

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

**IN RE: NARRAGANSETT BAY** :  
**COMMISSION'S GENERAL** : **DOCKET NO. 4478**  
**RATE FILING** :

**REPORT AND ORDER**

On December 24, 2013, the Narragansett Bay Commission (NBC) filed an application with the Rhode Island Public Utilities Commission (PUC) seeking an increase in base rates for effect January 23, 2014. The proposed rates were designed to generate additional revenues of \$4,898,768, and if approved as filed, would increase NBC's present revenues by 5.28%.<sup>1</sup> In support of its application, NBC submitted the prefiled testimony of Walter E. Edge, Jr. of B&E Consulting LLC; Karen L. Giebink, NBC's Director of Administration and Finance; and Thomas Brueckner, NBC's Engineering Manager.

Mr. Edge provided that he was hired to develop an appropriate normalized test year<sup>2</sup> and a rate year, fiscal year ending (FYE) June 30, 2015. In his prefiled testimony, he noted that of NBC's last four filings, three were debt service compliance filings. The fourth, and most recent was for rate relief related to operations and maintenance; it took

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<sup>1</sup> Prefiled testimony generally is available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island, or at the PUC website, [www.ripuc.org/eventsactions.html](http://www.ripuc.org/eventsactions.html), organized by docket number.

<sup>2</sup> While his testimony provides for a test year of the fiscal year ending (FYE) June 30, 2014, Mr. Edge's schedules reflect a test year of FYE June 30, 2013. The obvious typographical error, which he corrected on the record, is most likely the result of using the same or similar testimony to that provided when NBC originally filed for this rate increase on December 3, 2013. In that filing, which the PUC rejected as deficient for failing to include cost of service and rate base schedules for a historic test year as required by Rule 2.6 of the PUC's Rules of Practice and Procedure, Mr. Edge used FYE June 30, 2014 as the test year. Within two days of the PUC rejecting the filing, NBC filed the instant application with supporting testimony and using a test year that complied with the PUC's Rules of Practice and Procedure.

effect July 1, 2013.<sup>3</sup> In reviewing the major items in this last case, Docket No. 4364, Mr. Edge noted the shortfalls caused by the continuing decline in consumption that not only had a significant adverse impact on operations, but also threatened NBC's ability to meet coverage requirements. In addition to the declining consumption issue, Mr. Edge also addressed NBC's operating reserve. The PUC had allowed the reserve to increase from 1.0% to 1.5% of total operating expenses excluding debt service, debt service coverage, and personnel expenses. Mr. Edge indicated that NBC would request a further increase in this funding, to make it more consistent with the funding level of other regulated utilities. Mr. Edge identified four major items driving NBC's rate request: 1) the need to adjust consumption levels; 2) salaries and fringe benefits; 3) utility increases; and 4) miscellaneous adjustments. He noted that the \$4,898,768 or 5.28% increase requested will increase total rate year revenue to \$97,650,439, resulting in a uniform across-the-board increase of 5.46%.<sup>4</sup>

In addition to rate-making adjustments, Mr. Edge made a number of test year adjustments including the elimination of: \$19,669 of investment income earned on the Project Fund and Debt Service Fund; \$27,650 from accounts in the Environmental Enforcement Fund; \$35,552 of Grant revenues and Grant expenses in Other Services; \$354,202 of Capital Contributions; and \$130,980 of Bond and Note Fees paid from NBC's Stabilization Account. He also made adjustments for the PUC's decision in Docket No. 4364.<sup>5</sup>

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<sup>3</sup> In Docket No. 4364, the PUC approved a \$8,049,145 revenue increase.

<sup>4</sup> Edge Direct at 1-5 (Dec. 24, 2013); [http://www.ripuc.org/eventsactions/docket/4478-NBC-RateFiling\\_12-23-13.pdf](http://www.ripuc.org/eventsactions/docket/4478-NBC-RateFiling_12-23-13.pdf).

<sup>5</sup> Edge Direct, *supra* note 4, at 6-7.

In preparing the FYE June 30, 2015 rate year, Mr. Edge divided accounts into four groups: 1) revenue accounts; 2) personnel service accounts; 3) a capital outlay account; and 4) accounts with a test year balance of less than \$200,000. Mr. Edge explained that the most significant issue with consumption has been the use of test year consumption to project rate year levels. He noted that actual consumption continues to decline and that revenues were almost \$4 million below what NBC anticipated. He left the flat fee revenue accounts, pretreatment fees, septage income, late charge penalty, and miscellaneous income accounts at their test year levels.<sup>6</sup>

Mr. Edge discussed the expense accounts starting with personnel services, which he adjusted for step and cost-of-living adjustment (COLA) increases as well as for compensated absences. He also adjusted this account for overtime, social security, Medicare, health and dental, and retirement. Mr. Edge increased postage, biosolids disposal, maintenance/service agreements, insurance and workers compensation insurance, laboratory supplies, regulatory expense, and management/audit services expense accounts. He left costs for electricity, gas and chemicals, vehicle fuel and maintenance, and building and structure repairs at test year levels. He eliminated capital outlays from rate year expense.<sup>7</sup>

When calculating NBC's operating reserve, Mr. Edge used a base that included personnel expense, an item that the PUC had previously excluded from the calculation. He suggested that the PUC reconsider inclusion of this item given NBC's inability to reduce operating costs should chemical, biosolids disposal or utility demands increase. He requested an across-the-board increase with rates becoming effective July 1, 2014.

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<sup>6</sup> *Id.* at 8-11.

<sup>7</sup> *Id.* at 11-16.

Finally, he noted that NBC was not requesting additional funding for debt service or debt service coverage.<sup>8</sup>

Ms. Giebink provided testimony regarding the complexity of NBC's finances resulting from the amount of debt issued to support construction of mandated capital improvements. She described the ways NBC had strengthened its financial position by the conversion to monthly billing, the establishment of the abbreviated debt service compliance filing mechanism, the creation of the Revenue Stability Fund, and the funding of debt service coverage at 125%. She emphasized how last year NBC's billings were almost \$5 million below the PUC authorized level and, accordingly how the inability to maintain the minimum 125% debt service coverage could adversely impact NBC's cost of borrowing.<sup>9</sup>

She suggested that the PUC authorize funding of the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund, neither of which had yet been funded, to ensure sufficient resources to properly operate, repair, and maintain the NBC's facilities. She explained that a number of contingencies could have an adverse impact on the approved revenue requirement, such as the failure of a wind turbine to operate properly.<sup>10</sup>

Mr. Brueckner's testimony provided an update of the Combined Sewer Overflow (CSO) Abatement project. He noted that Phase II of the project is expected to be completed in FY 2015. He explained that, while the preliminary design of Phase III must

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<sup>8</sup> *Id.* at 16-17.

<sup>9</sup> Giebink Direct at 1-3 (Dec. 24, 2013); [http://www.ripuc.org/eventsactions/docket/4478-NBC-RateFiling\\_12-23-13.pdf](http://www.ripuc.org/eventsactions/docket/4478-NBC-RateFiling_12-23-13.pdf).

<sup>10</sup> Giebink Direct, *supra* note 9, at 3-4.

be complete by the completion of construction of Phase II, NBC is reevaluating its original plan to ensure that it is the most cost effective alternative.<sup>11</sup>

Thomas Catlin presented testimony on behalf of the Division of Public Utilities and Carriers (Division). His testimony contained findings and recommendations regarding the requested revenue increase and rate design proposed to recover that additional revenue. Based on his evaluation, he determined that NBC has a total revenue requirement of \$95,383,177, which represents \$2,409,729 less than the \$4,898,768 NBC requested. He accepted NBC's rate design to recover the additional revenues through a uniform percentage increase in the flat fees and volumetric rates applicable to residential, commercial, and industrial customers. He utilized a FY 2014 test year and a rate year ending June 30, 2015.<sup>12</sup>

Mr. Catlin increased miscellaneous revenue to account for the sale of Renewable Energy Certificates (RECs) from NBC's wind turbines. His calculation of salaries and wages started with the actual FY 2013 regular and overtime salaries and wages as opposed to Mr. Edge's calculation, which began with the approved FY 2014 salaries and wages. Mr. Catlin reduced NBC's projection for compensated absences to the FY 2013 amount that NBC paid to retirees for unused sick leave. He found no support for Mr. Edge's projection that thirteen employees would retire. He also found the dollar amount Mr. Edge provided to be inconsistent with NBC's actual experience of three to four employees retiring each year over the last five years. He also noted that new individuals hired to replace retired employees are often paid a lower wage, partially offsetting the

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<sup>11</sup> Brueckner Direct at 1-4 (Dec. 24, 2013); [http://www.ripuc.org/eventsactions/docket/4478-NBC-RateFiling\\_12-23-13.pdf](http://www.ripuc.org/eventsactions/docket/4478-NBC-RateFiling_12-23-13.pdf).

<sup>12</sup> Catlin Direct at 1-6 (Mar. 22, 2013); [http://www.ripuc.org/eventsactions/docket/4478-DPU-Catlin\\_5-16-14.pdf](http://www.ripuc.org/eventsactions/docket/4478-DPU-Catlin_5-16-14.pdf).

cost of the compensation for the unused time of retiring employees. Because of a significant difference in non-union overtime during FY 2013, Mr. Catlin normalized this expense using a three year average. Mr. Catlin's adjustments to salaries and wages, which include NBC's elimination of its claim for an increase in non-union retirement funding, resulted in a reduction of rate year expenses by almost \$700,000.<sup>13</sup>

Mr. Catlin reduced workers' compensation old claims and postage costs. He adjusted NBC's sludge disposal rates for 2014 and 2015 to reflect the actual Consumer Price Index for the Boston area from November 2012 to November 2013, which is less than what NBC proposed and less than the projected inflation from November 2013 to November 2014. His adjustment resulted in a reduction of NBC's proposed biosolid disposal costs. Finding it overstated and inconsistent with actual experience, he also reduced NBC's projection for maintenance and service.<sup>14</sup>

Regarding utility costs, Mr. Catlin noted that lower-than-estimated usage at Field's Point, because of power generated by the wind turbines, offset higher usage at Bucklin Point, resulting in lower net electricity costs. He adjusted NBC's gas costs to reflect the higher supply prices that occurred during the winter months, the surcharge imposed to recover a portion of an under-collection experienced by National Grid, and the recovery of the remainder of that under-collection that would occur during the 2015 Gas Cost Recovery year.<sup>15</sup> Mr. Catlin updated NBC's chemical costs and quantities based on prior practice for estimating these chemical quantities and assuming a portion would remain in inventory based on NBC's response to a Division data request.<sup>16</sup> He

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<sup>13</sup> Catlin Direct, *supra* note 12, at 6-9.

<sup>14</sup> *Id.* at 10-15

<sup>15</sup> Docket No. 4436, Order No. 21465.

<sup>16</sup> Data Request DIV 1-26, <http://www.ripuc.org/eventsactions/docket/4478-NBC-DR-DPU1.pdf>.

also used the engineer's estimate for quantities required for the new Bucklin Point Biological Nutrient Removal (BNR) facilities.<sup>17</sup>

To correct items he characterized as overstated and unsubstantiated, Mr. Catlin reduced management services expense and corrected debt service expense to reflect the current schedule. He proposed returning the balance in the Special Master Fund to ratepayers over the course of two years, treating it as miscellaneous revenue, and noted that it was never utilized. Mr. Catlin recommended continuation of the 1.5% of total expenses operating reserve, as previously approved by the PUC, which excludes personnel and debt service and debt coverage. Finally, he accepted NBC's proposal to recover the revenue increase through uniform percentage increases in user fee rates.<sup>18</sup>

Mr. Edge filed rebuttal testimony responding to the adjustments suggested by Mr. Catlin. He contended that four of Mr. Catlin's adjustments to debt service, inventory, special master, and compensated absences would have a significant impact on the calculation of debt service coverage, net revenue, and CPA coverage. He noted that these adjustments, combined, represented almost a half million dollars, the loss of which could have a material impact on NBC's ability to borrow money in the future. He accepted a portion of Mr. Catlin's adjustment to increase miscellaneous revenues for REC sales, which he then adjusted for lost lease revenue. He also accepted Mr. Catlin's salary projections and recommendations for overtime, capitalized salaries and wages, and non-union pension expense.<sup>19</sup>

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<sup>17</sup> Catlin Direct at 15-19; [http://www.ripuc.org/eventsactions/docket/4478-DPU-Catlin\\_5-16-14.pdf](http://www.ripuc.org/eventsactions/docket/4478-DPU-Catlin_5-16-14.pdf).

<sup>18</sup> *Id.* at 20-23.

<sup>19</sup> Edge Rebuttal at 1-8 (June 13, 2014); [http://www.ripuc.org/eventsactions/docket/4478-NBC-Rebuttal\\_6-13-14.pdf](http://www.ripuc.org/eventsactions/docket/4478-NBC-Rebuttal_6-13-14.pdf).

Mr. Edge disputed Mr. Catlin's adjustment to postage cost, asserting that there are postage costs in addition to customer mailings and that the adjustment did not reflect the increasing trend in the number of items mailed. He accepted Mr. Catlin's biosolids disposal costs, and he adjusted the rate year dry tons to reflect increased production caused by the new BNR Facilities. After review of Mr. Catlin's adjustment to maintenance and service agreement costs, Mr. Edge accepted the adjustment, including the lowest possible cost for these agreements in the rate year, and cautioned that actual costs may be higher. Mr. Edge adjusted electricity expense to reflect actual usage and agreed with Mr. Catlin's adjustments to the gas supply rate, chemicals, and management/audit services. Finally, Mr. Edge emphasized NBC's need for an increased operating reserve to include personnel expense pointing out that the PUC assessment and the actual biosolid expense were \$100,000 and \$700,000, greater respectively, than the allowance for the rate year. He also made an adjustment to reflect the declining number of non-residential flat fee units.<sup>20</sup>

NBC submitted the testimony of Karen S.D. Grande, its bond counsel, to support Mr. Edge's testimony. She expressed concern that the Division's adjustments decreasing the allowance for debt service might result in increased interest rates for NBC. She cautioned that failure to maintain debt service coverage of 125% would cause NBC to be out of compliance with its covenant as required by the terms of its Trust Indenture.<sup>21</sup>

On August 15, 2014, NBC and the Division, collectively the Parties, submitted a Settlement Agreement<sup>22</sup> reciting the terms of their compromise and requesting PUC

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<sup>20</sup> *Id.* at 9-11.

<sup>21</sup> Grande Rebuttal at 1-5 (June 13, 2014); [http://www.ripuc.org/eventsactions/docket/4478-NBC-Rebuttal\\_6-13-14.pdf](http://www.ripuc.org/eventsactions/docket/4478-NBC-Rebuttal_6-13-14.pdf).

<sup>22</sup> A copy of the Settlement Agreement is attached hereto as Appendix B.



approval of the same. In the Settlement Agreement, the parties agreed to NBC collecting an additional \$3,588,749, or 3.88%, of operating revenue to support a total cost of service of \$96,041,582. This increase would require an average residential customer using 200 gallons of water daily to pay an additional \$20.96 annually.

The PUC conducted an evidentiary hearing on the terms of the Settlement Agreement and certain other issues it wanted to further explore.<sup>23</sup> The parties presented all of their witnesses together as a panel. Commissioner DeSimone questioned NBC about its planned solar project scheduled for 2015. He noted that even though the solar project was not part of this docket, he had concerns about a \$7,275,000 cost when over the last ten years NBC's debt has tripled.<sup>24</sup>

Mr. Brueckner provided an overview of the CSO project. He noted that Phase 2 would be complete by the end of the year, 2014. Phase 3 is currently being reevaluated because of concerns with affordability and to determine whether there is a more cost effective way to complete the project.<sup>25</sup>

Commissioner Roberti asked NBC to explain why rates were not consumption-based as opposed to the higher demand charge based on interconnection size. Ms. Giebink explained that heavier reliance on consumption to recover costs would result in NBC's income stream becoming more variable. She explained that the reliability of the income stream translates to the level of comfort NBC has with meeting its debt service

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<sup>23</sup> The following appearances were entered: Joseph A. Keough, Jr. for NBC; Christy Hertherington, Special Assistant Attorney General, for the Division; and Patricia S. Lucarelli for the PUC.

<sup>24</sup> Hr'g Tr. at 16-40 (Aug. 27, 2014).

<sup>25</sup> *Id.* at 41-45.

obligations. Mr. Catlin agreed, noting that more reliance cannot be placed on consumption to recover costs without risking NBC's ability to pay debt service.<sup>26</sup>

Commissioner Roberti also questioned NBC about the wind turbines. Ms. Giebink responded that NBC was in a net metering arrangement with National Grid and was also selling RECs. Mr. Catlin noted that NBC generated approximately \$417,000 in annual revenue from REC sales and saved approximately \$650,000 in electric costs.<sup>27</sup>

Ms. Giebink explained the two different types of employees at NBC: union employees, all of whom receive contracted cost of living adjustments and some of whom receive step increases; and non-union employees, who receive merit-based pay increases. Mr. Catlin noted that he found the pay increases at NBC were consistent with what was occurring elsewhere. When questioned about the amount that NBC offers to its employees who waive healthcare coverage, Ms. Giebink responded that coverage for these employees would equal approximately \$16,000 per year per employee. She was unable to answer what amount of a waiver would provide an incentive to employees to switch or decline coverage. She also confirmed that NBC had never asked employees that question.<sup>28</sup>

Mr. Catlin explained why he agreed to the \$100,000 amount being allowed in rates for NBC's compensated absences. He provided that he originally disagreed with the proposed \$250,000 amount as it was not based on known data. However, after a review and analysis of the number of employees retiring over the past few years, he concluded that the \$100,000 amount was reasonable and constituted an actual, known and measurable cost being paid to employees. Another issue addressed was whether the

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<sup>26</sup> *Id.* at 57-62.

<sup>27</sup> *Id.* at 72-77.

<sup>28</sup> *Id.* at 83-93.

inclusion of certain grants was appropriate. Ms. Giebink explained that the money used for grants is collected from environmental enforcement actions pursuant to R.I. Gen. Laws § 42-25-38.1. When questioned, she provided that the grants issued have a nexus with clean water. Finally, NBC was questioned about the fish tank expense. Mr. Edge acknowledged that the Commission had previously disallowed including this specific expense in rates. He stated that it was included again, because NBC management believed it to be an appropriate expense.<sup>29</sup>

At its Open Meeting on September 19, 2014, the PUC deliberated on the evidence presented and the terms of the Settlement Agreement. The Commission thoroughly reviewed, analyzed, and evaluated all the evidence, both documentary and oral, presented by the parties. It also considered the public comment presented.

The Commission discussed the parties' agreement to allow a \$100,000 expense for compensated absences. Noting that NBC had originally requested \$250,000 and that Mr. Catlin, in his direct testimony had said that expense was not known and measurable, the Commission accepted Mr. Catlin's subsequent position that the \$100,000 amount agreed to by the parties was known and measurable. Finding his testimony during the hearing to be credible, the Commission accepted his reasoning that because during the last few years NBC had experienced approximately four or five retirements each year, it was likely that this trend would continue. Although the Commission accepts the \$100,000, which is slightly lower than the historical average, as known and measurable, it also found that the expense needs to be monitored, to ensure ratepayers are not paying more than absolutely necessary. The Commission allowed the expense but required that

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<sup>29</sup> *Id.* at 110-119.

it be restricted and that NBC provide annual reports to the Commission and the Division indicating any and all activity occurring during the course of the year.

The Commission also considered the \$2,500 healthcare waiver NBC pays to its employees who opt out of healthcare coverage. NBC offered no evidence to justify the \$2,500 waiver payment. It did not provide any evidence in the form of testimony, studies or other documentation that offering a lower amount would result in fewer employees opting out of its healthcare plan or that the waiver amount was a reasonable expense that should be borne by ratepayers. Noting that NBC is a creature of the state legislature, the Commission ruled that funding the NBC healthcare waiver in the same amount as the State of Rhode Island provides to its employees --\$1,000-- is fair, reasonable, and an appropriate amount to impose on ratepayers.

While NBC agreed to remove \$3,259 for fish tank expense from its revenue requirement, the Commission is compelled to further address this issue. Previously, the Commission denied this expense. It found it to be an inappropriate expense for ratepayers to absorb, noting that NBC failed to demonstrate that the expense was necessary to provide utility service.<sup>30</sup> Mr. Edge's rationale that the fish tank provided comfort to him, personally, as he sits in the lobby is not a valid justification for the Commission to find this expense prudent. Neither does it provide the necessary support for any finding that the fish tank provides sufficient benefits to NBC's ratepayers. As NBC's ratepayers have experienced dramatic increases over the last few years, NBC should be more vigilant in reducing unnecessary expenses that ultimately must be borne by its ratepayers. The rationale provided by Mr. Edge during the hearing to support this expense was identical to that he provided in the prior rate case, which led the

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<sup>30</sup> Docket No. 3797, Order No. 19062.

Commission to reject the expense. It is unclear why this same rationale would be offered without any further evidence or explanation to support the Commission departing from its previous ruling. This Commission will not burden ratepayers with expenses that do not benefit those ratepayers. *See Providence Gas Co. v. Malachowski*, 656 A.2d 949, 951 (R.I. 1995).

The Commission additionally discussed NBC's authority to expend funds pursuant to R.I. Gen. Laws § 46-25-38.1. NBC is authorized to collect money from administrative and enforcement actions. It is clear from reading the statute that those funds must be used to support programs related to NBC's mission. The statute provides that, in the event NBC does not expend the funds in that account after a three-year period, it may use such funds to pay long-term debt service on bonds, an expense of NBC's ratepayers. It is obvious to the Commission that the legislature intended there be a nexus between NBC's purpose and mission and the programs to which it grants the funds. Any money NBC collects is revenue, and absent some clear directive, must be used for the benefit of its ratepayers. Such conclusion is evident, given the Legislature's mandate that unused funds be used to satisfy debt service. The Commission will continue to closely review these grants to ensure that the grant revenue is distributed in accordance with and has a proper nexus to NBC's mission.

Finally, the Commission feels obligated to express its concern regarding NBC's planned solar panel project, which is projected to cost approximately \$7.4 million. During the past ten years, NBC's debt has tripled, primarily because of its CSO project. That project is currently being reevaluated to determine whether the regulatory mandates can be accomplished at some savings over the costs originally projected. One of the

important concerns that NBC is addressing in the reevaluation is affordability. It is important that NBC conduct a vigorous cost-benefit analysis to ensure that the solar facility represents the most cost-effective approach to meeting NBC's electricity requirements. In this context, NBC should be prepared to justify any decision regarding the solar project as NBC will likely come before the Commission for recovery of this expense.

After due consideration, the Commission approved the Settlement Agreement, conditioned on the removal of the fish tank expense, a reduction in the account used for the healthcare waiver payment, and restricting the funds related to compensated absences with an annual reporting requirement consistent with its findings as set forth above.

Accordingly, it is

(21783) ORDERED:

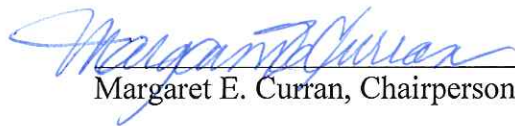
1. The Narragansett Bay Commission's rate application of December 24, 2013 is hereby denied.
2. The Settlement Agreement is approved conditioned on the removal of the \$3,259 fish tank expense, a reduction from \$2,500 to \$1,000 per employee in the amount allowed for funding of the healthcare waiver, and restricting of funds related to compensated absences with the requirement that annual reports be provided to the Commission and the Division.
3. A revenue increase of \$3,544,941, resulting in a cost of service of \$95,997,774, is hereby approved for usage on and after September 19, 2014. Said revenue increase shall be recovered through a uniform percentage increase to rates.

4. The Narragansett Bay Commission shall comply with all other findings and instructions in this Report and Order.


EFFECTIVE AT WARWICK, RHODE ISLAND ON SEPTEMBER 19, 2014,  
PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 14, 2014.  
WRITTEN ORDER ISSUED DECEMBER 17, 2014.

PUBLIC UTILITIES COMMISSION



  
Margaret E. Curran, Chairperson

  
Paul J. Roberti, Commissioner

  
Herbert F. DeSimone, Jr., Commissioner

**NOTICE OF RIGHT OF APPEAL:** Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.

## Appendix A

	<u>Test Year</u>	<u>Adjustment</u>	<u>Rate Year</u>
<b><u>REVENUES</u></b>			
User Fee Revenues	\$ 89,228,719	\$3,544,941	\$92,773,660
Other Service Revenue	1,476,784		1,476,784
Late Payment	1,013,329		1,013,329
Miscellaneous	734,001		734,001
<b>Total Revenue</b>	<b>\$92,452,833</b>	<b>\$3,544,941</b>	<b>\$95,997,774</b>
<b><u>EXPENSES</u></b>			
Personnel Services	19,892,521		21,739,796
Operating Supplies & Expenses	13,122,007		14,933,901
Professional Services	2,511,234		2,938,084
Capital Outlay	-		-
Amortization	-		-
Debt Service	44,894,330		44,894,330
Debt Coverage	11,223,583		11,223,583
<b>Total Expenses</b>	<b>\$91,643,675</b>		<b>\$95,729,694</b>
<b>OPERATING RESERVE</b>	<b>\$ 252,758</b>	<b>\$15,322</b>	<b>\$ 268,080</b>
<b>COST OF SERVICE</b>	<b>\$91,896,433</b>		<b>\$95,997,774</b>
RATE YEAR REVENUES AT PRESENT RATES	\$92,452,833		\$92,452,833
<b>REVENUE INCREASE</b>			<b><u>\$ 3,544,941</u></b>



APPENDIX B

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT BAY COMMISSION

DOCKET NO.: 4478

SETTLEMENT AGREEMENT

I. INTRODUCTION

The Narragansett Bay Commission (hereinafter "NBC") and the Division of Public Utilities and Carriers (hereinafter "Division") have reached an agreement on NBC's rate application filed on December 23, 2013. Thus, the Division and NBC jointly request that the State of Rhode Island Public Utilities Commission (hereinafter "Commission") approve this Settlement Agreement.

II. RECITALS

1. On December 23, 2013, NBC 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. NBC's proposed rates were designed to collect \$4,898,768 of additional operating revenue and total rate year revenue of \$97,650,439. The impact of this request would have resulted in a 5.28 % increase in total revenue. NBC proposed an across the board increase of 5.46% on all residential and non-residential rates. For an average residential customer, using 200 gallons of water per day, the request would have resulted in a \$28.43 increase in their annual bill from \$521.33 to \$549.76. The

impact of the rate increase on all other customers will vary depending upon the customer's classification and consumption.

3. NBC filed testimony and schedules from the following witnesses in support of its application:
  - a. Karen L. Giebink, Director of Administration and Finance, Narragansett Bay Commission (Direct Testimony);
  - b. Walter E. Edge, Jr. MBA, CPA, Senior Vice President of B&E Consulting, LLC. (Direct and Rebuttal Testimony);
  - c. Thomas Brueckner, P.E., Engineering Manager, Narragansett Bay Commission (Direct Testimony); and
  - d. Karen S.D. Grande, Esquire, Edwards Wildman Palmer, LLP (Rebuttal Testimony).
4. The Division investigated NBC's requested rate increase with assistance from its staff and outside expert consultant. The Division issued data requests and filed direct testimony from the following witness:
  - a. Thomas S. Catlin, Principal, Exeter Associates, Inc.
5. In its direct testimony, the Division, through its expert, Thomas S. Catlin, suggested a number of revisions to NBC's rate application in the following categories:
  - a) REC Revenues
  - b) Personnel
  - c) Compensated Absences
  - d) Overtime
  - e) Worker's Compensation Claims
  - f) Postage
  - g) Biosolids Expenses
  - h) Maintenance and Service Agreement Expenses
  - i) Electricity Expenses
  - j) Natural Gas Expenses
  - k) Chemical Expenses
  - l) Management Service Expenses

- m) Debt Service Expense
- n) Special Master Funding
- o) Operating Reserve

6. Through the rebuttal testimony of Walter E. Edge, Jr., NBC accepted many of the adjustments suggested by the Division and Mr. Catlin. However, NBC continued to disagree with some of the adjustments suggested by the Division and Mr. Catlin as outlined in Mr. Edge's rebuttal testimony.
7. The Division and NBC engaged in settlement discussions after NBC submitted its Rebuttal testimony on June 13, 2014 and after NBC responded to the Division's Third Set of Data Requests on July 16, 2014 (supplemental response filed on July 24, 2014).
8. During these discussions, the Division and NBC addressed the following issues that remained in contention and resolved them in the following manner:
  - a) Revenues – NBC has accepted the Division's position to increase rate year revenue at present rates by \$36,647 related to residential dwelling units.
  - b) Late Charge Revenue – NBC has accepted the Division's position to increase late charge revenue by \$94,386 in the rate year.
  - c) Special Master Funding (Miscellaneous Revenue) – NBC has agreed to withdraw its objection to the Division's position regarding the amortization of the Special Master Fund Balance for inclusion as revenue for rate making purposes, without prejudice.
  - d) Personnel – NBC had accepted the Division's position in Mr. Edge's rebuttal testimony, and NBC and Division agreed to additional adjustments to these expense line items to reflect a lower union COLA and non-union merit increases effective July 1, 2014.

- e) Compensated Absences – NBC and the Division agree to a normalized expense level for compensated absences of \$100,000.
  - f) Postage – NBC accepts the Division’s position with respect to postage expense which is a rate year level of \$411,954.
  - g) Biosolids Expenses – NBC and the Division agree to a rate year expense of \$5,674,877.
  - h) Maintenance and Service Agreement Expenses – NBC accepts the Division position for this expense of \$1,015,029.
  - i) Electricity Expenses – the Division accepts the NBC’s position for electricity expense of \$3,449,893 in the rate year.
  - j) Natural Gas Expenses – NBC accepts the Division’s position for natural gas expense in the rate year of \$438,331.
  - k) Chemical Expenses – NBC and the Division agree to rate year expense amounts for Field’s Point chemicals totaling \$651,672.
  - l) Debt Service Expense – the Division has agreed to withdraw its request to reduce the rate year cost of service for debt service and debt service coverage, without prejudice.
  - m) Operating Reserve – NBC agreed to withdraw its request for an increased operating reserve, without prejudice.
9. In settlement discussions and in reaching this Settlement Agreement, the Division and NBC gave due consideration to the testimony, exhibits, schedules, data requests, data responses, and other documentation in this Docket and agreed to a comprehensive settlement that resolves all issues relating to NBC’s application to increase rates.
10. The Division and NBC 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**

11. The Division and NBC agree that the Joint Settlement Schedules attached as Exhibit 1 (Schedules TSC-1-15) are accurate and reflect the agreement reached in this Docket.
12. The agreed rates allow NBC to collect additional operating revenue in the amount of \$3,588, 749 to support a total cost of service of \$96,041,582. (Due to rounding the proposed rates will produce \$3,639 less than the allowed amount.)
13. This increase results in a 3.88% increase in total revenue. The increase is an "across the board" increase of 4.02% for all classes of customers. For an average residential customer, using 200 gallons of water per day, this Settlement results in a \$20.96 increase in their annual bill from \$521.33 to \$542.28. The impact of the rate increase on all other customers will vary depending upon the customer's classification and consumption.

### **IV. EFFECT OF SETTLEMENT**

14. This Settlement Agreement is a negotiated agreement. The Division and NBC 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.
15. 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.

16. 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.

17. 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 15<sup>th</sup> day of August, 2014.

THE NARRAGANSETT  
BAY COMMISSION  
By its Attorney,



Laurie Horridge Bissonette, Esq.  
General Counsel  
Narragansett Bay Commission  
One Service Rd.  
Providence, RI 02905  
Tel: (401)-461-8848 ext. 331

Dated this 5<sup>th</sup> day of August, 2014.

DIVISION OF PUBLIC UTILITIES  
AND CARRIERS,  
By its Attorney,



Christy Hetherington, Esquire, # 6693  
Special Assistant Attorney General  
150 South Main Street  
Providence, RI 02903  
Tel: 401-274-4400, ext. 2425

THE NARRAGANSETT BAY COMMISSION

Summary of Revenues and Expenses at  
 Present and Proposed Rates  
 Rate Year Ended June 30, 2015

	Rate Year Amount Per NBC	NBC Rebuttal Adjustments	Revised Amount Per NBC	Settlement Adjustments	Rate Year at Present Rates	Allowable Rate Increase	Rate Year at Proposed Rates
<b>Revenue</b>							
User Fee Revenue	\$ 89,740,797	\$ (548,725)	\$ 89,192,072	\$ 36,647 (1)	\$ 89,228,719	\$ 3,588,749	\$ 92,817,468
Other Service Revenue	1,476,784	-	1,476,784	-	1,476,784	-	1,476,784
Late Payment	918,943	-	918,943	94,386 (2)	1,013,329	-	1,013,329
Miscellaneous	615,147	38,017	653,164	80,837	734,001	-	734,001
Total Revenue	\$ 92,751,671	\$ 38,017	\$ 92,240,963	\$ 211,870	\$ 92,452,833	\$ 3,588,749	\$ 96,041,582
<b>Expenses</b>							
Personnel Services	22,561,063	(467,567)	22,093,496	(313,200)	21,780,296	-	21,780,296
Operating Supplies & Expenses	15,277,232	111,500	15,388,732	(451,572)	14,937,160	-	14,937,160
Professional Services	3,080,449	(142,365)	2,938,084	-	2,938,084	-	2,938,084
Capital Outlays	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-
Debt Service	44,894,330	-	44,894,330	-	44,894,330	-	44,894,330
Debt Coverage	11,223,583	-	11,223,583	-	11,223,583	-	11,223,583
Total Expenses	\$ 97,036,657	\$ (498,432)	\$ 96,538,225	\$ (764,772)	\$ 95,773,453	\$ -	\$ 95,773,453
Operating Reserve	613,781	-	606,305	(338,176)	268,129	-	268,129
Total Cost of Service	\$ 97,650,438	\$ (498,432)	\$ 97,144,530	\$ (1,102,948)	\$ 96,041,582	\$ -	\$ 96,041,582
Revenue Surplus/(Deficiency)	\$ (4,898,767)	\$ 536,449	\$ (4,903,567)	\$ 1,314,818	\$ (3,588,749)	\$ 3,588,749	\$ -

**Notes:**

(1) Reflects adjustment to reflect June 30, 2014 residential billing units per response to DIV 3-22.

(2) Reflects late payment revenue for FY 2014.



THE NARRAGANSETT BAY COMMISSION

Summary of Settlement Adjustments to  
 Rate Year Revenues and Expenses at Present Rates  
 Rate Year Ended June 30, 2015

<u>Description</u>	<u>Amount</u>	<u>Source</u>
<b><u>Revenue Adjustments</u></b>		
Revenue from REC Sales	\$ -	Schedule TSC-8
Special Master Fund Amortization	80,837	Schedule TSC-13
Residential Billing Unit Update	36,647	Schedule TSC-1
Late Payment Revenue	94,386	Schedule TSC-1
Total Adjustments to Revenues	\$ 211,870	
<b><u>Expense Adjustments</u></b>		
Personnel Expense (See Note 1)	(313,200)	Schedule TSC-3
Workers' Compensation-Old Claims	-	Schedule TSC-4
Postage Expense	(23,174)	Schedule TSC-5
Biosolids Disposal Costs	(105,381)	Schedule TSC-6
Maintenance & Service Agreements	(127,670)	Schedule TSC-7
Electricity Expense	-	Schedule TSC-8
Natural Gas Costs	(31,902)	Schedule TSC-9
Field's Point Chemicals	(163,445)	Schedule TSC-10
Management and Audit Services	-	Schedule TSC-11
Debt Service	-	Schedule TSC-12
Operating Reserve	(338,176)	See Note (2)
Total Adjustments to Expenses	\$ (1,102,948)	
<b>Total Adjustment to Operating Income</b>	<b>\$ 1,314,818</b>	

**Notes:**

- (1) Includes \$304,328 reduction to reflect NBC's decision to eliminate claim for additional funding of non-union retirement plan. Also reflected in NBC Rebuttal
- (2) Adjusted to reflect 1.5% of Division Operating Expenses excluding Personnel and Debt costs per Schedule TSC-1. Refer to direct testimony for explanation.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Personnel Costs  
 Rate Year Ended June 30, 2015

Base Salaries			
	Union	Non-Union	
FY 2013 Amount (1)	\$ 5,568,502	\$ 8,449,979	
7/1/2013 Contracted Steps (3)	144,301	-	
Adjusted Base Salaries	\$ 5,712,803	\$ 8,449,979	
7/1/2013 Increase (4)	2.25%	4.15%	
7/1/2013 Total Salaries	\$ 5,841,341	\$ 8,800,653	
7/1/14 Contracted Steps (5)	75,618	-	
Base Salary	5,916,960	8,800,653	
7/1/14 COLA/Merit (6)	2.25%	2.50%	
Rate Year Salaries Per Division	6,050,091	9,020,669	
Normalized Compensated Absences (2)	-	100,000	
Rate Year Salaries plus Compensated Absences	6,050,091	9,120,669	
Rate Year Salaries Per NBC (5)	6,094,468	9,332,859	
<b>Rate Year Adjustment</b>	<b>\$ (44,377)</b>	<b>\$ (212,190)</b>	<b>\$ (256,566)</b>

Overtime			
	Union	Non-Union	Non-Union Ltd
FY 2013 Amount (1)	\$ 439,426	\$ 76,451	\$ 23,282
7/1/2013 Contracted Steps (3)	10,913	-	-
Adjusted Overtime	\$ 450,339	\$ 76,451	\$ 23,282
7/1/2013 Increase (4)	2.25%	4.15%	
7/1/2013 Total Overtime	\$ 460,472	\$ 79,623	\$ 24,248
7/1/14 Contracted Steps (5)	5,719	-	-
Adjusted Overtime	466,191	79,623	24,248
7/1/14 COLA/Merit (6)	2.25%	2.50%	
Rate Year Overtime Per Division	\$ 476,680	\$ 81,614	\$ 24,854
Rate Year Overtime Per NBC (5)	480,176	82,012	24,976
<b>Rate Year Adjustment</b>	<b>\$ (3,496)</b>	<b>\$ (398)</b>	<b>\$ (122)</b>

Capitalized Salaries and Fringe Benefits			
	Salary Reimbursement Account 59000	Fringe Reimbursement Account 59001	
FY 2013 Amount (1)	\$ (1,236,491)	\$ (670,080)	
7/1/2013 Increase (4)	1.0415	1.0415	
7/1/2014 Increase (5)	1.0250	1.0250	
Rate Year Reimbursement Per Division	(1,320,001)	(715,336)	
Rate Year Reimbursement Per NBC (5)	(1,326,440)	(718,825)	
<b>Rate Year Adjustment</b>	<b>\$ 6,439</b>	<b>\$ 3,489</b>	<b>\$ 9,929</b>

THE NARRAGANSETT BAY COMMISSION

Adjustment to Personnel Costs  
 Rate Year Ended June 30, 2015

FICA Taxes			
	FICA		Total FICA
	Social Security	Medicare	
Rate Year Salaries	\$ 15,070,761	\$ 15,070,761	
Overtime & Limited	583,148	583,148	
Wages Over FICA Limit	(120,000)	-	
Wages Subject to FICA	15,533,909	15,653,909	
Percent	6.20%	1.45%	
Rate Year FICA Per Division	963,102	226,982	1,190,084
Rate Year FICA Per NBC (5)			1,217,567
<b>Rate Year Adjustment</b>			<b>\$ (27,483) \$ (27,483)</b>

Retirement Benefits			
	Union	Union Retiree	Non-Union
	Retirement	Health	Retirement
Salaries	\$ 6,050,091	\$ 6,050,091	\$ 9,120,669
Overtime & Limited			106,468
Eligible Wages	6,050,091	6,050,091	9,227,138
Employer Contribution Rate (5)	24.33%	6.75%	10%
Rate Year Retirement Benefits Per Division	1,471,987	408,381	922,714
Rate Year Retirement Benefits Per NBC (5)	1,482,784	411,377	943,985
<b>Rate Year Adjustment</b>	<b>\$ (10,797)</b>	<b>\$ (2,996)</b>	<b>\$ (21,271) \$ (35,064)</b>
<b>Total Rate Year Personnel Adjustment</b>			<b>\$ (313,200)</b>

Notes:

- (1) Amounts per Schedule WEE-3.
- (2) Reflects FY 2015 and FY 2016 amounts per response to DIV 3-11. Amount is inclusive of FICA taxes.
- (3) Per Schedule WEE-4 in Docket No. 4364.
- (4) Per response to DIV 1-6.
- (5) Per Schedule WEE-R3.
- (6) Increases on 7/1/2014 updated to reflect most recent information.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Workers' Compensation Claims Expense  
Rate Year Ended June 30, 2015

	<u>Amount</u>
Ongoing Worker's Comp-Old Claims (1)	\$ 23,388
Amount per NBC (2)	<u>23,388</u>
Adjustment to Rate Year Expense	<u><u>\$ -</u></u>

Notes:

(1) Per supplemental response to DIV. 1-12.

(2) Per Schedule WEE-R4.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Postage Expense  
Rate Year Ended June 30, 2015

	<u>Amount</u>
FY 2014 Postage Expense (1)	\$ 387,497
FY 2014 Bills (2)	<u>978,274</u>
Average Postage expense per bill	\$ 0.3961
Postage Increase (3)	<u>\$ 0.025</u>
Adjusted Postage per Bill	\$ 0.4211
Number of Bills (2)	<u>978,274</u>
Adjusted Postage Expense per Division	\$ 411,954
Amount per NBC (1)	<u>435,128</u>
Adjustment to Rate Year Expense	<u>\$ (23,174)</u>

Notes:

(1) Per Schedule WEE-6.

(2) Per response to DIV 1-13.

(3) Per response to DIV 1-14. Reflects one-half year effect of \$0.03 increase on January 26, 2014.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Biosolids Disposal Costs  
 Rate Year Ended June 30, 2015

	<u>7/1/2013 to 12/31/2013</u>	<u>1/1/2014 to 6/30/2014</u>	<u>Total</u>
Field's Point-Dry Tons (1)	5,400	5,400	10,800
Bucklin Point-Dry Tons (1)	<u>1,016</u>	<u>1,016</u>	<u>2,032</u>
Total Biosolids for Disposal-Dry Tons	6,416.1	6,416.1	12,832
Rate per Ton (2)	<u>\$ 429.72</u>	<u>\$ 438.33</u>	
Biosolids Disposal Costs	\$ 2,757,126	\$ 2,812,369	\$ 5,569,496
Amount per NBC (1)			<u>5,674,877</u>
Adjustment to Rate Year Expense			<u><u>\$ (105,381)</u></u>

Notes:

(1) Estimated quantities based on recent experience and operator estimates.

(2) Per Schedule WEE-R6.

(2) Rates calculated as follows:

Disposal rate for Calendar Year 2013	\$ 425.72
Increase in CPI for Boston Area from November 2012 to November 2013	<u>1.009</u>
Disposal rate for Calendar Year 2014	\$ 429.72
Projected increase in CPI-U from 4Q14 to 4Q15 per Blue Chip Economic Indicators dated 4/10/2014	<u>1.0200</u>
Disposal rate for Calendar Year 2014	\$ 438.33

THE NARRAGANSETT BAY COMMISSION  
Adjustment to Maintenance & Service Agreement Costs  
Rate Year Ended June 30, 2015

	<u>Amount</u>
FY 2014 Maintenance & Service Agreement Expense (1)	\$ 906,276
Annual Escalation Rate (2)	<u>1.120</u>
Rate Year Allowance for Existing Agreements (3)	\$ 1,015,029
Amount per NBC (1)	<u>1,142,699</u>
Adjustment to Rate Year Expense	<u>\$ (127,670)</u>

Notes:

- (1) Reflects final FY 2014 expense.
- (2) Based on annual growth rate from FY 2012 to FY 2014.
- (3) Reflects escalation for from FY 2014 to FY 2015 at 12.0% per year.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Electricity Costs to Reflect  
 Updated Supply Costs and Offset for REC Revenues  
 Rate Year Ended June 30, 2015

	Cost per NBC (1)	Cost per Division (2)	Adjustment
Field's Point			
Field's Point	\$ 948,469	\$ 948,469	\$ -
Tunnel Pump Station	711,072	711,072	-
Bucklin Point	1,361,165	1,361,165	-
Bucklin Point BNR	148,643	148,643	-
Interceptor Maintenance	127,995	127,995	-
COB	152,549	152,549	-
Total Electricity Cost	\$ 3,449,893	\$ 3,449,893	\$ -
Revenue from REC Sales (3)	\$ 417,280	\$ 417,280	\$ -

Notes:

- (1) Per WEE-R8.
- (2) Reflects agreement with NBC Rebuttal.
- (3) Division amount based on 6,520 MWh of RECs generated in CY 2013 and a price of \$64 based on actual sale price for first and second quarter RECs per DIV 1-24.



THE NARRAGANSETT BAY COMMISSION

Adjustment to Natural Gas Costs to Reflect  
National Grid Gas Supply Costs for the Rate Year  
Rate Year Ended June 30, 2015

	<u>Cost Per Settlement (1)</u>
Field's Point	238,440
Bucklin Point	112,932
Interceptor Maintenance	31,640
COB	30,725
Lab	<u>24,594</u>
Total	\$ 438,331
Amount per NBC (2)	<u>470,233</u>
Adjustment to Natural Gas Costs	<u><u>\$ (31,902)</u></u>

Notes:

(1) Settlement amounts per page 2 of this schedule.

(2) Per Schedule WEE-1.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Natural Gas Costs to Reflect  
 National Grid Gas Supply Costs for the Rate Year  
 Rate Year Ended June 30, 2015

DETAIL (1)

	COB	BP Admin	BP Plant	BP Exch	BP	FP	TPS	ESPS	FP	IM	Lab
FY 2015 Projected Therms	24,998	6,820	40,502	36,945	84,267	110,595	63,841	19,872	194,308	19,058	18,739
Rates:											
Customer Charge	\$ 70.00	\$ 70.00	\$ 175.00	\$ 175.00	\$ 175.00	\$ 175.00	\$ 175.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00
Avg. Delivery / Therm	0.3239	0.3458	0.3860	0.4377	0.3334	0.3239	0.3239	0.4059	0.7316	0.7316	0.3935
Supply (2)	0.8347	0.8347	0.8347	0.8347	0.8347	0.8347	0.8102	0.8347	0.8347	0.8347	0.8347
Cost:											
Customer Charge	\$ 840	\$ 840	\$ 2,100	\$ 2,100	\$ 5,040	\$ 2,100	\$ 2,100	\$ 840	\$ 5,040	\$ 840	\$ 840
Delivery	8,097	2,358	15,635	16,171	34,164	36,872	20,678	8,066	65,617	13,943	7,374
Supply	20,867	5,693	33,808	30,839	70,340	92,317	51,726	16,588	160,631	15,908	15,642
Subtotal	\$ 29,803	\$ 8,891	\$ 51,543	\$ 49,110	\$ 109,544	\$ 131,289	\$ 74,504	\$ 25,494	\$ 231,287	\$ 30,691	\$ 23,856
Gross Earnings Tax	\$ 922	\$ 275	\$ 1,594	\$ 1,519	\$ 3,388	\$ 4,060	\$ 2,304	\$ 788	\$ 7,153	\$ 949	\$ 738
Total	\$ 30,725	\$ 9,166	\$ 53,137	\$ 50,629	\$ 112,932	\$ 135,350	\$ 76,808	\$ 26,282	\$ 238,440	\$ 31,640	\$ 24,594

Notes:

- (1) Per response to DIV 1-22 except Supply rate per Note (2).
- (2) Reflects Composite of following National Grid 2014 GCR rate for 4 Months and 2015 GCR rate for 8 months:
 

Line	High Load Factor	All Other
2014 GCR Rate (1)	\$ 0.63810	\$ 0.66260
2014 surcharge (2)	\$ 0.25820	\$ 0.25820
Adjusted rate (3)=(1)+(2)	\$ 0.89630	\$ 0.92080
2015 Surcharge (4)	0.12910	0.12910
2015 GCR Rate (5)=(1)+(4)	\$ 0.76720	\$ 0.79170
Weighted Rate (6)	\$ 0.81023	\$ 0.83473

1/2 of surcharge to reflect annual volumes and most recent estimated deferred cost balance

THE NARRAGANSETT BAY COMMISSION

Adjustment to Field's Point and Bucklin Point Chemicals Costs  
 Rate Year Ended June 30, 2015

	<u>Hypochlorite</u>	<u>Bisulfate</u>	<u>Sodium Hydroxide</u>	<u>Carbon Feed</u>	<u>Total</u>
FY 2014 Quantity (1)	675,356	201,829	29,683	41,869	
Unit Price (2)	\$ 0.4493	\$ 1.2000	1.4284	1.5200	
Annualized Expense	\$ 303,437	\$ 242,195	\$ 42,399	\$ 63,641	\$ 651,672
Amount per NBC (3)	343,819	237,582	162,481	71,235	815,117
Adjustment to Rate Year Expense	\$ (40,382)	\$ 4,613	\$ (120,082)	\$ (7,594)	\$ (163,445)

Notes:

- (1) Reflects actual FY 2014 quantities.
- (2) Current unit prices per Schedule WEE-R10.
- (3) Per Schedule WEE-R10.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Management and Audit Services Costs  
Rate Year Ended June 30, 2015

	<u>Amount</u>
FY 2014 Bucklin Point Base Contract (1)	\$ 1,912,350
Projected Increase in CPI-U (2)	<u>1,0140</u>
Estimated FY 2015 Bucklin Point Contract	\$ 1,966,271
Other Management and Audit Expense (3)	<u>128,581</u>
Total Management and Audit Services Expense	\$ 2,094,852
Amount per NBC (4)	<u>2,094,852</u>
Adjustment to Rate Year Expense	<u><u>\$ -</u></u>

Notes:

- (1) Per Schedule WEE-13.
- (2) Based on compound annual growth rate from FY 2011 to FY 2013.
- (3) Per response to DIV 1-28. Reflects FY 2013 actual amount.
- (4) Per Schedule WEE-R11.

THE NARRAGANSETT BAY COMMISSION

Adjustment to Debt Service Expense  
Rate Year Ended June 30, 2015

	<u>Amount</u>
Total Debt Service (1)	\$ 44,894,330
Coverage Requirement at 25%	<u>\$ 11,223,583</u>
Total Debt Service and Coverage	\$ 56,117,913
Amount per NBC (2)	<u>56,117,913</u>
Adjustment to Rate Year Expense	<u><u>\$ -</u></u>

Note:

- (1) Reflects acceptance of current allowance in rates.
- (2) Per Schedule WEE-1.

THE NARRAGANSETT BAY COMMISSION  
Adjustment to Return Unused Special Master Funds  
Rate Year Ended June 30, 2015

	<u>Amount</u>
Special Master Fund Balance	\$ 161,674
Amortization Period	<u>2</u>
Annual Amortization	\$ 80,837
Amount per NBC Filing	<u>-</u>
Amortization to Revenue	<u>\$ 80,837</u>

Note:

(1) Per response to COMM 1-47.

THE NARRAGANSETT BAY COMMISSION

Calculation of Uniform Percentage Increase  
Based on Division Recommended Revenue Increase  
Rate Year Ended June 30, 2015

Recommended Revenue Increase (1)	<u>\$ 3,588,749</u>
Revenues from Services Subject to Increase (2)	
Flat Fees-Residential	\$ 23,932,359
Measured Fees-Residential	27,511,057
Flat Fees-Commercial and Industrial	13,920,075
Measured Fees-Commercial	22,569,231
Measured Fees-Industrial	1,295,997
Total Revenue Subject to Increase	<u>89,228,719</u>
Uniform Percentage Increase	<u>4.02%</u>

Notes:

(1) Per Schedule TSC-1

(2) Per Schedule TSC-15.

THE NARRAGANSETT BAY COMMISSION  
Calculation of Proposed Rates and  
Proof of Revenues at Present and Proposed Rates  
Rate Year Ended June 30, 2015

	<u>Current Rate</u>	<u>Increase</u>	<u>Proposed Rates</u>	<u>Billing Units (1)</u>	<u>Revenue at Present Rates</u>	<u>Revenue at Proposed Rates</u>
<b>Flat Fees</b>						
Residential	\$ 202.47	4.02%	\$ 210.61	118,202	\$ 23,932,359	\$ 24,894,523
<b>Commercial &amp; Industrial</b>						
Meter Size						
5/8"	\$ 484	4.02%	503.00	3,666	1,774,344	1,843,998
3/4"	723	4.02%	752.00	1,022	738,906	768,544
1"	1,202	4.02%	1,250.00	1,160	1,394,320	1,450,000
1.5"	2,413	4.02%	2,510.00	841	2,029,333	2,110,910
2"	3,853	4.02%	4,008.00	1,373	5,290,169	5,502,984
3"	7,219	4.02%	7,509.00	76	548,644	570,684
4"	12,030	4.02%	12,514.00	38	457,140	475,532
6"	24,069	4.02%	25,037.00	47	1,131,243	1,176,739
8"	38,509	4.02%	40,058.00	13	500,617	520,754
10"	55,359	4.02%	57,586.00	1	55,359	57,586
Total Commercial & Industrial Flat Fees				8,237	\$ 13,920,075	\$ 14,477,731
<b>Measured Fees</b>						
Residential	\$ 3.267	4.02%	3.398	8,420,893	27,511,057	28,614,194
Commercial	4.738	4.02%	4.929	4,763,451	22,569,231	23,479,050
Industrial	3.046	4.02%	3.169	425,475	1,295,997	1,348,330
Total Measured Fees					\$ 51,376,285	\$ 53,441,575
<b>Other Revenue</b>					\$ 3,224,114	\$ 3,224,114
<b>Total Revenue</b>					\$ 92,452,833	\$ 96,037,943
Target Revenue (2)						96,041,582
Variance						\$ (3,639)

**Notes:**

(1) Per Schedule WEE-15

(2) Per Schedule TSC-1.