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PUBLIC UTILITIES COMMISSION

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: Kent County Water Authority)
Motion to Pass Through)
Wholesale Rate Increase)

Docket No. 3843

MOTION TO PASS THROUGH WHOLESALE RATE INCREASE

Now comes the Kent County Water Authority ("KCWA") and hereby files this its request to pass through the wholesale rate increase requested by Providence Water Supply Board ("PWSB") and pending before the Public Utilities commission in Docket No. 3832.

KCWA makes this Motion to Pass Through A Wholesale Rate Increase pursuant to Rhode Island General Laws 39-3-38.1 which provides as follows:

"Regulated water supply boards which purchase wholesale water from another regulated supply board may impose a retail rate increase provided the Public Utilities Commission has approved the wholesale rate increase. The total amount of the retail rate so imposed shall not exceed the amount of the wholesale rate increase. The proposed retail rate increase to be applied by the wholesale purchaser shall be submitted no less than thirty (30) days prior to its effective date to the Public Utilities Commission for its review and approval."

Attached hereto and made part hereof is testimony of Christopher Woodcock in support of this Motion as well as proposed rate schedules and revenue schedules, each of which is incorporated herein by reference. This Motion to Pass Through A Wholesale Rate Increase is based upon the request of the PWSB for general rate relief which would increase wholesale price of water by 26.15% from \$1,236.00 per million

gallons to \$1,248.00 per million gallons, plus a new fixed monthly charge of 97,944.00 or \$1,175,328 per year which will result in increased purchased water expenses of \$1,220,654 per year. As detailed in the attached documents and testimony, the proposed pass through will result in a rate increase in KCWA's metered rates in order to meet increased annual expenses. If the Public Utilities Commission reduces the rate increase requested by the PWSB, the KCWA will request the PUC to reduce this requested pass through correspondingly.

WHEREFORE, KCWA requests, pursuant to Rhode Island General Laws §39-3-38.1, that the Public Utilities Commission grant a pass through of the wholesale increase to be granted to the PWSB in its Docket 3832, such pass through relief to be effective 30 days from the date of the filing of this Motion.

Respectfully submitted,
Kent County Water Authority
By its Attorneys,

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4 **PREFILED TESTIMONY OF**
5 **CHRISTOPHER P.N. WOODCOCK**

6
7
8 **Q: Please state your name and business address?**

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

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12
13 **Q: By whom are you employed and in what capacity?**

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

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Prior Experience

Q: Please describe your qualifications and experience.

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

1 professional experience I have also held elected and appointed positions on municipal
2 boards overseeing public works functions.

3
4 **Q: Have you previously testified before state regulatory commissions or courts**
5 **on rate related matters?**

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

15
16 **Q: Do you belong to any professional organizations or committees?**

17 A: Yes, I am a member of the Water Environment Federation, the Rhode Island Water
18 Works Association, the Massachusetts Water Works Association, the New England
19 Water Works Association, and the American Water Works Association. For the Wa-
20 ter Environment Federation, I was a member of the committee that prepared their
21 manual on Wastewater Rates and Financing. For the New England Water Associa-
22 tion, I am a member of the Financial Management Committee. In my capacity as
23 Assistant Treasurer for the New England Water Works Association I also sit on the
24 Executive Committee and the Board of Directors as well as several other adminis-
25 trative committees. For the American Water Works Association, I am past chairman
26 of the Financial Management Committee and the Rates and Charges Committee
27 that has prepared the manuals on Revenue Requirements, Water Rates, Alternative
28 Rate Structures, and Water Rates and Related Charges. I have been reappointed
29 to and am currently a member of the Rates & Charges Committee.

1 **Q: Are you the same Christopher Woodcock that has prefiled testimony on be-**
2 **half of the Kent County Water Authority in other rate filings?**

3 A: Yes I am.

4
5 **Q: What is the purpose of your testimony in this docket?**

6 A: This testimony includes four schedules which present the calculation of new rates
7 for the Authority that include the cost of the Providence Water Supply Board's
8 (Providence Water) proposed new wholesale rates that were filed March 30, 2007
9 (Docket 3832), the impacts on various customers, and a comparison of the existing
10 rates and the rates with the pass through increase.

11
12 **Q: What is the impact of the increase proposed by Providence Water on the Kent**
13 **County Water Authority?**

14 A: The increase in Providence Water's wholesale rate from \$1,236.00/mg to the pro-
15 posed \$1,248.00/mg plus a proposed annual fee of \$1,175,328 will result in in-
16 creased purchased water expenses of \$1,220,654 per year as shown on CPNW
17 Schedule 1.

18
19 **Q: What level of water purchases have you used?**

20 A: The wholesale water purchases presented in this filing are based on those submit-
21 ted in Providence Water's rate filing for the Kent County Water Authority.

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23 **Q: What level of retail water sales have you used in this filing?**

24 A: I have used the retail sales for the most recent 12 month period available – April
25 2006 – March 2007.

26
27 **Q: How does the Kent County Water Authority propose to recover these addi-**
28 **tional costs?**

29 A: The Authority proposes to increase its metered water rates by 9.1% as shown in
30 CPNW Schedule 2.

1

2 **Q: Does the Authority propose to adjust any other of its rates and charges?**

3 A: No, as in the past, the Authority is only proposing to increase the metered water
4 rates for this pass through increase. In conformance with the Authority's cost of
5 service study, nearly all of the purchased water costs are allocated to the base, me-
6 tered water rates. As a result, only the metered water rates would be impacted by
7 the pass through.

8

9 **Q: Have you prepared a schedule which shows the reconciliation of revenues
10 under your proposed pass through rates?**

11 A: Yes, the bottom portion of CPNW Schedule 2 presents the calculation of revenues
12 under the proposed rates. Because the rates are rounded to the nearest \$0.001, the
13 revenues do not match exactly.

14

15 **Q: Have you prepared a schedule showing the impacts on various customers?**

16 A: Yes, CPNW Schedule 3 presents the impacts at various uses and meter sizes. Be-
17 cause no change to the fire protection or service charges is proposed, the impacts
18 vary. Fire service accounts see no increase. Smaller volume customers will see
19 increases less than the average because a portion of their quarterly bill is due to the
20 service charge where there is no change proposed. As usage increases and the
21 metered water rate portion of the bill becomes larger, the percentage impacts ap-
22 proach the increase in the metered rates that were calculated.

23

24 **Q: Have you prepared a comparison of the current and proposed rates?**

25 A: Yes I have. CPNW Schedule 4 presents the current and proposed rates and shows
26 the percentage change in each.

27

1 **Q: Does this conclude your testimony?**

2 A: Subject to any changes that may subsequently be brought to my attention or in
3 Providence Water's wholesale rate that is ultimately approved by the RI PUC, yes it
4 does.

KCWA - Increased Purchased Water Cost

	<u>Rate (\$/mg)</u>	<u>Purchases (mg) *</u>	<u>Cost</u>
Current PWSB Rate (/mg)	\$1,236.00	3,777.169	\$4,668,581
Proposed PWSB Rate (/mg)	\$1,248.00	3,777.169	\$4,713,907
Proposed Fixed Charge	\$1,175,328		<u>\$1,175,328</u>
Total Proposed			\$5,889,235
Increase (Percent)			26.15%
Increase (Amount)			\$1,220,654

Purchases from PWSB per Providence Water Rate Filing - Docket 3832

KCWA - Calculation of Proposed Rates

CURRENT RATES

	100 Cu Ft <u>4/06 - 3/07</u>	Current <u>Rates</u>	Current <u>Revenue</u>
Small (5/8-2"meters)	3,248,057	\$3.623	\$11,767,712
Medium (3&4"meters)	174,790	\$3.069	536,431
Large (6"& up meters)	<u>424,825</u>	\$2.601	<u>1,104,970</u>
	3,847,673		\$13,409,113

Increased Annual Revenue Required \$1,220,654
 Percent Increase Required 9.10%

PROPOSED RATES

	Current <u>Rates</u>	<u>% Increase</u>	Proposed <u>Rates</u>
Small (5/8-2"meters)	\$3.623	9.10%	\$3.953
Medium (3&4"meters)	\$3.069	9.10%	\$3.348
Large (6"& up meters)	\$2.601	9.10%	\$2.838

Revenues	Proposed <u>Rates</u>	Consumpt. <u>(CCF)</u>	<u>Revenue</u>
Small (5/8-2"meters)	\$3.953	3,248,057	\$12,839,571
Medium (3&4"meters)	\$3.348	174,790	\$585,198
Large (6"& up meters)	\$2.838	424,825	<u>\$1,205,654</u>
			\$14,630,422

Required Revenues	Current	\$13,409,113	
	Increase	<u>\$1,220,654</u>	
	Total		\$14,629,767
	Difference		\$655
	Percentage		0.004%

IMPACT OF PROPOSED RATES

MTR SIZE	QUARTERLY USE - CU FT	<u><- QUARTERLY BILL -></u>		<u>\$ INCREASE</u>	
		CURRENT RATES	PROPOSED RATES		
<u>Small</u>					
5/8	2,000	\$80.66	\$87.26	\$6.60	8.18%
5/8	2,500	\$98.78	\$107.03	\$8.25	8.35%
5/8	3,500	\$135.01	\$146.56	\$11.55	8.56%
5/8	4,000	\$153.12	\$166.32	\$13.20	8.62%
5/8	5,000	\$189.35	\$205.85	\$16.50	8.71%
5/8	6,000	\$225.58	\$245.38	\$19.80	8.78%
5/8	6,666	\$249.71	\$271.71	\$22.00	8.81%
5/8	8,000	\$298.04	\$324.44	\$26.40	8.86%
5/8	10,000	\$370.50	\$403.50	\$33.00	8.91%
5/8	12,000	\$442.96	\$482.56	\$39.60	8.94%
5/8	14,000	\$515.42	\$561.62	\$46.20	8.96%
5/8	15,000	\$551.65	\$601.15	\$49.50	8.97%
5/8	20,000	\$732.80	\$798.80	\$66.00	9.01%
5/8	25,000	\$913.95	\$996.45	\$82.50	9.03%
1	30,000	\$1,096.74	\$1,195.74	\$99.00	9.03%
1	40,000	\$1,459.04	\$1,591.04	\$132.00	9.05%
1	46,666	\$1,700.55	\$1,854.55	\$154.00	9.06%
1	75,000	\$2,727.09	\$2,974.59	\$247.50	9.08%
2	100,000	\$3,638.58	\$3,968.58	\$330.00	9.07%
2	200,000	\$7,261.58	\$7,921.58	\$660.00	9.09%
2	300,000	\$10,884.58	\$11,874.58	\$990.00	9.10%
2	400,000	\$14,507.58	\$15,827.58	\$1,320.00	9.10%
2	600,000	\$21,753.58	\$23,733.58	\$1,980.00	9.10%
<u>Medium</u>					
3	200,000	\$6,157.07	\$6,715.07	\$558.00	9.06%
3	400,000	\$12,295.07	\$13,411.07	\$1,116.00	9.08%
3	600,000	\$18,433.07	\$20,107.07	\$1,674.00	9.08%
4	800,000	\$24,577.84	\$26,809.84	\$2,232.00	9.08%
4	1,000,000	\$30,715.84	\$33,505.84	\$2,790.00	9.08%
4	1,200,000	\$36,853.84	\$40,201.84	\$3,348.00	9.08%
<u>Large</u>					
6	400,000	\$10,444.82	\$11,392.82	\$948.00	9.08%
6	600,000	\$15,646.82	\$17,068.82	\$1,422.00	9.09%
6	800,000	\$20,848.82	\$22,744.82	\$1,896.00	9.09%
6	1,200,000	\$31,252.82	\$34,096.82	\$2,844.00	9.10%
6	1,333,333	\$34,720.81	\$37,880.81	\$3,160.00	9.10%
8	2,000,000	\$52,086.87	\$56,826.87	\$4,740.00	9.10%
8	5,000,000	\$130,116.87	\$141,966.87	\$11,850.00	9.11%
8	10,000,000	\$260,166.87	\$283,866.87	\$23,700.00	9.11%
8	24,000,000	\$624,306.87	\$681,186.87	\$56,880.00	9.11%
Municipal Fire Service	300 hydrants	\$35,523.15	\$35,523.15	\$0.00	
Private Fire Service	8 Inch Service	\$280.57	\$280.57	\$0.00	

COMPARISON OF CURRENT AND PROPOSED RATES

<u>Metered Rates (cu ft)</u>		<u>Current</u>	<u>Proposed</u>	<u>%Change</u>
Small (5/8 - 2"meters)		\$3.623	\$3.953	9.1%
Medium (3 & 4"meters)		\$3.069	\$3.348	9.1%
Large (6" & up meters)		\$2.601	\$2.838	9.1%
<u>Service Charges</u>				
Quarterly	5/8 & 3/4	\$8.20	\$8.20	0.0%
	1	\$9.84	\$9.84	0.0%
	1 1/2	\$12.92	\$12.92	0.0%
	2	\$15.58	\$15.58	0.0%
	3	\$19.07	\$19.07	0.0%
	4	\$25.84	\$25.84	0.0%
	6	\$40.82	\$40.82	0.0%
	8 & up	\$66.87	\$66.87	0.0%
Monthly	5/8 & 3/4	\$6.83	\$6.83	0.0%
	1	\$7.38	\$7.38	0.0%
	1 1/2	\$8.40	\$8.40	0.0%
	2	\$9.29	\$9.29	0.0%
	3	\$10.46	\$10.46	0.0%
	4	\$12.71	\$12.71	0.0%
	6	\$17.70	\$17.70	0.0%
	8 & up	\$26.39	\$26.39	0.0%
<u>Fire Service</u>				
Public	/hydrant	\$118.39	\$118.39	0.0%
	/bill	\$6.15	\$6.15	0.0%
Private	4 in	\$51.67	\$51.67	0.0%
	6 in	\$135.98	\$135.98	0.0%
	8 in	\$280.57	\$280.57	0.0%
	10 in	\$500.15	\$500.15	0.0%
	12 in	\$803.32	\$803.32	0.0%
	hydrant	\$135.98	\$135.98	0.0%