

**CITY OF NEWPORT - WATER DEPARTMENT**  
**Docket No. 3818**  
**Response to**  
**Division of Public Utilities & Carriers' Data Requests**  
**Set 2**

**Div 2-1:** Please explain why it is appropriate to set FY 2008 rate year sales equal to FY 2006 sales in light of Mr. Smith's testimony at page 8 that FY 2006 sales were lower than normal due to the much higher than normal annual rainfall.

**Response:** As shown by the consumption analysis submitted in response to PWFD 1-14 total consumption in Newport is trending generally downward. Based on this trend analysis total consumption in FY 2008 should be approximately 2,080,000 thousand gallons which is coincidentally very close to the consumption in FY 2006. Trend analysis of consumption by each class yielded volumes that were similar to the volumes sold in FY 2006, but the fact that the  $R^2$  values associated with all but one of these individual projections were less than 0.2 it was determined that the consumption by individual class in FY 2006 was a reasonable estimate of the way in which consumption would be divided among the classes.

Prepared by: Harold Smith

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**Div. 2-2:** Please provide a schedule showing monthly rainfall and consumption by rate class and in total for each month of FY 2006 and FY 2007 to date. Please provide a copy in Excel format with all formulas intact.

**Response:** Please see the attached Excel schedule showing monthly rainfall and consumption for the requested period.

Prepared by: Ken Mason

Newport Water Dept.  
 Monthly Water Consumption and rainfall  
 FY 2006-Feb 2007  
 Dossier 3818  
 Dry Data Response 2.2

	Monthly billed Consumption																				
	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	
Navy	28,851.696	25,456.310	28,984.170	37,835.210	8,874.524	46,709.191	30,736.938	39,711.894	28,733.397	2,643.833	24,895.748	36,033.463	30,214.196	31,764.995	26,827.499	26,727.399	27,812.328	30,821.676	-4,129.939	23,759.856	
Peckmouth	43,340.000	53,750.000	64,010.000	43,490.000	38,856.000	32,360.000	28,757.000	33,380.000	29,110.000	26,720.000	32,350.000	32,930.000	36,980.000	41,930.000	51,270.000	38,476.885	26,348.260	29,860.000	31,000.000	31,000.000	39,880.000
Steady consumption	291,300	785,300	785,300	1,972,427	2,610,160	6,300	9,900		798,699					1,864,951	324,425						
Retail Consumption	97,805.213	103,644.063	139,324.121	146,000.360	122,638.795	89,222.165	106,091.662	92,626.999	86,083.451	106,196.696	83,821.234	96,839.387	109,032.107	86,037.161	117,123.854	126,124.493	129,633.921	86,462.122	99,466.290	86,409.378	
Grand Total	172,488,209	184,850,373	233,103,591	229,298,197	172,979,479	168,297,656	165,595,500	165,718,893	143,926,848	135,560,529	141,865,681	163,822,850	176,226,303	159,732,156	193,223,353	191,653,302	183,794,509	147,143,798	126,336,331	150,049,234	
Total Consumption																					
Rainfall-Inches	1.05	3.80	3.33	11.44	8.45	3.55	6.53	2.24	1.44	3.38	8.62	9.62	3.85	4.60	3.50	5.80	6.25	2.78	4.15	2.61	

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**Div. 2-3:** Please provide the number of tertiary and monthly customers by rate class as of the end of each quarter from December 2005 through December 2006 and as of the most recent date available.

**Response:** Please see the table A below for active accounts by rate class as of April 1, 2007. Please note the information requested broken out by quarter is not available. The billing system operates in real time; therefore, we are not able to recreate prior information.

**Tertiary and Monthly Accounts**

<b>A</b>	<b>Monthly</b>	<b>Tertiary</b>	<b>Active 04-01-07</b>
Residential	102	12895	<b>12,997</b>
Commercial	633	650	<b>1,283</b>
Governmental	4	53	<b>57</b>
Navy	10		<b>10</b>
PWFD	1		<b>1</b>
<b>Total Active accounts</b>	<b>750</b>	<b>13598</b>	<b>14,348</b>

Prepared by: Karen Garcia

**CITY OF NEWPORT - WATER DEPARTMENT**  
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**Div. 2-4:** Please provide the number of public hydrants by municipality and the number of private fire services by size as of the most recent date available.

**Response:** The number of public hydrants by municipality as of March 1, 2007 is as follows:

Newport	588
Middletown	408
Portsmouth	8

The number of private fire services by size as of March 1, 2007 is:

4" Connection	52
6" Connection	235
8" Connection	59
12" Connection	0

Prepared by: Karen Garcia & Helen de St. Jorre

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**Set 2**

**Div 2-5:** Please state how Newport would utilize excess revenues above those based on projected sales in the instance where a dry year is experienced and customers use additional water.

Response: In the unlikely event that Newport generated excess revenues as a result of increased demand resulting from unusually dry weather, these excess revenues would be deposited in the utility's checking account and used only to meet legitimate expenses that have been approved by the Commission. In the unlikely event that excess revenues served to build a significant cash reserve, these reserve funds would be used to meet either future O&M and/or capital costs such that future rate increases could be either postponed or reduced.

Prepared by: Julia Forgue

**CITY OF NEWPORT - WATER DEPARTMENT**  
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**Set 2**

**Div 2-6:** With regard to the proposal to include an operating revenue allowance equal to 6 percent of O&M expense in this proceeding, please explain what limitations Newport Water is proposing with regard to utilizing either the current year allowance or any unused funds that are set aside in a reserve fund to pay for:

- a. Expenses not authorized by the PUC.
- b. Expenses not included in the Water Department's budget.
- c. Payments to the City of Newport for legal and administrative services or data Processing services in excess of the amounts approved in this docket.
- d. Expenses otherwise funded through restricted accounts.

**Response:**

- a. Newport would not use either the current year allowance or any unused funds to cover expenses that were not authorized by the PUC.
- b. Newport would not use either the current year allowance or any unused funds to cover expenses not included in the Water Department's Budget unless specifically authorized to do so by the PUC.
- c. Newport would not use either the current year allowance or any unused funds to make payments to the City of Newport for legal and administrative services or data processing services in excess of the amounts approved in this docket or otherwise specifically approved by the PUC.
- d. Newport would not use either the current year allowance or any unused funds to cover expenses otherwise funded through restricted accounts without prior authorization from the PUC.

Prepared by: Julia Fogue

**CITY OF NEWPORT - WATER DEPARTMENT**  
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**Set 2**

**Div 2-7:** Please provide an update of RFC Schedule 9 to reflect the projected level of deductions (expenditures) for each restricted account to the extent that RFC Schedule 9 attached to Mr. Smith's testimony does not already do so.

**Response:** An updated version of RFC Schedule 9 is attached. This version reflects actual deposits to and expenditures from the debt service and capital restricted accounts through February, 2007. The debt service schedule reflects actual debt service on the 2007 Series A SRF loan that was closed subsequent to the preparation of the model that was submitted with Newport's filing.

Prepared by: Harold Smith

Docket No. XXXX

City of Newport, Rhode Island  
 FY 2008 Rate Filing  
 Restricted Accounts Balances

RFC Schedule 9

	Fiscal Year Ending June 30				
	Test Year	Rate Year			
2006 Actual	2007	2008	2009	2010	2011
<b>Debt Service Account</b>					
Beginning Cash Balance	\$ 411,287	\$ 373,242	\$ 656,891	\$ 664,102	\$ 585,080
<u>Additions</u>					
From Rates	\$ 1,431,277	\$ 1,378,764	\$ 1,289,890	\$ 1,289,890	\$ 1,289,890
Transfer from Repayment to City Account					
Interest Income	\$ 11,540	19,016	7,211	9,247	8,744
<b>Total Additions</b>	1,442,817	1,397,780	1,297,101	1,299,137	1,298,634
<u>Deductions</u>					
Revenue Bond Debt Service	1,162,908	1,114,131	1,009,932	959,783	910,552
Transfer to City Repayment Account	317,955	-	-	208,876	216,734
SRF Loan Principal	-	-	179,800	209,499	202,071
SRF Loan Interest	1,480,863	1,114,131	1,289,890	1,378,158	1,329,357
<b>Total Deductions</b>	1,480,863	1,114,131	1,289,890	1,378,158	1,061,643
<b>Ending Cash Balance</b>	<b>373,242</b>	<b>656,891</b>	<b>664,102</b>	<b>585,080</b>	<b>790,581</b>
<b>Repayment to City Account</b>					
Beginning Cash Balance	743,585	1,037,218	287,218	37,218	287,218
<u>Additions</u>					
From Rates	270,829	250,000	250,000	250,000	250,000
Transfer from Debt Service Account	317,955				
Interest Earned	22,804	12,466	9,271	2,271	2,271
<b>Total Additions</b>	293,633	262,466	259,271	252,271	252,271
<u>Interest Rate</u>	1.4%	1.4%	1.4%	1.4%	1.4%
<u>Deductions</u>					
Repayment to City	317,955	1,000,000	500,000	-	-
<b>Ending Cash Balance</b>	<b>\$ 1,037,218</b>	<b>\$ 287,218</b>	<b>\$ 37,218</b>	<b>\$ 287,218</b>	<b>\$ 787,218</b>

Docket No. XXXX

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 Restricted Accounts Balances

RFC Schedule 9

Test Year	Fiscal Year Ending June 30			
	2007	2008	2009	2010
2006 Actual				
Beginning Cash Balance	\$ 1,195,619	\$ 810,737	\$ 470,407	\$ 484,715
From Rates				
Water Quality Protection Funds	\$ 1,269,580	\$ 1,735,395	\$ 1,715,056	\$ 1,715,056
Interest Income	\$ 579,869			
Deductions	40,180	7,522	14,308	6,686
Capital Outlays				10,246
Ending Cash Balance	\$ 2,274,510	\$ 2,083,247	\$ 1,715,056	\$ 1,227,460
	\$ 810,737	\$ 470,407	\$ 484,715	\$ 978,997
				\$ 1,087,175
				\$ 1,446,587
<b>Chemical Allowance Account</b>				
Beginning Cash Balance	\$ 52,902	\$ 67,758	\$ 55,340	\$ 214,139
Additions				
From Water Rates				
335 Contribution to Chemical Restricted Account (4)	359,273	333,000	504,200	504,200
Interest Income	1,847	845	862	1,886
Interest Rate	1.4%	1.4%	1.4%	1.4%
Deductions				
335 Chemicals	346,263	346,263	346,263	346,263
Ending Cash Balance	\$ 67,758	\$ 55,340	\$ 214,139	\$ 373,962
				\$ 536,016
				\$ 1,155,312
<b>Electricity Account</b>				
Beginning Cash Balance (3)	\$ 236	\$ 1,712	\$ 40,347	\$ 79,264
Additions				
From Water Rates				
254 Contribution to Electricity Account (4)	411,675	449,070	449,070	449,070
Interest Income	249	14	294	837
Interest Rate	1.4%	1.4%	1.4%	1.4%
Deductions				
254 Electricity	410,448	410,448	410,448	410,448
Offset to Revenue Requirements				
Ending Cash Balance	\$ 1,712	\$ 40,347	\$ 79,264	\$ 118,723
				\$ 158,731
				\$ 338,022

Docket No. XXXX

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 FY 2008 Rate Filing  
 Restricted Accounts Balances

RFC Schedule 9

	Fiscal Year Ending June 30					
	Test Year	Rate Year				
	2006 Actual	2007	2008	2009	2010	2011
<b>Retiree Insurance</b>						
<b>Beginning Cash Balance</b>	\$ -	\$ 28,647	\$ 28,848	\$ 29,250	\$ 29,657	\$ 30,070
<u>Additions</u>						
From Water Rates						
254 Contribution to Retiree Insurance Account	104,850	210,000	210,000	210,000	210,000	210,000
Interest Income	347	201	402	407	412	418
<u>Interest Rate</u>		1.4%	1.4%	1.4%	1.4%	1.4%
<u>Deductions</u>						
254 Retiree Insurance	76,550	210,000	210,000	210,000	210,000	210,000
Offset to Revenue Requirements						
<b>Ending Cash Balance</b>	\$ 28,647	\$ 28,848	\$ 29,250	\$ 29,657	\$ 30,070	\$ 30,488
<b>Accrued Benefit Buyout</b>						
<b>Beginning Cash Balance</b>	\$ -	\$ 35,220	\$ 35,467	\$ 35,962	\$ 36,462	\$ 36,968
<u>Additions</u>						
From Water Rates						
Contribution to Accrued Benefit Buyout Account	35,034	70,000	70,000	70,000	70,000	70,000
Interest Income	222	247	495	500	507	514
<u>Interest Rate</u>		1.4%	1.4%	1.4%	1.4%	1.4%
<u>Deductions</u>						
Accrued Benefit Buyout	36	70,000	70,000	70,000	70,000	70,000
Offset to Revenue Requirements						
<b>Ending Cash Balance</b>	\$ 35,220	\$ 35,467	\$ 35,962	\$ 36,462	\$ 36,968	\$ 37,483

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**Div 2-8:** With regard to Mr. Smith's discussion at page 17, lines 24-26 regarding funding of capital projects with rate revenues, is it correct that Newport Water is proposing to continue to deposit the rate revenues for capital projects into the restricted capital account and withdraw funds as required to pay for capital expenditures? If not, please explain.

**Response:** Yes, it is correct that Newport Water will continue to deposit the rate revenues for capital projects into the restricted capital account and withdraw funds as required to pay for capital expenditures.

Prepared by: Harold Smith

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**Div 2-9:** With regard to Mr. Smith's testimony at page 19, lines 24-26:

- a. Please state whether it is correct that the FY 2008-FY 2011 portion of the \$2 million the installation of remote read devices included in the capital improvement plan in Schedule A is \$1,875,000. If not, please explain what is included.
- b. Please state whether the remote read devices are necessary for purposes other than the demand study. If yes, please explain those purposes and identify the benefits to be realized as the result.
- c. Please provide a copy of any cost/benefit or other studies that address the benefits of undertaking \$2 million of investment in remote read devices.

**Response:**

- a. Yes, it is correct that the FY 2008-FY 2011 portion of the \$2 million for the installation of remote read devices included in the capital improvement plan in Schedule A is \$1,875,000.
- b. Remote read devices are necessary for purposes other than the demand study. The City currently has a remote read system which is outdated technology. A radio read system which Newport Water is proposing would make the meter reading process more efficient and increase the accuracy of meter readings by limiting the number of estimates. The labor effort is reduced as readings will be collected in a drive by rather than the reader gaining access to all properties for a meter reading. With a radio read meter system in place, the long-term goals would be to read all meters on the same cycle and then increase the frequency of meter reads to quarterly billing or even monthly billing.
- c. The City does not have a study regarding the use of a radio read. The technology for radio read systems is well established and is either used by many water systems or is being proposed. The radio read systems are used by gas and electric utilities.

Prepared by: Harold Smith and Julia Fogue