

REBUTTAL TESTIMONY
of
JEANNE BONDAREVSKIS
before the
RI PUBLIC UTILITIES COMMISSION

DOCKET 4406

for
PROVIDENCE WATER

September 27, 2013

PROVIDENCE WATER SUPPLY BOARD
REBUTTAL TESTIMONY OF
JEANNE BONDAREVSKIS

1 Q. Please state your full name and title?

2 A. Jeanne Bondarevskis, Senior Director- Administration for
3 the Providence Water Supply Board (Providence Water).

4

5 Q. How long have you been employed by Providence Water?

6 A. I have been employed since March of 1987 or over 26
7 years.

8

9 Q. Would you please state your education, background and
10 professional associations?

11 A. I have a Master's Degree in Business Administration from
12 Bryant College. I graduated Magna Cum Laude from Providence
13 College with a Bachelor of Science Degree, majoring in
14 Accounting.

15

16 I have worked for Providence Water since March of 1987. I have
17 participated to some degree in all of Providence Water's
18 Commission and Division filings dating back to Docket 1900.

19

20 I am a member of the American Water Works Association and New
21 England Water Works Association. Since January of 2002, I
22 have been Treasurer of the Rhode Island Water Works
23 Association.

24

25 Q. Please explain your duties and responsibilities.

26 A. I am currently in the position of Senior Director -
27 Administration and I am responsible for the Finance Department,
28 which includes Accounting, Financial Planning, and
29 Communications/Training Division, and the MIS Department.

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1 Q. What is the purpose of your testimony?

2 A. To provide rebuttal testimony for Providence Water in our
3 current docket.

4

5 Q. What issues will you address in your rebuttal testimony?

6 A. I will be addressing issues raised by the Division and
7 the Wholesaler interveners, as noted in Harold Smith's
8 testimony. The following are the issues I will be addressing:

- 9 • Overhead Rate Applied
- 10 • Chemicals and Sludge Handling
- 11 • Operating Reserve & Potential increased Cash Flow from
12 Conversion to Monthly Billing.
- 13 • IFR and Central Operations Facility
- 14 • General Matters

15

16

Overhead Rate Applied

17 Q. Do you agree with the Division's proposal to reimburse
18 Overhead Rate Applied from IFR?

19 A. No, I do not. As also discussed in Harold Smith's
20 rebuttal testimony, this is not how it has been done, and our
21 IFR Plan does not include this expense. Therefore, if we
22 agreed to this adjustment in this docket, our IFR Plan would
23 have to be changed to include this additional expense. Our
24 next rate filing may also have to include this additional
25 amount as a rate increase. If we assume a \$3 million increase

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1 would be needed in IFR effective on 1/1/2016¹, with all other
2 things being equal, Providence Water would have to request a
3 \$4.3 million increase in IFR funding in order to pay for this
4 one expense. In other words, it just puts the increase off
5 until the future.

6

7

Chemicals and Sludge Handling

8 **Q. Does Providence Water accept the Division's adjustment to**
9 **Chemicals and Sludge Handling?**

10 A. As explained in Paul Gadoury's rebuttal testimony
11 Providence Water can agree to the Division's proposed amount
12 for chemicals. However, due to some recent revisions to the
13 sludge handling contract, we need to increase the annual
14 reserve funding recommended by Mr. Catlin to \$300,000 (instead
15 of \$250,000), bringing the funding allowance for the Chemical
16 and Sludge Fund to \$4,500,000 per year. Please see the
17 attached schedule JBB-1 which provides an updated Sources and
18 Uses for this fund.

19

20 **Q. What changed in the sludge handling contract?**

21 A. The Second Amendment to the Synagro Contract was provided
22 in response to Division data request Div 1-29. As shown on
23 the second to the last page, the annual amount was
24 \$1,691,985.70, which included a balance from Cycle 3 of
25 \$543,714.25, with interest of \$203,892.84. This would have

¹ See attachment to Providence Water's response to KCWA 2-8 for 20 year sources and uses of funds for the IFR fund.

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1 been charged to Providence Water over 9 years. Instead of
2 paying this interest, Providence Water paid the amount in full
3 on August 20, 2013, lowering the annual amount to
4 \$1,608,918.24. In the short term, this increased Providence
5 Water's costs during FY 2014, but will result in substantial
6 savings. I have incorporated these revised amounts into the
7 attached schedule JBB-1. In the next filing, Providence Water
8 will have to review its chemical costs and adjust the
9 restricted funding level, if needed at that time.

10

11 **Q. Have you attached the amended contracts and the invoices**
12 **from Synagro?**

13 A. Yes. Attached is the original payment schedule from the
14 Second Amendment to the contract, the Third Amendment to the
15 Contract with a payment schedule, the original invoice
16 received, the invoice for the overdue amount and the revised
17 invoice for the new annual amount of \$1,608,918.24. This is
18 all marked as collective Exhibit A to JBB-1.

19

20 Operating Reserve & Potential increased Cash Flow from
21 Conversion to Monthly Billing

22 **Q. Does Providence Water agree with the Division's position**
23 **with regard to the Operating Reserve?**

24 A. Not completely. Providence Water agrees with the 3%, of
25 which 2% should be restricted, but we cannot agree to use one
26 time cash flow for this purpose. As described in my response
27 to KCWA 2-12, Providence Water will not receive any additional

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1 revenue, we will only receive it sooner. We have always
2 struggled with having sufficient cash flow to fund our
3 restricted accounts and have carried large "due to restricted"
4 balances. The net amount due the restricted funds from 601
5 (Operations) as of 6/30/13 was \$8,059,411². Providence Water
6 has to use cash flow to fund these restricted transfers. This
7 one time accelerated cash flow will be used to bring this net
8 Due to Restricted accounts from 601 down. Providence Water
9 cannot use this one-time cash flow to fund the transfer to
10 Revenue Reserve. This would be asking us to fund \$2,200,000
11 without a source of revenue.

12

13 **Q. How was this issue handled when Pawtucket Water went from**
14 **quarterly to monthly billing?**

15 A. According to the responses to Providence Water's data
16 requests to the Division 1-3 and 1-4, attached as Exhibit B,
17 no adjustment was made to Pawtucket Water's cost of service or
18 revenues by either the Division or Commission. The Division
19 is now asking Providence Water to fund a restricted fund with
20 no source of revenue.

21

22 **Q. Does Providence Water agree with the KCWA proposal for**
23 **Revenue Reserve funding and Increased Cash Flow?**

24 A. No. Mr. Woodcock's proposal is very similar to Mr.
25 Catlin's. He also suggests the use of the one-time accelerated
26 cash flow to fund reserves. Providence Water cannot agree to

2 This amount is the 6/30/13 amount which includes year end adjusting entries booked as of 9/26/13.

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1 this as explained above.

2

3 **Q. Can you try to explain this in other terms?**

4 A. Yes. The accelerated cash flow will be from revenues
5 that have already been earmarked for expenses. We are
6 regulated so that our revenues match our expenses. When we go
7 to monthly billing, we may be billing out revenue sooner than
8 anticipated, but it is still for existing expenses and the
9 extra cash cannot be diverted to fund restricted funds. If
10 this is done, Providence Water will run a deficit. We do not
11 want this to happen. That is why we are so adamant about this.

12

13

IFR Fund Balance

14 **Q. Does Providence Water agree with the KCWA's claim that**
15 **the balance in the IFR fund is excessive?**

16 A. No, absolutely not. As explained in Providence Water's
17 response to KCWA 2-8, and as shown on the attachments to KCWA
18 2-8 (attached as Exhibit C), the IFR Fund is projected to have
19 a balance of \$2,579,000 as of June 30, 2016. If KCWA's
20 recommendation is approved, which only provides half of
21 Providence Water's request, we would be short \$2 million in FY
22 14, \$4 million in FY 15 and \$4 million in FY 16. We could not
23 sustain such a drastic cut. It would result in significant
24 deficits. This is particularly true if the Division's
25 proposal to reimburse Operations for Overhead Applied is
26 adopted, thereby cutting the revenue increase by \$1.3 million
27 per year and adding an unfunded expense to IFR of \$1.3 million

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1 per year. Please also note that Providence Water's IFR plan is
2 a long term, multi-year plan with ups and downs in cash flow,
3 but it is funded long terms from rate revenue, plus any
4 existing balances that might exist at any point in time.
5 Reducing any balance now would only hasten the need for more
6 rate increases to continue to fund the program.

7

8

Central Office Facility

9 Q. Do you agree with the contention of KCWA that the Central
10 Office Facility is not needed, that it has not been thoroughly
11 vetted and that it does not benefit the wholesale customers?

12 A. Providence Water does not agree that the facility is not
13 needed. In fact, BCWA has stated that "There is no question
14 that a new facility is needed."³ The facility is absolutely
15 needed. Providence Water intends to use long term financing,
16 once all the details are worked out and Providence Water will
17 then file with the Division of Public Utilities for financing
18 approval. In the meantime, we need to have the funding in
19 rates to obtain financing approval. Any funds accumulated in
20 the restricted CIP fund, will be used for land purchase, site
21 work, and to defray the long term cost of the facility. This
22 is akin to putting a good down payment on a home, which lowers
23 your mortgage and your interest and overall total cost.
24 To say that the Central Operations Facility would not benefit
25 wholesale customers is false. All customers would benefit
26 from Providence Water having a centralized operations

³ Please see direct testimony of Pamela Marchand, BCWA Page 5, line 18.

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1 facility. The work that Providence Water does at its central
2 operations facility, Engineering, Finance, Support Services,
3 IT, Administration, Commercial Services, and Transmission and
4 Distribution, all benefits the entire system, wholesale and
5 retail.

6

7

General Comments

8 **Q. Do you have any other general comments regarding KCWA's**
9 **direct testimony?**

10 A. Yes. KCWA references a Commission Order in Docket 3945,
11 as does BCWA with expectations that Providence Water should
12 have been familiar with this. Providence Water was not a party
13 to the Docket and was never provided with the Report and Order
14 of the Commission. See the Division's responses to Providence
15 Water's data requests 1-1 and 1-2.

16

17 **Q. Does Providence Water have anything to say about the**
18 **problems associated with the Net Plant Data?**

19 A. Yes. Providence Water did not realize that there were
20 errors in our net plant numbers included in our March 29th
21 filing, or we would not have used them. This problem started
22 in FY 2009, when Providence Water switched computer systems
23 for its general ledger accounts. As soon as we realized that
24 there were problems, through KCWA's discovery, we went back
25 and recalculated the asset values from FY 2009 through FY
26 2012, and provided it to the service list on June 6th.
27 Providence Water would like to apologize again for any

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1 inconvenience this error caused.

2

3 Q. Do you have any comments to make with regard to BCWA's
4 direct testimony?

5 A. Yes. I have a few comments. In their Docket overview,
6 BCWA makes several mischaracterizations. Providence Water **did**
7 **not** have a rate increase within the last two years as they
8 assert. The last increase was April 27, 2010, which will be
9 almost four (4) years previous to this Docket's proposed
10 increase on January 1, 2014. Secondly, the increase to
11 wholesale over a three year period is not 51% as asserted.
12 From 4/27/10, the date of Providence Water's last rate filing,
13 the proposed increase to wholesale rates was 32.8% in our
14 original filing and 23.6% as of 6/26/13 when Providence Water
15 submitted our revised model. Certainly not the "51%" alleged
16 in their testimony. Also, BCWA states that "Furthermore,
17 while Providence proposes an Across-The-Board increase for
18 retail customers, its original proposal called for a 32.8%
19 increase for wholesale customers." Providence Water is not
20 proposing an across-the-board increase in retail rates. That
21 is not what is in our filing. BCWA also goes into much
22 discussion about the plant data, yet they were furnished with
23 the revised data on June 6th, along with the service list.
24 BCWA also references Docket 3945, but Providence Water had no
25 knowledge of the decision in this docket. As also discussed by
26 Harold Smith, BCWA would like Providence Water to carve out
27 costs that do not benefit wholesale customers and then
28 allocate the balance. This is contrary to how cost

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1 allocations have always been done. Providence Water has not
2 researched costs that only benefit the wholesale customer to
3 deduct this from our retail cost allocations. BCWA also
4 recommends a six year amortization period for a rate case,
5 which is too long, especially when considering that Providence
6 Water does plan to file again within two years. Lastly, BCWA
7 does not think Conservation Rates should be implemented for
8 wholesale customers, yet the decision by Providence Water to
9 propose conservation rates for wholesale customers in its July
10 1, 2011 filing in Docket 4070 was made when the current
11 Executive Director and Chief Engineer of BCWA was Chief
12 Engineer and General Manager of Providence Water.

13

14 **Q. Do you have any comments regarding the City of Warwick's**
15 **position statement filed on 8/23/13?**

16 A. Yes. I would like to make a few comments. The City of
17 Warwick has mischaracterized several points. First, their
18 claim of Providence Water's "request to substantially and
19 immediately increase the wholesale water sales rate" is false.
20 Providence Water submitted its rate filing to the City Clerk
21 of the City of Warwick on March 29, 2013. We also mailed the
22 filing to the Superintendent, Mr. Dan O'Rourke in early April
23 2013. Providence Water then submitted the Supplemental Filing
24 on April 17, 2013 to the Service List, of which Warwick was a
25 party. They were certainly notified well in advance of their
26 fiscal year start of July 1, 2013. Second, Warwick continues
27 to dwell on Providence Water's initial proposed increase in
28 wholesale rates of "nearly 33%", yet they were provided with

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1 our revised model on June 26, 2013, which was attached to
2 Providence Water's response to DIV 3-1, wherein the wholesale
3 rate increase is clearly shown as 23.6%. They also state that
4 they would have to "internalize more than \$1.8 Million
5 Dollars", which is grossly overstated. As shown on schedule
6 HJS-20 in our model filed in response to DIV 3-1, the City of
7 Warwick would see a \$1,324,732 annual increase or a \$662,366
8 increase during FY 2014. While Providence Water sympathizes
9 with their need to adopt a mid-year rate increase, that is
10 what Providence Water will have to do with its retail
11 customers. The increase will also be almost four years after
12 our last increase on April 27, 2010. In conclusion,
13 Providence Water notified the City of Warwick and the Warwick
14 Water Superintendent as soon as possible of the upcoming rate
15 increase. We then continued to notify the parties from the
16 City of Warwick identified on the service list of the
17 supplemental filing and data request responses. They should
18 have had time to incorporate a rate change into their FY 2014
19 budget. A January 1st implementation date is out of Providence
20 Water's control and is a function of the PUC's rules and
21 regulations.

22

23 Q. Does this conclude your testimony?

24 A. Yes.

Schedule JBB-1

Providence Water
 Chemical/Sludge Fund
 Projected Sources and Uses

	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>
D4061	\$ 2,458,942	\$ 2,458,942	\$ 2,458,942
New Docket	\$	\$ 1,020,529	\$ 2,041,058
IFR Deferral	\$ 1,113,852	\$ 556,926	\$ -
Carryover	\$ 224,188	\$ 233,741	\$ (380,293)
	\$ 3,796,982	\$ 4,270,138	\$ 4,119,707
Less uses			
Chemicals	\$ 2,048,124	\$ 2,499,322	\$ 2,499,322
Sludge overdue amount *	\$	\$ 542,191	
Sludge Maintenance	\$ 1,515,117	\$ 1,608,918	\$ 1,608,918
Total uses	\$ 3,563,241	\$ 4,650,431	\$ 4,108,240
End of Year Balance	\$ 233,741	\$ (380,293)	\$ 11,467

* Per the Third Amendment to the Synagro Contract

Exhibit A

2nd Amendment
Contract terms

Previdence Water - 10 year Proposal quantities	Current	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals
Total Tons in lagoons (End of Year)	22,000	18,500	16,450	14,400	12,350	10,300	8,250	6,200	4,150	2,100	-	-
Tons added each year	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Tons removed from lagoons	7,000	5,500	4,500	3,500	2,500	1,500	500	500	500	500	500	57,000
Tons shipped offsite	-	7,000	7,450	6,350	6,250	6,250	6,250	6,250	6,250	6,250	6,250	57,000
Processing Rate Period (with 2% CPI)	\$ 222.50	\$ 232.50	\$ 237.15	\$ 241.80	\$ 246.73	\$ 251.67	\$ 256.70	\$ 261.83	\$ 267.07	\$ 272.41	\$ 277.86	
Cost for service (if invoiced)	\$ 1,627,400.00	\$ 1,316,182.50	\$ 1,131,582.50	\$ 962,505.15	\$ 809,956.27	\$ 676,745.40	\$ 564,672.27	\$ 463,271.83	\$ 382,285.27	\$ 311,879.57	\$ 256,610.57	\$ 3,449,016.49
Tons Shipped Offsite	-	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	70,000
Cycle 3 - Third year billing - Payment schedule	\$ 2,045,724.25	\$ 1,500,000.00	\$ 60,412.69	\$ 60,412.69	\$ 60,412.69	\$ 60,412.69	\$ 60,412.69	\$ 60,412.69	\$ 60,412.69	\$ 60,412.69	\$ 60,412.69	\$ 2,045,724.25
Fluoride	7.5%											
Total base (Cycle 3)	\$ 2,500,000.00	\$ 1,500,000.00	\$ 104,191.26	\$ 96,603.31	\$ 92,129.36	\$ 87,598.21	\$ 83,067.45	\$ 78,536.50	\$ 74,005.55	\$ 69,474.50	\$ 64,943.65	\$ 2,247,607.09
Balance	\$ 548,714.25	\$ -	\$ 484,310.56	\$ 412,888.86	\$ 362,476.17	\$ 302,063.47	\$ 241,650.78	\$ 181,238.08	\$ 120,825.38	\$ 60,412.69	\$ (0.00)	\$ -
Processing (including) Maintenance Scheduling Cost	\$ -	\$ -	\$ 1,608,918.24	\$ 1,608,918.24	\$ 1,608,918.24	\$ 1,608,918.24	\$ 1,608,918.24	\$ 1,608,918.24	\$ 1,608,918.24	\$ 1,608,918.24	\$ 1,608,918.24	\$ 16,480,264.13
Cycle 3 Payment	\$ 1,500,000.00	\$ 23,067.45	\$ 83,067.45	\$ 83,067.45	\$ 83,067.45	\$ 83,067.45	\$ 83,067.45	\$ 83,067.45	\$ 83,067.45	\$ 83,067.45	\$ 83,067.45	\$ 2,247,607.09
Total (including to Providence Water)	\$ 1,500,000.00	\$ 1,693,985.70	\$ 1,693,985.70	\$ 1,693,985.70	\$ 1,693,985.70	\$ 1,693,985.70	\$ 1,693,985.70	\$ 1,693,985.70	\$ 1,693,985.70	\$ 1,693,985.70	\$ 1,693,985.70	\$ 16,727,871.28
Change Order Total												\$ 34,664,157.28

Processing rate per year: Tons removed from lagoons/basis per year

Processing rate per year: Tons removed from lagoons/basis per year

10 years of processing 3 year fixed payments, or \$14,480,264.13 divided by 3.

Years 2-9 \$548,714.25 every 3 years forward with financing costs, fixed rate per year

THIRD AMENDMENT

DATED AUGUST 16, 2013

TO

**AGREEMENT BETWEEN CITY OF PROVIDENCE, RHODE ISLAND
AND SYNAGRO NORTHEAST, LLC (f/k/a SYNAGRO NORTHEAST, INC.)
DATED JANUARY 26, 2004**

REGARDING

**MAINTENANCE RELATED CONSTRUCTION SERVICES ASSOCIATED
WITH THE REMOVAL AND DISPOSAL OF WATER TREATMENT
RESIDUALS FROM PROVIDENCE WATER'S SLUDGE LAGOON SYSTEM
LOCATED ADJACENT TO PHILIP J. HOLTON PURIFICATION PLANT IN
SCITUATE, RI FOR THE PROVIDENCE WATER SUPPLY BOARD**

THIS THIRD AMENDMENT DATED AUGUST 16, 2013 (the "Third Amendment") to AGREEMENT BETWEEN CITY OF PROVIDENCE, RHODE ISLAND, AND SYNAGRO NORTHEAST, LLC (f/k/a SYNAGRO NORTHEAST, INC.), DATED JANUARY 26, 2004, REGARDING MAINTENANCE RELATED CONSTRUCTION SERVICES ASSOCIATED WITH THE REMOVAL AND DISPOSAL OF WATER TREATMENT RESIDUALS FROM PROVIDENCE WATER'S SLUDGE LAGOON SYSTEM LOCATED ADJACENT TO PHILIP J. HOLTON PURIFICATION PLANT IN SCITUATE, RI FOR THE PROVIDENCE WATER SUPPLY BOARD (the "Agreement") is hereby entered on the 16 day of August, 2013, by and between the CITY OF PROVIDENCE, a municipal corporation created by the General Assembly of the State of Rhode Island, in the County of Providence, in said State (the "City") and Synagro Northeast, LLC (f/k/a Synagro Northeast, Inc.), a Delaware limited liability company, 680 Main Street, Watertown, CT 06795 ("Contractor").

RECITALS

WHEREAS, the City and Contractor entered into the Agreement on January 26, 2004; and

WHEREAS, the City and Contractor entered into the First Amendment to the Agreement as part of the original Agreement, on January 26, 2004; and

WHEREAS, the City and Contractor entered into the Second Amendment to the Agreement as part of the original Agreement, on November 29, 2012; and

WHEREAS, the City and Contractor now desire to enter into binding terms so as to amend the Agreement as originally written and amended by subsequent amendments stated herein; and

WHEREAS, the parties have mutually agreed to the contents of the Contract Documents and have agreed that such terms shall include the terms stated in the original Agreement, the First Amendment and the Second Amendment, except as such terms shall have been amended by a subsequent duly executed amendment, and as such terms are now included in this Third Amendment ;

NOW THEREFORE, in consideration of mutual promises made and received, the sufficiency of which are mutually acknowledged, the parties agree as follows:

1. This Third Amendment shall be added to Section (a) of the Contract Documents set forth on Page 3 of the Agreement.
2. The terms of this Third Amendment shall take precedence over any other conflicting term stated in the Agreement, except for as such terms may be included and subsequently changed in later amendments, modifications or change orders which are executed after the date of this Third Amendment.
3. The terms of the Agreement, the First Amendment, the Second Amendment not amended, modified, changed or added to by this Third Amendment shall remain in full force and effect as originally agreed upon.
4. The following provisions to the Agreement shall be modified or supplemented as follows:

PAYMENTS

5. Section 12.3.1.2 and 12.3.1.3 of the Second Amendment shall be deleted and replaced with the following:

12.3.1.2 Initial Payment. Within thirty days following execution of this Second Amendment, Owner shall make an initial payment to Contractor in the amount of \$1,500,000, and such shall be credited to the invoice attached as Exhibit 2-2 (in the total amount of \$2,042,190.80), which shows payments to Contractor which are outstanding as of the effective date of this Second Amendment. Contractor shall not begin work under this Second Amendment until the \$1,500,000 payment has been received by Contractor. The parties acknowledge that the remaining balance of \$542,190.80 shall be paid in full by August 20, 2013.

12.3.1.3 Annual Fixed Payments. In consideration of the maintenance services, Contractor's good faith effort to remove a minimum of 7,000 dry tons

from the Work Site prior to August 15, 2013 and a minimum of 6,250 dry tons of material from the Work Site annually thereafter. Owner shall make a fixed annual payment to Contractor within thirty days of August 15 in the amount of \$1,608,918.24, starting on August 15, 2013. Thus payments due shall be as follows:

August 15, 2013	-	\$1,608,918.24
August 15, 2014	-	\$ 1,608,918.24
August 15, 2015	-	\$1,608,918.24
August 15, 2016	-	\$1,608,918.24
August 15, 2017	-	\$1,608,918.24
August 15, 2018	-	\$1,608,918.24
August 15, 2019	-	\$1,608,918.24
August 15, 2020	-	\$1,608,918.24
August 15, 2021	-	\$1,608,918.24

TOTAL: \$14,480,264.19

See Exhibit 1, attached for demonstrative purposes only.

NOTICE

6. In the Second Amendment, Section K, 14.5 Notice, shall be amended to read, for the Contractor:

Synagro Northeast, LLC
680 Main Street, Suite 303
Watertown, CT 06795
Attn: Regional Vice President

With a copy to:
Synagro Technologies, Inc.
435 Williams Court, Suite 100,
Baltimore, MD 21220

Attn: General Counsel

Owner:

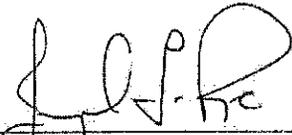
Boyce Spinelli
General Manager
Providence Water
552 Academy Avenue
Providence, RI 02908

With a copy to:
William E. O'Gara
Legal Advisor
317 Iron Horse Way, Suite 301
Providence, RI 02908

IN WITNESS WHEREOF, the Parties have caused this Second Amendment to be executed by their duly authorized representatives on the day and year first above written.

Contractor:

SYNAGRO NORTHEAST, LLC

By: 
Name: ~~Mark McCormick~~
Title: Vice President + Secretary
Joseph L. Page

Owner:

THE CITY OF PROVIDENCE,
RHODE ISLAND, acting through its
Providence Water Supply Board

By: 
Name: Boyce Spinelli
Title: General Manager

LEGAL COUNSEL, Providence Water

By: 
Name: William O'GARA
Title: LEGAL COUNSEL

Exhibit 1 Demonstration of Annualized Payments

Previdence Water - 10 year Proposal Economics												
	Current	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Total Tons in Largest (End of Year)	32,000	30,000	26,000	24,000	22,000	20,000	18,000	16,000	14,500	13,000	11,500	-
Tons added each year	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Tons to be removed from lagoons	7,000	6,850	6,580	6,280	5,950	5,550	5,080	4,550	3,950	3,280	2,550	37,000
Tons of dried effluent		7,000	6,850	6,580	6,280	5,950	5,550	5,080	4,550	3,950	3,280	37,000
Processing Rate Per ton (with 2% CPI)	\$ 232.30	\$ 232.50	\$ 237.15	\$ 241.80	\$ 246.73	\$ 251.67	\$ 256.70	\$ 261.83	\$ 267.07	\$ 272.41	\$ 277.86	
Cost for solids (if included)	\$ 1,677,000.00	\$ 1,515,180.50	\$ 1,347,805.49	\$ 1,169,355.77	\$ 998,709.80	\$ 829,078.77	\$ 673,171.87	\$ 530,736.77	\$ 407,818.97	\$ 304,818.97	\$ 222,818.97	\$ 14,000,264.47
Top 20 head of fish		7,000.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	\$ 77,000.00
Circle 3 - 3rd year billing - Payment schedule	\$ 2,015,714.25	\$ 1,500,000.00	\$ 1,487,942.5									\$ 7,043,714.25
Total Dry (Cycle 1)	\$ 1,500,000.00	\$ 1,487,942.5										\$ 7,043,714.25
Balance	\$ 843,714.25											
Processing fee - Capital Maintenance		\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 46,089,182.40
Circle 3 Payments	\$ 1,500,000.00	\$ 1,487,942.5										\$ 7,043,714.25
Total available to Providence Water	\$ 1,500,000.00	\$ 1,487,942.5	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 4,608,918.24	\$ 46,089,182.40
Change Order Total												\$ 15,480,264.19

Processing rate per year's Tons removed from lagoons per year

10 years of processing, 5 year fixed payments of \$14,000,264.47 divided by 5

SYNAGRO

*Original Invoice
per 2nd Amendment*

Invoice #: 50-106870

Sold To: City of Providence
Attn: Mr. Richard Razza, Project Manager
Providence Water Supply Board
552 Academy Ave
Providence, RI 02908

PO Number	Due Date	Invoice Date	Reference:	Project #
Contract	8/15/2013	7/15/2013	Terms of 2nd Amendment Dated Nov. 29, 2012	1395-01
Total Units	Description	Rate	Amount	
1.00	<i>Annual Fixed Payment</i> <i>Contract Section: Payments, #9</i> <i>Section 12.3.1.3</i>	\$1,691,985.70	\$1,691,985.70	
	Invoice Total		\$1,691,985.70	

Remit To: Synagro Northeast, Inc.
c/o Synagro Technologies, Inc.
7533 Collections Center Drive
Chicago, IL 60693-0075

If there are any questions regarding
this invoice, please call Steven Dovidaitis
at (860) 274-1710 x301

Overdue invoice

Invoice # 139501SEP-12A

I certify that the vendor has delivered/completed the goods/services consistent with standards/specifications required by the Providence Water Supply Board.

Approved / amount \$ 542,190.80

PO# 00349 Amount withheld \$ —

[Signature]
Signature

8/14/13
Date

Sold To: City of Providence
Attn: Mr. Richard Razza, Project Manager
Providence Water Supply Board
552 Academy Ave
Providence, RI 02908

PO Number	Terms	Invoice Date	Period Ending	Project #
Contract	9/7/2013	8/7/2013		
Total Units	Description	Rate	Amount	
10,732.25	Lagoon 1A Contract Section 12-3-1-2 Removal of Lagoon 1A solids from Drying Bed Unadjusted Billing Amount	\$ 304.18	\$ 3,264,535.81	
	Less:			
	Service Fee Solids Adjustment : (unadjusted Billing Amount times 2/3 times 7% Rebate)		\$ (152,345.00)	
	Average Solids - 80.98%		\$ (520,000.00)	
	Fee Paid in Year 1		\$ (550,000.00)	
	Fee Paid in Year 2		\$ (1,500,000.00)	
	Payment Rec'd 12/14/12 - Ck#00037014		\$ (1,500,000.00)	
	Invoice Total		\$542,190.80	

Remit To: Synagro Northeast, Inc.
c/o Synagro Technologies, Inc.
7533 Collections Center Drive
Chicago, IL 60693-0075

If there are any questions regarding
this invoice, please call Steven Dovidaitis
at (860) 274-1710 x301

Revised Invoice

SYNAGRO

Invoice #: 50-106870A

I certify that the vendor has delivered/completed the goods/services consistent with standards/specifications required by the Providence Water Supply Board.

Approved / amount \$ 1,608,918.24

PO# 32509 Amount withheld \$ -

Full Signature [Signature] Date 9/10/13

Sold To: City of Providence
Attn: Mr. Richard Razza, Project Manager
Providence Water Supply Board
552 Academy Ave
Providence, RI 02908

PO Number	Due Date	Invoice Date	Reference:	Project #
Contract	8/15/2013	7/15/2013	Terms of 3rd Amendment Dated Aug. 16, 2013	1395-01
Total Units	Description	Rate	Amount	
1.00	<i>Annual Fixed Payment per Contract Revision</i> Contract Section: Payments, #9 Section 12.3.1.3	\$1,608,918.24	\$1,608,918.24	
	REVISED			
	Invoice Total		\$1,608,918.24	

Remit To: Synagro Northeast, Inc.
c/o Synagro Technologies, Inc.
7533 Collections Center Drive
Chicago, IL 60693-0075

If there are any questions regarding this invoice, please call Steven Dovidaitis at (860) 274-1710 x301

Exhibit B

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PROVIDENCE WATER SUPPLY BOARD :
GENERAL RATE FILING : DOCKET NO. 4406

PROVIDENCE WATER SUPPLY BOARD'S FIRST SET OF DATA REQUESTS
DIRECTED TO DIVISION OF PUBLIC UTILITIES & CARRIERS
(Issued August 30, 2013)

PWSB: DIV 1- 3 What was the Division's position with regard to the additional revenue that Pawtucket Water would realize in Docket 4171, when Pawtucket Water requested to go to monthly billing? How was this accounted for and reflected in the overall revenue requirement for Pawtucket Water?

RESPONSE: The Division didn't propose any adjustments related to Pawtucket Water's change from Quarterly to monthly billing.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PROVIDENCE WATER SUPPLY BOARD :
GENERAL RATE FILING : DOCKET NO. 4406

PROVIDENCE WATER SUPPLY BOARD'S FIRST SET OF DATA REQUESTS
DIRECTED TO DIVISION OF PUBLIC UTILITIES & CARRIERS
(Issued August 30, 2013)

PWSB: DIV 1-4 What was the Commission's decision in Docket 4171 regarding the use of the "additional revenue" to be obtained by Pawtucket Water's implementation of monthly billing?

RESPONSE: The Commission's Decision didn't include any adjustments related to Pawtucket Water's change from Quarterly to monthly billing.

Data Requests of the
Kent County Water Authority
Set 2 (Issued May 31, 2013)

KCWA 2-8. Please explain why Providence Water believes an \$8 million per year addition to the IFR fund is needed when a surplus or balance at the end of FY 2015 of \$7,561,603 is shown on Schedule HJS-S9C. What do the "***" at the end of the line "Cash Funded Projects" refer to?

Answer: Schedule HJS-S9C (Infrastructure Replacement IFR Fund) only reflects a 3 year period, that is only 2 years out from present as we are almost done with FY 2013. Providence Water is required to prepare a 20 year plan for the IFR fund. As shown on the detailed attachment to PW's updated IFR plan as of March 1, 2013 attached, while the IFR fund is projected to have a surplus at the end of FY 2015, by the end of FY 2017, the balance will be exhausted. Therefore, the \$8 million annual amount was selected to balance the plan for the long term. Please note that the plan also includes an additional \$ 3 million in rates effective 1/1/16. Even with this proposed increase, there are small deficits projected beginning FY 2017.

The "***" was a holdover from the last full rate filing file that should have been deleted.

KCWA 2-8

Providence Water
Infrastructure Replacement Restricted Fund
Sources and Uses of Funds
Projected FY 2007 - FY 2010

Source of Funds	Fy 2007	Fy 2008	Fy 2009	Fy 2010
D3684 (effective 1/1/2006)	\$ 12,500,000	\$ 12,500,000	\$ 12,500,000	\$ 12,500,000
New Docket effective 1/1/08 proposed	1,000,000	2,000,000	2,000,000	2,000,000
Transfer of Meter Replacements to AMR/MIR fund	(300,000)	(600,000)	(600,000)	(600,000)
Estimated Bond drawdowns	177,894	227,376	7,500,000	7,500,000
Interest	10,104,618	9,095,053	51,102	(660)
Carryover funds from prior year estimated		2,044,061	2,044,061	(26,398)
Total Sources	22,782,512	22,522,429	23,495,163	21,372,942
Less obligated uses of funds:				
RICWFA Debt (1994 \$12M) Refl 2005 (P)	740,000	756,000	774,000	794,000
RICWFA (various projects) (I)	160,950	147,368	132,561	116,364
RICWFA Debt (2001 \$5M) (P)	1,046,676	-	-	-
RICWFA (90" Transmission) (I)	14,833	-	-	576,571
Estimated Debt Service *	1,962,459	903,368	906,561	1,486,935
Sub-total Debt Service				
Cash Funded Projects **	11,725,000	19,575,000	22,615,000	19,535,000
Total Uses	13,687,459	20,478,368	23,521,561	21,021,935
Total	\$ 9,095,053	\$ 2,044,061	\$ (26,398)	\$ 351,007

* Estimated on prior year draw of \$7.5 million, for 20 years, @ subsidized 4.5% Interest
 ** Net of Meter Replacement costs moved to AMR Meter Replacement fund as of 1/1/08

D3232