

REBUTTAL TESTIMONY

of

JEANNE BONDAREVSKIS

before the

PUBLIC UTILITIES COMMISSION

for

PROVIDENCE WATER

DOCKET #3832

August 2007

**PROVIDENCE WATER SUPPLY BOARD
REBUTTAL 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. Are you the same Jeanne Bondarevskis who submitted pre-
6 filed direct testimony in these proceedings?

7 A. Yes I am.

8

9 Q. What is the purpose of your testimony?

10 A. To respond to some of the issues raised by the Division
11 and Kent County Water Authority et al.

12

13 Q. What issues will you address in this rebuttal testimony?

14 A. My testimony will address: 1) retiree's health
15 reimbursement; 2) regulatory commission expense/PUC
16 assessment and rate case expense; 3) Administrative and
17 general contract services; and 4) pension.

18

19 Retiree's Health reimbursement

20 Q. Have you reviewed Mr. Catlin's testimony on this issue?

21 A. Yes I have. Providence Water concurs with Mr. Catlin's
22 recommendation. We agree with the revised amount, as
23 well as the revised repayment period. Mr. Woodcock did
24 not address this issue.

25

26 Regulatory Commission Expense/PUC Assessment

27 Q. Have you reviewed Mr. Catlin's proposal regarding the PUC
28 Assessment portion of Regulatory Commission Expense?

29 A. Yes I have and I do not agree with it. Mr. Catlin looked
30 at the change in the assessment from FY '06 to FY '07.

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1 This showed a decrease in the Assessment and therefore he
2 is recommending that the FY '06 test year be used as the
3 rate year amount. I believe that this is too short a
4 period of time to establish an estimate for the rate
5 year.

6
7 **Q. Have you looked at a longer period of time over which the**
8 **Assessments have been charged?**

9 A. Yes. I have prepared a schedule, JBB Rebut-1, which shows
10 the PUC Assessment History from FY '02 through FY '07.
11 The calculation of the Assessment is shown, together with
12 the resulting percentage increase or decrease from the
13 prior year. It should be noted that the Assessment is
14 based on (1) Providence Water revenue from 2 years prior,
15 (2) the total combined revenue of all regulated water
16 utilities, and (3) the General Assembly's Assessment for
17 the PUC/Division (their budget). While we do not have
18 the total combined revenue of all regulated water
19 utilities and the PUC's budget that will be used to
20 calculate the FY '08 amount, we do have Providence
21 Water's revenue from FY '06 that will be used for the FY
22 '08 rate year Assessment.

23
24 **Q. What conclusions can you draw from this analysis?**

25 A. The FY '06 revenue was much higher than the FY '04
26 revenue. Therefore, the FY '08 Assessment should be
27 higher than the FY '06 (test year) Assessment.
28 Accordingly, I believe Providence Water's estimate as

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1 shown on WEE-7 is a good estimate of the probable
2 Assessment amount in FY '08.
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4 **Q. Did you look at other Rate Case line items?**

5 A. Yes. Pursuant to Providence Water's response to
6 Commission Data Request 1-4, I have prepared an updated
7 schedule JBB Rebut-2. This shows the estimated
8 regulatory commission expense amount as well as the
9 revised rate case expense indicated in our response to
10 COM 1-4. We have included a 2 year amortization of rate
11 case expense. This results in a minor increase of \$4,600
12 above the amount indicated in our direct testimony.
13

14 **Q. Did Mr Woodcock address this?**

15 A. No, other than to question the \$5,000 referenced as City
16 Services. Providence Water did not clearly specify what
17 this item was for. This is in fact the bid price for B&E
18 Consulting to prepare the City Service analysis included
19 in the rate filing. This was the consultant's cost for
20 the preparation of a main component of the filing and
21 should remain as part of the rate filing costs.
22

23 **Administrative and General Contract Services**

24 **Q. Have you reviewed Mr. Catlin's testimony regarding the**
25 **A&G Contract Service - Legal and Engineering?**

26 A. Yes I have. These two expense accounts include legal and
27 appraisal services related to the multiple tax appeals
28 Providence Water has been engaged in. The legal also

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1 includes miscellaneous legal expense from our legal
2 advisor for various claims against Providence Water.
3

4 **Q. Do you agree with Mr. Catlin's proposal?**

5 A. Yes and no. The expenses for the tax appeals have
6 actually been increasing. The preliminary FY '07 amounts
7 are greater than the FY '06 test year. Therefore, an
8 average of '04 through '06 is not appropriate. However,
9 we would agree to Mr. Catlin's adjustment if the rate
10 year and all future expenses could be charged to a
11 restricted property tax refund account. The Chief
12 Engineer is proposing to use the Cranston tax refund as
13 seed money for a property tax restricted fund to pay for
14 the expenses; legal, appraisal, engineering, etc. to
15 defend Providence Water's rights in the various tax
16 appeals. These appeals are filed when Providence Water
17 believes that Providence Water and its ratepayers are
18 paying too much in property taxes to a particular
19 community. As evidenced by the almost \$1.7 million
20 refund Providence Water will be receiving from Cranston
21 soon, and the related tax reduction going forward, these
22 appeals can save significant tax monies.
23

Pension Costs

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25 **Q. Have you looked at the Pension contributions over the
26 past few years and is an adjustment required?**

27 A. Yes. In the process of compiling the information for
28 Commission 3-15, Providence Water realized that in FY 04

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the City contributed 86% to the City Retirement and Providence Water contributed 90%. Therefore, we will be making an adjustment of \$99,746 to our FY '08 amount. Please see schedule JBB Rebut-3 for the calculation.

- Q. Does this conclude your rebuttal testimony?
- A. Yes.

Providence Water
PUC Assessment history

Calculation of PUC Assessment

	Paid FY <u>2002</u>	Paid FY <u>2003</u>	Paid FY <u>2004</u>	Paid FY <u>2005</u>	Paid FY <u>2006</u>	Paid FY <u>2007</u>	Average FY 2003 - FY 2007
Revenue reported 2 years prior	\$39,827,445	\$38,679,488	\$41,698,719	\$45,176,785	\$47,079,566	\$46,839,483	
Combined Revenues all Utilities	\$1,352,702,597	\$1,626,115,680	\$1,394,519,510	\$1,569,733,656	\$1,671,443,653	\$1,782,798,464	
Pro-rata	2.94%	2.38%	2.99%	2.88%	2.82%	2.63%	
General Assembly Assessment	\$3,672,561	\$3,694,871	\$4,189,770	\$4,389,261	\$4,973,159	\$5,289,131	
PW Assessment Amount	\$108,131	\$87,888	\$125,282	\$126,323	\$140,079	\$138,961	
\$ Increase/(Decrease)		-\$20,243	\$37,394	\$1,041	\$13,756	-\$1,118	6.95%
% Increase/(Decrease)		-18.72%	42.55%	0.83%	10.89%	-0.80%	
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Total Water Income	\$39,827,445	\$38,679,488	\$41,698,719	\$45,176,785	\$47,079,566	\$46,839,483	\$50,217,005
\$ Increase/(Decrease)		-\$1,147,957	\$3,019,231	\$3,478,066	\$1,902,781	-\$240,083	\$3,377,522
% Increase/(Decrease)		-2.88%	7.81%	8.34%	4.21%	-0.51%	7.21%

PROVIDENCE WATER
Regulatory Commission (66780 & 66680) and Rate Case Expense

	Test Year	Pro-Forma Amount
Regulatory Commission Expense: *		
Meter Reading Investigation	278	
Credit Card Payments	656	2,500
Other Matters	3,649	
Winter/Summer Moratorium	-	5,000
Miscellaneous PUC Matters	5,545	10,000
Customer Billing Disputes	24,822	15,000
D3684 Abbreviated Filing	27,922	
Proportionate Share PUC Expenses	140,079	154,087
Sub-total (A)	\$ 202,951	\$ 186,587
This Filing:		
Accounting (Rate Year and Test Year)		\$ 47,000
City Services (preparation of Analysis)		5,000
Rate Design		63,000
Legal *		55,000
Division of Public Utilities estimated		50,000
Total Estimated Rate Case this filing (1)		\$ 220,000
Two Year Amortization (B)		110,000
Estimated Regulatory Commission Expense (A) + (B)		\$ 296,587
Test Year		202,951
Adjustment		\$ 93,636
Adjustment in Direct Testimony		\$ 89,036
Increase in request		\$ 4,600

(1) From Response to Commission 1-4

* Note: Providence Water's regulatory legal counsel, Mr. McElroy, has been working under various contracts (pursuant to bids) dating back to 1993. His rate has been fixed at \$175 per hour since 1993 (14 years). His contract expires 12/31/07, and will need to be rebid. Providence Water expects that the hourly rate for these legal services will in all likelihood increase significantly for 2008 and beyond.

Providence Water

JBB Rebut-3

Calculation of overpayment of Retirement

	<u>City</u>	<u>Water</u>
Recommended Contribution 06/30/04	37,770,141	2,493,640
Actual Contribution 06/30/04	32,345,648	2,244,290
Contribution Percentage	86%	90%
Providence Water over payment percentage		4.00%
Providence Water over payment amount		<u>\$99,746</u>
FYE 6/30/08 Recommended Contribution (1)		\$2,826,717
Less Overpayment from 06/30/04 above		<u>-\$99,746</u>
Net FYE 06/30/08 Payment contribution		<u>\$2,726,971</u>

(1) Shown on WEE-6