



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

150 South Main Street • Providence, RI 02903

(401) 274-4400

TDD (401) 453-0410

Patrick C. Lynch, Attorney General

April 20, 2010

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02889

Re: Docket No. 4151

Dear Ms. Massaro,

Enclosed for filing with the Commission on behalf of the Division of Public Utilities and Carriers, please find the Direct Testimony of Thomas S. Catlin.

Very truly yours,

Karen Lyons
Special Assistant Attorney General

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

**THE NARRAGANSETT)
BAY COMMISSION)** **DOCKET NO. 4151**

**DIRECT TESTIMONY
OF
THOMAS S. CATLIN**

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

APRIL 2010

EXETER

ASSOCIATES, INC.
10480 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044

1 construction projects. I also served as project engineer for two utility valuation
2 studies.

3 From June 1977 until September 1981, I was employed by Camp Dresser
4 & McKee, Inc. Prior to transferring to the Management Consulting Division of CDM
5 in April 1978, I was involved in both project administration and design. My project
6 administration responsibilities included budget preparation and labor and cost
7 monitoring and forecasting. As a member of CDM's Management Consulting
8 Division, I performed cost of service, rate, and financial studies on approximately
9 15 municipal and private water, wastewater and storm drainage utilities. These
10 projects included: determining total costs of service; developing capital asset and
11 depreciation bases; preparing cost allocation studies; evaluating alternative rate
12 structures and designing rates; preparing bill analyses; developing cost and revenue
13 projections; and preparing rate filings and expert testimony.

14 In September 1981, I accepted a position as a utility rates analyst with Exeter
15 Associates, Inc. I became a principal and vice-president of the firm in 1984. Since
16 joining Exeter, I have continued to be involved in the analysis of the operations of
17 public utilities, with particular emphasis on utility rate regulation. I have been
18 extensively involved in the review and analysis of utility rate filings, as well as other
19 types of proceedings before state and federal regulatory authorities. My work in
20 utility rate filings has focused on revenue requirements issues, but has also addressed
21 service cost and rate design matters. I have also been involved in analyzing affiliate
22 relations, alternative regulatory mechanisms, and regulatory restructuring issues.
23 This experience has involved electric, natural gas transmission and distribution, and
24 telephone utilities, as well as water and wastewater companies.

1 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY
2 PROCEEDINGS ON UTILITY RATES?

3 A. Yes. I have previously presented testimony on more than 250 occasions before the
4 Federal Energy Regulatory Commission and the public utility commissions of
5 Arizona, California, Colorado, Delaware, the District of Columbia, Florida, Idaho,
6 Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Montana, Nevada, New
7 Jersey, Ohio, Oklahoma, Pennsylvania, Utah, Virginia and West Virginia, as well as
8 before this Commission. I have also filed rate case evidence by affidavit with the
9 Connecticut Department of Public Utility Control.

10 Q. ARE YOU A MEMBER OF ANY PROFESSIONAL SOCIETIES?

11 A. Yes. I am a member of the American Water Works Association (AWWA) and the
12 Chesapeake Section of the AWWA. I serve on the AWWA's Rates and Charges
13 Committee and the AWWA Water Utility Council's Technical Advisory Group on
14 Economics.

15 Q. ON WHOSE BEHALF ARE YOU APPEARING?

16 A. I am presenting testimony on behalf of the Division of Public Utilities and Carriers
17 (the Division).

18 Q. DO YOU HAVE PREVIOUS EXPERIENCE IN MATTERS INVOLVING
19 THE NARRAGANSETT BAY COMMISSION?

20 A. Yes, I presented testimony on behalf of the Division in the Narragansett Bay
21 Commission's (NBC's) general rate case in Docket No. 3162, its abbreviated rate
22 proceeding in Docket No. 3409, in the Commission's examination of issues related to
23 the implementation of a CSO abatement fee or stormwater fee by NBC in Docket
24 No. 3432, NBC's general rate case in Docket No. 3483, its abbreviated rate filing in
25 Docket No. 3592, its compliance filing on Docket No. 3639, its abbreviated rate filing

1 in Docket No. 3707, its compliance rate filing in docket No. 3775 and its general rate
2 filings in Docket Nos. 3797, 3905, and 4026.

3 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

4 A. Exeter Associates was retained by the Division to assist it in the evaluation of the
5 Compliance Rate Filing submitted by NBC on March 2, 2010. This testimony
6 presents my findings and recommendations with regard to NBC's request.

7 Q. HAVE YOU REVIEWED NBC'S FILING IN SUPPORT OF ITS REQUEST
8 FOR AN INCREASE IN RATES?

9 A. Yes. NBC is seeking an increase in its overall revenues of \$2,111,330 to take effect
10 on July 1, 2010. This represents an increase of 2.74 percent on test year revenues at
11 present rates. The purpose of this increase is to provide sufficient revenues to meet
12 additional debt service requirements in the fiscal year ended June 30, 2013 (FY 2013)
13 associated with a new \$25 million loan from the Rhode Island Clean Water Finance
14 Agency (RICWFA). NBC has made this filing to comply with the requirements
15 established by the Commission in its Order in Docket No. 3905 for obtaining rate
16 relief to cover the costs of new debt.

17 Q. HAVE THERE BEEN ANY UPDATES THAT CHANGE THE AMOUNT
18 OF THE RATE RELIEF REQUIRED BY NBC?

19 A. Yes. According to the response to updated response to DIV 1-1, the RICWFA
20 recently notified NBC that it will only be able to loan NBC \$20 million at the present
21 time even though it previously approved a \$25 million dollar loan.¹ As a result, NBC
22 has indicated that it is reducing its revenue increase request from \$2,111,330 to
23 \$1,667,687. This reduces the across the board rate increase from 2.85 percent to 2.25
24 percent.

¹ RICWFA has indicated that the remaining \$5 million will be held in abeyance until its next Clean Water bond issue which it anticipates will occur at the end of 2010.

1 Q. CAN YOU EXPLAIN WHY NBC UTILIZED DEBT SERVICE FOR FY
2 2013 RATHER THAN FOR FY 2011 WHEN NEW RATES, IF
3 APPROVED, WILL GO INTO EFFECT?

4 A. Yes. NBC would normally request a rate increase sufficient to meet debt service and
5 coverage requirements over the next two years (FY 2011 and FY 2012) to allow it to
6 meet RICWFA loan requirements for the new \$20 million loan now at issue in this
7 proceeding and any additional loans expected to be available during FY 2011.
8 However, in this case, RICWFA has been unable to provide firm estimates of future
9 available loans. In addition, it is possible that additional stimulus funds may become
10 available under the American Recovery and Reinvest Act (ARRA). Therefore, to
11 provide flexibility, NBC has proposed to utilize debt service and coverage
12 requirements for FY 2013 rather than FY 2011 or FY 2012 in this proceeding. This
13 adds around \$450,000 to NBC's requested increase.

14 Q. HAVE YOU REVIEWED THE REQUIREMENTS SET FORTH IN THE
15 COMMISSION'S ORDER IN DOCKET NO. 3905?

16 A. Yes.

17 Q. DOES NBC'S FILING SATISFY THE REQUIREMENTS SET FORTH IN
18 THAT ORDER?

19 A. Yes. Based on the information provided in the testimony submitted by
20 Mr. Walter C. Edge in support of NBC's filing and the clarifications provided in
21 response to the Division's data requests, I believe NBC has complied with the
22 Commission's requirements.

23 Q. WHAT IS YOUR RECOMMENDATION?

24 A. In order to allow NBC to have access to additional RICWFA debt and to allow
25 RICWFA to issue that debt as soon as possible to take advantage of current favorable

1 interest rates, it is necessary for NBC to be able to demonstrate that it will have
2 sufficient revenues to meet the associated debt service and coverage requirements.
3 Accordingly, it is my recommendation that, pending any update to reflect a change in
4 the interest rate to be paid on the loan, the Commission approve the requested
5 revenues increase of \$1,667,687 to become effective July 1, 2010. I have accepted
6 the use of FY 2013 debt service coverage requirements to allow NBC the flexibility
7 to take advantage of any additional RICWFA loans and/or ARRA funds that may
8 become available over the next year.

9 Q. DOES THAT CONCLUDE YOUR TESTIMONY?

10 A. Yes, it does.

W:\3376\tsc\dirtest\direct.doc