

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

Petition of the PROVIDENCE WATER SUPPLY BOARD

Docket No.: 4618

INTERVENOR CITY OF WARWICK'S POSITION STATEMENT

Now comes the City of Warwick ("Warwick"), by and through its City Solicitor, and hereby provides this Position Statement in opposition to the Providence Water Supply Board's ("Providence") petition to revise its present rate structure ("Petition")(Assigned Docket No.: 4618). As set forth in the Petition, Providence seeks to obtain revenue increases of more than \$8 Million Dollars from a variety of sources – a revenue increase of 12 percent. Of particular concern to Warwick is Providence's request to substantially and immediately increase the wholesale water sales rate from \$1.294904 to \$1.392244– this proposed tariff change represents a nearly 8 percent increase from the present wholesale water sales rate (the "Rate Increase").¹ As proposed, the Rate Increase will result in Warwick's annual wholesale water purchase expense to increase by more than \$1.8 Million Dollars. The Rate Increase will provide Providence with more than an additional \$1.24 Million Dollars in additional annual wholesale water sales revenue with no evidence that Providence's costs related to wholesale water production have similarly increased. This increase in the wholesale water sales rate is occurring during the middle of Warwick's fiscal year with rates for wholesale water purchase set in its budget at the present tariff values. The Rate Increase is proposed to take effect on June 16, 2016 – it is now the middle of the Warwick's fiscal year. This places Warwick in an untenable budget position; internalize the nearly \$500,000 cost increase to purchase wholesale water or adopt a mid-year rate increase to pass through this unexpected additional expense to Warwick's

¹ See Schedule HJS-11: Proposed Rates and Impacts in Support of the Providence Water Supply Board's Request for General Rate Relief to the Public Utilities Commission (May 16, 2016), Docket No.: 4618.

approximately 27,000 water customers. The later action would place consumers in an equally untenable position to absorb an unanticipated expense increase.

Warwick objects to the Rate Increase on the basis that Providence's costs, expenses and budget planning actions, such as operation, capital and regulatory compliance requirements are not justified or reasonable under the circumstances. All of these costs have no direct relationship to the cost to produce wholesale water for sale to Warwick. In addition, Providence did not seek input from Warwick prior to submitting the proposed Settlement Agreement - which does not adequately address the cost increase proposed for wholesale water sales. Warwick asserts that Providence has failed to show a nexus between their planned budgetary expenditures and the cost to produce water for wholesale consumption. Warwick asserts that it is not fair, equitable nor prudent for the PUC to approve Providence's externalization of its internal costs without Providence properly demonstrating a nexus between their increased internal costs and the need for the Rate Increase to wholesale purchasers like Warwick. Warwick asserts that lacking such a nexus, the PUC should deny the Rate Increase.

The final point of contention is the proposed date to implement the Rate Increase. The Rate Increase should not be implemented mid-fiscal year from a municipal budgetary standpoint. This proposed action will cause significant economic hardship on Warwick. Warwick will need to decide whether the Rate Increase will be internalized and absorbed somehow in the present fiscal year's budget or externalized on to Warwick's water consumers. This creates an untenable dilemma that is patently unfair to Warwick and other public authorities involved in bulk water purchases from Providence. The proposed implementation date of June 16, 2016 for the Rate Increase is against prudent public budgeting practices and unfairly forces Warwick to make public policy budget decisions – whether to internalize or externalize the Rate Increase – outside

the municipality's customary budget planning cycle. It essentially presents Warwick a problem offering two possibilities, neither of which is practically acceptable.

For these reasons Warwick hereby requests the PUC to deny the requested relief sought by Providence in their Petition, and in particular, the Rate Increase.

Respectfully submitted,
CITY OF WARWICK,
By and Through Its Attorney,

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