

# **GENERAL RATE FILING**

DIRECT TESTIMONY  
OF OBIOMA N. UGBOAJA

August 2013

Submitted to:

State of Rhode Island and Providence  
Plantations Public Utilities Commission

RIPUC Docket No.

Submitted by:

United Water Rhode Island Inc.

UNITED WATER RHODE ISLAND, INC.  
OBIOMA N. UGBOAJA

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

2 A. Obioma N. Ugboaja. My business address is 200 Old Hook Road, Harrington  
3 Park, New Jersey 07640.

4

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

6 A. I am employed by United Water Management and Services, Inc. (UWM&S) as a  
7 Regulatory Specialist.

8

9 **Q. Please describe your work experience.**

10 A. I joined UWM&S in August of 2009. In July of 2011, I was promoted to the position  
11 of Senior Rate Analyst, and I assumed my current title as Regulatory Specialist in  
12 March of 2013. Prior to this I worked as an Independent Consultant advising small  
13 electric utility municipalities and co-operatives, on class cost-of-service studies,  
14 rate design and analysis. Prior to this (in 2006), I worked as a Strategic &  
15 Corporate Planning Analyst with the Gaylord Hotels & Resorts responsible for  
16 corporate budgeting and forecasting, financial analysis and strategic planning.  
17 From 2002 to 2006, I worked as a Rate Analyst with the Tennessee Valley  
18 Authority (TVA), America's largest public power provider which serves  
19 approximately 9 million consumers through 158 power distributors across 7 states.  
20 My responsibilities included assisting 158 TVA-served municipalities and co-  
21 operatives on class cost-of-service studies, financial analysis, and rate design.

22

23 **Q. Please summarize your educational background.**

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1 A. I graduated from Delta State University with a dual Bachelors Degree in Finance  
2 and Computer Information Systems. I also hold an MBA Degree from the Jack  
3 Massey Graduate School of Business at Belmont University with a concentration in  
4 Finance.

5  
6 **Q. Have you testified previously before any Commission or Regulatory Authority?**

7 A. Yes. I have testified before the following Commissions and/or Regulatory Authorities:  
8 The New Jersey Board of Public Utilities, The Arkansas Public Service Commission,  
9 The Delaware Public Service Commission, and the Rhode Island and Providence  
10 Plantations Public Utilities Commission.

11  
12 **Q. What is the purpose of your testimony?**

13 A. The purpose of my testimony is to sponsor normalized operating revenues in support  
14 of this rate filing by United Water Rhode Island, Inc. (UWRI or the Company) for a  
15 general increase in water rates. In addition, I will be sponsoring the presentation of the  
16 proposed tariffs for the Rate Year.

17  
18 **Q. Please state the Exhibits presented in this testimony.**

19 A. **Exhibit 2 – Schedule 1 - Operating Revenue under Present and Proposed Rates**

20  
21 **Q. Please explain the Company's revenues for the Test Year.**

22 A. As shown in Exhibit 2 – Schedule 1 (Page 2), operating revenues begin in Column 4  
23 with actual per book revenues of \$3,689,906 recorded in 2012. To this balance,

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1 specific reclassifications and eliminations, such as unbilled revenues of \$42,064 are  
2 deducted to arrive at adjusted test year revenues of \$3,647,947 shown in Column 8.

3  
4 **Q. Please explain the Company's revenues for the Rate Year.**

5 **A.** The adjusted test year revenues of \$3,647,947 as mentioned above is used as a  
6 starting point from which to project future revenues. Specifically, revenue normalizing  
7 adjustments (Column 9) related to customer growth, and declining consumption are  
8 added to this amount to arrive at rate year revenues of \$3,670,266 as shown in  
9 Column 10.

10  
11 **Q. Discuss the Company's customer growth projections for the Rate Year.**

12 **A.** For all classes except public and private fire, the Company used a simple trend  
13 analysis to project customer growth. The Trend Method is a simple linear regression  
14 method that estimates projected growth in customers with the passage of time. The  
15 Company used a 5 year historical period for its data sample. For public and private  
16 fire, the Company used the number of hydrants and service line connections in its  
17 historical test year as the basis for its projected number of hydrants and service line  
18 connections that will be in use during the rate year. This approach is supported by the  
19 fact that no major developments are scheduled to be built in the Company's service  
20 area during the rate year. The results of this approach show modest growth in the  
21 residential and commercial customer base of approximately 1.5 percent and 0.6  
22 percent respectively, and no growth in neither the industrial, public authority nor resale

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1 customer base. Please refer to pages 11 through 15 in ITEM 2.8.h for workpapers  
2 supporting customer growth.

3  
4 **Q. Discuss the Company's consumption growth projections for the Rate Year.**

5 **A.** For all classes except the residential customer class, the Company used an Average  
6 Per Capita Multiplier (APCM) Method to project normalized water usage for the rate  
7 year. The APCM method normalizes revenue by taking into account the effects of  
8 weather and customer growth. For example, the Company divided the historical water  
9 consumption by the historical number of customers to arrive at a "Per Capita Usage"  
10 of water for each class per year. Next, this per capita usage was averaged over a four  
11 year period to get an APCM for each class (except residential customers). Finally, the  
12 APCM is multiplied with the projected growth in customers to arrive at projected  
13 consumption levels for each class. Please refer to page 13 in ITEM 2.8.h for  
14 workpapers supporting the consumption projections.

15  
16 **Q. Why did you use a four year average?**

17 **A.** The Company looked at each customer class individually and made the following  
18 observations. For the commercial customer class, the Company observed that its  
19 2008 consumption level was unusually high, and so using a four year average  
20 beginning with 2009 for this class best reflected commercial water consumption for the  
21 rate year. For the industrial customers, the Company observed that prior to 2009 there  
22 had been a steady decline in industrial consumption which leveled out in 2009-2012.  
23 Hence, using a four year average for this rate class best accounted for the flattening

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1 out of this downward trend. For the public authority and resale customers, the  
2 company observed that there was minimal difference between using a five year  
3 average versus a four year average. Thus, to maintain a consistent APCM  
4 methodology, the Company used a four year average for both the industrial and resale  
5 customer class.

6  
7 **Q. Why isn't this approach used in projecting residential consumption?**

8 **A.** Residential customers represent approximately 90 percent of the total number of  
9 customers served in the Company's service territory. Given this relative proportion, it  
10 is necessary to analyze residential customers over a longer time horizon. As shown  
11 on page 11 in ITEM 2.8.h actual billed consumption has historically trended  
12 downward.

13  
14 **Q. Explain the approach used in projecting residential consumption.**

15 **A.** The Company used a seven year trend of actual billed consumption to project  
16 residential consumption for the rate year.

17  
18 **Q. Why did the Company select a seven year period?**

19 **A.** As shown on page 12 in ITEM 2.8.h, the Company looked at a range of time periods  
20 from which to project residential consumption. The range of periods, which spans from  
21 5 years to 10 years showed projected consumption figures that ranged from  
22 approximately 386 Million Gallons (at a minimum) to 404 million gallons (at a  
23 maximum). Thus, the Company decided that given the data presented, a seven year

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1 trend of actual billed residential consumption best reflected what it anticipates will  
2 occur during the rate year. Doing this adequately accounts for the historical downward  
3 trend in residential consumption while at the same time, adjusting for the modest  
4 residential customer growth over that same period.

5  
6 **Q. What conclusions do you draw from metered sales for the test period?**

7 **A.** My conclusion is that the Company experienced a modest increase in the overall  
8 number of customers driven primarily by a modest increase in residential customer  
9 base. However, this modest growth is tempered by a continuing trend of lower  
10 consumption volumes. Consumption volumes are reduced by the impact of  
11 conservation, and other external factors such as low flow water toilets and low flow  
12 shower heads. In addition, the Company projects that the commercial, industrial,  
13 public authority and resale customers will experience no growth in customers.

14  
15 **Q. Briefly describe the fire protection services provided by the Company.**

16 **A.** The Company provides fire protection services through 192 fire service line  
17 connections and 658 public fire hydrants. As shown on Exhibit 2 Schedule 1 (Page 1,  
18 lines 7 & 8), total fire revenues (at current rates) for the rate year consists of \$135,572  
19 in private fire and \$342,160 in public fire.

20  
21 **Q. Please describe the Company's approach in projecting public and private fire  
22 protection revenues.**

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1 **A.** The Company foresees no planned development projects in its service area during the  
2 rate year. Hence, for the rate year the Company projected fire protection service  
3 revenues using the same number of hydrants (658) and service lines (192) as  
4 recorded in its historic test year.

5  
6 **Q. Please discuss the Company's adjustments for miscellaneous revenues.**

7 **A.** The Company made no adjustments to its miscellaneous service rates. The rate  
8 year miscellaneous service revenues shown on Exhibit 1, Schedule 1 (Page 1,  
9 Lines 10, 13, 14, and 15) are based upon the current tariff rates multiplied by the  
10 average number of occurrences that the Company estimates will occur during the  
11 rate year.

12

13 Water Quality Protection Charge

14 The Water Quality Protection charge, which is mandated by the Rhode Island  
15 General Law, § 46-15.3-5 is a surcharge that is set and administered by the Rhode  
16 Island Water Resources Board for the repayment of outstanding bonds for the  
17 purpose of protecting the quality and safety of the public supply of water. This  
18 charge is currently set at \$0.0259 per 100 gallons. This charge is billed to all  
19 Company customers except its resale customers, municipal customers and  
20 residential customers over the age of 65. The Rhode Island Water Resources  
21 Board receives 36.1 percent of all monies collected. 57 percent is disbursed to the  
22 Rhode Island General Treasurer with the remaining 6.9 percent retained by the  
23 Company to cover administrative costs. For the rate year, the Company estimates

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1 that \$15,120 will be its portion of the Water Protection Fund charges that is  
2 attributable to cover its related administrative costs.

3  
4 **Q. How does the Company propose to amend its tariff to reflect the change in**  
5 **rates proposed in this rate case?**

6 **A.** The Company proposes to spread this increase on an across-the-board basis to all  
7 classes of customers.

8  
9 **Q. Was a Class Cost of Service Study performed in this rate case?**

10 **A.** No. In the Company's most recent rate proceeding (Docket 4255), a CCOS was  
11 prepared by Christopher P.N. Woodcock, of Woodcock & Associates, Inc. using  
12 data provided by the Company. Prior to this, a CCOS study was conducted and  
13 presented by the Company in 1999 (Docket 2873). Given the fact that a complete  
14 CCOS was conducted approximately two years ago, and given the modest growth  
15 in its customer base, it is the Company's position that the structure of its customer  
16 base has not changed materially to alter the cost causality between customer  
17 classes. In addition, the cost that would be incurred to conduct such a study  
18 outweighs the benefits to the Company's customers (i.e. the rate payers).

19  
20 **Q. Has the Company provided Proof of Revenues that supports the proposed**  
21 **increase?**

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1   **A.**   Yes it has. Below is a summary of the proposed increase in revenues by customer  
2           class. In addition, please refer to ITEM 2.8h (pages 22 and 23) for more details on  
3           proof of revenues.

4

Summary of Proposed Revenues

<u>Customer Class</u>	<u>Current Revenues</u>	<u>Proposed Revenues</u>	<u>Percent Increase</u>
Residential	\$ 1,976,282	\$ 2,826,152	43.00%
Commercial	\$ 626,968	\$ 896,584	43.00%
Industrial	\$ 8,625	\$ 12,334	43.00%
Public Authority	\$ 97,919	\$ 140,027	43.00%
Resale	\$ 447,403	\$ 639,082	43.00%
Public Fire	\$ 342,160	\$ 489,298	43.00%
Private Fire	\$ 135,572	\$ 193,872	43.00%
	<u>\$ 3,634,929</u>	<u>\$ 5,198,070</u>	

5

6   **Q.**   **Does this conclude your testimony?**

7   **A.**   Yes it does.

8