99

Terms of Payment

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

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 2
ALTERNATIVE TARIFFS**

SCHEDULE E

Providence Water Supply Board
Private Fire Service

Rhode Island Public Utilities Commission Docket No. 3684

Effective: January 1, 2006

Applicability

Applicable for service to private fire protection appliances owned and maintained by the customer in the Providence Water Supply service area.

Rates

For each fire service connection to the Providence Water Supply Board mains, the following charges shall apply:

<u>Size of Service</u>	<u>Quarterly</u>
3/4"	\$10.77
1	14.26
1 ½	23.00
2	33.48
4	92.87
6	180.22
8	285.03
10	407.30
12	547.05

Terms of Payment

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

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

**ATTACHMENT 2
ALTERNATIVE TARIFFS**

**SCHEDULE F
PROVIDENCE WATER
TERMS & CONDITIONS
SERVICE FEE SCHEDULE
(effective January 1, 2006)
page 1 of 2**

NOTE: All applicants must complete financial arrangements prior to services being rendered. Applicants are responsible for obtaining and paying for all permits and any additional fees.

SERVICE	FEE
PHOTOCOPYING	
Distribution Sheet	\$ 3.00/copy
Letter or Legal Size Document	\$.15/copy
LIEN CERTIFICATE	\$ 6.00
RETURNED CHECK FEE	\$ 20.00
PLAN CHECKING/WATER AVAILABILITY REVIEW	\$ 57.00/hour
EASEMENT/ABANDONMENT REQUEST	\$ 50.00/hour
FIRE HYDRANT FLOW TEST	\$ 118.00
NEW WATER SERVICE INSTALLATION - BASIC	
1" Water Service	\$1,673.00
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**ATTACHMENT 2
ALTERNATIVE TARIFFS**

**SCHEDULE F
PROVIDENCE WATER
TERMS & CONDITIONS
SERVICE FEE SCHEDULE
(effective January 1, 2006)
page 2 of 2**

SERVICE	FEE
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POLICE DETAILS

If the work being performed presents a safety hazard and it is necessary to employ police details for traffic control, the applicant will be responsible for such costs at the then current rate of the respective Town or City. For illustrative purposes, the hourly detail rates as of June 15, 2002 are as follows:

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Cost plus overhead
Rates in effect