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March 3, 2016

Ms. Luly Massaro, Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

***Re: City of Newport, Utilities Department, Water Division  
Docket 4595***

Dear Ms. Massaro:

Enclosed please find an original and nine (9) copies of the following document:

1. City of Newport, Utilities Division, Water Department's Response to the Division of Public Utilities and Carrier's Data Request (Set 2).

Please note that an electronic copy of this document has been provided to the service list.

Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough, Jr.

JAK/kf  
Enclosure  
cc: Docket 4595 Service List (*via electronic mail*)

**DIV. 2-1:** With regard to the Treatment Capital Allocated on Reserved Capacity:

- a. If the Reserved Capacity required by the Navy or Portsmouth was to increase and retail customers had excess capacity, explain how the excess capacity would be allocated by retail customers.
- b. If the Reserved Capacity required by the retail customers was to increase and the Navy at Portsmouth had excess capacity, explain how the excess capacity would be allocated by the Navy or Portsmouth back to retail customers.

**Response:**

- a. The COS model allocates treatment capital costs to the Navy and Portsmouth based on their proportionate share of design capacity in the two treatment plants with the remainder being split between the two retail classes and fire protection based on their respective demand characteristics. The allocation to the Navy and Portsmouth are based on demand information provided by each prior to design and construction of the new treatment plants. To the extent that one of the wholesale customers requires additional capacity, and additional capacity is available without putting Newport in jeopardy of being unable to meet the demands of its retail customers, the capacity could be reassigned and the allocations would change to reflect the new division of available capacity.
- b. Similar to the situation in the response to a., if additional capacity is needed to meet the demands of the retail classes the capacity could be reassigned to the retail classes and the allocation of treatment capital costs adjusted accordingly.

**Prepared by:** Harold Smith

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**DIV. 2-2:** With the Accrued Benefits Buyout included in Account No. 50520:

- a. Please identify the amounts spent on Accrued Benefits Buyout approved in each year from FY14 through FY16; and
- b. Please explain how the accruals were determined for FY17.

**Response:** a. The amounts spent on account No. 50520 from FY 2014 through FY 2016 are as follows:

Fiscal Year	Cost	# of Buyouts
2014	\$27,565	2
2015	\$14,606	3
2016 *	\$ 581	1

\*as of January 31, 2016

- b. Please see Newport Water's response to Div. 1-18 g.

**Prepared by:** William Yost

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**DIV. 2-3:** With regard to Account No. 50308 – Property Taxes, please identify the amounts by town for FY14, FY15, and FY16.

**Response:** Please see Newport Water's response to Div. 1-7.

**Prepared by:** William Yost

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**DIV. 2-4:** For Station One Natural Gas in Account No. 50307, please explain the FY17 gas expense of \$43,410 compared to the four-year average of \$33,690.

**Response:** The four-year average is not applicable for Station One because renovations to the building included extensive changes to the HVAC systems and in turn gas consumption. The footprint, associated air volume, and equipment have all been changed. The FY17 gas expense of \$43,410 is equal to costs incurred in FY 2015 Test Year during which the renovated plant became operational. It assumes no escalation in rates or usage and represents the best available information for the gas expense with the building improvements.

**Prepared by:** William Yost and Robert Schultz

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**DIV. 2-5:** For Lawton Valley Contribution to Electricity in Account No. 50306, please explain why you did not use the one-year average of \$271,075 in lieu of \$375,091.

**Response:** The Lawton Valley Plant is a completely new facility and the old treatment building facility was demolished as part of the project. The reference to one-year average of \$271,075 is not correct and should be considered mislabeled. The Actual FY 2015 Test Year expense was \$310,343 but it didn't cover a complete year of operation. The FY17 expense of \$375,091 is projected expense for a complete year. It assumes no escalation in rates or usage and represents the best available information for electric expense for the new building.

**Prepared by:** William Yost and Robert Schultz

**DIV. 2-6:** Please explain why Newport Water proposes to use the test year Lawton Valley Natural Gas expense of \$34,663 (HJS Schedule A-1A) in its rate year calculation as opposed to the four year average of \$20,808 (HJS Schedule D-14).

**Response:** The Lawton Valley Plant is a completely new facility and the old treatment building facility was demolished as part of the project. The four-year average of gas expense would include the old facility and therefore is not applicable. Although the Actual FY 2015 Test Year expense was \$34,663 and doesn't cover a complete year of operation, it was assumed that gas used during the summer and early fall is negligible. The FY17 gas expense of \$34,663 is equal to the Actual FY 2015 Test Year with no assumed escalation in rates or usage and represents the best available information for the gas expense for the new building.

**Prepared by:** William Yost and Robert Schultz

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**CERTIFICATION**

I hereby certify that on March 3, 2016, 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
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<b>File an original and nine (9) copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a> ; <a href="mailto:Cynthia.WilsonFrias@puc.ri.gov">Cynthia.WilsonFrias@puc.ri.gov</a> ; <a href="mailto:Sharon.ColbyCamara@puc.ri.gov">Sharon.ColbyCamara@puc.ri.gov</a> ;	401-780-2107

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