



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

October 20, 2011

Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

RE: CITY OF NEWPORT, UTILITIES DEPARTMENT, WATER DIVISION
DOCKET NO: 4243

Dear Ms. Massaro,

Enclosed for filing with the Commission, is an original and nine (9) copies of the Sur rebuttal Testimony of Thomas S. Catlin on behalf of the Division of Public Utilities and Carriers ("Division") in the above matter.

Very truly yours,

Jon G. Hagopian
Special Assistant Attorney General

JGH/dmm

Encl.
Service list

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

**CITY OF NEWPORT)
UTILITIES DEPARTMENT,)
WATER DIVISION)** **DOCKET NO. 4243**

**SURREBUTTAL TESTIMONY
OF
THOMAS S. CATLIN**

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

OCTOBER 20, 2011

EXETER

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

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BEFORE THE
PUBLIC UTILITIES COMMISSION
OF RHODE ISLAND

CITY OF NEWPORT)	
UTILITIES DEPARTMENT,)	DOCKET NO. 4025
WATER DIVISION)	

Surrebuttal Testimony of Thomas S. Catlin

Introduction

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Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. My name is Thomas S. Catlin. I am a principal with Exeter Associates, Inc. Our offices are located at 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland 21044. Exeter is a firm of consulting economists specializing in issues pertaining to public utilities.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

A. Yes. My direct testimony on behalf of the Division of Public Utilities and Carriers (the Division) was submitted on August 17, 2011. My qualifications and experience are set forth in that testimony.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Ms. Julia Fogue, Mr. Harold Smith and Ms. Maureen Gurghigian that was submitted on behalf of the City of Newport Utilities Department, Water Division (Newport Water). I also update the Division's position with regard to the overall revenue

1 increase to which Newport Water is entitled. The specific issues that I address in my
2 surrebuttal testimony are identified in the Table of Contents.

3 Q. WHAT ISSUES REMAIN BETWEEN NEWPORT WATER AND THE
4 DIVISION BASED ON NEWPORT WATER'S REBUTTAL TESTIMONY?

5 A. In their rebuttal testimony, Ms. Forgue and Mr. Smith have accepted all of the
6 adjustments that I recommended in my direct testimony with the exception of my
7 adjustments to consultant fees and debt service. I will address each of these issues in
8 my surrebuttal. In addition, Mr. Smith has revised the water sales volumes used to
9 calculate revenues at present and proposed rates in his rebuttal schedules. I do not
10 agree with his updated volumes and will address that issue as well.

11
12 Consultant Fees

13 Q. WHAT RESPONSE DO YOU HAVE WITH REGARD TO MS. FORGUE
14 AND MR. SMITH'S REBUTTAL POSITION REGARDING
15 CONSULTING FEES?

16 A. In his determination of Newport Water's rebuttal position, Mr. Smith reflected the
17 adjustments to Code Red, demand study and Division expenses, but did not accept
18 my adjustment to Non-Rate Case related consultant fees for financial and local
19 consultants. Mr. Smith and Ms. Forgue claim that the increased amounts claimed for
20 these items are necessary because of additional services being performed.

21 I would like to clarify that I am not claiming that additional fees will not be
22 incurred. Rather, it is my position that a portion of the increase in fees is attributable
23 to design-build, financial and bonding issues associated with Newport Water's capital
24 improvements program and should be included in the project and debt service costs.

1 Figure 1 attached to Mr. Smith's testimony supports the fact that some of financial
2 and legal costs are for these activities.

3 In my direct testimony, I did allow a higher amount for legal and financial
4 services that was in excess of historical levels. However, in light of Newport Water's
5 rebuttal, I am proposing to increase the allowance for Non-Rate Case legal and
6 financial fees by \$80,000 compared to my initial recommendation of \$45,000. (Both
7 amounts include \$10,000 for Division costs, over which this is no disagreement.)
8 This amount represents a reduction of \$28,400 to Newport's claim for these fees and
9 reflects the fact that Raftels Consulting and Keough & Sweeney are shown on Figure
10 I attached to Mr. Smith's testimony as performing services debt issuance and DB
11 (Design/Build) procurement.

12
13 **Debt Service**

14 Q. HAVE YOU REVIEWED MR. SMITH'S REBUTTAL TESTIMONY WITH
15 REGARD TO YOUR RECOMMENDATIONS CONCERNING THE
16 APPROPRIATE RATE YEAR ALLOWANCES FOR DEBT SERVICE?

17 A. Yes. Mr. Smith has proposed a reduction in the fiscal year (FY) 2012 debt service
18 compared to Newport Water's original filing. This new claim reflects the debt
19 service on a \$6.7 million loan to be used to pay for the Easton Pond Dam Repair
20 project and interest on \$5.1 million of Bond Anticipation Notes (BANs) used to
21 finance professional services related to Newport Water's Treatment Plant Projects.
22 I have reviewed this updated debt service claim and have accepted it in my
23 determination of the Division's updated recommendation presented subsequently in
24 my testimony.

1 Q. DO YOU HAVE ANY OTHER COMMENTS WITH REGARD TO DEBT
2 SERVICE?

3 A. Yes. In our direct testimony, both Portsmouth Water and Fire District (PWFD)
4 witness Christopher Woodcock and I recommended that future debt service
5 requirements be adjusted to reflect lower interest rates and issuance costs than the 6
6 percent interest rate and 13 percent issuance costs assumed by Newport Water. In
7 rebuttal, Newport continued to use a 6 percent interest rate, in projection debt service
8 costs for bonds issues in FY 2013 and beyond. It reduced its projection of issuance
9 costs to 12 percent.

10 I continue to believe that Newport Water's projections of future interest rates
11 and issuance costs are likely to be too high, as is indicated by the fact that the recently
12 completed \$6.7 million FY 2012 borrowing was made at a non-subsidized interest
13 rate of 3.4 percent with issuance costs of approximately 10 percent. Nevertheless,
14 there is no need to determine what interest rate and issuance costs should be utilized
15 for future debt issuances in this proceeding. If the Commission approves Newport
16 Water's multi-year rate plan, the appropriate interest rate can be determined along
17 with the amount of the loans and other factors that determine debt service costs when
18 Newport Water seeks recovery of those costs.

19

20

Sales Volumes

21 Q. WHAT REVISION DID NEWPORT WATER MAKE TO ITS SALES
22 VOLUMES IN ITS REBUTTAL FILING?

23 A. In its original filing, Newport Water based its projected sales volumes on a three-year
24 average for the period FY 2008 through FY 2010. In its rebuttal filing, Newport
25 Water revised its projection to reflect a two-year average of sales in FY 2010 and FY

1 2011. Although it updated to reflect FY 2011 sales, no update was made to the
2 numbers of customer bills, private fire services, or public hydrants from the February
3 2011 counts reflected in its initial filing.

4 Q. DO YOU AGREE WITH NEWPORT WATER'S PROPOSED CHANGE?

5 A. No. I do not object to updating to reflect FY 2011 sales volumes. However, I am
6 proposing to continue to utilize a three-year average of sales based on FY 2009
7 through FY 2011. I am also proposing to update billing, public hydrant and provide
8 fire service counts as of October 1, 2011.

9 Q. WHY IS IT APPROPRIATE TO UTILIZE A THREE-YEAR AVERAGE
10 FOR SALES VOLUMES?

11 A. First, continuing to utilize a three-year average is consistent with the methodology
12 used initially in this case and in other Newport Water rate cases. Second, in order to
13 evaluate whether the two-year average was representative, Div. 3-1 requested
14 consumption for the 12 months ended September 30, 2011. In that response, Newport
15 Water averaged billed consumption for the period November 1, 2010 through
16 October 1, 2011, and billed consumption for the period October 1, 2010 through
17 September 30, 2011 to arrive at an annual sales volume. However, the data appear
18 anomalous and may suggest recent actual consumption is more consistent with the
19 three-year average.

20 Q. PLEASE EXPLAIN.

21 A. The billed consumption for the period November 1, 2010 through October 1, 2011
22 was 1,768,440 thousand gallons (Tgal) while the billed consumption for the period
23 October 1, 2010 through September 30, 2011 was 1,633,759 Tgal. According to the
24 response to Div. 3-1, this variation is because, for the period ending October 1, 2011,
25 approximately one-third of the quarterly accounts included 13 months consumption

1 and one-third included 14 months consumption. In comparison, for the 12 months
2 ended September 30, approximately one-third of the quarterly accounts reflect 10
3 months of consumption and one-third reflect 11 months of consumption. Adjusting
4 the results for the 12 months ended September 30, 2011 to include 12 months of
5 consumption for all accounts produces an annualized consumption figure of
6 1,729,770 Tgal. These results indicate that consumption is likely to be in excess of
7 the average consumption for FY 2010 and FY 2011 considering that the months
8 excluded from those accounts with less than twelve months of consumption would
9 include August and September, which have relatively higher usage. Based on the
10 inconsistencies in the data provided in Div. 3-1 and the higher annual use indicated
11 based on annualized sales for the 12 months ended September 30, 2011, it is difficult
12 to be confident in the use of the shorter period of two years to develop pro forma
13 consumption levels.

14 Q. HAVE YOU PREPARED A SCHEDULE SHOWING YOUR
15 ADJUSTMENT TO REVENUE?

16 A. Yes. Schedule TSC-12, page 1 of 2 accompanying this surrebuttal testimony presents
17 my calculation of revenue at present rates. As indicated there, I have based
18 consumption on the three-year average for FY 2009 through FY 2011. I have also
19 updated the number of bills, public hydrants and private fire services to reflect counts
20 as of September 30, 2011 in lieu of the February 28, 2011 counts used by Newport
21 Water as shown on RFC Schedule A Rebuttal. As shown on page 1 of Schedule
22 TSC-12, I have determined revenues at present rates to be \$10,004,548. This is
23 \$639,024 less than revenues at present rates reflected in Newport Water's direct filing
24 and \$247,314 greater than the revenue at present rates identified in its rebuttal filing.
25

Summary and Recommendations

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Q. PLEASE SUMMARIZE YOUR UPDATED FINDINGS AND RECOMMENDATIONS.

A. As shown my updated Schedule TSC-1, it is my recommendation that Newport Water receive a revenue increase of \$2,119,747 in this proceeding. This increase is \$277,011 less than the increase of \$2,396,760 sought by Newport Water in its rebuttal filing. The Division's recommendation would require an increase of 21.19 percent in Newport's rates while the increase sought by Newport in its rebuttal would require an increase of 24.56 percent in rates. For comparative purposes, Newport's initial filing sought a revenue increase of \$3,915,000 which would have required an increase in rates of 37.66 percent. Schedule TSC-12 accompanying my surrebuttal testimony shows the calculation of the rates necessary to generate the Division's recommended revenue increase of \$2,119,747.

Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?

A. Yes, it does.

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

**CITY OF NEWPORT)
UTILITIES DEPARTMENT,)
WATER DIVISION)** **DOCKET NO. 4243**

**SCHEDULES ACCOMPANYING THE
SURREBUTTAL TESTIMONY
OF
THOMAS S. CATLIN**

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

OCTOBER 20, 2011

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

CITY OF NEWPORT—WATER DIVISION

Summary of Revenues and Expenses at
 Present and Proposed Rates
 Rate Year Ended June 30, 2012

	Rate Year Amount Per Newport Rebuttal	Updated Division Adjustments	Rate Year at Present Rates	Proposed Rate Increase	Rate Year at Proposed Rates
Revenue					
Customer Charge	\$ 987,572	\$ (1,133)	\$ 986,439	\$ 208,756	\$ 1,195,195
Retail Consumption	5,908,519	\$ 151,609	6,060,128	1,283,593	7,343,720
Wholesale/Bulk Sales	1,584,457	\$ 93,688	1,678,145	355,503	2,033,647
Fire Protection	1,276,686	\$ 3,151	1,279,837	271,013	1,550,850
Miscellaneous	735,029	-	735,029	-	735,029
Total Revenue	\$ 10,492,263	\$ 247,314	\$ 10,739,577	\$ 2,118,865	\$ 12,858,442
Expenses					
Water Administration	2,382,868	(28,832)	2,354,036	-	2,354,036
Customer Accounts	613,500	-	613,500	-	613,500
Source of Supply-Island	643,800	-	643,800	-	643,800
Source of Supply-Mainland	167,925	-	167,925	-	167,925
Treatment & Pumping-Station One	1,830,797	-	1,830,797	-	1,830,797
Treatment & Pumping-Lawton Valley	1,614,014	-	1,614,014	-	1,614,014
Water Laboratory	223,700	-	223,700	-	223,700
Transmission & Distribution Maintenance	1,053,248	-	1,053,248	-	1,053,248
Fire Protection	13,500	-	13,500	-	13,500
Subtotal	\$ 8,543,352	\$ (28,832)	\$ 8,514,520	\$ -	\$ 8,514,520
Debt Service	1,589,369	-	1,589,369	-	1,589,369
Capital Outlays	2,500,000	-	2,500,000	-	2,500,000
Total Expenses	\$ 12,632,721	\$ (28,832)	\$ 12,603,889	\$ -	\$ 12,603,889
Operating Reserve	256,301	(865)	255,436	-	255,436
Total Cost of Service	\$ 12,889,022	\$ (29,697)	\$ 12,859,324	\$ -	\$ 12,859,324
Revenue Surplus/(Deficiency)	\$ (2,396,760)	\$ 277,011	(\$2,119,747)	\$ 2,118,865	(\$883)

CITY OF NEWPORT--WATER DIVISION

Summary of Division Adjustments to
Rate Year Expenses
Rate Year Ended June 30, 2012

<u>Description</u>	<u>Amount</u>	<u>Source</u>
Employee Vacancies	\$ -	Schedule TSC-3
Benefits	-	Schedule TSC-4
Consultant Fees	(28,400)	Schedule TSC-5
Chemical Costs	-	Schedule TSC-6
Sewer Charges	-	Schedule TSC-7
City Services--Legal & Administrative	(193)	Schedule TSC-8
City Services--Data Processing	(240)	Schedule TSC-8
Debt Service	-	Schedule TSC-9
Operating Reserve	<u>(865)</u>	See Note (1)
Total Expense Adjustments	\$ (29,697)	
Revenue Offsets	<u>-</u>	Schedule TSC-11
Total Division Adjustments to Income	<u>\$ 29,697</u>	

Note:

(1) Based on 3.0% of total O&M expenses as reflected on Schedule TSC-1.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Salaries and Wages to
Reflect Normal Employee Vacancies
Rate Year Ended June 30, 2012

Adjustment Included In Newport Rebuttal Schedules

<u>Current Vacant Positions (1)</u>	<u>Salary (2)</u>	<u>Benefits (2)</u>
Source of Supply Laborer Distribution/Collection Operator	\$ - -	\$ - -
Average	\$ -	\$ -
Normal Employee Vacancies (3)	<u>2</u>	<u>2</u>
Reduction in Claimed Salaries and Benefits	\$ -	\$ -
Total Adjustment to Rate Year Expense		<u><u>\$ -</u></u>

Notes:

- (1) Per response to Div. 1-3.
- (2) Per responses to Div. 1-2 and 1-9.
- (3) Refer to testimony.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Benefits Expense
 Rate Year Ended June 30, 2012

Adjustment Included In Newport Rebuttal Schedules

	Amount Per Filing (1)	Updated Expense (2)	Adjustment
Water Administration	\$ 128,203	\$ 128,203	-
Customer Accounts	168,794	168,794	-
Source of Supply-Island	160,316	160,316	-
Source of Supply-Mainland	2,525	2,525	-
Treatment & Pumping-Station One	280,507	280,507	-
Treatment & Pumping-Lawton Valley	288,218	288,218	-
Water Laboratory	64,213	64,213	-
Transmission & Distribution Maintenance	277,540	277,540	-
Fire Protection	-	-	-
Adjustment to Customer Service Expense	\$ 1,370,316	\$ 1,370,316	\$ -

Notes:

(1) Per RFC Schedules B-1 through B-9 Rebuttal (before rounding)

(2) Per response to Div. 1-9.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Consulting Fees
 Rate Year Ended June 30, 2012

	<u>Amount Per Newport (1)</u>	<u>Amount Per Division (2)</u>	<u>Adjustment</u>
<u>Rate Case Expense</u>			
Legal	\$ 70,200	\$ 70,200	\$ -
Financial	28,800	28,800	-
Other (Division)	24,500	24,500	-
Subtotal	<u>\$ 123,500</u>	<u>\$ 123,500</u>	<u>\$ -</u>
<u>Non Rate Case Related</u>			
Legal	54,800	40,000	(14,800)
Financial	43,600	30,000	(13,600)
Other (Division)	10,000	10,000	-
Subtotal	<u>\$ 108,400</u>	<u>\$ 80,000</u>	<u>\$ (28,400)</u>
<u>Demand Study</u>			
Financial			
Other (Division)			
Subtotal	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>
Bond Advisor	10,000	10,000	-
Code Red	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Adjustment to Expense	<u>\$ 284,900</u>	<u>\$ 256,500</u>	<u>\$ (28,400)</u>

Notes:

(1) Per response to Div. 1-10 and PWFD 3-3, updated per RFC Schedule B-1 Rebuttal.

(2) Refer to testimony.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Chemicals Expense
 Rate Year Ended June 30, 2012

Adjustment Included In Newport Rebuttal Schedules

	<u>Estimated Quantity (1)</u>		<u>Fy 2012 Unit Price (2)</u>		<u>Annual Cost</u>
Station One					
Aluminum Sulfate	373,000	\$	0.1745	\$	65,089
Chlorine	52,200		0.4250		22,185
Flouride	20,200		0.4200		8,484
Sodium Chlorite	147,000		0.7800		114,660
Polymer	1,300		7.6500		9,945
Sodium Hydroxide	79,000		0.6893		54,455
GAC	1,640		48.41		79,392
Total Station One				\$	354,210
Lawton Valley					
Aluminum Sulfate	312,000	\$	0.1745	\$	54,444
Chlorine	34,000		0.4250		14,450
Flouride	10,000		0.4200		4,200
Sodium Chlorite	65,000		0.7800		50,700
Sodium Hydroxide	67,000		0.6893		46,183
Lawton Valley Total				\$	169,977
Source of Supply Island					
Copper Sulfate	39,000		1.8650	\$	72,735
Total FY 2012 Updated Chemical Costs				\$	596,922
Amount per Newport Water Filing (3)					596,922
Adjustment to Chemicals Restricted Account Contribution				\$	-

Notes:

(1) Per RFC Schedules B-3, B-5 and B-6 Rebuttal (before rounding).

(2) Per response to Div. 1-27.

(3) Per RFC Schedule 2.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Sewer Charges
Rate Year Ended June 30, 2012

Adjustment Included In Newport Rebuttal Schedules

	<u>Station One</u>	<u>Lawton Valley</u>
Wastewater Volume (1,000 Gallons) (1)	26,000	32,000
Rate per 1,000 Gallons (2)	<u>\$ 11.27</u>	<u>\$ 11.27</u>
Annual Cost Per Division	\$ 293,020	\$ 360,640
Annual Cost per Newport Water (3)	<u>293,020</u>	<u>360,640</u>
Adjustment	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Notes:

- (1) Lawton Valley amount per RFC Schedule B-6. Station One amount reduced by 1 MG. Refer to testimony.
- (2) Per response to PWFD 2-12.
- (3) Per RFC Schedules B-5 and B-6 Rebuttal (before rounding).

CITY OF NEWPORT--WATER DIVISION

Adjustment to City Services Costs
 Rate Year Ended June 30, 2012

<u>Legal and Administrative Services</u>	<u>Allocable Budget (1)</u>	<u>Percent (2)</u>	<u>Allocation to Water Division</u>
Audit Fees	69,200	6.18%	4,277
City Council	79,521	5.75%	4,572
City Clerk	332,461	1.00%	3,325
City Manager	407,653	13.75% (2)	56,055
Human Resources	294,475	10.06%	29,624
City Solicitor	154,082	13.75% (2)	21,187
Finance Administration (50%)	149,278	13.75% (2)	20,527
Finance Administration (5%)	18,660	37.00%	6,904
Purchasing	96,838	18.60%	18,012
Assessment	117,494	5.00%	5,875
Collections	302,778	15.26%	46,204
Accounting (5%)	10,503	100.00%	10,503
Accounting	410,372	16.90%	69,353
Facilities Maintenance	887,556	1.47%	13,047
Total Allocated on Budget	<u>\$ 3,330,871</u>		<u>\$ 309,464</u>
Amount per Newport Water			<u>309,657</u>
Adjustment to Legal & Administrative			<u>\$ (193)</u>

<u>Data Processing Services</u>	<u>Allocable Budget (1)</u>	<u>Percent (2)</u>	<u>Allocation to Water Division</u>
MIS - Communications Costs	261,578	7.90%	20,665
MIS - Other Costs	894,384	13.75% (2)	122,984
	<u>\$ 1,155,962</u>		<u>\$ 143,648</u>
Amount per Newport Water			<u>143,888</u>
Adjustment to Data Processing Services			<u>\$ (240)</u>

Notes:

(1) Amounts per RFC Schedule D except where noted.

(2) Based on revised budget allocation percentage as shown on page 2 of this Schedule.

CITY OF NEWPORT--WATER DIVISION

Calculation of Budget Percentage
 to Determine Water Division Allocation of City Services
 Rate Year Ended June 30, 2012

<u>Budget Element</u>		FY 2011 Adopted Budget (1)	Percentage
General Fund Including School & Library		\$ 58,247,167	63.55%
Maritime		876,406	0.96%
Water Fund	See Note (2)	12,603,889	13.75%
WPC	See Note (3)	15,800,882	17.24%
Parking		3,125,729	3.41%
Beach		1,006,214	1.10%
Total Budget		\$ 91,660,287	100.00%

Notes:

- (1) Amounts per RFC Schedule D except where noted.
- (2) Reflects Total Expenses per Division as shown on Schedule TSC-1.
- (3) Amount per City of Newport 2010-11 Adopted Budget adjusted to exclude Cash Outlays from Revenue Bonds.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Debt Service Expense
Rate Year Ended June 30, 2012

	<u>Total</u>
Recommended Debt Service per Division (1)	\$ 1,589,369
Amount per Newport Water Filing (2)	<u>1,589,369</u>
Adjustment to Debt Service Restricted Account Contribution	<u><u>\$ -</u></u>

Notes:

(1) Reflects FY 2012 Debt Service per RFC Schedule 5 Rebuttal. Division has accepted updated amount per Newport Water Rebuttal.

(2) Per RFC Schedule 2.

CITY OF NEWPORT--WATER DIVISION

Adjustment to Revenue Offsets
 Rate Year Ended June 30, 2012

Adjustment Included In Newport Rebuttal Schedules

	Amount per Newport Water (1)	Division Adjustments	Adjusted Amount
Operation and Maintenance (2)	\$ 613,500	\$ -	\$ 613,500
Debt Service (3)	201,627	-	201,627
Remote Reading Laptop (4)	69,490	-	69,490
Total Customer Service Costs	\$ 884,617	\$ -	\$ 884,617
Customer Service Costs at 50%	\$ 442,309	\$ -	\$ 442,308
Charge to WPC	291,366	-	291,366
Charge to Middletown	140,852	-	140,852
Total	\$ 432,218	\$ -	\$ 432,218

Notes:

- (1) Per RFC Schedule 6 Rebuttal
- (2) Adjusted to reflect Division Customer Service O&M per Schedule TSC-1.
- (3) Based on debt service for 2008 Series A Loan and \$2.8 out of \$5.9 million used for the radio read project per response to PWFD 2-4.
- (4) Per response to PWFD 2-5.

CITY OF NEWPORT--WATER DIVISION

Calculation of Uniform Percentage Increase in Rates
 Required to Generate Additional Revenues
 Rate Year Ended June 30, 2012

<u>Customer Class</u>	<u>Existing Rate</u>	<u>Rate Year Sales (1) (1,000 gals)</u>	<u>Rate Year Revenues at Existing Rates</u>
Retail	\$ 5.250	1,154,310	\$ 6,060,128
Navy	\$ 3.228	178,304	575,565
Portsmouth	\$ 2.573	428,519	<u>1,102,579</u>
Metered Sales Revenues at Existing Rates			\$ 7,738,272
<u>Type of Charge</u>	<u>Existing Charge</u>	<u>Number Billed (1)</u>	<u>Rate Year Revenues at Existing Rates</u>
Billing Charge	\$ 15.31	64,431	986,439
Fire Protection Charges (Public)	\$ 869.00	1,035	899,415
Fire Protection Charges (Private)			
less than 2"	\$ 17.05	-	-
2"	72.00	4	288
4"	442.00	62	27,404
6"	884.00	245	216,580
8"	2,023.00	62	125,426
10"	3,340.00	-	-
12"	5,362.00	2	<u>10,724</u>
Total Private Fire Service			\$ 380,422
Total Rate Year Revenues from Existing Rates and Charges			<u>\$ 10,004,548</u>
Net Rate Year Revenue Requirements (2)			<u>\$ 12,124,295</u>
Additional Revenue Needed			\$ 2,119,747
% Revenue Increase Required			<u>21.19%</u>

Notes:

(1) Sales based on average for FY 2009 through FY 2011 as shown on RFC Schedule A Rebuttal.
 Billing charge count per response to Div. 3-3. Fire Protection counts per Div. 3-2.

(2) Per Schedule TSC-1. Equals total cost of service less miscellaneous revenue.

CITY OF NEWPORT--WATER DIVISION

Calculation of Proposed Rates and
 Proof of Revenue at Proposed Rates
 Rate Year Ended June 30, 2012

<u>Customer Class</u>	<u>Existing Rate</u>	<u>Percent Increase (1)</u>	<u>Proposed Rate (3)</u>	<u>Rate Year Sales (1) (1,000 gals)</u>	<u>Rate Year Revenues at Proposed Rates</u>
Retail	\$ 5.250	21.19%	\$ 6.362	1,154,310	\$ 7,343,720
Navy	3.228	21.19%	\$ 3.912	178,304	697,525
Portsmouth	2.573	21.19%	\$ 3.118	428,519	1,336,122
Metered Sales Revenues at Proposed Rates					\$ 9,377,368
<u>Type of Charge</u>	<u>Existing Charge</u>	<u>Percent Increase (1)</u>	<u>Proposed Rate</u>	<u>Number Billed</u>	<u>Rate Year Revenues at Proposed Rates</u>
Billing Charge	\$ 15.31	21.19%	\$ 18.55	64,431	1,195,195
Fire Protection Charges (Public)	\$ 869.00	21.19%	\$1,053.00	1,035	1,089,855
Fire Protection Charges (Private) less than 2"	\$ 17.05	21.19%	\$ 21.00	-	-
2"	72.00	21.19%	87.00	4	348
4"	442.00	21.19%	536.00	62	33,232
6"	884.00	21.19%	1,071.00	245	262,395
8"	2,023.00	21.19%	2,452.00	62	152,024
10"	3,340.00	21.19%	4,048.00	-	-
12"	5,362.00	21.19%	6,498.00	2	12,996
Total Private Fire Service					\$ 460,995
Total Rate Year Revenues from Proposed Rates and Charges					\$ 12,123,413
Net Rate Year Revenue Requirements (2)					\$ 12,124,295
Difference					\$ (883)

Notes:

- (1) Per page 1 of this schedule.
- (2) Per Schedule TSC-1. Equals total cost of service less miscellaneous revenue.
- (3) For comparison purposes, the rates per hundred cubic feet (HCF) are shown below.

	<u>Per 1,000 gal</u>	<u>Per HCF</u>
Retail	\$ 6.362	\$ 4.759
Navy	\$ 3.912	\$ 2.926
Portsmouth	\$ 3.118	\$ 2.332