

REBUTTAL TESTIMONY

of

JEANNE BONDAREVSKIS

before the

PUBLIC UTILITIES COMMISSION

for

PROVIDENCE WATER

August 2009

Docket No. 4061

**PROVIDENCE WATER SUPPLY BOARD  
REBUTTAL TESTIMONY OF  
JEANNE BONDAREVSKIS**

1       **Q.   Please state your full name and title?**

2       A.   Jeanne Bondarevskis, Director of Finance for the  
3       Providence Water Supply Board (Providence Water).

4  
5       **Q.   How long have you been employed by Providence Water?**

6       A.   I have been employed since March of 1987 or approximately  
7       22 years.

8  
9       **Q.   Would you please state your education, background and  
10       professional associations?**

11      A.   I have a Master's Degree in Business Administration from  
12      Bryant College.   I graduated Magna Cum Laude from  
13      Providence College with a Bachelor of Science Degree,  
14      majoring in Accounting.

15  
16      I have worked for Providence Water since March of 1987.  
17      Prior to becoming Director of Finance, I was responsible  
18      for the Accounting area, the preparation of various  
19      reports, assistance to outside consultants and/or  
20      auditors, and I was Acting Director of Finance. I have  
21      participated to some degree in all of Providence Water's  
22      PUC and Division filings dating back to Docket 1900.

23  
24      Since August of 1994, I have been a member of the New  
25      England Water Works Association Program Committee. I  
26      also am a member of the American Water Works Association  
27      and New England Water Works Association. Since January  
28      of 2002, I have been Treasurer of the Rhode Island Water  
29      Works Association.

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1       **Q.   Please explain your duties and responsibilities.**

2       A.   As Director of Finance I am responsible for Accounting  
3           and Financial Planning.

4  
5       **Q.   What is the purpose of your testimony?**

6       A.   To provide rebuttal testimony in support of Providence  
7           Water's request to increase Operating Reserves from 3% to  
8           5%.

9  
10       **Q.   Do you agree with Mr. Catlin's suggested adjustments to  
11           the Operating Reserve request by Providence Water?**

12       A.   Not totally. I do agree that the unrestricted component  
13           of the reserve (which is for unanticipated expenses) can  
14           remain at the present level of 1%. The primary reason  
15           for this is that Providence Water has an excellent track  
16           record of managing and controlling operating expenses and  
17           is confident in its ability to keep overall operating  
18           expenses within budget.

19           However, I definitely disagree with Mr. Catlin's  
20           contention that the restricted component of the reserve  
21           (which is for revenue shortfalls due to reduced  
22           consumption) should remain at the present level of 2%. Of  
23           Providence Water's total revenue, 83.1%<sup>1</sup> is derived from  
24           consumption based revenue. This results in Providence  
25           Water being excessively dependent on variable revenue  
26           which is severely impacted by weather conditions and the

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<sup>1</sup> Source: HJS Exhibit 11 Update in Providence Water's Compliance Filing in Docket 3832.

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1 economy.

2

3 **Q. Has this over reliance on consumption based revenue been**  
4 **a problem?**

5 A. Yes. Providence Water has only recently finalized the  
6 consumption amounts for FY 2009 and had not previously  
7 provided them to the Division, Commission or Intervenors.  
8 However, for the fiscal year ended June 30, 2009,  
9 Providence Water experienced dramatically reduced  
10 consumption revenue compared to the consumption amounts  
11 projected in Docket 3832. Overall consumption was down  
12 8.5%, or 2,540,289 hcf below the 29,784,585 projected in  
13 Docket 3832.

14

15 **Q. Was this billed consumption?**

16 A. Yes. Please see attached Exhibit JB1, which shows billed  
17 consumption.

18

19 **Q. Have you calculated the revenue impact of the reduced**  
20 **consumption revenue?**

21 A. Yes. As shown on the attached Exhibit JB1, at Docket 3832  
22 rates, the dollar shortfall is \$4,345,864.

23

24 **Q. For the fiscal year ended June 30, 2009 when consumption**  
25 **revenues were down \$4,345,864, how much did the 2%**  
26 **restricted revenue reserve generate?**

27 A. The 2% restricted revenue reserve for shortfalls  
28 generated only \$1,103,696 in this period.

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**Q. Do you have any thoughts as to what caused this much reduced production?**

A. One primary factor was the cool and wet weather. Temperature and rainfall can have a significant impact on consumption. In my opinion, the poor economy was an important secondary factor on reduced water use. This can be demonstrated by the fact that during FY 2009, October, November, February and March were the lowest production months shown on Exhibit JB2. December and January, while not the lowest, were also well below average.

**Q. In light of this, what is Providence Water's overall request with respect to the operating reserves?**

A. Providence Water requests that the total reserve be increased from the current 3% to 5%, as indicated in our direct testimony. However, we would modify our request for 1% being unrestricted, and 4% being restricted to address revenue shortfalls.

In this manner, the unrestricted component remains at 1%, while the restricted portion, which requires PUC approval to use, would increase to 4%.

**Q. Would a 4% revenue reserve in Docket 3832 have totally eliminated the recently experienced revenue shortfall?**

A. No. Even at 4%, the restricted revenue reserve would have

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1           only generated one half of the \$4.4 million revenue  
2           shortfall, or approximately \$2.2 million. Providence  
3           Water is not attempting to eliminate all risk. It is  
4           attempting to reduce risk to a prudent level. The  
5           ratepayers are protected because the reserve is  
6           restricted.

7

8           **Q.    What would the result be if the requested increase is not**  
9           **granted?**

10          A.    Without the ability to predict outside factors such as  
11           temperature, precipitation and the economy, it is  
12           difficult to say, but without an increase in the  
13           restricted reserve, there clearly is increased risk of  
14           revenue shortfalls which could negatively impact  
15           Providence Water's ability to provide adequate levels of  
16           service to its customers and/or to fund critical  
17           restricted accounts required for infrastructure  
18           replacement, lead service replacements, and needed  
19           capital improvements.

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21          **Q.    Didn't the original direct testimony state that the**  
22           **potential implementation of conservation rates was one**  
23           **factor considered in the request to increase the**  
24           **operating reserve?**

25          A.    Yes, that is true. The potential impact of conservation  
26           rates on consumption revenue reliability has been  
27           eliminated from Providence Water's assessment of revenue  
28           reserve requirements at this time due to the delayed

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1            implementation.

2

3        Q.    Does this conclude your testimony?

4        A.    Yes it does.

Providence Water  
Water Sales (hcf)

	FYE 97	FYE 98	FYE 99	FYE 00	FYE 01	FYE 02	FYE 03	FYE 04	FYE 05	FYE 06	FYE 07	FYE 08	FYE 09	Docket 3832	HCF	Variance HCF	Rate per HCF	Variance Dollars
<b>Wholesale</b>																		
East Providence	2,646,618	2,801,226	2,639,219	2,446,455	2,445,707	2,346,770	2,493,285	2,347,620	2,414,642	2,336,430	2,219,211	2,172,914	2,034,591	2,329,476	(294,885)	\$	1.088913	\$ (321,104.11)
East Smithfield	376,419	359,094	352,437	346,859	352,643	333,442	346,036	349,221	347,134	316,751	311,203	358,783	319,002	331,077	(13,075)	\$	1.088913	\$ (14,237.54)
Greenville	419,699	446,986	397,665	451,908	442,520	445,396	470,702	428,017	470,107	483,676	483,730	532,126	459,960	466,363	(6,423)	\$	1.088913	\$ (6,994.09)
Kent County	3,341,208	3,290,592	3,285,936	3,276,576	3,262,932	3,532,443	3,529,317	3,857,756	3,915,227	3,806,377	3,699,225	3,249,131	2,663,178	3,819,646	(1,156,468)	\$	1.088913	\$ (1,259,293.04)
Smithfield	349,737	396,764	412,072	421,404	452,268	447,447	493,016	425,587	434,665	421,925	424,238	490,083	454,602	426,604	27,998	\$	1.088913	\$ 30,487.39
Wanwick	4,703,495	4,413,832	4,456,795	4,828,433	4,938,345	4,372,840	4,654,592	4,292,842	4,313,222	4,357,620	3,869,318	4,819,131	4,574,254	4,208,251	466,003	\$	1.088913	\$ 507,436.72
Lincoln	1,101,179	1,039,151	1,011,352	1,041,247	1,037,210	1,047,007	1,059,985	1,027,574	1,108,820	1,150,294	1,134,532	1,175,749	1,016,655	1,105,305	(88,650)	\$	1.088913	\$ (96,532.14)
Cranston (Western)	509,104	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$	1.088913	\$ -
Johnston	125,267	247,481	328,499	298,382	272,531	199,022	163,387	156,251	180,321	290,227	346,377	392,166	302,765	312,384	(9,619)	\$	1.088913	\$ (10,474.25)
Bristol County	0	0	322,537	667,993	624,460	1,350,122	1,892,471	1,942,031	1,803,563	1,633,316	1,295,416	1,327,848	1,283,706	1,257,500	26,206	\$	1.088913	\$ 28,536.05
Narr. Bay Comm	0	0	0	0	0	0	0	0	0	84,978	0	0	0	0	0	\$	1.088913	\$ -
<b>Total Wholesale</b>	13,572,726	12,995,126	13,206,512	13,779,257	13,828,616	14,074,489	15,042,791	14,826,899	14,987,721	14,881,594	13,783,250	14,517,901	13,207,713	14,256,626	(1,048,913)	\$	1.088913	\$ (1,142,175.00)
<b>Retail</b>																		
Residential	9,870,436	11,387,989	9,851,691	10,940,406	9,541,287	11,946,454	12,203,733	12,030,853	11,242,268	11,277,137	10,579,927	10,192,807	9,201,454	11,282,546	(2,081,092)	\$	2.134	\$ (4,441,049.48)
Commercial	2,131,209	4,489,639	4,538,279	5,244,331	4,813,123	2,308,845	2,206,004	2,356,680	2,956,479	3,889,047	3,930,747	4,060,451	4,636,996	3,283,238	1,353,758	\$	2.049	\$ 2,773,850.32
Industrial	2,100,378	1,319,754	1,193,317	1,066,386	715,676	1,049,987	1,000,891	877,656	1,050,937	1,091,953	828,155	377,235	198,132	962,175	(764,043)	\$	2.011	\$ (1,536,489.95)
<b>Sub-total Retail</b>	14,102,023	17,196,382	15,583,287	17,251,123	15,070,086	15,305,286	15,410,628	15,265,189	15,249,684	16,258,137	15,338,829	14,630,493	14,036,583	15,527,959	(1,491,376)	\$		\$ (3,203,689.11)
<b>Total Consumption</b>	27,674,749	30,191,508	28,789,799	31,030,380	28,898,702	29,379,775	30,453,419	30,092,088	30,237,405	31,139,731	29,122,079	29,148,394	27,244,296	29,784,585	(2,540,289)	\$		\$ (4,345,864.11)

	FYE 09	Docket 3832	Variance
Wholesale Rev	\$ 14,382,087	\$ 15,524,266	\$ (1,142,179)
Retail Revenue	\$ 29,535,553	\$ 32,739,243	\$ (3,203,690)
<b>Total Revenue</b>	\$ 43,917,640	\$ 48,263,509	\$ (4,345,869)