

TESTIMONY
of
JEANNE BONDAREVSKIS
before the
PUBLIC UTILITIES COMMISSION

FOR
GENERAL RATE RELIEF

for
PROVIDENCE WATER

March 2007

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
JEANNE BONDAREVSKIS**

1 **Q. Please state your full name and title?**

2 A. Jeanne Bondarevskis, Director of Finance for the
3 Providence Water Supply Board (Providence Water).

4

5 **Q. How long have you been employed by Providence Water?**

6 A. I have been employed since March of 1987 or approximately
7 20 years.

8

9 **Q. Would you please state your education, background and
10 professional associations?**

11 A. I have a Master's Degree in Business Administration from
12 Bryant College. I graduated Magna Cum Laude from
13 Providence College with a Bachelor of Science Degree,
14 majoring in Accounting.

15

16 I have worked for Providence Water since March of 1987.
17 Prior to becoming Director of Finance, I was responsible
18 for the Accounting area, the preparation of various
19 reports, assistance to outside consultants and/or
20 auditors, and I was Acting Director of Finance. I have
21 participated to some degree in all of Providence Water's
22 PUC and Division filings dating back to Docket 1900.

23

24 Since August of 1994, I have been a member of the New
25 England Water Works Association Program Committee. I
26 also am a member of the American Water Works Association
27 and New England Water Works Association. Since January
28 of 2002, I have been Treasurer of the Rhode Island Water
29 Works Association.

30

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1 most important, accelerated replacement of 7% of our
2 water system's lead services each year, for possibly the
3 next fifteen years. While Providence Water has a lead
4 service replacement program and had this project funded
5 in our long term IFR program, the dramatic and mandatory
6 acceleration of the replacement has resulted in timing
7 and cost pressure on our total IFR program.

8
9 In addition, in November 2006 the Water Supply Board was
10 given a presentation by Maguire Group regarding the
11 upgrade of the Filters in our Treatment Plant. Maguire
12 Group's design concept report identified the costs
13 associated with replacing our old filtering system in
14 kind, or adopting their recommendation, which would
15 significantly enhance the improvements to be made to the
16 filters. The Board voted at the December 2006 meeting to
17 adopt the enhanced improvements, which will require
18 additional funds for the program.

19
20 Another project, the rehabilitation of the Sedimentation
21 Basins, could also require significant enhanced
22 improvements in order to take full advantage of the
23 Treatment Plant filter upgrades.

24
25 The financial effect of these changes has resulted in a
26 projected deficit in our IFR program/plan of
27 approximately \$83 million over the next 20 years.

28
29 In order to address this significant shortfall, a

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1 combination of new rate revenue and new long term bonding
2 will be necessary. The bonding will occur in two phases
3 to allow for additional studies and piloting to take
4 place.

5
6 The first phase of the new borrowing will need to occur
7 for fiscal year 2009, which begins July 1, 2008. We
8 estimate a drawdown of approximately \$7.5 million in FY
9 2009 and 2010. Schedule WEE 10C in Walter Edge's
10 testimony shows the anticipated funding for the
11 Infrastructure Replacement fund for FY 2007 through FY
12 2010.

13
14 **Q. Will Providence Water be seeking Division approval of the**
15 **proposed borrowing?**

16 A. Yes. We plan to file soon. We hope to close the bond by
17 June 30, 2008.

18
19 **Q. Will Providence Water be revising their IFR Plan?**

20
21 A. Yes. Our Engineering department will be preparing an
22 amendment to the 20 year plan. Finance will project the
23 financial impact of the changes, for inclusion in the
24 revised plan.

25
26 **Q. Has the Water Supply Board approved the borrowing?**

27 A. Yes. They approved the borrowing and the necessary Board
28 Resolutions at the February 2007 meeting.

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1 Q. Will the \$2 million you are requesting in additional IFR
2 funding be sufficient?

3 A. It will be sufficient through FY 2010. However, we will
4 be borrowing in phases and therefore we may require
5 additional increased funding to pay for the additional
6 debt. We are having First Southwest and PFM prepare some
7 financial models and recommendations to assist us in the
8 debt planning.
9

AMR/Meter Replacement funding

10
11 Q. Why is Providence Water proposing to move \$600,000 of
12 funding from Infrastructure to AMR/Meter Replacement if
13 additional Infrastructure funding is needed?

14 A. The AMR fund was established in Docket 2304, which took
15 effect on 12/26/95. The purpose of the funding was to
16 install Automated Meter Reading (AMR) devices in
17 Providence Water's retail customer base. Providence
18 Water has been very successful in the AMR installation
19 program, and is nearing completion. Over the years
20 Providence Water has funded replacement of the meters
21 from Infrastructure funds, and the automated meter
22 reading devices, plumbing repairs, and reading equipment
23 has been funded from the AMR fund. While we plan to
24 continue to include the replacement of meters in our
25 Infrastructure plans, we are requesting the PUC to allow
26 us to transfer the \$600,000 that we have in our IFR plan
27 for annual purchase of meters, to AMR so that all meter
28 related costs can be consolidated in our AMR/Meter

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1 Replacement fund. Our Commercial Services department is
2 now responsible for all aspects of metering which
3 includes large meter replacements, large meter testing,
4 meter installations, and AMR installations, and it would
5 be very helpful to have all of these costs consolidated.
6 We are proposing no change to the funding level beyond
7 this transfer.

8
9 City Services and Past Retiree's Health Coverage

10 **Q. Have you reviewed the City Service analysis prepared by**
11 **Mr. David Bebyn?**

12 **A. Yes I have. I participated in meetings with the City**
13 **Finance department and David. I have reviewed David's**
14 **calculations and agree with the amounts.**

15
16 **Q. Are you aware of the City's request for past retiree's**
17 **health coverage?**

18 **A. Yes I am. Providence Water has not been reimbursing the**
19 **City for the cost of Providence Water retiree's health**
20 **coverage. This was discovered in fiscal year 2006.**
21 **Providence Water was able to pay the City for the fiscal**
22 **year 2006 cost of \$330,613. We have included this as a**
23 **line item, GASB 43/45¹ Reserve, in the filing so that**
24 **going forward, there will be funds to pay this.**

¹ "In 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions," which requires public agencies to report their costs and obligations pertaining to health and other benefits of current and future retired employees much like they now report pension plan obligations. These other post-employment benefits (OPEBs) - including such benefits as medical, dental, vision, hearing, life insurance, long-term care and long-term disability - must be recognized as a current cost during the working years of an employee." Source: <http://www.drydenllc.com/gasb45/whatisgasb.php4>

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Q. When did this come to light?

A. This became apparent in discussions with the City of Providence concerning GASB 43/45 and the potential impact on the City's and Providence Water's audited financial statements.

Q. Why wasn't this noticed sooner?

A. For some time now Providence Water has not reimbursed the City for Health care costs for employees in a direct manner. It is included in the setup of employees in the payroll system. Each week when our payroll is uploaded it creates an expense and associated Due to City entry for the week's payroll and fringe benefits. The amount is then wired out of Providence Water's accounts. In the past a check would be cut to do the same function. Therefore, Providence Water was not processing an invoice as such, and was not aware that the health care costs for the retirees were not being charged to Providence Water.

Q. What is the total amount that the City is owed since 1997?

A. Please see attached Exhibit JBB1 which shows the total amount of \$1,635,592. We are asking permission to pay the City back \$300,000 per year on this debt, which should take about 5½ years to repay in full. The City has agreed to waive collection of the costs incurred before 1997.

Q. How was this calculated?

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1 for a reliable supply of water in the future."² Please
2 also see Paul Gadoury's testimony on this subject.

3
4 **Q. Has Providence Water done anything about this in this**
5 **filing?**

6 **A.** Yes. We have asked our rate design consultants to take
7 this into consideration in designing the retail rates.
8 We have also increased our requested Net Operating
9 Reserve from 1.5% to 3%.

10
11 **Q. What will this do?**

12 **A.** Having more of our revenue from fixed service charges as
13 opposed to variable consumption charges will provide more
14 reliable revenue. Increasing the reserve percentage will
15 provide more of a cushion, or risk margin, to hedge
16 against low revenues. This was one of the strategies
17 recommended in the AWWARF project report referred to
18 above.

19
20 **Q. Has the utility served a notice of the rate filing on**
21 **the Department of Attorney General and other interested**
22 **parties?**

23 **A.** Yes. Included in this filing is a copy of the letter to
24 this effect and the letters to other affected parties.

25
26 **Q. Have you addressed the items included in section 2.10 of**
27 **the Commission's Rules of Practice and Procedure in this**
28 **filing?**

²
1, 1995. Revenue Instability and Conservation Rate Structures, AWWA Research Foundation, P.

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1 A. Yes, I believe we have. The appendix includes an index,
2 which lists each item with the reference to its location
3 in the filing. The index was prepared by Providence
4 Water staff.

5

6 **Q. Do you have any final comments?**

7 A. Yes. Providence Water has established a good experience
8 with our restricted funds. I believe we have managed
9 them well. We are now faced with a large projected
10 deficit in our IFR fund and have proposed a combination
11 of additional rate revenue and bonding to bridge this
12 deficit. We are utilizing financial consultants and the
13 assistance of RICWFA to do this. We will be filing with
14 the Division for approval of the borrowing. What is
15 included in this filing is our best plan at this time.
16 We may have to adjust this going forward, but would
17 appreciate the Commission's approval as we go forward.

18

19 **Q. Does this conclude your testimony?**

20 A. Yes.

**Revenue breakdown and percentage
Providence Water**

**Docket 3684
Effective 1/1/06**

Quarterly Service Charges	\$3,861,068	7.71%
Monthly Service Charges	<u>\$6,355</u>	<u>0.01%</u>
Total Service Charges	\$3,867,423	7.72%
Retail Consumption	\$29,653,421	59.21%
Wholesale Consumption	<u>\$12,727,674</u>	<u>25.42%</u>
Total Consumption	\$42,381,095	84.63%
Private Fire Service Charges	\$1,152,436	2.30%
Public Fire Service Charges	\$1,514,474	3.02%
Miscellaneous Revenue	<u>\$1,162,585</u>	<u>2.32%</u>
Total Revenue	<u><u>\$50,078,013</u></u>	<u><u>100.00%</u></u>


Source: Report & Order # 18496, Schedule TSC-11, page 2 of 2

STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

DOCKET NO. _____

ATTESTATION UNDER RULE 2.7
OF THE RULES OF PRACTICE AND PROCEDURE
OF THE PUBLIC UTILITIES COMMISSION

I, Jeanne Bondarevskis, in conformance with Rule 2.7 of the Rules of Practice and Procedure of the Public Utilities Commission, hereby attest that the facts contained in my direct testimony with exhibits and supporting documents are true and correct to the best of my knowledge, information, and belief. All changes and differences between the books and test year data and any changes in the manner of recording said data during the test year have been expressly noted.



Jeanne Bondarevksis

STATE OF RHODE ISLAND
PROVIDENCE COUNTY

Subscribed and sworn to me this 29th of March, 2007.



Notary Public
Commission Expires 6-18-09