



100 Westminster Street, Suite 1500
Providence, RI 02903-2319
p: 401-274-2000 f: 401-277-9600
hinckleyallen.com

Adam M. Ramos
aramos@hinckleyallen.com
Direct Dial: 401-457-5164

May 17, 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 Newport Water's First Set of Data Requests, issued on April 26, 2016.

Thank you for your attention to this matter.

Very truly yours,


Adam M. Ramos

AMR:cw
Enclosures

cc: RIPUC Service List (electronically only)

55761272 (38210.167824)

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

Parties/Address	E-mail Distribution	Phone
Joseph A. Keough, Jr., Esq. Keough & Sweeney 41 Mendon Ave. Pawtucket, RI 02861	jkeoughjr@keoughsweeney.com ;	401-724-3600
Julia Forgue, Director of Public Works Newport Water Department 70 Halsey St. Newport, RI 02840	jforgue@cityofnewport.com ;	401-845-5601
	lsitrin@CityofNewport.com ;	
	rschultz@CityofNewport.com ;	
	wyst@CityofNewport.com ;	
Harold Smith Raftelis Financial Consulting, PA 511 East Blvd. Charlotte, NC 28203	Hsmith@raftelis.com ;	704-373-1199
Christy Hetherington, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Chetherington@riag.ri.gov ;	401-222-2424
	steve.scialabba@dpuc.ri.gov ;	
	pat.smith@dpuc.ri.gov ;	
	John.bell@dpuc.ri.gov ;	
	al.mancini@dpuc.ri.gov ;	
	jmunoz@riag.ri.gov ;	
Thomas S. Catlin Exeter Associates, Inc. 10480 Little Patuxent Parkway, Suite 300 Columbia, MD 21044	tcatlin@exeterassociates.com ;	410-992-7500
Gerald Petros, Esq. Adam Ramos, Esq. Hinckley, Allen & Snyder 100 Westminster St., Suite 1500 Providence, RI 02903	gpetros@haslaw.com ;	401-274-2000
	aramos@hinckleyallen.com ;	
	cwhaley@hinckleyallen.com ;	
	jmansolf@hinckleyallen.com ;	
William McGlinn Portsmouth Water & Fire District 1944 East Main Rd. PO Box 99 Portsmouth, RI 02871	wmcglinn@portsmouthwater.org ;	401-683-2090 ext. 224
Christopher Woodcock Woodcock & Associates, Inc. 18 Increase Ward Drive Northborough, MA 01532	Woodcock@w-a.com ;	508-393-3337
Allison Genco, Esq. NAVFAC HQ- Building 33 Dept. of the Navy 1322 Patterson Ave SE, Suite 1000 Washington Navy Yard, D.C. 20374-5065	allison.genco@navy.mil ;	
Dr. Kay Davoodi, P.E., Director Utility Rates and Studies Office NAVFAC HQ- Building 33	Khojasteh.davoodi@navy.mil ;	

Dept. of the Navy 1322 Patterson Ave SE, Suite 1000 Washington Navy Yard, D.C. 20374-5065		
Larry R. Allen, Public Utilities Specialist Dept. of the Navy	Larry.r.allen@navy.mil ;	
Maurice Brubaker Brubaker and Associates, Inc. PO Box 412000 St. Louis, MO 63141-2000	mbrubaker@consultbai.com ; bcollins@consultbai.com ;	401-724-3600
File an original and nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ; Cynthia.WilsonFrias@puc.ri.gov ; Sharon.ColbyCamara@puc.ri.gov ;	401-780-2107

Newport Water 1-1

Request:

On page 7 of Mr. Woodcock's testimony, he states: "Based on historical observation, Newport Water's capital expenses often end up much lower than forecasted."

- a. Please provide all documents Mr. Woodcock relied on in support of his testimony.
- b. Please provide all facts Mr. Woodcock relied on in support of his testimony.

Response:

a & b. Newport Water's capital expenses have been the subject of considerable testimony and documentation from numerous parties in proceedings before the Commission regarding Newport Water's rates during the past few decades. The attached documents are a sample of the documents and facts that support my assertion that Newport Water's capital expenses often end up much lower than forecasted. The totality of all documentation supporting this statement, however, is considerable and the attachment should not be viewed as all inclusive or containing all facts. For example, the attachment includes a number of Capital Improvement Program submissions, but does not include a comparison of how each changed (which can be ascertained by comparing the submissions). Further, the attachment does not include Newport Water's IFR reports, which have been in evidence in prior proceedings and upon which Newport Water has relied to support its rate filings; they are voluminous and cumulative. These too may be compared to the capital programs to see the changes.

The attachment to this response makes it clear that Newport Water's capital program is constantly changing and that historical expenditures have typically been less than the initial projections.

1 **RHODE ISLAND PUBLIC UTILITIES COMMISSION**

2
3 **DOCKET NO. 3818**

4
5 **NEWPORT WATER DEPARTMENT**

6
7 **PREFILED TESTIMONY OF**

8
9 **CHRISTOPHER P.N. WOODCOCK**

10
11 **ON BEHALF OF**

12 **PORTSMOUTH WATER & FIRE DISTRICT**

13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: CITY OF NEWPORT WATER :
DIVISION APPLICATION TO : DOCKET NO. 3578
CHANGE RATE SCHEDULES :

REPORT AND ORDER

Table of Contents

I.	Introduction.....	1
II.	Newport Water's Pre-Filed Testimony.....	2
III.	PWFD's Pre-Filed Testimony.....	12
IV.	Navy's Direct Testimony.....	24
V.	Division's Direct Testimony.....	27
VI.	Newport Water's Rebuttal.....	34
VII.	PWFD's Surrebuttal.....	43
VIII.	Navy's Surrebuttal.....	49
IX.	Division's Surrebuttal.....	51
X.	Settlement.....	56
XI.	Hearing.....	59
XII.	Commission Findings - June 22, 2004 Open Meeting.....	63
XIII.	August 19, 2004 Open Meeting.....	69
XIV.	September 2, 2004 Open Meeting.....	69

I. Introduction

On November 28, 2003, the City of Newport, Utilities Department, Water Division ("Newport Water" or "Water Department"), a municipal utility, filed with the Public Utilities Commission ("Commission") a rate application pursuant to R.I.G.L. § 39-3-11. In its filing, Newport Water requested a total revenue increase of 8.01%, to collect an additional \$606,662 for operating revenues, for a total revenue requirement of

O&M expense of \$193,000. Additionally, because the capital outlay account is overfunded, the net result is a decrease in Newport Water's cost of service of \$193,000.⁹²

Turning to the Payment from Newport Water to the City of Newport, Mr. Catlin stated that Newport Water had "not prepared any analysis of revenues and expenses since June 2000 showing the build-up of the claimed deficiency," making evaluation of its accuracy impossible. Additionally, Mr. Catlin noted that if Newport Water's rates had proven inadequate to meet costs, the Company should have filed for rate relief prior to the instant filing. He argued that "[a]llowing Newport [Water] to recover this claimed deficiency effectively excuses the Water Division and the City for failing to properly monitor and manage the finances and rates of the Water Division."⁹³

In response to Newport Water's contention that there a deficiency would not have existed but for the fact that so much of the revenues were transferred to restricted accounts despite money not having been expended from those accounts, Mr. Catlin argued that the fundamental purpose for establishing restricted accounts is to ensure that funds are available for large capital projects requested by the utility. After analyzing Newport Water's collections practices, Mr. Catlin concluded that of the claimed \$2.5 million deficiency, he could account for \$717,343. Therefore, he recommended that \$717,343 be withdrawn from the debt service account and returned to the City of Newport for FY 2001 through FY 2003.⁹⁴

Reviewing Newport Water's restricted accounts, Mr. Catlin noted that both the capital outlay and debt service accounts were overfunded due to the fact that Newport Water had not undertaken the projects for which the funds were approved. However, Mr.

⁹² Id. at 18-19.

⁹³ Id. at 19-20.

⁹⁴ Id. at 21-23.

1 **Summary**

2 **Q: Please describe your role in this proceeding.**

3 A: I have been retained by the Portsmouth Water & Fire District (Portsmouth) to re-
4 view Newport Water's rate filing in Docket 3818. I had been involved in a similar
5 capacity in Newport's last four rate filings.

6

7 **Q: Would you summarize your overall findings?**

8 A: The Newport Water Department has made some positive strides since the 1990's
9 but I remain concerned that the Water Department is still in a negative cash posi-
10 tion that seems to be getting worse rather than better. Further, a number of differ-
11 ent factors raise concerns about the management of the Department and the ap-
12 parent lack of support or concern from the City. In addition, the capital improve-
13 ment program seems to be slipping. Lastly, I believe that Newport has overstated
14 its revenue requirements, particularly as it relates to the proposed SRF loans, re-
15 payments to the City, and the cost of City Services.

16

17 The Portsmouth Water & Fire District has made it clear that it has not intervened in
18 these proceedings just to lower its charges. On the contrary, PWFD has stated that
19 it wishes to see Newport Water receive sufficient funds to properly manage and op-
20 erate its system, fund necessary improvements, and deliver quality water to all its
21 customers, including those in Portsmouth. PWFD simply wants to assure that the
22 costs allocated to it are fair.

23

24 I am concerned that Newport Water's recent filings seem to act as a mechanism to
25 move rate revenues into the City General Fund, to the detriment of the Water De-
26 partment.

27

28 In this Docket, Newport has requested an increase of \$1,318,863. Over 7%, or
29 some \$746,389, of the net revenue requirement claimed by Newport is for repay-
30 ments to the City or transfers to the City's General Fund. Newport's claimed Ad-

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3818
Portsmouth Water & Fire District
Supplemental Responses to
NWD Data Requests Set 1

NWD 1-1. In Christopher Woodcock's testimony, he indicates that Newport Water's Capital Improvement Program is "slipping" (Page 4, lines 12-13). Please have Mr. Woodcock describe in detail how Newport Water's Capital Improvement Program is "slipping" and set forth each and every fact that supports his contention. Please have Mr. Woodcock identify in his answer each and every Capital Project that has slipped.

Response:

Mr. Woodcock has not performed an exhaustive study of all of Newport Water's proposed capital programs in the past few dockets. Rather, he has examined several items and proposed studies. Please refer to Exhibit B to Mr. Woodcock's prefiled testimony that presents various projects that were proposed to be funded by a bond issue dating back to 1999. Also, see the following:

- page 10 of Mr. Woodcock's prefiled Testimony relating to various studies that were funded for FY 2006 that have yet to completed, or in several cases, even awarded.
- Newport Water's responses to PWFD 1-8, 1-10.

Mr. Woodcock has not examined all the capital programs going back three to four dockets; however, an examination of a number of similar projects that showed up in Newport Water's Capital Improvement Plan from Docket 3675 and the current filing shows slippage. See attachment.

A complete record of Newport Water's proposed annual capital improvement program and actual expenses over the past 5 – 10 years can hopefully be found in the records of the Newport Water Department. An analysis of these records by Newport Water may provide a more complete response.

Prepared by: C. Woodcock

Supplemental Response:

It remains difficult to catalogue each instance of slippage. Nevertheless, Mr. Woodcock has discovered additional information that supports his response to NWD 1-1 regarding the historic slippage of Newport's capital program:

In the Report and Order in Docket 3578, page 3 (no line numbers) it states:

Ms. Forgue stated that the restricted accounts ordered in Docket No. 2985 have been established. However, with regard to reporting on the Infrastructure Replacement Fund ("IFR") and Capital expenditures, Ms. Forgue indicated that Newport Water has been operating without a detailed IFR or Capital Improvement Project ("CIP") program. In fact, she indicated that some of the projects set forth for funding in Docket No. 2985 were not completed due to a lack of support from staff members. However, the City of Newport is required to file a new Infrastructure Replacement Plan with the Department of Health in July 2004. She indicated that at that time, the City will develop a detailed IFR and CIP program. (this reference footnotes pages 6-7 of Ms. Forgue's prefiled testimony in that docket)

The Report and Order in that Docket also contains numerous other references to historic slippage in the capital program.

Prepared by: C. Woodcock

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3818
Responses of
Portsmouth Water & Fire District
To Newport Water Department Data Request Set 4

1. In Christopher Woodcock's direct testimony (page 15, lines 11-12), he indicates that "To date we are told that Newport can not present an accrual based monthly reports (sic)." Please have Mr. Woodcock set forth in detail each and every fact that supports this testimony. Please include
 - a. The identity of any representative of Newport Water or the City of Newport who stated that Newport cannot present an accrual based monthly report;
 - b. The identity of any person to whom that statement was made;
 - c. The date of said statement;
 - d. Any and all documents which evidence, support or document Mr. Woodcock's testimony.

Response: This statement is based the report and order in Docket No. 3675 which stated: "In addition, Newport Water agreed to provide new information, including monthly statements on an accrual basis covering a "statement of net assets-comparative," a "statement of revenues," a "statement of revenues, expenses, and changes in fund net assets," and a "statement of cash flows." Such new reports will be filed beginning within six months of the date Newport Water hires its Deputy Director of Finance. The Commission will decide the parameters of all such reports that Newport Water will be required to file." (Page 4) and "Commencing May 31, 2006, City of Newport, Utilities Department, Water Division shall provide monthly statements on an accrual basis consistent with a format and due date to be approved by the Public Utilities Commission." (Page 12)

As noted in Mr. Woodcock's prefiled Direct Testimony (page 15), Newport Water had indicated at the November 9, 2005 hearing that with the new Deputy Director of Finance that Newport would be able to provide the stipulated accrual based reports by May 2006. At the Commission's May 25, 2006 Open Meeting the Commission was made aware that the "Financial Officer" had been hired, "considered the situation and unanimously agreed that Newport Water continue the current reporting requirements." The May 2007 reports that were recently submitted do not appear to include monthly statements on an accrual basis covering a statement of revenues and expenses, rather they appear to be a cash based.

The testimony should not have said "we are told"; rather it should have stated that Newport is not providing accrual based revenue and expense reports.

Prepared by: C. Woodcock

3. In Mr. Woodcock's supplemental response to NWD 1-1 he states that the order in Docket 3578 contains "numerous other references to historic slippage" in Newport's capital program. Please have Mr. Woodcock identify each and every instance in which the Order in Docket 3578 references "historic slippage" in Newport's capital program. In doing so, please cite the exact language and the page number where said language can be found.

Response:

Mr. Woodcock did not mean to infer that the exact phrase "historic slippage" was used in the Report and Order and apologizes if that meaning was unintentionally conveyed. Rather, he was referring to references where delays in the capital program and its funding had slipped. References noted are on:

- Page 3, 2nd full paragraph: Ms. Forgue "indicated that some of the projects set forth for funding in Docket No. 2985 were not completed due to a lack of support from staff members."
- Page 3 last paragraph: "The Commission and Division of Public Utilities and Carriers ("Division") previously authorized Newport Water to borrow up to \$3,000,000 from the Drinking Water State Revolving Fund ("SRF") to continue work on its CIP. However, as of the filing date in the instant case, Newport had not borrowed those funds and in fact, excluded this amount from this filing because the debt service is projected to begin in FY 2005."
- Page 12, last paragraph: re: testimony of W. McGlinn on capital program
- Page 27, last paragraph: Mr. Catlin noted "Newport Water had not expended the funds provided in debt service and cash capital outlays, leaving significant balances in those restricted accounts which could be drawn upon over the next several years."
- Page 31, last paragraph: "Reviewing Newport Water's restricted accounts, Mr. Catlin noted that both the capital outlay and debt service accounts were overfunded due to the fact that Newport Water had not undertaken the projects for which the funds were approved."
- Page 35, last paragraph: "Ms. Forgue explained that while Newport Water had received authorization in Division Docket D-02-03 to borrow up to \$3 million from the Rhode Island Clean Water Finance Agency, Newport Water had not borrowed the money."
- Page 46, first full paragraph: "Mr. Woodcock further maintained that for Newport Water's immediate needs, a balance of \$2.5 million at the start of the rate year with annual deposits of \$1.4 million that were allowed in Docket No. 2985 should be sufficient. He indicated that because Newport Water has not yet filed an updated IFR plan, any increases would be premature."

Prepared by: C. Woodcock

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

RHODE ISLAND PUBLIC UTILITIES COMMISSION

DOCKET NO. 3818

NEWPORT WATER DEPARTMENT

PREFILED SURREBUTTAL TESTIMONY OF

CHRISTOPHER P.N. WOODCOCK

ON BEHALF OF

PORTSMOUTH WATER & FIRE DISTRICT

1

2 **Q: Ms. Forgue has disagreed with Mr. Catlin's recommendation to exclude capi-**
3 **tal costs from the allocations of Data Processing and MIS. Didn't you also**
4 **express a similar concern to Mr. Catlin's?**

5 A: I did. I have suggested that all capital items be eliminated from the departmental
6 budgets for the purpose of allocating costs to the Water Department. There is very
7 little, if any, correlation between annual capital expenses and the services provided
8 to the Water Department. A review of Exhibit 1 to Ms. Forgue's rebuttal testimony
9 (Newport's 2007 – 2011 CIP Schedule) shows enormous variability from year to
10 year. For 2006-07 the total is more than \$16.5 million while 2010-11 indicates only
11 \$3.3 million – 1/5th as much! The 2006-07 year used as a basis by Newport in its fil-
12 ing is the highest year by far. This is not at all representative of the rate year which
13 is less than half as much. If the capital costs are included in the allocations as pro-
14 posed by Newport, the allocations of City Service costs will have extreme variations
15 depending on the capital plan for the year selected. This makes no sense.

16

17 **Q: The next area that Ms. Forgue has addressed is your contention that New-**
18 **port's capital improvement plan is slipping. Has her rebuttal testimony on**
19 **that matter changed your position?**

20 A: No it has not. Ms. Forgue certainly does face challenges related to Newport Wa-
21 ter's Capital Program and she has outlined a number of projects that have been
22 completed in recent years. Despite the employee problems she has outlined, New-
23 port has started or completed many projects. However, Ms. Forgue has missed the
24 point of my testimony on this matter. My point was that Newport has not met the
25 capital expenditure goals it has historically presented to the Commission. This was
26 shown in regards to the \$3 million bond issue attached to my prefiled direct testi-
27 mony and in Portsmouth's response to NWD 1-1 (as supplemented). The purpose
28 of raising this issue was to demonstrate that Newport's actual capital expenditures
29 have historically lagged as compared to what they have presented to the Commis-
30 sion. Accordingly, the rate funded revenue requirement of \$1.715 million that they

1 have requested for the rate year should be reduced because many of those ex-
2 penses would likely fall into the later years. Despite the successes that Ms. Forgue
3 has outlined, Newport has clearly demonstrated significant slippage in what it says
4 it will spend and what it actually spends. I believe that the \$1 million annual allow-
5 ance for rate funded capital improvements (along with bonding several other items)
6 that I have proposed has been shown to be reasonable. Nothing in Ms. Forgue's
7 testimony suggests that Newport will need more than this in the next few years.

8

9 **Q: Ms. Forgue has indicated that the number of estimated bills has averaged**
10 **13.9% since December 2006. Does this resolve the concern you raised?**

11 A: The point of my prefiled testimony on this matter related to several management
12 and operational issues, and on this matter, was specifically concerned with the use
13 of test year sales that contained such a high percentage of estimated readings. If
14 Newport's test year sales are significantly different from actual sales due to these
15 estimates, Newport could face continued revenue shortfalls with a greater percent-
16 age of actual meter readings.

17

18 My concern about the large percentage of estimated bills was also related to my
19 suggestion that the meter replacement not be funded from current rate revenue out
20 to the year 2011, but instead be bonded and completed faster. This recommenda-
21 tion would hopefully reduce the number of estimated reads, provide a more accu-
22 rate history of metered sales that rates can be based on, and allow for the more
23 frequent billing that Mr. Catlin has suggested.

24

25 While it appears there may have been a recent reduction in the number of esti-
26 mated bills, even 13.9% is a very high percentage of estimated bills. I provided tes-
27 timony that indicated similar Rhode Island water utilities, that bill more frequently
28 than Newport, have an estimated bill rate that was less than 2%.

29

1 Despite this claim to adjust his model to the actual debt service, Mr. Smith has NOT
2 done this. The actual debt service for the 2007 Series A bonds are as shown on
3 Schedule 2 attached to my prefiled testimony. Mr. Smith's RFC Schedule 2 Rebut-
4 tal shows a claim of \$1,221,000 for the FY 2008 Rate Year debt service. An ex-
5 amination of the spreadsheet provided by Mr. Smith clearly shows that this is NOT
6 the actual rate year debt service for the 2005, 2007 Series A, and 2007 Series B
7 bonds. Mr. Smith has chided me for providing four pages of testimony on this, says
8 he will correct his filing to the actual debt service in a data response and in his re-
9 buttal testimony, and then he fails to make those corrections. Perhaps most dis-
10 turbing, Mr. Smith concludes by accusing me of making "inaccurate assumptions
11 and misleading statements."
12

13 **Q: To back his claim, Mr. Smith says you have "insinuated that Newport Water is**
14 **not proceeding an appropriate manner" to secure the 2007 Series B loan.**
15 **How do you respond to this?**

16 A: My testimony was based on discussions with RICWFA and the fact that Newport
17 Water claimed in a data response (PWFD 1-18) that it had not submitted a draw-
18 down schedule to RICWFA. I suggested that the absence of the drawdown sched-
19 ule suggested that the application had not been submitted. Apparently, Newport
20 did submit such a drawdown schedule, and as of the time of preparing this testi-
21 mony, I understand that Newport will correct or supplement its earlier response. As
22 I indicated earlier, the regulatory process is made more difficult if data responses
23 are incomplete or inaccurate.
24

25 **Q: Does Mr. Smith's testimony provide you with the assurances that funds re-**
26 **stricted for capital or debt will only be used for those purposes?**

27 A: No it does not. The purpose of my testimony was to raise the concern that should
28 the Commission allow funding for more than the actual debt service, based on his-
29 toric precedence, funds may be used for other purposes. I noted that my "review of
30 Newport dockets over the past decade (showed) that bond issues were promised

1 but never materialized." I went on to say that there should be assurances that
2 money set aside for debt should be used for debt. Clearly Newport used funds in
3 its debt service account to fund the repayment to the City account. I was only call-
4 ing for assurances that debt service money not be transferred to some other pur-
5 pose in the future. This is not inaccurate as Mr. Smith suggests. The docket files
6 clearly document these past transfers. Newport's protestations (rather than accep-
7 tance of this suggestion) make me question why Newport is unwilling to provide the
8 requested assurance.

9

10 **Q: Turning to Mr. Smith's four specific concerns with your testimony, will you**
11 **please respond to issue of the capital plan?**

12 A: Mr. Smith has raised two somewhat inter-related issues here: how much should be
13 funded with rate revenues and how much should be funded with debt.

14

15 **Q: Are you recommending a reduction in Newport's capital plan?**

16 A: No I am not. I do recognize that the Newport Water's capital expenditures have
17 historically fallen behind the plan they have presented. That is not to say that pro-
18 jects are simply dropped or ignored, however they do not historically get completed
19 as quickly as Newport initially proposes. I think this "slippage" needs to be recog-
20 nized when looking at realistic funding levels.

21

22 **Q: Why is this necessary? If the Commission provides the funds in one year,**
23 **won't they then be available in later years if projects slip?**

24 A: There are two concerns with this. The first has to do with the possibility that the
25 money will be transferred to another account or used for different purposes -- as we
26 have seen in the past. The second, and perhaps more important issue, has to do
27 with Newport's estimated rate funded capital projects. As shown in my prefiled di-
28 rect testimony, Newport's proposed rate funded capital costs drop considerably af-
29 ter the rate year.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
NWD Proposed	\$1,715,056	\$1,227,460	\$864,886

If the full \$1,715,000 is allowed for the rate year, there will be some \$500,000 of excess in FY 2009 and nearly \$850,000 in FY 2010. While Newport may have projects that could use these extra funds, we do not know what they are nor when they will be started or if they may be better funded from a bond issue.

Despite Mr. Smith's claim that my concern about the slippage is "unsubstantiated", PWFD has provided voluminous evidence that substantiates this past slippage. My prefiled testimony presented a funding scenario with \$1.465 million of capital needs in the rate year and a little over \$500,000 in FY 2009. Given the abundant evidence that Newport will not complete \$1.465 million in FY 2008, I think the \$1 million per year allowance will be more than sufficient, particularly considering the operating reserve allowance we have recommended.

Q: Mr. Smith says that you are unaware of the careful planning that designated which projects are to be rate funded vs. debt funded. Will you comment on that?

A: Mr. Smith claims that the planning took into account a number of factors. Other than Mr. Smith's declaration, Newport has provided no rationale or evidence of this "careful planning" .

There are only two projects that I have suggested be moved from rate funding to debt funding:

- The new Lawton Valley Treatment Plant project will cost nearly \$1 million over the next four years. This is presumably a major undertaking that will have lasting benefit. A project of this type and life seems to be the kind of project that should be debt funded so they costs are more equally spread

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: CITY OF NEWPORT WATER :
DIVISION APPLICATION TO : DOCKET NO. 4025
CHANGE RATE SCHEDULES :

REPORT AND ORDER

I. Introduction

On December 9, 2008, the City of Newport, Utilities Department, Water Division ("Newport Water") a municipal utility, filed with the Public Utilities Commission ("Commission") a rate application pursuant to R.I.G.L. § 39-3-11. In its filing, Newport Water requested a total revenue increase of 28.8%, to collect an additional \$3,353,023 for operating revenues, for a total revenue requirement of \$12,754,756. The impact of this request on the typical residential customer's bill with annual consumption of 55,200 gallons annually, if granted, would result in an increase of \$92.84 per year or 28.8%. On December 23, 2008, the Commission suspended the effective date of Newport Water's requested rate increase in order to conduct a full investigation and to hold public hearings. The parties to the docket were the Division of Public Utilities and Carriers ("Division") on behalf of the ratepayers, Portsmouth Water and Fire District ("PWFD"), a wholesale customer, and the United States Navy ("Navy"), the utility's largest single customer.

The instant general rate case filing represents Newport Water's fifth such filing in the last fifteen years. The following table provides a brief history:

Docket No.	Filing Date	Amount Requested	Amount Allowed	% Increase
2985	5/28/99	\$1,893,179	\$ 449,419	27.50%
3578	11/28/03	\$ 606,662	\$ 0	0.00%

Addressing the Operating Revenue Allowance, Mr. Woodcock supported a three (3.0%) operating revenue allowance with half restricted for use when revenues fall below specified levels. However, consistent with his argument regarding payables owed to the City, he maintained that the operating revenue allowance need not be included in rates, but would come from amounts he maintained the City owed to Newport Water.⁵⁴

Addressing Revenue Requirements, Mr. Woodcock indicated that PWFD would be primarily relying on the Division's adjustments. However, he indicated that there was a minor adjustment to the regulatory assessment from the Rhode Island Water Works Association because the proposed rate year expense appeared overstated. Additionally, he questioned the proposed rate year expense for Fire Protection as it was almost two times the cost for FY 2008 which included the purchase of new hydrants. He proposed use of the most recent four year average to set the rate year expense, or \$6,300.⁵⁵

Addressing capital costs, Mr. Woodcock recommended allowance in rates of \$1,154,000 instead of the \$1,652,019 proposed by Newport Water based on Ms. Forgue's response to a data request indicating that certain costs would not be included in the capital requirement. He made other adjustments to reflect updates provided by Newport Water during discovery.⁵⁶ He also made minor adjustments to miscellaneous revenues and revenue offsets to correct a calculation and to recognize reimbursement for meter replacements received from the sewer billings.⁵⁷

Looking forward to the cost allocation study to be filed by Newport Water, Mr. Woodcock indicated that in order to properly allocate costs from the pumping facilities

⁵⁴ *Id.* at 29-30.

⁵⁵ *Id.* at 31-32.

⁵⁶ *Id.* at 33-35.

⁵⁷ *Id.* at 36.

Smith made several adjustments, reducing Newport Water's requested Net Revenue Requirements by \$919,996. He indicated that this reduction in Net Revenue Requirements results in Newport Water's requested percent increase in rate revenues dropping from twenty-eight point seventy-five percent (28.75%) to nineteen point twelve percent (19.12%).¹⁰⁰

Addressing capital spending, Mr. Smith agreed that Newport Water's request for debt service should be adjusted to reflect the latest information regarding the anticipated interest rates on Newport's future borrowings. He adopted PWFD's methodology of determining the actual amount allowed for debt service in the rate year because it recognizes that Newport Water's debt service requirements will increase over the coming years.¹⁰¹ With regard to the contributions to capital spending, based on Mr. Catlin's suggestion, Mr. Smith recommended that the contribution to the Capital Spending restricted account be reduced by \$505,101 from \$1,652,019 to \$1,146,918 which is the average of Newport's annual cash capital requirements for fiscal years 2010 and 2011.¹⁰² Finally, addressing Mr. Harwig's recommendations to fund more projects through debt service rather than cash, Mr. Smith expressed concern that such changes would adversely affect Newport Water's ability to meet the provisions of its Trust Indentures regarding debt service coverage ratios.¹⁰³

Addressing City Service expense, Mr. Smith noted that the Cost Allocation Manual was developed in response to the Commission's prior Order in Docket No. 3818 and that, based on his review of other municipally owned water utilities, contrary to the

¹⁰⁰ Newport Water Exhibit 4 (Rebuttal Testimony of Harold Smith), p. 22. The adjustments included updating water consumption figures as a result of discovery responses from the Navy and PWFD. *Id.*

¹⁰¹ *Id.* at 4.

¹⁰² *Id.* at 4-5.

The Commission does remain concerned with the level of outstanding payables, particularly when caused by lower than expected consumption. Therefore, the Commission ordered Newport Water to contact the Commission immediately if more than six payrolls are owed to the City or if outside vendor payables are in arrears 120 days or more. At the time of such contact, Newport Water is required to provide a proposed resolution to the Commission to bring the past due balances current.

According, it is hereby

(19940) ORDERED

1. The City of Newport, Utilities Department, Water Division's Application for a General Rate Increase, filed on December 9, 2008, is hereby denied and dismissed.
2. The City of Newport, Utilities Department, Water Division will receive a total cost of service of \$11,528,666, which equates to a revenue increase of \$2,044,097, effective for usage on and after July 1, 2009.
3. City of Newport, Utilities Department, Water Division shall restrict the following accounts in the following amounts collected through rates: Debt Service - \$2,010,823; Capital - \$1,146,918; Chemicals - \$669,000; Electricity - \$582,400; Retiree Insurance - \$347,200; Accrued Benefits Buyout - \$175,000; and Restricted Salary Increases \$91,214.
4. City of Newport, Utilities Department, Water Division shall fund its Restricted Accounts monthly on a whole dollar basis and not on a percentage of collections basis.

the payrolls owed and repaid constitute "documentary evidence." Therefore, the Commission finds no violation of its Order in Docket No. 3578.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

RHODE ISLAND PUBLIC UTILITIES COMMISSION
DOCKET NO. 4025
CITY OF NEWPORT WATER DIVISION
PREFILED TESTIMONY OF
CHRISTOPHER P.N. WOODCOCK

- 1 o FY 2011: \$1,502,817
- 2 o FY 2012: \$1,167,610
- 3 o FY 2013: \$ 516,634

4 Newport has asked for a revenue allowance of the FY 2010 amount of \$1,652,019
5 – the rate year CIP. I am not too concerned about the large drop in FY 2013, but
6 the drop of \$150,000 in FY 2011 is of some concern, particularly in light of the fol-
7 lowing.

8
9 In response to PWFD 3-9, Ms. Forgue has indicated that the mixing system for the
10 4 million gallon tank at Lawton Valley will be deleted from the revenue funded CIP.
11 In her prefiled testimony (page 4, line 6) Ms. Forgue indicates that the mixing im-
12 provements projects will cost \$600,000. The \$600,000 is shown on RFC Sch. 4 in
13 FY 2010, but there is an additional \$260,000 shown the following year as well.

14
15 On my schedule 5, I have restated Newport revenue funded CIP and deleted the
16 requirements for the mixing system. The average funding requirement for the next
17 three years is \$1,154,000. I recommend that this amount be provided by the
18 Commission in light of Ms. Forgue's response to PWFD 3-9.

19
20 I have also looked at the impact this will have on the fund balance. Newport will
21 have nearly \$350,000 in its capital spending account (RFC 11) at the start of the
22 rate year. As shown on my schedule 5, Newport will have approximately the same
23 balance at the end of FY 2012 under the adjusted spending plan.

24
25 **Q: What other capital items would you like to address?**

26 A: Newport has requested funding for a proposed \$6.35 million SRF loan. RFC Sche-
27 dule 5 presented a rate year debt payment of \$400,733 that was included as part of
28 the rate year revenue requirement.

29
30 In response to Div 1-33 Newport has modified this showing a FY 2010 (rate year)
31 debt payment of \$131,938.89. Because Newport must accumulate funds each

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

RHODE ISLAND PUBLIC UTILITIES COMMISSION

DOCKET NO. 4243

CITY OF NEWPORT WATER DIVISION

PREFILED TESTIMONY OF

CHRISTOPHER P.N. WOODCOCK

1 ing account, and NWD indicated in response to PWFD 2-10 that it does not
2 plan to make the transfers. Accordingly, my recommendation removes these
3 transfers from the rate model.

- 4 • PWFD does not support NWD's request to relieve it from filing monthly and
5 quarterly reports.

6 **Debt Service**

7 **Q: Can you describe the errors regarding the cost and timing of NWD's pro-**
8 **posed debt service to support the water treatment projects?**

9 A: This is the primary concern because of the revenue impact. PWFD does not op-
10 pose NWD's capital plan as it relates to the upgrades of the treatment facilities.
11 However, the assumptions regarding the debt terms and how soon repayment on
12 the various loans may start are unreasonable and unsupported.

13 **Q: Are the amounts provided by NWD for debt service restricted?**

14 A: Yes.

15 **Q: What would be the harm if they are overstated?**

16 A: Although the timing of future bond issues is somewhat speculative at this time and
17 any amounts allowed for debt service would be restricted for use as debt service,
18 overstating those amounts is likely to harm all ratepayers including PWFD. In the
19 past, (a) NWD has demonstrated a history of changing its capital plans and not us-
20 ing allowed funds for the purposes claimed (see Docket 4025), (b) NWD has pre-
21 sented debt service plans that have changed after revenues were approved (see
22 response to PWFD 1-6 for example), and (c) in Docket 3578 Newport proposed to
23 use restricted debt service funds to repay the City of Newport.

24
25 The record is full of examples where Newport has presented plans seeking to divert
26 restricted revenues to other uses. To date, the Commission has not allowed those
27 transfers or diversions. The considerable size of Newport's proposed capital im-

1 provement and construction program amplifies the importance of ensuring that
2 funds are set aside only as needed and used and spent as planned.

3 **Q: Please explain the issues you have identified regarding NWD's claimed debt**
4 **service needs.**

5 A: NWD expects to borrow significant amounts of money over the next few years and
6 wants to appear financially strong. While it may be prudent to be somewhat con-
7 servative in projecting debt service needs, Newport's assumptions are far too con-
8 servative. NWD has assumed (1) very high interest rates with no RICWFA subsi-
9 dized borrowings, (2) repayments that begin immediately, and (3) issuance costs
10 that exceed those incurred in the past. These unreasonable assumptions com-
11 pound each other and result in estimated annual payments that are excessive and
12 premature.

13
14 Specifically, NWD erred when it assumed that a full year's principal and interest is
15 required in the year of the bond issue. NWD also erred in the assumptions it made
16 about interest rates and issuance costs for the debt.

17
18 Based on my revised calculations NWD will have more than \$2 million in its restrict-
19 ed debt service account each year (CW Sch.11). Not since January of 2010 has
20 the balance in Newport's restricted debt service fund dropped below \$1 million.
21 Since June of 2009 (the date of NWD's last rate increase), the average balance in
22 NWD's restricted debt service fund has nearly doubled. NWD does not need to
23 maintain such significant amounts in its restricted debt service account.

24 **Q: Can you explain the difference between the amounts in CW Sch. 11 for both**
25 **the Debt Service and Capital Spending restricted accounts and those pre-**
26 **sented by Mr. Smith?**

27 A: I suspect that the values shown by NWD for FY 2011 were the best estimates at
28 the time the case was filed. FY 2011 is now complete and the actual values are

1 known from NWD's data responses (Div 1-15) and the quarterly report for June
2 2011 that NWD submitted August 2, 2011. Based on these two sources, I replaced
3 NWD's estimates for 2011 with actual values. As a result, the Debt Service Ac-
4 count should have had an additional \$1.4 million above the NWD estimates and the
5 Capital Spending account should have had \$923,744 less than NWD indicated. A
6 major contributor to these differences is the removal of the \$1.5 million transfer
7 from the Debt Service to the Capital Spending account.

8 **Q: Why do you believe that NWD's assumption that a full year's principal and interest is required**
9 **to be paid in the year of the bond issue is incorrect?**

10 A: RFC Schedule 5 shows a proposed 2012 bond issue for \$18.6 million with full prin-
11 cipal and interest payments due within the period from July 1, 2011 to June 30,
12 2012. Based on the response to PWFD 1-1, NWD has yet to make a filing with the
13 Division for this loan. In response to PWFD 1-4, NWD states that cost drawdown
14 schedules will not be finalized until early 2012 – more than half way into the fiscal
15 year that NWD assumed a need for a full year's principal and interest payment.

16
17 Based on the response to PWFD 4-2, the principal payments on the State Revolv-
18 ing Fund ("SRF") loans are due in September each year and the interest payments
19 are due in March and September. Moreover, the full principal payments are not
20 due until the September following completion of the project or use of the funds. Full
21 payments of a year's principal and interest in the July 1, 2011 – June 30, 2012 fis-
22 cal year would be required only if the bonds already were sold and the proceeds
23 spent. That is not the case here.

24 **Q: What is the earliest date you believe the next set of bonds will be sold?**

25 A: Based on the response to Div 2-7, the design build contract will not be awarded un-
26 til the end of calendar year 2011. This suggests that the first borrowing may be in
27 the spring (May) of 2012. That is at the very end of the rate year. It is evident that
28 there will be no new debt service payments due in the rate year.

- 1 • NWD provided the actual FY 2012 chemical pricing in response to Div 1-27. I
2 substituted these actual costs for the estimates used in NWD's filing. Also, for
3 some chemicals there seemed to be no basis for the estimated use. Based on
4 NWD's responses to Div. 1-26 on chemical uses, I calculated averages as a ba-
5 sis for use. Because NWD used the average sales for FY2008 - FY2010, I used
6 these periods to estimate the chemical uses as well.

7 **Q: Did you make any other adjustments to NWD's proposed operating expens-**
8 **es?**

9 A: Yes. A review of the spreadsheet NWD provided showed that NWD used the
10 "roundup" function in Excel to round many of the projected costs up to the nearest
11 \$100 or \$1,000 dollars. The rounding up was done both in projecting expenses for
12 the rate year and in summing costs within categories. Rather than rounding every-
13 thing up, I changed the calculations to simply round the estimates, either up or
14 down.

15 Capital Spending from Revenues

16 **Q: Why do you propose reducing the amount of rate revenues that NWD uses to**
17 **fund its capital improvement plans from \$2,750,000 to \$2,500,000?**

18 A: Based on the numbers contained in RFC Sch 4, \$2,750,000 is excessive. Looking
19 at the base of RFC Sch 4, the average annual amount to be funded from rates for
20 2010 – 2017 is \$2,493,637. For 2012 through 2017 it is approximately \$2,457,000.
21 Based on these averages, an amount of \$2,500,000 appears more appropriate.

22
23 Additionally, NWD double counts the provision for Legal & Financial Services. This
24 expense can be included either in the bond issuance costs or through the nearly
25 \$5.8 million provided for the City Agent costs, but not in both.

26
27 Lastly, NWD historically has not spent the amounts it presents for capital improve-
28 ments. A review of the amounts spent in 2010 and 2011 (Div 2-4) compared to the

1 projections for these same years on RFC Sch 4 demonstrates this. Further evi-
2 dence of the delay in spending these monies is shown in NWD's response to
3 PWFD 1-17, which identifies numerous projects scheduled for FY 2010 or FY 2011
4 that have not yet been started or are have begun only recently.

5 **Q: Have you compared what NWD is seeking in this case for rate funded capital**
6 **with what was requested in Docket 4025?**

7 A: Yes I have. The comparison is shown below:

<u>Docket</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Total</u>
4025	\$1,652,019	\$1,501,817	\$1,167,610	\$516,634	\$4,838,080
4243	3,719,292	1,487,862	1,357,610	6,654,634	\$13,219,398

11 As shown above, the differences are significant. Two years ago, the total to be
12 spent on capital improvements from rates was about \$4.84 million. With this filing
13 two years later, the spending is proposed at \$13.22 million.

14 **Q: Why do you believe some of the legal and finance costs can be provided with-**
15 **in the \$5.8 million for the City Agent costs?**

16 A: In its response to PWFD 1-7 NWD provided a description of these services. Phase
17 2 includes "a range of financial; consulting services" to assist with the DB selection
18 "and to obtain the financing necessary for design and construction services" from
19 the RFP phase through "the final financing transactions." Phase 4 includes support
20 to legal counsel.

21 **Q: What do you recommend for an amount to include for rate funded capital im-**
22 **provements?**

23 A: I recommend a slight reduction from the \$2,750,000 proposed by Newport to
24 \$2,500,000. \$2,500,000 is more consistent with annual average projections.
25 Moreover, NWD's response to Div 1-15 shows more than \$1.8 million in the capital
26 spending account at the end of FY 2010 and more than \$2 million in that account
27 through April 30, 2011. Based on the monthly reports for May and June, the bal-

1 ance on June 30, 2011 was \$2,141,183. With the large balance in this fund, the
2 \$2.5 million per year I have recommended is sufficient.

3 **Q: Does the negative balance in the Capital Spending Account FY 2013 reflected**
4 **in your CW Sch.11 concern you?**

5 A: I am not concerned for two reasons. First, NWD has a history of not spending the
6 amounts it presented to the Commission. For example, in docket 4025, completed
7 two years ago, NWD indicated it would spend \$4.8 million between 2010 and 2013.
8 In this docket, for the exact same period they have presented spending of nearly
9 \$13.3 million. For fiscal year 2010 in Docket 4025 NWD presented proposed
10 spending of \$1,652,019. Based on the response to Div 1-15, NWD spent only
11 \$495,788 in that year. This history alleviates any concern that NWD will have insuf-
12 ficient funds for actual capital work. Second, even if NWD's spending accelerates
13 and NWD is ready to spend more than \$6.6 million in FY 2013, NWD has adequate
14 time to file with the Commission to demonstrate the need for additional capital
15 funds. The most likely scenario, however, is that NWD will delay spending, as it
16 has done in the past, and there will be sufficient funds.

17
18 Estimates of fund balances are difficult. NWD filed this case in April, three quarters
19 of the way through FY 2011. NWD's estimate of the ending balance for the capital
20 fund just three months later was significantly off. Even accounting for no transfer
21 from the Debt to the Capital account, the estimated capital fund balance still was
22 far off. Some of this is due to a repayment from the RICWFA, but even without this
23 second adjustment, the estimated balance still was off by several hundred thou-
24 sand dollars.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37

RHODE ISLAND PUBLIC UTILITIES COMMISSION
DOCKET NO. 4243
CITY OF NEWPORT WATER DIVISION
PREFILED SURREBUTTAL TESTIMONY OF
CHRISTOPHER P.N. WOODCOCK

October 20, 2011

PREFILED SURREBUTTAL TESTIMONY OF
CHRISTOPHER P.N. WOODCOCK

1 ing, were 10% $((\$544,095 + \$122,000) / \$6,640,000)$. This is the same percentage
2 I recommended in my direct testimony.

3

4 **Q: What is your response to Ms. Forgue's disagreement with your claim that**
5 **NWD's debt service plans keep changing (page 4 of her Rebuttal testimony)?**

6 A: The record clearly supports my concern that NWD's actual capital spending, funding
7 and claims for debt service typically differ significantly from NWD's projections. I
8 noted a number of such instances in my direct testimony.

9

10 Ms. Forgue's statement on page 6 of her rebuttal testimony ("I do not believe we
11 overstated our debt service needs.") is clearly incorrect. She testified that she
12 agrees with Mr. Smith's adjustments to the debt service requirement, which cut that
13 requirement nearly in half from more than \$3.0 million in the initial filing to \$1.58 mil-
14 lion in the rebuttal filing. Not only have the amounts changed drastically, but so has
15 the timing. Mr. Smith's rebuttal testimony (page 25, lines 16-26) provides a clear
16 example.

17

18 **Q: Why are these changes relevant?**

19 A: These constant changes frequently have been quite significant and must be recog-
20 nized by the Commission in setting and administering NWD's restricted capital ac-
21 counts. I base my concerns regarding the movement of restricted funds on this his-
22 tory. Customers have differing cost responsibilities for different restricted accounts.
23 If NWD is allowed to move funds from one account to another, customers may un-
24 fairly be charged too little or too much. NWD's suggestion that errors in estimated
25 needs are not important because of restrictions on funds fails to recognize NWD's
26 history of significant deviations from its estimates and, more importantly, subse-
27 quent requests to move such restricted funds.

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION
DOCKET NO. 4243
Response Of The City Of Newport,
Utilities Division, Water Department
To The Division Of Public Utilities and Carriers'
Data Requests
Set 1

Div. 1-15: Please provide a schedule similar to RFC Schedule 11 showing the actual additions and deductions for each restricted account in FY 2009 and FY 2010. Also provide amounts for FY 2011 to date.

Response: See attached Schedule.

Prepared by: J. Tracey

City of Newport - Utilities Department - Water Division
Docket 4243
Div I-15
Restricted Accounts Balances

	2009	2010	To 4/30/11 2011
Debt Service Account			
Beginning Cash Balance	\$ 653,716	\$ 657,786	\$ 1,394,463
<u>Additions</u>			
From Rates	1,230,000	2,010,823	1,675,686
From Capital Restricted Acct.	322	-	-
Interest Income	3,476	198	137
Total Additions	\$ 1,233,798	\$ 2,011,021	\$ 1,675,823
Interest Rate	0.53%	0.02%	0.01%
<u>Deductions</u>			
Existing Revenue Bond Debt Service	959,783	910,552	587,360
SRF Debt Service	269,945	363,792	772,905
Total Deductions	\$ 1,229,728	\$ 1,274,344	\$ 1,360,265
Ending Cash Balance	\$ 657,786	\$ 1,394,463	\$ 1,710,021
Capital Spending Account			
Beginning Cash Balance	\$ 790,498	\$ 1,224,153	\$ 1,879,557
<u>Additions</u>			
From Rates	1,297,182	1,146,918	955,765
From Repayment from RICWFA			792,950
Interest income	5,136	4,274	2,111
Total Additions	\$ 1,302,318	\$ 1,151,192	\$ 1,750,826
Interest Rate	0.51%	0.28%	0.11%
<u>Deductions</u>			
To Debt Service Restricted Acct.	322	-	-
Capital Outlays	868,341	495,788	1,561,139
Total Deductions	\$ 868,663	\$ 495,788	\$ 1,561,139
Ending Cash Balance	\$ 1,224,153	\$ 1,879,557	\$ 2,069,244
Chemical Allowance Account			
Beginning Cash Balance	\$ 99,911	\$ 420	\$ 13,764
<u>Additions</u>			
From Water Rates			
335 Contribution to Chemical Restricted Account	504,200	669,000	557,500
Interest Income	135	58	23
Total Additions	\$ 504,335	\$ 669,058	\$ 557,523
Interest Rate	0.27%	0.82%	0.04%
<u>Deductions</u>			
335 Chemicals	603,826	655,714	470,302
Total Deductions	\$ 603,826	\$ 655,714	\$ 470,302
Ending Cash Balance	\$ 420	\$ 13,764	\$ 100,985

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION
DOCKET NO. 4243
Response Of The City Of Newport,
Utilities Division, Water Department
To The Division Of Public Utilities and Carriers'
Data Requests
Set 1

Div 1-16: Please provide a schedule similar to RFC Schedule 5 in Docket No. 4025 showing the actual rate funded capital projects in FY 2009 and FY 2010.

Response: See attached schedule showing actual rate funded capital projects in FY 2009 and FY 2010.

Prepared by: K. Mason

City of Newport - Docket 4243
Data Response Div 1-16 & 1-17

Rate Funded Capital

	FY 2009	FY 2010	FY 2011 as of 4/30/2011	FY 2011 est 5/1/11-6/30/11
S Safe Yield Study- FY09		123,533		
TD GIS and Hydraulic Modeling- FY09		263,007	15,999	10,993
TD IRP Update- RIDOH due Jan 2010		46,494	1,876	
S Water Quality Protection Plan Update- RIWRB		16,999	2,628	
S Maguire Amend #11 Sediment Assess prop for NOV-CA	770			
S Sediment Assessment - Lawton Brook		18,065	16,728	
S Maguire Amend #9- assist with NOV-CA	1,680			
S LVWTP RIPDES CA- Constructed Wetlands, Maguire Amend #1	9,250			
S Constructed Wetlands-Flow Diversion	197,500			
RIDOH & RIDEM- Reservoir Monitoring				30,000
S Main from Gaudinier to Paradise				31,500
S Intake at Paradise			2,924	325
S Intake at Watson & Nonquitt			5,847	650
S Intake at Sissons			2,924	325
S Demolition of Old Nonquitt Pump Sta		2,804	16,900	
S Dam and Dike Rehabilitation - Lawton Valley		10,899	15,339	
TRL Lawton Valley WTP - Chloramine Conversion Design	59,875			
TRL LVWTP pH design	1,441			
TRN Station 1 - Chloramine Conversion Design	59,875	10,899	15,339	
TRN Sta 1 pH design	1,441			
S Distribution Main Improv (Sherman St) Design & Construct	67,323	0	5,811	74,500
S Meter Replacement		54,256	38,071	26,000
S Forest Ave Pump Sta Imprv				
CS Water Trench Restoration	64,688	68,365	27,783	50,217
F Fire Hydrant Replacement		16,050	16,773	
M Equipment and Vehicle Replacement	70,330	94,868	150,854	5,829
Total Rate Funded Capital	534,183	725,334	335,796	230,339

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION
DOCKET NO. 4243
Response Of The City Of Newport,
Utilities Division, Water Department
To The Portsmouth Water and Fire District's
Data Requests
Set 1

PWFD. 1-6: In Docket 4025, Newport Water included funding for the proposed 2009 SRF borrowing of \$6.35 million (see RFC Schedule 5 – Compliance) to be used to pay for some \$6 million of improvements to the Easton Pond Dam (see RFC Schedule 4 – Compliance). According to RFC Schedule 5 in this docket, the 2009 SRF Loan was only for \$3.3 million. Please explain what this was used for. What is the \$6 million for the Easton Pond dam in FY 2012 for (RFC Sch 4)? Is this in addition to the amounts provided for in docket 4025?

Response: The designations for the borrowings have changed between Docket 4025 and Docket 4243 based on the order the borrowings occur with the RICWFA. The current docket has the actual designations for borrowings which have occurred and are noted as “existing” in RFC Schedule 5.

The proposed borrowing in Docket 4025 RFC Schedule 5 - Compliance noted as “2010 SRF B” is the existing borrowing in Docket 4243 Schedule 5 noted as “2009 SRF A”. The borrowing funded the construction of water main improvements which will be completed by May 31, 2011 and is also funding the design for the water main improvements to be constructed in FY 2013.

In Docket 4025, Newport Water intended to borrow \$6.35M for design and construction of the improvements to the Easton Pond Dam. However a Certificate of Approval was required from RIDEM for the proposed dam improvements which we could not obtain until the design was completed. The City received a \$500,000 BAN for the final design and permitting. We have since completed the design and awarded the construction contract and are in the process of rolling the BAN into the Bond through RICWFA. The Easton Pond Dam project is not a SRF borrowing as dam related projects are not eligible.

Prepared by: J. Forgue

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION
DOCKET NO. 4243
Response Of The City Of Newport,
Utilities Division, Water Department
To The Portsmouth Water and Fire District's
Data Requests
Set 1

PWFD. 1-6: In Docket 4025, Newport Water included funding for the proposed 2009 SRF borrowing of \$6.35 million (see RFC Schedule 5 – Compliance) to be used to pay for some \$6 million of improvements to the Easton Pond Dam (see RFC Schedule 4 – Compliance). According to RFC Schedule 5 in this docket, the 2009 SRF Loan was only for \$3.3 million. Please explain what this was used for. What is the \$6 million for the Easton Pond dam in FY 2012 for (RFC Sch 4)? Is this in addition to the amounts provided for in docket 4025?

Response: The designations for the borrowings have changed between Docket 4025 and Docket 4243 based on the order the borrowings occur with the RICWFA. The current docket has the actual designations for borrowings which have occurred and are noted as “existing “in RFC Schedule 5.

The proposed borrowing in Docket 4025 RFC Schedule 5 - Compliance noted as “2010 SRF B” is the existing borrowing in Docket 4243 Schedule 5 noted as “2009 SRF A”. The borrowing funded the construction of water main improvements which will be completed by May 31, 2011 and is also funding the design for the water main improvements to be constructed in FY 2013.

In Docket 4025, Newport Water intended to borrow \$6.35M for design and construction of the improvements to the Easton Pond Dam. However a Certificate of Approval was required from RIDEM for the proposed dam improvements which we could not obtain until the design was completed. The City received a \$500,000 BAN for the final design and permitting. We have since completed the design and awarded the construction contract and are in the process of rolling the BAN into the Bond through RICWFA. The Easton Pond Dam project is not a SRF borrowing as dam related projects are not eligible.

Prepared by: J. Fogue

TABLE 3-1
SUMMARY OF CAPITAL IMPROVEMENTS

City of Newport, Rhode Island 2010 Infrastructure Replacement Plan Update													Status	Estimated as of 8/30/11
	Unfunded	Funded	RRP Funded	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016-2020	FY 2021-2025	FY 2026-2030		
CG Remote Ratio Read Meter System Upgrade (2008 SRP B \$2,800,000)	X	X		\$1,000,000	\$900,000								Outgoing	\$2,107,734.00
CG Meter Trench Rehabilitation (Assume 4% increase/year)	X	X		\$75,000	\$78,000	\$81,120	\$84,360	\$87,740	\$91,248	\$514,000	\$420,000	\$761,200	Outgoing - Expenses for FY 2011	\$22,723,000
CS Water Trench Rehabilitation (Assume 4% increase/year)		X												
F Fire Hydrant Replacement	X	X		\$17,000	\$17,000	\$18,000	\$18,000						Outgoing - Expenses for FY 2011	\$10,713,000
F Fire Hydrant Rehabilitation		X						\$10,000	\$10,000	\$100,000	\$110,000	\$103,000		
M Equipment and Vehicle Replacement	X	X		\$118,000	\$140,000	\$160,000	\$180,000						Outgoing - Expenses for FY 2011	\$120,654,000
M Equipment and Vehicle Rehabilitation		X						\$130,000	\$140,000	\$380,000	\$460,000	\$200,000		
S Dam and Gate Rehabilitation-Lawton Valley ¹	X	X	X		\$100,000	\$800,000							Revised to FY 2012-2014	
S Dam and Gate Rehabilitation-Lawton Valley (Construction 0.2M ²)		X	X				\$1,360,000	\$1,360,000						
S Dam and Spillway Rehabilitation-Easton Pond Design	X	X					\$450,000							
S Dam and Spillway Rehabilitation-Easton Pond Design		X	X					\$200,000						
S Dam and Spillway Rehabilitation-Easton Pond (Construction 36M ²)		X	X					\$4,140,000	\$2,130,000					
S Demolition of Old Newport Pump Station	X	X	X	\$120,000									Complete	\$10,200,000
S Department of Public Works - Garage 170 (Make 2 Years)	X	X	X					\$400,000						
S Distribution Main Improvements (Duckman St.) Design & Const.	X	X			\$136,963								Construction contract awarded FY 2011	\$5,813,000
S Eastern Pond Dam Improv./J.A. Wetland - (2009 SRP A \$4,300,000)	X	X	X	\$3,000,000									Construction contract awarded FY 2011	\$0,000
S Forest Avenue Pump Station Improvements	X	X	X		\$280,000								Revised to FY 2012	
S General Dam Fund		X	X	\$60,000	\$100,000	\$100,000	\$100,000	\$50,000	\$250,000	\$500,000	\$350,000			
S Intake at Paradise Pond	X	X	X	\$190,000									Assessment complete. Design program	\$7,024,000
S Intake at Station	X	X	X	\$60,000									Assessment complete. Design program	\$2,893,000
S Intake at Wilson & Narquoit	X	X	X	\$50,000									Assessment complete. Design program	\$5,847,000
S Meter Replacement (Assume 4% increase/year)	X	X		\$64,247	\$66,817	\$69,460	\$72,269						Outgoing - Expenses for FY 2011	\$1,940,000
S Meter Replacement (Assume 4% increase/year) ²		X						\$75,100	\$250,000	\$90,000	\$2,740,000	\$1,300,000		
S Main from Gardner to Paradise Pond	X	X	X	\$450,000									Design contract awarded FY 2011	\$0,000
S Main from Gardner to Paradise Pond (2011 SRP B \$6,600,000)	X	X	X	\$1,800,000									Construction revised to FY 2010	
S Paradise Pump Station ³		X	X				\$60,790						Revised to FY 2011	
S Reformed Filter Pump Station ⁴		X	X				\$151,760			\$12,500			Revised to FY 2011	
S Seaward Assessment - Landon Brook (Construction 4,750,000)	X	X	X	\$30,000	\$265,000								Complete	\$4,750,000
S St. Mary's Pump Station ⁵		X	X				\$183,750						Project cancelled. Not reported by RDPM	
S Station No. 1 Raw Water Pump Station ⁶		X	X				\$103,750							
S Water Quality Protection Plan Update-RMWH	X	X	X	\$80,000									Complete	\$16,773,000
S Water Quality Protection Plan Update-RWRF		X	X		\$80,000				\$45,000	\$90,000	\$150,000	\$110,000	Revised to FY 2011	
S WQSAPP 3-year update-RMWH		X	X							\$85,000	\$80,000	\$160,000		
S WQSAPP 3-year update-RMWH due July 2017		X	X											
ST Storage Tanks - Cleaning and Inspection		X	X							\$80,000	\$60,000	\$75,000		
ST Storage Tanks - Painting		X	X							\$700,000		\$1,000,000		
TD Automatic Flushing Hydrants (2)		X	X				\$45,000						On Hold	
TD Distribution Main Improvements - Systemwide (2010 SRP B \$3,383,048)	X	X	X	\$3,283,048	\$330,000								Construction 95% complete. Design Contract awarded	\$2,064,073,000
TD Distribution Main Improvements - Systemwide (2011 SRP B \$9,600,000)	X	X	X			\$1,300,000	\$1,300,000	\$3,900,000						
TD GAS and Hydraulic Modeling	X	X	X	\$10,000									90% complete	\$270,000,000
TD GAS and Hydraulic Modeling (Assume 3% increase/year)		X	X		\$10,000	\$10,500	\$11,000	\$11,500	\$12,000	\$12,500	\$13,000	\$13,500		
TD BRP Update-RDGH due January 2010	X	X	X	\$80,000									Complete	\$48,170,000
TD BRP Update-RDGH due January 2015 (Assume 3% increase/year)		X	X						\$55,000	\$63,760	\$73,910	\$85,660		
TD Distribution Main Improvements - Systemwide		X	X						\$237,396	\$13,776,121	\$10,986,237	\$17,646,642		
TR City Agent for New LWTP & STA 1 Ings. (2010 SRP A \$6,701,950)	X	X	X	\$1,646,980	\$912,780	\$500,000	\$325,000	\$220,000					Outgoing	\$1,113,558,000
TR Professional Services for New Plant & STA 1 Ings. etc. (2010 SRP A \$6,720,180)	X	X	X	\$450,000	\$350,000	\$225,000	\$125,000	\$125,000					Outgoing	\$67,382,000
TRB Lawton Valley WTP - Chemicals Construction Design	X	X	X	\$30,410									Final complete evaluation design complete	Set to be phasing
TRB Lawton Valley WTP - New WTP - (200) Construction (2012 SRP A \$38,738,000)	X	X	X				\$9,810,000	\$24,805,000	\$5,424,000				Phasing complete	\$248,113,000
TRB LWTP Chemicals Construction (2008 SRP A \$3,144,185)	X	X	X	\$300,000										
TRJ Station 1 - Additional Processors/Clarification Train - (200) Const. (2011 SRP A \$10,800,000)	X	X	X	\$2,500,000	\$3,800,000	\$2,494,000							Start FY 2012	
TRJ Station 1 Chemicals Construction (2008 SRP A \$2,144,185)	X	X	X	\$180,000									Phasing complete	\$288,153,000
CS Station 1 WTP - Chemicals Construction Design	X	X	X	\$30,410									Final complete evaluation design complete	Set to be phasing
Total Capital Improvements:				\$10,702,927	\$8,174,897	\$11,708,519	\$28,812,883	\$16,046,677	\$3,128,870	\$16,776,839	\$15,919,503	\$23,140,448		

Note:
¹ Distribution Main Improvements (Systemwide) Design at \$50,000 every other year. Construction at \$3,800,000 every other year in FY2010 dollars. Distribution main improvement costs have been inflated at 3% per year from FY2010 to 2014.
² Dam and Gate Rehabilitation-Lawton Valley, FY 2011 Assessment, FY 2012 Design and \$500,000 improvement.
³ Improvement costs include 25% engineering and contingency.
⁴ Meter Replacement FY 2010 (1,000 meters), FY 2018-2020 (4,000 meters), FY 2021-2025 (10,000 meters), FY 2026-2030 (4,000 meters).
⁵ Debt funded improvements include interest costs at 6% of total project cost.

VARIOUS
CAPITAL
PLANS

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION
DOCKETS 4243 & 4355
TARRIFF ADVICE FILING
AND PETITION FOR RELIEF/
MULTI-YEAR RATE PLAN COMPLIANCE FILING
Response Of The City Of Newport,
Utilities Division, Water Department
To The Division of Public Utilities and Carrier's
Data Requests
Set 1

Div. 1-2: Please provide Newport Water's planned capital spending plan related to the use of the Capital Spending Account over the next three years.

Response: See attached DIV 1-2 spreadsheet detailing NWD's Recommend Capital Improvement Program (CIP) FY 2015 – 2017.

Prepared by: Julia A. Fogue, Director of Utilities

Docket No. 4243

Div. 1-2

Div. 1-2	Project Title	Funding	CIP 2013-14	CIP 2014-15	CIP 2015-16	CIP 2016-17
	Meter Replacement	Rates		\$78,200	\$81,300	\$84,500
	Water Trench Restoration	Rates	\$87,700	\$91,200	\$94,900	\$98,700
	Fire Hydrant Replacement	Rates		\$18,000	\$19,000	\$19,000
	Financial Legal Services	Rates		\$50,000		
	Finished Storage Tank	Rates			\$700,000	
	Dam and Dike Rehabilitation - Lawton Valley	Rates		\$100,000	\$900,000	
	Dam and Dike Rehabilitation - Station One	Rates		\$250,000		
	Station 1 Raw Water Pump Station Improvem	Rates		\$195,000		
	Equipment and Vehicle Replacement	Rates		\$120,000	\$66,000	\$66,000
	St Mary's Pump Station Improvements	Rates	\$185,000			
	Sakonnet Pump Station Improvements	Rates	\$152,000			
	Forest Ave Pump Station Improvements	Rates	\$250,000			
	Water Department Office/Garage Rehabilitati	Rates	\$400,000			
	Mitchell's Lane Emergency Interconnection	Rates	\$97,146			
	Raw Water Main Gardiner to Paradise Design	Rates	\$67,524			
	Raw Water Main Gardiner to Paradise Constr	Rates		\$2,000,000		
	System Wide Improvements Biszko	Rates	\$147,735			
	System Wide Improvements	Rates	\$440,551	\$2,900,000	\$1,000,000	\$1,200,000
	System Wide Improvements Broadway	Rates	\$76,419			
	Infrastructure Replacement Plan 5 Year updat	Rates		\$50,000		
	GIS and Hydraulic Modeling - WP	Rates	\$5,800			
	DB Review Assistance-RIDOH	Rates	\$105,867			
Total			\$2,015,742	\$5,852,400	\$2,861,200	\$1,468,200

City of Newport, Rhode Island
 FY 2017 Rate Filing
 Capital Improvement Plan

RFC Schedule 4 Compliance

Funding Source	2016	2017	2018	2019	2020	2021	
	Rate Year						
Water SSMP Update - Due 11/18/19			\$ 80,000				80,000
Infrastructure Replacement Plan 5 Year update				\$ 80,000			80,000
Source Water Phosphorus Reduction Feasibility Plan	\$ 35,000						35,000
Easton Pond Dam - Green End Ave		\$ 85,000	\$ 750,000	\$ 900,000			1,735,000
Dam and Dike Rehabilitation - Lawton Valley	\$ 900,000	\$ 300,000					1,200,000
Dam and Dike Rehabilitation - Station One		\$ 100,000					100,000
Dam Rehab- St Mary's Pond			\$ 500,000				500,000
Fence Repairs			\$ 30,000				30,000
Station 1 Raw Water Pump Station Improvements	\$ 195,000						195,000
Sakonnet Pump Station Improvements	\$ 152,000						152,000
Finished Storage Tank- 2 Mgal LV	\$ 700,000	\$ 200,000					900,000
Pump Station SCADA Project				\$ 500,000			500,000
Water Main Improvements- Constr 2015 Contr	\$ 500,000						500,000
Water Main Imprv- Design & Constr serv 2016-2017	\$ 500,000						500,000
Water Main Imprv- Constr Contr 2016-2017		\$ 2,400,000	\$ 1,100,000				3,500,000
Water Main Imprv- Design & Constr serv 2019-20			\$ 500,000				500,000
Water Main Imprv- Constr Contr 2019-20				\$ 1,500,000	\$ 2,500,000		4,000,000
Water Main Imprv- Design & Constr serv 2021-22					\$ 500,000		500,000
Water Main Imprv- Constr Contr 2021-22						\$ 2,000,000	2,000,000
Meter Replacement	\$ 81,300	\$ 84,500	\$ 87,900	\$ 91,400	\$ 95,000	\$ 98,153	538,253
Water Trench Restoration	\$ 94,900	\$ 98,700	\$ 100,000	\$ 102,000	\$ 104,040	\$ 106,121	605,761
Fire Hydrant Replacement	\$ 19,000	\$ 50,000	\$ 50,000	\$ 75,000	\$ 75,000	\$ 75,000	344,000
Equipment and Vehicle Replacement	\$ 66,000	\$ 66,000	\$ 112,000	\$ 112,000	\$ 112,000	\$ 120,000	588,000

	2016	2017	2018	2019	2020	2021
101 Water Revenue Bonds	-	-	-	-	-	-
201 SRF Loan	-	\$ -	-	-	-	-
301 Rates	3,243,200	\$ 3,384,200	3,309,900	3,360,400	3,386,040	2,399,274
401 Other	-	-	-	-	-	-
501 Other	-	-	-	-	-	-
	\$ 3,243,200	\$ 3,384,200	\$ 3,309,900	\$ 3,360,400	\$ 3,386,040	\$ 2,399,274

Avg. Annual Rate Funded Capital \$ 3,180,502
 Proposed Rate Funded Capital \$ 3,180,502

% to Fund From Cap Acct. 0%

**Water Division
CIP 16-20**

City of Newport, Rhode Island
FY 2016 Rate Filing
Capital Improvement Plan- Rev 9-1-15

<u>Project Title</u>	<u>Funding</u>	<u>FY 2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>
Water SSMP Update - Due 11/18/19	Rates			\$ 80,000			
Infrastructure Replacement Plan 5 Year update					\$ 80,000		
Source Water Phosphorus Reduction Feasibility Plan	Rates	\$ 35,000					
Easton Pond Dam- Green End Ave			\$ 85,000	\$ 750,000	\$ 900,000		
Dam and Dike Rehabilitation - Lawton Valley	Rates	\$ 900,000	\$ 300,000				
Dam and Dike Rehabilitation - Station One	Rates		\$ 100,000				
Dam Rehab- St Mary's Pond	Rates			\$ 500,000			
Fence Repairs				\$ 30,000			
Station 1 Raw Water Pump Station Improvements	Rates	\$ 195,000					
Sakonnet Pump Station Improvements	Rates	\$ 152,000					
Finished Storage Tank- 2 Mgal LV	Rates	\$ 700,000	\$ 200,000				
Pump Station SCADA Project	Rates				\$ 500,000		
Water Main Improvements- Constr 2015 Contr	Rates	\$ 500,000					
Water Main Imprv- Design & Constr serv 2016-2017	Rates	\$ 500,000					
Water Main Imprv- Constr Contr 2016-2017	Rates		\$ 2,400,000	\$ 1,100,000			
Water Main Imprv- Design & Constr serv 2019-20	Rates			\$ 500,000			
Water Main Imprv- Constr Contr 2019-20	Rates				\$ 1,500,000	\$ 2,500,000	
Water Main Imprv- Design & Constr serv 2021-22	Rates					\$ 500,000	
Water Main Imprv- Constr Contr 2021-22	Rates						\$ 2,000,000
Meter Replacement	Rates	\$ 81,300	\$ 84,500	\$ 87,900	\$ 91,400	\$ 95,000	\$ 98,153
Water Trench Restoration	Rates	\$ 94,900	\$ 98,700	\$ 100,000	\$ 102,000	\$ 104,040	\$ 106,121
Fire Hydrant Replacement	Rates	\$ 19,000	\$ 50,000	\$ 50,000	\$ 75,000	\$ 75,000	\$ 75,000
Equipment and Vehicle Replacement	Rates	\$ 66,000	\$ 66,000	\$ 112,000	\$ 112,000	\$ 112,000	\$ 120,000
TOTALS		\$3,243,200	\$3,384,200	\$3,309,900	\$3,360,400	\$3,386,040	\$2,399,274

**PWFD
NEWPORT WATER RATE HISTORY**

PUC DOCKET #	FILING DATE	ADDITIONAL AMOUNT REQUESTED	PERCENT REQUESTED (OVERALL)	PERCENT REQUESTED FOR PWFD	PUC AMOUNT APPROVED	PUC PERCENT APPROVED (OVERALL)	PWFD PERCENT INCREASE	PWFD EFFECTIVE DATE	PWFD RATE SET BY	PWFD RATE \$/KGAL			NWD RATE \$/KGAL		REMARKS
										ALL	0-90M & OVER 360M	90M TO 360M			
1480	01/09/80	\$ 499,369	24.00%	-	\$ 169,000	8.50%	8.50%		PUC						
1581	05/18/81	\$ 592,391	32.10%	-	\$ 378,147	20.49%	20.49%		PUC						
1735	12/13/83	\$ 853,899	36.50%	-	\$ 625,305	26.73%	25.00%	02/29/84	Negotiated		1.0780	0.8625			
1848	02/26/86	\$ 751,651	22.40%	-	\$ 540,426	16.11%	12.00%	05/01/86	Negotiated		1.2074	0.9660			
1978	07/31/90	\$ 2,250,819	47.80%	-	\$ 1,458,727	30.98%	24.00%	02/01/91	Negotiated		1.3367	1.0695			
2029	09/30/91	\$ 2,588,360	46.00%	-	\$ 1,548,065	27.51%	30.00%	09/24/92	Negotiated		1.7380	1.3900			
2985	05/28/99	\$ 1,893,179	27.60%	47.68%	\$ 449,419	6.23%	9.80%	04/01/00	PUC	1.658			2.93 / 3.73	0 - 56 / Over	
3578	11/28/03	\$ 606,662	8.01%	8.01%	\$ -	0.00%	0.00%	06/28/04	PUC - Settlement	1.658				4.07	
3675	04/15/05	\$ 1,726,291	22.67%	23.30%	\$ 1,513,407	20.48%	20.48%	11/11/05	PUC - Settlement	2.000				4.07	
3818	01/29/07	\$ 1,580,896	18.43%	18.43%	\$ 911,459	11.34%	11.34%	09/01/07	PUC	2.227				4.54	
4025	12/09/08	\$ 3,353,023	28.80%	28.80%	\$ 2,044,097	15.50%	15.50%	07/01/09	PUC	2.573				5.25	
4128	11/02/09	\$ -	0.00%	0.00%	\$ -	0.00%	0.00%	06/17/10	PUC - Settlement	2.573				5.25	
4243	04/18/11	\$ 3,509,382	37.70%	37.70%	\$ 2,222,258	22.50%	22.50%	12/01/11	PUC - Settlement	3.152				6.43	
4355	09/07/12	\$ -	0.00%	38.43%	\$ -	0.00%	36.85%	05/01/13	PUC - Settlement	4.3135			8.24 / 9.19	Res/Comm	WTP debt service accounts for (17.8%) of increase. Cost of Service Study impact accounts for 19.05% of increase.
4243 (2)	03/04/14	\$ 3,075,984	21.59%	19.41%	\$ 3,075,984	21.59%	19.41%	07/01/14	PUC	5.1507			10.02 / 11.22	Res/Comm	Increase for WTP debt service.

City of Newport, Rhode Island
 FY 2012 Rate Filing
 Capital Improvement Plan

Docket No. XXXX **4243**
FILED 9/18/11

RFC Schedule 4

Funding Source	2010	2011	2012	2013	2014	2015
	Rate Year					
Safe Yield Study - WP	Rates \$ 123,533	\$ 867				
GIS and Hydraulic Modeling - WP	Rates \$ 263,007	\$ 26,993				
IRP Update - WP	Rates \$ 46,494	\$ 1,876				
Water Quality Protection Plan Update- RIWRB - F&O	Rates \$ 16,099	\$ 2,628				
WSSMP 5 year Update- RIWRB due 9/30/13	Rates			\$ 80,000		
Sediment Assessment - Lawton Brook - LBG	Rates \$ 18,065	\$ 16,728				
RIDOH & RIDEM- Reservoir Monitoring	Rates		\$ 150,000	\$ 150,000		
Main from Gardiner to Paradise	Rates	\$ 150,000		\$ 1,600,000		
Intake at Paradise	Rates	\$ 190,000				
Intake at Watson & Nonquit	Rates	\$ 250,000				
Intake at Sissons	Rates	\$ 50,000				
Aeration- St Mary's Reservoir	Rates		\$ 50,000			
Demolition of Old Nonquit Pump Sta	Rates \$ 2,800	\$ 20,000				
Dam Repair- Easton Pond Dam	SRF \$ 236,000	\$ 500,000	\$ 6,000,000			
Dam and Dike Rehabilitation - Lawton Valley	Rates		\$ 100,000	\$ 800,000		
Dam and Spillway Rehabilitation - Station 1	Rates			\$ 250,000	\$ 100,000	
Paradise Pump Station Improvements	Rates		\$ 85,000			
Sakonnet River Pump Station Improvements	Rates		\$ 152,000			
Station 1 Raw Water Pump Station Improvements	Rates			\$ 195,000		
St Mary's Pump Station Improvements	Rates				\$ 185,000	
Storage Tank Painting - 2MG standpipe	Rates					
Water Department Office/Garage Rehabilitation	Rates				\$ 400,000	
Mitchells Lane meter and PRV	Rates		\$ 90,000			
RIDOH- DB Review Assistance	Rates		\$ 100,000	\$ 100,000		
City Agent for New LVWTP & Sta1 Imprv	SRF \$ 1,846,960	\$ 1,162,790	\$ 1,273,200	\$ 575,000	\$ 575,000	\$ 350,000
Professional Service for WTP Imprv (Legal & Financial)	SRF \$ 450,000	\$ 105,000	\$ 185,000	\$ 125,000	\$ 125,000	
Station One Improvements	SRF	\$ -	\$ 3,000,000	\$ 12,000,000	\$ 7,800,000	
LVWTP New Treatment Plant	SRF		\$ 6,000,000	\$ 20,000,000	\$ 20,000,000	\$ 4,739,000
System Wide Main Improvements	Rates \$ 3,093,048	\$ 300,000	\$ -	\$ 3,200,000	\$ 300,000	\$ 3,500,000
Distribution Main Improv.(Sherman St) Design & Construct	Rates	\$ 156,952				
Meter Replacement	Rates \$ 64,247	\$ 66,817	\$ 69,490	\$ 72,269	\$ 75,200	\$ 78,200
Radio Read Remote reading laptop	Rates		\$ 13,000	\$ 13,000		
Forest Ave Pump Sta Imprv.	Rates		\$ 250,000			
Water Trench Restoration	Rates \$ 75,000	\$ 78,000	\$ 81,120	\$ 84,365	\$ 87,700	\$ 91,200
Fire Hydrant Replacement	Rates \$ 17,000	\$ 17,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Equipment and Vehicle Replacement	Rates	\$ 160,000	\$ 199,000	\$ 92,000	\$ 120,000	\$ 66,000

	2010	2011	2012	2013	2014	2015
101 Water Revenue Bonds	-	-	-	-	-	-
201 SRF Loan	2,532,960	1,767,790	\$ 16,458,200	\$ 32,700,000	\$ 28,500,000	\$ 5,089,000
301 Rates	3,719,292	1,487,862	\$ 1,357,610	\$ 6,654,634	\$ 1,285,900	\$ 3,753,400
401 Other	-	-	-	-	-	-
501 Other	-	-	-	-	-	-
	\$ 6,252,252	\$ 3,255,652	\$ 17,815,810	\$ 39,354,634	\$ 29,785,900	\$ 8,842,400

Avg. Annual Rate Funded Capital \$ 2,493,637
 Proposed Rate Funded Capital \$ 2,750,000

4025
FILED 12/9/08

City of Newport, Rhode Island
FY 2010 Rate Filing
Capital Improvement Plan

DETAILED
DESCRIPTION
OF ALL
WORK
TO BE
PERFORMED
AND
ITEMIZED
COST.

	2007-2008	2009	Rate Year 2010	2011	2012	2013	2014
2007 SRF A \$2,780,588							
TRL LV Residual Management Proj- S3M SRF	2,761,500						
TRL \$3M borrowing costs	19,088						
	\$ 2,780,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008 SRF A \$2,144,185							
S Intake at Gardiner Pond	93,238	4,907					
TRL LV Reservoir Aeration	69,350	21,650					
TRL LVWTP pH constr	247,095	28,255					
TRL LVWTP Chloramine Conversion Construction			200,000				
TRL Lawton Valley Sed Basin Imp	302,457	21,043					
TRN Sta 1 pH constr	247,095	28,255					
TRN Sta 1 Chloramine Conversion Construction			180,000				
TD Distribution Main Design		105,444					
ST Finished Water Storage Tank Maintenance	20,396	575,000					
	\$ 979,631	\$ 784,554	\$ 380,000	\$ -	\$ -	\$ -	\$ -
2008 SRF B \$2,800,000							
CS Remote Radio Read Meter System- Install		900,000	1,000,000	900,000			
	\$ -	\$ 900,000	\$ 1,000,000	\$ 900,000	\$ -	\$ -	\$ -
2009 SRF A \$6,000,000							
S Easton Pond Dam Imprv - North & West Embank		3,000,000	3,000,000				
	\$ -	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -
2010 SRF A \$6,725,950							
TR City Agent for New LVWTP & Sta1 Imprv		866,200	1,846,960	912,790	500,000	525,000	550,000
TR Professional Services for New Pit & Sta 1 (legal, etc.)		350,000	450,000	350,000	125,000	125,000	125,000
	\$ -	\$ 1,216,200	\$ 2,296,960	\$ 1,262,790	\$ 625,000	\$ 650,000	\$ 675,000
2010 SRF B \$3,393,048							
TD Distribution Main Improvements (System-wide)			3,093,048	300,000			
	\$ -	\$ -	\$ 3,093,048	\$ 300,000	\$ -	\$ -	\$ -
2011 SRF A \$10,800,000							
TRN Station 1 - Additional Pretreatment/Clarification Train(DB/Constr)				2,500,000	5,806,000	2,494,000	
	\$ -	\$ -	\$ -	\$ 2,500,000	\$ 5,806,000	\$ 2,494,000	\$ -
2011 SRF B \$8,600,000							
S Main from Gardiner to Paradise				1,600,000			
TD Distribution Main Improvements (System-wide)					3,200,000	300,000	3,500,000
	\$ -	\$ -	\$ -	\$ 1,600,000	\$ 3,200,000	\$ 300,000	\$ 3,500,000
2012 SRF A \$38,739,000							
TRL Lawton Valley WTP - New WTP (DB/Constr)					8,910,000	24,405,000	5,424,000
	\$ -	\$ -	\$ -	\$ -	\$ 8,910,000	\$ 24,405,000	\$ 5,424,000
Total Debt Funded Capital	\$ 3,760,219	\$ 5,000,754	\$ 8,770,008	\$ 3,162,790	\$ 12,735,000	\$ 25,355,000	\$ 9,599,000

5,200,950
1,525,000

KEOUGH & SWEENEY, LTD.

ATTORNEYS AND COUNSELORS AT LAW
41 MENDON AVENUE
PAWTUCKET, RHODE ISLAND 02861
TELEPHONE (401) 724-3600
FACSIMILE (401) 724-9909
www.keoughsweeney.com

JOSEPH A. KEOUGH JR.*
JEROME V. SWEENEY III*

SEAN P. KEOUGH*
STACI L. KOLB

JEROME V. SWEENEY II
OF COUNSEL

* ADMITTED TO PRACTICE IN
RHODE ISLAND & MASSACHUSETTS

RAYNHAM OFFICE:
90 NEW STATE HIGHWAY
RAYNHAM, MA 02109
TEL. (508) 822-2813
FAX (508) 822-2832

BOSTON OFFICE:
171 MILK STREET
SUITE 30
BOSTON, MA 02109
TEL. (617) 574-0054
FAX (617) 451-1914

January 21, 2016

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

RE: *City of Newport, Utilities Department, Water Division*

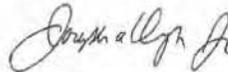
Dear Ms. Massaro:

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

1. Newport Water's Quarterly Reports for the quarter ending December 31, 2015, including the following:
 - a) Restricted Account Analysis; and,
 - b) Report on Progress of IFR Program.

Electronic Copies of these documents were provided to the service list. Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough, Jr.

JAK/jk
Enclosures

City of Newport Water Fund
 Restricted Account Analysis
 Fiscal Year 2016 2nd Quarter

	Capital	Debt Service	Chemicals	Electricity	Retire Insurance	Accrued Benefits	Revenue Reserve	Payroll
September 30, 2015 Total Bank Balances	2,719,404.82	70,592.99	227,464.83	341,396.23	361,290.59	860,204.28	661,254.47	206,132.77
October 31, 2015 Monthly required Funding	208,333.33	567,583.00	49,743.48	50,961.16	42,833.33	14,583.33	10,613.87	
National Grid rebates	15,500.00							
NEIWPC Grant Reimbursement (Source Water Phosphorus Study)	18,810.00							
October 31, Interest Earned	23.14	0.21	1.95	2.87	3.09	7.32	3.23	1.75
Transfer to Checking for Vendor Payments/Other	(252,732.31)		(40,842.46)	(121,302.09)	(29,047.68)			
October 31, 2015 Total Bank Balances	2,709,338.98	638,176.20	236,367.80	271,058.17	374,879.33	874,794.93	671,871.57	206,134.52

City of Newport Water Fund
 Restricted Account Analysis
 Fiscal Year 2016 2nd Quarter

	Capital	Debt Service	Chemicals	Electricity	Retire Insurance	Accrued Benefits	Revenue Reserve	Payroll
September 30, 2015 Total Bank Balances	2,719,404.82	70,592.99	227,464.83	341,386.23	361,290.59	860,204.28	661,254.47	206,132.77
October 31, 2015 Monthly required Funding	208,333.33	567,583.00	49,743.48	50,961.16	42,833.33	14,583.33	10,613.87	
National Grid rebates	15,500.00							
NEIWPCC Grant Reimbursement (Source Water Phosphorus Study)	18,810.00							
October 31, Interest Earned	23.14	0.21	1.95	2.87	3.09	7.32	3.23	1.75
Transfer to Checking for Vendor Payments/Other	(252,732.31)		(40,842.46)	(121,302.09)	(29,247.68)			
October 31, 2015 Total Bank Balances	2,709,338.98	638,176.20	236,367.80	271,058.17	374,879.33	874,794.93	671,871.57	206,134.52
November 30, 2015 Monthly required Funding	208,333.33	567,583.00	49,743.48	50,961.16	42,833.33	14,583.33	10,613.87	
November 30, Interest Earned	22.57	0.64	2.02	2.30	3.14	7.21	3.39	1.69
Transfer to Checking for Vendor Payments/Other	(118,872.26)		(25,357.47)	(58,459.28)	(29,247.68)			
November 30, 2015 Total Bank Balances	2,800,822.62	1,205,759.84	260,755.83	263,562.35	388,468.12	889,385.47	682,488.83	206,136.21
December 31, 2015 Monthly required Funding	208,333.33	567,583.00	49,743.48	50,961.16	42,833.33	14,583.33	10,613.87	
December 31, Interest Earned	23.94	3.72	2.25	2.27	3.33	7.56	3.34	1.75
Transfer to Checking for Vendor Payments/Other	(52,318.20)		(9,526.27)	(36,638.62)	(25,204.68)			
December 31, 2015 Total Bank Balances	2,956,961.69	1,773,346.56	300,975.29	277,885.96	405,100.10	903,976.36	693,106.04	206,137.96

Newport Water 1-2
Page 1 of 2

Request:

On page 14 of Mr. Woodcock's testimony, he states regarding Newport's allocation of City Service expenses: "The parties spent considerable time on this matter, yet Newport makes changes each time they file, which vary from prior agreements and, without fail, prejudice Portsmouth and its ratepayers."

- a. Please provide all documents Mr. Woodcock relied on in support of his testimony.
- b. Please provide all facts Mr. Woodcock relied on in support of his testimony.
- c. Please identify each filing in which Newport changed the method of allocation approved by the Commission in Docket 4025, and provide specific reference to the testimonies and schedules where Newport made or requested the change identified.
- d. For each change identified in subsection c., please state whether PWFD requested the change.
- e. For each change identified in subsection c., please state whether PWFD agreed to the change.
- f. For each change identified in subsection c., please state whether the change was incorporated in a Settlement Agreement that PWFD signed.
- g. For each change identified in subsection c., please state how "Portsmouth and its ratepayers" were prejudiced.

Response:

- a. There are numerous documents that contain relevant information and support the referenced testimony from Mr. Woodcock, including but not limited to testimony, responses to data requests, and orders from previous dockets. Portsmouth Water spent significant time and resources reviewing previous dockets and references the responsive documents it identified in the responses to the subparts below. Due to the voluminous nature of the previous filings, however, Portsmouth Water cannot represent that these responses incorporate all documents that support the referenced testimony. The documents referenced within this response are available on the Commission's website.

Newport Water 1-2

Page 2 of 2

- b. Most of the facts supporting the referenced testimony are set forth in the referenced documents. The “considerable time [spent] on this matter” is reflected in the testimony, data requests, and questioning in the various dockets since 2007 (Docket 3818). The referenced testimony and other documents (please see the attachment to this response) discuss the variations from prior dockets, and the specific variations can easily be gleaned from a review of that testimony.
- c. Please see the attachment to this response. The referenced testimony refers back to Docket 3818 – not Docket 4025. The attachment and the documents referenced in it catalog variations that have occurred since Docket 3818.
- d. Mr. Woodcock’s testimony referred to changes made or proposed by Newport Water and did not include changes suggested by any other party. Portsmouth Water did not request any of these changes.
- e. Portsmouth Water did not agree that the changes referred to in the referenced testimony set forth the correct way to allocate City Services. As set forth in the response to subpart (f), Portsmouth Water may have agreed to include some of these changes in connection with settlement agreements, but such settlement agreements do not indicate Portsmouth Water’s agreement that the changes implemented by Newport Water were correct or appropriate.
- f. Portsmouth Water signed settlement agreements in certain dockets, which included some changes to the allocation of City Service expenses from the method agreed to in previous dockets. These agreements, however, did not: (a) reflect all the changes originally suggested by Newport Water in those dockets, nor (b) constitute agreement on the part of Portsmouth Water that the changes were appropriate or proper. Rather, Portsmouth Water made concessions on its position with respect to City Services allocation to facilitate an overall settlement of those dockets. It did not foreclose its right to challenge Newport Water’s proposed City Services allocation in future dockets.
- g. Please see the attachment to this response.

Attachment to Response to NWD 1-2 to PWFD

<u>Docket No.</u>	<u>Documents</u>	<u>Issue</u>	<u>How PWFD Prejudiced</u>
3818	Transcript Nov 9, 2005 from prior docket (pg. 79): Ms. Forgue states that new Deputy Director of Finance will take responsibilities that were with City Finance Director, thereby reducing allocation from City Finance Department. There was no such reduction. This was a change in that it was expected that the amount for the city Finance Depot would be reduced based on Ms. Forgue's testimony in the prior docket.	Finance Office allocation was not reduced.	Allocated more costs to all customers, including PWFD
3818	Report & Order page 13, 39-40	Allocation of various City offices to water fund	Allocated more costs to all customers, including PWFD
3818	Newport Filing	Included City Clerk Probate time that had nothing to do with water. Should apply to schools and Library as much as water. More than 100% increase (\$219,177 to \$539,500) in MIS costs from prior agreement.	Allocated more costs to all customers, including PWFD
4025	Woodcock Prefiled Testimony - Newport Filing	NWD excluded schools and library from overall allocation determination. Commission had included in prior docket, NWD chose to	Allocated more costs to all customers, including PWFD
4025	Woodcock Prefiled Testimony - Newport Filing	exclude.	Allocated more costs to all customers, including PWFD

4025	Woodcock Prefiled Testimony - Newport Filing	NWD used total water budget rather than the Water Dept. revenue requirement as has been ordered in the last docket to derive a higher overall allocation percentage to the Water Fund.	Allocated more costs to all customers, including PWFD
4025	Woodcock Prefiled Testimony - Newport Filing	Rather than use a percentage of just the City Manager and City Council base salaries to allocate to the Water Fund, NWD added numerous other Council & Manager office expenses that had been excluded in the prior docket.	Allocated more costs to all customers, including PWFD
4025	Woodcock Prefiled Testimony - Newport Filing	Rather than allocating 1% of the City Clerks Office (as in the prior docket) NWD modified the allocation and used an overall allocation of about 10%	Allocated more costs to all customers, including PWFD
4025	Woodcock Prefiled Testimony - Newport Filing	Rather than basing the allocation on 1/2 of the Finance Dept. costs, NWD broke out pieces to allocate an even greater share of the office to the Water Fund	Allocated more costs to all customers, including PWFD
4025	Woodcock Prefiled Testimony - Newport Filing	Newport proposed a new allocation for "public safety" costs that had never before been suggested, adding considerable costs to the "City Services".	Allocated more costs to all customers, including PWFD

4025	Woodcock Prefiled Testimony - Newport Filing	NWD included the cost of Citizen Surveys in the allocation to the water fund based on a survey that had been done several years earlier.	Allocated more costs to all customers, including PWFD
4128	Woodcock Prefiled Testimony - Newport Filing	Rather than allocate each City Service item individually, NWD allocated them all as one administrative item, resulting in a greater allocation of many costs to PWFD (such as collections).	Allocated more costs to all customers, including PWFD
4243	Woodcock Prefiled Testimony - Newport Filing	NWD again used the total water budget rather than the Water Dept. revenue requirement as has been ordered in the last docket to derive a higher overall allocation percentage to the Water Fund.	Allocated more costs to all customers, including PWFD
4243	Woodcock Prefiled Testimony - Newport Filing	Rather than updating many of the allocation percentages based on their cost allocation manual, NWD, simply used the old (higher) percentages, thereby increasing the cost of City Services. NWD continues to use budgeted water expenses to derive an overall allocation percent that is contrary to prior orders.	Allocated more costs to all customers, including PWFD
4595	Woodcock Prefiled Testimony - Newport Filing		Allocated more costs to all customers, including PWFD

4595	Woodcock Prefiled Testimony - Newport Filing	NWD failed to split out the MIS costs resulting in a higher allocation of this department to the Water Fund.	Allocated more costs to all customers, including PWFD
4595	Woodcock Prefiled Testimony - Newport Filing	NWD proposes an allocation based on 100% of City Solicitor office rather than 50%.	Allocated more costs to all customers, including PWFD
4595	Woodcock Prefiled Testimony - Newport Filing	NWD included many capital budget items in its proposed allocations	Allocated more costs to all customers, including PWFD

Newport Water 1-3

Request:

On page 20 of Mr. Woodcock's testimony, he states that Portsmouth has been paying a higher rate since Docket 4355 because of Newport's assets values.

- a. Please provide all documents Mr. Woodcock relied on in support of his testimony.
- b. Please provide all facts Mr. Woodcock relied on in support of his testimony.
- c. Please identify the exact portion (in both dollar figure and percentage) of PWFD's overall increase in Docket 4355 that was attributable solely to Newport's asset listing, and include all calculations and workpapers supporting PWFD's calculation.

Response:

- a. Because the service line and most distribution line assets are allocated only to retail customers (and not to Portsmouth Water), understatement of their value lessens the amount of capital costs that are properly allocated only to the retail customers. By reducing the amounts allocated to retail customers, the amounts allocated to a wholesale customer such as Portsmouth Water increase. Newport Water admitted in Docket 4355 that the amounts it has included for service lines and distribution pipes were incorrect and understated. Accordingly, Portsmouth Water has been paying a higher rate than it would have paid if the correct asset values had been included in Docket 4355. Additionally, those incorrect asset values also mean that Portsmouth Water has been paying higher rates than it should have prior to Docket 4355 as well.
- b. Please see the response to subpart (a).
- c. Newport Water has not yet provided correct asset values. Therefore, it is impossible for Portsmouth Water to calculate how much it has been overcharged since Docket 4355 and in previous years. Portsmouth Water has proposed asset values for service lines and distribution lines in this docket based on the values of such assets provided by a comparable utility. Applying those values to Newport Water's current rate proposal results in a decrease to Portsmouth Water's rates of \$0.04 per thousand gallons (from \$6.1815 to \$6.1372), or a total of \$19,172. To calculate the rate difference that would have resulted if Portsmouth Water's proposed asset values were applied to past rates, Newport Water could plug in our current asset value proposal into its previous rate model(s) and apply that rate to Portsmouth Water's previous sales.

Newport Water 1-4

Request:

On page 21 (lines 9-12) of Mr. Woodcock's testimony, he states that Newport is attempting to allocate bonds "used to finance the treatment plant upgrades" differently from the "rest of its bond costs."

- a. Please provide all documents Mr. Woodcock relied on in support of his testimony.
- b. Please provide all facts Mr. Woodcock relied on in support of his testimony.
- c. Please specifically identify the testimony and schedules in Newport's Rate Application where it seeks to allocate bonds "used to finance the treatment plant upgrades" differently from the "rest of its bond costs."

Response:

a-c. Mr. Woodcock's testimony should have said that Newport Water is allocating treatment plant capital costs differently from the rest of its other capital costs – not that Newport Water was allocating bonds used to finance the treatment plant upgrades differently from the rest of its bond costs. Despite this misstatement, Portsmouth Water maintains that Newport Water's proposal to allocate treatment plant capital costs is incorrect. Those allocations should be based on actual usage like all other costs.