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March 28, 2014

Ms. Luly Massaro, Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: *United Water Rhode Island, Inc. – Docket 4434*

Dear Ms. Massaro:

Enclosed please find a Settlement Agreement in the above captioned matter for the Commission's review and consideration. This Settlement Agreement is being jointly submitted by United Water Rhode Island, Inc. and the Division of Public Utilities and Carriers. Pursuant to Attorney Michael Ursillo's letter to the Commission dated March 26, 2014, the Town of South Kingstown, the Town of Narragansett and the Union Fire District of South Kingstown have not joined in this Settlement Agreement at this time. It is my understanding that these public bodies are currently reviewing the terms of this Settlement Agreement and whether they will endorse its terms. However, no decision will be made by these parties until after the April 1, 2014 deadline for filing a Settlement Agreement.

Please note that an electronic copy of this document will be provided to the service list. Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough, Jr.

JAK/kf
Enclosures

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

IN RE: UNITED WATER RHODE ISLAND, INC.

DOCKET NO.: 4434

SETTLEMENT AGREEMENT

I. INTRODUCTION

United Water Rhode Island, Inc. (hereinafter "United Water") and the Division of Public Utilities and Carriers (hereinafter "Division") have reached an agreement on United Water's rate application filed on August 12, 2013. Thus, the Division and United Water jointly request that the State of Rhode Island Public Utilities Commission (hereinafter "Commission") approve this Settlement Agreement.

II. RECITALS

1. On August 12, 2013, United Water filed a rate application pursuant to R.I.G.L § 39-3-11 and Part II of the Commission's Rules of Practice and Procedure.
2. United Water's proposed rates were designed to collect \$1,563,153 of additional operating revenue to support a total cost of service of \$5,233,419. The impact of this request would have resulted in a 42.59 % increase in total cost of service. The proposed increase for all classes of customers would have been 43%. For a typical residential customer, the impact of this request would have resulted in an increase of \$10.30 per month.
3. United Water filed direct and rebuttal testimony and schedules from the following witnesses in support of its application:

- a. Gary S. Prettyman, Senior Director, Regulatory Business, United Water Management & Services, Inc.;
 - b. Timothy J. Michaelson, Director, United Water Management & Services, Inc.;
 - c. Elda Gil, Regulatory Specialist, United Water Management & Services, Inc.;
 - d. Obioma (Obie) N. Ugboaja, Rate Analyst, United Water Management & Services, Inc.;
 - e. Paula L. McEvoy, Director of Engineering, United Water New York.
 - f. Stanley J. Knox, General Manager, United Water Rhode Island, Inc.;
 - g. Pauline M. Ahern, Principal, AUS Consultants; and,
4. The Town of South Kingstown filed a Motion to Intervene in this Docket on August 21, 2013. United Water did not object.
5. The Town of Narragansett filed a Motion to Intervene in this Docket on August 30, 2013. United Water did not object.
6. The Union Fire District of South Kingstown filed a Motion to Intervene in this Docket on September 6, 2013. United Water did not object.
7. The Division investigated United Water's requested rate increase with assistance from its staff and outside expert consultants. The Division issued data requests and filed direct testimony from the following witnesses on February 3, 2014:
 - a. Thomas S. Catlin, Principal, Exeter Associates, Inc.; and,
 - b. Matthew I. Kahal
8. The Town of South Kingstown, The Town of Narragansett and The Union Fire District of South Kingstown jointly filed the testimony of David G. Bebyn, CPA, of B&E Consulting, LLC.

9. The Division and United Water engaged in settlement discussions after United Water submitted its rebuttal testimony on March 3, 2014.
10. The Division and United Water gave due consideration to the testimony, exhibits, schedules, data requests, data responses, settlement discussions, and other documentation in this Docket and agreed to a comprehensive settlement that resolves all issues relating to United Water's application to increase rates.
11. The Division and United Water agree this Settlement Agreement is a just and reasonable resolution of the issues in this proceeding and jointly request its approval by the Commission.

III. TERMS OF SETTLEMENT

12. The Division and United Water agree that the Joint Settlement Schedules attached as Exhibit 1 (Schedules 1 – 19) are accurate and reflect the agreement reached in this Docket.
13. The agreed rates allow United Water to collect additional operating revenue in the amount of \$1,207,267 to support a total cost of service of \$4,923,600.
14. The proposed increase is an "across the board" increase of 32.83% for all classes of customers.
15. The agreed upon capital structure is 46.9% total debt and 53.1% equity; the return on equity is 9.65%; and, the overall rate of return is 7.94%.

IV. EFFECT OF SETTLEMENT

16. This Settlement Agreement is the result of a negotiated agreement. The Division and United Water conducted the discussions that produced this Settlement

Agreement with the explicit understanding that all offers of settlement and discussion relating thereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or any other proceedings.

17. The terms of this Settlement Agreement shall not be construed as an agreement to any matter of fact or law beyond the terms hereof. By entering into this Settlement Agreement, matters or issues other than those explicitly identified in this agreement have not been settled upon or conceded by any party to this Settlement Agreement, and nothing in this Settlement Agreement shall preclude any party from taking any position in any future proceeding regarding settled or unsettled matters.

18. This Settlement Agreement is the product of negotiation and compromise. The making of this Settlement Agreement does not establish any principle or precedent. This Settlement Agreement shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation.

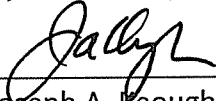
19. If the Commission rejects this Settlement Agreement, or modifies any provision herein, this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects.

IN WITNESS WHEREOF, the Parties agree that this Settlement Agreement is reasonable, in the public interest, in accordance with applicable law and regulatory policy, and is executed by their respective representatives, each being authorized to do so.

Dated this 28th day of March, 2014.

UNITED WATER
RHODE ISLAND, INC.

By its Attorney,



Joseph A. Keough, Jr., #4925

KEOUGH & SWEENEY, LTD.

100 Armistice Boulevard

Pawtucket, RI 02860

Tel: (401)-724-3600

Dated this 28th day of March, 2014.

DIVISION OF PUBLIC UTILITIES
AND CARRIERS,

By its Attorney,



Christy Hetherington, #6693

Special Assistant Attorney General

150 South Main Street

Providence, RI 02903

Tel: 401-274-4400, ext. 2425

UNITED WATER RHODE ISLAND, INC.

Summary of Operating Income
Rate Year Ended December 31, 2014

	Amount per Company at Present Rates	Settlement Adjustments	Amount per Settlement at Present Rates	Revenue Increase/ (Decrease)	Amounts After Revenue Incr. / (Decr.)
<u>Operating Revenues</u>					
Retail Sales	\$ 2,709,794	\$ 37,642	\$ 2,747,436	\$ 901,759	\$ 3,649,195
Sales for Resale	\$ 447,403	7,817	455,220	148,232	603,452
Fire Protection	477,732	608	478,340	157,276	635,616
Other Operating Revenues	35,337	-	35,337	-	35,337
Total Operating Revenues	\$ 3,670,266	\$ 46,067	\$ 3,716,333	\$ 1,207,267	\$ 4,923,600
<u>Operating Expenses</u>					
O&M Expense	\$ 2,301,468	(75,121)	\$ 2,226,347	3,781	\$ 2,230,128
Depreciation Expense	600,370	-	600,370	-	600,370
Property Tax	315,024	(8,192)	306,832	-	306,832
Payroll Rax	59,265	(499)	58,766	-	58,766
Gross Receipts Tax	45,878	576	46,454	15,091	61,545
Income before Income Taxes	\$ 348,261	\$ 129,303	\$ 477,564	\$ 1,188,395	\$ 1,665,959
Current Income Taxes	(152,784)	47,918	(104,866)	416,398	311,532
Deferred Federal Income Taxes	118,139	-	118,139	-	118,139
Amortization of ITCs	(4,662)	-	(4,662)	-	(4,662)
Total Operating Expenses	\$ 3,282,698	\$ (35,318)	\$ 3,247,380	\$ 435,270	\$ 3,682,650
Utility Operating Income	\$ 387,568	\$ 81,385	\$ 468,953	\$ 771,997	\$ 1,240,951
Rate Base	\$ 15,859,819		\$ 15,645,640		\$ 15,645,640
Rate of Return	2.44%		3.00%		7.93%

UNITED WATER RHODE ISLAND, INC.

Determination of Revenue Increase
Rate Year Ended December 31, 2014

	Amount per Company (1)	Amount Per Settlement	Source
Proposed Rate Base	15,859,819	\$ 15,645,640	Schedule 2
Required Rate of Return	8.75%	7.94%	
Net Operating Income Required	\$ 1,387,734	\$ 1,242,264	
Net Operating Income at Present Rates	387,568	468,953	Schedule 1, page 1
Net Income Surplus/(Deficiency)	\$ (1,000,166)	\$ (773,311)	
Revenue Multiplier (2)	1.5628923	1.5628923	
Base Rate Revenue Increase	\$ 1,563,152	\$ 1,208,601	
Variance due to Rate Rounding		\$ (1,334)	Schedule 19, page 2
Net Increase in Revenue		\$ 1,207,267	
<u>Verification</u>			
Revenue Increase/(Decrease)	\$ 1,563,152	\$ 1,208,601	
PUC Assessment 0.31317%	\$ 4,895	\$ 3,785	
Gross Receipts Tax 1.25%	19,539	15,108	
Federal Taxable Income	\$ 1,538,717	\$ 1,189,708	
Federal Income Tax 35.00%	538,551	416,398	
Net Income	\$ (1,000,166)	\$ (773,310)	

Notes:

(1) Per Exhibit 1 (Prettyman), Schedule 1.

(2) Calculation of Conversion Factor

	Tax Rates	
Revenues		1.000000
PUC Assessment	0.31317%	0.003132
Gross Receipts Tax	1.25%	0.012500
Net Federal Taxable Income		0.984368
Federal Income Tax	35.00%	0.344529
Revenue Conversion Factor		0.6398394
Revenue Multiplier		1.5628923

UNITED WATER RHODE ISLAND, INC.

Summary of Rate Base
Rate Year Ended December 31, 2014

<u>Description</u>	<u>Amount per Company (1)</u>	<u>Settlement Adjustments (2)</u>	<u>Adjusted Per Settlement</u>
Utility Plant in Service	\$ 28,149,420		\$ 28,149,420
Less: Accumulated Depreciation and Amortization	(7,003,970)		(7,003,970)
Net Utility Plant in Service	\$ 21,145,450	\$ -	\$ 21,145,450
Materials and Supplies	86,062		86,062
Cash Working Capital	287,684	(14,813)	272,871
Deferred Tank Painting (net of Deferred Income Tax)	168,165		168,165
Deferred Rate Case Expense	199,366	(199,366)	-
Total Additions	\$ 741,277	\$ (214,179)	\$ 527,098
Contributions in Aid of Construction	(3,533,455)	-	(3,533,455)
Accumulated Deferred Income Taxes	(1,842,541)	-	(1,842,541)
Unamortized ITCs	(89,099)		(89,099)
Unfunded FAS 106 (net of Deferred Income Tax)	(561,813)	-	(561,813)
Total Deductions	\$ (6,026,908)	\$ -	\$ (6,026,908)
Total Rate Base	<u>\$ 15,859,819</u>	<u>\$ (214,179)</u>	<u>\$ 15,645,640</u>

Notes:

(1) Per Exhibit 3 (Michaelson), Schedule 1, page 4 of 4.

(2) Refer to page 2 of this Schedule.

UNITED WATER RHODE ISLAND, INC.

Summary of Adjustments to Rate Base
Rate Year Ended December 31, 2014

	<u>Amount</u>	<u>Source</u>
Rate Base per Company Filing	\$ 15,859,819	Per Exhibit 3, Schedule 1, page 4
<u>Settlement Adjustments</u>		
Cash Working Capital	(14,813)	Schedule 5
Deferred Rate Case	(199,366)	Refer to Catlin Testimony
Accumulated Deferred Income Taxes	-	Schedule 6
Total Settlement Adjustments	<u>\$ (214,179)</u>	
Adjusted Rate Base	<u><u>\$ 15,645,640</u></u>	

UNITED WATER RHODE ISLAND, INC.

Summary of Adjustments to Net Income
Rate Year Ended December 31, 2014

	<u>Amount</u>	<u>Source</u>
Net Income per Company	\$ 387,568	Exhibit 3 (Michaelson), Schedule 10
<u>Settlement Adjustments</u>		
Rate Year Revenue	29,476	Schedule-7
Wages and Benefits Charged to Expense	16,957	Schedule-8
Incentive Compensation-Company Employees	7,442	Schedule-9
Incentive Compensation-UWM&S Fees	10,377	Schedule-10
Chemicals Expense	5,879	Schedule-11
Power Expense	(14,640)	Schedule-12
PEPOB Transition Obligation	1,662	Schedule-13
Transportation Expense	3,158	Schedule-14
Outside Services Expense	17,106	Schedule-15
Inflation	1,306	Schedule-16
Property Taxes	5,325	Schedule-17
Interest Synchronization	(2,662)	Schedule-4
Total Adjustments	<u>\$ 81,385</u>	
Net Income Per Settlement	<u><u>\$ 468,954</u></u>	

UNITED WATER RHODE ISLAND, INC.

Summary of Adjustments to Net Income
Rate Year Ended December 31, 2014

	Revenues	O&M Expenses	Depreciation Expense	Taxes Other Than Income	Current Federal Income Taxes	Deferred Federal Income Taxes	ITC Amortization	Net Operating Income
Net Income per Company	\$ 3,670,266	\$ 2,301,468	\$ 600,370	\$ 420,167	\$ (152,784)	\$ 118,139	\$ (4,662)	\$ 387,568
<u>Settlement Adjustments</u>								
Rate Year Revenue	46,067	144	-	576	15,871	-	-	29,476
Wages and Benefits Charged to Expense		(26,088)			9,131	-	-	16,957
Incentive Compensation-Company Employees		(10,951)		(499)	4,007	-	-	7,442
Incentive Compensation-UWM&S Fees		(15,965)			5,588	-	-	10,377
Chemicals Expense		(9,044)			3,165	-	-	5,879
Power Expense		22,523			(7,883)	-	-	(14,640)
PEPOB Transition Obligation		(2,557)			895	-	-	1,662
Transportation Expense		(4,858)			1,700	-	-	3,158
Outside Services Expense		(26,317)			9,211	-	-	17,106
Inflation		(2,010)			703	-	-	1,306
Property Taxes				(8,192)	2,867	-	-	5,325
Interest Synchronization					2,662	-	-	(2,662)
Total Settlement Adjustments	\$ 46,067	\$ (75,121)	\$ -	\$ (8,116)	\$ 47,918	\$ -	\$ -	\$ 81,385
Adjusted Net Income per Settlement	\$ 3,716,333	\$ 2,226,347	\$ 600,370	\$ 412,051	\$ (104,866)	\$ 118,139	\$ (4,662)	\$ 468,954

UNITED WATER RHODE ISLAND, INC.

Calculation of Current Income Tax
Rate Year Ended December 31, 2014

	Amount per Company at Present Rates (A)	Settlement Adjustments (B)	Adjusted per Settlement at Present Rates (C)	Revenue Increase/ (Decrease) (D)	Amounts After Revenue Increase (E)
Operating Revenue	\$ 3,670,266	\$ 46,067	\$ 3,716,333	\$ 1,208,601	\$ 4,924,934
O&M Expense	2,301,468	(75,121)	2,226,347	3,785	2,230,132
Depreciation Expense	600,370	-	600,370	-	600,370
Property Tax	315,024	(8,192)	306,832		306,832
Payroll Tax	59,265	(499)	58,766		58,766
Gross Receipts Tax	45,878	576	46,454	15,108	61,561
Operating Income Before Income Taxes	\$ 348,261	\$ 129,303	\$ 477,564	\$ 1,189,708	\$ 1,667,273
Interest Expense	447,247	(7,605)	439,642		439,642
Excess Tax Depreciation	337,539	-	337,539		337,539
Current Federal Taxable Income	(436,525)	136,908	(299,617)	1,189,708	890,092
Federal Income Tax at 35%	\$ (152,784)	\$ 47,918	\$ (104,866)	\$ 416,398	\$ 311,532
Deferred Federal Income Tax	118,139	-	118,139	-	118,139
Investment Tax Credit Amortization	(4,662)	-	(4,662)	-	(4,662)
Total Federal Income Tax	\$ (39,307)	\$ 47,918	\$ 8,611	\$ 416,398	\$ 425,009

Notes:

(1) Calculation of Interest Deduction

Rate Base	\$ 15,859,819		\$ 15,645,640	\$ 15,645,640
Weighted Cost of Debt	2.82%		2.81%	2.81%
Interest Deduction	\$ 447,247	\$ (7,605)	\$ 439,642	\$ 439,642
Federal Income Tax Effect at 35%		2,662		
Interest Synchronization Adjustment		\$ 2,662		

UNITED WATER RHODE ISLAND, INC.

Cash Working Capital Analysis
Rate Year Ended December 31, 2014

	Expense Amount	Working Capital
O&M Expense per Company (1)	1,880,222	235,028
<u>Settlement Adjustments (2)</u>		
Exclude Tank Painting Amortization	(43,383)	(5,423)
Adjustment to Salaries and Wages	(15,931)	(1,991)
Adjustment to Benefits Transferred	(10,157)	(1,270)
Incentive Compensation-Company Employees	(10,951)	(1,369)
Incentive Compensation-UWM&S Fees	(15,965)	(1,996)
Chemicals Expense	(9,044)	(1,131)
Power Expense	22,523	2,815
PEPOB Transition Obligation	(2,557)	(320)
Transportation Expense	(4,858)	(607)
Outside Services Expense	(26,317)	(3,290)
Inflation	(2,010)	(251)
Regulatory Commission Assessment	144	18
		<u>(14,813)</u>
Adjustment to Cash Working Capital		<u>(14,813)</u>
Cash Working Capital Per Settlement		<u><u>\$ 220,215</u></u>

Notes:

(1) Per Exhibit 3 (Michaelson), Schedule 1, page 4 of 4.

(2) Reflects exclusion of tank painting amortization and Division adjustments as summarized on Schedule TSC-3.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Accumulated Deferred Income Taxes to
Reflect Federal Bonus Depreciation
Rate Year Ended December 31, 2014

	<u>Balance of ADIT Due to Tax Depreciation</u>	
	<u>Per Settlement (1)</u>	<u>Per Company (2)</u>
December 2013	\$ 1,662,459	\$ 1,662,459
January 2014	1,672,538	1,672,538
February	1,682,611	1,682,611
March	1,692,678	1,692,678
April	1,702,732	1,702,732
May	1,712,671	1,712,671
June	1,722,386	1,722,386
July	1,731,972	1,731,972
August	1,741,540	1,741,540
September	1,751,115	1,751,115
October	1,760,652	1,760,652
November	1,770,160	1,770,160
December 14	<u>1,780,598</u>	<u>1,780,598</u>
13 Month Average (3)	<u>\$ 1,721,855</u>	<u>1,721,855</u>
Adjustment to ADIT	<u>\$ -</u>	

Notes:

(1) Per response to Div. 2-49.

(2) Per Exhibit 4 (Michaelson), Schedule 5A, page 2 of 2.

(3) Amounts do not include ADIT related to AFUDC Equity or Cost of Removal.

UNITED WATER RHODE ISLAND, INC.

Determination of Water and Fire Service Revenues at Present Rates
Based on Settlement Units of Service
Rate Year Ended December 31, 2014

Quarterly Fixed Meter Revenue			
Meter Size	Pro Forma Year Normalized Bills	Service Charge	Fixed Meter Revenue
5/8"	29,627	24.01	\$ 711,344
3/4"	15	25.72	386
1"	1,093	37.73	41,239
1 1/2"	293	63.45	18,591
2"	588	85.75	50,421
3"	39	114.91	4,481
4"	4	171.51	686
6"	25	296.72	7,418
8"	4	514.55	2,058
Total	31,688		\$ 836,625

Monthly Fixed Meter Revenue			
Meter Size	Pro Forma Year Normalized Bills	Service Charge	Fixed Meter Revenue
5/8"	42	12.57	\$ 528
3/4"	-	13.14	-
1"	48	17.14	823
1 1/2"	12	25.72	309
2"	111	33.15	3,680
3"	35	42.87	1,500
4"	12	61.74	741
6"	-	103.48	-
8"	-	176.09	-
Total	260		\$ 7,580

Consumption Revenue			
	Consumption (CCF)	Rate (\$/CCF)	Consumption Revenue
Residential			
0-24 CCF	410,230	2.276	\$ 933,684
Over 24 CCF	124,770	2.853	355,968
Commercial	242,912	2.173	527,848
Industrial	2,857	2.173	6,208
Public Auth.	36,596	2.173	79,523
Total	817,365		\$ 1,903,231

UNITED WATER RHODE ISLAND, INC.

Determination of Water and Fire Service Revenues at Present Rates
Based on Settlement Units of Service
Rate Year Ended December 31, 2014

Resale Revenue			
Usage gallons)	('000	Current Rate (Per '000 gallons)	Current Fixed Monthly Charge
404,341	\$	1.124	\$ 61.74
			\$ 455,220

Fire Service Revenue			
Connection Size	Pro Forma Units	Quarterly Rate	Annual Revenue
2 1/2"	6	22.00	\$ 528
3"	-	32.00	-
4"	20	60.00	4,800
6"	139	162.00	90,072
8"	27	337.00	36,396
10"	-	601.00	-
12"	1	966.00	3,864
16"	-	2,050.00	-
Total Private Fire	193		\$ 135,660
Fire Hydrants	Pro Forma Units	Rate	Annual Revenue
Public Hydrants-Quarterly	352	130.00	183,040
Public Hydrants-Semi-Annual	307	260.00	159,640
Total Public Fire	659		\$ 342,680
Total Fire Service			\$ 478,340

Adjustment Summary			
	Amount per Company	Amount per Division	Adjustment
Retail Sales	\$ 2,709,794	\$ 2,747,436	\$ 37,642
Sales for Resale	447,403	455,220	7,817
Fire Protection	477,732	\$ 478,340	608
Other Operating Revenues	35,337	35,337	-
Total Revenue	\$ 3,670,266	\$ 3,716,333	\$ 46,067
Increase in Regulatory Commission Assessment at 0.31317%			144
Increase in Gross Receipts Tax at 1.25%			576
Net Adjustment to Income before Taxes			\$ 45,347

UNITED WATER RHODE ISLAND, INC.

Adjustment to Salaries and Wages and Benefits Expense
to Reflect Updated Percentage Charged to Expense
Rate Year Ended December 31, 2014

Wages		
Rate Year Salaries and Wages per Company (1)	\$	711,022
Net Percentage Charged to O&M per Division (2)		82.08%
Wages Charged to O&M per Division	\$	583,627
Amount per Company (1)		599,558
Adjustment to Rate Year Wage Expense	\$	(15,931)

Benefits Transferred		
Rate Year Benefits per Company (3)	\$	453,306
Net Percentage Capitalized/Transferred Out per Division (2)		17.92%
Benefits Transferred Out per Division	\$	(81,220)
Amount per Company		(71,063)
Adjustment to Rate Year Benefits Expense	\$	(10,157)

Notes:

- (1) Per Exhibit 3 (Gil), Schedule 2.
- (2) Refer to Page 2 of this Schedule.
- (3) Per Exhibit 3 (Gil), Schedule 3.

UNITED WATER RHODE ISLAND, INC.

Calculation of Normalized Percentage of Labor Costs Expensed and Capitalized
Based on 3-Year Average for 2011 through 2013

Rate Year Ended December 31, 2014

		2011 (1)	2012 (1)	2013 (2)	3 Yr Avg
Gross Payroll	(a)	\$ 668,290	\$ 692,066	\$ 675,743	\$ 678,700
Capitalized	(b)	(126,307)	(132,479)	(146,804)	(135,197)
Transferred to Other BU's	(c)	-	-	-	-
Net Payroll	(d)	\$ 541,983	\$ 559,587	\$ 528,939	\$ 543,503
Expense Rate	(d) / (a)	81.10%	80.86%	78.28%	80.08%
Capitalized/Transferred Out	(b)+(c)	\$ (126,307)	\$ (132,479)	\$ (146,804)	\$ (135,197)
Capitalized/Transferred Out Rate	(b)+(c)/(a)	18.90%	19.14%	21.72%	19.92%
Transferred in	(c)	\$ 9,923	\$ 11,618	\$ 19,237	\$ 13,593
Transferred in Rate	(c)/(a)	1.48%	1.68%	2.85%	2.00%

Notes:

(1) Per Exhibit 3 (Gil), Schedule 2A, page 4.

(2) Amounts per response to Div. 4-5.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Company Incentive Compensation Expense
Rate Year Ended December 31, 2014

Employee	2012 Base Salary (1)	Incentive Payment % (1)	Non Financial Percentage (2)	Recoverable Incentive Compensation
Manager Rhode Island	\$ 104,653	15.00%	50.00%	\$ 7,849
Superintendent	82,856	10.00%	50.00%	4,143
Supervisor Office	67,443	5.00%	60.00%	2,023
Total				\$ 14,015
Amount per Company (1)				27,356
Reduction in Total Eligible Incentive Compensation				\$ (13,341)
Amount Charged to Capital at 17.92% (3)				(2,390)
Adjustment to O&M Expense				\$ (10,951)
Adjustment to FICA Taxes (4)				(499)
Total Adjustment to Rate Year Expense				\$ (11,450)

Notes:

(1) Amounts per Exhibit 3 (Gil), Schedule 2A.

(2) Per response to Div. 2-17.

(3) Per Schedule TSC-7, page 2 of 2.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Incentive Compensation included in UWM&S Fees
Rate Year Ended December 31, 2014

	<u>Amount</u>
<u>Financial Based Incentive Plan Costs in UWM&S Fees</u>	
Short-Term Incentive Plan-Total (1)	\$ 16,260
Percent Attributable to Financial Goals (1)	<u>40%</u>
STIP Costs Attributable to Financial Goals in Test Year	\$ 6,504
Long-Term Incentive Plan for Test Year (1)	<u>7,612</u>
Total Incentive Compensation Attributable to Financial Goals	\$ 14,116
Increase to Rate Year at 5.06% (2)	<u>714</u>
Rate Year Incentive Compensation Attributable to Financial Goals	\$ 14,830
FICA Taxes at 7.65%	<u>1,135</u>
Adjustment to Rate Year UWM&S Fees	<u><u>\$ (15,965)</u></u>

Notes:

(1) Per response to Div. 4-7.

(2) Per Exhibit 3 (Gil), Schedule 15A

UNITED WATER RHODE ISLAND, INC.

Adjustment to Chemical Expense
Rate Year Ended December 31, 2014

Chemical Usage (1)				
Chemical Name	2011	2012	2013	Average (2)
Lime (pounds)	110,650	117,600	108,250	112,167
Sodium Hypochlorite (gallons)	8,101	8,849	8,270	8,407
Nalco C-9 (pounds)	20,309	20,868	12,949	12,949

Production(MG) (Subject to Chemical Treatment) (1)				
	2011	2012	2013	Average
Production(MG) (Subject to Chemical Treatment)	1,082.74	1,144.40	1,044.90	1,090.68

Determination of Rate Year Expense				
Chemical Name	Average Usage Per MG (2)	Rate Year Production (3)	Rate Year Unit Cost (4)	Rate Year Costs
Lime (pounds)	102.84	1,065.30	\$ 0.1730	\$ 18,953
Sodium Hypochlorite (gallons)	7.71	1,065.30	1.6300	13,384
Nalco C-9 (pounds)	12.39	1,065.30	0.8600	11,354
Total Rate Year Chemicals Expense per Division				\$ 43,691
Amount per Company (Exhibit 3 (Gil) Schedule 5A				52,735
Adjustment to Rate Year Expense				<u>\$ (9,044)</u>

Notes:

- (1) Per Exhibit 3 (Gil) Schedule 5A, except 2013 per response to Div. 4-13.
- (2) Amounts reflect 3 year average of 2011 through 2013 except Nalco C-9, which is based on 2013 only to reflect reduced usage due to modified treatment program.
- (3) Calculated based on projected rate year consumption per Schedule TSC-7 and average level of non revenue producing water for 2011 through 2013 as shown below.

Rate Year Billed Consumption (MG) Per Schedule TSC-7	1,026.47
Non-revenue water %	3.65%
Total Production Subject to Chemical Treatment (MG)	<u>1,065.30</u>

Non-Revenue Water %:

2011	3.76%
2012	6.17%
2013	1.01%
Three Year Average	<u>3.65%</u>

UNITED WATER RHODE ISLAND, INC.

Adjustment to Power Supply Expense
Rate Year Ended December 31, 2014

Power - Account 50610					
Rate Year 2014	kWh Avg Usage (1)	Projected Water Production (MG) (2)	kWh	kWh Avg Cost (3)	Total Cost
Commodity (Constellation New Energy)	1,514.21	1,065.30	1,613,092	\$ 0.09245	149,130
Distribution (National Grid)	1,514.21	1,065.30	1,613,092	\$ 0.04918	79,329
Total Test Year Power Cost-Production Related					\$ 228,460
Non-Production Related (4)					8,175
Rate Year Power Costs per Division					\$ 236,635
Amount per Company (5)					\$ 210,429
Adjustment to Power Costs—Account 50610					\$ 26,206

Other Utilities-Power - Account 50620	
2011 (4)(5)	40,347
2012 (4)	24,416
2013 (6)	20,781
Rate Year (3 year average)	\$ 28,515
Amount per Company (4)	\$ 32,197
Adjustment to Power Costs—Account 50620	\$ (3,682)

Notes:

- (1) Calculated based on 2013 kWh for production of 1,582,200 divided by 2013 production of 1,044.9 million gallons. per Div. 4-9 and and 4-13.

	(a) kWh Use	(b) MG produced	(c)=(a)/(b) kWh/MG
kWh Average Usage per MG	1,582,200	1,044.90	1,514.21

- (2) Reflects projected rate year consumption grossed up for average Non-Revenue Water. Refer to Schedule TSC-11 for calculation.
- (3) Based on contract price for supply with Constellation Energy including taxes and on average cost per kWh in 2013 for delivery service from National Grid per Div. 4-9 and 4-10.
- (4) Per Exhibit 3 (Gil) Schedule 4A.
- (5) Adjusted to exclude additional fuel and diesel costs resulting from the storm Irene per Div. 4-11.
- (6) Per response to Div. 4-11.

UNITED WATER RHODE ISLAND, INC.

Adjustment to PEBOP Transition Obligation
Rate Year Ended December 31, 2014

	<u>Amount</u>
Unamortized Balance of Initial Transition Obligation as of January 1, 2014 (1)	\$ 5,113
Division Recommended Amortization Period (Years)	<u>2</u>
Annual Amortization Expense per Division	\$ 2,557
Amortization Expense per Company (1)	<u>5,113</u>
Adjustment to Amortization Expense	<u><u>\$ (2,557)</u></u>

Note:

(1) Per Exhibit 3 (Gil), Schedule 7 and response to Div 2-25.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Transportation Expense
Rate Year Ended December 31, 2014

	Company Rate Year Amount (1)	Settlement Rate Year Amount
Leases	\$ 32,902	\$ 32,902
Fuel (2)	36,104	35,794
Maintenance & Repair (2)	11,974	9,178
Insurance (2)	5,963	5,912
Depreciation	1,655	1,655
Other-Registration, plates, tolls, mileage, etc. (2)	2,580	2,558
Total Costs	\$ 91,178	\$ 88,000
Capitalized/Transferred Out (3)	(15,850)	(17,530)
Net Transportation Expense	\$ 75,328	\$ 70,471
Adjustment to Transportation expense		\$ (4,858)

Notes:

(1) Per Exhibit 3 (Gil) Schedule 10A

(2) Amounts are based upon three year average adjusted for inflation as follows:

Fuel:

3 Year Average	\$ 34,150	\$ 34,150
Apply inflation rate	5.722%	4.817%
Rate Year Amount	\$ 36,104	\$ 35,794

Maintenance & Repair:

2010	4,732	4,732
2011	5,414	5,414
2012 (4)	13,427	5,629
3 Year Average	7,858	\$ 5,258
Apply inflation rate	5.722%	4.817%
Rate Year Amount	\$ 8,307	\$ 5,512
Extraordinary repairs to back-hoe--3yr. amortization	3,667	3,667
Total Maintenance and Repair	\$ 11,974	\$ 9,178

Insurance

3 Year Average	5,641	\$ 5,641
Apply inflation rate	5.722%	4.817%
Rate Year Amount	\$ 5,963	\$ 5,912

Other Misc:

3 Year Average	2,441	\$ 2,441
Apply inflation rate	5.722%	4.817%
Rate Year Amount	\$ 2,580	\$ 2,558

(3) Capitalized amount basedf on 17.38% per Company and 19.92% per Division.

(4) 2012 expense adjusted to exclude abnormal costs of \$7,798 oer response to Div. 2-28.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Outside Services Expense
Rate Year Ended December 31, 2014

	Company Rate Year Amount (1)	Settlement Rate Year Amount
Accounting & Auditing (2)	4,220	\$ 4,184
Legal (2)	2,088	2,070
Information Systems (2)	14,558	14,433
Temporary Help (3)	10,000	10,000
Other (2)	11,945	11,843
Management Fee (R&I Alliance) (2)	15,801	15,666
Efficeincy Well Testing (4)	3,325	1,425
Well Rehabilitation (5)	40,000	16,000
Total	<u>\$ 101,937</u>	<u>\$ 75,620</u>
Adjustment to Outside Services Expense		<u>\$ (26,317)</u>

Notes:

(1) Company amounts per Exhibit 3 (Gil) Schedule 15A.

(2) Division amounts based on updated inflation rate of 2.997% as follows:

	Test Year	Rate Year
Accounting & Auditing	4,062	4,184
Legal	2,010	2,070
Information Systems	14,013	14,433
Other	11,498	11,843
Management Fee (R&I Alliance)	15,210	15,666

(3) Reflects inclusion of 50% of proposed allowance for summer help for hydrant painting.

(4) Division amount reflects corrected amount per response to Div. 4-17.

(5) Reflects normalization of costs based on frequency of every 2 to 3 years per response to Div. 4-18.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Reflect Updated Inflation Factors
Rate Year Ended December 31, 2014

	Company Rate Year Amount (1)	Division Rate Year Amount (2)
Other Benefits Expense	\$ 7,024	\$ 6,965
Insurance	51,714	51,511
Customer Information/Billing	58,556	58,065
Other O&M	227,343	226,076
	\$ 344,637	\$ 342,617
Adjustment to Rate Year Expense		\$ (2,020)
Less: Other Benefits reduction Allocated to Capital		(11)
Net Reduction in Rate Year Expense (4)		<u>\$ (2,010)</u>

Notes:

- (1) Company amounts per Exhibit 3 (Gil) Schedule 15A.
- (2) Settlement amounts reflect updated inflation rates as follows:

	Inflation Base	Inflation Amount (3)	Division Expense
Other Benefits Expense	\$ 6,762	2.997%	\$ 6,965
Insurance	50,700	1.600%	51,511
Customer Information/Billing	56,375	2.997%	58,065
Other O&M	219,498	2.997%	226,076

- (3) Refer to page 2 of this schedule.
- (4) The adjustment to Benefits Charged Out on Schedule TSC-7 was calculated based on UNWI's claimed benefits. This adjustment recognized that any reduction in benefits costs must be split between expense and capital.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Reflect Updated Inflation Factors
Rate Year Ended December 31, 2014

Description	Inflation Factor
Inflation Rate for 2012 to 2014	2.997%
Inflation rate for 2013 to 2014	1.600%
Inflation rate for 3-yr average to 2014	4.817%

	Increase in GDP Price Index (1)	Compound Rate from 2012 to 2014
2013	1.375%	1.375%
2014	1.600%	1.622%
		2.997%

	Increase in GDP Price Index (1)	Compound Rate from 3 yr. avg to 2014
2010	1.575%	
2011	2.000%	
2012 (2)	1.725%	1.767%
2013 (3)	1.375%	3.166%
2014 (4)	1.600%	4.817%

Notes:

- (1) Amounts per Blue Chip Financial Forecasts December 1, 2011 (Volume 30, No. 12) and Blue Chip Financial Forecasts January 10, 2013 (Volume 33, No. 1)
2010-2013 amounts are an average of the 4 quarters and 2014 is consensus forecast.
- (2) Amount in compound rate column is average GDP price index for 2010, 2011, 2012.
- (3) Compound rate from 3 year average GDP to 2013.
- (4) Compound rate from 3 year average GDP to 2014.

Docket No. 4434
Exhibit 1 (Joint Settlement) Schedule 17

UNITED WATER RHODE ISLAND, INC.

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

	Amount
Rate Year Property Taxes per Division (1)	\$ 306,832
Rate Year Property Taxes per Company (2)	315,024
Adjustment to Rate Year Property Tax Expense	<u>\$ (8,192)</u>

Notes:

(1) Calculated based on 3-year historical average increase applied to 2013 property tax expense as follows:

<u>Property Taxes</u>	<u>Amount</u>	<u>% Change</u>
2010	257,385	
2011	263,652	2.43%
2012	270,476	2.59%
2013	293,644	8.57%
Average Annual Increase		4.49%
2014 Projected	<u>\$ 306,832</u>	

Docket No. 4434
Exhibit 1 (Joint Settlement) Schedule 18

UNITED WATER RHODE ISLAND, INC.

Determination of Overall Percentage Increase
Rate Year Ended December 31, 2014

<u>Current Service Revenues per Division (1)</u>	<u>Amount</u>
Retail Sales	\$ 2,747,436
Sales for Resale	455,220
Fire Protection	<u>478,340</u>
Revenue at Present Rates	\$ 3,680,996
Revenue Deficiency (2)	<u>1,208,601</u>
Revenues at Proposed Rates	4,889,597
Overall Percentage Increase	<u><u>32.83%</u></u>

Notes:

(1) Per Schedule TSC-1.

(2) Per Schedule TSC-2.

UNITED WATER RHODE ISLAND, INC.

Determination of Water and Fire Service Revenues at Proposed Rates
Based on Settlement Units of Service
Rate Year Ended December 31, 2014

Quarterly Fixed Meter Revenue				
Meter Size	Current Rate	Proposed Rate	Pro Forma Year Normalized Bills	Fixed Meter Revenue
5/8"	\$ 24.01	\$ 31.89	29,627	\$ 944,805
3/4"	25.72	34.16	15	512
1"	37.73	50.12	1,093	54,781
1 1/2"	63.45	84.28	293	24,694
2"	85.75	113.90	588	66,973
3"	114.91	152.64	39	5,953
4"	171.51	227.82	4	911
6"	296.72	394.14	25	9,854
8"	514.55	683.49	4	2,734
Total			31,688	\$ 1,111,218

Monthly Fixed Meter Revenue				
Meter Size	Current Rate	Proposed Rate	Pro Forma Year Normalized Bills	Fixed Meter Revenue
5/8"	12.57	\$ 16.70	42	\$ 701
3/4"	13.14	17.45	-	-
1"	17.14	22.77	48	1,093
1 1/2"	25.72	34.16	12	410
2"	33.15	44.03	111	4,887
3"	42.87	56.95	35	1,993
4"	61.74	82.01	12	984
6"	103.48	137.46	-	-
8"	176.09	233.91	-	-
Total			260	\$ 10,069

Retail Consumption Revenue				
	Current Rate (\$/CCF)	Proposed Rate (\$/CCF)	Consumption (CCF)	Consumption Revenue
Residential				
0-24 CCF	2.276	\$ 3.023	410,230	\$ 1,240,126
Over 24 CCF	2.853	3.790	124,770	472,877
Commercial	2.173	2.886	242,912	701,044
Industrial	2.173	2.886	2,857	8,245
Public Auth.	2.173	2.886	36,596	105,616
Total			817,365	\$ 2,527,909

Total Retail Sales Revenue **\$ 3,649,195**

UNITED WATER RHODE ISLAND, INC.

Determination of Water and Fire Service Revenues at Proposed Rates
Based on Settlement Units of Service
Rate Year Ended December 31, 2014

Resale Revenue				
	Current Rate	Proposed Rate	Thousand Gallons/ 4" Services	Annual Revenue
Consumption--1,000 Gallons	\$ 1.124	\$ 1.490	404,341	\$ 602,468
Service Charge	61.74	82.01	1	984
Total Resale				<u>\$ 603,452</u>

Private Fire Service Revenue				
Connection Size	Current Rate (Quarterly)	Proposed Rate (Quarterly)	Pro Forma Units	Annual Revenue
2 1/2"	22.00	29.22	6	\$ 701
3"	32.00	42.51	-	-
4"	60.00	79.70	20	6,376
6"	162.00	215.19	139	119,646
8"	337.00	447.65	27	48,346
10"	601.00	798.33	-	-
12"	966.00	1,283.17	1	5,133
16"	2,050.00	2,723.09	-	-
Total Private Fire			<u>193</u>	<u>\$ 180,202</u>

Public Fire Service Revenue				
Fire Hydrants	Current Rate	Proposed Rate	Pro Forma Units	Annual Revenue
Quarterly	130.00	173.00	352	\$ 243,584
Semi-Annual	260.00	345.00	307	211,830
Total Public Fire			<u>659</u>	<u>\$ 455,414</u>
Total Fire Service				<u>\$ 635,616</u>

Total Service Revenues	<u>\$ 4,888,263</u>
Target Revenue	4,889,597
Variance	\$ (1,334)