



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Patrick C. Lynch, Attorney General

August 25, 2008

**Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888**

**Re: Pawtucket Water Supply Board – General Rate Filing
Docket No. 3945**

Dear Ms. Massaro:

Enclosed please find the Rhode Island Division of Public Utilities & Carriers Surrebuttal Testimony of Andrea C. Crane, in the above-referenced matter. If you have any questions, please do not hesitate to contact me.

Very Truly Yours,

Leo J. Wold (M.T.)

Leo J. Wold
Special Assistant Attorney General
(401) 274-4400 x 2218

LJW/mt
Enclosure

cc: Thomas F. Ahern, Administrator
Service List

STATE OF RHODE ISLAND
BEFORE THE
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION) Docket No. 3945
OF THE PAWTUCKET WATER SUPPLY)
BOARD FOR AN INCREASE IN RATES FOR)
WATER SERVICE)

SURREBUTTAL TESTIMONY OF
ANDREA C. CRANE
REGARDING REVENUE REQUIREMENTS

ON BEHALF OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

August 25, 2008

1 **Q. Please state your name and business address.**

2 A. My name is Andrea C. Crane and my business address is 199 Ethan Allen Highway,
3 Ridgefield, Connecticut 06877. (Mailing address: PO Box 810, Georgetown, Connecticut
4 06829.)

5
6 **Q. Did you previously file testimony in this proceeding?**

7 A. Yes, on July 16, 2008, I filed Direct Testimony on behalf of the Division of Public
8 Utilities and Carriers (“Division”). In that Direct Testimony, I recommended a rate
9 increase for the Pawtucket Water Supply Board (“PWSB” or “Board”) of \$1,637,884, or
10 approximately 9.9%.

11
12 **Q. What is the purpose of your Surrebuttal Testimony?**

13 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony
14 submitted on August 14, 2008 on behalf of the PWSB by David G. Bebyn, Robert E.
15 Benson, James L. DeCelles, and Christopher P.N. Woodcock.

16
17 **Q. As a result of the PWSB’s Rebuttal Testimony, have some of the issues that you
18 raised in your Direct Testimony been resolved?**

19 A. Yes, they have. I included the following adjustments in my Direct Testimony:
20
21

1	Residential Consumption	(\$87,714)
	Commercial Consumption	\$100,672
2	Customer Growth Adjustment	\$80,890
	Wholesale Sales	\$128,389
3	Private Fire Service	\$20,881
	Incremental Power Expense	(\$23,941)
4	Mis. Non-Operating Revenue	\$8,506
	State Surcharge Revenue	\$475
5	Salaries and Wages	\$225,228
	Payroll Tax Expense	\$17,230
6	Pension Contributions	\$69,165
	Police Details	\$20,324
7	General Liability Insurance	\$50,000
	Property Taxes	\$75,822
8	Operating Revenue Allowance	\$785,578
9	Total Reduction to PWSB's Claim	\$1,471,503

10

11 As noted on page 3 of Mr. Woodcock's Testimony, several of my adjustments
12 were accepted by the PWSB in its Rebuttal Testimony. In its Rebuttal Testimony, the
13 PWSB reduced its claim from a rate increase of \$3,109,387, or 19.07% to an increase of
14 \$2,707,515, or 16.48%.

15 Adjustments accepted by the PWSB include residential consumption, wholesale
16 sales revenue, private fire service revenue, and property taxes. Moreover, although Mr.
17 Woodcock's summary on page 3 of his Rebuttal Testimony states that the PWSB
18 disagrees with my adjustment to commercial revenue, it is my understanding that the
19 PWSB agrees with my recommendation to use a four-year average of commercial sales,
20 but disagrees with the quantification of my adjustment, since my adjustment was not
21 updated for fiscal year 2008 data. As stated in my Direct Testimony, I recommended that

1 my adjustment be updated to reflect fiscal year 2008 actual results once that information
2 was provided by the PWSB. Therefore, there is no longer any disagreement between the
3 PWSB and the Division with regard to commercial revenues. Thus, five of the
4 adjustments addressed in my Direct Testimony have effectively been accepted by the
5 PWSB.

6 In addition, as noted by Mr. Woodcock, I proposed three flow-through
7 adjustments that the PWSB agrees with conceptually, although the Board did not agree
8 with my quantification of my underlying expense adjustments that resulted in these flow-
9 through adjustments. The three flow-through adjustments are incremental power
10 expense, state surcharge revenue, and payroll tax expense. There is no theoretical
11 disagreement among the parties with regard to these adjustments. Given these three
12 adjustments and the five areas of agreement discussed above, there were seven issues
13 unresolved after the Board filed its Rebuttal Testimony.

14
15 **Q. As a result of your review of additional information provided in the PWSB's**
16 **Rebuttal Testimony, are you revising any of the other adjustments addressed in**
17 **your Direct Testimony?**

18 **A.** Yes. Based upon my review of the PWSB's Rebuttal Testimony, I am accepting the
19 PWSB's claims for miscellaneous non-operating revenue, police details, and general
20 liability insurance. In addition, I am withdrawing my adjustment relating to customer
21 growth.

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Q. Please explain the reasons why you are accepting the PWSB’s position on each of these issues.

A. With regard to miscellaneous non-operating revenue, the PWSB originally reflected its actual test year amount in its revenue requirement claim. I recommended that a four-year average be used. In determining my adjustment, I eliminated non-recurring revenues received in the test year.

The PWSB has accepted the use of a four-year average for miscellaneous non-operating revenue, but has adjusted its average to remove non-recurring revenue received in fiscal year 2006. When I prepared my testimony, I did not know that fiscal year 2006 also contained some non-recurring revenue items, but I do not object to adjusting the four-year average to remove these non-recurring revenues, just as I removed non-recurring revenues from the test year. Accordingly, I have accepted the PWSB’s revised claim for miscellaneous non-operating revenue.

With regard to police details, the PWSB provided documentation in its Rebuttal Testimony indicating that the annualized fiscal year 2008 costs were \$76,009. In addition, Central Falls has notified the PWSB that its hourly rate for police details is increasing from \$38 to \$40 effective September 1, 2008. Given the fiscal year 2008 results, and the proposed Central Falls hourly increase, I have accepted the PWSB’s claim for rate year police detail costs of \$80,030.

With regard to property insurance, I recommended in my Direct Testimony that

1 the PWSB's proposed adjustment of \$50,000 be disallowed, but stated that I would
2 accept the new premium rate once that amount was available. In its Rebuttal Testimony,
3 the PWSB updated its property insurance claim to reflect six months of the rate year at
4 the new premium rate. In addition, the PWSB made an inflation adjustment to the new
5 premium for the last six months of the rate year. I believe that this methodology is
6 reasonable.

7 Finally, after reviewing the PWSB's Rebuttal Testimony, I agree with the
8 PWSB that my customer growth adjustment is not necessary. Since I had accepted the
9 Board's proposal to use a four-year average of residential consumption, any change in
10 customers is embedded in that methodology. Therefore, an additional customer growth
11 adjustment is unnecessary. In addition, since all revenue-related issues have been
12 resolved, there is no longer a disagreement regarding two of the flow-through issues, i.e.,
13 the incremental power expense adjustment and the state surcharge revenue adjustment.

14
15 **Q. As a result of these revisions, how many areas of disagreement remain between the**
16 **Division and the PWSB?**

17 A. Given the five issues accepted by the PWSB in its Rebuttal Testimony, the three fall-out
18 issues, and the four issues discussed above with which I am now in agreement with the
19 PWSB, there are only three areas of disagreement remaining. Specifically, I am
20 continuing to recommend adjustments to the PWSB's claims for salary and wages,
21 pension expenses, and the operating revenue allowance.

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Q. Did the PWSB provide additional information about its salary and wage claim?

A. Yes, it did, although this additional information did not close the gap significantly between the Division and the Board. In Schedule RB-14, the Board provided a comparison by employee position of its rate year claim in this case and the actual salary and wages paid in the test year. This exhibit explains some, but not all, of the large increase being requested in this case. For example, the exhibit indicates that the difference between the Chief Engineer and General Manager’s salary in the rate year and his salary in the test year (when he served as Assistant Chief Engineer), contributes to approximately \$40,000 of the projected increase. In addition, replacing the Assistant Chief Engineer will add another \$89,500 to the Board’s claim. This exhibit also indicates that there were five employee positions that were vacant for at least part of the year, due to unpaid medical leave or other factors. In some cases, it appears that these employee positions were filled in the test year by lower-paid temporary or seasonal employees. However, even after making adjustments for these types of increases, there are still increases that are largely unexplained by the Board’s Rebuttal Testimony. PWSB indicated that its claim included annual increases of 3.5% for two and one-half years, which equates to a 9.0% overall increase. However, as shown on Schedule RB-14, it has reflected increases of significantly more than 9.0% for certain employees, such as a 25.6% increase for a fleet maintenance mechanic, of 13.9% for a building custodian, of 14.1% for a customer service agent, of 24.2% for a water equipment operator, and other

1 large increases for various employee positions. In my opinion, such increases have not
2 been supported by the PWSB. Moreover, with regard to positions that were partially
3 vacant in the test year due to unpaid sick leave or other reasons, the PWSB has not stated
4 if all of these positions have been filled and/or if the affected personnel have returned to
5 work.

6
7 **Q. What do you recommend?**

8 A. I continue to recommend that the Commission make an adjustment to the PWSB's salary
9 and wage claim. My revised adjustment is shown at Schedule ACC-10.

10
11 **Q. How did you quantify your adjustment?**

12 A. To quantify my adjustment, I began with the actual test year costs and removed those
13 costs that had been individually adjusted in Schedule RB-14. I then applied the 9.0%
14 projected increase to the adjusted test year costs. Finally, I added back the Board's rate
15 year claim for the positions that had been individually adjusted in Schedule RB-14, with
16 two exceptions. I did not include the Water Utility Supervisor Class 4 position, since the
17 Board indicated that this position should not have been included in its original filing and
18 therefore these costs should be removed. Second, I did not include costs for one of the
19 Water Equipment Operator Class 2 positions, since this position was vacant in the test
20 year and there is no documentation to suggest that it has been filled by the PWSB. My
21 adjustments reduce the Board's salary and wage claim by \$174,695. A related payroll

1 tax adjustment is shown in Schedule ACC-11.

2
3 **Q. Did the PWSB revise its pension expense claim in its Rebuttal Testimony?**

4 A. Yes, it did. In its original filing, the PWSB used a contribution rate of 14% for its
5 pension expense claim. I recommended a contribution rate of 11.87%, which is the
6 actual rate for fiscal year 2009. In its Rebuttal Testimony, Mr. Benson proposed a rate of
7 11.87% for the first six months of the rate year, and a rate of 14.66% for the second half
8 of the rate year. The estimated rate of 14.66% is based on the PWSB's assumption that
9 the percentage increase between the fiscal year 2009 contribution rate and the fiscal year
10 2010 contribution rate will be the same as the percentage increase between the fiscal year
11 2008 contribution rate and the fiscal year 2009 contribution rate. Since the contribution
12 rate increased by 23.52% in fiscal year 2009, the PWSB has assumed another increase of
13 23.52% will occur for fiscal year 2010, increasing the contribution rate from 11.87% to
14 14.66%.

15
16 **Q. Do you believe that the PWSB's assumption is reasonable?**

17 A. No, I do not. There is no reason to assume that the rate of increase experienced in fiscal
18 year 2009 will continue into fiscal year 2010. In fact, a review of the annual increases in
19 the contribution rate over the past three years suggests that it will not. The rate of
20 increase has actually declined in each of the past three years. Moreover, the required
21 funding level is impacted primarily by the actuarial assumptions used by the fund

1 administrator with regard to future salary increases, personnel levels, inflation rates,
2 earnings rates, and other factors. Changes in any of these assumptions from year to year,
3 as well as the actual level of earnings of the fund, can result in increases or decreases to
4 the required contribution rate.

5
6 **Q. What do you recommend?**

7 A. I continue to recommend that a rate of 11.87% be used to set rates in this case. There is
8 no support for any other rate at this time. Since no one can accurately predict what the
9 actual contribution rate will be for fiscal year 2010, the Commission should utilize the
10 best available information, which at this time is the current rate of 11.87%. My
11 adjustment is shown in Schedule ACC-12.

12
13 **Q. Do you continue to oppose the 5% operating revenue allowance addressed by Mr.**
14 **Woodcock in his Rebuttal Testimony?**

15 A. Yes, I do. The magnitude of this claim is staggering. The PWSB originally requested
16 authorization to recover \$924,649 in utility rates for unspecified costs. That claim has
17 now been reduced slightly to \$911,133. The revised claim equates to over 33% of the
18 entire rate increase requested in this case. Approval of such an operating revenue
19 allowance would set a dangerous precedent for this Commission.

20
21 **Q. Do you agree with Mr. Woodcock's statement on pages 8-9 of his Rebuttal**

1 **Testimony that the PWSB will not be able to recover its approved rate year**
2 **revenues unless the operating revenue allowance is approved?**

3 A. No, I do not. This Commission has been granted the responsibility to regulate municipal
4 water systems, a responsibility that some regulatory commissions do not have. Since the
5 Commission was granted this authority, then it is incumbent upon the Commission to
6 exercise the same diligence in the regulation of these municipal systems that it applies to
7 investor-owned utilities. My recommendations are designed to provide sufficient
8 revenues for the Board to meet its revenue requirement. While no one can know with
9 certainty what level of revenues and/or expenses will actually be achieved in the rate
10 year, regulatory commissions set rates based on the best data available at the time.

11 Permitting any utility a 5% operating revenue allowance to cover unspecified
12 expenses is alarming, particularly since in this case the PWSB is requesting that the 5%
13 allowance be based on its total revenue requirement. Thus, the PWSB is requesting a 5%
14 allowance on fixed costs, such as debt service and the IFR, as well as on variable costs.
15 This Commission has traditionally provided the PWSB with an operating revenue
16 allowance of 1.5% of operating expenses and the PWSB has been able to provide good
17 service while undertaking major capital projects such as an Infrastructure Rehabilitation
18 Program (“IFR”) and construction of a new treatment facility. The existing ratemaking
19 treatment has worked well and should be maintained by the Commission.

20
21 **Q. Is the operating revenue allowance required in order to close the potential gap**

1 **between the Board’s projected revenues and the revenues being recommended by**
2 **the Division?**

3 A. No, it is not. There is no longer any difference between the pro forma revenues being
4 requested by the PWSB and the revenues being recommended by the Division.

5 Therefore, there is even less reason to provide for an operating revenue allowance than
6 there might be in some other cases.

7
8 **Q. Is the regulatory lag referenced by Mr. Woodcock on page 10, beginning at line 5 of**
9 **his Rebuttal Testimony, unique to the PWSB?**

10 A. No, of course not. Regulatory lag impacts all utilities regulated by the Commission.
11 Therefore, regulatory lag should not be used as an excuse to inflate water utility rates. In
12 fact, regulatory lag is even less of a concern in Rhode Island than in many other
13 jurisdictions, due to the fact that the Rhode Island Commission sets rates based on a
14 future rate year instead of the historic test year used in many other states.

15
16 **Q. Please comment on the statements by Mr. Woodcock that the Operating and**
17 **Maintenance (“O&M”) Reserve Fund should not be considered a source of funds**
18 **available to meet unanticipated shortfalls.**

19 A. Mr. Woodcock states on page 12 of his Rebuttal Testimony that he is “very surprised”
20 that I raised this issue in this case. I certainly don’t see why he should be, since even he
21 acknowledges on page 14 of his Rebuttal Testimony that the PWSB can access the O&M

1 Reserve Fund in an emergency. Moreover, Mr. Woodcock continues to misstate my
2 position with regard to the O&M Reserve Fund. I have never suggested that the O&M
3 Reserve Fund is a substitute for the operating revenue allowance. Indeed, I have
4 included an operating revenue allowance in my revenue requirement recommendation.
5 However, it is unreasonable of the Commission to totally ignore the existence of the
6 O&M Reserve Fund. According to CPNW Schedule 1.1 to Mr. Woodcock's Rebuttal
7 Testimony, this fund will have a balance of \$4.4 million by December 31, 2008. The
8 purpose of the O&M Reserve Fund is to ensure that the PWSB is able to meet its
9 operating costs and, ultimately, its debt service requirements. For that reason, the Bond
10 Indenture requires a reserve to be established and maintained, to be used "to make
11 payments for operation and maintenance if the amount in the operation and maintenance
12 fund is insufficient."¹

13 Ratepayers have funded this O&M Reserve Fund and it should not be ignored in
14 evaluating the options available to the PWSB should it find itself in a situation that
15 threatens its financial integrity. The O&M Reserve Fund is available to the PWSB in a
16 financial emergency. The PWSB also has the ability at any time to file a new base rate
17 case if it perceives that rates are insufficient to cover its costs. I understand that there are
18 also other remedies available to the PWSB in the event of a revenue shortfall or a cost
19 overrun.² The answer is not to build into rates a 5% discretionary "cushion", but to

1 Response to DIV 2-64, provided in Appendix C to the Direct Testimony of Andrea C. Crane, Docket No. 3674
2 I have been advised by counsel that G.L. § 39-1-32 vests the Commission with certain emergency powers which
might be utilized to temporarily fix rates until longer term rate relief can be obtained by the utility. Commission

1 determine the most appropriate rates based on good ratemaking practice and sound
2 principles, and to provide mechanisms that can be used as safeguards for the utility in
3 extraordinary circumstances. In spite of the PWSB's objections to the Commission
4 considering the O&M Reserve Fund as one of those safeguards, the fact is that the
5 reserve is required for a reason, i.e., to ensure that the utility will be able to meet its
6 service obligations and still make its required debt service payments. Ratepayers have
7 funded this reserve and there should be some benefit to them of having paid \$4.4 million
8 in past rates to provide this funding.

9
10 **Q. Please comment on Mr. Woodcock's statement on page 12 of his Rebuttal**
11 **Testimony that your testimony on this issue is virtually identical to your testimony**
12 **in Docket No. 3674.**

13 A. The fact that my testimony is similar to the testimony I provided in Docket No. 3674
14 should not be a surprise, since Mr. Woodcock's recommendation in this case is identical
15 to his recommendation in that docket. My response to his recommendation hasn't
16 changed. I continue to recommend that the Commission limit the Board's operating
17 revenue allowance to 1.5% of operating expenses. This is the position adopted by the
18 Commission in the last PWSB case, where it found that "as a policy matter, we believe
19 that it is more reasonable to attempt to accurately project consumption than to provide a

Rule of Practice and Procedure 1.17 also affords a utility with a way of obtaining interim relief in similar circumstances. Finally, subject to existing case law, appropriate documentation of indebtedness, and the other terms of the statute, G.L. § 39-3-11.1 authorizes a municipal water utility to collect in rates repayment of any existing loan

1 one million dollar slush fund to a utility the size of PWSB.”³ The Commission should
2 make the same finding in this case.
3

4 **Q. Hasn’t the Commission permitted some other municipal utilities to include a larger**
5 **operating revenue allowance in rates than the allowance that you are recommending**
6 **in this case?**

7 A. It is my understanding that the Commission has included larger allowances in some other
8 cases. I cannot comment on the Commission’s decisions in those cases, since I am not
9 familiar with the specific factors that resulted in the Commission’s decisions. However,
10 in this case, there is no dispute among the parties with regard to the level of pro forma
11 revenues being requested. Moreover, the 1.5% operating revenue allowance as applied to
12 operating expenses has worked well for the PWSB and has not unduly burdened
13 ratepayers. There is no reason to deviate at this time from well-established Commission
14 policy for the PWSB.
15

16 **Q. Hasn’t the Commission expressed interest in opening a generic docket on this issue?**

17 A. It is my understanding that the Commission has expressed some interest in a generic
18 docket. If such a docket is initiated, I am sure that the Division will be an active
19 participant.

that it has obtained from its respective city, town or municipal corporation.

3 Order in Docket No. 3674, page 29.

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Q. Do you agree with Mr. Woodcock’s contention that the PWSB’s request for a 5% operating revenue allowance should be tied to its requested pro forma operating revenue claim?

A. No, I do not. The fact is that regardless of what pro forma sales estimate is adopted by the Commission, actual sales could be higher or lower than pro forma sales. To the extent that actual sales are lower than pro forma sales, there may or may not be an overall shortfall, depending on the level of costs incurred by the PWSB. To the extent that a shortfall exists, the Division has included an operating revenue allowance of 1.5% of operating and maintenance expenses in its revenue requirement recommendation that can be used to cover these costs. Moreover, as indicated above, in this case there is no disagreement among the parties with regard to the pro forma revenue level that should be used to set rates.

Q. What do you recommend?

A. I recommend that the Commission reject the PWSB’s request to include a \$911,133 cushion in utility rates. The PWSB’s request for this 5% operating revenue allowance sets a dangerous precedent, not only for municipal water utilities but for all utilities. There is no cost basis for this request. The 5% operating revenue allowance introduces a speculative component into the ratemaking process and it should be rejected by the Commission. If the Commission believes that some operating revenue allowance is

1 required, then I recommend that it continue its practice of including a 1.5% reserve,
2 based on the level of pro forma operating and maintenance expenses found to be
3 reasonable.

4

5 **Q. Did you update your schedules for the revised recommendations contained herein?**

6 A. Yes, I did. Attached are updated schedules, which reflect the PWSB's updated revenue
7 requirement claim and my recommended adjustments relating to salary and wages,
8 pension expense, payroll taxes, and the operating revenue allowance. As a result of my
9 update, the Division has revised its recommendation from an increase of \$1,637,884 to
10 \$1,686,743, or 10.3%.

11 In addition, as requested by the Commission Staff, I have also included a schedule
12 showing the PWSB's test year costs, its proposed rate year costs, and the adjustments
13 proposed by the Division, by account.

14

15 **Q. Does this conclude your Surrebuttal Testimony?**

16 A. Yes, it does.

Schedule ACC-1
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

REVENUE REQUIREMENT SUMMARY

	Company Claim (A)	Recommended Adjustment	Recommended Position	
1. Administration	\$2,196,270	(\$14,998)	\$2,181,272	(B)
2. Customer Service	1,080,435	(15,139)	1,065,296	(B)
3. Source of Supply	376,964	(3,875)	373,089	(B)
4. Pumping	0	0	0	
5. Purification	2,629,868	0	2,629,868	
6. Transmission and Distribution	2,356,868	(213,483)	2,143,385	(B)
7. Property Taxes	797,467	0	797,467	
8. Meter Department	0	0	0	
9. Total Operating Expenses	\$9,437,872	(\$247,495)	\$9,190,377	
10. Debt Service	\$6,688,543	\$0	\$6,688,543	
11. Lease Principal	149,781	0	149,781	
12. Lease Interest	0	0	0	
13. Infrastructure Rehabilitation	3,100,000	0	3,100,000	
14. Operating Reserve Deposit	0	0	0	
15. Trustee Fees	369,907	0	369,907	
16. WTP Reserve	0	0	0	
17. Total Capital Costs	\$10,308,231	\$0	\$10,308,231	
18. Operating Revenue Allowance	911,133	(773,277)	137,856	(C)
19. Total Revenue Requirement	\$20,657,236	(\$1,020,772)	\$19,636,464	
20. Miscellaneous Revenues	1,523,433	0	1,523,433	
21. Required Rate Revenue	\$19,133,803	(\$1,020,772)	\$18,113,031	
22. Rate Revenue at Present Rates	16,426,288	0	16,426,288	
23. Required Increase	\$2,707,515	(\$1,020,772)	\$1,686,743	
24. Percentage Increase	<u>16.48%</u>		<u>10.27%</u>	

Sources:

- (A) PWSB CPNW Schedule 1.0 and CPNW Schedule 10.0, Rebuttal.
- (B) Schedules ACC-10, ACC-11, and ACC-12, Surrebuttal.
- (C) Schedule ACC-16, Surrebuttal.

PAWTUCKET WATER SUPPLY BOARD

Schedule ACC-2
Surrebuttal

RATE YEAR ENDING DECEMBER 31, 2009

RESIDENTIAL REVENUE

PWSB Accepted Division Adjustment in
Rebuttal Testimony.

Schedule ACC-3
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

CUSTOMER GROWTH ADJUSTMENT

Division Accepts PWSB Rebuttal.

Schedule ACC-4
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

COMMERCIAL REVENUE (CYCLE 7) .

PWSB Accepted the Concept of Division Adjustment
To Use a Four-Year Average But Updated With
Actual Fiscal Year 2008 Data

Schedule ACC-5
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD
RATE YEAR ENDING DECEMBER 31, 2009
WHOLESALE SALES

PWSB Accepted Division's Adjustment.

PAWTUCKET WATER SUPPLY BOARD

Schedule ACC-6
Surrebuttal

RATE YEAR ENDING DECEMBER 31, 2009

PRIVATE FIRE SERVICE

PWSB Accepted Division's Adjustment.

Schedule ACC-7
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

INCREMENTAL POWER EXPENSE

Flow-Through Adjustment. Underlying Revenue No Longer
In Dispute.

Schedule ACC-8
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

MISCELLANEOUS NON-OPERATING REVENUE

PWSB Accepted the Concept of Division Adjustment
To Use a Four-Year Average But Updated BY
Eliminating Non-Recurring 2006 Costs.

Schedule ACC-9
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

STATE SURCHARGE REVENUE

Flow-Through Adjustment. Underlying Revenue No Longer
In Dispute.

Schedule ACC-10
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

SALARY AND WAGE EXPENSE

1. Test Year Costs	\$2,332,419	(A)
2. Test Year Costs Adjusted Individually	<u>242,271</u>	(A)
3. Test Year Costs Subject to 9%	\$2,090,148	
4. Increases to Rate Year @ 9.0%	188,113	(B)
5. Rate Year Costs - Individual Adjs.	<u>452,670</u>	(C)
6. Total Pro Forma Costs	\$2,730,931	
7. Company Claim	<u>2,905,626</u>	
8 Total Adjustment	<u>(\$174,695)</u>	

Sources:

(A) Schedule RB-14, Rebuttal.

(B) Reflects 2 1/2 years of increases at 3.5% annually.

(C) Reflects Test Year Costs per Schedule RB-14, Rebuttal, for employees adjusted individually, except for Water Utility Supervisor (Class 4) and Water Equipment Operator (Class 2).

Allocation:

Administration	\$593
Customer Service	(\$1,235)
Source of Supply	(\$978)
Transmission and Distribution	(\$173,075)

PAWTUCKET WATER SUPPLY BOARD

Schedule ACC-11
Surrebuttal

RATE YEAR ENDING DECEMBER 31, 2009

PAYROLL TAX EXPENSE

1. Recommended Payroll Adjustment	(\$174,695)	(A)
2. Payroll Tax Rate	<u>7.65%</u>	(B)
3. Recommended Tax Adjustment	<u>(\$13,364)</u>	

Sources:

(A) Schedule ACC-10, Surrebuttal.

(B) Based on Statutory Tax Rate.

Allocation:

Administration	\$45
Customer Service	(\$94)
Source of Supply	(\$75)
Transmission and Distribution	(\$13,240)

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

PENSION CONTRIBUTIONS

1. Payroll Subject to Pension Per PWSB	\$2,764,267	(A)
2. Recommended Adjustments	<u>(174,695)</u>	(B)
3. Pro Forma Payroll	\$2,589,572	
4. MERS Contribution Rate	<u>11.87%</u>	(C)
5. Pro Forma MERS Rate	\$307,382	
6. Company Claim	<u>366,818</u>	(A)
7. Recommended Adjustment	<u>(\$59,436)</u>	

Sources:

(A) Schedule RB-15, Rebuttal.

(B) Schedule ACC-10, Surrebuttal.

(C) Current rate per Schedule RB-15, Rebuttal.

Allocation:

Administration	26.31%	(\$15,637)
Customer Service	23.23%	(\$13,810)
Source of Supply	4.75%	(\$2,822)
Transmission and Distribution	45.71%	(\$27,167)

Schedule ACC-13
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

POLICE DETAILS-CENTRAL FALLS

Division Accepts PWSB Claim, Based on Fiscal Year 2008
Actual Results Reported in Rebuttal Testimony

Schedule ACC-14
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

GENERAL LIABILITY INSURANCE

Division Accepts PWSB's Revised Claim Based
On Updated Premium Costs.

Schedule ACC-15
Surrebuttal

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

PROPERTY TAXES

Division Accepts PWSB Revised Claim.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2009

OPERATING REVENUE ALLOWANCE

1. Pro Forma Operating Expenses	\$9,190,377	(A)
2. Income Allowance @ 1.5%	137,856	(B)
3. PWSB Claim	<u>911,133</u>	(C)
4. Recommended Adjustment	<u>(\$773,277)</u>	

Sources:

(A) Schedule ACC-1, Surrebuttal.

(B) 1.5% of Line 1.

(C) PWSB CPNW Schedule 1.0, page 4, Rebuttal.

PAWTUCKET WATER SUPPLY BOARD

Schedule ACC-17
Surrebuttal

RATE YEAR ENDING DECEMBER 31, 2009

SUMMARY OF ADJUSTMENTS

		Schedule
1. Residential Revenue	\$0	2
2. Commercial Revenue	0	3
3. Customer Growth Adjustment	0	4
4. Wholesale Sales	0	5
5. Private Fire Service	0	6
6. Incremental Power Expense	0	7
7. Miscellaneous Non-Operating Revenue	0	8
8. State Surcharge Revenue	0	9
9. Salaries and Wages	(174,695)	10
10. Payroll Tax Expense	(13,364)	11
11. Pension Contributions	(59,436)	12
12. Police Details-Central Falls	0	13
13. General Liability Insurance	0	14
14. Property Taxes	0	15
15. Operating Revenue Allowance	<u>(773,277)</u>	16
16. Total Recommended Adjustments	<u>(\$1,020,772)</u>	