



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

November 4, 2013

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02889

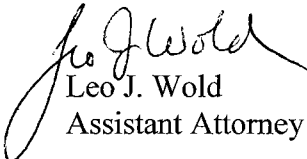
Re: Docket No. 4406

Dear Ms. Massaro,

Enclosed please find the following documents for filing with Commission on behalf the Division and Providence Water:

- (i) Settlement Agreement executed November 4, 2013;
- (ii) Settlement Testimony of Thomas S. Catilin;
- (iii) Settlement Testimony of Jerome D. Mierzwa; and
- (iv) Settlement Testimony of Jeanne Bondarevskis

Very truly yours,


Leo J. Wold
Assistant Attorney General

cc: Service List

- TSC-8. Adjustment to Bad Debt Expense
- TSC-9 Adjustment to Insurance Expense
- TSC-10 Adjustment to Chemicals Expense
- TSC-11 Adjustment to Reflect Updated Property Tax Expense
- TSC-12 Adjustment to Unidirectional Flushing Expense
- TSC-13 Adjustment to Rate Case and Regulatory Expense
- TSC-14 Adjustment to Miscellaneous Expense
- TSC-15 Adjustment to Eliminate Incremental Costs of Monthly Billing
- TSC-2 (Note 1) Adjustment to Operating Reserve
- JDM-19S & 22S Proposed Rates and Impacts and Revenue Proof
- JDM-21S Typical Bill Comparison.

3. A brief explanation of the adjustments from Providence Water’s original position and/or rebuttal, as applicable, are as follows:

A. Salaries and Wages. Providence Water accepts the Division’s proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

B. Payroll Clearing. Providence Water accepts the Division’s proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

C. Overhead Applied. In its Rebuttal Testimony, Providence Water disagreed with the Division’s proposal to recognize overhead rate applied amounts as a capitalized cost that is charged to the IFR fund. Providence Water and the Division agree to reduce rate year costs to recognize overhead rates applied as being reimbursed from the IFR fund.

¹ Due to rounding, the revenues generated by the proposed rates exceed these amounts by \$2,199.

D. Pension and Benefits. Providence Water accepts the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

E. Inflation. Providence Water accepts the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

F. Bad Debt. Providence Water accepts the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

G. Insurance. Providence Water accepts the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

H. Chemicals. In their Rebuttal Testimony, Ms. Bondarevskis and Mr. Smith generally accepted the Division's adjustment to chemicals expense, but proposed to increase the amount of the contribution to the Chemical and Sludge Handling Restricted Account by \$50,000 to reflect an increase in sludge handling expense. The Settlement accepts this update.

I. Property Tax. Providence Water accepts the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

J. Unidirectional Flushing. Providence Water accepts the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

K. Rate Case and Regulatory. Providence Water accepts the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

L. Miscellaneous. In its Rebuttal Testimony, Providence Water provided additional information about the miscellaneous expenses that the Division questioned in its Direct Testimony. The Parties agree to eliminate the amounts related to an air quality violation (except for \$400 for the annual permit fee) and the amounts related to customer refunds. In determining the revenue requirement in this settlement, the Parties further agreed that: the test year expense of \$28,000 for software conversion would be eliminated; the \$35,000 test year expense for appraisal

services would be normalized based on one-third of the test year amount; and the \$69,933 test year expense for legal services and strategic planning would be normalized at a level of \$45,000 based on FY 2013 expense. The remaining items for Oracle support services and hazardous waste disposal and containment would be allowed.

M. **Incremental Monthly Billing.** The Division and Providence Water agree that, in lieu of utilizing the one-time increase in revenues from monthly billing to partially fund the operating reserve, the costs of converting to monthly billing would be excluded from the rate year cost of service in this case. This results in a reduction in rate year expenses of \$431,693.

N. **Operating Reserve.** Providence Water's restricted operating reserve fund is expected to exceed the limit of two times the current total operating reserve allowance of three percent of revenues by the time the rates approved in this case go into effect. Therefore, the settlement reduces the operating revenue allowance to two percent with 0.5 percent restricted and 1.5 percent unrestricted. The current limitation on the use of the restricted reserve established in Docket No. 4061 will remain in effect. It is agreed that no request will be made for the Commission to open a proceeding at this time to adjust rates due to the limit being reached. Instead, in Providence Water's next rate case, the parties will have the opportunity to review the level of the fund at that time and to propose alternative uses of the amounts in the fund in excess of the limitation of two times the current operating revenue allowance.

4. Providence Water agrees to submit status reports to the Commission every six months regarding the status of its Capital Fund. This will provide the opportunity for the Commission to review the potential use of the monies in the Capital Fund, to request additional information if needed, and to advise Providence Water if it views any acquisition of property for a new facility as inappropriate.

5. The wholesale rate is set at \$1.346589 per HCF.

6. The residential retail rate is set at \$3.006 per hundred cubic feet (HCF); the commercial retail rate is set at \$2.865 per HCF; and the industrial retail rate is set at \$2.816 per HCF.

7. Retail consumption is projected at 13,134,187 HCF. Wholesale consumption is projected at 12,898,865 HCF. A four-year average (FY 2010 – FY 2013) of actual consumption used for both retail and wholesale consumption.

8. The uniform percentage rate increase is 16.9%.

9. The Public Fire Supply rate is set at \$394.82 per hydrant, and Private Fire Service rates are shown on Schedule JDM-19 Settlement.

10. Providence Water agrees to have an independent consultant verify the accuracy of each plant account, including accumulated depreciation and contributions in aid of construction, to resolve any questions and provide a level of confidence that future allocations are accurate. This will be done prior to the filing of Providence Water's next full filing and the report will be included in said filing.

11. It is agreed that this change in rates may be implemented by Providence Water for consumption on and after approval by the Commission at Open Meeting.

12. It is agreed that all accounts restricted by previous Commission Orders shall remain restricted, except as provided herein.

13. It is agreed that Providence Water's new tariffs will be those shown as Schedules A through F inclusive, attached hereto.

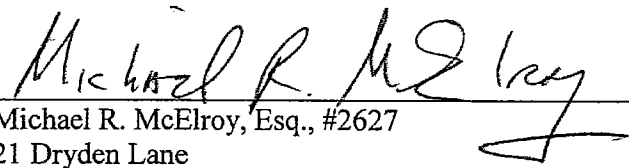
14. This Settlement Agreement is the result of negotiated settlement among the Parties. The agreement by the Parties to this Settlement shall not be construed as an agreement to any matter of fact or law addressed in this Settlement in any future Division or Commission proceedings, and no party, by executing this Settlement, is bound by any of the positions taken in

this Settlement in any said future proceedings, and no position taken by any of the Parties to this Settlement on any issue is to be construed as a precedent in any future Division or Commission proceedings, nor shall it be cited as a precedent.

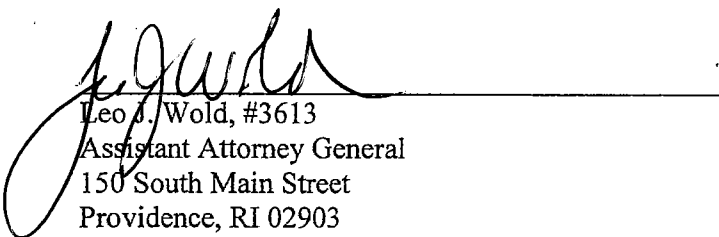
15. In the event the Commission rejects or fails to approve any part of this Stipulation/Settlement, the entire Settlement shall be void.

Executed this 4th day of November, 2013.

Providence Water Supply Board
By its attorney,


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Division of Public Utilities and Carriers
By its attorney,


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PROVIDENCE WATER SUPPLY BOARD

Summary of Revenues and Expenses at
Present and Proposed Rates
Rate Year Ended December 31, 2014

	Rate Year Per Providence Rebuttal	Settlement Adjustments	Rate Year at Present Rates	Proposed Rate Increase	Rate Year at Proposed Rates
Revenue					
Service Charge	\$ 5,825,849	\$ -	\$ 5,825,849	\$ 1,755,250	\$ 6,642,360
Retail Sales	32,217,079	-	32,217,079	6,604,044	37,887,558
Wholesale Sales	16,375,278	-	16,375,278	994,192	18,598,873
Private Fire Protection	2,290,098	-	2,290,098	339,612	2,641,337
Retail FPSC	1,182,374	-	1,182,374	94,466	1,616,210
Public Fire Protection	960,983	-	960,983	157,148	1,415,519
Miscellaneous	1,179,169	-	1,179,169	-	1,179,169
Total Revenue	\$ 60,030,830	\$ -	\$ 60,030,830	\$ 9,944,712	\$ 69,975,542
Expenses					
Operation & Maintenance (1)	29,486,452	(511,540)	28,974,912	-	28,974,912
Insurance	1,802,547	-	1,802,547	-	1,802,547
Chemicals & Sludge	4,500,000	-	4,500,000	-	4,500,000
City Services	839,167	-	839,167	-	839,167
Property Taxes	6,487,515	-	6,487,515	-	6,487,515
Capital Reimbursement	(834,389)	(1,257,383)	(2,091,772)	-	(2,091,772)
Net Operations	\$ 42,281,292	\$ (1,768,923)	\$ 40,512,369	\$ -	\$ 40,512,369
Capital Fund	2,450,000	-	2,450,000	-	2,450,000
Western Cranston	62,069	-	62,069	-	62,069
Infrastructure Replacement Fund	24,000,000	-	24,000,000	-	24,000,000
Cash Funded AMR/Meter Replacement	1,000,000	-	1,000,000	-	1,000,000
Equipment Replacement Fund	600,000	-	600,000	-	600,000
Property Tax Refund Fund	-	-	-	-	-
Revenue Reserve Fund	1,384,284	(1,047,057)	337,226	-	337,226
Less: Reserve Funded from Monthly Billing	-	-	-	-	-
Total Capital	\$ 29,496,353	\$ (1,047,057)	\$ 28,449,295	\$ -	\$ 28,449,295
Total Expenses	\$ 71,777,645	\$ (2,815,980)	\$ 68,961,664	\$ -	\$ 68,961,664
Operating Reserve	692,142	319,537	1,011,679	-	1,011,679
Total Cost of Service	\$ 72,469,786	\$ (2,496,443)	\$ 69,973,343	\$ -	\$ 69,973,343
Revenue Surplus/(Deficiency)	\$ (12,438,956)	\$ 2,496,443	(\$9,942,513)	\$ 9,944,712	\$ 2,199

Note:

(1) Amount per Providence Water includes a correction to filed rebuttal amount.

PROVIDENCE WATER SUPPLY BOARD

Summary of Division Adjustments to
Rate Year Expenses
Rate Year Ended December 31, 2014

<u>Description</u>	<u>Amount</u>	<u>Source</u>
Rate Year Salaries and Wages	\$ -	Schedule TSC-3
Payroll Clearing	-	Schedule TSC-4
Overhead Clearing	(1,257,383)	Schedule TSC-5
Benefits	-	Schedule TSC-6
Inflation	-	Schedule TSC-7
Bad Debt	-	Schedule TSC-8
Insurance	-	Schedule TSC-9
Chemicals	-	Schedule TSC-10
Property Taxes	-	Schedule TSC-11
Unidirectional Flushing	-	Schedule TSC-12
Regulatory and Rate Case Expense	-	Schedule TSC-13
Miscellaneous Expenses	(79,847)	Schedule TSC-14
Incremental Monthly Billing	(431,693)	Schedule TSC-15
Operating Reserve	<u>(727,520)</u>	See Note (1)
Total Expense Adjustments	<u>\$ (2,496,443)</u>	

Note:

- (1) Based on 2.0% of total expenses less miscellaneous revenues. Total is split with 0.5% going to restricted revenue reserve fund and 1.5% being unrestricted.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Salaries and Wages to
 Reflect Normal Employee Vacancies
 Rate Year Ended December 31, 2014

	<u>Salary</u>
Total FY 2013 Wages (1)	\$ 13,587,511
Less: Wages for Engineers Paid directly from IFR Fund (1)	<u>(332,464)</u>
FY 2013 Wage Expense per Books	\$ 13,255,047
Plus Wages for Employees on Workers Compensation (1)	<u>274,221</u>
Total Salaries and Wages for Existing Employees	\$ 13,529,268
Plus Wages for 3 New Employees (2)	<u>\$ 132,384</u>
Adjusted FY 2013 Salaries and Wages	\$ 13,661,652
Adjustment to Bring to Rate Year Level	<u>1,04545</u>
Rate Year Wages per Division	\$ 14,282,574
Amount per Providence Water Rebuttal (4)	<u>14,282,574</u>
Adjustment to Salaries and Wages	<u><u>\$ -</u></u>

Notes:

- (1) Per response to DIV 4-12.
- (2) Based on average wages for 19 vacant positions as of June 30, 2013.
- (3) Per Schedule HJS-S3. Reflects rate year effect of 3 % wage increases on July 1, 2013 and July 1, 2014.
- (4) Per Rebuttal Schedule HJS-S3.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Payroll Clearing Expense
Rate Year Ended December 31, 2014

Payroll Clearing in Test Year (1)	\$ 798,115
Adjustment to Reflect Wage Increases (2)	<u>1.0455</u>
Rate Year Payroll Clearing	\$ 834,389
Amount per Providence Water Rebuttal Filing	<u>834,389</u>
Adjustment to Rate Year Expense	<u><u>\$ -</u></u>

Notes:

- (1) Per Rebuttal Schedule HJS-S1.
- (2) Reflects 3 percent increase on July 1, 2013 and one-half of the annual effect of a 3% increase on July 1, 2014. Providence Water did not grant wage increases on July 1, 2012

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Recognize Overheads Applied
As Reimbursable from Capital Funds
Rate Year Ended December 31, 2014

Overhead Clearing in Test Year (1)	\$ 1,202,719
Adjustment to Reflect Increase to Rate Year (2)	<u>1.0455</u>
Rate Year Payroll Clearing	\$ 1,257,383
Amount per Providence Water	<u>-</u>
Adjustment to Rate Year Expense	<u><u>\$ (1,257,383)</u></u>

Notes:

- (1) Per Schedule HJS-A1.
- (2) Based on increase in payroll clearing from test year to rate year per Schedule TSC-4.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Benefits Expense
 Rate Year Ended December 31, 2014

FRINGE BENEFIT	Test Year FY 2012	Adjustment	Rate Year CY 2014
Union Combined Benefits (1)	\$ 586,821	\$ -	\$ 586,821
Union Pension (1)	331,312	124,905	456,217
Death Benefit Insurance (2)	1,943	91	2,034
Educational Classes/Certification (2)	2,649	124	2,773
FICA (3)	1,014,048	46,139	1,060,187
State Unemployment Compensation (3)	14,716	670	15,386
Healthcare EE Cash Payment (4)	9,500	(500)	9,000
1/2% Wage Assignment (3)	35,820.00	1,630	37,450
Blue Cross (4)	2,072,201	792,107	2,864,308
Less Employee Co-Share (4)	(355,216)	(137,709)	(492,925)
Delta Dental (4)	254,556	3,731	258,287
GASB 43/45 Reserve Required (5)	1,230,000	(750,000)	480,000
City Retirement (6)	2,315,228	629,981	2,945,209
Total	\$ 7,513,577.79	\$ 711,169	\$ 8,224,746
Amount per Providence Water Rebutal (Schedule HJS-S6)			\$ 8,224,746
Adjustment			\$ -

Notes:

- (1) Amounts per DIV 1-18. Union Combined Benefits are not subject to increase. Union Pension increased by 37.7%.
- (2) Adjusted by Division inflation rate per Schedule TSC-7.
- (3) Reflects compounded salary increase of 4.55% per Schedule HJS-S6.
- (4) Reflects FY 2014 rates per Comm 1-11. Amounts have been adjusted to reflect 240 full time employees instead of 254 full time employees including 19 vacancies as of June 30, 2013.
- (5) Per Schedule HJS-S6A.
- (6) Per response to DIV 1-20.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Inflation Related Expense Increases
 Rate Year Ended December 31, 2014

	Inflation Base (1)	Inflation per Division (2) 4.695%	Inflation per Prov. Water (3) 4.695%	Adjustment
<u>Purchased Power Costs (4)</u>				
Pumping	\$ 778,684	\$ -	\$ -	\$ -
Water Treatment	457,253	-	-	-
Transmission and Distribution	12,019	-	-	-
Administrative and General	113,972	-	-	-
Subtotal	<u>\$ 1,361,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other Expenses</u>				
Source of Supply	638,455	29,976	29,976	-
Pumping Expenses	11,629	546	546	-
Water Treatment	523,922	24,599	24,599	-
Transmission and Distribution	865,429	40,633	40,633	-
Customer Accounts (5)	208,639	9,796	9,796	-
Administrative and General	1,877,577	88,155	88,155	-
Subtotal	<u>\$ 4,125,651</u>	<u>\$ 193,705</u>	<u>\$ 193,705</u>	<u>\$ -</u>
 Total	 \$ 5,487,579	 \$ 193,705	 \$ 193,705	 <u><u>\$ -</u></u>

Notes:

- (1) Amounts subject to inflation adjustment per Rebuttal Schedule HJS-S2.
- (2) Based on increase in Average GDP-PI for four quarters ending 2Q12 to four quarters ending 4Q14 per Blue Chip Economic Indicators dated August 10, 2013.
- (3) Per Rebuttal Schedule HJS-S2.
- (4) Refer to testimony for explanation regarding not inflating power supply costs.
- (5) Excludes Bad Debt which is treated separately on Schedule TSC-8.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Bad Debt Expense
Rate Year Ended December 31, 2014

	<u>Total</u>
Bad Debt Expense (1)	
12 Months Ending 6/30/2010	\$ 720,206
12 Months Ending 6/30/2011	(524,135)
12 Months Ending 6/30/2012	445,333
6 Months Ending 12/31/2012	<u>(1,320,107)</u>
Total	\$ (678,703)
 Average Annual Expense (divide by 4)	 <u>\$ (193,915)</u>
 Amount per Providence Water Rebuttal Filing (2)	 <u>-</u>
 Adjustment to Bad Debt Expense (Eliminate Claimed Expense)	 <u>\$ -</u>

Notes:

(1) Per response to DIV 1-4 and Comm 1-28.

(2) Per Rebuttal Schedule HJS-S2.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Insurance Expense
 Rate Year Ended December 31, 2014

	<u>FY 2011 (1)</u>	<u>FY 2012 (2)</u>	<u>FY 2013 (3)</u>	<u>FY 2014/ CY 2014 (4)</u>
Worker's Compensation	\$ 837,689	\$ 874,015	\$ 848,550	\$ 693,532
Injuries and Damages	28,851	54,528	109,666	64,348
Property and Casualty	1,011,910	1,006,353	1,062,090	1,018,753
Program Expense	1,800	7,150	N/A	7,486
Safety Supplies & Other	<u>36,627</u>	<u>17,602</u>	<u>N/A</u>	<u>18,428</u>
Total Expenses (5)	\$ 1,916,877	\$ 1,959,648	\$ 2,020,306	\$ 1,802,547
Amount per Providence Water Rebuttal (2)				<u>1,802,547</u>
Adjustment to Insurance Expense				<u>\$ -</u>

Notes:

- (1) Per response to DIV 1-13.
- (2) Per Rebuttal Schedule HJS-S5.
- (3) Per response to DIV 1-14.
- (4) Refer to testimony for explanation of development of costs.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Chemicals Expense
 Rate Year Ended December 31, 2014

	Estimated Quantity (1)	Actual Usage		Greater of FY 2012 or FY 2013	Rate Year Unit Price (4)	Annual Cost
		FY 2012 Usage (2)	FY 2013 Usage (3)			
Ferric Sulfate (Gallons)	1,460,000	1,136,679	870,563	1,136,679	\$ 1.4000	\$ 1,591,351
Quicklime (Tons)	3,139	2,834	2,322	2,834	214.1600	606,929
Chlorine (Tons)	200	173	194	194	800.0000	155,200
Flouide (Gallons)	70,000	56,903	50,681	56,903	2.5630	145,842
Carbon Dioxide (Tons)	1,000	506	353	See Note (5)	-	-
Total Treatment Chemical Costs						<u>\$ 2,499,322</u>
Sludge Maintenance Costs						<u>1,700,000</u>
Total Chemical Costs and Sludge Handling Costs						\$ 4,199,322
Incremental Restricted Fund Contribution to Eliminate Shortfall (5)						<u>300,000</u>
Division Recommended Funding of Chemical and Sludge Maintenance Restricted Account (Rounded)						\$ 4,500,000
Proposed Funding Contribution per Providence Water Rebuttal (Schedule HJS-S-8.)						<u>\$ 4,500,000</u>
Adjustment to Chemical and Sludge Maintenance Funding						<u>\$ -</u>

Notes:

- (1) Per response DIV 1-27.
- (2) Per response to DIV 1-26.
- (3) Per response to DIV 4-10.
- (4) Per response to DIV 4-1.
- (5) Refer to testimony.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Reflect Updated Property Tax Expense
 Rate Year Ended December 31, 2014

<u>Municipality</u>	<u>Actual FY 2011 (1)</u>	<u>Actual FY 2012 (1)</u>	<u>Actual FY 2013 (1)</u>	<u>Actual FY 2014 (2)</u>	<u>Estimated FY 2015 (3)</u>	<u>CY 2014 Average</u>
Scituate	4,974,437	5,087,357	5,087,357	5,566,124	5,677,446	5,621,785
Glocester	49,380	51,478	53,537	55,679	57,906	56,793
All Other						
North Providence	\$ 239,090	\$ 266,581	\$ 266,581	\$ 268,137	\$ 273,500	\$ 270,818
West Glocester Fire	3,932	3,708	3,708	3,708	3,782	3,745
Harmony Fire District	155	164	164	171	177	174
Chepachet Fire District	120	131	133	138	144	141
Johnston	86,695	90,117	90,117	94,907	98,703	96,805
Foster	331,673	331,673	306,694	307,901	314,059	310,980
Cranston	107,568	110,523	118,597	120,152	124,958	122,555
West Warwick	3,761	3,761	3,761	3,682	3,756	3,719
Subtotal-All Other	\$ 772,994	\$ 806,658	\$ 789,755	\$ 798,796	\$ 819,079	\$ 808,938
Total Property Taxes	\$ 5,796,811	\$ 5,945,492	\$ 5,930,648	\$ 6,420,599	\$ 6,554,432	\$ 6,487,515
Amount per Providence Water Rebuttal (1)				6,608,270	6,872,599	<u>6,487,515</u>
Adjustment to Property Tax Expense						<u>\$ -</u>

Notes:

- (1) Per Rebuttal Schedule HJS-S4A.
- (2) Per response to DIV 4-7 except Harmony and Chepachet Fire Districts which are increased by 4 percent over FY 2013.
- (3) Refer to testimony for derivation of FY 2015 amounts. Scituate is based on recent increases in the property tax rate. Glocester reflects the taxes due pursuant to the tax treaty with Providence Water. All other amounts escalated by 2% based on the overall average increase in taxes other than Scituate and Gloster in recent years. Refer to testimony.

Docket No. 4406
Schedule TSC-12
Updated for Settlement

PROVIDENCE WATER SUPPLY BOARD
Adjustment to Unidirectional Flushing Expense
Rate Year Ended December 31, 2014

	<u>Total</u>
Field Operations-per Company Rebuttal (1)	\$ 290,000
Field Operations-Revised Estimate (2)	<u>290,000</u>
Adjustment to Unidirectional Flushing Costs	<u><u>\$ -</u></u>

Note:

(1) Per Rebuttal Schedule HJS-S2.

(2) Per response to DIV 1-30.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Rate Case and Regulatory Expense
Rate Year Ended December 31, 2014

	<u>Total</u>
Docket 4062/Conservation Rate Filing (1)	\$ 8,593
Field Operations-Revised Estimate (1)	<u>9,033</u>
Adjustment to Remove Costs of Prior Proceedings (2)	<u>\$ -</u>

Note:

(1) Per response to DIV 1-24.

(2) Amounts have been removed in Providence Water's rebuttal filing.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Miscellaneous Expense
 Rate Year Ended December 31, 2014

	<u>Total (1)</u>	
Hazardous Waste Disposal and Containment-Triumvirate Environmental	\$ -	Accepted Test Year Amount
Air Quality Violation-R.I. Department of Environmental Management	-	Eliminated by Prov. Water
Customer Refund 1	-	Eliminated by Prov. Water
Customer Refund 2	-	Eliminated by Prov. Water
Software Conversion-Zandar	28,000	
Billing Software/Oracle Support-Adaptive Minds	-	Accepted Test Year Amount
Appraisal Service-Sansoucy	23,333	Reflects 3 year Normalization
Legal Services/Strategic Plan-Partridge, Snow & Hahn	24,933	Reflects allowance of \$45,000
Total	<u>\$ 76,266</u>	
Escalation Factor for Inflation (2)	<u>1.04695</u>	
Adjustment to Miscellaneous Expenses	<u><u>\$ (79,847)</u></u>	

Notes:

(1) Per response to Comm 1-33.

(2) Per Schedule TSC-7. Amount in Providence Water reflected inflation factor of 6.376% which was adjusted to reflect Division inflation factor of 4.695% on Schedule TSC-7.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Eliminate Incremental Costs of Monthly Billing
Rate Year Ended December 31, 2014

	<u>Total (1)</u>
Sr, Administrative Clerk	\$ 42,452
Fringe Benefits	21,226
Bill Processing	319,015
Additional Lock Box Costs	<u>49,000</u>
Total Incremental Costs Per Filing	\$ 431,693
Amount per Settlement	<u>-</u>
Adjustment to Rate Year Expenses	<u><u>\$ (431,693)</u></u>

Notes:

(1) Amounts per response to DIV 1-39.

**Schedule JDM-19 Settlement
Proposed Rates and Impacts**

**Proposed Rates and Impacts
Rate Year Ending December 31, 2014**

Billing Unit	Current Units of Service	Proposed Units of Service	Proposed Retail Service Charge	Retail Service Charge Revenues	Current Rates	% Change
Quarterly Service Charges						
5/8"	53,151	-	\$ -	-	18.34	
3/4"	10,645	-	\$ -	-	19.47	
1"	5,067	-	\$ -	-	22.85	
1.5"	1,493	-	\$ -	-	27.39	
2"	1,502	-	\$ -	-	39.77	
3"	93	-	\$ -	-	131.15	
4"	32	-	\$ -	-	164.98	
6"	59	-	\$ -	-	243.95	
8"	36	-	\$ -	-	334.19	
10"	2	-	\$ -	-	415.97	
12"	1	-	\$ -	-	497.76	
Total	72,081	-	\$ -	-		
Monthly Service Charges						
5/8"	1	53,152	\$ 8.07	5,147,239.68	10.82	-25.42%
3/4"	-	10,645	\$ 8.50	1,085,790.00	11.19	-24.04%
1"	-	5,067	\$ 9.76	593,447.04	12.32	-20.78%
1.5"	2	1,495	\$ 11.45	205,413.00	13.83	-17.21%
2"	34	1,536	\$ 16.09	296,570.88	17.97	-10.46%
3"	13	106	\$ 50.27	63,943.44	48.42	3.82%
4"	7	39	\$ 62.93	29,451.24	59.70	5.41%
6"	17	76	\$ 92.47	84,332.64	86.02	7.50%
8"	8	44	\$ 126.23	66,649.44	116.11	8.72%
10"	-	2	\$ 156.82	3,763.68	143.37	9.38%
12"	1	2	\$ 187.42	4,498.08	170.63	9.84%
Total	83	72,164	\$ -	7,581,099.12		
Total Retail Service Charge Revenue				7,581,099.12	5,825,849	30.13%

**Schedule JDM-19 Settlement
Proposed Rates and Impacts**

**Proposed Rates and Impacts
Rate Year Ending December 31, 2014**

Billing Unit	Current Units of Service	Proposed Units of Service	Proposed Fire Service Charge	Fire Service Charge Revenues	Current Rates	% Change
Quarterly Service Charges						
5/8"	25,266	-	\$ -	\$ -	3.08	
3/4"	4,207	-	\$ -	\$ -	4.62	
1"	1,998	-	\$ -	\$ -	11.54	
1.5"	896	-	\$ -	\$ -	30.77	
2"	874	-	\$ -	\$ -	73.86	
3"	58	-	\$ -	\$ -	200.04	
4"	14	-	\$ -	\$ -	338.52	
6"	18	-	\$ -	\$ -	692.43	
8"	8	-	\$ -	\$ -	1,046.34	
10"	1	-	\$ -	\$ -	1,600.29	
12"	-	-	\$ -	\$ -	2,646.63	
Total	33,340	-	\$ -	\$ -		
Monthly Service Charges						
5/8"	1	25,267	\$ 1.20	\$ 363,844.80	1.03	16.50%
3/4"	-	4,207	\$ 1.80	\$ 90,871.20	1.54	16.88%
1"	-	1,998	\$ 4.48	\$ 107,412.48	3.85	16.36%
1.5"	-	896	\$ 11.95	\$ 128,486.40	10.26	16.47%
2"	27	901	\$ 28.66	\$ 309,871.92	24.62	16.41%
3"	11	69	\$ 77.62	\$ 64,269.36	66.68	16.41%
4"	5	19	\$ 131.36	\$ 29,950.08	112.84	16.41%
6"	12	30	\$ 268.69	\$ 96,728.40	230.81	16.41%
8"	8	16	\$ 406.01	\$ 77,953.92	348.78	16.41%
10"	-	1	\$ 620.96	\$ 7,451.52	533.43	16.41%
12"	-	-	\$ 1,026.96	\$ -	882.21	16.41%
Total	64	33,404		\$ 1,276,840.08		
Total Retail Fire Protection Service Charge Revenue				\$ 1,276,840.08	\$ 1,182,373.64	8%
Total Retail Service Charge Revenue				\$ 8,857,939.20	\$ 7,008,222.28	26.39%

**Schedule JDM-19 Settlement
Proposed Rates and Impacts**

Proposed Rates and Impacts
Rate Year Ending December 31, 2014

Retail Consumption Charges									
Residential (HCF)	8,517,528	\$	3,006	\$	25,603,688.10		2,488		20.82%
Commercial (HCF)	4,427,015	\$	2,865	\$	12,683,396.97		2,390		19.87%
Industrial (HCF)	189,644	\$	2,816	\$	534,038.10		2,346		20.03%
Total	<u>13,134,187</u>			\$	<u>38,821,123.18</u>		<u>32,217,079</u>		<u>20.50%</u>
Wholesale Charges									
<i>Volume Charge</i>									
Consumption (HCF)	12,898,865	\$	1,346,589		17,369,469.76		16,375,278		6.07%
Consumption (MGD)	9,648	\$	1,800.25						
Total Consumption Charge Revenue					<u>56,190,592.94</u>		<u>48,592,356.99</u>		<u>15.64%</u>

	Current Units of Service	Proposed Units of Service	Proposed Monthly Pvt. Fire Charge	Private Fire Charge Revenues	Current Quarterly Pvt. Fire Charge
Private Fire Service Charges					
3/4"	3	3	\$7.51	270.36	19.67
1"	10	10	\$8.88	1,065.60	23.31
1-1/2"	3	3	\$10.93	393.48	28.70
2"	50	50	\$16.21	9,726.00	42.63
4"	349	349	\$69.27	290,102.76	182.72
6"	1,272	1,272	\$112.93	1,723,763.52	295.45
8"	254	254	\$171.05	521,360.40	443.93
10"	4	4	\$238.28	11,437.44	613.33
12"	17	17	\$319.66	65,210.64	816.53
16"	1	1	\$531.64	6,379.68	1,340.64
Total	<u>1,963</u>	<u>1,963</u>		<u>2,629,709.88</u>	<u>2,290,098</u>

Public Fire Service Charges									
Hydrants	2,832		\$394.82	\$1,118,130.24	339.33	\$	960,983		16.35%
Total Fire Protection Charge Revenue				<u>\$3,747,840.12</u>			<u>\$3,251,080.88</u>		<u>15.28%</u>

Miscellaneous Revenues		\$	(1,179,169.01)			\$	(1,179,169.01)		
Total Rate Revenues				68,796,372.26			58,851,660.15		16.90%
Total Revenues		\$		69,975,541.27		\$	60,030,829.16		16.57%

Schedule JDM-21 Settlement
Typical Bill Comparison

Comparison of Typical Annual Charges
Rate Year Ending December 31, 2014

	Proposed Rates	Existing Rates	% Change
Residential - (5/8" Meter, 100 HCF)			
Service Charge*	\$ 96.84	\$ 73.36	32.0%
Volume Charge	\$ 300.60	\$ 248.80	20.8%
Total	\$ 397.44	\$ 322.16	23.4%
Commercial - (2" Meter, 2,000 HCF)			
Service Charge*	\$ 193.08	\$ 159.08	21.4%
Volume Charge	\$ 5,730.00	\$ 4,780.00	19.9%
Total	\$ 5,923.08	\$ 4,939.08	19.9%
Industrial - (6" Meter, 10,000 HCF)			
Service Charge *	\$ 1,109.64	\$ 975.80	13.7%
Volume Charge	\$ 28,160.00	\$ 23,460.00	20.0%
Total	\$ 29,269.64	\$ 24,435.80	19.8%

*Existing rates based on Quarterly billing, proposed based on Monthly Billing, for Wholesale Impacts see HUS-20

**Schedule JDM-22 Settlement
Revenue Proof**

Revenue Proof
Rate Year Ending December 31, 2014

Net Operations & Maintenance Expense	\$	33,185,687
Capital Expense	\$	28,112,069
City Services Expense	\$	839,167
Property Taxes Expense	\$	6,487,515
<hr/>		
Total Expenses Allocated	\$	68,624,438
plus: Net Operating Revenue		\$1,348,905.38
<hr/>		
Net Revenue Requirement	\$	69,973,343
 Retail		
Monthly Service Charge	\$	7,581,099
Retail FPSC	\$	1,276,840
Volume Charge		
Residential	\$	25,603,688
Commercial	\$	12,683,397
Industrial	\$	534,038
<hr/>		
Total Retail	\$	47,679,062
 Wholesale		
East Providence	\$	2,762,241
East Smithfield	\$	391,896
Greenville	\$	583,717
Kent County	\$	3,550,317
Smithfield	\$	566,471
Warwick	\$	5,738,239
Lincoln	\$	1,386,439
Johnston	\$	378,051
Bristol County	\$	2,012,098
<hr/>		
Total Wholesale	\$	17,369,470
 Fire Protection		
Private Fire Protection	\$	2,629,710
Public Fire Protection	\$	1,118,130
<hr/>		
Total Fire Protection	\$	3,747,840
<hr/>		
Total Rate Revenues	\$	68,796,372
<hr/>		
Miscellaneous Revenues	\$	1,179,169
<hr/>		
Total Revenues	\$	69,975,541
<hr/>		
Total Surplus / (Deficit)	\$	2,198

Note: Surplus due rounding

PROPOSED TARIFFS

PROVIDENCE WATER SUPPLY BOARD TARIFF

Replaces Tariff
April 27, 2010 & November 01, 2011

Effective: January 1, 2014

RI Public Utilities Commission Docket No. 4406

TARIFF SCHEDULES

Schedule

- | | |
|---|---|
| A | Service Charges – Retail |
| B | Metered Sales – Retail |
| C | Bulk Sales to Public Authorities for Resale |
| D | Public Fire Protection |
| E | Private Fire Service |
| F | Miscellaneous Charges |

PROPOSED TARIFFS

SCHEDULE A

**Providence Water Supply Board
Service Charges
Retail**

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

Applicable to all metered customers for industrial, commercial and residential use, exclusive of fire service connection, in the Providence Water Supply Board service area.

Rates

For each service connected to the Providence Water Supply Board mains, the following customer service charges shall apply:

<u>Size of Meter</u>	<u>Monthly</u>
5/8"	\$ 8.07
3/4	8.50
1	9.76
1 ½	11.45
2	16.09
3	50.27
4	62.93
6	92.47
8	126.23
10	156.82
12	187.42

However, for each Providence Water service connected in the City of Providence the following additional Fire Protection service charge shall apply to Providence ratepayers:

<u>Size of Meter</u>	<u>Monthly</u>
5/8"	\$ 1.20
3/4	1.80
1	4.48
1 ½	11.95
2	28.66
3	77.62
4	131.36
6	268.69
8	406.01
10	620.96
12	1,026.96

Terms of Payment

All customer service charges are billed monthly and are due and payable when rendered. Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

PROPOSED TARIFFS

SCHEDULE B

Providence Water Supply Board Metered Sales Retail

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

Applicable to all general metered water service in the Providence Water Supply Board service area.

Rates

For all quantities used, except for bulk sales to public authorities for resale, the following rates per HCF shall apply:

Monthly Accounts

Residential	\$3.006
Commercial	\$2.865
Industrial	\$2.816

Terms of Payment

All metered sales bills are rendered in arrears monthly and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

PROPOSED TARIFFS

SCHEDULE C

Providence Water Supply Board Bulk Sales to Public Authorities for Resale

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

Applicable to all public authorities in the Providence Water Supply Board service area purchasing water for resale.

Rates-Volume Charge

\$1,800.25 per million gallons, or
\$1.346589 per HCF

Terms of Payment

All bills for bulk sales are rendered monthly in arrears and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date

PROPOSED TARIFFS

SCHEDULE D

**Providence Water Supply Board
Public Fire Protection**

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

Applicable to all service to public fire hydrants in the Providence Water Supply Board service area.

Rates

For each hydrant: \$394.82

For each hydrant in Providence, as allowed by statute: \$0

Terms of Payment

All bills for public fire service are rendered quarterly and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

PROPOSED TARIFFS

SCHEDULE E

Providence Water Supply Board Private Fire Service

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

Applicable for service to private fire protection appliances owned and maintained by the customer in the Providence Water Supply service area.

Rates

For each fire service connection to the Providence Water Supply Board mains, the following charges shall apply:

<u>Size of Service</u>	<u>Monthly</u>
3/4"	\$ 7.51
1	8.88
1 1/2	10.93
2	16.21
4	69.27
6	112.93
8	171.05
10	238.28
12	319.66
16	531.64

Terms of Payment

All bills for private fire services are rendered monthly and are due and payable in full when rendered.

Interest at a rate of 1% per month will be charged on unpaid account balances over 30 days from due date.

PROPOSED TARIFFS

SCHEDULE F PROVIDENCE WATER TERMS & CONDITIONS SERVICE FEE SCHEDULE (effective January 1, 2014) page 2 of 2

SERVICE	FEE
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POLICE DETAILS

If the work being performed presents a safety hazard and it is necessary to employ police details for traffic control, the applicant will be responsible for such costs at the then current rate of the respective Town or City. For illustrative purposes, the hourly detail rates as of February 20, 2013 are as follows:

Cranston	\$40.55
Johnston	44.36
North Providence	41.62
Providence	52.89

NEW WATER METER INSTALLATION - INCLUDING ERT

5/8" Meter	\$ 184.00
3/4" Meter	230.00
1" Meter	266.00
1 1/2" Meter	457.00
2" Meter	545.00

All meters greater than 2" will be charged on an actual time and materials basis.

NEW ERT - ALL METER SIZES	\$ 109.00
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(Applies only to existing ERT's that are lost, stolen, or damaged by customers. There is no charge to retro-fit an existing meter to AMR technology.)

SERVICE SHUTOFF FEE	\$ 64.00
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SERVICE RESTORATION FEE	\$ 43.00
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SPECIAL REQUESTS FOR SERVICES NOT LISTED ABOVE THAT DO NOT BENEFIT ALL CUSTOMERS	Billed at actual Cost plus overhead Rates in effect
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PROPOSED TARIFFS

**SCHEDULE F
PROVIDENCE WATER
TERMS & CONDITIONS
SERVICE FEE SCHEDULE
(effective January 1, 2014)
page 1 of 2**

NOTE: All applicants must complete financial arrangements prior to services being rendered. Applicants are responsible for obtaining and paying for all permits and any additional fees.

SERVICE	FEE
PHOTOCOPYING	
Distribution Sheet	\$ 3.00/copy
Letter or Legal Size Document	\$.15/copy
LIEN CERTIFICATE	\$ 6.00
RETURNED CHECK FEE	\$ 20.00
PLAN CHECKING/WATER AVAILABILITY REVIEW	\$ 57.00/hour
EASEMENT/ABANDONMENT REQUEST	\$ 50.00/hour
FIRE HYDRANT FLOW TEST	\$ 118.00
NEW WATER SERVICE INSTALLATION - BASIC	
1" Water Service	\$1,673.00
1 ½" Water Service	2,596.00
2" Water Service	2,931.00
4" Water Service	3,700.00
6" Water Service	3,998.00

NEW WATER SERVICE INSTALLATION - SPECIAL CIRCUMSTANCES

All services greater than 6" will be installed and charged on a time and materials basis, consistent with the methodology used in computing the above service charges. **Notwithstanding the above schedule**, any sites where special circumstances may be encountered (ie. ledge, special fittings, routing around other utilities) will also be charged on a time and materials basis. The average time rate for all manpower and equipment (including overhead) averages approximately \$400/hr.

PAVEMENT/SIDEWALK RESTORATION CHARGES

Applicants are responsible for all *actual* road and/or sidewalk restoration charges, as the charge varies with the size of the excavation and the pavement thickness. For illustrative purposes, on average, the charge is approximately \$300 for payment restoration and \$75 for sidewalk.