

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PROVIDENCE WATER SUPPLY :
BOARD TARIFF ADVICE FILING : DOCKET NO. 4287
TO ADD A SEPARATE FIRE SERVICE PROTECTION :
CHARGE ON CITY OF PROVIDENCE CUSTOMERS :
BILLS PURSUANT TO R.I.G.L. §§ 39-3-11.1(c) AND :
45-39-4 AND CITY OF PROVIDENCE ORDINANCE :
CHAPTER 2011-33 :

REPORT AND ORDER

On September 23, 2011, Providence Water Supply Board (“Providence Water”) filed with the Public Utilities Commission (“Commission”) a Tariff Advice Filing to implement a new Fire Service Protection Charge to appear on the water bills for each Providence Water service connected in the City of Providence. This new Fire Service Protection Charge was authorized by the Providence City Council pursuant to City of Providence Ordinance Chapter 2011-33 (“Hydrant Ordinance”) which itself was authorized by R.I.G.L. §§ 39-3-11.1(c) and 45-39-4. Rhode Island Gen. Laws § 39-3-11.1(c) states: “In setting rates for publicly owned water authorities, the commission shall not require the payment of rental fees for fire hydrants from any municipality that has prohibited such fees by ordinance as provided in section 45-39-4 and has given notice to the commission of said ordinance.”¹

On August 19, 2011, the City of Providence filed with the Commission the Hydrant Ordinance which had been passed by the City council on July 7, 2011 and July 18, 2011 and signed by Mayor Angel Taveras on July 19, 2011. Therefore, as of August

¹ R.I. Gen. Laws § 39-3-11.1(c). R.I. Gen. Laws § 45-39-4 states: Notwithstanding any general or special law relating to publicly owned water authorities, a municipality may provide by enactment of an ordinance and complying with the notice requirements of section 39-3-11.1, that the rental usage or fees for any fire hydrant within the municipality shall be the responsibility of the water ratepayers within the municipality which enacted the enabling ordinance, provided that this provision shall apply only where the municipality owns the water supplier and is the exclusive supplier of public water within the municipality.

19, 2011, Providence Water could no longer collect the Commission-approved public fire service charges from the City of Providence. Instead, in accordance with State law and the Hydrant Ordinance, “the rental fees or other charges for any fire hydrant located within the city [of Providence] which is supplied by the Providence Water Supply Board shall be the responsibility of the water ratepayers in the city....”²

Therefore, Providence Water, through its filing, sought to collect the public fire service charges for hydrants located in the City of Providence from those ratepayers whose service connections are within the borders of the City of Providence. In support of its filing, Providence Water submitted the Pre-Filed Testimony of Pamela Marchand, P.E., its Chief Engineer and Jeanne Bondarevskis, its Director of Finance. Ms. Marchand outlined the process of the passage of the Hydrant Ordinance. She also explained that in designing the new proposed charge, the Providence Water Supply Board was concerned that the new charge not place an unfair burden on residential ratepayers and that the charge should be fairly allocated to larger properties, including the non-profit facilities that had not been paying for public fire service through taxes.³

Ms. Bondarevskis explained that Providence Water considered several methodologies of reallocating the public fire protection revenues from the City of Providence to its ratepayers and decided to recommend “a fixed charge which recognizes the greater benefit that a larger customer receives from having fire hydrants readily available.”⁴ Ms. Bondarevskis stated that the total revenue to be reallocated is \$1,094,339.⁵ Therefore, Providence Water developed “a modified equivalency factor for

² City of Providence Ordinance Chapter 2011-33.

³ Providence Water Supply Board Exhibit 1 (Pre-Filed Testimony of Pamela M. Marchand), pp. 2-5.

⁴ Providence Water Supply Board Exhibit 2 (Pre-Filed Testimony of Jeanne Bondarevskis), p. 4.

⁵ *Id.* at 4.

allocating the lost revenue by meter size.”⁶ In order to do this, she explained that Providence Water first updated the number of meters by size in Providence, then calculated the Meter Flow Capacity Factors as indicated in the American Water Works Association (“AWWA”) Manual M6 relative to a typical 5/8 inch meter. Finally, Providence Water developed the equivalent meters and considered the impact on various customers. In order to apply the principles important to the Providence Water Supply Board relative to impact on various rate classes, Providence Water added a weighting factor which increased the factor for larger meters.⁷ The impact of Providence Water’s calculations on a residential customer (5/8 inch meter) is \$12.31 per year or \$3.08 per quarter for a 5.68% increase. Other meters increase proportionally based on the modified equivalency factors.⁸ Finally, Ms. Bondarevskis proposed including a separate line item on customers’ bills entitled “Fire Protection Service Charge.”⁹

On October 24, 2011, the Division submitted a Memorandum from Thomas Catlin of Exeter Associates, Inc., its consultant. Mr. Catlin stated that he had reviewed Providence Water’s Tariff filing and had verified that the proposed Fire Protection Charge that will be assessed only to customers located in the City of Providence is designed to recover lost revenues resulting from the passage of the Hydrant Ordinance. He also confirmed that the charge would only be assessed on a prospective basis following the Commission’s approval of a Fire Protection Charge. Finally, he agreed that Providence Water’s decision to propose allocating higher charges to customers with larger meters is not unreasonable because properties with larger meters generally have

⁶ *Id.* at 5.

⁷ *Id.*

⁸ *Id.* at 6-7.

⁹ *Id.* at 7.

greater fire protection requirements. Ultimately, Mr. Catlin recommended to the Division that it not object to Providence Water's filing.¹⁰

On October 31, 2011, pursuant to public notice, the Commission conducted a hearing at its Offices at 89 Jefferson Boulevard, Warwick, Rhode Island, for the purposes of taking evidence and considering the propriety of Providence Water's Tariff Advice Filing. Providence Water presented Ms. Marchand and Ms. Bondarevskis in support of its filing. Ms. Bondarevskis confirmed that the City of Providence agrees that it owes Providence Water the tariffed hydrant charges through August 18, 2011. With regard to the actual implementation of the rates through the billing system, Ms. Bondarevskis explained that Providence Water has been doing much of the work in-house, but has its outside vendor available in case during testing of the billing system, Providence Water encounters a problem. Therefore, if Providence Water encounters no problems during testing, implementation of the billing change will cost as little as \$1,000, but could cost as much as \$10,000 if a problem is encountered.¹¹

Discussing the approach Providence Water used to develop the new rate, Ms. Marchand explained that the utility began with the 5/8 inch meter because it is the most common meter size and applied multiples to the larger meters based on the flow each meter could handle as a means of adding in the amount of demand available to a customer. She reiterated that one of Providence Water's goals was to fairly allocate the charge so as not to over-burden residential customers.¹² Ms. Bondarevskis indicated that the customers who will experience the largest increase primarily fall into two categories:

¹⁰ Division Exhibit 1 (Memorandum of Thomas Catlin to Division of Public Utilities and Carriers, 10/19/11), pp. 1-2.

¹¹ Tr. 10/31/11 at.10-12.

¹² *Id.* at 14-15.

(1) those with over-sized meters and low consumption who could reduce the impact by correctly sizing their meters in the future and (2) those properties under foreclosure or which are vacant with very low consumption which, once occupied, will increase and reduce the impact of the charge.¹³

Finally, Ms. Marchand indicated that the City taxes properties based on their value which is affected by the size of the property. Similarly, the new hydrant fee will be based on size of the meter because larger meters tend to be associated with larger properties which are more valuable. Furthermore, the fire protection system needs to be sized to meet the highest demand instantly when needed and cannot be planned for. Larger properties with larger meters, then, are likely to need more water to suppress a fire. This affects the size and cost of the infrastructure of the system and the treatment plant.¹⁴ Therefore, paying for fire protection service is like paying for insurance and in fact, Ms. Marchand stated that “insurance companies do rate, especially facilities that have a high demand for fire protection, by the amount of fire flow they have available.”¹⁵

The Division presented John Bell, Rate Analyst V, who adopted the Memorandum authored by Mr. Catlin as the Division’s position in this matter. Mr. Bell stated that the Division recommends approval of the tariff as filed. He indicated that the Division believed the weighting factors used by Providence Water were reasonable.¹⁶

At the conclusion of the hearing, the Commission considered the evidence presented and approved Providence Water’s Tariff Schedule A and Schedule D (Fire Service Protection Charge) as filed. The Commission finds that the proposed charge is

¹³ *Id.* at 12-13.

¹⁴ *Id.* at 16-17.

¹⁵ *Id.* at 18.

¹⁶ *Id.* at 20.

consistent with the language of R.I.G.L. § 45-39-4 which requires the ratepayers within the City of Providence to bear responsibility for the hydrant charges (public fire protection service) within the City of Providence now that the City of Providence has passed the necessary ordinance. The Commission finds Providence Water's proposal to apply a fixed, rather than consumption based charge reasonable because the public fire protection charge is a per-hydrant charge which is not based on consumption. Therefore, the replacement of one fixed charge with another will provide Providence Water with the same level of revenues as approved in its last rate case. Finally, the Commission is satisfied that the methodology used by Providence Water to develop the Fire Service Protection Charge is fair and the rationale for the allocation of costs is reasonable.

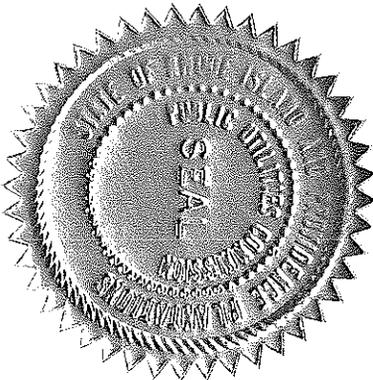
Accordingly, it is hereby,

(20590) ORDERED:

1. Providence Water Supply Board's Tariff Schedule A and Schedule D, filed on September 23, 2011 are hereby approved for effect November 1, 2011.
2. Providence Water Supply Board shall comply with all findings and instructions contained in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO A BENCH DECISION ON OCTOBER 31, 2011. WRITTEN ORDER ISSUED DECEMBER 15, 2011.

PUBLIC UTILITIES COMMISSION



Elia Germani

Elia Germani, Chairman

Mary E. Bray

Mary E. Bray, Commissioner

Paul J. Roberti

Paul J. Roberti, Commissioner