

ADLER POLLOCK & SHEEHAN P.C.

One Citizens Plaza, 8th floor
Providence, RI 02903-1345
Telephone 401-274-7200
Fax 401-751-0604 / 351-4607

175 Federal Street
Boston, MA 02110-2210
Telephone 617-482-0600
Fax 617-482-0604

www.apslaw.com

May 11, 2007

RECEIVED
2007 MAY 11 PM 1:56
PUBLIC UTILITIES COMMISSION

Via Hand Delivery and Electronic Mail

Luly Massaro, Division Clerk
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, Rhode Island 02888

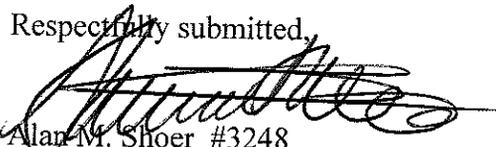
Re: Docket No. 3800

Dear Luly:

On behalf of the City of Woonsocket's Water Division ("WWD") and the Division, I am enclosing an original and nine copies of a Settlement Agreement, with attached schedules, by and between WWD and the Division. The parties request approval of this Settlement Agreement from the Commission.

Please do not hesitate to contact me if you have any questions or comments.

Respectfully submitted,



Alan M. Shoer #3248
Attorney for Woonsocket Water Division

AMS/bck

Enclosure

cc: Service List (via regular and electronic mail) (with enclosures)

417394_1.doc

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: WOODSOCKET WATER DIVISION) DOCKET NO. 3800
 ABBREVIATED RATE FILING)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Woonsocket Water Division (“WWD”) and the Division of Public Utilities and Carriers (“Division”) and referred to collectively with WWD as the “Parties” in order to resolve the issues pending in the above-captioned proceeding. The Parties jointly request approval of this Settlement Agreement by the Rhode Island Public Utilities Commission (“Commission”).

I. RECITALS

Pursuant to R.I.G.L. § 39-3-11, on December 8, 2006, WWD filed with the Commission an Abbreviated Filing for Rate Change. In the initial filing, WWD requested approval of new rates designed to collect additional revenues in a 12-month period equal to \$1,720,064, over the current rates and charges, or an increase of approximately 24.9%. The increase was designed to apply equally to all customer classes. The filed total revenue requirement was \$8,623,437.

In response to WWD's filing, the Division conducted an investigation of WWD's proposed rate request through sets of data requests, by the aid of its public utilities rate analyst, John Bell, C.P.A. and the Division's consultant Andrea C. Crane. The Division, through its consultant Ms. Crane, filed direct testimony, dated March 23, 2007. In the Division's testimony, Ms. Crane recommended several adjustments to the WWD's request for additional revenues concerning the following items: Pro Forma Operating Revenues; Light and Power expenses; Health Insurance

Costs; Engineering Services; Rate Case Costs; IFR and Operating Revenue allowance. The Division's adjustments, taken together, suggested a revenue increase for WWD of \$908,701 or 12.5% over present rates.

On April 20, 2007, WWD filed Rebuttal Testimony through its consultant Walter E. Edge, Jr. Mr. Edge's Rebuttal Testimony concurred with the Division's proposed adjustments with respect to the following items: Light and Power Expenses; Engineering Services; Rate Case Costs, IFR and Operating Reserve Allowance. The only two items that remained in dispute concerned Operating Revenues and Health Insurance Costs.

After due consideration of the Parties' testimony, exhibits and other documentation included in the filings of WWD and the Division, the Parties have now agreed to a settlement which resolves all issues relating to WWD's Abbreviated Rate Filing. Schedules reflecting the settlement are restated and incorporated in this Settlement Agreement by reference and described as follows: The Rate Year Summary ("Schedule SETTLEMENT- 1"); Statement of Revenue – Rate Year ("Schedule SETTLEMENT - 1A"); Expense Summary – Rate Year ("Schedule SETTLEMENT – 1B"); Calculation of Operating Reserve ("Schedule SETTLEMENT – 1C"); Comparison of Existing and Proposed Rates and Charges ("Schedule SETTLEMENT – 2"); Proof of Revenues ("Schedule SETTLEMENT – 3"); and Impact of Proposed Rates ("Schedule SETTLEMENT – 4").

The Parties believe that this settlement, as a whole, constitutes a just and reasonable resolution of the issues in this proceeding. The Parties jointly request its approval by the Commission.

II. TERMS OF SETTLEMENT

1. The Parties agree to a net revenue requirement of \$8,227,316 which is an increase of \$1,136,317 or 16.02% over WWD's present rate revenues. See Schedule SETTLEMENT – 1.

2. The increase shall be applied to all WWD customer classes equally. The rate design changes that were made in Docket 2904 as the result of a full cost allocations study shall remain in effect.

3. The Parties agree to the Division's residential consumption figure of 1,181,122 Hundred Cubic Feet ("HCF"). The Parties agree to WWD's Commercial/Industrial consumption figure of 471,852 HCF. Total rate year revenues at current rates are settled at \$7,090,999.

4. The Parties agreed to a debt service level in the rate year of \$1,832,067, as more fully set forth in schedule WEE-12 in WWD's Initial Filing. This debt service includes \$42,050 in borrowing costs in order to borrow \$1 million in new bonds related to the preliminary work towards the new treatment plant, as well as sufficient revenues to meet WWD's remaining debt service obligations, including its most recent Clean Water Finance Revenue Bond (approved by the Division on Feb 2, 2005 in Docket No. D-05-05).

5. All other accounts shall be funded at levels in the Rate Year as reflected in the attached "Schedule SETTLEMENT – 1B," for "Expense Summary – Rate Year."

6. This Settlement Agreement is the product of negotiation and compromise. The making of this agreement establishes no principles or precedents. This agreement shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation.

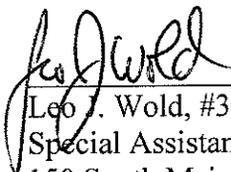
7. The acceptance of this agreement by the Commission shall not in any respect constitute a determination by the Commission as to the merits of any issue in any subsequent rate proceeding.

8. In the event that the Commission (i) rejects this Settlement Agreement, (ii) fails to accept this Settlement Agreement as filed, or (iii) accepts the Settlement Agreement subject to conditions unacceptable to any party hereto, then this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects.

9. The undersigned signatories hereby attest that each believes that the settlement is reasonable, in the public interest and in accordance with law and regulatory policy.

DIVISION OF PUBLIC UTILITIES
AND CARRIERS
By its attorney,

PATRICK C. LYNCH
ATTORNEY GENERAL



Leo J. Wold, #3613
Special Assistant Attorney General
150 South Main Street
Providence, RI 02903
Tel (401) 274-4400, ext 2218
Fax (401) 222-3016
E-mail: LWold@riag.state.ri.us

WOONSOCKET WATER DIVISION

By its attorney,

ADLER, POLLOCK & SHEEHAN, P.C.



Alan M. Shoer, #3248
One Citizens Plaza, 8th Floor
Providence, RI 02903
Tel (401) 274-7200
Fax (401) 751-0604
E-mail: AShoer@apslaw.com

Settlement – 1

RATE YEAR SUMMARY
 WOONSOCKET WATER DIVISION

Schedule SETTLEMENT-1

	WWD Claim	WWD/Division Adjustment	Proposed Settlement	Rate Increase	Proposed New rates	
Revenue	\$ 6,903,373	\$ 187,626	\$ 7,090,999	\$ 1,136,317	\$ 8,227,316	16.02%
Expenses	8,623,437	(396,121)	8,227,316	(63,440)	8,163,876	
Net Profit	\$ (1,720,064)	\$ 583,747	\$ (1,136,317)	\$ 1,199,757	\$ 63,440	

Net revenue requirement	Rate Revenues	\$ 8,016,155
	Misc. Revenue	211,161
		\$ 8,227,316

Settlement – 1A

**STATEMENT OF REVENUE - RATE YEAR
WOONSOCKET WATER DIVISION**

Schedule SETTLEMENT-1A

ACCT. #	BUDGET ACCOUNT DESCRIPTION	WWD Claim	WWD/Division Adjustment	Proposed Settlement
REVENUE				
<i>Revenue from Rates and Charges</i>				
41010	Water Sales	\$ 5,145,211	A 187,626	\$ 5,332,837
	Wholesale Sales	199,006		199,006
	Customer Service Revenue	790,143		790,143
	Public Fire Service Revenue	497,582		497,582
	Private Fire Service Revenue	60,270		60,270
		6,692,212	187,626	6,879,838
<i>Miscellaneous Revenue</i>				
41030	Service & Extensions	66,243		66,243
41035	Repairs	8,663		8,663
41040	Miscellaneous Income	27,598		27,598
41070	Water Surcharge	22,891		22,891
42310	Interest on Bills	79,318		79,318
42320	Interest on Investments	6,448		6,448
	Interest on Restricted Accounts	-		-
		211,161	-	211,161
	TOTAL REVENUE	\$ 6,903,373	\$ 187,626	\$ 7,090,999

A = See WEE Rebuttal Testimony page 3.

Settlement – 1B

EXPENSE SUMMARY - RATE YEAR
WOONSOCKET WATER DIVISION

Schedule SETTLEMENT-1B

ACCT. #	BUDGET ACCOUNT DESCRIPTION	WWD Claim	WWD/Division Adjustment	Proposed Settlement
EXPENSES				
<i>Personnel Expense</i>				
51110	Permanent Services	\$ 1,312,822		1,312,822
51122	Temporary Labor	12,027		12,027
51141	Overtime Pay	122,321		122,321
51144	Out of Class	1,217		1,217
51145	Longevity Pay	43,631		43,631
51146	Medical Buy Back	5,953		5,953
51147	Sick Leave Reimbursement	4,522		4,522
51148	Comp Time Reimbursement	-		-
51149	Shift Differential	10,165		10,165
51153	Non-sick/Injury Bonus	1,250		1,250
51155	Bonus for Course	19,159		19,159
<i>Total Personnel Expenses</i>		1,533,067		1,533,067
<i>Maintenance & Servicing Expenses</i>				
52211	Postage	18,466		18,466
52212	Telephone	25,929		25,929
52213	Dues & Subscriptions	4,033		4,033
52214	Advertising	6,017		6,017
52216	Travel Out of City	31		31
52219	Educational Training	7,523		7,523
52221	Printing & Reproducing	9,920		9,920
52231	General Maint. & Upkeep	54,269		54,269
52234	Vehicle & Outside Equip. Upkeep	17,586		17,586
52236	Maintenance - Office Equipment	2,778		2,778
52238	Maintenance - Roads & Walks	115,706		115,706
52239	Computer Software	2,026		2,026
52244	Land Rental Charges	2,043		2,043
52249	Other Rentals	4,307		4,307
52251	Heating	18,683		18,683
52252	Light & Power	269,182	B (16,537)	252,645
52255	Property & Fire Taxes	138,235		138,235
52256	Sewer Assessment	58,009		58,009
52258	State Pollution Monitoring Program	30,535		30,535
52260	Regulatory Assessments	30,013		30,013
52261	Conservation Services	1,070		1,070
52266	Police Details	8,553		8,553
52281	Other Independent Service	41,621		41,621
52282	Audit Service	6,250		6,250
52283	Legal Service	7,406		7,406
52289	Medical Examinations	201		201
52290	Engineering Service	100,000	C (60,084)	39,916
<i>Total Maintenance & Servicing Expenses</i>		980,390	(76,621)	903,769
<i>Operating Supplies & Expenses</i>				
53311	Office Supplies	3,520		3,520
53321	Gas & Diesel	27,878		27,878
53322	Tires & Batteries	122		122
53336	Chemicals - Water Supply	-		-

**EXPENSE SUMMARY - RATE YEAR
WOONSOCKET WATER DIVISION**

Schedule SETTLEMENT-1B

ACCT. #	BUDGET ACCOUNT DESCRIPTION	WWD Claim	WWD/Division Adjustment	Proposed Settlement
<i>Operating Supplies & Expenses (Continued)</i>				
		-		-
53344	Tools & Implements	9,022		9,022
53346	Cleaning & Housekeeping Supplies	1,619		1,619
53349	Other Supplies	66,540		66,540
53351	Lab Supplies	26,639		26,639
53363	Clothing & Footware	9,074		9,074
53366	Drug & Medical Supplies	1,280		1,280
53369	Clothing Allowance	4,613		4,613
<i>Total Operating Supplies & Expenses</i>		150,306	- -	150,306
<i>General Expenses</i>				
54413	Fiscal Certification	2,500		2,500
54434	FICA Employer Cost	117,280		117,280
54446	City Service Charges	281,162		281,162
54451	Insurance - Vehicles & Equipment	79,877		79,877
54452	Insurance - Workmen's Comp	82,189		82,189
54453	Insurance - Liability	123,261		123,261
54456	Insurance - Group Life	7,343		7,343
54471	Health Insurance	547,018		547,018
54472	Dental Insurance	32,172		32,172
<i>Total General Expenses</i>		1,272,802		1,272,802
<i>Restricted Account Expenses</i>				
53336	Chemicals - Water Supply	296,000		296,000
54417	Operating Resrve	127,440	D (64,000)	63,440
54463	Infrastructure Replacement	2,200,000	E (247,500.00)	1,952,500
54464	Rate Case Expense	81,364	F (8,000.00)	73,364
54467	Debt Service Reimbursement Non-IFR	739,210		739,210
	Debt Service Reimbursement IFR	1,092,857		1,092,857
54473	Renewal & Replace Fund	150,000		150,000
<i>Total Other Miscellaneous Expenses</i>		4,686,871	(319,500)	4,367,371
TOTAL EXPENSES		\$ 8,623,437	\$ (396,121)	\$ 8,227,316

Excluding Operating Reserve

8,163,876

- B = electric adjustment per ACC-3.
- C = Elimination of flushing program per ACC-5.
- D = Reclaulation of Operating Reserve see Settlement-1C.
- E = Reduction of IFR program per ACC-7.
- F = Reduction of Rate case Reserve per ACC-6.

Settlement – 1C

**CALCULATION OF OPERATING RESERVE
WOONSOCKET WATER DIVISION**

Schedule SETTLEMENT-1C

	Proposed Settlement
<i>EXPENSES (See Settlement-1B)</i>	
<i>Total Personnel Expenses</i>	1,533,067
<i>Total Maintenance & Servicing Expenses</i>	903,769
<i>Total Operating Supplies & Expenses</i>	150,306
<i>Total General Expenses</i>	1,272,802
<i>Restricted Account Expenses</i>	
53336 Chemicals - Water Supply	296,000
54464 Rate Case Expense	73,364
<i>Total Other Miscellaneous Expenses</i>	369,364
TOTAL	\$ 4,229,309
Ratio (See ACC-8)	1.5%
Settlement position	\$ 63,440
WWD Claim	\$ 127,440
adjustment	\$ (64,000)

Settlement – 2

Comparison of Existing and Proposed Rates & Charges

Woonsocket Water Division

Schedule SETTLEMENT-2

		Current	Proposed	% Increase
<u><i>Public Fire Protection</i></u>				
4	Inch	\$ 110.82	\$ 130.74	17.97%
6	Inch	\$ 321.91	\$ 379.76	17.97%
	Per Bill	\$ 14.00	\$ 7.84	-44.00%
<u><i>Private Fire Protection</i></u>				
2	Inch	\$ 40.72	\$ 39.04	-4.13%
3	Inch	\$ 78.20	\$ 83.06	6.22%
4	Inch	\$ 143.30	\$ 159.68	11.43%
6	Inch	\$ 368.44	\$ 424.83	15.31%
8	Inch	\$ 756.98	\$ 882.26	16.55%
10	Inch	\$ 1,329.48	\$ 1,556.63	17.09%
<u><i>Minimum Service Charge</i></u>				
5/8	Inch	\$ 19.88	\$ 14.57	-26.72%
3/4	Inch	\$ 22.34	\$ 17.39	-22.14%
1	Inch	\$ 24.33	\$ 19.67	-19.16%
1 1/2	Inch	\$ 33.14	\$ 29.77	-10.15%
2	Inch	\$ 40.88	\$ 38.62	-5.52%
3	Inch	\$ 51.16	\$ 50.23	-1.82%
4	Inch	\$ 70.35	\$ 72.27	2.73%
6	Inch	\$ 113.17	\$ 121.55	7.40%
8	Inch	\$ 187.70	\$ 206.73	10.14%
10	Inch	\$ 263.41	\$ 293.12	11.28%
<u><i>Metered Rates</i></u>				
Wholesale	Rate per 1,000,000 gallons	\$ 3,207.19	\$ 3,748.14	16.87%
Retail	Rate per 100 Cubic Feet	\$ 3.24	\$ 3.96	22.13%

Settlement – 3

Proof of Revenues
Woonsocket Water Division

Schedule SETTLEMENT-3

		Count or Usage	Rate	Current Revenue	Proposed Revenue	Dollar Increase
<u>Public Fire Protection</u>						
4	Inch	30	\$ 130.74	\$ 3,325	\$ 3,922	\$ 598
6	Inch	1,535	\$ 379.76	\$ 494,132	\$ 582,928	\$ 88,796
	Per Bill	9	\$ 7.84	\$ 126	\$ 71	\$ (55)
				<u>\$ 497,582</u>	<u>\$ 586,921</u>	<u>\$ 89,338</u>
<u>Private Fire Protection</u>						
2	Inch	9	\$ 39.04	\$ 366	\$ 351	\$ (15)
3	Inch	5	\$ 83.06	\$ 391	\$ 415	\$ 24
4	Inch	49	\$ 159.68	\$ 7,022	\$ 7,824	\$ 802
6	Inch	89	\$ 424.83	\$ 32,791	\$ 37,810	\$ 5,019
8	Inch	19	\$ 882.26	\$ 14,383	\$ 16,763	\$ 2,380
10	Inch	4	\$ 1,556.63	\$ 5,318	\$ 6,227	\$ 909
				<u>\$ 60,271</u>	<u>\$ 69,391</u>	<u>\$ 9,120</u>
<u>Minimum Service Charge</u>						
5/8	Inch	33,976	\$ 14.57	\$ 675,443	\$ 494,988	\$ (180,455)
3/4	Inch	1,100	\$ 17.39	\$ 24,574	\$ 19,134	\$ (5,440)
1	Inch	1,428	\$ 19.67	\$ 34,743	\$ 28,087	\$ (6,656)
1 1/2	Inch	260	\$ 29.77	\$ 8,616	\$ 7,741	\$ (875)
2	Inch	512	\$ 38.62	\$ 20,931	\$ 19,775	\$ (1,156)
3	Inch	28	\$ 50.23	\$ 1,432	\$ 1,406	\$ (26)
4	Inch	56	\$ 72.27	\$ 3,940	\$ 4,047	\$ 108
6	Inch	72	\$ 121.55	\$ 8,148	\$ 8,752	\$ 603
8	Inch	60	\$ 206.73	\$ 11,262	\$ 12,404	\$ 1,142
10	Inch	4	\$ 293.12	\$ 1,054	\$ 1,172	\$ 119
				<u>\$ 790,143</u>	<u>\$ 597,507</u>	<u>\$ (192,636)</u>
<u>Metered Rates</u>						
Wholesale	Rate per 1,000,000 gallons	62	\$ 3,748.14	\$ 199,006	\$ 232,572	\$ 33,566
Retail	Rate per 100 Cubic Feet	1,652,974	\$ 3.96	\$ 5,355,636	\$ 6,540,597	\$ 1,184,961
				<u>\$ 5,554,642</u>	<u>\$ 6,773,169</u>	<u>\$ 1,218,528</u>
Total Rates and Charges				\$ 6,902,638	\$ 8,026,987	\$ 1,124,349
Misc Revenue				\$ 211,161	\$ 211,161	\$ -
Total Revenue				\$ 7,113,799	\$ 8,238,148	\$ 1,124,349
Revenue Required					8,227,316	
Variance					\$ 10,832	0.13%

Settlement – 4

Impact of Proposed Rates
Woonsocket Water Division

Schedule SETTLEMENT-4

	Current Revenue	Proposed Revenue	Dollar Increase	% Increase
5/8 Inch Meter 7,000 cu ft/yr	\$ 306.32	\$ 335.26	\$ 29	9.45%
5/8 Inch Meter 10,000 cu ft/yr	\$ 403.52	\$ 453.94	\$ 50	12.50%
5/8 Inch Meter 20,000 cu ft/yr	\$ 727.52	\$ 849.65	\$ 122	16.79%
1 Inch Meter 50,000 cu ft/yr	\$ 1,717.32	\$ 2,057.11	\$ 340	19.79%
4 Inch Meter 500,000 cu ft/yr	\$ 16,481.40	\$ 20,073.42	\$ 3,592	21.79%
6 Inch Meter 1,000,000 cu ft/yr	\$ 32,852.68	\$ 40,054.86	\$ 7,202	21.92%
Wholesale	\$ 199,006.14	\$ 232,572.33	\$ 33,566	16.87%