RHODE ISLAND PUBLIC UTILITIES COMMISSION

DOCKET NO. 3832

PROVIDENCE WATER

PREFILED TESTIMONY OF

CHRISTOPHER P.N. WOODCOCK

ON BEHALF OF

KENT COUNTY WATER AUTHORITY et al

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Q: Please state your name and business address?

A: My name is Christopher P.N. Woodcock and my business address is 18 Increase Ward Drive, Northborough, Massachusetts 01532.

Q: By whom are you employed and in what capacity?

A: I am the President of Woodcock & Associates, Inc. a consulting firm specializing in water and wastewater rate and financial studies.

Prior Experience

Q: Please describe your qualifications and experience.

A: I have undergraduate degrees in Economics and in Civil Engineering from Tufts University in Medford, Massachusetts. After graduating in 1974, I was employed by the environmental consulting firm of Camp, Dresser, and McKee Inc. (CDM). For approximately 18 months I worked in the firm's environmental engineering group performing such tasks as designing water distribution and transmission pipes, sewer collection and interception systems, pumping facilities and portions of a wastewater treatment facility. From approximately January 1976, I worked in the firm's management and financial consulting services group, gaining increasing responsibility. At the time of my resignation, I was a corporate Vice President and appointed the leader of the group overseeing all rate and financial studies. In my career, I have worked on close to 400 water and wastewater rate and financial studies, primarily in the United States, but also for government agencies overseas. I have also worked on a number of engineering and financial feasibility studies in support of revenue bond issues, I have helped draft and review revenue bond indentures, and I worked on several valuation studies, capital improvement financing analyses, and management audits of public works agencies. In addition to my professional experience I have also held elected and appointed positions on municipal boards overseeing public works functions.

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Q: Have your previously testified before state regulatory commissions or courts on rate related matters?

A: Yes, I have provided testimony on rate related matters before utility commissions in Rhode Island, Maine, Connecticut, New York, New Hampshire, Texas, and Alberta, Canada. I have also been retained as an expert witness on utility rate related matters in proceedings in state courts in Arkansas, Florida, Massachusetts, Michigan, New Jersey, Maryland, Ohio, and Pennsylvania, as well as the Federal Court in Michigan. I have been selected to several arbitration panels related to disputes over water rates and charges, I have provided testimony on rate related matters to the Michigan and Massachusetts legislatures, and I have provided testimony at administrative hearings on a number of occasions.

Q: Do you belong to any professional organizations or committees?

A: Yes, I am a member of the Water Environment Federation, the Rhode Island Water Works Association, the Massachusetts Water Works Association, the New England Water Works Association, and the American Water Works Association. For the Water Environment Federation, I was a member of the committee that prepared their manual on Wastewater Rates and Financing. For the New England Water Association, I am past chairman and a current member of the Financial Management Committee. In my capacity as Assistant Treasurer for the New England Water Works Association I also sit on the Executive Committee and the Board of Directors as well as several other administrative committees. For the American Water Works Association, I am past chairman of the Financial Management Committee and the Rates and Charges Committee that has prepared the manuals on Revenue Requirements, Water Rates, Alternative Rate Structures, and Water Rates and Related Charges. I have been reappointed to and am currently a member of the Rates & Charges Committee.

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Summary

Q: Please describe your role in this proceeding.

A: I have been retained by the Kent County Water Authority (KCWA) to review Providence Water's rate filing in Docket 3832. In addition, the East Smithfield Water District, the Town of Lincoln – Lincoln Water Commission, Greenville Water District, the City of East Providence, and the City of Warwick have filed as co-interveners with the Kent County Water District. I had been involved in a similar capacity in Providence's rate filings since 1992 and I represented or assisted in the representation of Providence Water in all its prior dockets before this Commission.

Q: Would you summarize your overall findings?

A: Providence Water has filed for an overall increase in revenues of some $9,688,321 or a 19.07% increase. The initially proposed increase to wholesale customers was a 34.6% increase in revenues, subsequently reduced to 28.8% in Mr. Smith's supplemental response to Div 2-1.

Based on my analysis to date I believe an overall increase in revenues of 16% is warranted and that the increase to wholesale customers should be 19.6%.

The allocation of Providence Water's revenue requirements has evolved over the past decade or so to the point where the parties were in *general* agreement as to how the costs should be allocated among customers and classes of customers. In his direct testimony, Mr. Smith has indicated that he has used the same approach used in Providence Water's previous rate filing. While this is generally the case, Mr. Smith has reformatted the models and made several changes, some of which I do not believe are warranted and/or are contrary to more than a decade of careful consideration by the Commission. Because Providence Water provides service to such a large portion of the State's population, I believe that any changes should be carefully examined. That is not to suggest that changes should never be made; however, they should only be made after careful review and consideration to assure that such a large population of the state is charged with water rates that are fair and

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equitable. The Commission has indicated in the past that any changes to the rate structure should be based on cost allocations studies that are supportable and result in charges that represent the cost of service. In this case, I believe there are suggested revisions (or omissions) to the time tested models that do not meet this standard.

In regards to the overall request in revenues, there appear to be a number of restricted accounts where consideration for funding has extended beyond the rate year (CY 2008). Because these accounts are restricted and Providence has a history of spending its restricted amounts for the purposes they were established for, I am less concerned about this approach; but, I suggest that if the Commission considers such requests, it must be certain that the funds in the restricted accounts are not subsequently diverted or used for other purposes. While Providence has not made any such suggestion, I raise this issue because such changes in the use of funds could result in funds that are derived from one class of customer that are being used unfairly for another class.

Revenue Requirements

Q: What are the restricted accounts that you have indicated provide forward looking revenues?

A: There are several restricted accounts where I believe the request by Providence Water takes into account considerations beyond the rate year they have proposed. For example:

- Insurance: Mr. Edge has proposed an additional $660,396 (WEE-5) as an "adjustment required to support restricted fund activity." As shown in WEE-10G this is to assure sufficient funds through FY 2010 based on assumed increases through that fiscal year.
- Chemicals: Mr. Edge has recommended (WEE-8) that an additional $200,000 be allowed as a "balancing requirement." As shown on WEE-10F this is to assure sufficient funds through FY 2010. In fact, WEE-10F shows

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there are sufficient funds through July 2009, some six months after the rate year.

If the Commission allows funding of the restricted accounts past the rate year, Providence Water should not have to return to the PUC as soon, saving rate payers the cost of another rate cases. This should be a goal of the Commission. I believe this forward looking approach is somewhat unique, but should be accepted with strict controls on the funds to assure they are used for the intended purpose. As a result, I believe the Commission should accept Mr. Edge's adjustments and make this a policy for other utilities in the State.

I would add that data responses from Providence Water since they filed this case have already indicated increases in chemical and insurance costs, lending further support to this approach.

Q: Are there any adjustments to Providence Water's claimed revenue requirements that you would like to address?

A: There are several areas I would like to discuss:

- City Services
- Property Taxes
- Regulatory Expenses
- Purchased Power
- Operating Revenue

Q: Please discuss the City Services expenses you mentioned in the list of revenue requirement issues.

A: Mr. Bebyn has prepared a very detailed and thoughtful analysis of the services provided by the City of Providence to the Water Supply Board. For the most part I can agree with much of what Mr. Bebyn has recommended. I do have several adjustments that I believe are warranted.

1. As shown in the response to Div 1-11 and on his exhibit DGB-6, Mr. Bebyn used an overall Providence Water operating cost of some $42 million less nearly $10 million of depreciation for a net cost of $32,555,108 to derive the numerator for his allocation factor "O". I have several concerns with that calculation.
    a. Within the $42 million of Providence Water operating costs is $729,994 of City services expenses. Since this is being used to derive an allocation of City Service expenses, I believe the inclusion of this is double counting and that the City Service costs should *not* be included as part of the numerator in his "O" allocation factor.
    b. Mr. Bebyn has also included over $6 million of property taxes in the water operating costs. The payment of property taxes really has no bearing on the services provided by most City Departments. While there are certainly departments that get involved with the tax disputes, those costs are dealt with elsewhere. I do not believe it is appropriate to include such a large cost as an element of the allocation of the costs of services from various city offices; they are not impacted by the presence or absence of those taxes.
    c. As indicated in the responses to Div 1-11 and KCWA 2-4, Mr. Bebyn has only added the cost of one enterprise fund (Providence Water) back to the overall City budget. I believe that the costs (net of depreciation) for the PPBA and "Non-major Civic Center" should also be included. If one enterprise fund is included, they all should be included.
    d. Lastly, in developing the overall City expenditures, Mr. Bebyn has backed out the expenses covered by Federal and State Grants (Div 1-11). These excluded costs amount to $190,400,000 (KCWA 2-4). I believe that backing out expenses covered by a source outside the City would be like backing out the non-City water revenues (wholesale and retail outside of Providence) from the Providence Water budget. The source of revenues was not considered in the derivation of the numerator (PW costs) and should not be considered in the denominator (overall budget). Alterna-

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tively, the outside funding of both the numerator and the denominator should be excluded in the derivation of allocation factor "O". The two pieces of the equation should not be treated differently in any case.

Based on all the factors discussed above, I believe that allocation factor "O" should be reduced to 6.51%.

2. Mr. Bebyn has allocated over $56,000 of the City Council's cost to the Water Supply Board. Based on a review of the City Council minutes during the test year (response to KCWA 1-10) only three City Council meetings mentioned Providence Water. The Commission is urged to examine these minutes to see the extent of City Council involvement in Providence Water.
   a. The first mention was nominations and the subsequent election of a Council member to the Board -- there was no discussion of the matter,
   b. The second mention of Providence Water was simply a note about a communication regarding an appointment to the Board – again there was no discussion and in this case, no action,
   c. Lastly, the City Council read and passed the budget, compensation plan, and classes of positions for Providence Water -- once more there was no discussion recorded of the matter. In fact all three ordinances were read and passed in one motion.

   Mr. Bebyn's description of the services from Council (DGB – 4) indicates that, in addition to approving the budget, the City Council provides general operational oversight and passes laws and ordinances which affect Providence Water. There is scant evidence of any real activity based on the City Council minutes. Providence Water has a competent Water Board that develops budgets, rules, and ordinances. It seems that any ratification or action by the Providence City Council is quite perfunctory. Accordingly I believe the allocation of the City Council costs should be reduced by 50% (after adjusting the "O" factor as discussed above).
3. Mr. Bebyn has assigned nearly $64,000 of costs for the City Council Administration offices. The description of services they provide is similar to that for the City

Council. I believe this office should also only be assigned half the revised allocator "O" costs.

4. Some $72,000 of costs from the City Finance department has been assigned to Providence Water based on the percentage of water to total costs (allocator "O"). The Commission is aware that Providence Water has a history of outstanding finance employees from Mr. Lombardi to Ms. Bondarevskis. While the City Finance Department may very well provide some service to Providence Water, the financial capabilities of Providence Water do not require the same levels of effort as other City agencies that do not have such capable, full time Finance Directors. I understand that Mr. Prignano, the City's Finance Director, is an ex-officio member of the Water Supply Board. Based on the minutes of the Water Board for the test year, the Board met 12 times and Mr. Prignano attended only 5 of those meetings (two of which were less than an hour in duration). Considering the more than capable finance staff at the Water Board, I believe that only half the amount derived from my revised "O" allocation factor should be assigned to Providence Water for the City's Finance Department.
5. Mr. Bebyn has assigned $112,887 of expenses from the City Clerk's office to Providence Water. According to the response to KCWA 1-12, this allocation is based on the total costs of this office assigned to the Water Board based on 98 bid awards for Providence Water out of 785 total bid awards. According to the City's web page: "**The City Clerk's Department** is the official repository for all ordinances, resolutions and official documents related to the government of the City of Providence. The department is responsible for the authenticity of all legal documents. The City Clerk operates under the auspices of the City Council. This department is responsible for maintaining and recording all votes, orders, resolutions and ordinances made and passed by the City Council as well as those of its subcommittees, and meetings of the retirement board. Furthermore, the City Clerk furnishes the heads of departments and the chairmen of all committees of the City Council with certified copies of such votes or resolutions as relate to their respective departments or committees. In addition, the City Clerk

collects and presents to the City Council all petitions concerning abandonments and easements, personal injury and automobile or property damage, as well as certificates of Assumed Business Name and Going Out of Business." I have no doubt that the City Clerk also provides bid notifications/awards; however this is not even mentioned on the Clerk's website. It appears that City Council resolutions and official documents, records of City votes, and "abandonments and easements, personal injury and automobile or property damage" are as much of or more of the clerk's job than bid notifications. I believe this allocation is grossly overstated and, as with the City Council allocation, should be no more than half of the "O" allocator.

Q: Do you have any additional comments regarding the City Service allocations?

A: In reviewing Mr. Bebyn's calculations I noted that the fringe benefits that were added to the labor costs of each department amounted to more than 72% of the salary costs. I have not had the time to look into this in more detail, but this percentage is extraordinarily high in my experience.

Q: Please discuss your concern with the claimed revenue requirement for property taxes.

A: Mr. Edge has projected a 5% per year increase in property taxes (page 8). He has indicated that he will update the FY 2008 taxes this summer when the tax bills become available. I am in full agreement with this proposal to update the claimed amounts; however, I remain concerned that adding and additional 2.5% for the balance of the rate year is too much.

An analysis of past property taxes (DGB-2) shows an average increase of 3.1% per year. For purposes of my initial calculations I have assumed a 3.1% increase for FY 2008 plus half that for the second six months of the rate year. As noted, I agree that the FY 2008 values should be tied to the actual amounts, but I believe that the

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2.5% increase for the remaining six months of the rate year is too high and that a 1.55% increase should be used.

Q: What is the area of regulatory expenses you would like to address?

A: This is a relatively minor matter. Mr. Edge's WEE-7 presents the pro forma claim for regulatory commission and rate case expenses. Costs listed for this filing include $5,000 for "City Services." I believe that nearly $1 million in city service costs identified elsewhere are far more than sufficient to cover what ever this line item is intended to represent. As the rate filing costs are proposed to be recovered over two years, the impact of eliminating this item is $2,500. I believe the parties agree that the actual costs to be allowed should be determined once the case is near completion. I raise this issue now only to assure that this amount is not added to the final costs.

Q: Please discuss power costs.

A: Based on discussions with the Division's consultant, I understand that Providence Water has an energy contract with Constellation New Energy that provides for no increase in power costs from the test year through the rate year. I expect that the Division will be presenting information on that. As a result, I have eliminated the adjustment to the test year power costs.

Because I have yet to see this documentation, I am certainly willing to modify this position if my understanding is incorrect.

Q: Are there any other revenue related adjustments you believe should be made?

A: Based on responses to data requests, I believe that the adjustment in Providence Water's rate filing that reduced sales to Bristol County should be eliminated. From Providence Water's data responses (Div 1-18) it appears that those reductions will not occur until well after the rate year.

In addition, in the response to Div 3-2 it appears that Johnston was under-billed for FY 2003 – FY 2006. I have added the amount of under-billing back to the amounts presented by Providence Water for Johnston. This changes the four year average for Johnston and changes increase the overall wholesale sales and revenues for the rate year.

In addition, Providence Water has updated the numbers of meters and fire services in data requests. I have reflected those updates in my calculations.

Q: What is your position on Providence Water's request for a 3% operating revenue allowance on all costs?

A: I support this request. As the Commission knows, I have long advocated a more reasonable operating allowance in a number of dockets, including Pawtucket Water's last case with Ms. Marchand. I have also strongly advocated this with Rhode Island's legislative staff. Providence Water's request is a little less than I would request, but I would still support the request. As with other requests for an increase operating revenue allowance, I believe that some restrictions on a portion of the allowance are appropriate.

I believe that 1.5% of the allowance should be unrestricted and used as the current operating revenue allowances are used by Rhode Island water utilities. The remaining 1.5% should be restricted for use in cases where drops in water sales result in shortfalls to allowed revenues. In these cases, I believe that the utility should be allowed to request the Commission to allow a withdrawal from the restricted reserve, and that the Commission and other interested parties should have 30 days to review the request and make comments. After 30 days I believe the Commission should rule on reasonable withdrawals to make up revenue shortfalls caused by reduced sales.

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Cost Allocations

Q: You indicated at the start of your testimony that you had concerns about the cost allocation model that Mr. Smith proposed in this docket. Will you please elaborate?

A: As I said in the introductory remarks, the methodology that has been developed for the allocation of Providence Water's costs and the subsequent rate design has evolved over 20 plus years. While changes to the methodology can always be examined by the Commission, I believe that changes to a model that was so long in development should be well thought out, thoroughly explained, and perhaps most importantly, result in the fair and equitable assignment of costs to the various customers and classes. In this case, there are a number of changes that Mr. Smith has made (perhaps inadvertently) that I do not believe meet the standards I have just outlined.

Q: Can you give an example of some Mr. Smith's changes?

A: Mr. Smith provided no allowance for unaccounted for water in the allocations between retail and wholesale customers. When asked about this in a data request (KCWA 1-9), Mr. Smith has indicated he will revise his model to include this.

Providence Water has a number of pumping stations (see KCWA 1-7). Many of these only provide distribution pumping, a service that is only for retail customers (see response to KCWA 1-6). As such, the costs associated with these pumping stations should not be assigned to wholesale customers. Providence no longer accounts for labor costs associated with pumping, but in the past Providence has estimated the costs and made provisions for the operations and maintenance labor at the various pumping stations so that the costs can be fairly allocated. There was no such attempt in this docket, and perhaps more disconcerting, the method of allocating the remaining pump station costs was totally changed with no explanation. Mr. Smith's rate proposal has wholesale customers sharing in the cost of retail pumping stations that provide no wholesale service.

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Q: Aside from deviations from past practice, do you have other overall concerns about the cost allocation study?

A: I understand it may appear inconsistent, but I am concerned that some past *values* were used without any apparent analysis or consideration of the impact and/or no attempt to update the numbers. For example, in the past Providence Water has included all employee benefits within the Administration line items. Fifteen years ago (in Docket 2048) the Commission expressed concern that the customer service charges were too high and that some costs allocated to these charges should be removed from the customer service allocations to lower the fixed customer service charge. Since that time, an allocation symbol "Comm-Y" was used to remove some costs, such as employee benefits, from the allocation to the customer service charge. I think it is time to revisit an adjustment that was made fifteen years ago.

Q: What is different now that makes you think this allocation should be revised?

A: Until this docket, Providence Water reported the employee pension and benefits as well as workers compensation all under Administration. That is, the benefits for employees at the treatment plant, those working on pipes, and those in customer accounting were all lumped into a single line item under Administration.

That has changed for this rate filing. Now, the benefits associated with employees assigned to treatment are reported within the water treatment lines items, supply benefits are under source of supply, etc. We know the benefits by various functional categories now. The benefits associated with treatment salaries are certainly related to treatment as much as the salary costs; they should be allocated the same way.

Because of this change in reporting I think it is time to re-examine how employee benefit costs are assigned in general.

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Q: What do you suggest?

A: With several exceptions, I believe that within each functional area, the employee benefits and pension costs[1] should be allocated the exact same way that direct salary and wage costs are assigned for that function. For example, Water Treatment now includes benefits for the Water Treatment employees. These benefit costs can be allocated directly just like the treatment salary costs are.

Q: Why do you think this change should be made?

A: The inequity of not making this adjustment is clearly seen in the allocation of Customer Accounts operating costs (Mr. Smith's Exhibit HJS-2). The Customer Accounts costs are related to billing, collection, meters, and services. Every single line item is allocated the same -- according to allocation symbol D -- except one! The line item for employee pensions and benefits shows $282,226 being allocated to wholesale customers. The customer accounting pension and benefits have nothing to do with wholesale sales; they are all related to the billing and metering costs[2]. I believe this is a perfect example of a flaw in the application of the old methodology (Comm Y) to a new expense reporting format; it is appropriate to correct the flaw in this docket.

Q: You indicated that there exceptions; what are they?

A: In Docket 2048 the Commission was concerned about the impact that the assignment of employee benefits to the Service Charges would have -- it would have resulted in large increases to that fixed charge. As a result, the Commission decided to move all benefit costs from the Billing and Meter & Services categories to lessen the impact on the Service Charge. Because former dockets had only a single line item for benefits and pensions, this adjustment only impacted the overall benefits allocation. Now that we have detailed costs by function, it is only necessary to make this adjustment to the benefits included in Customer Accounts, Transmission

[1] As well as worker's compensation if this is reported by function some day.

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& Distribution, and Administration[3]. There is no need to make any adjustment to the benefit allocations in Supply, Treatment, and Pumping.

Q: Have you made revisions to the cost allocation study submitted by Providence Water?

A: Yes I have. I believe the revisions I recommend can be categorized as (a) changes to the calculation of the allocation symbols, (b) the addition of several new symbols, and (c) changes to the manner in which some line items were allocated.

Q: Please discuss the first set of revisions – changes to the calculation of allocation symbols.

A: There are several of these. In most cases I have recalculated the percentages associated with some allocation symbols based on updated information. The methodology used in past dockets is the same, but the numbers need to be updated for the current costs and not simply copied from prior dockets, as Mr. Smith has proposed in some cases.

- Symbol A: This critical allocation symbol is use to allocate costs between retail and wholesale service based on water sales. It is critical not only because so many costs are allocated using this symbol, but also because several other allocators depend on this calculation. As noted earlier, Mr. Smith had not taken into account the lost or unaccounted for water. As shown on KCWA Ex. 5 I have included a calculation that is based on prior dockets. The detail for symbol A shows the sales from wholesale and retail accounts as well as the unaccounted for water[4]. First the total losses are split between transmission and distribution losses based on inch-miles of pipe. Next the transmission losses are split between retail and wholesale

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[2] Note that wholesale customers are billed a customer service charge based on their meter size just like all other customers.

[3] Because workers Compensation insurance shows up in the restricted insurance fund, an adjustment is needed there as well.

[4] Based on the four year average as submitted by Providence Water in ms. Marchand's Ex. 1, Sch. 1

based on water sales. The distribution losses are added to the retail transmission share and assigned to retail use. The wholesale share of losses is added to the total wholesale sales. The percentage of wholesale and retail production (sales plus assigned losses) are the basis for symbol A. While losses are typically associated with under-registering water meters as well as line losses, the parties have historically assigned the losses only between transmission losses (responsibility of wholesale and retail customers) and distribution losses (responsibility of retail customers only). I believe there should be recognition of the meter losses that would typically be retail only[5]; however, the Commission has accepted a split between transmission and distribution in the past. In the future I believe that meter losses as well losses from service pipes should be recognized as well.

- Symbol AA: This symbol is similar to A except the retail portion is split between average day (base) use and maximum day use. This is an example of a major allocator that is dependant on symbol A.
- Symbol F: This is used to allocate some transmission and distribution costs, primarily those costs associated with pipes where it is unknown if the cost is related to transmission or distribution pipes. Mr. Smith had simply use a value from a prior study. However this symbol should be calculated each time based on usage and inch miles of pipe[6]. The recalculation I have made *increases* the allocation to wholesale customers over the value used by Mr. Smith, but I believe this recalculated value is more equitable and consistent with past practice accepted by the Commission.
- Symbol FP: This symbol was miscalculated in the original submission; Mr. Smith has noted this and corrected it in his supplemental submission.

[5] A 2004 study by the engineering firms of CH2M-Hill and CDM indicated water losses from meters were about 5%. The study also noted that this was consistent with other studies. The study also suggested that losses from wholesale meters were less than 3%, suggesting a greater percentage from retail accounts.

[6] As noted on the explanation of symbol F on Mr. Smith's Ex. 5

- Symbol HM, HMC, and HOC: These are used to allocate various transmission and distribution costs. Mr. Smith simply copied the values from the prior docket[7]. I have recalculated them based on the information in this docket using the same methods used in prior dockets (see Providence Water's response to Div 2-12).
- Symbols CRAN, K1, K2, and T: These are symbols that are derived from the allocation of investment or the net value of Providence Water's assets. As discussed later, I have made an adjustment to the plant allocation by splitting transmission and distribution investment. This recalculation also increases the amounts assigned to wholesale customers; but as with the recalculated symbol F results in more equitable allocation that is consistent with past practice.
- Symbols X1, X2, X3: In the original filing these values were left out all together. In Mr, Smith's supplemental response to Div 2-1(updated spreadsheet) these allocation symbols were included and recalculated on a supplemental schedule, however they were not used in any calculations as they were in past dockets. I have recalculated them in this docket and used them as they have been used in the past.
- Symbols N and P: These were derived using the same method as Mr. Smith and as used in past dockets. However, the changes to symbol A discussed above result in changes to the amounts for these symbols. I believe that my revisions consistent with the calculations that have been used and accepted in the past.
- Symbols TD and N: These symbols are used to allocate distribution pipe costs (TD) and pumping costs (N). In Mr. Smith's later assignment of costs to customer classes (HJS Ex 9) no base or average use costs are assigned to fire protection. As a result the amount of water used for fire fighting is not considered in the allocation of line items with these costs – only the peak

[7] In his supplemental response to Div 2-1 (spreadsheet), these factors were recalculated for this docket but were not used in any allocations by Mr. Smith.

demand portion is considered. I believe that this symbol must be modified to reflect the fact that some base water use that goes through pipes and pumps goes to fire services. As with symbol A I have included 1% for fire protection and adjusted the other symbols accordingly.

Q: You indicated some issues with the calculation and assignment of unaccounted for water in your discussion of Symbol A. Do you believe the revision back to the prior method full reflects the proper assignment of unaccounted for water?

A: No I do not. For purposes of this docket I think it is critical that the Commission explicitly *reconfirm* that unaccounted for water must be taken into consideration in the allocation of costs between wholesale and retail customers.

I would not like the Commission to close the door on further analysis of this matter. I believe that the method that has been used in the past fails to consider the losses due to under-registration of meters (primarily a retail only use), I believe that the inch-foot method that we have used *may* assign too much leakage to larger transmission pipes and too little to distribution pipes, and perhaps most importantly, I know that the current method has no consideration of the losses through miles of service connections to retail homes and fire services. In summary, I believe the current method is a good first step, but that it still assigns too much to the wholesale customers. Perhaps in surrebuttal testimony or a subsequent docket, the wholesale customers will present more evidence on this matter. I simply would not like further refinements to the assignment of unaccounted for water precluded in this docket.

Q: Will you please discuss the next set of revisions you recommend – the new symbols?

A: There are several new symbols I am proposing to derive a more equitable allocation of costs and to properly recognize the layout and operation of the Providence Water system.

- Symbols DY, HMY, and YY: As discussed earlier, I believe that Comm-Y should be eliminated as it is no longer appropriate. I believe that adjustments to lessen the impact on the retail customer charge may still be valid. I have created three new symbols that remove all benefit costs assigned to billing and meters within the Transmission & Distribution, Customer Accounts, and Administration functions (as well as workers compensation Insurance).
- Symbol NO: In past dockets the pumping operating costs were allocated (using symbol N) based on an analysis of the capacity and uses of the various pumping stations, allocating those that provide service to all customers based on use and allocating those that are for retail distribution based only based on retail demands. In deriving symbol N, the capacity and use of the Raw Water Pumping Station is an overriding consideration. However, the operating costs of the Raw Water Pumping Station are not included in the pumping operating expenses. As can be seen in the response to KCWA 2-5, the Raw Water Pumping Station is not included in these costs[8]. Accordingly a new symbol must be derived to assign the pumping O&M costs to reflect the fact that the Raw Water Pumping Station costs are not part of these; the current symbol N assumes that the Raw Water Pumping Station is a part of the pumping operating costs. For the non-power operating costs I have calculated new allocation percentages on KCWA Ex 5 using the same plant capacities and allocators that were used for symbol N, the only difference being the exclusion of the Raw Water Pump Station that has no costs included under pumping operations.

[8] Confirmed in a telephone conversation with Ms. Bondarevskis

- Symbol NP: This symbol is used to allocate the pump station power costs. Again, as shown on the response to KCWA 2-5 the Raw Water Pumping Station is not included under purchased power for pumping. Symbol N that includes the Raw Water Station should not be used for this cost. I have derived the percentage of test year power costs at each pumping station to derive this new symbol. Clearly it provides a more equitable allocation of the pumping power costs since it is based on the actual costs.
- Symbol WC: This new allocation symbol is proposed to allocate the capital costs associated with the Western Cranston system. The Western Cranston system is a retail only system that was acquired by Providence Water several years ago. The costs of this system have nothing to do with the provision of wholesale service. While the pro forma costs are minimal ($62,069), substantial new investment is projected in Mr. Edge's WEE-10B. It is expected that impact fees will cover many of these costs and that only $62,069 of rate revenues will be needed through FY 2010; however, if these fees or future fund balances are insufficient, wholesale customers should not be required to contribute to this retail only investment.
- Symbol X2 and X3: Providence Water does not account for transmission and distribution costs in the way it used to. As a result it became necessary to examine the past expense details as a surrogate to provide the detail needed to equitably allocate these costs. In past cases these allocation symbols were HOC and HMC. Because they are derived from X2 and X3, I eliminated them to hopefully reduce confusion; HOC and HMC are really just duplicates of the other symbols.

Q: Why do you believe that pumping costs should continue to be recognized differently?

A: In Docket 2048 and all subsequent Providence Water dockets the Commission has found that separating retail from wholesale pumping costs is reasonable. Providence Water's system includes some costs that are shared by all customers

(wholesale and retail) and some costs that are only for retail customers. The wholesale customers take water in bulk into their individual retail distribution systems and distribute the water to their own individual customers. The wholesalers incur their own retail distribution costs; Providence Water does not provide this service to them. The wholesale customers should not have to pay for retail costs twice – they should not have to pay for a service they do not receive. Many of Providence Water's pumping stations are for retail distribution service only.

I believe the Commission should recognize that Providence Water incurs labor and benefit costs for the operation of its pumping stations. While these costs may not be accounted for any longer, they are real and they do exist. Accordingly, they should continue to be estimated and moved from treatment to pumping operating costs to reflect the reality. I am not suggesting that Providence Water needs to change its accounting, but for rate purposes, these costs should be recognized and estimated to the best ability possible.

Lastly, I also believe it is critical to adopt new pumping allocators to reflect the fact that the Raw Water Pumping Station costs are not part of the Pumping O&M expenses. The Raw Water Station is large and represents 62% of the pumping capacity that is used to allocate the capital costs under symbol N. It is not appropriate to include this large pumping station in the allocation of operating costs when the cost of that facility are not part of the pumping operating expenses. I understand that this is a change from past practice, but I also believe it is clearly warranted.

Q: Can you provide further explanation as to why you believe the Comm Y allocator should be revised?

A: As I indicated earlier, this allocation symbol is a relic of Docket 2048 – a case decided in 1992 – 15 years ago. A reading of that decision clearly indicates that this allocator was adopted to move costs from the billing or customer service charge to the metered rate. As shown on Mr. Smith's Ex. 2, the continued use of this alloca-

tor results in the assignment of costs that are clearly not right – over $282,000 of customer service employee benefit costs being allocated directly to wholesale customers only!

Q: Won't the discontinuance of this allocation symbol result in higher customer service charges that the Commission was trying to avoid in docket 2048?

A: I do not believe it will. I think that the adoption of the new symbols I recommend for the Customer Service, Transmission & Distribution, Administrative, and Insurance functions will assure that the cost of benefits continue to be removed from the retail customer service charges while eliminating the inequities so apparent within the Customer Accounts allocation (over $280,000 assigned directly to wholesale customers).

In response to KCWA 1-3 and KCWA 2-1 Mr. Smith acknowledges that in the absence of the Commission's adjustments fifteen years ago that "employee related costs for the different functions would generally be allocated in the same way as salaries and wages for the same function." What I have proposed does this and preserves the lower retail customer service charges.

Q: The final set of cost allocation changes you noted are related to the manner in which specific line items are allocated. Would you discuss these?

A: I have touched on some of these earlier.

- Pumping operating costs: First I have taken some of the expenses related to salaries and benefits from treatment and moved them to operating costs where they are properly reflected. The operating salaries (acct 60123) are based on the response to KCWA 2-3, For the maintenance salaries (acct 60126) I used 7.5% of the treatment maintenance based on the response in KCWA 2-2 that pumping maintenance costs were 5-10% of the treatment maintenance costs. I used the same factors to adjust the related employee benefits and pensions. This did not change the overall costs – it simply

moved some salary and benefit costs from one area (treatment) to another (pumping) to better reflect actual conditions.

Aside from the use of the Comm Y allocator discussed earlier and the use of symbol P for the power costs, Mr. Smith has allocated all other pumping costs based on symbol AA. There is no explanation for his proposed change from past practice. I can see no valid reason to use symbol AA – it is unrelated to pumping and does not reflect the various wholesale and retail pumping functions I have discussed earlier. I have used new symbol NO for the pumping operating costs – a symbol derived to reflect the pumping operating costs of Providence Water, and I have used symbol NP for the power related pumping costs – a symbol based on actual power costs for pumping.

- For Water Treatment O&M I have replaced symbol COMM Y with AA for the allocation of employee benefits. This is consistent with Mr. Smith's response to KCWA 1-3 that employee related costs be allocated in the same manner as the salaries and wages for that function. I have made the same revision to employee benefit and pension costs for Transmission & Distribution, Customer Accounts, and Administration[9].
- For the Transmission & Distribution line item costs, I have used the same allocation symbols, but the basis for these symbols was revised (see discussion above). In the past there has been a more detailed analysis of Transmission & Distribution costs to derive the allocation factors. Mr. Smith simply used a past docket and did not update the numbers[10]. I have made a calculation as in past dockets using the prior detailed costs.
- For the allocation of assets there have been minor changes in the line items reported; pumping land structures and equipment are no longer reported as separate line items and are apparently included under Supply and Pumping

[9] No change was needed for Supply operations as Mr. Smith had already changed this allocation of benefits to match the salary allocation.

[10] In his supplemental response to Div 2-1 he has provided the calculations but he has not proposed using them.

assets. Mr. Smith has proposed allocating supply mains, other source plant, and other power production based on symbol N which is used for pumping items. Once again, Mr. Smith's revision is beneficial to the wholesale customers, but it is not correct. The appropriate allocator for these items is symbol A.

- For the allocation of transmission and distribution mains Mr. Smith has included a single line item and allocated these assets with nothing assigned to wholesale customers. Clearly the line item includes distribution pipes that are not allocable to wholesale customers, but also includes transmission mains that are allocable in part to wholesale customers. Mr. Smith's failure to break out the transmission mains results in a lower allocation to the wholesale customers, but again, it is not equitable or fair. I have broken the mains line item into distribution and transmission based on the inch-miles of pipe. The use of inch-miles is only an approximation and may assign too much to the transmission pipes; however the only basis available[11] is the use of inch-miles.
- Mr. Smith has allocated the costs of the Western Cranston fund based on the allocation of Providence Water's assets. This is consistent with the way these costs have been allocated in the past. Allocating capital items based on the net value of assets is certainly an accepted method for assigning capital costs; it smoothes out investments in different functional areas and minimize drastic changes in rates. Over time, the payment of debt or rate funded capital will generally be in proportion to the asset values. The acquisition of the Western Cranston system and the accompanying costs is an exception I believe. This is an expense that was made to help out customers in a specific area. It has no relationship to or benefit for wholesale customers. I believe that this specific lime item should be considered on its own merits and any costs should only be allocated to the retail customers.

[11] Providence Water has been asked for a breakdown based on the books and records if available.

Rate Design

Q: There are several rate design issues that have been raised in this docket. Will you comment on those?

A: Providence Water has proposed two significant rate design changes: (1) a fixed wholesale charge and (2) a reduced public fire service charge.

In addition to these changes Providence Water has proposed retail rates that are based on peaking factors for various retail customers. While these have no impact on the wholesale customers, I would like to comment on them as they may get used in future dockets.

Q: Please start with the proposed fixed charge to wholesale customers.

A: The wholesale customers that I represent are opposed to this revision. If sales to the wholesalers are all exactly equal to the rate year projections of Providence Water, then there will be no overall impact – the annual bill would be exactly the same with or without the fixed charge. However, I feel fairly confident in suggesting that the wholesale water sales will not be *exactly* as projected by Providence Water. If sales are less, then Providence Water will get more revenue with their proposed fixed charges – the wholesale customers lose. If sales are more than projected, then Providence Water will get less revenue with their proposed fixed charges – the wholesale customers gain. Either way, unless sales are *exactly* as projected someone will gain and someone will lose. There is no need to take this gamble.

Q: But doesn't Mr. Smith raise a valid point regarding revenue stability?

A: Revenue stability is a valid concern. I don't think that Providence Water has thought this through carefully and I don't think they are looking to stabilize the right rates or revenues from the right customers. Providence Water's proposal to move fixed hydrant revenues to variable use based revenues is totally contrary to their claim to want to stabilize revenues.

In Mr. Bebyn's Schedule DGB-1 there is a history of water use. As noted earlier, I have adjusted this to reflect the corrected use by Johnston. An examination of the (adjusted) historic retail and wholesale sales shows that the retail customers exhibit a much greater variation from the average than do the wholesale customers. In nearly every year, the retail difference from the average is twice that of the wholesale customers. Wholesale water use never varies from the average by more than 1%, but the retail variation from the average is less than 1% in only one year (0.9% in FY 2003). Clearly the variation in revenues or instability is caused more by retail customers than wholesale customers. In addition, wholesale revenues represent only about ¼ of the total revenues.

Certainly Providence Water does have fixed customer service and fire charges for its retail customers, but (a) the wholesale customers pay the customer service charge and (b) the proposal put forth by Providence Water recovers less than 20% of the retail costs from fixed retail charges. It is unclear why Providence believes a higher percentage of fixed revenues from a more stable revenue base makes sense.

Perhaps more importantly it seems incongruous to suggest higher fixed charges to wholesale customers to increase revenue stability and lower fixed fire protection charges for retail customers! Suggesting that 50% of the fixed fire protection revenue be transferred to the most unstable source – retail metered rates – is totally inconsistent logic.

The Commission should reject the proposal for fixed wholesale charges. It seeks to stabilize the wrong revenue stream and it can only result in over or under charges. It makes little sense.

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Q: Will you address the proposed reduction in fire charges?

A: First I must note that this matter has no bearing on the wholesale customers and my revised cost allocations show a reduced public fire charge without any artificial adjustment. Providence Water's proposal to move fixed fire protection revenues to variable water rates makes little sense when one considers Providence Water's goal of stabilizing revenues. I agree with Mr. Smith that there are tax exempt properties that avoid paying their share of fire protection costs; this is unfortunate, but that is one of the differences between a tax and a fee. Switching the fire protection costs to water use may not be any more equitable. This assumes that the level of fire protection is proportional to water use not property value. I am not sure that the equity that Mr. Smith claims (page 6, line 15) has been demonstrated or supported.

Q: You also mentioned the peaking factors used by Mr. Smith; will you address this matter please?

A: The peaking factors for various classes of customers have no bearing on the wholesale customers under the cost allocation methodology proposed by Providence Water. I raise this concern however, because I believe that revisions to the methodology may occur over the years. Revisions have certainly happened in the past with the Providence Water rates and I have suggested some further refinements in this docket. Considering the maximum day and peak hour demands of the wholesale customers would not be unreasonable in a future rate case. In fact I have discussed this with Mr. Catlin. I am concerned that the factors presented by Mr. Smith are not appropriate however.

Q: Why do you think the peaking factors Mr. Smith shows are inappropriate?

A: First, these factors are presented as coincident peaks for each customer class, which is the peak demand by each class at the time of the system peak. I recognize that the AWWA Manuals now mention the use of coincident peaks in the appendix to the M1 Manual, but I do not believe that the use of a coincident peak is correct. It is far more common and, I believe, correct to use non-coincident peaks.

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Next I do not believe the factors for the various classes presented by Mr. Smith are correct. These factors are not in line with industry standards. Some of the wholesale customers provide their own storage facilities that reduce their reliance on Providence Water to meet maximum day or peak hour demands within their own systems. I don't think this is reflected[12] in the factors presented by Mr. Smith.

In response to KCWA 2-6 Mr. Smith points out that the factors he has used are "estimated based on those used in the previous docket." While these peaking factors do not impact the wholesale customers now, I am concerned that if they are used again without challenge that (1) they will become memorialized for future use, (2) they will be deemed as a precedence, and (3) subsequent protests regarding their use may be met with a response of "you didn't say anything in the past few dockets". The wholesale customers want to be on record that we believe the peaking factors that Providence Water has proposed in this docket are incorrect and should not be used as a basis to assign costs to wholesale customers in the future.

Q: Have you prepared any exhibits that accompany your testimony?

A: I have. In hopes to simplify the review I have copied the spreadsheet that Mr. Smith provided in response to Div 2-1 and made modifications to it. I have relabeled the Exhibits as "KCWA exhibits" to avoid in confusion with Mr. Smith's exhibits. These exhibits are attached.

Q: Does this conclude your testimony?

A: At the time this testimony was due, there were several data requests that were still outstanding. Depending on the responses to those data requests I may have additional testimony.

[12] Since Mr. Smith has proposed to use a coincident peak demand, he can certainly find the actual use by the wholesale customers on that peak day. There is no indication that such an attempt was made.

Respectfully submitted,
Kent County Water Authority
By its Attorneys,

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CERTIFICATE OF SERVICE

In accordance with Rule 1.7D of the Rules of Practice and Procedure of the Public Utilities Commission, I hereby certify that on the 18th day of July, 2007, a copy of the within Request was mailed electronically to the attached service list.

SERVICE LIST - RIPUC DOCKET NO. 3832Updated: 5/4//07

Providence Water Supply Board – Rate Filing

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Revenue Under Existing Rates
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Current Rates	Total Revenues
Quarterly Service Charges			
5/8"	54,096	$ 12.19	$ 2,637,721
3/4"	10,329	$ 13.05	$ 539,174
1"	5,076	$ 15.32	$ 311,057
1.5"	1,469	$ 18.33	$ 107,707
2"	1,752	$ 26.66	$ 186,833
3"	42	$ 87.93	$ 14,772
4"	28	$ 110.64	$ 12,392
6"	56	$ 163.59	$ 36,644
8"	24	$ 224.10	$ 21,514
10"	3	$ 278.93	$ 3,347
12"	-	$ 333.79	$ -
Total	72,875		$ 3,871,161
Monthly Service Charges			
5/8"	-	$ 7.25	$ -
3/4"	-	$ 7.50	$ -
1"	-	$ 8.25	$ -
1.5"	1	$ 9.27	$ 111
2"	19	$ 12.05	$ 2,747
3"	5	$ 32.47	$ 1,948
4"	6	$ 40.03	$ 2,882
6"	15	$ 57.67	$ 10,381
8"	8	$ 77.85	$ 7,474
10"	-	$ 96.14	$ -
12"	1	$ 114.41	$ 1,373
Total	55		$ 26,916
Total Service Charge Revenue			$ 3,898,077
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)	14,992,536	$ 0.925	
Consumption (MGD)	11,214	$ 1,236.00	$ 13,861,019
Private Fire Service Charges			
3/4"	6	$ 10.77	$ 258
1"	9	$ 14.26	$ 513
1.5"	3	$ 23.00	$ 276
2"	31	$ 33.48	$ 4,152
4"	288	$ 92.87	$ 106,986
6"	1,154	$ 180.22	$ 831,896
8"	217	$ 285.03	$ 247,406
10"	4	$ 407.30	$ 6,517

12"	16	$	547.05	$ 35,011
16"	-	$	547.05	$ -
Total	1,714			$ 1,233,015
Public Fire Service Charges				
Hydrants	6,046	$	250.99	$ 1,517,486
Total Rate Revenues				**$ 50,598,019**
Miscellaneous Revenues				$ 1,245,739
Total Revenues				**$ 51,843,758**

Equivalent Meter Calculations

Rate Year Ending December 31, 2008

	Number of Customers	Equivalent Meter Factor	Equivalent Meters
Retail Customers			
5/8"	54,096	1.0	54,096
3/4"	10,329	1.1	11,362
1"	5,076	1.4	7,106
1.5"	1,470	1.8	2,646
2"	1,771	2.9	5,136
3"	47	11.0	517
4"	34	14.0	476
6"	71	21.0	1,491
8"	32	29.0	928
10"	3	36.3	109
12"	1	43.5	44
Total	72,930		83,910
Private Fire Connections			
3/4"	6	1.1	7
1"	9	1.4	13
1.5"	3	1.8	5
2"	31	2.9	90
4"	288	14.0	4,032
6"	1,154	21.0	24,234
8"	217	29.0	6,293
10"	4	36.3	145
12"	16	43.5	696
16"	-	58.0	-
Total	1,728		35,515
Total Equivalent Meters			**119,425**

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
			3	4	5	6	7	8	9	
601 Operating Fund										
Source of Supply										
60110	Salaries + Wages - Emp	A	$ 357,859	$ 190,014	$ -	$ -	$ -	$ -	$ 3,579	$ 164,267
60120	Salaries + Wages - Emp	A	$ 392,732	$ 208,530	$ -	$ -	$ -	$ -	$ 3,927	$ 180,274
60320	Sal. + Wages - Officers, Dir	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60410	Employee Pension + Ben	A	$ 223,138	$ 118,480	$ -	$ -	$ -	$ -	$ 2,231	$ 102,426
60420	Employee Pension + Ben	A	$ 244,882	$ 130,026	$ -	$ -	$ -	$ -	$ 2,449	$ 112,407
61510	Purchase Power	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61610	Fuel for Power Purch	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
62010	Material + Supplies	A	$ 10,191	$ 5,411	$ -	$ -	$ -	$ -	$ 102	$ 4,678
62020	Material + Supplies	A	$ 48,200	$ 25,593	$ -	$ -	$ -	$ -	$ 482	$ 22,125
63110	Contractual Services - Engineer	A	$ 4,787	$ 2,542	$ -	$ -	$ -	$ -	$ 48	$ 2,197
63120	Contractual Services - Engineer	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63420	Contractual Services - Mgt. Fees	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63510	Contractual Services - Other	A	$ 86,988	$ 46,188	$ -	$ -	$ -	$ -	$ 870	$ 39,930
63520	Contractual Services - Other	A	$ 21,013	$ 11,157	$ -	$ -	$ -	$ -	$ 210	$ 9,646
64210	Rental of Equipment	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64220	Rental of Equipment	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65010	Transportation Exp.	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65020	Transportation Exp.	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67510	Misc. Expenses	A	$ 9,323	$ 4,950	$ -	$ -	$ -	$ -	$ 93	$ 4,280
67520	Misc. Expenses	A	$ 4,041	$ 2,146	$ -	$ -	$ -	$ -	$ 40	$ 1,855
	Total-Source of Supply		$ 1,403,154	$ 745,038	$ -	$ -	$ -	$ -	$ 14,032	$ 644,084
Pumping										
60123	Salaries + Wages - Emp	NO	$ 24,831	$ 8,662	$ 5,792	$ 1,186	$ -	$ -	$ 248	$ 8,942
60126	Salaries + Wages - Emp	NO	$ 23,241	$ 8,107	$ 5,421	$ 1,110	$ -	$ -	$ 232	$ 8,369
60423	Employee Pension + Ben	NO	$ 14,837	$ 5,176	$ 3,461	$ 709	$ -	$ -	$ 148	$ 5,343
60426	Employee Pension + Ben	NO	$ 14,491	$ 5,055	$ 3,380	$ 692	$ -	$ -	$ 145	$ 5,219
61523	Purchase Power	NP	$ 701,668	$ 233,466	$ 172,031	$ -	$ -	$ -	$ 7,017	$ 289,154
61623	Fuel for Power Purch	NP	$ 17,713	$ 5,894	$ 4,343	$ -	$ -	$ -	$ 177	$ 7,299
62023	Material + Supplies	NO	$ 482	$ 168	$ 112	$ 23	$ -	$ -	$ 5	$ 174
62026	Material + Supplies	NO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63123	Contractual Services - Engineer	NO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63126	Contractual Services - Engineer	NO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63523	Contractual Services - Other	NO	$ 5,181	$ 1,807	$ 1,209	$ 248	$ -	$ -	$ 52	$ 1,866
63526	Contractual Services - Other	NO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64223	Rental of Equipment	NO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64226	Rental of Equipment	NO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65023	Transportation Exp.	NO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67523	Misc. Expenses	NO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67526	Misc. Expenses	NO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Total-Pumping		$ 725,044	$ 268,335	$ 195,750	$ 3,969	$ -	$ -	$ 8,024	$ 326,366

Allocation of Operating & Maintenance and City Services Expenses

Rate Year Ending December 31, 2008

		Allocation Factor	Total	3 Base	4 Maximum Day	5 Maximum Hour	6 Meters & Services	7 Billing & Collection	8 Public Fire Protection	9 Wholesale
Water Treatment										
60130	Salaries + Wages - Emp	AA	$ 2,023,516	$ 643,868	$ 430,567	$ -	$ -	$ -	$ 20,235	$ 928,846
60140	Salaries + Wages - Emp	AA	$ 286,633	$ 91,204	$ 60,990	$ -	$ -	$ -	$ 2,866	$ 131,572
60430	Employee Pension + Ben	AA	$ 1,209,127	$ 384,735	$ 257,280	$ -	$ -	$ -	$ 12,091	$ 555,021
60440	Employee Pension + Ben	AA	$ 178,726	$ 56,869	$ 38,030	$ -	$ -	$ -	$ 1,787	$ 82,040
61530	Purchase Power	P	$ 179,721	$ 85,884	$ 17,972	$ -	$ -	$ -	$ 1,617	$ 74,247
61630	Fuel for Power Purch	AA	$ 130,804	$ 41,621	$ 27,833	$ -	$ -	$ -	$ 1,308	$ 60,042
61830	Chemicals	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
62030	Material + Supplies	AA	$ 100,347	$ 31,930	$ 21,352	$ -	$ -	$ -	$ 1,003	$ 46,062
62040	Material + Supplies	AA	$ 98,464	$ 31,331	$ 20,951	$ -	$ -	$ -	$ 985	$ 45,198
63140	Contractual Services - Engineer	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63240	Contract Services - Acctg	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63430	Contractual Services - Mgt. Fees	AA	$ 15,648	$ 4,979	$ 3,330	$ -	$ -	$ -	$ 156	$ 7,183
63530	Contractual Services - Other	AA	$ 193,700	$ 61,634	$ 41,216	$ -	$ -	$ -	$ 1,937	$ 88,913
63540	Contractual Services - Other	AA	$ 59,259	$ 18,856	$ 12,609	$ -	$ -	$ -	$ 593	$ 27,201
64140	Rental Buildg/Real Prop	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64230	Rental of Equipment	AA	$ 2,388	$ 760	$ 508	$ -	$ -	$ -	$ 24	$ 1,096
64240	Rental of Equipment	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65030	Transportation Exp.	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65640	Insurance Vehicle	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65830	Insurance - W/C	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65840	Insurance - W/C	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66730	Regularoty Com Exp. -Other	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67530	Misc. Expenses	AA	$ 64,233	$ 20,439	$ 13,668	$ -	$ -	$ -	$ 642	$ 29,485
67540	Misc. Expenses	AA	$ 182	$ 58	$ 39	$ -	$ -	$ -	$ 2	$ 84
	Total-Water Treat. Exp.		$ 4,620,150	$ 1,474,167	$ 946,344	$ -	$ -	$ -	$ 45,248	$ 2,076,990

Allocation of Operating & Maintenance and City Services Expenses

Rate Year Ending December 31, 2008

		Allocation Factor	Total	3 Base	4 Maximum Day	5 Maximum Hour	6 Meters & Services	7 Billing & Collection	8 Public Fire Protection	9 Wholesale
Transmission & Distribution										
60150	Salaries + Wages - Emp	HM	$ 898,837	$ 490,650	$ 176,317	$ 126,995	$ -	$ -	$ 35,836	$ 69,039
60160	Salaries + Wages - Emp	HM	$ 2,400,044	$ 1,310,116	$ 470,796	$ 339,097	$ -	$ -	$ 95,688	$ 184,346
60250	Payroll Clearing -Emp	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60260	Payroll Clearing -Emp	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60450	Employee Pension + Ben	HMY	$ 560,455	$ 305,937	$ 109,940	$ 79,186	$ -	$ -	$ 22,345	$ 43,048
60460	Employee Pension + Ben	HMY	$ 1,496,511	$ 816,903	$ 293,558	$ 211,439	$ -	$ -	$ 59,665	$ 114,946
60550	Overhead Rate Applied	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60560	Overhead Rate Applied	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61550	Purchase Power	P	$ 9,027	$ 4,314	$ 903	$ -	$ -	$ -	$ 81	$ 3,729
62050	Material + Supplies	F	$ 147,797	$ 52,070	$ 34,820	$ 25,080	$ -	$ -	$ 2,956	$ 32,872
62060	Material + Supplies	F	$ 13,443	$ 4,736	$ 3,167	$ 2,281	$ -	$ -	$ 269	$ 2,990
62560	Inventory Clearing	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63150	Contractual Services - Engineer	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63160	Contractual Services - Engineer	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63460	Contractual Services - Mgt. Fees	C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63550	Contractual Services - Other	X2	$ 1,093,962	$ 373,841	$ 249,995	$ 180,062	$ 44,585	$ -	$ 20,605	$ 224,874
63560	Contractual Services - Other	X3	$ 40,138	$ 3,726	$ 2,491	$ 1,795	$ 29,563	$ -	$ 212	$ 2,352
64150	Rental Buildg/Real Prop	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64160	Rental Buildg/Real Prop	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64250	Rental of Equipment	F	$ 4,265	$ 1,503	$ 1,005	$ 724	$ -	$ -	$ 85	$ 949
64260	Rental of Equipment	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65060	Transportation Exp.	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65850	Insurance W/C	HMY	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65860	Insurance W/C	HMY	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65950	Insurance Other	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66750	Regulatory Com Exp - Other T &	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66760	Regulatory Com Exp - Other T &	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67550	Misc. Expenses	F	$ 3,856	$ 1,359	$ 909	$ 654	$ -	$ -	$ 77	$ 858
67560	Misc. Expenses	F	$ 718	$ 253	$ 169	$ 122	$ -	$ -	$ 14	$ 160
	Total-Trans/Dist Exp.		$ 6,669,053	$ 3,365,406	$ 1,344,070	$ 967,433	$ 74,148	$ -	$ 237,833	$ 680,162

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
			3	4	5	6	7	8	9	
Customer Accounts										
60170	Salaries + Wages - Emp	D	$ 1,968,504	$ -	$ -	$ -	$ 984,252	$ 984,252	$ -	$ -
60270	Payroll Clearing -Emp	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60470	Employee Pension + Ben	DY	$ 1,227,431	$ 1,227,431	$ -	$ -	$ -	$ -	$ -	$ -
60570	Overhead Rate Applied	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61670	Fuel for Power Purch	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
62070	Material + Supplies	D	$ 11,416	$ -	$ -	$ -	$ 5,708	$ 5,708	$ -	$ -
63370	Contractual Services - Legal	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63570	Contractual Services - Other	D	$ 36,045	$ -	$ -	$ -	$ 18,022	$ 18,022	$ -	$ -
65070	Transportation exp. - CAO	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65870	Insurance - Other	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65970	Insurance Other	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67070	Bad Debt Expense - CAO	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67570	Misc. Expenses	D	$ 128,976	$ -	$ -	$ -	$ 64,488	$ 64,488	$ -	$ -
	Total-Cust Accts Exp		$ 3,372,372	$ 1,227,431	$ -	$ -	$ 1,072,471	$ 1,072,471	$ -	$ -
Administration										
60180	Salaries + Wages - Emp	Y	$ 5,080,792	$ 2,142,609	$ 752,344	$ 293,958	$ 346,981	$ 324,543	$ 92,338	$ 1,128,018
60380	Salaries + wages - Officers, Dir.	Y	$ 39,754	$ 16,764	$ 5,887	$ 2,300	$ 2,715	$ 2,539	$ 722	$ 8,826
60480	Employee Pension + Ben	YY	$ 3,173,706	$ 1,757,842	$ 469,950	$ 183,620	$ -	$ -	$ 57,679	$ 704,614
60480	Board Health Insurance	YY	$ (13,022)	$ (7,213)	$ (1,928)	$ (753)	$ -	$ -	$ (237)	$ (2,891)
61580	Purchase Power	Z	$ 119,872	$ 50,551	$ 17,750	$ 6,935	$ 8,186	$ 7,657	$ 2,179	$ 26,614
61680	Fuel for Power Purch	Z	$ 196,308	$ 82,785	$ 29,069	$ 11,358	$ 13,406	$ 12,539	$ 3,568	$ 43,584
62080	Material + Supplies	Z	$ 195,909	$ 82,616	$ 29,009	$ 11,335	$ 13,379	$ 12,514	$ 3,560	$ 43,495
63180	Contractual Services - Engineer	Y	$ 25,932	$ 10,936	$ 3,840	$ 1,500	$ 1,771	$ 1,656	$ 471	$ 5,757
63280	Contract Services - Acctg	Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63380	Contractual Services - Legal	Y	$ 93,312	$ 39,351	$ 13,817	$ 5,399	$ 6,373	$ 5,960	$ 1,696	$ 20,717
63480	Contractual Services - Mgt. Fees	Y	$ 150,000	$ 63,256	$ 22,211	$ 8,679	$ 10,244	$ 9,581	$ 2,726	$ 33,302
63580	Contractual Services - Other	Y	$ 478,450	$ 201,766	$ 70,847	$ 27,682	$ 32,675	$ 30,562	$ 8,695	$ 106,224
64180	Rental Buildg/Real Prop	Z	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64280	Rental of Equipment	Z	$ 10,261	$ 4,327	$ 1,519	$ 594	$ 701	$ 655	$ 186	$ 2,278
65080	Transportation Exp.	Z	$ 111,382	$ 46,971	$ 16,493	$ 6,444	$ 7,607	$ 7,115	$ 2,024	$ 24,729
65780	Ins. Gen. Liability	Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65880	Insurance - W/C	YY	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65980	Insurance Other	Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66080	Advertising Expense	Z	$ 3,565	$ 1,503	$ 528	$ 206	$ 243	$ 228	$ 65	$ 791
66680	Reg Com Exp - Amort of Rate C	Comm Z	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66780	Regulatory Com Exp. -Other	Comm Z	$ 289,487	$ 147,786	$ 51,893	$ 20,276	$ -	$ -	$ 5,261	$ 64,271
67580	Misc. Expense	Z	$ 307,624	$ 129,728	$ 45,552	$ 17,798	$ 21,008	$ 19,650	$ 5,591	$ 68,298
	Total-Admin/Gen Exp		$ 10,263,333	$ 4,771,579	$ 1,528,782	$ 597,330	$ 465,289	$ 435,200	$ 186,526	$ 2,278,627

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
			3	4	5	6	7	8	9	
857 Insurance Fund										
65840	Insurance W/C - WTM	YY	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65870	Insurance W/C - CAO	YY	$ 25,512	$ 14,131	$ 3,778	$ 1,476	$ -	$ -	$ 464	$ 5,664
62080	Materials + Supplies - A&GO	Z	$ 31,163	$ 13,142	$ 4,614	$ 1,803	$ 2,128	$ 1,991	$ 566	$ 6,919
63580	Contract Services - Other A&GC	Y	$ 83,972	$ 35,412	$ 12,434	$ 4,858	$ 5,735	$ 5,364	$ 1,526	$ 18,643
65780	Ins. Gen. Liability	Comm Z	$ 1,466,096	$ 748,459	$ 262,810	$ 102,686	$ -	$ -	$ 26,645	$ 325,497
65880	Insurance - W/C	Y	$ 531,027	$ 223,938	$ 78,632	$ 30,724	$ 36,265	$ 33,920	$ 9,651	$ 117,897
	Additional Insurance	Comm Z	$ 212,172	$ 108,316	$ 38,034	$ 14,861	$ -	$ -	$ 3,856	$ 47,106
67580	Misc. Expense	Z	$ 207,528	$ 87,516	$ 30,730	$ 12,007	$ 14,173	$ 13,256	$ 3,772	$ 46,075
	Funding Requirement	Comm Z	$ 410,185	$ 209,404	$ 73,529	$ 28,729	$ -	$ -	$ 7,455	$ 91,068
	Total Insurance Fund		$ 2,967,655	$ 1,440,317	$ 504,561	$ 197,144	$ 58,301	$ 54,531	$ 53,934	$ 658,868
878 Chemical and Sludge Maintenance Fund										
61830	Chemicals - WTO	A	$ 2,286,505	$ 1,214,075	$ -	$ -	$ -	$ -	$ 22,865	$ 1,049,565
62030	Materials + Supplies WTO	A	$ (1,981)	$ (1,052)	$ -	$ -	$ -	$ -	$ (20)	$ (909)
	Funding Requirement	A	$ 200,000	$ 106,195	$ -	$ -	$ -	$ -	$ 2,000	$ 91,805
63540	Contract Services - Other WTM	A	$ 648,042	$ 344,093	$ -	$ -	$ -	$ -	$ 6,480	$ 297,468
	Total Chemical and Sludge Maintenance		$ 3,132,565	$ 1,663,311	$ -	$ -	$ -	$ -	$ 31,326	$ 1,437,929
	Total Operating and Maintenance Expense		$ 33,153,326	$ 14,955,584	$ 4,519,507	$ 1,765,876	$ 1,670,209	$ 1,562,202	$ 576,923	$ 8,103,025
	Less: Capital Labor	X4	$ 758,616	$ 331,070	$ 110,268	$ 26,700	$ 61,620	$ -	$ 6,831	$ 222,126
	Net Operating and Maintenance Expense		**$ 32,394,710**	**$ 14,624,514**	**$ 4,409,240**	**$ 1,739,176**	**$ 1,608,589**	**$ 1,562,202**	**$ 570,091**	**$ 7,880,898**
	City Services Cost	**Z**	**$ 1,245,952**	**$ 525,428**	**$ 184,496**	**$ 72,087**	**$ 85,089**	**$ 79,587**	**$ 22,644**	**$ 276,622**
	Less: Miscellaneous Revenue	**Z**	**$ 1,245,739**	**$ 525,338**	**$ 184,464**	**$ 72,074**	**$ 85,075**	**$ 79,573**	**$ 22,640**	**$ 276,574**

Allocation of Transmission & Distribution Costs

Item	Allocation %	6/30/2006 Total	Allocation Symbol	Rate Year Total	Base	Maximum Day	Maximum Hour	Meters and Services	Billing And Collections	Public Fire Services	Wholesale
Transmission & Distribution - Salaries & Wages T&D (O)											
Unspecified	99.43%	830,002	HM	893,757	262,174	175,321	126,277	225,703	0	35,634	68,649
Vacation	0.57%	4,717	HM	5,079	1,490	996	718	1,283	0	203	390
Total - Salaries & Wages T&D (O)		834,719		898,837	263,664	176,317	126,995	226,986	0	35,836	69,039
Transmission & Distribution - Salaries & Wages T&D (M)											
Check Trench	0.24%	5,336	F	5,866	2,066	1,382	995	0	0	117	1,305
Repair Trench	0.03%	624	F	686	242	162	116	0	0	14	153
Exercise Valves	0.26%	5,754	F	6,325	2,228	1,490	1,073	0	0	127	1,407
Exercise Valve (unsc)	0.39%	8,553	F	9,402	3,312	2,215	1,595	0	0	188	2,091
Check Valves	0.35%	7,674	F	8,436	2,972	1,987	1,431	0	0	169	1,876
Check Gate Boxes	0.04%	937	F	1,030	363	243	175	0	0	21	229
Check no/rusty water	0.56%	12,172	TD	13,380	6,160	4,119	2,967	0	0	134	0
Close stop non-pay	0.01%	189	C	208	0	0	0	208	0	0	0
Close stop non-use	0.05%	1,002	C	1,101	0	0	0	1,101	0	0	0
Close stop repair	2.98%	65,121	C	71,584	0	0	0	71,584	0	0	0
Close Stop Was closed non- use	0.03%	751	C	826	0	0	0	826	0	0	0
Open Stop Closed repair	2.32%	50,648	C	55,674	0	0	0	55,674	0	0	0
Open Stop non-payment	0.24%	5,145	C	5,656	0	0	0	5,656	0	0	0
Mark out	14.13%	308,596	F	339,222	119,510	79,919	57,562	0	0	6,784	75,447
Open stop seasonal	0.26%	5,604	C	6,160	0	0	0	6,160	0	0	0
Close stop demolition	0.01%	143	C	157	0	0	0	157	0	0	0
check position stop	0.46%	10,152	C	11,160	0	0	0	11,160	0	0	0
check conditiom curb box	0.16%	3,490	C	3,836	0	0	0	3,836	0	0	0
Meter maint	0.03%	662	C	728	0	0	0	728	0	0	0
Meter work - sdet jump pipe	0.04%	766	C	842	0	0	0	842	0	0	0
chech hydrant condition	1.59%	34,683	FP	38,125	0	0	0	0	0	38,125	0
open close flush hydrant	0.96%	20,892	FP	22,965	0	0	0	0	0	22,965	0
assist truck	1.89%	41,213	XI	45,303	13,748	9,194	6,622	9,271	0	1,557	4,912
replace covers	0.36%	7,910	F	8,695	3,063	2,048	1,475	0	0	174	1,934
yrard work	7.92%	172,905	TD	190,065	87,503	58,515	42,146	0	0	1,901	0
check leak	2.34%	51,070	F	56,138	19,778	13,226	9,526	0	0	1,123	12,486
T&D misc	0.86%	18,838	XI	20,708	6,284	4,202	3,027	4,238	0	712	2,245
shut down notifications	0.06%	1,265	C	1,391	0	0	0	1,391	0	0	0
leak detection	0.51%	11,029	F	12,124	4,271	2,856	2,057	0	0	242	2,696
transport & delivery	0.01%	236	XI	259	79	53	38	53	0	9	28
lag time	28.02%	611,815	TD	672,534	309,624	207,052	149,132	0	0	6,725	0
trench repair	0.12%	2,702	F	2,970	1,046	700	504	0	0	59	661

check trench	0.18%	3,830	F	4,210	1,483	992	714	0	0	84	936
meter leak	0.00%	63	C	69	0	0	0	69	0	0	0
install mains gv	0.11%	2,460	F	2,704	953	637	459	0	0	54	601
install service	8.66%	189,165	C	207,938	0	0	0	207,938	0	0	0
install hydrant	0.32%	6,941	FP	7,630	0	0	0	0	0	7,630	0
remove service	0.51%	11,192	C	12,303	0	0	0	12,303	0	0	0
contractor installed service	0.01%	298	C	328	0	0	0	328	0	0	0
replacemewmt 105s	8.82%	192,465	C	211,566	0	0	0	211,566	0	0	0
contractor 105's	0.00%	92	C	101	0	0	0	101	0	0	0
maint work	13.66%	298,142	F	327,731	115,461	77,211	55,612	0	0	6,555	72,891
operational work	0.46%	10,016	F	11,010	3,879	2,594	1,868	0	0	220	2,449
removal installation	0.04%	819	C	900	0	0	0	900	0	0	0
Total- Salaries & Wages T&D (M)		2,183,360		2,400,044	704,026	470,796	339,097	606,090	0	95,688	184,346
			HM		29.3%	19.6%	14.1%	25.3%	0.0%	4.0%	7.7%
											0
Transmission & Distribution - Contract Services Other T&D (O)											
Unspecified	11.57%	119,021	X2	126,614	43,268	28,934	20,840	5,160	0	2,385	26,027
New Service Applications	3.22%	33,091	C	35,202	0	0	0	35,202	0	0	0
Uniforms	3.36%	34,535	X2	36,738	12,555	8,396	6,047	1,497	0	692	7,552
Equipment	1.55%	15,900	X2	16,914	5,780	3,865	2,784	689	0	319	3,477
Repair Leak on Service	0.10%	1,000	C	1,064	0	0	0	1,064	0	0	0
Road Resore Contractor	64.56%	663,854	F	706,207	248,801	166,378	119,836	0	0	14,124	157,068
Road Restore Force Work	0.46%	4,726	F	5,028	1,771	1,184	853	0	0	101	1,118
Markouts/Dig Safe	3.30%	33,913	F	36,077	12,710	8,499	6,122	0	0	722	8,024
Contractor Repair Leak - Distribu	2.85%	29,287	TD	31,155	14,344	9,592	6,909	0	0	312	0
Switchboard monitor	0.32%	3,294	X2	3,504	1,197	801	577	143	0	66	720
Police details	6.87%	70,600	F	75,104	26,460	17,694	12,744	0	0	1,502	16,704
Pagers/cell phones	1.86%	19,133	X2	20,354	6,955	4,651	3,350	830	0	383	4,184
Total-Contract Services Other T&D (O)		1,028,354		1,093,962	373,841	249,995	180,062	44,585	0	20,605	224,874
			X2		34.17%	22.85%	16.46%	4.08%	0.00%	1.88%	20.56%
Transmission & Distribution - Contract Services Other T&D (M)											
Repair Leak on Service	73.65%	27,790	C	29,563	0	0	0	29,563	0	0	0
Plumbing Maint	26.35%	9,941	F	10,575	3,726	2,491	1,795	0	0	212	2,352
	0.00%	0	X3	0	0	0	0	0	0	0	0
	0.00%	0	X3	0	0	0	0	0	0	0	0
	0.00%	0	X3	0	0	0	0	0	0	0	0
	0.00%	0	X3	0	0	0	0	0	0	0	0
	0.00%	0	X3	0	0	0	0	0	0	0	0
Total - Contract Services Other T&D (M)		37,731		40,138	3,726	2,491	1,795	29,563	0	212	2,352
			X3		9.3%	6.2%	4.5%	73.7%	0.0%	0.5%	5.9%
Total				4,432,981	1,345,257	899,600	647,948	907,224	0	152,341	480,611
			X1		30.3%	20.3%	14.6%	20.5%	0.0%	3.4%	10.8%

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	$ 3,316,517	$ -	$ -	$ -	$ -	$ 62,461	$ 2,867,121
Structures and Improvements	A	$ 7,066,935	$ 6,154,024	$ 912,911	$ 484,732	$ -	$ -	$ -	$ -	$ 9,129	$ 419,050
Collecting & Impounding Reservoirs	A	$ 14,731,696	$ 5,644,572	$ 9,087,124	$ 4,825,028	$ -	$ -	$ -	$ -	$ 90,871	$ 4,171,225
Supply Mains	A	$ 22,321,197	$ 4,125,069	$ 18,196,128	$ 9,661,673	$ -	$ -	$ -	$ -	$ 181,961	$ 8,352,494
Other Water Source Plant	A	$ 399,766	$ 259,779	$ 139,987	$ 74,329	$ -	$ -	$ -	$ -	$ 1,400	$ 64,258
Other Power Production Equipment	A	$ 459,317	$ 398,101	$ 61,216	$ 32,504	$ -	$ -	$ -	$ -	$ 612	$ 28,100
Electric Pumping Equipment	N	$ 929,495	$ 606,586	$ 322,909	$ 149,297	$ 28,379	$ 5,813	$ -	$ -	$ 3,229	$ 136,191
Hydraulic Pumping Equipment	N	$ 107,721	$ 70,298	$ 37,423	$ 17,302	$ 3,289	$ 674	$ -	$ -	$ 374	$ 15,783
Total Source of Supply & Pumping Plant		$ 52,262,226	$ 17,258,429	$ 35,003,797	$ 18,561,383	$ 31,668	$ 6,486	$ -	$ -	$ 350,038	$ 16,054,222
Water Treatment Plant											
Land and Land Rights	AA	$ 29,994	$ -	$ 29,994	$ 9,544	$ 6,382	$ -	$ -	$ -	$ 300	$ 13,768
Structures and Improvements	AA	$ 13,592,842	$ 9,947,986	$ 3,644,856	$ 1,159,766	$ 775,558	$ -	$ -	$ -	$ 36,449	$ 1,673,083
Water Treatment Equipment	AA	$ 12,482,818	$ 7,715,567	$ 4,767,251	$ 1,516,903	$ 1,014,383	$ -	$ -	$ -	$ 47,673	$ 2,188,292
Other Plant & Miscellaneous Equipment	AA	$ 17,588,361	$ 7,649,556	$ 9,938,805	$ 3,162,453	$ 2,114,795	$ -	$ -	$ -	$ 99,388	$ 4,562,169
Total Water Treatment Plant		$ 43,694,015	$ 25,313,109	$ 18,380,906	$ 5,848,666	$ 3,911,119	$ -	$ -	$ -	$ 183,809	$ 8,437,312
Transmission & Distribution Plant											
Land and Land Rights	L	$ 614,902	$ -	$ 614,902	$ 201,911	$ 135,022	$ 51,107	$ -	$ -	$ 88,655	$ 138,208
Structures and Improvements	L	$ 218,134	$ 158,712	$ 59,422	$ 19,512	$ 13,048	$ 4,939	$ -	$ -	$ 8,567	$ 13,356
Distribution Reservoirs & Standpipes	AA	$ 11,468,806	$ 9,848,529	$ 1,620,277	$ 515,560	$ 344,765	$ -	$ -	$ -	$ 16,203	$ 743,749
Distribution Mains	TD	$ 20,469,413	$ 8,689,859	$ 11,779,554	$ 5,423,130	$ 3,626,555	$ 2,612,072	$ -	$ -	$ 117,796	$ -
Transmission Mains	AA	$ 21,476,106	$ 9,117,230	$ 12,358,876	$ 3,932,501	$ 2,629,742	$ -	$ -	$ -	$ 123,589	$ 5,673,044
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	$ 448,508	$ 299,926	$ -	$ -	$ -	$ 14,096	$ 647,020
Total Transmission & Distribution Plant		$ 87,374,799	$ 40,841,494	$ 46,533,305	$ 10,541,123	$ 7,049,059	$ 2,668,118	$ 14,431,252	$ -	$ 4,628,377	$ 7,215,377
General Plant											
Land and Land Rights	T	$ 23,380	$ -	$ 23,380	$ 8,178	$ 2,572	$ 626	$ 3,377	$ -	$ 1,208	$ 7,419
Structures and Improvements	T	$ 4,066,977	$ 2,252,966	$ 1,814,011	$ 634,538	$ 199,557	$ 48,557	$ 261,999	$ -	$ 93,720	$ 575,639
Office Furniture & Equipment	T	$ 407,857	$ 351,799	$ 56,058	$ 19,609	$ 6,167	$ 1,501	$ 8,097	$ -	$ 2,896	$ 17,789
Transportation Equipment	T	$ 4,648,009	$ 3,811,303	$ 836,706	$ 292,679	$ 92,045	$ 22,397	$ 120,846	$ -	$ 43,228	$ 265,511
Stores Equipment	T	$ 2,983,121	$ 2,930,658	$ 52,463	$ 18,351	$ 5,771	$ 1,404	$ 7,577	$ -	$ 2,710	$ 16,648
Tools, Shop & Garage Equipment	T	$ 322,908	$ 276,922	$ 45,986	$ 16,086	$ 5,059	$ 1,231	$ 6,642	$ -	$ 2,376	$ 14,593
Laboratory Equipment	A	$ 198,137	$ 189,346	$ 8,791	$ 4,668	$ -	$ -	$ -	$ -	$ 88	$ 4,035
Power Operated Equipment	T	$ 295,804	$ 291,234	$ 4,570	$ 1,599	$ 503	$ 122	$ 660	$ -	$ 236	$ 1,450
Communication Equipment	T	$ 857,101	$ 857,099	$ 2	$ 1	$ 0	$ 0	$ 0	$ -	$ 0	$ 1
Miscellaneous Equipment	T	$ 458,045	$ 458,374	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Tangible Plant	T	$ 139,200	$ 40,817	$ 98,383	$ 34,414	$ 10,823	$ 2,634	$ 14,210	$ -	$ 5,083	$ 31,220
Total General Plant		$ 14,400,539	$ 11,460,518	$ 2,940,350	$ 1,030,123	$ 322,497	$ 78,472	$ 423,408	$ -	$ 151,546	$ 934,305
Total Plant		$ 197,731,579	$ 94,873,550	$ 102,858,358	$ 35,981,294	$ 11,314,343	$ 2,753,076	$ 14,854,660	$ -	$ 5,313,769	$ 32,641,216
Construction Work in Progress	T			$ 23,150,055	$ 8,097,855	$ 2,546,707	$ 619,680	$ 3,343,584	$ -	$ 1,196,038	$ 7,346,191
Assets under Capital Lease	T			$ 14,728,150	$ 5,151,885	$ 1,620,224	$ 394,243	$ 2,127,201	$ -	$ 760,924	$ 4,673,673
Total Plant Investment				$ 140,736,563	$ 49,231,034	$ 15,481,274	$ 3,767,000	$ 20,325,445	$ -	$ 7,270,731	$ 44,661,080
Totals used to determine Allocation Factors:											
Total Plant less Land				$ 133,852,182	$ 45,704,428	$ 15,343,680	$ 3,715,267	$ 20,322,068	$ -	$ 7,118,408	$ 41,648,332
Allocation factor K2					34.15%	11.46%	2.78%	15.18%	0.00%	5.32%	31.12%
Reallocated Meters and Fire Protection					$ 19,365,131	$ 6,501,172	$ 1,574,172	$ (20,322,068)		$ (7,118,408)	
Total Plant less Land with Reallocated Meters and Fire Protection				$ 133,852,182	$ 65,069,559	$ 21,844,852	$ 5,289,439	$ -	$ -	$ -	$ 41,648,332
Allocation factor K1					48.61%	16.32%	3.95%	0.00%	0.00%	0.00%	31.12%

KCWA Exhibit 3A

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	$ 836,563	$ 280,847	$ 68,003	$ 371,971	$ -	$ 130,294	$ 762,322
Debt Service CIP Fund	K2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Western Cranston Fund	WC	$ 62,069	$ -	$ 62,069	$ 62,069	$ -	$ -	$ -	$ -	$ -	$ -
Infrastructure Replacement	K1	$ 12,500,000	$ 1,400,000	$ 13,900,000	$ 6,757,207	$ 2,268,498	$ 549,287	$ -	$ -	$ -	$ 4,325,008
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	$ 204,873	$ 68,779	$ 16,654	$ 91,095	$ -	$ 31,909	$ 186,691
Total Capital Expenditures		**$ 16,012,069**	**$ 2,000,000**	**$ 18,012,069**	**$ 7,860,712**	**$ 2,618,124**	**$ 633,944**	**$ 1,463,065**	**$ -**	**$ 162,202**	**$ 5,274,021**

KCWA Exhibit 4

Allocation of Property Taxes

Rate Year Ending December 31, 2008

	Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
Scituate	A	$ 5,522,744	$ 2,932,434	$ -	$ -	$ -	$ -	$ 55,227	$ 2,535,082
Foster	A	$ 300,006	$ 159,295	$ -	$ -	$ -	$ -	$ 3,000	$ 137,710
Cranston	Cran	$ 377,963	$ 189,884	$ 14,247	$ 10,262	$ -	$ -	$ 4,384	$ 159,186
North Providence	F	$ 249,306	$ 87,832	$ 58,735	$ 42,305	$ -	$ -	$ 4,986	$ 55,448
Johnston	A	$ 63,184	$ 33,549	$ -	$ -	$ -	$ -	$ 632	$ 29,003
Glocester	A	$ 48,727	$ 25,873	$ -	$ -	$ -	$ -	$ 487	$ 22,367
West Warwick	A	$ 4,348	$ 2,309	$ -	$ -	$ -	$ -	$ 43	$ 1,996
West Glocester Fire	A	$ 4,228	$ 2,245	$ -	$ -	$ -	$ -	$ 42	$ 1,941
Harmony Fire Dist.	A	$ 120	$ 64	$ -	$ -	$ -	$ -	$ 1	$ 55
Chepachet Fire Dist.	A	$ 145	$ 77	$ -	$ -	$ -	$ -	$ 1	$ 67
Warwick	A	$ 22	$ 12	$ -	$ -	$ -	$ -	$ 0	$ 10
Total Property Taxes		**$ 6,570,792**	**$ 3,433,572**	**$ 72,982**	**$ 52,566**	**$ -**	**$ -**	**$ 68,806**	**$ 2,942,865**

KCWA 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 cons	53.10%					1.00%	45.90%	100.00%
AA	1% allocated to fire protection, remainder allocated to base, maximum day, and wholesal	31.82%	21.28%				1.00%	45.90%	100.00%
C	100% to Meters & Services				100.00%				100.00%
Cran	Cranston Taxes, 16% Allocator F, 84% Allocator A	50.24%	3.77%	2.72%	0.00%	0.00%	1.16%	42.12%	100.00%
D	50% to Billing and Collections, 50% to Meters and Services				50.00%	50.00%			100.00%
DY	Same as D but billing and metering to retail base	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
F	2% to Fire, Allocated to Base & Wholesale by Proportion of T&D Pipe in Inch Miles, Reta	35.23%	23.56%	16.97%			2.00%	22.24%	100.00%
FP	100% Fire Protection						100.00%	0.00%	100.00%
HM	See T&D allocations	29.33%	19.62%	14.13%	25.25%	0.00%	3.99%	7.68%	100.00%
HMY	Same as HM but meter and billing share assigned to retail base	54.59%	19.62%	14.13%	0.00%	0.00%	3.99%	7.68%	100.00%
K1	Allocated Based on Original Plant Investment less Land, Meters and Fire Reallocated to	48.61%	16.32%	3.95%	0.00%	0.00%	0.00%	31.12%	100.00%
K2	Allocated Based on Original Plant Investment less Land	34.15%	11.46%	2.78%	15.18%	0.00%	5.32%	31.12%	100.00%
L	Based on Allocation of other Transmission & Distribution Plant except Services & Meters	32.84%	21.96%	8.31%	0.00%	0.00%	14.42%	22.48%	100.00%
N	Allocation of Pumping Investment and Expenses	46.24%	8.79%	1.80%			1.00%	42.18%	100.00%
NO	Allocation of non-power Pumping O&M costs (excludes Raw Water Station)	34.88%	23.33%	4.78%			1.00%	36.01%	100.00%
NP	Allocation of Pumping Power Costs (no max hr)	33.27%	24.52%	0.00%			1.00%	41.21%	100.00%
P	10% allocated to maximum day, 90% allocated based on A	47.79%	10.00%	0.00%	0.00%	0.00%	0.90%	41.31%	100.00%
T	Allocation of all Non-General Plant	34.98%	11.00%	2.68%	14.44%	0.00%	5.17%	31.73%	100.00%
TD	Allocation of Base, Max Day and Max Hour of Retail only	46.04%	30.79%	22.17%			1.00%		100.00%
WC	Western Cranston Fund	100.00%							100.00%
X1	Overall T&D	30.35%	20.29%	14.62%	20.47%	0.00%	3.44%	10.84%	100.00%
X2	T&D Contract Services Operations overall	34.17%	22.85%	16.46%	4.08%	0.00%	1.88%	20.56%	100.00%
X3	T&D Contract Services Maintenance overall	9.28%	6.21%	4.47%	73.65%	0.00%	0.53%	5.86%	100.00%
X4	Allocation within a Particular Goup Based on the Relationship between all Other Items in	43.64%	14.54%	3.52%	8.12%	0.00%	0.90%	29.28%	100.00%
Y	Based on Labor related O&M Expenses.	42.17%	14.81%	5.79%	6.83%	6.39%	1.82%	22.20%	100.00%
YY	For Admin Benefits billing and metering to retail base	55.39%	14.81%	5.79%	0.00%	0.00%	1.82%	22.20%	100.00%
~~Com Y~~	~~Allocated Based on Methodology in Docket # 2048, Y - Labor Reallocated from~~ Meters a	51.05%	17.93%	7.00%	0.00%	0.00%	1.82%	22.20%	100.00%
Com Z	Allocated Based on Methodology in Docket # 2048, Z - O&M Reallocated from Meters ar	51.05%	17.93%	7.00%	0.00%	0.00%	1.82%	22.20%	100.00%
Z	Based on Total O&M expenses, except for Adminstrative & General	42.17%	14.81%	5.79%	6.83%	6.39%	1.82%	22.20%	100.00%

Allocator A

			Sales	of Pumped
RETAIL				
	Residential		11,688,498	
	Commercial		2,852,053	
	Industrial		1,005,359	
			15,545,910	45.65%
WHOLESALE			14,992,536	44.02%
TOTAL SALES			30,538,445	89.67%
Unaccounted for (10.54%)			3,519,050	10.33%
Total Water Supplied			34,057,495	
			HCF/YR	Percent
Total Retail Sales			15,545,910	
Plus 77.31% of Unacc'ted for			2,720,401	
Total Retail			18,266,311	53.63%
Total Wholesale Sales			14,992,536	
Plus 22.69% of Unacc'ted for			798,648	
Total Wholesale			15,791,184	46.37%
Total Water Pumped			34,057,495	100.00%
Unacctd For Water P. Marchand Ex I Sch E				
FY 03		10.39%	3,597,209	
FY 04		10.64%	3,661,501	
FY 05		10.36%	3,496,124	
FY 06		9.64%	3,321,365	
4 Yr Avg		10.26%	3,519,050	

Allocator N

Pumping Investment Allocation (per KCWA 1-5 and 3-6)

Station	Retail	Capacity MGI	Percent	Allocation	Base	Maximum Day	Maximum Hour	Fire	Wholesale	Total
Raw Water	Average Da	160.00	62.32%	A	33.09%	0.00%	0.00%	0.62%	28.61%	62.32%
Neutaconkanut	75.00%	38.59	15.03%	AA	4.78%	3.20%	0.00%	0.15%	6.90%	15.03%
Bath Street	75.00%	28.94	11.27%	AA	3.59%	2.40%	0.00%	0.11%	5.17%	11.27%
Aqueduct	67.00%	8.35	3.25%	AA	1.03%	0.69%	0.00%	0.03%	1.49%	3.25%
Fruit Hill	100.00%	4.32	1.68%	TD	0.77%	0.52%	0.37%	0.02%	0.00%	1.68%
Alpine Estates	100.00%	1.74	0.68%	TD	0.31%	0.21%	0.15%	0.01%	0.00%	0.68%
Cranston	100.00%	3.83	1.49%	TD	0.69%	0.46%	0.33%	0.01%	0.00%	1.49%
Garden Hills	100.00%	1.87	0.73%	TD	0.34%	0.22%	0.16%	0.01%	0.00%	0.73%
Dean Estates	100.00%	5.18	2.02%	TD	0.93%	0.62%	0.45%	0.02%	0.00%	2.02%
Greenville	100.00%	2.46	0.96%	TD	0.44%	0.30%	0.21%	0.01%	0.00%	0.96%
Ashby Street	100.00%	1.44	0.56%	TD	0.26%	0.17%	0.12%	0.01%	0.00%	0.56%
Total		256.72	100.00%		46.24%	8.79%	1.80%	1.00%	42.18%	100.00%

NO For Pumping O&M -- No Raw Water Plant costs included in O&M

Station	Retail	Capacity MGI	Percent	Allocation	Base	Maximum Day	Maximum Hour	Fire	Wholesale	Total
Neutaconkanut	75.00%	38.59	39.90%	AA	12.70%	8.49%	0.00%	0.40%	18.31%	39.90%
Bath Street	75.00%	28.94	29.92%	AA	9.52%	6.37%	0.00%	0.30%	13.73%	29.92%
Aqueduct	67.00%	8.35	8.63%	AA	2.75%	1.84%	0.00%	0.09%	3.96%	8.63%
Fruit Hill	100.00%	4.32	4.47%	TD	2.06%	1.38%	0.99%	0.04%	0.00%	4.47%
Alpine Estates	100.00%	1.74	1.80%	TD	0.83%	0.55%	0.40%	0.02%	0.00%	1.80%
Cranston	100.00%	3.83	3.96%	TD	1.82%	1.22%	0.88%	0.04%	0.00%	3.96%
Garden Hills	100.00%	1.87	1.93%	TD	0.89%	0.60%	0.43%	0.02%	0.00%	1.93%
Dean Estates	100.00%	5.18	5.36%	TD	2.47%	1.65%	1.19%	0.05%	0.00%	5.36%
Greenville	100.00%	2.46	2.54%	TD	1.17%	0.78%	0.56%	0.03%	0.00%	2.54%
Ashby Street	100.00%	1.44	1.49%	TD	0.69%	0.46%	0.33%	0.01%	0.00%	1.49%
Total		96.72	100.00%		34.88%	23.33%	4.78%	1.00%	36.01%	100.00%

NP Pumping Power see KCWA 2-5

Station	Power FY 0	Allocation	Base	Maximum Day	Maximum Hour	Fire	Wholesale
Neutaconkanut	$ 114,658	AA	$ 36,483	$ 24,397	$ -	$ 1,147	$ 52,631
Bath Street	$ 378,737	AA	$ 120,511	$ 80,588	$ -	$ 3,787	$ 173,850
Aqueduct	$ 136,534	AA	$ 43,444	$ 29,052	$ -	$ 1,365	$ 62,673
Fruit Hill	$ 28,478	TD	$ 13,111	$ 15,082	$ -	$ 285	$ -
Alpine Estates	$ 3,737	TD	$ 1,720	$ 1,979	$ -	$ 37	$ -
Cranston	$ 12,140	TD	$ 5,589	$ 6,430	$ -	$ 121	$ -
Garden Hills	$ 5,391	TD	$ 2,482	$ 2,855	$ -	$ 54	$ -
Dean Estates	$ 12,314	TD	$ 5,669	$ 6,522	$ -	$ 123	$ -
Greenville	$ 9,678	TD	$ 4,456	$ 5,126	$ -	$ 97	$ -
Total	$ 701,668		$ 233,466	$ 172,031	$ -	$ 7,017	$ 289,154
Percent			33.3%	24.5%	0.0%	1.0%	41.2%

Allocator HM	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
Allocation	########	$ 3,365,406	########	$ 967,433	$ 74,148	$ -	$ 237,833	$ 680,162
Percent								

From Div 2-13

INCH-MILES OF PIPE IN SERVICE

Size (in)	Miles	Inch-Miles	Cumul. Percent
6	468.64	2,811.8	28%
8	290.92	2,327.4	51%
10	1.62	16.2	51%
12	84.98	1,019.8	61%
16	35.8	572.8	67%
20	7.2	144.0	68%
24	26.23	629.5	74%
30	16.3	489.0	79%
36	1.91	68.8	80%
42	4.84	203.3	82%
48	3.21	154.1	84%
60	4.32	259.2	86%
66	1.60	105.6	87%
78	4.38	341.6	91%
90	4.47	402.3	95%
102	5.42	552.8	100%
Total	961.84	10098.18	

Distribution (10" & less) =		5,155.4	51.05%
Transmission (12" & greater) =		4,942.8	48.95%
Retail Metered Sales =	53.63%		
Wholesale Metered Sales =	46.37%		
Allocation of Unaccounted For Water to:			
Retail:	77.31%		
Wholesale:	22.69%		

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	$ 32,394,710	$ 14,624,514	$ 4,409,240	$ 1,739,176	$ 1,608,589	$ 1,562,202	$ 570,091	$ 7,880,898
Capital Expense	$ 18,012,069	$ 7,860,712	$ 2,618,124	$ 633,944	$ 1,463,065	$ -	$ 162,202	$ 5,274,021
City Services Expense	$ 1,245,952	$ 525,428	$ 184,496	$ 72,087	$ 85,089	$ 79,587	$ 22,644	$ 276,622
Property Taxes Expense	$ 6,570,792	$ 3,433,572	$ 72,982	$ 52,566	$ -	$ -	$ 68,806	$ 2,942,865
Total Expenses Allocated	$ 58,223,523	$ 26,444,226	$ 7,284,842	$ 2,497,773	$ 3,156,744	$ 1,641,789	$ 823,743	$ 16,374,406
less: Miscellaneous Revenues	$ (1,245,739)	$ (525,338)	$ (184,464)	$ (72,074)	$ (85,075)	$ (79,573)	$ (22,640)	$ (276,574)
plus: Net Operating Revenue	$ 1,709,334	$ 793,327	$ 218,545	$ 74,933	$ 94,702	$ 49,254	$ 24,712	$ 491,232
Net Revenue Requirement	**$ 58,687,118**	**$ 26,712,215**	**$ 7,318,923**	**$ 2,500,632**	**$ 3,166,371**	**$ 1,611,469**	**$ 825,816**	**$ 16,589,064**
Rate Revenues under Existing Rates	$ 50,598,019							
Net Revenue Increase / (Decrease) Required	**$ 8,089,099**							

KCWA 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
Inside City										
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				1,444	1,444		5,775	4,331		
Total Inside City	15,545,910	42,592		72,517	29,926		97,363	24,846	119,425	299,016
Outside City										
Wholesale	14,992,536	41,075	1.70	69,828	28,753	2.15	88,312	18,484		
Total Units of Service	**30,538,445**	**83,667**		**142,345**	**58,678**		**185,675**	**43,330**	**119,425**	**299,016**

KCWA 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	29,926	24,846	119,425	299,016	6,046
Units		MCF	MCF/day	MCF/day	Equiv. Meters	Bills	Hydrants
O&M Expense:							
Retail	24,250,987	14,522,152	4,351,519	1,717,115	1,569,220	1,527,107	563,875
Retail Unit Cost ($/unit)		$ 0.93	$ 145.41	$ 69.11	$ 13.14	$ 5.11	$ 93.26
Wholesale O&M Expense	$ 7,832,454	$ 7,832,454					
Capital Expense:							
Retail Capital Expense	13,120,189	8,096,533	2,696,668	652,962	1,506,957	-	167,068
Retail Cost ($/unit)		$ 0.52	$ 90.11	$ 26.28	$ 12.62	$ -	$ 27.63
Wholesale Capital Expense	$ 5,432,242	$ 5,432,242					
City Services Expense:							
Retail City Services Expense	998,410	541,190	190,031	74,249	87,642	81,975	23,323
Retail Cost ($/unit)		$ 0.03	$ 6.35	$ 2.99	$ 0.73	$ 0.27	$ 3.86
Wholesale City Services Expense	$ 284,920	$ 284,920					
Property Tax Expense:							
Retail Property Tax Expense	3,736,765	3,536,580	75,172	54,143	-	-	70,870
Retail Cost ($/unit)		$ 0.23	$ 2.51	$ 2.18	$ -	$ -	$ 11.72
Wholesale Property Tax Expense	$ 3,031,151	$ 3,031,151					
Total Unit Costs of Service							
Retail Cost of Service	42,106,351	26,696,455	7,313,389	2,498,470	3,163,819	1,609,082	825,136
Retail Total Unit Cost ($/unit)		$ 1.72	$ 244.39	$ 100.56	$ 26.49	$ 5.38	$ 136.48
Wholesale Cost of Service	$ 16,580,767						
Total Cost of Service	$ 58,687,118						

KCWA Exhibit 9

Allocated Costs by Customer Class
Rate Year Ending December 31, 2008

	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection
Inside City:							
Unit Costs of Services ($/unit)		$ 1.72	$ 244.39	$ 100.56	$ 26.49	$ 5.38	$ 136.48
Retail Service:							
Residential Volume Charge:							
Units of Service - HCF		11,688,498	22,416	16,012			
Allocation Cost of Service - $	$ 27,160,611	$ 20,072,255	$ 5,478,231	$ 1,610,126			
Consumption Rate - $/HCF	$ 2.3237						
Commercial Volume Charge:							
Units of Service - HCF		2,852,053	4,688	3,126			
Allocation Cost of Service - $	$ 6,357,791	$ 4,897,732	$ 1,145,757	$ 314,303			
Consumption Rate - $/HCF	$ 2.2292						
Industrial Volume Charge:							
Units of Service - HCF		1,005,359	1,377	1,377			
Allocation Cost of Service - $	$ 2,201,530	$ 1,726,469	$ 336,570	$ 138,491			
Consumption Rate - $/HCF	$ 2.1898						
Retail Service Charge:							
Units of Service					83,910	292,160	
Allocation Cost of Service - $	$ 3,795,153				$ 2,222,965	$ 1,572,188	
Fire Protection Service:							
Units of Service			1,444	4,331	35,515	6,856	6,046
Allocation Cost of Service	$ 2,591,266		$ 352,832	$ 435,549	$ 940,854	$ 36,894	$ 825,136
Total Inside-City Allocated Cost of Service	$ 42,106,351						
Outside City							
Wholesale:							
Units of Service		14,992,536					
Allocation Cost of Service	$ 16,580,767	$ 16,580,767					
Consumption Rate - $/HCF		$ 1.1059					
Total System Allocated Cost of Service	$ 58,687,118						

CALCULATION OF NEW RATES & CHARGES

Service Charges

Meters & Services

Allocated Costs

O&M	$	1,569,220
Capital	$	1,506,957
City Services	$	87,642
Property Tax	$	-
	$	3,163,819

Equivalent Meters

Quarterly	83,124
Monthly	786
Private Fire	35,515
	119,425

Cost per Equivalent $ 26.49 /yr

Billing Costs

Allocated Costs

O&M	$	1,527,107
Capital	$	-
City Services	$	81,975
Property Tax	$	-
	$	1,609,082

Billings 299,016

Cost per Bill $ 5.38

Summary

	Quarterly Account			Monthly Account		
Meter Size	Meter & Service	Billing & Collect.	Total	Meter & Service	Billing & Collect.	Total
5/8"	$ 6.62	$ 5.38	$ 12.00	$ 2.21	$ 5.38	$ 7.59
3/4"	$ 7.29	$ 5.38	$ 12.67	$ 2.43	$ 5.38	$ 7.81
1"	$ 9.27	$ 5.38	$ 14.65	$ 3.09	$ 5.38	$ 8.47
1.5"	$ 11.92	$ 5.38	$ 17.30	$ 3.97	$ 5.38	$ 9.36
2"	$ 19.21	$ 5.38	$ 24.59	$ 6.40	$ 5.38	$ 11.78
3"	$ 72.85	$ 5.38	$ 78.23	$ 24.28	$ 5.38	$ 29.67
4"	$ 92.72	$ 5.38	$ 98.10	$ 30.91	$ 5.38	$ 36.29
6"	$ 139.08	$ 5.38	$ 144.46	$ 46.36	$ 5.38	$ 51.74
8"	$ 192.07	$ 5.38	$ 197.45	$ 64.02	$ 5.38	$ 69.40
10"	$ 240.08	$ 5.38	$ 245.47	$ 80.03	$ 5.38	$ 85.41
12"	$ 288.10	$ 5.38	$ 293.48	$ 96.03	$ 5.38	$ 101.42

Fire Service Charges

Allocated Costs

Base	$	-
Max Day	$	352,832
Max Hour	$	435,549
Direct Fire	$	825,136
	$	1,613,518

Direct Hydrant Costs

Capital	$	133,837
O&M		0
	$	133,837

Net to Allocate to Public & Private Demand $ 1,479,681

	Number	Equiv Factor	No. of Equivs	% of Equivs		Allocation
Public Fire	6,046	111.3	672,986	76.7%	$	1,135,607
Private Fire						
3/4"	6	0.5	3			
1"	9	1.0	9			
1.5"	3	2.9	9			
2"	31	6.2	192			
4"	288	38.3	11,036			
6"	1,154	111.3	128,453			
8"	217	237.2	51,474			
10"	4	426.6	1,706			
12"	16	689.0	11,025			
16"	-	1,468.4	-			
Subtotal	1,728		203,906	23.3%	$	344,074
	==========		==========	==========		==========
Totals	7,774		876,892	100.0%	$	1,479,681
				Cost per Equivalent	$	1.69

Public Fire Charges

Direct Hydrant Allocation =	$	133,837
Demand Allocation =	$	1,135,607
Total	$	1,269,444

Number of Hydrants 6,046

Charge per Hydrant = $ 209.96 per year

Private Fire Charges (quarterly)

	Meter/Service	Bill/Collect	Demand	Total
3/4"	$ 7.29	$ 5.38	$ 0.20	$ 12.86
1"	$ 9.27	$ 5.38	$ 0.42	$ 15.08
1.5"	$ 11.92	$ 5.38	$ 1.23	$ 18.53
2"	$ 19.21	$ 5.38	$ 2.61	$ 27.20
4"	$ 92.72	$ 5.38	$ 16.17	$ 114.27
6"	$ 139.08	$ 5.38	$ 46.96	$ 191.42
8"	$ 192.07	$ 5.38	$ 100.07	$ 297.52
10"	$ 240.08	$ 5.38	$ 179.95	$ 425.42
12"	$ 288.10	$ 5.38	$ 290.68	$ 584.16
16"	$ 384.14	$ 5.38	$ 619.44	$ 1,008.95

Metered Retail Rate

Residential		
	Allocation	$ 27,160,611
	Sales	11,688,498
	Rate	$ 2.324
Commercial		
	Allocation	$ 6,357,791
	Sales	2,852,053
	Rate	$ 2.229
Industrial		
	Allocation	$ 2,201,530
	Sales	1,005,359
	Rate	$ 2.190

Wholesale Rates

% of Wholesale Costs Allocated to Base Charge 0.00%

Allocation

O&M	$	7,832,454
Capital	$	5,432,242
City Services	$	284,920
Property Tax	$	3,031,151
	$	16,580,767

Base Charge ($/ccf)

Allocation	$	-
Sales (hcf)		14,992,536
Cost ($/ccf)	$	-

Community	Sales (hcf)	Base Charge Per Year	Base Charge Per Month
East Providence	2,397,994	$ -	$ -
East Smithfield	339,786	$ -	$ -
Greenville	463,126	$ -	$ -
Kent County	3,777,169	$ -	$ -
Smithfield	428,798	$ -	$ -
Warwick	4,404,569	$ -	$ -
Lincoln	1,086,668	$ -	$ -
Johnston	276,575	$ -	$ -
Bristol County	1,817,850	$ -	$ -
Totals	14,992,536	$ -	$ -

Metered Rate ($/ccf)

Allocation	$	16,580,767
Sales (hcf)		14,992,536
Cost ($/ccf)	$	1.106

Community	Sales (hcf)	Metered Rate
East Providence	2,397,994	$ 2,652,182
East Smithfield	339,786	$ 375,803
Greenville	463,126	$ 512,217
Kent County	3,777,169	$ 4,177,549
Smithfield	428,798	$ 474,251
Warwick	4,404,569	$ 4,871,453
Lincoln	1,086,668	$ 1,201,855
Johnston	276,575	$ 305,892
Bristol County	1,817,850	$ 2,010,542
Totals	14,992,536	$ 16,581,744

Proposed Rates and Impacts

Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Proposed Rates	Total Revenues	Current Rates	Current Revenues	% Change
Quarterly Service Charges						
5/8"	54,096	$ 12.00	$ 2,596,608	$ 12.19	$ 2,637,721	-1.6%
3/4"	10,329	$ 12.67	$ 523,474	$ 13.05	$ 539,174	-2.9%
1"	5,076	$ 14.65	$ 297,454	$ 15.32	$ 311,057	-4.4%
1.5"	1,469	$ 17.30	$ 101,655	$ 18.33	$ 107,707	-5.6%
2"	1,752	$ 24.59	$ 172,327	$ 26.66	$ 186,833	-7.8%
3"	42	$ 78.23	$ 13,143	$ 87.93	$ 14,772	-11.0%
4"	28	$ 98.10	$ 10,987	$ 110.64	$ 12,392	-11.3%
6"	56	$ 144.46	$ 32,359	$ 163.59	$ 36,644	-11.7%
8"	24	$ 197.45	$ 18,955	$ 224.10	$ 21,514	-11.9%
10"	3	$ 245.47	$ 2,946	$ 278.93	$ 3,347	-12.0%
12"	-	$ 293.48	$ -	$ 333.79	$ -	-12.1%
Total	72,875		$ 3,769,907		$ 3,871,161	
Monthly Service Charges						
5/8"	-	$ 7.59	$ -	$ 7.25	$ -	4.7%
3/4"	-	$ 7.81	$ -	$ 7.50	$ -	4.1%
1"	-	$ 8.47	$ -	$ 8.25	$ -	2.7%
1.5"	1	$ 9.36	$ 112	$ 9.27	$ 111	1.0%
2"	19	$ 11.78	$ 2,686	$ 12.05	$ 2,747	-2.2%
3"	5	$ 29.67	$ 1,780	$ 32.47	$ 1,948	-8.6%
4"	6	$ 36.29	$ 2,613	$ 40.03	$ 2,882	-9.3%
6"	15	$ 51.74	$ 9,313	$ 57.67	$ 10,381	-10.3%
8"	8	$ 69.40	$ 6,662	$ 77.85	$ 7,474	-10.9%
10"	-	$ 85.41	$ -	$ 96.14	$ -	-11.2%
12"	1	$ 101.42	$ 1,217	$ 114.41	$ 1,373	-11.4%
Total	55		$ 24,384		$ 26,916	
Total Service Charge Revenue			$ 3,794,290		$ 3,898,077	
Retail Consumption Charges						
Reside	11,688,498	$ 2.324	$ 27,164,069	$ 1.958	$ 22,886,079	18.7%
Comme	2,852,053	$ 2.229	$ 6,357,225	$ 1.882	$ 5,367,563	18.4%
Industri	1,005,359	$ 2.190	$ 2,201,737	$ 1.825	$ 1,834,781	20.0%
Total	15,545,910		$ 35,723,031		$ 30,088,422	

Private Fire Service Charges								
3/4"	6	$ 12.86	$ 309	$ 10.77	$ 258	19.4%		
1"	9	$ 15.08	$ 543	$ 14.26	$ 513	5.7%		
1-1/2"	3	$ 18.53	$ 222	$ 23.00	$ 276	-19.4%		
2"	31	$ 27.20	$ 3,373	$ 33.48	$ 4,152	-18.8%		
4"	288	$ 114.27	$ 131,638	$ 92.87	$ 106,986	23.0%		
6"	1,154	$ 191.42	$ 883,603	$ 180.22	$ 831,896	6.2%		
8"	217	$ 297.52	$ 258,244	$ 285.03	$ 247,406	4.4%		
10"	4	$ 425.42	$ 6,807	$ 407.30	$ 6,517	4.4%		
12"	16	$ 584.16	$ 37,386	$ 547.05	$ 35,011	6.8%		
16"	-	$ 1,008.95	$ -	$ 547.05	$ -	84.4%		
Total	1,728		$ 1,322,124		$ 1,233,015			
Public Fire Service Charges								
Hydrants	6,082	$ 209.96	$ 1,276,977	$ 250.99	$ 1,526,521	-16.3%		
Wholesale Charges								
Volume Charge								
Consur	14,992,536	$ 1.106		$ 0.925				
Consur	11,214	$ 1,478.61	$ 16,581,748	$ 1,236.00		19.6%		
Monthly Base Charge								
East Providence			$ -					
East Smithfield			$ -					
Greenville			$ -					
Kent County			$ -					
Smithfield			$ -					
Warwick			$ -					
Lincoln			$ -					
Johnston			$ -					
Bristol County			$ -					
Total Base Charges			$ -					
Total Annual Charges								
East Providence			$ 2,652,182		$ 2,217,013	19.6%		
East Smithfield			$ 375,803		$ 314,141	19.6%		
Greenville			$ 512,217		$ 428,172	19.6%		
Kent County			$ 4,177,549		$ 3,492,099	19.6%		
Smithfield			$ 474,251		$ 396,436	19.6%		
Warwick			$ 4,871,453		$ 4,072,147	19.6%		
Lincoln			$ 1,201,855		$ 1,004,655	19.6%		
Johnston			$ 305,892		$ 255,702	19.6%		
Bristol County			$ 2,010,542		$ 1,680,653	19.6%		
Total Wholesale Charges			$ 16,581,744		$ 13,861,019	19.6%		
Total Rate Revenues			**$ 58,698,165**		**$ 50,607,055**	**16.0%**		
Miscellaneous Revenues			1,245,739		$ 1,245,739	0.0%		
Total Revenues			**$ 59,943,904**		**$ 51,852,794**	**15.6%**		
Required			$ 59,932,857					
			$ 11,048					

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"	54,096	$ 12.00	$ 2,596,608	$ 12.19	-1.6%
3/4"	10,329	$ 12.67	$ 523,474	$ 13.05	-2.9%
1"	5,076	$ 14.65	$ 297,454	$ 15.32	-4.4%
1.5"	1,469	$ 17.30	$ 101,655	$ 18.33	-5.6%
2"	1,752	$ 24.59	$ 172,327	$ 26.66	-7.8%
3"	42	$ 78.23	$ 13,143	$ 87.93	-11.0%
4"	28	$ 98.10	$ 10,987	$ 110.64	-11.3%
6"	56	$ 144.46	$ 32,359	$ 163.59	-11.7%
8"	24	$ 197.45	$ 18,955	$ 224.10	-11.9%
10"	3	$ 245.47	$ 2,946	$ 278.93	-12.0%
12"	-	$ 293.48	$ -	$ 333.79	-12.1%
Total	72,875		$ 3,769,907		
Monthly Service Charges					
5/8"	-	$ 7.59	$ -	$ 7.25	4.7%
3/4"	-	$ 7.81	$ -	$ 7.50	4.1%
1"	-	$ 8.47	$ -	$ 8.25	2.7%
1.5"	1	$ 9.36	$ 112	$ 9.27	1.0%
2"	19	$ 11.78	$ 2,686	$ 12.05	-2.2%
3"	5	$ 29.67	$ 1,780	$ 32.47	-8.6%
4"	6	$ 36.29	$ 2,613	$ 40.03	-9.3%
6"	15	$ 51.74	$ 9,313	$ 57.67	-10.3%
8"	8	$ 69.40	$ 6,662	$ 77.85	-10.9%
10"	-	$ 85.41	$ -	$ 96.14	-11.2%
12"	1	$ 101.42	$ 1,217	$ 114.41	-11.4%
Total	55		$ 24,384		
Total Service Charge Revenue			$ 3,794,290	$ 3,898,077	-2.7%
Retail Consumption Charges					
Residential (HCF)	11,688,498	$ 2.324	$ 27,164,069	$ 1.958	18.7%
Commercial (HCF)	2,852,053	$ 2.229	$ 6,357,225	$ 1.882	18.4%
Industrial (HCF)	1,005,359	$ 2.190	$ 2,201,737	$ 1.825	20.0%
Total	15,545,910		$ 35,723,031	$ 30,088,422	18.7%

Proposed Rates and Impacts
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Proposed Rates	Total Revenues	Current Rates	% Change
Wholesale Charges					
Volume Charge					
Consumption (HCF)	14,992,536	$ 1.106		$ 0.925	
Consumption (MGD)	11,214	$ 1,478.61	$ 16,581,748	$ 1,236.00	19.6%
Monthly Base Charge					
East Providence		$ -	$ -		
East Smithfield		$ -	$ -		
Greenville		$ -	$ -		
Kent County		$ -	$ -		
Smithfield		$ -	$ -		
Warwick		$ -	$ -		
Lincoln		$ -	$ -		
Johnston		$ -	$ -		
Bristol County		$ -	$ -		
Total Base Charges			$ -		
Total Annual Charges					
East Providence	2,397,994		$ 2,652,182	$ 2,217,013	19.6%
East Smithfield	339,786		$ 375,803	$ 314,141	19.6%
Greenville	463,126		$ 512,217	$ 428,172	19.6%
Kent County	3,777,169		$ 4,177,550	$ 3,492,099	19.6%
Smithfield	428,798		$ 474,251	$ 396,436	19.6%
Warwick	4,404,569		$ 4,871,455	$ 4,072,147	19.6%
Lincoln	1,086,668		$ 1,201,855	$ 1,004,655	19.6%
Johnston	276,575		$ 305,892	$ 255,702	19.6%
Bristol County	1,817,850		$ 2,010,543	$ 1,680,653	19.6%
Total Wholesale Charges			$ 16,581,748	$ 13,861,019	19.6%

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	$ 12.86	$ 309	$ 10.77	19.4%
1"	9	$ 15.08	$ 543	$ 14.26	5.7%
1-1/2"	3	$ 18.53	$ 222	$ 23.00	-19.4%
2"	31	$ 27.20	$ 3,373	$ 33.48	-18.8%
4"	288	$ 114.27	$ 131,638	$ 92.87	23.0%
6"	1,154	$ 191.42	$ 883,603	$ 180.22	6.2%
8"	217	$ 297.52	$ 258,244	$ 285.03	4.4%
10"	4	$ 425.42	$ 6,807	$ 407.30	4.4%
12"	16	$ 584.16	$ 37,386	$ 547.05	6.8%
16"	-	$ 1,008.95	$ -	$ 547.05	84.4%
Total	1,728		$ 1,322,124	$ 1,233,015	7.2%
Public Fire Service Charges					
Hydrants	6,082	$ 209.96	$ 1,277,003	$ 250.99	-16.3%
Total Rate Revenues			**$ 58,698,196**	**$ 50,598,019**	**16.0%**
Miscellaneous Revenues			1,245,739	$ 1,245,739	0.0%
Total Revenues			**$ 59,943,935**	**$ 51,843,758**	**15.6%**