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March 28, 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 Carriers' Data Request (Set 3).

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*)

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION
DOCKET NO. 4595
Response Of The City Of Newport,
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DIV. 3-1: In regards to the workpaper provided in DIV 1-3c, does the water division plan on purchasing a "Dig Safe Tablet" annually, as projected in FY 2016 and FY 2017?

Response: There is no plan for the Water Division to purchase a "Dig Safe Tablet" annually in fiscal years 2016 and 2017. In workpaper DIV 1-3c, the Water Division budgeted \$330 annually for the cost of replacing communication equipment such as cell phones, smart phones or tablets. This was the amount spent in 2015 for new equipment charges.

The annual charge for monthly Verizon service for the tablet was incorrectly stated on the schedule as \$895. Upon review, the correct annual service charge is \$480 for the tablet. This results in a reduction in cost of \$415 on HJS Schedule D-9 page 49, account # 50251 Telephone & Communication. The corrected amount is therefore \$5,600.

Prepared by: William Yost

DIV. 3-2: In regards to the workpaper provided in response to DIV. 1-3d, the number of vehicles is shown increasing to 33 in FY 2015, and decreasing back to 32 in FY 2016 and FY 2017. Could you please explain this increase and subsequent decrease?

Response: During fiscal year 2015 the Water Division ordered and received a replacement vehicle, but the old vehicle was not disposed of immediately. Therefore for part of fiscal year 2015 the vehicle fleet increased to 33 because it included both the new replacement vehicle and the old vehicle. The average cost of servicing the fleet was calculated based on 33 vehicles.

At the end of fiscal year 2015 the old vehicle was removed from the fleet, which brought the fleet size back down to 32 vehicles. The budgeted cost for fiscal years 2016 and 2017 is based on a total fleet of 32 vehicles.

Prepared by: William Yost

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DIV. 3-3: In regards to the workpaper provided in response to DIV. 1-3d, please provide data for FY 2016 to date. Please provide the requested information in Excel format.

Response: Please see attached workpaper DIV 3.3 for fiscal year 2016 to date, vehicle maintenance costs.

Prepared by: William Yost

Division Data Request 3.3

City of Newport
Water Division
Gasoline & Vehicle Maintenance
Fiscal Year 2016
six months ending 12/31/2015
acct # 50271

<u>Section</u>	<u>Dept. #</u>	<u>Acct. #</u>	<u># of vehicles</u>	Actual <u>f/y 2016</u> <i>6 months</i>	Rate Case Budget <u>f/y 2016</u> <i>full year</i>	
Administration	2200	50271	1	\$3,525.42		
Customer Service	2209	50271	5	\$19,299.43		
Source of Supply	2220	50271	11	\$41,337.69		
Station One	2222	50271	1	\$7,042.73		
Lawton Valley	2223	50271	1	\$3,799.40		
Trans & Distribution	2235	50271	<u>13</u>	<u>\$49,608.84</u>		
		Total	32	\$124,613.51	\$169,066.54	74%
		Average Annualized Cost per vehicle		\$7,788.34	\$5,283.33	

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DIV. 3-4: In regards to the workpaper provided in response to DIV. 1-3d, the footnote indicates only maintenance is increased by an estimated CPI of 2 percent, however the 'total' values in the sheet have been increased by 2 percent. Please clarify what costs are included in this workpaper (i.e., if the values in this workpaper only include maintenance charges, or if gasoline or any other charges are included as well).

Response: The footnote was intended to indicate that all costs in the Gasoline & Vehicle Allowance Account were increased by 2%, not just maintenance costs. The values in the workpaper do include gasoline and any other charges. As can be seen from the workpaper provided in DIV 3.3 actual costs for the first six months of f/y 2016 are much higher than the budget.

Prepared by: William Yost

DIV. 3-5: In regards to workpaper provided in response to DIV 1-4, provide the reasoning behind averaging the sewer usage of FY 2014 and FY 2015 to determine future sewer usage.

Response: Various factors affect the volume of sludge produced including the optimization of the process system, the volume of treated water produced, weather conditions and the quality of the raw water being treated. The reasoning for using the sewer usage of FY's 2014 and 2015 was because it was the only period of time available that the Newport Station 1 Treatment Plant had undergone renovations. Thus, we believe it is a more accurate representation of sludge production than including pre-renovations usage or a single year affected by previously referenced factors.

Prepared by: William Yost

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DIV. 3-6: In regards to DIV 1-8, provide the historical costs for each of the subaccounts listed, as well as total forecasted amount per subaccount for the prior three years. Please provide the requested information in Excel format.

Response: Please see attached workpaper DIV 3.6 with the requested information for FY's 2013, 2014, and 2015.

Prepared by: William Yost

Data Request Division III-6

City of Newport
Water Division
Division Data Request III-6
Historical Repair & Maintenance Costs
Account # 50275

<u>Section</u>	<u>Account # Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
2200 - Administration	50275 – Repairs & Maintenance	\$1,200.00	\$400.00	\$800.00	\$1,200.00	\$725.22	\$474.78	\$0.00	\$0.00	\$0.00
2209 - Customer Service	50275 – Repairs & Maintenance	\$40,000.00	\$76,043.81	(\$36,043.81)	\$40,000.00	\$35,355.49	\$4,644.51	\$30,602.00	\$33,449.00	(\$2,847.00)
2212 - Source of Supply Island	50275 – Repairs & Maintenance	\$7,425.00	\$12,265.53	(\$4,840.53)	\$7,425.00	\$14,312.03	(\$6,887.03)	\$4,717.00	\$11,633.38	(\$6,916.38)
2213 - Source of Supply Mainland	50275 – Repairs & Maintenance	\$7,200.00	\$867.56	\$6,332.44	\$7,200.00	\$6,002.69	\$1,197.31	\$13,908.00	\$13,908.00	\$0.00
2222 - Station One	50275 – Repairs & Maintenance	\$25,000.00	\$23,959.91	\$1,040.09	\$0.00	\$18,593.98	(\$18,593.98)	\$15,000.00	\$9,737.68	\$5,262.32
2223 - Lawton Valley	50275 – Repairs & Maintenance	\$35,000.00	\$17,480.96	\$17,519.04	\$34,048.00	\$12,049.82	\$21,998.18	\$15,000.00	\$19,922.00	(\$4,922.00)
2235 - Laboratory	50275 – Repairs & Maintenance	\$1,700.00	\$2,491.35	(\$791.35)	\$1,700.00	\$3,534.58	(\$1,834.58)	\$1,700.00	\$255.91	\$1,444.09
2241 - Transmission & Distribution	50275 – Repairs & Maintenance	\$26,000.00	\$36,150.77	(\$10,150.77)	\$26,000.00	\$2,628.60	\$23,371.40	\$26,000.00	\$28,521.00	(\$2,521.00)
2245 - Fire Protection	50275 – Repairs & Maintenance	<u>\$13,500.00</u>	<u>\$8,061.87</u>	<u>\$5,438.13</u>	<u>\$13,500.00</u>	<u>\$12,365.17</u>	<u>\$1,134.83</u>	<u>\$13,500.00</u>	<u>\$11,585.00</u>	<u>\$1,915.00</u>
		\$157,025.00	\$177,721.76	(\$20,696.76)	\$131,073.00	\$105,567.58	\$25,505.42	\$120,427.00	\$129,011.97	(\$8,584.97)

DIV. 3-7: In regards to DIV 1-17 and account 50220 Consultants:

- a) Please provide a five year historical account break down. Please provide the requested information in Excel format.
- b) Please provide an explanation for the \$40,000 in PUC costs.
- c) Please delineate the difference between rate case and typical business expenses forecasted for 2017.

Response:

- a) See attached schedule of Consultant expenses for fiscal years 2011-2015.
- b) The \$40,000 in PUC costs was incorrectly labeled. The \$40,000 was an estimate comprised of \$30,000 in PUC costs based on expenses incurred on prior rate cases and \$10,000 estimated for other general business consultants.
- c) The typical business Consultant expense forecasted is \$31,731 for fiscal year 2017. Note that in the Newport accounting system, both rate case and non- rate case Consultant costs are collected in the same account number, which is 50220. Therefore the delineation of typical business expenses was calculated by subtracting rate case expenses from Total expenses. Attached is workpaper DIV 3 - 7 c which compares the two categories of expense and shows that non-rate Consultant expenses averaged \$31,731 over the last 5 fiscal years.

Prepared by: William Yost

DIVISION Data Request 3.7 a

City of Newport
Water Division
DIV Data Request 3.7 a
Summary of Consultant Expenses

<u>Fiscal Year</u>	<u>PUC</u>	<u>Keough + Sweeney</u>	<u>Raftelis</u>	<u>Wells Fargo Bank</u>	<u>US Bank</u>	<u>Fuss & O'Neill</u>	<u>Winborne & Summertree</u>	<u>Total</u>
2011	\$7,588	\$50,189	\$82,599	\$5,000				\$145,376
2012	\$27,258	\$69,602	\$107,371	\$7,500				\$211,730
2013	\$28,801	\$68,421	\$96,407	\$7,500	\$4,750			\$205,878
2014	\$1,140	\$45,875	\$29,565			\$3,697		\$80,278
2015	<u>\$0</u>	<u>\$9,435</u>	<u>\$11,070</u>	<u>\$0</u>	<u>\$9,000</u>	<u>\$0</u>	<u>\$1,160</u>	<u>\$30,665</u>
Total	\$64,787	\$243,521	\$327,012	\$20,000	\$13,750	\$3,697	\$1,160	\$673,927

Division 3. 7 c Data Request

City of Newport
Water Division
Division Data Request 3.7 c
Consultant Expenses
Rate Case vs Typical year
Fical Years 2011-2015

<u>Fiscal Year</u>	<u>Total Consultant Expenses (1)</u>	<u>Rate Case Expenses (2)</u>	<u>Non Rate Case Expenses</u>
2011	\$145,376	\$103,853	\$41,523
2012	\$211,730	\$164,258	\$47,472
2013	\$205,878	\$181,293	\$24,585
2014	\$80,278	\$47,015	\$33,263
2015	<u>\$30,655</u>	<u>\$18,845</u>	<u>\$11,810</u>
Total	\$673,917	\$515,264	\$158,653

Average Non-Rate Case Consulant Expenses **\$31,731**
5 years f/y 2011-2015

(1) Consultant expenses for fiscal years 2011-15 are shown on PWFD Data Request 1.19

(2) Rate Case expenses for fiscal years 2011-15 are shown on PWFD Data Request 1.18

DIV. 3-8: In regards to DIV 1-18 e & f:

- a) Describe the OPEB contribution allocation and detail why this is allocated to the Water Division now but was not previously.
- b) Describe the Finance Admin – 10% Inv/Debt account and why this is allocated to the Water Division.

Response: a) The City of Newport established an Other Post-Employment Benefits (OPEB) Trust in 2006 in order to accumulate funds to pay for future retiree benefits earned while employees are actively working. The benefits, almost exclusively, are for retiree health insurance. The fund operates similarly to a pension trust fund. The City's previous Cost Allocation Manual included an allocation towards the OPEB liability, but City of Newport staff made a decision not to pursue funding of that particular allocation from the Water Fund.

As set forth in my direct testimony in Docket 4025:

“Pursuant to the GASB 43 and 45 on Other Post Employment Benefits (OPEB), the City has established an OPEB Trust and is making an Annual Required Contribution (ARC) as determined by the City's actuaries. The actuarial report includes a schedule that shows the total liability by fund and/or department. Each fund, including the School Department and Library, will be responsible for its share of the ARC. This rate filing does not include a request for the Water Fund's share of the ARC.” (See Docket 4025, Direct Testimony of Laura Sitrin, p. 4, ll. 5-11)

At that time, the treatment of OPEB was a fairly new accounting reporting standard and funding method at the time, and the City administration was focused on negotiating changes in retiree health benefits with the various bargaining units. Therefore, funding of the allocation was purposefully not requested in prior dockets. Many changes have since been negotiated and the liability and funding has evened out over the past few years. The City of Newport Water Department has an unfunded OPEB liability of \$5,152,296 as of July 1,

2015, the date of the most recent actuarial valuation. The Water Fund needs to start making contributions into the OPEB Trust to pay for those long-term benefits.

b) The Finance Administration department is responsible for creating, reconciling, investing and monitoring all cash and investment accounts. That department also handles all bank and trust communications and interactions. It is estimated that 10% of the Finance Administration Department time is spent on cash and treasury functions. Cash and Trust accounts have expanded significantly due to bond issuance in the Water and Water Pollution Control Funds. The most reasonable method of allocation is the fund's total number of bank and investment accounts to total bank and investment accounts.

Prepared by: Laura Sitrin

DIV. 3-9: In regards to COMM 1-15:

- a) Detail how the Company came up with the assumption that 4 cases would be claimed in a year under Self Insurance.
- b) Provide three year account history for account 50505 Self Insurance. Please provide the requested information in Excel format.

Response:

- a) The assumption of 4 cases being claimed per year was carried forward from the previous rate case.
- b) Please refer to the attached schedule of Self-Insurance costs for fiscal years 2013 through 2015.

Prepared by: William Yost

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DIV. 3-10: Please provide the annual number of employees and vacancies for the prior five years.

Response: For Fiscal Years 2011 through 2016 the annual number of employees is 48. Attached is a schedule showing the number of vacancies from July 2010 through March 2016.

Prepared by: Julia Forgue

DIV 3-10

Newport Water Division - Docket 4595

FY 2011

Vacancies

July 2010	to	Dec 2010	3
Jan 2011	to	June 2011	4

FY 2012

July 2011	to	Dec 2011	5
Jan 2012	to	June 2012	4

FY 2013

July 2012	to	Sept 2012	3
Oct 2012	to	Nov 2012	4
Dec 2012	to	May 2013	3
June 2013	to		2

FY 2014

July 2013	to	Oct 2013	2
Nov 2013	to	Feb 2014	3
Mar 2014	to	May 2014	2
June 2014	to		3

FY 2015

July 2014	to	Mar 2015	2
Apr 2015	to	May 2015	1
June 2015			2

FY 2016

July 2015	to	Aug 2015	2
Sept 2015	to	Nov 2015	0
Dec 2015	to	Mar 2016	1

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CERTIFICATION

I hereby certify that on March 28, 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.

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