DIRECT TESTIMONY OF
HAROLD J. SMITH, VICE PRESIDENT
RAFTELIS FINANCIAL CONSULTANTS, INC.

for

PROVIDENCE WATER SUPPLY BOARD
DOCKET # _____

March 2007

INTRODUCTION

Q. Please state your name and business address.

A. My name is Harold J. Smith and my business address is, 511 East Boulevard, Charlotte, North Carolina, 28203.

Q. By whom are you employed and in what capacity.

A. I am a Vice President of Raftelis Financial Consultants, Inc. (RFC), a consulting firm specializing in the areas of water and wastewater finance and pricing. RFC was established in 1993 in Charlotte, North Carolina, by George A. Raftelis to provide environmental and management consulting services to public and private sector clients. RFC is a national leader in the development of water and wastewater rates.

Q. Please describe your educational background and work experience.

A. I obtained a Master of Business Administration from Wake Forest University in 1997 and a Bachelor of Science in Natural Resources from the University of the South in 1987. As an employee of Raftelis Financial Consultants, I have been involved in numerous projects for public utilities including a number of studies involving transition to new rate structures. I have also served on engagements involving a wide range of technical specialties including:

- Utility Cost of Service and Rate Structure Studies
- Privatization Feasibility Studies
- Privatization Procurements
- Utility Financial Planning Studies
- Municipal Financial Planning Studies

Q. Have you previously testified before any Rhode Island regulatory agencies on utility rate related matters?

A. Yes. I provided testimony before the Rhode Island Public Utilities Commission (RIPUC) on behalf of the City of Newport water department for their three most recent rate filings, including their current filing (RIPUC Docket #s 3578, 3675 and 3818).

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

A. Yes. I am a member of the American Water Works Association where I serve as chairman of the Competitive Practices Committee and I am a member of the Financial Management Committee of the New England Water Works Association.

Q Please describe your role in this proceeding?

A. I have worked with Providence Water's Finance Director, Chief Engineer and the staff of Providence Water to perform cost allocations and develop cost based rates and charges. The results of my analyses are included in the schedules incorporated herein with my testimony.

Q. Please describe the purpose of your testimony.

A. This testimony provides an explanation for each schedule attached to my testimony. The schedules calculate the proposed commodity rates for retail customers of Providence Water, and proposed wholesale rates for East Providence, East Smithfield, Greenville, Kent County, Smithfield, Warwick, Lincoln, Johnston, and Bristol County. Other charges calculated in the model include proposed quarterly and monthly service charges, and proposed public and private fire protection charges for Providence Water customers. The testimony also serves as a guide to other sources where assumptions are used, the logic that was used in the development of the model, and the flow of empirical and calculated information.

Q. What are your general conclusions?

A. As shown on schedule WEE-1 included with the testimony of Walter Edge, Providence Water is in need of additional rate revenue of $9,688,321 to properly fund O&M and capital costs related to providing service to its customers.

CONTENT OF EXHIBITS

Q. Please provide a brief description of your prefiled Exhibits.

A. There are 13 Exhibits included with my testimony. The main Exhibits are as follows:

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

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

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

HJS Exhibit - 4 – Allocation of Property Taxes: This schedule shows the way in which Providence Water's property tax expenses are allocated to the different cost of service categories.

HJS Exhibit - 5 – Allocation Factor Legend: This schedule provides a brief explanation of each of the allocation factors used to allocate costs to cost of service categories and to customer classes.

HJS Exhibit – 6 - Summary of Costs to be Recovered through Rates: This schedule summarizes the rate year expenses that Providence Water is seeking to recover through rates as well as the allocation of these expenses to cost of service categories. This exhibit also presents a calculation of the net operating revenue allowance increase required.

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

HJS Exhibit -8 – Unit Costs: This schedule shows the calculation of unit costs resulting from the allocation of different types of expenses to the cost of service categories.

HJS Exhibit -9 – Allocated Costs by Customer Class: The allocation of categorized costs to customer classes based on their demand characteristics is shown on this schedule.

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

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

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

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

COST ALLOCATION AND RATE DESIGN

Q. How are Providence Water's costs allocated to the different customer classes?

A. The proposed rates are based on the same approach that Providence Water used in its previous full rate filing, which is a modified base/extra capacity approach in which costs are allocated to cost of service categories based on the type of service being provided and then to customer classes based on the way in which each class demands service. For instance, costs incurred to meet the average day demand of Providence Water's customers are allocated to the "Base" cost of service category, while costs associated with meeting peak daily demands are allocated to the "Max Day" category. Costs for services that are provided regardless of how much water is consumed such as meter reading and billing are allocated to either "Meters & Services" or

"Billing & Collection". Costs associated with providing fire protection to the general public through fire hydrants are allocated to the "Public Fire Protection" category.

Q. Why do you characterize the allocation approach as a "Modified" Base/Extra Capacity approach?

A. I make this distinction because the approach used in this and previous filings utilizes a wholesale cost of service category to which costs associated with providing service to wholesale customers are allocated. This approach is different than a standard base/extra capacity approach in that it does not take into account the way in which the wholesale class demands service but instead bases the allocation of costs to the wholesale customers on their proportionate share of total consumption.

Q. Is this approach incorrect or against standard industry practice?

A. No, standard industry practice allows for a great deal of flexibility when it comes to the way in which costs are allocated to customer classes. The modified approach used in this filing assumes that the demand characteristics of all of the wholesale customers are the same and that their demands for service are essentially the same as the demands placed on the system by the entire retail class.

Q. How are the revenue requirements allocated to each of Providence Water's customer classes?

A. With the exception of the costs to be recovered from public fire protection charges and wholesale customers, costs are allocated to each customer class based on the way in which the class contributes to the demand for base and excess capacity. For instance, as shown on HJS Exhibit – 7, the residential class is responsible for the demand associated with approximately 32,000 hundred cubic feet (hcf) or approximately 75%, of capacity required to meet average day or "base" demand. Therefore it is allocated approximately 75% of the costs associated with meeting base demand. Similarly, the industrial class is responsible for approximately 6% of the capacity required to meet maximum hour demand and is therefore assigned approximately 6% of the costs associated with meeting maximum hour demand.

Q. How does the current method for allocating costs to fire protection differ from the approach used in the previous filing?

A: In the previous filing, some costs were allocated to fire protection based on a theoretical maximum day and maximum hour demand that fire protection might place on the system. Under this approach, a portion of these demand related costs were ultimately recovered from taxpayers through a public fire protection charge to the Cities of Providence and Cranston and the Towns of Johnston and North Providence. While this is a relatively common practice, it results in tax-exempt entities such as schools, universities and hospitals that benefit from the public fire protection services being provided by Providence Water avoiding the costs associated with this protection.

The approach used for this rate filing moves to a methodology whereas the demand related component for fire protection is recovered from retail customers in proportion to their usage. We believe this approach more equitably recovers costs from all properties that receive benefit of this service. To avoid an overly drastic change in how these costs are recovered we have reduced the demand component of the fire protection charge by 50% in this rate filing, so that half of the demand related costs are recovered by the public fire protection charge, as was done in previous rate filings, and half is recovered from the retail rate payers.

Q. How are costs allocated to the wholesale customers?

A. As was the case in Providence Water's last full rate filing, costs are allocated to the wholesale customers based on their proportionate share of total consumption and no consideration is given to the demand characteristics of the wholesale customers.

Q. How are the rates and charges calculated?

A. With the exception of the fire protection rates, as discussed previously, and the newly proposed wholesale service charge, rates are calculated as they were in Providence Water's previous rate filing. Retail service charges are calculated by dividing the costs allocated to the Meters & Services category by the number of 5/8" equivalent meters in the system to determine

a cost per 5/8" equivalent meter and then dividing the costs allocated to the Billing & Collection category by the total number of bills prepared each year to determine a unit cost per bill. The sum of these two unit costs is the Service Charge.

Commodity rates are calculated by dividing the total of the base and extra capacity costs allocated to each customer class by the projected rate year consumption of that customer class. For example, the rate for the commercial class is determined by dividing total base and extra capacity costs allocated to the commercial class ($6,121,133) by projected commercial class consumption in the rate year (2,852,053 hcf). The resulting value ($2.1462/hcf), rounded up to the nearest tenth of a cent, is the proposed rate for the commercial class ($2.147/hcf).

Q. How are wholesale rates calculated?

A. Under the existing rates, wholesale customers only pay a commodity charge that is assessed based on their water consumption. In this filing, Providence Water is proposing to implement a wholesale service charge that will be assessed to wholesale customers on a monthly basis. The wholesale service charge is calculated by first determining the cost per hcf of providing water to the wholesale customers. This is accomplished by dividing the total costs allocated to the wholesale class by the projected rate year consumption of the wholesale class. As shown on HJS Exhibit – 9 this unit cost would be $1.2447 per hcf. If Providence Water were only proposing a wholesale commodity charge the calculation of wholesale rates would end after this step with the commodity rate being equal to the unit cost rounded up to the nearest tenth of a cent. However, to determine the appropriate wholesale service charge for each wholesale customer, this unit is then applied to the projected consumption for each individual wholesale customer to determine the total anticipated rate year revenues for each customer. Twenty-five percent of each customer's annual revenues is then allocated to the wholesale service charge for that customer and the remaining 75% of the revenues are divided by the customers anticipated rate year demand to determine the charge per hcf.

Q. What is the purpose for implementing a wholesale service charge?

A. The purpose of the wholesale service charge is to help stabilize Providence Water's revenues such that they are better able to meet some of their fixed costs.

Q. What is the basis for allocating 25% of each wholesale customer's anticipated revenues to the service charge?

A. The amount of the service charge was set at 25% of revenues because this amount will help stabilize Providence Water's revenues, but is low enough such that it should not place an inordinate burden on the wholesale customers.

Q. Is this type of cost recovery from wholesale customers unusual in the industry?

A. No. In fact most contracts between water providers and their large customers involve the customer paying a portion of the annual charges on a fixed basis either through "take or pay" provisions or a fixed component of the service fee. This approach provides a more stable stream of revenue for the provider and also reduces the risk that the customer will dramatically reduce their consumption to a level that will not allow the provider to recover their fixed costs of service.

Q. Won't the implementation of the wholesale service charge mean that the wholesale customers will end up paying more?

A. No, if each wholesale customer's actual rate year consumption is consistent with their projected consumption the combination of the wholesale service charge and commodity charges should result in the wholesale customers paying the same amount as they would pay under a commodity charge only approach.

Q. Is the disparity in the increases in wholesale rates and retail rates due to some difference in the way costs are allocated to the wholesale customers or the way in which their rates are calculated?

A. No, the cost allocation approach used in this filing is the same as was used in Providence Water's last full rate filing and the percentage of costs allocated to the wholesale class is

generally the same in this filing as it was in the last filing. The disparity between the increases to wholesale rates and retail rates is most likely due to the fact that the wholesale rate increases that were agreed to by the parties to Providence Water's recent abbreviated filings were not based on a complete cost of service study and did not reflect the true cost associated with providing wholesale service.

Q. Have you provided information on what the customer impacts are projected to be?

A. Yes, HJS Exhibit - 12 shows bills under existing and proposed rates and the percentage impacts that are likely to occur for typical residential, commercial, and industrial customers. For a typical residential customer using 100 hcf per year, their annual charges increase from $244.56 to $286.16 which represents a 17% increase.

Q. What consideration has been given as to whether the revenues from the rates and charges are sufficient to cover revenue requirements for Providence Water?

A. HJS Exhibit – 13 serves as a revenue proof to determine revenue sufficiency of the proposed rates and charges. The revenues that would be generated under the proposed rate structure are shown for commodity rates, service charges, and fire protection charges.

Q. According to the rate model, are the rates and charges calculated sufficient to meet revenue requirements?

A. Yes, as shown in HJS Exhibit – 13, the revenues projected to be recovered from the proposed rates are approximately $7,861 greater than the revenue requirements for the Rate Year.

Does this conclude your testimony?

Yes.

Revenue Under Existing Rates
Rate Year Ending December 31, 2008

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

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
601 Operating Fund									
Source of Supply									
60110 Salaries + Wages - Emp	A	$ 357,859	$ 187,192	$ -	$ -	$ -	$ -	$ 3,579	$ 167,089
60120 Salaries + Wages - Emp	A	$ 392,732	$ 205,433	$ -	$ -	$ -	$ -	$ 3,927	$ 183,371
60320 Sal. + Wages - Officers, Dir	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60410 Employee Pension + Ben	A	$ 223,138	$ 116,721	$ -	$ -	$ -	$ -	$ 2,231	$ 104,186
60420 Employee Pension + Ben	A	$ 244,882	$ 128,095	$ -	$ -	$ -	$ -	$ 2,449	$ 114,338
61510 Purchase Power	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61610 Fuel for Power Purch	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
62010 Material + Supplies	A	$ 10,191	$ 5,331	$ -	$ -	$ -	$ -	$ 102	$ 4,758
62020 Material + Supplies	A	$ 48,200	$ 25,213	$ -	$ -	$ -	$ -	$ 482	$ 22,505
63110 Contractual Services - Engineer	A	$ 4,787	$ 2,504	$ -	$ -	$ -	$ -	$ 48	$ 2,235
63120 Contractual Services - Engineer	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63420 Contractual Services - Mgt. Fees	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63510 Contractual Services - Other	A	$ 86,988	$ 45,502	$ -	$ -	$ -	$ -	$ 870	$ 40,616
63520 Contractual Services - Other	A	$ 21,013	$ 10,992	$ -	$ -	$ -	$ -	$ 210	$ 9,811
64210 Rental of Equipment	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64220 Rental of Equipment	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65010 Transportation Exp.	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65020 Transportation Exp.	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67510 Misc. Expenses	A	$ 9,323	$ 4,877	$ -	$ -	$ -	$ -	$ 93	$ 4,353
67520 Misc. Expenses	A	$ 4,041	$ 2,114	$ -	$ -	$ -	$ -	$ 40	$ 1,887
Total-Source of Supply		$ 1,403,154	$ 733,972	$ -	$ -	$ -	$ -	$ 14,032	$ 655,150
Pumping									
60123 Salaries + Wages - Emp	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60126 Salaries + Wages - Emp	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60423 Employee Pension + Ben	Com Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60426 Employee Pension + Ben	Com Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61523 Purchase Power	P	$ 1,086,708	$ 511,599	$ 108,671	$ -	$ -	$ -	$ 9,780	$ 456,658
61623 Fuel for Power Purch	AA	$ 17,713	$ 5,552	$ 3,713	$ -	$ -	$ -	$ 177	$ 8,270
62023 Material + Supplies	AA	$ 482	$ 151	$ 101	$ -	$ -	$ -	$ 5	$ 225
62026 Material + Supplies	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63123 Contractual Services - Engineer	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63126 Contractual Services - Engineer	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63523 Contractual Services - Other	AA	$ 5,181	$ 1,624	$ 1,086	$ -	$ -	$ -	$ 52	$ 2,419
63526 Contractual Services - Other	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64223 Rental of Equipment	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64226 Rental of Equipment	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65023 Transportation Exp.	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67523 Misc. Expenses	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67526 Misc. Expenses	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total-Pumping		$ 1,110,085	$ 518,927	$ 113,571	$ -	$ -	$ -	$ 10,014	$ 467,572

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
Water Treatment									
60130 Salaries + Wages - Emp	AA	$ 2,048,348	$ 642,088	$ 429,377	$ -	$ -	$ -	$ 20,483	$ 956,399
60140 Salaries + Wages - Emp	AA	$ 309,874	$ 97,135	$ 64,956	$ -	$ -	$ -	$ 3,099	$ 144,684
60430 Employee Pension + Ben	Com Y	$ 1,223,964	$ 535,431	$ 296,939	$ 89,665	$ -	$ -	$ 20,500	$ 281,429
60440 Employee Pension + Ben	Com Y	$ 193,217	$ 84,524	$ 46,875	$ 14,155	$ -	$ -	$ 3,236	$ 44,427
61530 Purchase Power	P	$ 265,410	$ 124,949	$ 26,541	$ -	$ -	$ -	$ 2,389	$ 111,531
61630 Fuel for Power Purch	AA	$ 130,804	$ 41,003	$ 27,419	$ -	$ -	$ -	$ 1,308	$ 61,074
61830 Chemicals	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
62030 Material + Supplies	AA	$ 100,347	$ 31,455	$ 21,035	$ -	$ -	$ -	$ 1,003	$ 46,853
62040 Material + Supplies	AA	$ 98,464	$ 30,865	$ 20,640	$ -	$ -	$ -	$ 985	$ 45,974
63140 Contractual Services - Engineer	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63240 Contract Services - Acctg	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63430 Contractual Services - Mgt. Fees	AA	$ 15,648	$ 4,905	$ 3,280	$ -	$ -	$ -	$ 156	$ 7,306
63530 Contractual Services - Other	AA	$ 193,700	$ 60,718	$ 40,604	$ -	$ -	$ -	$ 1,937	$ 90,441
63540 Contractual Services - Other	AA	$ 59,259	$ 18,576	$ 12,422	$ -	$ -	$ -	$ 593	$ 27,669
64140 Rental Buildg/Real Prop	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64230 Rental of Equipment	AA	$ 2,388	$ 749	$ 501	$ -	$ -	$ -	$ 24	$ 1,115
64240 Rental of Equipment	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65030 Transportation Exp.	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65640 Insurance Vehicle	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65830 Insurance - W/C	Com Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65840 Insurance - W/C	Com Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66730 Regularoty Com Exp. -Other	AA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67530 Misc. Expenses	AA	$ 64,233	$ 20,135	$ 13,465	$ -	$ -	$ -	$ 642	$ 29,991
67540 Misc. Expenses	AA	$ 182	$ 57	$ 38	$ -	$ -	$ -	$ 2	$ 85
Total-Water Treat. Exp.		$ 4,705,839	$ 1,692,591	$ 1,004,092	$ 103,819	$ -	$ -	$ 56,358	$ 1,848,978

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
Transmission & Distribution									
60150 Salaries + Wages - Emp	HM	$ 898,837	$ 242,858	$ 171,022	$ 92,314	$ 210,583	$ 23,043	$ 29,755	$ 129,263
60160 Salaries + Wages - Emp	HM	$ 2,400,044	$ 648,471	$ 456,656	$ 246,493	$ 562,292	$ 61,528	$ 79,451	$ 345,153
60250 Payroll Clearing -Emp	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60260 Payroll Clearing -Emp	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60450 Employee Pension + Ben	Com Y	$ 560,455	$ 245,175	$ 135,969	$ 41,058	$ -	$ -	$ 9,387	$ 128,867
60460 Employee Pension + Ben	Com Y	$ 1,496,511	$ 654,658	$ 363,060	$ 109,631	$ -	$ -	$ 25,065	$ 344,096
60550 Overhead Rate Applied	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60560 Overhead Rate Applied	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61550 Purchase Power	P	$ 11,195	$ 5,270	$ 1,119	$ -	$ -	$ -	$ 101	$ 4,704
62050 Material + Supplies	F	$ 147,797	$ 54,462	$ 36,420	$ 26,232	$ -	$ -	$ 2,956	$ 27,727
62060 Material + Supplies	F	$ 13,443	$ 4,954	$ 3,313	$ 2,386	$ -	$ -	$ 269	$ 2,522
62560 Inventory Clearing	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63150 Contractual Services - Engineer	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63160 Contractual Services - Engineer	HM	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63460 Contractual Services - Mgt. Fees	C	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63550 Contractual Services - Other	HOC	$ 1,093,962	$ 436,188	$ 327,628	$ 190,857	$ 14,868	$ -	$ 11,987	$ 112,435
63560 Contractual Services - Other	HMC	$ 40,138	$ 8,830	$ 6,632	$ 3,864	$ 15,750	$ -	$ 488	$ 4,575
64150 Rental Buildg/Real Prop	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64160 Rental Buildg/Real Prop	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64250 Rental of Equipment	F	$ 4,265	$ 1,572	$ 1,051	$ 757	$ -	$ -	$ 85	$ 800
64260 Rental of Equipment	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65060 Transportation Exp.	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65850 Insurance W/C	Com Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65860 Insurance W/C	Com Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65950 Insurance Other	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66750 Regulatory Com Exp - Other T & D	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66760 Regulatory Com Exp - Other T & D	F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67550 Misc. Expenses	F	$ 3,856	$ 1,421	$ 950	$ 684	$ -	$ -	$ 77	$ 723
67560 Misc. Expenses	F	$ 718	$ 265	$ 177	$ 127	$ -	$ -	$ 14	$ 135
Total-Trans/Dist Exp.		$ 6,671,221	$ 2,304,123	$ 1,503,997	$ 714,401	$ 803,492	$ 84,571	$ 159,636	$ 1,101,000

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
Customer Accounts									
60170 Salaries + Wages - Emp	D	$ 1,968,504	$ -	$ -	$ -	$ 984,252	$ 984,252	$ -	$ -
60270 Payroll Clearing -Emp	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60470 Employee Pension + Ben	Com Y	$ 1,227,431	$ 536,948	$ 297,780	$ 89,919	$ -	$ -	$ 20,559	$ 282,226
60570 Overhead Rate Applied	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61670 Fuel for Power Purch	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
62070 Material + Supplies	D	$ 11,416	$ -	$ -	$ -	$ 5,708	$ 5,708	$ -	$ -
63370 Contractual Services - Legal	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63570 Contractual Services - Other	D	$ 36,045	$ -	$ -	$ -	$ 18,022	$ 18,022	$ -	$ -
65070 Transportation exp. - CAO	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65870 Insurance - Other	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65970 Insurance Other	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67070 Bad Debt Expense - CAO	D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
67570 Misc. Expenses	D	$ 128,976	$ -	$ -	$ -	$ 64,488	$ 64,488	$ -	$ -
Total-Cust Accts Exp		$ 3,372,372	$ 536,948	$ 297,780	$ 89,919	$ 1,072,471	$ 1,072,471	$ 20,559	$ 282,226
Administration									
60180 Salaries + Wages - Emp	Y	$ 5,080,792	$ 1,227,208	$ 680,584	$ 205,511	$ 1,065,829	$ 648,321	$ 85,099	$ 1,168,238
60380 Salaries + wages - Officers, Dir.	Y	$ 39,754	$ 9,602	$ 5,325	$ 1,608	$ 8,339	$ 5,073	$ 666	$ 9,141
60480 Employee Pension + Ben	Com Y	$ 3,173,706	$ 1,388,359	$ 769,955	$ 232,498	$ -	$ -	$ 53,157	$ 729,738
60480 Board Health Insurance	Y	$ (13,022)	$ (3,145)	$ (1,744)	$ (527)	$ (2,732)	$ (1,662)	$ (218)	$ (2,994)
61580 Purchase Power	Z	$ 190,673	$ 63,915	$ 32,246	$ 10,031	$ 20,721	$ 12,780	$ 2,878	$ 48,102
61680 Fuel for Power Purch	Z	$ 196,308	$ 65,804	$ 33,199	$ 10,327	$ 21,333	$ 13,158	$ 2,963	$ 49,524
62080 Material + Supplies	Z	$ 195,909	$ 65,670	$ 33,132	$ 10,306	$ 21,290	$ 13,131	$ 2,957	$ 49,423
63180 Contractual Services - Engineer	Y	$ 25,932	$ 6,264	$ 3,474	$ 1,049	$ 5,440	$ 3,309	$ 434	$ 5,963
63280 Contract Services - Acctg	Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
63380 Contractual Services - Legal	Y	$ 93,312	$ 22,539	$ 12,499	$ 3,774	$ 19,575	$ 11,907	$ 1,563	$ 21,456
63480 Contractual Services - Mgt. Fees	Y	$ 150,000	$ 36,231	$ 20,093	$ 6,067	$ 31,466	$ 19,140	$ 2,512	$ 34,490
63580 Contractual Services - Other	Y	$ 478,450	$ 115,564	$ 64,090	$ 19,353	$ 100,368	$ 61,051	$ 8,014	$ 110,011
64180 Rental Buildg/Real Prop	Z	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64280 Rental of Equipment	Z	$ 10,261	$ 3,440	$ 1,735	$ 540	$ 1,115	$ 688	$ 155	$ 2,589
65080 Transportation Exp.	Z	$ 111,382	$ 37,336	$ 18,837	$ 5,859	$ 12,104	$ 7,465	$ 1,681	$ 28,099
65780 Ins. Gen. Liability	Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65880 Insurance - W/C	Com Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65980 Insurance Other	Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66080 Advertising Expense	Z	$ 3,565	$ 1,195	$ 603	$ 188	$ 387	$ 239	$ 54	$ 899
66680 Reg Com Exp - Amort of Rate Case	Com Z	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66780 Regulatory Com Exp. -Other	Com Z	$ 291,987	$ 128,753	$ 64,959	$ 20,206	$ -	$ -	$ 4,408	$ 73,661
67580 Misc. Expense	Z	$ 307,624	$ 103,118	$ 52,025	$ 16,183	$ 33,430	$ 20,619	$ 4,644	$ 77,606
Total-Admin/Gen Exp		$ 10,336,634	$ 3,271,851	$ 1,791,011	$ 542,974	$ 1,338,666	$ 815,219	$ 170,969	$ 2,405,943

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
857 Insurance Fund									
65840 Insurance W/C - WTM	Com Y	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65870 Insurance W/C - CAO	Com Y	$ 25,512	$ 11,160	$ 6,189	$ 1,869	$ -	$ -	$ 427	$ 5,866
62080 Materials + Supplies - A&GO	Z	$ 31,163	$ 10,446	$ 5,270	$ 1,639	$ 3,387	$ 2,089	$ 470	$ 7,862
63580 Contract Services - Other A&GO	Y	$ 83,972	$ 20,282	$ 11,248	$ 3,397	$ 17,615	$ 10,715	$ 1,406	$ 19,308
65780 Ins. Gen. Liability	Com Z	$ 1,466,096	$ 646,483	$ 326,164	$ 101,459	$ -	$ -	$ 22,132	$ 369,858
65880 Insurance - W/C	Com Y	$ 531,027	$ 232,301	$ 128,829	$ 38,902	$ -	$ -	$ 8,894	$ 122,100
Additional Insurance	Com Z	$ 212,172	$ 93,558	$ 47,202	$ 14,683	$ -	$ -	$ 3,203	$ 53,526
67580 Misc. Expense	Z	$ 207,528	$ 69,565	$ 35,097	$ 10,917	$ 22,552	$ 13,910	$ 3,133	$ 52,354
Funding Requirement	Com Z	$ 410,185	$ 180,873	$ 91,254	$ 28,386	$ -	$ -	$ 6,192	$ 103,479
Total Insurance Fund		$ 2,967,655	$ 1,264,669	$ 651,255	$ 201,252	$ 43,554	$ 26,713	$ 45,859	$ 734,353
878 Chemical and Sludge Maintenance Fund									
61830 Chemicals - WTO	A	$ 2,286,505	$ 1,196,042	$ -	$ -	$ -	$ -	$ 22,865	$ 1,067,597
62030 Materials + Supplies WTO	A	$ (1,981)	$ (1,036)	$ -	$ -	$ -	$ -	$ (20)	$ (925)
Funding Requirement	A	$ 200,000	$ 104,618	$ -	$ -	$ -	$ -	$ 2,000	$ 93,382
63540 Contract Services - Other WTM	A	$ 648,042	$ 338,983	$ -	$ -	$ -	$ -	$ 6,480	$ 302,579
Total Chemical and Sludge Maintenance		$ 3,132,565	$ 1,638,606	$ -	$ -	$ -	$ -	$ 31,326	$ 1,462,633
Total Operating and Maintenance Expense		$ 33,699,525	$ 11,961,688	$ 5,361,706	$ 1,652,365	$ 3,258,183	$ 1,998,974	$ 508,751	$ 8,957,856
Less: Capital Labor	X4	$ 758,616	$ 305,160	$ 126,727	$ 53,531	$ 61,620	$ -	$ 476	$ 211,102
Net Operating and Maintenance Expense		**$ 32,940,909**	**$ 11,656,528**	**$ 5,234,979**	**$ 1,598,834**	**$ 3,196,563**	**$ 1,998,974**	**$ 508,276**	**$ 8,746,754**
City Services Cost	Z	**$ 1,245,952**	**$ 417,651**	**$ 210,714**	**$ 65,546**	**$ 135,400**	**$ 83,511**	**$ 18,809**	**$ 314,322**
Less: Miscellaneous Revenues	Y	**$ 1,245,739**	**$ 300,894**	**$ 166,870**	**$ 50,388**	**$ 261,326**	**$ 158,959**	**$ 20,865**	**$ 286,436**

Allocation of Capital Costs
Rate Year Ending December 31, 2008

	Allocation Factor	Adjusted Test Year	Rate Year Adjustments	Proforma Rate Year	Base	Maximum Day	Maximum Hour	Meters	Billing & Collection	Fire Protection	Wholesale
Capital Fund Cash	K2	$ 2,450,000	$ -	$ 2,450,000	$ 846,739	$ 353,218	$ 149,204	$ 371,971	$ -	$ 8,570	$ 720,298
Debt Service CIP Fund	K2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Western Cranston Fund	A	$ 62,069	$ -	$ 62,069	$ 32,468	$ -	$ -	$ -	$ -	$ 621	$ 28,981
Infrastructure Replacement	K1	$ 12,500,000	$ 1,400,000	$ 13,900,000	$ 6,158,935	$ 2,569,207	$ 1,085,266	$ -	$ -	$ -	$ 4,086,591
Debt Service IFR Fund	K2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
102" Valve	K2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Alternative Source of Supply	A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Meter Replacement	C	$ 400,000	$ 600,000	$ 1,000,000	$ -	$ -	$ -	$ 1,000,000	$ -	$ -	$ -
Equipment Replacement	K2	$ 600,000	$ -	$ 600,000	$ 207,365	$ 86,502	$ 36,540	$ 91,095	$ -	$ 2,099	$ 176,400
Total Capital Expenditures		**$ 16,012,069**	**$ 2,000,000**	**$ 18,012,069**	**$ 7,245,506**	**$ 3,008,928**	**$ 1,271,010**	**$ 1,463,065**	**$ -**	**$ 11,290**	**$ 5,012,270**

HJS Exhibit 4

Allocation of Property Taxes
Rate Year Ending December 31, 2008

	Allocation Factor	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
Scituate	A	$ 5,522,744	$ 2,888,879	$ -	$ -	$ -	$ -	$ 55,227	$ 2,578,637
Foster	A	$ 300,006	$ 156,929	$ -	$ -	$ -	$ -	$ 3,000	$ 140,076
Cranston	Cran	$ 377,963	$ 188,359	$ 14,902	$ 10,733	$ -	$ -	$ 4,384	$ 159,584
North Providence	F	$ 249,306	$ 91,868	$ 61,434	$ 44,248	$ -	$ -	$ 4,986	$ 46,770
Johnston	A	$ 63,184	$ 33,051	$ -	$ -	$ -	$ -	$ 632	$ 29,501
Glocester	A	$ 48,727	$ 25,489	$ -	$ -	$ -	$ -	$ 487	$ 22,751
West Warwick	A	$ 4,348	$ 2,274	$ -	$ -	$ -	$ -	$ 43	$ 2,030
West Glocester Fire	A	$ 4,228	$ 2,211	$ -	$ -	$ -	$ -	$ 42	$ 1,974
Harmony Fire Dist.	A	$ 120	$ 63	$ -	$ -	$ -	$ -	$ 1	$ 56
Chepachet Fire Dist.	A	$ 145	$ 76	$ -	$ -	$ -	$ -	$ 1	$ 68
Warwick	A	$ 22	$ 12	$ -	$ -	$ -	$ -	$ 0	$ 10
Total Property Taxes		**$ 6,570,792**	**$ 3,389,210**	**$ 76,336**	**$ 54,982**	**$ -**	**$ -**	**$ 68,806**	**$ 2,981,458**

Allocation Factor Legend

Allocation	Description	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
A	1% allocated to fire protection, remainder allocated to base and wholesale based on consumption	52.31%					1.00%	46.69%
AA	1% allocated to fire protection, remainder allocated to base, maximum day, and wholesale based on consumption	31.35%	20.96%				1.00%	46.69%
C	100% to Meters & Services				100.00%			
Com Y	Allocated Based on Methodology in Docket # 2048, Y - Labor Reallocated from Meters and Billing	43.75%	24.26%	7.33%	0.00%	0.00%	1.67%	22.99%
Com Z	Allocated Based on Methodology in Docket # 2048, Z - O&M Reallocated from Meters and Billing	44.10%	22.25%	6.92%	0.00%	0.00%	1.51%	25.23%
Cran	Cranston Taxes, 16% Allocator F, 84% Allocator A	49.84%	3.94%	2.84%	0.00%	0.00%	1.16%	42.22%
D	50% to Billing and Collections, 50% to Meters and Services				50.00%	50.00%		
F	2% to Fire, Allocated to Base & Wholesale by Proportion of T&D Pipe in Inch Miles, Retail to Base, Max Day and Hour	36.85%	24.64%	17.75%			2.00%	18.76%
FP	100% Fire Protection							100.00%
HM	From Exhibit JDM-5 of Settle27.xls	27.02%	19.03%	10.27%	23.43%	2.56%	3.31%	14.38%
HMC	Based on Separate T&D Allocation Table - Maintenance Contractor - From Exhibit JDM-5 of Settle27.xls	22.00%	16.52%	9.63%	39.24%	0.00%	1.22%	11.40%
HOC	Based on Separate T&D Allocation Table - Operations Contractor - From Exhibit JDM-5 of Settle27.xls	39.87%	29.95%	17.45%	1.36%	0.00%	1.10%	10.28%
K1	Allocated Based on Original Plant Investment less Land, Meters and Fire Reallocated to Retail	44.31%	18.48%	7.81%	0.00%	0.00%	0.00%	29.40%
K2	Allocated Based on Original Plant Investment less Land	34.56%	14.42%	6.09%	15.18%	0.00%	0.35%	29.40%
L	Based on Allocation of other Transmission & Distribution Plant except Services & Meters	38.74%	25.91%	17.20%	0.00%	0.00%	0.10%	18.05%
N	Allocation of Pumping Investment and Expenses	46.06%	8.78%	1.82%				43.33%
P	10% allocated to maximum day, 90% allocated based on A	47.08%	10.00%	0.00%	0.00%	0.00%	0.90%	42.02%
T	Allocation of all Non-General Plant	35.37%	13.83%	5.87%	14.44%	0.00%	0.38%	30.12%
TD	Allocation of Base, Max Day and Max Hour of Retail only	46.50%	31.10%	22.40%				
X4	Allocation within a Particular Goup Based on the Relationship between all Other Items in the Group	40.23%	16.71%	7.06%	8.12%	0.00%	0.06%	27.83%
Y	Based on Labor related O&M Expenses.	24.15%	13.40%	4.04%	20.98%	12.76%	1.67%	22.99%
Z	Based on Total O&M expenses, except for Adminstrative & General	33.52%	16.91%	5.26%	10.87%	6.70%	1.51%	25.23%

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

	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection	Wholesale
Net Operations & Maintenance Expense	$32,940,909	$11,656,528	$ 5,234,979	$1,598,834	$3,196,563	$1,998,974	$ 508,276	$ 8,746,754
Capital Expense	$18,012,069	$ 7,245,506	$ 3,008,928	$1,271,010	$1,463,065	$ -	$ 11,290	$ 5,012,270
City Services Expense	$ 1,245,952	$ 417,651	$ 210,714	$ 65,546	$ 135,400	$ 83,511	$ 18,809	$ 314,322
Property Taxes Expense	$ 6,570,792	$ 3,389,210	$ 76,336	$ 54,982	$ -	$ -	$ 68,806	$ 2,981,458
Total Expenses Allocated	$58,769,722	$22,708,896	$ 8,530,956	$2,990,372	$4,795,028	$2,082,485	$ 607,181	$17,054,804
less: Miscellaneous Revenues	$ (1,245,739)	$ (300,894)	$ (166,870)	$ (50,388)	$ (261,326)	$ (158,959)	$ (20,865)	$ (286,436)
plus: Net Operating Revenue Allowance	$ 1,725,719	$ 681,267	$ 255,929	$ 89,711	$ 143,851	$ 62,475	$ 18,215	$ 511,644
Net Revenue Requirement	**$59,249,702**	**$23,089,269**	**$ 8,620,015**	**$3,029,694**	**$4,677,553**	**$1,986,000**	**$ 604,531**	**$17,280,012**

Units of Service
Rate Year Ending December 31, 2008

	Base		Maximum Day			Maximum Hour			Equivalent	
	Annual Use HCF	Average Rate HCF/day	Demand Factor	Total Capacity HCF/day	Extra Capacity HCF/day	Demand Factor	Total Capacity HCF/day	Extra Capacity HCF/day	Meters & Services Equiv. Meters	Bills
Retail										
Residential	11,688,498	32,023	1.70	54,440	22,416	2.20	70,451	16,012		
Commercial	2,852,053	7,814	1.60	12,502	4,688	2.00	15,628	3,126		
Industrial	1,005,359	2,754	1.50	4,132	1,377	2.00	5,509	1,377		
Fire Protection				1,444	1,444		5,775	4,331		
Total Retail	15,545,910	42,592		72,517	29,926		97,363	24,846	119,103	298,744
Wholesale										
Wholesale	13,876,406	38,018	1.70	64,630	26,612	2.15	81,738	17,108		
Total Units of Service	**29,422,315**	**80,609**		**137,147**	**56,538**		**179,100**	**41,954**	**119,103**	**298,744**

Unit Costs
Rate Year Ending December 31, 2008

	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection
Retail System Units of Service:							
Number		15,545,910	29,926	24,846	119,103	298,744	6,082
Units		MCF	MCF/day	MCF/day	Equiv. Meters	Bills	Hydrants
O&M Expense:							
Retail	23,931,897	11,696,303	5,220,153	1,594,899	3,023,294	1,895,215	502,033
Retail Unit Cost ($/unit)		$ 0.75	$ 174.44	$ 64.19	$ 25.38	$ 6.34	$ 82.54
Wholesale O&M Expense	$ 8,714,128	$ 8,714,128					
Capital Expense:							
Retail Capital Expense	13,389,793	7,462,871	3,099,195	1,309,140	1,506,957	-	11,629
Retail Cost ($/unit)		$ 0.48	$ 103.56	$ 52.69	$ 12.65	$ -	$ 1.91
Wholesale Capital Expense	$ 5,162,638	$ 5,162,638					
City Services Expense:							
Retail City Services Expense	959,579	430,181	217,035	67,512	139,462	86,016	19,373
Retail Cost ($/unit)		$ 0.03	$ 7.25	$ 2.72	$ 1.17	$ 0.29	$ 3.19
Wholesale City Services Expense	$ 323,751	$ 323,751					
Property Tax Expense:							
Retail Property Tax Expense	3,697,013	3,490,887	78,626	56,631	-	-	70,870
Retail Cost ($/unit)		$ 0.22	$ 2.63	$ 2.28	$ -	$ -	$ 11.65
Wholesale Property Tax Expense	$ 3,070,902	$ 3,070,902					
Total Unit Costs of Service							
Retail Cost of Service	41,978,283	23,080,242	8,615,009	3,028,183	4,669,713	1,981,231	603,905
Retail Total Unit Cost ($/unit)		$ 1.48	$ 287.88	$ 121.88	$ 39.21	$ 6.63	$ 99.29
Wholesale Cost of Service	$ 17,271,419						
Total Cost of Service	$ 59,249,702						

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

	Total	Base	Maximum Day	Maximum Hour	Meters & Services	Billing & Collection	Public Fire Protection
Retail							
Unit Costs of Services ($/unit)		$ 1.48	$ 287.88	$ 121.88	$ 39.21	$ 6.63	$ 99.29
Retail Service:							
Residential Volume Charge:							
Units of Service - HCF		11,688,498	22,416	16,012			
Allocation Cost of Service - $	$25,758,064	$17,353,334	$6,453,233	$1,951,497			
Consumption Rate - $/HCF	$ 2.2037						
Commercial Volume Charge:							
Units of Service - HCF		2,852,053	4,688	3,126			
Allocation Cost of Service - $	$ 5,964,917	$ 4,234,301	$1,349,676	$ 380,940			
Consumption Rate - $/HCF	$ 2.0914						
Industrial Volume Charge:							
Units of Service - HCF		1,005,359	1,377	1,377			
Allocation Cost of Service - $	$ 2,056,932	$ 1,492,607	$ 396,471	$ 167,854			
Consumption Rate - $/HCF	$ 2.0460						
Retail Service Charge:							
Units of Service					83,857	291,888	
Allocation Cost of Service - $	$ 5,223,564				$3,287,801	$1,935,763	
Fire Protection Service:							
Units of Service			1,444	4,331	35,246	6,856	6,082
Allocation Cost of Service	$ 2,974,806		$ 415,629	$ 527,892	$1,381,912	$ 45,468	$ 603,905
Total Retail Allocated Cost of Service	$41,978,283						
Wholesale							
Wholesale:							
Units of Service		13,876,406					
Allocation Cost of Service	$17,271,419	$17,271,419					
Consumption Rate - $/HCF		$ 1.2447					
Total System Allocated Cost of Service	$59,249,702						

Proposed Rates and Impacts
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Proposed Rates	Total Revenues	Current Rates	% Change
Quarterly Service Charges					
5/8"	54,074	$ 16.44	$ 3,555,906	$ 12.19	34.9%
3/4"	10,281	$ 17.42	$ 716,380	$ 13.05	33.5%
1"	5,071	$ 20.36	$ 412,982	$ 15.32	32.9%
1.5"	1,475	$ 24.28	$ 143,252	$ 18.33	32.5%
2"	1,762	$ 35.06	$ 247,103	$ 26.66	31.5%
3"	39	$ 114.46	$ 17,856	$ 87.93	30.2%
4"	27	$ 143.86	$ 15,537	$ 110.64	30.0%
6"	55	$ 212.48	$ 46,746	$ 163.59	29.9%
8"	26	$ 290.89	$ 30,253	$ 224.10	29.8%
10"	3	$ 361.95	$ 4,343	$ 278.93	29.8%
12"	-	$ 433.02	$ -	$ 333.79	29.7%
Total	72,813		$ 5,190,358		
Monthly Service Charges					
5/8"	-	$ 9.90	$ -	$ 7.25	36.6%
3/4"	-	$ 10.23	$ -	$ 7.50	36.4%
1"	-	$ 11.21	$ -	$ 8.25	35.9%
1.5"	1	$ 12.52	$ 150	$ 9.27	35.1%
2"	17	$ 16.11	$ 3,286	$ 12.05	33.7%
3"	3	$ 42.58	$ 1,533	$ 32.47	31.1%
4"	6	$ 52.38	$ 3,771	$ 40.03	30.9%
6"	19	$ 75.25	$ 17,157	$ 57.67	30.5%
8"	6	$ 101.39	$ 7,300	$ 77.85	30.2%
10"	-	$ 125.08	$ -	$ 96.14	30.1%
12"	1	$ 148.76	$ 1,785	$ 114.41	30.0%
Total	53		$ 34,983		
Total Service Charge Revenue			$ 5,225,341	$ 3,895,171	34.1%
Retail Consumption Charges					
Residential (HCF)	11,688,498	$ 2.204	$ 25,761,449	$ 1.958	12.6%
Commercial (HCF)	2,852,053	$ 2.092	$ 5,966,494	$ 1.882	11.2%
Industrial (HCF)	1,005,359	$ 2.046	$ 2,056,965	$ 1.825	12.1%
Total	15,545,910		$ 33,784,908	$ 30,088,422	12.3%

Proposed Rates and Impacts
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Proposed Rates	Total Revenues	Current Rates	% Change
Wholesale Charges					
Volume Charge					
Consumption (HCF)	13,876,406	$ 0.933		$ 0.925	
Consumption (MGD)	10,380	$ 1,248.00	$ 12,953,680	$ 1,236.00	1.0%
Monthly Service Charge					
East Providence	2,397,994	$ 62,182	$ 746,184		
East Smithfield	339,786	$ 8,811	$ 105,732		
Greenville	463,126	$ 12,010	$ 144,120		
Kent County	3,777,169	$ 97,944	$ 1,175,328		
Smithfield	428,798	$ 11,119	$ 133,428		
Warwick	4,404,569	$ 114,213	$ 1,370,556		
Lincoln	1,086,668	$ 28,178	$ 338,136		
Johnston	197,547	$ 5,123	$ 61,476		
Bristol County	780,749	$ 20,246	$ 242,952		
Total Base Charges			$ 4,317,912		
Total Annual Charges					
East Providence			$ 2,984,721	$ 2,217,013	34.6%
East Smithfield			$ 422,923	$ 314,141	34.6%
Greenville			$ 576,450	$ 428,172	34.6%
Kent County			$ 4,701,331	$ 3,492,099	34.6%
Smithfield			$ 533,713	$ 396,436	34.6%
Warwick			$ 5,482,239	$ 4,072,147	34.6%
Lincoln			$ 1,352,545	$ 1,004,655	34.6%
Johnston			$ 245,886	$ 182,637	34.6%
Bristol County			$ 971,784	$ 721,824	34.6%
Total Wholesale Charges			$ 17,271,592	$ 12,829,125	34.6%

Proposed Rates and Impacts
Rate Year Ending December 31, 2008

Billing Unit	Units of Service	Proposed Rates	Total Revenues	Current Rates	% Change
Private Fire Service Charges					
3/4"	6	$ 17.54	$ 421	$ 10.77	62.9%
1"	9	$ 20.63	$ 743	$ 14.26	44.7%
1-1/2"	3	$ 25.06	$ 301	$ 23.00	9.0%
2"	29	$ 36.72	$ 4,260	$ 33.48	9.7%
4"	284	$ 154.14	$ 175,103	$ 92.87	66.0%
6"	1,149	$ 242.33	$ 1,113,749	$ 180.22	34.5%
8"	216	$ 354.52	$ 306,305	$ 285.03	24.4%
10"	4	$ 476.38	$ 7,622	$ 407.30	17.0%
12"	13	$ 617.85	$ 32,128	$ 547.05	12.9%
16"	1	$ 969.03	$ 3,876	$ 547.05	77.1%
Total	1,714		$ 1,644,507	$ 1,222,140	34.6%
Public Fire Service Charges					
Hydrants	6,082	$ 218.73	$ 1,330,316	$ 250.99	-12.9%
Total Rate Revenues			**$ 59,256,664**	**$ 49,561,380**	**19.6%**
Miscellaneous Revenues			1,245,739	$ 1,245,739	0.0%
Total Revenues			**$ 60,502,403**	**$ 50,807,119**	**19.1%**

HJS Exhibit 11

Comparison of Revenues by Customer Class
Rate Year Ending December 31, 2008

	Existing Rates	Proposed Rates	% Change
Retail			
Monthly Service Charge	$ 3,895,171	$ 5,225,341	34.1%
Volume Charge			
Residential	$ 22,886,079	$ 25,761,449	12.6%
Commercial	$ 5,367,563	$ 5,966,494	11.2%
Industrial	$ 1,834,781	$ 2,056,965	12.1%
Total Retail	$ 33,983,593	$ 39,010,249	14.8%
Wholesale			
East Providence	$ 2,217,013	$ 2,984,877	34.6%
East Smithfield	$ 314,141	$ 422,945	34.6%
Greenville	$ 428,172	$ 576,480	34.6%
Kent County	$ 3,492,099	$ 4,701,575	34.6%
Smithfield	$ 396,436	$ 533,741	34.6%
Warwick	$ 4,072,147	$ 5,482,524	34.6%
Lincoln	$ 1,004,655	$ 1,352,616	34.6%
Johnston	$ 182,637	$ 245,899	34.6%
Bristol County	$ 721,824	$ 971,835	34.6%
Total Wholesale	$ 12,829,125	$ 17,272,492	34.6%
Fire Protection			
Private Fire Protection	$ 1,222,140	$ 1,644,507	34.6%
Public Fire Protection	$ 1,526,521	$ 1,330,316	-12.9%
Total Fire Protection	$ 2,748,662	$ 2,974,823	8.2%
Total Rate Revenues	**$ 49,561,380**	**$ 59,257,563**	**19.6%**
Miscellaneous Revenues	$ 1,245,739	$ 1,245,739	0.0%
Total Revenues	**$ 50,807,119**	**$ 60,503,302**	**19.1%**

Comparison of Typical Annual Charges
Rate Year Ending December 31, 2008

	Proposed Rates	Existing Rates	% Change
Residential - (5/8" Meter, 100 HCF)			
Fixed Quarterly Service Charge	$ 65.76	$ 48.76	34.9%
Volume Charge	$ 220.40	$ 195.80	12.6%
Total	**$ 286.16**	**$ 244.56**	**17.0%**
Commercial - (2" Meter, 2,000 HCF)			
Fixed Quarterly Service Charge	$ 140.24	$ 106.64	31.5%
Volume Charge	$ 4,184.00	$ 3,764.00	11.2%
Total	**$ 4,324.24**	**$ 3,870.64**	**11.7%**
Industrial - (6" Meter, 10,000 HCF)			
Fixed Monthly Service Charge	$ 903.00	$ 692.04	30.5%
Volume Charge	$ 20,460.00	$ 18,250.00	12.1%
Total	**$ 21,363.00**	**$ 18,942.04**	**12.8%**

For wholesale impacts see HJS Exhibit 11

HJS Exhibit 13

Revenue Proof
Rate Year Ending December 31, 2008

Net Operations & Maintenance Expense	$ 32,940,909
Capital Expense	$ 18,012,069
City Services Expense	$ 1,245,952
Property Taxes Expense	$ 6,570,792
Total Expenses Allocated	$ 58,769,722
plus: Net Operating Revenue	$ 1,725,719
Net Revenue Requirement	**$ 60,495,441**
Retail	
Monthly Service Charge	$ 5,225,341
Volume Charge	
Residential	$ 25,761,449
Commercial	$ 5,966,494
Industrial	$ 2,056,965
Total Retail	$ 39,010,249
Wholesale	
East Providence	$ 2,984,877
East Smithfield	$ 422,945
Greenville	$ 576,480
Kent County	$ 4,701,575
Smithfield	$ 533,741
Warwick	$ 5,482,524
Lincoln	$ 1,352,616
Johnston	$ 245,899
Bristol County	$ 971,835
Total Wholesale	$ 17,272,492
Fire Protection	
Private Fire Protection	$ 1,644,507
Public Fire Protection	$ 1,330,316
Total Fire Protection	$ 2,974,823
Total Rate Revenues	$ 59,257,563
Miscellaneous Revenues	$ 1,245,739
Total Revenues	**$ 60,503,302**
Total Surplus / (Deficit)	**$ 7,861**