

Providence Water Docket 4406

**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

DIV 1-32. Please provide a breakdown of the planned IFR spending of \$24 million per year beginning in CY 2014 and show the cause of the \$2 million increase beyond the additional \$6 million for pipe replacement.

Answer: Please see the attachments to DIV 1-31, the 2010 IFR plan and the update filed as of March 1, 2013. In the original plan, it was balanced with a combination of additional bond proceeds and additional rate revenue, as shown on Exhibit 3. Please see the detailed sheet as of 17-Nov-10 that supports the amounts included in the 2010 plan.

In May 2012, Providence Water revised our plan internally and requested Board authorization for a \$33 million bond filing (D-12-90) and an approximate \$2 million increase in rates, for the planned filing for calendar year 2014. Please see the updated Exhibit 3 and detailed sheet as of May 22, 2012.

As explained in the testimony of Boyce Spinelli and Paul Gadoury, Providence Water decided to request an additional \$6 million for Main Replacements, over and above the \$2 million as required to balance the plan. Please see the updated Exhibit 3 as of March 1, 2013, and detail which incorporates the additional project costs for main rehabilitation.

Exhibit 3 - 20-Year Sources and Uses of Funds - FY 2011 through FY 2030

Exhibit 3
Providence Water
Sources and Uses of Funds
 IFR Funding & Expenditure Projections (\$000's)
 Fiscal Years 2011 through 2030

	2011-2015	2016-2020	2021-2025	2026-2030	2011-2030
	Phase 1	Phase 2	Phase 3	Phase 4	Total
Sources of Funding:					
Current Authorized Funding	\$80,000	\$80,000	\$80,000	\$80,000	\$320,000
Current Bond Proceeds	8,300	0	\$0	\$0	8,300
Funds Available from Prior Years	15,123	0	\$0	\$0	15,123
Additional Rate Revenue	11,500	34,000	\$35,000	\$35,000	115,500
Additional Bond Proceeds	15,500	30,000	\$0	\$0	45,500
Total Sources of Funds	130,423	144,000	115,000	115,000	504,423
Uses of Funding:					
Cash Funded Construction Projects	\$109,590	\$111,560	\$80,710	\$83,485	\$385,345
Existing Debt Service	18,742	14,689	14,689	14,689	62,809
Additional Debt Service	1,775	13,948	17,390	17,390	50,502
Total Uses of Funds	130,107	140,197	112,789	115,564	498,656
IFR Program Surplus/(Deficit)	\$317	\$3,804	\$2,211	-\$564	\$5,767

As of 17-Nov-10

Providence Water IFR Funding Projections - Details FY's Ending June 30, 2011 - 2030 (\$ 000's)	Phase 1					Phase 2					Phase 3					Phase 4					x-check
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Current Authorized Revenues	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	320,000
Funds From Prior Years	15,123																				15,123
ARRA Bond \$ 8.9 million	3,600	2,800	1,900	7,800																	8,300
Additional Bond \$ 17 million 2013																					15,500
Additional Bond \$ 33 million 2016																					30,000
Add'l Rate Revenue effective 1/1/12		1,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	37,000
Add'l Rate Revenue effective 1/1/14			1,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	49,500
Add'l Rate Revenue effective 1/1/16						1,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	29,000
Add'l Rate Revenue effective 1/1/21																					0
Add'l Rate Revenue effective 1/1/24																					0
Projected Funding and Requests:	34,723	19,800	27,600	27,300	21,000	25,000	35,000	33,000	28,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	504,423
Expenditures																					
Cash funded projects	26,320	19,650	23,755	20,420	19,445	21,295	28,445	25,380	19,445	16,895	14,325	15,175	20,310	15,125	15,775	17,300	17,200	16,435	16,200	16,350	365,345
Debt Service	932	931	931	930	930	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,655
Debt Service \$35 million 2008	2,455	2,454	2,453	2,451	2,450	2,450	2,448	2,445	2,444	2,443	2,450	2,446	2,445	2,444	2,443	2,450	2,448	2,445	2,444	2,443	48,953
Debt Service \$8.9 ARRA 2009	16	356	465	494	493	493	492	491	491	491	493	492	492	491	491	493	492	492	491	491	9,201
Additional Debt Service 2013	0	0	0	592	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	16,520
Additional Debt Service 2016	0	0	0	0	0	0	1,148	2,295	2,295	2,295	2,295	2,295	2,295	2,295	2,295	2,295	2,295	2,295	2,295	2,295	30,983
Projected total expenditures	29,723	23,392	27,604	24,887	24,501	25,421	33,716	31,795	25,858	23,407	20,746	21,593	26,725	21,538	22,187	23,721	23,618	22,850	22,613	22,762	498,656
Projected Funding and Requests:	34,723	19,800	27,600	27,300	21,000	25,000	35,000	33,000	28,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	504,423
Projected total expenditures	29,723	23,392	27,604	24,887	24,501	25,421	33,716	31,795	25,858	23,407	20,746	21,593	26,725	21,538	22,187	23,721	23,618	22,850	22,613	22,762	-498,656
Annual Available	5,000	-3,592	-4	2,414	-3,501	-421	1,285	1,205	2,142	-407	2,254	1,407	-3,725	1,462	-813	-721	-618	150	387	238	5,767
Cumulative available	5,000	1,408	1,404	3,818	317	-105	1,180	2,385	4,527	4,120	6,374	7,781	4,056	5,518	6,331	5,610	4,992	5,142	5,529	5,767	0
Sub-total by Phases for Exhibit 1																					0
Current Authorized Revenues	80,000				80,000					80,000					80,000						80,000
Funds From Prior Years	15,123				15,123					0					0						15,123
Current Bond Proceeds	8,300				8,300					0					0						8,300
Additional Rate Revenue	11,500				11,500					34,000					35,000						115,500
Additional Bond Proceeds	15,500				15,500					30,000					0						45,500
Cash funded projects	\$109,590				\$109,590					\$111,560					\$80,710						\$83,485
Existing Debt Service	\$18,742				\$18,742					\$14,689					\$14,689						\$14,689
Additional Debt Service	\$1,775				\$1,775					\$15,946					\$17,390						\$17,390

Assumes Additional Borrowing for 20 years at 4.5% market or 3.375% Subsidized Interest

Exhibit 3
 Providence Water
 Sources and Uses of Funds
 IFR Funding & Expenditure Projections (\$000's)
 Fiscal Years 2011 through 2030

As of May 22, 2012

	2011-2015		2016-2020		2021-2025		2026-2030		2011-2030
	Phase 1	Phase 2	Phase 3	Phase 4	Phase 3	Phase 4	Phase 3	Phase 4	Total
Sources of Funding:									
Current Authorized Funding	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 320,000
Current Bond Proceeds	\$ 8,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,300
Funds Available from Prior Years	\$ 17,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,123
Additional Rate Revenue	\$ 3,000	\$ 25,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 108,000
Additional Bond Proceeds	\$ 30,000	\$ 25,000	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000
Total Sources of Funds	\$ 138,423	\$ 130,000	\$ 125,000	\$ 120,000	\$ 125,000	\$ 120,000	\$ 125,000	\$ 120,000	\$ 513,423
Uses of Funding:									
Cash Funded Construction Projects	\$ 109,590	\$ 106,900	\$ 85,710	\$ 83,485	\$ 85,710	\$ 83,485	\$ 85,710	\$ 83,485	\$ 385,685
Existing Debt Service	\$ 18,742	\$ 14,689	\$ 14,689	\$ 14,689	\$ 14,689	\$ 14,689	\$ 14,689	\$ 14,689	\$ 62,809
Additional Debt Service	\$ 3,444	\$ 14,922	\$ 22,957	\$ 22,957	\$ 22,957	\$ 22,957	\$ 22,957	\$ 22,957	\$ 64,280
Total Uses of Funds	\$ 131,776	\$ 136,511	\$ 123,356	\$ 121,131	\$ 123,356	\$ 121,131	\$ 123,356	\$ 121,131	\$ 512,774
IFR Program Surplus/(Deficit)	\$ 6,647	\$ (6,511)	\$ 1,644	\$ (1,131)	\$ 1,644	\$ (1,131)	\$ 1,644	\$ (1,131)	\$ 649

Providence Water IRK Funding Projections - Details FY's Ending June 30, 2011 - 2030 (\$ 000's)	As of May 22, 2012													x-check										
	Phase 1			Phase 2			Phase 3			Phase 4			2030											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022			2023	2024	2025	2026	2027	2028	2029			
Current Authorized Revenues	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	320,000	
Funds From Prior Years	17,123																							17,123
Bond Drawdown \$35 million	3,600	2,800	1,900																					8,300
ARRA Bond \$ 8.9 million			10,000																					30,000
Additional Bond \$ 33 million 2013																								33,000
Additional Bond \$ 33 million 2018																								33,000
Add'l Rate Revenue effective 1/1/12																								43,500
Add'l Rate Revenue effective 1/1/14																								31,500
Add'l Rate Revenue effective 1/1/16																								513,423
Add'l Rate Revenue effective 1/1/20																								
Add'l Rate Revenue effective 1/1/24																								
Projected Funding and Requests:	36,723	18,800	27,900	27,000	28,000	19,500	21,000	24,000	33,000	32,500	29,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	513,423	
Expenditures																								
Cash funded projects *	26,860	17,700	24,305	21,545	19,180	17,725	19,125	18,210	26,545	25,295	19,325	15,175	20,310	15,125	15,775	17,300	17,200	16,435	16,200	16,350	16,350	16,350	385,685	
Debt Service	932	932	931	930	930	2,450	2,448	2,445	2,444	2,443	2,450	2,448	2,445	2,444	2,443	2,450	2,448	2,445	2,444	2,443	2,443	2,443	4,655	
Debt Service \$35 million 2008	2,455	2,454	2,453	2,451	2,450	493	492	492	491	491	493	492	492	491	491	493	492	492	491	491	491	491	9,201	
Debt Service \$8.9 ARRA 2009	16	356	465	494	493	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	37,880	
Additional Debt Service 2013																								
Additional Debt Service 2018																								
Projected total expenditures	30,263	21,442	28,154	26,568	25,349	22,964	24,361	23,443	32,924	32,820	26,859	22,706	27,838	22,651	23,300	24,834	24,731	23,963	23,726	23,875	23,875	23,875	512,774	
Projected Funding and Requests:	36,723	18,800	27,900	27,000	28,000	19,500	21,000	24,000	33,000	32,500	29,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	513,423	
Projected total expenditures	(30,263)	(21,442)	(28,154)	(26,568)	(25,349)	(22,964)	(24,361)	(23,443)	(32,924)	(32,820)	(26,859)	(22,706)	(27,838)	(22,651)	(23,300)	(24,834)	(24,731)	(23,963)	(23,726)	(23,875)	(23,875)	(23,875)	(512,774)	
Annual Available	6,460	(2,642)	(254)	432	2,651	(3,464)	(3,361)	557	76	(320)	2,141	1,294	(3,838)	1,349	700	(834)	(731)	37	274	125	125	649		
Cumulative available	6,460	3,818	3,564	3,996	6,047	3,184	(1,177)	380	457	136	2,277	3,570	(268)	1,090	1,780	945	214	250	524	649	649	649		
Sub-total by Phases for Exhibit 1																								
Current Authorized Revenues	80,000																							80,000
Funds From Prior Years	17,123																							17,123
Current Bond Proceeds	8,300																							8,300
Additional Rate Revenue	3,000																							3,000
Additional Bond Proceeds	30,000																							30,000
Cash funded projects	109,590																							109,590
Existing Debt Service	18,742																							18,742
Additional Debt Service	5,444																							5,444
																								62,809
																								62,809
																								67,280

Assumes Additional Borrowing for 20 years at 4.5% market or 3.375% Subsidized Interest
* as of May 2012

Exhibit 3

Providence Water

Sources and Uses of Funds

IFR Funding & Expenditure Projections (\$000's)
Fiscal Years 2011 through 2030

As of March 1, 2013

	2011-2015		2016-2020		2021-2025		2026-2030		2011-2030	
	Phase 1	Phase 2	Phase 3	Phase 4	Phase 1	Phase 2	Phase 3	Phase 4	Total	Total
Sources of Funding:										
Current Authorized Funding	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 320,000	\$ 320,000
Current Bond Proceeds	\$ 8,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,300	\$ 8,300
Funds Available from Prior Years	\$ 17,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,123	\$ 17,123
Additional Rate Revenue	\$ 12,000	\$ 55,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 207,000	\$ 207,000
Additional Bond Proceeds	\$ 30,000	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,000
Total Sources of Funds	\$ 147,423	\$ 165,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 612,423	\$ 612,423
Uses of Funding:										
Cash Funded Construction Projects	\$ 119,095	\$ 141,500	\$ 111,835	\$ 113,235	\$ 111,835	\$ 113,235	\$ 111,835	\$ 113,235	\$ 485,665	\$ 485,665
Existing Debt Service	\$ 18,742	\$ 14,689	\$ 14,689	\$ 14,689	\$ 14,689	\$ 14,689	\$ 14,689	\$ 14,689	\$ 62,809	\$ 62,809
Additional Debt Service	\$ 3,444	\$ 14,922	\$ 22,957	\$ 22,957	\$ 22,957	\$ 22,957	\$ 22,957	\$ 22,957	\$ 64,280	\$ 64,280
Total Uses of Funds	\$ 141,281	\$ 171,111	\$ 149,481	\$ 150,881	\$ 149,481	\$ 150,881	\$ 149,481	\$ 150,881	\$ 612,754	\$ 612,754
IFR Program Surplus/(Deficit)	\$ 6,142	\$ (6,111)	\$ 519	\$ (881)	\$ 519	\$ (881)	\$ 519	\$ (881)	\$ (331)	\$ (331)

Providence Water IFR Funding Projections - Details FY's Ending June 30, 2011 - 2030 (\$ 000's)		As of March 1, 2013												x-check								
		Phase 1			Phase 2			Phase 3			Phase 4											
Fiscal years (7/1-6/30)		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Current Authorized Revenues		16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	
Funds From Prior Years		17,123																				
Bond Drawdown \$35 million		3,600	2,800	1,900	10,000	10,000			3,000	12,000	15,000											
ARRA Bond \$ 8.9 million																						
Additional Bond \$ 33 million 2013																						
Additional Bond \$ 33 million 2018																						
Add'l Rate Revenue effective 1/1/12					4,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	
Add'l Rate Revenue effective 1/1/14							1,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
Add'l Rate Revenue effective 1/1/16																						
Add'l Rate Revenue effective 1/1/20																						
Add'l Rate Revenue effective 1/1/24																						
Projected Funding and Requests:		36,723	18,800	27,900	30,000	34,000	25,500	27,000	30,000	39,000	43,500	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	
Expenditures																						
Cash funded projects *		26,860	17,575	23,415	25,165	25,680	23,825	24,625	24,710	33,045	35,295	20,900	22,000	26,885	20,700	21,350	23,850	23,750	21,985	21,750	21,900	
Debt Service		932	932	931	930	930					2,443	2,450	2,448	2,445	2,444	2,443	2,450	2,448	2,445	2,444	2,443	
Debt Service \$35 million 2008		2,455	2,454	2,453	2,451	2,450	2,450	2,448	2,445	2,444	2,443	2,450	2,448	2,445	2,444	2,443	2,450	2,448	2,445	2,444	2,443	
Debt Service \$8.9 ARRA 2009		16	356	465	494	493	493	492	491	491	491	493	492	492	491	491	493	492	491	491	491	
Additional Debt Service 2013					1,148	2,296	2,296	2,296	2,296	1,148	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	2,296	
Additional Debt Service 2018																						
Projected total expenditures		30,263	21,317	27,664	30,188	31,849	29,064	29,861	29,943	39,424	42,820	28,434	29,531	34,413	28,226	28,875	31,384	31,281	29,513	29,276	29,425	
Projected Funding and Requests:		36,723	18,800	27,900	30,000	34,000	25,500	27,000	30,000	39,000	43,500	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	
Projected total expenditures		(30,263)	(21,317)	(27,664)	(30,188)	(31,849)	(29,064)	(29,861)	(29,943)	(39,424)	(42,820)	(28,434)	(29,531)	(34,413)	(28,226)	(28,875)	(31,384)	(31,281)	(29,513)	(29,276)	(29,425)	
Annual Available		6,460	(2,517)	236	(188)	2,151	(3,564)	(2,861)	57	(424)	680	1,566	469	(4,413)	1,774	1,125	(1,384)	(1,281)	487	724	575	
Cumulative available		6,460	3,943	4,179	3,991	6,142	2,579	(282)	(225)	(648)	31	1,597	2,065	(2,348)	(575)	550	(835)	(2,116)	(1,630)	(906)	(331)	
Sub-Total by Phases for Exhibit 1																						
Current Authorized Revenues					80,000						80,000					80,000					80,000	
Funds From Prior Years					17,123																17,123	
Current Bond Proceeds					8,300																8,300	
Additional Rate Revenue					12,000																12,000	
Additional Bond Proceeds					30,000																30,000	
Cash funded projects					119,095					141,500						111,835					113,235	
Existing Debt Service					18,742					14,689						14,689					14,689	
Additional Debt Service					3,744					14,922						22,957					22,957	

* Assumes Additional Borrowing for 20 years at 4.5% market or 3.375% subsidized interest

As of March 2013

Providence Water Docket 4406

**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

Div 1-33. Please provide supporting documentation for the planned spending of \$1.2 million per year for meter replacements, test and repair.

Answer: Please see attached document provided by Commercial Services Department.

Providence Water- AMR/Meter Replacement Projected Expenses

1. Large Meter Testing (annually)
Large Meters- 199
Cost \$500 per test (* price is under current contract which expires 6/13)
Additional cost- new installations (10)
 - Repairs- 10% fail during testing per year
 - Data logging/ rightsizing \$800.00 per
 - Testing of hydrant meters and backflow 3"Total- \$ 200, 000.00

 2. Itron Maintance (annually 4% increase)
Service Agreements for reading equipment - \$15, 000
Leak Detection software \$ 10, 000
Total \$ 25, 000.00

 3. Service Link- (annually 4% increase)
Warranty on Modems- \$900.00
Warranty on Handheld units- \$2,999.00
Software maintance- \$ 19,760.00
Total- \$23,659.00

 4. Purchase of new reading equipment (monthly billing)
Mobile Collector (MC-3-CF) and hardware
Total- \$35,265.00

 5. Large meter purchases-
Stocking of twenty meters of different sizes
New installations
New umes(Unitized Measuring Element- the measuring unit inside the meter that calibrates the amount of water passing through the meter. Can be replaced in the field after a testing)
Total- \$75,000

 6. Small Meter Purchases- (* price is under current contract which expires 6/13)
Based on our fifteen year replacement program we will be replacing approximately 12, 000 meters over the next two years. We will be targeting all Neptune retro-fitted meters, all first generation ERT that were installed at the beginning of the AMR program, all meters 15 years or older, as well as new services. 73%- 5/8" 14%- 3/4" 9%- 1" 1.5"- 2% 2"- 2%
- Total- \$334, 000.00

7. ERT Purchases-

Will be ordering ERTs for all small meters as well as ERTs for large meters.

Total- \$534,000

8. Emergency Plumbing-

Work that is done during non-business hours, that requires additional equipment that Providence Water does not possess.

Total- \$20,000

9. Miscellaneous-

Mounts for handhelds, shipping of ERTs, and wireless fees associated with Service Link should Telogis fail and additional support is needed.

Total-\$6,000.00

Total Cost- \$1,252,924.00

Less \$52,924.00- (existing meter inventory from meters purchased through ARRA Funds)

Total Cost- \$1,200,000.00

*Possible increase with pricing for meters and testing due to new RFP(Request for Proposal) coming out for the next fiscal year. Also, need to factor the new no lead brass requirements for meters and materials.

Prepared by M. Ceseretti

Providence Water Docket 4406

Data Requests of the Division of Public Utilities and Carriers Set 1

Div 1-34 Please explain why it is necessary and appropriate to maintain a balance of over \$2.9 million in the Insurance Fund.

Answer: To put a comprehensive insurance program in place for a water utility of our size is a complicated process. Providence Water reviews its insurance coverages each year and has hired Ronald P. Joseph CPCU, formerly of Starkweather & Shepley, Insurance Brokerage Inc. for the past 10 years to advise us accordingly.

We believe it is clearly in the best interest of Providence Water and the rate payers to have a \$2.9 million reserve for the following reasons.

- Our current workers' compensation insurance program has a \$350,000 deductible per incident and \$3,250,000 maximum annual deductible.
- Currently Providence Water has a \$25,000 deductible on general liability claims and pays out a substantial amount each year. This fiscal year Providence Water has paid or will pay approximately \$200,000 in claims.
- Providence Water has multiple insurance policies with a variety of deductibles.
- Providence Water continues to have difficulty obtaining competitive quotes for some coverages, the reserve will allow us to raise the deductible, when advisable, to make the proposal more attractive.
- The insurance market is volatile and many outside factors can affect premiums, the reserve allows us to stabilize and absorb higher premiums without affecting rates.
- The reserve allows us the flexibility to perform studies and finance programs beneficial to Providence Water which produces lower premiums.
- More self-insurance programs may be an option in the future. These options can only be considered with a sizable reserve.
- The reserve allows for additional funding for other expenses such as instances when coverage is denied and/or additional legal services are required and payment is the responsibility of Providence Water.

Providence Water Docket 4406

**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

DIV 1-35. Please provide a detailed analysis of the sources and uses of the restricted Revenue Reserve Fund from its implementation through FY 2012.

Response: Please see the attached "PWSB Response to DIV 1-35, Revenue Reserve Account Analysis" for a summary of this information.

PWSB Response to DIV 1-35
 Revenue Reserve Account Analysis

PROVIDENCE WATER
 Revenue Reserve Account Analysis
 For Period 01/01/08-6/30-12

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Beginning Balance	\$ -	\$ 551,848	\$ 1,657,625	\$ 832,850	\$ 1,946,702
Transfer of Revenue	\$ 551,848	\$ 1,103,696	\$ 1,108,774	\$ 1,113,852	\$ 1,113,852
Interest Income	\$ -	\$ 2,081	\$ -	\$ -	\$ -
Sub-total	\$ 551,848	\$ 1,105,777	\$ 1,108,774	\$ 1,113,852	\$ 1,113,852
Disbursements:					
Transfer to Operations**	\$ -	\$ -	\$ (1,933,549)	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-total	\$ -	\$ -	\$ (1,933,549)	\$ -	\$ -
Fiscal Year Ending Balance	\$ 551,848	\$ 1,657,625	\$ 832,850	\$ 1,946,702	\$ 3,060,554
Fund Balance at 6/30/2012					\$ 3,060,554

**Note: As Approved, Per, PUC R&O #20159

Providence Water Docket 4406

**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

DIV 1-36. Please provide a breakdown of revenues in CY 2010 according to the types of revenue shown on Schedule HJS-S1. Also identify sales by customer class for CY 2010 similar to those shown on HJS-S23.

Answer: Please see attached.

Providence Water

Calendar
YE 2010

Revenue

Service Charge	\$ 5,592,352
Retail Sales	\$ 31,746,710
Wholesale Sales	\$ 16,594,260
Private Fire Protection	\$ 1,712,193
Prov. FPSC	\$ -
Public Fire Protection	\$ 1,938,261
Miscellaneous Revenue	\$ 1,303,974
Other	\$ -

Total Revenue \$ 58,887,750

Calendar
YE 2010

Water Sales (hcf)

East Providence	2,147,622
East Smithfield	312,724
Greenville	439,381
Kent County	2,638,193
Smithfield	418,019
Warwick	4,666,427
Lincoln	1,110,003
Johnston	301,030
Bristol County	<u>1,394,889</u>
Wholesale	13,428,288

Residential	8,922,830
Commercial	4,486,692
Industrial	<u>186,788</u>
Retail	<u>13,596,310</u>

Total Consumption HCF 27,024,598

For D4406 Div 1-36

Providence Water Docket 4406

**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

DIV 1-37. Please state whether any of the additional \$8 million of IFR work will be performed by Providence Water employees. If yes, please identify the additional wages associated with this work.

Response: The additional IFR funding is planned to be used for water main replacement and relining work which is to be performed by private contractors. There is no plan to have Providence Water employees perform any of this work.

Providence Water Docket 4406

**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

DIV 1-38. Please explain the source of and provide supporting documentation for the inflation rate of 2.5 percent per year from FY 2012 through CY 2014.

Response: Please see the attached “PWSB Response to DIV 1-38, Derivation of Inflation Adjustment.” The inflation factor of 2.5% is based on an analysis of Consumer Price Index data reported by the United States Bureau of Labor Statistics. The CPI-U, or Consumer Price Index for “All Urban Consumers” was used to derive the annual estimate. Two alternative methodologies were used to determine an appropriate inflation rate: first, the percentage change in the annual average CPI-U from 2010-2011 and 2011-2012 was calculated. The average for these two years was 2.35%. The second methodology compared the percentage change in the CPI-U between December 2010 to December 2011 and December 2011 to December 2012. The average of these two was 2.61%. The amounts used, as well as the calculated rates under each method can be found on the BLS website (<ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.ai.txt>). Additionally, I have replicated the BLS calculations in the attached table. I used the average of the two estimates (2.48%) rounded to the nearest tenth of a percent.

PWSB Response to DIV 1-38
Derivation of Inflation Adjustment

	CY 2010	CY 2011	CY 2012	
January	216.687	220.223	226.665	
February	216.741	221.309	227.663	
March	217.631	223.467	229.392	
April	218.009	224.906	230.085	
May	218.178	225.964	229.815	
June	217.965	225.722	229.478	
July	218.011	225.922	229.104	
August	218.312	226.545	230.379	
September	218.439	226.889	231.407	
October	218.711	226.421	231.317	
November	218.803	226.23	230.221	
December	219.179	225.672	229.601	
Annual Average	218.0555	224.9392	229.5939	
				2 Year Average
% Change (Dec-Dec)		2.96%	1.74%	2.35%
% Change (Annual Average)		3.16%	2.07%	2.61%
				<u>2.48%</u>
				Per Year Inflation Rate for Rate Year Adjustments
				2.50%

Source: Consumer Price Index All Urban Consumers - CPI-U
<ftp://ftp.bls.gov/pub/special.requests/cpi/cpiiai.txt>

Providence Water Docket 4406

**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

DIV 1-39. Please provide work papers and supporting documentation for the claimed increases in costs to switch to monthly billing.

Response: The cost increases associated with switching to monthly billing are driven by three factors: first, the need for an additional Sr. Administrative Clerk to supervise the processing of the additional bills; second an increase in the annual cost of processing bills associated with processing and mailing bills more frequently (from 4 times to 12 times per year); finally, an increase in costs associated with processing payments more frequently through Century Bank's lockbox service. The increase associated with adding a Sr. Administrative clerk assumes the current base salary, increased per the contractual 4.55% with estimated fringe benefits equal to 50% of the pro-forma salary (i.e. $\$42,452 \times (.5) = \$21,226$), for a total adjustment of \$63,667. The increase in printing and postage costs assumes a cost per bill (including processing and postage) of \$.54 multiplied by 73,846 bills for a monthly cost of \$39,877. Incurred an additional 8 times per year, the adjustment associated with printing and postage is \$319,015 ($\$39,877 \times 8$). The increase associated with payment processing through the lockbox service was estimated by Century Bank to be \$49,000 annually. The total adjustment is \$431,692. Also note that the adjustment to 60170 should be \$42,452, not \$42,252. This will be revised in my rebuttal testimony. Please see the attached "PWSB Response to DIV 1-39, Documentation of Monthly Billing Costs."

PWSB Response to DIV 1-39
 Documentation of Monthly Billing Costs

Description	Account	Amount
1 Additional Sr Administrative Clerk		
Current SAC Salary		\$ 40,606
Contractual Increases		1,04545
Pro-Forma Salary	60170	\$ 42,452
Fringe Benefits (50% of Salary)	60470	\$ 21,226
Total Additional Expense Pro-Forma		\$ 63,677
Printing and Postage		
Cost of Processing (per Bill)		\$ 0.54
Bills		73,846
Current Processing Costs (Monthly)		\$ 39,877
Add'l Times Per Year		\$ 8
Total Additional Expense Pro-Forma	67570	\$ 319,015
Additional Lockbox Costs*	63580	49,000
Total Adjustment		<u>431,692</u>

*Estimate Per Century Bank

Collin Drat

From: Mary Deignan-White [mdeignan-white@prowater.com]
Sent: Tuesday, December 18, 2012 10:37 AM
To: Collin Drat; Harold Smith; Tom Beckley
Cc: Jeanne Bondarevskis
Subject: Fwd: Re: Question

Follow Up Flag: Follow up
Flag Status: Completed

As part of switching to monthly billing we would also need to add the additional cost of processing payments monthly through our lockbox. Century Bank provided me with a rough estimate of the additional cost at approximately \$49,000 annually, this should be included in **63580 admin and general contractual services**. Since I am responsible for wiring funds from lockbox it seems that those costs have been included in admin in the past. I don't know at this time do we change to Customer Accounts Expense. Just a thought.

Thanks Mary

>>> Mary Deignan-White (Mary Deignan-White) 12/14/12 2:28 PM >>>
Thank you Peter this will be very helpful.

>>> <PCastiglia@centurybank.com> 12/14/12 11:53 AM >>>
Mary,

We currently receive and process around 240,000 remittances in your lockbox each year (that is about 83% of the bills you mail out). Assuming this percentage stays the same when you switch to monthly billing we would process over 718,000 remittances each year (83% of 864,000). If we also assume that all related volumes (e.g. checks deposited, checks returned etc) go up in corresponding manner **AND** we make no changes to either your current processing parameters your annual fees would increase by **\$98,000**.

Almost a third of that increase- \$31,000 is the result of the related increase in volume of check-only payments received in your lockbox from online bill payment processors. We currently charge you \$0.22 to process each of these items (i.e. Lockbox Data Entry). I have already discussed with Joe Murphy an initiative on our part to begin accepting these payments electronically (instead of by paper check). Items received in this manner (ie. electronically) will cost you \$0.09/item instead of \$0.22/item. If all of your check-only payments become electronic (that is a best case scenario) the increase in annual fees (from switching to monthly billing) would be only **\$41,000**, however not all online bill payment processors go electronic so the increase may be closer to **\$49,000**.

So for the purposes of your analysis I would use the figure of an additional **\$49,000** in annual fees from switching to monthly billing.

Feel free to call/email with any questions you have about these estimates.

Regards,

Peter

Peter R. Castiglia
Senior Vice President

Institutional Services and Government Banking Services
Century Bank
400 Mystic Avenue
Medford, MA 02155
781-393-4041
pcastiglia@centurybank.com

From: "Mary Deignan-White" <mdeignan-white@provwater.com>
To: <PCastiglia@centurybank.com>,
Date: 12/13/2012 12:19 PM
Subject: Re: Question

Correct. It would only happen if we went to monthly billing for all customers.

>>> <PCastiglia@centurybank.com> 12/13/12 12:14 PM >>>
Sure- How soon do you need it,

Just to confirm- you are currently billing 72,000 accounts quarterly, or in other words mailing out 288,000 bills (4 x 72,000) each year- some of which are paid through lockbox.

You are seeking to bill monthly- or mail out 864,000 bills each year.

Peter R. Castiglia
Senior Vice President
Institutional Services and Government Banking Services
Century Bank
400 Mystic Avenue
Medford, MA 02155
781-393-4041
pcastiglia@centurybank.com

From: "Mary Deignan-White" <mdeignan-white@provwater.com>
To: <PCastiglia@century-bank.com>,
Date: 12/13/2012 10:56 AM
Subject: Question

Peter,

If Providence Water went to monthly billing for 72,000 accounts would you expect our lockbox service fee to increase dramatically? We are filing new rates with the RI Public Utilities Commission and would need to include that possible cost in our schedules. Could you provide me with a rough estimate?

Thanks Mary

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Providence Water Docket 4406

**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

DIV 1-40. Please provide purchase power expenses for each applicable purchase power account for the most recent 12 months available.

Answer: Please see attached.

Providence Water
Purchase Power Expense
12 mos ending March 2013

Purchased Power

61523 Pumping	\$602,190.52
61530 Treatment	\$200,176.69
61550 Trans & Dist	\$12,744.12
61580 Admin. & General	<u>\$114,123.90</u>
	\$929,235.23

Fuel for Power Purch

61630 Treatment	\$259,751.88
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For D4406 Div 1-40