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January 10, 2019

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

Re: *Providence Water Supply Board*
Docket 4618

Dear Ms. Massaro:

Enclosed herewith please find an original and nine copies of the following documents:

1. The Bristol County Water Authority's Objection To The Providence Water Supply Board's Supplemental Request To Transfer Funds.

Please be advised that electronic copies of these documents have been sent to the service list.

Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough, Jr.

JAK/kf
Enclosures

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: PROVIDENCE WATER SUPPLY BOARD:

DOCKET No. 4618

**THE BRISTOL COUNTY WATER AUTHORITY’S OBJECTION TO THE PROVIDENCE WATER SUPPLY
BOARD’S SUPPLEMENTAL REQUEST TO TRANSFER FUNDS**

I. INTRODUCTION

Now comes the Bristol County Water Authority (“BCWA”) and hereby objects to the request by the Providence Water Supply Board (“Providence”) to transfer \$5,526,671 from its restricted Revenue Reserve Account to its unrestricted Operating Fund.

II. PROCEDURAL HISTORY

The procedural history of Providence’s request to transfer funds from its restricted Revenue Reserve Account to its unrestricted Operating Fund is as follows:

- On October 27, 2017, Providence filed a request to transfer \$2,394,651.28 from its restricted Revenue Reserve Account to its unrestricted Operating Fund.
- On November 2, 2017, the BCWA objected to this request to the extent it was considered a motion pursuant to Rule 1.15 of the Rule of Practice and Procedure for the Rhode Island Public Utilities Commission (“Commission” or “PUC”). The BCWA filed its procedural objection so that it could issue data requests and examine Providence’s request beyond the ten days allowed for objecting to motions under Rule 1.15.
- Following this objection, the BCWA issued data requests to Providence.
- The Commission issued data requests as well.
- On May 11, 2018, the BCWA filed a Supplemental Objection to Providence’s request to transfer funds.
- At its May 31, 2018 Open Meeting, the PUC voted to table Providence’s request to transfer funds. The meeting minutes state:

“After discussion, the PUC agreed that more information was needed to make a decision regarding whether Providence Water did experience a shortfall in consumption

and whether that resulted a shortfall in metered water revenues. The PUC agreed to wait until the end of Providence Water's fiscal year, which is June 30, 2018, so to receive actual year consumption revenues for FY 2018 under the new rates that were approved in Docket 4618 and to issue further discovery. Chairperson Curran moved to table the matter from today's agenda until when the PUC is ready to move forward."

- On October 17, 2018, Providence filed a supplemental filing, which increased the amount it sought to transfer from the restricted Revenue Reserve Account to the unrestricted Operating Fund from \$2,394,651.28 to \$5,526,671.
- Thereafter, the BCWA issued additional data requests (BCWA Data Requests 3 and 4).
- The response to the BCWA's fourth set of data requests was due on December 27, 2018.
- Providence requested an extension of time to answer this request until January 8, 2019.
- The BCWA now submits this objection to Providence's supplemental filing.

III. ARGUMENT

Providence seeks to transfer funds pursuant to the Commission's ruling in Docket 4061 that allowed Providence to use funds in its restricted Revenue Reserve Account "to cover shortfalls in allowed revenues upon a showing by Providence Water Supply Board that the shortfall resulted from reduced consumption." Providence has not made this showing and its request should be denied for two reasons:

1. Providence has provided unreliable evidence on how the transferred funds will be used.
2. Providence's request lacks an evidentiary basis.

1. Providence Has Provided Unreliable Evidence On How The Transferred Funds Will Be Used

In Providence's original filing it sought to "transfer \$2,394,651.28 from the Restricted Revenue Reserve Fund to the Operating Fund." (See, Nancy E. Parrillo Direct Testimony, p.3, lines 9-10). This request was increased to \$5,526,671 in Providence's supplemental filing. Thus,

a reasonable interpretation of this request is that that funds would be transferred from Revenue Reserve Fund, which is restricted, to the Operating Fund, which is not. A transfer of this amount from a restricted account to an unrestricted account is problematic due to the unique and uncertain circumstances facing Providence.

On November 27, 2018, the City of Providence Board of Contract and Supply issued a Request For Qualifications (RFQ) For The Providence Water Supply Board System. The RFQ states as follows:

“The City of Providence (the “City”) is issuing this Request for Qualifications (“RFQ”) to solicit and identify qualified entities interested in entering into a long-term concession lease (“Lease”) or similar transaction with the City to manage and operate the Providence Water Supply Board System (“System”). A primary purpose for the Lease is to secure the long-term, full-risk asset management for the System in the most economically efficient and environmentally friendly manner possible which will secure long-term rate stabilization, improved customer service and enhanced environmental quality. A commensurate purpose for the Lease is a lump-sum monetization or annual long-term revenue stream, or some combination of the two, to address the City’s long-term pension liabilities. The City is not considering the sale or unrestricted lease of the System to a private entity...Respondent must be prepared to complete the Lease negotiation process within the time period contained in the tentative schedule and complete the final closing, including project finance not later than June 30, 2019.”

Thus, the BCWA is concerned about how the \$5,526,671 would potentially be used given the City of Providence’s need for “a lump-sum monetization or annual long-term revenue stream, or some combination of the two, to address the City’s long-term pension liabilities.” To that end, the BCWA issued a data request to Providence to address this concern. (See BCWA Data Request 4 issued on December 6, 2018). Providence’s response to BCWA 4-1(a) states: “Upon approval by the PUC, the money from the restricted revenue reserve fund will first be used to fund restricted accounts that have gone underfunded due to the reduction in

consumption.” Providence’s answer to BCWA 4-1(b) indicates that unused balances in Providence’s restricted accounts would remain in those accounts “subject to PUC oversight.”

However, the testimony of Harold Smith submitted by Providence to support its supplemental filing does not indicate that Providence plans to transfer the \$5,526,671 from the restricted Revenue Reserve Fund to other underfunded restricted accounts, nor does it state the amounts Providence will transfer to each underfunded restricted account.

Furthermore, Providence’s attachment to BCWA 3-3 seems to show that many of Providence’s restricted accounts were fully funded in FY18. By way of example, in Docket 4618, the Commission allowed \$2,127,000 in funding for the Capital Fund. The attachment to BCWA 3-3 shows actual funding of \$2,127,000 in FY18. The same appears true for the Western Cranston, IFR, AMR/Meter Replacement, Equipment Replacement, Lead Service Replacement, and Revenue Reserve. Providence’s response to BCWA 3-3 seems to show actual funding of these restricted accounts in the amounts set by the Commission in Docket 4618. Admittedly, this attachment indicates that the numbers used are not final number as the audit is not complete, but the Commission and parties to this Docket should have final numbers before a transfer of this magnitude is made.

In addition, the attachments to BCWA 1-5 and 3-3 show deficits of \$762,779 in FY17 and \$2,012,051 in FY18. This is a total deficit of \$2,774,830 in these two fiscal years, which is far less than the \$5,526,671 requested by Providence. Providence has the burden in this matter to clearly support its need for the \$5,526,671 and how the funds will be used once transferred. To date, Providence has not met this burden.

Thus, the BCWA urges the Commission to delay its decision on Providence's supplemental filing until Providence presents clear evidence that details how it proposes to distribute the \$5,526,671 it has requested to transfer. Providence should demonstrate how much each restricted fund has been underfunded, and how much money will be transferred to each underfunded restricted account. The BCWA also requests that if the Commission does approve a transfer of funds from the restricted Revenue Reserve account that it be limited to the amounts that each of the other restricted accounts were underfunded, and that no funds be transferred to the unrestricted operating fund until Providence clearly demonstrates the amount of its actual deficits in FY17 and FY18, and the Commission has more clarity on the proposed lease of the Providence Water Supply Board system.

2. Providence's Request Lacks An Evidentiary Basis

Providence's request should be rejected on evidentiary grounds because of its contradictory history which calls into question whether its shortfall in revenues results from reduced consumption.

Harold Smith's testimony in support of Providence's supplemental request states that: "The only reason actual revenues would vary significantly from allowed revenues is that the consumption which actually occurred while the rates were effective was lower than the projected consumption used to develop the approved rates." (See Harold Smith Supplemental Direct Testimony, p. 3, lines 28-30) He also testified that "Volumetric revenues are directly related to the volumes customers purchase from Providence Water." (See Harold Smith Supplemental Direct Testimony, p. 4, lines 18-19) Ordinarily, this would be true – there is

typically a direct correlation between consumption and revenues. If consumption is lower, revenues should be lower, and if consumption is higher, revenues should be higher.

However, the evidence in this matter shows that there is no direct correlation between Providence's consumption and its revenue. Providence acknowledges that its consumption exceeded the consumption projected by the Commission in Fiscal Years 2011, 2012, 2014 and 2015. (See Providence Response to BCWA 1-4) This should normally result in a utility collecting more revenue than projected. However, this is not the case with Providence. In fact, Providence claims that it collected *less* revenue than approved by the Commission in three of the four years where consumption exceeded projections. (See Providence response to BCWA 2-1). Thus, without a historic correlation between consumption and revenues, Providence cannot meet its burden of proving that its revenue shortfall resulted from reduced consumption.

WHEREFORE, the Bristol County Water Authority prays that the Rhode Island Public Utilities Commission deny the Providence Water Supply Board's supplemental request and that the Commission grant the relief sought herein.

BRISTOL COUNTY WATER AUTHORITY
By its attorney,



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CERTIFICATION

I hereby certify that on January 10, 2019, I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Luly Massaro, Commission Clerk, by electronic mail and regular mail.

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