

1 **RHODE ISLAND PUBLIC UTILITIES COMMISSION**

2
3 **DOCKET NO. 3832**

4
5 **PROVIDENCE WATER**

6
7 **PREFILED SURREBUTTAL TESTIMONY OF**

8
9 **CHRISTOPHER P.N. WOODCOCK**

10
11 **ON BEHALF OF**

12
13 **KENT COUNTY WATER AUTHORITY et al**

14
15
16
17
18
19
20 September 7, 2007

1 **Q: Are you the same Christopher Woodcock that provided prefiled testimony in**
2 **this Docket?**

3 A: Yes I am.

4

5 **Q: Have you had an opportunity to review the rebuttal testimony filed by Provi-**
6 **dence Water and the direct testimony filed by the Division's witnesses?**

7 A: Yes I have. In addition, I have also had the opportunity to informally discuss a
8 number of matters with the parties. Lastly, I have reviewed the revised cost of ser-
9 vice request developed by Mr. Edge in response to Commission data request 5-7
10 and Mr. Smith's cost allocation and rate design that was based on this revised cost
11 of service.

12 **Revenue Requirement Issues**

13 **Q: Having reviewed Providence Water's rebuttal testimony and the Division's Di-**
14 **rect Testimony, what do you believe are the outstanding issues related to**
15 **revenue requirements?**

16 A: As far as the interveners are concerned, there are only three outstanding issues re-
17 lated to revenue requirements:

- 18 1. The disposition of the Cranston Tax refund and the associated expenses claimed
19 for tax case litigation
- 20 2. The cost of City Services that we brought up in our prefiled testimony, and
- 21 3. The amount of operating revenue allowed and how it may be used or restricted.

22

23 **Q: What is your position on the Cranston tax refund and associated tax litigation**
24 **costs claimed by Providence Water?**

25 A: I believe the parties have agreed to remove the legal and engineering expenses as-
26 sociated with the tax litigation from the appropriate Administrative & General Con-
27 tract Services line items. Providence will put the tax refund in a restricted, interest
28 bearing account. For the next three years \$375,000 would be refunded to rate pay-
29 ers. The balance could be used for legal and engineering costs related to tax litiga-
30 tion.

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In addition, we believe that:

1. Providence Water should be required to report activity in this account to all parties to this docket on a regular basis.
2. The funds may only be used for tax litigation support and not for increased property taxes.
3. The amounts returned to rate payers should be based on the allocation of Cranton property taxes decided upon by the Commission.
4. If after three years (rate year plus 2 years) there is any money left, it is to be held for disbursement back to rate payers in proportion to the current tax allocation or reconsideration by the Commission with notification to all parties in this docket.
5. Any additional tax settlement/refund dollars MUST be deposited to this account and not used for any other purpose.

Q: Have you revised the position you took in your direct testimony regarding City Services?

A: No I have not. In reviewing the rebuttal testimony by Providence Water, Mr. Edge has addressed two fairly minor issues. I can find no other reference in any of the other rebuttal testimony offered by Providence Water.

While I did not include any exhibits regarding this adjustment in my direct testimony, the adjustments I had proposed were to Mr. Bebyn's analysis, and changes that all parties could easily see and make. There were no data requests to KCWA on this matter asking for any clarification.

Q: Will you please reiterate your position on the claimed City Services expenses?

A: Based on the response to KCWA 3-2 it is clear that despite the proposed rate increase that has been put forth by Providence Water, the end result of Providence Water's proposal will be an increase in the funds going to the City and a decrease in

1 the amounts charged to the City for services. The table below summarizes the
2 changes that Providence Water proposed from the test year to the rate year as out-
3 lined in the response to KCWA 3-2.

	<u>Test Year</u>	<u>Rate Year</u>
4 \$ to the City	\$3,583,040	\$5,106,525
5 \$ from the City	\$966,470	\$962,733

6
7 Based on the above, it is clear that the City of Providence brings in far more cash
8 from the Providence Water rate payers than it pays for the services it receives.

9
10 **Q: Were there specific issues with Mr. Bebyn's calculations of the City Services**
11 **allocations that you had identified?**

12 A: Yes there were. Some of these were calculation issues; primarily related to how he
13 derived the percentage of water budget compared to city budget. This ratio was
14 used to allocate the costs of many of the City Departments to providence Water.
15 The issues I had raised included:

- 16 a. the double counting of City Services
- 17 b. the inclusion of over \$6 million of property taxes as a water expense that
18 have no bearing on the services provided by most City Departments.
- 19 c. the failure to include other enterprise funds
- 20 d. the exclusion of expenses covered by external sources of funding.

21 Of these four concerns, Providence has only addressed the third one, apparently
22 agreeing to include the other enterprise funds. Providence Water has presented no
23 evidence in this docket to dismiss the other three issues we have raised. As indi-
24 cated in my direct testimony, I believe Mr. Bebyn's allocation factor "O" should be
25 reduced to 6.51%

26
27 **Q: You also addressed several specific City Hall offices or functions where you**
28 **provided testimony where you believe that Providence has not provided suffi-**
29 **cient backup for its proposed allocations. Did Providence Water Address any**
30 **of these?**

31 A: No they did not. The specific offices or functions were:

- 1 1. The City Council allocation where there is little evidence of any service, particu-
2 larly in light of an existing Water Board that provides oversight and direction. In
3 this case I have suggested 50% of the revised "O" factor be used.
- 4 2. The City Council Administrative Offices where there is a similar lack of any ser-
5 vice and duplication by the Water Board. Again I suggested half the revised "O"
6 factor be used.
- 7 3. I also suggested that half the revised "O" factor be used for the City Finance De-
8 partment considering the excellent finance staff at Providence Water and the mi-
9 nimal attendance at Board meetings by the Finance Director.
- 10 4. I suggested half the "O" factor for the City Clerk's office. The only evidence of-
11 ferred by Providence Water is some number of bid notifications which is not even
12 mentioned in the City Clerk's website as a function they perform.

13
14 **Q: Is it your position that none of the costs of these offices be reimbursed?**

15 A: No. As I presented in detail in my direct testimony and outlined above, I have rec-
16 ommended a revision to the "O" allocation factor to better reflect all costs, eliminate
17 irrelevant expenses (property taxes) and not double count other costs. I have rec-
18 ommended that most of the offices where there is no apparent service or where the
19 service is a duplication of internal Providence Water functions be funded at only half
20 the revised "O" allocator.

21
22 I believe I provided valid reasons for the concerns I have raised. I am not sure why
23 Providence Water has chosen to ignore them, unless they have no response. If
24 they do have something to offer, I would have hoped they provided it in their rebuttal
25 testimony so I could analyze it and provide any thoughts in my surrebuttal testimo-
26 ny. I believe the regulatory process was established this way to be fair to all parties.

1 **Q: You noted that operating revenue is also an issue in this docket. Can you**
2 **discuss that?**

3 A: Providence Water has proposed an operating revenue allowance based on 3% of
4 their total expenses less miscellaneous revenues. I understand that this is a depart-
5 ure from past Commission practice and is a matter that has been brought before
6 the Commission several times in the past. I also understand that the Commission
7 recently affirmed this position in Docket 3818 (Newport Water), suggesting a gener-
8 ic docket on the matter. The interveners continue to support the increased operat-
9 ing revenue allowance with a portion (say 1.5%) being unrestricted and the balance
10 restricted for use in case of a revenue shortfall.

11

12 I appreciate the difficulty of the Commission making a change for one water utility
13 after denying similar requests for others. However, I believe that nearly every major
14 municipal water utility that is regulated by the Commission has made this request. I
15 believe there is unanimity on the part of the State's regulated water utilities on this
16 issue.

17

18 In this docket we have Providence Water asking for funding of various restricted ac-
19 counts going beyond the rate year. We also have issues of rate design and reve-
20 nue stability. Clearly there is an effort by the State's regulated, municipal water utili-
21 ties to provide greater flexibility and to reduce the cost of frequent rate proceedings.
22 I believe these are goals that are beneficial to all the rate payers and ask the Com-
23 mission to reconsider this issue in this docket; in effect, make this docket the gener-
24 ic docket.

25

26 **Unaccounted for Water**

27 **Q: Please explain the importance of the allocation of unaccounted for water.**

28 A: The amount of unaccounted for water and how it is allocated has a significant im-
29 pact on the allocation of costs. Many of the individual expense items are allocated
30 based on the percentage of sales plus unaccounted for water added to those sales.

1 Many other items are allocated based on these ratios. Small changes in the alloca-
2 tion of unaccounted for water have significant impacts on the costs assigned to var-
3 ious customers. Further, the amount of unaccounted for water that is allocated is
4 critical.

5
6 I am also concerned about the reported amounts of unaccounted for water in light of
7 Providence Water's response to KCWA 3-3. Based on that response it is clear that
8 the reported retail sales are not based on actual meter readings, but are calculated
9 based on revenues billed and rates in effect at the time. While Providence indicated
10 in its response to KCWA 3-3 (d) that actual volumes would be provided, I have yet
11 to see that additional information on actual metered retail sales. This lack of actual
12 data raises questions about the accuracy of the retail sales.

13
14 **Q: Do you believe that Mr. Smith (in his response to Commission 5-7) and Mr.**
15 **Mierzwa have used the correct amount of unaccounted for water in their cal-**
16 **culations?**

17 **A:** No I do not. Ms. Marchand has provided a four year history of unaccounted for wa-
18 ter in her prefiled Exhibit 1, Schedule E.

19
20 Mr. Mierzwa used the four year average of unaccounted for water as reported by
21 Ms. Marchand and then deducted the FY 2006 under registration attributable to
22 Johnston. This resulted in an unaccounted for water amount of 3,419,413 hundred
23 cubic feet (hcf). Since he used the four year average of unaccounted for water, I
24 believe that Mr. Mierzwa should have also used the four year average of under reg-
25 istered use by Johnston – not just FY 2006. While beneficial to the wholesale cus-
26 tomers (he uses a larger volume of unaccounted for water), I do not believe it is cor-
27 rect.

28
29 Mr. Smith made no adjustment for the under registered use by Johnston. He simply
30 calculated the four year average of sales and unaccounted for water and deter-

1 mined that 10.33% of production is unaccounted for water. For some reason he
2 then multiplied that percentage by the rate year sales (29,978,096) to derive a value
3 of 3,095,608 for unaccounted for water. This makes no sense mathematically. By
4 Mr. Smith's calculations, the sales plus unaccounted for water equal 33,073,704
5 hcf. The unaccounted for percentage (3,095,608/33,073,704) is only 9.36% not the
6 10.33% he had determined. This under reporting of the unaccounted for water
7 causes an increase to the wholesale rates of nearly \$50,000.

8
9 **Q: How do you propose that the amount of unaccounted for water be derived?**

10 A: Because we are looking at a four year average of sales, I believe we should use the
11 same four years of data reported in Ms. Marchand's prefiled testimony. I also be-
12 lieve that the unaccounted for water she reports should be reduced by the under
13 registration of sales to Johnston since this is now "accounted for". Using a four year
14 average of adjusted (for Johnston) unaccounted for water results in 3,440,021 hcf
15 for the rate year,

16
17 **Q: Do you believe Mr. Smith's or Mr. Mierzwa's allocation of unaccounted for wa-**
18 **ter between retail and wholesale customers is correct?**

19 A: No I do not. As I discussed in my prefiled direct testimony, I believe that the inch-
20 foot method of allocating unaccounted for water assigns too large a portion of water
21 losses to transmission pipes and fails to recognize losses due to under-registration
22 of meters and more importantly, the losses through service pipe connections. I
23 suggested that we may be able to provide more on this in surrebutal testimony.

24
25 Since the filing of our direct testimony, I have had time to research this matter some
26 more and discuss it with other water rate experts across the country. I have found
27 that a Water Loss Task Force was formed in 1997 by the International Water Asso-
28 ciation. The American Water Works Association (AWWA) was a participant on the
29 task force that published its results in 2000. In essence, this publication presented
30 methodologies for determining water losses, consistent definitions of terms, and

1 benchmarks that can be used by water utilities. Water audits using this method
2 have been performed in major cities such as Philadelphia, Boston, Cleveland, De-
3 troit and Seattle. In 2003 the AWWA Water Loss Control Committee published
4 "Applying World-wide Best Management Practices in Water Loss Control" (Journal
5 AWWA, August 2003, Vol. 98, No. 8). This included performance indicators to de-
6 termine unavoidable annual real losses. The annual volume of unavoidable losses
7 is a function of the length of water mains, number of service connections, and
8 length of private service connections. Most notably, the size or diameter of the pipe
9 is NOT one of the elements considered – it is simply the length of pipe.

10
11 **Q: In light of this recent research, what do you recommend?**

12 A: The inch-foot method that was used in the past has clearly been an accepted me-
13 thodology. Like many accepted past practices, when information changes, we
14 should use that better, more recent information to allocate costs more fairly. In the
15 past we used to use the square of the diameter of private fire services to determine
16 fire service equivalents. We now know that there is a better indicator – the diameter
17 to the 2.63 power – that reflects losses on pipe walls better than the old “diameter
18 squared” method. Similarly we have changed the way that meter equivalents are
19 derived in the determination of service charges. As we get better information, the
20 way we allocate and assign costs for rate making may change. Past practice isn’t
21 always the best or correct practice, especially if new studies or analysis can be
22 shown to be more equitable.

23
24 In this case, there is more recent information that has been published, accepted by
25 AWWA and IWA, and used by large cities across the country. This new methodolo-
26 gy tells us that unavoidable annual water losses are a function of the length of pipe,
27 not the length multiplied by the diameter. This methodology also tells us that ser-
28 vice connections, those pipes from the main to the customer’s property line should
29 be considered. I don’t think there is any doubt that there are losses in the retail ser-
30 vice pipes, yet these losses have not been considered in the past. It is unfair to as-

1 sign losses in retail service pipes to the wholesale customers, yet that is what is
2 done if we simply ignore the service pipes.

3
4 I think the evidence is clear and widely accepted that the inch-foot method for as-
5 signing unaccounted for water is no longer valid and that the length of mains plus
6 service connections should be used now.

7
8 Based on this information I have reallocated the unaccounted for water based on
9 the miles of pipe and estimated miles of service connections. For the service con-
10 nections I simply took the number of metered accounts and assumed a 25 foot
11 length of pipe on average. I have assigned all pipe less than 12" plus all service
12 pipes as retail only. All pipe 12" in diameter and greater was considered transmis-
13 sion pipe and was split between wholesale and retail based on the rate year use.

14
15 **Q: Is your recommended method consistent with the AWWA/IWA method?**

16 A: It is consistent in that it recognizes length of pipe rather than inch-feet of pipe. The
17 AWWA/IWA method gives slightly more weight to service or private pipe lengths.
18 While doing this would assign more use to retail customers, I have not made such
19 an adjustment in this case. I believe it is more important for the Commission to rec-
20 ognize that the allocation of unaccounted for water should reflect the length of pipe,
21 including service connections, and not the inch-feet of pipe excluding service con-
22 nections. In subsequent dockets, I believe such adjustments can be considered.

23
24 **Q: Is the inch-feet of pipe used elsewhere in cost allocations?**

25 A: Yes it is, in two places. First it is used to split the Transmission and Distribution
26 main capital costs between distribution and transmission. In this case I believe it is
27 appropriate to consider pipe size as the cost of installing pipe is dependent on the
28 size – larger pipe costs more to install than smaller pipe. Next, the inch-feet of pipe
29 are used to assign some transmission and distribution operating costs where there
30 is no break down between transmission and distribution. Again, I believe the size of

1 the pipe is a proper consideration for operating costs as the maintenance and repair
2 of larger pipe is typically more than that for smaller pipe.

3
4 I have no issue with using inch-feet or pipe size to allocate costs that are dependent
5 on pipe size. My concern is that pipe size should NOT be used to allocate water
6 losses where the current literature indicates that the size does not matter.

7
8 **Fixed Charges to Wholesalers**

9 **Q: Both the Division and Providence Water have recommended that 25% of the**
10 **wholesale charges be based on a fixed charge rather than simply using actual**
11 **sales. Has their testimony on this matter changed the position of the inter-**
12 **venuer utilities?**

13 **A:** No it has not. This is a matter that was discussed with the interveners subsequent
14 to the Division's filing. The intervener utilities feel quite strongly that the proposed
15 fixed charge is not a fair revision to the tariff.

16
17 Like Providence Water, the Division's position is that such fixed charges would pro-
18 vide increased revenue stability; they also note that such fixed charges are not un-
19 common in the electric and natural gas industries.

20
21 In his rebuttal testimony, Mr. Smith agrees with our position that such fixed charges
22 will result in under or over charges, but dismisses this stating that "rate setting is not
23 an exact allocation of actual costs." He goes on to acknowledge that "not every
24 element of our (Providence Water) proposal works to increase revenue stability."
25

26 **Q: Wouldn't fixed wholesale charge increase revenue stability?**

27 **A:** Yes it would, but increasing the stability of wholesale revenues while decreasing the
28 stability of retail fire protection revenues is incongruous. Mr. Smith notes that only
29 6% of the Board's revenues come from fixed public fire protection charges while
30 25% come from wholesale revenues. This assertion is somewhat disingenuous. It

1 is true that some 6% of the total revenues come from fire charges, but roughly that
2 same percentage would be derived from the fixed wholesale charge. I disagree
3 with Mr. Smith that these are not comparable. Increasing the stability of one ele-
4 ment of the tariff (wholesale charges) while reducing the stability of another (fire
5 protection charges) makes little sense.

6
7 In addition, at a time when the State appears to be concerned with water conserva-
8 tion, moving revenues from a consumption based charge to a fixed charge will re-
9 duce consumer's ability to save with reduced use. This does not appear consistent
10 with State policy on water conservation.

11
12 As noted by Mr. Smith, my direct testimony indicates that the overall wholesale use
13 has not shown much variation *in total*; however, the variation of use by individual
14 wholesalers has shown some variation. Four FY 2003 – FY 2006, the Kent County
15 Water Authority use showed a high of 3.9 million hcf and a low of 3.5 million hcf.
16 Johnston had a low of 203 thousand hcf and a high of 390 thousand hcf. Bristol
17 County's use has also shown a fair degree of variation and they are planning signif-
18 icant reductions as they bring new supplies on line; it doesn't appear fair to charge
19 the Bristol County Water Authority a fixed charge based on 1.257 million hcf when
20 their historic use has been around 1.8 million hcf and they expect to reduce use in
21 the near future.

22
23 Providence Water filed a supplementary response to Div 1-5 presenting FY 2007
24 water sales. In nearly every case, particularly among the larger wholesale custom-
25 ers, there was a reduction in sales from the four year average or pro forma sales
26 proposed in this docket. This clearly demonstrates that the proposed fixed whole-
27 sale charge would have resulted in overcharges to the bulk of the wholesale cus-
28 tomers if it were in effect in FY 2007. While this might help revenue stability, it is
29 ONLY the wholesale customers that would contribute to this stability, not the retail
30 customers.

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The current method of assessing wholesalers based on actual use is fair. Changing this to a method that is acknowledged by all parties to be less fair makes no sense, particularly in light of the State's goal of encouraging water conservation. It makes even less sense when one considers Providence Water's proposal to reduce a substantial source of fixed revenue from fire protection charges.

Q: Can you draw any comparisons between the proposed wholesale fixed charge and the retail (fixed) service charges?

A: I think this is a valid comparison. In the past the Commission has opted to reduce the fixed service charges by adopting allocators for employee benefits that exclude costs from the retail service charges. Despite apparent agreement among all parties that the benefits associated with wages and salaries assigned to the fixed charges are properly allocable to the fixed charges, we have adjusted these allocation factors to minimize the fixed retail service charges and increase the use charges. I believe that part of this reasoning has to do with encouraging water conservation.

Cost Allocations

Q: Aside from the issues associated with unaccounted for water, are their remaining issues with the manner in which costs are allocated.

A: Yes I believe there are. Mr. Mierzwa addressed a number of the issues in his pre-filed testimony, but not all. Mr. Smith has similarly addressed many of the issues I had raised in his updated cost allocation study included as part of the response to Commission 5-7, but again, he has not addressed them all.

Q: What issues do you believe are still outstanding on cost alloaction?

A: While the Division and Providence Water may still be refining their positions, based on what has been submitted to date, there are still a number of issues, including:

- The classification of pumping labor and allocation of those costs

- 1 • The recognition that the raw water pump station should not be considered in the al-
- 2 location of pumping operating costs, particularly power
- 3 • The allocation of benefits
- 4 • The allocation of capital other power production within treatment
- 5

6 **Q: Have the other issues you raised been resolved?**

7 A: I believe they have. While I have not seen an update of Mr. Mierzwa's cost alloca-

8 tion study, I think that many of the earlier issues have been resolved. Generally I

9 have looked at Mr. Smith's updated study to determine if there are any differences.

10 While I understand that Mr. Smith may still agree to some further revisions to his

11 study, I do not have those at this time.

12

13 **Q: What is the issue with pumping labor and benefits?**

14 A: Providence Water clearly has labor and related benefit costs associated with its

15 pumping stations. At this time, Providence captures all such costs within the water

16 treatment accounts. Based on information gleaned from prior dockets and the res-

17 ponses to KCWA 2-2 and 2-4 I have moved some salary costs from the water

18 treatment line items to pumping. There is no change in the overall costs, only a re-

19 vision as to how the costs are classified.

20

21 **Q: Why have you done this?**

22 A: The pumping stations include retail only or distribution pump stations as well as

23 pump stations where some costs should be shared by wholesale customers. It

24 would not be correct to allocate the pumping costs the same as the treatment costs

25 as some of the pumping costs are unrelated to service to wholesale customers. In

26 the past, these different costs have been recognized in rate setting for Providence

27 Water. It is only fair that they continue to be recognized and allocated properly.

28

1 **Q: What is the impact of your reclassification of the labor and benefit costs to**
2 **pumping?**

3 A: This reclassification allows for the proper allocation of retail only costs to retail ser-
4 vice and joint costs to both wholesale and retail customers. The wholesale custom-
5 ers are not allocated costs that have nothing to do with service that is provided to
6 them. I don't believe there is any question that there are labor and benefit costs as-
7 sociated with distribution (retail) pumping; there should be no question that these
8 costs should be properly classified and allocated.

9

10 **Q: Have you created a new allocator to accomplish this?**

11 A: Yes I have. Because the pumping O&M costs do NOT include the raw water pump-
12 ing station it was necessary to develop a new allocation symbol that only included
13 the pumping stations in question (excluded the raw water pump station). Costs
14 were split between retail and wholesale as in prior dockets, but have excluded the
15 raw water pumping station.

16

17 Because the pumping power costs do not include the raw water pumping station
18 (see KCWA 2-5) it was also necessary to develop a new allocation symbol for
19 pumping power.

20

21 In data I have seen to date, neither Mr. Mierzwa nor Mr. Smith have factored these
22 into their calculations. I have discussed this with both of them and I believe they
23 may agree with my revision.

24

25 **Q: Can you discuss the differences among the parties regarding the allocation of**
26 **benefits?**

27 A: As discussed in my prefiled testimony, in prior dockets the employee benefits had
28 been included as a separate line item expense under Administration. Providence
29 Water now reports employee benefits under the various O&M categories (treatment,
30 supply, etc.). In past dockets, the Commission has adjusted the employee benefits

1 to remove any allocation to the fixed service charge. An allocation symbol (Comm
2 Y) was established to do this.

3
4 In his prefiled direct testimony, Mr. Mierzwa continued to allocate employee benefits
5 based on the old Comm Y allocator, although he did update the percentages based
6 on the allocation of labor costs.

7
8 Mr. Smith's updated (rebuttal) cost allocation has, in my opinion, properly allocated
9 the employee benefit costs within each O&M cost category based on the labor allo-
10 cation within that category. I believe this is correct because the benefits are related
11 to the labor costs and should be allocated the same way. As an example, Mr.
12 Smith's updated allocations do not show any benefits assigned to wholesale under
13 the Customer Accounts costs; there should be no such allocation as there are no
14 salary or wage costs associated with wholesale service. On the other hand, Mr.
15 Mierzwa's allocations do show an allocation of Customer Accounts benefits to
16 wholesale customers even though there are no labor costs assigned to wholesale.

17
18 The only disagreement I have with Mr. Smith's allocation is his failure to move the
19 allocation of any benefits from the billing and meter & service categories. This has
20 resulted in Mr. Smith calculating a significant (approximately 100%) increase in the
21 service charges.

22
23 **Q: What do you recommend?**

24 A: I believe that the Commission's prior directive to not allocate benefits to the service
25 charge can be accomplished along with the individual allocation of benefits within
26 each cost category. I have simply developed a new allocation for each category's
27 benefits that moved the billing and the meter & service pieces to the retail base
28 charge. These new allocation symbols keep the benefits allocated properly within
29 each category and preserve the Commission's past desire to minimize the retail
30 service charges.

1

2 **Q: Do you believe that the Commission should continue to minimize the retail**
3 **service charges?**

4 A: This matter has little to do with the wholesale customers. If the Commission wished
5 to increase revenue stability and believes that a fixed wholesale charge is appropri-
6 ate, then the Commission should similarly allow the higher fixed service charge that
7 Mr. Smith has calculated. If the Commission believes that high fixed service
8 charges are not appropriate, then my proposed allocator for each O&M cost catego-
9 ry should be used and the Commission should disallow the proposed fixed whole-
10 sale charge.

11

12 **Q: You also mentioned an issue with the allocation of Other Power Production**
13 **Equipment under the capital allocations. Will you please explain this?**

14 A: In my direct testimony I have allocated the Other Power Production Equipment us-
15 ing allocation symbol A. I believe this equipment is related to the overall production
16 of water and should not be allocated like the retail and distribution pumping stations
17 as Mr. Mierzwa has allocated it. Mr. Smith's allocation of this capital expense is
18 consistent with the method I have used. While Mr. Mierzwa's allocation is beneficial
19 to the wholesale customers, I believe this capital item only includes supply pumping
20 and that the method used by Mr. Smith and me is more correct.

21

22 **Q: You did not mention the calculation of public fire charges in your list of allo-**
23 **cation issues. Providence has proposed a 50% reduction in the public fire**
24 **charges while the Division has rejected this proposed subsidy. What is your**
25 **opinion?**

26 A: Again this is a retail question that should have no bearing on the wholesale custom-
27 ers. If the fire charges are reduced or subsidized, the costs should only be borne by
28 retail customers – not wholesalers.

29

1 In general, rates should be based on the cost to provide service. I have not heard a
2 valid reason why the fire protection charges should be reduced by 50%. I believe
3 the RI State Legislature dealt with this issue in its last session, and rejected the idea
4 of eliminating public fire protection charges. Simply reducing the fire charges by
5 50% would appear to be contradictory to what the Legislature recently decided.
6

7 **Summary**

8 **Q: Have you prepared exhibits that summarize your surrebuttal testimony?**

9 A: I have. They are similar to those I filed with my prefiled direct testimony. I have al-
10 so included a copy of Mr. Bebyn's analysis of City Service Costs that I have mod-
11 ified based on my testimony.
12

13 **Q: What is your conclusion?**

14 A: I believe that Providence Water should be allowed a 14.2% increase in rate reve-
15 nues or an overall increase of \$7,092,248 over the revenues at the current rates.
16 Wholesale rates should be increased 13.8% to a rate of \$1,406.42 per million gal-
17 lons with no fixed charge.

Revenue Under Existing Rates
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Current Rates	Total Revenues
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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	<u>72,875</u>		<u>\$ 3,871,161</u>

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	<u>55</u>		<u>\$ 26,916</u>

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)	<u>1,005,359</u>	\$ 1.825	<u>\$ 1,834,781</u>
Total	15,545,910		\$ 30,088,422

Wholesale Consumption Charges

Consumption (HCF)	14,432,185	\$	0.925	
Consumption (MGD)	10,795	\$	1,236.00	\$ 13,342,959

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
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Total Rate Revenues

\$ 50,079,959

Miscellaneous Revenues

\$ 1,245,739**Total Revenues**

\$ 51,325,698

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	<u>72,930</u>		<u>83,910</u>

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	<u>1,728</u>		<u>35,515</u>

Total Equivalent Meters

119,425

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

3 4 5 6 7 8 9

Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
601 Operating Fund								
<u>Source of Supply</u>								
60110 Salaries + Wages - Emp	\$ 357,859	\$ 198,838	\$ -	\$ -	\$ -	\$ -	\$ 3,579	\$ 155,443
60120 Salaries + Wages - Emp	\$ 392,732	\$ 218,214	\$ -	\$ -	\$ -	\$ -	\$ 3,927	\$ 170,591
60320 Sal. + Wages - Officers, Dir	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60410 Employee Pension + Ben	\$ 219,084	\$ 121,730	\$ -	\$ -	\$ -	\$ -	\$ 2,191	\$ 95,163
60420 Employee Pension + Ben	\$ 240,433	\$ 133,592	\$ -	\$ -	\$ -	\$ -	\$ 2,404	\$ 104,437
61510 Purchase Power	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61610 Fuel for Power Purch	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62010 Material + Supplies	\$ 10,191	\$ 5,663	\$ -	\$ -	\$ -	\$ -	\$ 102	\$ 4,427
62020 Material + Supplies	\$ 48,200	\$ 26,781	\$ -	\$ -	\$ -	\$ -	\$ 482	\$ 20,936
63110 Contractual Services - Engineer	\$ 4,787	\$ 2,660	\$ -	\$ -	\$ -	\$ -	\$ 48	\$ 2,079
63120 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63420 Contractual Services - Mgt. Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63510 Contractual Services - Other	\$ 86,988	\$ 48,333	\$ -	\$ -	\$ -	\$ -	\$ 870	\$ 37,785
63520 Contractual Services - Other	\$ 21,013	\$ 11,676	\$ -	\$ -	\$ -	\$ -	\$ 210	\$ 9,128
64210 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64220 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65010 Transportation Exp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65020 Transportation Exp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67510 Misc. Expenses	\$ 9,323	\$ 5,180	\$ -	\$ -	\$ -	\$ -	\$ 93	\$ 4,050
67520 Misc. Expenses	\$ 4,041	\$ 2,246	\$ -	\$ -	\$ -	\$ -	\$ 40	\$ 1,755
Total-Source of Supply	\$ 1,394,651	\$ 774,911	\$ -	\$ -	\$ -	\$ -	\$ 13,947	\$ 605,794

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

9

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3

Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
<i>Pumping</i>								
60123 Salaries + Wages - Emp	\$ 24,831	\$ 8,950	\$ 5,985	\$ 1,186	\$ -	\$ -	\$ 248	\$ 8,462
60126 Salaries + Wages - Emp	\$ 23,241	\$ 8,376	\$ 5,601	\$ 1,110	\$ -	\$ -	\$ 232	\$ 7,920
60423 Employee Pension + Ben	\$ 14,568	\$ 5,251	\$ 3,511	\$ 696	\$ -	\$ -	\$ 146	\$ 4,964
60426 Employee Pension + Ben	\$ 14,228	\$ 5,128	\$ 3,429	\$ 680	\$ -	\$ -	\$ 142	\$ 4,849
61523 Purchase Power	\$ 742,535	\$ 256,913	\$ 188,637	\$ -	\$ -	\$ -	\$ 7,425	\$ 289,559
61623 Fuel for Power Purch	\$ 17,713	\$ 6,129	\$ 4,500	\$ -	\$ -	\$ -	\$ 177	\$ 6,907
62023 Material + Supplies	\$ 482	\$ 174	\$ 116	\$ 23	\$ -	\$ -	\$ 5	\$ 164
62026 Material + Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63123 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63126 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63523 Contractual Services - Other	\$ 5,181	\$ 1,868	\$ 1,249	\$ 248	\$ -	\$ -	\$ 52	\$ 1,766
63526 Contractual Services - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64223 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64226 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65023 Transportation Exp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67523 Misc. Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67526 Misc. Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total-Pumping</i>	\$ 842,779	\$ 292,788	\$ 213,029	\$ 3,943	\$ -	\$ -	\$ 8,428	\$ 324,591

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

9

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3

Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
<i>Water Treatment</i>								
60130 Salaries + Wages - Emp	\$ 2,023,516	\$ 673,766	\$ 450,561	\$ -	\$ -	\$ -	\$ 20,235	\$ 878,954
60140 Salaries + Wages - Emp	\$ 286,633	\$ 95,440	\$ 63,822	\$ -	\$ -	\$ -	\$ 2,866	\$ 124,505
60430 Employee Pension + Ben	\$ 1,187,162	\$ 395,287	\$ 264,336	\$ -	\$ -	\$ -	\$ 11,872	\$ 515,667
60440 Employee Pension + Ben	\$ 175,479	\$ 58,429	\$ 39,073	\$ -	\$ -	\$ -	\$ 1,755	\$ 76,223
61530 Purchase Power	\$ 196,122	\$ 98,074	\$ 19,612	\$ -	\$ -	\$ -	\$ 1,765	\$ 76,671
61630 Fuel for Power Purch	\$ 130,804	\$ 43,553	\$ 29,125	\$ -	\$ -	\$ -	\$ 1,308	\$ 56,817
61830 Chemicals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62030 Material + Supplies	\$ 100,347	\$ 33,412	\$ 22,344	\$ -	\$ -	\$ -	\$ 1,003	\$ 43,588
62040 Material + Supplies	\$ 98,464	\$ 32,785	\$ 21,924	\$ -	\$ -	\$ -	\$ 985	\$ 42,770
63140 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63240 Contract Services - Acctg	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63430 Contractual Services - Mgt. Fee	\$ 15,648	\$ 5,210	\$ 3,484	\$ -	\$ -	\$ -	\$ 156	\$ 6,797
63530 Contractual Services - Other	\$ 193,700	\$ 64,496	\$ 43,130	\$ -	\$ -	\$ -	\$ 1,937	\$ 84,137
63540 Contractual Services - Other	\$ 59,259	\$ 19,731	\$ 13,195	\$ -	\$ -	\$ -	\$ 593	\$ 25,740
64140 Rental Buidlg/Real Prop	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64230 Rental of Equipment	\$ 2,388	\$ 795	\$ 532	\$ -	\$ -	\$ -	\$ 24	\$ 1,037
64240 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65030 Transportation Exp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65640 Insurance Vehicle	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65830 Insurance - W/C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65840 Insurance - W/C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66730 Regularity Com Exp. -Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67530 Misc. Expenses	\$ 64,233	\$ 21,388	\$ 14,302	\$ -	\$ -	\$ -	\$ 642	\$ 27,901
67540 Misc. Expenses	\$ 182	\$ 61	\$ 41	\$ -	\$ -	\$ -	\$ 2	\$ 79
Total-Water Treat. Exp.	\$ 4,533,939	\$ 1,542,428	\$ 985,481	\$ -	\$ -	\$ -	\$ 45,143	\$ 1,960,887

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

3 4 5 6 7 8 9

Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
Transmission & Distribution								
60150 Salaries + Wages - Emp	\$ 898,837	\$ 494,256	\$ 183,103	\$ 131,882	\$ -	\$ -	\$ 26,438	\$ 63,157
60160 Salaries + Wages - Emp	\$ 2,400,044	\$ 1,319,747	\$ 488,916	\$ 352,148	\$ -	\$ -	\$ 70,593	\$ 168,640
60250 Payroll Clearing -Emp	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60260 Payroll Clearing -Emp	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60450 Employee Pension + Ben	\$ 550,274	\$ 302,587	\$ 112,097	\$ 80,739	\$ -	\$ -	\$ 16,185	\$ 38,665
60460 Employee Pension + Ben	\$ 1,469,325	\$ 807,959	\$ 299,318	\$ 215,588	\$ -	\$ -	\$ 43,218	\$ 103,243
60550 Overhead Rate Applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60560 Overhead Rate Applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61550 Purchase Power	\$ 8,824	\$ 4,413	\$ 882	\$ -	\$ -	\$ -	\$ 79	\$ 3,450
62050 Material + Supplies	\$ 147,797	\$ 52,891	\$ 35,369	\$ 25,475	\$ -	\$ -	\$ 2,956	\$ 31,106
62060 Material + Supplies	\$ 13,443	\$ 4,811	\$ 3,217	\$ 2,317	\$ -	\$ -	\$ 269	\$ 2,829
62560 Inventory Clearing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63150 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63160 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63460 Contractual Services - Mgt. Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63550 Contractual Services - Other	\$ 1,093,962	\$ 370,579	\$ 247,813	\$ 178,491	\$ 39,445	\$ -	\$ 20,530	\$ 237,104
63560 Contractual Services - Other	\$ 40,138	\$ 10,429	\$ 6,974	\$ 5,023	\$ 10,336	\$ -	\$ 588	\$ 6,788
64150 Rental Buidlg/Real Prop	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64160 Rental Buidlg/Real Prop	\$ 4,265	\$ 1,526	\$ 1,021	\$ 735	\$ -	\$ -	\$ 85	\$ 898
64250 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64260 Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65060 Transportation Exp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65850 Insurance W/C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65860 Insurance W/C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65950 Insurance Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66750 Regulatory Com Exp - Other T &	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66760 Regulatory Com Exp - Other T &	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67550 Misc. Expenses	\$ 3,856	\$ 1,380	\$ 923	\$ 665	\$ -	\$ -	\$ 77	\$ 812
67560 Misc. Expenses	\$ 718	\$ 257	\$ 172	\$ 124	\$ -	\$ -	\$ 14	\$ 151
Total-Trans/Dist Exp.	\$ 6,631,483	\$ 3,370,834	\$ 1,379,806	\$ 993,187	\$ 49,780	\$ -	\$ 181,033	\$ 656,843

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	
<i>Customer Accounts</i>																
60170 Salaries + Wages - Emp	\$ 1,968,504	\$ -	\$ -	\$ -	\$ 984,252	\$ 984,252	\$ -	\$ -								
60270 Payroll Clearing -Emp	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
60470 Employee Pension + Ben	\$ 1,205,133	\$ 1,205,133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
60570 Overhead Rate Applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
61670 Fuel for Power Purch	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
62070 Material + Supplies	\$ 11,416	\$ -	\$ -	\$ -	\$ 5,708	\$ 5,708	\$ -	\$ -								
63370 Contractual Services - Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
63570 Contractual Services - Other	\$ 36,045	\$ -	\$ -	\$ -	\$ 18,022	\$ 18,022	\$ -	\$ -								
65070 Transportation exp. - CAO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
65870 Insurance - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
65970 Insurance Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
67070 Bad Debt Expense - CAO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -								
67570 Misc. Expenses	\$ 128,976	\$ -	\$ -	\$ -	\$ 64,488	\$ 64,488	\$ -	\$ -								
Total-Cust Accts Exp	\$ 3,350,074	\$ 1,205,133	\$ -	\$ -	\$ 1,072,471	\$ 1,072,471	\$ -	\$ -								

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

3 4 5 6 7 8 9

Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
<i>Administration</i>								
60180 Salaries + Wages - Emp	\$ 5,080,792	\$ 2,179,383	\$ 781,946	\$ 302,407	\$ 340,354	\$ 323,257	\$ 75,380	\$ 1,076,065
60380 Salaries + wages - Officers, Dir.	\$ 39,754	\$ 17,052	\$ 6,118	\$ 2,366	\$ 2,663	\$ 2,545	\$ 590	\$ 8,419
60480 Employee Pension + Ben	\$ 3,103,030	\$ 1,737,544	\$ 477,564	\$ 184,692	\$ -	\$ -	\$ 46,037	\$ 657,193
60480 Board Health Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61580 Purchase Power	\$ 120,375	\$ 51,634	\$ 18,526	\$ 7,165	\$ 8,064	\$ 7,706	\$ 1,786	\$ 25,494
61680 Fuel for Power Purch	\$ 196,308	\$ 84,206	\$ 30,212	\$ 11,684	\$ 13,150	\$ 12,567	\$ 2,912	\$ 41,576
62080 Material + Supplies	\$ 195,909	\$ 84,034	\$ 30,151	\$ 11,660	\$ 13,124	\$ 12,541	\$ 2,907	\$ 41,492
63180 Contractual Services - Engineer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63280 Contract Services - Acctg	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63380 Contractual Services - Legal	\$ 19,217	\$ 8,243	\$ 2,958	\$ 1,144	\$ 1,287	\$ 1,230	\$ 285	\$ 4,070
63480 Contractual Services - Mgt. Fee	\$ 150,000	\$ 64,342	\$ 23,085	\$ 8,928	\$ 10,048	\$ 9,603	\$ 2,225	\$ 31,769
63580 Contractual Services - Other	\$ 478,450	\$ 205,229	\$ 73,635	\$ 28,477	\$ 32,051	\$ 30,629	\$ 7,098	\$ 101,331
64180 Rental Bldg/Real Prop	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64280 Rental of Equipment	\$ 10,261	\$ 4,402	\$ 1,579	\$ 611	\$ 687	\$ 657	\$ 152	\$ 2,173
65080 Transportation Exp.	\$ 111,382	\$ 47,777	\$ 17,142	\$ 6,629	\$ 7,461	\$ 7,130	\$ 1,652	\$ 23,590
65780 Ins. Gen. Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65880 Insurance - W/C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65980 Insurance Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66080 Advertising Expense	\$ 3,565	\$ 1,529	\$ 549	\$ 212	\$ 239	\$ 228	\$ 53	\$ 765
66680 Reg Com Exp - Amort of Rate C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66780 Regulatory Com Exp -Other	\$ 296,587	\$ 153,165	\$ 54,954	\$ 21,253	\$ -	\$ -	\$ 4,400	\$ 62,814
67580 Misc. Expense	\$ 307,624	\$ 131,954	\$ 47,344	\$ 18,310	\$ 20,607	\$ 19,693	\$ 4,564	\$ 65,152
<i>Total-Admin/Gen Exp</i>	\$ 10,113,255	\$ 4,770,495	\$ 1,565,763	\$ 605,539	\$ 449,736	\$ 429,786	\$ 150,043	\$ 2,141,894

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	\$ 3,470,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,713,116
A	\$ 7,066,935	\$ 6,154,024	\$ 912,911	\$ 507,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,129
A	\$ 14,731,695	\$ 5,644,572	\$ 9,087,124	\$ 5,049,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,871
A	\$ 22,321,197	\$ 4,125,069	\$ 18,196,128	\$ 10,110,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,961
A	\$ 399,766	\$ 259,779	\$ 139,987	\$ 77,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,400
A	\$ 459,317	\$ 398,101	\$ 61,216	\$ 34,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 612
N	\$ 928,495	\$ 608,586	\$ 322,909	\$ 155,670	\$ 29,322	\$ 5,813	\$ -	\$ -	\$ -	\$ 26,590
N	\$ 107,721	\$ 70,298	\$ 37,423	\$ 18,041	\$ 3,398	\$ 674	\$ -	\$ -	\$ -	\$ 3,229
	\$ 52,262,226	\$ 17,256,429	\$ 35,005,797	\$ 19,422,670	\$ 32,720	\$ 6,486	\$ -	\$ -	\$ -	\$ 14,936
										\$ 350,038
										\$ 15,191,882
Water Treatment Plant										
Land and Land Rights										
AA	\$ 29,994	\$ -	\$ 29,994	\$ 9,987	\$ 6,679	\$ -	\$ -	\$ -	\$ -	\$ 300
AA	\$ 13,592,842	\$ 9,947,986	\$ 3,644,856	\$ 1,213,620	\$ 811,572	\$ -	\$ -	\$ -	\$ -	\$ 36,449
AA	\$ 12,482,818	\$ 7,715,567	\$ 4,767,251	\$ 1,587,342	\$ 1,061,487	\$ -	\$ -	\$ -	\$ -	\$ 47,673
AA	\$ 17,586,361	\$ 7,649,556	\$ 9,936,805	\$ 3,339,304	\$ 2,212,987	\$ -	\$ -	\$ -	\$ -	\$ 89,388
	\$ 43,584,015	\$ 25,313,109	\$ 18,360,906	\$ 6,120,263	\$ 4,092,735	\$ -	\$ -	\$ -	\$ -	\$ 183,809
										\$ 7,994,108
Transmission & Distribution Plant										
Land and Land Rights										
L	\$ 614,902	\$ -	\$ 614,902	\$ 208,715	\$ 139,572	\$ 55,206	\$ -	\$ -	\$ -	\$ 88,655
L	\$ 218,134	\$ 158,712	\$ 59,422	\$ 20,170	\$ 13,488	\$ 5,335	\$ -	\$ -	\$ -	\$ 8,567
AA	\$ 11,468,806	\$ 9,948,529	\$ 1,520,277	\$ 539,500	\$ 360,775	\$ -	\$ -	\$ -	\$ -	\$ 16,203
TD	\$ 21,414,347	\$ 8,689,859	\$ 12,724,487	\$ 5,886,164	\$ 3,917,471	\$ 2,821,608	\$ -	\$ -	\$ -	\$ 127,245
AA	\$ 20,531,172	\$ 9,117,230	\$ 11,413,943	\$ 3,800,477	\$ 2,541,455	\$ -	\$ -	\$ -	\$ -	\$ 114,139
C	\$ 19,605,233	\$ 5,173,981	\$ 14,431,252	\$ -	\$ -	\$ -	\$ 14,431,252	\$ -	\$ -	\$ -
FP	\$ 6,570,821	\$ 2,311,349	\$ 4,259,472	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,259,472
AA	\$ 6,951,384	\$ 5,541,834	\$ 1,409,550	\$ 469,335	\$ 313,854	\$ -	\$ -	\$ -	\$ -	\$ 14,096
	\$ 87,374,795	\$ 40,841,494	\$ 46,533,305	\$ 10,886,362	\$ 7,285,614	\$ 2,882,149	\$ 14,431,252	\$ -	\$ -	\$ 4,628,377
										\$ 612,266
										\$ 6,408,551
General Plant										
Land and Land Rights										
T	\$ 23,380	\$ -	\$ 23,380	\$ 8,526	\$ 2,670	\$ 676	\$ 3,377	\$ -	\$ -	\$ 1,208
T	\$ 4,066,977	\$ 2,252,966	\$ 1,814,011	\$ 661,555	\$ 207,186	\$ 52,443	\$ 261,989	\$ -	\$ -	\$ 93,720
T	\$ 407,857	\$ 351,799	\$ 56,058	\$ 20,444	\$ 6,403	\$ 1,621	\$ 8,097	\$ -	\$ -	\$ 2,695
T	\$ 4,648,009	\$ 3,811,303	\$ 836,706	\$ 305,140	\$ 95,564	\$ 24,189	\$ 120,846	\$ -	\$ -	\$ 43,228
T	\$ 2,983,121	\$ 2,930,658	\$ 52,463	\$ 19,133	\$ 5,992	\$ 1,517	\$ 7,577	\$ -	\$ -	\$ 2,710
T	\$ 322,908	\$ 278,922	\$ 45,986	\$ 16,771	\$ 5,252	\$ 1,329	\$ 6,642	\$ -	\$ -	\$ 15,534
A	\$ 198,137	\$ 189,345	\$ 8,791	\$ 4,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,376
T	\$ 295,604	\$ 291,234	\$ 4,370	\$ 1,667	\$ 922	\$ 132	\$ 660	\$ -	\$ -	\$ 88
T	\$ 857,101	\$ 857,099	\$ 2	\$ 1	\$ 0	\$ 0	\$ 0	\$ -	\$ -	\$ 236
T	\$ 468,045	\$ 458,374	\$ 9,671	\$ 1	\$ 0	\$ 0	\$ 0	\$ -	\$ -	\$ 0
T	\$ 139,200	\$ 40,817	\$ 98,383	\$ 35,879	\$ 11,237	\$ 2,844	\$ 14,210	\$ -	\$ -	\$ 5,083
T	\$ 14,400,539	\$ 11,450,518	\$ 2,940,021	\$ 1,074,000	\$ 334,626	\$ 84,752	\$ 423,408	\$ -	\$ -	\$ 151,546
	\$ 197,731,579	\$ 94,873,550	\$ 102,858,029	\$ 37,513,285	\$ 11,746,896	\$ 2,973,387	\$ 14,854,660	\$ -	\$ -	\$ 5,313,769
										\$ 30,456,361
Construction Work in Progress										
T	\$ 23,150,055	\$ 8,442,637	\$ 14,707,418	\$ 2,544,068	\$ 669,269	\$ -	\$ 3,343,584	\$ -	\$ -	\$ 1,186,038
T	\$ 14,728,150	\$ 5,371,237	\$ 9,356,913	\$ 1,682,166	\$ 425,782	\$ -	\$ 2,127,201	\$ -	\$ -	\$ 760,924
	\$ 37,878,205	\$ 13,813,874	\$ 24,064,331	\$ 4,226,234	\$ 1,095,051	\$ -	\$ 5,470,785	\$ -	\$ -	\$ 1,947,000
										\$ 4,360,831
Total Plant Investment										
	\$ 140,736,563	\$ 51,327,159	\$ 89,409,404	\$ 16,073,130	\$ 4,068,448	\$ 20,325,445	\$ -	\$ -	\$ -	\$ 7,270,731
										\$ 41,871,650
Totals used to determine Allocation Factors:										
Total Plant less Land										
	\$ 133,852,182	\$ 47,639,395	\$ 86,212,787	\$ 4,012,565	\$ 20,322,068	\$ -	\$ -	\$ -	\$ -	\$ 7,118,408
		\$ 35,599	\$ 11,900	\$ 3,000	\$ 15,189	\$ -	\$ -	\$ -	\$ -	\$ 5,320
	\$ 133,852,182	\$ 47,674,994	\$ 86,224,787	\$ 4,015,565	\$ 20,337,257	\$ -	\$ -	\$ -	\$ -	\$ 7,123,728
		\$ 19,342,891	\$ 6,468,374	\$ 1,629,211	\$ (20,322,068)	\$ -	\$ -	\$ -	\$ -	\$ (7,118,408)
	\$ 133,852,182	\$ 66,982,285	\$ 22,399,261	\$ 5,641,777	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,828,858
		\$ 50,049	\$ 16,739	\$ 4,219	\$ 0.00%	\$ -	\$ -	\$ -	\$ -	\$ 0.00%
		\$ 38,828,858	\$ 29,011	\$ (7,118,408)	\$ 0.00%	\$ -	\$ -	\$ -	\$ -	\$ 29,011%

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	\$ 2,450,000	\$ -	\$ 2,450,000	\$ 871,981	\$ -	\$ 73,445	\$ 371,971	\$ -	\$ 130,294	\$ 710,715
Debt Service CIP Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Western Cranston Fund	\$ 62,069	\$ -	\$ 62,069	\$ 28,576	\$ 19,109	\$ 13,764	\$ -	\$ -	\$ 621	\$ -
Infrastructure Replacement	\$ 12,500,000	\$ 1,400,000	\$ 13,900,000	\$ 6,955,836	\$ 2,326,071	\$ 585,875	\$ -	\$ -	\$ -	\$ 4,032,218
Debt Service IFR Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
102" Valve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Alternative Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Meter Replacement	\$ 400,000	\$ 600,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -
Equipment Replacement	\$ 600,000	\$ -	\$ 600,000	\$ 213,546	\$ 71,411	\$ 17,987	\$ 91,055	\$ -	\$ 31,809	\$ 174,053
Total Capital Expenditures	\$ 16,012,069	\$ 2,000,000	\$ 18,012,069	\$ 8,069,938	\$ 2,708,167	\$ 691,071	\$ 1,463,055	\$ -	\$ 162,823	\$ 4,916,885

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	\$ 5,446,674	\$ 3,026,337	\$ -	\$ -	\$ -	\$ -	\$ 54,467	\$ 2,365,870
Foster	A	\$ 286,923	\$ 164,979	\$ -	\$ -	\$ -	\$ -	\$ 2,969	\$ 128,974
Cranston *	A	\$ (284,997)	\$ (158,353)	\$ -	\$ -	\$ -	\$ -	\$ (2,850)	\$ (123,794)
North Providence	F	\$ 238,466	\$ 85,338	\$ 57,067	\$ 41,103	\$ -	\$ -	\$ 4,769	\$ 50,189
Johnston	A	\$ 87,470	\$ 48,601	\$ -	\$ -	\$ -	\$ -	\$ 875	\$ 37,994
Glocester	A	\$ 50,425	\$ 28,018	\$ -	\$ -	\$ -	\$ -	\$ 504	\$ 21,903
West Warwick	A	\$ 4,361	\$ 2,423	\$ -	\$ -	\$ -	\$ -	\$ 44	\$ 1,894
West Glocester Fire	A	\$ 3,989	\$ 2,216	\$ -	\$ -	\$ -	\$ -	\$ 40	\$ 1,733
Harmony Fire Dist.	A	\$ 122	\$ 68	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 53
Chepachet Fire Dist.	A	\$ 147	\$ 82	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 64
Warwick	A	\$ 103	\$ 57	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 45
Total Property Taxes		\$ 5,843,683	\$ 3,199,766	\$ 57,067	\$ 41,103	\$ -	\$ -	\$ 60,821	\$ 2,484,925

* Reflects \$375,000 credit for refund

Allocation Factor Legend

Allocation	Description	Base	Maximum Day	Maximum Hours & Services to & Collection	Fire Protection	Wholesale
A	1% allocated to fire protection, remainder allocated to base and wholesale based on consu	55.56%	22.27%		1.00%	43.44%
AA	1% allocated to fire protection, remainder allocated to base, maximum day, and wholesale	33.30%			1.00%	43.44%
C	100% to Meters & Services					
Cran	Cranson Taxes, 16% Allocator F, 84% Allocator A					
D	50% to Billing and Collections, 50% to Meters and Services	52.40%	3.83%	100.00%	1.16%	39.85%
DY	Same as D but billing and metering to retail base	100.00%	0.00%	50.00%	0.00%	0.00%
F	100% Fire Protection	35.79%	23.93%	0.00%	100.00%	21.55%
FP	See T&D allocations below					
HM	See T&D allocations below					
HMC	See T&D allocations below	30.46%	20.37%	24.53%	2.94%	7.03%
HOC	See T&D allocations below	25.96%	17.38%	25.75%	1.46%	16.91%
HMY	See T&D allocations below	33.87%	22.65%	3.51%	1.88%	21.67%
K1	Same as HM but meter and billing share assigned to retail base	54.99%	20.37%	0.00%	2.94%	7.03%
K2	Allocated Based on Original Plant Investment less Land, Meters and Fire Reallocated to R	50.04%	16.73%	0.00%	0.00%	29.01%
L	Allocated Based on Original Plant Investment less Land	35.59%	11.90%	0.00%	0.00%	29.01%
N	Based on Allocation of other Transmission & Distribution Plant except Services & Meters	33.94%	22.70%	15.18%	5.32%	19.96%
NO	Allocation of Pumping Investment and Expenses	48.21%	9.08%	0.00%	14.42%	39.91%
NP	Allocation of non-power Pumping O&M costs (excludes Raw Water Station)	36.04%	24.10%	4.78%	1.00%	34.08%
P	Allocation of Pumping Power Costs (no max ht)	34.60%	25.40%	0.00%	1.00%	39.00%
T	10% allocated to maximum day, 90% allocated based on A	50.01%	10.00%	0.00%	0.90%	39.09%
TD	Allocation of all Non-General Plant	36.47%	11.42%	0.00%	5.17%	29.61%
WC	Allocation of Base, Max Day and Max Hour of Retail only	45.04%	30.79%	14.44%	1.00%	29.61%
X1	Western Cranson Fund	100.00%				
X2	Overall T&D	30.81%	20.60%	14.84%	3.22%	10.21%
X3	T&D Contract Services Operations overall	34.69%	23.20%	16.71%	1.88%	19.45%
X4	T&D Contract Services Maintenance overall	9.43%	6.31%	4.54%	0.00%	5.55%
Y	Allocation within a Particular Group Based on the Relationship between all Other Items in th	44.80%	15.04%	8.12%	0.53%	27.30%
YY	Based on Labor related O&M Expenses.	42.89%	15.99%	5.95%	0.90%	100.00%
Com Y	For Admin Benefits billing and metering to retail base	56.00%	15.39%	6.70%	1.48%	21.18%
Com Z	Allocated Based on Methodology in Docket # 2048, Y - Labor Reallocated from Meters and	51.64%	18.53%	0.00%	1.48%	21.18%
Z	Allocated Based on Methodology in Docket # 2048, Z - O&M Reallocated from Meters and	51.64%	18.53%	0.00%	1.48%	21.18%
	Based on Total O&M expenses, except for Administrative & General	42.89%	15.39%	6.70%	1.48%	21.18%

Allocator A

	Sales	% of Pumped
RETAIL		
Residential	11,686,498	
Commercial	2,852,053	
Industrial	1,006,359	46.5%
	13,545,910	
WHOLESALE		
	14,432,185	43.2%
TOTAL SALES	28,978,095	89.7%
Unaccounted for	3,440,021	10.3%
Total Water Supplied	33,418,116	

	HCFYR	Percent
Total Retail Sales	15,545,910	
Plus 93.31% of Unaccted for	3,209,765	
Total Retail	18,755,675	56.1%
Total Wholesale Sales	14,432,185	
Plus 06.69% of Unaccted for	230,256	
Total Wholesale	14,662,441	43.9%
Total Water Pumped	33,418,116	100.0%

Unacctd For Water P. Marchand Ex 1 Sch E
 FY 03
 FY 04
 FY 05
 FY 06
 4 Yr Avg

Additional Johnston Use (Div 3-2)
 39,756
 64,477
 111,875
 99,907
 79,029

10.39%	3,557,453
10.64%	3,597,024
10.36%	3,384,149
9.64%	3,221,458
10.26%	3,440,021

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

Station	Retail Average Day	Capacity MGD	Percent	Allocation	Base	Maximum Day	Maximum Hour	Fire	Wholesale	Total
Raw Water	0.75	160	62.3%	A	34.63%	0.09%	0.00%	0.00%	27.07%	62.32%
Neuacconkanut	0.75	38.59	15.0%	AA	5.01%	3.35%	0.00%	0.15%	6.53%	15.03%
Bath Street	0.67	28.94	11.3%	AA	3.75%	2.51%	0.00%	0.11%	4.90%	11.27%
Aqueduct	1	8.35	3.3%	AA	1.08%	0.72%	0.00%	0.03%	1.41%	3.25%
Fruit Hill	1	4.32	1.7%	TD	0.77%	0.52%	0.37%	0.02%	0.00%	1.66%
Alpine Estates	1	1.74	0.7%	TD	0.31%	0.21%	0.15%	0.01%	0.00%	0.68%
Cranston	1	3.83	1.5%	TD	0.69%	0.46%	0.33%	0.01%	0.00%	0.88%
Garden Hills	1	1.87	0.7%	TD	0.34%	0.22%	0.16%	0.01%	0.00%	0.49%
Dean Estates	1	5.18	2.0%	TD	0.93%	0.62%	0.45%	0.02%	0.00%	1.49%
Greenville	1	2.46	1.0%	TD	0.44%	0.30%	0.21%	0.01%	0.00%	0.73%
Ashby Street	1	1.44	0.6%	TD	0.26%	0.17%	0.12%	0.01%	0.00%	0.46%
Total		256.72	1		48.21%	9.08%	1.80%	1.00%	39.91%	100.00%

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

Station	Retail Average Day	Capacity MGD	Percent	Allocation	Base	Maximum Day	Maximum Hour	Fire	Wholesale	Total
Raw Water	0.75	36.59	39.0%	AA	13.28%	8.89%	0.00%	0.00%	17.33%	39.90%
Neuacconkanut	0.75	28.94	29.9%	AA	9.66%	6.65%	0.00%	0.30%	13.00%	29.92%
Bath Street	0.67	8.35	8.6%	AA	2.87%	1.92%	0.00%	0.09%	3.75%	8.63%
Aqueduct	1	4.32	4.4%	TD	2.06%	1.38%	0.99%	0.04%	0.00%	4.47%
Fruit Hill	1	1.74	1.8%	TD	0.63%	0.55%	0.40%	0.02%	0.00%	1.80%
Alpine Estates	1	3.83	3.9%	TD	1.62%	1.22%	0.88%	0.04%	0.00%	3.96%
Cranston	1	1.87	1.9%	TD	0.69%	0.60%	0.43%	0.02%	0.00%	1.93%
Garden Hills	1	5.18	5.3%	TD	2.47%	1.65%	1.19%	0.05%	0.00%	5.36%
Dean Estates	1	2.46	2.5%	TD	1.17%	0.78%	0.56%	0.03%	0.00%	2.54%
Greenville	1	1.44	1.4%	TD	0.69%	0.46%	0.33%	0.01%	0.00%	1.48%
Ashby Street	1	1.44	1.4%	TD	0.69%	0.46%	0.33%	0.01%	0.00%	1.48%
Total		96.72	1		36.04%	24.10%	4.78%	1.00%	34.08%	100.00%

NP Pumping Power see KCWA 2-5

Station	Power FY 06 Allocation	Base	Maximum Day	Maximum Hour	Fire	Wholesale
Neutconkanut	114,658 AA	38,178	25,530	-	1,147	49,804
Bath Street	378,737 AA	126,107	84,331	-	3,787	164,512
Aqueduct	136,934 AA	45,461	30,401	-	1,365	99,306
Fruit Hill	28,478 TD	13,111	15,082	-	285	-
Alpine Estates	3,737 TD	1,720	1,979	-	37	-
Cranston	12,140 TD	5,689	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	4,458	5,126	-	97	-
Total	701,668	242,774	178,255	0.00%	7,017	273,622
Percent		34.50%	25.40%		1.00%	39.00%

Allocater HM Allocation Percent	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
	6,631,483	3,370,834	1,379,806	983,187	49,780	-	181,033	656,843

From Div 2-13

MILES OF PIPE IN SERVICE

Size (in) Service Pipe *	Miles	Cumul. Percent	Inch-Miles	Cumul. Percent
6	353.5	27%		
8	468.6	63%	2,811.84	28%
10	290.9	85%	2,327.36	51%
12	1.5	85%	16.20	51%
16	85.0	91%	1,019.76	61%
20	35.8	94%	572.80	67%
24	7.2	94%	144.00	68%
30	26.2	96%	629.52	74%
36	16.3	98%	489.00	79%
42	1.9	98%	68.76	80%
48	4.8	98%	203.28	82%
60	3.2	98%	154.08	84%
66	4.3	98%	259.20	86%
78	1.8	99%	105.60	87%
90	4.4	99%	341.64	91%
102	4.5	100%	402.30	95%
	5.4	100%	552.84	100%
Total	1,315.3		10,098.18	

* Service pipe based on number of retail accounts times assumed length (feet) per account of

Distribution (10" & less) = 25
 Transmission (12" & greater) = 5,155
 Retail Metered Sales = 4,943
 Wholesale Metered Sales = 48.95%

Allocation of Unaccounted For Water to:
 Retail: 76.52%
 Wholesale: 21.48%

	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
From Smith response to 5-7							
Transmission & Distribution - Salaries & Wages T&D (M) - HM							
FY 2004 Allocation	31.47%	21.04%	15.16%	24.03%	0.00%	2.48%	5.62%
FY 2005 Allocation	30.58%	20.45%	14.73%	24.16%	0.00%	2.72%	7.37%
FY 2006 Allocation	28.34%	19.62%	14.13%	25.38%	0.00%	3.63%	7.88%
Average Allocation	30.46%	20.37%	14.67%	24.53%	0.00%	2.94%	7.03%
Transmission & Distribution - Contract Services Other T&D (O) - HOC							
FY 2004 Allocation	33.44%	22.35%	16.11%	5.04%	0.00%	1.84%	21.22%
FY 2005 Allocation	34.37%	22.85%	16.55%	1.70%	0.00%	1.94%	22.46%
FY 2006 Allocation	33.82%	22.62%	16.29%	4.08%	0.00%	1.85%	21.35%
Average Allocation	33.87%	22.65%	16.32%	3.61%	0.00%	1.88%	21.67%
Transmission & Distribution - Contract Services Other T&D (M) - HMC							
FY 2004 Allocation	34.58%	23.13%	16.66%	1.00%	0.00%	1.96%	22.67%
FY 2005 Allocation	34.45%	23.04%	16.60%	1.52%	0.00%	1.94%	22.44%
FY 2006 Allocation	8.91%	5.96%	4.29%	74.73%	0.00%	0.48%	5.62%
Average Allocation	25.98%	17.36%	12.51%	25.75%	0.00%	1.46%	16.91%

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	\$ 31,981,683	\$ 14,714,956	\$ 4,518,301	\$ 1,766,873	\$ 1,549,188	\$ 1,556,908	\$ 465,046	\$ 7,410,411
Capital Expense	\$ 18,012,069	\$ 8,069,938	\$ 2,708,187	\$ 691,071	\$ 1,463,065	\$ -	\$ 162,823	\$ 4,916,985
City Services Expense	\$ 912,537	\$ 391,429	\$ 140,442	\$ 54,314	\$ 61,129	\$ 58,418	\$ 13,539	\$ 193,267
Property Taxes Expense	\$ 5,843,683	\$ 3,199,766	\$ 57,067	\$ 41,103	\$ -	\$ -	\$ 60,821	\$ 2,484,925
Total Expenses Allocated	\$ 56,749,971	\$ 26,376,089	\$ 7,423,996	\$ 2,553,361	\$ 3,073,383	\$ 1,615,326	\$ 702,229	\$ 15,005,587
less: Miscellaneous Revenues	\$ (1,245,739)	\$ (534,354)	\$ (191,722)	\$ (74,146)	\$ (83,450)	\$ (79,748)	\$ (18,482)	\$ (263,836)
plus: Net Operating Revenue	\$ 1,665,127	\$ 791,283	\$ 222,720	\$ 76,601	\$ 92,201	\$ 48,460	\$ 21,067	\$ 450,168
Net Rate Revenue Requirement	\$ 57,169,359	\$ 26,633,017	\$ 7,454,994	\$ 2,555,815	\$ 3,082,135	\$ 1,584,037	\$ 704,814	\$ 15,191,919

Rate Revenues under Existing Rates \$ 50,079,959

Net Revenue Increase / (Decrease) Required \$ 7,089,400

	Units of Service									
	Rate Year Ending December 31, 2008									
	Base Annual Use HCF	Average Rate HCF/day	Maximum Day Demand Fact	Total Capacity HCF/day	Extra Capacity HCF/day	Maximum Hour Demand Fact	Total Capacity HCF/day	Extra Capacity HCF/day	Equivalent Meters	Sen 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				2,887	2,887		11,550	8,662		
Total Inside City	15,545,910	42,592		73,961	31,369		103,138	29,177	119,425	299,016
Outside City										
Wholesale	14,432,185	39,540	1.70	67,218	27,678	2.15	85,012	17,793		
Total Units of Service	29,978,095	82,132		141,179	59,047	47%	188,149	46,970	119,425	299,016

Notes: Wholesale maximum day and maximum hour figures have no impact on wholesale rates
 Wholesale customers do NOT agree with demand factors herein -- they are simply repeated from PW exhibits.

Unit Costs
Rate Year Ending December 31, 2008

	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection
Retail System Units of Service:							
Number		15,545,910	31,369	29,177	119,425	299,016	6,046
Units		MCF	MCF/day	MCF/day	Equiv. Meters	Bills	Hydrants
O&M Expense:							
Retail	24,297,050	14,606,020	4,456,376	1,743,508	1,509,711	1,521,474	459,961
Retail Unit Cost (\$/unit)		\$ 0.94	\$ 142.06	\$ 59.76	\$ 12.64	\$ 5.09	\$ 76.08
Wholesale O&M Expense	\$ 7,360,972	\$ 7,360,972					
Capital Expense:							
Retail Capital Expense	13,487,937	8,312,036	2,789,433	711,803	1,506,957	-	167,708
Retail Cost (\$/unit)		\$ 0.53	\$ 88.92	\$ 24.40	\$ 12.62	\$ -	\$ 27.74
Wholesale Capital Expense	\$ 5,064,494	\$ 5,064,494					
City Services Expense:							
Retail City Services Expense	740,848	403,171	144,655	55,943	62,963	60,170	13,945
Retail Cost (\$/unit)		\$ 0.03	\$ 4.61	\$ 1.92	\$ 0.53	\$ 0.20	\$ 2.31
Wholesale City Services Expense	\$ 199,065	\$ 199,065					
Property Tax Expense:							
Retail Property Tax Expense	3,459,521	3,295,759	58,779	42,336	-	-	62,646
Retail Cost (\$/unit)		\$ 0.21	\$ 1.87	\$ 1.45	\$ -	\$ -	\$ 10.36
Wholesale Property Tax Expense	\$ 2,559,473	\$ 2,559,473					
Total Unit Costs of Service							
Retail Cost of Service	41,985,355	26,616,987	7,449,243	2,553,591	3,079,631	1,581,644	704,260
Retail Total Unit Cost (\$/unit)		\$ 1.71	\$ 237.47	\$ 87.52	\$ 25.79	\$ 5.29	\$ 116.48
Wholesale Cost of Service	\$ 15,184,004						
Total Cost of Service	<u>\$ 57,169,359</u>						

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

Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection
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Inside City:
 Unit Costs of Services (\$/unit)

\$ 1.71 \$ 237.47 \$ 87.52 \$ 25.79 \$ 5.29 \$ 116.48

Retail Service:
 Residential Volume Charge:

Units of Service - HCF		11,688,498	22,416	16,012		
Allocation Cost of Service - \$	\$ 26,737,039	\$ 20,012,505	\$ 5,323,179	\$ 1,401,355		
Consumption Rate - \$/HCF	\$ 2.2875					

Commercial Volume Charge:

Units of Service - HCF		2,852,053	4,688	3,126		
Allocation Cost of Service - \$	\$ 6,270,030	\$ 4,883,152	\$ 1,113,328	\$ 273,550		
Consumption Rate - \$/HCF	\$ 2.1984					

Industrial Volume Charge:

Units of Service - HCF		1,005,359	1,377	1,377		
Allocation Cost of Service - \$	\$ 2,168,907	\$ 1,721,330	\$ 327,044	\$ 120,534		
Consumption Rate - \$/HCF	\$ 2.1573					

Retail Service Charge:

Units of Service				83,910	292,160	
Allocation Cost of Service - \$	\$ 3,709,192			\$ 2,163,813	\$ 1,545,380	

Fire Protection Service:

Units of Service		2,887	8,662	35,515	6,856	6,046
Allocation Cost of Service	\$ 3,100,186	\$ 685,692	\$ 758,151	\$ 915,818	\$ 36,265	\$ 704,260

Total Inside-City Allocated Cost of Service \$ 41,985,355

Outside City

Wholesale:

Units of Service		14,432,185				
Allocation Cost of Service	\$ 15,184,004	\$ 15,184,004				
Consumption Rate - \$/HCF	\$	1.0521				

Total System Allocated Cost of Service \$ 57,169,359

CALCULATION OF NEW RATES & CHARGES

Service Charges

Meters & Services

Allocated Costs

O&M	\$	1,509,711
Capital	\$	1,506,957
City Services	\$	62,963
Property Tax	\$	-
	\$	<u>3,079,631</u>

Equivalent Meters

Quarterly	83,124
Monthly	786
Private Fire	<u>35,515</u>
	119,425

Cost per Equivalent \$ 25.79 /yr

Billing Costs

Allocated Costs

O&M	\$	1,521,474
Capital	\$	-
City Services	\$	60,170
Property Tax	\$	-
	\$	<u>1,581,644</u>

Billings 299,016

Cost per Bill \$ 5.29

Summary

<u>Meter Size</u>	<u>Quarterly Account</u>				<u>Monthly Account</u>			
	<u>Meter & Service</u>	<u>Billing & Collect.</u>	<u>Total</u>		<u>Meter & Service</u>	<u>Billing & Collect.</u>	<u>Total</u>	
5/8"	\$ 6.45	\$ 5.29	\$ 11.74	\$	2.15	\$ 5.29	\$ 7.44	\$
3/4"	\$ 7.09	\$ 5.29	\$ 12.38	\$	2.36	\$ 5.29	\$ 7.65	\$
1"	\$ 9.03	\$ 5.29	\$ 14.32	\$	3.01	\$ 5.29	\$ 8.30	\$
1.5"	\$ 11.60	\$ 5.29	\$ 16.89	\$	3.87	\$ 5.29	\$ 9.16	\$
2"	\$ 18.70	\$ 5.29	\$ 23.99	\$	6.23	\$ 5.29	\$ 11.52	\$
3"	\$ 70.91	\$ 5.29	\$ 76.20	\$	23.64	\$ 5.29	\$ 28.93	\$
4"	\$ 90.26	\$ 5.29	\$ 95.54	\$	30.09	\$ 5.29	\$ 35.37	\$
6"	\$ 135.38	\$ 5.29	\$ 140.67	\$	45.13	\$ 5.29	\$ 50.42	\$
8"	\$ 186.96	\$ 5.29	\$ 192.25	\$	62.32	\$ 5.29	\$ 67.61	\$
10"	\$ 233.70	\$ 5.29	\$ 238.99	\$	77.90	\$ 5.29	\$ 83.19	\$
12"	\$ 280.44	\$ 5.29	\$ 285.72	\$	93.48	\$ 5.29	\$ 98.77	\$

Fire Service Charges

Allocated Costs

Base	\$	-
Max Day	\$	685,692
Max Hour	\$	758,151
Direct Fire	\$	704,260
	\$	<u>2,148,103</u>

Direct Hydrant Costs

Capital	\$	134,349
O&M		0
	\$	<u>134,349</u>

Net to Allocate to Public & Private Demand \$ 2,013,754

	<u>Number</u>	<u>Equiv Factor</u>	<u>No. of Equivs</u>	<u>% of Equivs</u>	<u>Allocation</u>
Public Fire	6,046	111.3	672,986	76.7% \$	1,545,490
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	<u>1,728</u>		<u>203,906</u>	23.3% \$	<u>468,264</u>
Totals	<u>7,774</u>		<u>876,892</u>	100.0% \$	<u>2,013,754</u>
				Cost per Equivalent \$	2.30

Public Fire Charges

Direct Hydrant Allocation =	\$	134,349
Demand Allocation =	\$	<u>1,545,490</u>
Total	\$	1,679,839

Number of Hydrants 6,046

Charge per Hydrant = \$ 277.84 per year

Private Fire Charges (quarterly)

	<u>Meter/Service</u>	<u>Bill/Collect</u>	<u>Demand</u>	<u>Total</u>
3/4"	\$ 7.09	\$ 5.29	\$ 0.27	\$ 12.65
1"	\$ 9.03	\$ 5.29	\$ 0.57	\$ 14.89
1.5"	\$ 11.60	\$ 5.29	\$ 1.67	\$ 18.56
2"	\$ 18.70	\$ 5.29	\$ 3.55	\$ 27.54
4"	\$ 90.26	\$ 5.29	\$ 22.00	\$ 117.54
6"	\$ 135.38	\$ 5.29	\$ 63.91	\$ 204.58
8"	\$ 186.96	\$ 5.29	\$ 136.18	\$ 328.43
10"	\$ 233.70	\$ 5.29	\$ 244.91	\$ 483.89
12"	\$ 280.44	\$ 5.29	\$ 395.59	\$ 681.32
16"	\$ 373.91	\$ 5.29	\$ 843.02	\$ 1,222.22

Metered Retail Rate

Residential

Allocation	\$	26,737,039
Sales		11,688,498
Rate	\$	2.287

Commercial

Allocation	\$	6,270,030
Sales		2,852,053
Rate	\$	2.198

Industrial

Allocation	\$	2,168,907
Sales		1,005,359
Rate	\$	2.157

Wholesale Rates

% of Wholesale Costs Allocated to Base Charge 0.00%

Allocation

O&M	\$ 7,360,972
Capital	\$ 5,064,494
City Services	\$ 199,065
Property Tax	\$ 2,559,473
	\$ 15,184,004

Base Charge (\$/ccf)

Allocation	\$ -
Sales (hcf)	14,432,185
Cost (\$/ccf)	\$ -

Community	Sales (hcf)	Base Charge	
		Per Year	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	1,257,500	\$ -	\$ -
Totals	14,432,185	\$ -	\$ -

Metered Rate (\$/ccf)

Allocation	\$ 15,184,004
Sales (hcf)	14,432,185
Cost (\$/ccf)	\$ 1.052

Community	Sales (hcf)	Metered Rate
East Providence	2,397,994	\$ 2,522,690
East Smithfield	339,786	\$ 357,454
Greenville	463,126	\$ 487,208
Kent County	3,777,169	\$ 3,973,582
Smithfield	428,798	\$ 451,096
Warwick	4,404,569	\$ 4,633,607
Lincoln	1,086,668	\$ 1,143,175
Johnston	276,575	\$ 290,957
Bristol County	1,257,500	\$ 1,322,890
Totals	14,432,185	\$ 15,182,659

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	\$ 11.74	\$ 2,540,348	\$ 12.19	\$ 2,637,721	-3.7%
3/4"	10,329	\$ 12.38	\$ 511,492	\$ 13.05	\$ 539,174	-5.1%
1"	5,076	\$ 14.32	\$ 290,753	\$ 15.32	\$ 311,057	-6.5%
1.5"	1,469	\$ 16.89	\$ 99,246	\$ 18.33	\$ 107,707	-7.9%
2"	1,752	\$ 23.99	\$ 168,122	\$ 26.66	\$ 186,833	-10.0%
3"	42	\$ 76.20	\$ 12,802	\$ 87.93	\$ 14,772	-13.3%
4"	28	\$ 95.54	\$ 10,700	\$ 110.64	\$ 12,392	-13.6%
6"	56	\$ 140.67	\$ 31,510	\$ 163.59	\$ 36,644	-14.0%
8"	24	\$ 192.25	\$ 18,456	\$ 224.10	\$ 21,514	-14.2%
10"	3	\$ 238.99	\$ 2,868	\$ 278.93	\$ 3,347	-14.3%
12"	-	\$ 285.72	\$ -	\$ 333.79	\$ -	-14.4%
Total	72,875		\$ 3,686,297		\$ 3,871,161	
Monthly Service Charges						
5/8"	-	\$ 7.44	\$ -	\$ 7.25	\$ -	2.6%
3/4"	-	\$ 7.65	\$ -	\$ 7.50	\$ -	2.0%
1"	-	\$ 8.30	\$ -	\$ 8.25	\$ -	0.6%
1.5"	1	\$ 9.16	\$ 110	\$ 9.27	\$ 111	-1.2%
2"	19	\$ 11.52	\$ 2,627	\$ 12.05	\$ 2,747	-4.4%
3"	5	\$ 28.93	\$ 1,736	\$ 32.47	\$ 1,948	-10.9%
4"	6	\$ 35.37	\$ 2,547	\$ 40.03	\$ 2,882	-11.6%
6"	15	\$ 50.42	\$ 9,076	\$ 57.67	\$ 10,381	-12.6%
8"	8	\$ 67.61	\$ 6,491	\$ 77.85	\$ 7,474	-13.2%
10"	-	\$ 83.19	\$ -	\$ 96.14	\$ -	-13.5%
12"	1	\$ 98.77	\$ 1,185	\$ 114.41	\$ 1,373	-13.7%
Total	55		\$ 23,770		\$ 26,916	
Total Service Charge Revenue			\$ 3,710,067	\$ 3,898,077		
Retail Consumption Charges						
Reside	11,688,498	\$ 2.287	\$ 26,731,594	\$ 1.958	\$ 22,886,079	16.8%
Comme	2,852,053	\$ 2.198	\$ 6,268,811	\$ 1.882	\$ 5,367,563	16.8%
Industri	1,005,359	\$ 2.157	\$ 2,168,560	\$ 1.825	\$ 1,834,781	18.2%
Total	15,545,910		\$ 35,168,966		\$ 30,088,422	

Private Fire Service Charges

3/4"	6	\$	12.65	\$	304	\$	10.77	\$	258	17.5%
1"	9	\$	14.89	\$	536	\$	14.26	\$	513	4.4%
1-1/2"	3	\$	18.56	\$	223	\$	23.00	\$	276	-19.3%
2"	31	\$	27.54	\$	3,415	\$	33.48	\$	4,152	-17.7%
4"	288	\$	117.54	\$	135,411	\$	92.87	\$	106,986	26.6%
6"	1,154	\$	204.58	\$	944,330	\$	180.22	\$	831,896	13.5%
8"	217	\$	328.43	\$	285,078	\$	285.03	\$	247,406	15.2%
10"	4	\$	483.89	\$	7,742	\$	407.30	\$	6,517	18.8%
12"	16	\$	681.32	\$	43,604	\$	547.05	\$	35,011	24.5%
16"	-	\$	1,222.22	\$	-	\$	547.05	\$	-	123.4%
Total	1,728				\$ 1,420,643				\$ 1,233,015	

Public Fire Service Charges

Hydrants	6,082	\$	277.84	\$	<u>1,689,823</u>	\$	250.99	\$	1,526,521	10.7%
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Wholesale Charges

Volume Charge

Consur	14,432,185	\$	1.052	\$	0.925			
Consur	10,795	\$	1,406.42	\$	15,182,690	\$	1,236.00	13.8%

Monthly Base Charge

East Providence	\$	-
East Smithfield	\$	-
Greenville	\$	-
Kent County	\$	-
Smithfield	\$	-
Warwick	\$	-
Lincoln	\$	-
Johnston	\$	-
Bristol County	\$	-
Total Base Charges	\$	-

Total Annual Charges

East Providence	\$	2,522,690	\$	2,217,013	13.8%
East Smithfield	\$	357,454	\$	314,141	13.8%
Greenville	\$	487,208	\$	428,172	13.8%
Kent County	\$	3,973,582	\$	3,492,099	13.8%
Smithfield	\$	451,096	\$	396,436	13.8%
Warwick	\$	4,633,607	\$	4,072,147	13.8%
Lincoln	\$	1,143,175	\$	1,004,655	13.8%
Johnston	\$	290,957	\$	255,702	13.8%
Bristol County	\$	1,322,890	\$	1,162,594	13.8%

Total Wholesale Charges	\$	<u>15,182,659</u>	\$	<u>13,342,959</u>	13.8%
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Total Rate Revenues	\$	57,172,158	\$	50,088,995	14.1%
Miscellaneous Revenues		1,245,739		1,245,739	0.0%
Total Revenues	\$	58,417,897	\$	51,334,734	13.8%

Required	\$	58,415,098
	\$	2,799

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	\$ 11.74	\$ 2,540,348	\$ 12.19	-3.7%
3/4"	10,329	\$ 12.38	\$ 511,492	\$ 13.05	-5.1%
1"	5,076	\$ 14.32	\$ 290,753	\$ 15.32	-6.5%
1.5"	1,469	\$ 16.89	\$ 99,246	\$ 18.33	-7.9%
2"	1,752	\$ 23.99	\$ 168,122	\$ 26.66	-10.0%
3"	42	\$ 76.20	\$ 12,802	\$ 87.93	-13.3%
4"	28	\$ 95.54	\$ 10,700	\$ 110.64	-13.6%
6"	56	\$ 140.67	\$ 31,510	\$ 163.59	-14.0%
8"	24	\$ 192.25	\$ 18,456	\$ 224.10	-14.2%
10"	3	\$ 238.99	\$ 2,868	\$ 278.93	-14.3%
12"	-	\$ 285.72	\$ -	\$ 333.79	-14.4%
Total	72,875		\$ 3,686,297		
Monthly Service Charges					
5/8"	-	\$ 7.44	\$ -	\$ 7.25	2.6%
3/4"	-	\$ 7.65	\$ -	\$ 7.50	2.0%
1"	-	\$ 8.30	\$ -	\$ 8.25	0.6%
1.5"	1	\$ 9.16	\$ 110	\$ 9.27	-1.2%
2"	19	\$ 11.52	\$ 2,627	\$ 12.05	-4.4%
3"	5	\$ 28.93	\$ 1,736	\$ 32.47	-10.9%
4"	6	\$ 35.37	\$ 2,547	\$ 40.03	-11.6%
6"	15	\$ 50.42	\$ 9,076	\$ 57.67	-12.6%
8"	8	\$ 67.61	\$ 6,491	\$ 77.85	-13.2%
10"	-	\$ 83.19	\$ -	\$ 96.14	-13.5%
12"	1	\$ 98.77	\$ 1,185	\$ 114.41	-13.7%
Total	55		\$ 23,770		
Total Service Charge Revenue			\$ 3,710,067	\$ 3,898,077	-4.8%
Retail Consumption Charges					
Residential (HCF)	11,688,498	\$ 2.287	\$ 26,731,594	\$ 1.958	16.8%
Commercial (HCF)	2,852,053	\$ 2.198	\$ 6,268,811	\$ 1.882	16.8%
Industrial (HCF)	1,005,359	\$ 2.157	\$ 2,168,560	\$ 1.825	18.2%
Total Revenue	15,545,910		\$ 35,168,966	\$ 30,088,422	16.9%

Proposed Rates and Impacts
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Proposed Rates	Total Revenues	Current Rates	% Change
Wholesale Charges					
<u>Volume Charge</u>					
Consumption (HCF)	14,432,185	\$ 1.052		\$ 0.925	
Consumption (MGD)	10,795	\$ 1,406.42	\$ 15,182,690	\$ 1,236.00	13.8%
<u>Monthly Base Charge</u>					
East Providence		\$ -	\$ -		
East Smithfield		\$ -	\$ -		
Greenville		\$ -	\$ -		
Kent County		\$ -	\$ -		
Smithfield		\$ -	\$ -		
Warwick		\$ -	\$ -		
Lincoln		\$ -	\$ -		
Johnston		\$ -	\$ -		
Bristol County		\$ -	\$ -		
Total Base Charges			\$ -		
<u>Total Annual Charges</u>					
East Providence	2,397,994		\$ 2,522,695	\$ 2,217,013	13.8%
East Smithfield	339,786		\$ 357,455	\$ 314,141	13.8%
Greenville	463,126		\$ 487,209	\$ 428,172	13.8%
Kent County	3,777,169		\$ 3,973,590	\$ 3,492,099	13.8%
Smithfield	428,798		\$ 451,097	\$ 396,436	13.8%
Warwick	4,404,569		\$ 4,633,616	\$ 4,072,147	13.8%
Lincoln	1,086,668		\$ 1,143,177	\$ 1,004,655	13.8%
Johnston	276,575		\$ 290,958	\$ 255,702	13.8%
Bristol County	1,257,500		\$ 1,322,893	\$ 1,162,594	13.8%
Total Wholesale Charges			\$ 15,182,690	\$ 13,342,959	13.8%

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	\$ 12.65	\$ 304	\$ 10.77	17.5%
1"	9	\$ 14.89	\$ 536	\$ 14.26	4.4%
1-1/2"	3	\$ 18.56	\$ 223	\$ 23.00	-19.3%
2"	31	\$ 27.54	\$ 3,415	\$ 33.48	-17.7%
4"	288	\$ 117.54	\$ 135,411	\$ 92.87	26.6%
6"	1,154	\$ 204.58	\$ 944,330	\$ 180.22	13.5%
8"	217	\$ 328.43	\$ 285,078	\$ 285.03	15.2%
10"	4	\$ 483.89	\$ 7,742	\$ 407.30	18.8%
12"	16	\$ 681.32	\$ 43,604	\$ 547.05	24.5%
16"	-	\$ 1,222.22	\$ -	\$ 547.05	123.4%
Total	<u>1,728</u>		<u>\$ 1,420,643</u>	<u>\$ 1,233,015</u>	<u>15.2%</u>
Public Fire Service Charges					
Hydrants	6,082	\$ 277.84		\$ 250.99	10.7%
Public Fire Revenue			\$ 1,689,842	\$ 1,517,486	
Total Rate Revenues			<u><u>\$ 57,172,208</u></u>	<u><u>\$ 50,079,959</u></u>	<u><u>14.2%</u></u>
Miscellaneous Revenues			1,245,739	\$ 1,245,739	0.0%
Total Revenues			<u><u>\$ 58,417,947</u></u>	<u><u>\$ 51,325,698</u></u>	<u><u>13.8%</u></u>

SUMMARY CITY SERVICES ALLOCATIONS

KCWA City Services DGB3

	<u>Service Cost</u>	PW Service Cost
Allocation of Departmental Service Costs (DGB-4)		
Mayor's Office	\$ 212,982	\$ 266,093
City Council	22,462	\$ 56,126
City Council Administration	25,504	\$ 63,728
City Clerk	29,452	\$ 112,887
Law Department	32,534	\$ 40,647
Finance Department	29,214	\$ 72,999
Controller's Office	80,705	\$ 100,830
Retirement Department	59,447	\$ 59,447
Data Processing	110,042	\$ 137,483
Treasurer's Office	32,575	\$ 32,575
Purchasing	18,490	\$ 18,490
Personnel Department	114,729	\$ 114,729
Internal Auditors	24,543	\$ 30,663
Archives	13,144	\$ 16,421
Allocation of Non-Departmental Service Costs (DGB-5)		
Stop Loss Insurance	50,994	\$ 50,994
Annual GASB 43/45 consulting fee	11,605	\$ 11,605
Total City Service Expense	\$ 868,421	\$ 1,185,718
Percentage increase to revise to Rate Year (Calendar year 2008) (2% annually)	105.08%	105%
Rate Year City Service Expense	<u>912,537</u>	\$ 1,245,952

Department	Allocation Base	FY 2006 Actual Expense	Allocator	KCWA FY 2006 Service Cost
Mayor's Office				
	Provides executive office oversight and support for areas affecting Providence Water	\$ 2,093,359		
	Less account 101-101-55980 Contingencies	(155,708)		
	Plus Fringe Benefits not expensed in department accounts	1,332,989		
	Total	\$ 3,270,640	0	\$ 212,982
City Council				
	Provides general operation oversight, passes ordinance which affects Providence Water. The Council also approves the Water Supply's	\$ 812,582		
	Less account 101-102-53320 Audit	(333,863)		
	Plus Fringe Benefits not expensed in department accounts	211,151		
	Total	\$ 689,870	0	\$ 22,462
City Council Administration				
	Provides the council with research and drafting ordinances, statistical information, and functions on council orders and requests.	\$ 478,484		
	Plus Fringe Benefits not expensed in department accounts	304,824		
	Total	\$ 783,308	0	\$ 25,504
City Clerk				
	The clerk's office drafts and maintains this office processes claims of Providence Water on the board of contracts and the claims committee	\$ 532,670		
	Plus Fringe Benefits not expensed in department accounts	371,875		
	Total	\$ 904,545	0	\$ 29,452
Law Department				
	Provides legal services arising from the city that affect Providence Water such as personnel is served in addition to Water's own legal claims against the Water Supply Board.	\$ 6,021,243		
	Less Department Employees that provide no service to PW account 101-105-52120 Fees Not Classified	(1,150,483)		
	Less account 101-105-52192 Claims & Damages	(596,260)		
	Plus Fringe Benefits not expensed in department accounts	(3,926,532)		
		151,644		
	Total	\$ 499,612	0	\$ 32,534
Finance Department				
	Provides oversight of all financial transactions Providence Water's budget. The department	\$ 525,824		
	Plus Fringe Benefits not expensed in department accounts	371,429		

Department	Allocation Base	FY 2006 Actual Expense	Allocator	KCWA FY 2006 Service Cost
	preparing bond issues and the Finance Director signs Bond issuances for Providence Water. Finance Director also sits (uncompensated) on the Water Board.	Total \$ 897,253	O	\$ 29,214
Controller's Office	Provides service in payroll and controllership functions. Total Departmental Expense This office processes payroll and employee related. Less Department Employees that provide no service to PW In addition, it processes revenues and the payroll. Plus Fringe Benefits not expensed in department accounts of vouchers, reconciliations of bank accounts and other related functions for Providence Water. Also, it provides support in reconciliation process between the City and Providence Water's financial statements.	\$ 969,347 \$ (240,956) 510,947		
		Total \$ 1,239,338	O	\$ 80,705
Retirement Department	Maintains the functions of the retirement system. Total Departmental Expense employees and processes loans, withdrawals for Plus Fringe Benefits not expensed in department accounts and inactive employees and responds to questions from Providence Water employees.	\$ 321,298 219,621		
		Total \$ 540,919	E	\$ 59,447
Data Processing	Processes all Providence Water vendor and payroll. Total Departmental Expense Providence Water utilizes the City's Accounting F Less Department Employees that provide no service to PW Lawson and the city pays all licensing and annual Less account 101-204-54020 Stationary Support ISDN lines and peripherals (PC's & Print Plus Fringe Benefits not expensed in department accounts attached to city's main system.	\$ 1,958,788 \$ (244,934) \$ (101,954) 77,950		
		Total \$ 1,689,850	O	\$ 110,042
Treasurer's Office	Processes all checks drawn on the Providence Water. Total Departmental Expense This processing includes the signing and handling Less account 101-209-52170 Postage This office also reviews Providence Water's invoices. Less account 101-209-52205 Fiscal Agents Fees Plus Fringe Benefits not expensed in department accounts	\$ 263,718 (18,792) (33,742) 150,755		
		Total \$ 361,939	T	\$ 32,575
Purchasing	All supplies over \$5,000 are processed through the Board of Contract and Supply. Total Departmental Expense specifications of the Board of Contract and Supply. Less Department Employees that provide no service to PW emergency informal bids. This department reviews Less account 101-1802-52170 Postage assists with the bid procedures. Plus Fringe Benefits not expensed in department accounts	\$ 281,997 \$ (186,428) (5,769) 62,257		

Department	Allocation Base	FY 2006		KCWA FY 2006		
		Actual Expense	Allocator		Service Cost	
		Total \$	152,057	P	\$	18,490
		\$	858,817			
		\$	(156,245)			
		\$	(9,376)			
		\$	(38,579)			
			389,323			
		Total \$	1,043,940	E	\$	114,729
		\$	226,301			
			150,587			
		Total \$	376,888	O	\$	24,543
		\$	125,885			
			75,955			
		Total \$	201,840	O	\$	13,144

Personnel Department

Processes Providence Water personnel forms, and Total Departmental Expense personnel records and represents the city result in Less Department Employees that provide no service to PW personnel grievances from Providence Water account 101-212-52175 Advertisements Less account 101-212-53200 Legal Expenses Plus Fringe Benefits not expensed in department accounts

Internal Auditors

Provides oversight that accounting controls and Total Departmental Expense are being maintained. The Internal Audit department Plus Fringe Benefits not expensed in department accounts reviews all city departments including Water.

Archives

Provides long-term storage of city records including Total Departmental Expense accounting and personnel records. All official per Plus Fringe Benefits not expensed in department accounts records are maintained by the City.

<u>Explanation</u>		<u>FY 2006 Service Cost percentage</u>	<u>KCWA Revised</u>
General Overhead Allocator - This allocator is calculated by taking the total PW audited operating expenses less depreciation and dividing it by PW audited operating expenses less depreciation plus the City operating expenses less debt service. PW (42,445,314 - 9,890,206) = 32,555,108 PW+City (414,245,691 - 46,657,763 + 32,555,108) = 400,143,036	O	8.14%	6.51%
		\$ 25,795,058	
		\$ 396,119,986	
Clerk Allocator - This allocator is calculated by taking number of Providence Water activities compared to the total for the clerk's department (98 / 785 = 12.48%)	C	12.48%	
Employee Related Allocator - This allocator is calculated by taking the number of PW employees compared to the total of City and PW employees (245 / 2,230 = 10.99%)	E	10.99%	
Treasury Allocator - This allocator is calculated by taking the PW checks divided by the total of City checks plus PW checks (2,814 / 31,281 = 9.00%).	T	9.00%	
Purchasing Allocator - This allocator is calculated by taking the number of PW contracts compared to the total of City and PW contracts. (131 / 1,077 = 12.16%)	P	12.16%	