

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

**THE NARRAGANSETT)
BAY COMMISSION)** **DOCKET NO. 4364**

SURREBUTTAL TESTIMONY

OF

THOMAS S. CATLIN

ON BEHALF OF THE

DIVISION OF PUBLIC UTILITIES AND CARRIERS

May 8, 2013

EXETER

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

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF RHODE ISLAND

| | | |
|------------------|---|-----------------|
| THE NARRAGANSETT |) | DOCKET NO. 4364 |
| BAY COMMISSION |) | |

Surrebuttal Testimony of Thomas S. Catlin

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

3 A. My name is Thomas S. Catlin. I am a principal with Exeter Associates, Inc. Our
4 offices are located at 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland
5 21044. Exeter is a firm of consulting economists specializing in issues pertaining to
6 public utilities.

7 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS
8 PROCEEDING?

9 A. Yes. My direct testimony on behalf of the Division of Public Utilities and Carriers
10 (the Division) was submitted on March 22, 2013. My qualifications and experience
11 are set forth in that testimony.

12 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

13 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of
14 Mr. Walter E. Edge that was submitted on behalf of The Narragansett Bay
15 Commission. In addition, I will update the Division's recommendation with regard to
16 the overall revenue increase that NBC should receive and the rates necessary to
17 recover those revenues.

1 Q. PLEASE SUMMARIZE THE STATUS OF THE ISSUES THAT YOU
2 RAISED IN YOUR DIRECT TESTIMONY IN LIGHT OF MR. EDGE'S
3 REBUTTAL TESTIMONY.

4 A. In his rebuttal testimony, Mr. Edge accepted my adjustments to grant related costs,
5 workers compensation – old claims, Field's Point chemical costs, bad debt expense
6 and debt service. The status of the other issues that I raised in my direct testimony is
7 as follows:

- 8 • Employee Health Insurance. Mr. Edge accepted my adjustment to correct
9 the weighted average of the premiums, but updated to reflect the recent
10 FY 2014 (rate year) premiums which became known after my testimony
11 was prepared. I agree with Mr. Edge's revised estimate of health
12 insurance costs.
- 13 • Biosolids Disposal Costs. Mr. Edge accepted my adjustment to the cost
14 per ton paid by NBC for disposal of biosolids, but updated the quantity of
15 sludge requiring disposal to reflect the most recent two-year average of
16 tons disposed. I have accepted his updated cost estimate.
- 17 • Maintenance and Service Agreements. Mr. Edge presented a revised
18 expense claim based on a detailed listing of maintenance and service
19 agreement providers and the expected rate year costs. I have accepted his
20 revised claim.
- 21 • Natural Gas Expense. NBC updated its original estimate of natural gas
22 costs to reflect National Grid's GCR rate for the 12 months ending
23 October 31, 2013 rather than recognizing the estimated GCR rate for the
24 rate year ended June 30, 2014 that I used. I have not accepted this change
25 and will discuss this issue subsequently.
- 26 • Electricity Costs. Mr. Edge accepted my adjustments to electricity costs
27 and the offsetting sales of RECs, but revised supply costs to reflect NBC's
28 new three-year supply contract entered into after my direct testimony was
29 prepared. I have accepted NBC's revised estimate of electricity costs.
- 30 • Operating Reserve. Mr. Edge disagrees with my use of a one percent
31 operating reserve allowance based on prior Commission orders. I have not
32 revised my proposal.
- 33
- 34
- 35
- 36
- 37
- 38

1 Q. WHAT COMMENTS DO YOU HAVE WITH REGARD TO THE
2 NATIONAL GRID GCR RATE TO BE USED IN ESTIMATING
3 NATURAL GAS COSTS?

4 A. As explained in my direct testimony, I have based my estimate of NBC's natural gas
5 costs for the rate year on an estimate of National Grid's average GCR rate for the
6 12 months ended June 30, 2014. To develop this average GCR rate, I utilized
7 National Grid's actual GCR rate for the 12 months ended October 31, 2013 (the 2013
8 GCR rate) for the first four months of the rate year. For the last eight months of the
9 rate year, I estimated National Grid's 2014 GCR rate based on its actual hedged gas
10 supply costs for the period November 2013 through October 2014 compared to the
11 hedged supply costs for the prior year. I am continuing to recommend the use of this
12 average National Grid GCR rate for the rate year instead of the 2013 GCR rate
13 proposed by NBC. As shown on updated Schedule TSC-8, this results in a reduction
14 to NBC's updated gas supply cost claim of \$12,868.

15 Q. HAS NBC RAISED ANY NEW ISSUES IN ITS REBUTTAL
16 TESTIMONY?

17 A. Yes. In his rebuttal, Mr. Edge reduced revenues by \$93,462 to reflect NBC's tariff
18 advice filing in Docket No. 4401 in which NBC proposed to eliminate BOD
19 (Biological Oxygen Demand) and TSS (Total Suspended Solids) surcharges. I have
20 assumed that the Commission will approve NBC's request and I have accepted
21 NBC's adjustment to revenue.

22 Q. HAVE YOU PREPARED AN UPDATED RECOMMENDATION
23 REGARDING NBC'S REVENUE DEFICIENCY?

24 Yes. As shown on my Updated Schedule TSC-1, I have determined NBC's overall
25 revenue requirement to be \$94,313,267. This represents an increase of \$7,964,892

1 over revenues at present rates. As shown on Updated Schedule TSC-13, the
2 concomitant overall increase in user fee revenue is 9.56 percent. Updated Schedule
3 TSC-14 shows the calculation of the rates required to generate this increase in
4 revenue.

5 Q. DOES THIS COMPLETE YOUR TESTIMONY?

6 A. Yes, it does.

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

**THE NARRAGANSETT)
BAY COMMISSION) DOCKET NO. 4364**

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

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

May 8, 2013

EXETER

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

THE NARRAGANSETT BAY COMMISSION

Summary of Revenues and Expenses at
Present and Proposed Rates
Rate Year Ended June 30, 2014

| | Rate Year Amount Per NBC | NBC Rebuttal Adjustments | Revised Amount Per NBC | Division Adjustments | Rate Year at Present Rates | Allowable Rate Increase | Rate Year at Proposed Rates |
|-------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------------|----------------------------------|-------------------------------|-----------------------------------|
| Revenue | | | | | | | |
| User Fee Revenue | \$ 83,335,797 | \$ - | \$ 83,335,797 | \$ 1,704 | \$ 83,337,501 | \$ 7,964,892 | \$ 91,302,393 |
| Other Service Revenue | 1,570,246 | (93,462) | 1,476,784 | - | 1,476,784 | - | 1,476,784 |
| Miscellaneous | 1,178,440 | 355,650 | 1,534,090 | - | 1,534,090 | - | 1,534,090 |
| Total Revenue | \$ 86,084,483 | \$ 262,188 | \$ 86,346,671 | \$ 1,704 | \$ 86,348,375 | \$ 7,964,892 | \$ 94,313,267 |
| Expenses | | | | | | | |
| Personnel Services | 21,011,491 | 155,145 | 21,166,636 | - | 21,166,636 | - | 21,166,636 |
| Operating Supplies & Expenses | 14,520,058 | (372,200) | 14,147,858 | (12,868) | 14,134,990 | - | 14,134,990 |
| Professional Services | 2,715,533 | - | 2,715,533 | - | 2,715,533 | - | 2,715,533 |
| Capital Outlays | - | - | - | - | - | - | - |
| Amortization | 9,690 | - | 9,690 | - | 9,690 | - | 9,690 |
| Debt Service | 47,790,051 | (2,895,721) | 44,894,330 | - | 44,894,330 | - | 44,894,330 |
| Debt Coverage | 11,947,513 | (723,930) | 11,223,583 | - | 11,223,583 | - | 11,223,583 |
| Total Expenses | \$ 97,994,336 | \$ (3,836,706) | \$ 94,157,630 | \$ (12,868) | \$ 94,144,762 | \$ - | \$ 94,144,762 |
| Operating Reserve | 573,852 | (3,402) | 570,450 | (401,945) | 168,505 | - | 168,505 |
| Total Cost of Service | \$ 98,568,188 | \$ (3,840,108) | \$ 94,728,080 | \$ (414,813) | \$ 94,313,267 | \$ - | \$ 94,313,267 |
| Revenue Surplus/(Deficiency) | \$ (12,483,705) | \$ 4,102,296 | \$ (8,381,409) | \$ 416,517 | \$ (7,964,892) | \$ 7,964,892 | \$ - |

THE NARRAGANSETT BAY COMMISSION

Summary of Division Adjustments to
Rate Year Revenues and Expenses at Present Rates
Rate Year Ended June 30, 2014

| Description | Amount | Source |
|--|--------------|--------------------|
| <u>Revenue Adjustments</u> | | |
| Billing Determinant True-Up | 1,704 | Refer to testimony |
| <u>Expense Adjustments</u> | | |
| Grant Expense | - | Schedule TSC-3 |
| Employee Health Insurance | - | Schedule TSC-4 |
| Workers' Compensation-Old Claims | - | Schedule TSC-5 |
| Biosolids Disposal Costs | - | Schedule TSC-6 |
| Maintenance & Service Agreements | - | Schedule TSC-7 |
| Natural Gas Expense | (12,868) | Schedule TSC-8 |
| Electricity Expense | - | Schedule TSC-9 |
| Field's Point Chemicals | - | Schedule TSC-10 |
| Bad Debt Expense | - | Schedule TSC-11 |
| Debt Service | - | Schedule TSC-12 |
| Operating Reserve | (401,945) | See Note (1) |
| Total Division Adjustments to Expenses | \$ (414,813) | |
| Total Division Adjustments to Operating Income | \$ 416,517 | |

Note:

(1) Adjusted to reflect 1.0% of Division Operating Expenses excluding Personnel and Debt costs per Schedule TSC-1. Refer to direct testimony for explanation.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Remove Additional Grant Related Costs
Rate Year Ended June 30, 2014

| | <u>Amount</u> |
|--|--------------------|
| Additional Grant Related Expenses in Test Year (1) | <u>\$ -</u> |
| Adjustment to Rate Year Expense | <u><u>\$ -</u></u> |

Note:

(1) NBC removed expenses in its rebuttal filing as shown on Schedule WEE-R2.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Health Insurance Expense
Rate Year Ended June 30, 2014

| | Health Insurance | Dental Insurance | Total |
|--|---------------------|---------------------|--------------|
| Rate Year Weighted Average Premium (1) | \$ 16,937 | \$ 1,017 | \$ 17,954 |
| Number of Employees (2) | 249 | 249 | 249 |
| Annual Premiums | \$ 4,217,399 | \$ 253,195 | \$ 4,470,594 |
| Less Employee Copayments (3) | (784,436) | - | (784,436) |
| NBC Premium Expense | \$ 3,432,963 | \$ 253,195 | \$ 3,686,158 |
| Amount per NBC (2) | 3,432,963 | 253,195 | 3,686,158 |
| Adjustment to Rate Year Expense | \$ - | \$ - | \$ - |

Notes:

(1) Per Schedule WEE-R3.

(2) Per Schedule WEE-R3.

(3) Reflects weighted average copayment of 18.6%.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Workers' Compensation Claims Expense
Rate Year Ended June 30, 2014

| | <u>Amount</u> |
|-----------------------------------|--------------------|
| FY 2012 Workers' Comp--Old Claims | \$ 62,620 |
| Less: Discontinued Amounts (1) | <u>(20,374)</u> |
| Estimated Rate Year Expense | \$ 42,246 |
| Amount per NBC (2) | <u>42,246</u> |
| Adjustment to Rate Year Expense | <u><u>\$ -</u></u> |

Notes:

(1) Per response to DIV. 1-10.

(2) Per Schedule WEE-R4.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Biosolids Disposal Costs
Rate Year Ended June 30, 2014

| | <u>7/1/2013 to 12/31/2013</u> | <u>1/1/2014 to 6/30/2014</u> | <u>Total</u> |
|---------------------------------------|-----------------------------------|----------------------------------|------------------|
| Field's Point-Dry Tons (1) | 3,966 | 3,966 | 7,932 |
| Bucklin Point-Dry Tons (1) | <u>1,056</u> | <u>1,056</u> | <u>2,112</u> |
| Total Biosolids for Disposal-Dry Tons | 5,022.0 | 5,022.0 | 10,044 |
| Rate per Ton (2) | <u>\$ 425.72</u> | <u>\$ 433.83</u> | |
| Biosolids Disposal Costs | \$ 2,137,966 | \$ 2,178,694 | \$ 4,316,660 |
| Amount per NBC (1) | | | <u>4,316,660</u> |
| Adjustment to Rate Year Expense | | | <u>\$ -</u> |

Notes:

(1) Per Schedule WEE-R5.

(2) Rates calculated as follows:

| | |
|--|---------------|
| Disposal rate for Calendar Year 2012 | \$ 417.77 |
| Increase in CPI for Boston Area from November 2011 to November 2012 | <u>1.019</u> |
| Disposal rate for Calendar Year 2013 (3) | \$ 425.72 |
| Projected increase in CPI-U from 4Q12 to 4Q13 per Blue Chip Economic Indicators dated 1/10/2013 | <u>1.0190</u> |
| Disposal rate for Calendar Year 2014 | \$ 433.83 |

(3) Matches actual rate per response to DIV. 2-5.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Maintenance & Service Agreement Costs
Rate Year Ended June 30, 2014

| | Amount |
|--|--------------------|
| Rate Year Expense per Division based on NBC Rebuttal (1) | \$ 1,007,602 |
| Amount per NBC (1) | <u>1,007,602</u> |
| Adjustment to Rate Year Expense | <u><u>\$ -</u></u> |

Notes:

(1) Per Schedule WEE-R6.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Natural Gas Costs to Reflect
National Grid Gas Supply Costs for the Rate Year
Rate Year Ended June 30, 2014

| | Annual Therms (1) | GCR Rate Per NBC (1) | GCR Rate per Division (2) | Supply Cost Per NBC (1) | Supply Cost per Division |
|---------------------------------|----------------------|-------------------------|------------------------------|----------------------------|-----------------------------|
| Field's Point | | | | | |
| Tunnel Pump Station | 38,449 | \$ 0.62400 | \$ 0.58692 | \$ 23,992 | \$ 22,566 |
| 2 Ernest | 79,208 | 0.67250 | 0.63542 | 53,267 | 50,330 |
| 37 Ernest | 28,081 | 0.67250 | 0.63542 | 18,884 | 17,843 |
| BNR Facilities | 36,658 | 0.67250 | 0.63542 | 24,653 | 23,293 |
| Bucklin Point | | | | | |
| Admin | 6,350 | 0.67250 | 0.63542 | 4,270 | 4,035 |
| Plant | 33,226 | 0.67250 | 0.63542 | 22,344 | 21,112 |
| Exchange | 65,263 | 0.67250 | 0.63542 | 43,889 | 41,469 |
| Interceptor Maintenance | 13,291 | 0.67250 | 0.63542 | 8,938 | 8,445 |
| COB | 19,977 | 0.67250 | 0.63542 | 13,435 | 12,694 |
| Lab | 16,113 | 0.67250 | 0.63542 | 10,836 | 10,239 |
| Total | 336,616 | | | \$ 224,509 | \$ 212,028 |
| Difference in Supply Costs | | | | | \$ (12,482) |
| RIGET at 3.09278% (1) | | | | | (386) |
| Adjustment to Natural Gas Costs | | | | | \$ (12,868) |

Notes:

(1) Per Schedule WEE-R7 Detail.

(2) Reflects Composite of following National Grid 2013 GCR rate for 4 Months and
2014 GCR rate for 8 months:

| | High Load Factor | All Other | |
|--------------------|---------------------|------------|-------------------------------|
| 2013 GCR Rate | \$ 0.62400 | \$ 0.67250 | (per page 2 of this schedule) |
| Expected Reduction | 0.05563 | 0.05563 | |
| 2014 GCR Rate | \$ 0.56837 | \$ 0.61687 | |
| Weighted Rate | \$ 0.58692 | \$ 0.63542 | |

THE NARRAGANSETT BAY COMMISSION

Analysis of Expected Reduction in National Grid
Gas Supply Costs for the 2014 GCR Period

| | Volume Forecast (Dth) | Average Price of Hedged Dth | | 2012-13 Cost | 2013-14 Cost |
|---|-----------------------------|-----------------------------|-------------|-----------------|-----------------|
| | | 2012-13 | 2013-14 | | |
| November | 2,263,973 | \$ 4.5912 | \$ 4.2661 | \$ 10,394,353 | \$ 9,658,335 |
| December | 3,639,909 | 4.6429 | 4.2595 | 16,899,733 | 15,504,192 |
| January | 3,693,950 | 4.7416 | 4.1874 | 17,515,233 | 15,468,046 |
| February | 3,284,612 | 4.6180 | 4.0955 | 15,168,338 | 13,452,128 |
| March | 3,448,137 | 4.7096 | 3.9898 | 16,239,346 | 13,757,377 |
| April | 2,843,609 | 4.4707 | 3.7386 | 12,712,923 | 10,631,117 |
| May | 1,986,560 | 4.4577 | 3.8144 | 8,855,489 | 7,577,534 |
| June | 1,223,024 | 4.6068 | 3.7594 | 5,634,227 | 4,597,836 |
| July | 720,291 | 4.6961 | 3.9847 | 3,382,559 | 2,870,144 |
| August | 652,188 | 4.7776 | 3.9877 | 3,115,893 | 2,600,730 |
| September | 709,898 | 4.2978 | 3.9843 | 3,051,000 | 2,828,447 |
| October | 1,268,633 | 4.1806 | 4.1841 | 5,303,647 | 5,308,087 |
| Total | 25,734,784 | | | \$ 118,272,741 | \$ 104,253,974 |
| | | Weighted Average Price | | \$ 4.5958 | \$ 4.0511 |
| Supply Variable Cost Factor = | | \$4.6931 X | \$ 4.0511 / | \$ 4.5958 = | \$ 4.1368 |
| Reduction in 2010-11 Supply Variable Cost per Dth = | | \$4.6931 - | \$ 4.1368 = | | \$0.55627 |
| Reduction in 2010-11 Supply Variable Cost per Therm = | | | | | \$0.05563 |

Sources: National Grid Semi-Annual Report on Gas Procurement Incentive Plan dated January 31, 2013
and Revised Gas Charge Recovery Filing Dated January 24, 2013, both filed in Docket No. 4346.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Electricity Costs to Reflect
Updated Supply Costs and Offset for REC Revenues
Rate Year Ended June 30, 2014

| | Cost per NBC (1) | Cost per Division (2) | Adjustment |
|-------------------------|---------------------|--------------------------|------------|
| Field's Point | | | |
| Field's Point | \$ 1,140,063 | \$ 1,140,063 | \$ - |
| Tunnel Pump Station | 710,568 | 710,568 | - |
| New Operations Bldg. | 72,381 | 72,381 | - |
| BNR Facilities | 1,141,598 | 1,141,598 | - |
| Turbines | (708,885) | (708,885) | - |
| Bucklin Point | 1,155,276 | 1,155,276 | - |
| Interceptor Maintenance | 131,948 | 131,948 | - |
| COB | 151,301 | 151,301 | - |
| Total Electricity Cost | \$ 3,794,253 | \$ 3,794,253 | \$ - |
| Less: RECs (3) | - | - | - |
| Plus: Turbine O&M | 62,000 | 62,000 | - |
| Net Electricity Costs | \$ 3,856,253 | \$ 3,856,253 | \$ - |

Notes:

(1) Per WEE-R8 Detail as shown on page 2 of this schedule.

(2) Per WEE-R8 Detail as shown on page 2 of this schedule.

(3) Revenues from Sale of RECs of \$355,650 have been included as miscellaneous revenue by NBC and Division as reflected on Schedule TSC-1

THE NARRAGANSETT BAY COMMISSION

Adjustment to Electricity Costs to Reflect
Updated Supply Costs and Offset for REC Revenues
Rate Year Ended June 30, 2014

DETAIL (1)

| | COB | FP | TPS | New Ops | BNR | Turbines | FP Total | BP | IM |
|-----------------------|------------|--------------|------------|------------|--------------|--------------|--------------|--------------|------------|
| FY 2014 Projected kWh | 1,395,500 | 11,336,000 | 6,411,600 | 726,280 | 11,454,879 | (7,113,000) | 22,815,759 | 11,221,000 | 1,029,847 |
| Rates: | | | | | | | | | |
| Customer Chg. | \$ 825 | \$ 825 | \$ 825 | | | | | \$ 825 | \$ 1,245 |
| Supply | 0.06410 | 0.06410 | 0.06410 | 0.06410 | 0.06410 | 0.06410 | 0.06410 | 0.06410 | 0.06410 |
| Avg. Delivery per kWh | 0.02955 | 0.02823 | 0.03741 | 0.02823 | 0.02823 | 0.02823 | | 0.03051 | 0.04105 |
| Capacity Chg | \$ 0.00334 | \$ 0.00334 | \$ 0.00334 | \$ 0.00334 | \$ 0.00334 | \$ 0.00334 | | \$ 0.00334 | \$ 0.00334 |
| Customer Chg. | \$ 9,900 | \$ 9,900 | \$ 9,900 | \$ - | \$ - | \$ - | \$ 19,800 | \$ 9,900 | \$ 14,940 |
| Supply | 89,452 | 726,638 | 410,984 | 46,555 | 734,258 | (455,943) | 1,462,490 | 719,266 | 66,013 |
| Avg. Delivery per kWh | 41,235 | 320,048 | 239,840 | 20,505 | 323,404 | (200,820) | 702,976 | 342,408 | 42,276 |
| Capacity Charge | 4,663 | 37,876 | 21,423 | 2,427 | 38,273 | (23,766) | 76,233 | 37,492 | 3,441 |
| Subtotal | \$ 145,249 | \$ 1,094,462 | \$ 682,146 | \$ 69,486 | \$ 1,095,935 | \$ (680,530) | \$ 2,261,499 | \$ 1,109,066 | \$ 126,670 |
| Gross Earnings Tax | \$ 6,052 | \$ 45,602 | \$ 28,422 | \$ 2,895 | \$ 45,663 | \$ (28,355) | \$ 94,228 | \$ 46,210 | \$ 5,278 |
| Total | \$ 151,301 | \$ 1,140,063 | \$ 710,568 | \$ 72,381 | \$ 1,141,598 | \$ (708,885) | \$ 2,355,727 | \$ 1,155,276 | \$ 131,948 |

Note:
(1) All amounts per WEE-R8 Detail

THE NARRAGANSETT BAY COMMISSION

Adjustment to Field's Point Chemicals Costs
Rate Year Ended June 30, 2014

| | <u>Hypochlorite (1)</u> | <u>Bisulfate (1)</u> | <u>Total</u> |
|---------------------------------|-------------------------|----------------------|--------------------|
| FY 2011 Gallons | 785,597 | 233,017 | |
| FY 2012 Gallons | <u>450,103</u> | <u>193,037</u> | |
| Average | 617,850 | 213,027 | |
| Price Per Gallon (2) | <u>\$ 0.5981</u> | <u>\$ 1.4615</u> | |
| Annualized Expense | \$ 369,547 | \$ 311,329 | \$ 680,876 |
| Amount per NBC (2) | <u>369,547</u> | <u>311,329</u> | <u>680,876</u> |
| Adjustment to Rate Year Expense | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

Notes:

(1) Gallons per response to DIV. 1-19

(2) Per Schedule WEE-R9.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Bad Debt Expense
Rate Year Ended June 30, 2014

| | Amount |
|---|-------------------|
| <u>Historical Bad Debt (1)</u> | |
| FY 2008 | \$ 77,534 |
| FY 2009 | (15,905) |
| FY 2010 | (12,582) |
| FY 2011 | - |
| FY 2012 | 170,457 |
| Average Bad Debt over 2008 through 2012 | <u>\$ 43,901</u> |
| Average Bad Debt in FY 2011 and FY 2012 | \$ 85,229 |
| Bad Debt Expense per NBC (2) | <u>85,229</u> |
| Total Adjustment to Bad Debt Expense | <u>\$ -</u> |

Notes:

(1) Per Schedule WEE-3 and Schedule WEE-3 in Docket No. 4205.

(2) Per Schedule WEE-R10.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Debt Service Expense
Rate Year Ended June 30, 2014

| <u>Debt Service Associated with:</u> | <u>Amount</u> |
|--|----------------------|
| Existing Debt plus \$107 million being issued in FY 2013 (1) | \$ 42,062,563 |
| FY 2014 SRF Loan of \$12 million (2) | 831,767 |
| Open Market Bonds of \$40 million in FY 2014 (3) | <u>2,000,000</u> |
| Total Debt Service | \$ 44,894,330 |
| Coverage Requirement at 25% | <u>\$ 11,223,583</u> |
| Total Debt Service and Coverage | \$ 56,117,913 |
| Amount per NBC (4) | <u>56,117,913</u> |
| Adjustment to Rate Year Expense | <u><u>\$ -</u></u> |

Note:

- (1) Per Exhibit KG-2 in Division Docket No. D-13-13. Reflects expense for FY 2015.
- (2) Per response to DIV. 1-28. Reflects Expense for FY 2015.
- (3) Based on \$40 million of debt with principal only payments in initial years per response to DIV. 1-28.
- (4) Per Schedule WEE-R11.

THE NARRAGANSETT BAY COMMISSION

Calculation of Uniform Percentage Increase
Based on Division Recommended Revenue Increase
Rate Year Ended June 30, 2014

| | |
|--|---------------------|
| Division Recommended Revenue Increase (1) | <u>\$ 7,964,892</u> |
| Revenues from Services Subject to Increase (2) | |
| Flat Fees-Residential | \$ 21,790,217 |
| Measured Fees-Residential | 25,700,104 |
| Flat Fees-Commercial and Industrial | 13,192,676 |
| Measured Fees-Commercial | 21,439,959 |
| Measured Fees-Industrial | 1,214,544 |
| Total Revenue Subject to Increase | <u>83,337,501</u> |
| Uniform Percentage Increase | <u>9.56%</u> |

Notes:

(1) Per Schedule TSC-1

(2) Per Schedule TSC-14.

THE NARRAGANSETT BAY COMMISSION

Calculation of Proposed Rates and
Proof of Revenues at Present and Proposed Rates
Rate Year Ended June 30, 2014

| | Current Rate | Increase | Present Rates | Billing Units (1) | Revenue at Present Rates | Revenue at Proposed Rates |
|---|-----------------|----------|------------------|----------------------|--------------------------------|---------------------------------|
| Flat Fees | | | | | | |
| Residential | \$ 184.63 | 9.56% | \$ 202.28 | 118,021 | \$ 21,790,217 | \$ 23,872,794 |
| Commercial & Industrial | | | | | | |
| Meter Size | | | | | | |
| 5/8" | \$ 441.00 | 9.56% | 483.00 | 3,685 | 1,625,085 | 1,779,855 |
| 3/4" | 659.00 | 9.56% | 722.00 | 1,016 | 669,544 | 733,552 |
| 1" | 1,096.00 | 9.56% | 1,201.00 | 1,161 | 1,272,456 | 1,394,361 |
| 1.5" | 2,200.00 | 9.56% | 2,410.00 | 843 | 1,854,600 | 2,031,630 |
| 2" | 3,514.00 | 9.56% | 3,850.00 | 1,457 | 5,119,898 | 5,609,450 |
| 3" | 6,583.00 | 9.56% | 7,212.00 | 84 | 552,972 | 605,808 |
| 4" | 10,970.00 | 9.56% | 12,018.00 | 41 | 449,770 | 492,738 |
| 6" | 21,949.00 | 9.56% | 24,047.00 | 52 | 1,141,348 | 1,250,444 |
| 8" | 35,117.00 | 9.56% | 38,473.00 | 13 | 456,521 | 500,149 |
| 10" | 50,482.00 | 9.56% | 55,307.00 | 1 | 50,482 | 55,307 |
| Total Commercial & Industrial Flat Fees | | | | 8,353 | \$ 13,192,676 | \$ 14,453,294 |
| Measured Fees | | | | | | |
| Residential | \$ 2.979 | 9.56% | 3.264 | 8,627,091 | 25,700,104 | 28,158,825 |
| Commercial | 4.321 | 9.56% | 4.734 | 4,961,805 | 21,439,959 | 23,489,185 |
| Industrial | 2.778 | 9.56% | 3.044 | 437,201 | 1,214,544 | 1,330,840 |
| Total Measured Fees | | | | | \$ 48,354,608 | \$ 52,978,850 |
| Other Revenue | | | | | \$ 3,010,874 | \$ 3,010,874 |
| Total Revenue | | | | | \$ 86,348,375 | \$ 94,315,812 |
| Target Revenue (2) | | | | | | 94,313,267 |
| Variance | | | | | | \$ 2,545 |

Notes:

(1) Per Schedule WEE-15

(2) Per Schedule TSC-1.