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Executive Director

February 4, 2008

Luly Massaro, Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

Subject: Public Utility Commission Data Request Set I – Docket No. 3905

Dear Ms. Massaro:

Attached please find an original and nine (9) copies of the response to the above data requests sent by the Commission on January 11, 2008.

Sincerely,

Karen L. Giebink
Director of Administration & Finance

Enclosures

Cc: Service List

Com 1-1 In Schedule WEE-1 the debt service requirement for the rate year (fiscal year 2009) is \$32,554,796. The 'Master Debt Schedule' at tab 10 in the filing shows the fiscal year 2009 total debt service amount to be \$30,219,288. Why does the debt service amount at WEE-1 exceed the amount in the Master Debt Schedule by \$2,335,508?

Answer: The amount on WEE- 1 reflects the FY 2009 projected debt service from NBC's long-term finance model in Exhibit MG-1. The figure from the Master Debt Schedule located in tab 10 reflects existing debt as of the filing date. Since that time, NBC borrowed \$25 million from the Rhode Island Clean Water Finance Agency (RICWFA) in December 2007. NBC also plans to borrow \$12 million from the RICWFA in December 2008.

Prepared by: WEE

Com 1-2 At tab 10 in the filing, the Master Capital Lease Schedule reflects rate year costs of \$ 275,388 (\$247,106 + \$ 28,282). In what accounts on Schedule WEE-1 are the capital lease costs included?

Answer: The interest portion (\$28,282) would be included in the lease interest expense. The total purchase price of the equipment would be reflected in the capital outlay in the year of purchase. The subsequent payments on the lease (\$247,106) would reduce the lease payable on the balance sheet.

Prepared by: WEE

Com 1-3 At page 16 of his testimony, Mr. Edge states that NBC had \$1.1 million of debt service coverage available at June 30, 2007 for 'budgeted Capital Outlays' of \$2 million in fiscal year 2008.

- (a) What is the current estimate of NBC's non-CIP capital outlays for fiscal year 2008?
- (b) If the fiscal year 2007 debt service carry forward of \$1.1 is not sufficient to cover the fiscal year 2008 non-CIP capital outlays, what additional funding would be used to pay for the non-CIP capital outlays in fiscal year 2008?
- (c) What is the current estimate of NBC's debt service coverage funds that will be available at July 1, 2008?

Answer: (a) The fiscal year 2008 budgeted non-CIP capital outlays are \$2,002,000.

 (b) If there are not enough funds available from the 2007 carry-forward, NBC will use the carry-forward from years prior to 2007 remaining in the project fund set aside for "pay-as-you-go capital."

 (c) NBC currently estimates that \$6,400,000 will be available for transfer from the fiscal year 2008 debt service coverage. The actual amount and date of the transfer will depend upon a number of variables including billings, receipts and debt service fund deposit requirements.

Prepared by: WEE

Com 1-4 What is the cost for the union pension as a percentage of payroll for fiscal year 2009?

Answer: The total cost of the union pension is estimated to be \$1,055,419 (\$4,994,886 x 21.13%).

Prepared by: WEE

Com 1-5 For the period starting July 2007 to date, provide the following:
(a) the total number of employees at the end of each month;
(b) the number of union employees for each month;
(c) the number of non-union employees for each month; and
(d) the (approximate) number of employees whose salaries and benefits are capitalized / reimbursed through capital expenditures.
Note, this number should be included in the response to (a).

Answer: See below.

FY 2008 FTE's (to date)						
	Jul	Aug	Sept	Oct	Nov	Dec
Non-Union	120	123	123	123	123	121
Union	121	120	123	120	120	123
Total	241	243	246	243	243	244

There are nine full-time employees in the Construction section who are charged to the CIP projects full-time and a number of employees who charge intermittently. The total wages capitalized as of the end of December for FY 2008 is \$497,464. If the average salary of the Construction employees is used as a base and divided into the year-to-date total of \$497,464, there would be approximately 13.4 FTEs charging the CIP projects.

Prepared by: WEE

Com 1-6 What is the estimated cost of biosolids disposal for fiscal year 2008?
 In response to this question provide the cost calculations for each
 facility showing the estimated volumes and unit cost using a format
 similar to Mr. Edge's schedule WEE-6.

Answer: See table below.

<i>Field's Point</i>	<i>July 1, 2007 to Dec. 31, 2007</i>	<i>Jan.1, 2008 to June 30, 2008</i>	<i>Total</i>
CPI	-	1.0315	
Rate	\$ 378.95	\$ 390.89	
DT/Month	806	806	
DT/6 Months	4,836	4,836	
Total Field's Point	1,832,602	1,890,329	\$ 3,722,931

<i>Bucklin Point</i>	<i>July 1, 2007 to Dec. 31, 2007</i>	<i>Jan.1, 2008 to June 30, 2008</i>	
CPI	-	1.0315	
Rate	\$ 378.95	\$ 390.89	
DT/Month	201	201	
DT/6 Months	1,206	1,206	
Total Bucklin Point	457,014	471,410	928,423

FY 2008 Proj. Sludge Disposal	\$ 4,651,355
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Prepared by: WEE

Com 1-7 Schedule WEE-9 indicates that gas use declined approximately 39,000 therms from fiscal year 2006 to fiscal year 2007. The schedule also indicates that two facilities accounted for a reduction in use of 38,500 therms. These two facilities, the Bucklin Point Heat Exchange and 2 Ernest Street, each experienced significant reductions in use—27% and 19%, respectively. Please explain the significant decrease in use at these two facilities and comment on why use is expected to increase at these facilities in fiscal year 2009.

Answer: NBC uses natural gas primarily to heat NBC's buildings, as in the case of 2 Earnest Street, and to serve as a supplemental fuel in the sludge digestion process.

At the Bucklin Point Heat Exchange natural gas is used to supplement digester gas, aiding in the sludge digestion process. The process requires constant mixing and heat, and is conducted at high temperatures. If NBC were to run the process at lower temperatures, it would result in higher sludge volumes and higher bio-solids disposal costs. Temperatures therefore have an inverse correlation to the amount of natural gas used. The amount of gas used will also vary with operational problems, sludge volumes and the amount of digester gas (methane) available. FY 2007's lower natural gas usage could be related to any mix of these variables.

NBC cannot base future year projections for natural gas usage on one abnormally low year, whether it is used for heating of a building or the sludge digestion process. By using the most current two year average to project FY 2009 NBC is being consistent with the methodology used to calculate all projected utility usage.

Prepared by: WEE

Com 1-8 NBC requests funding of a Revenue Stability Fund that would eventually reach 25% of O & M costs. If such a Fund were established, how would NBC propose to demonstrate to the Commission a need for the withdrawal of funds?

Answer: NBC would submit information (actual expense and/or revenue data) that would demonstrate that there was insufficient funding to meet the approved revenue requirement as set forth by the PUC. NBC's operations have become sophisticated and will continue to be increasingly complex over the next few years with the operation of new nitrogen removal facilities and the tunnel pump station to comply with regulatory requirements. The costs of inputs into the collection and treatment process, including electricity, gas, chemicals, and bio-solids, account for a large portion of NBC's operating budget and are not discretionary.

Prepared by: WEE

Com 1-9 Has NBC sold any properties or exchanged any properties since January 2007?

Answer: NBC did not sell or exchange any properties since January 2007.

Prepared by: WEE

Com 1- 10 What are the revenues that NBC has budgeted for fiscal year 2008 in its operating budget?

Provide a summary of the budgeted fiscal year 2008 revenues compared to the fiscal year 2008 revenues projected on Schedule WEE-2A.

Answer: See table below.

REVENUES

Operating Revenues

	Budget 2008	FY 2008 Per Wee-2A
User Fees	\$ 68,424,204	\$ 64,383,218
Pretreatment Fees	1,200,000	1,163,397
Septage	400,000	357,206
Connection Permit Fees	300,000	205,589
BOD/TSS Surcharges	150,000	139,815
Miscellaneous	51,598	12,719
Subtotal Operating Revenue	\$ 70,525,802	\$ 66,261,944

Non Operating Revenues

Investment Income	\$ 600,000	\$ 513,603
Late Charges	650,000	631,183
Operating Grants	15,000	-
Capital Grants	-	-
Miscellaneous	31,000	57,513
Previously Restricted	330,077	330,000
Transfer from Operating Capital Account	2,002,000	-
Subtotal Non-Operating Revenues	\$ 3,628,077	\$ 1,532,299
Total Revenues	\$ 74,153,879	\$ 67,794,243

Prepared by: WEE

Com 1-11 What is the status of NBC acquiring the responsibility for wastewater disposal for any other communities in the state?

Answer: There is no change.

Prepared by: WEE

Com 1-12 Provide the report prepared by The Employers Association on NBC's employee compensation and benefits programs.

Answer: The Employers Association has not completed the report. A copy will be provided to the PUC when it is available.

Prepared by: WEE

Com 1-13 Provide separately the total calendar year 2007 salary amounts paid to union and non-union employees.

Answer: The total salary paid in calendar 2007 is as follows:

	<u>Total 1/1/2007- 12/31/2007</u>
Union Regular	\$ 4,662,784.21
Union OT	\$ 404,076.86
Non Union Regular	\$ 7,191,018.20
Non Union OT	\$ 79,678.52
Limited	\$ 29,986.45

Prepared by: WEE

Com 1-14 What is the amount that NBC contributed to the non-union Defined Contribution Plan for calendar year 2007?

Answer: The non-union Defined Contribution plan operates on a fiscal year basis not a calendar year basis. NBC makes a contribution to the plan once a year subsequent to the determination of the contribution amount by the third party administrator, typically in July or August following the end of the plan year. The NBC contributed \$314,308.45 in CY 2007 for the plan year ending 6/30/07.

Prepared by: WEE

Com 1-15 What is the amount that NBC contributed to the non-union Defined Benefit Plan for calendar year 2007?

Answer: NBC contributes to the defined benefit plan on a bi-weekly basis and the employer contribution to the non-union Defined Benefit Plan in calendar year 2007 was \$419,953.20.

Prepared by: WEE

Com 1-16 What is the amount that non-union employees contributed to their Defined Benefit Plan for calendar year 2007?

Answer: Employees contribute to the non-union Defined Benefit Plan on a bi-weekly basis. Employee contributions to the Defined Benefit Plan in calendar year 2007 were \$297,119.57.

Prepared by: WEE