

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

**IN RE PROVIDENCE WATER SUPPLY)
BOARD APPLICATION TO CHANGE)
RATE SCHEDULES)**

DOCKET NO. 3832

DIRECT TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF THE

DIVISION OF PUBLIC UTILITIES AND CARRIERS

JULY 18, 2007

EXETER

ASSOCIATES, INC.
5565 Sterrett Place
Suite 310
Columbia, Maryland 21044

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DIRECT TESTIMONY
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JEROME D. MIERZWA

15

I. Introduction

16

Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

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A. My name is Jerome D. Mierzwa. I am a principal and a Vice President of Exeter Associates, Inc. My business address is 5565 Sterrett Place, Suite 310, Columbia, Maryland 21044. Exeter specializes in providing public utility-related consulting services.

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Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

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A. I graduated from Canisius College in Buffalo, New York, in 1981 with a Bachelor of Science Degree in Marketing. In 1985, I received a Masters Degree in Business Administration with a concentration in finance, also from Canisius College. In July 1986, I joined National Fuel Gas Distribution Corporation (“NFG Distribution”) as a Management Trainee in the Research and Statistical Services Department (“RSS”). I was promoted to Supervisor RSS in January 1987. While employed with NFG Distribution, I

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1 conducted various financial and statistical analyses related to the company's market
2 research activity and state regulatory affairs. In April 1987, as part of a corporate
3 reorganization, I was transferred to National Fuel Gas Supply Corporation's ("NFG
4 Supply") rate department where my responsibilities included utility cost of service and
5 rate design analysis, expense and revenue requirement forecasting and activities related to
6 federal regulation. I was also responsible for preparing NFG Supply's Purchase Gas
7 Adjustment ("PGA") filings and developing interstate pipeline and spot market supply
8 gas price projections. These forecasts were utilized for internal planning purposes as well
9 as in NFG Distribution's 1307(f) proceedings.

10 In April 1990, I accepted a position as a Utility Analyst with Exeter Associates,
11 Inc. In December 1992, I was promoted to Senior Regulatory Analyst. Effective April 1,
12 1996, I became a principal of Exeter Associates. Since joining Exeter Associates, my
13 assignments have included evaluating the gas purchasing practices and policies of natural
14 gas utilities, utility class cost of service and rate design analysis, sales and rate
15 forecasting, performance-based incentive regulation, revenue requirement analysis, the
16 unbundling of utility services and the evaluation of customer choice natural gas
17 transportation programs.

18 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS
19 ON UTILITY RATES?

20 A. Yes. I have provided testimony on more than 100 occasions in proceedings before the
21 Federal Energy Regulatory Commission ("FERC"), utility regulatory commissions in
22 Delaware, Georgia, Illinois, Indiana, Louisiana, Maine, Montana, Nevada, New Jersey,
23 Ohio, Rhode Island, Texas and Virginia, as well as before this Commission.

24 Q. HAVE YOU PREVIOUSLY TESTIFIED ON WATER UTILITY ISSUES
25 BEFORE THIS COMMISSION?

1 A. Yes. I was asked by the Division of Public Utilities and Carriers (“the Division”) to
2 testify on water utility issues in Providence Water Supply Board (“PWSB”) Docket
3 Nos. 2048 and 3163. I was also asked by the Division to testify on cost allocation and
4 rate design issues in Kent County Water Authority Docket Nos. 2555 and 3311,
5 Pawtucket Water Supply Board Docket No. 2674 and City of Newport – Water Division
6 Docket No. 2985.

7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

8 A. Exeter Associates, Inc. was retained by the Division to assist in the review of the general
9 rate filing submitted by the Providence Water Supply Board. My associate, Mr. Thomas
10 S. Catlin addresses the overall revenue increase to which PWSB is entitled. My
11 testimony evaluates PWSB’s class cost of service study and proposed rate design.

12 Q. HAVE YOU PREPARED EXHIBITS TO ACCOMPANY YOUR TESTIMONY?

13 A. Yes, I have. JDM Exhibit-1 through JDM-15 are attached to my testimony.

14 Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

15 A. Following this introductory section, my testimony is divided into two additional sections.
16 The first section provides an overview of cost of service methodologies. In the next
17 section, I describe the modifications which I am proposing to PWSB’s cost of service
18 study.

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II. Overview of Cost of Service Methodologies

21 Q. WHAT IS THE OBJECTIVE OF A COST OF SERVICE STUDY?

22 A. A cost of service study is conducted to assist a utility or commission in determining the
23 level of costs properly recoverable from each of the various classes to which the utility
24 provides service. Allocation of recoverable costs to each class of service is generally
25 based on cost causation principles.

1 Q. WHAT ARE THE PRIMARY COST OF SERVICE STUDY METHODOLOGIES
2 UTILIZED FOR WATER UTILITIES?

3 A. The two most commonly used and widely recognized methods of allocating costs to
4 customer classes for water utilities are the base-extra capacity method and the
5 commodity-demand method. Both of these methods are set forth in the American Water
6 Works Association's ("AWWA") Principles of Water Rates, Fees and Charges ("AWWA
7 M1 Manual").

8 Q. PLEASE SUMMARIZE EACH OF THESE METHODS.

9 A. Under the base-extra capacity method, investment and costs are first classified into four
10 primary functional cost categories: base or average capacity, extra capacity, customer,
11 and direct fire protection. Customer costs are commonly further divided between meter
12 and service related and account or bill related costs. Extra capacity costs may also be
13 divided between maximum day and maximum hour costs. Once investment and costs are
14 classified to these functional categories, they are then allocated to customer classes. Base
15 costs are allocated according to average water use, and extra capacity costs are allocated
16 on the basis of the excess of peak demands over average demands. Meter and service
17 related customer costs are allocated on the basis of relative meter and service investment
18 or a proxy thereof. Account related customer costs are allocated in proportion to the
19 number of customers or the number of bills.

20 The commodity-demand method follows the same general procedures. However,
21 usage related costs are classified as commodity and demand related rather than as base
22 and extra capacity related. Commodity related costs are allocated to customer classes on
23 the basis of total water use (which is equivalent to average demand), and demand related
24 costs are allocated on the basis of each class' contribution to peak demand rather than on
25 the basis of class demands in excess of average use.

1 Q. WHAT COST OF SERVICE METHODOLOGY HAS PWSB UTILIZED IN ITS
2 FILING?

3 A. The cost of service study presented in this proceeding utilizes the base extra-capacity
4 methodology similar to that utilized in PWSB Docket No. 3163. Many of the allocation
5 factors reflected in PWSB's cost of service study were developed in Docket No. 3163.
6

7 **III. Modifications to PWSB's Study**

8 Q. WHAT CHANGES ARE YOU PROPOSING TO MAKE TO THE
9 ALLOCATION PROCEDURES UTILIZED IN THE PWSB'S COST OF
10 SERVICE STUDY?

11 A. I am proposing a number of modifications to the cost allocations reflected in the PWSB's
12 cost of service study. These include:

- 13
- 14 • Rejection of PWSB's proposal to reduce the demand component of fire
15 protection service by 50 percent;
 - 16 • A revision to the allocation of transmission and distribution mains investment;
 - 17 • Updates to several cost allocation factors from those initially developed in
18 Docket No. 3163;
 - 19 • Modification to the allocation of miscellaneous revenue;
 - 20 • Recognition of the costs associated with lost and unaccounted-for water; and
 - 21 • A revision to the allocation of certain source of supply operation and
22 maintenance expenses.

23 Q. ARE THERE OTHER ASPECTS OF PWSB'S STUDY THAT YOU
24 ADDRESS?

25 A. Yes. I also address PWSB's allocation of pension and benefits expenses.

26 **Fire Protection Service**

1 Q. PLEASE EXPLAIN PWSB'S PROPOSAL FOR THE ALLOCATION OF
2 COSTS TO FIRE PROTECTION SERVICE IN THIS PROCEEDING.

3 A. In Docket No. 3163, the last proceeding in which PWSB presented a cost of service
4 study, certain costs were allocated to fire protection service based on the maximum day
5 and maximum hour demands that fire protection could potentially place on the PWSB
6 system. Under this approach, a portion of these demand related costs were ultimately
7 recovered from taxpayers through a public fire protection charge to the Cities of
8 Providence and Cranston and the Towns of Johnston and North Providence.

9 In this proceeding, PWSB has reduced the maximum day and maximum hour
10 demands assigned to fire protection service by 50 percent. As a result, 50 percent of the
11 demand related costs are recovered by the public fire protection charge, and 50 percent is
12 recovered from retail ratepayers through volumetric usage charges.

13 Q. WHAT IS THE BASIS FOR PWSB'S PROPOSAL TO REDUCE THE
14 DEMANDS ASSIGNED TO FIRE PROTECTION SERVICE BY 50
15 PERCENT?

16 A. PWSB claims several benefits under its proposal. First, under the procedures adopted in
17 Docket No. 3163, tax-exempt entities such as schools, universities and hospitals that
18 benefited from fire protection services provided by PWSB avoid the costs associated with
19 this protection. Under PWSB's proposal, these entities would contribute to the recovery
20 of public fire protection service costs.

21 Second, PWSB believes that its proposal more equitably recovers costs from all
22 properties that benefit from public fire protection service. Third, PWSB believes its
23 proposal would improve the stability of revenue. Finally, this Commission requires
24 Infrastructure Replacement ("IFR") costs to be recovered through volumetric rates.

1 PWSB believes that this requirement also supports its proposal with respect to the
2 allocation of fire protection costs.

3 Q. SHOULD PWSB'S PROPOSAL TO REDUCE THE DEMANDS OF FIRE
4 PROTECTION SERVICE BY 50 PERCENT BE ADOPTED?

5 A. No, for a number of reasons. First, PWSB's proposal also reduces the allocation of costs
6 to private fire protection service, thereby requiring general water service customers to
7 bear a portion of the costs of private fire service (in addition to those they already bear
8 due to the treatment of IFR costs.) There is no basis for this reduction.

9 Second, PWSB does not know the usage of tax-exempt customers on its system
10 and, therefore, cannot determine the extent to which its proposal will provide for the
11 recovery of public fire protection costs from tax-exempt customers. Thus, a principle
12 reason for its proposal cannot be supported.

13 Third, as previously indicated, the Commission currently requires all IFR costs to
14 be recovered through volumetric rates. As a result, very little, if any, IFR costs are
15 assigned to fire protection service even though fire protection service benefits from IFR
16 improvements. These IFR costs are assigned to other customers. Thus, the volumetric
17 recovery of IFR costs is not a basis for the recovery of fire protection costs from retail
18 customers. The volumetric recovery of IFR costs is a basis to reject PWSB's proposal
19 because other customers are already paying for a portion of the costs associated with fire
20 protection service.

21 Finally, the recovery of costs through volumetric rates is less stable than the
22 recovery of costs through fixed fire protection charges. Witnesses Bondarevskis and
23 Gadoury testify regarding the instability of sales volumes and the desire to move to
24 higher fixed chares. PWSB's proposal to recover a portion of fire protection charges
25 through volumetric rates would be inconsistent with PWSB's desire for revenue stability.

1 Q. DOES THE RECOVERY OF FIRE PROTECTION COSTS THROUGH USAGE
2 RATES PROVIDE FOR A BETTER MATCH BETWEEN BENEFITS AND
3 COSTS THAN THE CURRENT PROCEDURES?

4 A. No. Consider, for example, a commercial warehouse with a high-cost inventory and little
5 water usage. This customer receives a significant benefit from fire protection service but
6 would avoid paying for a significant portion of this benefit under PWSB's proposal
7 because the customer had little water usage.

8 Alternatively, consider a customer with a pool or irrigation requirements. Under
9 PWSB's proposal, this customer would provide a disproportionate contribution to the
10 recovery of fire protection service costs.

11 Q. IF THE COMMISSION WERE TO ADOPT A POLICY WHEREBY A
12 PORTION OF PUBLIC FIRE PROTECTION COSTS WERE TO BE
13 RECOVERED FROM OTHER CUSTOMERS, HOW SHOULD IT BE DONE?

14 A. If the Commission were to adopt a policy to recover less than the cost of service through
15 public fire protection charges, the full cost of providing public fire service should be
16 identified and then an explicit decision should be made as to which customers should pay
17 for the unrecovered public fire protection service costs.

18 **Allocation of T&D Mains Investment**

19 Q. PLEASE DISCUSS PWSB'S ALLOCATION OF TRANSMISSION AND
20 DISTRIBUTION MAIN INVESTMENT IN ITS COST OF SERVICE STUDY.

21 A. Transmission and distribution ("T&D") mains investment has been allocated solely to
22 retail customers. No mains investment has been allocated to wholesale customers.

23 Q. IS PWSB'S T&D MAINS INVESTMENT REASONABLE?

24 A. No. PWSB's transmission mains are used to serve wholesale customers, and a portion of
25 these costs should be allocated to wholesale customers.

1 Q. HOW HAVE YOU REVISED PWSB'S STUDY TO REFLECT AN
2 ALLOCATION OF TRANSMISSION MAINS INVESTMENT TO
3 WHOLESALE CUSTOMERS?

4 A. PWSB's cost of service study does not separately identify transmission and distribution
5 mains investment. Therefore, consistent with the procedure followed in Docket No.
6 3163, I prepared an inch-mile study to estimate the portion of PWSB's mains investment
7 which should be considered transmission investment (see JDM Exhibit-14). This study
8 revealed that 41.42 percent of PWSB's mains investment was transmission related. I
9 subsequently allocated this portion of PWSB's total T&D mains investment to wholesale
10 customers based on annual consumption.

11 **Update Factors**

12 Q. WHICH COST ALLOCATION FACTORS IN PWSB'S COST SERVICE
13 STUDY ARE YOU PROPOSING TO UPDATE?

14 A. I am proposing to update factors HM, HOC, HMC and F.

15 Q. PLEASE DESCRIBE THESE ALLOCATION FACTORS.

16 A. Factor HM is utilized in PWSB's cost of service study to allocate T&D salaries and
17 wages. Factor HM was developed in Docket No. 3163 based on a detailed analysis of
18 T&D and salaries and wages. In its cost of service study, PWSB has utilized the same
19 Factor HM value developed in Docket No. 3163 rather than updating the detailed analysis
20 performed in Docket No. 3163.

21 Factors HOC and HMC are utilized for the allocation of T&D contractual
22 services. Like Factor HM, Factors HOC and HMC were developed in Docket No. 3163
23 based on a detailed analysis of contractual service costs. In its cost of service study,
24 PWSB has utilized the same Factor HOC and HMC values developed in Docket No.
25 3163 rather than updating the detailed analysis performed in Docket No. 3163.

1 Factor F is utilized to allocate a number of T&D operation and maintenance
2 expenses. In its cost of service study, PWSB has utilized the same Factor F value for
3 wholesale customers developed in Docket No. 3163 rather than to update Factor F.

4 Q. PLEASE EXPLAIN HOW YOU ARE PROPOSING TO UPDATE FACTORS
5 HM, HOC, HMC AND F.

6 I am proposing to update Factors HM, HOC and HMC to reflect more recent experience
7 as these Factors were developed based on data from fiscal year 1999. In this proceeding,
8 I have asked PWSB to update the detailed analysis performed in Docket No. 3163, and
9 PWSB has done so for fiscal year 2006. Because the type of costs utilized to develop
10 these Factors can change from year to year, it would be appropriate to use a multi-year
11 average to assure that the results are not skewed by unusual activities during any single
12 year. PWSB has indicated that it will perform similar detailed analyses for Factors HM,
13 HOC and HMC for fiscal year 2004 and fiscal year 2005. When these detailed analyses
14 are provided, I will revise PWSB's cost of service study accordingly.

15 With respect to Factor F, I am proposing to update the allocation for wholesale
16 customers. I have done this based on the updated inch-mile analysis previously discussed
17 in my testimony.

18 **Miscellaneous Revenue**

19 Q. HOW HAS MISCELLANEOUS REVENUE BEEN REFLECTED IN PWSB'S
20 COST OF SERVICE STUDY?

21 A. Miscellaneous revenue has been credited to cost function based on labor-related O&M
22 expenses.

23 Q. IS THIS REASONABLE?

24 A. No. To the maximum extent possible, these revenues should be allocated to function
25 consistent with the source of revenue. At this time, I am waiting for additional

1 information from the PWSB with respect to miscellaneous revenue by source. When
2 I receive this information, I will revise PWSB's cost of service study accordingly.

3 **Lost and Unaccounted-For Water**

4 Q. ARE THERE DIFFERENCES IN THE COSTS ASSOCIATED WITH LOST
5 AND UNACCOUNTED-FOR WATER AMONG THE CLASSES OF
6 CUSTOMERS SERVED BY PWSB?

7 A. Yes. Lost and unaccounted-for water ("LUFW") is the difference between metered
8 production and metered consumption. LUFW results from, among other things, leaks
9 and inaccurate meters. Leaks occur on both PWSB's transmission and distribution
10 systems. As previously explained, only PWSB's transmission system is used to serve
11 wholesale customers. Therefore, wholesale customers should not bear responsibility for
12 distribution system LUFW.

13 Q. WERE DIFFERENCES IN LUFW COSTS REFLECTED IN PWSB'S COST OF
14 SERVICE STUDY?

15 A. No. However, PWSB witness Smith agrees that such differences should be reflected and
16 indicated that the PWSB would revise its study accordingly. To date, the PWSB has not
17 revised its study.

18 Q. HAVE YOU REVISED PWSB'S COST OF SERVICE STUDY TO ACCOUNT
19 FOR DIFFERENCES IN LUFW COSTS?

20 A. Yes. I have revised PWSB's study to include LUFW based on actual average fiscal year
21 2003-2006 experience, with an adjustment to account for the Johnston under-registering
22 meter discussed by Division witness Catlin. Retail and wholesale LUFW cost
23 responsibility was determined utilizing the factors developed in Docket No. 3163.

24 (See JDM Exhibit-15)

1 **Source of Supply**

2 Q. HOW WAS SOURCE OF SUPPLY INVESTMENT ALLOCATED TO
3 FUNCTIONAL CATEGORY IN PWSB'S COST OF SERVICE STUDY?

4 A. Land and Land Rights, Structures and Improvements and Collecting and Impounding
5 Reservoirs were allocated based on annual consumption (Factor A). Supply Mains and
6 Other Water Source Plant were allocated based on pumping investment and expenses
7 (Factor N).

8 Q. ARE PWSB'S SOURCE OF SUPPLY ALLOCATIONS REASONABLE?

9 A. No. PWSB's source of supply allocations based on pumping investment and expenses is
10 not reasonable. All source of supply investment should be allocated based on annual
11 consumption. I believe PWSB's source of supply allocation based on pumping
12 investment and expenses may be a clerical error.

13 **Allocation of Pension and Benefits**

14 Q. HOW WERE PENSION AND BENEFITS EXPENSES ALLOCATED TO THE
15 VARIOUS COST CATEGORIES IN PWSB'S COST OF SERVICE STUDY?

16 A. Line items for pension and benefits expenses appear in the source of supply, water
17 treatment, T&D, customer accounting and administrative and general O&M cost
18 categories. Pension and benefits expenses within each O&M cost category have
19 generally been allocated to cost function based on Factor Com Y. This factor allocates
20 costs to functional category based on total wages, with those costs allocated to meters and
21 services and billing and collections subsequently reallocated to the other retail cost
22 functions.

23 Q. WHY ARE THE METERS AND SERVICES AND FIRE PROTECTION
24 FUNCTIONAL CATEGORIES EXCLUDED FROM AN ALLOCATION OF
25 PENSION AND BENEFITS EXPENSES?

1 A. In prior orders, the Commission has excluded these categories from the allocation of
2 pension and benefits expenses in order to limit the increases in quarterly and monthly
3 service charges.

4 Q. HOW WOULD PENSION AND BENEFITS ORDINARILY BE ALLOCATED
5 TO COST FUNCTIONS?

6 A. Because they are labor-related, pension and benefits would ordinarily be allocated based
7 on wages without reallocating the amounts to meters and service, and billing and
8 collections.

9 Q. WHAT WOULD BE THE IMPACT OF ALLOCATING PENSION AND
10 BENEFITS EXPENSES BASED ON WAGES?

11 A. The allocation of pension and benefits expenses based on wages would further increase
12 the already significant increase in service charges proposed by PWSB. For example, the
13 current residential quarterly service charge for a customer with a 5/8" meter is \$12.19.
14 Under PWSB's cost of service study, as corrected by the PWSB for a misallocation of
15 fire protection costs, the proposed quarterly service charge would increase by 35 percent,
16 to \$16.44. An allocation of pension and benefits expenses based on wages would result
17 in a quarterly service charge of \$24.62, a 102 percent increase.

18 **Division Revenue Requirements Adjustments**

19 Q. HAVE YOU REFLECTED THE REVENUE REQUIREMENT ADJUSTMENTS
20 SPONSORED BY DIVISION WITNESS CATLIN IN PWSB'S COST OF
21 SERVICE STUDY?

22 A. No, not at this time. Upon receipt of the information to update Factors HM, HOC and
23 HMC, and reflect my recommendation concerning the allocation of miscellaneous
24 revenues, I will incorporate the Division's revenue requirement adjustments.

1 **Content of Exhibits**

2 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE EXHIBITS WHICH
3 ACCOMPANY YOUR TESTIMONY.

4 A. There are 15 Exhibits included with my testimony. The main Exhibits are as follows:

5
6 JDM Exhibit -1 -Revenues Under Existing Rates: This schedule shows the revenues that
7 would be generated in the rate year under existing rates. Revenues are shown by
8 individual charge including revenues generated by monthly and quarterly service charges,
9 retail consumption charges, and public and private fire protection charges.

10
11 JDM Exhibit 2 - Allocation of Operating & Maintenance and City Services Expenses:
12 This schedule shows the way in which operating and maintenance (O&M) and City
13 Services costs are allocated to the different cost of service categories.

14
15 JDM Exhibit -3 - Allocation of Capital Costs: This schedule shows the way in which
16 capital costs are allocated to the different cost of service categories.

17
18 JDM Exhibit - 4 - Allocation of Property Taxes: This schedule shows the way in which
19 PWSB's property tax expenses are allocated to the different cost of service categories.

20
21 JDM Exhibit - 5 - Allocation Factor Legend: This schedule provides a brief explanation
22 of each of the allocation factors used to allocate costs to cost functions and to customer
23 classes.

24
25 JDM Exhibit - 6 - Summary of Costs to be Recovered through Rates: This schedule
26 summarizes the rate year expenses that PWSB is seeking to recover through rates as well
27 as the allocation of these expenses to cost of service functions. This exhibit also presents
28 a calculation of the net operating revenue allowance increase required.

29
30 JDM Exhibit - 7 - Units of Service: Projected water consumption and the peaking factors
31 for each customer class are shown on this schedule.

32
33 JDM Exhibit -8 - Unit Costs: This schedule shows the calculation of unit costs resulting
34 from the allocation of different types of expenses to the cost of service functions.

35
36 JDM Exhibit -.9 - Allocated Costs by Customer Class: The allocation of functionalized
37 costs to customer classes based on their demand characteristics is shown on this schedule.

38
39 JDM Exhibit -10 - Proposed Rates and Impacts: Proposed service charges and
40 commodity charges for each customer class, public and private fire charges, and the
41 percent change that the proposed charges represent over the existing rates are shown on
42 this schedule.

1
2 JDM Exhibit -11 - Comparison of Revenues by Customer Class: This schedule provides
3 a comparison of revenues generated from each customer class under both the existing
4 rates and charges and the proposed rates and charges. Also shown is the percent
5 difference between revenues under existing rates and proposed rates.
6

7 JDM Exhibit -12 - Typical Charge Comparison: This schedule provides a comparison of
8 typical annual charges under the existing and proposed rates for typical residential,
9 commercial, and industrial customers.
10

11 JDM Exhibit -13 - Revenue Proof: This schedule provides a summary of the revenue
12 requirements and revenue to be recovered under the proposed rates.
13

14 JDM Exhibit-14 - Inch Mile Study: This schedule presents the inch-mile study utilized to
15 allocate transmission mains investment to wholesale customers.
16

17 JDM Exhibit-15 - Calculation of Rate Year Cost Allocation Volumes: This schedule
18 adjusts projected sales volumes for lost and unaccounted-for water.

19 Q. JDM EXHIBIT-10 REFLECTS THE PWSB'S PROPOSAL TO IMPLEMENT
20 A MONTHLY WHOLESALE SERVICE CHARGE. IS IT THE DIVISION'S
21 RECOMMENDATION THAT THIS SERVICE CHARGE BE APPROVED?

22 A. Yes. The Division understands the PWSB's desire to improve revenue stability, and the
23 proposal is not unreasonable. I would note that under PWSB's proposal, 25 percent of
24 wholesale service revenues would be collected through service charges. This is
25 comparable to percentage of revenue collected through service charges for the average
26 PWSB residential retail customer. I would also note that fixed charges like the proposed
27 service charge are not uncommon for wholesale customers in the natural gas and electric
28 industries.

29 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

30 A. Yes, it does at this time.

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PUBLIC UTILITIES COMMISSION

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EXETER

ASSOCIATES, INC.
5565 Sterrett Place
Suite 310
Columbia, Maryland 21044

JDM EXHIBIT – 1

Revenue Under Existing Rates
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Current Rates	Total Revenues
Quarterly Service Charges			
5/8"	54,074	\$ 12.19	\$ 2,636,648
3/4"	10,281	\$ 13.05	\$ 536,668
1"	5,071	\$ 15.32	\$ 310,751
1.5"	1,475	\$ 18.33	\$ 108,147
2"	1,762	\$ 26.66	\$ 187,900
3"	39	\$ 87.93	\$ 13,717
4"	27	\$ 110.64	\$ 11,949
6"	55	\$ 163.59	\$ 35,990
8"	26	\$ 224.10	\$ 23,306
10"	3	\$ 278.93	\$ 3,347
12"	-	\$ 333.79	\$ -
Total	72,813		\$ 3,868,424
Monthly Service Charges			
5/8"	-	\$ 7.25	\$ -
3/4"	-	\$ 7.50	\$ -
1"	-	\$ 8.25	\$ -
1.5"	1	\$ 9.27	\$ 111
2"	17	\$ 12.05	\$ 2,458
3"	3	\$ 32.47	\$ 1,169
4"	6	\$ 40.03	\$ 2,882
6"	19	\$ 57.67	\$ 13,149
8"	6	\$ 77.85	\$ 5,605
10"	-	\$ 96.14	\$ -
12"	1	\$ 114.41	\$ 1,373
Total	53		\$ 26,747
Total Service Charge Revenue			<u>\$ 3,895,171</u>
Retail Consumption Charges			
Residential (HCF)	11,688,498	\$ 1.958	\$ 22,886,079
Commercial (HCF)	2,852,053	\$ 1.882	\$ 5,367,563
Industrial (HCF)	1,005,359	\$ 1.825	\$ 1,834,781
Total	15,545,910		\$ 30,088,422
Wholesale Consumption Charges			
Consumption (HCF)	13,876,406	\$ 0.925	
Consumption (MGD)	10,380	\$ 1,236.00	\$ 12,829,125
Private Fire Service Charges			
3/4"	6	\$ 10.77	\$ 258
1"	9	\$ 14.26	\$ 513
1.5"	3	\$ 23.00	\$ 276
2"	29	\$ 33.48	\$ 3,884
4"	284	\$ 92.87	\$ 105,500
6"	1,149	\$ 180.22	\$ 828,291
8"	216	\$ 285.03	\$ 246,266
10"	4	\$ 407.30	\$ 6,517
12"	13	\$ 547.05	\$ 28,447
16"	1	\$ 547.05	\$ 2,188
Total	1,714		\$ 1,222,140
Public Fire Service Charges			
Hydrants	6,082	\$ 250.99	\$ 1,526,521
Total Rate Revenues			<u>\$ 49,561,380</u>
Miscellaneous Revenues			\$ 1,245,739
Total Revenues			<u>\$ 50,807,119</u>

JDM EXHIBIT – 2

Maintenance and City Services Expenses
 ending December 31, 2008

Account	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
7,646 \$	-	\$	\$	-	\$ 3,579	156,635 \$
6,906 \$	-	\$	\$	-	\$ 3,927	171,898 \$
3,239 \$	-	\$	\$	-	\$ 2,231	97,667 \$
5,248 \$	-	\$	\$	-	\$ 2,449	107,185 \$
-	-	\$	\$	-	-	-
5,629 \$	-	\$	\$	-	\$ 102	4,461 \$
6,621 \$	-	\$	\$	-	\$ 482	21,097 \$
2,644 \$	-	\$	\$	-	\$ 48	2,095 \$
-	-	\$	\$	-	-	-
3,043 \$	-	\$	\$	-	\$ 870	38,074 \$
1,606 \$	-	\$	\$	-	\$ 210	9,197 \$
-	-	\$	\$	-	-	-
-	-	\$	\$	-	-	-
5,149 \$	-	\$	\$	-	\$ 93	4,081 \$
2,232 \$	-	\$	\$	-	\$ 40	1,769 \$
4,963 \$	-	\$	\$	-	\$ 14,032	614,160 \$
-	-	\$	\$	-	-	-
-	-	\$	\$	-	-	-
-	-	\$	\$	-	-	-
0,171 \$	108,671	\$	\$	-	\$ 9,780	428,086 \$
5,862 \$	3,920	\$	\$	-	\$ 177	7,753 \$
159 \$	107	\$	\$	-	\$ 5	211 \$
-	-	\$	\$	-	-	-
-	-	\$	\$	-	-	-
1,715 \$	1,147	\$	\$	-	\$ 52	2,268 \$
-	-	\$	\$	-	-	-
-	-	\$	\$	-	-	-
-	-	\$	\$	-	-	-
-	-	\$	\$	-	-	-
-	-	\$	\$	-	-	-
7,907 \$	113,845	\$	\$	-	\$ 10,014	436,318 \$

Allocation of Operating & Maintenance and City Services Expenses
Rate Year Ending December 31, 2008

Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
<i>Water Treatment</i>								
60130 Salaries + Wages - Emp	\$ 2,048,348	\$ 677,947	\$ 453,357	\$ -	\$ -	\$ -	\$ 20,483	\$ 896,561
60140 Salaries + Wages - Emp	\$ 309,874	\$ 102,560	\$ 68,584	\$ -	\$ -	\$ -	\$ 3,099	\$ 135,631
60430 Employee Pension + Ben	\$ 1,223,964	\$ 545,878	\$ 300,784	\$ 88,644	\$ -	\$ -	\$ 20,500	\$ 268,158
60440 Employee Pension + Ben	\$ 193,217	\$ 86,173	\$ 47,482	\$ 13,994	\$ -	\$ -	\$ 3,236	\$ 42,332
61530 Purchase Power	\$ 265,410	\$ 131,928	\$ 26,541	\$ -	\$ -	\$ -	\$ 2,389	\$ 104,553
61630 Fuel for Power Purch	\$ 130,804	\$ 43,292	\$ 28,951	\$ -	\$ -	\$ -	\$ 1,308	\$ 57,253
61830 Chemicals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62030 Material + Supplies	\$ 100,347	\$ 33,212	\$ 22,210	\$ -	\$ -	\$ -	\$ 1,003	\$ 43,922
62040 Material + Supplies	\$ 98,464	\$ 32,589	\$ 21,793	\$ -	\$ -	\$ -	\$ 985	\$ 43,098
63140 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63240 Contract Services - Acctg	\$ 15,648	\$ 5,179	\$ 3,463	\$ -	\$ -	\$ -	\$ 156	\$ 6,849
63430 Contractual Services - Mgt. Fees	\$ 193,700	\$ 64,109	\$ 42,871	\$ -	\$ -	\$ -	\$ 1,937	\$ 84,782
63530 Contractual Services - Other	\$ 59,259	\$ 19,613	\$ 13,116	\$ -	\$ -	\$ -	\$ 593	\$ 25,838
63540 Contractual Services - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64140 Rental Bldg/Real Prop	\$ 2,388	\$ 790	\$ 529	\$ -	\$ -	\$ -	\$ 24	\$ 1,045
64230 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64240 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65030 Transportation Exp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65640 Insurance Vehicle	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65830 Insurance - W/C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65840 Insurance - W/C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66730 Regularity Com Exp.-Other	\$ 64,233	\$ 21,259	\$ 14,217	\$ -	\$ -	\$ -	\$ 642	\$ 28,115
67530 Misc. Expenses	\$ 182	\$ 60	\$ 40	\$ -	\$ -	\$ -	\$ 2	\$ 80
67540 Misc. Expenses	\$ 4,705,839	\$ 1,764,590	\$ 1,043,936	\$ 102,638	\$ -	\$ -	\$ 56,358	\$ 1,738,317
<i>Total-Water Treat. Exp.</i>								
<i>Transmission & Distribution</i>								
60150 Salaries + Wages - Emp	\$ 898,837	\$ 242,858	\$ 171,022	\$ 92,314	\$ 210,583	\$ 23,043	\$ 29,755	\$ 129,263
60160 Salaries + Wages - Emp	\$ 2,400,044	\$ 648,471	\$ 456,656	\$ 246,493	\$ 562,292	\$ 61,528	\$ 79,451	\$ 345,153
60250 Payroll Clearing -Emp	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60260 Payroll Clearing -Emp	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60450 Employee Pension + Ben	\$ 560,455	\$ 249,958	\$ 137,729	\$ 40,590	\$ -	\$ -	\$ 9,387	\$ 122,790
60460 Employee Pension + Ben	\$ 1,496,511	\$ 667,431	\$ 367,760	\$ 108,383	\$ -	\$ -	\$ 25,065	\$ 327,871
60550 Overhead Rate Applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60560 Overhead Rate Applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61550 Purchase Power	\$ 11,195	\$ 5,565	\$ 1,119	\$ -	\$ -	\$ -	\$ 101	\$ 4,410
62050 Material + Supplies	\$ 147,797	\$ 54,769	\$ 36,625	\$ 26,380	\$ -	\$ -	\$ 2,956	\$ 27,067
62060 Material + Supplies	\$ 13,443	\$ 4,982	\$ 3,331	\$ 2,399	\$ -	\$ -	\$ 269	\$ 2,462
62560 Inventory Clearing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63150 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63160 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63460 Contractual Services - Mgt. Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63550 Contractual Services - Other	\$ 1,093,962	\$ 436,188	\$ 327,628	\$ 190,857	\$ 14,868	\$ -	\$ 11,987	\$ 112,435

Allocation of Operating & Maintenance and City Services Expenses
Rate Year Ending December 31, 2008

Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
63560 Contractual Services - Other	\$ 40,138	\$ 8,830	6,632	3,864	\$ 15,750	\$ -	\$ 488	\$ 4,575
64150 Rental Buidlg/Real Prop	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64160 Rental Buidlg/Real Prop	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64250 Rental of Equipment	\$ 4,265	\$ 1,580	1,057	761	\$ -	\$ -	\$ 85	\$ 781
64260 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65060 Transportation Exp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65850 Insurance W/C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65860 Insurance W/C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65950 Insurance Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66750 Regulatory Com Exp - Other T & D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66760 Regulatory Com Exp - Other T & D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67550 Misc. Expenses	\$ 3,856	\$ 1,429	956	688	\$ -	\$ -	\$ 77	\$ 706
67560 Misc. Expenses	\$ 718	\$ 266	178	128	\$ -	\$ -	\$ 14	\$ 132
Total-Trans/Dist Exp.	\$ 6,671,221	\$ 2,322,325	1,510,694	712,857	\$ 803,492	\$ 84,571	\$ 159,636	\$ 1,077,645
Customer Accounts	\$ 1,968,504	\$ -	\$ -	\$ -	\$ 984,252	\$ 984,252	\$ -	\$ -
60170 Salaries + Wages - Emp	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60270 Payroll Clearing -Emp	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60470 Employee Pension + Ben	\$ 1,227,431	\$ 547,424	301,635	88,896	\$ -	\$ -	\$ 20,559	\$ 268,918
60570 Overhead Rate Applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61670 Fuel for Power Purch	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62070 Material + Supplies	\$ 11,416	\$ -	\$ -	\$ -	\$ 5,708	\$ 5,708	\$ -	\$ -
63370 Contractual Services - Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63570 Contractual Services - Other	\$ 36,045	\$ -	\$ -	\$ -	\$ 18,022	\$ 18,022	\$ -	\$ -
65070 Transportation exp. - CAO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65870 Insurance - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65970 Insurance Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67070 Bad Debt Expense - CAO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67570 Misc. Expenses	\$ 128,976	\$ -	\$ -	\$ -	\$ 64,488	\$ 64,488	\$ -	\$ -
Total-Cust Accts Exp	\$ 3,372,372	\$ 547,424	301,635	88,896	\$ 1,072,471	\$ 1,072,471	\$ 20,559	\$ 268,918
Administration	\$ 5,080,792	\$ 1,265,550	697,330	205,511	\$ 1,065,829	\$ 646,321	\$ 85,099	\$ 1,113,151
60180 Salaries + Wages - Emp	\$ 39,754	\$ 9,902	5,456	1,608	\$ 8,339	\$ 5,073	\$ 666	\$ 8,710
60380 Salaries + wages - Officers, Dir.	\$ 3,173,706	\$ 1,415,445	779,923	229,853	\$ -	\$ -	\$ 53,157	\$ 695,327
60480 Employee Pension + Ben	\$ (13,022)	\$ (3,244)	(1,787)	(527)	\$ (2,732)	\$ (1,662)	\$ (218)	\$ (2,853)
60480 Board Health Insurance	\$ 190,673	\$ 65,800	32,806	9,989	\$ 20,721	\$ 12,780	\$ 2,878	\$ 45,699
61580 Purchase Power	\$ 196,308	\$ 67,744	33,776	10,285	\$ 21,333	\$ 13,158	\$ 2,963	\$ 47,049
61680 Fuel for Power Purch	\$ 195,909	\$ 67,607	33,707	10,264	\$ 21,290	\$ 13,131	\$ 2,957	\$ 46,954
62080 Material + Supplies	\$ 25,932	\$ 6,459	3,559	1,049	\$ 5,440	\$ 3,309	\$ 434	\$ 5,681
63180 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63280 Contract Services - Acctg	\$ 93,312	\$ 23,243	12,807	3,774	\$ 19,575	\$ 11,907	\$ 1,563	\$ 20,444
63380 Contractual Services - Legal	\$ 150,000	\$ 37,363	20,587	6,067	\$ 31,466	\$ 19,140	\$ 2,512	\$ 32,864
63480 Contractual Services - Mgt. Fees	\$ 478,450	\$ 119,175	65,666	19,353	\$ 100,368	\$ 61,051	\$ 8,014	\$ 104,824
63580 Contractual Services - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Allocation of Operating & Maintenance and City Services Expenses
Rate Year Ending December 31, 2008

Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
64180 Rental Buidlg/Real Prop	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64280 Rental of Equipment	\$ 10,261	\$ 3,541	\$ 1,766	538	\$ 1,115	\$ 688	\$ 155	\$ 2,459
65080 Transportation Exp.	\$ 111,382	\$ 38,437	\$ 19,164	5,835	\$ 12,104	\$ 7,465	\$ 1,681	\$ 26,695
65780 Ins. Gen. Liability	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
65880 Insurance - W/C	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
65980 Insurance Other	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
66080 Advertising Expense	\$ 3,565	\$ 1,230	\$ 613	187	\$ 387	\$ 239	\$ 54	\$ 854
66680 Reg Com Exp - Amort of Rate Case	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
66780 Regulatory Com Exp. -Other	\$ 291,987	\$ 131,847	\$ 65,735	20,016	\$ -	\$ -	\$ 4,408	\$ 69,981
67580 Misc. Expense	\$ 307,624	\$ 106,159	\$ 52,928	16,116	\$ 33,430	\$ 20,619	\$ 4,644	\$ 73,729
<i>Total-Admin/Gen Exp</i>	\$ 10,336,634	\$ 3,356,258	\$ 1,824,036	539,918	\$ 1,338,666	\$ 815,219	\$ 170,969	\$ 2,291,567
857 Insurance Fund								
65840 Insurance W/C - WTM	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
65870 Insurance W/C - CAO	\$ 25,512	\$ 11,378	\$ 6,269	1,848	\$ -	\$ -	\$ 427	\$ 5,589
62080 Materials + Supplies - A&GO	\$ 31,163	\$ 10,754	\$ 5,362	1,633	\$ 3,387	\$ 2,089	\$ 470	\$ 7,469
63580 Contract Services - Other A&GO	\$ 83,972	\$ 20,916	\$ 11,525	3,397	\$ 17,615	\$ 10,715	\$ 1,406	\$ 18,397
65780 Ins. Gen. Liability	\$ 1,466,096	\$ 662,016	\$ 330,064	100,504	\$ -	\$ -	\$ 22,132	\$ 351,380
65880 Insurance - W/C	\$ 531,027	\$ 236,833	\$ 130,497	38,459	\$ -	\$ -	\$ 8,894	\$ 116,343
Additional Insurance	\$ 212,172	\$ 95,806	\$ 47,767	14,545	\$ -	\$ -	\$ 3,203	\$ 50,851
Misc. Expense	\$ 207,528	\$ 71,616	\$ 35,706	10,872	\$ 22,552	\$ 13,910	\$ 3,133	\$ 49,738
Funding Requirement	\$ 410,185	\$ 185,219	\$ 92,345	28,119	\$ -	\$ -	\$ 6,192	\$ 98,309
Total Insurance Fund	\$ 2,967,655	\$ 1,294,539	\$ 659,536	199,376	\$ 43,554	\$ 26,713	\$ 45,859	\$ 698,078
878 Chemical and Sludge Maintenance Fund								
61830 Chemicals - WTO	\$ 2,286,505	\$ 1,262,838	\$ -	-	\$ -	\$ -	\$ 22,865	\$ 1,000,802
62030 Materials + Supplies WTO	\$ (1,981)	\$ (1,094)	\$ -	-	\$ -	\$ -	\$ (20)	\$ (867)
Funding Requirement	\$ 200,000	\$ 110,460	\$ -	-	\$ -	\$ -	\$ 2,000	\$ 87,540
Contract Services - Other WTM	\$ 648,042	\$ 357,914	\$ -	-	\$ -	\$ -	\$ 6,480	\$ 283,648
Total Chemical and Sludge Maintenance	\$ 3,132,565	\$ 1,730,117	\$ -	-	\$ -	\$ -	\$ 31,326	\$ 1,371,122
Total Operating and Maintenance Expense	\$ 33,699,525	\$ 12,338,124	\$ 5,453,682	1,643,684	\$ 3,258,183	\$ 1,998,974	\$ 508,751	\$ 8,498,126
Less: Capital Labor	\$ 758,616	\$ 339,413	\$ 113,952	31,902	\$ 61,640	\$ -	\$ 6,663	\$ 205,045
Net Operating and Maintenance Expense	\$ 32,940,909	\$ 11,998,710	\$ 5,339,730	1,611,783	\$ 3,196,543	\$ 1,998,974	\$ 502,088	\$ 8,293,081
City Services Cost	\$ 1,245,952	\$ 429,968	\$ 214,371	65,275	\$ 135,400	\$ 83,511	\$ 18,809	\$ 298,618
Less: Miscellaneous Revenues	\$ 1,245,739	\$ 310,295	\$ 170,975	50,388	\$ 261,326	\$ 158,959	\$ 20,865	\$ 272,929

JDM EXHIBIT – 3

Plant Investment
Test Year Ending June 30, 2006

Allocation Factor	Plant in Service	Accumulated Depreciation	Net Book Value	Base	Maximum Day	Maximum Hour	Meters	Billing & Collection	Public Fire Protection	Wholesale
Source of Supply & Pumping										
Land and Land Rights	A	\$ 6,246,099	\$ -	\$ 6,246,099	\$ 3,449,724	\$ -	\$ -	\$ -	\$ 62,461	\$ 2,733,914
Structures and Improvements	A	\$ 7,066,935	\$ 6,154,024	\$ 912,911	\$ 504,201	\$ -	\$ -	\$ -	\$ 9,129	\$ 399,581
Collecting & Impounding Reservoirs	A	\$ 14,731,696	\$ 5,644,572	\$ 9,087,124	\$ 5,018,823	\$ -	\$ -	\$ -	\$ 90,871	\$ 3,977,430
Supply Mains	A	\$ 22,321,197	\$ 4,125,069	\$ 18,196,128	\$ 10,049,731	\$ -	\$ -	\$ -	\$ 181,961	\$ 7,964,436
Other Water Source Plant	A	\$ 399,766	\$ 259,779	\$ 139,987	\$ 77,315	\$ -	\$ -	\$ -	\$ 1,400	\$ 61,272
Other Power Production Equipment	N	\$ 459,317	\$ 398,101	\$ 61,216	\$ 29,645	\$ 5,591	\$ 1,113	\$ -	\$ -	\$ 24,968
Electric Pumping Equipment	N	\$ 929,495	\$ 606,586	\$ 322,909	\$ 156,373	\$ 29,490	\$ 5,871	\$ -	\$ -	\$ 131,176
Hydraulic Pumping Equipment	N	\$ 107,721	\$ 70,298	\$ 37,423	\$ 18,122	\$ 3,418	\$ 680	\$ -	\$ -	\$ 15,202
Total Source of Supply & Pumping Plant		\$ 52,262,226	\$ 17,258,429	\$ 35,003,797	\$ 19,303,934	\$ 38,498	\$ 7,665	\$ -	\$ 345,822	\$ 15,307,878
Water Treatment Plant										
Land and Land Rights	AA	\$ 29,994	\$ -	\$ 29,994	\$ 9,927	\$ 6,639	\$ -	\$ -	\$ 300	\$ 13,128
Structures and Improvements	AA	\$ 13,592,842	\$ 9,947,986	\$ 3,644,856	\$ 1,206,347	\$ 806,709	\$ -	\$ -	\$ 36,449	\$ 1,595,352
Water Treatment Equipment	AA	\$ 12,482,818	\$ 7,715,567	\$ 4,767,251	\$ 1,577,829	\$ 1,055,126	\$ -	\$ -	\$ 47,673	\$ 2,086,623
Other Plant & Miscellaneous Equipment	AA	\$ 17,588,361	\$ 7,649,556	\$ 9,938,805	\$ 3,289,472	\$ 2,199,735	\$ -	\$ -	\$ 99,388	\$ 4,350,210
Total Water Treatment Plant		\$ 43,694,015	\$ 25,313,109	\$ 18,380,906	\$ 6,083,576	\$ 4,068,208	\$ -	\$ -	\$ 183,809	\$ 8,045,313
Transmission & Distribution Plant										
Land and Land Rights	L	\$ 614,902	\$ -	\$ 614,902	\$ 148,272	\$ 99,152	\$ 61,966	\$ -	\$ -	\$ 83,932
Structures and Improvements	L	\$ 218,134	\$ 158,712	\$ 59,422	\$ 14,328	\$ 9,582	\$ 5,988	\$ -	\$ -	\$ 8,111
Distribution Reservoirs & Standpipes	AA	\$ 11,468,806	\$ 9,848,529	\$ 1,620,277	\$ 536,267	\$ 358,613	\$ -	\$ -	\$ 16,203	\$ 709,194
Transmission Mains	AA	\$ 17,375,061	\$ 7,376,217	\$ 9,998,844	\$ 3,309,343	\$ 2,213,024	\$ -	\$ -	\$ 99,988	\$ 4,376,489
Distribution Mains	TD	\$ 24,570,458	\$ 10,430,872	\$ 14,139,586	\$ 6,575,408	\$ 4,397,106	\$ 3,167,072	\$ -	\$ -	\$ -
Meters & Meter Installation	C	\$ 19,605,233	\$ 5,173,981	\$ 14,431,252	\$ -	\$ -	\$ -	\$ 14,431,252	\$ -	\$ -
Hydrants	FP	\$ 6,570,821	\$ 2,311,349	\$ 4,259,472	\$ -	\$ -	\$ -	\$ -	\$ 4,259,472	\$ -
Other Plant & Miscellaneous Equipment	AA	\$ 6,951,384	\$ 5,541,834	\$ 1,409,550	\$ 466,522	\$ 311,973	\$ -	\$ -	\$ 14,096	\$ 616,959
Total Transmission & Distribution Plant		\$ 87,374,799	\$ 40,841,494	\$ 46,533,305	\$ 11,050,141	\$ 7,389,450	\$ 3,235,025	\$ 14,431,252	\$ 4,481,801	\$ 5,731,097
General Plant										
Land and Land Rights	T	\$ 23,380	\$ -	\$ 23,380	\$ 8,544	\$ 2,696	\$ 760	\$ 3,384	\$ -	\$ 1,175
Structures and Improvements	T	\$ 4,066,977	\$ 2,252,966	\$ 1,814,011	\$ 662,949	\$ 209,162	\$ 58,998	\$ 262,563	\$ -	\$ 91,178
Office Furniture & Equipment	T	\$ 407,857	\$ 351,799	\$ 56,058	\$ 20,487	\$ 6,464	\$ 1,823	\$ 8,114	\$ -	\$ 2,818
Transportation Equipment	T	\$ 4,648,009	\$ 3,811,303	\$ 836,706	\$ 305,783	\$ 96,475	\$ 27,212	\$ 121,106	\$ -	\$ 42,056
Stores Equipment	T	\$ 2,983,121	\$ 2,930,658	\$ 52,463	\$ 19,173	\$ 6,049	\$ 1,706	\$ 7,594	\$ -	\$ 2,637
Tools, Shop & Garage Equipment	T	\$ 322,908	\$ 276,922	\$ 45,986	\$ 16,806	\$ 5,302	\$ 1,496	\$ 6,656	\$ -	\$ 2,311
Laboratory Equipment	A	\$ 198,137	\$ 189,346	\$ 8,791	\$ 4,855	\$ -	\$ -	\$ -	\$ 88	\$ 3,848
Power Operated Equipment	T	\$ 295,804	\$ 291,234	\$ 4,570	\$ 1,670	\$ 527	\$ 149	\$ 661	\$ -	\$ 230
Communication Equipment	T	\$ 857,101	\$ 857,099	\$ 2	\$ 1	\$ 0	\$ 0	\$ 0	\$ -	\$ 1
Miscellaneous Equipment	T	\$ 458,045	\$ 458,374	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Tangible Plant	T	\$ 139,200	\$ 40,817	\$ 98,383	\$ 35,955	\$ 11,344	\$ 3,200	\$ 14,240	\$ -	\$ 4,945
Total General Plant		\$ 14,400,539	\$ 11,460,518	\$ 2,940,350	\$ 1,076,223	\$ 338,019	\$ 95,344	\$ 424,319	\$ -	\$ 147,438
Total Plant		\$ 197,731,579	\$ 94,873,650	\$ 102,858,358	\$ 37,513,874	\$ 11,834,174	\$ 3,338,034	\$ 14,855,571	\$ -	\$ 5,158,871
Construction Work in Progress	T			\$ 23,150,055	\$ 8,460,424	\$ 2,669,282	\$ 752,917	\$ 3,350,779	\$ -	\$ 1,163,600
Assets under Capital Lease	T			\$ 14,728,150	\$ 5,382,553	\$ 1,698,207	\$ 479,009	\$ 2,131,778	\$ -	\$ 740,287
Total Plant Investment				\$ 140,736,563	\$ 51,356,850	\$ 16,201,663	\$ 4,569,960	\$ 20,338,128	\$ -	\$ 7,062,757
Totals used to determine Allocation Factors:										
Total Plant less Land				\$ 133,852,182	\$ 47,750,310	\$ 16,099,814	\$ 4,507,234	\$ 20,334,744	\$ -	\$ 6,915,189
Allocation factor K2					35.67%	12.03%	3.37%	15.19%	0.00%	5.17%
Reallocated Meters and Fire Protection					\$ 19,035,153	\$ 6,418,020	\$ 1,796,761	\$ (20,334,744)	\$ (6,915,189)	\$ -
Total Plant less Land with Reallocated Meters and Fire Protection				\$ 133,852,182	\$ 66,785,463	\$ 22,517,834	\$ 6,303,995	\$ -	\$ -	\$ 38,225,985
Allocation factor K1					49.89%	16.82%	4.71%	0.00%	0.00%	28.56%

Allocation of Capital Costs
Rate Year Ending December 31, 2008

Allocation Factor	Adjusted Test Year	Rate Year Adjustments	Proforma Rate Year	Base	Maximum Day	Maximum Hour	Meters	Billing & Collection	Fire Protection	Wholesale
Capital Fund Cash	K2	\$ 2,450,000	\$ -	\$ 2,450,000	\$ 874,011	\$ 294,687	\$ 82,499	\$ 372,203	\$ -	\$ 126,574
Debt Service CIP Fund	K2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Western Cranston Fund	A	\$ 62,069	\$ -	\$ 62,069	\$ 34,281	\$ -	\$ -	\$ -	\$ 621	\$ 27,168
Infrastructure Replacement	K1	\$ 12,500,000	\$ 1,400,000	\$ 13,900,000	\$ 6,935,396	\$ 2,338,385	\$ 654,644	\$ -	\$ -	\$ 3,969,612
Debt Service IFR Fund	K2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
102" Valve	K2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Alternative Source of Supply	A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Meter Replacement	C	\$ 400,000	\$ 600,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -
Equipment Replacement	K2	\$ 600,000	\$ -	\$ 600,000	\$ 214,043	\$ 72,168	\$ 20,204	\$ 91,152	\$ -	\$ 30,998
Total Capital Expenditures		\$ 16,012,069	\$ 2,000,000	\$ 18,012,069	\$ 8,057,731	\$ 2,705,240	\$ 757,347	\$ 1,463,354	\$ -	\$ 158,192

JDM EXHIBIT – 4

Allocation of Property Taxes
Rate Year Ending December 31, 2008

3 4 5 6 7 8 9

	Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
Scituate	A	\$ 5,522,744	\$ 3,050,214	\$ -	\$ -	\$ -	\$ -	\$ 55,227	\$ 2,417,302
Foster	A	\$ 300,006	\$ 165,693	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 131,312
Cranston	Cran	\$ 377,963	\$ 197,759	\$ 14,986	\$ 10,794	\$ -	\$ -	\$ 4,384	\$ 150,040
North Providence	F	\$ 249,306	\$ 92,385	\$ 61,780	\$ 44,498	\$ -	\$ -	\$ 4,986	\$ 45,658
Johnston	A	\$ 63,184	\$ 34,897	\$ -	\$ -	\$ -	\$ -	\$ 632	\$ 27,656
Glocester	A	\$ 48,727	\$ 26,912	\$ -	\$ -	\$ -	\$ -	\$ 487	\$ 21,328
West Warwick	A	\$ 4,348	\$ 2,401	\$ -	\$ -	\$ -	\$ -	\$ 43	\$ 1,903
West Glocester Fire	A	\$ 4,228	\$ 2,335	\$ -	\$ -	\$ -	\$ -	\$ 42	\$ 1,850
Harmony Fire Dist.	A	\$ 120	\$ 66	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 53
Chepachet Fire Dist.	A	\$ 145	\$ 80	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 63
Warwick	A	\$ 22	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 10
Total Property Taxes		\$ 6,570,792	\$ 3,572,755	\$ 76,765	\$ 55,291	\$ -	\$ -	\$ 68,806	\$ 2,797,175

JDM EXHIBIT – 5

Allocation Factor Legend

Allocation	Description	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
A	1% allocated to fire protection, remainder allocated to base and wholesale based on consumption	55.23%	22.13%				1.00%	43.77%
AA	1% allocated to fire protection, remainder allocated to base, maximum day, and wholesale based on consumption	33.10%					1.00%	43.77%
C	100% to Meters & Services			7.24%	100.00%	0.00%	1.67%	21.91%
Com Y	Allocated Based on Methodology in Docket # 2048, Y - Labor Reallocated from Meters and Billing	44.60%	24.57%	6.86%	0.00%	0.00%	1.51%	23.97%
Com Z	Allocated Based on Methodology in Docket # 2048, Z - O&M Reallocated from Meters and Billing	45.16%	22.51%	2.86%	0.00%	0.00%	1.16%	39.70%
Cran	Cranston Taxes, 16% Allocator F, 84% Allocator A	52.32%	3.96%		50.00%	50.00%		
D	50% to Billing and Collections, 50% to Meters and Services			17.85%			2.00%	18.31%
F	2% to Fire, Allocated to Base & Wholesale by Proportion of T&D Pipe in Inch Miles, Retail to Base, Max Day and Hour	37.06%	24.78%				100.00%	
FP	100% Fire Protection						3.31%	14.38%
HM	From Exhibit JDM-5 of Settle27.xls	27.02%	19.03%	10.27%	23.43%	2.56%	1.22%	11.40%
HMC	Based on Separate T&D Allocation Table - Maintenance Contractor - From Exhibit JDM-5 of Settle27.xls	22.00%	16.52%	9.63%	39.24%	0.00%	1.10%	10.28%
HOC	Based on Separate T&D Allocation Table - Operations Contractor - From Exhibit JDM-5 of Settle27.xls	39.87%	29.95%	17.45%	1.36%	0.00%	0.00%	28.56%
K1	Allocated Based on Original Plant Investment less Land, Meters and Fire Reallocated to Retail	49.89%	16.82%	4.71%	0.00%	0.00%	5.17%	28.56%
K2	Allocated Based on Original Plant Investment less Land	35.67%	12.03%	3.37%	15.19%	0.00%	13.65%	4.22%
L	Based on Allocation of other Transmission & Distribution Plant except Services & Meters	24.11%	16.12%	10.08%	0.00%	0.00%	0.90%	40.62%
N	Allocation of Pumping Investment and Expenses	48.43%	9.13%	1.82%	0.00%	0.00%	5.03%	39.39%
P	10% allocated to maximum day, 90% allocated based on A	49.71%	10.00%	0.00%	0.00%	0.00%		29.17%
T	Allocation of all Non-General Plant	36.55%	11.53%	3.25%	14.47%	0.00%		
TD	Allocation of Base, Max Day and Max Hour of Retail only	46.50%	31.10%	22.40%			3.63%	6.25%
X1	Allocation within a Particular Group Based on the Relationship between all Other Items in the Group	30.10%	20.13%	14.50%	25.39%	0.00%	1.85%	16.93%
X2	Allocation within a Particular Group Based on the Relationship between all Other Items in the Group	35.88%	23.99%	17.28%	4.08%	0.00%	0.88%	27.03%
X4	Allocation within a Particular Group Based on the Relationship between all Other Items in the Group	44.74%	15.02%	4.21%	8.13%	0.00%	1.67%	21.91%
Y	Based on Labor related O&M Expenses.	24.91%	13.72%	4.04%	20.98%	12.76%		
Z	Based on Total O&M expenses, except for Administrative & General	34.51%	17.21%	5.24%	10.87%	6.70%	1.51%	23.97%

JDM EXHIBIT – 6

Summary of Costs to be Recovered through Rates
Rate Year Ending December 31, 2008

	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
Net Operations & Maintenance Expense	\$32,940,909	\$11,998,710	\$5,339,730	\$1,611,783	\$3,196,543	\$1,998,974	\$502,088	\$8,293,081
Capital Expense	\$18,012,069	\$8,057,731	\$2,705,240	\$757,347	\$1,463,354	-	\$158,192	\$4,867,809
City Services Expense	\$1,245,952	\$429,968	\$214,371	\$65,275	\$135,400	\$83,511	\$18,809	\$298,618
Property Taxes Expense	\$6,570,792	\$3,572,755	\$76,765	\$55,291	-	-	\$68,806	\$2,797,175
Total Expenses Allocated	\$58,769,722	\$24,059,165	\$8,336,107	\$2,489,697	\$4,795,297	\$2,082,485	\$747,895	\$16,256,683
less: Miscellaneous Revenues	\$ (1,245,739)	\$ (310,295)	\$ (170,975)	\$ (50,388)	\$ (261,326)	\$ (158,959)	\$ (20,865)	\$ (272,929)
plus: Net Operating Revenue	\$ 1,725,719	\$ 721,775	\$ 250,083	\$ 74,691	\$ 143,859	\$ 62,475	\$ 22,437	\$ 487,700
Net Revenue Requirement	\$59,249,702	\$24,470,644	\$8,415,215	\$2,513,999	\$4,677,829	\$1,986,000	\$749,467	\$16,471,454

\$49,561,380

\$ 9,688,322

Net Revenue Increase / (Decrease) Required

Rate Revenues under Existing Rates
 Values from Settle27.xls
 Docket 3163
 Rate Year 2008 Filing

Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Fire Protection	Wholesale
\$15,760,754	\$6,022,694	\$2,354,431	\$2,767,441	\$1,167,660	\$762,519	\$11,161,954
39.40%	15.06%	5.89%	6.92%	2.92%	1.91%	27.91%
41.30%	14.20%	4.24%	7.90%	3.35%	1.26%	27.80%

JDM EXHIBIT – 7

Units of Service
Rate Year Ending December 31, 2008

	Base		Maximum Day			Maximum Hour			Equivalent	
	Annual Use HCF	Average Rate HCF/day	Demand Factor	Total Capacity HCF/day	Extra Capacity HCF/day	Demand Factor	Total Capacity HCF/day	Extra Capacity HCF/day	Meters & Services Equiv. Meters	Bills
<u>Inside City</u>										
Residential	11,688,498	32,023	1.70	54,440	22,416	2.20	70,451	16,012		
Commercial	2,852,053	7,814	1.60	12,502	4,688	2.00	15,628	3,126		
Industrial	1,005,359	2,754	1.50	4,132	1,377	2.00	5,509	1,377		
Fire Protection				2,887	2,887		11,550	8,662		
Total Inside City	15,545,910	42,592		73,961	31,369		103,138	29,177	119,103	298,744
<u>Outside City</u>										
Wholesale	13,876,406	38,018	1.70	64,630	26,612	2.15	81,738	17,108		
Total Units of Service	29,422,315	80,609		138,591	57,982		184,875	46,285	119,103	298,744

JDM EXHIBIT – 8

Unit Costs
Rate Year Ending December 31, 2008

	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection
Retail System Units of Service:							
Number	15,545,910	31,369	29,177	119,103	298,744	6,082	
Units	MCF	MCF/day	MCF/day	Equiv. Meters	Bills	Hydrants	
O&M Expense:							
Retail	24,385,269	12,039,068	5,323,817	1,608,236	3,023,273	1,895,215	495,659
Retail Unit Cost (\$/unit)	\$ 0.77	\$ 169.71	\$ 55.12	\$ 25.38	\$ 6.34	\$ 81.50	
Wholesale O&M Expense	\$ 8,260,756	\$ 8,260,756					
Capital Expense:							
Retail Capital Expense	13,536,122	8,299,463	2,786,398	780,068	1,507,255	-	162,938
Retail Cost (\$/unit)	\$ 0.53	\$ 88.83	\$ 26.74	\$ 12.66	\$ -	\$ 26.79	
Wholesale Capital Expense	\$ 5,013,843	\$ 5,013,843					
City Services Expense:							
Retail City Services Expense	975,754	442,867	220,802	67,234	139,462	86,016	19,373
Retail Cost (\$/unit)	\$ 0.03	\$ 7.04	\$ 2.30	\$ 1.17	\$ 0.29	\$ 3.19	
Wholesale City Services Expense	\$ 307,577	\$ 307,577					
Property Tax Expense:							
Retail Property Tax Expense	3,886,826	3,679,937	79,068	56,950	-	-	70,870
Retail Cost (\$/unit)	\$ 0.24	\$ 2.52	\$ 1.95	\$ -	\$ -	\$ 11.65	
Wholesale Property Tax Expense	\$ 2,881,090	\$ 2,881,090					
Total Unit Costs of Service							
Retail Cost of Service	42,783,970	24,461,336	8,410,085	2,512,488	4,669,989	1,981,231	748,841
Retail Total Unit Cost (\$/unit)	\$ 1.57	\$ 268.10	\$ 86.11	\$ 39.21	\$ 6.63	\$ 123.12	
Wholesale Cost of Service	\$ 16,463,266						
Total Cost of Service	<u>\$ 59,247,236</u>						

JDM EXHIBIT – 9

JDM EXHIBIT – 10

Proposed Rates and Impacts
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Proposed Rates	Total Revenues	Current Rates	% Change
Quarterly Service Charges					
5/8"	54,074	\$ 16.44	\$ 3,555,906	\$ 12.19	34.9%
3/4"	10,281	\$ 17.42	\$ 716,380	\$ 13.05	33.5%
1"	5,071	\$ 20.36	\$ 412,982	\$ 15.32	32.9%
1.5"	1,475	\$ 24.28	\$ 143,252	\$ 18.33	32.5%
2"	1,762	\$ 35.06	\$ 247,103	\$ 26.66	31.5%
3"	39	\$ 114.46	\$ 17,856	\$ 87.93	30.2%
4"	27	\$ 143.87	\$ 15,538	\$ 110.64	30.0%
6"	55	\$ 212.49	\$ 46,748	\$ 163.59	29.9%
8"	26	\$ 290.91	\$ 30,255	\$ 224.10	29.8%
10"	3	\$ 361.97	\$ 4,344	\$ 278.93	29.8%
12"	-	\$ 433.04	\$ -	\$ 333.79	29.7%
Total	<u>72,813</u>		<u>\$ 5,190,363</u>		
Monthly Service Charges					
5/8"	-	\$ 9.90	\$ -	\$ 7.25	36.6%
3/4"	-	\$ 10.23	\$ -	\$ 7.50	36.4%
1"	-	\$ 11.21	\$ -	\$ 8.25	35.9%
1.5"	1	\$ 12.52	\$ 150	\$ 9.27	35.1%
2"	17	\$ 16.11	\$ 3,286	\$ 12.05	33.7%
3"	3	\$ 42.58	\$ 1,533	\$ 32.47	31.1%
4"	6	\$ 52.38	\$ 3,771	\$ 40.03	30.9%
6"	19	\$ 75.25	\$ 17,157	\$ 57.67	30.5%
8"	6	\$ 101.39	\$ 7,300	\$ 77.85	30.2%
10"	-	\$ 125.08	\$ -	\$ 96.14	30.1%
12"	1	\$ 148.77	\$ 1,785	\$ 114.41	30.0%
Total	<u>53</u>		<u>\$ 34,983</u>		
Total Service Charge Revenue			<u>\$ 5,225,346</u>	<u>\$ 3,895,171</u>	34.1%
Retail Consumption Charges					
Residential (HCF)	11,688,498	\$ 2.206	\$ 25,784,826	\$ 1.958	12.7%
Commercial (HCF)	2,852,053	\$ 2.109	\$ 6,014,979	\$ 1.882	12.1%
Industrial (HCF)	1,005,359	\$ 2.059	\$ 2,070,035	\$ 1.825	12.8%
Total	<u>15,545,910</u>		<u>\$ 33,869,839</u>	<u>\$ 30,088,422</u>	12.6%

Proposed Rates and Impacts
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Proposed Rates	Total Revenues	Current Rates	% Change
Wholesale Charges					
<u>Volume Charge</u>					
Consumption (HCF)	13,876,406	\$ 0.890		\$ 0.925	
Consumption (MGD)	10,380	\$ 1,190.00	\$ 12,351,666	\$ 1,236.00	-3.7%
<u>Monthly Base Charge</u>					
East Providence	2,397,994	\$ 59,272	\$ 711,264		
East Smithfield	339,786	\$ 8,399	\$ 100,788		
Greenville	463,126	\$ 11,448	\$ 137,376		
Kent County	3,777,169	\$ 93,361	\$ 1,120,332		
Smithfield	428,798	\$ 10,599	\$ 127,188		
Warwick	4,404,569	\$ 108,869	\$ 1,306,428		
Lincoln	1,086,668	\$ 26,860	\$ 322,320		
Johnston	197,547	\$ 4,883	\$ 58,596		
Bristol County	780,749	\$ 19,298	\$ 231,576		
Total Base Charges			\$ 4,115,868		
<u>Total Annual Charges</u>					
East Providence			\$ 2,845,767	\$ 2,217,013	28.4%
East Smithfield			\$ 403,238	\$ 314,141	28.4%
Greenville			\$ 549,613	\$ 428,172	28.4%
Kent County			\$ 4,482,466	\$ 3,492,099	28.4%
Smithfield			\$ 508,870	\$ 396,436	28.4%
Warwick			\$ 5,227,023	\$ 4,072,147	28.4%
Lincoln			\$ 1,289,585	\$ 1,004,655	28.4%
Johnston			\$ 234,436	\$ 182,637	28.4%
Bristol County			\$ 926,536	\$ 721,824	28.4%
Total Wholesale Charges			\$ 16,467,534	\$ 12,829,125	28.4%

Proposed Rates and Impacts
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Proposed Rates	Total Revenues	Current Rates	% Change
Private Fire Service Charges					
3/4"	6	\$ 17.62	\$ 423	\$ 10.77	63.6%
1"	9	\$ 20.79	\$ 748	\$ 14.26	45.8%
1-1/2"	3	\$ 25.54	\$ 306	\$ 23.00	11.0%
2"	29	\$ 37.74	\$ 4,378	\$ 33.48	12.7%
4"	284	\$ 160.43	\$ 182,248	\$ 92.87	72.7%
6"	1,149	\$ 260.59	\$ 1,197,672	\$ 180.22	44.6%
8"	216	\$ 393.42	\$ 339,915	\$ 285.03	38.0%
10"	4	\$ 546.33	\$ 8,741	\$ 407.30	34.1%
12"	13	\$ 730.82	\$ 38,003	\$ 547.05	33.6%
16"	1	\$ 1,209.76	\$ 4,839	\$ 547.05	121.1%
Total	1,714		\$ 1,777,274	\$ 1,222,140	45.4%
Public Fire Service Charges					
Hydrants	6,082	\$ 315.55	\$ 1,919,175	\$ 250.99	25.7%
Total Rate Revenues			\$ 59,259,169	\$ 49,561,380	19.6%
Miscellaneous Revenues			1,245,739	\$ 1,245,739	0.0%
Total Revenues			\$ 60,504,908	\$ 50,807,119	19.1%

JDM EXHIBIT – 11

Comparison of Revenues by Customer Class

Rate Year Ending December 31, 2008

	Existing Rates	Proposed Rates	% Change
Retail			
Monthly Service Charge	\$ 3,895,171	\$ 5,225,346	34.1%
Volume Charge			
Residential	\$ 22,886,079	\$ 25,784,826	12.7%
Commercial	\$ 5,367,563	\$ 6,014,979	12.1%
Industrial	\$ 1,834,781	\$ 2,070,035	12.8%
Total Retail	\$ 33,983,593	\$ 39,095,186	15.0%
Wholesale			
East Providence	\$ 2,217,013	\$ 2,845,915	28.4%
East Smithfield	\$ 314,141	\$ 403,259	28.4%
Greenville	\$ 428,172	\$ 549,642	28.4%
Kent County	\$ 3,492,099	\$ 4,482,699	28.4%
Smithfield	\$ 396,436	\$ 508,896	28.4%
Warwick	\$ 4,072,147	\$ 5,227,295	28.4%
Lincoln	\$ 1,004,655	\$ 1,289,652	28.4%
Johnston	\$ 182,637	\$ 234,448	28.4%
Bristol County	\$ 721,824	\$ 926,585	28.4%
Total Wholesale	\$ 12,829,125	\$ 16,468,392	28.4%
Fire Protection			
Private Fire Protection	\$ 1,222,140	\$ 1,777,274	45.4%
Public Fire Protection	\$ 1,526,521	\$ 1,919,175	25.7%
Total Fire Protection	\$ 2,748,662	\$ 3,696,449	34.5%
Total Rate Revenues	\$ 49,561,380	\$ 59,260,027	19.6%
Miscellaneous Revenues	\$ 1,245,739	\$ 1,245,739	0.0%
Total Revenues	\$ 50,807,119	\$ 60,505,766	19.1%

JDM EXHIBIT – 12

Comparison of Typical Annual Charges

Rate Year Ending December 31, 2008

	Proposed Rates	Existing Rates	% Change
Residential - (5/8" Meter, 100 HCF)			
Fixed Quarterly Service Charge	\$ 65.76	\$ 48.76	34.9%
Volume Charge	\$ 220.60	\$ 195.80	12.7%
Total	\$ 286.36	\$ 244.56	17.1%
Commercial - (2" Meter, 2,000 HCF)			
Fixed Quarterly Service Charge	\$ 140.24	\$ 106.64	31.5%
Volume Charge	\$ 4,218.00	\$ 3,764.00	12.1%
Total	\$ 4,358.24	\$ 3,870.64	12.6%
Industrial - (6" Meter, 10,000 HCF)			
Fixed Monthly Service Charge	\$ 903.00	\$ 692.04	30.5%
Volume Charge	\$ 20,590.00	\$ 18,250.00	12.8%
Total	\$ 21,493.00	\$ 18,942.04	13.5%

For wholesale impacts see JDM Exhibit 11

JDM EXHIBIT – 13

Revenue Proof
Rate Year Ending December 31, 2008

Net Operations & Maintenance Expense	\$ 32,940,909
Capital Expense	\$ 18,012,069
City Services Expense	\$ 1,245,952
Property Taxes Expense	\$ 6,570,792
Total Expenses Allocated	<u>\$ 58,769,722</u>
plus: Net Operating Revenue	\$ 1,725,719
Net Revenue Requirement	<u>\$ 60,495,441</u>
Retail	
Monthly Service Charge	\$ 5,225,346
Volume Charge	
Residential	\$ 25,784,826
Commercial	\$ 6,014,979
Industrial	\$ 2,070,035
Total Retail	<u>\$ 39,095,186</u>
Wholesale	
East Providence	\$ 2,845,915
East Smithfield	\$ 403,259
Greenville	\$ 549,642
Kent County	\$ 4,482,699
Smithfield	\$ 508,896
Warwick	\$ 5,227,295
Lincoln	\$ 1,289,652
Johnston	\$ 234,448
Bristol County	\$ 926,585
Total Wholesale	<u>\$ 16,468,392</u>
Fire Protection	
Private Fire Protection	\$ 1,777,274
Public Fire Protection	\$ 1,919,175
Total Fire Protection	<u>\$ 3,696,449</u>
Total Rate Revenues	<u>\$ 59,260,027</u>
Miscellaneous Revenues	\$ 1,245,739
Total Revenues	<u>\$ 60,505,766</u>
Total Surplus / (Deficit)	\$ 10,324

JDM EXHIBIT – 14

PROVIDENCE WATER SUPPLY BOARD

Public Mains in Use - Miles
Year Ended June 30, 2006

DISTRIBUTION

Pipe Size (inch)	North Providence				Total	Inch Mile	Percent
	Providence	Cranston	Johnston	Providence			
6	274.46	123.65	26.40	44.14	468.65	2,811.90	
8	71.25	129.49	52.02	38.15	290.91	2,327.28	
10	1.57	0.00	0.00	0.05	1.62	16.20	
Subtotal	347.28	253.14	78.42	82.34	761.18	5,155.38	58.58%

TRANSMISSION

Pipe Size (inch)	North Providence				Total	Inch Mile	Percent
	Providence	Cranston	Johnston	Providence			
12	48.71	26.06	2.57	7.64	84.98	1,019.76	
16	28.18	4.36	1.23	2.03	35.80	572.80	
20	3.84	3.36	0.00	0.00	7.20	144.00	
24	12.02	3.57	7.38	3.26	26.23	629.52	
30	9.50	6.04	0.00	0.76	16.30	489.00	
36	0.86	1.04	0.00	0.00	1.90	68.40	
42	0.55	4.29	0.00	0.00	4.84	203.28	
48	2.83	0.31	0.07	0.00	3.21	154.08	
60	1.05	2.45	0.82	0.00	4.32	259.20	
66	0.00	1.60	0.00	0.00	1.60	105.60	
Subtotal	107.54	53.08	12.07	13.69	186.38	3,645.64	41.42%
Percent							
TOTAL	454.82	306.22	90.49	96.03	947.56	8,801.02	100.00%

JDM EXHIBIT – 15

Calculation of Rate Year Cost Allocation Volumes
 Average Sales and Lost and Unaccounted-For Water over Period FY 2003 through FY 2006
 Rate Year Ending December 31, 2008
 (Volumes in HCF)

	Sales FY 2003	Sales FY 2004	Sales FY2005	Sales FY2006	Four Year Average	Adjustments	Pro Forma Billing Units	LUF Water	Cost Allocation Volumes
Retail								0.8118	
Residential	12,203,733	12,030,853	11,242,268	11,277,137	11,688,498		11,688,498		
Commercial	2,206,004	2,356,680	2,956,479	3,889,047	2,852,053		2,852,053		
Industrial	1,000,891	877,656	1,050,937	1,091,953	1,005,359		1,005,359		
Sub-total Retail	15,410,628	15,265,189	15,249,684	16,258,137	15,545,910		15,545,910	2,775,660	18,321,570
Wholesale								0.1882	
East Providence	2,493,285	2,347,620	2,414,642	2,336,430	2,397,994		2,397,994		
East Smithfield	346,036	349,221	347,134	316,751	339,786		339,786		
Greenville	470,702	428,017	470,107	483,676	463,126		463,126		
Kent County	3,529,317	3,857,756	3,915,227	3,806,377	3,777,169		3,777,169		
Smithfield	433,016	425,587	434,665	421,925	428,798		428,798		
Warwick	4,654,592	4,292,842	4,313,222	4,357,620	4,404,569		4,404,569		
Lincoln	1,059,985	1,027,574	1,108,820	1,150,294	1,086,668		1,086,668		
Johnston	163,387	156,251	180,321	290,227	197,547		197,547		
Bristol County (1)	1,892,471	1,942,031	1,803,583	1,633,316	1,817,850	(1,037,101)	780,749		
Narr. Bay Comm (2)				84,978	21,245	(21,245)	-		
Sub-total Wholesale	15,042,791	14,826,899	14,987,721	14,881,594	14,934,751	(1,058,346)	13,876,406	643,483	14,519,888
Grand Total	30,453,419	30,092,088	30,237,405	31,139,731	30,480,661	(1,058,346)	29,422,315	3,419,143	32,841,458

Note:

- (1) Adjustment is based on a reduction in purchases to a level of 1.6 MGD per Attachment A to the testimony of Walter Edge.
- (2) Adjustment to remove temporary consumption for CSO project

System Maximum Day	1.80	1.54	1.72	1.67	1.68
System Maximum Hour	2.30	1.95	2.33	2.02	2.15