

RHODE ISLAND PUBLIC UTILITIES COMMISSION

DOCKET 4550

PREFILED REBUTTAL TESTIMONY

OF

**JAMES L. DeCELLES, P.E.
CHIEF ENGINEER
PAWTUCKET WATER SUPPLY BOARD**

FOR

THE PAWTUCKET WATER SUPPLY BOARD

JULY 23, 2015

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

2 A. My name is James L. DeCelles and my business address is 85 Branch Street, Pawtucket,
3 Rhode Island 02860.

4

5 **Q. Are you the same James DeCelles that provided pre-filed direct testimony in this docket?**

6 A. Yes I am.

7

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

9 A. I reviewed the pre-filed testimony submitted by Lafayette K. Morgan, Jr. and Jerome D.
10 Mierzwa for the Division of Public Utilities and Carriers, and David F. Russell for the Town of
11 Cumberland, and I will testify on four issues:

12

- 13 1. Adjustments to Electricity Costs proposed by Mr. Russell;
- 14 2. Adjustments to Capital Costs proposed by Mr. Russell;
- 15 3. Adjustments to Maintenance of Miscellaneous Plant Costs proposed by Mr. Morgan;
- 16 and,
- 17 4. Adjustment to Worker's Compensation Expenses proposed by Mr. Morgan.

18

19 **Electricity Costs**

20 **Q. Do you agree with Mr. Russell's adjustment to electric costs?**

21 A. No, I do not. Mr. Russell proposes a reduction of approximately \$35,000 based solely on his
22 belief that the PWSB can reduce its electricity costs by 5%. Mr. Russell suggests this is a "very
23 reasonable and doable goal." (See Russell Testimony, p. 24, l. 4) Yet, Mr. Russell does not offer
24 any concrete actions the PWSB can take to achieve this goal. Rather, Mr. Russell suggests that
25 "There is little, if any, evidence in the docket to demonstrate that additional savings are not
26 possible." (See Russell Testimony, p. 24, ll. 19-20) In essence, Mr. Russell seeks to have the
27 PWSB disprove his theory.

1 **Q. Do you agree that the PWSB's revenues should be based on Mr. Russell's suggested goal of**
2 **achieving savings on power costs?**

3 A. No. I do not. Mr. Russell states that the PWSB "should be doing everything it can to lower its
4 Kwh usage and kW demands." (See Russell Testimony, p. 24, ll. 2-3) Mr. Russell seems to imply
5 that the PWSB does not, and has not, tried to lower our electric costs. This is simply not true.
6

7 The PWSB's water treatment plant was put into service in 2008. As part of the design/build
8 process, energy efficient equipment was specified and constructed in order to make the facility
9 as efficient as possible. In addition, since the facility was put into service, the PWSB has taken
10 advantage of several National Grid efficiency audits and incentive programs, which resulted in
11 the following energy savings projects:

- 12 1. The PWSB installed variable frequency drives (VFDs) on the high service pumps through
13 National Grid's incentive program. These VFDs allow the PWSB to operate the plant
14 more efficiently by giving us the ability to throttle or ramp up the flow of the facility to
15 more closely match system demand.
- 16 2. The PWSB installed variable frequency drives (VFDs) on the raw water pumps through
17 National Grid's incentive program. Again, these VFDs allow the PWSB to operate the
18 plant more efficiently by giving us the ability to throttle or ramp up the flow of the
19 facility to more closely match system demand.
- 20 3. The PWSB purchased Demand Monitoring Software, which will assist in monitoring and
21 modifying operations to achieve savings in peak demand electric charges.
- 22 4. The PWSB specifications for its Transmission and Distribution headquarters, which was
23 finished in 2014, incorporated energy efficiency measures.

24

25 These projects were the energy savings opportunities identified as being feasible from an
26 operations standpoint and having a favorable payback opportunity.

27

1 The PWSB will continue to identify cost savings strategies, and where viable, implement them.
2 However, it is not practical to arbitrarily reduce future electric costs by assuming additional
3 energy saving projects are available, and will only serve to put the PWSB in a deficit if no viable
4 projects exist.

5

6 **CAPITAL COSTS**

7 **Q. Do you agree with Mr. Russell's adjustment to the PWSB's Capital Program?**

8 A. No. Mr. Russell recommended two adjustments to the PWSB's Capital Program: (1) delay the
9 CL-6 Project; and (2) cut the PWSB's IFR allowance by \$250,000. I do not agree with either of
10 these recommendations.

11

12 The PWSB is in the final stages of a system-wide rehabilitation of our transmission and
13 distribution system that began approximately fifteen years ago. CL-6 is the final project in this
14 process. Mr. Russell does not dispute that the project is necessary. Rather, he seeks to delay
15 the project so that debt service payments begin in the third year of the PWSB's rate plan. This is
16 not a valid reason to delay the project, and is not beneficial to ratepayers as it will likely lead to
17 cost increases.

18

19 In my experience, delaying projects such as CL-6 leads to increased costs. This is especially true
20 if the economy continues to improve at the rate described by Mr. Russell. When the economy is
21 slow, it is our experience that costs in response to our project bids are lower, which may be
22 attributable to the scarcity of work and increased competition. However, in good economic
23 times, our experience is that the responses to project bids contain higher costs. So if the local
24 economy improves, construction costs are more likely to increase if the PWSB delays the
25 project.

26

1 Mr. Russell acknowledges that costs are likely to increase, but finds fault with my response to
2 Cumberland 3-18, in which I could not quantify the exact increase. (See Russell Testimony, p.
3 26, ll. 9-11) The fact is that neither Mr. Russell, nor I, can quantify the exact cost increase to this
4 project, but we both agree that it will likely increase if the PWSB delays the project. This does
5 not benefit the PWSB's customers, it only delays and increases the eventual rate increase.
6 Furthermore, the PWSB carefully coordinates its distribution system work with the paving
7 programs for the Cities of Pawtucket and Central Falls. A delay in CL-6 could result in further
8 delays due to moratoriums on newly paved roads or increased costs to repave roads.

9
10 Mr. Russell also suggests that cutting the PWSB's IFR Allowance by \$250,000 will "significantly
11 lower the financial burden on all of the PWSB's customers." (See Russell Testimony, p. 26, ll. 9-
12 11) However, Mr. Woodcock calculates that this funding reduction results in savings of
13 approximately \$0.60 per month or \$0.02 per day to the average residential customer, which
14 does not seem to "significantly" lower the financial burden on the PWSB's customers. At the
15 same time, Mr. Russell acknowledges that delayed projects could lead to increased costs, but
16 thinks they are likely to be "relatively small." Yet, Mr. Russell did not quantify the cost increases
17 to determine whether they offset, or completely wipe out, the yearly savings of approximately
18 \$7.20 to the average residential customer.

19
20 I must also take exception to Mr. Russell's testimony that delaying the PWSB's Capital Plan
21 "could have a positive impact on supervision and quality of the remaining projects" and "would
22 allow Staff to be more diligent in managing the remaining projects..." (See Russell Testimony, p.
23 26, ll. 8-9, and p. 28, ll. 1-2) The PWSB is committed to properly maintaining and improving our
24 system, and our staff works diligently in supervising and managing Capital Projects. A funding
25 cut to our IFR Program will not enhance the great work the PWSB's Staff already provides.

26

1 The PWSB's Capital Program is critical to maintaining the infrastructure necessary to provide
2 our customers with a reliable and high quality water system. The PWSB's Capital Program has
3 been carefully planned to meet both the financial and technical needs of the system. To
4 illustrate this fact, the PWSB's program was recognized by the EPA, Rhode Island Department of
5 Health, and Rhode Island Clean Water Finance Agency as a model for other utilities to follow
6 and was featured in an EPA publication entitled, "Pawtucket, Rhode Island: A Drinking Water
7 State Revolving Fund Success Story."

8

9 We feel it would be irresponsible to delay projects that will only end up costing our customers
10 more at a later date.

11

12 **MAINTENANCE OF MISCELLANEOUS PLANT**

13 **Q. Do you agree with Mr. Morgan's adjustment to Maintenance of Miscellaneous Plant?**

14 A. Yes. Mr. Morgan suggested a reduction of \$19,480 primarily related to increased tree and
15 brush clearing on the PWSB's dams in FY14 as required by DEM. The PWSB accepts this
16 adjustment.

17

18 **WORKER'S COMPENSATION EXPENSES**

19 **Q. Do you agree with Mr. Morgan's adjustment to Worker's Compensation expense in the
20 Step Increases?**

21 A. No. Mr. Morgan excluded Worker's Compensation Costs from the inflation escalation in the
22 PWSB's step increases. Mr. Morgan believes this expense has decreased over the past few
23 years. However, the PWSB's Workers' Compensation policy cost is based on numerous factors.
24 The most important is our experience modifier, which is based on the number of injuries we
25 experience compared to other utilities of similar size and scope. The modifier is a relative
26 unknown since the numbers of injuries can change significantly from year to year. Based on our

1 knowledge, I feel it is safe to say that the PWSB's Worker's Compensation expense will increase
2 since we have had more injuries than normal in the past year.

3

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

5 A. Yes.

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.

| Parties/Address | E-mail Distribution | Phone |
|---|--|--------------|
| Joseph A. Keough, Jr., Esq. Keough & Sweeney 41 Mendon Ave. Pawtucket, RI 02861 | jkeoughjr@keoughsweeney.com | 401-724-3600 |
| James L. DeCelles, P.E. Chief Engineer Pawtucket Water Supply Board 85 Branch St. Pawtucket, RI 02860 | decelles@pwsb.org | 401-729-5001 |
| | rbenson@pwsb.org | |
| Karen Lyons, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903 | Klyons@riag.ri.gov | 401-222-2424 |
| | steve.scialabba@dpuc.ri.gov | |
| | john.bell@dpuc.ri.gov | |
| | Al.mancini@dpuc.ri.gov | |
| | Pat.smith@dpuc.ri.gov | |
| | Jmunoz@riag.ri.gov | |
| Christopher Woodcock Woodcock & Associates, Inc. 18 Increase Ward Drive Northborough, MA 01532 | Woodcock@w-a.com | 508-393-3337 |
| | | |
| David Bebyn B&E Consulting 21 Dryden Lane Providence, RI 02904 | dbebyn@beconsulting.biz | 401-785-0800 |
| Thomas S. Catlin Exeter Associates, Inc. 10480 Little Patuxent Parkway Suite 300 Columbia, MD 21044 | tcatlin@exeterassociates.com | 410-992-7500 |
| | jmierzwa@exeterassociates.com | |
| | lmorgan@exeterassociates.com | |
| Michael McElroy, Esquire Schacht & McElroy PO Box 6721 Providence, RI 02940-6721 | Michael@McElroyLawOffice.com | 401-351-4100 |
| Thomas Hefner, Esquire Town of Cumberland | thefner@cumberlandri.org | |
| David Russell | Davidrussell015@comcast.net | |

| | | |
|---|--|--------------|
| File original and nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Boulevard Warwick, RI 02888 | Luly.massaro@puc.ri.gov | 401-780-2104 |
| | Amy.dalessandro@puc.ri.gov | 401-941-1691 |
| | Sharon.colbycamara@puc.ri.gov | |



Joseph A. Keough, Jr., Esquire # 4925
KEOUGH & SWEENEY, LTD.
41 Mendon Avenue
Pawtucket, RI 02861
(401) 724-3600 (phone)
(401) 724-9909 (fax)
jkeoughjr@keoughsweeney.com