

STATE OF RHODE ISLAND
BEFORE THE
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION) Docket No. 4171
OF THE PAWTUCKET WATER SUPPLY)
BOARD FOR AN INCREASE IN RATES FOR)
WATER SERVICE)

SURREBUTTAL TESTIMONY OF
ANDREA C. CRANE
REGARDING REVENUE REQUIREMENTS

ON BEHALF OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

September 3, 2010

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Andrea C. Crane and my business address is 199 Ethan Allen Highway,
4 Ridgefield, Connecticut 06877 (Mailing Address: P.O. Box 810, Georgetown, Connecticut
5 06829.)
6

7 **Q. Did you previously file Direct Testimony in this proceeding?**

8 A. Yes, on July 20, 2010, I filed Direct Testimony on behalf of the Division of Public Utilities
9 and Carriers (“Division”). In that testimony, I recommended that the State of Rhode Island,
10 Public Utilities Commission (“Commission”) award a rate increase of \$884,091 to the
11 Pawtucket Water Supply Board (“PWSB”). In addition, I recommended a Phase Two
12 increase of \$584,295. I also expressed my disagreement with the manner in which the Board
13 calculated the impact of its proposed rate increase and explained why the Company has
14 significantly understated the impact of its proposed increase on its customers.
15

16 **Q. What is the purpose of your Surrebuttal Testimony?**

17 A. On August 17, 2010, the Board filed the Rebuttal Testimony of Christopher P.N.
18 Woodcock, Robert E. Benson, and James L. DeCelles. The purpose of my Surrebuttal
19 Testimony is to respond to the arguments raised in the Board’s Rebuttal Testimony. In
20 addition, I have updated my revenue requirement recommendation, based on the Board’s
21 update and certain issues raised in its Rebuttal Testimony.

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Q. Based upon your review of the Board’s Rebuttal Testimony, what level of rate increase are you now recommending for the PWSB?

A. The Board’s Rebuttal Testimony reflects a requested rate increase of \$2,761,274, or 16.43% over rate revenue at present rates, based on the Company’s methodology for calculating the proposed increase. I am recommending a rate increase of \$1,021,454, or 5.74% based on this same methodology.

However, based on the fact that the Company currently bills the majority of its customers quarterly, the Company’s claim actually results in a rate increase of 22.90%, while my recommendation will result in an increase of 11.28%. In addition, I continue to recommend a Phase Two increase of \$584,295 instead of the \$900,053 requested by the PWSB.

II. DISCUSSION OF THE ISSUES

Q. Please comment on Mr. Woodcock’s statement at page 7, lines 6-8 of his Rebuttal Testimony that the calculation of the rate increase in this case is only a “mathematical calculation” and is not “relevant to the proceedings.”

A. I must respectfully disagree with Mr. Woodcock’s conclusion. The percentage increase resulting from the PWSB’s rate request is entirely relevant to this proceeding and is much more than a mathematical exercise to the Board’s customers. This percentage is the easiest way for customers to determine how they will personally be impacted by the PWSB’s

1 proposal. As discussed in my Direct Testimony, the PWSB’s calculation, which assumes
2 that all customers are already being billed monthly, is not only incorrect – it is deceiving. As
3 shown on Schedule DGB-7 to Mr. Bebyn’s testimony, less than 1% of the PWSB’s
4 customers are billed monthly. Thus, the vast majority of the Board’s customers, including
5 the vast majority of residential customers, are billed quarterly. Since the current quarterly
6 service charge is less than three times the current monthly charge, ratepayers will experience
7 a significant rate increase by the transition to monthly billing, even if PWSB’s rates were to
8 remain unchanged. As shown on Schedule ACC-1-S, the PWSB’s rate request, if approved,
9 will result in an average increase of 22.90%. Moreover, it should be noted that the PWSB
10 has increased its rate request from the \$2,612,298 reflected in its Direct Testimony to
11 \$2,761,274, as shown in CW Rebuttal Schedule 10.0.

12

13 **Q. The percentages shown on Schedule ACC-1 are average increases. What is the actual**
14 **increase to a typical residential customer of the Board’s proposed increase?**

15 **A.** Assuming average usage of 96 HCFs, which is the average stated in the Public Notice in this
16 case, a typical residential customer currently pays \$406.94 per year, which includes \$74.88
17 in fixed service charges and \$332.06 in volumetric charges. This annual bill would increase
18 to \$445.70, or by 9.5%, if monthly billing is adopted before any change in billing rates. If,
19 in addition to monthly billing, the PWSB’s proposed rate change is adopted, the annual bill
20 for a residential customer using 96 HCFs would increase to \$522.19, an increase of 28.32%.

21 Therefore, under the Board’s proposal, the impact on a typical residential customer using 96

1 HCFs annually is not 17.16%, as stated in the Public Notice, but 28.32%.

2

3 **Q. Why is it important for ratepayers to have accurate information about the magnitude**
4 **of the proposed rate increase?**

5 A. Ratepayers have the right to review the PWSB’s application and to provide input to the
6 Commission regarding the Board’s proposal. In order for ratepayers to accurately assess the
7 impact of the proposed rate increase, it is critical that they be provided accurate information
8 about the magnitude of the increase and the impact that the increase will have on their water
9 bills. While Mr. Woodcock calls the percentage increase a “mathematical calculation”, it is
10 much more than a “mathematical calculation” to the PWSB ratepayers. These ratepayers are
11 going through very difficult economic times. Mr. Benson’s Rebuttal Testimony discusses
12 the poor state of the economy in general and of the Board’s service territory in particular. It
13 is deceiving for the Board to tell these ratepayers that their increase will be 17.16% when in
14 fact the Board’s proposals would increase their rates by 28.32%. This increase is in addition
15 to the almost 117% increase in PWSB’s rates over the past ten years.

16

17 **Q. Has Rhode Island been especially hard hit by the economic downturn?**

18 A. Yes, it has. According to an August 20, 2010 Release by the Bureau of Labor Statistics, the
19 unemployment rate in Rhode Island is the fourth highest in the US, at 11.9%. Moreover, the
20 City of Pawtucket and the City of Central Falls have traditionally both had more residents
21 below the poverty level than the state as a whole. For these residents, the PWSB’s proposed

1 increase will certainly be more than a mathematical calculation. These residents will need to
2 find the actual cash to pay their increased water bills. It is patently unfair to tell these
3 customers that they can expect an increase of 17.16%, which itself is a very high increase
4 especially coming as it would after many years of rates increases, and then actually increase
5 their annual bills by 28.32%. The actual percentage increase on the typical residential
6 customer is 65% higher than the increase stated in the Public Notice.

7
8 **Q. Should the Commission accept Mr. Woodcock’s revised consumption claim, which is**
9 **updated for actual 2010 fiscal year sales?**

10 **A.** No, it should not. Mr. Woodcock is now projecting a decline of 7.9% from actual test year
11 consumption, and a decline of 5.45% from actual 2010 fiscal year consumption. Mr.
12 Woodcock’s revised forecast is just as speculative as the forecast included in his Direct
13 Testimony. In my view, such speculation should not be used to set utility rates. While
14 mathematical trends may be useful in some circumstances, they are not sufficient to utilize in
15 determining pro forma consumption levels for ratemaking purposes.

16 In this case, the PWSB’s proposal to utilize a declining usage forecast instead of
17 actual test year sales, results in an increase of \$982,414 to ratepayers. In this economic
18 environment, ratepayers should not be required to pay \$982,414 in rates as a result of the
19 Board’s speculative forecasting.

20
21 **Q. What is your recommendation?**

1 A. I continue to recommend that the actual level of test year sales be used to set rates in this
2 proceeding. Test year actual results are frequently used in the rate-setting process. The use
3 of actual test year consumption is entirely consistent with the well-established test year
4 concept used by regulatory commissions. In fact, the Board itself used actual test year sales
5 to develop its pro forma revenue claim for wholesale sales.
6

7 **Q. Why didn't you update your revenue requirement to reflect the actual water sales in**
8 **fiscal year 2010?**

9 A. I have continued to utilize fiscal year 2009 sales because the test year in this case is fiscal
10 year 2009. If the PWSB wants to update the test year in this case, it should update all
11 elements of the test year. Moreover, the Division should then be afforded the opportunity to
12 review this update and conduct the appropriate discovery activities. The use of fiscal year
13 2010 consumption data, coupled with fiscal year 2009 data for other elements of the revenue
14 requirement, results in a mix of components that would not be appropriate for ratemaking
15 purposes.
16

17 **Q. Please comment on Mr. Woodcock's suggestion that the Commission could establish a**
18 **restricted account for any revenues that are received over the amount approved in**
19 **rates?**

20 A. Regulation is supposed to be a substitute for competition. As such, regulation is supposed to
21 provide protections to ratepayers and incentives to management. Expanding the use of

1 restricted accounts to include pro forma revenue would, in my view, reduce ratepayer
2 protections and dilute these incentives. Moreover, the expanded use of restricted accounts
3 has the potential to turn the regulatory process into nothing more than a reimbursement
4 system. It is more reasonable that the \$982,414 referenced above is kept in the pockets of
5 ratepayers instead of being placed into a restricted PWSB account.
6

7 **Q. Please comment on Mr. Woodcock’s argument on page 10 of his Rebuttal Testimony**
8 **that the Division’s position on consumption in this case differs from the Division’s**
9 **position in the Narragansett Bay Commission (“NBC”) rate case, Docket No. 4026.**

10 **A.** I did not participate in the NBC case and therefore I cannot comment on why the Division
11 took the specific positions that it did in that case. However, it is important for each case and
12 situation to be evaluated by the Commission on its own merits. For example, I understand
13 that the Commission awarded the NBC an operating reserve allowance based on 1% of
14 operating expenses. In this case, the Board is requesting an allowance of 1.5% of its total
15 revenue requirement, including debt service, and the Division has not opposed this request.
16 In addition, the fact that a party does not raise an issue in a case does not mean that the party
17 forever waives its right to address that issue. Nor does it mean that a party accepts a
18 particular position. Given the limited resources of many state regulatory commission staffs
19 and consumer advocate organizations, it is often necessary for parties to prioritize the issues
20 that are ultimately brought before a regulatory commission.
21

1 **Q. Please describe the PWSB's revised property tax claim as reflected in its updated**
2 **schedules.**

3 A. In its filing, the PWSB claimed that it was requesting a 5% annual increase in property taxes.
4 However, the actual dollar amount of the increase included in its revenue requirement was
5 only 0.12%, due to a formula error in its revenue requirement schedules. In the schedules
6 filed with its Rebuttal Testimony, the PWSB has now corrected that formula error. In
7 addition, it has reduced the proposed annual increase from 5% to 3.0%.

8
9 **Q. Has the PWSB supported its proposed 3% property tax increase?**

10 A. No, it has not. In my Direct Testimony, I stated that in my opinion, the PWSB had not
11 adequately supported its claim for a 5% annual increase, since the 5% annual increase was
12 based on nothing more than the maximum increase permitted by statute. In its Rebuttal
13 Testimony, the PWSB revised its proposed increase to 3% annually, but still has provided no
14 support or justification for its claim. The PWSB could have just as easily made a claim for a
15 2% increase, or a 4% increase. I find it ironic that while Mr. Woodcock criticizes my Direct
16 Testimony on this issue, he then revises his claim without any attempt to justify or support
17 the revised percentage adjustment. Accordingly, I continue to recommend that the PWSB's
18 post-test-year increase be rejected.

19
20 **Q. Please comment on Mr. Woodcock's claim that you accepted the PWSB's proposal to**
21 **use post-rate-year debt service costs in Docket 3945, as stated on page 12 of his**

1 **Rebuttal Testimony.**

2 A. As noted by Mr. Woodcock, the Board’s claim for debt service costs in Docket 3945 was
3 offset by a credit from the debt stabilization fund of \$952,529. The fact that the Board was
4 proposing to use this credit to reduce its revenue requirement was a significant factor in my
5 decision not to oppose the use of post-rate-year debt service costs in that case. No such
6 offset is being proposed here. In addition, the economic environment of Rhode Island and its
7 ratepayers has also changed since I filed testimony in that case, a factor ignored by Mr.
8 Woodcock.

9
10 **Q. Please comment on Mr. Woodcock’s discussion of the Phase Two inflation increase**
11 **proposed by the PWSB on page 16 of his Rebuttal Testimony.**

12 A. Mr. Woodcock believes that an inflation adjustment is appropriate. I disagree. Ultimately,
13 the Commission will have to decide this issue. However, in doing so, the Commission
14 should take note that this is the first time that the new legislation permitting multi-year rate
15 plans will be the subject of a Commission order. The referenced legislation does not specify
16 how the Commission shall determine the “full costs” of water suppliers as the term is used in
17 the legislation. Is a budget sufficient? Is an inflation adjustment appropriate? Or should the
18 Commission require a tangible and direct link between historic costs and costs that are
19 approved for inclusion in a multi-year rate plan? The legislation leaves these decisions up to
20 the discretion of the Commission. I would urge the Commission to interpret the language of
21 the statute narrowly. The protection of ratepayers and good ratemaking practice require a

1 verifiable link between an historic test year and the costs used to set water rates. Moreover,
2 the Commission will be establishing precedent in this case on this legislation, which could
3 bind ratepayers for up to six years. The Commission should proceed cautiously to approve
4 any future increase that water suppliers will be permitted to impose unilaterally.
5

6 **Q. Please comment on Mr. Woodcock’s statement at page 17, lines 12-15, of his Rebuttal**
7 **Testimony that “[i]f Pawtucket comes back a year from now and files for a typical rate**
8 **increase, there would be no questions that a request for a full new 1.5% revenue**
9 **stabilization allowance on the full cost of service would be reasonable.”**

10 **A.** A full 1.5% revenue stabilization allowance may be appropriate if the PWSB files a full rate
11 case at some future time. However, it is not appropriate to include another full 1.5% revenue
12 stabilization allowance in the Phase Two increase, as proposed by the Board. The purpose of
13 the Phase Two increase is to permit the Company an incremental rate increase without the
14 need to file a full base rate case. Any revenue stabilization allowance included in that Phase
15 Two increase should therefore be limited to the incremental allowance associated with the
16 incremental cost of service. Accordingly, the Commission should limit the amount of the
17 incremental revenue stabilization allowance included in Phase Two to 1.5% of the revenue
18 requirement associated with other elements of the Phase Two increase, as recommended in
19 my Direct Testimony.
20

21 **Q. Please comment on Mr. Benson’s Rebuttal Testimony regarding your recommended**

1 **Service Installation and Service Fee Adjustment.**

2 A. Mr. Benson criticizes my adjustment to utilize a four-year average of Service Installation and
3 Service Fee revenue and points to continued deteriorating economic conditions in the state as
4 support for his contention that the actual test year revenue should be reflected in the revenue
5 requirement. However, Mr. Benson ignores the fact that these same conditions will also
6 have an impact on Penalty revenue. As discussed in my Direct Testimony, the PWSB has
7 used test year revenues for Service Installation and Service Fee revenue, but has used a four-
8 year average of Penalty revenue, arguing that the test year amount of Penalty revenue was
9 abnormally high. The PWSB cannot have it both ways. I continue to recommend that the
10 Commission should use a consistent methodology for both Service Installation and Service
11 Fee revenue and for Penalty revenue.

12
13 **Q. Based on the PWSB’s Rebuttal Testimony, are there any adjustments that you are**
14 **making to your Direct Testimony?**

15 A. Yes, there are. First, the PWSB has updated its revenue requirement claim, increasing its
16 claim to \$2,761,274. Therefore, I have recalculated my adjustments to reflect the new
17 “starting point” based on the PWSB’s revised schedules.

18 Second, in its revised schedules, the PWSB has accepted my recommendation to
19 update its private fire service connections. Since this adjustment is now reflected in the
20 PWSB’s claim, there is no need for me to make a separate adjustment. Therefore, the private
21 fire service adjustment shown at Schedule ACC-3 to my Direct Testimony is no longer

1 necessary.

2 Third, in my Direct Testimony, I made a recommendation to eliminate a 3% post-
3 rate-year payroll increase from the PWSB's revenue requirement. I have since been
4 informed by the Board that this post-rate-year increase was not included in the PWSB's
5 Phase One claim. Therefore, I have eliminated this adjustment from my revenue
6 requirement recommendation. I continue to recommend, however, that this post-rate-year
7 salary and wage increase be included in any Phase Two increase awarded the PWSB by the
8 Commission.

9

10 **Q. What is the result of these updates and revisions?**

11 A. As a result of these updates and revisions, I am recommending a rate increase of 5.74% for
12 the PWSB, based on the same methodology used by the PWSB to calculate its proposed
13 percentage increase. However, given the fact that the vast majority of customers are
14 currently billed quarterly instead of monthly, my recommendations result in an average
15 increase of 11.28%, as shown in Schedule ACC-1-S.

16

17 **Q. Have you revised your recommendation for a Phase Two increase?**

18 A. No, I have not. I am still recommending that the Commission authorize a Phase Two
19 increase of \$584,295, which would result in an additional 3.11% increase as shown in
20 Schedule ACC-13-S.

21

1 **Q. Does this conclude your testimony?**

2 **A. Yes, it does.**

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

REVENUE REQUIREMENT SUMMARY

	PWSB Claim (A)	Recommended Adjustment		Recommended Position
1. Administration	\$1,903,378	(\$37,627)	(B)	\$1,865,751
2. Customer Accounts	1,075,289	0	(C)	1,075,289
3. Source of Supply	373,323	0	(D)	373,323
4. Purification	2,773,130	0		2,773,130
5. Transmission and Distribution	2,282,561	(232,749)	(E)	2,049,812
6. Total Operating Expenses	\$8,407,681	(\$270,376)		\$8,137,305
7. Property Taxes	\$857,239	(\$61,068)	(F)	\$796,171
8. Debt Service	7,409,854	(294,976)	(G)	7,114,878
9. Trustee Fees	381,218	0		381,218
10. Infrastructure Rehabilitation	2,500,000	0		2,500,000
11. Total Capital Costs	\$11,148,311	(\$356,044)		\$10,792,267
12. Revenue Stabilization Fund	289,223	(11,193)	(H)	278,030
13. Total Revenue Requirement	\$19,845,215	(\$637,613)		\$19,207,602
14. Miscellaneous Revenues	(274,457)	(119,793)	(I)	(394,250)
15. Required Rate Revenue	\$19,570,758	(\$757,406)		\$18,813,352
16. Rate Revenue at Present Rates	16,809,484	982,414	(J)	17,791,898
17. Required Increase	\$2,761,274	(\$1,739,820)		\$1,021,454
18. Percentage Increase (K)	16.43%			5.74%
At Current Billing Frequency:				
19. Required Increase (L)	\$3,647,211	(\$1,739,820)		\$1,907,391
20. Rate Revenue at Present Rates (M)	\$15,923,647	\$982,414		\$16,906,061
21. Percentage Increase-Rate Revenue (N)	22.90%			11.28%

Sources:

(A) PWSB CW Rebuttal Schedule 1.0 and CW Rebuttal Schedule 10.0, page 2.

(B) Schedules ACC-7-S and ACC-8-S.

(C) Schedules ACC-7-S.

(D) Schedules ACC-7-S.

(E) Schedules ACC-6-S and ACC-7-S.

(F) Schedule ACC-9-S.

(G) Schedule ACC-10-S.

(H) Schedule ACC-11-S.

(I) Schedules ACC-4-S and ACC-5-S.

(J) Schedules ACC-2-S and ACC-3-S.

(K) Line 17 / Line 16.

(L) Line 17 + \$885,937 due to billing frequency.

(M) Line 16 - \$885,937 due to billing frequency.

(N) Line 19 / Line 20.

PAWTUCKET WATER SUPPLY BOARD
RATE YEAR ENDING DECEMBER 31, 2011
PRO FORMA CONSUMPTION REVENUE

	Volume (HCF)	Rate	Revenue
	(A)	(B)	
1. FY 2009 Small Meters	2,773,813	\$3.459	\$9,594,619
2. FY 2009 Medium Meters	640,780	\$3.251	2,083,176
3. FY 2009 Large Meters	265,983	\$3.140	835,187
4. Total Test Year Consumption			\$12,512,982
5. PWSB Claim (B)			11,530,568
6. Recommended Adjustment			\$982,414

Sources:

(A) PWSB Schedule DGB-3.

(B) PWSB CW Rebuttal Schedule 10.0, page 1.

Schedule ACC-3-S

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

PRIVATE FIRE SERVICE REVENUE

Schedule No Longer Applicable.

Schedule ACC-4-S

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

SERVICE INSTALLATION AND SERVICE FEE REVENUE

1. Four Year Average	\$182,732	(A)
2. PWSB Claim	<u>67,479</u>	(B)
3. Recommended Adjustment	<u>\$115,253</u>	

Sources:

(A) Derived from PWSB Schedule DGB-2.

(B) PWSB Schedule DGB-2.

Schedule ACC-5-S

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

STATE SURCHARGE REVENUE

	Test Year Volume (HCF)	Rate	Revenue
	(A)	(B)	
1. FY 2010 Small Meters	2,551,908	\$0.015	\$38,559
2. FY 2010 Medium Meters	640,780	\$0.015	9,682
3. FY 2010 Large Meters	265,983	\$0.015	<u>4,019</u>
4. Total Test Year Consumption			\$52,261
5. PWSB Claim (B)			<u>47,721</u>
6. Recommended Adjustment			<u>\$4,540</u>

Sources:

(A) PWSB Schedule DGB-3. Small meter consumption is adjusted to reflect 92% of sales.

(B) PWSB Schedule DGB-8.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

VACANT POSITIONS

	<u>Rate Year Claim</u>
1. Compensation	(A) (\$141,805)
2. Payroll Taxes	(10,504)
3. Medical and Dental Benefits	(58,239)
4. Workers Compensation	(\$8,043)
5. Life Insurance	(535)
6. Pension Expense	<u>(13,623)</u>
7. Total Expense Adjustments	<u>(\$232,749)</u>

Sources:

(A) Response to DIV 1-9 and PWSB Schedules RB-2 and RB-3.

Schedule ACC-7-S

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

SALARIES AND WAGES - POST RATE YEAR INCREASES

Schedule No Longer Applicable.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

CITY MANAGEMENT FEES

1. Personnel and Payroll Dept. Costs	\$471,830	(A)
2. Allocation Based on Employees	<u>2.50%</u>	(B)
3. Pro Forma Allocation	\$11,796	
4. PWSB Claim	<u>47,183</u>	(A)
5. Recommended Tet Year Adjustment	(\$35,387)	
6. PWSB Inflation Adjustment @ 6.33%	<u>(2,240)</u>	(C)
7. Total Recommended Adjustment	<u>(\$37,627)</u>	

Sources:

(A) Response to DIV 1-5.

(B) Response to COMM 1-10.

(C) Inflation rate per PWSB CW Rebuttal Schedule 1.1, page 2.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

PROPERTY TAX EXPENSE

1. PWSB Claim	\$857,239	(A)
2. Test Year Actual Expense	<u>796,171</u>	(B)
3. Recommended Adjustment	<u>(\$61,068)</u>	

Sources:

(A) PWSB CW Rebuttal Schedule 1.0, page 4.

(B) PWSB CW Schedule 1.0, page 4.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

DEBT SERVICE COSTS

1. Projected Rate Year Costs	\$7,114,878	(A)
2. PWSB Claim	<u>7,409,854</u>	(A)
3. Recommended Adjustment	<u>(\$294,976)</u>	

Sources:

(A) Average of FY11 and FY 12, per PWSB CW Rebuttal Schedule 1.1,
page 1.

PAWTUCKET WATER SUPPLY BOARD
RATE YEAR ENDING DECEMBER 31, 2011
REVENUE STABILIZATION FUND

1. Pro Forma Operating and Capital Costs	\$18,929,572	(A)
2. Pro Forma Miscellaneous Revenues	<u>(394,250)</u>	(A)
3. Net Revenues Required	\$18,535,322	
4. Revenue Stabilization Fund (%)	<u>1.50%</u>	(B)
5. Revenue Stabilization Fund (\$)	\$278,030	
6. PWSB Claim	<u>289,223</u>	(C)
7. Recommended Adjustment	<u>(\$11,193)</u>	

Sources:

(A) Schedule ACC-1-S.

(B) Testimony of Mr. Woodcock, page 14.

(C) PWSB Filing, CW Rebuttal Schedule 1, page 4.

PAWTUCKET WATER SUPPLY BOARD**RATE YEAR ENDING DECEMBER 31, 2011****SUMMARY OF ADJUSTMENTS**

1. Pro Forma Consumption Revenue	\$982,414	(A)
2. Private Fire Service Revenue	0	(B)
3. Service Installation and Service Fee Revenue	115,253	(C)
4. State Surcharge Revenue	4,540	(D)
5. Vacant Positions	232,749	(E)
6. Post Test Year Payroll Increases	0	(F)
7. City Management Fees	37,627	(G)
8. Property Tax Expense	61,068	(H)
9. Debt Service Costs	294,976	(I)
10. Revenue Stabilization Fund	<u>11,193</u>	(J)
11. Total Recommended Adjustments	<u>\$1,739,820</u>	

Sources:

- (A) Schedule ACC-2-S.
- (B) Schedule ACC-3-S.
- (C) Schedule ACC-4-S.
- (D) Schedule ACC-5-S.
- (E) Schedule ACC-6-S.
- (F) Schedule ACC-7-S.
- (G) Schedule ACC-8-S.
- (H) Schedule ACC-9-S.
- (I) Schedule ACC-10-S.
- (J) Schedule ACC-11-S.

PAWTUCKET WATER SUPPLY BOARD

RATE YEAR ENDING DECEMBER 31, 2011

PHASE TWO INCREASE

1. Debt Service Costs	\$493,611	(A)
2. Trustee Fees	2,500	(B)
3 Salaries and Wages	79,549	(C)
4. Revenue Stabilization Fund	<u>8,635</u>	(D)
5. Recommended Phase Two Increase	<u>\$584,295</u>	
6. Pro Forma Rate Revenue at Present Rates	\$18,813,352	(E)
7. Phase Two Increase Over Present Rates	3.11%	(F)

Sources:

(A) Reflects increase in debt service costs, from \$7,114,878 per Schedule ACC-12-S to \$7,608,489. \$7,608,489 is the average of the FY2012 and FY2013 estimated costs, per PWSB CW Rebuttal Schedule 1.1, page 1.

(B) PWSB CW Rebuttal Schedule 12.0, page 1.

(C) Schedule ACC-7, Direct Testimony.

(D) 1.5% of the sum of Lines 1, 2, and 3.

(E) Schedule ACC-1-S.

(F) Line 5 / Line 6.