

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: PROVIDENCE WATER SUPPLY BOARD :  
APPLICATION TO CHANGE RATE SCHEDULES : DOCKET NO. 4406

REPORT AND ORDER

**I. Introduction**

On March 29, 2013, Providence Water Supply Board (Providence Water) made a general rate filing with the Public Utilities Commission (PUC or Commission). The rate filing, if approved, would have resulted in an overall increase of 24.3%, for a total revenue requirement of \$74,707,375, an increase of \$14,619,888. The effect on a typical residential customer outside of Providence using 74,800 gallons of water per year would be a rate increase of \$72.98 per year.<sup>1</sup> Providence Water also proposed billing all customers on a monthly rather than quarterly basis.

Providence Water requested an effective date of April 29, 2013. Kent County Water Authority (KCWA), Bristol County Water Authority (BCWA), the City of Warwick, and City of East Providence filed Motions to Intervene based on their status as wholesale purchasers of water from Providence Water. No objection was filed and the Motions were granted in accordance with Rule 1.13(e) of the Commission's Rules of Practice and Procedure. On April 23, 2013, the Commission suspended the filing.

**II. Providence Water's Direct Testimony**

Providence Water submitted the direct prefiled testimony of Boyce Spinelli, General Manager, Paul Gadoury; former Director of Engineering (recently retired); and Harold Smith,

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<sup>1</sup> On April 17, 2013, Providence Water submitted the Supplemental Testimony and Schedules of Harold Smith to adjust the fire service charges. He stated in his testimony that the Supplemental Testimony only affected the allocation of costs between public and private fire service charges and did not affect the other rates. The effect on a typical residential customer in Providence, due to the in-city fire service protection charge, would be an increase of an additional \$0.17 per month.

consultant to Providence Water. Indicating that eighty cents of every dollar requested in the rate case is for water quality efforts, Mr. Spinelli outlined the major components of the requested rate increase: (1) \$8 million for an increase in the infrastructure and replacement (IFR) program; (2) \$3 million for chemicals and sludge maintenance; (3) \$500,000 for the implementation of a unidirectional flushing program; (4) \$2.7 million for increases in salaries, property taxes, rate case expense, inflation, and reserves; and (5) \$400,000 to cover the cost of switching from quarterly to monthly billing.<sup>2</sup> In support of the increase in IFR funding, Mr. Spinelli stated that Providence Water has been working with the Rhode Island Department of Health (Health Department) to revise the IFR plan in response to the Health Department's orders and water quality concerns with the amount of time to replace water mains.<sup>3</sup> Addressing a prior PUC order, Mr. Spinelli noted that Providence Water submitted a conservation rate plan, but did not recommend implementing it simultaneously with the proposed monthly billing because the move to monthly billing could have a conservation effect on its own.<sup>4</sup> Mr. Spinelli indicated that Providence Water was not proposing any changes to the operating reserve.<sup>5</sup>

In support of the increase in IFR funding, Mr. Gadoury recounted the ongoing water quality issues related to lead levels in the Providence Water system, discussing prior efforts to reduce the levels and their adverse results, including higher lead levels and difficulty balancing the chemicals in the system. Because of the failure of the prior measures, the Health Department and the Environmental Protection Agency required Providence Water to convene an Expert Panel to

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<sup>2</sup> Test. of Spinelli, 2, 4; [http://www.ripuc.org/eventsactions/docket/4406-PWSB-RateFiling\(3-29-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-PWSB-RateFiling(3-29-13).pdf). See also Test. of Gadoury, 13-16, explaining the reason for the increase sludge handling requirements; [http://www.ripuc.org/eventsactions/docket/4406-PWSB-RateFiling\(3-29-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-PWSB-RateFiling(3-29-13).pdf).

<sup>3</sup> Test. of Spinelli, 5.

<sup>4</sup> *Id.* at 6. A discussion of a conservation rate structure can be found in Mr. Smith's testimony at pages 18-25. Because it was not considered by the PUC in this docket, a full discussion is not included in this order. Mr. Smith's testimony can be found at: [http://www.ripuc.org/eventsactions/docket/4406-PWSB-RateFiling\(3-29-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-PWSB-RateFiling(3-29-13).pdf).

<sup>5</sup> Test. of Spinelli, 6.

reduce the lead levels.<sup>6</sup> Based on the findings of the Expert Panel, with approval from the Health Department, Providence Water returned to the pre-2005 treatment conditions, developed a unidirectional flushing program, and submitted a revised IFR program to expand the replacement/relining of the unlined cast iron mains.<sup>7</sup> Initial funding for the unidirectional program will come from the Capital Fund with ongoing activities funded from the Operations budget.<sup>8</sup>

Despite having redirected funds from lead service replacements to main replacement/relining activities and having received approval from the Division of Public Utilities and Carriers (Division) to borrow \$33 million to accelerate the water main work, Providence Water is only on track to address 7% of the unlined mains in the first five years of the program with only 40% being addressed after 20 years. Therefore, Mr. Gadoury stated that Providence Water is seeking an additional \$6 million in IFR funding dedicated to the water main replacement/relining program.<sup>9</sup>

The Test Year used by Mr. Smith was fiscal year ending June 30, 2012. He made five normalizing adjustments in order to come up with a “normal” year to start from for the purposes of ratemaking.<sup>10</sup> He also proposed using a three-year average for the estimated rate year consumption as a better representation of retail consumption than the previously used four-year average.<sup>11</sup> Discussing the Rate Year of calendar year ending December 31, 2014, Mr. Smith made

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<sup>6</sup> The Expert Panel was comprised of national water quality experts, including regulators, water professionals, and members of academia, to recommend studies and/or treatment modifications with the objective of reducing lead levels in the water. Test. of Gadoury, 3.

<sup>7</sup> Test. of Gadoury 2-5. [http://www.ripuc.org/eventsactions/docket/4406-PWSB-RateFiling\(3-29-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-PWSB-RateFiling(3-29-13).pdf). The Expert Panel was comprised of national water quality experts, including regulators, water professionals, and members of academia.

<sup>8</sup> *Id.* at 9.

<sup>9</sup> *Id.* at 11-12. The PUC conducted a Technical Record Session on October 8, 2013 to receive a full briefing on the history of the water quality and lead issues. A copy of the transcript can be found at [http://www.ripuc.org/eventsactions/docket/4406-Transcript-TechSession\\_10-8-13.pdf](http://www.ripuc.org/eventsactions/docket/4406-Transcript-TechSession_10-8-13.pdf)

<sup>10</sup> Test. of Smith, 7-8.

<sup>11</sup> *Id.*

adjustments to eight groups of accounts: (1) Payroll (\$641,579, reflecting contractual increases);<sup>12</sup> (2) Property Taxes (\$794,942 to account for anticipated increases);<sup>13</sup> (3) Insurance expense (\$124,943 based on inflationary expectations);<sup>14</sup> (4) Pension and other Benefits (\$130,954 based on contractual and inflationary increases);<sup>15</sup> (5) Regulatory and Rate Case expense (\$160,223 for anticipated costs and assuming a two-year amortization period);<sup>16</sup> (6) Chemical and Sludge (\$2,333,977 to support the requested level of the restricted fund based on the requested increase for sludge maintenance and using 2013 projected chemical expenses);<sup>17</sup> (7) Contractual Services – Other (\$150,000 to cover the costs of the Strategic Plan);<sup>18</sup> and (8) Infrastructure Replacement Fund (\$8,000,000 to cover costs of additional projects).<sup>19</sup> In addition, Mr. Smith adjusted all other accounts based on a 2.5% inflation factor and adjusted the 3% net operating reserve.<sup>20</sup> Additionally, Mr. Smith made adjustments to transmission and distribution line items to support the proposed unidirectional flushing program totaling \$507,545.<sup>21</sup> Finally, he made \$431,493 in adjustments to Customer Accounts and Administrative categories to support increased costs related to the proposed transition from quarterly to monthly billing.<sup>22</sup>

Turning to cost allocation and rate design, Mr. Smith stated that the proposed rates are based on the same approach as in Providence Water’s previous full rate filing. He described the approach as a modified Base/Extra Capacity approach, with the modification applying to the manner in which the wholesale costs are allocated. According to Mr. Smith, the wholesale costs

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<sup>12</sup> *Id.* at 9, 10.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 9, 10-11.

<sup>15</sup> *Id.* at 9, 11-12.

<sup>16</sup> *Id.* at 9, 12

<sup>17</sup> *Id.* at 9, 12-13.

<sup>18</sup> *Id.*

<sup>19</sup> *Id.* at 12.

<sup>20</sup> *Id.* at 9.

<sup>21</sup> *Id.* at 13.

<sup>22</sup> *Id.* at 13-14.

are not allocated according to their individual demand, but upon their proportionate share of total consumption. This assumes that the wholesale customers' demand characteristics are the same and that their demands for service match the entire retail rate class. He opined that the disparity in increases in wholesale rates and retail rates is not related to the difference in the way the costs are allocated, but were "most likely due to the fact that the wholesale rate increases that were agreed to by the parties to Providence Water's recent abbreviated filings were not based on a complete cost of service study and did not reflect the true cost associated with providing wholesale service."<sup>23</sup>

On April 17, 2013, Mr. Smith filed supplemental testimony and schedules representing a proposed rate increase of \$14,621,793. The supplemental testimony and amended schedules were necessary to correct for an error in allocating the fire protection charges. According to Mr. Smith, the only rates affected were the fire protection charges.<sup>24</sup>

### **III. KCWA's Direct Testimony**

On August 20, 2013, KCWA filed the Direct Testimony of Christopher P.N. Woodcock, its consultant. Stating that the increase to KCWA would be approximately 32.8%, Mr. Woodcock noted that the most recent cost allocation study was completed using the year ending June 30, 2006.<sup>25</sup> Mr. Woodcock provided schedules to support an increase of \$6,814,668, or 11.6%, and a reallocation of costs to result in a reduction to wholesale rates of 4.0% and an increase to retail rates of 17.6%.<sup>26</sup> Reviewing pro forma consumption used to calculate rate year revenue, Mr. Woodcock questioned the use of differing historic periods for retail and wholesale customers, arguing that both classes' pro forma consumption should be based on a historical average of the

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<sup>23</sup> *Id.* at 14-17

<sup>24</sup> Smith Supp. Test., 1-2.

<sup>25</sup> Woodcock Test., 4.

<sup>26</sup> *Id.* at 6-7.

same number of years. Next, Mr. Woodcock suggested updating the consumption for the most current number of meters and fire services.<sup>27</sup>

According to Mr. Woodcock, Providence Water had misallocated capital costs based on incorrect asset values and misallocated unaccounted-for or unmetered water, assigning too much of base costs to the wholesale customers. Mr. Woodcock acknowledged that Providence Water had since corrected the net plant values, reducing the impact on wholesale customers.<sup>28</sup> In addition to correcting for the calculation of unaccounted-for water to reflect methodology approved in a recent PUC decision, Mr. Woodcock also included an estimate of the length of service pipes, assuming each account has a 25-foot service pipe. These adjustments resulted in reduced proposed revenues from KCWA, reduced the revenues to be collected from all wholesale customers, and brought their percentage increase in line with the overall percentage increase.<sup>29</sup>

Mr. Woodcock believed that Providence Water improperly classified pipe between transmission and distribution resulting in an over-allocation of costs to wholesale customers. According to Mr. Woodcock, classifying pipe as transmission or distribution is important for identifying the assets that are used and useful to wholesale customers. Distribution pipes are only assigned to retail customers, while transmission pipes are assigned to retail and wholesale. He acknowledged that in a pressurized system where the pipes are looped, it can be difficult to identify pipes as retail only or as retail and wholesale. In order to identify the appropriate assets, the parties have traditionally used the size of the pipes for purposes of allocation between retail and wholesale. Providence Water labeled pipes 12 inches and larger as transmission and 10 inches and smaller as distribution. Mr. Woodcock argued that pipes 12 inches and smaller should be labeled distribution

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<sup>27</sup> *Id.* at 27-31.

<sup>28</sup> *Id.* at 7-9.

<sup>29</sup> *Id.* at 12-13.

and allocated solely to retail customers, with those 16 inches and larger being labeled transmission and allocated to both retail and wholesale. According to Mr. Woodcock, such treatment would be consistent with the classifications used in the 2011-2030 IFR Report.<sup>30</sup> In further support of his position, Mr. Woodcock stated that he “was able to determine that 89% of the wholesale water sales were through connections that were greater than 12 [inches], and virtually all (more than 97%) of the water supplied to the wholesale customers is through Providence Water pipes larger than 12 [inches].”<sup>31</sup>

Mr. Woodcock also raised other areas where he maintained that costs had been misallocated, including certain fire protection costs, the operating expense related to the cleaning and lining of distribution pipes, and miscellaneous revenues from the State Surcharge. He also expressed concern that certain allocators were derived from one year’s data rather than three years’ data like other allocators. Finally, Mr. Woodcock listed certain allocations that Mr. Smith had agreed should be corrected in Providence Water’s rebuttal testimony.<sup>32</sup>

Addressing revenue requirements, Mr. Woodcock focused on the requested \$8 million increase in IFR costs; the continued \$2.45 million funding for the Capital Fund, specifically the \$2.4 million earmarked for a new central operations facility; and an adjustment to the operating revenue allowance. He maintained that the IFR account would be over-funded under Providence Water’s proposal and recommended a \$4 million increase in IFR funding, allowing for a \$1.5 million ending reserve balance in FY 2015. According to Mr. Woodcock, his proposal would not affect the proposed construction and project schedules.<sup>33</sup>

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<sup>30</sup> *Id.* at 14, 18-22.

<sup>31</sup> *Id.* at 22.

<sup>32</sup> *Id.* at 14-17, 23-26.

<sup>33</sup> *Id.* at 33-36.

Turning to the capital funding, Mr. Woodcock recommended reducing the funding of the Capital Fund to zero, indicating that Providence Water has twice the amount necessary to cover the proposed spending from the Capital Fund account. He argued that Providence Water had not demonstrated that a new central operations facility is needed, noting that while Providence Water had produced documentation about the plans to seek a new central operations facility, it had not provided any testimony in the current docket to support the need. He pointed out that Providence Water had not identified a location for the facility.<sup>34</sup>

Finally, Mr. Woodcock recommended various revenue adjustments to account for the one-time cash flow benefit that will inure to Providence Water from the transition to monthly billing, to reflect a three-year rather than two-year amortization period for rate case expense, and to normalize out one-time regulatory expenses that are not recurring.<sup>35</sup>

#### **IV. BCWA's Direct Testimony**

On August 23, 2013, BCWA filed the Direct Testimony of Pamela Marchand, Executive Director and Chief Engineer, and David F. Russell, its consultant. In her testimony, like Mr. Woodcock, Ms. Marchand focused on Providence Water's allocation of water mains attributed to wholesale use, the unaccounted-for water calculation, the transmission and distribution allocations, the allocation of costs to wholesale customers related to the unidirectional flushing program, the central operations facility, and the conservation rates.<sup>36</sup> Acknowledging that a new administration and operations facility is needed, Ms. Marchand expressed concern with the lack of detail to support funding through rates and in the amount allocated to wholesale customers.<sup>37</sup>

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<sup>34</sup> *Id.* at 36-40.

<sup>35</sup> *Id.* at 40-46. The remainder of the Mr. Woodcock's testimony recommended against adoption of a conservation rate at this time. *Id.* at 46-50.

<sup>36</sup> Marchand Test., 3-7; [http://www.ripuc.org/eventsactions/docket/4406-BCWA-Marchand\(8-23-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-BCWA-Marchand(8-23-13).pdf).

<sup>37</sup> *Id.* at 5.

Mr. Russell provided similar analysis to Mr. Woodcock in support of reclassifying 12-inch pipe to distribution.<sup>38</sup> Mr. Russell also advocated for direct allocation of certain assets, including six booster stations to retail customers only, arguing that they benefit only retail customers.<sup>39</sup> Like Mr. Woodcock, he also maintained that none of the costs associated with the main rehabilitation projects should be allocated to wholesale customers, nor should the costs associated with the unidirectional flushing program.<sup>40</sup> He further advocated for the disallowance of costs associated with the central operations facility on the basis that the project did not have sufficient clarity. Furthermore, he expressed concern that under the current rate design, costs associated with the central operations facility would be overstated.<sup>41</sup> Mr. Russell recommended a six-year amortization of rate case costs and recommended against conservation rates.<sup>42</sup>

#### **V. Division's Direct Testimony**

On August 23, 2013, the Division filed the direct testimony of Thomas Catlin and Jerome Mierzwa, its consultants. Mr. Catlin recommended a total cost of service of \$69,646,380, necessitating a revenue increase of \$9,558,892, or 15.9%.<sup>43</sup> Mr. Catlin recommended adjustments to fourteen categories, resulting in a reduction to the rate year revenue requirement of \$5,060,996 from Providence Water's request.<sup>44</sup> He made an adjustment to salaries and wages because Providence Water ignored normal employee turnover and included wages for eleven vacant positions, and double-counted costs by including them in the salaries and workers compensation categories, thus overstating the rate year expense.<sup>45</sup> He adjusted payroll clearing to reflect

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<sup>38</sup> Russell Test., 8-10.

<sup>39</sup> *Id.* at 13-14.

<sup>40</sup> *Id.* at 15-17.

<sup>41</sup> *Id.* at 17-21.

<sup>42</sup> *Id.* at 21-24.

<sup>43</sup> Catlin Test., 5, 13, TSC-1.

<sup>44</sup> Catlin Test., 5, TSC-2.

<sup>45</sup> Catlin Test., 6-9.

reimbursement from the IFR fund or Capital Fund for capitalized labor costs as an offset to salaries and wages.<sup>46</sup> Similarly, he adjusted overhead clearing to reflect the fact that certain capitalized expenses are reimbursable to operations and maintenance.<sup>47</sup> He reduced the benefits cost to reflect a reduction of the inflation rate used by Providence Water and to reflect actual FY 2014 premiums.<sup>48</sup> He adjusted inflation to reflect a more accurate inflation percentage than that used by Providence Water.<sup>49</sup>

Mr. Catlin eliminated the bad debt expense based on historical data provided during discovery.<sup>50</sup> He decreased the claim for insurance costs based on actual premiums and to reflect the average claims during the three prior fiscal years.<sup>51</sup> He allowed for an increase in chemical expense over the test year amounts, but reduced the claim made by Providence Water to reflect increases sludge handling costs, but lower chemical costs in FY 2012 and FY 2013.<sup>52</sup> He adjusted property taxes to reflect actual tax bills received since the initial filing and allowed for a lower projected increase than that assumed by Providence Water for the other communities.<sup>53</sup> He adjusted unidirectional flushing costs to reflect updated cost estimates provided by Providence Water.<sup>54</sup>

Mr. Catlin reduced regulatory and rate case expense by excluding two matters included in the calculation that are not ongoing and not incremental to the cost of the instant proceeding.<sup>55</sup> Likewise, he reduced certain miscellaneous expense accounts by adjusting the test year expenses

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<sup>46</sup> *Id.* at 9-10.

<sup>47</sup> *Id.* at 10-12.

<sup>48</sup> *Id.* at 12-13.

<sup>49</sup> *Id.* at 13-14.

<sup>50</sup> *Id.* at 15.

<sup>51</sup> *Id.* at 15-17.

<sup>52</sup> *Id.* at 17-19.

<sup>53</sup> *Id.* at 19-21.

<sup>54</sup> *Id.* at 21.

<sup>55</sup> *Id.* at 21-22.

for items that are not recurring and should not be reflected in the pro forma rate year expenses.<sup>56</sup> Finally, he adjusted the operating reserve to reflect the other adjustments, and to reflect funding of the reserve account from the additional revenues Providence Water will realize in the rate year as a result of the transition to monthly billings.<sup>57</sup>

Mr. Mierzwa provided an overview of the various generally accepted cost allocation methodologies and an overview of the cost allocation filings made by Providence Water in this matter.<sup>58</sup> He noted that Mr. Smith had provided revised cost allocation schedules as part of a data response to reflect the agreements made by Providence Water through other discovery responses. Mr. Mierzwa agreed with most of the changes made by Providence Water in that response, but he still made adjustments.<sup>59</sup> Mr. Mierzwa recommended changes to the allocation and/or development of lost and unaccounted for water, bad debt expense, the exclusion of land accounts in assigning IFR, Capital Fund, and Equipment Replacement Fund capital costs to the functional cost categories, the allocation of transmission and distribution salaries and wages to functional cost categories, and the State Surcharge revenues.<sup>60</sup>

Mr. Mierzwa adjusted Providence Water's allocation of lost and unaccounted for water to exclude pipe diameter and to include 225 miles of service pipe.<sup>61</sup> He recommended against an assignment of bad debt expense to wholesale customers on the basis that they experience bad debt from their own retail service customers.<sup>62</sup> He recommended including all land related accounts in the development of the factors used to assign IFR, Capital Fund, and Equipment Replacement

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<sup>56</sup> *Id.* at 22-24.

<sup>57</sup> *Id.* at 24-25.

<sup>58</sup> Mierzwa Test., 3-6. [http://www.ripuc.org/eventsactions/docket/4406-DPU-Mierzwa\(-8-23-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-DPU-Mierzwa(-8-23-13).pdf).

<sup>59</sup> *Id.* at 6-7. *See* Providence Water's Response to DIV-3-1; <http://www.ripuc.org/eventsactions/docket/4406-ProvWater-DR-DPU3.pdf>.

<sup>60</sup> Mierzwa Test., 7-14.

<sup>61</sup> *Id.* at 7-9.

<sup>62</sup> *Id.* at 9-10.

Fund capital costs to the functional cost categories.<sup>63</sup> He recommended continuing to use a three-year average for the factors used to allocate transmission and distribution salaries and wages to functional cost categories.<sup>64</sup> He also recommended rejecting Providence Water's change to the allocation of transmission and distribution contract services – engineering category.<sup>65</sup> Finally, Mr. Mierzwa noted that the State Surcharge revenues are only collected from retail customers and should be credited to only retail customers.<sup>66</sup>

## **VI. Providence Water's Rebuttal Testimony**

On September 27, 2013, Providence Water submitted the Rebuttal Testimony of Mr. Smith, Mr. Gadoury, and Jeanne Bondarevskis, Director of Finance. With regard to revenue requirements, Mr. Smith accepted Mr. Catlin's recommended adjustments related to salaries and wages, capitalized labor, contractual updates, the inflation factor, bad debt expense, rate case expense, excluding any adjustment for the amortization period, and certain miscellaneous expenses.<sup>67</sup> Mr. Smith did not accept Mr. Catlin's recommended adjustments related to the application of the overhead rate, claiming that absent a corresponding increase to the IFR, an underrecovery would accrue to the account.<sup>68</sup> Mr. Smith agreed with Mr. Catlin that the chemicals and sludge expense had been overstated, but recommended a smaller adjustment due to a recent contractual change with the vendor.<sup>69</sup>

While agreeing that the operating reserve should continue to be funded as in the past, Providence Water did not agree that the funding should be offset by revenue resulting from the

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<sup>63</sup> *Id.* at 10-11.

<sup>64</sup> *Id.* at 11-13.

<sup>65</sup> *Id.* at 13.

<sup>66</sup> *Id.* at 14.

<sup>67</sup> Smith Rebuttal Test., 3-10.

<sup>68</sup> *Id.* at 4.

<sup>69</sup> *Id.* at 6.

switch to monthly billing.<sup>70</sup> Ms. Bondarevskis testified that the shift to monthly billing will not cause Providence Water to realize additional revenue, but would only affect the timing of receipt.<sup>71</sup> Addressing Mr. Woodcock's proposed adjustment to the IFR funding, Mr. Smith deferred to Ms. Bondarevskis who testified that if Providence Water's IFR funding was cut in half, Providence Water would experience a shortfall of \$4 million in FY 2016 rather than a balance of \$2,579,000 as of June 30, 2016.<sup>72</sup>

Turning to funding for a new central operations facility, Ms. Bondarevskis stated that a new facility is needed and that "Providence Water intends to use long term financing once all the details are worked out." She stated that funding needs to accrue so that it will be available "for land purchase, site work, and to defray the long term cost of the facility."<sup>73</sup> She asserted that all customers, including wholesale, will benefit from having a centralized operations facility.<sup>74</sup> Mr. Gadoury testified that continuation of a revenue stream into the Capital Fund could be used to offset future expenses to the extent the revenues are not needed for a new facility.<sup>75</sup>

Moving on to cost allocation and rate design issues, Mr. Smith revised his schedules using updated units of service as of March 31, 2013.<sup>76</sup> Additionally, he revised his schedules to reflect several suggestions made by KCWA, BCWA, and/or the Division regarding the calculation of various cost allocators.<sup>77</sup> However, he proposed that the factors used to allocate transmission and distribution labor should be based on a six-year average in order to mitigate the rate increase that

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<sup>70</sup> *Id.* at 10.

<sup>71</sup> Bondarevskis Rebuttal Test., 4-5.

<sup>72</sup> *Id.* at 6.

<sup>73</sup> *Id.* at 7.

<sup>74</sup> *Id.* at 7-8.

<sup>75</sup> Gadoury Rebuttal Test., 11.

<sup>76</sup> Smith Rebuttal Test., 12.

<sup>77</sup> *Id.* at 14-15, 18-22.

would be assessed on public fire rates due to a recent increase in projects related to public fire protection.<sup>78</sup>

Providence Water disputed the reclassification of 12-inch main from transmission to distribution as inconsistent with past cost allocations and that because of the design of the Providence Water distribution system, wholesale customers benefit from the 12-inch mains. Mr. Smith also maintained that such a change would shift transmission related expenses to retail customers.<sup>79</sup> Providence Water disagreed with KCWA and BCWA that no allocation of the line item that contains unidirectional flushing costs should be assessed to wholesale customers. But Providence Water agreed with the Division's proposal to use a different allocator than was originally proposed which assesses a portion of costs to wholesale customers because while much of the line item in dispute is associated with the unidirectional flushing program, some is not.<sup>80</sup> Mr. Gadoury added that wholesale customers benefit from the unidirectional flushing because it results in better flow capacity and higher water quality to all customers.<sup>81</sup>

## **VII. Surrebuttal Testimony**

### **A. KCWA's Surrebuttal Testimony**

On October 25, 2013, KCWA submitted Mr. Woodcock's surrebuttal testimony to address certain cost allocation and revenue requirement issues. While acknowledging that the other parties had adjusted the lost and unaccounted-for water to conform to a prior PUC order and now included some estimate of service pipe, Mr. Woodcock nonetheless took issue with what he characterized as the exclusion of service pipes between the curb stop and building. He proposed allocating an

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<sup>78</sup> *Id.* at 15-16.

<sup>79</sup> *Id.* at 16-17. In support of this position, Mr. Gadoury provided additional testimony about how the distribution system works. Gadoury Rebuttal Test., 2-8.

<sup>80</sup> Smith Rebuttal Test., at 24-25.

<sup>81</sup> Providence Water Ex. Z at 8-9.

additional 10 feet of service pipe to each service connection to account for the distance between the curb stop and the building. Therefore, he claimed that his proposed 350.6 miles of distribution main was more reasonable than the 225 miles proposed by the Division and Providence Water.<sup>82</sup>

Mr. Woodcock's remaining adjustments were primarily based on the inclusion or exclusion of various items used to derive cost allocators. Many of his adjustments would shift costs to retail customers and away from wholesale. He expressed concern about the accuracy of the asset listings provided by Providence Water, disputed the categorization of 12-inch mains as transmission mains, and rejected allocating any costs associated with unidirectional flushing to wholesale customers. He questioned Providence Water's hesitancy to allocate the appropriate costs to fire protection, recognizing they were concerned about rate shock, but nonetheless noting that proper allocation would assist Providence Water with revenue stability. He also questioned the use of different historical periods in the development of rate year forecasts.<sup>83</sup>

Turning to his proposed adjustments to the revenue requirement, Mr. Woodcock focused on the central operations facility, IFR funding, and the operating reserve. He also discussed the adjustments made by the Division. Noting that Providence Water had not provided any testimony to support a line item in Mr. Gadoury's schedules referencing \$2,450,000 for a new central operations facility, Mr. Woodcock argued that even through the discovery process and in Providence Water's rebuttal, Providence Water had not provided evidence to support the need or cost in the rate year. He discounted the argument that because the funds would be in a restricted account, no further review was necessary. He stated that Providence Water appeared to be shifting funds from one project to another without adequate disclosure.<sup>84</sup> Mr. Woodcock also questioned

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<sup>82</sup> KCWA Ex. 2 (Surrebuttal Testimony of Christopher P.N. Woodcock), 3-9.

<sup>83</sup> *Id.* at 9-29.

<sup>84</sup> *Id.* at 30-36, 40-41.

ownership of the Academy Avenue operations facility, noting that appears the facility or portions of the facility were listed on Providence Water's asset listing. In addition, Mr. Woodcock questioned requests for revenue associated with the Academy Avenue facility over time, noting that several appeared to be the type that would require ownership by the utility rather than the host city.<sup>85</sup>

Discussing IFR Funding, Mr. Woodcock reiterated that KCWA supports Providence Water's spending plan, but is concerned with the accrual of funds in the IFR account, believing the proposed balances to be excessive. However, based on discovery responses from Providence Water, Mr. Woodcock supported annual funding of \$5 million rather than the \$4 million he had initially recommended. Noting that Providence Water had suggested it would be returning to the PUC with a new rate case in two years, Mr. Woodcock indicated that the account could be reviewed then.<sup>86</sup> According to Mr. Woodcock, his recommendation would still leave Providence Water with more than \$2 million in IFR at the end of FY 2016 and almost \$1 million at the end of FY 2017, with the rate case filed in the interim.<sup>87</sup> He reiterated that his proposal will phase in the additional funds needed for all of the IFR projects, particularly where he questioned whether Providence Water could complete all of the projects included in its aggressive IFR program.<sup>88</sup>

Addressing the Division's proposed expense adjustments, Mr. Woodcock stated that he agreed with many, but not with those relating to the overhead applied account, chemicals and sludge, regulatory, and operating reserves. Although agreeing with Mr. Catlin that overhead costs related to IFR projects should be paid for out of IFR funds, because he had already made adjustments to the IFR funding, he recommended Mr. Catlin's adjustment be made in the next rate

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<sup>85</sup> *Id.* at 36-39.

<sup>86</sup> *Id.* at 41-42.

<sup>87</sup> *Id.* at 44.

<sup>88</sup> *Id.* at 44-45.

case.<sup>89</sup> He accepted Providence Water's revised chemical costs. Mr. Woodcock recommended a two year amortization period for the current rate case expenses after elimination of consultant and legal expenses related to bond filing/bond refunding, regional water district, and new headquarters. This reduced the request by \$22,376. Furthermore, he recommended creating a restricted rate case expense fund for future rate cases, and would fund it from an annual revenue allowance of approximately \$347,690.<sup>90</sup> Finally, Mr. Woodcock supported a 3% operating reserve, but with 2% coming from rates and 1% derived from the one-time billing conversion revenues. Mr. Woodcock believed that Providence Water would agree to restricting 1.5% and leaving the other 1.5% unrestricted, but did not believe Providence Water would agree to use a portion of the one-time cash flow increase to reduce the overall revenue allowance.<sup>91</sup>

#### **B. BCWA's Surrebuttal Testimony**

BCWA submitted the surrebuttal testimony of Ms. Marchand and Mr. Russell, each addressing the same areas of concern raised in their direct testimonies. Ms. Marchand expanded on her concern that Providence Water was misclassifying 12-inch water mains as transmission resulting in costs being improperly allocated to wholesale customers. Agreeing with Mr. Gadoury that the Providence Water system is a networked system of pipes, Ms. Marchand nonetheless pointed out that water flows from larger mains to smaller mains and that, with the exception of one connection to a wholesale customer, none is smaller than 16 inches. According to Ms. Marchand the distinction was not as important in the past as it is now, when Providence Water is proposing a much larger IFR program that focuses primarily on the distribution system.<sup>92</sup>

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<sup>89</sup> *Id.* at 47.

<sup>90</sup> *Id.* at 49-51.

<sup>91</sup> *Id.* at 54-57.

<sup>92</sup> BCWA Ex. 1 (Surr. Test. of Marchand) at 2-5; [http://www.ripuc.org/eventsactions/docket/4406-BCWA-Marchand\(10-25-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-BCWA-Marchand(10-25-13).pdf).

According to Ms. Marchand, eliminating the 12-inch mains from the transmission allocation would also remove the associated labor cost allocation.<sup>93</sup> Finally, noting that unidirectional flushing of 16-inch mains is not practical or necessary, she remained concerned with the allocation of unidirectional flushing costs.<sup>94</sup>

Addressing lost and unaccounted for water, Ms. Marchand noted that the cost of leakage is collected from all customers, wholesale and retail. She questioned the methodology used for calculating the lost and unaccounted for water and suggested reducing the rate filing leakage amount by 105.5 million gallons to coincide with that which was reported by Providence Water to the Rhode Island Water Resources Board in its 2013 annual report. She also recommended that, in the future, Providence Water include estimates for fire fighting, main flushing, street cleaning, sewer cleaning and other unmetered uses (such as blow-offs), leakage, theft and meter error.<sup>95</sup>

Turning to the central operations facility, Ms. Marchand noted that Providence Water has not provided a location, cost, whether there will be one or two facilities, or whether the facility will be owned or leased. Based on the information provided during discovery, Ms. Marchand expressed concern that the costs could rise to over \$58 million. She did not recommend disallowance of the continued annual funding of \$2.45 million, but recommended the funds be deposited in a restricted account and that all withdrawals from the account be subject to PUC approval.<sup>96</sup>

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<sup>93</sup> *Id.* at 7.

<sup>94</sup> *Id.* at 8.

<sup>95</sup> *Id.* at 5-7.

<sup>96</sup> *Id.* at 8-11.

## VIII. Settlement and Settlement Testimony

### A. Settlement

On November 4, 2013, Providence Water filed a Settlement Agreement between Providence Water and the Division. The parties to the Settlement agreed to additional revenues of \$9,942,513, constituting an increase of 16.9% to support a total cost of service of \$69,973,343. Rates would be effective for usage on and after the Commission's Open Meeting decision.<sup>97</sup> The result of the Settlement would be to set the wholesale rate at \$1,800.25 per million gallons (1.346589 hundred cubic feet (HCF)), an increase of 6.07%. The retail rates would be as follows: residential at \$3.006 per HCF, commercial at \$2.865 per HCF, industrial at \$2.816 per HCF, and Public Fire Service at \$394.82 per hydrant. The total percentage increase for typical residential customers using 100 HCF per year would be 23.4%.<sup>98</sup>

In the Settlement, Providence Water accepted all of the Division's adjustments to Salaries and Wages, Payroll Clearing, Pension and Benefits, Inflation, Bad Debt, Insurance, Property Tax, Unidirectional Flushing, and Rate Case and Regulatory. The parties to the Settlement agreed to reduce rate year costs to recognize overhead rates applied as being reimbursed from the IFR fund. Chemical costs were increased to reflect an increase in the sludge handling expense.<sup>99</sup> Turning to the miscellaneous expense category, the parties agreed to eliminate from the revenue requirement amounts related to air quality violations and amounts related to customer refunds, leaving in place the \$400 annual permit fee. The parties also agreed to eliminate test year expense of \$28,000 for software conversion, to normalize \$35,000 for appraisal services based on one-third of the test year amount, and normalize the \$69,933 test year expense for legal services and strategic planning

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<sup>97</sup> Joint Ex. 1 (Settlement Agreement), ¶ 1; [http://www.ripuc.org/eventsactions/docket/4406-PWSB-Settlement\(11-4-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-PWSB-Settlement(11-4-13).pdf).

<sup>98</sup> *Id.* at ¶¶ 5-7, 9.

<sup>99</sup> *Id.* at ¶¶ 3.A-K.

based on the FY 2013 expense of \$45,000.<sup>100</sup> The parties to the Settlement agreed to exclude from the rate year expenses the costs of converting to monthly billing, resulting in a reduction of \$431,693 from the revenue requirement.<sup>101</sup> The parties to the Settlement recognized that the restricted operating reserve account was expected to exceed the limit of two times the current total operating reserve allowance of 3%. Therefore, the operating revenue allowance was reduced to 2% with 0.5% to be deposited to the restricted operating revenue allowance account and 1.5% unrestricted. Rather than require a docket to be opened to adjust rates due to the limit being reached, the parties agreed that the fund would be reviewed in Providence Water's next rate case.<sup>102</sup>

Providence Water agreed to file with the PUC six-month status reports on the Capital Fund in order to allow the PUC to review the potential use of the money in the Capital Fund, to request additional information, and to advise Providence Water if it views any acquisition of property for a new facility as inappropriate.<sup>103</sup> Providence Water agreed to have an independent consultant verify the accuracy of each plant account prior to the filing of the next rate case.<sup>104</sup>

## **B. Settlement Testimony**

Concurrently filed with the Settlement Agreement was testimony from Mr. Catlin, Mr. Mierzwa, and Ms. Bondarevskis, explaining portions of the Settlement. Mr. Catlin summarized the various provisions of the Settlement and provided updated schedules.<sup>105</sup> Mr. Mierzwa discussed how the cost allocation and rate design issues were resolved in the Settlement. Mr. Mierzwa noted that Providence Water had agreed to revise its lost and unaccounted-for water

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<sup>100</sup> *Id.* at ¶ 3.L, Schedule JDM-21.

<sup>101</sup> *Id.* at ¶ 3.M.

<sup>102</sup> *Id.* at ¶ 3.N.

<sup>103</sup> *Id.* at ¶ 4.

<sup>104</sup> *Id.* at ¶ 10.

<sup>105</sup> Joint Ex. 2 (Settlement Testimony of Thomas Catlin); [http://www.ripuc.org/eventsactions/docket/4406-PWSB-Settlement-Catlin\(11-4-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-PWSB-Settlement-Catlin(11-4-13).pdf).

allocation based on the PUC's ruling in a recent Pawtucket Water Supply Board case in which the PUC abandoned the inch-mile calculation in favor of a length-only approach. Providence Water accepted the Division's calculation over that of BCWA's witness.<sup>106</sup> Mr. Mierzwa noted that the Division had not challenged Providence Water's classification of 12-inch mains as transmission and thus, the Settlement classified them as such.<sup>107</sup> Next he stated that pro-forma water consumptions for retail, wholesale, and lost and unaccounted-for water is based on a four-year average.<sup>108</sup> Next, he stated that the Settlement adopted KCWA's proposal to update the number of accounts, private fire lines, and public hydrants through March 2013.<sup>109</sup>

Mr. Mierzwa then explained that with the various allocation factors in dispute, the Settlement accepted Providence Water's proposal for some, the Division's for others, and BCWA's and KCWA's for still others.<sup>110</sup> The allocators related to rate year operation and maintenance expense of the distribution and transmission system will be allocated based on a four-year average as proposed by Providence Water.<sup>111</sup> The underlying factors used to develop these allocators were modified as proposed by KCWA and BCWA.<sup>112</sup> Likewise, the factors used to allocate rate year pumping expense were modified as recommended by KCWA.<sup>113</sup> Similarly, the factor used to allocate purchased power expense was modified based on the recommendations of KCWA and BCWA.<sup>114</sup> The factors used to assign IFR, Capital Fund, and Equipment Replacement Fund to functional categories were developed based on the Division's recommendations.

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<sup>106</sup> Joint Ex. 3 (Settlement Testimony of Jerome Mierzwa), 2; [http://www.ripuc.org/eventsactions/docket/4406-PWSB-Settlement-Mierzwa\(11-4-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-PWSB-Settlement-Mierzwa(11-4-13).pdf).

<sup>107</sup> *Id.* at 3

<sup>108</sup> *Id.* at 4.

<sup>109</sup> *Id.* at 4-5.

<sup>110</sup> *Id.* at 5-6, 8-12.

<sup>111</sup> *Id.* at 5.

<sup>112</sup> *Id.* at 6.

<sup>113</sup> *Id.* at 8.

<sup>114</sup> *Id.* at 9.

However, the parties accepted KCWA's proposal to exclude the source of supply land accounts in the development of the allocators.<sup>115</sup> The transmission and distribution contract services – engineering cost allocation was based on the Division's recommendation for purposes of the Settlement, resulting in \$9,279 allocated to the wholesale customers.<sup>116</sup> Addressing public fire hydrant rates, although the cost of service would result in a rate of \$533.22 per hydrant, the Settlement included a rate of \$394.82 in order to avoid rate shock and to avoid setting a rate in excess of the original public notice.<sup>117</sup>

In her testimony, Ms. Bondarevskis reiterated that the increase to the public fire rates would have been 57% which could cause rate shock to the municipalities. Therefore, the parties agreed to limit the increase to 16.4% and spread the remainder among the retail service charge rates.<sup>118</sup> The adjustment resulted in \$930,000 being shifted from the public fire service to the retail service charge. No wholesale rates were affected by the shift.<sup>119</sup>

## **IX. Revised Settlement**

On November 8, 2013, Providence Water submitted a Revised Settlement Agreement executed by all parties. The Revised Settlement maintained the revenue requirement in the Settlement, but changed the cost allocation between retail and wholesale customers. The result of the Revised Settlement would be to set the wholesale rate at \$1,731.16 per million gallons (1.294904 HCF), an increase of 2.0%. The retail rates would be as follows: residential at \$3.070 per HCF, commercial at \$2.925 per HCF, industrial at \$2.872 per HCF, and Public Fire Service at \$394.80 per hydrant. The total percentage increase for typical residential customers using 100

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<sup>115</sup> *Id.* at 10-11.

<sup>116</sup> *Id.* at 11-12.

<sup>117</sup> *Id.* at 15.

<sup>118</sup> Joint Ex. 4 (Settlement Testimony of Jeanne Bondarevskis), 2; [http://www.ripuc.org/eventsactions/docket/4406-PWSB-Settlement-Bondarevskis\(11-4-13\).pdf](http://www.ripuc.org/eventsactions/docket/4406-PWSB-Settlement-Bondarevskis(11-4-13).pdf).

<sup>119</sup> *Id.*

HCF per year, including the monthly service charge and volumetric charge, would be 24.7%, from \$322.16 per year to \$401.68 per year.

The Revised Settlement Agreement broadened the review of the six-month reports on the status of the Capital Fund such that all potential expenditures are subject to review rather than just those related to the acquisition of property for a new central operations facility. The Revised Settlement also included a deadline of December 1, 2016 for the filing of the independent consultant's review of the accuracy of the plant accounts. The Revised Settlement further reiterated the fact that the parties continued to disagree on the appropriate classification of pipes as distribution or transmission. While settling on a wholesale rate for purposes of this docket, the parties retained their rights to raise the same issues and advance the same positions in a future docket.

The Revised Settlement included a new paragraph related to the Capital Improvement Program (CIP) Fund, specifically with regard to the proposed central operations facility. The parties agreed to support funding the CIP in the amount of \$2.4 million annually, but with conditions. The agreement required Providence Water to obtain a PUC Order prior to use the proceeds of the CIP for a central operations facility. Providence Water would be allowed to use the CIP for periodic reimbursement of soft costs related to the central operations facility, but would need to file a formal request with the PUC prior to withdrawing, committing, or encumbering any funds related to a central operations facility.

## **X. Hearing**

A hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on November 13, 2013 to assess the propriety of the Revised Settlement.<sup>120</sup> In his opening statement, Michael McElroy, Esq., attorney for Providence Water, summarized the components of the Revised Settlement before presenting the witnesses for examination by the Commission. Providence Water presented Mr. Spinelli, Ms. Bondarevskis, Mr. Gadoury, and Mr. Smith in support of the Revised Settlement. KCWA presented Mr. Woodcock in support of the Settlement. BCWA presented Ms. Marchand and Mr. Russell. The Division presented Mr. Catlin and Mr. Mierzwa in support of the Revised Settlement. Of all the issues disputed prior to Revised Settlement, there were four major ones that were addressed: (1) the central operations facility; (2) the characterization of distribution and transmission pipes; (3) the asset listing; and (4) the increased funding of the IFR account.

The parties had agreed to allow Providence Water to continue funding the capital account in the amount of approximately \$2.45 million. Of that, \$2.4 million was earmarked for a new central operations facility. As part of the agreement to continue funding, the parties had agreed to conditions on the use of the fund. The fund could not be used for any purpose related to the central operations facility without preapproval by the PUC. Providence Water could incur expenses for soft costs like appraisals, surveys, or legal fees and later seek reimbursement from the Capital Fund through the PUC. Ms. Bondarevskis anticipated seeking approval if costs incurred fell between \$25,000 and \$50,000. The restrictions would not apply to other expenses that are funded out of the capital account, such as would be related to the new GIS system.<sup>121</sup> Upon cross examination,

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<sup>120</sup> Michael McElroy, Esq. entered an appearance on behalf of Providence Water while Robert Watson, Esq., entered an appearance for KCWA. Leo J. Wold, Esq., Assistant Attorney General, represented the Division, and Cynthia G. Wilson-Frias, Esq., acted as legal counsel to the PUC.

<sup>121</sup> Tr. 11/13/13, 142-49.

stating that the search for a central operations facility had been continuing for approximately five years, had been limited to siting in Providence by City of Providence and/or Providence Water board members, and did not then have an identified site, Mr. Spinelli conceded that the cost of the central operations facility was not a known and measurable expense.<sup>122</sup> Witnesses for each of the parties agreed that if the PUC found that the request for continued funding of the central operations facility should be denied, the revenue requirement could be reduced by \$2.4 million.<sup>123</sup>

The dispute over asset listing was addressed by the settlement through the agreement that prior to the next rate case, which Providence Water committed to filing no later than December 1, 2016, an independent third party would conduct a full review and report on Providence Water's assets. Mr. Woodcock testified that an accurate asset listing is important to determining what the various costs are and who is responsible for the various costs and in what magnitude. He stated that this asset listing would also be important to the resolution of the characterization of pipe as between transmission and distribution.<sup>124</sup>

Testimony at the hearing suggested that, despite the agreement reached in the Revised Settlement, there was still concern with the increased funding for the IFR programs. Mr. Woodcock and Ms. Bondarevskis disagreed about the balances in the accounts and the amount and timing for additional funding.<sup>125</sup> Mr. Spinelli noted that the Health Department had ordered Providence Water to file a revised IFR plan demonstrating more aggressive cleaning, lining, and replacement of cast iron mains.<sup>126</sup> He further testified that the cleaning and lining of 550 miles of pipes would need to be completed. More funding would mean that Providence Water could

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<sup>122</sup> *Id.* at 150-65, 170-76.

<sup>123</sup> *Id.* at 179-81.

<sup>124</sup> *Id.* at 15-33, 165-67.

<sup>125</sup> *Id.* at 181-89.

<sup>126</sup> *Id.* at 103-04.

complete more miles of cleaning, lining, and replacement.<sup>127</sup> He characterized it as a “pay us now or pay us later” situation. Noting that construction costs usually increase over time, he testified that every mile completed in the first year should reduce the overall amount of ratepayer funds needed to complete the program.<sup>128</sup>

Finally, an issue that has been raised in virtually every rate matter that includes costs for maintaining infrastructure is the use and cost of police details. Mr. Spinelli testified that there is sometimes a disagreement between the utility and the police as to whether a detail is required. Moreover, the rates are non-negotiable and generally subject to collective bargaining agreements between the police and their respective municipality.<sup>129</sup> Ms. Marchand testified that, based on her experience at three utilities in Rhode Island, the different police departments seem to have different policies.<sup>130</sup> She stated that with respect to the ability to negotiate the need for a detail, “[s]ome are very cooperative, some not so.”<sup>131</sup>

## **XI. Commission Findings**

At an Open Meeting held on November 22, 2013, the PUC reviewed the Revised Settlement and found that, with the exception of the inclusion of funding for the central operations facility, the Revised Settlement was, overall, reasonable. Therefore, the PUC unanimously modified the Revised Settlement to reduce the capital funding by \$2.4 million. The benefit was to be allocated to reducing volumetric rates. The PUC allowed the parties until November 26, 2013 to either file a new settlement or to reject the modified Revised Settlement. This would allow sufficient time for the PUC to hold additional evidentiary hearings.

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<sup>127</sup> *Id.* at 110-11, 197-98.

<sup>128</sup> *Id.* at 197-98.

<sup>129</sup> *Id.* at 209-212.

<sup>130</sup> *Id.* at 211-213.

<sup>131</sup> *Id.* at 215.

The PUC found that the requested funding for a new central operations facility was not supported by the evidence in the Record. Uncontroverted testimony supported a finding that the proposed expense is not known and measurable. Providence Water has not even identified an appropriate site. There is no indication that the funds will be needed in the rate year. It is also unclear when a facility might be identified, partially because the City of Providence has imposed a condition that the facility be sited in Providence. This condition has significantly limited Providence Water's search. Mr. Spinelli testified that Providence Water had identified a facility in Johnston that would meet its requirements, but the site was rejected because it was not located in Providence.

While the PUC understands why the City would prefer any new Providence Water facility to be located in Providence, the PUC will still need to review the costs related to any future site and Providence Water will have the burden of showing that the cost and location of any chosen site is reasonable and in the best interest of ratepayers. For example, while there may be property taxes on a building located outside of Providence, if the overall cost of such facility would be lower, ratepayers should be able to receive the benefit. Finally, there is still \$6 million in the capital fund. A new building would be financed through debt and it is premature to begin collecting money now when the cost of the debt is unknown, particularly where there is a balance in the Capital Fund. This is an issue best reviewed in a future Providence Water rate case.

The PUC found that the questions related to the infrastructure replacement programs were satisfied by Mr. Spinelli's testimony at the hearing. However, as in other cases, the PUC remains concerned about the level of spending on police details. It is clear that public safety is of the utmost importance; but the costs associated with maintaining safety must be balanced. The PUC

will be looking closely at those expenditures in all future rate cases across all regulated utility sectors.

## **XII. Second Revised Settlement and Commission Findings**

On November 26, 2013, Providence Water filed a Second Revised Settlement Agreement, removing paragraph 11 of the Revised Settlement in order to remove the requested funding for the central operations facility and allocating the savings to the volumetric rates. The Second Revised Settlement included revised tariffs for effect December 7, 2013.<sup>132</sup> At an Open Meeting held on December 6, 2013, the PUC reviewed the Second Revised Settlement and accompanying tariffs and found them to be in compliance with the PUC's decision of November 22, 2013. The impact on a typical residential customer using 100 HCF per year is an 18.8% increase, from \$322.16 to \$382.68 or \$60.52 per year. The PUC cautions that removal of the language from the Revised Settlement relative to purchase of a central operations facility does not moot any of the related concerns raised by the intervenors to this docket.

(22062) ORDERED:

1. Providence Water Supply Board's Rate Filing of March 29, 2013 is hereby denied and dismissed.
2. The Second Revised Settlement by and between Providence Water, Kent County Water Authority, Bristol County Water Authority, and the Division of Public Utilities and Carriers, providing for a revenue increase of \$7,494,513, total revenue of \$67,526,756, and a total cost of service of \$67,525,343, is hereby approved.
3. Providence Water Supply Board shall file its semi-annual reports no later than ninety days after the respective reporting period ends.

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<sup>132</sup> A copy of the Second Revised Settlement is attached hereto as Appendix A.

4. Providence Water Supply Board shall continue to include in its semi-annual reports a line item that breaks out capitalized labor on Infrastructure Replacement and Capital Improvement Program projects.
5. Providence Water Supply Board shall continue to include in its semi-annual reports the following: Pensions: amount of contribution, percentage of actuarial recommendation compared to the City's and the School Department's, any changes to the pension plan, the cost of the pension contribution as a percentage of actual payroll of those who are in the pension system, and once per year, shall provide the annual report from Providence Water's actuary on the pension plan and the annual audited report on the pension plan. Retiree Health Care Reporting related to GASB 43/45 actuarial recommendations: amount of contribution, percentage of the actuary's recommendation compared to the City's and the School Department's. Any amounts allowed in rates in excess of the actual contributions shall be restricted.
6. The Providence Water Supply Board shall provide copies of the six-month status reports on the Capital Fund to the parties to this docket simultaneously with their filing with the Commission.
7. The Providence Water Supply Board shall continue to restrict the following accounts in the following amounts collected through rates: Capital Improvements - \$50,000; Western Cranston Fund - \$62,069; IFR - \$24,000,000; Meter Replacement - \$1,000,000; Insurance Fund - \$1,802,547; Chemicals and Sludge - \$4,500,000; and Equipment Replacement - \$600,000.

8. The compliance tariffs filed by the Providence Water Supply Board on November 26, 2013 are hereby approved for usage on and after December 7, 2013.
9. The Providence Water Supply Board shall comply with the reporting requirements and all other terms and conditions imposed by the Second Revised Settlement Agreement and this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON DECEMBER 7, 2013 PURSUANT TO OPEN MEETING DECISIONS ON NOVEMBER 22, 2013 AND DECEMBER 6, 2013. WRITTEN ORDER ISSUED SEPTEMBER 1, 2015.

PUBLIC UTILITIES COMMISSION



  
Margaret E. Curran, Chairman

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\*Paul J. Roberti, Commissioner

  
Herbert F. DeSimone, Jr., Commissioner

\*Commissioner Roberti concurs but is unavailable for signature.

**NOTICE OF RIGHT OF APPEAL** PURSUANT TO R.I.G.L. SECTION 39-5-1, ANY PERSON AGGRIEVED BY A DECISION OR ORDER OF THE COMMISSION MAY, WITHIN SEVEN DAYS (7) DAYS FROM THE DATE OF THE ORDER, PETITION THE SUPREME COURT FOR A WRIT OF CERTIORARI TO REVIEW THE LEGALITY AND REASONABLENESS OF THE DECISION OR ORDER.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION**

**IN RE:           PROVIDENCE WATER SUPPLY BOARD           :**  
**APPLICATION TO CHANGE RATE            :**       **Docket No. 4406**  
**SCHEDULES                                       :**

**SECOND REVISED SETTLEMENT AGREEMENT**

Pursuant to Rule 1.24 of the Commission’s Rules of Practice and Procedure, Providence Water Supply Board (“Providence Water”), the Division of Public Utilities and Carriers (the “Division”), the Kent County Water Authority, the Bristol County Water Authority, the City of Warwick, and the City of East Providence (collectively referred to as the “Parties”), hereby agree as follows:

1.       On or about March 29, 2013, Providence Water filed for additional revenues of \$14,621,794 (an increase of 24.3%) to support a total revenue request of \$74,709,281. After extensive negotiations, the Parties agree that Providence Water may be granted additional revenues of \$7,494,513 (an increase of 12.74% in service revenues) to provide total pro forma revenues of \$67,525,343 as set forth on the schedules attached hereto and incorporated by reference herein.<sup>1</sup>

2.       The agreed calculations and adjustments are set forth in the following updated settlement schedules which include:

- TSC-1.           Summary of Revenues and Expenses (Revised).
- TSC-2.           Summary of Division Adjustments to Rate Year Expenses
- TSC-3           Adjustment to Salaries and Wages
- TSC-4           Adjustment to Payroll Clearing Expense

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<sup>1</sup> Due to rounding, the revenues generated by the proposed rates exceed these amounts by \$1,413.

- TSC-5 Adjustment to Recognize Overheads Applied
- TSC-6 Adjustment to Benefits Expense
- TSC-7 Adjustment to Inflation Related Expense Increases
- 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 Proposed Rates and Impacts (Revised)
- JDM-20S Comparison of Revenues by Customer Class (Revised)
- JDM-21S Typical Bill Comparison (Revised)
- JDM-22S Revenue Proof (Revised)

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.** The Parties accept the Division’s proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

**B. Payroll Clearing.** The Parties accept 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. The Parties agree to reduce rate year costs to recognize overhead rates applied as being reimbursed from the IFR fund.

D. **Pension and Benefits.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

E. **Inflation.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

F. **Bad Debt.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

G. **Insurance.** The Parties accept 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 Parties accept this update.

I. **Property Tax.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

J. **Unidirectional Flushing.** The Parties accept the Division's proposed adjustment reflected in the Direct Testimony of Thomas S. Catlin.

K. **Rate Case and Regulatory.** The Parties accept 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 will be eliminated; the \$35,000 test year expense for appraisal services will be normalized based on one-third of the test year amount; and the \$69,933 test year expense for legal services and strategic planning will 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 will be allowed.

M. **Incremental Monthly Billing.** The Parties 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 will 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 (6) 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, and to request additional information if needed.

5. The wholesale rate is set at \$1.294904 per HCF, which is \$1,731.16 per million gallons.

6. The residential retail rate is set at \$2.880 per hundred cubic feet (HCF); the commercial retail rate is set at \$2.744 per HCF; and the industrial retail rate is set at \$2.695 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 overall rate revenue increase is 12.74%.

9. The Public Fire Supply rate is set at \$394.80 per hydrant, and Private Fire Service rates are shown on the attached 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, which will be filed by December 1, 2016.

11. In this Docket, the Parties had differing positions on the classification of Providence Water's pipes as distribution pipe or transmission pipe, and its effect on rates. The Parties agree that this Settlement Agreement and the rate to be charged to wholesale customers, if approved by the Commission, do not resolve this dispute. Furthermore, the rate to be charged to wholesale customers, if approved by the Commission, does not reflect a resolution of this issue. This settlement will have no precedential effect in future Dockets on the classification of Providence Water's pipe as distribution pipe or transmission pipe, and its effect on rates. The Parties hereby reserve their respective rights to raise the same issues and advance the same positions that they did in this Docket, or alternative positions in future dockets, regarding Providence Water's pipe classification and its effect on rates.

12. 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.

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

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

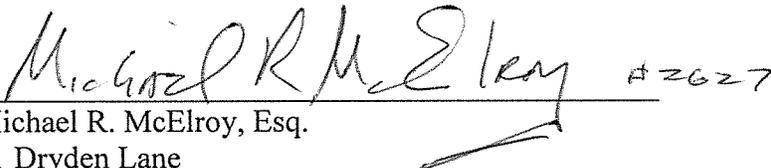
15. This Settlement Agreement is the result of negotiated settlement among the Parties. The agreement by the Parties to this Settlement shall not be construed as an agreement to any matter of fact or law addressed in this Settlement in any future Division or Commission proceedings, and no party, by executing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

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

Executed as of this 26<sup>th</sup> day of November, 2013.

**Providence Water Supply Board**

By its attorney,

 #2627

Michael R. McElroy, Esq.

21 Dryden Lane

P.O. Box 6721

Providence, RI 02940-6721

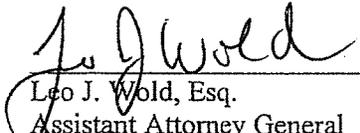
Tel: (401) 351-4100

Fax: (401) 421-5696

Email: Michael@McElroyLawOffice.com

**Division of Public Utilities and Carriers**

By its attorney,

A handwritten signature in cursive script that reads "Leo J. Wold". The signature is written in dark ink and is positioned above a horizontal line.

Leo J. Wold, Esq.

Assistant Attorney General

150 South Main Street

Providence, RI 02903

Tel: (401) 274-4400, ext. 2218

Fax: (401) 222-3016

Email: [LWold@riag.ri.gov](mailto:LWold@riag.ri.gov)

**Kent County Water Authority**  
By its attorney,

A handwritten signature in black ink, appearing to read "R. Watson", is written over a horizontal line.

Robert A. Watson, Esq.  
1050 Main Street, Suite 23  
East Greenwich, RI 02818  
Tel: (401) 884-1455  
Fax: (401) 884-1490  
Email: [Rwatson247@cox.net](mailto:Rwatson247@cox.net)

**Bristol County Water Authority**

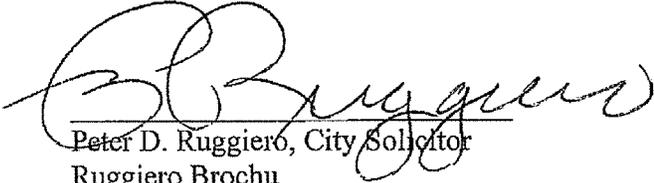
By its attorney,



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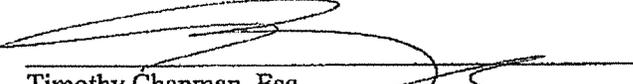
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City of Warwick  
By its attorney,

A handwritten signature in cursive script, appearing to read "P. Ruggiero", written over a horizontal line.

Peter D. Ruggiero, City Solicitor  
Ruggiero Brochu  
20 Centerville Road  
Warwick, Rhode Island 02886  
Tel: 401-737-8700  
Fax: 401-737-0735  
E-mail: [Peter@Rubroc.com](mailto:Peter@Rubroc.com)

**City of East Providence**  
By its attorney,



Timothy Chapman, Esq.  
City Solicitor  
145 Taunton Avenue  
East Providence, RI 02914  
Tel: (401) 435-7523  
Email: [tchapman@cityofeastprov.com](mailto:tchapman@cityofeastprov.com)

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
<b>Revenue</b>					
Service Charge	\$ 5,825,849	\$ -	\$ 5,825,849	\$ 1,599,434	\$ 7,425,283
Retail Sales	32,217,079	-	32,217,079	4,977,407	37,194,486
Wholesale Sales	16,375,278	-	16,375,278	327,514	16,702,792
Private Fire Protection	2,290,098	-	2,290,098	340,028	2,630,126
Retail FPSC	1,182,374	-	1,182,374	94,452	1,276,826
Public Fire Protection	960,983	-	960,983	157,091	1,118,074
Miscellaneous	1,179,169	-	1,179,169	-	1,179,169
Total Revenue	\$ 60,030,830	\$ -	\$ 60,030,830	\$ 7,495,926	\$ 67,526,756
<b>Expenses</b>					
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	(2,400,000)	50,000	-	50,000
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	(1,059,057)	325,226	-	325,226
Less: Reserve Funded from Monthly Billing	-	-	-	-	-
Total Capital	\$ 29,496,353	\$ (3,459,057)	\$ 26,037,295	\$ -	\$ 26,037,295
Total Expenses	\$ 71,777,645	\$ (5,227,980)	\$ 66,549,664	\$ -	\$ 66,549,664
Operating Reserve	692,142	283,537	975,679	-	975,679
Total Cost of Service	\$ 72,469,786	\$ (4,944,443)	\$ 67,525,343	\$ -	\$ 67,525,343
Revenue Surplus/(Deficiency)	\$ (12,438,956)	\$ 4,944,443	(\$7,494,513)	\$ 7,495,926	\$ 1,413

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
Capital Fund	(2,400,000)	Per Commission
Operating Reserve	<u>(775,520)</u>	See Note (1)
Total Expense Adjustments	<u>\$ (4,944,443)</u>	

Note:

(1) Based on 2.0% of total expenses less miscellaneous revenues. Total is

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>1,045</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	<u>\$ 7,513,577.79</u>	<u>\$ 711,169</u>	<u>\$ 8,224,746</u>
Amount per Providence Water Rebutal (Schedule HJS-S6)			<u>\$ 8,224,746</u>
Adjustment			<u>\$ -</u>

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	<u>\$ 5,487,579</u>	<u>\$ 193,705</u>	<u>\$ 193,705</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	(1,320,107)
Total	<u>\$ (678,703)</u>
 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	36,627	17,602	N/A	18,428
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </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>\$ -</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						<u>\$ 4,199,322</u>
Incremental Restricted Fund Contribution to Eliminate Shortfall (5)						<u>300,000</u>
Division Recommended Funding of Chemical and Sludge Maintenance Restricted Account (Rounded)						<u>\$ 4,500,000</u>
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>\$ -</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.

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>

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>\$ (79,847)</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
<b>Quarterly Service Charges</b>						
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	-	\$ -	-		
<b>Monthly Service Charges</b>						
5/8"	1	53,152	\$ 7.89	5,032,431.36	10.82	-27.08%
3/4"	-	10,645	\$ 8.32	1,062,796.80	11.19	-25.65%
1"	-	5,067	\$ 9.58	582,502.32	12.32	-22.24%
1.5"	2	1,495	\$ 11.27	202,183.80	13.83	-18.51%
2"	34	1,536	\$ 15.91	293,253.12	17.97	-11.46%
3"	13	106	\$ 50.10	63,727.20	48.42	3.47%
4"	7	39	\$ 62.77	29,376.36	59.70	5.14%
6"	17	76	\$ 92.31	84,186.72	86.02	7.31%
8"	8	44	\$ 126.08	66,570.24	116.11	8.59%
10"	-	2	\$ 156.68	3,760.32	143.37	9.28%
12"	1	2	\$ 187.28	4,494.72	170.63	9.76%
Total	83	72,164		7,425,282.96		
<b>Total Retail Service Charge Revenue</b>					\$ 5,825,849	27.45%

**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 Revenues	Current Rates	% Change
<b>Quarterly Service Charges</b>						
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	
<b>Total</b>	<b>33,340</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Monthly Service Charges</b>						
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	\$ 131.35	\$ 29,947.80	112.84	16.40%
6"	12	30	\$ 268.67	\$ 96,721.20	230.81	16.40%
8"	8	16	\$ 405.99	\$ 77,950.08	348.78	16.40%
10"	-	1	\$ 620.93	\$ 7,451.16	533.43	16.40%
12"	-	-	\$ 1,026.91	\$ -	882.21	16.40%
<b>Total</b>	<b>64</b>	<b>33,404</b>	<b>\$ -</b>	<b>\$ 1,276,826.40</b>		
<b>Total Retail Fire Protection Service Charge Revenue</b>					<b>\$ 1,182,373.64</b>	<b>8%</b>
<b>Total Retail Service Charge Revenue</b>					<b>\$ 7,008,222.28</b>	<b>24.17%</b>

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

Proposed Rates and Impacts  
Rate Year Ending December 31, 2014

<b>Retail Consumption Charges</b>									
Residential (HCF)	8,517,528	2.880	\$	24,534,070.40			2.488	\$	15.76%
Commercial (HCF)	4,427,015	2.744	\$	12,149,391.01			2.390	\$	14.81%
Industrial (HCF)	189,644	2.695	\$	511,024.48			2.346	\$	14.88%
<b>Total</b>	<u>13,134,187</u>		\$	<u>37,194,485.90</u>			<u>32,217,079</u>	\$	<u>15.45%</u>

**Wholesale Charges**

<i>Volume Charge</i>									
Consumption (HCF)	12,898,865	1.294904	\$	16,702,791.92			16,375,278	\$	2.00%
Consumption (MG)	9,648	1,731.16	\$	\$16,702,839.39					

**Total Consumption Charge Revenue**

48,592,356.99 **10.92%**

**Private Fire Service Charges**

	Current Units of Service	Proposed Units of Service	Proposed Monthly Pvt. Fire Charge	Private Fire Charge Revenues	Current Quarterly Pvt. Fire Charge
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	\$69.28	290,144.64	182.72
6"	1,272	1,272	\$112.95	1,724,068.80	295.45
8"	254	254	\$171.07	521,421.36	443.93
10"	4	4	\$238.31	11,438.88	613.33
12"	17	17	\$319.69	65,216.76	816.53
16"	1	1	\$531.68	6,380.16	1,340.64
<b>Total</b>	<u>1,963</u>	<u>1,963</u>		<u>2,630,126.04</u>	<u>2,290,098</u>

**Public Fire Service Charges**

Hydrants	2,832	\$394.80	\$	\$1,118,073.60	339.33	\$	960,983	\$	16.35%
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**Total Fire Protection Charge Revenue**

\$3,748,199.64 **15.29%**

Miscellaneous Revenues

\$ (1,179,169.01)

**Total Rate Revenues**

66,347,586.82

**Total Revenues**

\$ 67,526,755.83

Schedule JDM-20 Settlement  
 Comparison of Revenues by Customer Class

Comparison of Revenues by Customer Class  
 Rate Year Ending December 31, 2014

	Existing Rates	Proposed Rates	% Change
Retail			
Monthly Service Charge	\$ 5,825,849	\$ 7,425,283	27.5%
Periodic FPSC	\$ 1,182,374	\$ 1,276,826	8.0%
Volume Charge			
Residential	\$ 21,191,609	\$ 24,534,070	15.8%
Commercial	\$ 10,580,565	\$ 12,149,391	14.8%
Industrial	\$ 444,905	\$ 511,024	14.9%
<b>Total Retail</b>	<b>\$ 39,225,301</b>	<b>\$ 45,896,595</b>	<b>17.0%</b>
Wholesale			
East Providence	\$ 2,604,138	\$ 2,656,220	2.0%
East Smithfield	\$ 369,465	\$ 376,854	2.0%
Greenville	\$ 550,307	\$ 561,313	2.0%
Kent County	\$ 3,347,107	\$ 3,414,049	2.0%
Smithfield	\$ 534,048	\$ 544,729	2.0%
Warwick	\$ 5,409,798	\$ 5,517,993	2.0%
Lincoln	\$ 1,307,083	\$ 1,333,225	2.0%
Johnston	\$ 356,412	\$ 363,540	2.0%
Bristol County	\$ 1,896,931	\$ 1,934,869	2.0%
<b>Total Wholesale</b>	<b>\$ 16,375,290</b>	<b>\$ 16,702,792</b>	<b>2.0%</b>
Fire Protection			
Private Fire Protection	\$ 2,290,098	\$ 2,630,126	14.8%
Public Fire Protection	\$ 960,983	\$ 1,118,074	16.3%
<b>Total Fire Protection</b>	<b>\$ 3,251,081</b>	<b>\$ 3,748,200</b>	<b>15.3%</b>
<b>Total Rate Revenues</b>	<b>\$ 58,851,672</b>	<b>\$ 66,347,587</b>	<b>12.7%</b>
Miscellaneous Revenues	\$ (1,179,169)	\$ (1,179,169)	
<b>Total Revenues</b>	<b>\$ 60,030,841</b>	<b>\$ 67,526,756</b>	<b>12.49%</b>

Schedule JDM-21 Settlement  
 Typical Bill Comparison

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

	Proposed Rates	Existing Rates	% Change
<b>Residential - (5/8" Meter, 100 HCF)</b>			
Service Charge*	\$ 94.68	\$ 73.36	29.1%
Volume Charge	\$ 288.00	\$ 248.80	15.8%
<b>Total</b>	<b>\$ 382.68</b>	<b>\$ 322.16</b>	<b>18.8%</b>
<b>Commercial - (2" Meter, 2,000 HCF)</b>			
Service Charge*	\$ 190.92	\$ 159.08	20.0%
Volume Charge	\$ 5,488.00	\$ 4,780.00	14.8%
<b>Total</b>	<b>\$ 5,678.92</b>	<b>\$ 4,939.08</b>	<b>15.0%</b>
<b>Industrial - (6" Meter, 10,000 HCF)</b>			
Service Charge *	\$ 1,107.72	\$ 975.80	13.5%
Volume Charge	\$ 26,950.00	\$ 23,460.00	14.9%
<b>Total</b>	<b>\$ 28,057.72</b>	<b>\$ 24,435.80</b>	<b>14.8%</b>

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

**Schedule JDM-22 Settlement  
Revenue Proof**

**Revenue Proof**  
Rate Year Ending December 31, 2014

Net Operations & Maintenance Expense	\$	33,185,687
Capital Expense	\$	25,712,069
City Services Expense	\$	839,167
Property Taxes Expense	\$	6,487,515
<hr/>		
Total Expenses Allocated	\$	66,224,438
plus: Net Operating Revenue		\$1,300,905.00
<hr/>		
<b>Net Revenue Requirement</b>	<b>\$</b>	<b>67,525,343</b>
 Retail		
Monthly Service Charge	\$	7,425,283
Retail FPSC	\$	1,276,826
Volume Charge		
Residential	\$	24,534,070
Commercial	\$	12,149,391
Industrial	\$	511,024
<hr/>		
Total Retail	\$	45,896,595
 Wholesale		
East Providence	\$	2,656,220
East Smithfield	\$	376,854
Greenville	\$	561,313
Kent County	\$	3,414,049
Smithfield	\$	544,729
Warwick	\$	5,517,993
Lincoln	\$	1,333,225
Johnston	\$	363,540
Bristol County	\$	1,934,869
<hr/>		
Total Wholesale	\$	16,702,792
 Fire Protection		
Private Fire Protection	\$	2,630,126
Public Fire Protection	\$	1,118,074
<hr/>		
Total Fire Protection	\$	3,748,200
<hr/>		
Total Rate Revenues	\$	66,347,587
<hr/>		
Miscellaneous Revenues	\$	1,179,169
<hr/>		
<b>Total Revenues</b>	<b>\$</b>	<b>67,526,756</b>
<hr/>		
<b>Total Surplus / (Deficit)</b>	<b>\$</b>	<b>1,413</b>

Note: Surplus due rounding

# PROVIDENCE WATER SUPPLY BOARD TARIFF

Replaces Tariff  
April 27, 2010 & November 01, 2011

Effective: December 7, 2013

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                       |

## SCHEDULE A

### Providence Water Supply Board Service Charges Retail

Rhode Island Public Utilities Commission Docket No. 4406

Effective: December 7, 2013

#### 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"	\$ 7.89
3/4	8.32
1	9.58
1 ½	11.27
2	15.91
3	50.10
4	62.77
6	92.31
8	126.08
10	156.68
12	187.28

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	131.35
6	268.67
8	405.99
10	620.93
12	1,026.91

#### 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.

## **SCHEDULE B**

### **Providence Water Supply Board Metered Sales Retail**

**Rhode Island Public Utilities Commission Docket No. 4406**

Effective: December 7, 2013

#### 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	\$2.880
Commercial	\$2.744
Industrial	\$2.695

#### 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.

## **SCHEDULE C**

### **Providence Water Supply Board Bulk Sales to Public Authorities for Resale**

**Rhode Island Public Utilities Commission Docket No. 4406**

Effective: December 7, 2013

#### Applicability

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

#### Rates-Volume Charge

\$1,731.16 per million gallons, or  
\$1.294904 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

## **SCHEDULE D**

### **Providence Water Supply Board Public Fire Protection**

**Rhode Island Public Utilities Commission Docket No. 4406**

Effective: December 7, 2013

#### Applicability

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

#### Rates

For each hydrant: \$394.80

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.

## SCHEDULE E

### Providence Water Supply Board Private Fire Service

Rhode Island Public Utilities Commission Docket No. 4406

Effective: December 7, 2013

#### 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 ½	10.93
2	16.21
4	69.28
6	112.95
8	171.07
10	238.31
12	319.69
16	531.68

#### 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.

**SCHEDULE F  
PROVIDENCE WATER  
TERMS & CONDITIONS  
SERVICE FEE SCHEDULE  
(effective December 7, 2013)  
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.

<b>SERVICE</b>	<b>FEE</b>
<b>PHOTOCOPYING</b>	
Distribution Sheet	\$ 3.00/copy
Letter or Legal Size Document	\$ .15/copy
<b>LIEN CERTIFICATE</b>	<b>\$ 6.00</b>
<b>RETURNED CHECK FEE</b>	<b>\$ 20.00</b>
<b>PLAN CHECKING/WATER AVAILABILITY REVIEW</b>	<b>\$ 57.00/hour</b>
<b>EASEMENT/ABANDONMENT REQUEST</b>	<b>\$ 50.00/hour</b>
<b>FIRE HYDRANT FLOW TEST</b>	<b>\$ 118.00</b>
<b>NEW WATER SERVICE INSTALLATION - BASIC</b>	
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 pavement restoration and \$75 for sidewalk.

**SCHEDULE F  
PROVIDENCE WATER  
TERMS & CONDITIONS  
SERVICE FEE SCHEDULE  
(effective December 7, 2013)  
page 2 of 2**

<b>SERVICE</b>	<b>FEE</b>
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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

(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

**SERVICE RESTORATION FEE** \$ 43.00

**SPECIAL REQUESTS FOR SERVICES NOT LISTED ABOVE THAT DO NOT BENEFIT ALL CUSTOMERS** Billed at actual  
Cost plus overhead  
Rates in effect