

PUC 2-1. The response to Commission Request 1-16 disclosed that NBC sold land on Field's Point Drive for \$900,000 during the past year.

(a) In relation to the treatment plant facilities, where is the location of the land that was sold? (i.e.—Is it adjacent to the facilities, across the street, etc.)

Answer: See attached map.

(b) When did the sale take place?

Answer: August 4, 2005.

(c) Are the proceeds of that sale reflected in the test year revenue amounts on Schedule WEE-1, page 1?

Answer: No, the test year in this docket is the rate year from Docket 3639. At that time the sale was not known. If the Commission had not authorized the use of Docket 3639 rate year as the test year in this case, the test year would have been the FYE June 30, 2005. The August 4th sale date would not have been in that test year either.

(d) How were the proceeds of the sale reported (i.e.—what income or restricted account was the revenue recorded in)?

Answer: The asset value of the Land and Building and related accumulated depreciation for the Field's Point Drive property were removed from the balance sheet.

(e) Were the proceeds utilized /applied for any particular purpose or were they applied to general revenue (unrestricted) receipts?

Answer: The property was refinanced with proceeds from a 1993 State of Rhode Island general obligation bond issue. The sale proceeds may only be used for capital projects in accordance with the Tax Compliance Certificate executed as part of the sales transaction.

Prepared by WEE

PUC 2-2. For NBC's non-union defined benefit contribution plan, provide the following summary information for the first plan year (year ended 12/31/05):

(a) NBC payments made to the Plan during the initial Plan year;

Answer: \$444,611.

(b) Contributions from employees during the initial Plan year:

Answer: \$282,285.

(c) The value of Plan assets at 12/31/05:

Answer: \$ 749,690.

(d) Investment earnings during the initial Plan year.

Answer: \$22,794.

Prepared by WEE

PUC 2-3. Provide a copy of the audit report and financial statements of NBC's non-union defined benefit contribution plan for calendar year 2005. If the report is not currently available, please file the audit report and financial statements when it is available.

Answer: Not available at this time. NBC will file this report when it becomes available.

Provide the name of the firm engaged to audit the report, their bid/ estimated fee, and the expected completion date.

Answer: Bachelor, Frechette, McCrory, Michael and Co. Their bid amount was \$5,000, expected completion date is March or April.

Prepared by WEE

PUC 2-4. If there is an actuary's report separate and apart from the audit report referenced in question 3 above, provide a copy of the actuary's report for calendar year 2005.

Answer: No report done.

Prepared by WEE

PUC 2-5. Has the Plan's actuary determined the contribution requirements for calendar year 2006? If so, what will they be, and will the contribution requirements be the same as those in the initial year?

Answer: No, and not known.

Prepared by WEE

PUC 2-6. Mr. Edge provides a proof of rate year revenues at his Schedule WEE-14. Do the total consumption volumes shown on WEE-14 reflect any significant adjustments to the total water sales volumes reported by the various water districts? In responding to this question, we are not concerned with 'normal adjustments' for apparent errors in billing information. We would like to know if the revenue proof is based on 100% of sales volumes or some fraction of the sales volumes.

Answer: There are no adjustments to the water readings reported by the water districts besides corrections for errors. The revenue proof is based on 100% of the readings.

Prepared by WEE

PUC 2-7. Provide a compilation / summary of the data that is provided by the water districts that is representative of the total consumption volumes used on WEE-14. For example, list the volumes that are provided by Providence Water, Pawtucket Water, etc. for recent, annual billing periods; then reconcile the total volumes reported by the water districts to the total volumes shown at WEE-14. The reconciliation can be on an approximate or rounded basis to allow for billing adjustments (made by NBC's billing department) and the fact that the water districts' historic, actual meter reading data would differ from projected rate year volumes.

Answer: See table for total annual consumption.

Total Consumption (Hundred Cubic Feet)		
WATER UTILITIES	HCF Billed	Docket 3707 HCF
CUMBERLAND	457,000	
EAST SMITHFIELD	118,000	
PROVIDENCE	12,049,000	
SMITHFIELD	123,000	
EAST PROVIDENCE	561,000	
LINCOLN	862,000	
PAWTUCKET	4,300,000	
BILLING ADJUSTMENT / TIMING	(235,751)	
Total HCF	18,234,249	18,234,249

Prepared by WEE

PUC 2-8. Provide 3-year actual expenditure data for fiscal years 2003, 2004, and 2005 for the Capital Outlay accounts using account numbers 16200 through 16600 as referenced on page 3 of WEE-4.

Answer: See table below.

Account	Description	FY 2003	FY 2004	FY 2005
16200	LANDFILL	-	-	-
16510	AUTOMOTIVE EQUIP.	20,500	74,832	73,747
16520	BLDG. & PLANT EQUIP.	353,512	406,534	143,461
16530	CONSTRUCTION EQUIP.	-	-	-
16540	ED. AND REC. EQUIP.	-	-	-
16570	LABORATORY EQUIP.	68,691	90,489	12,852
16580	OFFICE FURNITURE AND EQUIP.	165,552	78,474	62,190
16583	COMPUTER SOFTWARE	-	56,061	150,095
16585	COMPUTER HARDWARE	-	365,700	314,286
16590	OTHER EQUIP.	-	50,682	26,331
16610	BUILDING & OTHER STRUCT.	50,483	240,371	156,774
16630	IMP.-NOT BLDG OR STRUCT.	21,076	19,410	4,875
16600	REPLACEMENT RESERVE	502,527	536,065	752,073
Total		1,182,341	1,918,618	1,696,684

Prepared by WEE

PUC 2-9. In 2005, NBC escrowed funds to 'pay off' its share of State Debt related to funding capital improvements at the NBC. Regarding this escrow of funds:

(a) What was the source of NBC's funds for the escrow transaction?

Answer: Funds were available from an accumulation of the annual collection of user charge revenues restricted for debt service and debt service coverage.

(b) How much was escrowed?

Answer: \$10,977,827.55.

(c) What is the final year in which the referenced State bonds will be retired?

Answer: The last payment under the Prepayment and Escrow Deposit Agreement is 2012.

Prepared by WEE

PUC 2-10. The response to Commission Request 1-6 shows that NBC sustained an operating loss of approximately \$4 million when the fiscal year 2005 income statement is restated to a regulatory basis of presentation (i.e.—cash basis). Explain why the Debt Coverage amount of \$4,354,332 is considered an operating expense for regulatory purposes in the statement presented in response to 1-6.

Answer: NBC considered the \$4,354,332 debt coverage an expense of its cost of service which is the result of its debt service requirements. If the point of this question is that this item is a non-cash item the point is correct in that no money is paid out for the debt coverage. If the FYE 2005 income statement were not adjusted to reflect the debt coverage then the operating loss would be reduced and in fact become an operating surplus.

This adjustment was presented in the Income Statement because NBC believed that the Commission would like to see the debt coverage amount included as it is shown on the rate year cost of service. If this adjustment was excluded from the Income Statement, the debt coverage would be netted into the gain or loss and not be apparent.

Prepared by WEE

PUC 2-11. In 2004, the NBC Board authorized the development of an Asset Management Program for NBC with approval of Resolution NO. 2004:21. In fiscal year 2006, initial operation / application of the Asset Management System was to occur. Provide the following information on the Asset Management System:

(a) How much has been spent to date on the system's development/ implementation. Please itemize expenditures by vendor and /or type.

Answer: To date NBC has spent \$256,805 on the Asset Management system. Of that total, Camp Dresser McKee (CDM) accounts for \$163,580 in the evaluation and planning phase, and the balance is NBC salary and fringe reimbursements.

(b) What is the estimated cost to complete the system? Please itemize by vendor and /or type.

Answer: The Phase I design is currently underway with a concentrated number of tasks that not only establish the foundations for the program, but also result in bringing the system on-line for our priority assets. The estimated cost for this phase is \$290,000 for CDM plus \$120,000 of NBC costs. The current estimated total cost at completion is \$2,180,000, of which CDM is projected to be \$1,513,580 with the remainder being the projected NBC salary and fringe.

(c) Please explain what aspects of the Asset Management System are now operational and what has yet to be completed.

Answer: The system will be fully operational in FY 2009, with various applications/phases implemented prior to that date. NBC's goal is to link inventory, asset condition, service levels, repair costs and replacement values in order to more accurately predict when a piece of equipment, control system, etc. needs to be serviced, repaired or replaced.'

Prepared by WEE

PUC 2-12. What is the current estimated completion date for the new dewatering facilities at Fields Point?

Answer: The most recent information indicates the facilities will be complete by the last week of February 2006.

Prepared by WEE