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June 11, 2009

Mrs. Luly Massaro, Commission Clerk
RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

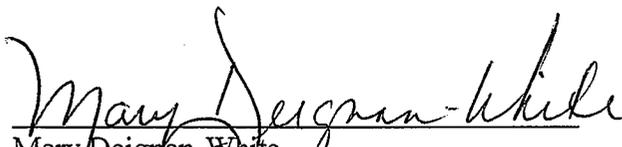
RE: Docket 4061 Division of Public Utilities & Carriers; Set I Responses

Dear Luly:

Enclosed for filing is an original and four copies of Providence Water's responses to the first set of data request from the Division of Public Utilities. Providence Water had some confusion on when our responses were due so I am filing the responses which are complete and will file tomorrow Div 1-5, Div 1-6 and Div 1-18.

If there are any questions, I can be reached at 521-6300, extension 7217.

Sincerely,


Mary Deignan-White
Regulatory Manager

cc: Dk 4061 Service List

H:\QPW\PUC-Filings\RateFiling2009\LMrespDiv1.wpd

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PROVIDENCE WATER SUPPLY BOARD
Docket No. 4061
Data Requests of the Division of Public Utilities & Carriers
Set 1

1-1. Please explain why the capital reimbursement offset shown on Schedule HJS-3 was only adjusted to reflect the effect of wage increase and not adjusted to account for the effect of increases in benefits costs on the pension and benefit component of the offset.

Answer: The capital reimbursement offset should have been adjusted to account for the effect on increases in benefits costs. The model will be revised to reflect this change.

PROVIDENCE WATER

Docket No. 4061

Data Requests of the
Division of Public Utilities & Carriers

Set I

2. With regard to Ms. Marchand's testimony at pages 9-10:
- a. Please identify the amount of funding for the strategic plan that was approved in the prior docket.
 - b. Please identify the total projected cost of the strategic plan.
 - c. Please provide a breakdown of the projected cost of the plan by fiscal year. To the extent that costs are projected in FY 2010 and FY 2011, provide a breakdown of the amounts projected in the first and second half of each fiscal year.

Response:

- a. \$150,000 was approved in the prior docket, and \$149,750 was the amount of the accepted bid for the first phase of the project. As described in my pre-filed testimony, (pages 9 & 10) the strategic planning process was begun in September, 2008, with the selection of the firm Horsley-Witten. The written report is expected by the end of June, 2009, with several "check-up" sessions over the next year.
- b. The total project cost, including the strategic plan and asset management program has not been identified at this time, but is anticipated to be an on-going project for a number of years. Please see my attached testimony from the previous docket, pages 9 through 11.
- c. The next phase of the strategic plan will involve a salary review as identified by the strategic planning process. This is estimated to cost approximately \$50,000 to \$60,000, and will be initiated the first half of FY2010. A comprehensive compensation study was recommended by the Vista Consulting Group in 1994 (prepared for the PUC), but was never performed.

The next phase of the process will involve developing a best practices guideline for each department and a performance-measuring program, with follow-up progress reviews. This is estimated to cost approximately \$100,000, to be initiated in the second half of FY 2010. This was also recommended by the Vista 1994 study.

These estimates were provided in discussions with several firms that provide expert services for these types of studies.

The asset management program is being investigated at the present time. An asset management system is designed to identify the costs of preventative maintenance vs. replacement costs for all water utility assets, and helps identify performance levels of service by the Board and stakeholders (City, customers, PUC, bondholders). It also assists management define the requirements of a cost based preventative maintenance program, considering the criticality of each asset. Providence Water is planning an IFR program of over \$300 million for the next 20 years. Targeted replacements vs. renovation vs. maintenance strategies would insure the strategic use of the funding. For example, main replacements in the downtown area of Providence are now estimated to be \$350/ft. Identification of the condition of the mains and valves, maintenance information, water quality, etc, would help target areas of replacement vs. cleaning and lining, which could save millions of dollars.

Although Providence Water has most of the assets defined in the Hansen program, it is not used for analysis of the asset. A basic maintenance program would help target planned routine maintenance. However, a program that included the condition of the equipment or asset, available redundancy, and the criticality of the asset would allow a managed maintenance/replacement program based on cost alternatives for the level of performance required.

At this time, based on information I have obtained, the costs of starting up a program are at least \$150,000 per year. Initially, a consultant would be hired to help define the program as identified by the AwwaRF study Asset Management Planning and Reporting Options for Water Utilities (see Question #3): for asset management options, useful performance measures, benefits and costs of the options, value of the information provided, data development and maintenance requirements, and recommendations on realistic strategies.

The City of Portland, OR, set up an asset management program beginning about \$200,000 per year. (Portland is a similar system to Providence Water, with about an 800,000 population service area: one-half retail, one-half wholesale.) Their present asset management program costs \$500,000 per year to operate, with an estimated savings of \$2.5 million per year. The program was ramped up as it showed a significant savings in operations and infrastructure replacement.¹ (Note: City of Portland is a considerably newer system than Providence Water. A Providence Water asset management program will be more difficult to set up and operate, but is expected to be more valuable due to the age of the assets.)

¹ Jeff Leighton, Sr. Engineer, City of Portland Water Bureau, 1120 SW 5th Ave, Ste 600, Portland, OR 97204-1926

The Narragansett Bay Commission began an asset management program in 2005. They implemented a four-phase approach, with the first phase costing \$160,000. The following three phases cost from \$180,000 to \$350,000 per phase, for a total of approximately \$1,000,000. The project, awarded to CDM Engineers, is in its final stage of completion.

A separate engineering firm, that provides asset management services, provided me information similar to the NBC program: expect to allow about four years for the program; and for budget purposes to spend approximately \$150,000 to \$200,000 in the first year of the program, with an estimate of \$300,000 per year the following years.

The asset management program is proposed to be initiated in the first half of FY2011 and continue thereafter.

PROVIDENCE WATER
Docket No. 4061

Data Requests of the
Division of Public Utilities & Carriers
Set I

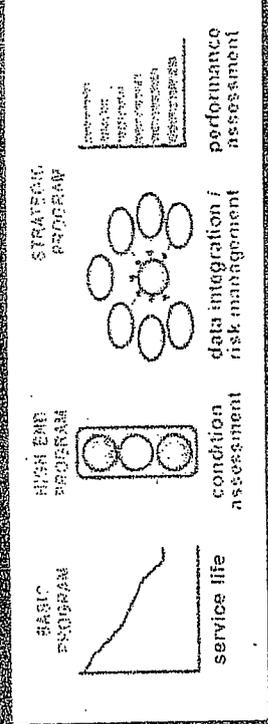
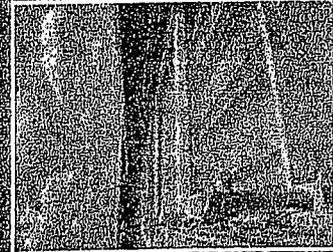
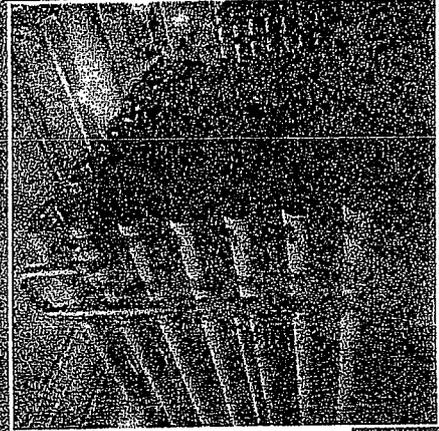
3. Please provide supporting documentation or otherwise explain for what the \$150,000 included in the rate year for strategic planning efforts as noted on page 11 of Mr. Smith's testimony will be used.

Response:

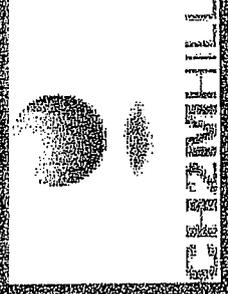
- a. See response to question #2
- b. Attached is information on the development of an asset Management Program:
 1. Asset management Planning and Reporting Options For Water Utilities, AwwaRF, Project 2848, 2006, Report Summary
 2. Asset management Planning and Reporting Options For Water Utilities, AwwaRF, Project 2848, 2006, Chapter 9: Findings, ppg 93-110.
 3. Future Directions in Asset Management and Reporting, Mike Matichich, AwwaRF Technology Transfer Conference, 2006, powerpoint presentation slides 15-19, based on AwwaRF project 2848. These slides illustrate the impact of the various levels of asset management on investment decisions.

Response prepared by: P.M. Marchand

**Future Directions in Asset Management
Planning and Reporting
Mike Matichich
CH2M HILL Technology Lead - Financial Services**



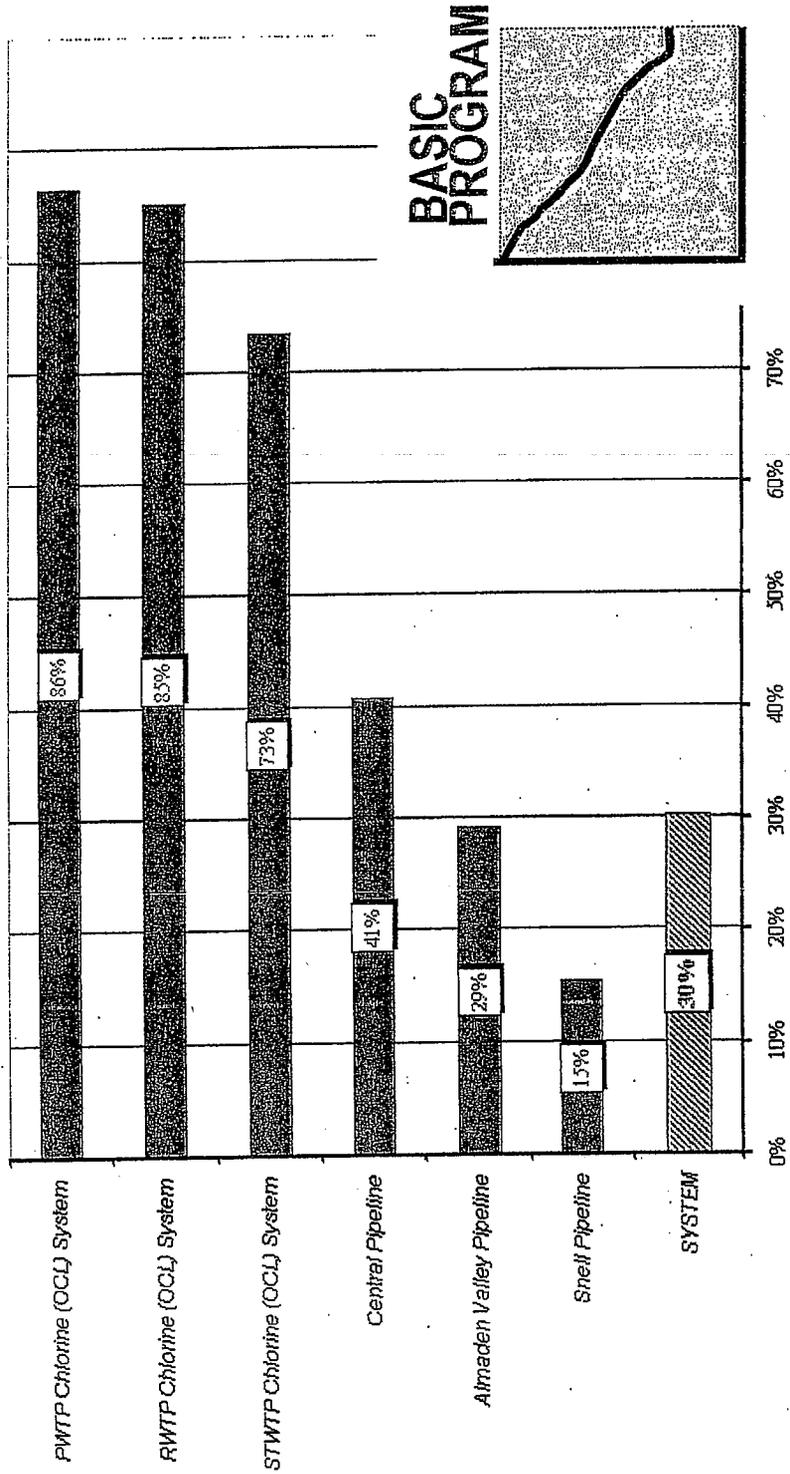
**AwwaRF Technology Transfer Conference
Portland, Oregon
March 28, 2006**



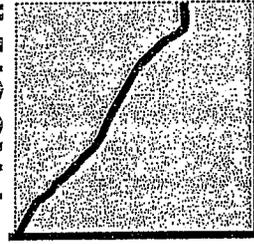
The Basic Option guides investment decisions based on service life concepts

CLOSE

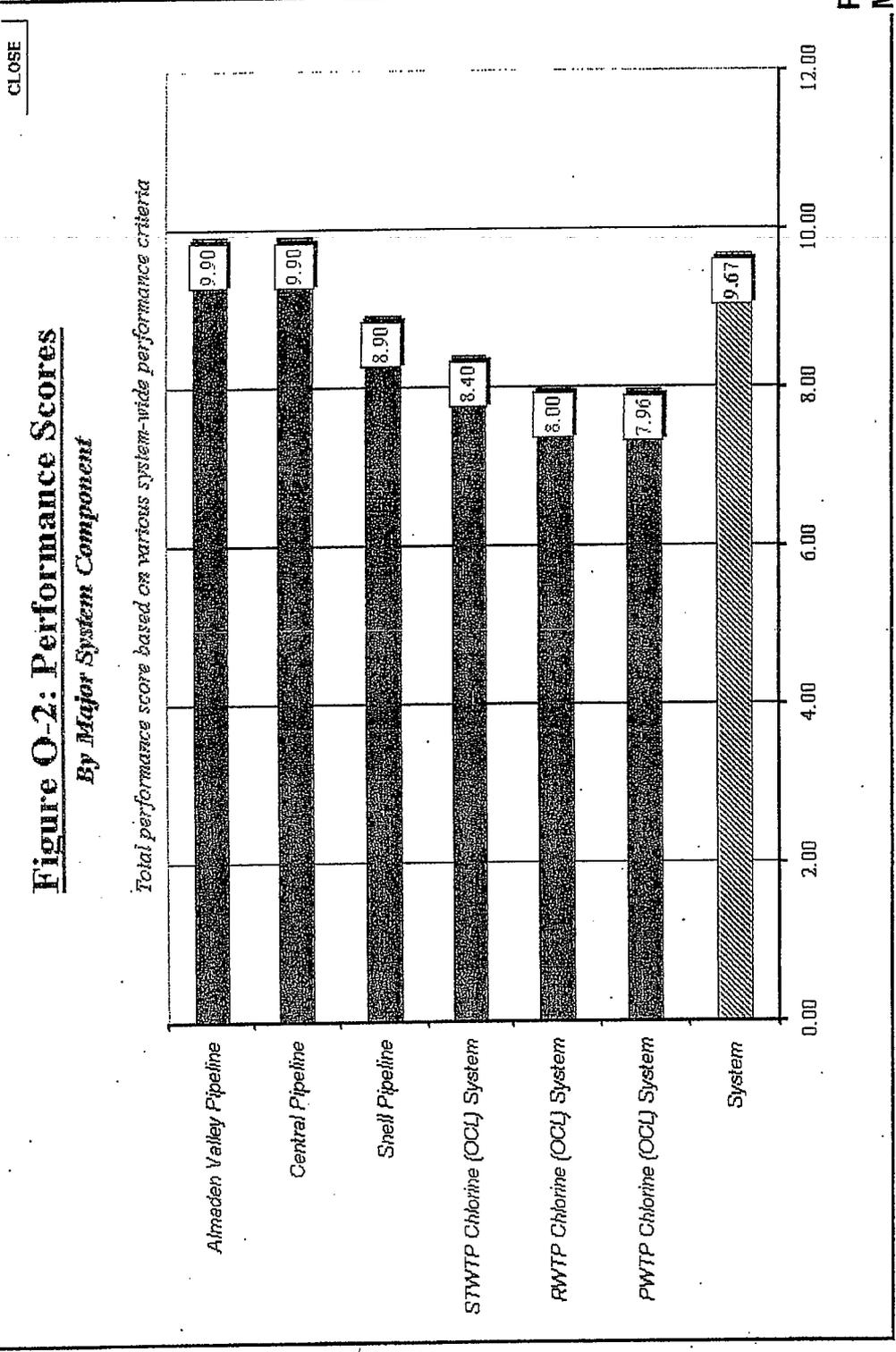
Figure O-1: Service Life Used
By Major System Component



BASIC PROGRAM



The High-End Option uses weighted performance measures to identify asset most needing attention



The utilities were encouraged to customize weighting and scaling of performance measures, if appropriate

Asset Management Planning and Reporting Options (AMPRO)
 Santa Clara Valley Water District

Assumptions, Condition Rating Framework, and Performance Criteria

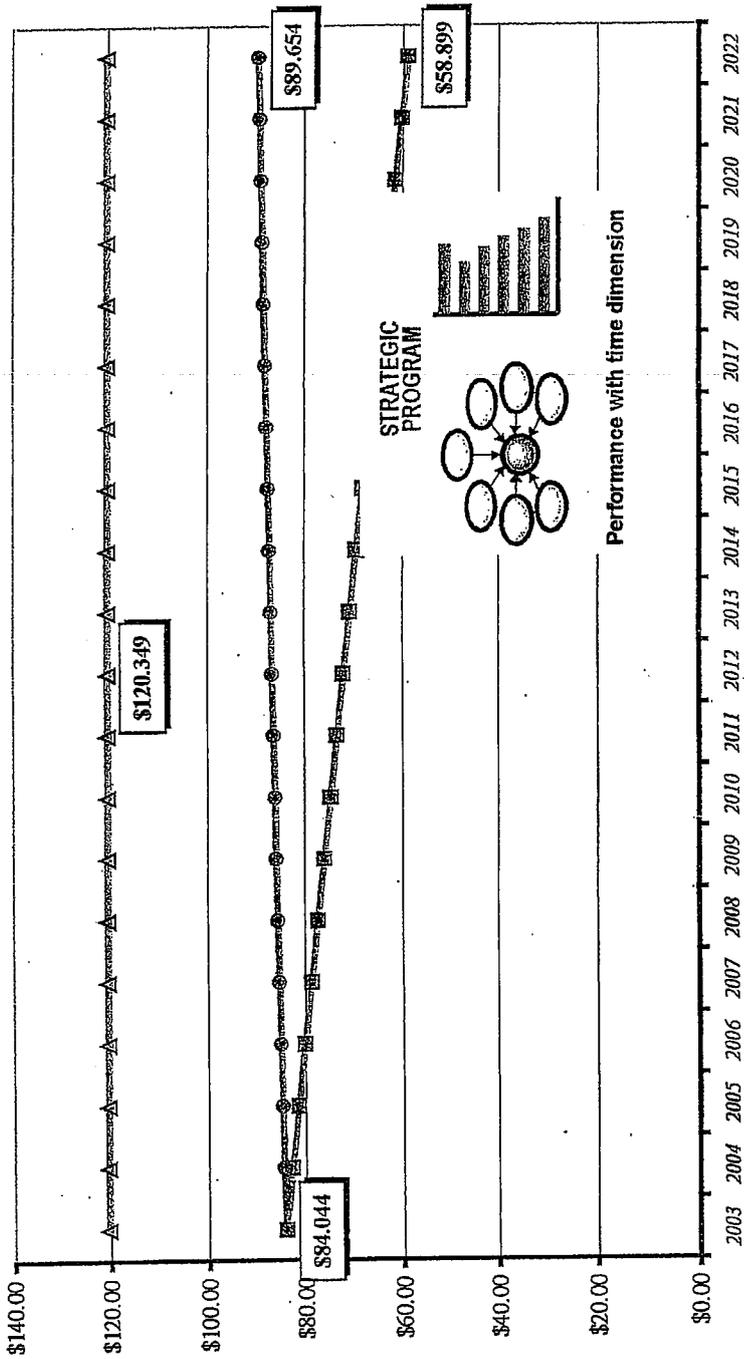
| GENERAL ASSUMPTIONS | | |
|---------------------|------------------------|--------|
| Model Year | Asset Condition Rating | Scores |
| 2003 | Poor | 0.0 |
| Escalation | Good | 6.5 |
| Calculation Check | Excellent | 9.0 |
| | | 10.0 |

| PERFORMANCE CRITERIA & EMPHASIS | | |
|---------------------------------|---|----------------------------|
| Critical Weights | ADJUST Performance Scales | CLOSE Performance Scales |
| Distribution | * Partners can customize the scoring and relative weighting of each criterion | For Every Deduct X |
| 0.30 | Service Reliability - Interruptions | 1 3 |
| | Number of Unplanned Service Interruptions | |
| Plant | Service Reliability - Main Breaks | Main Breaks Per Mile Score |
| 0.30 | Number of Main Breaks per Mile | 0.00 0.00 10 |
| | | 0.01 0.05 9 |
| | | 0.06 0.10 5 |
| | | 0.11 0.13 3 |
| | | 0.14 MAX 0 |
| 0.15 | Water Quality | For Every Deduct X |
| | Number of Violations, Internal Standards | 1 4 |

The Strategic Option identifies the impact of various investment options on system value

Figure O-4: Projected System Value
(Millions of Dollars)

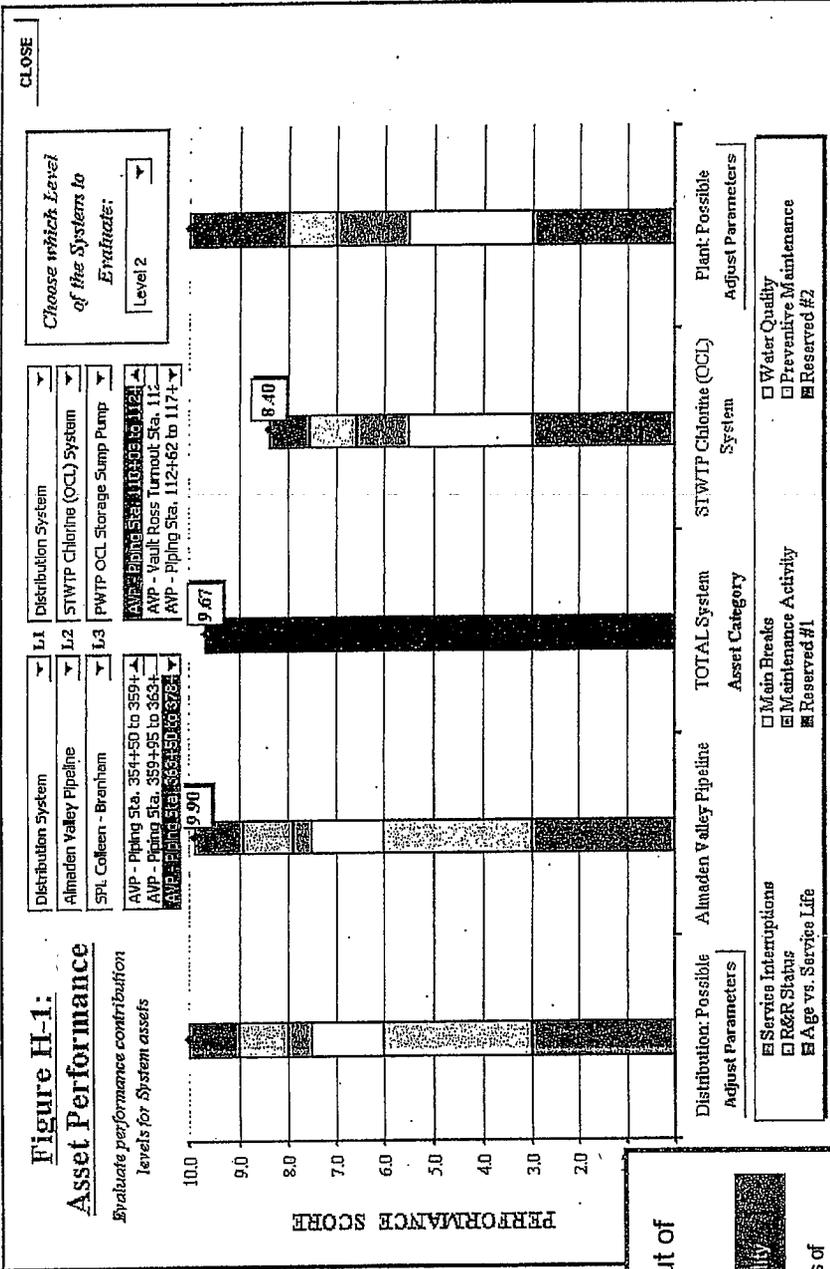
Demonstrates impact of proposed capital and R&R programs on net system value



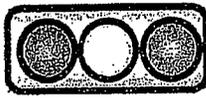
▲ Replacement Value (New) ■ Replacement Value Remaining (current Program) ● Replacement Value Remaining (proposed Program)

Behind the more simplified graphics is a series of more detailed, management-oriented tables and figures.

Figure H-1:
Asset Performance
Evaluate performance contribution levels for System assets



HIGH-END PROGRAM



Performance Measurement

Performance measures selected out of 50 candidate measures

- No. of unplanned Service interruptions
- No. of main breaks/length of pipe (mile)
- Level of Maint. Activity
- Preventative Maint. (Sched. completed)
- Age as a % of Service Life
- Violations of internal standards
- R&R Status (assets relined, rebuilt or protected)
- Quality

Attachments Div 1-3

Asset Management Planning and Reporting Options for Water Utilities

Prepared by:

Mike Matichich, Ron Booth, John Rogers, Eric Rothstein, Elisa Speranza,
Cody Stanger, and Ed Wagner

CH2M HILL

13921 Park Center Road, Suite 600, Herndon, VA 20171

and

Paul Gruenwald

American Appraisal Associates

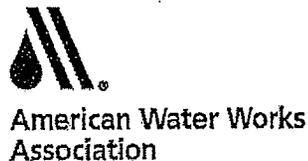
411 East Wisconsin Avenue, Suite 1900, Milwaukee, WI 53201

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Awwa Research Foundation

6666 West Quincy Avenue, Denver, CO 80235-3098

Published by:



CHAPTER 9 FINDINGS

Given the diverse nature of the technical and management studies conducted as part of this project, there are findings in a number of areas:

- Overall value of the asset management options studied
- Overall value of performance measures studied
- Data management challenges
- Cultural and organizational challenges increase for higher-end options
- Added value often validates movement toward high-end and strategic options.
- Strategic use of data hierarchies
- There are many relevant stakeholder groups, many with specialized communication needs

Research team and participating utilities' overall findings are discussed below. Where appropriate, findings from the scorecards completed by the utility participants and comments from letters of comment developed by the participating utilities. The individual scorecards completed by each utility participant and the letters of comment in full are included in the appendix.

OVERALL VALUE OF ASSET MANAGEMENT OPTIONS STUDIED

A key finding of the study is that all three of the asset management options studied provide, when compared with no action, substantial value in addressing the needs of managers and for stakeholder outreach. On a five-point scale, in which 1 represents not very valuable, 3 represents somewhat valuable, and 5 represents very valuable, the participating utilities rated the basic option 3.3 for plant assets and 3.5 for distribution system assets. The high-end option was rated 3.8 for plant assets and 4.0 for distribution system assets, whereas the strategic option was rated 4.0 for both plant and distribution system assets.

The basic option provides information that can be used to define overall renewal and replacement needs. During project workshops, many of the utilities indicated that this level of information is a very useful starting point in moving from underfunded asset management programs to programs that provide for adequate resources. Particularly in the early years of an asset management program, this level of information may be adequate to guide financial commitments, as there are often easily identifiable projects that should be executed, which can be justified and supported by setting aside the funds identified as the target renewal and replacement investments. Several of the utility participants also commented that, because most of the information to implement this option is fairly accessible, this option could be a good starting point for utilities that currently don't have an organized asset management program. Key limitations mentioned by some of the utility participants for this option are the challenges in determining appropriate service lives and the lack of consideration of asset criticality/significance in the analysis framework.

The high-end and strategic options provide substantial additional insight into the assets that should be targeted for action. When appropriate performance measures are identified and

prioritized, the research team and utility participants found substantial additional benefit in implementing these types of asset management options. As the "low-hanging fruit" projects that may be implemented during the initial years of an asset management program are completed, the asset-specific performance and condition information available through the high-end and strategic options was found to provide substantial additional value to aid management decision-making, and making the case to stakeholder groups.

The high-end option was seen by some of the utility participants as particularly useful in setting the appropriate asset renewal strategy for many assets (e.g., groups of assets within a single geography) and as an indicator of condition. The strategic option was rated somewhat higher than the high-end option. Several of the participants mentioned as the basis for this difference the fact that the strategic option enabled dynamic funding evaluation.

The substantial data requirements for both the high-end and strategic options were cited as important considerations that need to be taken into account when one decides on an implementation strategy, both in terms of timing and the level of detail at which these options would be implemented.

OVERALL VALUE OF PERFORMANCE MEASURES STUDIED

Value of Commonly Studied Measures

Overall, the study team found the use of prioritized performance measures to be a valuable way to characterize assets and guide renewal and replacement investments. The ability to set system-specific weights to the performance criteria and the ability to set system-specific scales in assigning value points were viewed as useful features that helped to address likely decision-maker and stakeholder interests more directly. More than half of the participating utilities took advantage of these features by assigning customized weights or scales for their systems. In his appended letter of comment, the San Francisco Public Utilities Commission's Finance Rate Administrator William Laws explained the basis for weighting some measures in relation to access to reliable information and system priorities:

The Public Utilities Commission gave greater weighting to the criteria that were currently measured or considered easy to measure. The service factors important to the Public Utilities Commission's customers are water quality and service reliability. Consequently, those factors together with scheduling and performing preventive maintenance and age versus service life received the majority of the weighting.

Clifford Jamile, Manager and Chief Engineer of the Honolulu Board of Water Supply, explains in his appended letter of comment that,

In moving forward with full implementation of an asset management program, I am certain that we would customize and adapt the weightings and scaling factors to reflect our actual experience in working with our assets, and by observing the results of several rounds of analysis using a decision-support tool.

As detailed in Chapter 2 (methods), the study team selected seven out of approximately 50 candidate performance measures for common study based on perceived value and likely access to information to populate the data sets within the several-month period allowed for data development during the project. Midway through the project, several of the performance measures were redefined. This was done in some cases to provide additional clarity in how information was categorized and in others to improve the value of the measures on the basis of the review of preliminary rounds of output information. Based on the final set of seven commonly studied performance measures, the service reliability measures for both distribution system and plant assets were deemed by the participating utilities to be among the most valuable as aids to management decision-making regarding which asset management strategies to recommend to the utility-governing boards and stakeholder groups. Below is the participating utilities' average ranking of the performance measures on a five-point scale, with 5 representing maximum value¹:

| | |
|---|-----|
| Service reliability-main breaks (distribution system) | 4.4 |
| Service reliability-interruptions (plant) | 4.3 |
| Maintenance activity (plant) | 4.3 |
| Age vs. service life (distribution system) | 4.0 |
| Maintenance activity (distribution system) | 3.9 |
| Water quality (plant) | 3.8 |
| Preventive maintenance (plant) | 3.8 |
| Age vs. service life (plant) | 3.8 |
| Water quality (distribution system) | 3.7 |
| Service reliability-interruptions (distribution system) | 3.5 |
| R&R status (distribution system) | 2.8 |
| R&R status (plant) | 2.7 |
| Preventive maintenance (distribution system) | 2.6 |

As seen in the ranking above, the R&R status measures and the preventive maintenance measure for the distribution system were ranked the least valuable as aids to management decision making. Several of the letters of comment developed for the project explain some of the differences in the rankings of the performance measures for plant and pipe assets. For example, in her appended letter of comment, Christine Meyer, Information Services Manager for Saint Paul Regional Water Services explains different rankings for the "Service Reliability—Interruptions" measure: "For the collected data of this study, SPRWS felt this performance measure is much more applicable to Plant assets and that the scoring emphasis should reflect this. Plant processes are redundant and unplanned interruptions do not have serious impact on service reliability."

In terms of value in making the case to utility governing boards and stakeholder groups, several of the performance measures rank very highly. As shown in the ranking below, seven of the measures ranked above 4.0 on a five-point scale, with service reliability, water quality, and age vs. service life measures all ranking above 4.0. The measures deemed of least value in

¹ The listing shown here is the average (mean) rating by the utilities that rated these measures. For most of the performance measures, there were at least some ratings as low as '1' or '2', and some as high as '4' or '5'; the same is true for the other lists of average ratings reported later in this chapter. The specific ratings of each measure by each of the utilities were recorded on scorecards that are included in the Appendix; interested readers can therefore review the ratings of specific performance measures by individual utilities by reviewing the scorecards.

making the case to stakeholders and utility-governing boards are the R&R status and preventive maintenance measures.

| | |
|---|-----|
| Service reliability—main breaks (distribution system) | 4.8 |
| Water quality (distribution system) | 4.5 |
| Age vs. service life (distribution system) | 4.4 |
| Service reliability—interruptions (plant) | 4.3 |
| Service reliability—interruptions (distribution system) | 4.3 |
| Water quality (plant) | 4.2 |
| Age vs. service life (plant) | 4.2 |
| Maintenance activity (plant) | 3.5 |
| Maintenance activity (distribution system) | 3.5 |
| R&R status (plant) | 2.9 |
| Preventive maintenance (plant) | 2.9 |
| Preventive maintenance (distribution system) | 2.9 |
| R&R status (distribution system) | 2.8 |

A number of the participating utilities cited stakeholder interest as very important when decided which performance measures are most useful. For example, in his appended letter of comment, James Spacek, Director of Public Utilities for Portsmouth, Virginia's Department of Public Utilities says:

The performance measures believed to have the most value are directly related to stakeholders and therefore have high (and generally immediate) value. For example, we've rated water quality and service reliability, particularly at the water treatment plant, as very valuable. Our perception is that this will be both immediately noticeable and could immediately impact the health and welfare of our customers.

Several of the participants commented directly on the reasons that some measures ranked differently for stakeholder outreach than for other purposes. For example, Clifford Jamile, Manager and Chief Engineer of the Honolulu Board of Water supply, indicated in his appended letter of comment that

In our view, the maintenance activity and preventive maintenance measures, while very valuable for management decision-making, are of somewhat lesser value in stakeholder communications; these particular measures are probably not of as much interest to a lay audience as some of the other measures, such as service interruptions and water quality violations.

Additional Measures of Value

A few of the participating utilities gathered information for supplemental measures for inclusion in their data sets for the high-end and the strategic options. Several were found by the utilities studying them to add substantial value to the analysis:

- **Hydraulic Performance**—Toronto included a measure of hydraulic performance in its data set that was found to provide additional insights when considering which

segments of the distribution system should be targeted for renewal or replacement action. Many of the participants thought that such a measure would be valuable. Such a measure was not included in the commonly studied measures because most of the participating utilities did not have access to such information. In his assessment of the usefulness of this measure, Michael D'Andrea, Manager of Infrastructure Asset Management for Toronto, indicates in his appended letter of comment that "With further refinement in the approach, and coupled with watermain break rates, it could be used to determine whether a pipe segment should be rehabilitated (e.g., cleaned and lined and cathodically protected) or replaced/upgraded."

- **Criticality**—Seattle, Toronto, and Ottawa included a measure of criticality in their evaluations. These measures assign a score that takes into consideration what happens if the use of an asset or asset group is lost and the consequences of asset failure. The participants who included such measures found that they provided useful additional information when targeting assets for action in the high-end and strategic options. Many of the other participants also thought that a criticality measure would be valuable. Such a measure was not included in the commonly studied measures because most of the participating utilities did not have access to such information. In her appended letter of comment, Liz Kelly, Director of Seattle Public Utilities' Strategic Operations Division, offers the following assessment on the importance of this measure:

Criticality information is of particular importance to SPU....At SPU, we rate the criticality of each asset on a one to ten scale—higher numbers on the scale indicate that failure of the asset would have immediate impact to public health and safety, or it is critical to the operation of the system.

DATA MANAGEMENT CHALLENGES

At the outset, it was anticipated that there would be significant challenges in collecting information required to support the asset management options being studied. This was due in part because the required information, particularly that needed to support the high-end and strategic options, is, if stored electronically, often stored in separate databases that include the utility's fixed asset database, computerized maintenance management system, budget and financial recording systems, geographic information systems, and other free-standing databases and spreadsheet files. Thus the target data file was limited to 1,000 records in order to provide some boundaries to the data-gathering efforts within the project schedule.

The data management challenges proved even more significant than what had been anticipated at the outset of the project. During the first project workshop, when the options for study were selected and performance measures defined, a third of the participating utilities indicated that they would likely have fairly easy access to most of the identified information in electronic formats. The rest of the participants anticipated challenges in gathering at least some of the financial and performance information identified for study. Over the course of the project, almost all of the participating utilities encountered substantial data management challenges for at least some of the required input data. On average, each of the participating utilities spent approximately 200 hours developing their input data files and contributing to the development of

the options and performance measures through their participation in workshop meetings, conference calls, and related activities. Typical of the data management challenges encountered by the participating utilities is this example from the appended letter of comment from William Laws, Rate Administrator at the San Francisco Public Utilities Commission:

The Public Utilities Commission does not currently link its asset registry to its computerized maintenance management system. Both systems were developed as stand-alone systems and data currency is not maintained between the two systems. Considerable effort was required to match the performance data in the computerized maintenance management system to financial data in the asset registry.

Overall, the participating utilities assigned a score of approximately 3 to the difficulty in integrating data across multiple databases for their assets (with 1 being very difficult and 5 not very difficult). In terms of data management challenges for the three asset management options, the challenges associated with the high-end and strategic options were found by the participating utilities to be significantly greater than those associated with the basic option:

- For plant assets, data management challenges associated with the basic option were rated 3.9 on a five-point scale (with 1 defined as very challenging, 3 defined as somewhat challenging, and 5 defined as not overly challenging). The data management challenges associated with plant assets for the high-end option were rated 2.8, whereas those for the strategic option were rated 2.4.
- For distribution system assets, data management challenges associated with the basic option were rated 4.2 on the same scale. The data management challenges associated with distribution system assets for the high-end option were rated 2.5, whereas those for the strategic option were rated 2.1.

In her appended letter of comment, Christine Meyer, Information Services Manager at Saint Paul Regional Water Services, describes some of the specific challenges encountered when populating the data sets for the project, such as:

...I learned that maintenance or replacement of hydrants could also involve possible maintenance or replacement of valves and that the cost information was commingled for these two asset types. Through interviews with distribution foremen, I was able to manually separate out the labor and materials associated with this activity.

In terms of difficulty to obtain information about the specific performance measures studied, the R&R status information and preventive maintenance information for plants was deemed the most difficult. Those measures were rated 2.8 on a five-point scale, in which 1 represents very difficult, 3 represents somewhat difficult, and 5 represents not very difficult. As shown in the listing below, the measures deemed least difficult to obtain are service reliability (main breaks) and water quality violations for both plant and distribution system assets.

| | |
|---|-----|
| Service reliability—main breaks (distribution system) | 4.4 |
| Water quality (plant) | 4.3 |
| Water quality (distribution system) | 3.8 |
| Age vs. service life (distribution system) | 3.7 |
| Service reliability—interruptions (plant) | 3.3 |
| Maintenance activity (plant) | 3.1 |
| Service reliability—interruptions (distribution system) | 3.0 |
| Preventive maintenance (distribution system) | 3.0 |
| Age vs. service life (plant) | 3.0 |
| Maintenance activity (distribution system) | 2.9 |
| R&R status (distribution system) | 2.8 |
| Preventive maintenance (plant) | 2.8 |
| R&R status (plant) | 2.8 |

Some specific points made by the participating utilities related to data gathering and management issues discovered through the conduct of this research project include:

- Some participants identified the need to refine, revise, or improve the quality of data in several existing databases and other electronic data sources (CMMS systems, GIS systems, fixed asset records).
- Some participants identified the need to recode water quality data in order to use it properly.
- Several participants identified the need to change the way that they collect and manage financial information. In some cases, original cost information was not available at the detail needed for asset management analysis. In other cases, historical expenditures on renewal and replacement were not broken down by asset groups, or identifying whether expenditures were reactive or preventive in nature was difficult.
- Several participants found that it was difficult to estimate useful service lives for their systems with reliability, because actual service histories are not being recorded in a way that could be used to inform future planning and decision-making. For example, one participant indicated that there was an absence of “run-time” data, making it difficult to make informed decisions on system replacement needs.
- Some participants found surprising gaps in the consistency of information (e.g., information was relatively complete in some geographic areas, but there was substantial, unexpected gaps in other geographic areas).

CULTURAL AND ORGANIZATIONAL CHALLENGES INCREASE FOR HIGHER-END OPTIONS

The participating utilities were also asked to evaluate the degree to which implementing the three asset management options would pose organizational and cultural challenges within their respective organizations. This evaluation was done on a five-point scale in which 1 designates many anticipated challenges, 3 designates some anticipated challenges, and 5 designates few anticipated challenges.

The basic option—which is based on useful life concepts that are extensions of the depreciation analyses conducted by many utilities as part of their fixed asset reporting and

financial statements—was viewed as posing the fewest cultural and organizational challenges. Some of the participating utilities, such as Portsmouth, Virginia, currently employ asset management approaches and systems that emulate most aspects of the basic option. For these utilities, there would be very little in the way of organizational or cultural challenges in implementing the basic option. Overall, the participating utilities rated the basic option 3.9 for plant assets and 4.1 for distribution system assets in terms of the degree of cultural and organizational challenges.

The high-end and strategic options were rated as having much more substantial organizational and cultural challenges. This is not surprising, because most utilities do not currently employ asset management systems based on performance measures. In addition to addressing the substantial data-gathering and data integration requirements to implement these options, many of the utility representatives indicated that the transition to a culture in which performance measures are weighted, routinely tracked, and relied upon as a significant element in project decision-making would represent a substantial change from current practices. Overall, the high-end option was rated 2.8 for plant assets and 2.9 for distribution system assets. The strategic option was rated even more challenging than the high-end option (2.4 for plant assets and 2.3 for distribution system assets).

Despite the substantial organizational and cultural challenges identified, particularly for the high-end and strategic options, the participating utilities saw evidence that diverse groups within their utilities were prepared to work together to implement more-sophisticated asset management programs if useful results could be proven. Some participants mentioned that a cadre of people across organizational lines worked closely together to produce the input information required for the project and indicated that they would be willing to make compromises to realize an enterprise solution rather than to continue to work as separated niche operations. Some participants mentioned that support for enhancing asset data and planning in their organizations has “bubbled up” from the grass roots of the organization, with staff having made the case to senior management of the need to secure resources to enhance these efforts.

ADDED VALUE OFTEN VALIDATES MOVEMENT TOWARD HIGH-END AND STRATEGIC OPTIONS

The value of moving toward the high-end and strategic options depends on a variety of factors, including the complexity of the assets and the number of variables considered important in a utility’s decision-making environment. In some cases, participating utility representatives indicated that the high-level information regarding renewal and replacement funding needs produced by the basic option would be considered a sufficient basis to support funding by the governing bodies and stakeholder groups. In other cases, the representatives indicated that their governing boards would expect information such as that produced by the high-end or strategic options before R&R budgets would be approved.

Through their efforts to populate the 1,000-record data sets developed for this project, the participating utilities were well aware of the substantial additional data-gathering and management challenges associated with implementing the High-end and strategic options compared with those associated with the basic option. But most of the participants found sufficient value in the additional information produced by the high-end and strategic options to merit movement in the direction of those options. When asked, “What level of planning are you going to implement?” 80 percent of the participants indicated plans to implement either the high-

end option or the strategic option for distribution system assets, whereas 89 percent indicated plans to implement the high-end option or the strategic option for plant assets.

The comments from the Pittsburgh Water and Sewer Authority's Finance Director, Kelly Sikorski about the overall importance of asset management, in her appended letter of comment, illustrate why a number of the participating utilities have indicated a willingness to undertake the additional efforts to implement high-end or strategic options:

Asset management is a structured business process intended to minimize the cost of asset ownership, improve service reliability, and prolong the life of infrastructure systems, enabling the organization to provide for current and future customers. With all the challenges facing water utilities today, asset management provides the tools necessary for the utility to manage its way through.

Factors such as the availability and complexity of system data and the number of stakeholder groups and their specific information needs strongly influence whether it is appropriate to undertake the additional data development and maintenance required to support the high end and strategic options. For example:

- Clifford Jamile, Manager and Chief Engineer for the Honolulu Board of Water Supply, concluded in his appended letter of comment that "Since we have implemented most critical-need projects identified through our previous asset management efforts, we find substantial value in the capabilities of the strategic option to help identify the next tier of renewal and replacement projects for attention. As such, in our case it is worth the additional data development costs to have the benefit of the outputs of the strategic option."
- James Spacek, Director of the Portsmouth, Virginia, Department of Public Utilities, concluded in his appended letter of comment that "The City of Portsmouth has adopted the 'basic option' approach for its utility systems.... Both the 'high-end' and 'strategic' options have compelling potential benefits, but for our situation, the cost and complexity seem to represent an effort with somewhat diminished benefit in our case."

Most Useful Tables for Management Decision-Making

The participants also rated the usefulness of the specific sample outputs shown in Chapter 3 and in the appendix for each participating utility for both management decision-making, and for making the case for appropriate R&R budgets to governing boards and stakeholder groups. For management decision-making, Table S-1, the platform that enables multiyear capital expenditure and R&R planning across individual assets, was deemed the most useful output. This table allows the user to renew or replace combinations of assets (e.g., all assets with performance ratings below an identified score) and to fund designated percentages of the target renewal and rehabilitation funding in each year. For plant assets, this table was rated a score of 4.4 out of 5, with 5 representing very valuable and 1 representing not very valuable. This table was also rated the most valuable output table for distribution system assets, with a score of 3.9 on the five-point scale. For plant assets, all of the tables received ratings of at least 3.0, which represents somewhat valuable. For distribution system assets, a few of the tables received

average ratings lower than 3.0, including Table B-3 (Replacement Cost and Asset Value) and Table B-2 (Target R&R).

Most Useful Graphics for Management Decision-Making

Of the technical study graphics, Figure S-1, the strategic option figure that shows the impact of renewal and replacement strategies on system value, was rated the most useful. This figure received a rating of 3.7 on a five-point scale for both plant and distribution system assets. For plant assets, all of the sample figures received a rating of at least 3.0 on the five-point scale regarding value for management decision-making. For distribution system assets, all of the sample figures received ratings of at least 3.0, except for Figure B-2 (Maintenance Activity), which received an average rating of 2.6.

Several of the sample outreach graphics also were rated highly as aids to management decision-making. Figure O-4 (Projected System Value) received a rating of 4.0 for plant assets and 3.9 for distribution system assets. Figure O-3 (Asset Condition Rating) also received high scores as an aid to management decision-making.

Most Useful Tables for Stakeholder Outreach

Most of the tables developed to support the asset management options are intended primarily to support the data development and management decision-making process. In most cases, the tables are more detailed than the information that would be expected to be used in making the case for support to decision-making bodies and stakeholder groups. It is therefore not surprising that most of the tables received fairly low ratings vis-à-vis their usefulness for stakeholder outreach. All but one of the tables were rated lower than 3.0 (somewhat valuable) for this purpose. The only table rated higher than 3.0 for stakeholder outreach is Table B-1 (Service Life Used).

Most Useful Graphics for Stakeholder Outreach

Four examples of outreach graphics were developed to illustrate the kinds of outputs that might be useful in communicating the results of the asset management options to stakeholder groups. These four graphics were not intended to represent the diverse range of outputs that might be needed, given different stakeholder and decision-making environments. Of the four sample outreach graphics, Figure O-4 (Projected System Value) was deemed the most valuable for stakeholder outreach for both plant and distribution system assets. This figure received an average rating of 4.3 for distribution system assets and 4.2 for plant assets. Figure O-3 (Asset Condition Rating) also received strong marks, with an average rating of 4.0 for both plant and distribution system assets. All of the outreach graphics received ratings of at least 3.0 in terms of usefulness for stakeholder outreach.

Several of the more-technical graphics also received fairly high ratings for potential usefulness in making the case for appropriate R&R investments to stakeholder groups. While these figures may be considered too complex for communication with decision boards and stakeholder groups in some contexts, the relatively high ratings for some of these figures reflects that fact that some utility participants indicated that their governing boards and stakeholder groups would expect fairly specific technical information to support requests for R&R.

expenditures. The highest-rated figures of the technical study graphics for stakeholder outreach purposes are Figure S-1 (Net System Value) and Figure B-1 (Service Life Analysis), which received ratings of 3.8 or 3.9 on a five-point scale in terms of value for stakeholder outreach.

STRATEGIC USE OF DATA HIERARCHIES

The analyses conducted during this study bore out the principle that attention to strategic development of data hierarchies can add substantial value to asset management programs. In his appended letter of comment, Alan Zeisbrich, Senior Project Manager at the Santa Clara Valley Water District, indicates:

Without at doubt I would say the asset hierarchy is the most critical aspect as it establishes the foundation of any asset management program. Much of what an organization hopes to achieve through an AM business model depends on the thoughtfulness and care designed into the reporting tool hierarchy as it dictates the type and detail of the information the system will provide.

There are several specific benefits that were found to accrue through the development of optimized hierarchies, including:

- **Time Savings**—Several of the participating utilities initially developed asset hierarchies that coincided with the level of detail of information consistent with certain existing databases, such as GIS systems, CMMS systems, and fixed asset records. For example, the databases associated with GIS systems in some cases have length, diameter, and installation dates for very small segments of pipe that are only several feet in length. As the data development efforts for the project continued, a number of these participants found that it was very difficult to populate the performance measure information meaningfully for pipe segments of such small lengths. Where it was possible to populate the performance information under such circumstances, some of these participants found the effort to be very time-consuming. When the first round of preliminary outputs for the asset management options were presented to the utility participants midway through the project, many of the utility participants realized that there was limited value for asset management purposes in descending to the lowest-level assets in some of these data systems (GIS, CMMS, others) that were constructed to accomplish other purposes. In their scorecard ranking of the options and letters of comment, a number of the participants indicated that they anticipate future time savings in building out their asset management program by building asset hierarchies for asset management purposes that start at a somewhat higher level of organization than the level at which they initiated their efforts for the sample data sets used in this project.
- **Increased Value through Strategic Development**—As discussed more fully in Chapter 6 (Appropriate Data Hierarchies), there are a number of strategies that can be used in grouping assets in an asset management system (e.g., by location, by assets of similar function and size). The experience of the participating utilities demonstrates that there is no single approach that fits the needs of all water utility systems. The experience of the participating utilities showed that the selection of an asset hierarchy

should be guided by the planning, budgeting, and financing context of the system, and by how decision-makers and stakeholder groups prefer to see information organized in order to support the allocation of resources for renewal and replacement programs. For example, in some cases, it may make sense to group all assets of a certain type and size into CIP projects, regardless of where they are located (e.g., a valve replacement program that allocates funds throughout the system), while in other cases it may be advisable to group assets by geography (e.g., replacement of pipes of a certain age or performance history within a specified neighborhood or groups of neighborhoods). Based on input from the participating utilities, the selection of a strategy is system-specific and, in some cases, asset-type-specific. Several of the participants tested different strategies for portions of their data sets or revised their approach to asset organization midway through the project. Based on their evaluations and reviews, there is a strong sense that selecting an asset hierarchy that fits the budget, CIP, and stakeholder contexts results in substantial additional value for the asset management systems.

UTILITY WORKFORCE CHANGES INCREASE THE CHALLENGES IN IMPLEMENTING EFFECTIVE ASSET MANAGEMENT PROGRAMS

There has been much written in recent years on the subject of succession planning and the effect of a changing workforce on the overall operation of water utilities. During the workshop sessions on stakeholder and asset management planning conducted for this project, many of the utility participants identified repeated reorganizations, staff cutbacks, budget pressures, organizational chaos, and lack of succession planning as posing specific challenges in pursuing consistent progress in asset management.

In some cases, these staff transitions have meant the loss of credible spokespersons to the governing boards of the utilities, resulting in reduced financial support for the programs. In other cases, the transitions resulted in the loss of staff members with unique information about the systems that had not been passed on to others within the organization or into databases and data systems, slowing progress in staff development of recommendations. The anticipated retirement of many more senior utility staff members during the next 5 to 10 years, as the Baby-Boomer cohort ages, will pose additional challenges in this area, further increasing the importance of capturing and institutionalizing the insights and information of these senior staff members during the next several years while there is still an opportunity to do so.

THERE ARE MANY RELEVANT STAKEHOLDER GROUPS, MANY WITH SPECIALIZED COMMUNICATION NEEDS

During the past decade, managers of water and wastewater utilities have become increasingly aware of the need to communicate the necessity for renewal and replacement funding more effectively to their governing boards and stakeholder groups. Previous AwwaRF studies have helped to develop tables and graphics that have become part of these communications. For example, the "Nessie curves" developed in studies for both AwwaRF and AWWA and similar graphics have been used by some of the participating utilities to communicate the high-level impact of aging infrastructure on the funding requirements for their systems. The "Supplemental Participant Studies" section of the appendix contains an example of

a memorandum in which the City of Toronto uses these graphics to communicate the magnitude of future funding needs.

As detailed earlier in this section, the participating utilities were asked to evaluate the usefulness of the asset management options and of the specific sample outputs in communicating their systems' R&R needs to decision-making boards and stakeholder groups. To aid these evaluations, facilitated discussions at project workshop meetings were used to identify the specific stakeholder groups with an interest in asset management issues, and their specific information and communication needs. Many of the stakeholders identified by the utility participants are the "traditional" groups that have been mentioned frequently in recent years as the target groups whose support is needed to secure adequate funding for renewal and replacement programs. However, there were a number of surprises among the stakeholders identified—groups whose support is important in some situations but that are not necessarily thought of as target audiences for asset management information. The group discussions also produced some interesting insights regarding the different needs for information and preferred communication media for some stakeholder groups.

Several of the letters of comment address this issue. For example, in her appended letter of comment, Kelly Sikorski, Finance Director of the Pittsburgh Water and Sewer Authority, indicates that

the Authority, like all others, has various groups of stakeholders that can benefit from an asset management program. Direct management of Operations and Engineering, senior management, the Board of Directors, regulators, city politicians, the financial community, and customers can all be benefactors of an asset management program. The challenge is to generate the necessary information in formats that are useful for each distinct group.

In his appended letter of comment, David Evonuk, Project Manager at the Portland Bureau of Water, indicates that:

it is also important that the output tables, figures, and graphics be formatted to target various audiences including managers who prioritize which assets to spend money on, administrators and governing boards that choose which programs get funded, and the public to show that money is spent responsibly. In general it seems that detailed tables and figures are important in deciding how to allocate resources to assets, and that comparative figures and graphics are useful to gain support from governing boards and the public.

The remainder of this section identifies candidate stakeholder groups that were identified as important by the utility participants and some of the specific information and communication needs for these groups. The specific group of stakeholders whose support is critical in securing funding is context-specific. For example, in states where rate increases are directly regulated by public utilities commissions, preparing documentation of the R&R needs in a format in which the commission can support and approve the required revenues for the R&R program is likely a critical element of the communications program. In states where there is little or no direct regulation of rates, state agencies may not be significant stakeholders. Also, the best way to communicate with stakeholders is in a manner that is context-specific, depending on such factors

as the size of the system and the access stakeholders have to emerging communication media such as Websites and e-mail lists. However, based on insights gained by the participating utilities through discussions with their peers at the project workshops, readers of this report who are responsible for communicating the need for R&R funding may gain insights for targeting their communication programs by considering the range of stakeholders and communication considerations presented below. In addition, a number of the participating utilities addressed their specific stakeholder groups and related communication needs in their letters of comment, which are included in the appendix.

Stakeholder Groups Identified

The following list identifies stakeholder groups whose support was identified as important by at least one of the 11 participating utilities:

- 1) Governing Boards
- 2) Municipal Government, State and Provincial Leadership
 - a) Municipal Department Leadership and City Managers
 - b) Mayors and City Councilors
- 3) The Financial Community
 - a) Bondholders
 - b) Underwriters
 - c) Rating Agencies
- 4) Customers of the Utility System/the Media
 - a) Retail
 - b) Wholesale
 - c) Citizen Advisory Committees
- 5) Service Providers
- 6) Utility Employees
 - a) Executive Management
 - b) Operations Managers
 - c) Trade Supervisors
 - d) Maintenance Managers and Business Process Managers
 - e) Financial Planners
 - f) Risk Managers
 - g) General Employees

Communication Needs of Specific Stakeholder Groups

Utility Governing Boards

Several of the utility participants indicated that outputs such as those developed for the three asset management options studied provide the framework for increasing the understanding by water commissioners and other decision-makers of the need for increased attention to asset renewal and replacement. The governing boards' needs for information varied considerably among the utilities. In some cases, detailed information was required to support implementation

of both asset management data development programs and the actual R&R activities; in other cases, a strong reputation of trust, based on historical performance and carefully reasoned requests, resulted in limited need for detailed supporting information.

Municipal Government, State and Provincial Leadership

Several of the utility participants indicated that municipal, state, and provincial leadership can be important stakeholders to asset management programs. As detailed below, there may be special information and communication needs associated with these groups:

Municipal Departments Leadership (above Utility Department Managers) and City Managers—These groups need to understand the time and resources required to implement water system asset management. There are sometimes unrealistic expectations regarding the availability of information, because other sectors (e.g., transportation) may have established reporting and investment prioritization capabilities based on years of prior data collection and investment in decision-support systems. In some cases, senior management needs better appreciation of the complexity and detail of information required to support appropriate asset management decision-making. Key messages for this group need to include demonstration of the data gaps and reasons that decision-support resources are required, along with examples that illustrate the enhanced decision-making that will be possible with the additional information. Several of the utility participants pointed out that there is an intrinsic benefit in objective, consistent approaches to help justify investments and potential impacts on rates. However, imperatives of citywide programs impacting infrastructure, such as street paving, may take priority, thus highlighting the need to collaborate and integrate asset management work across all impacted systems.

Mayors and City Councilors—City councilors need better information on the magnitude of the renewal and replacement needs, and the problems that will occur if investments are not made. They need to understand that asset management provides the opportunity to achieve long-term financial stability and to avoid major headline events that occur when major assets fail. They need to understand impacts and benefits that accrue to their constituencies and neighborhoods, and also the impacts of a sound asset management program for the system as a whole. Key information needs for this group include outputs that convey what the needs are, associated service impacts, and rate implications. Another need is to show how asset management programs can help with financial reporting and compliance needs. For example, recently enacted Canadian legislation, the Sustainable Infrastructure Act, is somewhat like GASB 34 yet likely more stringent. It will require stamped and signed Renewal and Financing Plans. Helping councilors and local government leadership understand that asset management may be a vehicle for the development of requisite plans and compliance with such regulations provides added incentive for these stakeholders to support sound programs. Some of the studied performance measures deemed to be of likely interest to this group include age as a percent of service life, number of main breaks, unplanned interruptions, condition rating, and projected system value.

The Financial Community

The financial community (bondholders, underwriters, rating agencies) needs to see a demonstration that that utilities have a plan to effectively manage and maintain the major

infrastructure investments to be financed (and thereby their bond ratings). Some of the benefits of asset management programs that need to be communicated to this group include proper maintenance, regulatory compliance, management of funding demand over time, management of major risks, and not deferring costs. Key messages for this group include information that asset management will help ensure appropriate ongoing maintenance of built infrastructure, provide for sustainable facilities that can be supported with reasonable rates. Performance measures deemed to be of interest to this stakeholder group include age as a percent of service life, number of main breaks, unplanned interruptions, condition rating, projected system value, violation of internal standards, planned vs. reactive maintenance, and scheduled vs. completed maintenance.

Customers of the System/the Media

The project team identified several customer groups with whose support is important to the success of asset management programs, with sometimes varying information and communication needs:

Retail Customers—Need to be convinced of need to invest resources in proactive asset management, particularly in those situations where there are no major service problems (for example, relatively new systems). Some of the benefits of greatest interest to customers include low and stable costs and rates, reliable service, including quick response to service outages. Key Messages for this group include the information that shows that it is cheaper in the long term to conduct proactive renewal and replacement, and that even relatively new systems need to do asset management to preserve high quality services over time. Some of the performance measures deemed to be of greatest interest to customers include violations of internal standards and unplanned interruptions in service.

Wholesale Customers—Need to accept the level of unmet needs and prospective capital requirements into the rate base or other rate formulas that they will be paying. The key message for this group is that asset management provides a vehicle to identify, prioritize and report back on investments, and a vehicle for identifying investments that lead to overall, long-term efficiencies and supportable rates.

Service Providers

Service providers, such as engineers and construction managers who help to implement the identified and adopted renewal and replacement programs, can be important stakeholders to timely delivery and execution of the R&R programs. Some specific data needs of this stakeholder group were identified by the utility participants.

This group needs information on where the capital improvement program is headed and scheduling requirements to be prepared to support preliminary engineering and ensure ability to affect timely delivery. A key message for this group is that asset management programs provide timely, systematic information on prospective direction and focus of capital investments.

Employees of the Utility

Several groups within a utility organization have been identified as important stakeholders with special communication needs.

Executive Managers—Need to manage expectations regarding time required for

implementation of asset management and potential cost savings. Also needs justification for why, in spite of competing programs and limited resources, asset management should not be deferred until completion of strategic planning, CIP planning, and/or master planning projects. Key messages for this group include realistic information regarding the timing and resources required to collect detailed data over a wide array of assets, and that the likely outcome of analysis will not be a near-term determination of lower investment requirements. Rather, asset management will enable better distribution of investment to achieve greater benefit in the long-term. Another key message is that asset management may be done in parallel with other utility planning efforts and, in fact, will help improve the quality of these undertakings. Asset management will provide significant benefits in improving prioritization of R&R spending within the utility's CIP and may help avoid having capital spending be used to address O&M problems.

Operations Managers—Need to understand that outputs of asset management will help them manage their departments and divisions more effectively and efficiently. Key information needs include demonstrating that Operations personnel are already collecting 90 percent of required information and limited additional effort, combined with improved organization and management of the data, will yield substantial returns.

Trade Supervisors—Need to be able to effect greater control of work order dispatching to limit the sometimes helter skelter nature of current activities. Key messages for this group include illustrating how asset management can enable more effective approaches to identify and plan work order assignments, prioritize investments.

Maintenance Managers and Business Process Managers (Distribution, Treatment, Transmission System Managers)—Need to understand that outputs of asset management will enable them to perform responsibilities more efficiently and effectively. Key messages for this group include the fact that staff is often already collecting a lot of the information required to support asset management programs, but it is currently not stored and used in a manner that takes maximum advantage of the information. This group needs to be shown that the additional data collection that is required and systematic use of information will not be burdensome, and they need to see how the outputs created through the more advanced options can be useful in guiding their maintenance planning and in securing funding support for adequate levels of maintenance activity.

Financial Planners—Need to get better, more detailed information on R&R needs of utility systems and the associated rate implications. Key information needs for this group include demonstration of how asset management provides analytical support for R&R investment and helps prioritize across competing demands for limited resources.

Risk Managers—Need to understand how the prevailing risks in the system and utility's approach to risk mitigation or management are influenced by aging infrastructure and R&R policies. Key information needs for this group include demonstrations of how including risk assessment as part of the asset management program supports the overall risk management assessment needs of the system. Risk managers and staff responsible for developing and implementing asset management programs have mutual need for collaboration on data and strategies.

General Employees—Sometimes ignored as a stakeholder group, utility employees can be important points of outreach to their neighbors, relatives, and others in the community. Developing targeted communications through employee Websites, e-mail communications, and newsletters should not be ignored as an overall communication program is developed.

Elements of the Message

Based on the evaluations of the utility participants, the sample figures and tables developed as part of this research project can form an important part of the stakeholder communication messages related to asset management. Other elements of the message that were identified by the project team over the course of the project include the following:

- Pictures of failing assets or which illustrate asset condition
- Pipe samples (at public meetings)
- "Nessie" curves
- Statements of executive level policy guidance and goals
- Illustrations of levels of service options, and facilitated discussions to identify targets for a system
- Articles and other communications that publicize benefits to community of action (e.g., better service, support to economic development objectives, sustainability of the system)
- Return-on-investment analysis (benefit/cost)
- GIS (or just plain maps) showing condition, age, risk, possibly with links to hydraulic model

PROVIDENCE WATER Docket No. 4061
Data Requests Division Set I

Q. Div 1-4 With regard to property tax expense:

- a. Please explain the basis for assuming a 4.5 percent annual increase for Foster, Cranston, et al.
 - b. Please indicate when FY 2010 property tax assessments will be known.
 - c. In light of the filing of the signed tax settlement with Scituate with the Commission on May 14, 2009, should the property tax expense for Scituate be reduced to \$5,274,161? If not, explain what remaining steps are necessary.
- A.
- a. Please see attached copy of RIGL § 44-5-2 Maximum Levy. Providence Water used the 4.5% for FY 2010 and FY 2011. We should have used 4.75% for FY2010 and 4.5% for FY 2011, to determine the estimated CY 2010 amounts.
 - b. The FY 2010 property tax bills are usually received late June or during the month of July of each year, for the largest bills. Providence Water will supply the actual copies of the tax bills when received.
 - c. Yes. The property tax amount for Scituate should be reduced to \$5,274,161 for CY 2010.

TITLE 44

Taxation

CHAPTER 44-5

Levy and Assessment of Local Taxes

SECTION 44-5-2

§ 44-5-2 Maximum levy. – (a) Through and including its fiscal year 2007, a city or town may levy a tax in an amount not more than five and one-half percent (5.5%) in excess of the amount levied and certified by that city or town for the prior year. Through and including its fiscal year 2007, but in no fiscal year thereafter, the amount levied by a city or town is deemed to be consistent with the five and one-half percent (5.5%) levy growth cap if the tax rate is not more than one hundred and five and one-half percent (105.5%) of the prior year's tax rate and the budget resolution or ordinance, as applicable, specifies that the tax rate is not increasing by more than five and one-half percent (5.5%) except as specified in subsection (c) of this section. In all years when a revaluation or update is not being implemented, a tax rate is deemed to be one hundred five and one-half percent (105.5%) or less of the prior year's tax rate if the tax on a parcel of real property, the value of which is unchanged for purpose of taxation, is no more than one hundred five and one-half percent (105.5%) of the prior year's tax on the same parcel of real property. In any year through and including fiscal year 2007 when a revaluation or update is being implemented, the tax rate is deemed to be one hundred five and one-half percent (105.5%) of the prior year's tax rate as certified by the division of property valuation and municipal finance in the department of revenue.

(b) In its fiscal year 2008, a city or town may levy a tax in an amount not more than five and one-quarter percent (5.25%) in excess of the total amount levied and certified by that city or town for its fiscal year 2007. In its fiscal year 2009, a city or town may levy a tax in an amount not more than five percent (5%) in excess of the total amount levied and certified by that city or town for its fiscal year 2008. In its fiscal year 2010, a city or town may levy a tax in an amount not more than four and three-quarters percent (4.75%) in excess of the total amount levied and certified by that city or town in its fiscal year 2009. In its fiscal year 2011, a city or town may levy a tax in an amount not more than four and one-half percent (4.5%) in excess of the total amount levied and certified by that city or town in its fiscal year 2010. In its fiscal year 2012, a city or town may levy a tax in an amount not more than four and one-quarter percent (4.25%) in excess of the total amount levied and certified by that city or town in its fiscal year 2011. In its fiscal year 2013 and in each fiscal year thereafter, a city or town may levy a tax in an amount not more than four percent (4%) in excess of the total amount levied and certified by that city or town for its previous fiscal year.

(c) The division of property valuation in the department of revenue shall monitor city and town compliance with this levy cap, issue periodic reports to the general assembly on compliance, and make recommendations on the continuation or modification of the levy cap on or before December 31, 1987, December 31, 1990, and December 31, every third year thereafter. The chief elected official in each city and town shall provide to the division of property and municipal finance within thirty (30) days of final action, in the form required, the adopted tax levy and rate and other pertinent information.

(d) The amount levied by a city or town may exceed the percentage increase as specified in subsection (a) or (b) of this section if the city or town qualifies under one or more of the following provisions:

(1) The city or town forecasts or experiences a loss in total non-property tax revenues and the loss is certified by the department of revenue.

(2) The city or town experiences or anticipates an emergency situation, which causes or will cause the levy to exceed the percentage increase as specified in subsection (a) or (b) of this section. In the event of an emergency or an anticipated emergency, the city or town shall notify the auditor general who shall certify the existence or anticipated existence of the emergency. Without limiting the generality of the foregoing, an emergency shall be deemed to exist when the city or town

experiences or anticipates health insurance costs, retirement contributions or utility expenditures which exceed the prior fiscal year's health insurance costs, retirement contributions or utility expenditures by a percentage greater than three (3) times the percentage increase as specified in subsection (a) or (b) of this section.

(3) A city or town forecasts or experiences debt services expenditures which exceed the prior year's debt service expenditures by an amount greater than the percentage increase as specified in subsection (a) or (b) of this section and which are the result of bonded debt issued in a manner consistent with general law or a special act. In the event of the debt service increase, the city or town shall notify the department of revenue which shall certify the debt service increase above the percentage increase as specified in subsection (a) or (b) of this section the prior year's debt service. No action approving or disapproving exceeding a levy cap under the provisions of this section affects the requirement to pay obligations as described in subsection (d) of this section.

(4) The city or town experiences substantial growth in its tax base as the result of major new construction which necessitates either significant infrastructure or school housing expenditures by the city or town or a significant increase in the need for essential municipal services and such increase in expenditures or demand for services is certified by the department of revenue.

(e) Any levy pursuant to subsection (d) of this section in excess of the percentage increase specified in subsection (a) of this section shall be approved by the affirmative vote of at least four-fifths (4/5) of the full membership of the governing body of the city or town or in the case of a city or town having a financial town meeting, the majority of the electors present and voting at the town financial meeting shall also approve the excess levy.

(f) Nothing contained in this section constrains the payment of present or future obligations as prescribed by § 45-12-1, and all taxable property in each city or town is subject to taxation without limitation as to rate or amount to pay general obligation bonds or notes of the city or town except as otherwise specifically provided by law or charter.

PROVIDENCE WATER SUPPLY BOARD
Docket No. 4061
Data Requests of the Division of Public Utilities & Carriers
Set 1

1-7 Please indicate when FY 2010 medical and dental insurance premiums will be known and provide when available.

Answer: Providence Water will provide our FY 2010 medical and dental insurance quotes once they become available, which, we expect will be by the end June 2009.

PROVIDENCE WATER Docket No. 4061
Data Requests Division Set I

Div 1-8 Please provide a copy of the most recent Post Retirement Medical Plan Analysis prepared for the City of Providence.

A. Please see attached.

CITY of Prov PRBP.
Backup Div 1-8

THE CITY OF PROVIDENCE

Post Retirement Benefits Plan

ACTUARIAL VALUATION REPORT

July 1, 2008

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SECTION I – OVERVIEW

The City of Providence has engaged Buck Consultants to prepare an actuarial valuation of their post-retirement benefits program as of July 1, 2008. The City provided employee data, asset and medical rates information. The following report presents a revised analysis based on additional contract information provided by the city. This report includes the value of assets as of June 30, 2008 in the post employment benefits trust.

The purposes of the valuation are to analyze the current funded position of the City's post-retirement benefits program, determine the level of contributions necessary to assure sound funding and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This valuation report contains information required by the Government Accounting Standards Board's "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions."

Section II provides a summary of the principal valuation results. Figures are shown using an 8.5% discount rate assumption assuming the City chooses to fund the post retirement benefit liability. This rate is based on historical rates of return of the retirement plan trust. If the City does not fund these benefits, a lower interest rate, tied to the expected return on short-term money, would be more appropriate.

There is an increase in the liability from 2007 to 2008. During the year, the Plan realized an increase in the accrued liability of \$51,490,426. The expectation was an increase of \$25,819,736. The primary source of the increase was inflation on the premiums greater than expected. The actual average inflation for 2007 is 13%, which is higher than the assumed inflation of 7.7%.

Daniel Sherman is an Associate of the Society of Actuaries, and a Member of the American Academy of Actuaries. He meets the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

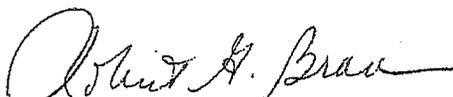
Respectfully Submitted,
BUCK CONSULTANTS, AN ACS COMPANY



Daniel Sherman, ASA, MAAA, EA
Director and Consulting Actuary

4/17/09

Date



Robert G. Brau, CEBS
Senior Consultant

4/17/09

Date

City of Providence
Post Retirement Medical Plan Analysis
July 1, 2008

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SECTION II – REQUIRED INFORMATION

| | July 1, 2007 | July 1, 2008 |
|---|----------------|----------------|
| a) Actuarial valuation date | July 1, 2007 | July 1, 2008 |
| Discount rate | 8.50% | 8.50% |
| b) Actuarial value of assets | \$ 0 | \$ 1,035,401 |
| c) Actuarial accrued liability | | |
| Active Participants | \$ 179,540,786 | \$ 203,528,389 |
| Retired Participants | \$ 362,871,785 | \$ 390,374,608 |
| Total | \$ 542,412,571 | \$ 593,902,997 |
| d) Unfunded actuarial liability | \$ 542,412,571 | \$ 592,867,596 |
| e) Funded ratio (c. / b.) | 0.0% | 0.2% |
| f) Annual covered payroll | \$ 256,156,551 | \$ 274,826,567 |
| g) Unfunded actuarial liability as percentage of covered payroll | 212% | 216% |
| h) Normal Cost for the fiscal year (with interest assuming weekly payments) | \$ 9,598,601 | \$ 9,430,676 |
| i) Amortization of unfunded actuarial liability for the fiscal year (30 years with payments increasing 4.5% per year) | \$ 30,847,075 | \$ 33,716,461 |
| j) Annual Required Contribution (ARC) for the fiscal year (h. + i.) | \$ 40,445,676 | \$ 43,147,137 |

SECTION III - MEMBERSHIP DATA AND ANNUAL REQUIRED CONTRIBUTION

Number of participants included in the valuation

| | General | School | Water | Total |
|--------------------|------------|-----------|----------|------------|
| Actives | 2,035 | 3,160 | 237 | 5,432 |
| Inactive: | | | | |
| Individual | 1,556 | 1,792 | 67 | 3,415 |
| Family | <u>826</u> | <u>39</u> | <u>4</u> | <u>869</u> |
| Total | 2,382 | 1,831 | 71 | 4,284 |
| Grand Total | 4,417 | 4,991 | 308 | 9,716 |

The headcount is based on carrier data and assumes each participant represents a contract.

Annual Required Contribution

| | General | School | Water | Total |
|---------------------|----------------|----------------|---------------|------------------|
| Normal Cost | | | | |
| Without interest | \$5,574,082 | \$2,753,237 | \$364,549 | \$8,691,868 |
| Interest adjustment | <u>473,797</u> | <u>234,025</u> | <u>30,986</u> | <u>\$738,808</u> |
| Total ** | \$6,047,879 | \$2,987,262 | \$395,535 | \$9,430,676 |

Actuarial Accrued Liability *

| | | | | |
|---------|--------------------|-------------------|------------------|--------------------|
| Active | \$156,153,965 | \$39,891,294 | \$7,483,130 | \$203,528,389 |
| Retiree | <u>326,444,492</u> | <u>61,298,448</u> | <u>2,631,668</u> | <u>390,374,608</u> |
| Total | \$482,598,457 | \$101,189,742 | \$10,114,798 | \$593,902,997 |

| | | | | |
|---------------|------------|------------|-----------|--------------|
| Assets | \$ 841,354 | \$ 176,413 | \$ 17,634 | \$ 1,035,401 |
|---------------|------------|------------|-----------|--------------|

Unfunded Actuarial Accrued

| | | | | |
|------------------|---------------|---------------|--------------|---------------|
| Liability | \$481,757,103 | \$101,013,329 | \$10,097,164 | \$592,867,596 |
| Payroll | \$89,518,194 | \$173,757,695 | \$11,550,678 | \$274,826,567 |

| | | | | |
|----------------------------------|------|-----|-----|------|
| Unfunded as a percent of payroll | 538% | 58% | 87% | 216% |
|----------------------------------|------|-----|-----|------|

Amortization Payment **

| | | | | |
|---------|-------------------|------------------|----------------|-------------------|
| Active | \$8,865,015 | \$2,264,669 | \$424,825 | \$11,554,509 |
| Retiree | <u>18,532,576</u> | <u>3,479,974</u> | <u>149,402</u> | <u>22,161,952</u> |
| Total | \$27,397,591 | \$5,744,643 | \$574,227 | \$33,716,461 |

Annual Required

| | | | | |
|------------------------|---------------------|--------------------|------------------|---------------------|
| Contribution ** | \$33,445,470 | \$8,731,905 | \$969,762 | \$43,147,137 |
|------------------------|---------------------|--------------------|------------------|---------------------|

* Actuarial accrued liability as of July 1, 2008

** Assuming payment weekly

SECTION III - MEMBERSHIP DATA AND ANNUAL REQUIRED CONTRIBUTION

FISCAL YEAR END 2009
MONTHLY RATES

| INDIVIDUAL | <u>CITY</u> | <u>FIRE</u> | <u>POLICE</u> | <u>SCHOOL</u> |
|---------------------------|-------------|-------------|---------------|---------------|
| Classic | \$727.43 | \$559.77 | \$554.54 | \$810.88 |
| HealthMate C2C | \$514.92 | N/A | N/A | \$542.12 |
| United Healthcare | \$538.10 | N/A | N/A | N/A |
| Plan 65 | \$144.91 | N/A | N/A | \$144.91 |
| Blue Chip 65 | \$132.50 | N/A | N/A | \$132.50 |
| Plan 65 United Healthcare | \$144.91 | N/A | N/A | N/A |
| FAMILY | | | | |
| Classic | \$1,781.41 | \$1,445.82 | \$1,432.31 | \$2,094.41 |
| HealthMate C2C | \$1,327.57 | N/A | N/A | \$1,582.87 |
| United Healthcare | \$1,425.38 | N/A | N/A | N/A |
| Plan 65 | \$289.83 | N/A | N/A | \$289.83 |
| Blue Chip 65 | \$265.00 | N/A | N/A | \$265.00 |
| Plan 65 United Healthcare | \$289.83 | N/A | N/A | N/A |

SECTION IV – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

8.5% DISCOUNT RATE

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|--------------------------------|--|---|--------------------------------------|----------------------------|------------------------|---|
| July 1, 2007 | \$0 | \$542,412,571 | \$542,412,571 | 0.0% | \$256,156,551 | 212% |
| July 1, 2008 | \$1,035,401 | \$593,902,997 | \$592,867,596 | 0.2% | \$274,826,567 | 216% |

SECTION V – SCHEDULE OF EMPLOYER EXPENSES

The Government Accounting Standards Board's Statements 43 and 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions" outlines various requirements of an expense/funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as salary increases.

In the amortization schedule shown on the following pages, the amortization of the unfunded accrued liability is assumed to increase annually by 4.5% over 30 years. The normal cost is expected to increase at the same rate as the assumed ultimate health care trend rate and is projected assuming a steady work force. The Annual Required Contributions were computed assuming payment is made on a weekly basis.

SECTION V – SCHEDULE OF EMPLOYER EXPENSES

ALL DEPARTMENTS

30 Year Funding Schedule - Weekly Payments

| <u>Fiscal year</u> <u>Ending 6/30</u> | <u>Normal Cost *</u> | <u>30-Year</u> <u>Amortization</u> | <u>Total</u> |
|--|----------------------|---------------------------------------|--------------|
| 2009 | 9,430,676 | 33,716,461 | 43,147,137 |
| 2010 | 9,902,210 | 35,233,702 | 45,135,912 |
| 2011 | 10,397,321 | 36,819,219 | 47,216,540 |
| 2012 | 10,917,187 | 38,476,083 | 49,393,270 |
| 2013 | 11,463,046 | 40,207,507 | 51,670,553 |
| 2014 | 12,036,199 | 42,016,845 | 54,053,044 |
| 2015 | 12,638,009 | 43,907,603 | 56,545,612 |
| 2016 | 13,269,910 | 45,883,446 | 59,153,356 |
| 2017 | 13,933,406 | 47,948,201 | 61,881,607 |
| 2018 | 14,630,076 | 50,105,870 | 64,735,946 |
| 2019 | 15,361,579 | 52,360,634 | 67,722,213 |
| 2020 | 16,129,658 | 54,716,863 | 70,846,521 |
| 2021 | 16,936,141 | 57,179,122 | 74,115,263 |
| 2022 | 17,782,948 | 59,752,183 | 77,535,131 |
| 2023 | 18,672,095 | 62,441,032 | 81,113,127 |
| 2024 | 19,605,700 | 65,250,878 | 84,856,578 |
| 2025 | 20,585,985 | 68,187,167 | 88,773,152 |
| 2026 | 21,615,284 | 71,255,590 | 92,870,874 |
| 2027 | 22,696,049 | 74,462,091 | 97,158,140 |
| 2028 | 23,830,851 | 77,812,886 | 101,643,737 |
| 2029 | 25,022,394 | 81,314,467 | 106,336,861 |
| 2030 | 26,273,514 | 84,973,618 | 111,247,132 |
| 2031 | 27,587,189 | 88,797,431 | 116,384,620 |
| 2032 | 28,966,548 | 92,793,315 | 121,759,863 |
| 2033 | 30,414,875 | 96,969,015 | 127,383,890 |
| 2034 | 31,935,619 | 101,332,621 | 133,268,240 |
| 2035 | 33,532,399 | 105,892,589 | 139,424,988 |
| 2036 | 35,209,019 | 110,657,756 | 145,866,775 |
| 2037 | 36,969,471 | 115,637,355 | 152,606,826 |
| 2038 | 38,817,945 | 120,841,035 | 159,658,980 |
| 2039 | 40,758,843 | 0 | 40,758,843 |

* Assumes a steady workforce level

SECTION V – SCHEDULE OF EMPLOYER EXPENSES

GENERAL FUND

30 Year Funding Schedule - Weekly Payments

| <u>Fiscal year</u> <u>Ending 6/30</u> | <u>Normal Cost *</u> | <u>30-Year</u> <u>Amortization</u> | <u>Total</u> |
|--|----------------------|---------------------------------------|--------------|
| 2009 | 6,047,879 | 27,397,591 | 33,445,470 |
| 2010 | 6,350,273 | 28,630,483 | 34,980,756 |
| 2011 | 6,667,787 | 29,918,855 | 36,586,642 |
| 2012 | 7,001,176 | 31,265,203 | 38,266,379 |
| 2013 | 7,351,235 | 32,672,137 | 40,023,372 |
| 2014 | 7,718,797 | 34,142,383 | 41,861,180 |
| 2015 | 8,104,737 | 35,678,790 | 43,783,527 |
| 2016 | 8,509,974 | 37,284,336 | 45,794,310 |
| 2017 | 8,935,473 | 38,962,131 | 47,897,604 |
| 2018 | 9,382,247 | 40,715,427 | 50,097,674 |
| 2019 | 9,851,359 | 42,547,621 | 52,398,980 |
| 2020 | 10,343,927 | 44,462,264 | 54,806,191 |
| 2021 | 10,861,123 | 46,463,066 | 57,324,189 |
| 2022 | 11,404,179 | 48,553,904 | 59,958,083 |
| 2023 | 11,974,388 | 50,738,830 | 62,713,218 |
| 2024 | 12,573,107 | 53,022,077 | 65,595,184 |
| 2025 | 13,201,762 | 55,408,070 | 68,609,832 |
| 2026 | 13,861,850 | 57,901,433 | 71,763,283 |
| 2027 | 14,554,943 | 60,506,997 | 75,061,940 |
| 2028 | 15,282,690 | 63,229,812 | 78,512,502 |
| 2029 | 16,046,825 | 66,075,154 | 82,121,979 |
| 2030 | 16,849,166 | 69,048,536 | 85,897,702 |
| 2031 | 17,691,624 | 72,155,720 | 89,847,344 |
| 2032 | 18,576,205 | 75,402,727 | 93,978,932 |
| 2033 | 19,505,015 | 78,795,850 | 98,300,865 |
| 2034 | 20,480,266 | 82,341,663 | 102,821,929 |
| 2035 | 21,504,279 | 86,047,038 | 107,551,317 |
| 2036 | 22,579,493 | 89,919,155 | 112,498,648 |
| 2037 | 23,708,468 | 93,965,517 | 117,673,985 |
| 2038 | 24,893,891 | 98,193,965 | 123,087,856 |
| 2039 | 26,138,586 | 0 | 26,138,586 |

* Assumes a steady workforce level

SECTION V – SCHEDULE OF EMPLOYER EXPENSES

SCHOOL

30 Year Funding Schedule - Weekly Payments

| <u>Fiscal year</u> <u>Ending 6/30</u> | <u>Normal Cost *</u> | <u>30-Year</u> <u>Amortization</u> | <u>Total</u> |
|--|----------------------|---------------------------------------|--------------|
| 2009 | 2,987,262 | 5,744,643 | 8,731,905 |
| 2010 | 3,136,625 | 6,003,152 | 9,139,777 |
| 2011 | 3,293,456 | 6,273,294 | 9,566,750 |
| 2012 | 3,458,129 | 6,555,592 | 10,013,721 |
| 2013 | 3,631,035 | 6,850,594 | 10,481,629 |
| 2014 | 3,812,587 | 7,158,871 | 10,971,458 |
| 2015 | 4,003,216 | 7,481,020 | 11,484,236 |
| 2016 | 4,203,377 | 7,817,666 | 12,021,043 |
| 2017 | 4,413,546 | 8,169,461 | 12,583,007 |
| 2018 | 4,634,223 | 8,537,087 | 13,171,310 |
| 2019 | 4,865,934 | 8,921,256 | 13,787,190 |
| 2020 | 5,109,231 | 9,322,713 | 14,431,944 |
| 2021 | 5,364,693 | 9,742,235 | 15,106,928 |
| 2022 | 5,632,928 | 10,180,636 | 15,813,564 |
| 2023 | 5,914,574 | 10,638,765 | 16,553,339 |
| 2024 | 6,210,303 | 11,117,509 | 17,327,812 |
| 2025 | 6,520,818 | 11,617,797 | 18,138,615 |
| 2026 | 6,846,859 | 12,140,598 | 18,987,457 |
| 2027 | 7,189,202 | 12,686,925 | 19,876,127 |
| 2028 | 7,548,662 | 13,257,837 | 20,806,499 |
| 2029 | 7,926,095 | 13,854,440 | 21,780,535 |
| 2030 | 8,322,400 | 14,477,890 | 22,800,290 |
| 2031 | 8,738,520 | 15,129,395 | 23,867,915 |
| 2032 | 9,175,446 | 15,810,218 | 24,985,664 |
| 2033 | 9,634,218 | 16,521,678 | 26,155,896 |
| 2034 | 10,115,929 | 17,265,154 | 27,381,083 |
| 2035 | 10,621,725 | 18,042,086 | 28,663,811 |
| 2036 | 11,152,811 | 18,853,980 | 30,006,791 |
| 2037 | 11,710,452 | 19,702,409 | 31,412,861 |
| 2038 | 12,295,975 | 20,589,017 | 32,884,992 |
| 2039 | 12,910,774 | 0 | 12,910,774 |

* Assumes a steady workforce level

SECTION V – SCHEDULE OF EMPLOYER EXPENSES

WATER

30 Year Funding Schedule - Weekly Payments

| <u>Fiscal year</u> <u>Ending 6/30</u> | <u>Normal Cost *</u> | <u>30-Year</u> <u>Amortization</u> | <u>Total</u> |
|--|----------------------|---------------------------------------|--------------|
| 2009 | 395,535 | 574,227 | 969,762 |
| 2010 | 415,312 | 600,067 | 1,015,379 |
| 2011 | 436,078 | 627,070 | 1,063,148 |
| 2012 | 457,882 | 655,288 | 1,113,170 |
| 2013 | 480,776 | 684,776 | 1,165,552 |
| 2014 | 504,815 | 715,591 | 1,220,406 |
| 2015 | 530,056 | 747,793 | 1,277,849 |
| 2016 | 556,559 | 781,444 | 1,338,003 |
| 2017 | 584,387 | 816,609 | 1,400,996 |
| 2018 | 613,606 | 853,356 | 1,466,962 |
| 2019 | 644,286 | 891,757 | 1,536,043 |
| 2020 | 676,500 | 931,886 | 1,608,386 |
| 2021 | 710,325 | 973,821 | 1,684,146 |
| 2022 | 745,841 | 1,017,643 | 1,763,484 |
| 2023 | 783,133 | 1,063,437 | 1,846,570 |
| 2024 | 822,290 | 1,111,292 | 1,933,582 |
| 2025 | 863,405 | 1,161,300 | 2,024,705 |
| 2026 | 906,575 | 1,213,559 | 2,120,134 |
| 2027 | 951,904 | 1,268,169 | 2,220,073 |
| 2028 | 999,499 | 1,325,237 | 2,324,736 |
| 2029 | 1,049,474 | 1,384,873 | 2,434,347 |
| 2030 | 1,101,948 | 1,447,192 | 2,549,140 |
| 2031 | 1,157,045 | 1,512,316 | 2,669,361 |
| 2032 | 1,214,897 | 1,580,370 | 2,795,267 |
| 2033 | 1,275,642 | 1,651,487 | 2,927,129 |
| 2034 | 1,339,424 | 1,725,804 | 3,065,228 |
| 2035 | 1,406,395 | 1,803,465 | 3,209,860 |
| 2036 | 1,476,715 | 1,884,621 | 3,361,336 |
| 2037 | 1,550,551 | 1,969,429 | 3,519,980 |
| 2038 | 1,628,079 | 2,058,053 | 3,686,132 |
| 2039 | 1,709,483 | 0 | 1,709,483 |

* Assumes a steady workforce level

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

CITY OF PROVIDENCE, ALL GROUPS

Interest: 8.50% per year, net of investment expenses

Administrative Expense: Included in premium rates

Actuarial Cost Method: Projected Unit Credit

Medical Care Inflation:

| <i>Year</i> | <i>Inflation Rate</i> |
|--------------|---------------------------|
| 2006 | 8.6% |
| 2007 | 7.7% |
| 2008 | 6.8% |
| 2009 | 5.9% |
| 2010 & after | 5.0% |

Amortization period: Closed basis. The amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time.

Marital status: For actives, in all Class A departments, excluding Water, 80% of the male employees and 50% of female employees are assumed to have a covered spouse at retirement. Water has a 50% marriage assumption for both males and females. In all Class B departments, it was assumed that 80% of both males and females would have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.

Coverage: It is assumed that 100% of current active employees will elect retiree medical coverage.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

CITY OF PROVIDENCE, ALL GROUPS

Medical Plan Costs:

Per capita costs were developed from the City developed monthly costs and adjusted by age based morbidity. Estimated gross per capita incurred claim costs for 2008-2009 at ages 64 and 65 are as follows:

| | <u>Age 64</u> | <u>Age 65</u> |
|----------------------------|---------------|---------------|
| <i>Class A*</i> | | |
| Pre 7/1/1985 Retirements | 10,847 | 2,884 |
| Post 7/1/1985 Retirements | 7,685 | 1,345 |
| <i>Class A - Water*</i> | 7,807 | 1,420 |
| <i>School*</i> | | |
| Pre 9/3/1995 Retirements | 9,445 | 1,359 |
| Post 9/3/1995 Retirements | 8,599 | 1,495 |
| <i>Fire</i> | | |
| General | 13,643 | 7,647 |
| Post 7/1/1996 Date of Hire | 10,785 | 6,251 |
| <i>Police</i> | | |
| General | 13,970 | 8,026 |
| Post 7/1/1998 Date of Hire | 10,803 | 6,455 |

* All future Class A retirees are assumed Medicare eligible at age 65 and switch to Plan 65.

Age-based Morbidity:

Per capita costs are adjusted to reflect expected cost increases related to age. The increase in the net incurred claims was assumed to be:

| <u>Age</u> | <u>Annual Increase Retiree</u> |
|--------------|------------------------------------|
| 49 and below | 2.6% |
| 50-54 | 3.2% |
| 55-59 | 3.4% |
| 60-64 | 3.7% |
| 65-69 | 3.2% |
| 70-74 | 2.4% |
| 75-79 | 1.8% |
| 80 and over | 0.0% |

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

GENERAL EMPLOYEES AND SCHOOL EMPLOYEES

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, disability, death and service retirement are as follows:

| Age | Retirement | Disability | |
|-----|------------|------------|------------|
| | | Ordinary | Accidental |
| 20 | | .00025 | .00010 |
| 25 | | .00030 | .00015 |
| 30 | | .00030 | .00015 |
| 35 | | .00050 | .00025 |
| 40 | | .00080 | .00040 |
| 45 | .0671 | .00125 | .00060 |
| 50 | .0925 | .00185 | .00090 |
| 55 | .0859 | .00255 | .00130 |
| 59 | .1138 | .00370 | .00185 |
| 60 | .1229 | .00415 | .00210 |
| 64 | .1741 | .00625 | .00310 |
| 65 | .2500 | .00680 | .00340 |
| 70 | .2500 | .00680 | .00340 |
| 75 | 1.0000 | | |

| Age | Withdrawal and Deferred Retirement | Ordinary and Accidental Death | |
|-----|------------------------------------|-------------------------------|--------|
| | | Men | Women |
| 20 | .1413 | .00035 | .00019 |
| 25 | .1206 | .00038 | .00021 |
| 30 | .0644 | .00044 | .00026 |
| 35 | .0473 | .00077 | .00048 |
| 40 | .0389 | .00108 | .00071 |
| 45 | .0272 | .00151 | .00112 |
| 50 | .0174 | .00214 | .00168 |
| 54 | .0101 | .00281 | .00232 |
| 55 | | .00303 | .00253 |
| 60 | | .00488 | .00393 |
| 65 | | .00757 | .00582 |
| 70 | | .00992 | .00761 |

It is assumed for the general employees that 67% of all disabilities are ordinary (33% are service connected).

DEATHS AFTER RETIREMENT: The RP-2000 Healthy Annuitant Table. For the period after disability retirement, the RP-2000 Healthy Annuitant Table set forward 2 years is used.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

POLICE AND OTHER HAZARDOUS DUTY

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of disability, death and service retirement are as follows:

| Age | Withdrawal and Deferred Disability | Disability | | Ordinary and Accidental Death | |
|-----|--|------------|------------|----------------------------------|--------|
| | | Ordinary | Accidental | Men | Women |
| 20 | .0258 | .0001 | .0008 | .00035 | .00019 |
| 25 | .0183 | .0001 | .0011 | .00038 | .00021 |
| 30 | .0104 | .0002 | .0017 | .00044 | .00026 |
| 35 | .0046 | .0025 | .0023 | .00077 | .00048 |
| 40 | .0029 | .0004 | .0034 | .00108 | .00071 |
| 45 | .0024 | .0007 | .0060 | .00151 | .00112 |
| 50 | | .0011 | .0104 | .00214 | .00168 |
| 55 | | | .0149 | .00281 | .00232 |
| 59 | | | .0194 | .00303 | .00253 |
| | | | | .00488 | .00393 |

| Age | Retirement |
|-----|------------|
| 40 | .07403 |
| 45 | .07599 |
| 50 | .08004 |
| 55 | .08860 |
| 59 | .10238 |
| 60 | .25000 |
| 64 | .25000 |
| 65 | 1.00000 |

For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).

DEATHS AFTER RETIREMENT: The RP-2000 Healthy Annuitant Table. For the period after disability retirement, the RP-2000 Healthy Annuitant Table set forward 2 years is used.

SCHEDULE B – SUMMARY OF PROGRAM PROVISIONS

ELIGIBILITY AND BENEFITS FOR CURRENT ACTIVES

Class A - General and City School Employees

| | |
|--|--|
| <i>If hired before July 1, 1992:</i> | Age 55 or 25 years of service. |
| <i>If hired on or after July 1, 1992, but before July 1, 1996:</i> | Age 55 and 10 years of service or 25 years of service. |
| <i>If hired on or after July 1, 1995:</i> | Age 55 and 10 years of service or 30 years of service. |

All current employees will receive the following benefit coverage upon retirement or disability:

| | |
|------------------|---|
| Pre-65 Benefit: | Retiree coverage only under the plan elected at retirement, with spousal coverage commencing upon the retiree's death. A co-share of .01 of final average salary is required with a maximum limit at \$400. |
| Post-65 Benefit: | Retiree coverage only under Plan 65, with spousal coverage commencing upon the retiree's death. A co-share of .01 of final average salary is required with a maximum limit at \$400. If the retiree elects to stay in their original plan rather than switch to Plan 65, he or she is responsible for the difference in cost. |

Class A - State School Employees

| | |
|---|---|
| <i>As of July 1, 2005 with at least 10 years of service:</i> | Age 60 and 10 years of service or 28 years of service. |
| <i>As of July 1, 2005 with less than 10 years of service:</i> | Age 65 and 10 years of service or age 59 and 29 years of service or early retirement at age 55 and 20 years of service. |

SCHEDULE B – SUMMARY OF PROGRAM PROVISIONS

All current employees will receive the following benefit coverage upon retirement or disability:

| | |
|------------------|---|
| Pre-65 Benefit: | Retiree coverage only under the plan elected at retirement, with spousal coverage commencing upon the retiree's death. A co-share, averaged at \$513 for the purposes of the valuation, is required of all future retirees. |
| Post-65 Benefit: | Retiree coverage only under Plan 65, with spousal coverage commencing upon the retiree's death. A co-share, averaged at \$513 for the purposes of the valuation, is required of all future retirees. If the retiree elects to stay in their original plan rather than switch to Plan 65, he or she is responsible for the difference in cost. |

Class B - Fire

| | |
|--|--|
| <i>If hired before July 1, 1992:</i> | Age 55 or 20 years of service. |
| Pre and Post-65 Benefit: | Retiree and spousal coverage under Coast-to-Coast coverage only with no required switch to Plan 65. |
| <i>If hired on or after July 1, 1992, but before July 1, 1996:</i> | Age 55 and 10 years of service or 20 years of service. |
| Pre and Post-65 Benefit: | Retiree and spousal coverage under Coast-to-Coast coverage only with no required switch to Plan 65. |
| <i>If hired on or after July 1, 1996:</i> | Age 55 and 10 years of service or 20 years of service. |
| Pre and Post-65 Benefit: | Retiree coverage only under Coast to Coast, with spousal coverage commencing upon the retiree's death. There is no required switch to Plan 65. |

The City pays the cost of Coast-to-Coast coverage only. If a Fire employee elects a plan other than Coast-to-Coast, he or she is responsible for the difference in cost.

SCHEDULE B – SUMMARY OF PROGRAM PROVISIONS

Class B – Police

| | |
|--|--|
| <i>If hired before July 1, 1992:</i> | Age 55 or 20 years of service. |
| Pre and Post-65 Benefit: | Retiree and spousal coverage under the plan elected at retirement, with no required switch to Plan 65. |
| <i>If hired on or after July 1, 1992, but before July 1, 1998:</i> | Age 55 and 10 years of service or 20 years of service. |
| Pre and Post-65 Benefit: | Retiree and spousal coverage under the plan elected at retirement, with no required switch to Plan 65. |
| <i>If hired on or after July 1, 1998:</i> | Age 55 and 10 years of service or 20 years of service. |
| Pre and Post-65 Benefit: | Retiree coverage only under the plan elected at retirement, with spousal coverage commencing upon the retiree's death. There is no required switch to Plan 65. |

CURRENT RETIREE BENEFITS

Class A - General and All School Employees

| | |
|---|--|
| <i>If retired before July 1, 1985:</i> | |
| Pre-65 Benefit: | Retiree and spousal coverage under the plan elected at retirement. |
| Post-65 Benefit: | Retiree and spousal coverage under the plan elected at retirement, with no required switch to Plan 65. |
| <i>If retired on or after July 1, 1985, but before September 3, 1995:</i> | |
| Pre-65 Benefit: | Retiree and spousal coverage under the plan elected at retirement. |
| Post-65 Benefit: | Retiree and spousal coverage under Plan 65. If the retiree elects to stay in their original plan rather than switch to Plan 65, he or she is responsible for the difference in cost. |

SCHEDULE B – SUMMARY OF PROGRAM PROVISIONS

If retired on or after September 3, 1995, but before January 1, 2005:

Pre-65 Benefit: Retiree coverage only under the plan elected at retirement, with spousal coverage commencing upon the retiree's death.

Post-65 Benefit: Retiree coverage only under Plan 65, with spousal coverage commencing upon the retiree's death. If the retiree elects to stay in their original plan rather than switch to Plan 65, he or she is responsible for the difference in cost.

If retired on or after January 1, 2005:

Pre-65 Benefit: Retiree coverage only under the plan elected at retirement, with spousal coverage commencing upon the retiree's death. For General employees, a co-share of .01 of final average salary is required with a maximum limit at \$400. For School employees, a co-share, averaged at \$513 for the purposes of the valuation, is required.

Post-65 Benefit: Retiree coverage only under Plan 65, with spousal coverage commencing upon the retiree's death. For General employees, a co-share of .01 of final average salary is required with a maximum limit at \$400. For School employees, a co-share, averaged at \$513 for the purposes of the valuation, is required. If the retiree elects to stay in their original plan rather than switch to Plan 65, he or she is responsible for the difference in cost.

Class B - Fire

If retired before July 1, 2001:

Pre and Post-65 Benefit: Retiree and spousal coverage provided for the life of both people under the plan elected upon retirement. There is no required switch to Plan 65.

SCHEDULE B – SUMMARY OF PROGRAM PROVISIONS

If retired on or after July 1, 2001, but before July 1, 2004:

Pre and Post-65 Benefit: Retiree and spousal coverage provided for the life of both people under Coast-to-Coast coverage only. If the Fire retiree elects to stay in their original plan rather than switch to Coast-to-Coast, he or she is responsible for the difference in cost. There is no required switch to Plan 65.

If retired on or after July 1, 2004, but before July 1, 2006:

Pre and Post-65 Benefit: Retiree and spousal coverage provided for the life of both people under the plan elected upon retirement. There is no required switch to Plan 65.

If retired on or after July 1, 2006:

Pre and Post-65 Benefit: Refer to Future Retiree Benefits for Class B - Fire for benefits and eligibilities.

Class B - Police

If retired before July 1, 2006:

Pre and Post-65 Benefit: Retiree and spousal coverage provided for the life of both people under the plan elected upon retirement. There is no required switch to Plan 65.

If retired on or after July 1, 2006:

Pre and Post-65 Benefit: Refer to Future Retiree Benefits for Class B - Police for benefits and eligibilities.

SCHEDULE C - GLOSSARY OF TERMS

Actuarial accrued liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs and therefore is the value of benefits already earned.

Actuarial assumptions

Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided OPEB benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method

A procedure for determining the Actuarial Present Value of OPEB benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Amortization (of unfunded actuarial accrued liability)

That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)

The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters. It is the value of the cash contributions for a funded plan and the value of the expense entry in the profit and loss section of the financial statements.

SCHEDULE C - GLOSSARY OF TERMS**Closed amortization period (closed basis)**

A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll

Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit OPEB plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Funded ratio

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Funding policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Investment return assumption (discount rate)

The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method

The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

SCHEDULE C - GLOSSARY OF TERMS

Level percentage of projected payroll amortization method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Net OPEB obligation

The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. It will be included as a balance sheet entry on the financial statements.

Normal cost

That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt

All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Other postemployment benefits

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-you-go

A method of financing a OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Required supplementary information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

PROVIDENCE WATER SUPPLY BOARD
Docket No. 4061
Data Requests of the Division of Public Utilities & Carriers
Set 1

1-9 Please provide a breakdown of regulatory commission expenses similar to that shown on Schedule HJS-9 for FY 2007 and FY 2009 through the most recent month available.

Answer: See schedule below. FY 2009 expenses are through 6/10/09.

| <u>Regulatory Commission Expense:</u> | <u>FY 2007</u> |
|---------------------------------------|----------------|
| Proportional Share PUC Expenses | \$ 138,961 |
| Full Filing Docket 3832 | 114,834 |
| Credit Card Docket 3569 | 3,579 |
| Customer Billing Disputes | 7,705 |
| Rate of Return Legislation | 2,807 |
| Miscellaneous Legal Expenses | 6,371 |
| Division Share of Expenses | 3,703 |
| Summer Moratorium | 3,451 |
| Miscellaneous Matters | <u>1,833</u> |
| Total | \$ 283,244 |

| <u>Regulatory Commission Expense:</u> | <u>FY 2009</u> |
|---------------------------------------|----------------|
| Proportional Share PUC Expenses | \$ 143,242 |
| Abbr. Filing Docket 4061 | 54,869 |
| Full Filing Docket 3832 | 1,380 |
| Engineering Positions | 7,815 |
| Customer Billing Disputes | 1,083 |
| Termination Rules | 2,588 |
| Legislation | <u>2,340</u> |
| Total | \$ 213,317 |

Prepared by: Mary L. Deignan-White, June 10, 2009

PROVIDENCE WATER SUPPLY BOARD
Docket No. 4061
Data Requests of the Division of Public Utilities & Carriers
Set 1

1-10 With regard to Mr. Smith's testimony at page 11, lines 6-7, please provide supporting documentation and computations for the claimed rate case expense.

Answer: Attached is the bid amounts for accounting services for rate and other filings provided by Raftelis Financial Consultants. This supports what was requested in Dk 4061 for rate case expense. The Board of Contract and Supply awarded this contract to Raftelis on December 8, 2008. As for legal services this was based on an estimated 180 hours at \$250 per hour. The \$250 per hour for Schacht & McElroy is also based on a contract awarded by the Board of Contract and Supply.

Proposals for Rate Design Services
August 2008

Raffellis Financial

PREPARATION of the following alternatives;

| | |
|---|----------|
| 1 Conservation Rate Proposal/Compliance Filing.....Lump Sum | \$83,980 |
| 2 Full Rate Filing: | |
| Cost of Service (Test and Rate Year).....Lump Sum | \$21,870 |
| Cost Allocation and Rate Design.....Lump Sum | \$38,110 |
| City Service Analysis (Test and Rate Year).....Lump Sum | \$17,744 |
| 3 Abbreviated Rate Filing: | |
| Cost of Service (Test and Rate Year).....Lump Sum | \$21,870 |
| 4 Surcharge Filing.....Lump Sum | \$19,794 |
| 5 Applications related to Securities.....Lump Sum | \$13,832 |
| 6 Terms and Conditions.....Lump Sum | \$7,216 |
| REVIEW of the following alternative if prepared by Providence Water in-house staff: | |
| 7 Full Rate Filing: | |
| Cost of Service (Test and Rate Year).....Lump Sum | \$13,418 |
| Cost Allocation and Rate Design.....Lump Sum | \$19,942 |
| City Service Analysis (Test and Rate Year).....Lump Sum | \$8,120 |
| 8 Abbreviated Rate Filing: | |
| Cost of Service (Test and Rate Year).....Lump Sum | \$11,554 |
| 9 Surcharge Filing.....Lump Sum | \$11,554 |
| 10 Applications related to Securities.....Lump Sum | \$9,504 |
| 11 Terms and Conditions.....Lump Sum | \$4,872 |

Other Items:

| | |
|--|-------|
| 12 Attendance at Open Meetings.....Per Hour | \$225 |
| 13 Attendance at Hearings and Compliance HearingsPer Hour | \$225 |
| 14 Hourly rate for Other Services.....Please fill in below: | |

| <u>Title</u> | <u>Hourly Rate</u> |
|-------------------|--------------------|
| President | \$325 |
| VP/COO | \$275 |
| VP | \$225 |
| Sr. Manager | \$200 |
| Manager | \$180 |
| Senior Consultant | \$165 |
| Consultant | \$150 |
| Associate | \$120 |
| Admin | \$60 |
| Staff | |
| Clerical | |

PROVIDENCE WATER SUPPLY BOARD
Docket No. 4061
Data Requests of the Division of Public Utilities & Carriers
Set 1

1-11 Please provide a comparison of the claimed rate case expense for this proceeding with those for Providence Water's last proceeding, by category.

Answer: The following compares Dk 3832 rate case expense by category to Providence Water's estimated expense for the current DK 4061.

| | <u>Dk 3832</u> | <u>Dk 4061</u> |
|------------------------------|----------------|----------------|
| Accounting Services | \$ 99,613 | \$105,850 |
| Legal Services | 56,521 | 45,000 |
| Division of Public Utilities | <u>59,489</u> | <u>60,000</u> |
| Total Rate Case Expense | \$215,623 | \$210,850 |

**PROVIDENCE WATER Docket No. 4061
Data Requests Division Set I**

Div 1-12 Please indicate when bids for FY 2010 chemical prices will be known and provide when available.

A. The chemical bids were received at City Hall on May 11th. The low bidders are as follows:

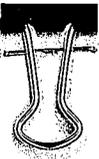
Ferric Sulfate (gallons) \$1.32/gallon at an average concentration of 13.3%. This price is less than our current price. The decrease in this price is due to 1) heavy competition, and 2) a reduction in the cost of sulfuric acid which is used to dissolve the iron and make a ferric solution.

Lime (tons) \$ 208.45/ton

Chlorine (tons) \$ 850/ton

Flouride (gallons) \$ 3.156/gallon

See attached. bid awards.



114



CITY OF PROVIDENCE
STATE OF RHODE ISLAND
BOARD OF CONTRACT AND SUPPLY

BIDDERS BLANK

| | |
|---|--|
| Name of Company: | Water Elements, LLC |
| Agrees to bid on: Items(s) to be bid | Liquid Ferric Sulfate for use at The Water Treatment Plant Providence Water (Blanket July 2009-June 2011) |
| Date of Award | |
| Total Amount in Writing: | Four million Five hundred - Ninety one thousand Four hundred |
| Total Amount in Figures: | \$ 4,591,400. ⁰⁰ dollars |

Additional Bidding Details (Use Additional Pages if Necessary)

See Attachment 1 for unit bid pricing.

| | |
|-----------------------------------|---|
| Federal ID# or Social Security #: | 51-0637720 |
| Signature: | |
| Title of Person signing: | Steven Thompson, Sales Manager |
| Firm Name: | Water Elements, LLC |
| Address: | 201 W. Christina Blvd., Suite 3, Lakeland, FL 33833 |
| Phone #: | (863) 648-9555 |
| Delivery Date: | 48 hours after order |
| Name of Surety Company | No bid bond or performance bond required. |



CITY OF PROVIDENCE
STATE OF RHODE ISLAND
BOARD OF CONTRACT AND SUPPLY

BIDDERS BLANK

| | |
|---|--|
| Name of Company: | Univar USA Inc. |
| Agrees to bid on: Items(s) to be bid | Quicklime for use at the Water Treatment Plant (Blanket July 2009-June2010) |
| Date of Award | |
| Total Amount in Writing: | Five hundred sixty two thousand eight hundred fifteen dollars & no/cents. |
| Total Amount in Figures: | \$562,815.00 |

(\$208.45/ton)

Additional Bidding Details (Use Additional Pages if Necessary)

| | |
|-----------------------------------|--|
| Federal ID# or Social Security #: | 91-1347935 |
| Signature: | <i>Stephen H. Marice</i> |
| Title of Person signing: | Sales Manager |
| Firm Name: | Univar USA Inc. |
| Address: | 175 Terminal Rd. - Providence, RI 02905 |
| Phone #: | 800-556-2426 or 401-784-6600 |
| Delivery Date: | 2 days |
| Name of Surety Company | Travelers Casualty & Surety Company of America |



CITY OF PROVIDENCE
STATE OF RHODE ISLAND
BOARD OF CONTRACT AND SUPPLY

BIDDERS BLANK

| | |
|---|---|
| Name of Company: | JCI JONES CHEMICALS, INC. |
| Agrees to bid on: Items(s) to be bid | Chlorine for use at The Water Treatment Plant Providence Water (Blanket July 2009-June 2011) |
| Date of Award | |
| Total Amount in Writing: | ONE HUNDRED EIGHTY SEVEN THOUSAND DOLLARS AND ZERO CENTS |
| Total Amount in Figures: | \$187,000.00 |

ABOVE BASED ON 220 TONS

Additional Bidding Details (Use Additional Pages if Necessary)

| | |
|-----------------------------------|--|
| Federal ID# or Social Security #: | 16-0809645 |
| Signature: | <i>Kathleen M. Crenshaw</i> |
| Title of Person signing: | KATHLEEN M. CRENSHAW SALES COORDINATOR |
| Firm Name: | JCI JONES CHEMICALS, INC. |
| Address: | 40 RAILROAD AVENUE MERRIMACK, NH 03054 |
| Phone #: | 800-364-2944 |
| Delivery Date: | 1-3 DAYS FROM ORDER PLACEMENT |
| Name of Surety Company | ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC. |

Providence Water

**Blanket bid for
Chlorine 220 tons per year
2009-2011**

| | | |
|-----------------|-------------------|----------------------|
| Bidders: | Jones Chemical | Univar No bid |
|-----------------|-------------------|----------------------|

| | | |
|-------------------------------------|-----|----|
| Does bid conform to specifications: | yes | NA |
|-------------------------------------|-----|----|

| | |
|----------------------------|--------------|
| Price per ton 2007-2008 | \$850.00/ton |
|----------------------------|--------------|

| | |
|-----------|----------|
| 2008-2009 | \$850.00 |
|-----------|----------|

| | |
|---|----------------|
| Cost per site visit /cylinder removal 2009-2010 | \$300.00/visit |
|---|----------------|

| | |
|---|----------------|
| Cost per site visit /cylinder removal 2009-2011 | \$300.00/visit |
|---|----------------|

Recommendation: Award bid to Jones Chemical at a cost of \$374,000 for the period of July 2009- June 2011. This price is for furnishing up to 220 tons of chlorine per year.

Prepared by: Frederick J. Crosby
Manager of Treatment Operations
May 26, 2009



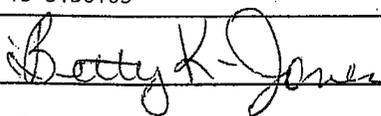
CITY OF PROVIDENCE
STATE OF RHODE ISLAND
BOARD OF CONTRACT AND SUPPLY

BIDDERS BLANK

| | |
|---|--|
| Name of Company: | Lucier Chemical Industries Ltd., dba LCI, Ltd. |
| Agrees to bid on: Items(s) to be bid | Hydrofluorosilicic Acid for use at The Water Treatment Plant Providence Water (Blanket July 2009-June 2011) See attached letter |
| Date of Award | |
| Total Amount in Writing: | Four Hundred Seventy Three Thousand Four Hundred Dollars & Zero Cents Three Dollars & Fifteen Cents & 6 Mills/ Gallon |
| Total Amount in Figures: | \$3.156/Gallon ** x 150,000 Gallons = \$473,400.00 |

Additional Bidding Details (Use Additional Pages if Necessary)

** Above price is based on a 23% acidity adjusted basis and 4,000 gallon minimum releases

| | |
|-----------------------------------|--|
| Federal ID# or Social Security #: | 13-3158103 |
| Signature: |  |
| Title of Person signing: | Betty Kendall-Jones, V.P. |
| Firm Name: | Lucier Chemical Industries Ltd., dba LCI, Ltd. |
| Address: | P. O. Box 49000, Jacksonville Beach, FL 32240-9000 |
| Phone #: | 800.578.7891, Ext. 124 |
| Delivery Date: | Minimum of 15 - 30 working days from receipt of order |
| Name of Surety Company | American International Specialty Lines |

PROVIDENCE WATER
 Fluorosilicic Acid for use at the Water Treatment Plant
 Blanket order July 2009 - June 2010
 150,000 gallons of 23 percent acid

| | | | | |
|----------|---|---|--------|--------|
| Bidders: | LCI Ltd PO Box 49000 Jacksonville Beach Florida 32240 800-578-7891, ext 124 | Solvay Fluorides 3333 Richmond Ave Houston TX 77098 713-525-6862 | Univar | PENNCO |
|----------|---|---|--------|--------|

Both bidders would only guarantee pricing for a one year contract.

| | | | | |
|------------------|-------|--|--------|--------|
| Price per ton | ----- | \$713.00 | No Bid | No Bid |
| | | (Convert to price per gallon of 23 % solution) | | |

\$713.00/2,000 yields 0.3565/lb times 10.1 gallons/lb yields \$3.60065/gallon.

| | | |
|--|---------|-----------|
| Price per gallon of 23% solution | \$3.156 | \$3.60065 |
|--|---------|-----------|

| | | |
|--|--------------|--------------|
| Price per 150,000 gallons of 23% solution | \$473,400.00 | \$540,097.50 |
|--|--------------|--------------|

Recommendation: Award contract to LCI Ltd in the amount of \$473,400.00 to supply fluoride (fluorosilicic acid) for the period of July 2009 - June 2010 for furnishing up to 150,000 gallons. This is a one year contract. Company would not commit to a 2 year contract.

Prepared by: Fred Crosby
 Manager of Operations
 05/21/09

Approved by: Michael A. Covellone
 Director of Water Supply

PROVIDENCE WATER SUPPLY BOARD
Docket No. 4061
Data Requests of the Division of Public Utilities & Carriers
Set 1

1-13. Please explain the basis for recovering total rate case expense over one year.

Answer: Rate case expenses are recovered over one year since such a large portion of the expenses are associated with the Conservation rate study that will be filed prior to the rate year.

PROVIDENCE WATER Docket No. 4061
Data Requests Division Set I

Div 1-14 Please explain the cause of the significant decline in the quantity of Ferric Sulfate utilized since FY 2006 (1,027,481 gallons) and FY 2007 (835,383 gallons) compared to FY 2008 and the 12 months ended December 31, 2008.

A. The following explanation was obtained from the Manager of Plant Operations in the Water Treatment Plant.

Ferric usage has declined for several reasons.

First, the average concentration of the ferric purchased has increased from 12 to about 13%. This means that less gallons are needed based on a higher strength product.

Second, raw water quality. The added ferric was increased from a rough average of .7gpg to 1.75 gpg. This dose was needed to meet TOC removal requirements under the Safe Drinking Water Act. Currently we are able to meet TOC removal at a dose of 1.1 based on current raw water quality.

Third, Providence Water purchased 2 meters, one online and one bench top to allow us to more closely monitor the removal and to make sure we meet the TOC removal requirements. Should the quality of the water change then the dose would have to be increased.

Finally, a flash mixer was installed to better mix the ferric in water to aid in the removal and to keep the ferric dose low.

PROVIDENCE WATER Docket No. 4061
Data Requests Division Set I

Div 1-15 Please explain Providence Water's current practice with regard to requiring employees to share the costs of health insurance premiums and explain any changes in that practice that are being considered.

A. Providence Water employees follow the City's practice with regard to co-sharing health costs. Currently all employees do co-share between 7.39% and 10.86%. We have received a copy of the City's Agreement with Local Union 1033 which specifies what the additional co-share amounts will be. The percentages are anticipated to increase on a sliding scale up to a cap of 15% of the annual premium/working rate. Please also see the fiscal note prepared by the City's Director of Finance which accompanied the contract amendments. Based on recent Providence Journal articles (attached) it appears that management employees will see an increase of up to 20% of the annual premium/working rate. No changes have occurred thus far.

AGREEMENT

ENTERED into this 23rd day of April 2009, by and between the CITY OF PROVIDENCE and the RHODE ISLAND LABORERS' DISTRICT COUNCIL on behalf of LOCAL UNION 1033 pursuant to Article XXV and Article XXVII of the parties' Agreement effective July 1, 2008 to June 30, 2011;

WHEREAS, the parties hereto have conducted good-faith negotiations pursuant to Title 28, Chapters 7 and 9.4 of the Rhode Island General Laws, as amended; and

WHEREAS, the parties' negotiations have resulted in Agreement for a Collective Bargaining Agreement, effective July 1, 2009 to June 30, 2012; and

WHEREAS, the parties hereto desire to codify their AGREEMENT and be bound by the same:

THE PARTIES HEREBY AGREE

1. The document titled "Agreement between the City of Providence, Rhode Island, and the Rhode Island Laborers' District Council on behalf of Public Employees' Local Union 1033 of the Laborers' International Union of North America, effective July 1, 2008 to June 30, 2011" is herein incorporated by reference as if fully reproduced. The terms and conditions of this Agreement shall continue and remain in effect for the period of July 1, 2009 to June 30, 2012 except as expressly modified herein.
2. Recognizing the continuing requirement to provide the most effective and efficient public services, the parties hereto are committed to meet and confer in good faith to address the needs of the City and its Citizenry and all methods of providing services to the Citizenry including consolidating City Departments and Agencies as well as Offices and Divisions of the School Department and those of the City.
3. Article XVIII Section 1(F.) Retirement of City Crossing Guards – Any member employed as a Crossing Guard under the terms of this agreement who retires by June 30, 2009 shall receive, in addition to all benefits provided herein and by law, retiree medical health insurance benefits as outlined in this agreement, effective July 1, 2009 and shall not be required to make a retiree co-share payment until the period commencing July 1, 2010.
4. Article VI – Economic Package – The economic increases (excepting Crossing Guards) shall be as follows and as provided for in the below paragraphs:
Effective July 1, 2009 - no wage increase for all bargaining unit employees for FY 2010.
Effective July 1, 2010 - all previously agreed to increases that were heretofore scheduled to be implemented on June 30, 2010, shall be implemented at 11:59 pm on said date and an amount equal to an across-the-board wage increase for all bargaining unit employees of two percent (2.0%), over the June 30, 2010 rate.

Effective January 1, 2011 - an amount equal to an across-the-board wage increase for all bargaining unit employees of one percent (1.0%), over the December 31, 2010 rate.

Effective July 1, 2011 - an amount equal to an across-the-board wage increase for all bargaining unit employees of two percent (2.0%), over the June 30, 2011 rate.

Effective January 1, 2012 - an amount equal to an across-the-board wage increase for all bargaining unit employees of one percent (1.0%), over the December 31, 2011 rate.

5. Article XVIII Section 1 (D). Prior to the effective date of this Agreement, all permanent employees (excepting Crossing Guards) shall co-share in the cost of healthcare benefits provided in this Article through pre-tax weekly payroll deduction (if permissible by law) as follows:

Individual Plans at .011 of base wages not to exceed \$600.00 per year.
Family Plans at .0255 of base wages not to exceed \$1,350.00 per year.

Effective July 1, 2009 (excepting Crossing Guards)

Employees shall share in the cost of their medical health benefits by a payroll pre-tax co-payment deduction for individual plans at .013 of base wages not to exceed fifteen percent of the annual premium/working rate and Family Plans at .0265 of base wages not to exceed 15% of the annual premium/working rate. It is acknowledged that the FY 2010 annual co-payment rates for the Local Union 1033 shall not exceed \$740 for individual plans and \$1,640 for family plans. It is further acknowledged that based on the aforementioned co-payment rates, the weekly contribution for the Local Union 1033 shall not exceed the following; \$14.23 for individual plans and \$31.54 for family plans. It is also acknowledged that the premium /working rate for the purpose of computing the maximum employee co-payment shall be as determined by a consultant selected by the parties and shall not increase by more than 9.5% annually.

Effective July 1, 2010 (excepting Crossing Guards)

Employees shall share in the cost of their medical health benefits by a payroll pre-tax co-payment deduction for Individual Plans at .0145 of base wages not to exceed 15% of the annual premium/working rate and Family Plans at .0285 of base wages not to exceed 15% of the annual premium/working rate which shall be computed based upon the rates provided in the preceding paragraph and adjusted, based upon utilization and paid claims, by a consultant selected by the parties which shall not increase by more than 9.5% over the rates stated in said preceding paragraph.

Effective July 1, 2011 (excepting Crossing Guards)

Employees shall share in the cost of their medical health benefits by a payroll pre-tax co-payment deduction for Individual Plans at .016 of base wages not to exceed 15% of the annual premium/working rate and Family Plans at .035 of base wages not to exceed 15% of the annual premium/working rate which shall be computed based upon the rates computed for the preceding paragraph and adjusted, based

upon utilization and paid claims, by a consultant selected by the parties which shall not increase by more than 9.5% over the rates computed for said preceding paragraph..

6. Article XI For calendar year 2010 only, bargaining unit members shall receive two (2) Floating Holidays. Effective January 1, 2011 said benefit shall be restored to three (3) Floating Holidays.

7. Article XX Section 8 (b) Union Benefit Trust

In order to maintain the level of benefits provided to members of the bargaining unit as well as the Joint City/Union Apprentice program, the Union agrees to prepay the City for FY 09 and FY 10, \$150,000 to cover the cost of the Training Coordinator.

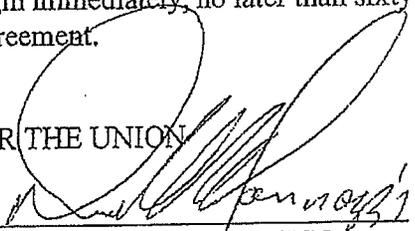
8. Retirement Reform - The parties agree to jointly support amendments to the Employees Retirement System Ordinance as contained in their Proposed Amendment is attached hereto.

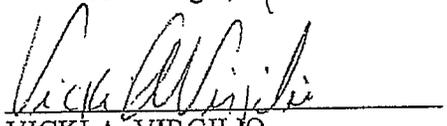
9. The parties hereby agree to meet and confer in an effort to develop a plan to reduce the overtime in the Office of Public Safety Communications.

10. Article XXIX – Duration of Agreement

Section 1. The terms and conditions of this Agreement shall be effective July 1, 2009 and shall continue in full force and effect through June 30, 2012 and from year to year thereafter unless either party at least one hundred and twenty (120) days prior to June 30, 2012, gives notice in writing to the other party of its intention to terminate this Agreement, in which event this Agreement shall terminate at the end of the contract year in which said notice is given. In the event that such notice is given, negotiations shall begin immediately, no later than sixty (60) days prior to the termination of the Agreement.

FOR THE UNION

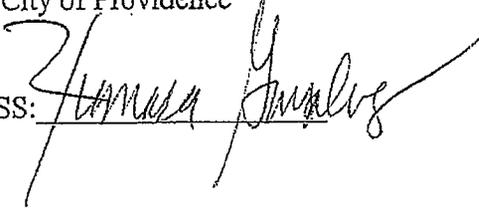

DONALD S. IANNAZZI, ESQ.
Business Manager, Local Union 1033


VICKI A. VIRGILIO
President, Local Union 1033

FOR THE EMPLOYER


DAVID N. CICILLINE
Mayor, City of Providence

WITNESS:





Finance Department

David N. Cicilline, Mayor | Bruce T. Miller, Finance Director

May 7, 2009

Councilman John Igliazzi,
Chairman, Committee on Finance
C/O City Clerk's Office
Providence City Hall
Providence, R.I. 02903

Dear Chairman Igliazzi:

For your consideration is the fiscal note pertaining to the proposed amendments to the 1033 contract. The City expects to realize approximately \$3,245,000 in reduced expenditures for the duration of the amended contract period. Please note that the amended contract extends the duration of the contract from June 30, 2011 to June 30, 2012. The substantive changes in the contract can be categorized within the following five areas, changes to; health benefits, wages and other benefits, pension benefits, working conditions and union payments to the City.

Health Benefits

The union has agreed to increase employee health insurance co-shares. The co-shares are on a sliding scale and are based on employee's salary. The schedule below outlines the increases to the employee co-share amounts and the expected contributions that will be made to the City's health insurance trust fund.

PROVIDENCE THE CREATIVE CAPITAL

25 Dorrance Street Providence, Rhode Island 02903 | 401 421 7740 OFFICE

www.providenceri.com

Fiscal Note: 1033 Amendments

| | Individual | Family | Projected Co-Share Contributions |
|--------------------------------------|------------|--------|----------------------------------|
| <u>Fiscal Year 2010</u> | | | |
| Percent of Base Wage | 1.30% | 2.65% | |
| Maximum Contribution | 800 | 1,650 | |
| Projected Co-Share | | | 230,000 |
| <u>Fiscal Year 2011</u> | | | |
| Percent of Base Wage | 1.45% | 2.85% | |
| Maximum Contribution | 900 | 1,900 | |
| Projected Co-Share | | | 250,000 |
| <u>Fiscal Year 2012</u> | | | |
| Percent of Base Wage | 1.60% | 3.50% | |
| Maximum Contribution | 1,050 | 2,200 | |
| Projected Co-Share | | | 320,000 |
| Total Projected co-pay contributions | | | <u>800,000</u> |

Wages and Other Benefits

- The City will defer paying salary increases for fiscal year 2010 one year, thereby extending the length of the agreement one year. Although there is no change in the cumulative impact of salary increases by deferring payment one year, this will reduce the Fiscal Year 2010 budget by \$1,000,000. Furthermore, the City will add an additional 1% salary increase December 31, 2011. This will increase the budget by approximately \$150,000 in FY 2012.
- The Union has agreed to reduce the amount of overtime incurred at the Communications department. It is projected that these savings will approximate \$100,000 per year, or \$300,000 over the duration of the contract.
- The City will eliminate one vacation or floating holiday for FY 2010. It is projected that savings will approximate \$120,000 per year. It should be noted that the reduction in this benefit will reduce the City's accrued uncompensated balance liability on the financial statements.

Pension Benefits

Fiscal Note: 1033 Amendments

- For those employees hired after July 1, 2004 the minimum retirement age shall be age 60 with 10 years of service or 30 years of service with an early retirement reduction of 5% per year.
- For those employees hired after July 1, 2009 the minimum retirement age shall be age 62 with 10 years of service or 30 years of service.
- Decrease the disability allowance for new disabled pensioners to fifty percent. It should be noted that no savings have been identified with this initiative at this time.
- The City will offer to pay full longevity to City Crossing Guards that retire prior to June 30, 2009. Accordingly, the Crossing Guards who take this option will not make a Health Insurance co-payment for the first two years of retirement. No cost or savings were attributed to this option.

The City expects to realize \$300,000 per year on its actuarial pension contribution, or \$1,200,000 from FY 2009 through FY 2012.

Working Conditions

- The City is eliminating the option to be paid by check, thereby; employees shall have the choice to be paid by either ACH deposit or by debit card.
- The City is eliminating the weekly pay cycle and will implement a bi-weekly cycle.

The City expects to realize \$300,000 in annual savings, or \$900,000 over the duration of this contract by implementing these changes.

Union Payments

- The Union shall prepay the City its share of the training coordinator for FY 2010. This will decrease the City's FY 2009 expenditures by \$75,000.

The schedule below summarizes the projected savings.

Health Benefits co-payment

| | |
|------------------|----------------|
| Fiscal Year 2009 | 230,000 |
| Fiscal Year 2010 | 250,000 |
| Fiscal Year 2011 | 320,000 |
| Subtotal | <u>800,000</u> |

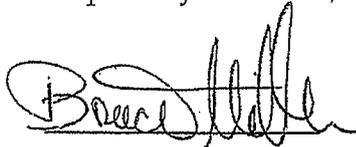
Wage Freeze

Fiscal Note: 1033 Amendments

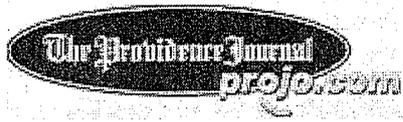
| | |
|---|--------------------|
| Fiscal Year 2010 | 1,000,000 |
| Fiscal Year 2012 | (150,000) |
| | <u>(1,000,000)</u> |
| Subtotal | <u>(150,000)</u> |
| <u>Retirement</u> | |
| Various Changes to benefits | 1,200,000 |
| <u>Uncompensated Balances</u> | |
| Eliminate 1 vacation day and floating holiday from accrual | 120,000 |
| <u>Bi-Weekly Payroll and Direct Deposit</u> | |
| Change to a bi-weekly payroll schedule and require direct deposit or debit card | 900,000 |
| <u>Prepayment of Training Coordinator</u> | 75,000 |
| <u>Reduction of overtime in Communications</u> | 300,000 |
| | <u>3,245,000</u> |
| TOTAL | <u>3,245,000</u> |

Thank you for your consideration and should you have any questions, please feel free to contact me to discuss.

Respectfully Submitted;



Bruce T. Miller
Finance Director



Providence

Comments 8 | Recommend 2

Providence mayor looks to union concessions to balance budget

01:00 AM EDT on Thursday, April 30, 2009

By Philip Marcelo

Journal Staff Writer

PROVIDENCE — Mayor David N. Cicilline, a week removed from offering his plan to close this year's budget deficit, will submit to the City Council on Friday a budget for the fiscal year starting July 1, as required by the City Charter.

It makes for a busy budget season, as the city must deal simultaneously with a \$17-million deficit in the current budget year, which ends in June, and plan for a budget next year that may exceed revenue projections by as much as \$50 million.

The council has already referred the mayor's deficit-reduction plan for this year to its Finance Committee. Meanwhile, Cicilline's administration continues to meet with the city's major unions on the proposed changes to collective bargaining agreements that make up the bulk of the savings for the city.

Cicilline is calling for substantial changes to the health-care, pension and salary benefits afforded to both union and non-union staff for this fiscal year and the next.

They include an increase of the health insurance co-share to 15 percent for union staff and 20 percent for non-union staff; an increase of the minimum retirement age to 60 for employees with no more than five years of service and to 62 for new employees, and a decrease of the disability pension allowance from two-thirds of salary to 50 percent.

Police officers and firefighters with less than 10 years' service would have to work for 25 years to qualify for a pension, rather than the current 20 years. For them, the retirement age would still be 55.

Cicilline is also seeking a wage freeze through 2010 and the elimination of a paid holiday.

All told, the salary and benefit changes are expected to save \$13 million in the current fiscal year and another \$25 million next year.

"The mayor's approach is going to have a compounding effect, helping address the deficit this year and the looming deficit coming on July 1," said City Councilor John Igliazzi, who chairs the council's Finance Committee.

Key to the plan, though, is getting everyone to agree to most of the concessions. "If we don't get at least health-care [concessions], I don't know how we're going to get there," said City Council Majority Leader Terrence Hassett. "There's just not a lot of flexibility. We've got to go after the fixed costs."

So far, only the largest of the city's five unions, Local 1033 of the Laborers' International Union of North America, has agreed to the terms that apply to their union; all changes are mandatory for nonunion staff.

Already, there are signs of strife. Firefighters Union President Paul Doughty says Cicilline's introduction last week of city

ordinance amendments which reflect the changes agreed to by Local 1033, as well as the proposed changes to the police and firefighters contracts, is a "veiled threat" to the unions to comply with the mayor's terms.

"It's not off to a good start," says Doughty, whose union has been deadlocked with Cicilline's administration over its contract. The firefighters union is to meet with Cicilline Thursday; the police union is to meet with the mayor Friday.

The fiscal year 2010 budget that Cicilline will submit to the council on Friday will be a "contingency budget," according to Cicilline's spokeswoman Karen Southern, who declined to elaborate on the proposal this week.

City officials have said that without the union concessions, the city could be facing a shortfall approaching \$50 million.

City Director of Administration Richard Kerbel said last week that the city assumes it will see a drop in the amount of state aid next year.

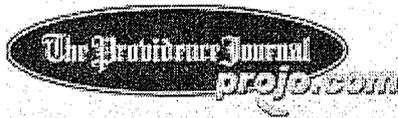
Municipal revenue, which failed to meet expectations this fiscal year by nearly \$8 million, will likely not recover next year, either, and the city will have to adjust accordingly, said Kerbel. "We certainly can't keep this year's revenue estimates for next year," he said.

The city can also expect an increase in the amount it pays toward debt for major projects, including school constructions and a loss of some one-time revenue windfalls, such as the sale of city-owned property, that it enjoyed this fiscal year, said Kerbel.

And the city can bet that the state will cut \$1.4 million in planned reimbursements of completed school construction projects due to a dispute over how much the city billed the state.

Cicilline's spending plan for next year will likely incorporate some form of the \$325-million School Department budget approved by the School Board on Monday night. That department's proposed budget for next fiscal year includes a nearly \$14-million deficit.

pmarcelo@projo.com



Rhode Island news

Comments 35 | Recommend 0

Providence looks to cut pay, benefits to plug budget hole

01:00 AM EDT on Thursday, May 28, 2009

By Philip Marcelo

Journal Staff Writer

PROVIDENCE — As the current budget year comes to a close, the city appears to be moving forward with Mayor David N. Cicilline's plan to plug a \$17-million deficit — with or without the blessing of the unions.

Cicilline's supplemental budget for the fiscal year ending June 30 calls for salary, health-care and pension concessions from all city employees.

The changes include an increase in health-insurance contributions to 20 percent; the elimination of the 3-percent compounding cost-of-living adjustment for police officers and firefighter pensions; increases in the number of years of service to qualify for a pension; a wage freeze through 2010; and the elimination of a paid holiday.

The city has already imposed the changes on non-union staff, but to date only one of the city's five major labor unions — Local 1033 of the Laborer's International Union of North America, which represents City Hall workers — has agreed to the terms.

That leaves the position of the four other major unions — police, fire, teachers and school clerks — still in doubt.

City Director of Administration Richard I. Kerbel says that the city is still very much in negotiations with the other unions, and declined to discuss specifics. "We've met with two unions in the past 24 hours and are working on meeting with a third union so I can say comfortably that we are still in negotiations," Kerbel said on Wednesday.

But union leaders said otherwise: "In general, talks have stalled," said Paul Doughty, president of the city firefighters' union, who confirmed that his union met with Kerbel on Tuesday.

Lt. Kenneth Cohen, president of the police union, said his union last met with the mayor's staff earlier this month. He said the police union's main concern is that the mayor is seeking to affect the benefits of officers that are relatively new to the job.

"These are guys that have 10 years or less service that were hired based on what the city offered then, and now here's the city changing that offer," said Cohen.

Even without union support, City Council Finance Committee Chairman John J. Iglizzi says his committee is poised to approve the mayor's 2009 supplemental budget as early as Monday.

City Internal Auditor James Lombardi III, who is the council's chief financial officer, cautioned the committee at a meeting Tuesday that he did not believe it was possible for the city to realize the projected savings so late into the fiscal year.

“Realistically, in the current year, there is no alternative but to use reserve funds, as the administration has not dealt with the budget shortfall in a timely manner,” Lombardi said.

The only substantive change the committee has proposed to the mayor’s plan was to delay for five years a proposed decrease in the disability payout for police officers and firefighters from 66.67 percent of a person’s salary to 50 percent.

Igliozi recommended the city hold off on the proposed change, which is expected to net the city about \$200,000 in savings per year so that the city can see what effects previous pension-reform efforts have had on city finances. Kerbel said the city did not object to the delay.

Meanwhile, labor union leaders are confident that they would prevail if they appealed the city’s plan in court. “The budget savings are illusory. They are going to lose if we take this to arbitration and they will have to pay us back next year,” said Doughty, of the firefighters’ union. “Why do this and impact the fiscal 2010 budget?”

Kerbel said the city must push forward with the mayor’s savings plan in order to cut spending and meet lowered revenue projections. He did not want to speculate about a potential court battle with the unions. “We’ll cross that bridge when we get there,” Kerbel said.

The proposed salary and benefit changes are also at the core of Cicilline’s proposed budget for next year, which begins July 1. That plan is also before the Finance Committee, and will get its first public airing on Thursday at 6 p.m. in City Hall, when the committee will hear testimony from the mayor’s staff.

The budget plans for fiscal 2009 and fiscal 2010 must be approved twice by the full council and signed by the mayor to take effect.

pmarcelo@projo.com

PROVIDENCE WATER Docket No. 4061
Data Requests Division Set I

Div 1-16 Please provide a schedule showing the cash projects to be funded from the IFR Fund in FY 2009, FY 2010 and FY 2011 as reflected on Schedule HJS-12A.

A. Please see the attached IFR Expenditure Plan for 2009 through 2012. These are the projects as reflected in the IFR plan as shown on Schedule HJ12A. Revised projects are being contemplated by the Chief Engineer in light of the proposed Stimulus funding.

Providence Water
IFR Expenditure Plan

Fiscal Years 2009 through 2012

| Total Amount | Budget 2009 | Budget 2010 | Budget 2011 | Budget 2012 |
|-----------------|----------------|----------------|----------------|----------------|
|-----------------|----------------|----------------|----------------|----------------|

RAW WATER SUPPLY

Reservoirs, Dams, and Watershed

| | | | | | |
|--|-----------|-----------|---------|---------|---------|
| Gainer Dam stone wall rehabilitation | 600,000 | 300,000 | 300,000 | | |
| Regulating Reservoir dam rehabilitation | 1,275,000 | 75,000 | 500,000 | 700,000 | |
| Large dam improvements | 600,000 | 50,000 | 100,000 | 100,000 | 350,000 |
| Secondary dam improvements | 800,000 | | 50,000 | | 750,000 |
| Replace watershed storage facility | 1,000,000 | 1,000,000 | | | |
| Watershed fencing, fire lanes, property rehabilitation | 500,000 | 50,000 | 350,000 | 50,000 | 50,000 |

Raw Water Structures and Conduits

| | | | | | |
|--|------------------|------------------|------------------|----------------|------------------|
| Meter & junction chambers rehabilitation | 500,000 | 100,000 | 400,000 | | |
| 60" influent conduits - inspection | 50,000 | | | | 50,000 |
| 90" influent conduit - inspection | 50,000 | | | | 50,000 |
| Raw Water Supply Total | 5,375,000 | 1,575,000 | 1,700,000 | 850,000 | 1,250,000 |

TREATMENT PLANT

Plant Influent and Aerator

| | | | | | |
|---|-----------|--------|---------|---------|---------|
| Influent structure rehabilitation | 390,000 | 10,000 | 50,000 | 150,000 | 180,000 |
| Aerator / Influent actuators and valves replacement | 755,000 | 20,000 | 125,000 | 250,000 | 360,000 |
| Influent structure - replace drain and bypass valves | 1,145,000 | 30,000 | 175,000 | 400,000 | 540,000 |
| Influent / Effluent aerator conduits Inspect / Rehabilitate | 195,000 | 5,000 | 25,000 | 75,000 | 90,000 |
| Aeration basin concrete rehabilitation | 810,000 | 10,000 | 100,000 | 300,000 | 400,000 |
| Aeration basin - replace piping, nozzles, and drain valves | 1,220,000 | 20,000 | 150,000 | 450,000 | 600,000 |

Aerated, Settled, and Filter Influent Conduits

| | | | | | |
|---|-----------|--------|---------|---------|---------|
| Settled water conduit - installation of access hatch | 100,000 | | | 50,000 | 50,000 |
| Concrete conduits inspect / rehabilitate | 1,145,000 | 20,000 | 150,000 | 375,000 | 600,000 |
| Influent venturis inspection | 510,000 | 10,000 | 50,000 | 150,000 | 300,000 |
| Emergency bypass - clean tunnel and install sluice gate | 70,000 | | 20,000 | 50,000 | |

Chemical Storage, Transfer, and Feed Systems

| | | | | | |
|---|-----------|--|--|---------|-----------|
| Chlorine room upgrades | 1,500,000 | | | 250,000 | 1,250,000 |
| Chemical storage, transfer, and feed systems upgrades | 40,000 | | | 20,000 | 20,000 |

Filters

| | | | | | |
|--|------------|---------|-----------|------------|------------|
| Filter replacement (including valves & piping) | 24,100,000 | 100,000 | 4,000,000 | 10,000,000 | 10,000,000 |
|--|------------|---------|-----------|------------|------------|

Building, Support, and Operational Systems

| | | | | | |
|---|-----------|-----------|---------|---------|--------|
| Treatment plant building rehabilitation | 200,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| PW lab / equipment Improvements | 180,000 | 40,000 | 40,000 | 50,000 | 50,000 |
| SCADA system upgrades | 2,700,000 | 1,200,000 | 750,000 | 750,000 | |

Providence Water
IFR Expenditure Plan

Fiscal Years 2009 through 2012

| | Total Amount | Budget 2009 | Budget 2010 | Budget 2011 | Budget 2012 |
|-------------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|
| Treatment process pilot model | 50,000 | 50,000 | | | |
| Sludge removal and disposal | 4,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Treatment Plant Total | 39,110,000 | 2,565,000 | 6,685,000 | 14,370,000 | 15,490,000 |

PUMPING AND STORAGE

| | | | | | |
|---|------------------|----------------|------------------|---------------|---------------|
| Neutaconkanut reservoir rehabilitation | 100,000 | | 100,000 | | |
| Dean Estates & Garden Hills pump station upgrades | 1,100,000 | 100,000 | 1,000,000 | | |
| Pump station improvements | 70,000 | 10,000 | 20,000 | 20,000 | 20,000 |
| Pumping and Storage Total | 1,270,000 | 110,000 | 1,120,000 | 20,000 | 20,000 |

TRANSMISSION SYSTEM

| | | | | | |
|--|------------------|------------------|----------|----------------|----------------|
| 78" / 102" inspection / rehabilitation | 2,500,000 | 2,500,000 | | | |
| 102" aqueduct inspection | 500,000 | | | 500,000 | |
| 16" and larger valves replacements | 800,000 | | | 400,000 | 400,000 |
| Transmission System Total | 3,800,000 | 2,500,000 | 0 | 900,000 | 400,000 |

DISTRIBUTION SYSTEM

| | | | | | |
|----------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| Replace / Upgrade water mains | 10,000,000 | 1,000,000 | 1,500,000 | 3,000,000 | 4,500,000 |
| Replace Distribution Valves | 400,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Replace lead services | 32,900,000 | 10,700,000 | 7,200,000 | 7,400,000 | 7,600,000 |
| Replace fire hydrants | 575,000 | 75,000 | 100,000 | 200,000 | 200,000 |
| Leak detection | 100,000 | 100,000 | | | |
| Distribution System Total | 43,975,000 | 11,975,000 | 8,900,000 | 10,700,000 | 12,400,000 |

SUPPORT SYSTEM FACILITIES

| | | | | | |
|---|------------------|----------------|----------------|----------------|----------------|
| Administration building and facilities rehabilitation | 700,000 | 150,000 | 150,000 | 200,000 | 200,000 |
| Security System Improvements | 50,000 | | | | 50,000 |
| Facilities fencing and roads rehabilitation | 300,000 | 100,000 | 100,000 | 50,000 | 50,000 |
| Support System Facilities Total | 1,050,000 | 250,000 | 250,000 | 250,000 | 300,000 |

| | | | | | |
|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| TOTAL | \$94,580,000 | \$18,975,000 | \$18,655,000 | \$27,090,000 | \$29,860,000 |
|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|

PROVIDENCE WATER Docket No. 4061
Data Requests Division Set I

Div 1-17 Please provide the same information requested in the prior question for the
Capital Fund and the Western Cranston Fund.

A. Please see the attached Capital (CIP) Expenditure Plan and WCWDS Expenditure Plan
for 2009 through 2012. Revised projects are being contemplated by the Chief Engineer in
light of the proposed Stimulus funding.

**Providence Water
CIP Expenditure Plan
Fiscal Years 2009 through 2012**

| | Total | Fy 2009 | Fy 2010 | Fy 2011 | Fy 2012 |
|---|--------------------|------------------|--------------------|--------------------|------------------|
| GIS System mapping conversion, data acquisition | 3,500,000 | 500,000 | 1,000,000 | 1,500,000 | 500,000 |
| Security Improvements | 400,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Installation of new fencing | 200,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Total Amount | \$4,100,000 | \$650,000 | \$1,150,000 | \$1,650,000 | \$650,000 |

**Providence Water
WCWDS Expenditure Plan
Fiscal Years 2009 through 2012**

| | Total | Fy 2009 | Fy 2010 | Fy 2011 | Fy 2012 |
|---------------------|--------------------|----------------|--------------------|----------------|----------------|
| WCWDS | 1,254,922 | | 1,254,922 | | |
| <hr/> | | | | | |
| Total Amount | \$1,254,922 | \$0 | \$1,254,922 | \$0 | \$0 |

PROVIDENCE WATER SUPPLY BOARD
Docket No. 4061
Data Requests of the Division of Public Utilities & Carriers
Set 1

1-19 Please provide a copy of Mr. Smith's schedules in Excel format with all formulas intact.

Answer: An electronic copy of the Excel® rate model has been sent to Mr. Chris Woodcock, Mr. Tom Catlin, Mr Steve Scialabba, Mr. John Bell and Ms. Sharon Camara via email.
