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May 13, 2016

Via Electronic Mail and Regular 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 Responses to the Division's First Set of Data Requests, issued on April 22, 2016.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Adam M. Ramos".

Adam M. Ramos

AMR:cw
Enclosures

cc: RIPUC Service List (electronically only)

55754703 (38210.167824)

Docket No. 4595 - City of Newport Water Division – Rate Application
Updated 2/9/16

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Division 1-1

Request:

Reference page 20, lines 15-25 of Mr. Woodcock's testimony. Please provide an explanation and the workpapers and calculations in Excel format supporting the service investment adjustments.

Response:

Please see the attached spreadsheet that Mr. Woodcock used to derive asset values. Mr. Woodcock based this spreadsheet on the spreadsheet of asset values provided by Newport Water on January 6, 2016, as part of the settlement in Docket 4355. Mr. Woodcock modified the original spreadsheet to correct mistakes he discovered. These modifications are shown in Column H Under the heading "Question??"

As shown on the attached spreadsheet, Mr. Woodcock compared the total asset value of service lines to the number of accounts billed, which he used as a surrogate for the total number of service lines, to derive a value per service line. This resulted in the following calculation: Newport Water's initial estimated service line asset value of \$3,726,343 divided by 14,508 billings (taken from Newport Water's schedule D1) to get an asset value of \$260/service line (rounded from \$256.85). Mr. Woodcock used this same calculation in Docket 4355 and in subsequent telephone and email conversations he had regarding the updated asset listing with representatives from Newport Water, the Navy and the Division. These telephone and email conversations took place in January of 2016 after Newport Water filed this rate case.

Once Mr. Woodcock performed this calculation, he compared it to Pawtucket Water's investment in service lines from Docket 4550. That docket showed that Pawtucket Water had \$9,654,037 in service line investments over 22,826 accounts billed, equaling an asset value of \$423/service line. Mr. Woodcock then divided Pawtucket Water's value per service line (\$423) by the value he calculated per service line for Newport Water (\$260) to derive a ratio of 1.627. Finally, Mr. Woodcock applied that ratio to the values that Newport Water estimated for service lines to derive the full asset value of services in the Newport System of \$6,062,473. While preparing this response, Mr. Woodcock found an error that changed the service value somewhat from that in his direct testimony. His surrebuttal testimony will include this correction to the service line values.

State of Rhode Island – Public Utilities Commission
Docket No.: 4595
In Re: City of Newport, Utilities Department, Water Division
Portsmouth Water & Fire District’s
Responses to Division’s First Set of Data Requests
Issued April 22, 2015

Division 1-2
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Request:

Reference page 21, lines 1-6, of Mr. Woodcock’s testimony. For each misclassification, please identify the basis for Mr. Woodcock’s claim that the asset was misclassified.

Response:

Please see the spreadsheet attached to Portsmouth Water’s response to Division 1-1. Portsmouth Water identified various items for which it questioned whether the classification was appropriate. Those items are identified in the Column labelled “Question??” The asset type or allocation is shown in Column B on that spreadsheet, and those that have been changed are set forth in red typeface. Portsmouth Water raised each of these with a representative from Newport Water who said that Newport Water would provide a response as to each of the proposed classification changes. Portsmouth Water has not yet received Newport Water’s response. In addition to the revision to the service pipe asset values, Mr. Woodcock made the following changes.

<u>Summary of Changes</u>				
<u>Excel Row</u>	<u>Description</u>	<u>NWD initial designation *</u>	<u>PWFD Suggested Designation *</u>	<u>Reason</u>
239	Water System Eval	T	TD	appears to be system evaluation
241	Water System Eval	T	TD	appears to be system evaluation
291	Lee's Wharf Pump Station	T	TDP	appears to be distribution pumping station not treatment plant
292	Paradise Avenue Pump Station	T	SS	appears to be supply pumping, not treatment
293	Forest Ave Pump Station	T	TDP	appears to be distribution pumping station not treatment plant

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294	Paradise Avenue Pump Station	T	SS	appears to be supply pumping, not treatment
354	Reservoir Tank Improve	TD	ST	appears to be a storage facility, not transmission & distribution
358	Reservoir Road Standpipe	TD	ST	appears to be a storage facility, not transmission & distribution
361	Painting of Water Tank	TD	ST	appears to be a storage facility, not transmission & distribution
362	Distribution Standpipes	TD	ST	appears to be a storage facility, not transmission & distribution

* KEY:

TD	TRANSMISSION/DISTRIBUTION
L	LAWTON VALLEY
N	STATION 1
T	TREATMENT BOTH
ST	STORAGE
SS	SOURCE OF SUPPLY
M	METERS
S	SERVICES
TDP	T&D PUMPING
B	BILLING
F	FIRE
LAB	LABORATORY
LAND	LAND AND ROW

Division 1-3
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Request:

Reference page 19, Lines 11-19, of Mr. Woodcock's testimony:

- a. If the average day on the Newport system were year-to-year consistently 10 MGD and maximum day demand were 16 MGD, does Mr. Woodcock believe that a 50/50 average/maximum day allocation of treatment capital costs would be reasonable? Provide the complete basis for Mr. Woodcock's response;
- b. In Mr. Woodcock's opinion would the design of the water treatment facilities been any different if they were designed on an average day of 10 MGD and a maximum day of 16 MGD. If yes, please explain these differences; and
- c. In Mr. Woodcock's opinion, if the maximum day demand of a Newport customer class exceed the maximum day demand of that class used to design Newport's water treatment facilities, should that class be allocated water treatment capacity costs based on actual or design demands? Please explain the basis for your response.

Response:

- a) This hypothetical is incomplete, and therefore Portsmouth Water would require additional information to provide a complete response. Notwithstanding the need for additional information, it is Mr. Woodcock's opinion that, if the "year-to-year consistency" was over a three-to-five-year period after design and construction (a short time frame), then it would still be appropriate look to the design basis, and a 50/50 average/maximum day allocation of treatment capital costs would be reasonable. If that consistency persisted over a longer period of time, it may become necessary to adjust, but it would depend on other factors not present in this hypothetical to determine how long the year-to-year consistency would need to persist to warrant an adjustment. The facilities were presumably designed with sizing for an average day of 8 MGD. It is not clear what structural changes (vs. operational changes) might be necessary to consistently meet an average day demand that is 25% greater than the design basis. Thus, if the average day for Portsmouth Water was consistently 10 MGD, Mr. Woodcock would need to know whether other design and operational changes were needed to meet this consistently higher average day demand, and, if changes are necessary, what those changes would be, before he could reach an opinion as to whether the design basis and 50/50 average/maximum day allocation of treatment capital costs would still be reasonable.

Division 1-3

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- b) Mr. Woodcock was not part of the design team and cannot answer this question. He is not testifying on the design of the treatment facilities, only the basis provided by the design engineers. In his opinion, there are circumstances in which the design would have been the same based on an average day of 10 MGD and a maximum day of 16 MGD, and there are circumstances in which this increased average day demand would have required changes to the design.
- c) The response to this question depends on many factors including: (1) the degree to which the customer class's use exceeded maximum day design capacity, (2) whether the excessive use was a one-time event or a common occurrence, and (3) whether other customer classes also exceeded maximum design day capacity. Mr. Woodcock believes that customers should be allocated their appropriate share of allocated costs (average, maximum, etc.) based on the demand studies and class demands that have been developed for Newport in previous years. He believes this would be true based on the facts presented in the question in the absence of the additional information discussed above. The question discusses actual customer class demands as well as engineering design estimates. It must be recognized that design estimates do not define the ultimate use by a class; they define only how a facility is designed. It would be surprising to find a facility where the engineer's estimated demands exactly matched each class of customer's demands some 15 or 20 years later (design timeframe). Accordingly, when rates are developed based on actual uses and demands, it can take changes from estimates into consideration as well as look at possible new classes of customers that might be developed subsequent to the design.

Division 1-4

Request:

Reference page 19, lines 4-9, of Mr. Woodcock's testimony. Please identify and describe each error in detail.

Response:

This question refers to the errors identified by Portsmouth Water in portions of Schedule B1 to Harold Smith's testimony on behalf of Newport Water. Please see page 25 of 73 of the schedules attached to Mr. Smith's original filing and compare that to the portion of the schedule in the exhibits to Mr. Woodcock's testimony (page 22 of 62). These errors relate to the calculation of the correct amounts of electricity and chemical costs that are deducted from the total non-administrative operating expenses. This calculation is then used to allocate many of the administrative costs. It can be seen on Mr. Smith's filed schedule that there are no costs for electricity at Station One, Lawton Valley, or for T&D power costs. Further, some of Mr. Smith's references in the spreadsheet that was provided to all parties were not to the proper source.