



552 Academy Avenue
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December 9, 2014

Mrs. Luly Massaro
Commission Clerk
RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

The Hon. Angel Taveras
Mayor

Ricky Caruolo
General Manager

RE: Commission Data Request- DK 4406 Motion for Relief

Dear Mrs. Massaro:

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William E. O'Gara, Esq.
Legal Advisor

Enclosed for filing an original and nine copies of Providence Water's responses to the above Commission data request dated November 25, 2014.

If there are any questions I can be reached at 521-6300, extension 7217.

Sincerely,

Mary L. Deignan-White
Senior Manager of Regulatory

cc: Dk 4406 Service List
File

Member

- Rhode Island Water Works Assn.
- New England Water Works Assn.
- American Water Works Assn.
- Water Research Foundation

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**Commission Data Request
Dk 4406 Motion for Relief
November 25, 2014**

1. What is the current balance in the Restricted Revenue Account? Please provide a schedule showing the monthly deposits to the account since July 1, 2014.

Answer: The current balance in the Restricted Revenue account is \$5,029,455.87.

The balance as of July 1, 2014 was	\$4,893,945.02
Deposited 9/17/14 (Jul & Aug 2014)	54,204.34
Deposited 11/24/14 (Sep & Oct 2014)	54,204.34
Deposited 12/02/14 (Nov 2014)	<u>27,102.17</u>
Total	<u>\$5,029,455.87</u>

Providence Water

Commission Data Request Dk 4406 Motion for Relief November 25, 2014

2. Regardless of the provisions of paragraph N of the Second Revised Settlement Agreement in this docket where the parties agree not to request adjustment of the rates due to the limit of the restricted operating reserve fund being reached, please provide the dollar amount of that limit (originally set forth in Docket No 4061), and if reached, the date reached.

Answer: Originally, Providence Water requested a 5% Total Operating Reserve. That percentage was agreed to in a settlement with the Division and Intervenors. The Commission however reduced the Total Operating Reserve to 3%. The limit in the settlement was set at "two times the annual total Operating Revenue Allowance". Therefore, while the limit was originally requested to be 10% (5% x 2), it was reduced to 6% (3% x 2). The dollar amount would then be \$3,341,916 ($\$57,469,743 - \$1,771,137 = \$55,698,606 \times 3\% \times 2$). The restricted operating reserve fund approximately reached this amount on 01/02/13, with a deposit that resulted in the balance of \$3,431,838.01.

Providence Water

Commission Data Request Dk 4406 Motion for Relief November 25, 2014

3. Why wouldn't Providence Water request to access the restricted operating reserve fund to offset the approximate \$350,000 annual deficit?

Answer: Providence Water did consider this and would not be adverse to this option. We were concerned that this structural problem would then not be corrected until the next time all rates were adjusted, and it might then create a disproportionate increase to the Commercial rate.

However, given the current state of the economy in RI, the high unemployment rate versus other New England states, and the negative effect this increase might have on Commercial accounts, Providence Water would withdraw its Motion to Re-open if the deficit in Commercial rates could be made up by a withdrawal from the restricted operating reserve fund on an annual basis until such time that new commercial rates are in effect.

Providence Water

**Commission Data Request
Dk 4406 Motion for Relief
November 25, 2014**

4. When does Providence Water anticipate its next rate filing?

Answer: Providence Water anticipates its next rate filing by March 31, 2016. With the suspension period, new rates would then be anticipated to be in effect for January 1, 2017.

Providence Water

**Commission Data Request
Dk 4406 Motion for Relief
November 25, 2014**

5. Please provide a schedule of the draw downs on the restricted operating reserve fund if Providence Water were to utilize the account rather than the requested relief. Please provide the projection out to the end of the next expected rate filing.

Answer: Please see below. The schedule reflects the draws for this issue only and does not reflect any other revenue deficiencies that might require a request to draw funds.

For this schedule, Providence Water assumed that the draw would occur at the end of the year from the effective date of the last rate filing, ie. December 2014, December 2015 and December 2016. The December 2016 draw is anticipated if Providence Water's next rate adjustment is not effective until on or after January 1, 2017.

Beginning balance December 5, 2014	\$5,029,455.870
Withdrawal for Commercial rate December 2014	-350,000.00
Balance December 2014	4,679,455.87
Deposits from January 2015 – December 2015	352,226.04
Withdrawal for Commercial rate December 2015	-350,000.00
Balance December 2015	4,654,681.91
Deposits from January 2016 – December 2016	352,226.04
Withdrawal for Commercial rate December 2016	-350,000.00
Balance December 2016	\$4,629,907.95

Providence Water

Commission Data Request

Dk 4406 Motion for Relief

November 25, 2014

6. When did Providence Water first learn of the faulty meter reading device on the commercial account at the Rhode Island Pastore Complex?

Answer: July 20, 2013, the meter was tested and found to be clogged.

Providence Water

**Commission Data Request
Dk 4406 Motion for Relief
November 25, 2014**

7. When did the State of Rhode Island stop paying its bill on this account?

Answer: Last payment prior to the settlement was received on July 19, 2013. The amount received was \$808,896.98. This included a past balance of \$65,961.99 and included the months of April, May, and June 2013.

Providence Water

Commission Data Request
Dk 4406 Motion for Relief
November 25, 2014

8. Please provide a copy of the first notice of dispute you received from the State of Rhode Island related to this account.

Answer: Providence Water did not receive any written correspondence from the State of Rhode Island; however we did receive a phone call inquiring about the high usage. We sent out meter technicians to obtain a visual reading on May 16, 2013.

Providence Water

**Commission Data Request
Dk 4406 Motion for Relief
November 25, 2014**

9. What was the total commercial consumption in FY14?

Answer: The total commercial consumption in FY 14 was 3,903,139.32 HCF.

Providence Water

**Commission Data Request
Dk 4406 Motion for Relief
November 25, 2014**

10. How often does Providence Water read its commercial meters?

Answer: Monthly

Providence Water

Commission Data Request

Dk 4406 Motion for Relief

November 25, 2014

11. How does Providence Water detect malfunctions and/or faulty meters?

Answer: By looking at high/low consumption reports based on previous month's readings.

Providence Water

Commission Data Request

Dk 4406 Motion for Relief

November 25, 2014

12. What was the cost to Providence Water for the installation and maintenance for the new water meter at the Pastore Campus? Who will pay this cost?

Answer: The cost of the installation for the 10" meter was \$48,695.53. This includes the removal of the existing meter, installation of the new meter, tapping of the service line, installation of a 6" bypass line, time and materials. The cost of the yearly testing will be \$500.00. Providence Water will be paying for this work.

Providence Water

**Commission Data Request
Dk 4406 Motion for Relief
November 25, 2014**

13. Has Providence Water notified the approximate 6,500 commercial accounts of this potential 3% rate increase? If so, how?

Answer: No, Providence Water has not. If we were to do so, we would propose sending a letter to the approximate 6,500 commercial accounts. We would also be willing to notify them in any other manner the Commission suggests.