

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

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

DOCKET NO. 4550

REPORT AND ORDER

I. Introduction

On April 8, 2016, the Pawtucket Water Supply Board (Pawtucket Water) filed a Multi-Year Rate Plan Compliance Filing and Notice of Change in Rates, pursuant to R.I. Gen. Laws § 39-15.1-4.¹ This Compliance Filing sought to implement the second phase of a Multi-Year Rate Plan, proposed in a Revised Settlement Agreement and approved by the Public Utilities Commission (PUC) on October 1, 2015.² Pawtucket Water sought to increase its rates to derive additional revenue of \$739,914, resulting in total operating revenue of \$21,199,075. Although the 2015 Revised Settlement Agreement approved by the PUC called for an across-the-board rate increase in step two of 6.6%, the Compliance Filing sought an increase of 3.6 % on all rate classes, with an effective date of July 1, 2016. For the typical residential customer using 800 cubic feet of water per month, the impact of the rate increase was calculated at \$1.55 per month or \$18.60 per year.³ On April 26, 2016, Pawtucket Water filed a revision to its filing to correct an error of \$138,358 that reduced the stated service costs of the Water Treatment Plant contract. The revised filing caused a further reduction in the step increase, from 3.6% to 2.8%.⁴

¹ All filings in this docket are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, R.I. or at http://www.ripuc.org/eventsactions/docket/4550-PWSB-MutiRate2-Filing_4-8-16.pdf.

² http://www.ripuc.org/eventsactions/docket/4550-PWSB-Ord22951_11-10-17.pdf.

³ Woodcock Test. at 5 (Apr. 8, 2016); http://www.ripuc.org/eventsactions/docket/4550-PWSB-MutiRate2-Filing_4-8-16.pdf.

⁴ Revised Filing, Sch. 1.0. (Apr. 26, 2016); http://www.ripuc.org/eventsactions/docket/4550-PWSB-ComplianceFiling-Supp_4-26-16.pdf.

II. Direct Testimony of Pawtucket Water Supply Board

In support of its application, Pawtucket Water presented prefiled testimony from two witnesses: Christopher P.N. Woodcock, a consultant, and Robert E. Benson, Pawtucket Water's Chief Financial Officer.

Mr. Woodcock's prefiled testimony reviewed the proposed rate increase for FY 2017 as set forth in the approved Settlement Agreement vis-à-vis the actual FY 2017 Compliance Filing. He explained that the most significant deviation between the two was a substantial decrease in the amount of proposed debt service, reduced from \$1,174,417 to \$457,504.⁵ Therefore, the required debt service for FY 2017 is \$716,913 less than originally estimated and anticipated.⁶ This reduction was achieved through favorable financing through the Rhode Island Infrastructure Bank, formerly known as Rhode Island Clean Water Finance Agency. The savings were realized through "Debt Forgiveness Grants" totaling \$1,437,780 and bond refinancings which will eventually reduce overall debt by \$9,807,933.⁷

The Settlement Agreement estimated property taxes at \$759,618, yet actual property taxes came in at \$708,818, lowering step two's property tax requirement by \$50,800.⁸ Mr. Benson testified that when the Settlement Agreement was reached in the fall of 2015, Pawtucket Water had not yet settled its labor contracts with either AFSCME Local 1012 or Teamster Local 251. Subsequently, the Teamster's contract was settled and provided for no wage increase for the first year (beginning July 1, 2014), a wage increase of 3% as of July 1, 2015, and a wage increase of

⁵ *Id.* at 3.

⁶ *Id.*

⁷ Benson Test. at 3-4. (Apr. 8, 2016) & RB-01, RB-02 and RB-04; http://www.ripuc.org/eventsactions/docket/4550-PWSB-MutiRate2-Filing_4-8-16.pdf.

⁸ Benson Test. at 4. (Apr. 8, 2016) & RB-08.

2.75% as of July 1, 2106.⁹ Therefore, although the Settlement Agreement estimated an increase in labor costs for FY 2017 of \$54,092, the actual increase was \$82,059.¹⁰

The filing on April 8, 2016 sought a \$138,358.00 increase in the cost of the Design, Build, Operate contract expense for the Water Treatment Plant for FY 2017.¹¹ On April 26, 2016, the revised filing reduced the contract expense from \$138,358 to (\$17,446).¹²

The Rate Case Expense for FY 2017 was reduced from an estimated \$20,000 to \$13,016. The reduced figure was derived from savings realized from FY 2016 rate year expense which totaled \$20,951 less than expected.¹³ The rate case expenses were amortized over a three year period, so the savings attributable to FY 2017 are \$6,984.¹⁴ The Rate Stabilization Allowance is based on 1.5% of all the other increased expenses. Since there has been a reduction in expenses, the Rate Stabilization Allowance figure is correspondingly reduced, from the estimated amount approved in the Settlement Agreement of \$19,986 to \$10,935.

III. Direct Testimony of the Division of Public Utilities and Carriers

The Division of Public Utilities and Carriers (Division) presented a joint memorandum, dated May 13, 2016, from its expert rate design and revenue consultants, James D. Mierzwa and Lafayette K. Morgan, Jr.¹⁵ The Division's consultants indicated that they had reviewed both the original and the revised filings. They concluded that the Compliance Filing, as revised, is

⁹ *Id.* at 5 & RB-09.

¹⁰ Woodcock Test. at 2-3. (Apr. 8, 2016).

¹¹ *Id.* at 4 & RB-05.

¹² Sch. RB-05R & Rev. Step 1, Sch. 1; http://www.ripuc.org/eventsactions/docket/4550-PWSB-ComplianceFiling-Supp_4-26-16.pdf.

¹³ Woodcock Test. at 2-3. (Apr. 8, 2016).

¹⁴ *Id.*

¹⁵ [http://www.ripuc.org/eventsactions/docket/4550-DPU-Memorandum\(5-13-16\).pdf](http://www.ripuc.org/eventsactions/docket/4550-DPU-Memorandum(5-13-16).pdf).

consistent with the Settlement Agreement.¹⁶ The Division recommended that the PUC accept the Compliance Filing, as amended, as justified and reasonable.¹⁷

IV. Response of the Town of Cumberland

On May 17, 2016, the Town of Cumberland filed a brief memo, dated May 13, 2016, indicating that it was not opposed to the filing.¹⁸ The Town did request, however, that the PUC require Pawtucket Water to show in its third step filing not only how expenses have changed, but also how sales and revenues have changed in comparison to the levels projected in the Settlement Agreement. The Town requested that updated water consumption and revenue figures, by month, be furnished with the third step filing.

V. Decision

At an open meeting held on June 14, 2016, the PUC reviewed the Compliance Filing, as amended, and the Division's and Cumberland's responses thereto. The PUC found Pawtucket Water's filing for the second step of the multi-year rate plan to be in accordance with Commission Order No. 22951. Pawtucket Water was allowed an increase in its FY 2017 rates of \$581,773 and a total operating revenue of \$21,040,933, with an effective date of July 1, 2016. The Commission also approved Cumberland's request to require Pawtucket Water to provide sales and revenue data, but in the aggregate, and not by month, in its next Compliance Filing.¹⁹ On June 22, 2016, Pawtucket Water filed its approved Tariffs.

¹⁶ *Id.*

¹⁷ [http://www.ripuc.org/eventsactions/docket/4550-DPU-Memorandum\(5-13-16\).pdf](http://www.ripuc.org/eventsactions/docket/4550-DPU-Memorandum(5-13-16).pdf).

¹⁸ [http://www.ripuc.org/eventsactions/docket/4550-Cumberland-Position\(5-13-16\).pdf](http://www.ripuc.org/eventsactions/docket/4550-Cumberland-Position(5-13-16).pdf).

¹⁹ [http://www.ripuc.org/eventsactions/docket/4550-PWSB-ComplianceTariffs\(6-22-16\).pdf](http://www.ripuc.org/eventsactions/docket/4550-PWSB-ComplianceTariffs(6-22-16).pdf).

Accordingly, it is hereby

(22952) ORDERED:

1. The Compliance Filing dated April 8, 2016, as amended on April 26, 2016, is hereby approved.
2. The Revised Tariffs filed by the Pawtucket Water Supply Board on June 22, 2016 are hereby approved, and the same shall be incorporated by reference as Appendix A and made a part of this Order.
3. As part of its next Compliance Filing, Pawtucket Water shall provide updated water consumption and revenue figures, in the aggregate.
4. Unless otherwise modified by subsequent order of the PUC, any and all future tariffs filed by the Pawtucket Water Supply Board shall be consistent with this Order and approved Settlement Agreement dated September 29, 2015.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JUNE 14, 2016 PURSUANT TO A BENCH DECISION. WRITTEN ORDER ISSUED NOVEMBER 10, 2017.



PUBLIC UTILITIES COMMISSION


Margaret E. Curran, Chairperson

*Herbert F. DeSimone, Jr., Commissioner

*Commissioner DeSimone concurs with the decision but is unavailable for signature.

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.