

**PREFILED DIRECT TESTIMONY
OF
JAMES L. DeCELLES, P.E.
CHIEF ENGINEER
PAWTUCKET WATER SUPPLY BOARD
FOR
PAWTUCKET WATER SUPPLY BOARD**

RHODE PUBLIC UTILITIES COMMISSION

DOCKET NO. 4171

AUGUST 17, 2010

1 **Q. Please state your name and business address?**

2 A. My name is James L. DeCelles and my business address is 85 Branch Street, Pawtucket,
3 Rhode Island 02860.

4
5 **Q. Are you the same James DeCelles that provided pre-filed direct testimony in this docket?**

6 A. Yes I am.

7
8 **Q. What is the purpose of your rebuttal testimony?**

9 A. I have read the pre-filed testimony of Andrea C. Crane and Thomas S. Catlin, which they
10 prepared for the Division of Public Utilities and Carriers. I have several concerns regarding both
11 the consumption and salary and wage adjustments recommended by Ms. Crane in her
12 testimony. I also have some concerns with Mr. Catlin's recommendation regarding public fire
13 service charges.

14
15 **CONSUMPTION**

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

18 A. No, I am not in agreement with Ms. Crane's consumption adjustment. Ms. Crane is not
19 recognizing the trend of decreasing consumption that the Pawtucket Water Supply Board
20 ("PWSB") has experienced. Over the last seven fiscal years, the PWSB has lost approximately
21 \$12,380,047 in authorized revenue due to decreased consumption. (See Woodcock Rebuttal
22 Exhibit 1) This trend cannot continue. It is imperative in this Docket that consumption be set at
23 a realistic level.

24
25 The PWSB has done everything within its power to control expenses. In fact, our rate year
26 expenses in this Docket are reduced from the amounts provided by the Commission in Docket
27 3945. Furthermore, the PWSB took affirmative steps to lessen the rate increase in this Docket:

- We restructured our Capital Plan so we could reduce IFR funding by \$600,000; and,
- We are only seeking a 1.5% revenue stabilization account rather than the 5% we requested in Docket 3945.

This last point needs to be stressed. As Mr. Woodcock pointed out in his direct testimony, Rhode Island General Law § 39-15.1-3 provides that regulated water utilities may establish revenue stabilization accounts “to ensure fiscal stability during periods when revenues decline ...due to circumstances beyond the reasonable control of the water supplier...” This stabilization account can equal a maximum of ten percent (10%) of annual operating expenses. Thus, the PWSB is authorized *by law* to establish this account, and had they chosen to do so, the stabilization account could have been approximately \$1,949,588 rather than the \$288,281 requested. The Board chose not to fund this account to its maximum level in an effort to minimize rate impacts. The Board is simply asking the Commission to set realistic consumption levels.

We have controlled our expenses, but we cannot control consumption. We should not continue to be penalized by faulty consumption forecasts. Furthermore, the PWSB is experiencing a sharp increase in the amount of uncollected revenue due to the economic climate in our service area. While we have stepped up collection efforts to minimize the impact of aging accounts, this is still a factor that effects our revenue projections.

Unrealistically high consumption numbers do not benefit anyone, including the ratepayer. Incorrect consumption numbers simply mean that we have to file rate cases to make up for the under-collection of revenue. This results in rate case costs, which have to be absorbed by our ratepayers.

1 **Q. Are there any other negative effects from the under-collection of revenue?**

2 A. Yes. Our revenue shortfall has had a significant effect on the PWSB's operations. One of the
3 first places we have been impacted by the understated revenue is in our IFR fund. Since this is
4 funded after operations and debt service requirements, our IFR has not been fully funded
5 because consumption has not reached the projected levels. This funding shortfall has caused
6 the delay of several important projects such as the rehabilitation of the Robin Hollow Dam.
7 Capital projects that are funded by IFR allow the PWSB to continue providing safe and potable
8 water to its customers. The PWSB cannot afford to continue underfunding its IFR.

9
10 Another area that is severely impacted by the consumption issue has been our staffing plan.
11 Due to revenue shortfalls, we have been forced to leave several positions unfilled. This can be
12 seen in our engineering department where we have left several positions vacant to help make
13 up for the revenue shortfall. This short staffing has delayed several projects that we had
14 planned on completing such as leak detection. Leak detection is a fairly labor intensive process
15 and requires careful coordination and communication that will be directed by our engineering
16 department.

17
18 **SALARIES AND WAGES**

19 **Q. Are you in agreement with Ms. Crane's adjustment to salaries and wages which eliminates**
20 **funding equivalent to the cost of the three current vacancies at the PWSB?**

21 A. No I am not in agreement with Ms. Crane's recommendation to eliminate costs for the three
22 positions currently vacant. Ms. Crane suggests a \$232,749 adjustment based on three current
23 temporary vacancies. This adjustment should not be accepted.

24
25 As stated previously, the PWSB has been reluctant to fill vacant positions in the past several
26 years because of the drop in consumption and resulting revenue shortfall. Even when fully
27 staffed, the PWSB is a lean utility and it is difficult to maintain the level of service necessary for

1 a successful utility. These vacancies have resulted in the delay of several projects including the
2 leak detection program, unidirectional flushing, and hydraulic modeling. If the PWSB had
3 realized the revenue allowed in the previous rate case, the positions would have been filled
4 immediately and several of these projects could have been implemented since they are
5 important to the proper operation of the system. To accept Ms. Crane's salary adjustment
6 further penalizes the PWSB for circumstances beyond our control – namely, the under-
7 collection of revenue caused by unrealistically high consumption forecasts.

8
9 **Q. Do you have any additional objections to Ms. Crane's proposed salary and wage**
10 **adjustments?**

11 A. Yes. While the PWSB does have vacancies from time to time, these vacancies are minimal. As
12 set forth in Ms. Crane's direct testimony, the PWSB only averaged 2.16 vacant positions during
13 the test year. Therefore, her testimony does not justify eliminating costs for the three current
14 positions that are temporarily vacant. Furthermore, if any potential adjustment is made to
15 salaries and wages it should be calculated differently.

16
17 **Q. How should any potential adjustment be calculated?**

18 A. First, any potential reduction should not be based on the three positions currently vacant.
19 Simply because these positions were vacant when Ms. Crane filed her testimony does not
20 justify using them as the basis for an adjustment.

21
22 Mr. Benson has prepared a schedule, attached to his testimony and my testimony labeled RB-
23 07. This schedule computes an average cost using the following four positions: Junior Project
24 Engineer, Engineering Clerk, Water Meter Reader Service Person and Water Utility Worker. The
25 costs associated with these positions should be used because, in my experience, these positions
26 are the ones most likely to be vacant at any time throughout the year. This is because they have
27 the least amount of experience/certification requirements associated with them and are

1 generally entry level positions. The people in these positions are more likely to find higher
2 paying employment when they gain more experience and obtain certifications. There are also
3 more employment opportunities for these entry level employees to pursue.

4
5 Second, the average number of vacancies should be rounded to a whole number, which would
6 be two (2), based upon the current average of 2.16 vacant positions.

7
8 These changes to the salary and wage adjustment lead an adjustment of \$78,806 rather than
9 the \$232,749 suggested by Ms. Crane. And due to the minimal nature of this adjustment, the
10 PWSB's salary and wage expense should not be adjusted at all.

11
12 **PUBLIC FIRE SERVICE CHARGES**

13 **Q. Do you have any concerns with Mr. Catlin's suggestion to increase the public fire service**
14 **charges by twenty percent?**

15 A. Yes. The City of Pawtucket is forecasting a steep budget deficit for FY11. One of the
16 members of the Board for PWSB is Ronald Wunschel, the City of Pawtucket Finance Director.
17 Based on my conversations with Mr. Wunschel, there is a very good chance that the City will
18 not be able to afford such an increase. This could lead to the City vigorously pursuing legislation
19 to exempt it from paying public fire service fees. It could also lead to difficulties in collecting
20 fees from the City.

21
22 This could also become a problem in Central Falls. Currently, the City of Central Falls is under
23 receivership imposed by the State of Rhode Island. I am concerned about the effect a twenty
24 percent increase will have on collections.

25
26 **Q. Does this conclude your testimony?**

27 A. Yes

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	Payroll		Pay							ELIGIBLE		BASE				
DEPT	DEPT		Plan		TAXABLE	OASDI	MEDICARE			WAGES	GTL	(salary +				
NO.	NO.	Job Title	Code	Total Comp	WAGES	6.20%	1.45%	Medical	Dental	(up to 30,000)	EXPENSE	longevity +	MERS			
												out of grade)	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			