

Rebuttal Testimony  
of  
RICKY CARUOLO  
before the  
PUBLIC UTILITIES COMMISSION

for

PROVIDENCE WATER

DOCKET# 4618

December

2016

1 **Q. Please state your full name and title.**

2 A. Ricky Caruolo, General Manager of the Providence Water Supply Board (Providence Water)

3 **Q. How long have you been employed at Providence Water?**

4 A. I have been employed at Providence Water since April 1993, or approximately 23 years. I  
5 was appointed Acting General Manager in February 1, 2014 and became the permanent  
6 General Manager on June 11, 2014.

7 **Q. Please describe your education and work experience.**

8 A. I graduated from the University of Rhode Island in 1990 with a Bachelor of Science in  
9 Finance and a Bachelor of Science in Management. I also graduated from Providence  
10 College in 1994 with a Master of Business Administration. As an employee of Providence  
11 Water, I have held various management positions in the finance department, commercial  
12 services department and executive management.

13 **Q. What are your duties and responsibilities?**

14 A. I am responsible for managing the operations of a public water supply system that serves  
15 more than 600,000 people. I provide administrative, financial and supervisory oversight of  
16 all divisions within the organization.

17 **Q. Do you belong to any professional organizations or committees?**

18 A. Yes. I belong to the American Water Works Association, the New England Water Works  
19 Association and the Rhode Island Water Works Association.

20 **Q. What is the purpose of your testimony?**

1 A. To provide rebuttal testimony and additional information supporting Providence Water's  
2 request for a rate increase of \$7,911,953, with total rate year revenues amounting to  
3 \$77,178,302.

4 **Q. What is the status of the new central operations facility (COF)?**

5 A. Our new COF is currently under construction and our move in date remains September 2017.  
6 The renovations are currently on schedule and within budget. The demolition phase is nearly  
7 completed and we have started the construction phase. Our plan is to be substantially  
8 completed with our renovations by June 2017 with occupancy by September 2017.

9 **Q. Will the new COF utilize solar power?**

10 A. Yes, Providence Water plans to construct a 765 kW rooftop solar array comprising of 2,286  
11 solar panels.

12 **Q. What is the cost and payback for the solar array?**

13 A. The total solar rooftop array project cost is \$2,070,772. The payback period for the rooftop  
14 solar is conservatively projected to be approximately 9 years. See Gregg Giasson's response  
15 and supporting documentation to BCWA 1-18.

16 **Q. Is Providence Water investigating any other forms of renewable energy?**

17 A. Yes. Providence Water has pursued hydro power in the past but the Federal Energy  
18 Regulatory Commission's (FERC) requirements did not make it possible for us to go  
19 forward. In order to receive a hydro permit we would have had to open up our reservoir to  
20 recreational activities which we were not willing to do. Our position has not changed with  
21 regard to recreational activity on our property. However, we are once again researching to

1 see if the FERC requirements have changed, and we are also investigating the possibility of  
2 applying for a waiver.

3 In addition to hydro, we have had preliminary meetings with a wind energy developer. We  
4 are in the very early stages with regard to investigating the possibility of implementing wind  
5 energy on our property.

6 **Q. Do you still feel that Providence Water needs to 254 full time employees to operate**  
7 **efficiently?**

8 A. Yes. Providence Water has received very little funding for additional positions over the past  
9 10 to 15 years, yet our duties and responsibilities have increased significantly. It is my  
10 understanding that in 1995 under docket 2048 we had funding for 238 full time employees.  
11 In 2007 under docket 3832 funding was increased to 252 full time employees. However in  
12 2013 under docket 4406 funding was cut to allow for 240 full time employees which is much  
13 closer to our 1995 staffing levels.

14 **Q. If a specific position is vacated will that same position always be filled?**

15 A. Not necessarily. Anytime positions become vacant executive management analyzes our  
16 organizational needs and prioritizes where we need assistance. Positions are not filled just  
17 because they are vacant. Positions are filled based on an organizational need and available  
18 funding.

19 **Q. Can you please provide specific areas of need that require additional personnel?**

20 A. My areas of concern for the additional personnel are to ensure a smooth transition with the  
21 acquisition of the East Smithfield Water District, water quality, cyber security and the overall

1 security of PW which includes the watershed, water source, treatment plant, distribution  
2 system and COF.

3 **Q. Are you asking for personnel additions with regard to the acquisition of the East**  
4 **Smithfield Water District (ESWD)?**

5 A. Yes. I am asking that we receive funding for 3 full time employees who currently work for  
6 the ESWD in order to ensure a smooth transition for the new customers and to address any  
7 unique issues that may arise within that portion of the distribution system.

8 **Q. Where will those employees be assigned and what will they be doing?**

9 A. One employee will be assigned to the Customer Service Department as a Billing Supervisor.  
10 This person will ensure that the new ESWD customers are read and billed properly while  
11 they are transitioning over to the PW reading/billing system. ESWD utilizes a completely  
12 different reading/billing system than PW, therefore both systems will need to be run  
13 concurrently. Replacing approximately 2,400 residential and commercial meters will take  
14 some time due to PW plumbing requirements.

15 The second employee will be assigned to the T&D Department as a Project Coordinator.  
16 This person will assist T&D personnel with the location and operation of water appurtenance.  
17 The ESWD is an older system where valve and hydrant operation are completely different  
18 than what is utilized in the PW system.

19 The third employee will be assigned to the Engineering Department as a Project Coordinator.  
20 This person will be responsible of ensuring the ESWD pump stations remain operational and  
21 assist our engineering personnel with design work and resolving system pressure problems.

1 **Q. Can you provide specific examples where duties and responsibilities increased directly**  
2 **related to water quality?**

3 A. Yes. In 2007 PW fell out of compliance with the Environmental Protection Agency (EPA)  
4 Lead and Copper rule and specific requirements were imposed by the EPA and Rhode Island  
5 Department of Health (RIDOH) on PW. We were required to provide public notification,  
6 conduct additional water quality sampling and replace 7% of the public side lead services on  
7 an annual basis while maintaining our normal work load. These requirements were very  
8 expensive, time consuming and labor intensive.

9 From approximately 2000 to 2011 PW Chief Engineers talked about implementing a  
10 unidirectional flushing (UDF) program; however they were never able to get the plan in  
11 place. In 2012 PW was reorganized and the new General Manager Boyce Spinelli ordered  
12 that a UDF program be investigated and implemented in order to assist in PW's water quality  
13 efforts. In March 2013 PW's UDF program commenced with 4 Flushing Technicians who  
14 are ultimately responsible for flushing approximately 873 miles of main over a four year  
15 period as recommended by AWWA. To date, the staff has grown to 7 Flushing Technicians  
16 and 2 Supervisors. It is important to note that this work gets routinely performed from 10:00  
17 PM to 6:00 AM. The work schedule makes it difficult to fill these positions in a timely  
18 fashion. In addition, the Flushing Technicians are usually taken from our Utility Worker  
19 staff in the Transmission & Distribution (T&D) department leaving them with a vacancy that  
20 must be filled. The flushing division operates valves and many of them tend to leak or break  
21 which causes additional work for our T&D department that must be addressed in order to  
22 have a successful flushing program. We currently have been in compliance with the Lead

1 and Copper Rule mainly because of our flushing, corrosion control and water main  
2 rehabilitation.

3 **Q. Do you believe the Flint, Michigan crisis will impact Providence Water?**

4 A. I believe it already has impacted us and will continue to impact us in the future. Although  
5 we have been in compliance with the Lead and Copper Rule for the past three sampling  
6 semesters through June 30, 2016, the situation in Flint has caused panic locally amongst  
7 many of our customers and political leaders. Unfortunately I do not feel that some of them  
8 know what the real issues are in Flint and we are seeing knee jerk reactions which will cause  
9 us to dedicate personnel and dollars to address their concerns. There are times when our  
10 customer services department is inundated with phone calls and water samples which has  
11 been directly related to media coverage on the Flint crisis.

12 Flint, MI has brought a lot of attention to water utilities across the country on the federal  
13 level as well. We believe federal regulatory requirements will be implemented that would  
14 require additional staffing and resources. One example might be delivering lead education  
15 material to every end user. Unfortunately we do not possess many of those addresses and the  
16 material would need to be hand delivered to multi-family dwellings and businesses. While  
17 handling increased mailings, we very well could be subject to the collecting and analyzing  
18 many additional water samples.

19 **Q. Are you asking for personnel additions with regard to water quality?**

20 A. Yes I am asking that 5 additional Utility Worker in Training (UWIT) positions be funded  
21 which is a change from Nancy Parrillo's Exhibit SS NEP-2C. Initially it was thought that  
22 PW would need 2 Flushing Technicians and 3 Utility Worker in Training. However, as

1 mentioned on page 5 line 20 of my rebuttal testimony, the work performed by the flushing  
2 crews (opening/closing valves) creates a significant amount of emergency and maintenance  
3 work for the T&D Department. In order for UDF to be effective a series of valves must be  
4 closed before that portion of the system is flushed. Therefore the valves are exercised before  
5 the UDF takes place. If the crews are unable to exercise the valves then they need to be  
6 replaced. In some instances, when the valves are exercised this can cause them to leak  
7 resulting in the need to repack or replace the valves. It is my opinion that PW would be  
8 better served by adding 5 additional UWIT positions.

9 **Q. What type of additional security issues need to be addressed?**

10 A. PW is in the process of completing construction on a new COF, expanding our distribution  
11 system by acquiring a wholesale customer and expanding the property we own on the  
12 watershed by purchasing additional land to discourage development ultimately protecting our  
13 source. Increasing the size of our distribution system and acquiring more properties will  
14 require more security. The security of our key infrastructure and other assets is a major  
15 concern that I have right now. Watershed Inspectors are responsible for monitoring our key  
16 infrastructure and activity on the watershed throughout the Towns of Scituate and Foster  
17 which is approximately 94 square miles. Our key infrastructure includes the following: the  
18 purification plant, office buildings, 11 pump stations, reservoir tanks and aqueducts which  
19 are located throughout our distribution system spread over the Towns of Scituate, North  
20 Providence, Johnston, Smithfield and the Cities of Cranston and Providence. Securing these  
21 locations is extremely difficult with 8 employees when you factor in holidays, vacations and  
22 sick leave.

1 **Q. Can you provide specific examples when you encounter security problems?**

2 A. Yes. Trespassing in and around the reservoir is the most common problem. The numerous  
3 NO TRESPASSING signs located on our property line are typically ignored. Most of the  
4 trespassing is for recreational purposes but it inevitably has a negative impact on the  
5 watershed. For example, we often encounter people riding motorcycles and ATVs which  
6 have become increasingly popular. The problem is they can leak gasoline and oil and the  
7 motorists sometimes cause damage to our property, fencing and structures. Others tend to  
8 party during the night lighting fires which at times have been left unattended in an area  
9 covered with litter.

10 **Q. Have you notified the police and do you receive support?**

11 A. Yes on many occasions we have contacted the Scituate Police department and we do receive  
12 support depending on their schedule. However, this does not necessarily mean that the law is  
13 enforced on a consistent basis. I recently took the initiative to meet with Chief Randall from  
14 the Scituate Police Department in order to improve communications and support between  
15 PW and the Scituate Police Department. Chief Randall was very receptive and willing to  
16 assist in providing more consistent support but it's apparent that his department has  
17 personnel limitations and they need to prioritize the workload.

18 **Q. Have you met with any elected officials from the Town of Scituate?**

19 A. Yes. Councilman-Elect John Mahoney and Councilman-Elect Mike Payette requested a  
20 meeting with me. I thought it would be prudent to have the meeting and listen to their  
21 concerns and address some of my issues. I did explain that the rate payers from PW fund  
22 approximately 22% of their budget and we were entitled to basic consistent town services. I

1 did raise the constant issue of trespassing on watershed property and why it is an issue with  
2 PW.

3 **Q. Are you asking for personnel additions with regard to the general security of PW?**

4 A. Yes I am asking to receive funding to hire 4 additional Watershed Inspectors. These  
5 additional positions will help PW increase our presence on the watershed while monitoring  
6 our key infrastructure.

7 **Q. Haven't you already addressed your cybersecurity issues?**

8 A. Yes PW has addressed some of our cybersecurity issues. However, as mentioned in my  
9 direct testimony on page 4, "cybersecurity is not a one-time product purchase; it is a process  
10 that requires continued investment and vigilance on our part." The fact remains that  
11 cybersecurity is not going away and we need personnel to be trained, who will monitor  
12 security and educate end users in our organization.

13 **Q. Does PW interact with other agencies to address cybersecurity?**

14 A. Yes. PW deals with three primary agencies, the Rhode Island State Police (RISP),  
15 Department of Homeland Security (DHS) and the Federal Bureau of Investigations (FBI) on  
16 a regularly basis. Members of our IT department attend monthly cybersecurity meetings with  
17 these agencies. In addition, we conduct table top exercises with Rhode Island Air National  
18 Guard. All of the time dedicated to cybersecurity ultimately costs us time that would be  
19 spent maintaining and supporting the IT infrastructure at PW. The cybersecurity threat has  
20 been identified as a major issue within the last two years that needs to be addressed 24/7.  
21 Our attention to cybersecurity requires significant dollars, staff resources and time.

1 **Q. Are you asking for personnel additions as a result of cybersecurity?**

2 A. Yes I am asking that 2 positions be funded to maintain and support the IT infrastructure. Our  
3 constant attention to cybersecurity from several members of our IT staff has caused us to fall  
4 behind from providing adequate, consistent and timely front end user support. Our IT  
5 department is responsible for maintaining the IT infrastructure throughout 4 buildings and 11  
6 pump stations. All operational software systems (reading/billing, asset management,  
7 hydraulic modeling, SCADA, etc.) receive IT support and maintenance. In addition IT  
8 maintains all routers, switches, approximately 80 servers, 160 desk top computers, 40 mobile  
9 devices and 60 printers. PW relies on automation and connectivity 24/7 now more than ever  
10 before.

11 **Q. Do you have anything else to add regarding you personnel request?**

12 A. Yes. In 2012 as Deputy General Manager I was instrumental in requiring positions to be  
13 filled on a need basis. I have never been in favor of filling a position just because it was  
14 vacant. Therefore many positions remained unfilled until I was satisfied the positions were  
15 needed. My request for additional funding for personnel in this docket is to address specific  
16 issues that could prove to be problematic and costly if ignored.

17 **Q. The Division and interveners are objecting to a payment in lieu of taxes (PILOT) to the**  
18 **City of Providence by Providence Water (PW). Does PW still believe the City of**  
19 **Providence (City) is entitled to a PILOT and why?**

20 A. Yes. I have provided testimony that PW will not pay taxes on the new COF unless we  
21 receive authorization to do so from this Commission. To date we have not paid any taxes  
22 on the COF to Providence even though we received a tax bill on the COF. However, I  
23 still feel that the City is entitled to a PILOT in the amount of \$326,000 which represents

1 the amount of tax revenue the City was receiving from the previous owner of 125 Dupont  
2 Drive. The \$326,000 will make the City whole for tax revenue that the City was  
3 receiving at the 2015 tax rate. If the PILOT is denied, then as I mentioned in BCWA 1-  
4 19 “the tax payers from Providence will be making up the loss and essentially subsidizing  
5 the ratepayers of PW. The \$326,000 PILOT does not represent incremental tax revenues  
6 to the City; it is a fixed amount that continues payment of the past tax assessment on the  
7 Dupont Drive property.”

8 **Q. Do you feel the City is being penalized because the COF is located in Providence?**

9 A. Absolutely. PW pays taxes to every other municipality where we own property. If the  
10 COF were located less than a mile away in the City of Cranston, then PW would be  
11 required to pay taxes on the assessed value of the COF which would include any and all  
12 improvements. The tax payment on the assessed value would much higher than the  
13 \$326,000 requested by PW.

14 **Q. Do you feel that the rate payers receive a benefit directly related to the location of**  
15 **the COF?**

16 Yes. I feel that the central Providence location of the COF directly benefits all rate  
17 payers because we are basically in the center of our distribution system with direct access  
18 to the highway. There is a benefit of being centrally located with regard to our response  
19 time. In addition, this particular location is large enough so that we can accommodate a  
20 laboratory which will assist us in our water quality efforts, ultimately benefitting all of  
21 the retail and wholesale customers.

1 **Q. Are you aware that the Commission has rejected PILOT requests in the past from**  
2 **PW other utilities? If yes, why would this request be any different?**

3 A. Yes I am aware of prior decisions by the PUC on this matter. This request is different  
4 because we used rate payer money to purchase property that was paying the City tax  
5 revenue. If the purchase was for a tax exempt property then we would not be requesting  
6 a PILOT.

7 **Q. Will the COF be receiving any municipal services from the City?**

8 A. Yes. The COF will continue to receive municipal services that the previous owners  
9 received from the City.

10 **Q. Are any other utilities allowed to pay a PILOT? If yes, is there a difference between**  
11 **their PILOT and the request being made by PW?**

12 Yes there are other instances where utilities are allowed to pay a PILOT. As noted on  
13 page 11 of Nancy Parrillo's testimony, the Commission has allowed a PILOT in Kent  
14 County Water Authority's cost of service in the amount of \$23,123. In addition, Bristol  
15 County Water Authority pays a PILOT in the amount of \$463,600 to the towns of Bristol  
16 County. According to Pamela Marchand it appears that Bristol County Water Authority  
17 is allowed to pay the PILOT pursuant "An Act to create the Bristol County Water  
18 Authority and to provide for Its Powers and Duties" passed by the Rhode Island  
19 Legislature when it created the BCWA.

20 **Q. Do you have any other supporting documentation with regards to the PILOT**  
21 **request?**

1 A. Yes. The current City Solicitor for the City of Providence has issued a legal opinion that  
2 PW is subject to taxation by the City (data response BCWA 1-4, Exhibit BCWA 1-4A)  
3 and Providence Water has been issued a tax bill from the Assessor's Office. We have not  
4 paid this bill. If the Commission approves the PILOT request, Providence Water would  
5 only be making payments to the City for what the City lost on its tax roll from the  
6 previous owner

7 **Q. Does PW still have plans to acquire the East Smithfield Water District (ESWD? If**  
8 **yes, can you please provide an update?**

9 A. Yes. We are moving forward with plans to acquire the ESWD and anticipate that the  
10 acquisition will be completed during the month of January 2017. On October 19, 2016,  
11 the Providence Water Supply Board approved the acquisition of ESWD. On Thursday  
12 December 1, 2016, PW made a presentation to the Providence City Council Finance  
13 Committee. The Finance Committee is recommending Council approval of a resolution  
14 authorizing the acquisition of the ESWD by PW at their next regularly scheduled Council  
15 meeting which is expected to take place on January 5, 2017. Once the acquisition is  
16 finalized, PW will incur costs related to the acquisition (absorbing three (3) ESWD  
17 employees, taxes on the properties acquired, insurance, etc.) See an outline of these costs  
18 in Nancy Parrillo's response to KCWA set 2 #2.

19 **Q. Does this conclude your testimony?**

20 A. Yes.

21