

**DIRECT TESTIMONY OF
HAROLD J. SMITH, VICE PRESIDENT
RAFTELIS FINANCIAL CONSULTANTS, INC.**

for

**PROVIDENCE WATER SUPPLY BOARD
DOCKET # 4406**

June 2015

INTRODUCTION

1 **Q. Please state your name and business address.**

2 A. My name is Harold J. Smith and my business address is, 1031 South Caldwell Street,
3 Suite 100, Charlotte, North Carolina, 28203.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am a Vice President of Raftelis Financial Consultants, Inc. (RFC), a consulting firm
7 specializing in the areas of water and wastewater finance, pricing and ratemaking. RFC
8 was established in 1993 in Charlotte, North Carolina, by George A. Raftelis to provide
9 environmental and management consulting services to public and private sector clients.
10 RFC is a national leader in the development of water and wastewater rates.

11

12 **Q. Please describe your educational background and work experience.**

13 A. I obtained a Master of Business Administration from Wake Forest University in 1997
14 and a Bachelor of Science in Natural Resources from the University of the South in 1987.
15 As an employee of Raftelis Financial Consultants, I have been involved in numerous
16 projects for public utilities including a number of studies involving a wide range of
17 technical specialties including water utility cost of service and rate structure studies and
18 water utility financial planning studies.

19

20 **Q. Have you previously testified before any Rhode Island regulatory agencies on
21 utility rate related matters?**

22 A. Yes. I provided testimony before the Rhode Island Public Utilities Commission
23 (RIPUC) in four of Providence Water Supply Board's (Providence Water) rate filings
24 (Docket Nos. 3832, 4061, 4070 and 4406) and in Newport Water's six most recent
25 filings (Docket Nos. 3578, 3675, 3818, 4025, 4243 and 4355). I have also provided
26 testimony on water rate related matters before the Tennessee Regulatory Authority,
27 the Indiana Utility Regulatory Commission, the Maryland Public Service
28 Commission, the Connecticut Utilities Regulatory Authority and the Nova Scotia

1 Utility and Review Board as well as in utility rate related court proceedings in
2 Arizona, Maine and Connecticut.

3

4 **Q. Do you belong to any professional organizations or committees?**

5 A. Yes. I am a member of the American Water Works Association where I served as
6 chairman of the Strategic Management Practices Committee and I am a member of the
7 Financial Management Committee of the New England Water Works Association.

8

9 **Q. Please describe your role in this proceeding?**

10 A. RFC was retained to provide schedules and testimony in support of the restoration of
11 \$2.4 million in restricted capital funding to be used to fund the acquisition and renovation
12 of Providence Water's new Central Operations Facility (COF). Providence Water has
13 been allowed to contribute \$2.45 million per year to the restricted Capital Funding since
14 Docket # 3832 in 2007. In Providence Water's rate filing in Docket # 4406 \$2.4 million
15 of the previously allowed \$2.45 million was earmarked to fund the COF and was
16 authorized as part of the November 8, 2013 Revised Settlement Agreement (Exhibit 1) in
17 Docket #4406 signed by the Division of Public Utilities (the Division) as well as the
18 wholesale interveners. However, it was later removed by the RIPUC during the Open
19 Meeting held on November 22, 2013 because, as mentioned in the minutes from that
20 meeting (Exhibit 2), the costs associated with the COF did not constitute a known and
21 measurable expense at that time. As the minutes state:

22 "Commissioner DeSimone expressed concern with \$2.4 million funding for the
23 new Central Operating Facility. The testimony does not support funding of \$2.4
24 for the facility. He opined that the new facility project did not constitute a
25 known and measurable expense and suggested that the revenue requirement
26 could be reduced by \$2.4 million. Commissioner DeSimone moved to propose a
27 modification to the Settlement Agreement by reducing the funding amount in
28 capital improvement by \$2.4 million. The benefit of the modification shall be
29 allocated to retail customers. Commissioner Roberti concurred and seconded
30 the motion. The motion was unanimously passed."

Providence Water Supply Board
Harold J. Smith Testimony

1

2 At that meeting the Commission encouraged Providence Water to return to the
3 Commission when the COF expense became known and measurable.

4

5 This testimony is submitted in support of Providence Water's request to revert back to
6 the November 8, 2013 Revised Settlement Agreement. This would restore the \$2.4
7 million in restricted capital funding for the new COF, and retain the cost allocation
8 methodology upon which all parties (including the Division and Interveners) agreed.

9

10 **Q. Are the costs associated with the COF known and measurable at this time?**

11 A. Yes. The costs associated with the \$2.4 million in funding are now known and
12 measurable. On May 7, 2015 Providence Water signed an agreement to purchase a
13 building to be renovated and used as the new COF. The bond issue will be in the amount
14 of \$30,000,000. This amount covers the cost of the building, \$10,350,000, the estimated
15 cost of the property renovations, \$16,272,853, and a \$3,000,000 debt reserve fund. The
16 initial cost for renovations was determined by Dimeo Construction Company in
17 conjunction with Providence Water's engineering staff. See Exhibit 3.

18

19 **Q. How will the COF project be financed?**

20 A. Providence Water is seeking financing via the Rhode Island Clean Water Financing
21 Agency (RICWFA). The restoration of the \$2.4 million will be used to service the debt
22 associated with the project. Although the exact terms are not yet finalized, assuming a
23 borrowing amount of \$30 million, a term of 20 years, and an interest rate of 5 percent, the
24 annual debt service would be approximately \$2.4 million per year.

25

26 **Q. Is it possible that the project cost will be lower and/or the financing conditions
27 more favorable than current projections? If so, how will Providence Water spend
28 any variance between the \$2.4 million and the debt service which is ultimately
29 incurred?**

30 A. Yes, it is possible that project costs will be lower than anticipated or that financing
31 will be attained at more favorable terms. In that case the Capital Fund funding level

1 would somewhat exceed what is needed to pay the COF debt service. However, capital
2 needs come up regularly for a utility the size of Providence Water. The previous removal
3 of the \$2.4 million left only \$50,000 for non-replacement related (e.g. IFR) capital
4 expenditures. Therefore, any funding remaining after the payment of COF debt service
5 would be used for other capital needs as they arise. When funding is available, the
6 Capital Fund is used to cover the cost of expenditures not funded in the IFR program or
7 by bond proceeds. This has included such items as:

- 8 • Fencing and road improvements on Providence Water properties
- 9 • Development costs for our GIS system
- 10 • Initial design / consulting costs in the planning of various capital projects.

11
12 **Q. What is the impact of restoring the \$2.4 million in Capital Fund funding?**

13 A. Reverting to the November 8, 2013 Revised Settlement Agreement would increase
14 total revenue by \$2,448,000 which equates to a rate revenue increase of 3.62%. The
15 \$48,000 in addition to the \$2.4 million is for contributions to the restricted Revenue
16 Reserve Fund and the Operating Reserve Fund. Since the contributions to these funds is
17 a percentage of total revenue requirements, these amounts increase with any addition to
18 total revenue requirements.

19
20 **Q. Would the 3.62% be applied to all customer rates in an across the board fashion?**

21 A. No. When the funding for the \$2.4 million was originally disallowed, the benefit of
22 this reduction was allocated entirely to retail customers. Consequently, returning to the
23 original settlement and restoring this funding will only impact retail rates.

24
25 **Q. Have you provided information on what the customer impacts are projected to
26 be?**

27 A. Yes, Schedule HJS-A, which is provided as Exhibit 4, shows bills under existing and
28 proposed rates and the percentage impacts that are likely to occur for typical residential,
29 commercial, and industrial customers. For a typical residential customer using 100 hcf
30 per year, their annual charges increase from \$382.68 to \$401.68 which represents a 5.0%

1 increase. Exhibit 4 also includes additional schedules to support the requested rate
2 increase.

3 **Q. Please list the exhibits that you have included with your testimony?**

4 A. The following exhibits are attached:

- 5 • Exhibit 1- November 8, 2013 Revised Settlement Agreement
- 6 • Exhibit 2 – Minutes from RIPUC Open Meeting held on November 22, 2013
- 7 • Exhibit 3 – Estimate of Costs for COF Renovations
- 8 • Exhibit 4 – Schedules HJS – 1 through HJS -3
 - 9 ○ Schedule HJS - 1 – Cost of Service Summary
 - 10 ○ Schedule HJS - 2 – Typical Bill Comparison
 - 11 ○ Schedule HJS – 3 – Revenue Proof
- 12 • Exhibit 5 – Providence Water Tariff Schedule B - Proposed

13

14 **Q. Mr. Smith, does that conclude your testimony?**

15 A. Yes it does.

16

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for

**PROVIDENCE WATER SUPPLY BOARD
DOCKET # 4406**

EXHIBIT 1

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November 8, 2013

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

Re: Providence Water Supply Board – Docket No. 4406

Dear Luly:


As you know, this office represents the Providence Water Supply Board (Providence Water).

Enclosed for filing with the Commission is a revised Settlement Agreement dated November 8, 2013, which supercedes the Settlement Agreement previously filed on November 4, 2013. An original and nine copies are enclosed.

Hard copies have been sent only to the Commission and those on the service list who specifically requested hard copies.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:tmg
cc: Service List

**Docket No. 4406 - Providence Water Supply Board -- General Rate Filing
Service List updated 6/25/13**

*Requested to receive hard copy of all data responses.

Parties/Address	E-mail Distribution	Phone
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File original and nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	luly.massaro@puc.ri.gov cynthia.wilsonfrias@puc.ri.gov sharon.colbycamara@puc.ri.gov	401-780-2107
Interested Parties:		
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Ken Burke, General Mgr. RI Water Resources Board	Ken.burke@wrb.ri.gov	401-222-4890

- 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.

PH
NRMC
10
JAK
TC, by NRMC
AP, by MDK

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 \$3.070 per hundred cubic feet (HCF); the commercial retail rate is set at \$2.925 per HCF; and the industrial retail rate is set at \$2.872 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 16.9%.

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, Providence Water requested permission to continue funding its Capital Improvement Program Fund (“CIP”) in the amount of \$2,450,000 per year. Providence Water requested permission to use this fund, among other things, to cover costs associated with a proposed Central Operations Facility (“COF”). The Parties agree that Providence Water may continue funding the CIP in the amount of \$2,450,000 annually. The Parties further agree that the current balance, and all future contributions to this account, are hereby restricted. Providence Water may not use any proceeds from this account for any purpose related in any way to a COF without first seeking permission from the Commission through an Order of the Commission, provided, however, that Providence Water may periodically seek reimbursement from the CIP for soft costs associated with the search for a COF. “Soft costs” shall include such items as surveys, engineering assessments, appraisals, cost estimates, legal fees, etc. Providence Water is required to file a formal request with the Commission, with notice to all of the Parties in this Docket, before withdrawing, committing, or encumbering any funds from this account for any purpose related in any way to a COF. Furthermore, Providence Water agrees that it will not enter into any contracts for the purchase or lease of any land or buildings or renovations to any existing buildings for a COF without first seeking permission from the Commission through an Order of the Commission. The Commission will allow the Parties a minimum of thirty (30) days to respond to any such requests. The Parties to this Docket hereby reserve the right to object to any request made by Providence to withdraw, commit or encumber funds from the CIP, for any purpose related in any way to a COF, and to any request to enter into contracts for the purchase or lease of any land or buildings or renovations to any existing buildings for a COF. By agreeing to the continued annual funding of the CIP, the Parties to this agreement do not waive any rights~~

~~or issues they asserted or raised in this Docket, or any issues they may raise in future proceedings, regarding a proposed COF.~~

12. 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.

13. 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.

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

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

16. 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.

17. 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 8th day of November, 2013.

Providence Water Supply Board

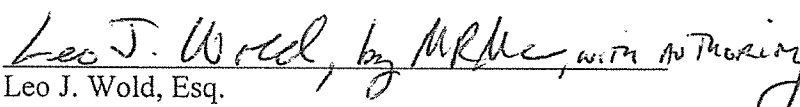
By its attorney,

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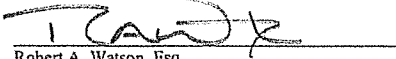
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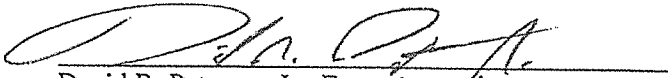
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PROVIDENCE WATER SUPPLY BOARD

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

	Rate Year Per Providence Rebuttal	Settlement Adjustments	Rate Year at Present Rates	Proposed Rate Increase	Rate Year at Proposed Rates
Revenue					
Service Charge	\$ 5,825,849	\$ -	\$ 5,825,849	\$ 1,599,434	\$ 7,425,283
Retail Sales	32,217,079	-	32,217,079	7,425,407	39,642,486
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	\$ 9,943,926	\$ 69,974,756
Expenses					
Operation & Maintenance (1)	29,486,452	(511,540)	28,974,912	-	28,974,912
Insurance	1,802,547	-	1,802,547	-	1,802,547
Chemicals & Sludge	4,500,000	-	4,500,000	-	4,500,000
City Services	839,167	-	839,167	-	839,167
Property Taxes	6,487,515	-	6,487,515	-	6,487,515
Capital Reimbursement	(834,389)	(1,257,383)	(2,091,772)	-	(2,091,772)
Net Operations	\$ 42,281,292	\$ (1,768,923)	\$ 40,512,369	\$ -	\$ 40,512,369
Capital Fund	2,450,000	-	2,450,000	-	2,450,000
Western Cranston	62,069	-	62,069	-	62,069
Infrastructure Replacement Fund	24,000,000	-	24,000,000	-	24,000,000
Cash Funded AMR/Meter Replacement	1,000,000	-	1,000,000	-	1,000,000
Equipment Replacement Fund	600,000	-	600,000	-	600,000
Property Tax Refund Fund	-	-	-	-	-
Revenue Reserve Fund	1,384,284	(1,047,057)	337,226	-	337,226
Less: Reserve Funded from Monthly Billing	-	-	-	-	-
Total Capital	\$ 29,496,353	\$ (1,047,057)	\$ 28,449,295	\$ -	\$ 28,449,295
Total Expenses	\$ 71,777,645	\$ (2,815,980)	\$ 68,961,664	\$ -	\$ 68,961,664
Operating Reserve	692,142	319,537	1,011,679	-	1,011,679
Total Cost of Service	\$ 72,469,786	\$ (2,496,443)	\$ 69,973,343	\$ -	\$ 69,973,343
Revenue Surplus/(Deficiency)	\$ (12,438,956)	\$ 2,496,443	(\$9,942,513)	\$ 9,943,926	\$ 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
Operating Reserve	(727,520)	See Note (1)
Total Expense Adjustments	<u>\$ (2,496,443)</u>	

Note:

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

PROVIDENCE WATER SUPPLY BOARD

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

	<u>Salary</u>
Total FY 2013 Wages (1)	\$ 13,587,511
Less: Wages for Engineers Paid directly from IFR Fund (1)	<u>(332,464)</u>
FY 2013 Wage Expense per Books	\$ 13,255,047
Plus Wages for Employees on Workers Compensation (1)	<u>274,221</u>
Total Salaries and Wages for Existing Employees	\$ 13,529,268
Plus Wages for 3 New Employees (2)	<u>\$ 132,384</u>
Adjusted FY 2013 Salaries and Wages	\$ 13,661,652
Adjustment to Bring to Rate Year Level	<u>1,045,454</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>

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	\$7,513,577.79	\$ 711,169	\$ 8,224,746
Amount per Providence Water Rebutal (Schedule HJS-S6)			\$ 8,224,746
Adjustment			\$ -

Notes:

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

PROVIDENCE WATER SUPPLY BOARD

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

	<u>Inflation Base (1)</u>	<u>Inflation per Division (2) 4.695%</u>	<u>Inflation per Prov. Water (3) 4.695%</u>	<u>Adjustment</u>
<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	<u>(1,320,107)</u>
Total	\$ (678,703)
 Average Annual Expense (divide by 4)	 <u>\$ (193,915)</u>
 Amount per Providence Water Rebuttal Filing (2)	 <u>-</u>
 Adjustment to Bad Debt Expense (Eliminate Claimed Expense)	 <u>\$ -</u>

Notes:

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

(2) Per Rebuttal Schedule HJS-S2.

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Insurance Expense
 Rate Year Ended December 31, 2014

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

Notes:

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

PROVIDENCE WATER SUPPLY BOARD

Adjustment to Chemicals Expense
 Rate Year Ended December 31, 2014

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

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>\$ -</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
Quarterly Service Charges						
5/8"	53,151	-	\$ -	-	18.34	
3/4"	10,645	-	\$ -	-	19.47	
1"	5,067	-	\$ -	-	22.85	
1.5"	1,493	-	\$ -	-	27.39	
2"	1,502	-	\$ -	-	39.77	
3"	93	-	\$ -	-	131.15	
4"	32	-	\$ -	-	164.98	
6"	59	-	\$ -	-	243.95	
8"	36	-	\$ -	-	334.19	
10"	2	-	\$ -	-	415.97	
12"	1	-	\$ -	-	497.76	
Total	72,081	-	\$ -	-		
Monthly Service Charges						
5/8"	1	53,152	\$ 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		
Total Retail Service Charge Revenue					\$ 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 Charge Revenues	Current Rates	% Change
Quarterly Service Charges						
5/8"	25,266	-	\$ -	\$ -	3.08	
3/4"	4,207	-	\$ -	\$ -	4.62	
1"	1,998	-	\$ -	\$ -	11.54	
1.5"	896	-	\$ -	\$ -	30.77	
2"	874	-	\$ -	\$ -	73.86	
3"	58	-	\$ -	\$ -	200.04	
4"	14	-	\$ -	\$ -	338.52	
6"	18	-	\$ -	\$ -	692.43	
8"	8	-	\$ -	\$ -	1,046.34	
10"	1	-	\$ -	\$ -	1,600.29	
12"	-	-	\$ -	\$ -	2,646.63	
Total	33,340	-	\$ -	\$ -		
Monthly Service Charges						
5/8"	1	25,267	\$ 1.20	\$ 363,844.80	1.03	16.50%
3/4"	-	4,207	\$ 1.80	\$ 90,871.20	1.54	16.88%
1"	-	1,998	\$ 4.48	\$ 107,412.48	3.85	16.36%
1.5"	-	896	\$ 11.95	\$ 128,486.40	10.26	16.47%
2"	27	901	\$ 28.66	\$ 309,871.92	24.62	16.41%
3"	11	69	\$ 77.62	\$ 64,269.36	66.68	16.41%
4"	5	19	\$ 131.35	\$ 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%
Total	64	33,404	\$ -	\$ 1,276,826.40		
Total Retail Fire Protection Service Charge Revenue					\$ 1,182,373.64	8%
Total Retail Service Charge Revenue					\$ 7,008,222.28	24.17%

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

		Proposed Rates and Impacts	
		Rate Year Ending December 31, 2014	
Retail Consumption Charges			
Residential (HCF)	8,517,528	\$ 3,070	\$ 26,148,809.87
Commercial (HCF)	4,427,015	\$ 2,925	\$ 12,949,017.85
Industrial (HCF)	189,644	\$ 2,872	\$ 544,658.18
Total	<u>13,134,187</u>		<u>\$ 39,642,485.90</u>

	\$ 2,488	23.39%
	\$ 2,390	22.38%
	\$ 2,346	22.42%
	<u>\$ 32,217,079</u>	<u>23.05%</u>

**Wholesale Charges
Volume Charge**

Consumption (HCF)	12,898,865	\$ 1,294,904	16,702,791.92
Consumption (MG)	9,648	\$ 1,731.16	
Total Consumption Charge Revenue			<u>16,702,791.92</u>

48,592,356.99

15.96%

	Current Units of Service	Proposed Units of Service	Proposed Monthly Pvt. Fire Charge	Private Fire Charge Revenues
Private Fire Service Charges				
3/4"	3	3	\$7.51	270.36
1"	10	10	\$8.88	1,065.60
1-1/2"	3	3	\$10.93	393.48
2"	50	50	\$16.21	9,726.00
4"	349	349	\$69.28	290,144.64
6"	1,272	1,272	\$112.95	1,724,068.80
8"	254	254	\$171.07	521,421.36
10"	4	4	\$238.31	11,438.88
12"	17	17	\$319.69	65,216.76
16"	1	1	\$531.68	6,380.16
Total	<u>1,963</u>	<u>1,963</u>		<u>2,630,126.04</u>

	Current Quarterly Pvt. Fire Charge
	\$ 19.67
	\$ 23.31
	\$ 28.70
	\$ 42.63
	\$ 182.72
	\$ 295.45
	\$ 443.93
	\$ 613.33
	\$ 816.53
	\$ 1,340.64
	<u>\$ 2,290,098</u>

14.85%

	Proposed Rate	Revenue	Current Rate	% Change
Public Fire Service Charges Hydrants				
	\$394.80	\$1,118,073.60	\$ 339.33	16.35%
Total Fire Protection Charge Revenue		<u>\$3,748,199.64</u>		<u>15.29%</u>

Miscellaneous Revenues	\$ (1,179,169.01)	\$ (1,179,169.01)
Total Rate Revenues	68,795,586.82	58,851,660.15
Total Revenues	\$ 69,974,755.83	\$ 60,030,829.16

16.90%

16.56%

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	\$ 26,148,810	23.4%
Commercial	\$ 10,580,565	\$ 12,949,018	22.4%
Industrial	\$ 444,905	\$ 544,658	22.4%
Total Retail	\$ 39,225,301	\$ 48,344,595	23.2%
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%
Total Wholesale	\$ 16,375,290	\$ 16,702,792	2.0%
Fire Protection			
Private Fire Protection	\$ 2,290,098	\$ 2,630,126	14.8%
Public Fire Protection	\$ 960,983	\$ 1,118,074	16.3%
Total Fire Protection	\$ 3,251,081	\$ 3,748,200	15.3%
Total Rate Revenues	\$ 58,851,672	\$ 68,795,587	16.9%
Miscellaneous Revenues	\$ (1,179,169)	\$ (1,179,169)	
Total Revenues	\$ 60,030,841	\$ 69,974,756	16.56%

Schedule JDM-21 Settlement
 Typical Bill Comparison

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

	Proposed Rates	Existing Rates	% Change
Residential - (5/8" Meter, 100 HCF)			
Service Charge*	\$ 94.68	\$ 73.36	29.1%
Volume Charge	\$ 307.00	\$ 248.80	23.4%
Total	\$ 401.68	\$ 322.16	24.7%
Commercial - (2" Meter, 2,000 HCF)			
Service Charge*	\$ 190.92	\$ 159.08	20.0%
Volume Charge	5,850.00	4,780.00	22.4%
Total	\$ 6,040.92	\$ 4,939.08	22.3%
Industrial - (6" Meter, 10,000 HCF)			
Service Charge *	\$ 1,107.72	\$ 975.80	13.5%
Volume Charge	\$ 28,720.00	\$ 23,460.00	22.4%
Total	\$ 29,827.72	\$ 24,435.80	22.1%

*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	\$	28,112,069
City Services Expense	\$	839,167
Property Taxes Expense	\$	6,487,515
<hr/>		
Total Expenses Allocated	\$	68,624,438
plus: Net Operating Revenue		\$1,348,905.38
<hr/>		
Net Revenue Requirement	\$	69,973,343
Retail		
Monthly Service Charge	\$	7,425,283
Retail FPSC	\$	1,276,826
Volume Charge		
Residential	\$	26,148,810
Commercial	\$	12,949,018
Industrial	\$	544,658
<hr/>		
Total Retail	\$	48,344,595
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
Total Rate Revenues	\$	68,795,587
<hr/>		
Miscellaneous Revenues	\$	1,179,169
<hr/>		
Total Revenues	\$	69,974,756
Total Surplus / (Deficit)	\$	1,413

Note: Surplus due rounding

PROPOSED TARIFFS

PROVIDENCE WATER SUPPLY BOARD TARIFF

Replaces Tariff
April 27, 2010 & November 01, 2011

Effective: January 1, 2014

RI Public Utilities Commission Docket No. 4406

TARIFF SCHEDULES

Schedule

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

PROPOSED TARIFFS

SCHEDULE A

Providence Water Supply Board Service Charges Retail

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

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

Rates

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

<u>Size of Meter</u>	<u>Monthly</u>
5/8"	\$ 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.

PROPOSED TARIFFS

SCHEDULE B

Providence Water Supply Board Metered Sales Retail

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

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

Rates

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

Monthly Accounts

Residential	\$3.070
Commercial	\$2.925
Industrial	\$2.872

Terms of Payment

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

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

PROPOSED TARIFFS

SCHEDULE C

Providence Water Supply Board Bulk Sales to Public Authorities for Resale

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

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

Rates-Volume Charge

\$1,731.16 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

PROPOSED TARIFFS

SCHEDULE D

**Providence Water Supply Board
Public Fire Protection**

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

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

Rates

For each hydrant: \$394.80

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.

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PROPOSED TARIFFS

SCHEDULE E

Providence Water Supply Board Private Fire Service

Rhode Island Public Utilities Commission Docket No. 4406

Effective: January 1, 2014

Applicability

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

Rates

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

<u>Size of Service</u>	<u>Monthly</u>
3/4"	\$ 7.51
1	8.88
1 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.

PROPOSED TARIFFS

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

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

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

NEW WATER SERVICE INSTALLATION - SPECIAL CIRCUMSTANCES

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

PAVEMENT/SIDEWALK RESTORATION CHARGES

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

PROPOSED TARIFFS

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

SERVICE	FEE
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POLICE DETAILS

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

Cranston	\$40.55
Johnston	44.36
North Providence	41.62
Providence	52.89

NEW WATER METER INSTALLATION - INCLUDING ERT

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

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

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

SERVICE SHUTOFF FEE	\$ 64.00
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SERVICE RESTORATION FEE	\$ 43.00
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SPECIAL REQUESTS FOR SERVICES NOT LISTED ABOVE THAT DO NOT BENEFIT ALL CUSTOMERS	Billed at actual Cost plus overhead Rates in effect
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**DIRECT TESTIMONY OF
HAROLD J. SMITH, VICE PRESIDENT
RAFTELIS FINANCIAL CONSULTANTS, INC.**

for

**PROVIDENCE WATER SUPPLY BOARD
DOCKET # 4406**

EXHIBIT 2

State of Rhode Island and Providence Plantations

Public Utilities Commission

Minutes of Open Meeting Held November 22, 2013

Attendees: Chairperson Margaret Curran, Commissioner Paul Roberti, Commissioner Herbert DeSimone, Patricia Lucarelli, Cindy Wilson-Frias, Amy D'Alessandro, Sharon Colby Camara, Alan Nault, Dilip Shah and Luly Massaro. Staff Nicholas Ucci was not present.

Chairperson Curran called the open meeting to order at 9:30 A.M. in the first-floor hearing room of the Public Utilities Commission. A quorum was present.

Approval of the Minutes of Open Meetings held on October 25, 2013: Chairperson Curran moved to approve the minutes with edits. Commissioner DeSimone accepted the minutes. Commissioner Roberti seconded the motion. **Vote 3-0.**

4456 – Teleport Communications America, LLC (TCA) – TCA's filed on October 29, 2013 a Request for Waiver of NANPA's Denial of Request for a Block of numbers in the Newport Rate Center. After review, Commissioner DeSimone moved to approve TCA's request. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**

4405 - National Grid – The PUC review the record regarding National Grid's April 11, 2013 filing to modify the General Terms and Condition of its current gas tariff relating to the Discontinuation of Service. The Company seeks to add a provision that addresses situations in which customers fail to grant the Company access to its gas meter to terminate service. The modification will allow the Company to assign the full cost of installing a street or curb valve to the account of the customer whose gas service is being terminated for nonpayment and who has refused to give National Grid access to the customer's gas meter in order to effect the service termination. The cost of installing the curb valve will be accounted in the utility's plant in service (which will be credited when the Company receives the payments from the customers).

Commissioner Roberti expressed concern that the tariff imposes additional costs on delinquent customers. Commissioner DeSimone understood the Division's position, however, he opined that the tariff would result in an increase to the customer's arrearage which ultimately would become part of the company's uncollectible. He was also concerned with the effect on customers in multi-unit dwellings. Chairperson Curran appreciates the work from the Division but recognizes that in some circumstance, it may be not be reasonable in all possible circumstance. After review, Commissioner Roberti moved to deny National Grid's tariff filing. Commissioner DeSimone seconded the motion and the motion was unanimously passed. **Vote 3-0.**

4406 – Providence Water Supply Board (PWSB) – The PUC discussed the record relating to the November 8, 2013 Revised Settlement Agreement executed between the PWSB, the Division of Public Utilities and Carriers, the Kent County Water Authority, the Bristol County Water Authority, the City of Warwick and the City of East Providence. As filed, the Settlement will provide PWSB with additional revenues of \$9,942,513 or 16.9% to provide total pro forma revenues of \$69,974,756.

Commissioner DeSimone expressed concern with \$2.4 million funding for the new Central Operating Facility. The testimony does not support funding of \$2.4 for the facility. He opined that the new facility project did not constitute a known and measurable expense and suggested that the revenue requirement could be reduced by \$2.4 million. Commissioner DeSimone moved to propose a modification to the Settlement Agreement by reducing the funding amount in capital improvement by \$2.4 million. The benefit of the modification shall be allocated to retail customers. Commissioner Roberti concurred and seconded the motion. The motion was unanimously passed. **Vote 3-0.** The parties have until November 26 to notify whether it accepts or rejects the PUC's settlement modification.

Commissioner DeSimone also expressed his concern with the percentage of expense associated with police detail at 9% of replacement costs. He would like to see the utility and the police departments maintain dialogue in an effort to reach a reasonable and necessary consensus in having police detail. He cautioned that the PUC will be looking at this issue closely in future cases. Commissioner Roberti agreed with Commissioner DeSimone, referencing RI law regarding police jurisdiction, but not cost. Commissioner Roberti agreed with further addressing this issue in future rate cases. Chairperson Curran opined that there may be excessive police details and cost, but expressed concern that the PUC may not have all the information.

The open meeting adjourned at 10:35 A.M.

**DIRECT TESTIMONY OF
HAROLD J. SMITH, VICE PRESIDENT
RAFTELIS FINANCIAL CONSULTANTS, INC.**

for

**PROVIDENCE WATER SUPPLY BOARD
DOCKET # 4406**

EXHIBIT 3

Providence Water Supply

Providence, Rhode Island

March 20, 2015



<i>Order of Magnitude Budget, based on Program Area Layout, Pre-Design.</i>		
01000	General Conditions	\$400,000
02050	Demolition	\$867,750
02100	Sitework	\$669,600
02900	Landscape	\$50,000
03100	Concrete	\$142,200
04200	Masonry	\$156,013
05100	Steel Structure	\$248,000
05500	Misc Metals	\$16,625
06100	Temp Requirements	\$617,350
06200	Millwork	\$251,650
07400	Metal Panel	\$100,000
07500	Roof	\$162,802
07900	Joint Sealants	\$37,000
08100	Doors / Frames / Hardware	\$167,500
08300	OH Coiling Door	\$170,400
08410	Glass & Aluminum	\$291,250
09250	Drywall	\$458,030
09300	Tile	\$83,600
09510	Ceiling Systems	\$179,200
09680	Carpet / Resilient	\$245,627
09900	Paint	\$373,183
10440	Signage	\$40,000
10505	Lockers	\$18,500
10605	Wire Mesh Partitions	\$50,000
11160	Loading Dock Equip	\$23,500
12500	Window Treatments	\$12,500
15300	Fire Protection	\$365,910
15400	Plumbing	\$556,825
15500	HVAC	\$675,314
16000	Electrical	\$1,471,350
	Subtotal:	\$8,901,677
<i>Allowance</i>	Fuel Disp AST Storage Tanks	\$300,000
<i>Allowance</i>	Covered Storage	\$420,803
<i>Allowance</i>	Granular Storage	\$346,419
<i>Allowance</i>	Fixtures & Equipment / Security	\$1,000,000
<i>Allowance</i>	Data / Network / Phone	\$500,000
<i>Allowance</i>	Haz Mat Abate Allowance	\$100,000
<i>Allowance</i>	Escalation Factor Excluded	\$0
		\$11,568,899
8.00%	Architectural Fee	\$925,512
		\$12,494,411
\$8.5/\$1000	General Liability	\$106,203
1.20%	Subguard Insurance	\$149,933
		\$12,750,547
LS	Prov Building Permit \$2,200 + \$19/k	\$2,200
\$19/\$1000	Prov Building Permit \$2,200 + \$19/k	\$242,260
LS	Prov FireDept Permit \$3,033 + \$4/k	\$3,033
\$4/\$1000	Prov FireDept Permit \$3,033 + \$4/k	\$51,002
		\$13,049,042
10%	Contingency- Estimate / Design	\$1,304,904
10%	Contingency- Construction	\$1,304,904
		\$15,658,850
3.25%	CM Fee	\$508,913
		\$16,167,763
	Payment & Performance Bond	\$105,090
	TOTAL	\$16,272,853

**DIRECT TESTIMONY OF
HAROLD J. SMITH, VICE PRESIDENT
RAFTELIS FINANCIAL CONSULTANTS, INC.**

for

**PROVIDENCE WATER SUPPLY BOARD
DOCKET # 4406**

EXHIBIT 4

Schedule HJS-1
Cost of Service Summary

	Existing Rates Second Revised Settlement	Proposed Adjustments	Pro-Forma Old Rates	Additional Revenue Generated	Proposed Rates Revised Settlement
<u>Revenue</u>					
Service Charge	\$7,425,283		\$7,425,283	\$0	\$7,425,283
Retail Sales	\$37,194,486		\$37,194,486	\$2,448,000	\$39,642,486
Wholesale Sales	\$16,702,792		\$16,702,792	\$0	\$16,702,792
Private Fire Protection	\$2,630,126		\$2,630,126	\$0	\$2,630,126
Retail FPSC	\$1,276,826		\$1,276,826	\$0	\$1,276,826
Public Fire Protection	\$1,118,074		\$1,118,074	\$0	\$1,118,074
Miscellaneous Revenue	\$1,179,169		\$1,179,169	\$0	\$1,179,169
Other	\$0		\$0	\$0	\$0
TOTAL REVENUE	\$67,526,756	\$0	\$67,526,756	\$2,448,000	\$69,974,756
Total Rate Revenues	\$66,347,587	\$0	\$66,347,587		\$68,795,587
<u>Expenses</u>					
Operations and Maintenance	\$28,974,912		\$28,974,912		\$28,974,912
Insurance	\$1,802,547		\$1,802,547		\$1,802,547
Chemical & Sludge	\$4,500,000		\$4,500,000		\$4,500,000
City Service	\$839,167		\$839,167		\$839,167
Property Taxes	\$6,487,515		\$6,487,515		\$6,487,515
Capital Reimbursement	(\$2,091,772)		(\$2,091,772)		(\$2,091,772)
Net Operations	\$40,512,369	\$0	\$40,512,369		\$40,512,369
Capital Fund	\$50,000	\$2,400,000	\$2,450,000		\$2,450,000
Western Cranston	\$62,069	\$0	\$62,069		\$62,069
Infrastructure Replacement Fund	\$24,000,000	\$0	\$24,000,000		\$24,000,000
Cash-Funded AMR/Meter Repl. Fund	\$1,000,000	\$0	\$1,000,000		\$1,000,000
Equipment Replacement Fund	\$600,000	\$0	\$600,000		\$600,000
Property Tax Refund Fund	\$0	\$0	\$0		\$0
Revenue Reserve Fund (Restricted)	\$325,226	\$12,000	\$337,226		\$337,226
Capital	\$25,037,295	\$2,412,000	\$28,449,295		\$28,449,295
TOTAL EXPENSES	\$66,549,664	\$2,412,000	\$68,961,664		\$68,961,664
Operating Reserve (Unrestricted)	\$975,679	\$36,000	\$1,011,679		\$1,011,679
Total Cost of Service	\$67,525,343		\$69,973,343		\$69,973,343
Revenues Over (Under) Expenses	\$1,413		(\$2,446,587)		\$1,413
Total Increase to Break-Even			\$1,413		3.62%
Rate Revenue Increase to Break-Even					3.69%

Notes:

No Operating Reserve is ((A-B+C)-(D+E))* .01
Revenue surplus results from rounding

Schedule HJS-2
 Typical Bill Comparison

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

	Proposed Rates	Rates Effective 12/7/13	% Change
Residential - (5/8" Meter, 100 HCF)			
Service Charge	\$ 94.68	\$ 94.68	0.0%
Volume Charge	\$ 307.00	\$ 288.00	6.6%
Total	\$ 401.68	\$ 382.68	5.0%
Commercial - (2" Meter, 2,000 HCF)			
Service Charge	\$ 190.92	\$ 190.92	0.0%
Volume Charge	\$ 5,850.00	\$ 5,488.00	6.6%
Total	\$ 6,040.92	\$ 5,678.92	6.4%
Industrial - (6" Meter, 10,000 HCF)			
Service Charge	\$ 1,107.72	\$ 1,107.72	0.0%
Volume Charge	\$ 28,720.00	\$ 26,950.00	6.6%
Total	\$ 29,827.72	\$ 28,057.72	6.3%

**Schedule HJS-3
Revenue Proof**

Revenue Proof
Rate Year Ending December 31, 2014

Net Operations & Maintenance Expense	\$33,185,687
Capital Expense	\$28,112,069
City Services Expense	\$839,167
Property Taxes Expense	\$6,487,515
<hr/>	
Total Expenses Allocated	\$68,624,438
plus: Net Operating Revenue	\$1,348,905
<hr/> <hr/>	
Net Revenue Requirement	\$69,973,343
Retail	
Monthly Service Charge	\$7,425,283
Retail FPSC	\$1,276,826
Volume Charge	
Residential	\$26,148,810
Commercial	\$12,949,018
Industrial	\$544,658
<hr/>	
Total Retail	\$48,344,595
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
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Total Wholesale	\$16,702,792
Fire Protection	
Private Fire Protection	\$2,630,126
Public Fire Protection	\$1,118,074
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Total Fire Protection	\$3,748,200
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Total Rate Revenues	\$68,795,587
Miscellaneous Revenues	\$1,179,169
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Total Revenues	\$69,974,756
Total Surplus / (Deficit)	\$1,413

Note: Surplus due to rounding

**DIRECT TESTIMONY OF
HAROLD J. SMITH, VICE PRESIDENT
RAFTELIS FINANCIAL CONSULTANTS, INC.**

for

**PROVIDENCE WATER SUPPLY BOARD
DOCKET # 4406**

EXHIBIT 5

PROPOSED TARIFFS

SCHEDULE B

Providence Water Supply Board Metered Sales Retail

Rhode Island Public Utilities Commission Docket No. 4406

Effective:

Applicability

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

Rates

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

Monthly Accounts

Residential	\$3.070
Commercial	\$2.925
Industrial	\$2.872

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.