

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PAWTUCKET WATER SUPPLY BOARD'S
APPLICATION TO CHANGE RATES

Docket No. 4550

COMMISSION'S FIRST SET OF DATA REQUESTS
DIRECTED TO THE DIVISION (AMENDED)

(August 3, 2015)

COMM 1-1. Direct Testimony of Lafayette Morgan, page 17- 18. Provide in excel format a comparison of Mr. Morgan's labor and non-labor inflation costs and Pawtucket Water's proposed labor and non-labor inflation costs for FY2016 through FY2018.

RESPONSE

COMM 1-1. The requested information is attached.

Response prepared by Lafayette K. Morgan, Jr.

Pawtucket Water Supply Board
Workers Comp Analysis

<u>Description</u>	<u>FY 2011</u>	<u>FY 2012</u>	FY 11-FY 12 Increase/ (Decrease)
Administration - Workers Comp	\$ 22,518	\$ 24,877	\$ 2,359
Customer Accounts - Workers Comp - Cust Serv	22,505	22,153	(352)
Customer Accounts - Workers Comp - Meters			
Source - Workers Comp	6,446	5,094	(1,352)
Transmission & Distribution - Workers Comp T&D	192,325	147,113	(45,212)
Transmission & Distribution - Workers Comp - Engineering	25,704	21,715	<u>(3,989)</u>
Net Increase / (Decrease)			\$ (48,546)

<u>Description</u>	<u>FY 2012</u>	<u>FY 2013</u>	FY 12-FY 13 Increase/ (Decrease)
Administration - Workers Comp	\$ 24,877	\$ 18,596	\$ (6,281)
Customer Accounts - Workers Comp - Cust Serv	22,153	17,079	(5,074)
Customer Accounts - Workers Comp - Meters			
Source - Workers Comp	5,094	5,593	499
Transmission & Distribution - Workers Comp T&D	147,113	84,402	(62,711)
Transmission & Distribution - Workers Comp - Engineering	21,715	16,919	<u>(4,796)</u>
Net Increase / (Decrease)			\$ (78,363)

<u>Description</u>	<u>FY 2013</u>	<u>FY 2014</u>	FY 13-FY 14 Increase/ (Decrease)
Administration - Workers Comp	\$ 18,596	\$ 13,792	\$ (4,804)
Customer Accounts - Workers Comp - Cust Serv	17,079	12,517	(4,562)
Customer Accounts - Workers Comp - Meters			
Source - Workers Comp	5,593	3,959	(1,634)
Transmission & Distribution - Workers Comp T&D	84,402	74,692	(9,710)
Transmission & Distribution - Workers Comp - Engineering	16,919	16,100	<u>(819)</u>
Net Increase / (Decrease)			\$ (21,530)

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COMM 1-2. Direct Testimony of Jerome D. Mierzwa, page 7, lines 8-11. Please cite the specific section(s) of the AWWA M1 Manual guidelines that would be violated if an extra-capacity factor in the range of 4.5 to 4.8 is assigned to Cumberland Water. Include the exact text associated with any and all section(s) referenced in your response.

RESPONSE

COMM 1-2. Appendix A of the AWWA M1 Manual, Fifth Edition, states at page 299:

In order to test the reasonableness of the maximum-day capacity factors, the noncoincidental demands resulting from the application of the above capacity factors to the annual average daily demands of each class must be summed and compared against the actual coincidental system demands. This relationship of the noncoincidental to coincidental demands is referred to as the measure of the system diversity of demand. The system diversity ratio could be in the range of 1.10 to 1.40 for many systems.

...

As indicated by the above analysis, the initial maximum-day capacity factors computed for the retail customer classes produce an overall maximum-day system diversity factor of 1.31, which falls within an acceptable range of 1.10 to 1.40. This means that the maximum-day capacity factors selected for each of the classes, based upon the data available and the assumptions regarding variation in consumption throughout the week, likely result in reasonable approximations of the overall class maximum-day demands for cost allocation purposes.

It should be noted that Mr. Mierzwa's testimony at page 7, lines 8-11 was based on the response to Cumb. 4-4. It has subsequently been determined that the calculations supporting Cumb. 4-4 are incorrect. As such, assigning a maximum-day extra-capacity factor in the range of 4.5 to 4.8 to the wholesale class would not violate the AWWA's guidelines.

Response prepared by Jerome D. Mierzwa

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COMM 1-3. Direct Testimony of Lafayette Morgan, Jr., page 10, lines 9-14. Explain the reason for keeping property taxes not covered by the Cumberland agreement level for all three years (FY2016 through FY2018), instead of adjusting each of the 3 years to reflect the -0.44% average annual growth rate.

RESPONSE

COMM 1-3. PWSB's claim was based upon a 3 percent increase in property taxes. Upon recognizing that the underlying data supporting the change in property taxes not covered by the Cumberland agreement (the non-agreement property taxes) supported the -0.44 percent, I recognized that applying the -0.44 percent would result in decreasing property taxes annually. Further review of the non-agreement property taxes revealed that there were very slight variations in the total taxes from year to year. One year taxes could be up slightly and another year down slightly. In other words, the growth in the non-agreement property taxes was essentially flat rather than a definite downward trend. Therefore, I decided to keep property taxes flat in an attempt to be conservative.

Response prepared by Lafayette K. Morgan, Jr.

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COMM 1-4. Direct Testimony of Lafayette K. Morgan, Jr., pages 16-17.

- a) Is LKM-5 the correct schedule referenced on page 16, line 20? If not, please reference the correct schedule.
- b) Referring to page 16, lines 20-23, please confirm the correct schedule which demonstrates the annual level of property taxes that would be appropriate for each of the step years and the change in the revenue requirement to derive the level of taxes that Mr. Morgan has determined for each of the years.
- c) Referring to page 16, line 23 through page 17, line 2, please confirm the correct schedule which demonstrates Mr. Morgan's adjustments to property taxes for FY2017 and FY2018.

RESPONSE

COMM 1-4 a & b). The correct schedule reference is Schedule LKM-6.

COMM 1-4 c). The sentence beginning on page 16, line 23 and ending on line 25 states: "[a]s shown on that schedule, the property taxes in the first step (FY17) will decrease by \$50,000 and there will be no increase for property taxes in the second step (FY18)". The correct schedule reference for the amounts stated in that sentence is Schedule LKM-6. However, that schedule, as filed, does not show the derivation of the step amounts. Attachment COMM 1-4c, page 1, is an expanded version of Schedule LKM-6 which shows the derivation of the amounts.

The sentences beginning on page 16, line 25 and ending on page 17, line 2 states: "The \$50,000 decrease represents an additional decrease of \$7,828 from PWSB's claim. Since I am recommending no change in property taxes from FY17 to FY18, the result is an \$8,063 decrease from PWSB's claim". The reference schedules are Schedule LKM-1, page 2 and Mr. Woodcock's Sch. 12.0, pages 1 and 2. Attachment COMM 1-4c, page 2 shows the derivation of the amounts.

Response prepared by Lafayette K. Morgan, Jr.

PAWTUCKET WATER SUPPLY BOARD

Adjustment to Reflect Annual Property Tax Expense Growth
Rate Year Ended June 30, 2016

		<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 16 / FY 17</u> <u>Difference</u>	<u>FY 2018</u>	<u>FY 17 / FY 18</u> <u>Difference</u>
Real Property Tax Subject to Tax Agreement with Cumberland	(1)	\$ 518,000	\$ 500,000	\$ 450,000		\$ 450,000	
Property Tax Not Subject to Tax Agreement with Cumberland Before Annual Growth	(1)	\$ 254,279	\$ 254,279	\$ 254,279		\$ 254,279	
Annual Growth Rate	(2)	1.0000	1.0000	1.0000		1.0000	
Property Tax Not Subject to Tax Agreement with Cumberland After Annual Growth		\$ 254,279	\$ 254,279	\$ 254,279		\$ 254,279	
Total Property Taxes per Division		\$ 772,279	\$ 754,279	\$ 704,279	\$ (50,000)	\$ 704,279	\$
Total Property Taxes per PWSB		<u>771,996</u>	<u>761,597</u>	<u>719,425</u>		<u>727,488</u>	
Adjustment to Property Taxes		\$ 283	\$ (7,318)	\$ (15,146)		\$ (23,209)	

Notes:

(1) PWSB Response to DIV. 2-12.

(2) Average Annual Growth Rate Calculated per Response to DIV. 2-12 for the last 3 years would be negative. Assumed rates will remain flat for the 3 year period.

PAWTUCKET WATER SUPPLY BOARD

Summary of Change in Property Taxes for Annual Step Increases

	<u>Step 1</u> <u>Increase</u> <u>FY 2017</u>	<u>Source</u>	<u>Step 2</u> <u>Increase</u> FY <u>2018</u>	<u>Source</u>
Change in Property Taxes per Division	\$ (50,000)	Schedule LKM 1, Page 2	\$ -	Schedule LKM 1, Page 2
Change in Property Taxes per PWSB	<u>(42,172)</u>	Direct Testimony of Mr. Woodcock, Sch. 12, Page 1	<u>8,063</u>	Direct Testimony of Mr. Woodcock, Sch. 12, Page 2
Difference	<u>\$ (7,828)</u>		<u>\$ (8,063)</u>	