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Via Electronic Mail and Regular Mail

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

Re: Newport Water - Docket No. 4128

Dear Ms. Massaro:

Enclosed for filing on behalf of Portsmouth Water & Fire District, please find an original and nine copies of Responses of Portsmouth Water & Fire District to Newport Water's First Set of Data Requests.

Very truly yours,



David M. Marquez

DMM:jlmm

Enclosures

cc: RIPUC Service List (electronically only)
Jon Hagopian (via electronic and first class mail)

1036680 (38210/137951)

CITY OF NEWPORT WATER DIVISION

Docket No. 4128

**Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests**

NWD 1-1: Please provide the number of cost of service studies Mr. Woodcock has performed in the past ten years.

Response: In the last 10 years I have been involved with the performance of over 125 studies involving revisions or analyses of water rates. Approximately half of these studies (60 – 70) involved an element of allocation of costs to particular customer classes or types of service. Some of these are ongoing. The work has not been for 125 different entities; a number of the studies have been with the same client, involving annual or periodic reviews. Not all of these studies involved a cost allocation or cost of service study; some were far less comprehensive, involving across the board increases.

Witness Responsible: C. Woodcock

CITY OF NEWPORT WATER DIVISION

Docket No. 4128

Responses of Portsmouth Water & Fire District to Newport Water's First Set of Data Requests

NWD 1-2: For each cost of service study Mr. Woodcock has performed in the past ten years, please identify:

- a. In how many of these studies, Mr. Woodcock used daily consumption data to estimate residential class peaking factors?
- b. For those studies that Mr. Woodcock performed using daily consumption data, please provide a general description of how the data was used to estimate residential class peaking factors.

Response:

- a. I did not use daily consumption data derived specifically from the client or utility to estimate residential class peaking factors in any of the studies discussed in the response to NWD 1-1. In some of the studies, however, I derived daily demand data from studies by others. These other daily (and hourly) demand studies included older studies conducted by Johns Hopkins University in the late 1960s in the mid-Atlantic area, a study of daily use in Austin, Texas in the 1990s, a demand study of the Kentucky-American Water Company in the late 1990s, and a tabulation of maximum day and maximum hour demand ratios from northeast (primarily Pennsylvania) water utilities.

In no study discussed in the response to NWD 1-1 was there a requirement, agreement, or stipulation that a demand study be conducted as part of the cost of service study. In contrast, the Commission required Newport Water to conduct a demand study and identified funds for Newport Water for that purpose. Newport Water also agreed to conduct a demand study.

The case of Newport Water is unique because of historical and other factors not present in the studies discussed in response to NWD 1-1.

- On page 7 of the RI PUC's decision in Newport Water Docket 1581 (May 18, 1981) it is noted that Professor Richard Bower (a former member of the NY Public Service Commission) "criticized Newport's proposed rate structure as unfair in that it did not consider appropriate load factors (i.e. the ratio of system peak to average day use) in making its allocation of expenses to rate elements." On page 16, Professor Bower was quoted as noting "Because cost varies with load factor, load factor information on customers is prerequisite to a test of fairness of a proposed rate structure." and "... without actual load factor information for Newport Water customers, a true comparison cannot be made and a real test of fairness of the proposed rate structure is not possible." The

CITY OF NEWPORT WATER DIVISION

Docket No. 4128

Responses of Portsmouth Water & Fire District to Newport Water's First Set of Data Requests

Division's witness in this docket, Mr. John Guastella (former Director of the Water Division of the New York Public Service Commission), referring "to determining load factors for various classes and the allocation of costs to customer classes" concluded that "(n)either the Woodcock (Newport Water) study nor the Bower study has done that...". In none of the studies discussed in my response to NWD 1-1 were there issues such as these that were raised nearly 30 years ago regarding Newport's need to determine load factors for various customer classes.

- On page 17 of the RI PUC's decision in Newport Water Docket 2029 (May 8, 1992) the Commission noted Newport Water's objection to the Navy's (Mr. Harwig's) cost of service study: "Newport also *criticized the Navy for using estimated data* on maximum day and hour requirements instead of more exacting information." (emphasis added) The Commission also noted on page 17 of that decision "This Commission is mindful that the issue of Commission authority over rate design has continually manifested itself in Newport's rate filings", and "We find that the concerns voiced by the Division and Newport relative to the data used in the Navy's study are valid." Clearly the issue of estimated demands was one of contention and the use of estimates was criticized by Newport. In none of the studies I conducted over the past 10 years has the client voiced concern over the use of estimated class peaking factors.
- Newport Water submitted a cost allocation study in Docket 3578 that was rejected. That docket was settled with Newport Water agreeing to submit a demand study if Newport chose to allocate peak use (maximum day or maximum hour) costs to the Portsmouth Water & Fire District. The parameters of that study were included as Exhibit 2 to that settlement. It specifically called for Newport to "gather data with respect to the water demand characteristics of the different customer classes" and outlined the expectation that daily demand data would be needed and that the experts would agree to the requirements. It was agreed that a daily demand study would be conducted and that a maximum of \$70,000 should be spent on the specific study. In none of the studies I conducted over the past 10 years has the client agreed in writing to conduct such a study and committed to a cost for such a study.

As indicated above, in some of the studies I conducted in the last 10 years, I used daily demand data that was developed by others. Even though I did not develop daily demand data for those studies, however, in no case was my client ordered to develop such data, nor did my client agree to develop such data.

CITY OF NEWPORT WATER DIVISION

Docket No. 4128

**Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests**

- b. See response to NWD 1-2 (a) above. In general, where I used data from other studies, I looked for cases where the study data would be relevant (e.g., matching studies in the northeast with utilities in the northeast) and tried to assure that the circumstances did not involve unique demands (e.g., summer resort data). When applying these other studies I also tried to assure that the resulting combination of non-coincident class demands looked reasonable when compared to the overall system coincident peak demands. For example, I would sum the class demands and try to be sure they were some 10 – 40% above the system wide demands. If the class demands did not fall into a reasonable range, I would generally modify them to derive reasonable non-coincident demands. An analysis of this type provides a reasonableness test to the estimated class demands. In this case, Newport (and the Division and Navy) has proposed class demands factors that when applied to the use by the various classes results in non-coincident peak demands that are lower than the overall system's demand. The proposed demands are not just unreasonable, they are not even possible.

Witness Responsible: C. Woodcock

CITY OF NEWPORT WATER DIVISION
Docket No. 4128

Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests

NWD 1-3: For each cost of service study Mr. Woodcock has performed in the past ten years, please identify those in which customer class peaking factors were estimated based solely on data gathered during a four month period of one year?

Response: See response to NWD 1-2(a). The referenced demand study of the Austin Texas system relied on several years of data. The referenced demand study of the Kentucky-American Water Company in the late 1990s was conducted in June, July, August and September of 1999. A similar study was prepared for the same period in 1997, but technical difficulties resulted in lost maximum day demand data for the residential class that year.

I am not aware of the period for the other studies.

Witness Responsible: C. Woodcock

CITY OF NEWPORT WATER DIVISION

Docket No. 4128

**Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests**

NWD 1-4: For each cost of service study Mr. Woodcock has performed in the past ten years, please identify:

- a. In how many of these studies Mr. Woodcock was required to estimate class peaking factors using quarterly consumption data?
- b. For those cost of service studies in which Mr. Woodcock was required to estimate class peaking factors using quarterly consumption data, please provide a general description of how quarterly data was used to estimate class peaking factors?

Response:

- a. As discussed in response to NWD 1-2, class demand factors were based on daily demand studies conducted for similar utilities and tested against actual system wide demand data. While most of the utilities billed the bulk of its customers quarterly, that quarterly consumption data was not used.
- b. n/a

Witness Responsible: C. Woodcock

CITY OF NEWPORT WATER DIVISION
Docket No. 4128

Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests

NWD 1-5: How long has Mr. Woodcock been aware of the fact that Newport Water bills the majority of its customers at a frequency of less than once per month?

Response: Since 1979.

Witness Responsible: C. Woodcock

CITY OF NEWPORT WATER DIVISION

Docket No. 4128

**Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests**

NWD 1-6: Regarding page 6, lines 5-17 of Mr. Woodcock's direct testimony in this docket, does Mr. Woodcock agree that the Forward of the referenced AWWA Manual, on page xv states that:

"...this manual will not prescribe a solution. Rather, it is intended to provide guidance and advice." (*emphasis added*)

Response: Yes, I wrote that part of the manual and have a clear understanding of what it means.

On page 2, lines 7-9, Mr. Smith states:

"I have used the revenue requirements allowed by the Commission in Docket No. 4025 and performed a cost of service analysis using the Base/Extra Capacity cost allocation approach to develop cost of service based rates for each of Newport Water's customer classes." (*emphasis added*)

In this case, much of the key guidance and advice regarding the base-extra capacity method in the AWWA M1 Manual was not used or followed by Newport Water. As examples:

- Page 52 of the AWWA Manual provides that the allocation between base and extra capacity costs should be determined using the coincident system-wide demands, not the sum of non-coincident demands for each class as was done by Newport Water.
- Page 56 presents a table showing different items within major cost categories allocated using different bases. For the most part, Newport lumped major categories together.
- Page 68 contains a table (8-1) that notes that the maximum hour extra capacity demands are in excess of the maximum day demands, not in excess of the base demands as Newport has proposed on RFC Schedule B-9.
- Page 69 contains a description of the reasonableness of demand or capacity factors. It shows that the sum of each class' noncoincidental demands should be greater than the system-wide coincidental demands. This is not the case with Newport's "base extra-capacity" filing.

In my opinion, Newport's deviations from the AWWA Manual's guidance and advice are so significant that Newport cannot claim to follow the base extra-capacity method.

Witness Responsible: C. Woodcock

CITY OF NEWPORT WATER DIVISION
Docket No. 4128

Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests

NWD 1-7: Does Mr. Woodcock also agree that page 297 and 298 of the above referenced AWWA Manual state:

“For utilities with other than monthly billing frequency, the available billing records will need to be used...” (*emphasis added*)

Response: The quote is incomplete. The complete sentence states:

“For utilities with other than monthly billing frequency, the available billing records will need to be used, but the results of the analysis will likely be less accurate.” (*emphasis added*).

The portion of the sentence left out of the question is critical, particularly in light of (a) decades of controversy as outlined in response to NWD 1-2, and (b) Newport's agreement to conduct a daily demand study in Docket No. 3578. The question of billing frequency is even more critical when one considers that Newport does not even read its meters quarterly, but estimates every fourth reading. As result, there are only two real quarters of billing data, not a full year's worth. In my opinion, the issue of the accuracy of the results from the analysis of Newport's billing records led to the requirement for the daily demand study. That study was agreed to by Newport in the stipulation and attached Exhibit 2 in Docket 3578.

Witness Responsible: C. Woodcock

CITY OF NEWPORT WATER DIVISION

Docket No. 4128

**Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests**

NWD 1-8: Please provide a copy of each cost of service study conducted by the Portsmouth Water and Fire District in the past ten years.

Response: As a quasi-municipal agency that supplies water on a retail basis only within its legislated boundaries, PWFD has not conducted any cost of service studies in the last ten years.

Witness Responsible: W. McGlinn

CITY OF NEWPORT WATER DIVISION

Docket No. 4128

**Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests**

NWD 1-9: Please provide a copy of each demand study conducted by the Portsmouth Water and Fire District in the past ten years.

Response: As a quasi-municipal agency that supplies water on a retail basis only within its legislated boundaries, PWFD has not conducted any demand studies in the last ten years.

Witness Responsible: W. McGlinn

CITY OF NEWPORT WATER DIVISION
Docket No. 4128

Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests

NWD 1-10: With regard to page 18, line 30 and page 19, line 1 of Mr. Woodcock's testimony, please cite where Newport stated that the monthly data was "incorrect and should be ignored".

Response:

My prefiled testimony did not say this was a direct quotation; rather it is my characterization of Newport's response to PWFD 1-12. That characterization is based on Newport Water's statements in the data response:

- that "the data that this question references is not used" (my characterization "should be ignored"),
- that the data "was rejected" (my characterization "should be ignored"),
- that the query used to extract the monthly data "resulted in discrepancies similar to the ones addressed in this question" (the discrepancies listed in the question included the monthly demand exceeding the combined monthly and quarterly, my characterization of this response that the data was "incorrect"),
- "the idea of using monthly only data was rejected" (my characterization "should be ignored"),
- "this schedule (of monthly data) would have been deleted" (my characterization "should be ignored").

Witness Responsible: C. Woodcock

CITY OF NEWPORT WATER DIVISION

Docket No. 4128

**Responses of
Portsmouth Water & Fire District to
Newport Water's First Set of Data Requests**

NWD 1-11: On page 5, line 29, Mr. Woodcock states that in 1981 he was criticized for his "use of estimates." Please state the following with respect to this testimony:

- a. What "estimates" he is referring to in this testimony;
- b. The identity of the person or parties who criticized Mr. Woodcock;
- c. A detailed explanation of the criticism.

Response:

- a. The "estimates" referred to in my testimony were estimates of customer class load or demand factors.
- b. The persons that criticized my testimony and exhibits included Division's consultant Mr. John Guastella (former Director of the Water Division of the New York Public Service Commission) and Professor Richard Bower (former member of the New York Public Service Commission on behalf of intervenors). Based on the decision, the Commission apparently agreed with this criticism as well, ordering an across the board increase to the rates and charges.
- c. This case was nearly 30 years ago and I do not have transcripts to provide the details sought in this request. Based on my reading of the decision and recollection of this docket Professor Bowers was critical of the proposed rates because he did not believe the estimated load factors were correct. He is quoted as saying: "because cost varies with load factor, load factor information on customers is prerequisite to a test of fairness of a proposed rate structure." and "without actual load factor information for Newport Water customers, a true comparison cannot be made and a real test of the fairness of the proposed rate structure is not possible." Mr. Guastella likewise believed that there was a lack of data to support the proposal and recommended that the Commission could only approve an across the board increase.

Witness Responsible: C. Woodcock