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10 **REBUTTAL TESTIMONY**

11 **Of**

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14 **ROBERT E. BENSON**
15 **CHIEF FINANCIAL OFFICER**

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17 **For the**

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19 **PAWTUCKET WATER SUPPLY BOARD**

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23 **Before the**

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25 **RHODE ISLAND PUBLIC UTILITIES COMMISSION**

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28 **Docket No. 4550**

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33 **July 23, 2015**
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1 **INTRODUCTION**

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3 **Q. Please provide your full name, title and business address for the record.**

4 **A.** My name is Robert E. Benson. I am the Chief Financial Officer for the Pawtucket Water
5 Supply Board ("PWSB"). My business address is 85 Branch Street, Pawtucket, RI
6 02860.

7

8 **Q. Are you the same Robert Benson who filed pre-filed direct testimony in this**
9 **Docket?**

10 **A.** Yes.

11

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

13 **A.** I have read the pre-filed testimony submitted by the Division of Public Utilities and
14 Carriers and the Town of Cumberland in this docket. My rebuttal testimony will address
15 the following issues raised in these testimonies:

- 16
- 17 1. Other Operating Revenue.
 - 18 2. Regulatory Commission Expenses.
 - 19 3. Rate Case Expense.
 - 20 4. Property Taxes.
 - 21 5. WTP Operating Contract.

22

23 **OTHER OPERATING REVENUE**

24 **Q. Does the PWSB agree with the revision suggested by Mr. Morgan and Mr. Russell**
25 **regarding Other Operating Revenue?**

26 **A.** Yes. Mr. Morgan and Mr. Russell suggest that the PWSB base its calculation of
27 miscellaneous revenue on a 3 year average eliminating FY11 from the 4 year average
28 originally presented, and the PWSB agrees with this revision.

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1 **REGULATORY COMMISSION EXPENSE**

2 **Q. Does the PWSB agree with Mr. Morgan's adjustment to Regulatory Commission**
3 **Expense?**

4 **A.** Yes. Mr. Morgan suggested a reduction of \$8,183.00 for this expense, and the PWSB
5 accepts this adjustment.
6

7 **RATE CASE EXPENSE**

8 **Q. Does the PWSB agree with the adjustment to Rate Case Expense suggested by**
9 **Mr. Morgan and Mr. Russell?**

10 **A.** Yes. Mr. Morgan and Mr. Russell adjusted rate case expenses by normalizing them
11 over a three year period rather than the two year period originally proposed. As set forth
12 in Mr. Woodcock's testimony, the PWSB accepts this revision, but requests that the
13 PWSB and Division provide updated costs near the conclusion of hearings along with
14 estimated final costs. The PWSB further proposes that the final costs include an
15 allowance for the estimated cost of compliance filings for the two step increases.
16

17 **Q. How much has the PWSB incurred to date in rate case expense?**

18 **A.** PWSB has incurred \$105,615 in rate case expenses through June 30, 2015.
19

20 **Q. How much does the PWSB request for the compliance filings for the two step**
21 **increases?**

22 **A.** PWSB requests \$25,000 for compliance filing expenses for each of the two step
23 increases in this case, for a total of \$50,000. In FY12 PWSB incurred \$18,617.55 in
24 compliance filing expenses for the step increase in Docket 4171. PWSB in that
25 compliance filing requested approval to forgo the step increase. In this Docket PWSB
26 anticipates the compliance filing costs to be greater than Docket 4171. We expect to
27 implement both step increases and the Town of Cumberland to intervene on each of the
28 two compliance filings. This should result in additional time to substantiate each step
29 increase and respond to the Division and the Town of Cumberland.
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1 **PROPERTY TAXES**

2 **Q. Does the PWSB agree with Mr. Morgan’s adjustment to Property Taxes?**

3 **A.** No. Mr. Morgan left the taxes for property not covered by the Cumberland Tax Treaty at
4 a level amount, but it is unrealistic that taxes will not increase over the coming years.
5 See the attached schedule RB Rebuttal – Property Tax. An average percentage
6 increase (or decrease in the case of The Town of Cumberland Tangible Taxes) has
7 been calculated for each taxing authority to forecast taxes for FY16, FY17 and FY18.
8 Since the Cumberland Fire District is a new taxing authority, an overall average property
9 tax increase was calculated and used to forecast the taxes for FY17 and FY18. For the
10 rate year, the amount for property taxes requested in the PWSB’s original filing is
11 reduced by \$1,979. For the second step in FY17, the amount of property taxes is
12 reduced by \$8,174. For the third step in FY18, the amount of property taxes is reduced
13 by \$14,394.
14
15

16 **WTP OPERATING CONTRACT**

17 **Q. Does the PWSB agree with Mr. Morgan’s adjustment to WTP Operating Contract**
18 **Expenses?**

19 **A.** PWSB does not agree with Mr. Morgan’s adjustment to the WTP Operating Contract
20 Expenses. Mr. Morgan does not use the statistics stipulated in the terms of the
21 contract. However, PWSB has agreed to update its calculation of the WTP Operating
22 Contract Expense utilizing the most recent 24 months of data available from the Bureau
23 of Labor Statistics. See the attached schedule RB Rebuttal – DBO Costs. This
24 schedule includes the current BLS statistics. PWSB, therefore, requests DBO costs of
25 \$1,889,092 which is \$50 less than the amount proposed by Mr. Morgan.
26

27 **CONCLUSION**

28 **Q. Does this conclude your rebuttal testimony?**

29 **A.** Yes.

PWSB
Property Tax Analysis
RB - Property Tax Schedule

Taxing Authority	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
PROPERTY TAXES SUBJECT TO THE TAX AGREEMENT				<u>518,000.00</u>	<u>500,000.00</u>	<u>450,000.00</u>	<u>450,000.00</u>
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED
Town of Cumberland - tangible tax							
Taxes Assessed & PAID	<u>62,868.96</u>	<u>60,233.87</u>	<u>58,322.91</u>	<u>55,824.34</u>	<u>52,040.39</u>	49,643.11	47,356.26
ANNUAL % DECREASE		-4.2%	-3.2%	-4.3%	-6.8%		
AVERAGE % DECREASE					-4.6%		
Cumberland Fire District (NEW CONSOLIDATED FIRE DISTRICT)							
Taxes Assessed & PAID	NA	NA	NA	NA	92,374.68	94,314.43	96,294.92
Valley Falls Fire District - PAID	59,912.41	58,494.19	58,222.30	63,623.14	NA		
North Cumberland Fire District - PAID	28,294.75	28,294.75	26,442.13	20,594.04	NA		
Cumberland Hill fire District - PAID	<u>20.00</u>	<u>20.00</u>	<u>20.00</u>	<u>20.00</u>	NA	NA	NA
CUMBERLAND FIRE DISTRICTS	<u>88,227.16</u>	<u>86,808.94</u>	<u>84,684.43</u>	<u>84,237.18</u>	<u>92,374.68</u>	<u>94,314.43</u>	<u>96,294.92</u>
USE AVERAGE % INCREASE FOR ALL PROPERTY TAXES NOT SUBJECT TO THE THE TAX AGREEMENT SINCE CUMBERLAND FIRE DISTRICT IS NEW							
Town of Lincoln							
Taxes Assessed & PAID	<u>79,947.46</u>	<u>79,947.46</u>	<u>83,280.65</u>	<u>83,559.80</u>	<u>83,404.71</u>	<u>84,305.24</u>	<u>85,215.48</u>
ANNUAL % INCREASE		0.0%	4.2%	0.3%	-0.2%		
AVERAGE % INCREASE					1.1%		
The following Tax Authorities have not issued revised tax bills YET							
Sayleville Fire District	<u>ACTUAL</u> <u>6,280.22</u>	<u>ACTUAL</u> <u>6,137.38</u>	<u>ACTUAL</u> <u>6,761.70</u>	<u>ACTUAL</u> <u>6,823.74</u>	<u>ESTIMATED</u> <u>7,024.26</u>	<u>7,230.66</u>	<u>7,443.14</u>
ANNUAL % INCREASE		-2.3%	10.2%	0.9%			
AVERAGE % INCREASE				2.9%			
Town of North Attleboro	<u>12,488.04</u>	<u>12,957.63</u>	<u>13,424.03</u>	<u>14,276.61</u>	<u>14,929.09</u>	<u>15,611.40</u>	<u>16,324.88</u>
ANNUAL % INCREASE		3.8%	3.6%	6.4%			
AVERAGE % INCREASE				4.6%			
City of Attleboro	<u>4,625.67</u>	<u>4,767.78</u>	<u>5,100.98</u>	<u>5,317.67</u>	<u>5,571.30</u>	<u>5,837.03</u>	<u>6,115.43</u>
ANNUAL % INCREASE		3.1%	7.0%	4.2%			
AVERAGE % INCREASE				4.8%			
Town of Wrentham	<u>4,138.44</u>	<u>4,118.83</u>	<u>4,182.40</u>	<u>4,239.61</u>	<u>4,274.06</u>	<u>4,308.78</u>	<u>4,343.79</u>
ANNUAL % INCREASE		-0.5%	1.5%	1.4%			
AVERAGE % INCREASE				0.8%			
PROPERTY TAXES NOT SUBJECT TO THE TAX AGREEMENT (ROUNDED)				<u>254,279</u>	<u>259,618</u>	<u>261,251</u>	<u>263,094</u>
AVERAGE % INCREASE TO USE FOR CUMBERLAND FIRE DISTRICT SINCE IT IS NEW					2.1%		
TOTAL PROPERTY TAXES (ROUNDED)				<u>772,279</u>	<u>759,618</u>	<u>711,251</u>	<u>713,094</u>
				Property taxes per original testimony	<u>761,597</u>	<u>719,425</u>	<u>727,488</u>
				Adjustment to Property taxes	<u>(1,979)</u>	<u>(8,174)</u>	<u>(14,394)</u>

CERTIFICATION

I hereby certify that on July 23, 2015, I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Luly Massaro, Commission Clerk, by electronic mail and regular mail.

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