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April 14, 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 the Prefiled Testimony of Christopher P.N. Woodcock, filed on behalf of Portsmouth Water & Fire District.

Thank you for your attention to this matter.

Very truly yours,

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

Adam M. Ramos

AMR:cw  
Enclosures

cc: RIPUC Service List (electronically only)

55687650 (38210.167824)

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

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**RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**DOCKET NO. 4595  
NEWPORT WATER DIVISION**

**PREFILED TESTIMONY OF  
CHRISTOPHER P.N. WOODCOCK  
ON BEHALF OF  
PORTSMOUTH WATER & FIRE DISTRICT**

Woodcock & Associates, Inc.  
18 Increase Ward Drive  
Northborough MA 01532

1  
2  
3  
**PREFILED TESTIMONY OF  
CHRISTOPHER P.N. WOODCOCK**

4 **Q: Please state your name and business address?**

5 A: My name is Christopher P.N. Woodcock and my business address is 18 Increase Ward  
6 Drive, Northborough, Massachusetts 01532.  
7

8 **Q: By whom are you employed and in what capacity?**

9 A: I am the President of Woodcock & Associates, Inc. a consulting firm specializing in water  
10 and wastewater rate and financial studies.  
11

12 **Prior Experience**

13 **Q: Please describe your qualifications and experience.**

14 A: I have undergraduate degrees in Economics and in Civil Engineering from Tufts University in  
15 Medford, Massachusetts. After graduating in 1974, I was employed by the environmental  
16 consulting firm of Camp, Dresser, and McKee Inc. (now CDM-Smith). For approximately 18  
17 months, I worked in the firm's environmental engineering group performing such tasks as  
18 designing water mains, sewer collection and interception systems, pumping facilities and  
19 portions of a wastewater treatment facility. Starting in approximately January 1976, I  
20 worked in the firm's management and financial consulting services group, gaining increas-  
21 ing responsibility. At the time of my resignation, I was a corporate Vice President and the  
22 leader of the group overseeing rate and financial studies. In my career, I have worked on  
23 more than 500 water and wastewater rate and financial studies, primarily in the United  
24 States, but also for government agencies internationally. I also have worked on a number  
25 of engineering and financial feasibility studies in support of revenue bond issues. I have  
26 drafted and reviewed revenue bond indentures, and I have worked on several valuation

1 studies, capital improvement financing analyses, and management audits of public works  
2 agencies. In addition to my professional experience I have held elected and appointed po-  
3 sitions on municipal boards overseeing public works functions, including oversight of de-  
4 sign, construction and initial operations of wastewater collection and treatment facilities  
5 and setting of rates.

6  
7 **Q: Have you previously testified before state regulatory commissions or courts on rate re-  
8 lated matters?**

9 A: Yes, in addition to the dozens of times I have provided testimony regarding water rate fil-  
10 ings submitted to the Rhode Island Public Utilities Commission (the “Commission”), I have  
11 provided testimony on rate related matters before utility commissions in Massachusetts,  
12 Maine, Connecticut, New York, New Hampshire, Maryland, Texas, and Alberta, Canada. I  
13 also have been retained as an expert witness on utility rate related matters in proceedings  
14 in state courts in Massachusetts, Michigan, California, Arkansas, Florida, New Jersey, Mary-  
15 land, Ohio, Virginia, and Pennsylvania, as well as a federal court in Michigan. I have been  
16 selected as a panel arbitrator for several disputes over water rates and charges. I also have  
17 provided testimony on rate-related matters to the Michigan and Massachusetts legisla-  
18 tures and provided testimony at administrative hearings on numerous occasions.

19  
20 **Q: Do you belong to any professional organizations or committees?**

21 A: Yes, I am a member of the Water Environment Federation, the Rhode Island Water Works  
22 Association, the Massachusetts Water Works Association, the New England Water Works  
23 Association, and the American Water Works Association. For the Water Environment Fed-  
24 eration, I was a member of the committee that prepared the manual on Wastewater Rates  
25 and Financing. I am past chairman and a current member of the New England Water  
26 Works Association’s Financial Management Committee. In my capacity as Past President of  
27 the New England Water Works Association, I also sat on the Board of Directors as well as

1 chairing and sitting on a number of other administrative committees. For the American  
2 Water Works Association, I am past chairman of the Financial Management Committee and  
3 the Rates and Charges Committee, which has prepared the manuals on Revenue Require-  
4 ments, Water Rates, Alternative Rate Structures, and Water Rates and Related Charges. I  
5 have been reappointed to and am currently the longest standing member of the AWWA  
6 Rates & Charges Committee. I am currently leading the final preparation of the 7<sup>th</sup> Edition  
7 of AWWA's M1 Manual on Water Rates.

8  
9 **Q: Are you the same Christopher Woodcock that has prefiled testimony on behalf of the**  
10 **Portsmouth Water & Fire district in other rate filings?**

11 A: Yes, I am.

12  
13 **Summary**

14 **Q: What is the purpose of your testimony in this docket?**

15 A: My testimony presents the position of the Portsmouth Water & Fire District (Portsmouth)  
16 regarding the December 23, 2015 rate filing by the City of Newport, Utilities Department,  
17 Water Division ("Newport Water") in Docket 4595.

18  
19 **Q: Can you summarize your testimony?**

20 A: Over the last three decades, Portsmouth and Newport Water have negotiated and contest-  
21 ed Newport Water's cost allocations and rate determinations, and during that time, with  
22 the Commission's help, the parties made significant progress in improving Newport Wa-  
23 ter's methodology and reaching agreement on the appropriate approach for Newport Wa-  
24 ter to take when calculating rates. Through this process, Portsmouth, Newport Water, and  
25 the other parties in interest to Newport Water's rate filings had, among other things: (a)  
26 agreed to a cost allocation model, (b) obtained Commission approval for Newport Water's

1 cost allocation manual (for City Services), and (c) completed an expensive and time con-  
2 suming retail customer demand study. Because of these past efforts, Portsmouth hoped  
3 and expected that this rate filing would not result in continued disagreements about previ-  
4 ously resolved issues regarding matters such as cost allocations, customer demands, and  
5 city service expenses.

6  
7 Unfortunately, Newport Water continues to make decisions in its rate filings that are con-  
8 trary to previously settled issues, and Portsmouth has identified several new problems that  
9 have been introduced in Newport's most recent filing. Moreover, in every case where  
10 Newport Water introduces a new method in its rate calculation, the new method always  
11 penalizes Portsmouth and benefits Newport Water's retail rate payers.

12  
13 There are four main areas of concern with Newport Water's filing:

- 14 • Excessive overall revenue requirements;
- 15 • A new derivation of customer demands that is based on theoretical calculations to be  
16 used in the absence of actual data (which we have);
- 17 • Inequitable cost allocation; and
- 18 • Inconsistent time periods considered for water use and sales.

19  
20 In addition, there are a few additional minor, but necessary, changes that must be made,  
21 such as updating the customer data. Finally, Portsmouth contends that Newport Water  
22 should have sought step increases if it wants to fund capital projects beyond the rate year.

1 **Description of Schedules**

2 **Q: Have you prepared any schedules to go along with your testimony?**

3 A: Yes. The attached schedules use the same numbering as the schedules submitted by Har-  
4 old Smith in the exhibit he prepared for Newport Water. They have been retitled using the  
5 naming convention "CW Schedule xxx". The highlighting on these schedules denotes major  
6 revisions from Mr. Smith's schedules.

7

8 **Excessive Rate Year Revenue Requirements**

9 **Q: Can you describe any revisions you propose for Newport Water's claimed expenses or**  
10 **revenue requirements.**

11 A: As in the past, Portsmouth expects to rely on the Rhode Island Division of Public Utilities  
12 and Carriers' (the "Division") experts to review and analyze most of Newport Water's  
13 claimed expenses; particularly the operating expenses. To the extent that Portsmouth  
14 agrees with the Division's positions, Portsmouth will incorporate those positions in its sur-  
15 rebuttal testimony. Portsmouth's recommended revisions concentrate on three areas:

- 16 1. Reducing Newport Water's claimed expense by using some funds from its restrict-  
17 ed reserve accounts,  
18 2. Reducing the claimed rate case expense claims, and  
19 3. Excess City Service allocations to Newport Water.

20

21 **Q: Why do you propose to use some of the restricted reserves to reduce the revenue re-**  
22 **quirements?**

23 A: The purpose of the restricted reserve accounts is to ensure that Newport Water has suffi-  
24 cient funds for its operations and capital programs. Sometimes it is difficult to determine  
25 or estimate future costs. To both prevent revenue shortfalls and ensure that allowed reve-  
26 nues are used only for intended purposes, the Commission ordered Newport Water to set

1 up and fund restricted accounts that can only be accessed for specific purposes. These  
2 funds have built up over many years, as Newport Water has been able to cover its costs in  
3 the specified areas without using all the revenue set aside for such costs. Based on the re-  
4 sponse to Commission data request 1-13, Newport Water had more than \$7,517,000 in its  
5 restricted accounts as of December 31, 2015. Newport Water does not need the full  
6 amounts contained within some of these restricted funds, and therefore it is just and ap-  
7 propriate that Newport Water use this money to reduce its customers' rates and charges.

8

9 **Q: Which restricted accounts do you propose Newport Water should use to reduce rates?**

10 A: Newport Water should use funds from the restricted chemical, electricity and capital ac-  
11 counts.

12

13 **Q: What is your proposal for the use of restricted chemical funds?**

14 A: Based on its response to Comm 1-13, Newport Water has more than \$300,000 in its re-  
15 stricted chemical account. Portsmouth proposes that Newport Water use \$125,000 (less  
16 than half of the current balance) from this account to reduce rates and charges. Specifical-  
17 ly, Portsmouth proposes a reduction of \$50,000 each in the claimed amounts for chemicals  
18 at each of the two water treatment facilities and a \$25,000 reduction in the cost of chemi-  
19 cals for Source of Supply - Island. These proposed reductions will still leave more than  
20 \$175,000 in the restricted chemical accounts.

21

22 **Q: Can you explain why Portsmouth is not proposing that more of the restricted amounts  
23 for chemicals should be used to reduce rates and charges?**

24 A: Newport Water's new treatment facilities have not been in operation for very long, and,  
25 therefore Newport Water has not had sufficient time to analyze chemical use and costs at

1 those facilities. Maintaining a restricted account for chemicals until Newport Water's next  
2 rate case, therefore, is prudent to permit Newport Water the time necessary to perform  
3 sufficient analysis to be able to forecast chemical use and costs at these facilities accurately.  
4 In connection with Newport Water's next rate case, the Commission can review Newport  
5 Water's actual costs and make necessary adjustments to the amounts that are restricted,  
6 taking into account the change out of carbon.<sup>1</sup> The proposed adjustment to the Island  
7 chemical cost is shown on Schedule D-11.

8  
9 **Q: What is your proposal for the use of funds from the restricted electric account?**

10 A: As of December 31, 2015, the restricted electric account had a balance of \$277,886.

11 Portsmouth proposes to reduce this balance by a little more than 1/3 by using \$50,000 to  
12 offset the claimed electric costs at each of the two water treatment plants (for a total of  
13 \$100,000). This would still leave in excess of \$177,000 in the restricted electric account.

14  
15 The proposed adjustments to the electric costs on the revenue requirement buildup sheets  
16 are shown on Schedules D-13 and D-14.

17  
18 **Q: What is Portsmouth's proposal for the use of funds from the restricted account for Capital spending?**

19  
20 A: Newport Water has requested an increase of \$680,502 for its capital restricted account.

21 Portsmouth proposes that the Commission grant Newport Water no increase from the  
22 \$2,500,000 it has been granted previously for the restricted capital spending account. This  
23 recommendation would, therefore, result in a \$680,502 reduction in Newport Water's revenue  
24 requirement.

25  

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<sup>1</sup> Because the change-out of carbon may be required at unknown times and costs, a specific carbon change-out fund could be established or it could be included in the current restricted chemical fund.

1 **Q: Why does Portsmouth propose no increase to the funding for the restricted capital ac-**  
2 **count?**

3 A: As of December 31, 2015, Newport Water had nearly \$3,000,000 in its restricted capital ac-  
4 count. This restricted account has maintained a multimillion dollar balance for many years.  
5 Portsmouth sees no reason for this account to maintain this significant balance, particularly  
6 in light of the recent completion of tens of millions of dollars in work on both treatment  
7 plants. Moreover, Newport Water has not provided any justification to maintain such a  
8 significant balance in this restricted account.

9

10 Newport Water's cash flow projections for its Capital Improvement Plan ("CIP") Fund show  
11 that with continued funding of \$2,500,000, it will still have in excess of \$1,000,000 in the  
12 restricted capital account through the rate year. In fact, Newport Water will have in excess  
13 of \$250,000 in its restricted capital account as of the end of FY 2018 – a full year after the  
14 rate year. (See response to PWFD 1-12.) Newport Water's response is that it will begin to  
15 run a deficit in the restricted capital account in FY 2019 – this is fully two years beyond the  
16 rate year they have requested. Based on historical observation, Newport Water's capital  
17 expenses often end up much lower than forecast. Consequently, it is imprudent and ineq-  
18 uitable to fund the restricted capital account based on projected deficits for FY 2019, which  
19 may, in fact, never materialize.

20

21 Additionally, Newport Water has misapplied Commission rules in calculating its needs for  
22 the restricted capital account. Newport Water contends in its response to Comm 1-24,  
23 that the amount they are seeking for the restricted capital account is the average of antici-  
24 pated expenses from FY 2016 through FY 2021. FY 2016 will be over before this docket is  
25 completed. Fiscal years 2018, 2019, 2020, and 2021 all fall well beyond the rate year, and  
26 those years should not fairly be considered when calculating revenue requirements. The  
27 Commission's Rules of Practice state that the rate year "is the twelve-month period for  
28 which new rates are designed to recover the proposed cost of service." There is no provi-

1 sion for one, two, three, and most certainly not four years beyond the rate year being con-  
2 sidered.

3  
4 In its response to PWFD 2-6, which asked Newport Water to identify the authority upon  
5 which it relied to include costs beyond the rate year in its calculations, Newport Water as-  
6 serted that the Commission permitted a multiyear average in Docket 4025. Newport Wa-  
7 ter's reliance on that docket is misplaced because the circumstances of that case are dis-  
8 tinguishable and do not provide support for Newport Water's position in this docket. In  
9 Docket 4025, Newport Water's proposal included only a two-year average, and ultimately  
10 Newport Water's request was reduced from more than \$1.6 million to \$1.1 million. Addi-  
11 tionally, Newport Water demonstrated considerable variation in the proposed annual capi-  
12 tal costs in Docket. In this case, Newport Water is seeking to recover anticipated capital  
13 costs for four years beyond the rate year, and there is no evidence of considerable varia-  
14 tion in the proposed annual capital costs. Moreover, since Docket 4025, the Commission's  
15 rules have changed to permit step increases to recover increasing costs. Newport Water  
16 chose not to seek a step increase to cover future capital costs in this docket.

17  
18 Also in response to PWFD 2-6, Newport Water suggested that Commission Rule 2.6(c) may  
19 allow it to use the multi-year average for calculating capital costs. Newport Water is incor-  
20 rect. Rule 2.6(c) addresses adjustments to the test year (not the rate year) and discusses  
21 making normalization adjustments, proforma adjustments, accounting changes, and infla-  
22 tionary adjustments to the test year. The six-year average Newport Water employed to  
23 generate its capital needs does not fit into any of those categories.

1 **Q: What adjustments does Portsmouth propose to Newport Water’s estimated rate case**  
2 **expenses?**

3 A: Portsmouth proposes that Newport Water’s proposed rate case costs be reduced from the  
4 \$250,000 claimed to \$137,064, which is an average of Newport Water’s rate case expenses  
5 over the last five years.

6  
7 **Q: Why does Portsmouth propose this adjustment?**

8 A: Newport Water has failed to adequately support its claim for \$250,000 in rate case fees.  
9 Newport Water has asserted that: (a) \$200,000 of these fees is for its attorney and rate  
10 consultant, (b) \$10,000 is for a “bond advisor,” and (c) the remaining \$40,000 is for “other  
11 committed in 2015.” Newport Water has failed to support these amounts when requested  
12 to do so.

13  
14 First, and most glaringly, the request for \$10,000 for a bond advisor should be denied for  
15 two reasons: (1) such expenses ordinarily are recovered through bond proceeds, and (2)  
16 Newport Water has not even proposed a new bond issue in this docket. Second, Newport  
17 Water had been inconsistent and vague when attempting to describe the \$40,000 for “oth-  
18 er committed in 2015. Originally, Newport Water described this amount only as PUC Rate  
19 Case Expenses. (See Newport Water’s Response to Comm 1-8.) However, in response to  
20 Div 1-17 Newport Water described the \$40,000 for “other committed in FY 2015” as need-  
21 ed for outstanding purchase orders. Then, in response to a follow-up question (Div 3-7),  
22 Newport Water changed tack again and explained that the \$40,000 was mislabeled and in-  
23 cludes an estimated \$30,000 based on past PUC rate case costs plus \$10,000 for other (un-  
24 identified) “general business consultants.” Third, Newport Water’s historical rate case  
25 costs have been significantly less than Newport Water’s proposal in this case.

26

1 Newport Water's response to Div 3-7 provided a breakdown of consultant expenses from  
2 2011 through 2015. Portsmouth calculated the average for legal fees, financial consultant,  
3 trustee fees, and PUC fees and concluded that Newport Water's average rate case expense  
4 for those years was \$137,064. Portsmouth did not include any bond advisor fees in this  
5 calculation because those costs (if incurred) would be paid from the bond proceeds. Addi-  
6 tionally, Portsmouth excluded the "other engineering fees" because, over the past five  
7 years Newport Water made only a single \$3,697 payment in FY 2014; there were no such  
8 fees in any of the four other years. This fact, along with Newport Water's failure to provide  
9 backup or justification for including such fees supports the exclusion of such fees as shown  
10 in Portsmouth's calculation (Schedule CW D9).

11

12 **Q: Does Portsmouth propose any other adjustments to Newport Water's revenue require-**  
13 **ment?**

14 A: Yes, the Commission should make adjustments to Newport Water's proposal with regard to  
15 the allocation of City Service expenses. Specifically, the Commission should adjust New-  
16 port Water's allocation of the "Legal and Administrative" expense and the Management In-  
17 formation System ("MIS") costs.

18

19 **Q: Please describe the adjustments that you are proposing.**

20 A: Portsmouth proposes a reduction of Newport Water's request for costs for City services  
21 from \$477,843 to \$297,295. To calculate this proposed reduction, Portsmouth first used  
22 the actual costs for the City from FY 2015, which Newport Water provided in response to  
23 PWFD 2-7. Using actual costs is the correct approach because: (a) the fiscal year ended  
24 June 30, 2015, (b) the actual costs are known for the City, and (c) FY 2015 is the Test Year in  
25 this docket. For the Water Fund's costs, Portsmouth used the test year operating ex-

1 penses (FY 2015) because they match the expenses for the other funds and these filed  
2 amounts have been accepted in past dockets. Based on these updated values, the Water  
3 Fund represents 11.26% of the costs – significantly less than the 16.81% calculated by  
4 Newport Water. It does not appear that Mr. Smith used that percentage, instead relying  
5 on some other (undisclosed) amount.  
6

7 **Q: Why does Portsmouth propose adjustments to Newport Water’s allocation of “Legal and  
8 Administrative” and MIS costs?**

9 A: The “cost” of these services from the City has been hotly contested between Newport Wa-  
10 ter and Portsmouth in prior proceedings. In Docket 3818 (2007) the Commission ordered  
11 the City to prepare a cost allocation manual and file it with the Commission. In Docket  
12 4025 (2009), NWD submitted a filing based on their cost allocation manual. PWFD object-  
13 ed to a number of allocation factors and bases, as did the Division. After hearing testimony  
14 from the parties, the Commission ordered Newport Water to provide allocations and basis  
15 for the allocations in that docket. In this docket, Newport Water has apparently updated  
16 the manual (without consultation with the other parties). A number of the “adjustments”  
17 that Newport Water has made are contrary to what was decided by the Commission and  
18 unfairly increase the costs to the rate payers.  
19

20 Additionally, the calculation provided by Newport Water in its filing appears to have in-  
21 cluded many capital costs for water that, based on prior rulings and settlements, should  
22 not to be included. These improper allocations, and Portsmouth’s proposed solutions, are  
23 as follows:  
24

- 25 • Newport has proposed to use a count of City Council minute mentions of the Water  
26 Department in FY 2014 to derive the allocation percentage for the City Council  
27 costs. Portsmouth compared the number of mentions in FY 2015 to match the

1 counts with the time period for which the costs are to be allocated. Nearly every  
2 mention of the Water Fund in the City Council minutes was related to a simple mo-  
3 tion to accept a bid for water supplies with no discussion. The only exception was a  
4 letter asking about a possible transfer of water fund land – for which there also was  
5 no discussion. In short, the City Council time spent on Water Fund matters was  
6 quite minimal. Portsmouth’s proposed allocation of 2.27% of the City Council’s  
7 time to the Water Fund, therefore, is generous, particularly in light of the effort  
8 Newport Water has made in previous dockets to exclude Schools and the Library  
9 from the allocation.

- 10
- 11 • Newport Water seeks to allocate 100% of the costs for the City Solicitor to the Wa-  
12 ter Fund, asserting that new functions have been added to the position and con-  
13 tending that all the City Solicitor’s work is labor related. This is not at all compel-  
14 ling. In previous dockets, it was determined that only 50% of these costs should be  
15 allocated to the Water Department because of the use of outside counsel to help  
16 with rate case filings among other matters. Newport Water has unilaterally decid-  
17 ed to change this to 100% with no review or discussion. Portsmouth proposes to  
18 adjust this expense (to perhaps be updated after receipt of responses to Ports-  
19 mouth’s third set of data requests) to include 50% of the costs.
  - 20
  - 21 • Portsmouth also proposes several changes to the MIS allocation. The MIS expense  
22 includes costs for postage and telephone/communications because this depart-  
23 ment handles these for other City departments (see Comm 1-17). That is not the  
24 case with the Water Fund, which has its own postage and tele-  
25 phone/communication costs. Portsmouth, therefore, submits that these elements  
26 of the MIS expenses should be removed. Additionally, in past cases, the MIS ex-  
27 penses have been split between “Communications” and “Other”, with the Commu-  
28 nications portion having a significantly lower allocation to the Water Fund. By

1 combining all the costs, Newport Water has once again made a unilateral change  
2 that increases Portsmouth's costs and benefits Newport Water's retail ratepayers.  
3 As set forth in the schedule entitled "L&A Detail" (as the detail for the City Service  
4 allocations was not provided in Newport Water's filing and was not given a sched-  
5 ule number), Portsmouth proposes splitting the MIS costs consistent with past  
6 practice and agreement and allocating them separately. These changes to MIS allo-  
7 cation reduce the City Services allocation by more than \$130,000 from Newport  
8 Water's proposal.

9  
10 Additionally, although Newport Water has provided actual costs for many of the different  
11 departments in its response to PWFD 2-7, Portsmouth is still awaiting actual costs for sev-  
12 eral departments in response to a follow-up data request. I will supplement my testimony,  
13 if necessary, after Newport Water provides that information.

14  
15 It is fundamentally unfair to Portsmouth to continually have to re-analyze Newport Water's  
16 allocation of City Service expenses because it has chosen to unilaterally update the cost al-  
17 location manual or to change the basis for allocations. The parties have spent considerable  
18 time on this matter, yet Newport Water make changes each time they file, which vary from  
19 prior agreements and, without fail, prejudice Portsmouth and its ratepayers. This causes  
20 Portsmouth, the Division, and the Commission to re-litigate these issues in every rate case,  
21 resulting in further increased costs to the ratepayers in Newport, Middletown and Ports-  
22 mouth because of the expenses of that litigation.

23  
24 **Q: Has Portsmouth made any other adjustments to the revenue requirements?**

25 **A:** In response to Div 3-1, Newport Water noted that the amount for tablets in Administration  
26 Telephone & Communications was overstated by \$415. Portsmouth also has made that ad-  
27 justment.

1

2 **Incorrect Derivation of Customer Demands**

3 **Q: Do you agree with Newport Water’s demand calculation for its retail customers?**

4 A: No. Newport Water’s proposal discards the data from the customer demand studies and  
5 instead uses a theoretical calculation to generate the demand forecast for its retail cus-  
6 tomers. This is another example of Newport’s unilateral decision to discard data in its rate  
7 filings that was developed over many dockets. The Commission should reject these calcu-  
8 lations for at least two reasons:

9

10 1. Newport Water made changes to its calculation methodology for its retail customers,  
11 but did not make corresponding changes when calculating demand for Portsmouth and  
12 the Navy – its two largest customers. Consequently, Newport Water did not use the  
13 same method to calculate demand for all its customers. If Newport Water wanted to  
14 change the methodology for its retail customers, then, as a matter of fundamental fair-  
15 ness, it should use the same methodology for Portsmouth and the Navy. If Newport  
16 Water had done so, the resulting demand calculations for Portsmouth would have been  
17 much lower.

18

19 2. The parties have spent considerable time and money over many dockets and years to  
20 derive customer demand data for Newport Water’s retail customers specifically for the  
21 purpose of calculating demand for those customers. Now that it has the data that all  
22 parties agreed should be used to calculate demand, Newport Water has decided to dis-  
23 card it when calculating demand for its retail customers. Instead, Newport Water has  
24 used a theoretical calculation that, by its own terms, is intended for use when actual  
25 demand data is not available. The AWWA Manual, which is the source of the alternative  
26 method used by Newport Water notes that the method is less sophisticated than using  
27 actual demand data and termed this alternative matter as merely an “adequate” substi-

1           tution. It is, therefore, incorrect, for Newport Water to have used that theoretical calcu-  
2           lation in this case. Moreover, to the extent that Newport Water asserts that the actual  
3           demand data it has is outdated, Newport Water now has the metering capability to up-  
4           date the demand study for the sample customers. Newport Water’s decision to simply  
5           disregard the time, effort and expense to gather the data needed to correctly calculate  
6           demand and instead substitute a less sophisticated theoretical calculation is unjustifia-  
7           ble.

8  
9   **Q: Does Portsmouth have any other concerns about the new demand factors proposed by**  
10 **Newport Water?**

11 A: Yes.

12       First, Newport Water contends that it is using the AWWA Manual’s methodology to calcu-  
13       late retail customer demand. However, Newport Water used high system-wide demands  
14       from 2013 and then lower customer usage numbers from FY 2015 when making this calcu-  
15       lation – resulting in an unmatched comparison. Newport Water has asserted that it is do-  
16       ing so because the AWWA Manual calls for using the highest ratios over a number of years  
17       when making demand calculations. Newport Water is wrong in its application of this rec-  
18       ommendation. To follow the AWWA method, which, as noted above, Portsmouth con-  
19       tends was inappropriate regardless, Newport Water should have used the highest year for  
20       all elements of the calculation. Newport Water’s calculations, therefore, are invalid, even  
21       if the Commission was to accept the application of the AWWA alternative method.

22  
23       Second, Newport Water applied weekly adjustment factors for both residential and non-  
24       residential customers without any basis for doing so, and in direct contradiction to the data  
25       it was using. In its response to PWFD 1-4, Newport Water admitted that there was very lit-  
26       tle variation in either residential or non-residential demand, which suggests no adjustment  
27       factor is necessary. Newport Water also acknowledges that the data from the demand

1 study was derived during the peak season (which it should be to reflect peak demands),  
2 which further suggests there is no need for an adjustment factor. Nevertheless Newport  
3 Water disregarded these facts and blindly followed the example in the AWWA manual, as-  
4 suming that the non-residential customer – in a tourist city, no less – would only use water  
5 6 days per week. Not only does Newport Water fail to provide any support for this as-  
6 sumption, but it directly contradicts its own assertion that businesses would be open and  
7 operating more during the peak season. Compounding this error, Newport Water admits  
8 that it conducted no analysis or investigation that would support the assumption that busi-  
9 ness customers would be closed one day per week. (See Newport Water’s response to  
10 PWFD 2-1.)

11  
12 Similarly, Newport Water simply assumed without support that it should use a slightly  
13 higher residential adjustment factor “based on the assumption that daily variability in Resi-  
14 dential class would be greater than the Non-residential class.” Yet, Newport Water provid-  
15 ed data that demonstrates there is no such variation. Moreover, Newport Water’s refer-  
16 ence to varying demand in the off-season is irrelevant because this calculation relates to  
17 peak demands, which occur in the “on-season.”

18  
19 It is, therefore, clear that there are numerous problems with Newport Water’s theoretical  
20 demand data, which it has used for some but not for all, which, like Newport Water’s other  
21 unjustified and unilateral deviations from past practices, disadvantages Portsmouth and its  
22 customers and benefits Newport Water’s retail customers.

23  
24 **Q: What is Portsmouth’s recommendation?**

25 A: The Commission should order Newport Water to use the demand data that was previously  
26 derived after considerable time and expense through the demand study. The Commission  
27 should also provide Newport Water the option to update the demand data from a sample

1 set of retail customers using its now-available drive-by meter reading technology, provided  
2 that all parties agree upon the sample set. Newport Water should not be permitted, how-  
3 ever, to update some customers and not others.  
4

5 **Inequitable Cost Allocation**

6 **Q: What concerns does Portsmouth have regarding Newport Water’s cost allocations?**

7 **A:** Portsmouth has concerns regarding the following issues related to Newport Water’s pro-  
8 posed cost allocations:  
9

- 10 1. **Assets:** In the most recent docket regarding Newport Water’s rates (Docket 4355),  
11 Portsmouth questioned Newport Water’s valuation of the assets it was using to allocate  
12 capital costs. It was agreed in that docket that Newport Water would provide an updat-  
13 ed asset valuation list in advance of its next rate case to allow all parties to, including  
14 Portsmouth to review and reach agreement on the accuracy of the asset listing. New-  
15 port Water did not provide the updated asset data until shortly before it filed this rate  
16 case, and did not provide sufficient time to address any lingering concerns that Ports-  
17 mouth or any other party had with the updated list. After review of the new asset list,  
18 Portsmouth acknowledges that Newport Water has apparently corrected some of the  
19 errors identified, but significant concerns persist. Consequently, Portsmouth has pro-  
20 posed several adjustments to the asset values, which are reflected on Schedule CW B5.  
21
- 22 2. **Allocation of Water Treatment Plant (“WTP”) Bonds:** In Docket 4355, Newport Water  
23 proposed a new allocation method for costs related to the treatment plant upgrades.  
24 That proposal was rejected in the settlement, but Newport Water has proposed to use  
25 it again in its current application. Although Portsmouth acknowledges that the previous  
26 settlement did not preclude Newport Water from seeking to impose the new allocation  
27 method in a subsequent rate case, Portsmouth continues to oppose this new allocation

1 method both for the reasons it asserted in Docket 4355 and the inequitable way New-  
2 port Water proposes to allocate the other debt service costs.

3  
4 3. Errors on Newport Water’s Schedule B1: This schedule contained several errors related  
5 to labels, costs and the derivation of the overall percentage to allocate some costs.  
6 These relate to the derivation of non-Administrative expenses and the removal of chem-  
7 ical and electric costs. Portsmouth has identified these errors and discussed them with  
8 Newport Water, and it is Portsmouth’s understanding that Newport Water agrees with  
9 Portsmouth’s proposed corrections.

10  
11 4. Treatment Facilities Allocator: For treatment capital costs, the Newport Water model  
12 applies a 63% allocation to base costs and 37% to Maximum Day. However, according  
13 to Newport Water, the treatment plants have a design basis of a combined average day  
14 demand of 8 MGD and a maximum day of 16 MGD. This data calls for an allocation of  
15 50% of treatment capital costs to base (average day) and 50% to maximum day de-  
16 mands. Although this proposal is a change to the model previously agreed-to by the  
17 parties, it is nevertheless proper because the final design and construction basis is now  
18 available to correctly allocate these costs. This new allocator is reflected on CW Sched-  
19 ular CW B3.

20  
21 **Q: Can you describe in detail Portsmouth’s current concerns with Newport Water’s asset**  
22 **values?**

23 **A:** In Docket 4355, there appeared to be major flaws with the value of Newport Water’s as-  
24 sets; Portsmouth maintained that the values for distribution pipe and service lines were in-  
25 correct. Newport Water agreed to include an updated schedule in its next rate filing and to  
26 cooperate with the other parties on reaching agreement on the asset values “prior to the  
27 next general rate filing.” After repeated email requests from Portsmouth, Newport Water

1 provided the updated asset values on December 21, 2015 – just two days before Newport  
2 Water filed this rate case. The updated values provided by Newport Water included scant  
3 information, essentially summarizing the results in a memorandum.

4  
5 Once Portsmouth received the details on of the asset valuation (well after Newport Wa-  
6 ter’s filing), Portsmouth raised a number of questions about assets that looked to be im-  
7 properly assigned and classified. Portsmouth also informed Newport Water that the value  
8 for service lines appeared to be incorrect because it reflected a much lower cost per ser-  
9 vice line than the asset valuations for other municipal water utilities (about half the cost  
10 per service in Pawtucket, and about ¼ the value per service in Providence). Despite re-  
11 peated attempts to discuss and try to resolve this issue, Newport Water has not responded  
12 (other than to say that it is “working on it”). Because Newport Water did not provide this  
13 data in a timely manner, the parties have been unable to resolve this issue.

14  
15 **Q: What do you propose in this docket?**

16 **A:** Portsmouth proposes to use a value for service lines per connection based on the value of  
17 service lines and number of connections in the Pawtucket system. This value per service  
18 line was multiplied by the number of meters in the Newport system. Newport Water has  
19 had nearly three years to provide and prepare supported asset values, but has failed to do  
20 so. Portsmouth and the Navy have been paying rates based on an asset value that New-  
21 port Water admitted were incorrect since Docket 4355, resulting in higher rates for Ports-  
22 mouth. Portsmouth’s proposal is based on a reasonable calculation relying on service line  
23 valuations that have been accepted by the Commission for a similarly situated municipal  
24 utility. The Pawtucket valuation, therefore, is a suitable and appropriate placeholder until  
25 such time as Newport Water is submits corrected values with appropriate support.

1 **Q: What is Portsmouth’s proposal to address its concerns about the misclassification of as-**  
2 **sets?**

3 A: Although Newport Water has failed to respond to Portsmouth’s request to correct the mis-  
4 classifications, Portsmouth has attempted to reclassify assets into the appropriate catego-  
5 ries (e.g., storage facilities moved to storage rather than distribution mains). The corrected  
6 values resulting from these reclassifications are reflected on Schedule CW B5.

7

8 **Q: Can you describe the concerns that Portsmouth has with Newport Water’s proposed**  
9 **method for allocating bonds related to the new treatment facilities?**

10 A: Capital expenditures by water utilities tend to be very lumpy. That is, funds can be spent  
11 one period on meters, the next period could involve updates to piping, the next period  
12 could involve new storage facilities, and then treatment, etc. If utilities allocated the cost  
13 of these improvements based on the cost of each new bond issue, meter costs could go up  
14 one period, then down as retail ratepayers pay for the next series of distribution improve-  
15 ment bonds. After that fire charges would go way up to pay for storage. Rate continuity  
16 would be lost as different elements go up and down depending on what was being con-  
17 structed and financed next. In order to avoid this rate roller coaster, water utilities typical-  
18 ly allocate capital costs based on the value of assets. This method results in far less varia-  
19 bility in different rate elements, and the cost of projects are allocated and paid for over a  
20 longer life and in proportion to the value of investments that change less dramatically from  
21 year to year. This is the method presented in the AWWA Rate Manual, and to Ports-  
22 mouth’s knowledge, it has been used by every water utility in RI over the past 40 years.  
23 The lone exception was Newport’s proposal in Docket 4355, which was rejected by the  
24 other parties and excluded from the settlement agreement.

25

26 Additional specific reasons are set forth in the pre-filed testimony I submitted on behalf of  
27 Portsmouth in Docket 4355, as well as the pre-filed testimony submitted by Jerome

1 Mierzwa in that docket on behalf of the Division. Portsmouth hereby incorporates that  
2 testimony by reference and attaches the relevant sections as an appendix to this testimony  
3 for ease of reference.

4  
5 The Commission should not accept Newport Water’s draconian change to the tried and  
6 true method used to allocate capital costs for water utilities. Not only is the theory behind  
7 it incorrect, but the application proposed by Newport Water is wrong.

8  
9 **Q: Why is the method proposed by Newport Water wrong?**

10 A: Newport Water is seeking to allocate these costs based only on a single purpose set of  
11 bonds – those used to finance the treatment plant upgrades. This proposal differs from  
12 Newport Water’s planned allocation of the rest of its bond costs. If the Commission were  
13 to entertain the notion that the treatment plant bonds are to be allocated based on who is  
14 served by the facility, all the bonds should be treated that way. The bonds used for new  
15 meters should only be allocated to the retail service charges. The bonds used for distribu-  
16 tion improvements should only be allocated to fire protection and the retail users that are  
17 serviced by those mains. Portsmouth would pay for none of these. Furthermore, rate  
18 funded capital improvements (IFR costs) should be allocated based on what the projects  
19 are and who they serve. Newport Water’s CIP is dominated by retail distribution projects  
20 and meter and storage replacements that serve retail customers only. Under the allocation  
21 methodology that Newport Water proposes for payment of the treatment plant improve-  
22 ment bonds, Portsmouth would pay little, if any of the CIP costs. Yet, Newport Water pro-  
23 poses to use this allocation only with respect to the treatment plant bonds, while continu-  
24 ing to use the traditional allocation methodology for all other bonds. This proposal unfairly  
25 disadvantages Portsmouth and is wholly inequitable. If the Commission is willing to permit  
26 the proposed methodology for the treatment plant bonds, then it should apply to all bond  
27 payments. Otherwise, the tried and true method used consistently by water utilities for

1 the past 40 years should be applied to the treatment plant bonds as well. Newport Water  
2 should not be allowed to have it both ways for its own benefit.

3  
4 **Inconsistent Time Periods Considered for Water Use and Sales**

5 **Q: What is Portsmouth's concern about the time periods Newport Water used to calculate**  
6 **forecasted water use and sales?**

7 A: Newport Water used a two year average in some instances and a three-year average in  
8 other instances when making this calculation. Portsmouth has consistently taken the posi-  
9 tion that it is critical that Newport Water use the same time period to look at the develop-  
10 ment of rate year water sales, treatment plant production, and water losses. A review of  
11 the schedules submitted by Newport Water reveals that it has not done so:

- 12
- 13 • On HJS B6, a two-year period is used for Rate Year demand projections (2014-2015);
- 14
- 15 • On HJS B7, the maximum day factor is based on one year (2013 – the highest value) but
- 16 the maximum hour is based on an average of 2014-2015;
- 17
- 18 • The Navy and Portsmouth maximum day values are based only on FY 2015; and
- 19
- 20 • The allocation of lost water value is based on projected rate year sales, but the amount
- 21 of lost water is based a three-year average (HJS D4).
- 22

23 Newport Water justifies these inconsistencies by pointing out that it is what was done in  
24 the settlement model in Docket 4355. (See PWFD 1-5 and PWFD 2-2) While this may be  
25 true, it does not mean that it is correct. By mixing years and averages of years, there is no  
26 consistent basis for the allocations or the resulting rates. The Commission should order  
27 Newport Water to use a consistent basis for all use values.

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Portsmouth proposes using a two-year average in each case, which is consistent with the Commission’s statement in the report and order in Docket 4355: “The Commission also finds that where the information contained in the cost of service model is based on two-year averages, it is reasonable and consistent to use a two-year average for unaccounted for water.”

**Miscellaneous Additional Issues**

**Q: What are the additional concerns that Portsmouth has with Newport Water’s rate filing?**

A: First, Newport Water provided updated counts for meters and fire services in response to PWFD 1-15. Portsmouth has included those updated values on Schedule CW D1.

Second, Newport Water made an error with regard to retail residential water demand for the first month of FY 2015 (July 2014). In July 2014, Newport Water was still billing retail customers on a quarterly basis, before switching to monthly billing the following month. Newport Water used the quarterly July bill value along with amounts from the following 11 monthly bills in its calculations, resulting in an inflated value for usage. A simple review of the residential water sales for FY 2015 reflected on Schedule HJS D4 demonstrates that the 740,242 thousand gallons is out of line with the previous years. To correct for this error, Portsmouth has substituted the monthly billing for July 2015 (first month of FY 2016) for the quarterly billing of July 2014 to provide 12 true months of monthly billing. Comparing the 670,939 thousand gallons, it is apparent that it is much more in line with prior years. Comparing Portsmouth’s Schedule CW B6 with Newport Water’s Schedule HJS B6, demonstrates the impact of this error. Newport Water has overstated the residential demand. While this mistake would lower everyone’s rates (including Portsmouth’s), it would likely result in inadequate revenues for Newport Water.

1 **Q: Have you made any adjustments to the miscellaneous revenues or “revenue offsets” that**  
2 **were proposed by NWD?**

3 A: No I have not. Portsmouth requested detail and backup for these values in its second set  
4 of data requests; Newport Water, however, failed to respond to this question. Portsmouth  
5 has posed this question again in its third set of data requests served on April 12, 2016. Ad-  
6 justments to this category will be necessary once Newport Water provides the necessary  
7 data. For example, the revenues from Water Pollution Control and Middletown should be  
8 revised to reflect the changes in customer service costs. Portsmouth will make the neces-  
9 sary adjustments in supplemental testimony after Newport Water provides the necessary  
10 data.

11

12 **Step Increases**

13 **Q: Has Newport proposed any step increases in this filing?**

14 A: No, but requesting step increases would have been the appropriate method for Newport  
15 Water to address its projected FY 2019 shortfall in the restricted capital account. Request-  
16 ing step increases would provide all parties, including the Commission, the ability to review  
17 Newport Water’s ever changing capital program and only allow expenses that are a year or  
18 so away and can be reasonably forecast. Without doing so, it is unreasonable for Newport  
19 Water to recover projected capital expenses beyond the rate year.

20

21 **Q: Does this conclude your direct testimony?**

22 A: Yes.

Account

**O&M COSTS**

**Administration**

		Test Year	Test Year	Normalized Test	Rate Year	Proposed Rate Year
		Test Year (FY2015)	Normalizing Adjustments	Year	Adjustments	FY2017
50001	Salaries & Wages	\$ 262,222	\$ -	\$ 262,222	\$ 19,360	\$ 281,582
	AFSCME retro	-	\$ -	-	\$ -	-
	NEA retro	-	\$ -	-	\$ -	-
	AFSCME benefits on retro pay	-	\$ -	-	\$ -	-
	NEA benefits on retro pay	-	\$ -	-	\$ -	-
50044	Standby Salaries	12,528	\$ -	\$ 12,528	\$ 6,192	18,720
50520	Accrued Benefits Buyout	15,500	\$ -	\$ 15,500	\$ 43,500	59,000
50100	Employee Benefits	110,408	\$ -	\$ 110,408	\$ 8,649	119,057
50103	Retiree Insurance Coverage	351,563	\$ -	\$ 351,563	\$ 18,437	370,000
50105	Workers Compensation	59,456	\$ -	\$ 59,456	\$ 4,544	64,000
50175	Annual Leave Buyback	3,260	\$ -	\$ 3,260	\$ 40	3,300
50207	Advertisement	4,041	\$ -	\$ 4,041	\$ 4,959	9,000
50210	Membership Dues & Subscriptions	4,447	\$ -	\$ 4,447	\$ (1,947)	2,500
50212	Conferences & Training	868	\$ -	\$ 868	\$ 3,132	4,000
50214	Tuition Reimbursement	-	\$ -	-	\$ 2,000	2,000
50220	Consultant Fees	210,410	\$ -	\$ 210,410	\$ (73,346)	137,064
50238	Postage	360	\$ -	\$ 360	\$ 640	1,000
50239	Fire & Liability Insurance	16,853	\$ -	\$ 16,853	\$ 50,147	67,000
50251	Telephone & Communication	5,569	\$ -	\$ 5,569	\$ 31	5,600
50305	Water	1,275	\$ -	\$ 1,275	\$ 740	2,015
50306	Electricity	10,121	\$ -	\$ 10,121	\$ (2,165)	7,956
50307	Natural Gas	5,918	\$ -	\$ 5,918	\$ (692)	5,226
50308	Property Taxes	464,200	\$ -	\$ 464,200	\$ 104,843	569,043
50266	Legal & Administrative		\$ -	\$ -	\$ -	-
	Audit Fees	4,349	\$ -	\$ 4,349	\$ (116)	4,233
	OPEB Contribution		\$ -	\$ -	\$ 19,200	19,200
	City Council	4,649	\$ -	\$ 4,649	\$ (2,386)	2,263
	City Clerk	3,381	\$ -	\$ 3,381	\$ (401)	2,980
	City Manager	54,131	\$ -	\$ 54,131	\$ (10)	54,121
	Human Resources	30,121	\$ -	\$ 30,121	\$ (24,265)	5,856
	City Solicitor	20,459	\$ -	\$ 20,459	\$ (7,509)	12,950
	Finance Administrative 50%	19,822	\$ -	\$ 19,822	\$ 4,170	23,992
	Finance Administrative 5%	7,020	\$ -	\$ 7,020	\$ (3,943)	3,078
	Finance Admin 10% Inv/Debt		\$ -	\$ -	\$ 13,113	13,113
	Purchasing	18,314	\$ -	\$ 18,314	\$ (1,175)	17,139
	Collections	46,979	\$ -	\$ 46,979	\$ (28,829)	18,150
	Accounting - Wires - 5%	10,679	\$ -	\$ 10,679	\$ 3,724	14,403
	Accounting	70,516	\$ -	\$ 70,516	\$ (27,632)	42,884
	Public Safety		\$ -	\$ -	\$ -	-
	Facilities Maintenance	13,266	\$ -	\$ 13,266	\$ (13,266)	-
50267	MIS Data Processing	143,888	\$ -	\$ 143,888	\$ (80,956)	62,932
50268	Mileage Allowance	875	\$ -	\$ 875	\$ 1,125	2,000
50271	Gasoline & Vehicle Allowance	9,354	\$ -	\$ 9,354	\$ (3,965)	5,389
50275	Repairs & Maintenance	-	\$ -	-	\$ 1,200	1,200
50280	Regulatory Expense	590	\$ -	\$ 590	\$ 4,410	5,000
50281	Regulatory Assessment	79,698	\$ -	\$ 79,698	\$ 302	80,000
50361	Office Supplies	14,469	\$ -	\$ 14,469	\$ 531	15,000
50505	Self Insurance	118	\$ -	\$ 118	\$ 9,882	10,000
50515	Unemployment Claims	-	\$ -	-	\$ -	-
	<b>Subtotal:</b>	<b>\$ 2,091,677</b>	<b>\$ -</b>	<b>\$ 2,091,677</b>	<b>\$ 52,270</b>	<b>\$ 2,143,947</b>

Account	Test Year (FY2015)	Test Year Normalizing Adjustments	Normalized Test Year	Rate Year Adjustments	Proposed Rate Year FY2017
<b>Customer Service</b>					
50001 Salaries & Wages	\$ 263,080	\$ -	\$ 263,080	\$ 46,230	\$ 309,310
50002 Overtime	116	\$ -	116	\$ 5,293	5,409
		\$ -	-	\$ -	-
50004 Temp Salaries	18,831	\$ -	18,831	\$ (3,855)	14,976
50056 Injury Pay	-	\$ -	-	\$ -	-
50100 Employee Benefits	149,435	\$ -	149,435	\$ 41,370	190,805
50120 Bank Fees (lock box)	13,711	\$ -	13,711	\$ 3,089	16,800
50175 Annual Leave Buyback	4,531	\$ -	4,531	\$ (31)	4,500
50205 Copying & binding	511	\$ -	511	\$ (11)	500
50212 Conferences & Training	(263)	\$ -	(263)	\$ 5,263	5,000
50225 Support Services	32,784	\$ -	32,784	\$ (6,609)	26,175
50238 Postage	57,265	\$ -	57,265	\$ 17,415	74,680
50271 Gasoline & Vehicle Allowance	39,667	\$ -	39,667	\$ (12,722)	26,945
50275 Repairs & Maintenance	33,449	\$ -	33,449	\$ 1,551	35,000
50299 Meter Maintenance	7,734	\$ -	7,734	\$ 2,266	10,000
50311 Operating Supplies	3,658	\$ -	3,658	\$ 1,342	5,000
50320 Uniforms & protective Gear	957	\$ -	957	\$ 43	1,000
50380 Customer Service Supplies	166	\$ -	166	\$ 4,834	5,000
<b>Subtotal:</b>	<b>\$ 625,632</b>	<b>\$ -</b>	<b>\$ 625,632</b>	<b>\$ 105,468</b>	<b>\$ 731,100</b>
<b>Source of Supply - Island</b>					
50001 Salaries & Wages	\$ 321,324	\$ -	\$ 321,324	\$ (11,374)	\$ 309,950
50002 Overtime	36,123	\$ -	36,123	\$ (3,123)	33,000
50004 Temp Salaries	-	\$ -	-	\$ 26,180	26,180
50056 Injury Pay	-	\$ -	-	\$ -	-
50100 Employee Benefits	185,081	\$ -	185,081	\$ (9,431)	175,650
50175 Annual Leave Buyback	3,783	\$ -	3,783	\$ 17	3,800
50306 Electricity	38,527	\$ -	38,527	\$ 11,353	49,880
50271 Gas/Vehicle Maintenance	63,620	\$ -	63,620	\$ (4,341)	59,279
50275 Repairs & Maintenance	11,633	\$ -	11,633	\$ (1,633)	10,000
50277 Reservoir Maintenance	16,236	\$ -	16,236	\$ (236)	16,000
50311 Operating Supplies	2,802	\$ -	2,802	\$ 4,698	7,500
50320 Uniforms & protective Gear	935	\$ -	935	\$ 575	1,510
50335 Chemicals	72,671	\$ -	72,671	\$ (30,871)	41,800
<b>Subtotal:</b>	<b>\$ 752,735</b>	<b>\$ -</b>	<b>\$ 752,735</b>	<b>\$ (18,186)</b>	<b>\$ 734,549</b>
<b>Source of Supply - Mainland</b>					
50002 Overtime	\$ 13,513	\$ -	\$ 13,513	\$ (1,903)	\$ 11,610
50004 Temp Salaries	18,784	\$ -	18,784	\$ 11,212	29,996
50005 Permanent Part time	14,200	\$ -	14,200	\$ (1,300)	12,900
50100 Employee Benefits	6,453	\$ -	6,453	\$ (3,928)	2,525
50306 Electricity	122,917	\$ -	122,917	\$ 31,507	154,424
50275 Repairs & Maintenance	13,908	\$ -	13,908	\$ (6,908)	7,000
50277 Reservoir Maintenance	-	\$ -	-	\$ 4,500	4,500
50311 Operating Supplies	236	\$ -	236	\$ 764	1,000
<b>Subtotal:</b>	<b>\$ 190,011</b>	<b>\$ -</b>	<b>\$ 190,011</b>	<b>\$ 33,944</b>	<b>\$ 223,955</b>

Account		Test Year	Test Year	Normalized Test	Rate Year	Proposed Rate Year
		Test Year (FY2015)	Normalizing Adjustments	Year	Adjustments	FY2017
<b>Station One</b>						
50001	Salaries & Wages	\$ 519,694	\$ -	\$ 519,694	\$ 31,887	\$ 551,581
50002	Overtime	110,009	\$ -	110,009	(7,069)	102,940
50003	Holiday Pay	18,936	\$ -	18,936	3,096	22,032
50045	Lead Plant Operator Stipend	6,627	\$ -	6,627	5,853	12,480
50100	Employee Benefits	\$ 296,163	\$ -	296,163	(12,650)	\$ 283,513
50175	Annual Leave Buyback	11,785	\$ -	11,785	215	12,000
50212	Conferences & Training	1,049	\$ -	1,049	3,451	4,500
50239	Fire & Liability Insurance	60,531	\$ -	60,531	(25,531)	35,000
50306	Electricity	\$ 207,037	\$ -	207,037	(44,553)	\$ 162,484
50307	Natural Gas	43,410	\$ -	43,410	-	43,410
50260	Rental of Equipment	922	\$ -	922	78	1,000
50305	Sewer Charge	108,472	\$ -	108,472	90,968	199,440
50271	Gas/Vehicle Maintenance	9,831	\$ -	9,831	(4,442)	5,389
50275	Repairs & Maintenance	\$ 9,738	\$ -	9,738	57,049	\$ 66,787
50311	Operating Supplies	\$ 18,895	\$ -	18,895	(1,734)	\$ 17,161
50320	Uniforms & protective Gear	1,027	\$ -	1,027	399	1,426
50335	Chemicals	350,158	\$ -	350,158	(33,843)	316,315
	<b>Subtotal:</b>	<b>\$ 1,774,284</b>	<b>\$ -</b>	<b>\$ 1,774,284</b>	<b>\$ 63,174</b>	<b>\$ 1,837,458</b>
<b>Lawton Valley</b>						
50001	Salaries & Wages	\$ 449,625	\$ -	449,625	\$ 48,916	\$ 498,541
50002	Overtime	98,692	\$ -	98,692	211	98,903
50003	Holiday Pay	15,904	\$ -	15,904	4,088	19,992
50045	Lead Plant Operator Stipend	7,830	\$ -	7,830	4,650	12,480
50100	Employee Benefits	\$ 273,138	\$ -	273,138	4,864	\$ 278,002
50175	Annual Leave Buyback	7,368	\$ -	7,368	32	7,400
50212	Conferences & Training	850	\$ -	850	3,270	4,120
50239	Fire & Liability Insurance	93,577	\$ -	93,577	(39,577)	54,000
50306	Electricity	\$ 310,343	\$ -	310,343	14,748	\$ 325,091
50307	Natural Gas	34,663	\$ -	34,663	-	34,663
50260	Rental of Equipment	722	\$ -	722	278	1,000
50305	Sewer Charge	358,682	\$ -	358,682	139,918	498,600
50271	Gas/Vehicle Maintenance	7,482	\$ -	7,482	(2,093)	5,389
50275	Repairs & Maintenance	\$ 19,922	\$ -	19,922	41,429	\$ 61,351
50311	Operating Supplies	\$ 8,971	\$ -	8,971	4,340	\$ 13,311
50320	Uniforms & protective Gear	1,539	\$ -	1,539	(236)	1,303
50335	Chemicals	262,215	\$ -	262,215	16,452	278,667
	<b>Subtotal:</b>	<b>\$ 1,951,523</b>	<b>\$ -</b>	<b>\$ 1,951,523</b>	<b>\$ 241,291</b>	<b>\$ 2,192,814</b>
<b>Laboratory</b>						
50001	Salaries & Wages	\$ 114,425	\$ -	114,425	\$ 6,754	\$ 121,179
50100	Employee Benefits	54,984	\$ -	54,984	3,724	58,708
50175	Annual Leave Buyback	1,560	\$ -	1,560	(60)	1,500
50275	Repairs & Maintenance	256	\$ -	256	1,444	1,700
50281	Regulatory Assessment	47,696	\$ -	47,696	(672)	47,024
50339	Laboratory Supplies	16,924	\$ -	16,924	18,703	35,627
	<b>Subtotal:</b>	<b>\$ 235,845</b>	<b>\$ -</b>	<b>\$ 235,845</b>	<b>\$ 29,893</b>	<b>\$ 265,738</b>

Account	Test Year (FY2015)	Test Year Normalizing Adjustments	Normalized Test Year	Rate Year Adjustments	Proposed Rate Year FY2017
<b>Transmission &amp; Distribution</b>					
50001 Salaries & Wages	\$ 437,907	\$ -	\$ 437,907	\$ 114,926	\$ 552,833
50002 Overtime	48,703	\$ -	48,703	3,661	52,364
50004 Temp Salaries	18,106	\$ -	18,106	8,074	26,180
50056 Injury Pay	-	\$ -	-	-	-
50100 Employee Benefits	259,991	\$ -	259,991	70,083	330,074
50175 Annual Leave Buyback	7,484	\$ -	7,484	16	7,500
50212 Conferences & Training	1,776	\$ -	1,776	2,224	4,000
50225 Contract Services	10,524	\$ -	10,524	11,001	21,525
50239 Fire & Liability Insurance	20,061	\$ -	20,061	(8,061)	12,000
50306 Electricity	34,641	\$ -	34,641	(14,034)	20,607
50260 Heavy Equipment Rental	10,706	\$ -	10,706	(2,446)	8,260
50271 Gas/Vehicle Maintenance	93,222	\$ -	93,222	(23,165)	70,057
50275 Repairs & Maintenance	28,521	\$ -	28,521	(2,521)	26,000
50276 Main Maintenance	94,546	\$ -	94,546	(3,346)	91,200
50296 Service Maintenance	28,090	\$ -	28,090	1,910	30,000
50311 Operating Supplies	4,964	\$ -	4,964	3,036	8,000
50320 Uniforms & protective Gear	1,725	\$ -	1,725	2,275	4,000
<b>Subtotal:</b>	<b>\$ 1,100,967</b>	<b>\$ -</b>	<b>\$ 1,100,967</b>	<b>\$ 163,633</b>	<b>\$ 1,264,600</b>
<b>Fire Protection</b>					
50275 Repair & Maintenance - Equipment	\$ 11,585	\$ -	\$ 11,585	\$ 12,215	\$ 23,800
<b>Subtotal:</b>	<b>\$ 11,585</b>	<b>\$ -</b>	<b>\$ 11,585</b>	<b>\$ 12,215</b>	<b>\$ 23,800</b>
<b>Total O&amp;M Costs</b>	<b>\$ 8,734,259</b>	<b>\$ -</b>	<b>\$ 8,734,259</b>	<b>\$ 683,703</b>	<b>\$ 9,417,962</b>

Account

**CAPITAL COSTS**

Contribution to Capital Spending Acct. \$2,735,664  
Contribution to Debt Service Acct. \$6,810,996  
**Total Capital Costs**

**Operating Revenue Allowance**

**Total Costs before Offsets**

**OFFSETS**

**Nonrate Revenues**

Sundry charges \$ 147,125  
WPC cost share on customer service \$ 291,365  
Middletown cost share on customer service \$ 146,895  
Rental of Property \$ 91,893  
Water Penalty \$ 54,474  
Miscellaneous \$ 7,853  
Investment Interest Income \$ 3,090  
Water Quality Protection Fees \$ 23,638  
**Total Nonrate Revenues**

**Net Costs to Be Recovered through Rates**

	Test Year (FY2015)	Test Year Normalizing Adjustments	Normalized Test Year	Rate Year Adjustments	Proposed Rate Year FY2017
	\$2,735,664	(\$235,664)	\$2,500,000	\$ -	\$ 2,500,000
	\$6,810,996	\$ 4	\$ 6,811,000	\$ -	\$ 6,811,000
<b>Total Capital Costs</b>	<b>\$ 9,546,660</b>	<b>\$ (235,660)</b>	<b>\$ 9,311,000</b>	<b>\$ -</b>	<b>\$ 9,311,000</b>
<b>Operating Revenue Allowance</b>	<b>\$ 262,028</b>	<b>\$ (1,469)</b>	<b>\$ 260,558</b>	<b>\$ 21,981</b>	<b>\$ 282,539</b>
<b>Total Costs before Offsets</b>	<b>\$ 18,542,947</b>	<b>\$ (237,130)</b>	<b>\$ 18,305,817</b>	<b>\$ 705,683</b>	<b>\$ 19,011,501</b>
<b>OFFSETS</b>					
<b>Nonrate Revenues</b>					
Sundry charges	\$ 147,125	\$ -	\$ 147,125	\$ (43,125)	\$ 104,000
WPC cost share on customer service	\$ 291,365	\$ -	\$ 291,365	\$ 5,491	\$ 296,856
Middletown cost share on customer service	\$ 146,895	\$ -	\$ 146,895	\$ (3,389)	\$ 143,506
Rental of Property	\$ 91,893	\$ -	\$ 91,893	\$ 16,274	\$ 108,167
Water Penalty	\$ 54,474	\$ -	\$ 54,474	\$ (6,974)	\$ 47,500
Miscellaneous	\$ 7,853	\$ -	\$ 7,853	\$ 747	\$ 8,600
Investment Interest Income	\$ 3,090	\$ -	\$ 3,090	\$ 810	\$ 3,900
Water Quality Protection Fees	\$ 23,638	\$ -	\$ 23,638	\$ (1,138)	\$ 22,500
<b>Total Nonrate Revenues</b>	<b>\$ 766,333</b>	<b>\$ -</b>	<b>\$ 766,333</b>	<b>\$ (31,304)</b>	<b>\$ 735,029</b>
<b>Net Costs to Be Recovered through Rates</b>	<b>\$ 17,776,614</b>	<b>\$ (237,130)</b>	<b>\$ 17,539,484</b>	<b>\$ 736,987</b>	<b>\$ 18,276,472</b>

Rhode Island Public Utilities Commission  
Docket 4595  
FY 2017 Rate Filing  
CW Schedule A-2  
Cost of Service Rates and Charges

		Docket 4355 Rates	Cost of Service	Proposed Rates	% Change	Projected Revenues
<b>Base Charge (per bill)</b>						
Monthly						
5/8	\$	4.89	\$ 5.9835	\$ 5.99	22%	\$772,638
3/4	\$	5.01	6.1709	6.18	23%	185,103
1	\$	6.07	8.2882	8.29	37%	56,405
1.5	\$	8.78	14.0468	14.05	60%	63,394
2	\$	11.35	18.8567	18.86	66%	59,522
3	\$	25.22	42.9135	42.92	70%	29,872
4	\$	28.90	48.5349	48.54	68%	9,902
5	\$	33.80	56.0302	56.04	66%	0
6	\$	37.48	61.6516	61.66	65%	23,677
8	\$	47.29	76.6422	76.65	62%	920
10	\$	65.07	103.8125	103.82	60%	1,246
Portsmouth Base Charge (4")	\$	2.86	2.3014	2.31	-19%	471
						1,203,151
<b>Volume Charge (per 1,000 gallons)</b>						
Retail						
Residential	\$	10.02	\$ 9.1471	\$ 9.15	-9%	6,050,222
Non-Residential	\$	11.22	\$ 10.4821	\$ 10.49	-7%	4,796,080
						\$ 10,846,303
Wholesale						
Navy	\$	6.5189	\$ 6.8849	\$ 6.8850	6%	1,701,132
Portsmouth Water & Fire District	\$	5.1507	\$ 6.1184	\$ 6.1184	19%	2,647,932
						\$ 4,349,064
<b>Fire Protection</b>						
Public (per hydrant)						
	\$	944.22	\$ 1,279.42	\$ 1,279.42	36%	\$ 1,329,317
Private (by Connection Size)						
			Existing Charge			
	Connection Size		Differential			
	<2	\$25.99	\$ 48.77	\$ 48.77	88%	
	2	6.19	\$108.85	\$ 204.25	88%	-
	4	38.32	\$399.08	\$ 666.30	67%	49,307
	6	111.31	\$951.11	\$ 1,473.95	55%	346,381
	8	237.21	\$1,903.25	\$ 2,866.98	51%	157,684
	10	426.58	\$3,335.46	\$ 4,962.38	49%	-
	12	689.04	\$5,320.45	\$ 7,866.53	48%	-
						\$ 553,372

**Total Projected Rate Revenues \$ 18,281,208**

Customer Class	Proposed 5/8 Inch Meter					Proposed 3/4 Inch Meter				Proposed 1 Inch Meter				Proposed 1.5 Inch Meter				Proposed 2 Inch Meter				Proposed 3 Inch Meter			
	Consumption per Bill (gallons)	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change
		Residential (Monthly)	1,000	\$178.92	\$181.68	\$2.76	1.5%	\$180.36	\$183.96	\$3.60	2.0%	\$193.08	\$209.28	\$16.20	9.1%	\$225.60	\$278.40	\$52.80	29.5%	\$256.44	\$336.12	\$79.68	44.5%	\$422.88	\$624.84
	2,000	\$299.16	\$291.48	-\$7.68	-2.6%	\$300.60	\$293.76	-\$6.84	-2.3%	\$313.32	\$319.08	\$5.76	1.9%	\$345.84	\$388.20	\$42.36	14.2%	\$376.68	\$445.92	\$69.24	23.1%	\$543.12	\$734.64	\$191.52	64.0%
	4,000	\$539.64	\$511.08	-\$28.56	-5.3%	\$541.08	\$513.36	-\$27.72	-5.1%	\$553.80	\$538.68	-\$15.12	-2.8%	\$586.32	\$607.80	\$21.48	4.0%	\$617.16	\$665.52	\$48.36	9.0%	\$783.60	\$954.24	\$170.64	31.6%
	5,000	\$659.88	\$620.88	-\$39.00	-5.9%	\$661.32	\$623.16	-\$38.16	-5.8%	\$674.04	\$648.48	-\$25.56	-3.9%	\$706.56	\$717.60	\$11.04	1.7%	\$737.40	\$775.32	\$37.92	5.7%	\$903.84	\$1,064.04	\$160.20	24.3%
	7,500	\$960.48	\$895.38	-\$65.10	-6.8%	\$961.92	\$897.66	-\$64.26	-6.7%	\$974.64	\$922.98	-\$51.66	-5.4%	\$1,007.16	\$992.10	-\$15.06	-1.6%	\$1,038.00	\$1,049.82	\$11.82	1.2%	\$1,204.44	\$1,338.54	\$134.10	14.0%
	10,000	\$1,261.08	\$1,169.88	-\$91.20	-7.2%	\$1,262.52	\$1,172.16	-\$90.36	-7.2%	\$1,275.24	\$1,197.48	-\$77.76	-6.2%	\$1,307.76	\$1,266.60	-\$41.16	-3.3%	\$1,338.60	\$1,324.32	-\$14.28	-1.1%	\$1,505.04	\$1,613.04	\$108.00	8.6%
	15,000	\$1,862.28	\$1,718.88	-\$143.40	-7.7%	\$1,863.72	\$1,721.16	-\$142.56	-7.7%	\$1,876.44	\$1,746.48	-\$129.96	-7.0%	\$1,908.96	\$1,815.60	-\$93.36	-5.0%	\$1,939.80	\$1,873.32	-\$66.48	-3.6%	\$2,106.24	\$2,162.04	\$55.80	3.0%
	20,000	\$2,463.48	\$2,267.88	-\$195.60	-7.9%	\$2,464.92	\$2,270.16	-\$194.76	-7.9%	\$2,477.64	\$2,295.48	-\$182.16	-7.4%	\$2,510.16	\$2,364.60	-\$145.56	-5.9%	\$2,541.00	\$2,422.32	-\$118.68	-4.8%	\$2,707.44	\$2,711.04	\$3.60	0.1%
	25,000	\$3,064.68	\$2,816.88	-\$247.80	-8.1%	\$3,066.12	\$2,819.16	-\$246.96	-8.1%	\$3,078.84	\$2,844.48	-\$234.36	-7.6%	\$3,111.36	\$2,913.60	-\$197.76	-6.5%	\$3,142.20	\$2,971.32	-\$170.88	-5.6%	\$3,308.64	\$3,260.04	-\$48.60	-1.6%
	30,000	\$3,665.88	\$3,365.88	-\$300.00	-8.2%	\$3,667.32	\$3,368.16	-\$299.16	-8.2%	\$3,680.04	\$3,393.48	-\$286.56	-7.8%	\$3,712.56	\$3,462.60	-\$249.96	-6.8%	\$3,743.40	\$3,520.32	-\$223.08	-6.1%	\$3,909.84	\$3,809.04	-\$100.80	-2.7%

Customer Class	Proposed 5/8 Inch Meter					Proposed 3/4 Inch Meter				Proposed 1 Inch Meter				Proposed 1.5 Inch Meter				Proposed 2 Inch Meter				Proposed 3 Inch Meter			
	Monthly Consumption (gallons)	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change
		Commercial (Monthly)	2,000	\$327.96	\$323.64	-\$4.32	-1.3%	\$329.40	\$325.92	-\$3.48	-1.1%	\$342.12	\$351.24	\$9.12	2.8%	\$374.64	\$420.36	\$45.72	13.9%	\$405.48	\$478.08	\$72.60	22.1%	\$543.12	\$734.64
	5,000	\$731.88	\$701.28	-\$30.60	-4.2%	\$733.32	\$703.56	-\$29.76	-4.1%	\$746.04	\$728.88	-\$17.16	-2.3%	\$778.56	\$798.00	\$19.44	2.7%	\$809.40	\$855.72	\$46.32	6.3%	\$903.84	\$1,064.04	\$160.20	21.9%
	10,000	\$1,405.08	\$1,330.68	-\$74.40	-5.3%	\$1,406.52	\$1,332.96	-\$73.56	-5.2%	\$1,419.24	\$1,358.28	-\$60.96	-4.3%	\$1,451.76	\$1,427.40	-\$24.36	-1.7%	\$1,482.60	\$1,485.12	\$2.52	0.2%	\$1,505.04	\$1,613.04	\$108.00	7.7%
	25,000	\$3,424.68	\$3,218.88	-\$205.80	-6.0%	\$3,426.12	\$3,221.16	-\$204.96	-6.0%	\$3,438.84	\$3,246.48	-\$192.36	-5.6%	\$3,471.36	\$3,315.60	-\$155.76	-4.5%	\$3,502.20	\$3,373.32	-\$128.88	-3.8%	\$3,308.64	\$3,260.04	-\$48.60	-1.4%
	30,000	\$4,097.88	\$3,848.28	-\$249.60	-6.1%	\$4,099.32	\$3,850.56	-\$248.76	-6.1%	\$4,112.04	\$3,875.88	-\$236.16	-5.8%	\$4,144.56	\$3,945.00	-\$199.56	-4.9%	\$4,175.40	\$4,002.72	-\$172.68	-4.2%	\$3,909.84	\$3,809.04	-\$100.80	-2.5%
	40,000	\$5,444.28	\$5,107.08	-\$337.20	-6.2%	\$5,445.72	\$5,109.36	-\$336.36	-6.2%	\$5,458.44	\$5,134.68	-\$323.76	-5.9%	\$5,490.96	\$5,203.80	-\$287.16	-5.3%	\$5,521.80	\$5,261.52	-\$260.28	-4.8%	\$5,112.24	\$4,907.04	-\$205.20	-3.8%
	50,000	\$6,790.68	\$6,365.88	-\$424.80	-6.3%	\$6,792.12	\$6,368.16	-\$423.96	-6.2%	\$6,804.84	\$6,393.48	-\$411.36	-6.1%	\$6,837.36	\$6,462.60	-\$374.76	-5.5%	\$6,868.20	\$6,520.32	-\$347.88	-5.1%	\$6,314.64	\$6,005.04	-\$309.60	-4.6%
	75,000	\$10,156.68	\$9,512.88	-\$643.80	-6.3%	\$10,158.12	\$9,515.16	-\$642.96	-6.3%	\$10,170.84	\$9,540.48	-\$630.36	-6.2%	\$10,203.36	\$9,609.60	-\$593.76	-5.8%	\$10,234.20	\$9,667.32	-\$566.88	-5.6%	\$9,320.64	\$8,750.04	-\$570.60	-5.6%
	100,000	\$13,522.68	\$12,659.88	-\$862.80	-6.4%	\$13,524.12	\$12,662.16	-\$861.96	-6.4%	\$13,536.84	\$12,687.48	-\$849.36	-6.3%	\$13,569.36	\$12,756.60	-\$812.76	-6.0%	\$13,600.20	\$12,814.32	-\$785.88	-5.8%	\$12,326.64	\$11,495.04	-\$831.60	-6.1%

Customer Class	Proposed 5/8 Inch Meter					Proposed 3/4 Inch Meter				Proposed 1 Inch Meter				Proposed 1.5 Inch Meter				Proposed 2 Inch Meter				Proposed 3 Inch Meter			
	Annual Consumption (gallons)	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change	Annual Bill at Current Rates	Annual Bill at Proposed Rates	Dollar Change	Percent Change
		Commercial with 6" Fire Connection (Monthly Account)	120,000	\$1,405.08	\$1,330.68	-\$74.40	-5.3%	\$1,318.92	\$1,332.96	\$14.04	1.0%	\$1,331.64	\$1,358.28	\$26.64	1.9%	\$1,364.16	\$1,427.40	\$63.24	4.5%	\$1,395.00	\$1,485.12	\$90.12	6.4%	\$1,561.44	\$1,773.84
Base Charge and Commodity Charges		\$951.11	\$1,473.96	\$522.85	55.0%	\$951.11	\$1,473.96	\$522.85	55.0%	\$951.11	\$1,473.96	\$522.85	55.0%	\$951.11	\$1,473.96	\$522.85	55.0%	\$951.11	\$1,473.96	\$522.85	55.0%	\$951.11	\$1,473.96	\$522.85	55.0%
Fire Protection Charge																									
Total Annual Charges		\$2,356.19	\$2,804.64	\$448.45	19.0%	\$2,270.03	\$2,806.92	\$536.89	22.8%	\$2,282.75	\$2,832.24	\$549.49	23.3%	\$2,315.27	\$2,901.36	\$586.09	24.9%	\$2,346.11	\$2,959.08	\$612.97	26.0%	\$2,512.55	\$3,247.80	\$735.25	31.2%

Customer Class	Monthly Consumption (gallons)	Bill at Current Rates	Proposed		
			Bill at Proposed Rates	Dollar Change	Percent Change
<b>Portsmouth (Monthly)</b>					
	10,000,000	\$51,512	\$61,233	\$9,721	18.9%
	20,000,000	\$103,019	\$122,417	\$19,398	18.8%
Avg. Monthly Bill	38,000,000	\$195,731	\$232,548	\$36,816	18.8%
	40,000,000	\$206,033	\$244,785	\$38,752	18.8%
	75,000,000	\$386,307	\$458,929	\$72,621	18.8%
	100,000,000	\$515,075	\$611,889	\$96,814	18.8%
	150,000,000	\$772,610	\$917,809	\$145,199	18.8%
<b>Navy (Monthly)</b>					
	10,000,000	\$65,236	\$68,850	\$3,614	5.5%
	20,000,000	\$130,443	\$137,700	\$7,257	5.6%
Avg. Monthly Bill (All Meters)	38,000,000	\$247,718	\$261,630	\$13,912	5.6%
	50,000,000	\$325,956	\$344,250	\$18,294	5.6%
	75,000,000	\$488,929	\$516,375	\$27,446	5.6%
	100,000,000	\$651,905	\$688,500	\$36,595	5.6%

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Revenue Proof

	Rate Year Revenue	
	Existing Rates	Proposed Rates
<b>REVENUES</b>		
<b>Water Rates</b>		
Base Charge (Billing Charge)	\$ 854,381	\$ 1,203,151
Volume Charge		
Residential	6,625,490	6,050,222
Commercial	5,129,840	4,796,080
Navy	1,610,677	1,701,132
Portsmouth Water & Fire District	2,229,129	2,647,932
Fire Protection		
Public	981,045	1,329,317
Private	357,722	553,372
Total Rate Revenues	\$ 17,788,283	\$ 18,281,208
<b>Other Operating Revenues</b>		
Sundry charges	\$ 104,000	104,000
WPC cost share on customer service	\$ 296,856	296,856
Middletown cost share on customer service	\$ 143,506	143,506
Rental of Property	\$ 108,167	108,167
Total Other Operating Revenues	\$ 652,529	652,529
<b>Total Operating Revenues</b>	<b>\$ 18,440,812</b>	<b>\$ 18,933,737</b>
Add: Non-Operating Revenues		
Water Penalty	47,500	47,500
Miscellaneous	8,600	8,600
Investment Interest Income	3,900	3,900
Water Quality Protection Fees	22,500	22,500
<b>Total Non Operating Revenues</b>	<b>\$ 82,500</b>	<b>\$ 82,500</b>
<b>Total Revenues</b>	<b>\$ 18,523,312</b>	<b>\$ 19,016,237</b>
<b>COSTS</b>		
<b>Departmental O&amp;M</b>	\$ (9,417,962)	(9,417,962)
<b>Capital Costs</b>		
Contribution to Capital Spending Acct.	(2,500,000)	(2,500,000)
Contribution to Debt Service Acct.	(6,811,000)	(6,811,000)
<b>Total Capital Costs</b>	<b>\$ (9,311,000)</b>	<b>(9,311,000)</b>
<b>Operating Revenue Allowance</b>	(282,539)	(282,539)
<b>Total Costs</b>	<b>\$ (19,011,501)</b>	<b>\$ (19,011,501)</b>
<b>Revenue Surplus (Deficit)</b>	<b>\$ (488,189)</b>	<b>\$ 4,736</b>

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Base Extra Capacity Cost Allocations

		Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
<b>Operation &amp; Maintenance Costs</b>											
Administration											
Salaries, Wages, & Benefits											
Salaries & Wages	\$	281,582	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
AFSCME retro	\$	-	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
NEA retro	\$	-	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
AFSCME benefits on retro pay	\$	-	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
NEA benefits on retro pay	\$	-	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Standby Salaries	\$	18,720	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Accrued Benefits Buyout	\$	59,000	Non-Administrative Wages & Salaries	58%	22%	8%	6%	5%	1%	0%	100%
Employee Benefits	\$	119,057	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Retiree Insurance Coverage	\$	370,000	Non-Administrative Wages & Salaries	58%	22%	8%	6%	5%	1%	0%	100%
Workers Compensation	\$	64,000	Non-Administrative Wages & Salaries	58%	22%	8%	6%	5%	1%	0%	100%
Annual Leave Buyback	\$	3,300	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Subtotal		915,659									

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Base Extra Capacity Cost Allocations

	Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
All Other Administrative Costs										
Advertisement	9,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Membership Dues & Subscription	2,500	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Conferences & Training	4,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Tuition Reimbursement	2,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Consultant Fees	137,064	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Postage	1,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Fire & Liability Insurance	67,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Telephone & Communication	5,600	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Water	2,015	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Electricity	7,956	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Natural Gas	5,226	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Property Taxes	569,043	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Legal & Administrative	-									
Audit Fees	4,233	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
OPEB Contribution	19,200	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
City Counsel	2,263	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
City Clerk	2,980	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
City Manager	54,121	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
Human Resources	5,856	Non-Administrative Wages & Salaries	58%	22%	8%	6%	5%	1%	0%	100%
City Solicitor	12,950	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
Finance Adimistrative 80%	23,992	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
Finance Adimistrative 5%	3,078	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
Finance Admin 10% Inv/Debt	13,113	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
Purchasing	17,139	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
Collections	18,150	100% Billing	0%	0%	0%	0%	100%	0%	0%	100%
Accounting 5%	14,403	Total Non-Admin Costs Before Offsets	59%	25%	7%	3%	3%	3%	0%	100%
Accounting	42,884	Non-Administrative Wages & Salaries	58%	22%	8%	6%	5%	1%	0%	100%
Data Processing	62,932	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Mileage Allowance	2,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Gasoline & Vehicle Allowance	5,389	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Repairs & Maintenance	1,200	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Regulatory Expense	5,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Regulatory Assessment	80,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Office Supplies	15,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Self Insurance	10,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Unemployment Claims	-	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Subtotal	1,228,288									

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Base Extra Capacity Cost Allocations

	Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
<b>Customer Service</b>										
Salaries & Wages	334,195	Customer Service Salaries and Wages	0%	0%	0%	49%	39%	12%	0%	100%
Benefits	190,805	Customer Service Salaries and Wages	0%	0%	0%	49%	39%	12%	0%	100%
Copying & binding	500	100% billing (based on budget analysis)					100%			100%
Conferences & Training	5,000	100% billing (based on budget analysis)					100%			100%
Support Services	26,175	100% billing (software support & printing/mailing)					100%			100%
Postage	74,680	100% billing (based on budget analysis)					100%			100%
Bank Fees (lock box)	16,800	100% billing (based on budget analysis)					100%			100%
Gasoline & Vehicle Allowance	26,945	Customer Service Salaries and Wages	0%	0%	0%	49%	39%	12%	0%	100%
Repairs & Maintenance	35,000	100% metering (meter repairs)				100%				100%
Meter Maintenance	10,000	100% metering (based on budget analysis)				100%				100%
Operating Supplies	5,000	100% metering (based on budget analysis)				100%				100%
Uniforms & protective Gear	1,000	100% metering (based on budget analysis)				100%				100%
Customer Service Supplies	5,000	100% billing (based on budget analysis)					100%			100%
<b>Subtotal</b>	<b>731,100</b>									
<b>Source of Supply - Island</b>										
Salaries & Wages	\$ 309,950	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Overtime	\$ 33,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Temp Salaries	\$ 26,180	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Injury Pay	\$ -	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Employee Benefits	\$ 175,650	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Annual Leave Buyback	\$ 3,800	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Electricity	\$ 49,880	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Gas/Vehicle Maintenance	\$ 59,279	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$ 10,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Reservoir Maintenance	\$ 16,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Operating Supplies	\$ 7,500	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Uniforms & protective Gear	\$ 1,510	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Chemicals	\$ 41,800	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
<b>Subtotal</b>	<b>\$ 734,549</b>									
<b>Source of Supply - Mainland</b>										
Overtime	\$ 11,610	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Temp Salaries	\$ 29,996	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Permanent Part time	\$ 12,900	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Employee Benefits	\$ 2,525	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Electricity	\$ 154,424	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$ 7,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Reservoir Maintenance	\$ 4,500	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
Operating Supplies	\$ 1,000	Average Day Demand Patterns	100%	0%	0%	0%	0%	0%	0%	100%
<b>Subtotal</b>	<b>\$ 223,955</b>									

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Base Extra Capacity Cost Allocations

	Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
<b>Station One (Excludes chemicals)</b>										
Salaries & Wages	\$ 551,581	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Overtime	\$ 102,940	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Holiday Pay	\$ 22,032	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Lead Plant Operator Stipend	\$ 12,480	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Employee Benefits	\$ 283,513	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Annual Leave Buyback	\$ 12,000	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Conferences & Training	\$ 4,500	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Fire & Liability Insurance	\$ 35,000	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Electricity	\$ 162,484	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Natural Gas	\$ 43,410	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Rental of Equipment	\$ 1,000	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Sewer Charge	\$ 199,440	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Gas/Vehicle Maintenance	\$ 5,389	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$ 66,787	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Operating Supplies	\$ 17,161	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Uniforms & protective Gear	\$ 1,426	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Station One Pumping	\$ -	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Station One Chemicals	\$ 316,315	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Subtotal	\$ 1,837,458									
<b>Lawton Valley (Excludes chemicals)</b>										
Salaries & Wages	\$498,541	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Overtime	\$98,903	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Holiday Pay	\$19,992	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Lead Plant Operator Stipend	\$12,480	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Employee Benefits	\$278,002	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Annual Leave Buyback	\$7,400	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Conferences & Training	\$4,120	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Fire & Liability Insurance	\$54,000	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Electricity	\$325,091	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Natural Gas	\$34,663	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Rental of Equipment	\$1,000	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Sewer Charge	\$498,600	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Gas/Vehicle Maintenance	\$5,389	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$61,351	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Operating Supplies	\$13,311	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Uniforms & protective Gear	\$1,303	Maximum Day Demand Patterns	63%	37%	0%	0%	0%	0%	0%	100%
Lawton Valley Pumping	\$0	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Lawton Valley Chemicals	\$278,667	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Subtotal	2,192,814									

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FY 2017 Rate Filing  
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Base Extra Capacity Cost Allocations

	Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
<b>Laboratory</b>										
Salaries & Wages	\$ 121,179	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Employee Benefits	\$ 58,708	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Annual Leave Buyback	\$ 1,500	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$ 1,700	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Regulatory Assessment	\$ 47,024	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Laboratory Supplies	\$ 35,627	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Subtotal	<b>\$ 265,738</b>									
<b>Transmission and Distribution</b>										
Salaries & Wages	\$ 552,833	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Overtime	\$ 52,364	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Temp Salaries	\$ 26,180	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Injury Pay	\$ -	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Employee Benefits	\$ 330,074	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Annual Leave Buyback	\$ 7,500	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Conferences & Training	\$ 4,000	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Contract Services	\$ 21,525	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Fire & Liability Insurance	\$ 12,000	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Electricity	\$ 20,607	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Heavy Equipment Rental	\$ 8,260	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Gas/Vehicle Maintenance	\$ 70,057	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Repairs & Maintenance	\$ 26,000	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Main Maintenance	\$ 91,200	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Hydrant Maintenance	\$ -	100% Fire	0%	0%	0%	0%	0%	0%	100%	100%
Service Maintenance	\$ 30,000	100% Services	0%	0%	0%	0%	0%	100%	0%	100%
Operating Supplies	\$ 8,000	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Uniforms & protective Gear	\$ 4,000	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Subtotal	<b>\$ 1,264,600</b>									
Fire Protection	23,800	100% Fire	0%	0%	0%	0%	0%	0%	100%	100%
<b>Total O&amp;M Costs</b>	<b>9,417,962</b>									

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Base Extra Capacity Cost Allocations

		Rate Year	Allocation Notes	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total % Allocated
<b>CAPITAL COSTS</b>											
Water Supply		1,339,556	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
Treatment Station 1		2,237,238	Maximum Day Demand Patterns	50%	50%	0%	0%	0%	0%	0%	100%
Treatment Lawton Valley		2,524,652	Maximum Day Demand Patterns	50%	50%	0%	0%	0%	0%	0%	100%
Treatment Both Plants		456,672	Maximum Day Demand Patterns	50%	50%	0%	0%	0%	0%	0%	100%
T&D Pumping		58,387	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
T&D		1,941,658	Maximum Hour Demand Patterns	40%	24%	36%	0%	0%	0%	0%	100%
Fire		20,813	100% Fire	0%	0%	0%	0%	0%	0%	100%	100%
Meters		196,666	100% Meters	0%	0%	0%	100%	0%	0%	0%	100%
Services		367,260	100 % Services	0%	0%	0%	0%	0%	100%	0%	100%
Billing		168,098	100% Billing	0%	0%	0%	0%	100%	0%	0%	100%
<b>Total Capital Costs excluding Treatment</b>		<b>9,311,000</b>									
<b>Revenue Allowance</b>		<b>282,539</b>	100% base	100%							100%
<b>Total Costs before Offsets</b>		<b>19,011,501</b>									
<b>OFFSETS</b>											
<b>Nonrate Revenues</b>											
Sundry charges		104,000	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
WPC cost share on customer serv		296,856	50/50 Split between Metering and Billing	0%	0%	0%	50%	50%	0%	0%	100%
Middletown cost share on custom		143,506	50/50 Split between Metering and Billing	0%	0%	0%	50%	50%	0%	0%	100%
Rental of Property		108,167	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Water Penalty		47,500	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Miscellaneous		8,600	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Investment Interest Income		3,900	Non Admin less electricity & chemicals	62%	18%	7%	5%	6%	2%	0%	100%
Water Quality Protection Fees		22,500	100% Base	100%	0%	0%	0%	0%	0%	0%	100%
<b>Total Nonrate Revenues</b>		<b>735,029</b>									
<b>Net Costs To Recover Through Rates</b>		<b>\$ 18,276,472</b>									

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Base Extra Capacity Cost Allocations

	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
Operation & Maintenance Costs								
Administration								
Salaries, Wages, & Benefits								
Salaries & Wages	175,314	50,738	19,970	14,458	15,554	4,470	1,078	281,582
AFSCME retro	-	-	-	-	-	-	-	-
NEA retro	-	-	-	-	-	-	-	-
AFSCME benefits on retro pay	-	-	-	-	-	-	-	-
NEA benefits on retro pay	-	-	-	-	-	-	-	-
Standby Salaries	11,655	3,373	1,328	961	1,034	297	72	18,720
Accrued Benefits Buyout	34,066	13,157	4,769	3,347	2,766	873	22	59,000
Employee Benefits	74,125	21,453	8,444	6,113	6,576	1,890	456	119,057
Retiree Insurance Coverage	213,635	82,511	29,906	20,991	17,346	5,474	137	370,000
Workers Compensation	36,953	14,272	5,173	3,631	3,000	947	24	64,000
Annual Leave Buyback	2,055	595	234	169	182	52	13	3,300
Subtotal	547,803	186,099	69,822	49,671	46,459	14,003	1,801	915,659

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Base Extra Capacity Cost Allocations

	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
All Other Administrative Costs								
Advertisement	5,585	1,616	636	461	495	142	34	8,970
Membership Dues & Subscriptions	1,551	449	177	128	138	40	10	2,492
Conferences & Training	2,482	718	283	205	220	63	15	3,987
Tuition Reimbursement	1,241	359	141	102	110	32	8	1,993
Consultant Fees	85,055	24,616	9,689	7,014	7,546	2,169	523	136,611
Postage	621	180	71	51	55	16	4	997
Fire & Liability Insurance	41,577	12,033	4,736	3,429	3,689	1,060	256	66,779
Telephone & Communication	3,475	1,006	396	287	308	89	21	5,581
Water	1,251	362	142	103	111	32	8	2,009
Electricity	4,937	1,429	562	407	438	126	30	7,930
Natural Gas	3,243	939	369	267	288	83	20	5,209
Property Taxes	353,118	102,196	40,224	29,122	31,328	9,004	2,172	567,163
Legal & Administrative								
Audit Fees	2,492	1,060	295	129	128	117	11	4,233
OPEB Contribution	11,304	4,809	1,337	587	582	530	51	19,200
City Counsel	1,332	567	158	69	69	62	6	2,263
City Clerk	1,755	746	208	91	90	82	8	2,980
City Manager	31,864	13,555	3,768	1,655	1,641	1,495	143	54,121
Human Resources	3,381	1,306	473	332	275	87	2	5,856
City Solicitor	7,625	3,243	902	396	393	358	34	12,950
Finance Adimistrative 80%	14,126	6,009	1,671	734	727	663	63	23,992
Finance Adimistrative 5%	1,812	771	214	94	93	85	8	3,078
Finance Admin 10% Inv/Debt	7,720	3,284	913	401	398	362	35	13,113
Purchasing	10,091	4,293	1,193	524	520	473	45	17,139
Collections	-	-	-	-	18,150	-	-	18,150
Accounting 5%	8,480	3,607	1,003	440	437	398	38	14,403
Accounting	24,761	9,563	3,466	2,433	2,011	634	16	42,884
Data Processing	39,052	11,302	4,448	3,221	3,465	996	240	62,724
Mileage Allowance	1,241	359	141	102	110	32	8	1,993
Gasoline & Vehicle Allowance	3,344	968	381	276	297	85	21	5,371
Repairs & Maintenance	745	216	85	61	66	19	5	1,196
Regulatory Expense	3,103	898	353	256	275	79	19	4,983
Regulatory Assessment	49,644	14,367	5,655	4,094	4,404	1,266	305	79,736
Office Supplies	9,308	2,694	1,060	768	826	237	57	14,950
Self Insurance	6,205	1,796	707	512	551	158	38	9,967
Unemployment Claims	-	-	-	-	-	-	-	-
Subtotal	743,519	231,314	85,858	58,752	80,232	21,074	4,255	1,225,003

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Base Extra Capacity Cost Allocations

	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
<b>Customer Service</b>								
Salaries & Wages	-	-	-	162,346	130,271	41,578	-	334,195
Benefits	-	-	-	92,690	74,377	23,738	-	190,805
Copying & binding	-	-	-	-	500	-	-	500
Conferences & Training	-	-	-	-	5,000	-	-	5,000
Support Services	-	-	-	-	26,175	-	-	26,175
Postage	-	-	-	-	74,680	-	-	74,680
Bank Fees (lock box)	-	-	-	-	16,800	-	-	16,800
Gasoline & Vehicle Allowance	-	-	-	13,089	10,503	3,352	-	26,945
Repairs & Maintenance	-	-	-	35,000	-	-	-	35,000
Meter Maintenance	-	-	-	10,000	-	-	-	10,000
Operating Supplies	-	-	-	5,000	-	-	-	5,000
Uniforms & protective Gear	-	-	-	1,000	-	-	-	1,000
Customer Service Supplies	-	-	-	-	5,000	-	-	5,000
<b>Source of Supply - Island</b>								
Salaries & Wages	309,950	-	-	-	-	-	-	309,950
Overtime	33,000	-	-	-	-	-	-	33,000
Temp Salaries	26,180	-	-	-	-	-	-	26,180
Injury Pay	-	-	-	-	-	-	-	-
Employee Benefits	175,650	-	-	-	-	-	-	175,650
Annual Leave Buyback	3,800	-	-	-	-	-	-	3,800
Electricity	49,880	-	-	-	-	-	-	49,880
Gas/Vehicle Maintenance	59,279	-	-	-	-	-	-	59,279
Repairs & Maintenance	10,000	-	-	-	-	-	-	10,000
Reservoir Maintenance	16,000	-	-	-	-	-	-	16,000
Operating Supplies	7,500	-	-	-	-	-	-	7,500
Uniforms & protective Gear	1,510	-	-	-	-	-	-	1,510
Chemicals	41,800	-	-	-	-	-	-	41,800
<b>Source of Supply - Mainland</b>								
Overtime	11,610	-	-	-	-	-	-	11,610
Temp Salaries	29,996	-	-	-	-	-	-	29,996
Permanent Part time	12,900	-	-	-	-	-	-	12,900
Employee Benefits	2,525	-	-	-	-	-	-	2,525
Electricity	154,424	-	-	-	-	-	-	154,424
Repairs & Maintenance	7,000	-	-	-	-	-	-	7,000
Reservoir Maintenance	4,500	-	-	-	-	-	-	4,500
Operating Supplies	1,000	-	-	-	-	-	-	1,000

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Base Extra Capacity Cost Allocations

	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
<b>Station One (Excludes chemicals)</b>								
Salaries & Wages	344,864	206,717	-	-	-	-	-	551,581
Overtime	64,361	38,579	-	-	-	-	-	102,940
Holiday Pay	13,775	8,257	-	-	-	-	-	22,032
Lead Plant Operator Stipend	7,803	4,677	-	-	-	-	-	12,480
Employee Benefits	177,261	106,252	-	-	-	-	-	283,513
Annual Leave Buyback	7,503	4,497	-	-	-	-	-	12,000
Conferences & Training	2,814	1,686	-	-	-	-	-	4,500
Fire & Liability Insurance	21,883	13,117	-	-	-	-	-	35,000
Electricity	162,484	-	-	-	-	-	-	162,484
Natural Gas	27,141	16,269	-	-	-	-	-	43,410
Rental of Equipment	625	375	-	-	-	-	-	1,000
Sewer Charge	199,440	-	-	-	-	-	-	199,440
Gas/Vehicle Maintenance	3,369	2,020	-	-	-	-	-	5,389
Repairs & Maintenance	41,757	25,030	-	-	-	-	-	66,787
Operating Supplies	10,730	6,432	-	-	-	-	-	17,161
Uniforms & protective Gear	892	534	-	-	-	-	-	1,426
0	-	-	-	-	-	-	-	-
Station One Chemicals	316,315	-	-	-	-	-	-	316,315
<b>Lawton Valley (Excludes chemicals)</b>								
Salaries & Wages	311,702	186,839	-	-	-	-	-	498,541
Overtime	61,837	37,066	-	-	-	-	-	98,903
Holiday Pay	12,500	7,492	-	-	-	-	-	19,992
Lead Plant Operator Stipend	7,803	4,677	-	-	-	-	-	12,480
Employee Benefits	173,815	104,187	-	-	-	-	-	278,002
Annual Leave Buyback	4,627	2,773	-	-	-	-	-	7,400
Conferences & Training	2,576	1,544	-	-	-	-	-	4,120
Fire & Liability Insurance	33,762	20,238	-	-	-	-	-	54,000
Electricity	325,091	-	-	-	-	-	-	325,091
Natural Gas	21,672	12,991	-	-	-	-	-	34,663
Rental of Equipment	625	375	-	-	-	-	-	1,000
Sewer Charge	498,600	-	-	-	-	-	-	498,600
Gas/Vehicle Maintenance	3,369	2,020	-	-	-	-	-	5,389
Repairs & Maintenance	38,358	22,993	-	-	-	-	-	61,351
Operating Supplies	8,322	4,989	-	-	-	-	-	13,311
Uniforms & protective Gear	815	488	-	-	-	-	-	1,303
Lawton Valley Pumping	-	-	-	-	-	-	-	-
Lawton Valley Chemicals	278,667	-	-	-	-	-	-	278,667

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Base Extra Capacity Cost Allocations

	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
<b>Laboratory</b>								
Salaries & Wages	121,179	-	-	-	-	-	-	121,179
Employee Benefits	58,708	-	-	-	-	-	-	58,708
Annual Leave Buyback	1,500	-	-	-	-	-	-	1,500
Repairs & Maintenance	1,700	-	-	-	-	-	-	1,700
Regulatory Assessment	47,024	-	-	-	-	-	-	47,024
Laboratory Supplies	35,627	-	-	-	-	-	-	35,627
<b>Transmission and Distribution</b>								
Salaries & Wages	220,147	131,959	200,727	-	-	-	-	552,833
Overtime	20,852	12,499	19,013	-	-	-	-	52,364
Temp Salaries	10,425	6,249	9,506	-	-	-	-	26,180
Injury Pay	-	-	-	-	-	-	-	-
Employee Benefits	131,441	78,787	119,846	-	-	-	-	330,074
Annual Leave Buyback	2,987	1,790	2,723	-	-	-	-	7,500
Conferences & Training	1,593	955	1,452	-	-	-	-	4,000
Contract Services	8,572	5,138	7,815	-	-	-	-	21,525
Fire & Liability Insurance	4,779	2,864	4,357	-	-	-	-	12,000
Electricity	8,206	4,919	7,482	-	-	-	-	20,607
Heavy Equipment Rental	3,289	1,972	2,999	-	-	-	-	8,260
Gas/Vehicle Maintenance	27,898	16,722	25,437	-	-	-	-	70,057
Repairs & Maintenance	10,354	6,206	9,440	-	-	-	-	26,000
Main Maintenance	36,317	21,769	33,114	-	-	-	-	91,200
Hydrant Maintenance	-	-	-	-	-	-	-	-
Service Maintenance	-	-	-	-	-	30,000	-	30,000
Operating Supplies	3,186	1,910	2,905	-	-	-	-	8,000
Uniforms & protective Gear	1,593	955	1,452	-	-	-	-	4,000
<b>Fire Protection</b>								
Fire Protection	-	-	-	-	-	-	23,800	23,800
<b>Non-Administrative O&amp;M</b>								
Non-Administrative O&M	<b>4,903,040</b>	<b>1,137,807</b>	<b>448,268</b>	<b>319,126</b>	<b>343,306</b>	<b>98,669</b>	<b>23,800</b>	<b>7,274,015</b>

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Base Extra Capacity Cost Allocations

	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
Water Supply	1,339,556	-	-	-	-	-	-	1,339,556
Treatment Station 1	1,118,619	1,118,619	-	-	-	-	-	2,237,238
Treatment Lawton Valley	1,262,326	1,262,326	-	-	-	-	-	2,524,652
Treatment Both Plants	228,336	228,336	-	-	-	-	-	456,672
T&D Pumping	23,250	13,937	21,199	-	-	-	-	58,387
T&D	773,199	463,466	704,992	-	-	-	-	1,941,658
Fire	-	-	-	-	-	-	20,813	20,813
Meters	-	-	-	196,666	-	-	-	196,666
Services	-	-	-	-	-	367,260	-	367,260
Billing	-	-	-	-	168,098	-	-	168,098
	<b>4,745,287</b>	<b>3,086,684</b>	<b>726,192</b>	<b>196,666</b>	<b>168,098</b>	<b>367,260</b>	<b>20,813</b>	<b>9,311,000</b>
	51%	33%	8%	2%	2%	4%	0%	100%
	282,539	-	-	-	-	-	-	282,539
<b>Total Non-Admin Costs</b>	<b>9,930,866</b>	<b>4,224,491</b>	<b>1,174,460</b>	<b>515,792</b>	<b>511,404</b>	<b>465,929</b>	<b>44,613</b>	<b>16,867,554</b>
	59%	25%	7%	3%	3%	3%	0%	100%
	64,537	18,678	7,351	5,322	5,726	1,646	397	103,656
	-	-	-	148,428	148,428	-	-	296,856
	-	-	-	71,753	71,753	-	-	143,506
	67,123	19,426	7,646	5,536	5,955	1,712	413	107,810
	29,476	8,531	3,358	2,431	2,615	752	181	47,343
	5,337	1,544	608	440	473	136	33	8,572
	2,420	700	276	200	215	62	15	3,887
	22,500	-	-	-	-	-	-	22,500
	<b>191,392</b>	<b>48,879</b>	<b>19,239</b>	<b>234,110</b>	<b>235,165</b>	<b>4,306</b>	<b>1,039</b>	<b>734,130</b>
<b>\$</b>	<b>9,739,474</b>	<b>\$ 4,175,612</b>	<b>\$ 1,155,221</b>	<b>\$ 281,683</b>	<b>\$ 276,239</b>	<b>\$ 461,622</b>	<b>\$ 43,574</b>	<b>\$ 16,133,424</b>

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Base Extra Capacity Cost Allocations

<b>Non-Admin O&amp;M Costs</b>	\$ 4,903,040	\$ 1,137,807	\$ 448,268	\$ 319,126	\$ 343,306	\$ 98,669	\$ 23,800	\$ <b>7,274,015</b>
Less: Chemicals								\$ -
Station One	\$ (316,315)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (316,315)
Lawton Valley	\$ (278,667)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (278,667)
Source Supply	\$ (41,800)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (41,800)
Electricity								\$ -
Source Supply	\$ (204,304)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (204,304)
Station One	\$ (162,484)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (162,484)
Lawton Valley	\$ (21,672)	\$ (12,991)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (34,663)
<b>T&amp;D</b>	\$ (8,206)	\$ (4,919)	\$ (7,482)	\$ -	\$ -	\$ -	\$ -	\$ -
Costs Adjusted	\$ 3,869,591	\$ 1,119,898	\$ 440,786	\$ 319,126	\$ 343,306	\$ 98,669	\$ 23,800	\$ 6,235,782
	62%	18%	7%	5%	6%	2%	0%	100%

Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
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Non-Administrative Labor	Base	Max Day	Max Hour	Metering	Billing	Services	Fire	Total \$ Allocated
Administration	189,024	54,705	21,532	15,589	16,770	4,820	1,163	303,602
Customer Service	0	0	0	162,346	130,271	41,578	0	334,195
Source of Supply - Island	369,130	0	0	0	0	0	0	369,130
Source of Supply - Mainland	54,506	0	0	0	0	0	0	54,506
Station One	430,504	258,050	0	0	0	0	0	688,553
Lawton Valley	390,666	234,171	0	0	0	0	0	624,836
Laboratory	122,679	0	0	0	0	0	0	122,679
Transmission/Distribution	254,411	152,498	231,969	0	0	0	0	638,877
Total	1,810,920	699,423	253,500	177,935	147,041	46,398	1,163	3,136,380
Percent	58%	22%	8%	6%	5%	1%	0%	100%

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Allocation of Costs to Water Rate Classes

ALLOCATION PERCENTAGES		Commodity Charges						Total % Allocated
		Base Charge	Retail		Navy	Portsmouth	Fire	
			Residential	Non-Residential				
Base	<i>Average annual demand</i>	39%	27%	13%	21%	0%	100%	
Base Excluding PWFD		50%	34%	16%	0%	0%	100%	
Base Excluding PWFD & 50% Navy		54%	37%	9%	0%	0%	100%	
Water Quality Protection Fees		59%	41%	0%	0%	0%	100%	
Total Base to Class		41%	28%	12%	18%	0%	100%	
Max Day	<i>Estimated customer peaking factors</i>	26%	28%	8%	17%	21%	100%	
Base Excluding PWFD		32%	34%	9%	0%	25%	100%	
Max Day Excluding PWFD & 50% Navy		33%	36%	5%	0%	26%	100%	
Total Max Day to Class		28%	29%	7%	14%	22%	100%	
Max Hour	<i>Estimated customer peaking factors</i>	16%	20%	5%	9%	50%	100%	
Base Excluding PWFD		17%	22%	5%	0%	55%	100%	
Max Hour Excluding PWFD & 50% Navy		18%	23%	3%	0%	57%	100%	
Total Max Hour to Class		18%	23%	3%	0%	57%	100%	
Metering	<i>Direct Assignment</i>	100%					100%	
Billing	<i>Direct Assignment</i>	100%					100%	
Services	<i>Direct Assignment</i>	100%					100%	
Fire	<i>Direct Assignment</i>					100%	100%	
Treatment Plant Avg. Day	<i>Assured Capacity</i>	0%	0%	0%	0%	0%	0%	
Treatment Plant Max. Day	<i>Assured Capacity</i>	0%	0%	0%	0%	0%	0%	

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Allocation of Costs to Water Rate Classes

**ALLOCATION RESULTS**

Cost Category	Rate Year	Commodity Charges					Total \$ Allocated	
		Base Charge	Residential	Non-Residential	Navy	Portsmouth		
<b>Base</b>								
Base excluding T&D&WQPF & Pumping	8,642,778		3,397,133	2,348,947	1,090,658	1,806,040	8,642,778	
Transmission & Distribution	1,264,837		682,966	472,237	109,634	-	1,264,837	
Pumping	23,250		11,553	7,988	3,709	-	23,250	
Water Quality Protection Fees	(22,500)		(13,302)	(9,198)	-	-	(22,500)	
Revenue Offsets	(168,892)		(69,586)	(48,115)	(20,476)	(30,715)	(168,892)	
Administrative Charges	1,291,322		532,042	367,881	156,558	234,842	1,291,322	
<b>Max Day</b>								
Max Day Except T&D & Pumping	3,452,394		913,930	971,025	261,215	586,609	3,452,394	
Transmission & Distribution	758,161		253,331	269,157	36,203	-	758,161	
Pumping	13,937		4,445	4,722	1,270	-	13,937	
Revenue Offsets	(48,879)		(13,557)	(14,404)	(3,456)	(6,787)	(48,879)	
Administrative Charges	417,413		115,774	123,006	29,513	57,962	417,413	
<b>Max Hour</b>								
Max Hr. Except T&D & Pumping	-		-	-	-	-	-	
Transmission & Distribution	1,153,260		205,614	263,367	31,383	-	1,153,260	
Pumping	21,199		3,680	4,713	1,123	-	21,199	
Revenue Offsets	(19,239)		(3,428)	(4,391)	(532)	-	(19,239)	
Administrative Charges	155,680		27,743	35,535	4,309	-	155,680	
<b>Metering</b>		515,792	-	-	-	-	515,792	
Revenue Offsets	(234,110)	(234,110)	-	-	-	-	(234,110)	
Administrative Charges	108,423	108,423	-	-	-	-	108,423	
<b>Services</b>		465,929	-	-	-	-	465,929	
Revenue Offsets	(4,306)	(4,306)	-	-	-	-	(4,306)	
Administrative Charges	35,077	35,077	-	-	-	-	35,077	
<b>Billing</b>		511,404	-	-	-	-	511,404	
Revenue Offsets	(235,165)	(235,165)	-	-	-	-	(235,165)	
Administrative Charges	126,691	126,691	-	-	-	-	126,691	
<b>Fire</b>						44,613	44,613	
Revenue Offsets	(1,039)					(1,039)	(1,039)	
Administrative Charges	6,056					6,056	6,056	
<b>Treatment Plant Capital Costs</b>								
Treatment Plant Avg. Day	-	-	-	-	-	-	-	
Treatment Plant Max. Day	-	-	-	-	-	-	-	
<b>Total To Recover through Rates</b>	<b>\$ 18,274,087</b>	<b>\$ 1,289,735</b>	<b>\$ 6,048,336</b>	<b>\$ 4,792,471</b>	<b>\$ 1,701,111</b>	<b>\$ 2,647,950</b>	<b>\$ 1,794,484</b>	<b>\$ 18,274,087</b>

Metering (1) (2) (2) (2) (2) (3) 7% 33% 26% 9% 14% 10% 1.00

**COST OF SERVICE PER UNIT**

Description of Billing Units  
Percentage of Dollars Allocated  
Allocated Cost  
Divided by: Number of Units  
**Unit Cost of Service**

Equivalent meters x 12 months	1000's of gallons annually	Equivalent Connections	Total			
2.1%	33.1%	26.2%	9.3%	14.5%	9.5%	100.0%
\$ 390,106	\$ 6,048,336	\$ 4,792,471	\$ 1,701,111	\$ 2,647,950	\$ 1,744,855	\$ 18,274,087
208,188	661,227	457,205	247,078	432,782	157,692	
<b>\$1.8738</b>	<b>\$9.15</b>	<b>\$10.48</b>	<b>\$6.88</b>	<b>\$6.12</b>	<b>\$11.06</b>	
per equiv per month	per 1000 gallons	per 1000 gallons	per 1000 gallons	per 1000 gallons	Equivalent connections	

Description of Billing Units  
Percentage of Dollars Allocated  
Allocated Cost  
Divided by: Number of Units  
**Unit Cost of Service**

Billing	Services	Hydrants
No. of bills per year	Equivalent Connections	No. of Hydrants
2.2%	2.7%	0.3%
\$ 402,930	\$ 496,699	\$ 49,630
175,084	274,672	1,039
<b>\$2.3014</b>	<b>\$1.8083</b>	<b>\$47.7668</b>
per bill	per equiv	per Hydrant

- (1) From CW Schedule D-1 , 'Water Accounts, by Size and Class as of Feb 2016 (PWFD 1-15)'
- (2) From CW Schedule B-6 , 'Water Demand History'.
- (3) From CW Schedule D-2 , 'Fire Protection Accounts (Fev 2016 - PWFD 1-15)'

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Cost Allocation Bases

<b>Allocation Basis</b>	Used to allocate the following cost categories	Source Schedule	Base	Max Day	Max Hour	Metering	Billing	Services	Direct Fire Protection	<b>Total % Allocated</b>
Average Day Demand Patterns	<i>Supply, Laboratory</i>	N/A	100%							100%
Maximum Day Demand Patterns	<i>Treatment</i>	B-1	63%	37%	0%					100%
Maximum Hour Demand Patterns	<i>Pumping, Transmission/Distribution, Storage</i>	B-1	40%	24%	36%					100%
Fire Protection	<i>Public/Private Fire Protection Costs</i>	D-2							100%	100%
Non Admin less electricity & chemicals	<i>Administration Salaries, Wages, &amp; Benefits</i>	B-1	62%	18%	7%	5%	6%	2%	0%	100%
Customer Service Salaries and Wages	<i>Customer Service Salaries, Wages, &amp; Benefits</i>	B-4	0%	0%	0%	49%	39%	12%	0%	100%
Non-Administrative Wages & Salaries	<i>Administrative Labor Related</i>	B-1	58%	22%	8%	6%	5%	1%	0%	100%
Capital Costs	<i>Certain Legal and Administrative</i>	B-1	51%	33%	8%	2%	2%	4%	0%	0%
Total Non-Admin Costs before Offsets	<i>Certain Legal and Administrative</i>	B-1	59%	25%	7%	3%	3%	3%	0%	100%
Other Costs	<i>Administration Non-Salary Costs</i>	B-1	62%	18%	7%	5%	6%	2%	0%	100%
Treatment Plant Capital	<i>Based on Plant Capacity 8/16 MGD</i>	B-4	50%	50%						

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Allocation Analyses

**Administration 15-500-2200**

Salaries by Staff Position

Director of Utilities	\$	76,683
Administrative Secretary	\$	28,121
Deputy Director - Finance	\$	56,548
Deputy Director - Engineering	\$	65,365
Financial Analyst	\$	54,865
<b>Salary \$ Allocation Results</b>		<b>281,582</b>

**Resulting % Allocation of Administration Salaries, Wages, & Benefits**

**Customer Service 15-500-2209**

Salaries by Staff Position

Meter Repairman/Reader	\$	46,419
Meter Repairman/Reader	\$	44,244
Principal Account Clerk	\$	37,889
Meter Repairman/Reader	\$	46,372
Maintenance Mechanic	\$	50,777
Principal Account Clerk	\$	21,204
Water Meter Foreman	\$	62,405
<b>Salary \$ Allocation Results</b>		<b>309,310</b>

**Resulting % Allocation of Customer Service Salaries, Wages, & Benefits**

Allocation of Salary Costs							Direct Fire Protection	Total Allocated
Base	Max Day	Max Hour	Metering	Billing	Services			
62%	18%	7%	5%	6%	2%	0%	100%	
62%	18%	7%	5%	6%	2%	0%	100%	
62%	18%	7%	5%	6%	2%	0%	100%	
62%	18%	7%	5%	6%	2%	0%	100%	
62%	18%	7%	5%	6%	2%	0%	100%	
<b>\$ 174,735</b>	<b>\$ 50,570</b>	<b>\$ 19,904</b>	<b>\$ 14,410</b>	<b>\$ 15,502</b>	<b>\$ 4,455</b>	<b>\$ 1,075</b>	<b>\$ 280,651</b>	
62%	18%	7%	5%	6%	2%	0%	100%	

			50%	50%			100%
			50%	50%			100%
				100%			100%
			100%				100%
			33%	33%	34%		100%
			100%				100%
			33%	33%	34%		100%
			<b>\$ 150,258</b>	<b>\$ 120,571</b>	<b>\$ 38,482</b>		<b>\$ 309,310</b>
0%	0%	0%	49%	39%	12%	0%	100%

**Treatment Plant Capital Debt**

		Base (Avg. Day)	Max Day	Total
Treatment Station 1	\$ 2,237,238	\$ 1,118,619	\$ 1,118,619	\$ 2,237,238
Treatment Lawton Valley	2,524,652	\$ 1,262,326	\$ 1,262,326	\$ 2,524,652
Treatment Both Plants	456,672	\$ 228,336	\$ 228,336	\$ 456,672
	\$ 5,218,562	\$ 2,609,281	\$ 2,609,281	\$ 5,218,562

	Residential	Non-Residential	Navy	PWFD	Fire	Treatment Plant Capacity
Capacity Reserved for Avg. Day Demand (MGD) <sup>1</sup>	3.20	2.21	0.95	1.64	N/A	8
% of Avg. Day Treatment Capacity	40.0%	27.6%	11.9%	20.5%	N/A	100%
Capacity Reserved for Max. Day Demand (MGD) <sup>1</sup>	5.47	4.70	1.395	3.00	1.44	16
% of Max. Day Treatment Capacity	34.18%	29.35%	8.72%	18.75%	9.00%	100%
	1.71	2.12	1.47	1.83	#VALUE!	2.00

<sup>1</sup> Per Demand study to determine required treatment capacity for design of DB treatment plant projects.

Functional Break Down of Existing Fixed Assets

	Revised based on Corresp. With NWD	Supply	Treatment Station 1	Treatment Lawton Valley	Treatment Both Plants	T&D	T&D Pump	Fire	Meters	Services	Billing	
TRANSMISSION/DISTRIBUTION	\$ 34,522,029					100%						100%
LAWTON VALLEY	\$ 47,328,373			100%								100%
STATION 1	\$ 41,940,359		100%									100%
TREATMENT BOTH	\$ 8,561,000				100%							100%
STORAGE	\$ 1,877,251					100%						100%
SOURCE OF SUPPLY	\$ 25,033,596	100%										100%
METERS	\$ 3,686,804								100%			100%
SERVICES	\$ 6,884,836									100%		100%
T&D PUMPING	\$ 1,094,544						100%					100%
BILLING	\$ 3,151,248										100%	100%
FIRE	\$ 390,166							100%				100%
WORK IN PROGRESS		100%	0%	0%								100%
Total	\$ 174,470,206											
LABORATORY	\$ 80,000	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
LAND AND ROW	\$ 3,594,491	14%	24%	27%	5%	21%	1%	0%	2%	4%	2%	100%
	\$ 3,674,491											

**Total Fixed Assets \$ 178,144,697**

		Supply	Treatment Station 1	Treatment Lawton Valley	Treatment Both Plants	T&D	T&D Pump	Fire	Meters	Services	Billing	Total
TRANSMISSION/DISTRIBUTION	\$ 34,522,029	\$ -	\$ -	\$ -	\$ -	\$ 34,522,029	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,522,029
LAWTON VALLEY	\$ 47,328,373	-	-	47,328,373	-	-	-	-	-	-	-	47,328,373
STATION 1	\$ 41,940,359	-	41,940,359	-	-	-	-	-	-	-	-	41,940,359
TREATMENT BOTH	\$ 8,561,000	-	-	-	8,561,000	-	-	-	-	-	-	8,561,000
STORAGE	\$ 1,877,251	-	-	-	-	1,877,251	-	-	-	-	-	1,877,251
SOURCE OF SUPPLY	\$ 25,033,596	25,033,596	-	-	-	-	-	-	-	-	-	25,033,596
METERS	\$ 3,686,804	-	-	-	-	-	-	-	3,686,804	-	-	3,686,804
SERVICES	\$ 6,884,836	-	-	-	-	-	-	-	-	6,884,836	-	6,884,836
T&D PUMPING	\$ 1,094,544	-	-	-	-	-	1,094,544	-	-	-	-	1,094,544
BILLING	\$ 3,151,248	-	-	-	-	-	-	-	-	-	3,151,248	3,151,248
FIRE	\$ 390,166	-	-	-	-	-	-	390,166	-	-	-	390,166
WORK IN PROGRESS	\$ -	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 174,470,206	\$ 25,033,596	\$ 41,940,359	\$ 47,328,373	\$ 8,561,000	\$ 36,399,280	\$ 1,094,544	\$ 390,166	\$ 3,686,804	\$ 6,884,836	\$ 3,151,248	\$ 174,470,206
		14%	24%	27%	5%	21%	1%	0%	2%	4%	2%	
LABORATORY	\$ 80,000	80,000	-	-	-	-	-	-	-	-	-	80,000
LAND AND ROW	\$ 3,594,491	515,750	864,069	975,074	176,376	749,910	22,550	8,038	75,957	141,844	64,923	3,594,491
	\$ 3,674,491	\$ 595,750	\$ 864,069	\$ 975,074	\$ 176,376	\$ 749,910	\$ 22,550	\$ 8,038	\$ 75,957	\$ 141,844	\$ 64,923	\$ 3,674,491
		16%	24%	27%	5%	20%	1%	0%	2%	4%	2%	
Total Allocated	\$	\$ 25,629,346	\$ 42,804,428	\$ 48,303,447	\$ 8,737,376	\$ 37,149,189	\$ 1,117,094	\$ 398,204	\$ 3,762,761	\$ 7,026,680	\$ 3,216,171	\$ 178,144,697
% of Total Asset Value		14%	24%	27%	5%	21%	1%	0%	2%	4%	2%	

Functionalization of Capital Costs

		Supply	Treatment Station 1	Treatment Lawton Valley	Treatment Both Plants	T&D	T&D Pump	Fire	Meters	Services	Billing	
Capital Spending Restricted Account	\$ 2,500,000	14%	24%	27%	5%	21%	1%	0%	2%	4%	2%	100%
Debt Service	\$ 6,811,000	14%	24%	27%	5%	21%	1%	0%	2%	4%	2%	100%
	\$ -											
	\$ 9,311,000											

		Supply	Treatment Station 1	Treatment Lawton Valley	Treatment Both Plants	T&D	T&D Pump	Fire	Meters	Services	Billing	Total
Capital Spending Restricted Account	\$ 2,500,000	\$ 359,670	\$ 600,697	\$ 677,868	\$ 122,616	\$ 521,334	\$ 15,677	\$ 5,588	\$ 52,805	\$ 98,609	\$ 45,134	\$ 2,500,000
Debt Service	\$ 6,811,000	\$ 979,886	\$ 1,636,540	\$ 1,846,784	\$ 334,056	\$ 1,420,324	\$ 42,710	\$ 15,225	\$ 143,862	\$ 268,651	\$ 122,964	\$ 6,811,000
	\$ 9,311,000	\$ 1,339,556	\$ 2,237,238	\$ 2,524,652	\$ 456,672	\$ 1,941,658	\$ 58,387	\$ 20,813	\$ 196,666	\$ 367,260	\$ 168,098	\$ 9,311,000

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CW Schedule B-6  
Water Demand History

Annual Demand by Class	Annual Demand in 1000s Gallons														Demand Projection Options		Rate Year Demand Projection
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	2-Year	3-Year	
	Residential	773,872	780,666	736,577	716,037	749,409	757,478	780,264	690,544	644,285	640,966	618,574	663,331	651,514	670,939	661,227	
Non-Residential	580,798	583,184	663,766	573,711	493,539	469,164	505,014	519,521	454,981	502,475	472,437	485,331	446,842	467,568	457,205	466,580	457,205
Navy	307,051	348,222	511,299	417,869	373,306	223,457	247,728	225,392	173,790	137,731	222,858	250,769	276,891	217,265	247,078	248,308	247,078
Portsmouth	455,142	451,723	422,944	429,465	463,253	450,942	473,338	444,777	412,324	398,827	407,837	411,578	455,255	410,309	432,782	425,714	432,782
<b>Total (in 1000's Gallons)</b>	<b>2,116,863</b>	<b>2,163,795</b>	<b>2,334,586</b>	<b>2,137,082</b>	<b>2,079,508</b>	<b>1,901,042</b>	<b>2,006,344</b>	<b>1,880,234</b>	<b>1,685,380</b>	<b>1,679,999</b>	<b>1,721,706</b>	<b>1,811,009</b>	<b>1,830,502</b>	<b>1,766,081</b>	<b>1,798,291</b>	<b>1,802,531</b>	<b>1,798,291</b>
		2.2%	7.9%	-8.5%	-2.7%	-8.6%	5.5%	-6.3%	-10.4%	-0.3%	2.5%	5.2%	1.1%	-3.5%			



Estimation of Each Customer Class' Peaking Factors

		Factors Based on: Sample	
Customer Class		Max Day Demand Factor	Max Hour Demand Factor
	Residential	1.82	2.43
	Non-Residential	2.26	3.39
	Navy	1.73	2.31
	Portsmouth	1.99	2.65
	Fire	(5)	
	<b>Estimated Systemwide Peaks</b>	<b>1.96</b>	<b>2.72</b>

Demand Factor From Daily Read Demand	Max Hour Demand Factor From Daily Read Demand Study
1.82	2.43
2.26	3.39
1.73	2.31
1.99	2.65
<b>1.98</b>	<b>2.76</b>

(5) Fire peaking behavior is estimated using a separate methodology demonstrated in CW Schedule B-11 , Fire Protection Demand Analysis'.

Rate Year Demand (1,000 gallons)								
Customer Class	Annual Demand	Average Daily Demand	Lost Water Adjustment	Adjusted	% Average Demand by Class	Demand Ex PWFD & 50% Navy	% Average Demand Ex PWFD	
				Average Daily Demand				
Residential	661,227	1,812	419	2,230	39.31%	54%	50%	36.8%
Non-Residential	457,205	1,253	290	1,542	27.18%	37%	34%	25.4%
Navy	247,078	677	39	716	12.62%	9%	16%	13.7%
Portsmouth	432,782	1,186	-	1,186	20.90%	0%	0%	24.1%
Fire					N/A	N/A	N/A	
<b>Total, w Fire Prot.</b>	<b>1,798,291</b>	<b>4,927</b>	<b>13.17%</b>	<b>5,674</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
			(1)					
<i>Production</i>	2,071,072	5,674	13.17%					

Customer Class	Max Day Calculations				% of Daily Peaks			Max Hour Calculations			% of Hourly Peaks		
	Max Day Peaking Factor	Demand x	Incremental	% of Daily Peaks	With Full	Without	Without PWFD	Max Hour Peaking Factor	Demand x	Incremental Peak Demand	With Full	Without	Without PWFD
		Peaking Factor (3)	Peak Demand		PWFD & Navy	PWFD & 50% Navy			Peaking Factor (3)		PWFD & Navy	PWFD & 50% Navy	
Residential	1.82	4,059	1,829	26.5%	26.5%	33.4%	31.9%	2.43	5,420	1,360	15.8%	17.8%	17.4%
Non-Residential	2.26	3,485	1,943	28.1%	28.1%	35.5%	33.9%	3.39	5,228	1,743	20.2%	22.8%	22.2%
Navy	1.73	1,239	523	7.6%	7.6%	4.8%	9.1%	2.31	1,654	415	4.8%	2.7%	5.3%
Portsmouth	1.99	2,360	1,174	17.0%	17.0%	0.0%	0.0%	2.65	3,142	783	9.1%	0.0%	0.0%
Fire	(2)	1,440	1,440	20.8%	20.8%	26.3%	25.1%		5,760	4,320	50.1%	56.6%	55.1%
<b>Total, w Fire Prot.</b>		12,583	6,908	100.0%	100.0%	100.0%	100.0%		21,204	8,621	100.0%	100.0%	100.0%
<b>Total, without Fire Protection</b>		<b>11,143</b>	<b>5,468</b>						<b>15,444</b>	<b>4,301</b>			

(demand is in thousands of gallons)

(1) From CW Schedule D-4 . The lost water adjustment is made to the peaking analysis so that Portsmouth will not share in that portion of certain operating costs. Navy allocation is reduced to 25%.  
(2) From CW Schedule B-11 , Fire Protection Demand Analysis'.

**EACH RATE CLASS' SHARE OF SYSTEM PEAKS**

<u>Rate Class</u>	Average Demand	Daily Peaks	Hourly Peaks
<b>Retail</b>			
Residential	39%	26%	16%
Non-Residential	27%	28%	20%
<b>Navy</b>	13%	8%	5%
<b>Portsmouth</b>	21%	17%	9%
<b>Fire</b>	N/A	21%	50%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

**BASE/EXTRA-CAPACITY DISTRIBUTION OF SYSTEM PEAKS**

	Incremental Demand	% Distribution for Max Day	% Distribution for Max Hour
Base	5,675	62.5%	39.8%
Extra Capacity			
Max Day	3,401	37.5%	23.9%
Max Hour	5,174		36.3%
Fire Protection			
Max Day	-	0.0%	0.0%
Max Hour	-		0.0%
<b>Total%</b>		<b>100.0%</b>	<b>100.0%</b>
<b>Total 1000's Gallons</b>		<b>9,076</b>	<b>14,250</b>

Rhode Island Public Utilities Commission  
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FY 2017 Rate Filing  
CW Schedule B-11  
Fire Protection Demand Analysis

**FIRE PROTECTION ASSUMPTIONS**

Fire Protection Flow (gals per minute)	4,000
Hourly Fire Protection Flow (1000's of gallons)	240
Length of Fire Event (in hours)	6

Rhode Island Public Utilities Commission

Docket 4595

FY 2017 Rate Filing

CW Schedule D-1

Water Accounts, by Size and Class as of Feb 2016 (PWFD 1-15)

Connection Size	Meter Factors	NON-RESIDENTIAL		RESIDENTIAL		WHOLESALE (Monthly)			
		Meter Read Frequency	Equivalent Meters	Meter Read Frequency	Equivalent Meters	Navy		Portsmouth	
		Monthly	Monthly	Monthly	Monthly	Meters	Equivalents	Meters	Equivalents
5/8	1.0	890	890	9,854	9,854	5	5	0	0
3/4	1.1	305	336	2,190	2,409	1	1	0	0
1	1.4	220	308	346	484	1	1	0	0
1.5	1.8	197	355	178	320	1	2	0	0
2	2.9	168	487	94	273	1	3	0	0
3	11.0	40	440	18	198	0	0	0	0
4	14.0	14	196	2	28	0	0	1	14
5	18.0	-	-	-	-	0	0	0	0
6	21.0	16	336	8	168	8	168	0	0
8	29.0	-	-	1	29	0	0	0	0
10	43.5	-	-	-	-	1	44	0	0
<b>Total</b>	<b>14,560</b>	1,850	3,348	12,691	13,763	18	224	1	14

Billed Monthly  
Billed Quarterly  
Billed Annually

Equivalent Billing Units	
14,560	174,720
-	-
364	364
<b>Total</b>	<b>175,084</b>

Equivalent Meter Units	
17,349	208,188
-	-
N/A	N/A
<b>Total</b>	<b>208,188</b>

Rhode Island Public Utilities Commission  
Docket 4595  
FY 2017 Rate Filing  
CW Schedule D-2  
Fire Protection Accounts (Fev 2016 - PWFD 1-15)

	Connection Size	Existing Differential	Number of Connections	Equivalent Connections (2)	
<b>Public Hydrants</b>					
Newport	6	111.31	620	69,013	
Middletown	6	111.31	410	45,637	
Portsmouth	6	111.31	9	1,002	% of Equiv Connections
<b>Subtotal: Public Hydrants</b>			<b>1039</b>	<b>115,652</b>	<b>73%</b>
<b>Private Fire Connections</b>					
	2	6.19	0	-	
	4	38.32	74	2,836	
	6	111.31	235	26,158	
	8	237.21	55	13,046	
	10	426.58	0	-	% of Equiv Connections
	12	689.04	0	-	Connections
<b>Subtotal: Private Fire Connections</b>			<b>364</b>	<b>42,040</b>	<b>27%</b>
<b>Total Fire Connections</b>			<b>1,403</b>	<b>157,692</b>	<b>100%</b>

- (1) Demand factors are based on the principles of the Hazen-Williams equation for flow through pressure conduits. For more information, see the AWWA M1 rate manual chapter on fire protection charges.
- (2) Equivalent connections are arrived at by multiplying the number of connections by the demand factor.

**General Water Service**

Connection Size	Service Cost	No. of Services	Equivalent Connections	
5/8	1.000	10,749	10,749	
3/4	1.000	2,496	2,496	
1	1.860	567	1,055	
1.5	4.630	376	1,741	
2	6.150	263	1,617	
3	11.060	58	641	
4	11.060	17	188	
5	11.060	0	0	
6	11.060	32	354	
8	11.060	1	11	% of Equiv Connections
10	11.060	1	11	Connections
<b>Subtotal General Service</b>		<b>14,560</b>	<b>18,863</b>	<b>82%</b>
<b>Private Fire Connections</b>				
	2	6.150	0	-
	4	11.060	74	818
	6	11.060	235	2,599
	8	11.060	55	608
	10	11.060	0	-
	12	11.060	0	-
<b>Subtotal: Private Fire Connections</b>		<b>364</b>	<b>4,026</b>	<b>18%</b>

<b>Annualized</b>			<b>12</b>
<b>Total Retail &amp; Private Fire Connections</b>	<b>14,924</b>	<b>274,672</b>	<b>100%</b>

Rhode Island Public Utilities Commission  
 Docket 4595  
 FY 2017 Rate Filing  
 CW Schedule D-3  
 Production Summary

Max. Month:	Station #1		Max. Month:	Lawton Valley		Max. Month:	Combined	
	In Gallons	in 1000's		In Gallons	in 1000's		In Gallons	in 1000's
<b>FY 12 JULY 2011 - JUNE 2012</b>								
July	1,183,810,000	1,183,810	July	875,836,000	875,836	July	2,059,646,000	2,059,646
	145,762,000	145,762		98,700	99		244,462,700	244,463
<b>FY 13 JULY 2012 - JUNE 2013</b>								
July	1,076,157,000	1,076,157	July	995,062,000	995,062	July	2,071,219,000	2,071,219
	116,038,000	116,038		120,700,600	120,701		236,738,600	236,739
<b>FY14 JULY 2013 - JUNE 2014</b>								
September	1,151,855,000	1,151,855	July	963,487,700	963,488	July	2,115,342,700	2,115,343
	123,318,000	123,318		113,098,100	113,098		227,653,100	227,653
<b>FY 15 JULY 2014 - JUNE 2015</b>								
July	874,221,000	874,221	August	1,152,879,049	1,152,879	August	2,027,100,049	2,027,100
	103,314,000	103,314		117,426,100	117,426		219,066,100	219,066
<b>FY16 JULY 2015 - JUNE 2016</b>								

**MAX DAY PRODUCTION AVAILABLE FOR SALE**

	Station #1		Lawton Valley		Combined				
	Max Day Production		Max Day Production		Max Day Production				
	Max Day	In Gallons	in 1000's	Max Day	In Gallons	in 1000's			
<b>FY 12 JULY 2011 - JUNE 2012</b>	7/4/2011	5,703,000	5,703	8/3/2011	5,981,000	5,981	7/23/2011	10,606,000	10,606
<b>FY 13 JULY 2012 - JUNE 2013</b>	7/6/2012	4,697,000	4,697	9/25/2012	5,400,000	5,400	7/7/2012	9,721,000	9,721
<b>FY14 JULY 2013 - JUNE 2014</b>	9/30/2013	4,749,000	4,749	7/6/2013	5,025,000	5,025	7/6/2013	9,462,000	9,462
<b>FY 15 JULY 2014 - JUNE 2015</b>	9/16/2014	4,096,000	4,096	7/25/2014	5,100,000	5,100	7/25/2014	8,690,000	8,690
<b>FY16 JULY 2015 - JUNE 2016</b>									

**PEAK HOURLY FLOW**

	Date	Station #1		Date	Lawton Valley	
<b>FY 12 JULY 2011 - JUNE 2012</b>	7/5/2011	6.50	MGD	7/7/2011	6.0	MGD
<b>FY 13 JULY 2012 - JUNE 2013</b>	6/11/2013	8.20	MGD	7/17/2012	6.0	MGD
<b>FY14 JULY 2013 - JUNE 2014</b>	10/16/2013	6.50	MGD	7/7/2013	6.0	MGD
<b>FY 15 JULY 2014 - JUNE 2015</b>	8/29/2014	9.00	MGD	11/12/2014	7.0	MGD
<b>FY16 JULY 2015 - JUNE 2016</b>						

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 *
<b>Fiscal Year Annual Demand</b>										
Residential	718,022	757,478	780,264	690,544	644,285	640,966	618,574	663,331	651,514	670,939
Non-Residential	505,804	469,164	505,014	519,521	454,981	502,475	472,437	485,331	446,842	467,568
Navy	373,306	223,457	247,728	225,392	173,790	137,731	222,858	250,769	276,891	217,265
Portsmouth	453,618	450,942	473,338	444,777	412,324	398,827	407,837	411,578	455,255	410,309
Total 1000's Gallons	<b>2,050,751</b>	<b>1,901,042</b>	<b>2,006,344</b>	<b>1,880,234</b>	<b>1,685,380</b>	<b>1,679,999</b>	<b>1,721,706</b>	<b>1,811,009</b>	<b>1,830,502</b>	<b>1,766,081</b>
		-7.3%	5.5%	-6.3%	-10.4%	-0.3%	2.5%	5.2%	1.1%	-3.5%

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015*
<b>Max Month Demand</b>									
Residential	79,586	103,115	83,630	83,630	83,630		196,307	185,908	76,838
Commercial	51,545	66,684	61,978	61,978	61,978		67,646	78,970	58,767
Navy	29,771	30,475	24,640	24,640	24,640		25,677	33,876	33,876
Portsmouth	51,270	58,023	61,048	46,840	46,840		51,672	50,961	45,224
NonCoincident Max Month	<b>212,172</b>	<b>258,296</b>	<b>231,296</b>	<b>217,088</b>	<b>217,088</b>	-	<b>341,302</b>	<b>349,715</b>	<b>214,705</b>
Coincident Max Month	196,132	221,941	201,008				314,693	335,417	234,604
Production Volume, Max Month	256,796	269,819	280,875						
									1.09

for FY 15 substituted July 2015 for July 2014 values

**Unaccounted for Water Analysis**

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Average
Billed Consumption (1,000 gals.)	1,901,042	2,006,344	1,880,234	1,685,380	1,679,999	1,721,706	1,811,009	1,830,502	1,766,081	1,798,291
Total Water Produced (1,000 gals.)	2,456,363	2,524,784	2,437,440	2,440,630	2,304,024	2,059,646	2,071,219	2,115,343	2,027,100	2,071,221
Unaccounted for Water (1,000 gals.)	555,321	518,440	557,206	755,250	624,026	337,940	260,210	284,841	261,019	272,930
Percent Unaccounted for Water	22.61%	20.53%	22.86%	30.94%	27.08%	16.41%	12.56%	13.47%	12.88%	13.17%

Rhode Island Public Utilities Commission  
Docket 4595  
FY 2017 Rate Filing  
CW Schedule D-5  
Development of Pumping Costs

**Pumping Labor and Benefits**

Station One		Lawton Valley	
Labor hours per day pumping	0.5000	Labor hours per day pumping	0.5000
Days per year	365	Days per year	365
Total Hours	182.5000	Total Hours	182.5000
Average per hour pay	\$25.59	Average per hour pay	\$24.52
Average per hour benefits	\$13.48	Average per hour benefits	\$14.18
Pumping Salaries	\$4,670.18	Pumping Salaries	\$4,474.90
Pumping Benefits	\$2,460.10	Pumping Benefits	\$2,587.85

**Pumping Repairs and Supplies**

Station One		Lawton Valley	
50275 Repair & Maintenance - Equipment		Repair & Maintenance - Equipment	
None	\$0.00	Vendor	amount
Total Repair & Maintenance Pumping	\$0.00	None	\$0.00
		Total Repair & Maintenance Pumping	\$0.00
50311 Operating Supplies		Operating Supplies	
Vendor	amount	Vendor	amount
Total - Operating Supplies - Pumping	\$0.00	Total Operating Supplies Pumping	\$0.00

**Pumping Electricity**

Station One		Lawton Valley	
Annual Pumping Power	\$2,132	Annual Pumping Power	\$67,529

**Total Pumping Costs**

Station One		Lawton Valley	
Pumping Salaries	\$4,670	Pumping Salaries	\$4,475
Pumping Benefits	\$2,460	Pumping Benefits	\$2,588
Total Repair & Maintenance Pumping	\$0	Total Repair & Maintenance Pumping	\$0
Total - Operating Supplies - Pumping	\$0	Total Operating Supplies Pumping	\$0
Annual Pumping Power	\$2,132	Annual Pumping Power	\$67,529
<b>Total Annual Pumping Costs</b>	<b>\$9,262</b>	<b>Total Annual Pumping Costs</b>	<b>\$74,592</b>

Newport Water Division  
 Budget for Rate Filing  
 FY 2017  
 CW Schedule D-9  
 Expense Detail - Administration  
 15-500-2200

Account	Description	comments	Docket 4243	Actual FY 2015 Test Year	Change from Test year to Proposed	BudgetFY 2016	Proposed FY 2017 Rate Year
50001	Salaries & Wages						\$ 3
	Director of Utilities - 60%	S12-H					
	Aministrative Secretary - 60%	NO1-12					
	Deputy Director - Finance - 60%	S10-I					
	Deputy Director - Finance - 60%	S10-E					
	Deputy Director - Engineering - 60%	S10-G					
	Financial Analyst	NO2-17					
	Total		\$ 273,889	\$ 262,222	\$ 19,360	\$ 271,971	\$ 281,582
50044	Standby Salaries						
		3 employees					
	3 employees per week at \$100 per week subject to Union negotiation	8 hours per wk 52 wks	\$ 18,720	\$ 12,500	\$ 6,192	\$ 12,500	\$ 18,720
50520	Accrued Benefits Buyout						
	vacation payout & sick time payout for employees with 10 yrs of service	avg 3 per year Vac / sick / FICA	\$ 112,000	\$ 175,000	\$ 43,500	\$ 175,000	\$ 59,000
50100	Employee Benefits						
	Director of Utilities - 60%						
	Aministrative Secretary - 60%						
	Deputy Director - Finance - 60%						
	Deputy Director - Engineering - 60%						
	Financial Analyst						
	Benefits on standby salaries, buyouts and annual leave buyback						
	Total		\$ 122,883	\$ 128,202	\$ 8,649	\$ 114,859	\$ 119,057
50103	Retiree Insurance Coverage	see workpaper	\$ 514,000	\$ 351,563	\$ 18,437	\$ 457,380	\$ 370,000
50105	Workers Compensation						
	avg change over 2013 - 2015 = 3.8%		\$ 64,000	\$ 85,000	\$ 4,544	\$ 89,250	\$ 64,000
50175	Annual Leave Buyback	1 employee	\$ 3,260	\$ 2,400	\$ 40	\$ 3,260	\$ 3,300
50207	Advertisement		\$ 9,000	\$ 9,000	\$ 4,959	\$ 9,000	\$ 9,000



Newport Water Division  
 Budget for Rate Filing  
 FY 2017  
 CW Schedule D-9  
 Expense Detail - Administration  
 15-500-2200

50306 Electricity 70 Halsey St.	2 yr avg							
Kwh Annual usage		35,246						
total cost		\$ 7,956	\$ 5,805	\$ 10,121	\$ (2,165)	\$ 5,805	\$ 7,956	
50307 Natural Gas	4 yr avg therms							
Total Cost		\$ 4,400						
		\$ 5,226	\$ 7,252	\$ 5,918	\$ (692)	\$ 7,252	\$ 5,226	
50308 Property Taxes								
Portsmouth		\$ 482,851						
Tiverton		\$ 42,133						
Little Compton		\$ 54,146						
Middletown		\$ 13,287						
Total		\$ 592,417	\$ 226,774	\$ 464,200	\$ 104,843	\$ 411,200	\$ 569,043	
50266 Legal & Administrative		\$ 309,657	\$ 309,657	\$ 309,699	\$ (75,337)	\$ 309,669	\$ 234,362	
50267 Data Processing (MIS)		\$ 143,888	\$ 143,888	\$ 143,888	\$ (80,956)	\$ 143,888	\$ 62,932	
50268 Mileage Allowance		\$ 2,000	\$ 2,000	\$ 875	\$ 1,125	\$ 2,000	\$ 2,000	
50271 Gasoline & Vehicle Allowance								
See workpaper	1 vehicle							
	\$ 5,389							
Total		\$ 5,389	\$ 7,508	\$ 9,354	\$ (3,965)	\$ 8,276	\$ 5,389	
50275 Repairs & Maintenance								
Halsey St smoke Detector Service		\$ 450						
Other		\$ 400						
Heater Maintenance		\$ 350						
total		\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	
50280 Regulatory Expense (now electronic COR notices to customers)		\$ 5,000	\$ 10,000	\$ 590	\$ 4,410	\$ 10,000	\$ 5,000	
50281 Regulatory Assessment								
RIWVA - Assessment		\$ 1,000						
RI Div of PUC - Assessment		\$ 57,000						
RI Dept of Health - License		\$ 22,000						
misc								
Total		\$ 80,000	\$ 48,096	\$ 79,698	\$ 302	\$ 63,000	\$ 80,000	

Newport Water Division  
 Budget for Rate Filing  
 FY 2017  
 CW Schedule D-9  
 Expense Detail - Administration  
 15-500-2200

50361 Office Supplies									
	2013	\$11,371							
	2014	\$13,525	\$	15,000	\$	20,000	\$	14,469	\$
	2015	\$14,469						531	\$
								20,000	\$ 15,000
50505 Self Insurance									
			\$	10,000	\$	10,000	\$	118	\$
								9,882	\$
								10,000	\$ 10,000
50515 Unemployment Claims									
			\$	-	\$	12,000	\$	-	\$
								-	\$ -
50464 Water Revenue reserve									
	"not included in budget"		\$	254,733				\$	-
<b>Total</b>				\$	<b>2,330,614</b>	\$	<b>2,097,690</b>	\$	<b>46,257</b>
								\$	<b>2,418,252</b>
									\$ <b>2,143,947</b>

L&A Detail

	<b>FY2015 Actual</b> <i>see PWFD 2-7</i>	<b>Percentage</b>
General Fund Less School/Civic Support	86,530,351	
Less School	(18,701,726)	
Less Civic Support	(1,851,725)	
Less Debt/Capital	(9,065,594)	
Net General Fund	56,911,306	73.36%
Water Fund	8,734,259	11.26%
WPC Fund (no capital or deprec.)	9,471,298	12.21%
Maritime Fund (no capital)	998,983	1.29%
Parking Fund (no capital)	1,457,049	1.88%
 Combined Budgets	 77,572,895	 100.00%

## Allocation of Legal and Administrative Costs to Enterprise Funds

Allocated Item	Cost To Be Allocated (TY 2015 act.)	Water %	Water Fund
Audit Fees	\$ 68,500	6.18%	4,233
OPEB Contribution (1)	\$ 500,000	3.84%	19,200
City Council	\$ 99,553	2.27%	2,263
City Clerk	\$ 298,022	1.00%	2,980
City Manager	\$ 480,674	11.26%	54,121
Human Resources	\$ 336,556	1.74%	5,856
City Solicitor	\$ 115,019	11.26%	12,950
Finance Admin 50%	\$ 213,087	11.26%	23,992
Finance - 5% RICWFA	\$ 6,155	50.00%	3,078
Finance Admin 10% Inv/Debt	\$ 42,617	30.77%	13,113
Purchasing	\$ 92,795	18.47%	17,139
Collections	\$ 312,923	5.80%	18,150
Accounting - Wires - 5%	\$ 20,575	70.00%	14,403
Accounting	\$ 390,925	10.97%	42,884
		<b>Total Allocation</b>	234,362
		<b>Legal &amp; Administrative</b>	<b>234,362</b>
		<b>rounded</b>	<b>\$ 234,362</b>

**Allocation of Data Processing Costs to Enterprise Funds**

Allocated Item	Cost To Be Allocated	Water %	Water Fund
MIS Communications	\$ 338,841	3.30%	11,182
MIS Other	\$ 459,618	11.26%	51,750
MIS	\$ 798,459		62,932
<b>Total Allocation Data Processing (1)</b>			62,932 <b>62,932</b>
rounded			<b>\$ 62,932</b>
			297,295

City Council Meeting Info - FY 2015

<u>Date of Meeting</u>	<u>"Water" Mentioned</u>	<u>Total Items</u>
6/24/2015	0	16
6/10/2015	1	32 bid
5/27/2015	1	21 bid
5/13/2015	0	17
4/22/2015	0	13
4/8/2015	0	17
3/25/2015	0	12
3/18/2015	0	3
3/11/2015	0	25
2/25/2015	1	13 change order
2/11/2015	0	22
1/20/2015	0	1
1/14/2015	0	20
12/17/2014	0	1
10/10/2014	0	19
12/1/2014	0	1
11/12/2014	0	11
10/22/2014	0	13
10/8/2014	2	18 land purchase inq
9/29/2014	0	11
9/10/2014	0	13
8/27/2014	1	15 bid
8/13/2014	2	16 bids
7/23/2014	0	13
7/9/2014	<u>0</u>	<u>9</u>
Totals	8	352
Percent	2.27%	

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-11  
 Expense Detail - Source of Supply - Island  
 15-500-2212

Account	Description	Docket 4243	Actual FY 2015 Test Year	Change from Test year to Proposed	Budget 2015	Budget FY 2016	Proposed FY 2017 Rate Year
50001	Salaries & Wages						
	Supervisor Water Dist/Coll 50% Distribution/Collection Foreman						
	Distribution/Collection Mechanic						
	Distribution/Collection Operator						
	Distribution/Collection Operator						
	Distribution/Collection Operator						
	Laborer						
	adjustment for vacancies						
	Total	\$ 258,897	\$ 321,324	\$ (11,374)	#####	\$ 298,525	\$ 309,950
50002	Overtime						
	hours		1,000				
	rate	\$	33.00				
	total	\$ 33,000	\$ 28,903	\$ (3,123)	\$ 28,903	\$ 28,903	\$ 33,000
50004	Temp Salaries 2 people 19 weeks @\$16/hour plus 7.65%						
		\$ 26,180	\$ 10,000	\$ -	\$ 10,000	\$ 13,425	\$ 26,180
50056	Injury Pay	\$ -	\$ -				\$ -
50100	Employee Benefits						
	Supervisor Water Dist/Coll 50% Distribution/Collection Foreman						
	Distribution/Collection Mechanic						
	Distribution/Collection Operator						
	Distribution/Collection Operator						
	Distribution/Collection Operator						
	Laborer						
	Benefits for OT, Temp & Annual leave Buyback						
	Adjustment for vacancies						
	Total	\$ 134,334	\$ 185,081	\$ (9,431)	#####	\$ 164,187	\$ 175,650

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-11  
 Expense Detail - Source of Supply - Island  
 15-500-2212

50175 Annual Leave Buyback	4 employees	\$ 6,300	\$ 3,783	\$ 17	\$ 6,300	\$ 6,300	\$ 3,800
50306 Contribution to Electricity Restricted Account St Mary's & Paradise Pumping Stations	2yr Avg						
Annual KWH Usage	350,295						
total cost	\$ 49,880	\$ 42,109	\$ 38,527	\$ 11,353	\$ 42,108	\$ 42,108	\$ 49,880
50271 Gas/Vehicle Maintenance							
		\$ 5,389					
	vehicles	11					
total	\$ 59,279	\$ 58,648	\$ 63,620	\$ (4,341)	\$ 64,648	\$ 64,648	\$ 59,279
50275 Repairs & Maintenance							
Misc Pump & minor repairs							
Aluminum boat & boat engine supplies							
Trimmers, blowers, chain saw, supplies, repairs & replace							
Aeration system misc supplies R & R							
Pump Station service agreement							
total	\$ 10,000	\$ 7,425	\$ 11,633	\$ (1,633)	\$ 4,717	\$ 5,000	\$ 10,000
50277 Reservoir Maintenance							
Tree Removal							
Dam repairs (gravel, riprap, gabions, etc.)							
sign installation & Maintenance							
dam inspections							
Fence, gates, doors lock, windows repair & maintenance							
total	\$ 16,000	\$ 16,000	\$ 16,236	\$ (236)	\$ 16,000	\$ 15,000	\$ 16,000

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-11  
 Expense Detail - Source of Supply - Island  
 15-500-2212

50311 Operating Supplies

machine & tool lubricant  
 grease guns  
 Brush cutter/mower  
 parts for trackless  
 small mower replacement  
 coppering bags  
 other  
 replacement blades/brush cutting  
 Total

\$ 7,750 \$ 2,802 \$ 4,698 \$ 7,750 \$ 7,250 \$ 7,500

50320 Uniforms & protective Gear

Eye,ear & hand protection  
 Tyvek protective suits  
 N95 respirator

\$ 1,510 \$ 700 \$ 935 \$ 575 \$ 700 \$ 1,200 \$ 1,510

50335 Chemicals

(CuSO4)  
 usage in lbs 40,000  
 cost/lb (in fy 20160) \$ 1.6700  
 total copper sulfate \$ 66,800  
 Use of restricted reserve \$ (25,000)  
 total cost \$ 41,800

\$ 72,735 \$ 72,671 \$ (30,871) \$ 72,735 \$ 70,980 \$ 41,800

**total \$ 643,800 \$ 752,735 \$ (18,186) ##### \$ 717,526 \$ 734,549**

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-13  
 Expense Detail - Station One  
 15-500-2222

Account	Description	Comments	Docket 4243	Actual FY 2015 Test Year	Change from Test year to Proposed	Budget 2015	Budget FY 2016	Proposed FY 2017 Rate Year
50001	Salaries & Wages							
	Acting Foreman	Water Quality Production Supv (50% SO8D Assistant WQP Supervisor (50%) SO6D Water Plant Foreman Operator(50%) Water Plant Operator - Grade 3 UT4F Water Plant Operator - Grade 3 UT4F Water Plant Operator - Grade 3 UT4B Water Plant Operator - Grade 3 UT4F Water Plant Operator - Grade 3 UT4C Water Plant Operator - Grade 3 UT4D Water Plant Operator - Grade 3 UT3B Water Plant Operator - Grade 2 UT2A Water Plant Operator - Grade 1 UT2						
		AFCSMEContract adj to Shift Diff to \$.70 from \$.36 \$3,536						
		Total	\$ 451,191	\$ 519,694	\$ 31,887	\$ 519,056	\$ 491,984	\$ 551,581
50002	Overtime							
		average hourly rate =\$22.75 ot rate =\$34.125						
	2012 - \$101k	hours		2,500				
	2013 - \$42k	rate( w FICA)		\$ 41.18				
	2014 - \$72k	total		\$ 102,940				
	2015 - \$ 110k		\$ 60,021	\$ 110,009	\$ (7,069)	\$ 60,021	\$ 60,021	\$ 102,940
50003	Holiday Pay							
	Operators			9.0				
	Holidays			12				
	Hours/Holiday			8				
	Average Pay Rate			\$ 25.50				
	Total		\$ 17,045	\$ 18,936	\$ 3,096	\$ 18,935	\$ 17,045	\$ 22,032
50045	Lead Plant Operator Stipend							
		3 staff \$80 per week 52 weeks	\$ 12,480	\$ 6,627	\$ 5,853	\$ 36,492	\$ 12,480	\$ 12,480

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-13  
 Expense Detail - Station One  
 15-500-2222

50100 Employee Benefits

Water Quality Production Supv (50% SO8D									
Assistant WQP Supervisor (50%) SO6D									
Water Plant Foreman Operator(50%)									
Water Plant Operator - Grade 3	UT4F								
Water Plant Operator - Grade 3	UT4F								
Water Plant Operator - Grade 3	UT4B								
Water Plant Operator - Grade 3	UT4F								
Water Plant Operator - Grade 3	UT4C								
Water Plant Operator - Grade 3	UT4D								
Water Plant Operator - Grade 2	UT3B								
Water Plant Operator - Grade 1	UT2A								
Benefits for OT, Annual leave Buyback, Holidays									
Total		\$ 280,498	\$ 296,163	\$ (12,650)	\$ 283,712	\$ 266,079		\$ 283,513	

50175 Annual Leave Buyback	3 employees	\$ 5,000	\$ 11,785	\$ 215	\$ 5,000	\$ 5,000		\$ 12,000	
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50212 Conferences & Training									
RIDOH Required Certifications for 10 employees		\$ 2,200							
Supv/Plant Prod - RIWWA		\$ 150							
Supv/Plant Prod - NEWWA		\$ 550							
Conferences & Training		\$ 600							
Training, travel		\$ 1,000							
total		\$ 4,500	\$ 4,500	\$ 1,049	\$ 3,451	\$ 4,500	\$ 4,500	\$ 4,500	

50239 Fire & Liability Insurance									
RI Interlocal see workpaper		\$ 35,000	\$ 12,687	\$ 60,531	\$ (25,531)	\$ 12,687	\$ 40,000	\$ 35,000	

50306 Contribution to Electricity Restricted Account									
100 Bliss Mine Rd	2 yr average								
Annual KWH Usage	1,736,107								
total cost		\$ 232,928	\$ 266,329	\$ 207,037	\$ 5,447	\$ 252,674	\$ 252,674	\$ 212,484	
Less \$50,000 from restricted acct								\$ 162,484	

50307 Natural Gas	4 yr average								
Total Cost		\$ 33,690	24250	\$ 43,410	\$ -	\$ 24,250	\$ 24,250	\$ 43,410	

50260 Rental of Equipment									
Dumpster Rentals		\$ 850							
chemical cylinders		\$ 150							
total		\$ 1,000	600	\$ 922	\$ 78	\$ 600	\$ 715	\$ 1,000	

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-13  
 Expense Detail - Station One  
 15-500-2222

50305 Sewer Charge

	workpaper										
Gallons		26,000,000		12,000,000							
\$/Gal	\$	0.0113	\$	0.01662							
Cost	\$	293,020	\$	199,440	\$	293,020	\$	108,472	\$	90,968	\$
						293,020				175,000	\$ 199,440

50271 Gas/Vehicle Maintenance

	\$	5,389									
	vehicles	1									
	\$	5,389	\$	7,583	\$	9,831	\$	(4,442)	\$	8,360	\$
										8,360	\$ 5,389

50275 Repairs & Maintenance

Variable frequency Drives	\$	3,000									
Gas Boilers & Hot water Heater	\$	5,600									
Backup Gnerators-annual service	\$	1,500									
transfer switches	\$	600									
SCADA Maintenance & repair	\$	10,628									
Analyzeer service	\$	9,625									
Building Systems & AC service contact	\$	18,036									
DAF Compressors	\$	4,100									
Fire Panel Maintenance	\$	480									
Reservoir Rd Storage Inspection	\$	4,060									
MCC Breaker Panel Inspection	\$	2,067									
Rebuild/Repack Raw water Pumpps 1 & 2	\$	6,336									
DAF Pump Repair	\$	575									
Fire Extinguisher Service	\$	180									
total	\$	66,787	\$	25,000	\$	9,738	\$	57,049	\$	15,000	\$
										15,000	\$ 66,787

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-13  
 Expense Detail - Station One  
 15-500-2222  
 50311 Operating Supplies

Valves	\$	4,350												
Piping	\$	500												
Tools	\$	500												
Mechanical Seals & Packing	\$	500												
Analytical Analyzer Reagents	\$	2,728												
Analyzer probe Salt bridges, Cell Solution, Grit Filters	\$	669												
Fluoride Feeder Filter Pack	\$	364												
Roll towels, bathroom tissue	\$	211												
\$ 17,161	\$	475												
Chemical Transfer Pumps	\$	2,050												
GLO2 Generator Maintenance Kit & Filters	\$	924												
HVAC Filters	\$	196												
Generator Fuel	\$	2,814												
Misc.	\$	880												
<b>Total</b>	\$	17,161	\$	27,800	\$	18,895	\$	(1,734)	\$	25,210	\$	24,157	\$	17,161

50336 Pumping Cost \$ - \$ - \$ 22,428

50320 Uniforms & protective Gear														
Overboots	\$	320												
Rain Gear	\$	224												
Misc. Gloves, Eye pprotection	\$	361												
Coveralls	\$	306												
Respirator Work Lights	\$	99												
Work Lights	\$	116												
	\$	1,426	\$	1,062	\$	1,027	\$	399	\$	1,062	\$	2,000	\$	1,426



Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-14  
 Expense Detail - Lawton Valley  
 15-500-2223

Account	Description	Comments	Docket 4243	Actual FY 2015 Test Year	Change from Test year to Proposed	Budget 2015	Budget FY 2016	Proposed FY 2017 Rate Year
50001	Salaries & Wages							
		Water Quality Production Supv (50% SO8D Assistant WQP Supervisor (50% SO6D Water Plant Foreman Operator(50%)						
	Acting Foreman	Water Plant Operator - 3 UT4G Water Plant Operator - 3 UT4F Water Plant Operator - 3 UT4F Water Plant Operator - 3 UT4D Water Plant Operator - 3 UT4C Water Plant Operator - 3 UT2D Water Plant Operator - 3 UT2A Water Plant Operator - 3 UT2A						
	AFCSMContract adj to Shift Diff to \$.70 from \$.36	\$4,243						
	Total		\$ 461,718	\$ 449,625	\$ 48,916	\$ 444,886	\$ 538,135	\$ 498,541
50002	Overtime							
	2012 - \$82k	2,500 hours						
	2013 \$75k	\$ 39,56 rate w FICA						
	2014 - 84k	\$ 98,903 total	\$ 37,657	\$ 98,692	\$ 211	\$ 37,657	\$ 37,657	\$ 98,903
	2015 - \$99k							
50003	Holiday Pay							
	Operators	9						
	Holidays	12						
	Hours/Holiday	8						
	Average Pay Rate	\$51k per year	\$ 24.50				\$ -	
	Total		\$ 19,992	\$ 16,760	\$ 4,088	\$ 16,760	\$ 16,760	\$ 19,992
50045	Lead Plant Operator Stipend							
	3 staff \$80 per week 52 weeks		\$ 12,480	\$ 7,830	\$ 4,650	\$ 10,000	\$ 12,480	\$ 12,480

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-14  
 Expense Detail - Lawton Valley  
 15-500-2223

50100 Employee Benefits

Water Quality Production Supv (50% SO8D)  
 Assistant WQP Supervisor (50% SO6D)  
 Water Plant Foreman Operator(50%)  
 Water Plant Operator - 3 UT4G  
 Water Plant Operator - 3 UT4F  
 Water Plant Operator - 3 UT4F  
 Water Plant Operator - 3 UT4D  
 Water Plant Operator - 3 UT4C  
 Water Plant Operator - 3 UT2D  
 Water Plant Operator - 3 UT2A  
 Water Plant Operator - 3 UT2A  
 Benefits for OT, Holidays, & Annual leave)

Total		\$	288,210	\$	273,138	\$	4,864	\$	253,693	\$	322,872	\$	278,002
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50175 Annual Leave Buyback	3 empl	\$	7,500	\$	3,966	\$	7,368	\$	32	\$	3,966	\$	3,966	\$	7,400
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50212 Conferences & Training

RIDOH Required Certifications for 9 employees	\$	1,980
Supv/Plant Prod - RIWWA	\$	150
Supv/Plant Prod - NEWWA	\$	550
Conferences & Training	\$	540
Training, travel	\$	900

total	\$	4,120	3000	\$	850	\$	3,270	\$	3,000	\$	3,000	\$	4,120
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50239 Fire & Liability Insurance		\$	54,000	\$	18,614	\$	93,577	\$	(39,577)	\$	18,614	\$	62,000	\$	54,000
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50306 Contribution to Electricity Restricted Account  
 Lawton Valley Treatment plant & pumping station

	1 yr average													
Annual KWH Usage			1,260,960											
total cost	\$	271,075	\$	158,340	\$	310,343	\$	64,748	\$	132,551	\$	132,551	\$	375,091
less \$50,000 from restricted acct													\$	325,091

50307 Natural Gas	4 yr average													
Total Cost	\$	20,808	\$	29,909	\$	34,663	\$	-	\$	29,909	\$	29,909	\$	34,663

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-14  
 Expense Detail - Lawton Valley  
 15-500-2223

50260 Rental of Equipment

Dumpster Rentals	\$	850											
chemical cylinders	\$	150											
total	\$	1,000	\$	500	\$	722	\$	278	\$	500	715	\$	1,000

50305 Sewer Charge

Gallons		32,000,000	\$	30,000,000											
\$/Gal	\$	0.0113	\$	0.0166											
Cost	\$	360,640	\$	498,600	\$	360,640	\$	358,682	\$	139,918	\$	360,640	350,000	\$	498,600

50271 Gas/Vehicle Maintenance

1 vehicle	\$	5,389												
vehicle		1												
total	\$	5,389	\$	7,882	\$	7,482	\$	(2,093)	\$	8,688	\$	8,688	\$	5,389

50275 Repairs & Maintenance

Variable frequency Drives	\$	3,000												
Gas Boilers & Hot water Heater	\$	5,600												
Backup Gnerators-annual service	\$	1,500												
transfer switches	\$	600												
SCADA Maintenance & repair	\$	10,000												
Building Systems & A/C service contract	\$	18,036												
Analyzeer service	\$	9,625												
DAF Compressors	\$	4,100												
Fire Panel Maintenance	\$	480												
Tank Inspection	\$	4,275												
Rebuild/Repack Raw water Pumpps 1 & 2	\$	3,000												
Misc.	\$	1,135												
total	\$	61,351	\$	35,000	\$	19,922	\$	41,429	\$	15,000	\$	15,000	\$	61,351

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-14  
 Expense Detail - Lawton Valley  
 15-500-2223  
 50311 Operating Supplies

Valves	\$	500												
Piping	\$	500												
Tools	\$	500												
Mechanical Seals & Packing	\$	500												
Analytical Analyzer Reagents	\$	2,728												
Analyzer probe Salt bridges, Cell Solution, Grit Filters	\$	669												
Fluoride Feeder Filter Pack	\$	364												
Roll towels, bathroom tissue	\$	211												
Cleaning Supplies	\$	475												
Chemical Transfer Pumps	\$	2,050												
GLO2 Generator Maintenance Kit & Filters	\$	924												
HVAC Filters	\$	196												
Generator Fuel	\$	2,814												
Misc.	\$	880												
<b>Total</b>	<b>\$</b>	<b>13,311</b>	<b>\$</b>	<b>20,300</b>	<b>\$</b>	<b>8,971</b>	<b>\$</b>	<b>4,340</b>	<b>\$</b>	<b>18,475</b>	<b>\$</b>	<b>18,217</b>	<b>\$</b>	<b>13,311</b>

50320 Uniforms & protective Gear														
Overboots	\$	288												
Rain Gear	\$	201												
Misc. Gloves, Eye pprotection	\$	345												
Coveralls	\$	276												
Respirator Work Lights	\$	89												
Work Lights	\$	104												
	<b>\$</b>	<b>1,303</b>	<b>\$</b>	<b>1,542</b>	<b>\$</b>	<b>1,539</b>	<b>\$</b>	<b>(236)</b>	<b>\$</b>	<b>1,542</b>	<b>\$</b>	<b>1,800</b>	<b>\$</b>	<b>1,303</b>

50336 Pumping Cost \$ - \$ 31,646

Newport Water Division  
 Budget for Rate Filing  
 FY 2016  
 CW Schedule D-14  
 Expense Detail - Lawton Valley  
 15-500-2223  
 50335 Chemicals

PACI Quantity		65,534											
Unit Cost Per Gal	\$	1.4500											
PACI Total Cost	\$	95,024											
Hypochlorite Wquantity		24,014											
Unit Cost	\$	0.6435											
Chlorine Total Cost	\$	15,453											
Flouride quantity		6,000											
Unit cost	\$	0.5000											
Flouride Total Cost	\$	3,000											
Sodium chlorite quantity		72,902											
Unit Cost	\$	0.5890											
Sodium chlorite total Cost	\$	42,939											
32% HCl Quantity		6,254											
Unit Cost Per Gal	\$	1.1823											
Sodium chlorite total Cost	\$	7,394											
Polymer Quantity		440											
Unit Cost	\$	11.2727											
Polymer Total Cost	\$	4,960											
Sodium Hydroxide quantity		35,000											
Unit Cost	\$	0.6536											
Sodium Hydroxide total cost	\$	22,876											
GAC Filters (816) Quantity		1,760											
Unit Cost Per CF	\$	28.8800											
GAC Total Cost	\$	50,829											
GAC AWT (400) Quantity		40,596											
Unit Cost Per Vessel	\$	2											
GAC Total Cost	\$	81,192											
HCl Scrubber Media (Chlorosorb)													
HCl Scrubber Media Total Cost	\$	5,000											
Use of Restricted Funds	\$	(50,000)											
total	\$	278,667	\$	169,977	\$	262,215	\$	16,452	\$ 271,156	\$	509,742	\$	278,667
<b>total</b>			<b>\$</b>	<b>1,614,015</b>	<b>\$</b>	<b>1,951,523</b>	<b>\$</b>	<b>291,291</b>	<b>#####</b>	<b>\$</b>	<b>2,063,492</b>	<b>\$</b>	<b>2,192,814</b>

Rhode Island Public Utilities Commission  
Docket 4595  
FY 2017 Rate Filing  
CW Schedule D-6  
Debt Service Restricted Account Cashflow

FY 2016												
	July	August	September	October	November	December	January	February	March	April	May	June
<b>Capital Spending Account</b>	0%											
<b>Beginning Cash Balance</b>	\$ 2,520,791	\$ 2,442,672	\$ 2,140,129	\$ 2,719,405	\$ 2,709,339	\$ 2,800,823	\$ 2,956,962	\$ 2,785,949	\$ 2,614,937	\$ 2,443,924	\$ 2,272,911	\$ 2,101,899
<b>Additions</b>												
From Rates	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333
From DS Acct.	-	-	529,779	-	-	-	-	-	-	-	-	-
National Grid Rebate		118,519		34,310								
Interest Income	22	20	19	23	23	24	56	56	56	56	56	56
<b>Total Additions</b>	\$ 208,355	\$ 326,873	\$ 738,132	\$ 242,666	\$ 208,356	\$ 208,357	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389
<b>Deductions</b>												
To DS Acct.	-	529,779	-	-	-	-	-	-	-	-	-	-
Vendor Payments	286,473	99,637	158,855	252,732	116,872	52,218	379,402	379,402	379,402	379,402	379,402	379,402
<b>Total Deductions</b>	\$ 286,473	\$ 629,416	\$ 158,855	\$ 252,732	\$ 116,872	\$ 52,218	\$ 379,402	\$ 379,402	\$ 379,402	\$ 379,402	\$ 379,402	\$ 379,402
<b>Ending Cash Balance</b>	\$ 2,442,672	\$ 2,140,129	\$ 2,719,405	\$ 2,709,339	\$ 2,800,823	\$ 2,956,962	\$ 2,785,949	\$ 2,614,937	\$ 2,443,924	\$ 2,272,911	\$ 2,101,899	\$ 1,930,886

  

FY 2017												
	July	August	September	October	November	December	January	February	March	April	May	June
<b>Capital Spending Account</b>	0%											
<b>Beginning Cash Balance</b>	\$ 1,930,886	\$ 1,857,259	\$ 1,783,631	\$ 1,710,004	\$ 1,636,377	\$ 1,562,750	\$ 1,489,122	\$ 1,415,495	\$ 1,341,868	\$ 1,268,241	\$ 1,194,613	\$ 1,120,986
<b>Additions</b>												
From Rates	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333
From DS Acct.	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income	56	56	56	56	56	56	56	56	56	56	56	56
<b>Total Additions</b>	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389
<b>Deductions</b>												
To DS Acct.	-	-	-	-	-	-	-	-	-	-	-	-
Vendor Payments	282,017	282,017	282,017	282,017	282,017	282,017	282,017	282,017	282,017	282,017	282,017	282,017
<b>Total Deductions</b>	\$ 282,017	\$ 282,017	\$ 282,017	\$ 282,017	\$ 282,017	\$ 282,017	\$ 282,017	\$ 282,017	\$ 282,017	\$ 282,017	\$ 282,017	\$ 282,017
<b>Ending Cash Balance</b>	\$ 1,857,259	\$ 1,783,631	\$ 1,710,004	\$ 1,636,377	\$ 1,562,750	\$ 1,489,122	\$ 1,415,495	\$ 1,341,868	\$ 1,268,241	\$ 1,194,613	\$ 1,120,986	\$ 1,047,359

FY 2018												
	July	August	September	October	November	December	January	February	March	April	May	June
% increase in DS Allowance	0%											
<b>Capital Spending Account</b>												
<b>Beginning Cash Balance</b>	\$ 1,047,359	\$ 979,923	\$ 912,487	\$ 845,052	\$ 777,616	\$ 710,181	\$ 642,745	\$ 575,309	\$ 507,874	\$ 440,438	\$ 373,003	\$ 305,567
<b>Additions</b>												
From Rates	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333
From DS Acct.	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income	56	56	56	56	56	56	56	56	56	56	56	56
<b>Total Additions</b>	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389
<b>Deductions</b>												
To DS Acct.	-	-	-	-	-	-	-	-	-	-	-	-
Vendor Payments	\$275,825	\$275,825	\$275,825	\$275,825	\$275,825	\$275,825	\$275,825	\$275,825	\$275,825	\$275,825	\$275,825	\$275,825
<b>Total Deductions</b>	\$ 275,825	\$ 275,825	\$ 275,825	\$ 275,825	\$ 275,825	\$ 275,825	\$ 275,825	\$ 275,825	\$ 275,825	\$ 275,825	\$ 275,825	\$ 275,825
<b>Ending Cash Balance</b>	\$ 979,923	\$ 912,487	\$ 845,052	\$ 777,616	\$ 710,181	\$ 642,745	\$ 575,309	\$ 507,874	\$ 440,438	\$ 373,003	\$ 305,567	\$ 238,131

FY 2019												
	July	August	September	October	November	December	January	February	March	April	May	June
% increase in DS Allowance	0%											
<b>Capital Spending Account</b>												
<b>Beginning Cash Balance</b>	\$ 238,131	\$ 166,487	\$ 94,843	\$ 23,200	\$ (48,444)	\$ (120,088)	\$ (191,732)	\$ (263,376)	\$ (335,020)	\$ (406,664)	\$ (478,308)	\$ (549,952)
<b>Additions</b>												
From Rates	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333	\$208,333
From DS Acct.	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income	56	56	56	56	56	56	56	56	56	56	56	56
<b>Total Additions</b>	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389	\$ 208,389
<b>Deductions</b>												
To DS Acct.	-	-	-	-	-	-	-	-	-	-	-	-
Vendor Payments	\$280,033	\$280,033	\$280,033	\$280,033	\$280,033	\$280,033	\$280,033	\$280,033	\$280,033	\$280,033	\$280,033	\$280,033
<b>Total Deductions</b>	\$ 280,033	\$ 280,033	\$ 280,033	\$ 280,033	\$ 280,033	\$ 280,033	\$ 280,033	\$ 280,033	\$ 280,033	\$ 280,033	\$ 280,033	\$ 280,033
<b>Ending Cash Balance</b>	\$ 166,487	\$ 94,843	\$ 23,200	\$ (48,444)	\$ (120,088)	\$ (191,732)	\$ (263,376)	\$ (335,020)	\$ (406,664)	\$ (478,308)	\$ (549,952)	\$ (621,596)

# **APPENDIX 1**

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**RHODE ISLAND PUBLIC UTILITIES COMMISSION**  
**DOCKET NO. 4355**  
**CITY OF NEWPORT WATER DIVISION**  
**PREFILED TESTIMONY OF**  
**CHRISTOPHER P.N. WOODCOCK**

1 **Changes to Docket 4128 COS Settlement Spreadsheet**

2

3 **Q: What changes did NWD make to the agreed-upon cost of service spreadsheet**  
4 **from the settlement in Docket 4128?**

5 A: NWD made numerous revisions and changes to the system-wide production and  
6 demand data that are used in the agreed-upon cost of service spreadsheet. These  
7 revisions and changes have an impact on various allocation factors proposed by  
8 NWD.

9

10 NWD also unilaterally changed the way capital costs are allocated. The settlement  
11 in Docket 4128 required allocation of the capital costs associated with both the Sta-  
12 tion One and Lawton Valley water treatment plants based on the maximum day de-  
13 mand patterns. HJS Schedule B1 Updated (page 6) shows the capital items for the  
14 treatment plants are "Allocated Based on Reserve Capacity". NWD acknowledges  
15 that this change is a departure from the settlement model.

16 **Q: What is the impact of NWD's proposed unilateral change to the capital cost al-**  
17 **location method?**

18 A: This unilateral change increases costs for PWFD and the Navy while lowering costs  
19 for Newport. More specifically, NWD's change in the allocation of capital costs in-  
20 creases PWFD's proposed rate by 6%, increases the Navy's proposed rate by 14%,  
21 and leaves the retail rates for Newport essentially unchanged while dropping the  
22 public fire charges by more than 10%.

23 **Q: In his initial testimony, Mr. Smith explains that he made this change to reflect**  
24 **the capacity of the new water treatment facilities. Do you agree with this ap-**  
25 **proach?**

26 A: No. The change is a significant variation from the cost of service model agreed to  
27 by the parties and approved by the Commission. There has been no discussion or  
28 agreement on this fundamental change to the cost of service model by the parties.

1 **Q: On page 24 of his initial prefiled testimony, Mr. Smith asserts that this change**  
2 **is more fair and equitable; do you agree?**

3 A: No. NWD proposes a different allocation based on intended proceeds for a single  
4 bond issue for the new treatment facility. That bond issue represents only \$0.47  
5 million out of \$2.21 million of debt costs in FY 2013 (HJS Schedule D-6 Updated) –  
6 less than ¼ of the debt. If NWD used this method of allocation for all bond issues –  
7 as opposed to allocation based on the value of assets – PWFD would not bear any  
8 of the costs of bonds related to meter replacements or distribution pipes. In other  
9 words, NWD’s selective application of this improper allocation method unfairly dis-  
10 advantages PWFD. If the Commission let PWFD pick a single bond issue to set al-  
11 locations, PWFD, like NWD, could also selectively choose a bond issue that result-  
12 ed in a relatively lower allocation for PWFD. In short, NWD’s results-oriented pro-  
13 posal to change the allocation based on the intended proceeds for a single bond is-  
14 sue (for the treatment plant) imposes an unfair burden on PWFD and the Navy and  
15 therefore is neither fair nor equitable.

16 **Corrections**

17 **Q: You mentioned the need for several corrections to the model. Can you identi-**  
18 **fy and describe these corrections?**

19 A: Yes. The schedules referenced below refer to the updated schedules attached to  
20 Mr. Smith’s October 25, 2012 supplemental direct testimony.

- 21 • On Schedule B2 under “Allocation Results” under the Base category there is an  
22 amount for Pumping. The formula includes an incorrect Excel cell reference; the  
23 capital costs related to pumping should be included here. This error is corrected  
24 on my schedules.
- 25 • On Schedule B8 the values for the “Estimated Systemwide Peaks” are input val-  
26 ues and not calculated from the data presented elsewhere. I have corrected this  
27 on my schedules.

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND**

**CITY OF NEWPORT            )            DOCKET NO. 4355**

**DIRECT TESTIMONY  
OF  
JEROME D. MIERZWA**

**ON BEHALF OF THE  
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**DECEMBER 6, 2012**

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**EXETER**

ASSOCIATES, INC.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, Maryland 21044

1 Study includes class demand factors based on daily customer usage data  
2 from the summers of 2011 and 2012. Unlike data from the summer of 2010,  
3 the customer usage data from the summers of 2011 and 2012 met the criteria  
4 set forth in the settlement approved in Docket No. 4128. Newport's  
5 presentation reflects \$2.3 million in additional debt service costs related to  
6 Treatment Plant projects as a proxy for the next phase of its approved multi-  
7 year rate plan. Newport has not yet filed its debt service compliance filing  
8 with the Commission to reflect specifics regarding the debt issuance, so  
9 Newport is not yet officially asking to increase its revenue requirement, but  
10 the \$2.3 million reflects Newport's estimate of what the compliance filing will  
11 evidence when made. It is my understanding that the filing will be made in  
12 the near future. Except for the increase in debt service, the costs and  
13 consumption data reflected in the 2012 Study are those from Docket No.  
14 4243.

15

16 **IV. Evaluation of Newport's Cost of Service Study**

17 Q. HAS NEWPORT PROPOSED ANY CHANGES TO THE COST  
18 ALLOCATION MODEL AGREED TO BY THE PARTIES IN DOCKET  
19 NO. 4128?

20 A. Yes. In the Cost Allocation Model, treatment capital costs were allocated to  
21 the Base/Extra Capacity categories and then to each customer class  
22 (Newport retail, PWFD, the Navy and Fire) based on the historical Base and  
23 Extra Capacity demands of each class. In the 2012 Study, treatment capital  
24 costs are allocated directly to each customer class based on each class'  
25 proportion share of Base (average day) and Extra Capacity (peak day)

1 treatment capacity that they (PWFD and the Navy) indicated would be  
2 required when the Treatment Plant Projects are complete.

3 Q. WHY HAS NEWPORT PROPOSED THIS CHANGE?

4 A. Prior to designing its Treatment Plant Projects, Newport requested that  
5 PWFD and the Navy provide projections of their average day and peak day  
6 demands for the next 20 years, and Newport used this information to design  
7 its Treatment Plant Project capacity. Thus Newport's proposed allocation of  
8 treatment capital costs is based on the anticipated investment necessary to  
9 serve PWFD and the Navy.

10 Q. DO YOU AGREE WITH NEWPORT'S PROPOSED ALLOCATION OF  
11 TREATMENT CAPITAL COSTS?

12 A. Not at this time. Treatment Plant Project costs represent only a portion of  
13 Newport's treatment capital investment because Newport has previously  
14 made substantial treatment plant investment in addition to that associated  
15 with the new facilities. In addition, the Treatment Plant Project facilities are  
16 not anticipated to be in service until at least 2015. Therefore, I recommend  
17 that any potential change to the allocation of treatment capital costs be  
18 deferred until a time closer to the in-service date of the Treatment Plant  
19 Projects.

20 Q. ARE YOU PROPOSING ANY OTHER CHANGES TO NEWPORT'S  
21 2012 STUDY?

22 A. Yes. However, these changes are simply to reflect corrections to the  
23 formulas and/or cell references in the spreadsheets used to create the 2012  
24 Study and to maintain consistency in the billing determinants used to design

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF RHODE ISLAND**

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**CITY OF NEWPORT            )           DOCKET NO. 4355**

**SURREBUTTAL TESTIMONY  
OF  
JEROME D. MIERZWA  
  
ON BEHALF OF THE  
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**FEBRUARY 7, 2013**

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**EXETER**

ASSOCIATES, INC.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, Maryland 21044

1 Because base-extra capacity costs have been assigned to class based on  
2 2011 and 2012 usage data, witness Smith recommends that the production  
3 demand factors used in the cost of service study should be determined based  
4 on an average of FY 2011 and FY 2012 production volumes.

5 Q. IS WITNESS SMITH'S PROPOSAL TO BASE PRODUCTION  
6 DEMAND FACTORS BASED ON AN AVERAGE OF FY 2011 AND FY  
7 2012 PRODUCTION VOLUMES REASONABLE?

8 A. Yes.

9  
10 **IV. Allocation of Treatment Plant Project Costs**

11 Q. HOW IS NEWPORT PROPOSING TO ALLOCATE TREATMENT  
12 PLANT PROJECT COSTS IN THE COST OF SERVICE STUDY?

13 A. Newport is proposing to allocate the costs associated with the Treatment  
14 Plant Projects based on the projected peak demands provided to Newport by  
15 the Navy and PWFD.

16 Q. IN YOUR DIRECT TESTIMONY, DID THE DIVISION AGREE WITH  
17 NEWPORT'S PROPOSAL TO ALLOCATE TREATMENT PLANT  
18 PROJECT COSTS BASED ON PROJECTED PEAK DEMANDS?

19 A. No. In my direct testimony I noted that the Treatment Plant Project facilities  
20 are not anticipated to be in service until at least 2015, and recommended that  
21 any potential change to the allocation of treatment capital costs be deferred  
22 until a time closer to the in-service date of the Treatment Plant Projects.

1 Q. DOES NEWPORT WITNESS SMITH CONTINUE TO SUPPORT AN  
2 ALLOCATION OF TREATMENT PLANT PROJECT COSTS BASED  
3 ON PROJECTED PEAK DEMANDS IN HIS REBUTTAL TESTIMONY?

4 A. Yes. Witness Smith claims that Newport is simply asking that the Navy and  
5 PWFD pay for the capacity they claimed they needed when Newport was in  
6 the planning stages for the Treatment Plant Projects. He claims Newport  
7 sized the capacity of the Treatment Plant Projects according to the stated  
8 needs of the Navy and PWFD. He further claims that under the existing cost  
9 allocation procedures which were agreed upon in Docket No. 4128, the Navy  
10 and PWFD will only pay for the capacity they requested if they use it. If the  
11 actual demands of the Navy and PWFD are less than the requested capacity,  
12 then the Navy and PWFD will only pay for a portion of the capacity they  
13 requested.

14 Q. SHOULD NEWPORT'S PROPOSED CHANGE TO THE  
15 ALLOCATION OF TREATMENT PLANT BE ADOPTED?

16 A. No. Witness Smith notes that the capacity requested by the Navy and the  
17 PWFD are less than their current capacity needs. The Navy and PWFD are  
18 projected to require 27 percent of the capacity of the Treatment Plant Project  
19 facilities, while Newport will require the remaining 73 percent. Under the cost  
20 allocation procedures agreed upon in Docket No. 4128, treatment costs are  
21 allocated based on actual use. The Treatment Plant Projects will be in  
22 service for at least 20 years. While in service, the treatment capacity needs  
23 of Newport, the Navy and PWFD are likely to differ from current projections.  
24 For example, Newport's treatment capacity needs may increase beyond  
25 current projections and the needs of the Navy and PWFD may decrease

1 below current projections. Newport's proposal to allocate Treatment Plant  
2 Project costs based on projected capacity needs is incomplete because it fails  
3 to address the important cost allocation inequities that could result. For  
4 example, say in 15 years, treatment plant capacity paid for by one party  
5 (Party A) is not required by Party A, but is needed to serve another party  
6 (Party B). Under these circumstances, Party A could claim that it should be  
7 compensated by Party B for the 15-year period during which Party A paid for  
8 capacity that is now required to serve Party B. Because Newport's proposal  
9 does not address how differences between projected and actual capacity  
10 requirements will be resolved, it should not be adopted.

11 Q. HAVE YOU PREPARED A REVISED COST OF SERVICE STUDY TO  
12 REFLECT NEWPORT'S ACTUAL FILED INCREASE IN DEBT  
13 SERVICE COSTS AND YOUR RECOMMENDATION WITH  
14 RESPECT TO THE ALLOCATION OF TREATMENT COSTS?

15 A. Yes. I have attached a revised cost of service study to my testimony. This  
16 revised study also incorporates the revised asset listing provided by Newport  
17 in the supplemental response to PWFD 2-1.

18 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

19 A. Yes, it does.

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