

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: CITY OF NEWPORT WATER :
DIVISION APPLICATION TO : DOCKET NO. 4243
CHANGE RATE SCHEDULES :

ORDER
(Miscellaneous Petition For Relief – Withdraw Funds from Salary Increase Account)

On June 13, 2016, the City of Newport, Utilities Department, Water Division (Newport Water) filed with the Public Utilities Commission (PUC) a Miscellaneous Petition for Relief (Petition) requesting permission to withdraw \$74,400.79 from the restricted Salary Increase Account in order to cover a shortfall in revenues to meet the cost of salaries and wages in Fiscal Year 2016. In support of its Petition, Newport Water submitted the direct testimony of Julia Forgue, P.E., Director of Utilities.¹ On September 20, 2016, the PUC granted the request and, in a related rate case (Docket No. 4595), required Newport Water to close the account and transfer the funds to the operating fund in order to reduce the level of requested rate relief.

In Docket No. 4025, a general rate case, Newport Water’s labor contracts were set to expire on or before June 30, 2009. In that case, Newport Water included 3% salary increases for executive, administrative, and professional employees and a 3% salary increase for the other employees in the rate year. According to its calculations, the total increase would be \$91,213.88 in the rate year. Consistent with its past practice, the PUC ordered the projected increase to be restricted until such time as the labor agreements were finalized in the event the projected funding was excessive. The PUC also directed

¹ Pet. of Newport Water and Test. of Forgue (June 13, 2016).
http://www.ripuc.org/eventsactions/docket/4243-NWD-PetitionRelief_6-14-16.pdf.

that any amounts in excess of the projected increases in the rate case should remain restricted until further order of the PUC.²

On November 29, 2011, the PUC approved a Settlement Agreement in which Newport Water, the Division of Public Utilities and Carriers (Division), and Portsmouth Water and Fire District (PWFD) agreed to continue the funding in the revenue requirement, albeit at a lower rate. The parties agreed that the account should still be funded so that, when the labor negotiations were completed, Newport Water would have funds available to meet retroactive payroll obligations, if any. The parties further agreed to a reduction in the monthly funding sufficient to allow Newport Water to use that amount to meet other, non-union payroll increases in the rate year.³

On September 24, 2013, following the execution of new labor contracts, the PUC approved a request by Newport Water to un-restrict \$176,710.76 from the Salary Increase Account, equal to the funds necessary to meet Newport Water's new contractual obligations including the payment of retroactive increases. Newport Water was required to continue funding the Salary Increase Account and any further disposition of the Salary Increase Account was to be subject to review and order of the PUC.⁴ On December 23, 2014, the PUC approved Newport Water's request to withdraw \$9,546 from the Salary Increase Account to meet the salary and wage expense for FY 2015, which included a 2% cost of living adjustment. The PUC also approved a request to cease funding to the account.⁵

² Order No. 19940 (Mar. 29, 2010).

³ Order No. 20636 (Feb. 3, 2012).

⁴ Order No. 21247 (Nov. 12, 2013).

⁵ Order No. 21876 (Apr. 20, 2015).

Discussing the instant matter, Ms. Forgue explained that Newport Water's total salaries and wages for FY 2016 have increased to \$2,298,947.79. She noted that in the general rate filing in this docket, the PUC approved a salary and wage allowance of \$2,224,547. As of April 30, 2016, the Salary Increase Account had a balance of \$206,144.78. If Newport Water's request were approved, the account balance would be \$131,743.99. Newport Water requested approval to retain the account for future salary increases. Ms. Forgue explained that the salary needs are currently unknown for FY 2018 and FY 2019. Therefore, it would be more convenient for Newport Water to have this fund available to cover the salary and wage increases than to have to file a new rate case.⁶

On September 1, 2016, Portsmouth Water and Fire District (PWFD) filed a response to Newport Water's request. PWFD stated that it did not object to the request to withdraw the funds. However, PWFD objected to Newport Water's request to retain the \$131,743.99 balance in the Salary Increase Account for future wage increases. PWFD suggested that the balance be used to reduce rates for all Newport Water customers.⁷ On September 12, 2016, the Division of Public Utilities and Carriers (Division) submitted a memorandum finding that Newport Water's request complied with prior PUC orders and recommended approval of the request as filed.

At an Open Meeting held on September 20, 2016, the PUC reviewed the filings related to Newport Water's request and approved the request to withdraw \$74,400.79 from the Salary Increase Account to cover the revenue shortfall relative to the salary and wage expense for FY 2016. Subsequently, in its decision in Docket No. 4595 (In re: City

⁶ Test. of Forgue, 4-6. http://www.ripuc.org/eventsactions/docket/4243-NWD-PetitionRelief_6-14-16.pdf.

⁷ PWFD Response to Newport Water's Miscellaneous Pet. for Relief at 1-3.

of Newport, Utilities Department, Water Division General Rate Filing) the PUC directed Newport Water to close the Salary Increase Account and transfer the funds to the general operating fund to reduce the rate increase granted in that matter.

Accordingly, it is hereby

(22596) ORDERED

1. The City of Newport, Utilities Department, Water Division's Miscellaneous Petition filed on June 12, 2016 is hereby approved to the extent that Newport Water may withdraw \$74,400.79 from the account to cover the salary and wage expenses for Fiscal Year 2016.
2. The City of Newport, Utilities Department, Water Division shall comply with all other findings and instructions as contained in this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 20, 2016. WRITTEN ORDER ISSUED NOVEMBER 7, 2016.



PUBLIC UTILITIES COMMISSION

Handwritten signature of Margaret E. Curran in black ink.

Margaret E. Curran, Chairperson

Handwritten signature of Herbert F. DeSimone in black ink.

Herbert F. DeSimone, Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.