

**REBUTTAL TESTIMONY OF
WALTER E. EDGE Jr. MBA CPA
CONSULTING DEPARTMENT DIRECTOR
BACON & EDGE p.c.**

**for
THE NARRAGANSETT BAY COMMISSION**

**ABBREVIATED FILING
DOCKET # 3797**

April 2007

1 **Narragansett Bay Commission**

2
3 PRE-FILED REBUTTAL TESTIMONY
4 OF WALTER E. EDGE Jr. MBA, CPA
5

6 **Q. Good morning Mr. Edge. Are you the same Walter E. Edge Jr. that previously**
7 **filed direct testimony in this docket?**

8 A. Yes.
9

10 **Q. What is the purpose of your testimony?**

11 A. I have read the pre-filed direct testimony of Mr. Thomas Catlin and I have a few
12 comments. For the most part I found Mr. Catlin’s testimony reasonable, however there
13 are a few adjustments that were made that I believe after further review, and in some
14 cases, additional information, should be further adjusted.
15

16 **Q. Do you agree with any of Mr. Catlin’s adjustments?**

17 A. Yes. Using Mr. Catlin’s list of adjustments on his schedule TCS-2 “Summary of
18 Division Adjustments to Rate Year Revenues and Expenses at Present Rates” I agree
19 with the following adjustments:
20

➤ Residential Measured Use Fees	\$ 641,537
➤ Bioslids Disposal Costs	46,495
➤ Bad Debt Expense	100,000
➤ Maintenance & Service Agreements	53,427
➤ Regulatory Expense	36,673

21
22 Lastly, I agree with the methodology used by Mr. Catlin in calculating the adjustment to
23 the operating reserve.
24

25 **Q. Are there any adjustments made by Mr. Catlin that you can agree with but**
26 **which require additional comment?**

27 A. Yes. There are two adjustments that were made by Mr. Catlin that NBC can agree
28 with however additional comment is required as follows:
29

1 1. The adjustment to Retiree Health Insurance Expense (a reduction of \$239,205) is
2 acceptable to NBC as long as the Commission is aware that the amount used by
3 Mr. Catlin (\$175,773 based upon the State of Rhode Island proposed budget) is a
4 place holder for the amount eventually approved by the State in the final budget.
5 Further, it is important to note that the funds collected for this item are simply a
6 pass through to the State of RI on NBC's books and is not available for NBC
7 operations. If the State changes the funding percentage and funding amount then
8 NBC would expect that any shortfall or surplus could be addressed expeditiously
9 by the Commission as a subsequent compliance item without establishing another
10 docket.

11 2. The Division's adjustment to amortize (over two years) the \$660,154 of excess
12 special master funds ordered by the Commission in the last docket to be released
13 from the special master restricted account is acceptable to NBC. The adjustment
14 made by the Division would provide additional revenue to NBC's operation
15 accounts in the amount of \$330,077 for two years.

16
17 NBC has two concerns that must be addressed in order to facilitate this
18 adjustment. The first is that NBC will need the Commission to specifically state
19 in its order that NBC is authorized to use \$330,077 of previously restricted funds
20 for its unrestricted operating accounts. Second, NBC would prefer that the
21 adjustment be an addition to miscellaneous revenue instead of a reduction of
22 amortization expense as shown by Mr. Catlin. This item is clearly more like
23 additional revenue than a reduction of amortization expense and will be easier to
24 implement as additional revenue.

25

26 **Q. Are there any adjustments made by Mr. Catlin with which you disagree?**

27 A. Yes, but there are only two.

28
29 The first is the inflation adjustment for the BP Management contract. NBC believes that
30 the Division's adjustment is too high because the CPI escalator used by the Division is
31 too low.

1 NBC requested in its original filing an inflation factor of 3.55% based upon the table
2 below and the Division has proposed a 2.0% inflator based upon the “Blue Chip
3 Economic Indicators forecast for 1st quarter 2007 compared to the actual CPI for the 1st
4 quarter 2006”. The management contract specifically uses the April CPI. NBC has
5 reviewed the actual CPI inflation factors used during the last two years and found that the
6 inflation factor for April has not dropped below 3.0% in 2005 or 2006. NBC’s initial
7 position of 3.55% (which has a very small dollar impact on the rate increase in this
8 docket) is the appropriate inflation percentage.

9

April CPI	Amount	% Increase
2004	188.0	-
2005	194.6	3.51%
2006	201.5	3.55%

10

11 The second adjustment that NBC would like to address is the Division’s adjustment for
12 Vision Insurance (part of the health insurance adjustment). In response to a data request
13 by the Division NBC provided the wrong current rates for Vision Insurance, and Mr.
14 Catlin used those incorrect rates. The correct current rates for vision insurance are \$6.96
15 (family) and \$3.23 (individual). This adjustment, like the first adjustment to the inflator
16 for the BP Management contract has a very little impact on the rate increase in this
17 docket. Nevertheless I believe that both adjustments are correct and should be made.

18

19 **Q. Mr. Edge, have you provided updates to your schedules incorporating the**
20 **adjustments discussed in this testimony?**

21 A. Yes, I have attached the rebuttal schedules WEE R-1, and WEE R-2.

22

23 **Q. Does that conclude your testimony?**

24 A. Yes.

Rate Year Ended June 30, 2008

Docket 3797 - NBC Rebuttal

NUMBER	ACCOUNT	Test Year	Adjustments	Rate Year As Filed	Revenue Dockets Spread	Total Revenue w/ Dockets Spread	TC Division Testimony	Revised After TC	NBC Rebuttal Adjustments	NBC Rebuttal	WEE-R1
Revenue											
	DOCKET 3707	\$ 2,348,622	\$ -	\$ 2,348,622	\$(2,348,622)	-	-	-	-	-	-
	DOCKET 3775	6,010,883	-	6,010,883	(6,010,883)	-	-	-	-	-	-
41000	FLAT FEES RESIDENTIAL	10,902,152	-	10,902,152	1,539,663	12,441,815	35,899	12,477,714	-	12,477,714	-
41100	MEASURED FEE - RESIDENTIAL	19,973,744	-	19,973,744	3,001,520	22,975,264	199,192	23,174,456	-	23,174,456	-
	FLAT FEES COMMERCIAL & INDUSTRIAL	6,735,323	-	6,735,323	999,057	7,734,380	(30,144)	7,704,236	-	7,704,236	-
41510	MEASURED FEE - COMMERCIAL	17,228,238	-	17,228,238	2,369,299	19,597,537	602,988	20,200,525	-	20,200,525	-
41511	MEASURED FEE - INDUSTRIAL	1,556,273	-	1,556,273	449,965	2,006,238	(166,397)	1,839,841	-	1,839,841	-
42000	PRETREATMENT FEES	1,165,749	-	1,165,749	-	1,165,749	-	1,165,749	-	1,165,749	-
42500	CONNECTION PERMIT FEES	357,496	-	357,496	-	357,496	-	357,496	-	357,496	-
43000	BOD/TSS SURCHARGE	152,123	-	152,123	-	152,123	-	152,123	-	152,123	-
43500	SEPTAGE INCOME	387,068	-	387,068	-	387,068	-	387,068	-	387,068	-
44502	MISCELLANEOUS OPERATING INCOME	-	-	-	-	-	-	-	-	-	-
45100	INTEREST INCOME	450,576	149,424	600,000	-	600,000	-	600,000	-	600,000	-
45500	LATE CHARGE PENALTY	447,672	-	447,672	-	447,672	-	447,672	-	447,672	-
46500	ENVIRONMENTAL ENFORCEMENT	-	-	-	-	-	-	-	-	-	-
47000	REIMBURSED COLLECTION COSTS	-	-	-	-	-	-	-	-	-	-
47500	GRANT	-	-	-	-	-	-	-	-	-	-
42600	ABATEMENT FEE	4,068	-	4,068	-	4,068	-	4,068	-	4,068	-
	ARBITRAGE REBATE	-	-	-	-	-	-	-	-	-	-
49005	CAPITAL CONTRIBUTIONS	-	-	-	-	-	-	-	-	-	-
	SPECIAL MASTER UNRESTRICTED	-	-	-	-	-	-	-	330,077	330,077	-
49002	MISCELLANEOUS INCOME	40,505	-	40,505	-	40,505	-	40,505	-	40,505	-
	TOTAL REVENUE	67,760,492	149,424	67,909,916	0	67,909,916	641,537	68,551,453	330,077	68,881,530	-
PERSONNEL SERVICES											
52150	UNION OVERTIME	477,466	40,197	517,663	-	-	-	517,663	-	517,663	-
52100	UNION	4,498,777	343,445	4,842,222	-	-	-	4,842,222	-	4,842,222	-
52300	NON-UNION REGULAR	6,938,605	619,819	7,558,424	-	-	-	7,558,424	-	7,558,424	-
52350	NON-UNION OVERTIME	55,067	4,636	59,703	-	-	-	59,703	-	59,703	-
52400	NON-UNION LIMITED	11,664	982	12,646	-	-	-	12,646	-	12,646	-
52800	UNION PENSION	827,775	177,955	1,005,730	-	-	-	1,005,730	-	1,005,730	-
52810	FICA	876,327	103,740	980,067	-	-	-	980,067	-	980,067	-
52820	UNEMPLOYMENT INSURANCE	38,902	-	38,902	-	-	-	38,902	-	38,902	-
52920	NON UNION PENSION	712,521	52,626	765,147	-	-	-	765,147	-	765,147	-
52940	UNION RETIREMENT HEALTH	90,368	324,610	414,978	-	-	(239,205)	175,773	-	175,773	-
52950	HEALTH INSURANCE	2,495,891	232,397	2,728,288	-	-	(75,923)	2,652,365	-	2,652,365	-
52970	DENTAL INSURANCE	186,856	30,267	217,123	-	-	(9,466)	207,657	-	207,657	-
52980	VISION INSURANCE	38,518	-	38,518	-	-	(9,167)	29,351	9,275	38,626	-
52990	DISABILITY INSURANCE	31,582	-	31,582	-	-	-	31,582	-	31,582	-
53000	SUPP PENSION RETIREES	1,015	-	1,015	-	-	-	1,015	-	1,015	-
53690	WORKMAN'S COMP. - OLD CLAIMS	86,010	-	86,010	-	-	-	86,010	-	86,010	-
	TOTAL PERSONNEL SERVICES	17,367,344	1,930,673	19,298,017	-	-	(333,761)	18,964,256	9,275	18,973,531	-
59000	SALARY REIMBURSEMENT	(991,753)	(83,493)	(1,075,246)	-	-	-	(1,075,246)	-	(1,075,246)	-
59001	FRINGE REIMBURSEMENT	(545,064)	(45,888)	(590,952)	-	-	-	(590,952)	-	(590,952)	-
	TURNOVER	-	-	-	-	-	-	-	-	-	-
NET PERSONNEL SERVICES		15,830,527	1,801,292	17,631,819	-	-	(333,761)	17,298,058	9,275	17,307,333	-

Rate Year Ended June 30, 2008

Docket 3797 - NBC Rebuttal

NUMBER	ACCOUNT	Test Year	Adjustments	Rate Year As Filed	Revenue	Total Revenue	TC Division	Revised After TC	NBC	NBC Rebuttal
					Dockets Spread	w/ Dockets Spread			Rebuttal Adjustments	
OPERATING SUPPLIES/EXPENSES										
52610	MEDICAL SVCS.	19,326	-	19,326	-	-	-	19,326	-	19,326
53210	POSTAGE	143,613	-	143,613	-	-	-	143,613	-	143,613
53240	DUES & SUBSCRIPTIONS	55,225	-	55,225	-	-	-	55,225	-	55,225
53250	FREIGHT	33,151	-	33,151	-	-	-	33,151	-	33,151
53310	PRINTING & BINDING	76,430	-	76,430	-	-	-	76,430	-	76,430
53320	ADVERTISING	12,086	-	12,086	-	-	-	12,086	-	12,086
53330	RENTAL- EQUIPMENT	35,892	-	35,892	-	-	-	35,892	-	35,892
53340	RENTAL- CLOTHING	54,332	-	54,332	-	-	-	54,332	-	54,332
53350	RENTAL-OUTSIDE PROPERTY	4,549	-	4,549	-	-	-	4,549	-	4,549
53360	MISCELLANEOUS EXPENSE	26,194	-	26,194	-	-	-	26,194	-	26,194
53370	PUBLIC OUTREACH EDUCATION	6,865	-	6,865	-	-	-	6,865	-	6,865
53410	LOCAL TRAVEL	2,749	-	2,749	-	-	-	2,749	-	2,749
53420	LONG DISTANCE TRAVEL	70,334	-	70,334	-	-	-	70,334	-	70,334
53470	BLDG. & GRND. MAINT.	105,725	-	105,725	-	-	-	105,725	-	105,725
53480	BIOSOLIDS DISPOSAL	4,252,945	627,449	4,880,394	-	-	(46,495)	4,833,899	-	4,880,394
53490	SCREENING & GRIT DISPOSAL	167,380	-	167,380	-	-	-	167,380	-	167,380
	BAD DEBT EXPENSE	160,000	-	160,000	-	-	(100,000)	60,000	-	60,000
53510	VEHICLE FUEL & MAINTENANCE	168,840	-	168,840	-	-	-	168,840	-	168,840
53610	REPAIR-BLDG & EQUIPMENT	256,362	-	544,772	-	-	-	544,772	-	544,772
53611	SOLIDS HANDLING REPAIRS	-	-	-	-	-	-	-	-	-
53620	REPAIR-HIGHWAY & WALKS	13,334	-	13,334	-	-	-	13,334	-	13,334
53630	MAINTENANCE/SERVICE AGREE.	416,867	210,891	627,758	-	-	(53,427)	574,331	-	574,331
53640	GENERAL REPAIRS/EQUIPMENT	288,410	-	-	-	-	-	-	-	-
53650	HIGHWAY & LANDSCAPE	10,336	-	10,336	-	-	-	10,336	-	10,336
53660	INSURANCE	337,257	26,667	363,924	-	-	-	363,924	-	363,924
53680	WORKMAN'S COMP. INSURANCE	311,522	142,713	454,235	-	-	-	454,235	-	454,235
53900	CENTRAL PHONE SVCS.	2,545	-	2,545	-	-	-	2,545	-	2,545
54000	TELEPHONE	114,868	-	114,868	-	-	-	114,868	-	114,868
54020	FUEL OIL #2 - DIESEL FOR EQUIPMENT	716	-	716	-	-	-	716	-	716
54060	FUEL-GAS	503,412	-	503,412	-	-	-	503,412	-	503,412
54061	FUEL - GAS FOR SOLIDS HANDLING	-	-	-	-	-	-	-	-	-
54090	ELECTRICITY	3,260,501	-	3,260,501	-	-	-	3,260,501	-	3,260,501
54110	WATER	85,503	-	85,503	-	-	-	85,503	-	85,503
54200	CLOTHING	34,652	-	34,652	-	-	-	34,652	-	34,652
54330	CHEM., HOUSE & LAUNDRY SUPPLIES	29,533	-	29,533	-	-	-	29,533	-	29,533
54332	CHEMICALS - CHLOR. / HYPOCHLORITE	364,246	-	364,246	-	-	-	364,246	-	364,246
54334	CHEMICALS - LIME	-	-	-	-	-	-	-	-	-
54335	CHEMICALS - POLYMER	-	-	-	-	-	-	-	-	-
54337	CHEMICALS - SODIUM BIFULFITE	132,108	-	132,108	-	-	-	132,108	-	132,108
54338	CHEMICALS - SODA ASH	-	-	-	-	-	-	-	-	-
54340	LAB SUPPLIES	169,205	-	169,205	-	-	-	169,205	-	169,205
54370	SUPPLIES BUILDING & MAINTENANCE	123,475	-	123,475	-	-	-	123,475	-	123,475
54371	SUPPLIES FOR SOLIDS HANDLING	-	-	-	-	-	-	-	-	-
54410	EDUCATIONAL SUPP. & EXP.	67,985	-	67,985	-	-	-	67,985	-	67,985
54420	COMPUTER SUPPLIES	78,707	-	78,707	-	-	-	78,707	-	78,707
54430	OTHER OPERATING SUPPLIES & EXP.	5,511	-	5,511	-	-	-	5,511	-	5,511
54440	SAFETY EQUIPMENT	21,588	-	21,588	-	-	-	21,588	-	21,588
54500	OFFICE EXPENSE	72,216	-	72,216	-	-	-	72,216	-	72,216
TOTAL OPERATING SUPP. & EXP.		12,096,495	1,007,720	13,104,214	-	-	(199,922)	12,904,292	-	12,950,787

Rate Year Ended June 30, 2008

Docket 3797 - NBC Rebuttal

NUMBER	ACCOUNT	Test Year	Adjustments	Rate Year As Filed	Revenue	Total Revenue	TC Division	Revised After TC	NBC	NBC Rebuttal
					Dockets Spread	w/ Dockets Spread			Rebuttal Adjustments	
PROFESSIONAL SERVICES										
52600	REGULATORY EXPENSE	205,715	61,026	266,741	-	-	(36,673)	230,068	-	230,068
52620	ARCHITECT/ENG. SERVICES	-	-	-	-	-	-	-	-	-
52630	LECTURES/ED./PROF. SVCS.	436	-	436	-	-	-	436	-	436
52650	SECURITY SERVICES	27,723	-	27,723	-	-	-	27,723	-	27,723
52660	LEGAL SERVICES	177,470	-	177,470	-	-	-	177,470	-	177,470
52670	MGMT/AUDIT SERVICES	1,732,269	310,101	2,042,370	-	-	(21,306)	2,021,064	21,306	2,042,370
52680	CLERICAL SERVICES	41,323	-	41,323	-	-	-	41,323	-	41,323
52690	OTHER SERVICES	104,570	-	104,570	-	-	-	104,570	-	104,570
TOTAL PROFESSIONAL SERVICES		2,289,506	371,126	2,660,632	-	-	(57,979)	2,602,653	21,306	2,623,959
TOTAL OPERATIONS & MAINTENANCE		30,216,527	3,180,138	33,396,665	-	-	(591,662)	32,805,003	30,581	32,882,079
DEPRECIATION AND AMORTIZATION										
	DEPRECIATION	-	-	-	-	-	-	-	-	-
	AMORTIZATION	9,690	-	9,690	-	-	(330,077)	(320,387)	330,077	9,690
TOTAL DEPRECIATION AND AMORTIZATION		9,690	-	9,690	-	-	(330,077)	(320,387)	330,077	9,690
DEBT SERVICE										
57800	EXP. REL. TO BONDS/NOTES	25,218	-	25,218	-	-	-	25,218	-	25,218
57900	INTEREST EXPENSE OTHER	-	-	-	-	-	-	-	-	-
57908	INTEREST EXPENSE - 2007 SERIES A	-	-	-	-	-	-	-	-	-
57909	INTEREST EXPENSE - 2005 SERIES A	-	-	-	-	-	-	-	-	-
57910	STATE INTEREST EXPENSE	-	-	-	-	-	-	-	-	-
57912	SRF INTEREST EXPENSE	-	-	-	-	-	-	-	-	-
57913	LEASE INTEREST EXPENSE	20,052	-	20,052	-	-	-	20,052	-	20,052
57914	INTEREST EXPENSE - VRDO	-	-	-	-	-	-	-	-	-
57915	PROGRAMMED NEW DEBT INTEREST EXPENSE	-	-	-	-	-	-	-	-	-
57920	DEBT SERVICE	30,832,125	-	30,832,125	-	-	-	30,832,125	-	30,832,125
	COVERAGE	7,708,031	-	7,708,031	-	-	-	7,708,031	-	7,708,031
58920	INTEREST - LATE PMT.	-	-	-	-	-	-	-	-	-
58940	ARBITRAGE EXPENSE	-	-	-	-	-	-	-	-	-
58990	OTHER	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE		38,585,426	-	38,585,426	-	-	-	38,585,426	-	38,585,426
Total O & M + Debt Service										
Net Operating Reserve		219,663	281,432	501,095	-	-	(13,826)	487,269	6,107	493,377
Total Expenses										
Total Expenses		69,031,306	3,461,570	72,492,877	-	-	(935,565)	71,557,312	366,765	71,970,572
Rate Increase								\$ 3,005,859	\$ 83,183	\$ 3,089,042

Adjustment to Vision Costs
Rate Year Ended June 30, 2008
NBC Rebuttal

WEE-R2

	Rate Year Premium	Number of Members	Rebuttal Annual Cost	Amount per Tom Catlin	Rebuttal Adjustment
Family	\$ 6.96	187	\$ 33,840	\$ 25,720	\$ 8,120
Single	\$ 3.23	57	4,787	3,631	1,156
Total Vision		244	\$ 38,626	\$ 29,351	\$ 9,275