

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND**

**THE NARRAGANSETT        )  
BAY COMMISSION         )**       **DOCKET NO. 4026**

**SURREBUTTAL TESTIMONY  
OF  
LAFAYETTE K. MORGAN, JR.**

**ON BEHALF OF THE  
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**MAY 2009**

---

**EXETER**

**ASSOCIATES, INC.**  
5565 Sterrett Place  
Suite 310  
Columbia, Maryland 21044

## TABLE OF CONTENTS

	<u>PAGE</u>
Introduction and Summary .....	1
Salaries and Other Personnel Costs .....	2
Employee Health Insurance .....	5
Workers' Compensation Expense.....	6
Lab Supply Expense .....	7
Electricity Costs .....	8
Management Audit Services .....	10
Net Operating Reserve.....	10

BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND

THE NARRAGANSETT            )           DOCKET NO. 4026  
BAY COMMISSION            )

**Surrebuttal Testimony of Lafayette K. Morgan, Jr.**

**Introduction and Summary**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19

- Q.           WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?
- A.   My name is Lafayette K. Morgan, Jr. I am a Senior Regulatory Analyst with Exeter Associates, Inc. Our offices are located at 5565 Sterrett Place, Columbia, Maryland 21044. Exeter is a firm of consulting economists specializing in issues pertaining to public utilities.
- Q.           ARE YOU THE SAME LAFAYETTE MORGAN, JR. WHO PRESENTED DIRECT TESTIMONY IN THIS PROCEEDING?
- A.   Yes, I am.
- Q.           WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?
- A.   The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of NBC's witness Walter Edge.
- Q.           ARE YOU PRESENTING ANY SCHEDULES WITH YOUR SURREBUTTAL TESTIMONY?
- A.   Yes. I have attached Schedules LKM-1S through LKM-10S to this testimony. These schedules present the Division's updated position on NBC's rate increase. The recommendations on these schedules reflect certain revisions or changes that were

1 presented in Mr. Edge's rebuttal testimony (and NBC's updated filing). Based upon  
2 the changes presented in NBC's rebuttal filing, the Division's recommended revenue  
3 increase is now \$7,292,407.  
4

5 **Salaries and Other Personnel Costs**

6 Q. MR. EDGE DISAGREES WITH SEVERAL ASPECTS OF YOUR  
7 ADJUSTMENT TO SALARIES AND OTHER PERSONNEL COSTS.  
8 PLEASE SUMMARIZE HIS DISAGREEMENT WITH YOUR  
9 ADJUSTMENT.

10 A. In my adjustment to NBC's rate year salaries and personnel costs, I annualized the  
11 rate year salary and wages to recognize the annual increase to union wages based  
12 upon NBC's contractual obligation of 4.25 percent. For non-union employees,  
13 however, I have annualized the rate year salaries and wages based upon an increase of  
14 2 percent. The difference, as I have explained in my direct testimony, is that NBC is  
15 under no legal obligation to grant an increase to non-union employees. Mr. Edge  
16 indicates that he disagrees with my adjustment and cites NBC's merit based  
17 compensation program for its non-union employees as one the reasons for his  
18 disagreement. According to him, under the merit based compensation program, non-  
19 union employees are compensated based on a link to performance and the  
20 achievement of NBC's Strategic Plan. Mr. Edge concludes that my adjustment to  
21 include a 2 percent increase for non-union employees does not allow for  
22 compensation of highly performing employees.

23 The second reason Mr. Edge gives for disagreeing with my adjustment is his  
24 perceived inequity in the combined salary and retirement benefits of union and non-  
25 union employees. He attempts to demonstrate this inequity by adding the percentage

1 increase in salaries to the retirement benefits factor (expressed as a percentage of  
2 salaries), and concludes my adjustment would exacerbate the inequity in the salaries  
3 and of union and non-union employees.

4 Finally, Mr. Edge indicates that five years from now a 5-year employee  
5 receiving salary increases at the 2 percent level will earn the same wage as a newly  
6 hired non-union employee. He states that such a condition would be in conflict with  
7 NBC's compensation system which is designed to reward performance as opposed to  
8 longevity; would be unfair to an employee who had provided excellent service; and  
9 fails to recognize the value of the 5-year employee.

10 Q. PLEASE RESPOND TO MR. EDGE'S ASSERTIONS.

11 A. Mr. Edge has reviewed my adjustment and reached the wrong conclusions. First, he  
12 cites NBC's merit-based compensation and states that my adjustment does not  
13 provide for a fair compensation of highly performing employees under that plan.  
14 However, he describes the merit-based program as linking "compensation to  
15 performance including the achievement of specific goals tied to NBC's Strategic  
16 Plan."<sup>1</sup> I have reviewed several forms of incentive or merit-based compensation  
17 plans in my experience with several utilities. One of the components of nearly all  
18 well developed merit-based compensation plans is an earnings threshold or goal.  
19 These earnings goals can be achieved either through cost controls or revenue growth.  
20 Therefore, an entity does not have to be investor owned in order to have comparable  
21 goals. If NBC has a well-developed merit-based compensation program, the goals of  
22 that plan should provide additional resources from which to provide the merit-based  
23 compensation. My adjustment in no way prevents NBC from granting any merit-  
24 based increases. My adjustment allows NBC to recover a 2 percent increase in non-

---

<sup>1</sup> Edge Rebuttal Testimony, page 6, lines 16 to 18.

1 union salaries and allows for merit-based compensation to be paid from the goals  
2 established in NBC's strategic plan.

3 Second, the perceived inequity in the combined salary and retirement benefit  
4 percentage discussed by Mr. Edge is an erroneous claim to make because NBC  
5 should be seeking to control the growth in wages (and all other cost) given the current  
6 economic condition of the State of Rhode Island and the country as a whole. Hence,  
7 it cannot be assumed that union wages will continue to grow at the rate shown by  
8 Mr. Edge. It is reasonable for one to expect that the parties negotiating the new union  
9 contract (that will become effective at the end of the rate year) will recognize that  
10 cost increases can not easily be passed on to a customer base that is undergoing one  
11 of the worst economic hardships in recent times. As can be seen in the recent  
12 Providence Water Supply Board (PSWB) rate filing, PSWB and the union  
13 renegotiated the union contract in July 2008. Under the renegotiated contract, the  
14 wage increases for the 2008, 2009 and 2010 fiscal years are 2 percent, 0 percent and 2  
15 percent, respectively.<sup>2</sup> Given these tough realities, the use of the 4.25 percent in Mr.  
16 Edge's analysis should not be regarded as the actual wage increase going forward.  
17 Moreover, the overall approach presented on page 8, lines 10 through 12 of Mr.  
18 Edge's rebuttal testimony is erroneous given that the work, pay scales, pension plan,  
19 and pension plan assets are all very different in their nature and can not be broken  
20 down into simple numerical comparisons.

21 Finally, Mr. Edge's claim that a new employee would make that the same  
22 salary as an employee with 5 years of service is not consistent with his own testimony  
23 which indicates that the merit-based compensation rewards those employees who

---

<sup>2</sup> Providence Water Supply Board witness Harold Smith direct testimony at page 7.

1 perform well. Hence, the 5-year employee who has performed well will not be  
2 limited to the 2 percent increase, but will be rewarded with performance awards.

3 Q. DO YOU HAVE ANY COMMENTS ON THE TWO MINOR ISSUES  
4 RELATED TO SALARIES AND PERSONNEL COSTS THAT MR. EDGE  
5 DISCUSSED IN HIS REBUTTAL TESTIMONY?

6 Mr. Edge identified two issues that need to be corrected. First, he states that  
7 I switched the costs associated with the union and non-union positions. Second, he  
8 states that in calculating the capital Salary and Fringe Reimbursement, I should not  
9 have used the average of my union and non-union salary and wage increases because  
10 nearly 100 percent of the reimbursements are related to non-union employees. I have  
11 accepted these changes and have revised my adjustment accordingly. My revised  
12 adjustment to salaries and other personnel expenses is presented on Schedule  
13 LKM-3S.

14  
15 **Employee Health Insurance**

16 Q. PLEASE ADDRESS MR EDGE'S DISAGREEMENT WITH YOUR  
17 ADJUSTMENT TO HEALTH INSURANCE EXPENSES.

18 A. Mr. Edge states that he disagrees with the logic and calculation of my adjustment to  
19 health care expenses. In his discussion, he primarily focuses on the healthcare  
20 premiums I used in my adjustment. For medical insurance, he does not identify any  
21 specific disagreement with the method that I employed in developing the premiums.  
22 Instead, he states that NBC is in the process of acquiring medical insurance, and that  
23 the actual rates will be available before the end of this proceeding. Conceptually,  
24 I am not opposed to the use of actual rates to determine the costs included in rates.



1 claim is expected to be \$50,000. I accepted that amount and included it in the  
2 derivation of my adjustment to workers' compensation expense.

3 In Mr. Edge's rebuttal testimony, he indicates that he is withdrawing his  
4 adjustment to amortize the old workers' compensation claims because the settlement  
5 was not successful. He also indicates that the ongoing annual costs of \$50,000 that he  
6 has accepted should be increased by an additional \$50,000 per year for indemnity and  
7 medical payments that were not reflected in the cost of service. According to NBC,  
8 the additional \$50,000 arose from a claim that was incurred during the period of self  
9 insurance, but has not yet been paid. I have accepted the additional \$50,000 under the  
10 condition that if the \$50,000 per year for the new claim is not spent, any unspent  
11 amounts should be recorded in a reserve account to either be refunded or used to meet  
12 future claims. The purpose of this recommendation is to ensure the same costs are  
13 not recovered in rates twice. Based on the foregoing, I have accepted NBC's claim  
14 for Workers' Compensation as shown on Schedule LKM-7S.

15  
16 **Lab Supply Expense**

17 Q. PLEASE RESPOND TO MR. EDGE'S DISAGREEMENT WITH YOUR  
18 ADJUSTMENT TO LAB SUPPLY EXPENSE.

19 A. Mr. Edge disagrees with the adjustment I made to lab supply expense by citing  
20 consistency to past NBC proceedings and the length of period used to derive my  
21 growth factor. I have reconsidered my adjustment in response to Mr. Edge's  
22 criticism, and have withdrawn my adjustment to lab supply expense on Schedule  
23 LKM-8S.

24

Electricity Costs

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Q. PLEASE SUMMARIZE MR. EDGE'S REVISED CLAIM FOR ELECTRICITY.

A. In its direct filing, NBC's electricity expense claim is based upon an estimated rate for electricity supply and a three-year average usage for all facilities except the Tunnel Pump Station (which is in the first year of service). In my direct testimony I disagreed with the supply rate NBC used and the electricity usage presented for Tunnel Pump Station. It was my position that the supply rate was too high and that the usage for the Tunnel Pump Station should not have been based upon the maximum usage for the equipment at the facility.

Mr. Edge, in his rebuttal testimony, has revised NBC's claim to reflect the recent contracted electricity supply rate of \$0.08125 per kWh. With regard to usage, Mr. Edge has updated the electricity usage to reflect actual usage for a portion of FY 2009. As explained in his rebuttal testimony, Mr. Edge has attempted to capture the actual usage for the Tunnel Pump Station. Since that facility has only been in operation since November 2008, he has projected the annual usage based on data through April 2009 (six months). For the other facilities, Mr. Edge has determined the annual usage based upon 10 or 11 months of data (depending on the facility) during this fiscal year. He justifies the use of the most recent data by indicating that he is being consistent with my use of updated data in my adjustment to biosolids expenses.

Q. DO YOU AGREE WITH MR. EDGE'S REVISED ADJUSTMENT?

A. I partially agree with his adjustment. To the extent that Mr. Edge proposes to use the newly contracted supply rate, I do not disagree. However, I disagree with the updated electricity usage amounts that he has proposed.

1 Q. WHY DO YOU DISAGREE WITH THE UPDATED ELECTRICITY  
2 USAGE DATA MR. EDGE HAS PROPOSED?

3 A. In NBC's direct filing, the electricity usage was based upon a 3-year average. The  
4 3-year average recognizes that electricity usage varies from year to year. Also, the  
5 use of a full 12 months in each of those years recognizes that there is some  
6 seasonality to NBC's electricity usage. I disagree with Mr. Edge's updated electricity  
7 usage for the following reasons.

8 First, he proposes to base normalized electric use on data from only one year.  
9 This approach fails to recognize the annual variability in electricity usage. Second,  
10 he has not based his projection on data for a full 12-month period. As a result, any  
11 seasonality in usage may be lost when the partial year data is annualized. Third, the  
12 partial year data upon which he annualizes his usage for each facility is not  
13 consistent. Depending on the facility, he has used data for 6 months, 10 months and  
14 11 months. As a result, the usage for each of the facilities is not measured on the  
15 same basis.

16 Q. MR. EDGE CLAIMS THAT YOU USED UPDATED DATA IN YOUR  
17 ADJUSTMENT TO BIOSOLIDS EXPENSE. IS MR. EDGE'S REVISED  
18 ADJUSTMENT NOT SIMILAR TO YOUR BIOSOLIDS UPDATED  
19 EXPENSE ADJUSTMENT?

20 A. No. There is a fundamental difference in Mr. Edge's updated adjustment and my  
21 updated biosolids expense adjustment. My adjustment to biosolids is based upon the  
22 biosolids quantities from more than one 12-month period. Consistent with past NBC  
23 cases, I have used the average of a 24-month period to determine the quantities. The  
24 updated data I use merely reflected the most recent 24-month period for which I had  
25 data. In contrast, Mr. Edge's updated electricity usage adjustment departed from

1 practice in past proceeding of using a 3-year average. In short, I am not opposed to  
2 the use of updated data for electricity usage. However, I am opposed to the use of  
3 updated data that moves away from the 3-year average by annualizing electricity  
4 usage based on less than one year's activity. Therefore, I recommend that the  
5 Commission reject NBC's revised electricity usage data. Schedule LKM-9S presents  
6 my adjustment to reduce electricity expense by \$151,271.

7  
8 **Management Audit Services**

9 Q. ACCORDING TO MR. EDGE THERE WAS A SUBTRACTION ERROR  
10 IN YOUR ADJUSTMENT TO MANAGEMENT AUDIT SERVICES. DO  
11 YOU AGREE?

12 A. Yes. I have reviewed my adjustment on Schedule LKM-10S and corrected the error.  
13 As a result, there is no longer a difference between NBC and the Division on this  
14 issue.

15  
16 **Net Operating Reserve**

17 Q. PLEASE COMMENT ON MR. EDGE'S REBUTTAL TESTIMONY ON  
18 THE NET OPERATING RESERVE ISSUE.

19 A. Mr. Edge indicates that he disagrees with the adjustment I have made to the net  
20 operating reserve and raises the issue of prudence in that regard. As he points out in  
21 his rebuttal testimony, this issue has been considered by the Commission in prior  
22 proceedings. I have calculated the net operating reserve in a manner that is consistent  
23 with the Commission's Order in NBC's last rate case. The approach of using the  
24 established framework for deriving the annual costs for previously litigated issues has  
25 been consistently applied throughout my presentation of NBC's cost of service,

1 including the calculation of the net operating reserve. Hence, if Mr. Edge is  
2 attempting to claim that my adjustment to the net operating reserve is not prudent on  
3 my part, I do not believe such a characterization is valid.

4 Q. DOES THIS END YOUR TESTIMONY?

5 A. Yes, it does.

W:\3346\lkm\dirtest\surrebuttal.doc

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND**

**THE NARRAGANSETT        )  
BAY COMMISSION         )**       **DOCKET NO. 4026**

**SCHEDULES ACCOMPANYING THE  
SURREBUTTAL TESTIMONY  
OF  
LAFAYETTE K. MORGAN, JR.**

**ON BEHALF OF THE  
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**MAY 2009**

---

**EXETER**

**ASSOCIATES, INC.**  
5565 Sterrett Place  
Suite 310  
Columbia, Maryland 21044

THE NARRAGANSETT BAY COMMISSION

Summary of Revenues and Expenses at  
Present and Proposed Rates  
Rate Year Ended June 30, 2010

	Test Year Amount Per NBC	NBC Rate Year Adjustments	Rate Year Amount Per NBC	Division Adjustments	Rate Year at Present Rates	Allowable Rate Increase	Rate Year at Proposed Rates
<b>Revenue</b>							
User Fee Revenue	\$ 64,462,985	\$ 2,394,675	\$ 66,857,660	\$ -	\$ 66,857,660	\$ 7,292,407	\$ 74,150,067
Other Service Revenue	1,785,626	(73,000)	1,712,626	-	1,712,626	-	1,712,626
Miscellaneous	1,521,196	(330,000)	1,191,196	-	1,191,196	-	1,191,196
Total Revenue	\$ 67,769,807	\$ 1,991,675	\$ 69,761,482	\$ -	\$ 69,761,482	\$ 7,292,407	\$ 77,053,889
<b>Expenses</b>							
Personnel Services	17,025,207	2,325,552	19,350,759	(325,013)	19,025,746	-	19,025,746
Operating Supplies & Expenses	11,988,810	2,294,465	14,283,275	(151,271)	14,132,004	-	14,132,004
Professional Services	2,688,077	295,264	2,983,341	-	2,983,341	-	2,983,341
Capital Outlays	1,756,133	(1,746,443)	9,690	-	9,690	-	9,690
Lease Interest Expense	37,983	-	37,983	-	37,983	-	37,983
Programmed New Debt	2,670,346	-	2,670,346	-	2,670,346	-	2,670,346
Interest Expense	13,083,478	-	13,083,478	-	13,083,478	-	13,083,478
Debt Service Principal	16,800,972	-	16,800,972	-	16,800,972	-	16,800,972
Debt Coverage	8,138,699	-	8,138,699	-	8,138,699	-	8,138,699
Total Expenses	\$ 74,189,705	\$ 3,168,838	\$ 77,358,543	\$ (476,284)	\$ 76,882,259	\$ -	\$ 76,882,259
Net Operating Reserve	146,866	402,540	549,406	(377,776)	171,630	-	171,630
Total Cost of Service	\$ 74,336,571	\$ 3,571,378	\$ 77,907,949	\$ (854,060)	\$ 77,053,889	\$ -	\$ 77,053,889
Revenue Surplus/(Deficiency)	\$ (6,566,764)	\$ (1,579,703)	\$ (8,146,467)	\$ 854,060	\$ (7,292,407)	\$ 7,292,407	\$ -

THE NARRAGANSETT BAY COMMISSION

Summary of Division Adjustments to  
 Rate Year Revenues and Expenses at Present Rates  
 Rate Year Ended June 30, 2010

<u>Description</u>	<u>Amount</u>	<u>Source</u>
<b><u>Revenue Adjustments</u></b>		
Total Revenue Adjustments	\$ -	
<b><u>Expense Adjustments</u></b>		
Salaries and Personnel Expenses	(213,874)	Schedule LKM-3S
Health Benefits Costs	(111,138)	Schedule LKM-4S
Biosolids Disposal Costs	-	Schedule LKM-5S
Screening & Grit Costs	-	Schedule LKM-6S
Insurance Premiums	(0)	Schedule LKM-7S
Lab Supplies Expense	-	Schedule LKM-8S
Electricity Costs	(151,271)	Schedule LKM-9S
Maintenance & Audit Service	-	Schedule LKM-10S
Operating Reserve	<u>(377,776)</u>	See Note (1)
Total Expense Adjustments	\$ (854,060)	
Total Division Adjustments to Operating Income	<u>\$ 854,060</u>	

Regulatory Expense

Note:

(1) Adjusted to reflect 1.0% of Division Operating Expenses excluding debt & personnel costs per Schedule LKM-1. Refer to testimony for explanation.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Salaries and Other Personnel Expenses  
to Reflect Actual and Contracted Increases  
Rate Year Ended June 30, 2010

	Union	Non-Union	Total
<u>Regular Salaries</u>			
Adjusted Test Year Salaries	\$ 4,739,757 (1)	\$ 7,495,396 (1)	\$ 12,235,153
Actual Increase	104.00% (2)	104.00% (2)	
FY 2009 Adjusted Salaries	\$ 4,929,347	\$ 7,795,212	
Projected Increase	104.25%	102.00%	
Rate Year Salaries	\$ 5,138,845	\$ 7,951,116	
New Employees - Customer Service Rep	33,916	-	(3)
2 Lab Technicians	-	34,337	(3)
Total Rate Year Adjusted Salaries	\$ 5,172,761	\$ 7,985,453	\$ 13,158,214
<u>Pension</u>			
Rate Year Salaries	\$ 5,172,761	\$ 8,109,789	
Pension Rate	25.03% (1)	10.00% (1)	
FY 2009 Pension Expense	\$ 1,294,742	\$ 810,979	\$ 2,105,721
<u>Retiree Health</u>			
Rate Year Salaries	\$ 5,172,761	\$ -	
Rate	7.67% (5)	0.00%	
FY 2009 Retiree Health Expense	\$ 396,751	\$ -	\$ 396,751
<u>Overtime Pay</u>			
Adjusted Test Year Overtime Pay	\$ 417,126 (1)	\$ 82,718 (1)	\$ 32,074 (1)
Actual Increase	104.00% (2)	104.00% (2)	104.00% (2)
FY 2009 Adjusted Overtime Pay	\$ 433,811	\$ 86,027	\$ 33,357
Projected Increase	104.25%	102.00%	102.00%
Rate Year Overtime Pay	\$ 452,248	\$ 87,747	\$ 34,024
Tunnel Impact on Field's Point	2,052 (1)	2,565 (1)	-
Total Rate Year Adjusted Overtime Pay	\$ 454,300	\$ 90,312	\$ 34,024
		<u>Salaries</u>	<u>Fringe</u>
		\$ (995,137)	\$ (544,688)
		104.00%	104.00%
		\$ (1,034,942)	\$ (566,476)
		102.00%	102.00%
		\$ (1,055,641)	\$ (577,805)
		\$ (1,633,446)	
<u>Capital Salary &amp; Fringe Reimbursement</u>			
Total Rate Year Adjusted Salaries		\$ (995,137)	\$ (544,688)
Actual Increase		104.00%	104.00%
FY 2009 Adjusted Salaries		\$ (1,034,942)	\$ (566,476)
Projected Increase		102.00%	102.00%
		\$ (1,055,641)	\$ (577,805)
		\$ (1,633,446)	
<u>FICA &amp; Medicare</u>			
Total Rate Year Adjusted Salaries		\$ 13,158,214	
Total Rate Year Adjusted Overtime Pay		578,636	
Over FICA Limit		(189,318) (1)	
FICA @ 6.20%			\$ 839,947
Medicare @ 1.45%			199,184
Total Salaries and Other Personnel Expenses			\$ 15,645,007
Total Salaries and Other Personnel Expenses per NBC (4)			15,858,881
Adjustment to Salaries and Other Personnel Expenses			<u>\$ (213,874)</u>

Notes:

- (1) Company Schedule WEE-4.
- (2) Actual salary increase per the response to DIV 1-27 and discussion on page 30 of Mr. Edge's direct testimony.
- (3) Per the response to DIV 1-28.
- (4) Union Salaries \$ 5,172,761  
Union Overtime 454,300  
Non-union Salaries 8,195,182  
Non-union Overtime 92,248  
Non-union Limited 34,775  
Union Pension 1,294,742  
FICA 1,055,381  
Non-union Pension 832,220  
Retiree Health 396,751  
Salary Reimbursement (1,078,928)  
Fringe Reimbursement (590,551)  
Amount per Company \$ 15,858,881

(5) Per the supplemental response to COM 1-20.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Health Benefits Costs  
to Reflect Revised Premium and Employee Levels  
Rate Year Ended June 30, 2010

	Rate Year Premium (1)	Number of Members (2)	Annual Cost Per Division	Amount Per NBC (3)	Adjustment
<u>Medical Insurance</u>					
HMO Family	\$ 619.73	10	\$ 161,130		
Single	226.80	9	53,071		
PPO Family	\$ 650.74	155	2,622,498		
Single	238.14	54	334,345		
Waiver	\$ 2,500	15	37,500		
Total Medical Insurance		243	\$ 3,208,545	\$ 3,298,551	\$ (90,006)
Less: Employee Co-Payments			(257,371) (3)	(258,808)	1,437
Net Medical Insurance			\$ 2,951,174	\$ 3,039,743	\$ (88,569)
New Positions Net Medical Insurance			26,222 (4)	40,772	(14,550)
Rate Year Net Medical Insurance			\$ 2,977,396	\$ 3,080,515	\$ (103,119)
<u>Dental Insurance</u>					
Family	\$ 40.58	176	185,694		
Single	14.65	62	23,613		
Waiver	110.00	5	550		
Total		243	\$ 209,857	\$ 216,875	\$ (7,018)
New Positions Dental Insurance			1,759 (4)	2,760	(1,001)
Rate Year Dental Insurance			\$ 211,616	\$ 219,635	\$ (8,019)
Net Rate Year Health Benefit Premiums			\$ 3,189,012	\$ 3,300,150	\$ (111,138)

Notes:

(1)	FY2006	FY2007	FY2008	FY2009	Rate Year
<u>PPQ</u>					
Family	\$ 491.92	\$ 545.61	\$ 581.06	\$ 606.78	107.25%
Single	180.02	199.67	205.32	222.05	107.24%
<u>HMO</u>					
Family	427.38	480.82	504.98	564.75	109.74%
Single	156.41	175.96	184.80	206.68	109.73%
<u>Dental</u>					
Family	35.48	37.38	37.38	39.24	103.41%
Single	12.79	13.49	13.49	14.16	103.45%

(2) Employee levels per the response to DIV 1-31. Adjusted to reflect the average number of test year employees.

(3) Per Response to DIV 1-34, reflects Division's average salary increase for non-cap portion and the amount for employees at the cap as proposed by NBC.

(4) Recalculated Medical net of co-pay and annual dental premium following format in Response to DIV 1-35.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Biosolids Disposal Costs  
 Rate Year Ended June 30, 2010

	<u>7/1/2009 to 12/31/2009</u>	<u>1/1/2010 to 6/30/2010</u>	<u>Total Cost</u>
Field's Point-Dry Tons (1)	4,332.0	4,332.0	
Field's Point Tunnel Impact (2)	219.0	219.0	
Bucklin Point-Dry Tons (1)	<u>1,208.0</u>	<u>1,208.0</u>	
Total Biosolids for Disposal-Dry Tons	5,759.0	5,759.0	
Rate per Ton	<u>\$ 393.19 (2)</u>	<u>\$ 399.87 (2)</u>	
Biosolids Disposal Costs	\$ 2,264,381	\$ 2,302,876	\$ 4,567,257
Amount per NBC (2)			<u>4,567,257</u>
Adjustment to Rate Year Expense			<u><u>\$ -</u></u>

Notes:

(1) Based upon the most recent 24-month average consistent with NBC's position in Docket No. 3905.

(2) Per Schedule WEE-R3.

THE NARRAGANSETT BAY COMMISSION  
 Adjustment to Normalize Screening & Grit Costs  
 Rate Year Ended June 30, 2010

	Tons	(1)	Projected Rate	(1)	Total Cost
Field's Point	761.0		\$ 65.00		\$ 49,465
Tunnel Pump Station	764.0		65.00		49,660
IM	773.0	(2)	65.00		50,245
IM Floatables Control Netting (3)					33,414
Bucklin Point	362.0		65.00		<u>23,530</u>
Total Rate Year Expense					\$ 206,314
Amount per NBC (1)					<u>206,314</u>
Adjustment to Rate Year Expense					<u>\$ -</u>

Notes:

(1) Per Schedule WEE-7.

(2) Per Response to DIV 1-42.

(3) Per Schedule WEE-R4.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Workers' Compensation Expense  
 to Reflect Three Year Average Increase  
 Rate Year Ended June 30, 2010

	Workers' Compensation Insurance (1)	Amount
FY 2007	\$ 379,230	
FY 2008	461,808	
FY 2009	<u>452,180</u> (3)	
Average Annual Increase for years 2007-2009	9.20%	
FY 2009 Workers' Compensation Expense		\$ 452,180
Escalation Rate		<u>1.0920</u>
Estimated Rate Year Workers' Compensation Expense		\$ 493,760
Old Workers' Compensation Claims		<u>100,000</u>
Total Rate Year Insurance Expense		\$ 593,760
Rate Year Workers' Compensation Expense & Old Claims per NBC (2)		<u>593,760</u>
Adjustment to Rate Year Expense		<u><u>\$ (0)</u></u>

Notes:

- (1) Amounts per Response to DIV 1-2 (d).
- (2) Per Schedule WEE-R5.
- (3) Includes additional data provided in Supplemental Response to DIV 1-45 (a).

THE NARRAGANSETT BAY COMMISSION

Adjustment to Lab Supplies Expense  
Rate Year Ended June 30, 2010

	<u>Amount</u>
FY 2010 Lab Expense per Division	\$ 293,691
Test Year Expense per NBC (1)	<u>293,691</u>
Total Adjustment to Expense	<u>\$ -</u>

Notes:

(1) Per Schedule WEE-14.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Electricity Expense  
Rate Year Ended June 30, 2010

	Rate	COB	Field's Point	Tunnel Pump	Bucklin Point	Interceptor Maintenance	Total
Total kWh (1)		<u>1,244,867</u>	<u>14,358,848</u>	<u>2,895,265</u>	<u>(3) 11,099,333</u>	<u>834,405</u>	<u>30,432,718</u>
Customer Charge (1)	\$ 2,837	\$ 2,837	\$ 2,837	\$ 2,837	\$ 2,837	\$ 2,837	
Supply Charge (5)	\$0.08125	101,145	1,166,656	235,240	901,821	67,795	
Average Delivery Charge per kWh (2)		35,927	390,417	78,722	305,454	48,128	
Capacity Charge (1)	\$0.00699	<u>8,702</u>	<u>100,368</u>	<u>20,238</u>	<u>77,584</u>	<u>5,832</u>	
Subtotal		\$ 148,611	\$ 1,660,279	\$ 337,037	\$ 1,287,696	\$ 124,593	
Gross Earnings Tax (1)	4.1666%	<u>6,192</u>	<u>69,177</u>	<u>14,043</u>	<u>53,653</u>	<u>5,191</u>	
Total Electricity Cos		\$ 154,803	\$ 1,729,456	\$ 351,080	\$ 1,341,349	\$ 129,785	\$ 3,706,473
CSO Phase I Impact on FPWWTF							<u>98,785</u>
Total Rate Year Electricity Cos							3,805,258
Total Rate Year Electricity Cost per NBC (4)							<u>3,956,529</u>
Adjustment to Electricity Expense							<u>\$ (151,271)</u>

Notes:

- (1) Per NBC's Response to DIV 1-48
- (2) 2.886¢/kWh for COB, 2.719¢/kWh for Field Pt. & Tunnel Pt., 2.752¢/kWh for Bucklin Pt., & 5.768¢/kWh for IM per Response to DIV 1-4
- (3) Per response to DIV 1-50 average of minimum & maximum kWhs
- (4) Per Schedule WEE-R6.
- (5) Rebuttal Testimony of Mr. Edge page 14, Line 29

THE NARRAGANSETT BAY COMMISSION

Adjustment to Management Audit Services  
Rate Year Ended June 30, 2010

	<u>Amount</u>
FY 2009 Bucklin Point Management Contract Less Soda Ash (1)	\$ 1,523,340
FY 2009 Soda Ash (1)	<u>649,837</u>
FY 2009 Bucklin Point Management Contract Expense	\$ 2,173,177
CPI (2)	<u>101.70%</u>
FY 2010 Bucklin Point Management Contract Expense	\$ 2,210,121
Other Management/ Audit (1)	<u>162,197</u>
Total Management & Audit Services	\$ 2,372,318
Test Year Expense per NBC	<u>2,372,318</u>
Total Adjustment to Expense	<u><u>\$ -</u></u>

Notes:

(1) Per Schedule WEE-15.

(2) Blue Chip Economic Indicators Forecast (March 10, 2009).