



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES AND CARRIERS

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August 14, 2009

Memo To: Luly Massaro, Commission Clerk

From : John Bell *JB*
Public Utilities Analyst

Subject : Docket 4070 – Providence Water’s Compliance Filing re: Conservation Rates

On July 1, 2009, Providence Water made its compliance filing regarding conservations rates as required by the Commission in Report and Order #19145, issued in Docket 3832. The order stated in part: “Providence Water Supply Board shall file a rate proposal on or before July 1, 2009 which includes proposed conservation rates.”

Providence Water’s compliance filing includes the direct testimony of Harold Smith. Mr. Smith is a Vice President of Raftelis Financial Consultants, Inc. (RFC). Providence Water hired RFC to develop conservation rate structures for this filing. In his testimony, Mr. Smith outlines two possible conservation rate structure options for the Commission’s consideration.

The first option is a three block inclining rate structure and the second option is a seasonal rate structure. Both rate structures would only be applicable to retail single family residential customers. According to the filing, Providence Water only proposed conservation rates for single family residential customers because it is easy to distinguish between discretionary and non-discretionary consumption for those customers and it is very difficult for the other classes.

Though Providence Water provides two conservation rate structures for the Commission’s consideration, they recommend that the current rate structure remain in effect until Providence Water can collect at least two additional years of monthly billing data. Providence Water has been collecting monthly meter readings on all of its customers since February 2008, however it doesn’t feel that it is enough information to accurately set conservation rates.

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The Division doesn't object to Providence Water's request to keep the current rate structure in place while it continues to collect at least two additional years of monthly billing data. The Division recommends that the Commission accept Providence Water's proposal and in addition recommends that Providence Water be required to file an updated conservation rate proposal by July 1, 2011.

cc: Service List