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Via Electronic Mail and First Class Mail

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


Re: Newport Water Division – Docket No. 4595

Dear Ms. Massaro:

Enclosed for filing in the above-referenced matter are an original and nine copies of Portsmouth Water & Fire District's ("PWFD") post-hearing brief.

Thank you for your attention to this matter.

Sincerely,



Adam M. Ramos

AMR:cw

Enclosures

cc: RIPUC Service List (electronically only)

► ALBANY ► BOSTON ► CONCORD ► HARTFORD ► NEW YORK ► PROVIDENCE

HINCKLEY, ALLEN & SNYDER LLP, ATTORNEYS AT LAW

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
BEFORE THE PUBLIC UTILITIES COMMISSION

IN RE: CITY OF NEWPORT, DEPARTMENT OF UTILITIES : Docket No. 4595
GENERAL RATE FILING :

PORTSMOUTH WATER AND FIRE DISTRICT'S POST-HEARING BRIEF

I. INTRODUCTION

Portsmouth Water and Fire District ("PWFD"), the City of Newport, Department of Utilities, Water Division ("Newport Water"), the Department of the Navy (the "Navy"), and the Rhode Island Division of Public Utilities and Carriers (the "Division") reached agreement on much of Newport Water's most recent rate filing. PWFD and Newport Water, however, were unable to agree on certain key elements of Newport Water's Application to Change Rates. There are aspects of Newport Water's proposed rate design and its revenue requirement calculation that are improper and should be rejected in favor of PWFD's alternative proposal.

Newport Water's proposed rate design is flawed for at least three reasons. First, Newport Water incorrectly calculated class demand factors – using an inapt methodology and applying that methodology erroneously. Second, Newport Water improperly used inconsistent time periods when calculating certain aspects of its rate design model. Third, Newport Water failed to allocate treatment plant capital costs based on the design capacity of the plants. These three flaws are inconsistent with the base/extra capacity rate design methodology and result in an inequitable allocation of costs among the several rate classes.¹

¹ PWFD also contested the asset values Newport Water attached to its service lines as part of its rate design. Prior to the hearing, the parties agreed to accept Newport Water's service line asset values for purposes of this rate case only. Further, the parties agreed to have an independent third-party consultant conduct a valuation of those assets to be used in the next docket. The independent consultant shall: (1) be satisfactory to all parties, (2) conduct the valuation independent of input from any of the parties, (3) agree not to perform work for any of the parties to this docket for the five years following completion of the valuation, and (4) be paid from Newport Water's capital account in an amount not to exceed \$15,000.

Newport Water's calculation of its rate year revenue requirement also is flawed in two fundamental ways. First, it maintains excessive reserve balances in restricted accounts rather than using these accrued balances to reduce rates for customers. Second, it makes unjustified changes to the allocation of the cost of city services provided by the City of Newport (the "City") to Newport Water. As a result, Newport Water seeks to collect rate revenue in the proposed rate year that impermissibly exceeds its rate-year expenses.²

This Post-Hearing Brief sets forth PWFD's position on each of these issues. PWFD calculates that Newport Water's total rate year revenue requirement to be \$17,244,573. The details of PWFD's revenue requirement calculation are set forth in CW Post Hearing Sch. A-1A (attached as Exhibit A). Additionally, the resulting rates from PWFD's proposed revenue requirement and rate design are set forth in CW Post Hearing Sch. 2 (attached as Exhibit B). Finally, PWFD has no objection to the implementation of gradualism to more evenly distribute the impact of the rate changes.

II. RATE DESIGN

PWFD's principal goal is to create certainty and predictability in Newport Water's rate cases. Newport Water and PWFD have litigated contested rate cases for more than a decade.³ After the implementation of a long-awaited cost of service study in Docket 4355, PWFD expected that much of the disagreement between the parties finally had been resolved.⁴ This rate filing, however, included modifications to the agreed rate design that lack justification. The Commission should adopt PWFD's proposed rate design, which closely tracks the agreed-upon

² PWFD also had contested the requested rate-case-consultant costs and the funding of the restricted capital account. Before the hearing, the parties reached agreement on both these components of the revenue requirement. For rate-case-consultant costs, the parties agreed that Newport Water should recover the actual rate case expenses from this rate case, amortized over two-and-a-half years. Additionally, the parties agreed that Newport Water would not increase the amount of funding for its capital account, and therefore would maintain level funding of \$2.5 million for the rate year, with the understanding that this will reduce the balance in the restricted capital account.

³ See, e.g., Docket 3578, filed on November 28, 2003.

⁴ Woodcock Testimony, Hearing Transcript, August 2, 2016 at 102:10-18.

cost of service model from Docket 4355, and order that Newport Water continue to follow that model unless it demonstrates material changes to the operation of the water system that warrant the change. Specifically, the Rhode Island Public Utilities Commission (“Commission”) should adopt PWFD’s: (1) calculation of demand factors, (2) position regarding the time periods used to calculate inputs into the cost of service model, and (3) allocation of treatment capital costs.

A. Calculation of Demand Factors

Newport Water’s proposed demand factors wrongly discard those derived from demand study data, which were approved in Docket 4355. The Commission should reject Newport Water’s calculations and adopt PWFD’s position because the previous demand factors are based on a more sophisticated and more accurate calculation using actually daily data gathered as a result of a years-long process. Newport Water discarded this real data and instead used estimated data for its retail classes only – without justification.

More than 20 years ago, the Commission ordered Newport Water to conduct a demand study. The development of that demand study was heavily litigated over the course of several dockets. After the expenditure of substantial time and resources by Newport Water and the other parties, including PWFD, they agreed on a methodology for conducting the demand study.⁵ The parties then worked together to complete the demand study and ensured that they gained valid data through the demand study. Notably, the parties rejected data collected during the first year of the demand study because the diversity factor that resulted from that data fell outside the agreed-upon range of 1.1 to 1.4. Ultimately, in Docket 4355, the Commission approved a rate design based on the data collected in the demand study.⁶

⁵ Commission Order No. 20181, Docket 4128 at 3-7, 11.

⁶ Commission Order No. 21104, Docket 4355 (PWFD Exhibit 11).

Now, in the very next docket, Newport Water has discarded the actual data it collected for its retail customers through the demand study and instead used estimated data, applying a method from the American Water Works Association (“AWWA”) Manual M1, Appendix A (the “Estimation Method”). Newport Water’s application of this estimation method is incorrect for several reasons.

First, the manual provides that the Estimation Method should be used only if real customer data is not available to perform a more sophisticated calculation.⁷ Newport Water’s rate consultant admitted that using real customer data is more accurate and preferable to estimated data.⁸ In fact, Newport Water’s rate consultant intended to use the real data from the demand study before reverting to the Estimation Method.⁹

Second, Newport Water did not apply the Estimation Method according to the methodology set forth in the manual. Newport Water calculated the factors by comparing system data from 2013 with monthly customer data from 2015.¹⁰ The manual calls for a comparison of system data from the year with the highest ratio of maximum day demand to average day demand with the monthly billing data for the customer classes **from that year**.¹¹ Comparing system data from one year and customer data from another year is flawed because the factors being calculated are a reflection of the impact that each customer class has on the system as a whole. Factors derived from a comparison of 2015 customer data to 2013 system data do not provide an actual metric reflecting the impact of each customer class on the system.

Third, the demand factors Newport Water calculated result in diversity factors that fall outside the acceptable range previously agreed-upon by the parties and approved by the

⁷ PWFD Exhibit 9; Woodcock Testimony, Hearing Transcript, August 2, 2016 at 132:14-20.

⁸ Smith Testimony, Hearing Transcript, July 20, 2016 at 130:2-18.

⁹ Smith Testimony, Hearing Transcript, July 20, 2016 at 132:2-7.

¹⁰ Woodcock Testimony, Hearing Transcript, August 2, 2016 at 120:19-123:24.

¹¹ PWFD Exhibit 9; Woodcock Testimony, Hearing Transcript, August 2, 2016 at 128:21-130:22.

Commission. The diversity factors are meant to be a check on the reliability of the calculated demand factors.¹² The acceptable diversity factor range of 1.1 to 1.4 was recommended by the AWWA Manual M1.¹³ One of the diversity factors that resulted from Newport Water's use of the Estimation Method to calculate the demand factors was 1.05 – below the acceptable range.¹⁴ That result should have been a signal to Newport Water that the Estimation Method was not producing reliable results.¹⁵ In fact, the average day and maximum day data for the entire Newport Water system reflect that 2015 was an anomalous year for the relationship between average day and maximum day.¹⁶

Fourth, Newport Water used actual data to calculate demand factors for PWFD and the Navy, but used estimated data to calculate the demand factors for the retail classes.¹⁷ It is fundamentally incorrect to use different methodologies for the different customer classes. Using estimated data for the retail classes, but actual data for the wholesale classes distorts the relationships between the customer classes and produces a less accurate allocation of costs between them.

Fifth, Newport Water contends that it decided to use the Estimation Method because it concluded that the data from the demand study was stale and unreliable.¹⁸ In particular, Newport Water's rate consultant testified that he observed increase demand factors from the actual data for PWFD and the Navy in 2015, which caused him to decide to abandon the demand study data, which is only four years old.¹⁹ However, as noted above, 2015 was an anomalous year, which was readily identifiable from the system data as shown on Schedule B-7. The maximum

¹² Woodcock Testimony, Hearing Transcript, August 2, 2016 at 126:1-17.

¹³ Id. at 122:13-123:16; 124:1-126:17.

¹⁴ Id.; NWD Exhibit 1C, HJS Schedule B7 and D7.

¹⁵ Woodcock Testimony, Hearing Transcript, August 2, 2016 at 120:19-126:17.

¹⁶ PWFD Exhibit 13; Woodcock Testimony, Hearing Transcript, August 2, 2016 at 142:1-143:11.

¹⁷ Smith Testimony, Hearing Transcript, July 20, 2016 at 132:2-7.

¹⁸ Smith Testimony, Hearing Transcript, July 20, 2016 at 127:20-128:22.

¹⁹ Smith Testimony, Hearing Transcript, July 20, 2016 at 123:6-132:7.

day/average day relationship in 2012 was much more in line with prior historical system activity than the recent 2015 ratio.²⁰ Thus, the changes in the wholesale customers' data do not support the decision to abandon the 2012 demand study data. Rather, a look at the complete picture indicated that 2015 was likely an unusual year. Moreover, Newport Water did not have actual daily data for the retail customers in 2015. Thus, Newport Water knew that it would have to rely on the less-sophisticated Estimation Method if it made this change.²¹

For all these reasons, Newport Water's use of the Estimation Method to calculate new demand factors, instead of using the demand factors that were calculated using real daily customer data from the demand study, is unjustifiable. The demand study provided actual data from the recent past about the actual daily usage of the customer classes. Newport Water has failed to adequately explain why that data should no longer be considered reliable. Newport Water's position at the hearing is undermined by the actual system data, which indicates that the year Newport Water decided to use – 2015 – was the anomalous year, not the year of the demand study – 2012. In short, the Commission should apply the demand factors that resulted from the agreed-upon demand study applied in Docket 4355. Those demand factors should remain in place unless and until Newport Water performs another demand study gathering real data from its customers that conforms to the previously agreed and approved standards.

B. Use of Inconsistent Time Periods

There are numerous places in Newport Water's cost of service model where the time periods Newport Water uses vary, resulting in inapt comparisons. For example, Newport Water

²⁰ PWFD Exhibit 13; Woodcock Testimony, Hearing Transcript, August 2, 2016 at 142:1-143:11.

²¹ The AWWA Manual M1, and testimony in prior dockets by Newport Water's rate consultant, indicates that improved metering technology will allow for more frequent demand studies for purposes of calculating demand factors and designing models to allocate cost of service. PWFD asserts that the Commission should require Newport Water to use the improved technology (which PWFD believes already is incorporated into most, if not all, of the meters it has installed for its customers) to gather actual daily data from its customer classes if it determines that it needs to adjust demand factors for its rate design in future rate cases.

used different time periods than in previous dockets when calculating rate-year demand.²² Also, as discussed above, Newport Water compared 2015 monthly usage data with 2013 system data when calculating demand factors. The use of inconsistent time periods results in a model that produces rates that are not a true representation of the cost of serving customers. Additionally, if Newport Water is permitted to use inconsistent time periods, then it creates the possibility that data could be cherry-picked to achieve a desired result.

The Commission should not permit Newport Water to develop its rate model in an unpredictable manner. The benefit of having a cost of service study that results in an accepted rate model is predictability that allows for more streamlined review of the reasonableness of proposed rate changes. Allowing Newport Water to choose at will what time periods it will use to calculate critical components of its proposed rates (such as projected rate year demand), or to compare data from unmatched years when calculating allocation factors undermines that predictability and results in unnecessary litigation. PWFD, therefore, respectfully requests that the Commission order Newport Water to use a consistent time period when calculating all averages in its rate models,²³ and to compare data from the same year when calculating allocation factors – for both this rate case and in future rate cases.

C. Allocation of Treatment Plant Capital Expenses

Treatment capital costs should be allocated 50% to average day and 50% to maximum day because the treatment plants were designed and built for an 8MGD average day and a 16MGD maximum day.²⁴ That ratio equates to a design basis of 50% for average day and 50%

²² Woodcock Testimony, Hearing Transcript, August 2, 2016 at 153:8-154:1.

²³ Whether the Commission orders Newport Water to use two-year averages or three-year averages is immaterial to PWFD's position. For purposes of asserting its final position in this docket, PWFD has used two-year averages consistent with the recommendation of the AWWA Manual M1.

²⁴ In previous dockets, Newport Water allocated treatment capital costs based on the operation of the treatment plants, which resulted in an allocation of two-thirds to average day and one-third to maximum day. In this docket,

for maximum day. This methodology is consistent with the base/extra capacity cost allocation methodology employed by Newport Water for its cost of service allocations.²⁵

III. REVENUE REQUIREMENT

PWFD's position on Newport Water's rate-year revenue requirement differs from Newport Water's position in two categories: (1) the funding of restricted accounts, and (2) the allocation of city service expense. In both categories, Newport Water is seeking revenues in excess of what it needs in the rate year. Newport Water could have sought a multi-year rate plan with step increases if it thought that its revenue requirement was likely to increase in years beyond the rate year. It chose not to do so. Further, with respect to city services expenses, Newport Water made numerous changes to the allocation of various categories of these costs without adequate justification.

A. Funding of Restricted Accounts

Newport Water has eight restricted accounts: (1) capital, (2) debt service, (3) chemicals, (4) electricity, (5) retiree insurance, (6) accrued benefits, (7) revenue reserve, and (8) salary increase. PWFD agrees with Newport Water's proposal for the debt service restricted account, and the parties have agreed that the capital restricted account should be funded at the same level as approved in Newport Water's previous rate case. For the remaining restricted accounts, however, PWFD proposes reducing the funding requested by Newport Water. As a general matter, the balances in these restricted accounts have steadily risen over the years and should begin to be used to reduce rates for all customers. Further, the absence of clear criteria for reserve balances that should be maintained in these accounts has, in part, caused the ballooning

Newport Water submitted an exhibit that made the design basis for the water treatment plants clear. Accordingly, it is appropriate to adjust the allocation of these capital costs to comport with the design basis.

²⁵ Woodcock Testimony, Hearing Transcript, August 2, 2016 at 114:21-117:14.

balances, and the Commission should establish criteria for a reserve balance to the extent one is necessary and proper for each account.

1. Restricted Chemicals Account

As of June 30, 2016, Newport Water had a balance of \$156,043.12 in its restricted chemicals account.²⁶ Newport Water has requested to recover rate year revenues of \$761,782 to cover chemical costs. However, during the hearing, Newport Water's Director of Utilities, Julia Forgue, testified that Newport Water actually anticipated that its chemical costs would exceed \$761,782 in the rate year.²⁷ In response to a record request at the hearing, Newport Water indicated that the new estimate for rate year chemical expenses is now \$809,858. Thus, Newport Water projects that it will spend \$48,076 more on chemicals than it will collect in revenues for that purpose. Consequently, if Newport Water's forecasts prove true and the balance in the account remains static until the new rates go into effect, the balance in the restricted chemical account would reduce to \$107,967.12 at the conclusion of the rate year. Stated otherwise, Newport Water would still have collected \$107,967.12 more than necessary to pay for its rate year chemical expenses.

PWFD contends that Newport Water should use \$125,000 from the restricted chemical account to reduce its revenue requirement in this docket. When Newport Water submitted its rate filing, the balance in the restricted chemical account exceeded \$300,000. Newport Water maintains that reducing its revenue requirement for chemical expense by the \$125,000 (to \$636,782) as proposed by PWFD will result in the complete exhaustion of the reserve balance in the chemical account and Newport Water will be unable to pay for its chemical expenses. That is not so. It is important to PWFD that Newport Water has sufficient revenues to pay its

²⁶ Newport Water's Supplemental Response to Comm. 2-1.

²⁷ Forgue Testimony, Hearing Transcript, July 19, 2016 at 51:19-55:4.

expenses, particularly its chemical expenses, to maintain a safe drinking water system. But, there is no reason to believe that reducing Newport Water's revenue requirement for chemical expenses by \$125,000 will leave Newport Water unable to pay its chemical bills.

Newport Water's chemical expenses are variable. Since April 30, 2014, under existing rates, the balance in the restricted chemical account has fluctuated between \$102,067.06 on the low end (September 30, 2014), and \$300,975.29 on the high end (December 31, 2015).²⁸ The June 30, 2016 balance of \$156,043.12 represents a low ebb following the third highest single month chemical expenditure since April 30, 2014 - \$131,206.71. The current rates fund the restricted chemical account at the rate of \$49,743.48 per month. After June 30, 2016, it is at least possible that the balance in the restricted chemical account has increased. Thus, it is unlikely the reserve amount in the restricted chemical account is only \$156,043.12 and therefore would be reduced to \$107,967.12 after the rate year if Newport Water's forecasts are accurate.

Second, the amounts in the restricted chemical account are not the only funds available to cover chemical expense cost overruns. Newport Water receives an unrestricted revenue reserve equal to 1.5% of its approved operating expenses (excluding capital). That unrestricted reserve is available to Newport Water to pay for any costs that exceed forecasts. Thus, if Newport Water's chemical costs exceed the amounts available in the restricted chemical account, then Newport Water can access the unrestricted revenue reserve to pay those bills.

Finally, it is improper for Newport Water to seek to recover revenue for expenses beyond the rate year. Even if all Newport Water's forecasts come to fruition, it will still result in \$107,967.12 in excess revenues in the restricted chemicals account. Ratemaking principles

²⁸ See Newport Water's Quarterly Reports, Restricted Accounts Analysis. These reports were identified as PWFD Exhibit 10 for ID at the hearing. Although these reports were not admitted as full exhibits, the Commission can take administrative notice of them because they are submitted by Newport Water on a quarterly basis by Commission Order. See Commission Order No. 20636 at 28 (Docket 4243); R.I. Gen. Laws § 39-1-11; Rhode Island Consumers' Council v. Smith, 322 A.2d 17 (R.I. 1974).

preclude permitting Newport Water to collect revenue for purposes of maintaining that balance. The Commission, therefore, should accept PWFD's proposal and reduce Newport Water's revenue requirement for the restricted chemical account to \$636,782.

2. Restricted Electricity Account

PWFD proposes that the Commission reduce Newport Water's revenue requirement for electricity expenses by \$100,000 from \$820,424 to \$720,424.

As of June 30, 2016, the reserve balance in the restricted electricity account was \$261,089.34²⁹ – more than 30% of the total revenue requirement requested for the rate year. As Commission counsel identified at the hearing, the largest single month electric bill for Newport Water in the 12-month period preceding the hearing was \$121,000.³⁰ Thus, accepting PWFD's proposal, which would forecast to leave a reserve balance of \$161,089.34 in the restricted electricity account, would mean that Newport Water would have enough money in the account to pay for its largest electric bill even in a month in which it received no revenue – which would never actually happen. Newport Water, therefore, would have ample funds even if the Commission accepted PWFD's proposal.

²⁹ Newport Water's Supplemental Response to Comm. 2-1.

³⁰ Forgue Testimony, Hearing Transcript, July 19, 2016 at 95:12-102:2.

3. Restricted Revenue Reserve

PWFD did not make any proposal to adjust Newport Water's requested revenue reserve. Newport Water, however, has offered to remove \$225,000 from the restricted revenue reserve to reduce rates (instead of reducing the reserve balances in the restricted chemical and electricity accounts as urged by PWFD). At the hearing, Ms. Forgue went a step further and testified that Newport Water would be willing to eliminate the balance in the restricted revenue reserve (\$756,806.93 as of June 30, 2016).³¹ PWFD does not agree with Newport Water's alternative proposals and asks the Commission to have Newport Water continue to fund the restricted operating reserve (and continue to fund the unrestricted operating reserve).

The restricted operating reserve has a very limited purpose – to cover revenue shortfalls that exceed 0.5% of total rate revenue.³² Further, it is capped at a total balance equal to 6% of Newport Water's total operating and maintenance expenses, which means the balance cannot grow infinitely.³³ If the balance in the restricted operating reserve reaches the 6% cap, then the Commission is to open a new proceeding "to address the appropriate adjustment to . . . rates."³⁴ Thus, the restricted operating reserve has a specific purpose (to ensure that reduced demand does not unduly impact Newport Water) and strict controls to avoid the build-up of excessive funds. Maintaining this reserve account is important to ensure Newport Water's continued ability to meet its financial obligations and operate a safe and reliable water system.³⁵

³¹ Newport Water's Supplemental Response to Comm. 2-1; Forgue Testimony, Hearing Transcript, July 19, 2016 at 103:23-109:17.

³² Commission Order No. 19940 (Docket 4025) at 66 n. 214; Commission Order No. 19545 (Docket 3942) at 34.

³³ Id.

³⁴ Id.

³⁵ PWFD notes that Newport Water is approaching the 6% cap and asks that the Commission monitor Newport Water's balance in the restricted operating reserve on a monthly basis and open the required proceeding to adjust rates if the cap is reached.

4. Restricted Retiree Insurance

PWFD proposes that the Commission reduce Newport Water's revenue requirement for retiree insurance to \$170,000.

As of June 30, 2016, Newport Water's restricted retiree insurance account had a balance of \$481,209.61,³⁶ of which Newport Water seeks to transfer \$185,000 to the restricted debt service account, leaving a balance of \$296,209.³⁷ Although PWFD did not make any recommendations regarding this account at the hearing, the Commission rate analyst questioned Newport Water's funding for this account and the need for the continued reserve balance.³⁸ Although the Division did not originally propose any changes to the funding for this account, one of the Division's experts testified that it was "potentially overfunded," and the Commission asked the Division to provide an opinion as to the appropriate funding for this account, and the Division recommended reducing the requested funding for the account from \$370,000 to \$330,000, which, it explained, would lower the balance in the account to approximately a 6-month cushion for retiree insurance expenses in 2.5 years.³⁹

Based on the testimony at the hearing, PWFD now asks that the Commission make even further reductions to the funding level than suggested by the Division. Neither Newport Water nor the Division has provided support for the position that there is a need to maintain a reserve balance equal to six months of expenses. Further, it is improper to allow funding to pay for expenses anticipated beyond the rate year. PWFD does recognize, however, that it is fiscally prudent to reserve some additional money to plan for potential revenue shortfalls given the sometimes unpredictable nature of these types of insurance expenses. Therefore, the

³⁶ Newport Water's Supplemental Response to Comm. 2-1.

³⁷ PWFD has not objection to transferring funds from this account to the restricted debt service account.

³⁸ Sherwood Testimony, Hearing Transcript, July 19, 2016 at 239:6-240:16.

³⁹ Division Response to Commission Record Request 3.

Commission should reduce the revenue requirement for retiree insurance from \$370,000 to \$170,000, which would leave a reserve balance in the restricted retiree insurance account of \$96,209 by the end of the rate year – equal to slightly more than three months of forecasted expenses.

5. Restricted Accrued Benefits

PWFD requests that the Commission reduce the funding of the restricted accrued benefits account to \$0 and order Newport Water to transfer \$500,000 from the reserve balance in the account to further reduce the revenue requirement and thereby rates for all customers.

As of June 30, 2016, the balance in the restricted accrued benefits account was \$990,897.12.⁴⁰ Under current rates, that balance has steadily increased.⁴¹ Newport proposed to transfer \$337,000 from this account to the debt service account, which would leave a balance of \$653, 987.⁴² If every Newport Water employee retired in the rate year, Newport Water's total liability would be only approximately \$600,000.⁴³ Since April 30, 2014, Newport Water has made payments from this account only five times for a total of \$43,789.61.⁴⁴

Like with the restricted retiree insurance account, PWFD and the Division did not originally propose any changes to the restricted accrued benefits account, but the Commission rate analyst and Commission counsel challenged the need for the reserve balance and directed the Division to make a recommendation as to the appropriate reserve balance to be maintained in this account.⁴⁵ The Division agreed that the reserve balance in the account is too high and recommended: (a) eliminating funding for this account from the revenue requirement and (b)

⁴⁰ Newport Water's Supplemental Response to Comm. 2-1.

⁴¹ PWFD Exhibit 10 (for ID).

⁴² PWFD has no objection to Newport Water's proposed transfer of funds to the restricted debt service account.

⁴³ Forgue Testimony, Hearing Transcript, July 19, 2016 at 113:18-122:10; Sherwood Testimony, Hearing Transcript, July 19, 2016 at 228:8-230:7.

⁴⁴ PWFD Exhibit 10 (for ID).

⁴⁵ Forgue Testimony, Hearing Transcript, July 19, 2016 at 113:18-122:10; Sherwood Testimony, Hearing Transcript, July 19, 2016 at 228:8-230:7.

transferring approximately \$300,000 out of this restricted account to the restricted operating reserve.⁴⁶

While PWFD recognizes the need to plan for these contingent liabilities, there is no basis to maintain a reserve balance in this account that exceeds the total contingent liability. In fact, the history of this account demonstrates that a much lower reserve balance is warranted. PWFD's recommendation would still leave a balance in this restricted account of \$153,987 to pay for any accrued benefits liabilities in the rate year, which is enough for more than three times Newport Water's total actual expenditures from this account over the period from April 30, 2014 through June 30, 2016.

6. Restricted Salary Increase Account

Parallel to this rate case, Newport Water filed a miscellaneous petition in Docket 4243 seeking permission to transfer \$74,400.79 out of this account to pay for salary increases in FY 2016. PWFD did not oppose that transfer, and, assuming it is permitted, that will leave a balance of \$131,743.99. Newport Water also requested in the miscellaneous petition to maintain the reserve balance in the account for future salary increases. PWFD opposed that aspect of the miscellaneous petition and indicated that it would state its position as to the disposition of the remaining balance as part of this brief.

PWFD asks the Commission to eliminate the restricted salary increase account in this docket and order Newport Water to use the remaining \$131,743.99 in the account to reduce the payroll revenue requirement in the rate year. The reasons PWFD asserts this account is no longer necessary are set forth in PWFD's response to the miscellaneous petition and are hereby incorporated by reference.

⁴⁶ The Division's proposal was intended to cap the funding of the restricted operating reserve, and it included a proposal to eliminate funding the operating reserve as part of this case.

B. City Services Expense Allocation

PWFD opposes the changes made to the allocation of City Services expenses and asks the Commission to adopt the City Services revenue requirements proposed in PWFD Exhibit 12, with one exception: the allocation of MIS communication expenses should be 7.9% instead of 3%.⁴⁷ Adoption of PWFD's proposed city services expenses comports with past approved practice. None of Newport Water's proposed changes is justified by any evidence.

1. Budget Allocation Percentage

PWFD's proposed City Services budget allocation percentage is based on the actual FY 2015 expenses for the City's four enterprise funds, less depreciation.⁴⁸ The Division agrees with PWFD that this percentage should be based on actual expenses and not budgeted expenses.⁴⁹ PWFD's revised calculations are derived from the audited financials that the City's Chief Financial Officer, Laura Sitrin, testified about at the hearing.⁵⁰ PWFD's rate consultant, Christopher P.N. Woodcock, thoroughly explained how he calculated the inputs into his calculation for each enterprise fund to exclude depreciation based on Ms. Sitrin's prior testimony.⁵¹ In short, PWFD's proposed allocation percentage for city services expense of 11.18% is the proper calculation based on past practice and the data provided in this case. Newport Water's proposed allocation of 13.23% does not follow past practice.

2. City Solicitor Expense

Historically, the Commission has determined that only 50% of the allocable expenses from the city solicitor's office should be allocable to Newport Water.⁵² This determination

⁴⁷ PWFD reviewed previous dockets following the hearing and realized that it had incorrectly identified the allocation percentage of MIS communication expenses.

⁴⁸ Woodcock Testimony, Hearing Transcript, August 2, 2016 at 29:13-44:24; PWFD Exhibit 12.

⁴⁹ Sherwood Testimony, Hearing Transcript, July 19, 2016 at 211:8-20.

⁵⁰ Sitrin Testimony, Hearing Transcript, July 20, 2016 at 59:16-77:22

⁵¹ Woodcock Testimony, Hearing Transcript, August 2, 2016 at 29:13-44:24; PWFD Exhibit 12.

⁵² Sitrin Testimony, Hearing Transcript, July 20, 2016 at 28:18-34:15.

recognized that Newport Water receives significant legal services from its separate outside counsel.⁵³ In this docket, Newport Water has sought to increase the allocation basis to 100% of the allocable expenses from the city solicitor's office. Newport Water has not, however, provided any evidence of changed circumstances that would justify this change in the allocation basis.⁵⁴ Rather, Newport Water has relied on general statements about the shifting of certain budgeted money from the human resources budget to the city solicitor budget and generally discussed the role of the city solicitor's office in handling negotiations with the union (and other union matters) and tax appeals.⁵⁵ Newport Water has failed, however, to identify how any of these circumstances represent a material shift from past practice. The Commission, therefore, should reject Newport Water's proposed change to the city solicitor's office allocation basis.

3. MIS Costs

Following Ms. Sitrin's hearing testimony, PWFD now agrees with most of Newport Water's proposal for the allocation of MIS costs.⁵⁶ However, PWFD maintains two important objections. First, Newport Water should not include postage expenses in the total MIS costs; Newport Water's own cost allocation manual acknowledges that these costs should be excluded.⁵⁷ Second, Newport Water should continue to segregate communications costs from other MIS costs and apply the lower 7.9% allocation previously approved by the Commission in acknowledgment of the difference in Newport Water's fair share of communications expenses as compared to the other enterprise funds and the City's general operations. Newport Water's only attempted justification from discontinuing the segregation of communications expense was an alleged change in the communications equipment that made it impossible to disaggregate the

⁵³ Id.

⁵⁴ Id.

⁵⁵ Id.

⁵⁶ Woodcock Testimony, Hearing Transcript, August 2, 2016 at 29:13-44:24; PWFD Exhibit 12.

⁵⁷ Newport Water Response to PWFD 2-9 (PWFD Exhibit 4).

costs.⁵⁸ Nevertheless, Newport Water was able to provide a separate amount for MIS communications costs when asked to do so in a data request.⁵⁹ The Commission should, therefore, reject Newport Water's explanation and apply the lower 7.9% allocation to those communications expenses identified by Newport Water.

Finally, the Commission should adopt PWFD's determination of City Council expense allocation based on the FY 2015 meeting minutes and not Newport Water's determination based on the FY 2014 meeting minutes. The test year in this rate case is FY 2015. Newport Water has provided no explanation of or justification for the decision to use the FY 2014 City Council meeting minutes.

IV. GRADUALISM

PWFD has no objection to applying gradualism in this docket. If the Commission decides to adopt principles of gradualism, the reallocation of revenue requirement should be applied with reference to the cost of service model, as described by Newport Water's rate consultant.⁶⁰

V. CONCLUSION

For the reasons set forth herein, PWFD respectfully requests that the Commission adopt its proposed revenue requirements and rate schedules for Newport Water's customers.

⁵⁸ Sitrin Testimony, Hearing Transcript, July 20, 2016 at 20:16-25:19.

⁵⁹ Newport Water Response to PWFD 2-13 (PWFD Exhibit 4).

⁶⁰ Smith Testimony, Hearing Transcript, July 20, 2016 at 139:16-140:24.

PORTSMOUTH WATER
AND FIRE DISTRICT

By its Attorneys,

/s/ Adam M. Ramos
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Adam M. Ramos (#7591)
Hinckley, Allen & Snyder LLP
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Providence, RI 02903
401-274-2000
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Dated: September 12, 2016

CERTIFICATION

I hereby certify that on September 12, 2016, I sent by electronic mail a copy of the within to Service List herein below, and mailed one original and nine copies to Luly Massaro, Clerk, Rhode Island Public Utilities Commission.

/s/ Adam M. Ramos _____

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Exhibit A

Account

O&M COSTS

Administration

		Test Year	Test Year	Normalized Test	Rate Year	PWFD Proposed
		Test Year (FY2015)	Normalizing Adjustments	Year	Adjustments	Rate Year *
50001	Salaries & Wages	\$ 262,222	\$ -	\$ 262,222	\$ 19,360	281,582
	AFSCME retro	-	\$ -	\$ -	\$ -	-
	NEA retro	-	\$ -	\$ -	\$ -	-
	AFSCME benefits on retro pay	-	\$ -	\$ -	\$ -	-
	NEA benefits on retro pay	-	\$ -	\$ -	\$ -	-
50044	Standby Salaries	12,528	\$ -	\$ 12,528	\$ 6,192	18,720
50520	Accrued Benefits Buyout	15,500	\$ -	\$ 15,500	\$ 43,500	59,000
50100	Employee Benefits	110,408	\$ -	\$ 110,408	\$ 8,649	115,683
50103	Retiree Insurance Coverage	351,563	\$ -	\$ 351,563	\$ 18,437	370,000
50105	Workers Compensation	59,456	\$ -	\$ 59,456	\$ 4,544	64,000
50175	Annual Leave Buyback	3,260	\$ -	\$ 3,260	\$ 40	3,300
50207	Advertisement	4,041	\$ -	\$ 4,041	\$ 4,959	9,000
50210	Membership Dues & Subscriptions	4,447	\$ -	\$ 4,447	\$ (1,947)	2,500
50212	Conferences & Training	868	\$ -	\$ 868	\$ 3,132	4,000
50214	Tuition Reimbursement	-	\$ -	\$ -	\$ 2,000	2,000
50220	Consultant Fees	210,410	\$ -	\$ 210,410	\$ (99,163)	111,247
50238	Postage	360	\$ -	\$ 360	\$ 640	1,000
50239	Fire & Liability Insurance	16,853	\$ -	\$ 16,853	\$ 50,147	67,000
50251	Telephone & Communication	5,569	\$ -	\$ 5,569	\$ 31	5,600
50305	Water	1,275	\$ -	\$ 1,275	\$ 740	2,015
50306	Electricity	10,121	\$ -	\$ 10,121	\$ (2,165)	7,956
50307	Natural Gas	5,918	\$ -	\$ 5,918	\$ (692)	5,226
50308	Property Taxes	464,200	\$ -	\$ 464,200	\$ 104,843	567,770
50266	Legal & Administrative		\$ -	\$ -	\$ -	-
	Audit Fees	4,349	\$ -	\$ 4,349	\$ (116)	4,233
	OPEB Contribution		\$ -	\$ -	\$ 19,200	19,200
	City Council	4,649	\$ -	\$ 4,649	\$ (2,386)	2,263
	City Clerk	3,381	\$ -	\$ 3,381	\$ (401)	2,980
	City Manager	54,131	\$ -	\$ 54,131	\$ (376)	53,755
	Human Resources	30,121	\$ -	\$ 30,121	\$ (24,265)	5,856
	City Solicitor	20,459	\$ -	\$ 20,459	\$ (7,596)	12,863
	Finance Administrative 50%	19,822	\$ -	\$ 19,822	\$ 4,008	23,830
	Finance Administrative 5%	7,020	\$ -	\$ 7,020	\$ (3,943)	3,078
	Finance Admin 10% Inv/Debt		\$ -	\$ -	\$ 13,113	13,113
	Purchasing	18,314	\$ -	\$ 18,314	\$ (1,175)	17,139
	Collections	46,979	\$ -	\$ 46,979	\$ (28,829)	18,150
	Accounting - Wires - 5%	10,679	\$ -	\$ 10,679	\$ (1,762)	8,917
	Accounting	70,516	\$ -	\$ 70,516	\$ (25,921)	44,595
	Public Safety		\$ -	\$ -	\$ -	-
	Facilities Maintenance	13,266	\$ -	\$ 13,266	\$ (13,266)	-
50267	MIS Data Processing	143,888	\$ -	\$ 143,888	\$ 19,455	163,343
50268	Mileage Allowance	875	\$ -	\$ 875	\$ 1,125	2,000
50271	Gasoline & Vehicle Allowance	9,354	\$ -	\$ 9,354	\$ (3,965)	5,389
50275	Repairs & Maintenance	-	\$ -	\$ -	\$ 1,200	1,200
50280	Regulatory Expense	590	\$ -	\$ 590	\$ 4,410	5,000
50281	Regulatory Assessment	79,698	\$ -	\$ 79,698	\$ 302	80,000
50361	Office Supplies	14,469	\$ -	\$ 14,469	\$ 531	15,000
50505	Self Insurance	118	\$ -	\$ 118	\$ 4,882	5,000
50515	Unemployment Claims	-	\$ -	\$ -	\$ -	-
	Subtotal:	\$ 2,091,677	\$ -	\$ 2,091,677	\$ 117,472	\$ 2,204,502

Account

Customer Service

50001	Salaries & Wages
50002	Overtime
	Collections
50004	Temp Salaries
50056	Injury Pay
50100	Employee Benefits
50120	Bank Fees (lock box)
50175	Annual Leave Buyback
50205	Copying & binding
50212	Conferences & Training
50225	Support Services
50238	Postage
50271	Gasoline & Vehicle Allowance
50275	Repairs & Maintenance
50299	Meter Maintenance
50311	Operating Supplies
50320	Uniforms & protective Gear
50380	Customer Service Supplies

Subtotal:

Source of Supply - Island

50001	Salaries & Wages
50002	Overtime
50004	Temp Salaries
50056	Injury Pay
50100	Employee Benefits
50175	Annual Leave Buyback
50306	Electricity
50271	Gas/Vehicle Maintenance
50275	Repairs & Maintenance
50277	Reservoir Maintenance
50311	Operating Supplies
50320	Uniforms & protective Gear
50335	Chemicals

Subtotal:

Source of Supply - Mainland

50002	Overtime
50004	Temp Salaries
50005	Permanent Part time
50100	Employee Benefits
50306	Electricity
50275	Repairs & Maintenance
50277	Reservoir Maintenance
50311	Operating Supplies

Subtotal:

Test Year (FY2015)	Test Year Normalizing Adjustments	Normalized Test Year	Rate Year Adjustments	PWFD Proposed Rate Year *
\$ 263,080	\$ -	\$ 263,080	\$ 46,230	309,310
116	\$ -	116	\$ 5,293	5,409
	\$ -	-	\$ -	-
18,831	\$ -	18,831	\$ (3,855)	14,976
-	\$ -	-	\$ -	-
149,435	\$ -	149,435	\$ 41,370	186,231
13,711	\$ -	13,711	\$ 3,089	16,800
4,531	\$ -	4,531	\$ (31)	4,500
511	\$ -	511	\$ (11)	500
(263)	\$ -	(263)	\$ 5,263	5,000
32,784	\$ -	32,784	\$ (6,609)	26,175
57,265	\$ -	57,265	\$ 17,415	74,680
39,667	\$ -	39,667	\$ (12,722)	26,945
33,449	\$ -	33,449	\$ 1,551	35,000
7,734	\$ -	7,734	\$ 2,266	10,000
3,658	\$ -	3,658	\$ 1,342	5,000
957	\$ -	957	\$ 43	1,000
166	\$ -	166	\$ 4,834	5,000
\$ 625,632	\$ -	\$ 625,632	\$ 105,468	\$ 726,526
\$ 321,324	\$ -	\$ 321,324	\$ (11,374)	309,950
36,123	\$ -	36,123	\$ (3,123)	33,000
-	\$ -	-	\$ 26,180	26,180
-	\$ -	-	\$ -	-
185,081	\$ -	185,081	\$ (9,431)	174,277
3,783	\$ -	3,783	\$ 17	3,800
38,527	\$ -	38,527	\$ 11,353	49,880
63,620	\$ -	63,620	\$ (4,341)	59,279
11,633	\$ -	11,633	\$ (1,633)	10,000
16,236	\$ -	16,236	\$ (236)	16,000
2,802	\$ -	2,802	\$ 4,698	7,500
935	\$ -	935	\$ 575	1,510
72,671	\$ -	72,671	\$ (30,871)	41,800
\$ 752,735	\$ -	\$ 752,735	\$ (18,186)	\$ 733,176
\$ 13,513	\$ -	\$ 13,513	\$ (1,903)	11,610
18,784	\$ -	18,784	\$ 11,212	29,996
14,200	\$ -	14,200	\$ (1,300)	12,900
6,453	\$ -	6,453	\$ (3,928)	2,525
122,917	\$ -	122,917	\$ 31,507	154,424
13,908	\$ -	13,908	\$ (6,908)	7,000
-	\$ -	-	\$ 4,500	4,500
236	\$ -	236	\$ 764	1,000
\$ 190,011	\$ -	\$ 190,011	\$ 33,944	\$ 223,955

Account

Station One

50001	Salaries & Wages
50002	Overtime
50003	Holiday Pay
50045	Lead Plant Operator Stipend
50100	Employee Benefits
50175	Annual Leave Buyback
50212	Conferences & Training
50239	Fire & Liability Insurance
50306	Electricity
50307	Natural Gas
50260	Rental of Equipment
50305	Sewer Charge
50271	Gas/Vehicle Maintenance
50275	Repairs & Maintenance
50311	Operating Supplies
50320	Uniforms & protective Gear
50335	Chemicals

Subtotal:

Lawton Valley

50001	Salaries & Wages
50002	Overtime
50003	Holiday Pay
50045	Lead Plant Operator Stipend
50100	Employee Benefits
50175	Annual Leave Buyback
50212	Conferences & Training
50239	Fire & Liability Insurance
50306	Electricity
50307	Natural Gas
50260	Rental of Equipment
50305	Sewer Charge
50271	Gas/Vehicle Maintenance
50275	Repairs & Maintenance
50311	Operating Supplies
50320	Uniforms & protective Gear
50335	Chemicals

Subtotal:

Laboratory

50001	Salaries & Wages
50100	Employee Benefits
50175	Annual Leave Buyback
50275	Repairs & Maintenance
50281	Regulatory Assessment
50339	Laboratory Supplies

Subtotal:

Test Year (FY2015)	Test Year Normalizing Adjustments	Normalized Test Year	Rate Year Adjustments	PWFD Proposed Rate Year *
\$ 519,694	\$ -	\$ 519,694	\$ 31,887	511,075
110,009	\$ -	\$ 110,009	\$ (7,069)	102,940
18,936	\$ -	\$ 18,936	\$ 3,096	22,032
6,627	\$ -	\$ 6,627	\$ 5,853	12,480
\$ 296,163	\$ -	\$ 296,163	\$ (12,650)	263,937
11,785	\$ -	\$ 11,785	\$ 215	12,000
1,049	\$ -	\$ 1,049	\$ 3,451	4,500
60,531	\$ -	\$ 60,531	\$ (25,531)	35,000
\$ 207,037	\$ -	\$ 207,037	\$ (44,553)	162,484
43,410	\$ -	\$ 43,410	\$ -	43,410
922	\$ -	\$ 922	\$ 78	1,000
108,472	\$ -	\$ 108,472	\$ 90,968	204,000
9,831	\$ -	\$ 9,831	\$ (4,442)	5,389
\$ 9,738	\$ -	\$ 9,738	\$ 57,049	66,992
\$ 18,895	\$ -	\$ 18,895	\$ (1,734)	17,161
1,027	\$ -	\$ 1,027	\$ 399	1,426
350,158	\$ -	\$ 350,158	\$ (33,843)	316,315
\$ 1,774,284	\$ -	\$ 1,774,284	\$ 63,174	\$ 1,782,141
\$ 449,625	\$ -	\$ 449,625	\$ 48,916	498,541
98,692	\$ -	\$ 98,692	\$ 211	98,903
15,904	\$ -	\$ 15,904	\$ 4,088	19,992
7,830	\$ -	\$ 7,830	\$ 4,650	12,480
\$ 273,138	\$ -	\$ 273,138	\$ 4,864	278,234
7,368	\$ -	\$ 7,368	\$ 32	7,400
850	\$ -	\$ 850	\$ 3,270	4,120
93,577	\$ -	\$ 93,577	\$ (39,577)	54,000
\$ 310,343	\$ -	\$ 310,343	\$ 14,748	325,091
34,663	\$ -	\$ 34,663	\$ -	34,663
722	\$ -	\$ 722	\$ 278	1,000
358,682	\$ -	\$ 358,682	\$ 139,918	510,000
7,482	\$ -	\$ 7,482	\$ (2,093)	5,389
\$ 19,922	\$ -	\$ 19,922	\$ 41,429	61,556
\$ 8,971	\$ -	\$ 8,971	\$ 4,340	13,311
1,539	\$ -	\$ 1,539	\$ (236)	1,303
262,215	\$ -	\$ 262,215	\$ 16,452	278,667
\$ 1,951,523	\$ -	\$ 1,951,523	\$ 241,291	\$ 2,204,651
\$ 114,425	\$ -	\$ 114,425	\$ 6,754	121,179
54,984	\$ -	\$ 54,984	\$ 3,724	55,194
1,560	\$ -	\$ 1,560	\$ (60)	1,500
256	\$ -	\$ 256	\$ 1,444	1,700
47,696	\$ -	\$ 47,696	\$ (672)	47,024
16,924	\$ -	\$ 16,924	\$ 18,703	35,627
\$ 235,845	\$ -	\$ 235,845	\$ 29,893	\$ 262,224

Account

Transmission & Distribution

50001 Salaries & Wages
50002 Overtime
50004 Temp Salaries
50056 Injury Pay
50100 Employee Benefits
50175 Annual Leave Buyback
50212 Conferences & Training
50225 Contract Services
50239 Fire & Liability Insurance
50306 Electricity
50260 Heavy Equipment Rental
50271 Gas/Vehicle Maintenance
50275 Repairs & Maintenance
50276 Main Maintenance
50296 Service Maintenance
50311 Operating Supplies
50320 Uniforms & protective Gear

Subtotal:

Fire Protection

50275 Repair & Maintenance - Equipment

Subtotal:

Total O&M Costs

	Test Year (FY2015)	Test Year Normalizing Adjustments	Normalized Test Year	Rate Year Adjustments	Proposed Rate Year FY2017
\$	437,907	\$ -	\$ 437,907	\$ 114,926	515,219
	48,703	\$ -	\$ 48,703	\$ 3,661	52,364
	18,106	\$ -	\$ 18,106	\$ 8,074	26,180
	-	\$ -	\$ -	\$ -	-
	259,991	\$ -	\$ 259,991	\$ 70,083	312,306
	7,484	\$ -	\$ 7,484	\$ 16	7,500
	1,776	\$ -	\$ 1,776	\$ 2,224	4,000
	10,524	\$ -	\$ 10,524	\$ 11,001	21,525
	20,061	\$ -	\$ 20,061	\$ (8,061)	12,000
	34,641	\$ -	\$ 34,641	\$ (14,034)	20,607
	10,706	\$ -	\$ 10,706	\$ (2,446)	8,260
	93,222	\$ -	\$ 93,222	\$ (23,165)	70,057
	28,521	\$ -	\$ 28,521	\$ (2,521)	26,000
	94,546	\$ -	\$ 94,546	\$ (3,346)	91,200
	28,090	\$ -	\$ 28,090	\$ 1,910	30,000
	4,964	\$ -	\$ 4,964	\$ 3,036	8,000
	1,725	\$ -	\$ 1,725	\$ 2,275	4,000
\$	1,100,967	\$ -	\$ 1,100,967	\$ 163,633	\$ 1,209,218
\$	11,585	\$ -	\$ 11,585	\$ 12,215	\$ 23,800
\$	11,585	\$ -	\$ 11,585	\$ 12,215	\$ 23,800
\$	8,734,259	\$ -	\$ 8,734,259	\$ 748,905	\$ 9,370,194

Account

CAPITAL COSTS

Contribution to Capital Spending Acct.

Contribution to Debt Service Acct.

Total Capital Costs

Operating Revenue Allowance

Total Costs before Offsets

OFFSETS

Nonrate Revenues

Sundry charges

WPC cost share on customer service

Middletown cost share on customer service

Rental of Property

Water Penalty

Misc. & Rest. Acct Red. **

Investment Interest Income

Water Quality Protection Fees

Total Nonrate Revenues

Net Costs to Be Recovered through Rates

Test Year (FY2015)	Test Year Normalizing Adjustments	Normalized Test Year	Rate Year Adjustments	Proposed Rate Year FY2017
\$2,735,664	(\$235,664)	\$2,500,000	\$ -	2,500,000
\$6,810,996	\$ 4	\$ 6,811,000	\$ -	6,811,000
\$ 9,546,660	\$ (235,660)	\$ 9,311,000	\$ -	\$ 9,311,000
\$ 262,028	\$ (1,469)	\$ 260,558	\$ 23,937	284,495
\$ 18,542,947	\$ (237,130)	\$ 18,305,817	\$ 772,842	\$ 18,965,689
\$ 147,125	\$ -	\$ 147,125	\$ (20,875)	126,250
\$ 291,365	\$ -	\$ 291,365	\$ 38,635	330,000
\$ 146,895	\$ -	\$ 146,895	\$ 20,105	167,000
\$ 91,893	\$ -	\$ 91,893	\$ 3,307	95,200
\$ 54,474	\$ -	\$ 54,474	\$ (3,274)	51,200
\$ 7,853	\$ -	\$ 7,853	\$ 920,113	927,966
\$ 3,090	\$ -	\$ 3,090	\$ (1,840)	1,250
\$ 23,638	\$ -	\$ 23,638	\$ (1,388)	22,250
\$ 766,333	\$ -	\$ 766,333	\$ 954,783	\$ 1,721,116
\$ 17,776,614	\$ (237,130)	\$ 17,539,484	\$ (181,941)	\$ 17,244,573

* Note: Salary costs, benefits, sewer charges, treatment plant repairs, and property taxes have been revised (and shown in Italics) to match the current NWD Position. PWFD updated City Services as well.

** Additional from restricted account reductions =

Retiree Ins	\$ 200,000
Accr Benef	\$ 559,000
Payroll	\$ 131,744
Op Reser	\$ 26,722
	<u>\$ 917,466</u>

Exhibit B

Rhode Island Public Utilities Commission

Docket 4595

FY 2017 Rate Filing

Exhibit B - Post Hearing

Cost of Service Rates and Charges

		Docket 4355 Rates	Cost of Service	Proposed Rates	% Change	Projected Revenues
Base Charge (per bill)						
Monthly						
5/8		\$ 4.89	\$ 4.4311	\$ 4.44	-9%	\$572,707
3/4		\$ 5.01	4.6611	4.67	-7%	\$139,876
1		\$ 6.07	6.3402	6.35	5%	\$43,205
1.5		\$ 8.78	10.4465	10.45	19%	\$47,150
2		\$ 11.35	14.7245	14.73	30%	\$46,488
3		\$ 25.22	38.9994	39.00	55%	\$27,144
4		\$ 28.90	45.8982	45.90	59%	\$8,813
5		\$ 33.80	55.0966	55.10	63%	\$0
6		\$ 37.48	61.9954	62.00	65%	\$23,808
8		\$ 47.29	80.3923	80.40	70%	\$965
10		\$ 65.07	113.7365	113.74	75%	\$1,365
Portsmouth Base Charge (4")		\$ 2.86	0.9812	0.99	-65%	202
						911,723
Volume Charge (per 1,000 gallons)						
Retail						
Residential		\$ 10.02	\$ 8.8183	\$ 8.82	-12%	5,832,018
Non-Residential		\$ 11.22	\$ 10.1171	\$ 10.12	-10%	4,626,915
						\$ 10,458,932
Wholesale						
Navy		\$ 6.5189	\$ 6.6383	\$ 6.6384	2%	1,640,203
Portsmouth Water & Fire District		\$ 5.1507	\$ 5.9076	\$ 5.9076	15%	2,556,702
						4,196,905
Fire Protection						
Public (per hydrant)		\$ 944.22	\$ 1,238.88	\$ 1,238.89	31%	\$ 1,287,207
Private (by Connection Size)						
Connection Size		Existing Charge Differential				
<2		\$25.99	\$ 36.36	\$ 36.36	40%	
2	6.19	\$108.85	\$ 152.27	\$ 152.28	40%	-
4	38.32	\$399.08	\$ 564.68	\$ 564.69	41%	41,787
6	111.31	\$951.11	\$ 1,347.63	\$ 1,347.63	42%	316,693
8	237.21	\$1,903.25	\$ 2,698.05	\$ 2,698.05	42%	148,393
10	426.58	\$3,335.46	\$ 4,729.36	\$ 4,729.36	42%	-
12	689.04	\$5,320.45	\$ 7,544.68	\$ 7,544.69	42%	-
						\$ 506,873

Total Projected Rate Revenues \$ 17,361,639