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May 27, 2016

**Via Electronic Mail and Regular Mail**

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

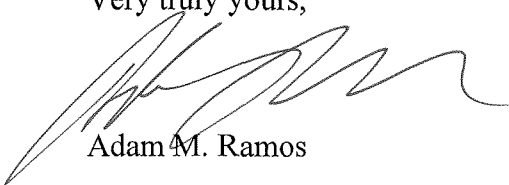
**Re: Newport Water Division – Docket No. 4595**

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 Second Set of Data Requests, issued on May 9, 2016.

Thank you for your attention to this matter.

Very truly yours,



Adam M. Ramos

AMR:cw  
Enclosures

cc: RIPUC Service List (electronically only)

55767880 (38210.167824)

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

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Newport Water 2-1  
Page 1 of 2

Request:

On page 7 of Mr. Woodcock's testimony, he states with regard to Newport's allocation of City Services: "the calculation provided by Newport Water in its filing appears to have included many capital costs for water that, based on prior rulings and settlements, should not to be included."

- 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 capital cost that Newport Water included that should not be included based on prior rulings and settlements.
- d. For each capital cost that Newport Water included that should not be included based on prior rulings and settlements, please identify with reference to page number and/or schedule number each prior ruling or settlement referenced.

Response:

- a. The number of documents that support the referenced testimony is voluminous and cumulative. The following documents, however, demonstrate the prior agreements and rulings that capital costs should be excluded from the calculations of City Service expenses:
  - Settlement Agreement Docket 4243, paragraph 14: "The parties agree that for this docket and in all future dockets the allocation of City Service payments will not include or be based on debt service and capital expenses"
  - Report & Order in Docket 4243: "City of Newport, Utilities Department, Water Division shall comply with all other findings and instructions as contained in this Report and Order and with all terms of the Settlement Agreement incorporated herein."

Additionally, the documents referenced in the response to subpart (c) of this request demonstrate that Newport Water actually included capital costs in its City Services allocation.

Newport Water 2-1  
Page 2 of 2

Collectively, these documents demonstrate that Newport Water included capital costs in the allocation of City Services.

- b. Please see the response to subpart (a).
- c. No capital or debt service costs should be included based on the settlement and ruling in Docket 4243. Portsmouth Water reviewed the testimony of Newport Water's witnesses, the attached exhibits, and the spreadsheet Newport Water provided in response to data request Div. 1-19, which formed the basis for Newport Water's rate filing in this document. In reviewing the details of the Legal & Administrative expenses and MIS charges (City Service expenses), Mr. Woodcock identified that the expenses on HJS Schedule A-1A are derived from a spreadsheet Tab entitled "L&A & Data Proc. Detail". While this Tab was hidden, Mr. Woodcock was able to unhide it and review the supporting calculations. This is the same set of calculations we have seen in prior filings by Newport Water. At the top of this spreadsheet tab is a set of calculations entitled "Determination of Budget Percentages" that purports to use the FY 2015 Adopted Budget of the City. These budget numbers are the same as those on Exhibit 2 to the testimony of Laura Sitrin's. The values on Exhibit 2 to Ms. Sitrin's testimony removed some, but not all, of the capital items from the calculations.

Exhibit 2 to Ms. Sitrin's testimony shows a total of \$1,512,050 for management information system ("MIS") costs included in the City Services allocation. Newport Water's response to data request Comm 1-17, shows that the \$1,512,050 in MIS costs includes \$385,950 for capital items such as telephone and communications hardware, and other equipment that should not be included as part of the City Services allocation per the Settlement Agreement and Report and Order in Docket 4243. Mr. Smith's spreadsheet used Ms. Sitrin's Exhibit 2 calculations, including the MIS costs, in preparing the City Services allocation for this rate filing. Accordingly, these MIS costs are an example of Newport Water's improper inclusion of capital items in its City Services allocation in this rate filing. Portsmouth Water does not represent, however, that this is the only circumstance in which capital costs have been improperly included. Portsmouth Water believes there may be other places where Newport Water incorrectly included capital costs as part of the City Services allocation, but, due to the voluminous nature of Newport Water's submission, Portsmouth Water has not identified any other specific examples.

- d. Please see the response to subpart (a).