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6 **REBUTTAL TESTIMONY**

7
8 **Of**

9
10 **Robert E. Benson**
11 **Chief Financial Officer**

12
13 **For the**

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15 **PAWTUCKET WATER SUPPLY BOARD**

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19 **Before the**

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21 **RHODE ISLAND PUBLIC UTILITIES COMMISSION**

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24 **Docket No. 4171**

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28
29 **August 17, 2010**
30

1 **INTRODUCTION**

2

3 **Q. Please provide your full name, title and business address for the record.**

4 **A.** My name is Robert E. Benson. I am the Chief Financial Officer for the Pawtucket Water
5 Supply Board. My business address is 85 Branch Street, Pawtucket, RI 02860.

6

7 **Q. Are you the same Robert Benson who filed pre-filed testimony in this Docket?**

8 **A.** Yes.

9

10 **Q. What is the purpose of your rebuttal testimony?**

11 **A.** I have read the pre-filed testimony of Thomas S. Catlin and Andrea C. Crane, which
12 they prepared for the Division of Public Utilities and Carriers (DPU) regarding the
13 revenue requirement in this docket. This rebuttal testimony presents my comments
14 regarding Mr. Catlin's revision to the cost of service study related to the number of fire
15 service bills and Ms. Crane's recommendations relating to PWSB's service fee
16 adjustment, consumption, payroll related expenses, and the water treatment plant
17 expenses. I would also like to address a correction to the proposed tariffs, which were
18 filed in our original rate application.

19

20 **COST OF SERVICE STUDY – NUMBER OF FIRE SERVICE BILLS**

21 **Q. Are you in agreement with Mr. Catlin's revision to the number of private fire**
22 **service bills to be used for cost allocation?**

23 **A.** No I am not. Mr. Catlin is proposing to change the number of bills for private fire service
24 customers from one annual bill per year to twelve bills per year for each private fire
25 service customer. However, the switch to monthly billing also includes consolidating the
26 billing of private fire service with each customer's water service bill. Therefore, the
27 separate cost for printing and mailing private fire service bills has been eliminated in this
28 Docket.

29

30 **SERVICE INSTALLATION & SERVICE FEE REVENUE**

31 **Q. Are you in agreement with Ms. Crane's use of a four year average for service**
32 **installation and service fee revenue?**

1 A. I am not in agreement with Ms. Crane's adjustment to the service installation and
2 service fee revenue. On page 16 of her testimony, Ms. Crane testified as follows:

3
4 "Prior to the test year, service installation and service fee revenue increased in
5 each of the prior three years. However, there was sharp decline in service
6 installation and service fee revenue in the test year. Just as the Company
7 contends that its penalty revenue was abnormally high in the test year, so it
8 appears that service installation and service fee revenue was abnormally low in
9 the test year..."
10

11 Ms. Crane is correct that service fee revenue was lower in the test year, but we do not
12 believe that it is "abnormally low." In fact, this revenue continues to decline. In FY10,
13 which just ended, service installation and service fee revenue was only \$29,627. It is
14 clear that the negative effects of the poor local economy are impacting this revenue
15 source. The following table documents the declining trend:

Service Installation and Service Fee Revenue	
<u>Fiscal Year</u>	
2004	\$ 246,389
2005	\$ 173,227
2006	\$ 202,705
2007	\$ 209,895
2008	\$ 250,895
2009 (test year)	\$ 67,479
2010	\$ 29,627

25
26 Ms. Crane further states that "given the economic downturn during the test year, I am
27 recommending that a four- year average for service fee installation be adopted by the
28 Commission." Her position seems to contemplate that economic conditions are
29 expected to return to normal in the rate year. In addition, it seems to suggest that the
30 reduction in service fee installation and service fee revenues will reverse itself.
31 Unfortunately, there seems to be no support for this belief.
32

33 The Rhode Island Department of Labor and Training released in 2010 a report titled
34 "State of the State – A Statistical Profile of Rhode Island's Cities of Towns" which
35 documents the unemployment rates, employment growth and population growth for the

1 State of Rhode Island and each of its cities and towns. This report shows the highest
2 unemployment rates in the state in 2009 were in the cities of Central Falls at 14.4% and
3 Pawtucket at 13.4%. The report documents a decline in employment within the cities of
4 Pawtucket and Central Falls in excess of the statewide decline. This report also
5 documents a decline in population of 3.9% in Pawtucket and 1.3% in Central Falls
6 during the period of 2000 through 2008 while the state had an overall increase of 0.2%.
7 In addition, the poor economic conditions in Central Falls led the State of Rhode Island
8 to appoint a receiver, who is now in charge of municipal finances. Simply put, there
9 seem to be few, if any, indicators that the economic conditions in the PWSB's service
10 area will improve in the rate year.

11
12 The future growth of service installation and service fee revenue is limited by the poor
13 local economic conditions and the lack of developable real estate remaining in the cities
14 of Pawtucket and Central Falls. Therefore, Ms. Crane's adjustment should not be
15 accepted.

16 **CONSUMPTION**

17 **Q. Are you in agreement with Ms. Crane's consumption adjustment using the actual**
18 **test year water sales to determine pro forma consumption revenue?**

19 **A.** I am not in agreement with Ms. Crane's adjustment to the pro forma consumption
20 revenue for this docket. In contrast to Ms. Crane's testimony from page 12, lines 12 –
21 16, I have provided Schedule RB-06, which documents a continuing decline of billed
22 water consumption. Also, please see my testimony above documenting the negative
23 local economic conditions.

24 25 **PAYROLL RELATED EXPENSES**

26 **Q. Are you in agreement with Ms. Crane's adjustment eliminating the three positions**
27 **currently vacant?**

28 **A.** No I am not in agreement with Ms. Crane's recommendation to eliminate costs for the
29 three positions currently vacant (see her testimony on page 20, lines 9 and 10). I am in
30 agreement with the testimony of James DeCelles on this issue, and I prepared a
31 schedule RB-07, which is attached to his testimony and mine that supports our
32 respective testimonies.
33

1 **Q. Are you in agreement with Ms. Crane's adjustment to the payroll tax expense?**

2 **A.** No, I am not in agreement with Ms. Crane's second salary and wage adjustment. The
3 Salary Budget provided with my original testimony (Schedule RB-02) only includes the
4 3% salary increases effective on June 30, 2011 in each of the collective bargaining
5 agreements negotiated with Teamster Union Local 251 and AFSCME Union Local
6 1012. Therefore, Ms Crane's adjustment should not be accepted.

7
8 **Q. Are you in agreement with Ms. Crane's adjustment to the payroll tax expense?**

9 **A.** I am not in agreement with Ms. Crane's adjustments to the payroll tax expense. As I
10 have stated the post rate year salary increase has not been included in my salary and
11 wage Schedule RB-02.

12
13 **Q. Are you in agreement with Ms. Crane's adjustment to the pension expense?**

14 **A.** I am not in agreement with Ms. Crane's adjustments to the pension expense. As I have
15 stated above, the post rate year salary increase has not been included in my salary and
16 wage Schedule RB-02.

17
18 **WATER TREATMENT PLANT EXPENSES**

19 **Q. Can you provide the additional information requested by Ms. Crane that**
20 **reconciles the actual test year costs with Schedule RB-5?**

21 **A.** Yes I can. In the test year the PWSB received a one-time reimbursement of prior year
22 DBO costs in the amount of \$260,013. The annual DBO costs for operating the "old
23 facility", known as "Proposal A", included \$100,000 per year paid to AECOM/Earth Tech
24 that was used to fund a major repair and replacement account. The terms of the DBO
25 agreement required AECOM/Earth Tech to obtain PWSB approval for any major repairs
26 to the original treatment facility. Once the construction of the new treatment facility was
27 complete and successfully placed in operation, any balance remaining in this major
28 repair and replacement account was to be returned to the PWSB. Here is the
29 reconciliation of the test year to the annual operating costs per Schedule RB-5.

FY09 DBO Costs per Schedule RB-5	\$1,661,745
Major Repair & Replacement Account reimbursement	<u>(260,013)</u>
Actual FY09 (Test Year) DBO Costs	\$1,401,732

1 **TARRIFFS**

2 **Q. In the introduction to your testimony, you indicated that the Proposed Tariffs filed**
3 **with the PWSB's original rate application required a correction. Can you please**
4 **explain?**

5 A. Yes, Section C of the Appendix in our original filing contained the PWSB's proposed
6 tariffs. Schedule D set forth incorrect proposed monthly customer charges. I have
7 included the correct proposed tariff with my testimony. It should be noted that this was
8 the Schedule D that should have been included with our original filing. It does not reflect
9 our current position, and it will change when the final tariffs are filed at the conclusion of
10 this Docket.

11 **CONCLUSION**

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

13 **A. Yes.**

PAWTUCKET WATER SUPPLY BOARD

SEVEN YEAR ACTUAL BILLED CONSUMPTION HISTORY (HCF)

	RATE YEAR							
	<u>Docket 3945</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2008</u>	<u>FY2007</u>	<u>FY2006</u>	<u>FY2005</u>	<u>FY2004</u>
small meters	3,001,584	2,679,077	2,773,813	2,927,770	2,884,356	3,103,794	3,111,954	3,103,649
medium meters	661,262	626,069	640,780	672,687	641,275	726,177	739,183	770,645
large meters	<u>348,568</u>	<u>270,128</u>	<u>265,983</u>	<u>345,755</u>	<u>342,742</u>	<u>415,228</u>	<u>524,493</u>	<u>677,607</u>
TOTAL Retail	4,011,414	3,575,274	3,680,576	3,946,212	3,868,373	4,245,199	4,375,630	4,551,901
Wholesale	<u>703,674</u>	<u>559,457</u>	<u>578,899</u>	<u>822,591</u>	<u>724,925</u>	<u>590,875</u>	<u>686,462</u>	<u>607,116</u>
Total Consumption	4,715,088	4,134,731	4,259,475	4,768,803	4,593,298	4,836,074	5,062,092	5,159,017

PWSB

Schedule RB-07

Salary and Benefit Savings assuming 2 average vacant positions

taxable limit 106,800.00 unlimited

rate per 1000 \$5.94 MERS rate 9.78%

AUTHORIZED POSITIONS				PAYROLL TAXES				MEDICAL INSURANCE		LIFE INSURANCE		PENSION	
GMBA DEPT NO.	Payroll DEPT NO.	Job Title	Pay Plan Code	Total Comp	TAXABLE WAGES	OASDI 6.20%	MEDICARE 1.45%	Medical	Dental	ELIGIBLE WAGES (up to 30,000)	GTL EXPENSE	BASE (salary + longevity + out of grade)	MERS Expense
9560	31	Water Utility Worker - Grade 1	R32C	43,384.65	41,884.65	2,596.85	607.33	18,336.44	1,076.59	30,000.00	178.20	38,701.58	3,784.05
9570	33	Jr. Water Project Engineer	R36C	38,144.43	36,644.43	2,271.95	531.34	18,336.44	1,076.59	30,000.00	178.20	37,180.63	3,635.34
9570	33	Water Board Engineering Clerk	R36C	39,664.28	38,164.28	2,366.19	553.38	18,336.44	1,076.59	30,000.00	178.20	39,664.28	3,878.17
9580	28	Water Meter Reader Service Person	R28C	36,418.65	34,918.65	2,164.96	506.32	18,336.44	1,076.59	30,000.00	178.20	35,946.12	3,514.63
subtotal				157,612.01		9,399.95	2,198.37	73,345.75	4,306.37		712.80		14,812.19
averages (subtotal / 4)				39,403		2,350	550	18,336	1,077		178		3,703
2 average vacancies				x 2		x 2	x 2	x 2	x 2		x 2		x 2
average vacancy cost savings				78,806		4,700	1,100	36,672	2,154		356		7,406

SCHEDULE D

PAWTUCKET WATER SUPPLY BOARD
Customer Service Charge

Rhode Island Public Utilities Commission
Public Utilities Docket No. 4171

Effective: October 1, 2010

Applicability

Applicable throughout the entire territory served by the Pawtucket Water Supply Board for residential, commercial and industrial users, exclusive of fire service connection.

Rates

For each service connected to the Pawtucket Water Supply Board's mains, the following quarterly and monthly minimum customer service charges shall apply:

Size of Meter	Quarterly Customer Charge	Monthly Customer Charge
5/8 inch	\$ 28.53	\$ 11.74
3/4 inch	\$ 38.25	\$ 14.98
1 inch	\$ 53.72	\$ 20.13
1 1/2 inch	\$ 105.89	\$ 37.53
2 inch	\$ 136.48	\$ 47.72
3 inch	\$ 154.47	\$ 53.72
4 inch	\$ 355.97	\$ 120.89
6 inch	\$ 532.29	\$ 179.66
8 inch	\$ 758.98	\$ 255.22

Terms of Payment

All customer service charges billed under this schedule are rendered on a quarterly or monthly basis and in advance and are due and payable in full when rendered.