DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
1322 PATTERSON AVENUE, SE, SUITE 1000
WASHINGTON NAVY YARD, DC 20374-5065

VIA FIRST CLASS MAIL AND ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
State of Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

June 29, 2016

Re: City of Newport, Utilities Department Water Division Application to Change Rate Schedules, Docket No. 4595

Dear Ms. Massaro:

Enclosed for filing in the above-referenced matter is an original plus nine (9) copies of the Surrebuttal Testimony of Brian C. Collins.

Please call me at (202) 685-9122 if you have any questions concerning this filing. Thank you for your assistance.

Sincerely,

Allison M. Genco, Esq.
Department of the Navy

cc: Service List for Docket No. 4595

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

BEFORE THE
RHODE ISLAND PUBLIC UTILITIES COMMISSION

Newport Water Division - Rate Application to Collect Additional Revenues of $1,304,595 for a Total Cost of Service of $20,151,440 (filed 12/23/15)	)	**Docket No. 4595**

Surrebuttal Testimony of

Brian C. Collins

On behalf of

The United States Department of the Navy

June 29, 2016

BRUBAKER & ASSOCIATES, INC.

Project 10205

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Surrebuttal Testimony of Brian C. Collins

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q ARE YOU THE SAME BRIAN C. COLLINS WHO PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A Yes.

Q ARE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE OUTLINED IN YOUR PRIOR TESTIMONY?

A Yes. This information is included in Appendix A to my direct testimony filed April 14, 2016.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of the United States Department of the Navy ("Navy"). Our firm is under contract with Navy to perform cost of service, rate design and related

studies. Naval Station Newport in Newport, Rhode Island purchases large volumes of water from the Water Division of the City of Newport ("Newport Water"). Thus, Navy has a direct economic interest in how the cost of providing water service to it is determined.

Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Newport Water witness Mr. Harold Smith with respect to his revised Maximum Day Demand factor calculated for Navy and subsequent revised revenue allocation for Navy. The fact that I do not address Newport Water's or any other party's position on a particular issue should not be construed as tacit agreement with that party's position.

Q WHAT WAS YOUR DIRECT TESTIMONY RECOMMENDATION WITH RESPECT TO THE PROPOSED REVENUE ALLOCATION TO NAVY?

A In my direct testimony, I explained that Newport Water recommended an increase of approximately 25.6% for Navy as compared to present rate revenues. Newport Water's proposed revenue allocation to Navy resulted in an increase of approximately 3.8 times the overall system rate revenue increase of 6.7% for Newport Water. As a result of certain classes receiving large increases relative to the overall Newport Water system average increase and the fact that the cost of service study presented in this case is not reflective of the Navy's normal operation, I recommended in my direct testimony that the principle of gradualism be applied until a cost of service study based on normal operation is developed in a future case.

Specifically, I recommended that the increase for any one class be limited to 1.5 times the system average increase for Newport Water, or approximately 10.0%. To the extent the Commission approves a lower overall revenue requirement for Newport Water, a class would have its actual increase adjusted accordingly to maintain the 1.5 relationship relative to the overall system average increase approved for Newport Water.

Q DID ANY OTHER INTERVENOR RECOGNIZE THE NEED FOR LIMITING THE INCREASE IN THIS RATE CASE?

A Yes. Mr. Jerome Mierzwa on behalf of the Division of Public Utilities and Carriers recommended that retail volumetric rates remain unchanged and that the increase in revenues generated above the indicated cost of service of retail customers be proportionately allocated to reduce the volumetric rates of Newport Water's two wholesale customers, Navy and Portsmouth.

Q HOW DID MR. SMITH RESPOND IN HIS REBUTTAL TESTIMONY TO YOUR RECOMMENDATION?

A While he does not disagree with my recommendation, he disagrees with my specific proposal to limit any one class to 1.5 times the system average increase.

Q AS AN ALTERNATIVE TO YOUR PROPOSAL, WHAT DOES MR. SMITH PROPOSE IN HIS REBUTTAL TESTIMONY?

A As an alternative to my proposal, Mr. Smith has revised the Navy's Maximum Day Demand factor from 2.93 to 2.04. This results in a revised proposed revenue

allocation for Navy to an approximate 17% increase as compared to present Navy rate revenues.

Q DO YOU AGREE WITH THE METHOD MR. SMITH USED TO CALCULATE NAVY'S MAXIMUM DAY DEMAND FACTOR?

A Yes. Mr. Smith explained in his rebuttal testimony that demand factors for Navy and Portsmouth were determined using actual daily meter data for each wholesale customer. For Navy, this is consistent with the Commission's Report and Order in Docket No. 4355, Newport Water's last rate case. The Commission ordering paragraph 4 at page 18 of the Report and Order states the following:

> City of Newport, Utilities Department, Water Division shall continue to obtain daily reads of the Navy's meters so that the City of Newport, Utilities Department, Water Division, will have this information for inclusion in its next General Rate Filing.

However, as explained in my direct testimony, I recommend that any usage resulting from extraordinary events be excluded from Navy's usage utilized in calculating its demand factors.

Q WHAT SPECIFICALLY DOES MR. SMITH RECOMMEND IN HIS REBUTTAL TESTIMONY?

A In my direct testimony, I explained that Navy usage related to an extraordinary main break was included by Newport Water in calculating Navy's Maximum Day Demand factor used in the cost of service study to allocate costs to Navy. I recommended that in future cases, Navy's demand factors be calculated based on normal usage and that usage related to any extraordinary events be excluded from the demand factor calculations. Based on my direct testimony, Mr. Smith has removed the usage related to an extraordinary main break that occurred in March 2015 on the Navy's

system when calculating Navy's Maximum Day Demand factor. A revised Maximum Day Demand factor has been calculated by Mr. Smith for Navy and he has utilized that revised factor in the cost of service study. The revised Maximum Day Demand factor for Navy results in a recommended increase of 17% in Navy's volumetric charge as compared to the 25% increase in the volumetric rate originally recommended by Mr. Smith in his direct testimony. Mr. Smith's proposal results in an approximate overall increase of 17% for Navy as compared to present rates.

Q HOW DO YOU RESPOND TO MR. SMITH?

A I agree with Mr. Smith's proposal to remove the usage related to an extraordinary main break on Navy's system for calculating Navy's Maximum Day Demand factor. Using a demand factor for Navy that reflects normal usage in the cost of service study and that does not include usage related to an extraordinary main break better reflects Navy's normal operations and is more representative of Navy's actual cost of service. As a result, Mr. Smith's proposal is appropriate.

Q HOW DOES NAVY'S OVERALL INCREASE RESULTING FROM THE REVISED REVENUE ALLOCATION PROPOSED BY MR. SMITH IN HIS REBUTTAL TESTIMONY COMPARE TO THE OVERALL SYSTEM AVERAGE INCREASE FOR NEWPORT WATER?

A At approximately 17%, Navy's overall increase is still over 3 times the system average increase of 5.46% in Newport Water rate revenues now proposed by Mr. Smith in his rebuttal testimony after accepting certain revenue requirement adjustments in his rebuttal testimony.

Q IS IT STILL NECESSARY TO LIMIT THE INCREASE FOR NAVY?

A Yes. The approximate 17% increase for Navy as compared to present rate revenues is still relatively large compared to the overall system average increase of 5.46% in rate revenues for Newport Water. Navy continues to be faced with continued budget cuts, and as a result, any increase in utility rates is difficult to bear.

Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO NEWPORT WATER'S PROPOSED INCREASE FOR NAVY?

A Consistent with my direct testimony, I continue to recommend that the Commission limit the Navy's increase to 1.5 times the Newport Water system average increase approved by the Commission. Based on Newport Water's revised revenue requirement presented in Mr. Smith's rebuttal testimony, this would result in an approximate 8.2% increase in Navy's present rate revenues. In any event, the Navy should see no higher than a 17% increase in present rate revenues as a result of correcting Navy's Maximum Day Demand factor to remove usage associated with an extraordinary main break.

Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A Yes, it does.

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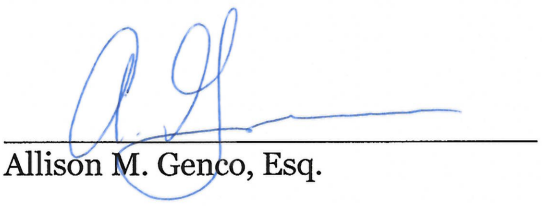
CERTIFICATE OF SERVICE
RI PUC Docket No. 4595

I hereby certify on this 29th day of June, 2016, a copy of the cover letter and the Surrebuttal Testimony of Brian C. Collins were electronically transmitted to the individuals listed below. An original hard copy was sent via first class mail to City of Newport, Utilities Department, Water Division. An original hard copy and nine (9) copies of this filing were sent via first class mail to the Clerk of the Rhode Island Public Utilities Commission.



Allison M. Genco, Esq.

Docket No. 4595 - City of Newport Water Division – Rate Application
Updated 5/18/16

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