



CULLENandDYKMANLLP

99 Washington Avenue, Suite 2020
Albany, New York 12210
Telephone (518) 788-9440

September 17, 2018

VIA USPS AND ELECTRONIC MAIL

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

Re: Docket No. 4800 – In The Matter of the Application of SUEZ Water Rhode
Island Inc. to Revise and Increase Rates Charged for Water Service

Dear Ms. Massaro:

Enclosed for filing with the Rhode Island Public Utilities Commission (“Commission”) in the above-captioned matter, please find an original and nine (9) copies of a Settlement Agreement for the Commission’s review and consideration. The Settlement Agreement was executed by and is being submitted on behalf of, SUEZ Water Rhode Island Inc. and the Rhode Island Division of Public Utilities and Carriers.

Should you have any questions about this filing, please contact me.

Respectfully submitted,

Brian T. FitzGerald
Rhode Island Bar ID No. 6568

Enclosure

cc: Docket 4800 Service List (via e-mail w/ enclosure)

Founded 1850

BROOKLYN

LONG ISLAND

MANHATTAN

WASHINGTON, D.C.

ALBANY

NEW JERSEY

BEFORE THE RHODE ISLAND PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF SUEZ WATER RHODE ISLAND INC.)	DOCKET NO. 4800
TO REVISE AND INCREASE RATES)	
CHARGED FOR WATER SERVICE)	

SETTLEMENT AGREEMENT

SUEZ Water Rhode Island Inc. (“SWRI” or the “Company”) and the Rhode Island Division of Public Utilities and Carriers (“Division”) (together, the “Settling Parties”) enter into this Settlement Agreement regarding the Company’s application for authority to increase its rates and charges for water service pursuant to R.I.G.L. Section 39-3-11, which was filed with the Rhode Island Public Utilities Commission (“Commission”) on January 30, 2018 (“Application”).

I. BACKGROUND

1. On January 30, 2018, SWRI filed the Application pursuant to R.I.G.L. Section 39-3-11 and Part II of the Commission’s Rules of Practice and Procedure. SWRI’s proposed rates were designed to collect \$1,024,856 in overall annual revenue, or an increase of 21.29% over rates issued under Commission Order No. 21593 in Docket No. 4434, dated September 2, 2014 and effective May 13, 2014. The proposed increase for all classes of customers would have been 21.29%. For a typical residential customer using 6 CCF (4,488 gallons), the impact of this request would have resulted in an increase of \$4.88 (or 16.99%) per month.

2. In support of the Application, SWRI filed direct testimony and exhibits from the following witnesses:

- a. Katherine Arp – Regulatory Specialist, SUEZ Water Management and Services Inc.
- b. James C. Cagle – Vice President of Rates and Regulatory Affairs, SUEZ Water Management and Services Inc.
- c. David M. Fox – Manager, Raftelis Financial Consultants, Inc.

- d. Elda Gil – Senior Regulatory Specialist, SUEZ Water Management and Services Inc.
 - e. Christopher Jacobs – Operations Manager, SWRI
 - f. Paula L. McEvoy – Director of Engineering for the New York Division of SUEZ
which includes SWRI
 - g. Gary S. Prettyman – Senior Director - Regulatory Business, SUEZ Water
Management and Services Inc.
 - h. John J. Spanos – Senior Vice President, Gannett Fleming Valuation and Rate
Consultants, LLC
 - i. Harold Walker, III – Gannett Fleming Valuation and Rate Consultants, LLC
3. The Town of South Kingstown filed a Motion to Intervene in this Docket on February 9, 2018.¹ SWRI did not object.
4. The Town of Narragansett filed a Motion to Intervene in this Docket on March 8, 2018. SWRI did not object.
5. The Union Fire District of South Kingstown filed a Motion to Intervene in this Docket on March 28, 2018. SWRI did not object.
6. The Commission held public hearings on the Application on May 10, 2018 and May 25, 2018.
7. The Company, the Division, the Town of South Kingstown, the Town of Narragansett, the Union Fire District of South Kingstown as well as the Commission engaged in extensive discovery.

¹ The Town of South Kingstown filed an Amended Motion to Intervene on February 26, 2018. SWRI did not object to this Amended Motion.

8. The Division investigated SWRI's requested rate increase with assistance from its staff and outside expert consultants. The Division filed direct testimony and exhibits on June 8, 2018 from the following witnesses:

- a. Matthew I. Kahal – Independent Consultant
- b. Roxie McCullar – Consultant, William Dunkel and Associates
- c. Jerome D. Mierzwa – Principal and Vice President, Exeter Associates
- d. Ralph Smith – Senior Regulatory Consultant, Larkin & Associates, PLLC

9. The Town of South Kingstown, The Town of Narragansett, and the Union Fire District of South Kingstown jointly filed the testimony of David G. Bebyn, CPA, of B&E Consulting, LLC on June 8, 2018.

10. SWRI filed rebuttal testimony and exhibits on July 25, 2018.

11. The Commission held a technical session on the Distribution System Improvement Charge ("DSIC") on August 28, 2018.

12. The Division and the Company engaged in settlement negotiations in July, August and September 2018. The Settling Parties gave due consideration to the testimony, exhibits, schedules, data requests, data responses, settlement discussions, and other documentation in this Docket and agreed to a comprehensive settlement that resolves all issues relating to the Application.

13. The Settling Parties agree that this Settlement Agreement is a just and reasonable resolution of the issues in this proceeding and jointly request its approval by the Commission.

II. TERMS OF SETTLEMENT

14. The Settling Parties agree that the Joint Settlement Schedules attached as Exhibit 1 (Schedules 1-16) are accurate and reflect the agreement reached in this Docket. These Schedules reflect investment in facilities through September 30, 2019 on an average basis.

15. The agreed rates allow SWRI to collect additional operating revenue in the amount of \$622,078 to support a total cost of service of \$5,435,965. This results in an overall increase of 12.92%.

16. The proposed rate design of the increase is set forth in Exhibit 2.

17. The agreed upon capital structure is 46.09% total debt and 53.91% equity; the return on equity is 9.40%; and the overall rate of return is 7.20%.

18. The Settling Parties propose that the Commission authorize the Company to implement a DSIC to recover its costs associated with completed (i.e., placed in service) transmission and distribution (“T&D”) system replacement and rehabilitation projects between base rate proceedings. This program will begin with the effective date of new rates in this Docket and the program will continue indefinitely until and if the Commission orders differently.

- a. The DSIC surcharge will be re-calculated and implemented semi-annually. The DSIC will reflect qualified additions for the previous six-month period that are non-revenue producing and include additions that are replacing and rehabilitating in nature (“Qualified Additions”).
- b. Qualified Additions may include among other things: mains; main cleaning and lining; services; hydrants; valves; short mains and valves; meters; dead-end looping; and re-location due to government requirements.

- c. The DSIC surcharge shall be calculated on eligible investment in excess of Base Spend² on an annual basis. The Base Spend may be allocated in each six-month period as long as it equals the total in the annual calculation.
- d. The rate of return would be based upon the rate of return approved by the Commission in the Company's most recent base rate case.
- e. Rate base would include accumulated depreciation and deferred federal income tax on Qualified Additions.
- f. Depreciation expense on the DSIC plant would be included using the composite depreciation rate for the DSIC eligible accounts.
- g. Revenue taxes would be grossed-up and the revenue requirement would be on a pre-tax basis.
- h. The DSIC surcharge would be capped at: 1) 2.5% per year; and 2) 7.5% between base rate cases.
- i. Within 15 days after the end of the six-month DSIC period, the Company will submit to Commission Staff a DSIC Filing containing its surcharge calculation. The surcharge will go into effect 45 days following the Company's filing of the surcharge calculation.
- j. A surcharge would be applied to all customer bills equal to the percentage calculated by dividing the DSIC revenue requirement by the Company's projected revenues for the next six months. The surcharge will be applied on a bills rendered basis. An example of the surcharge calculation is attached as Exhibit 3.

² "Base Spend" means the level of investment equal to the Company's depreciation expense for utility plant Accounts 343 (Transmission & Distribution Mains), 345 (Services), 348 (Hydrants), and 346 (Meters) as reported in the Company's most recent annual report to the Commission.

- k. After the first twelve-month DSIC period and each six-month period thereafter on a rolling twelve-month basis, the Company will include an Earnings Test as part of its DSIC Filing. If the Company is earning in excess of 15 basis points over its last allowed overall rate of return on rate base, as approved by the Commission in the Company's most recent base rate case, then the DSIC surcharge would cease until such time as the Company is in an under-earning position. An example of the Earnings Test is attached as Exhibit 4.
- l. Each DSIC filing will include a reconciliation on the over (under) recovery of the DSIC surcharge.
- m. There will be no "Gap Period" as a result of the Company filing for new base rates. The Gap Period represents the time between: 1) when Qualified Additions are reflected in base rates; and 2) the Company's subsequent DSIC Filing. For example, if increased rates become effective in April and that increase only includes Qualified Additions through the prior December, the next DSIC surcharge after the rate increase would include Qualified Additions from January through September (i.e., six months after the April effective date of new rates).
- n. The Company may include Restoration Service Costs (i.e., costs necessary to restore construction to pre-construction condition or as dictated by State, Federal, or municipal laws, rules, ordinances, orders, or regulations, including, but not limited to, paving, sidewalks, curbing, landscaping, and traffic control costs) for Qualified Additions that are incurred after a Qualified Addition is placed in service in future DSIC Filings.

- o. The Company will submit to Commission Staff an Annual DSIC Filing, to be made within 90 days after the end of the first 12-month DSIC period and each 12-month period thereafter. This filing should provide back-up data (such as in service dates, actual paid capital expenditures, work orders and other details as requested by the Commission) for all Qualified Additions included in the prior DSIC period.
- p. The DSIC surcharge will remain in place until the Commission orders new base rates for the Company. After the DSIC surcharge resets to zero through a base rate proceeding, the plant additions previously included in the DSIC will be accounted for and included in the Company's base rates.

III. EFFECT OF SETTLEMENT

19. This Settlement Agreement is the result of a negotiated agreement. The Settling Parties conducted the discussions that produced this Settlement Agreement with the explicit understanding that all offers of settlement and discussion relating thereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or any other proceedings.

20. The terms of this Settlement Agreement shall not be construed as an agreement to any matter of fact or law beyond the terms hereof. By entering into this Settlement Agreement, matters or issues other than those explicitly identified in this agreement have not been settled upon or conceded by any party to this Settlement Agreement, and nothing in this Settlement Agreement shall preclude any party from taking any position in any future proceeding regarding settled or unsettled matters.

21. This Settlement Agreement is the product of negotiation and compromise. The making of this Settlement Agreement does not establish any principle or precedent. This Settlement Agreement shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation.

22. If the Commission rejects this Settlement Agreement, or modifies any provision herein, this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects.

IN WITNESS WHEREOF, the Settling Parties agree that this Settlement Agreement is reasonable, in the public interest, in accordance with applicable law and regulatory policy, and is executed by their respective representatives, each being authorized to do so.

Dated: September 17, 2018

SUEZ Water Rhode Island Inc.,
By Its Attorney



Brian T. FitzGerald
Cullen and Dykman LLP
99 Washington Avenue, Suite 2020
Albany, New York 12210
Tel: (518) 788-9440
bfitzgerald@cullenanddykman.com
Rhode Island Bar No. 6568

RI Division of Public Utilities and Carriers,
By Its Attorney



Christy Hetherington
Special Assistant Attorney General
150 South Main Street
Providence, Rhode Island 02903
Tel: (401) 274-4400 ext. 2425
CHetherington@riag.ri.gov
Rhode Island Bar No. 6693

EXHIBIT 1

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Summary of Operating Income

	Amount per Company at Present Rates	Settlement Adjustments	Amount per Settlement at Present Rates	Revenue Increase/ (Decrease)	Amounts After Revenue Incr. / (Decr.)
<u>Operating Revenues</u>					
Retail Sales	\$ 3,689,218		\$ 3,689,218	\$ 436,695	\$ 4,125,912
Sales for Resale	440,306		440,306	44,747	485,053
Fire Protection	644,229		644,229	128,622	772,851
Other Sales	15,379		15,379	8,544	23,923
Misc Revenues	24,756	-	24,756	3,470	28,226
Total Operating Revenues	\$ 4,813,887	\$ -	\$ 4,813,887	\$ 622,078	\$ 5,435,965
<u>Operating Expenses</u>					
O&M Expense	\$ 2,510,506	\$ (200,921)	\$ 2,309,585	\$ 2,659	\$ 2,312,244
Depreciation Expense	905,502	(53,231)	852,271	-	852,271
Property Tax	409,722	(11,083)	398,640	-	398,640
Payroll Tax	66,946	(4,440)	62,506	-	62,506
Gross Receipts Tax	60,174	-	60,174	7,776	67,950
Income before Income Taxes	\$ 861,037	\$ 269,675	1,130,712	\$ 611,643	\$ 1,742,355
Current Income Taxes	88,931	57,491	146,422	128,445	274,867
Deferred Federal Income Taxes	(33,604)	33,604	-	-	-
Amortization of ITCs	(4,662)	-	(4,662)	-	(4,662)
Total Operating Expenses	\$ 4,003,516	\$ (178,581)	\$ 3,824,935	\$ 138,880	\$ 3,963,815
Utility Operating Income	\$ 810,371	\$ 178,581	\$ 988,953	\$ 483,197	\$ 1,472,150
Rate Base	\$ 20,542,518		\$ 20,446,525		\$ 20,446,525
Rate of Return	3.94%		4.84%		7.20%

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Determination of Revenue Increase

	Amount per Company (1)	Amount Per Settlement	Source
Proposed Rate Base	\$ 20,542,518	\$ 20,446,525	Schedule 3
Required Rate of Return	7.82%	7.20%	Schedule 16
Net Operating Income Required	\$ 1,606,425	\$ 1,472,150	
Net Operating Income at Present Rates	810,371	988,953	Schedule 1, page 1
Net Income Surplus/(Deficiency)	\$ (796,054)	\$ (483,197)	
Revenue Multiplier (2)	1.287424	1.287424	
Base Rate Revenue Increase	\$ 1,024,858	\$ 622,078	
Net Increase in Revenue		\$ 622,078	
Verification			
Revenue Increase/(Decrease)	\$ 1,024,858	\$ 622,078	
PUC Assessment 0.42750%	4,381	2,659	
Gross Receipts Tax 1.25%	12,811	7,776	
Federal Taxable Income	\$ 1,007,666	\$ 611,643	
Federal Income Tax 21.00%	211,610	128,445	
Net Income	\$ (796,056)	\$ (483,198)	

Notes:

(1) Per Exhibit 1 (Gil), Schedule 1

(2) Calculation of Conversion Factor

	Tax Rates	
Revenues		1.000000
PUC Assessment	0.42750%	0.004275
Gross Receipts Tax	1.25%	0.012500
Net Federal Taxable Income		0.983225
Federal Income Tax	21.00%	0.206480
Revenue Conversion Factor		0.776745
Revenue Multiplier		1.287424

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Summary of Revenues and Overall Percentage Increase

<u>Current Service Revenues per Company (1)</u>	<u>Revenue at Present Rates</u>	<u>Revenue at Proposed Rates</u>	<u>% Increase</u>
Retail Sales	\$ 3,689,218	\$ 4,125,475	11.83%
Sales for Resale	440,306	485,053	10.16%
Fire Protection	644,229	772,851	19.97%
Other Sales	15,379	23,923	55.56%
Miscellaneous Revenues	24,756	28,226	14.01%
Revenue at Present Rates	<u>\$ 4,813,887</u>	<u>\$ 5,435,528</u>	<u>12.92%</u>
Revenue Deficiency		<u>622,078</u>	
Revenues at Proposed Rates		5,435,965	
Variance		\$ (437)	

Notes:

(1) Per Exhibit 2 (Gil), Schedule 1.

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Summary of Rate Base

<u>Description</u>	<u>Amount per Company (1)</u>	<u>Settlement Adjustments (2)</u>	<u>Adjusted Per Settlement</u>
Utility Plant in Service	\$ 36,073,465	\$ -	\$ 36,073,465
Less: Accumulated Depreciation and Amortization	(8,362,574)	-	(8,362,574)
Net Utility Plant in Service	\$ 27,710,890	\$ -	\$ 27,710,890
Materials and Supplies	\$ 202,236	\$ -	\$ 202,236
Cash Working Capital	307,171	(8,611)	298,560
Deferred Tank Painting (net of Deferred Income Tax)	58,682	-	58,682
Deferred Rate Case Expense	87,383	(87,383)	-
Total Additions	\$ 655,472	\$ (95,994)	\$ 559,478
Contributions in Aid of Construction	\$ (3,560,845)	\$ -	\$ (3,560,845)
Accumulated Deferred Income Taxes	(1,866,387)	-	(1,866,387)
Regulatory Liability - Tax rate change	(1,663,377)	-	(1,663,377)
Unamortized ITCs	(66,926)	-	(66,926)
Unfunded FAS 106 (net of Deferred Income Tax)	(666,309)	-	(666,309)
Total Deductions	\$ (7,823,844)	\$ -	\$ (7,823,844)
Total Rate Base	\$ 20,542,518	\$ (95,994)	\$ 20,446,525

Notes:

(1) Per Exhibit 4 (Gil), Schedule 1, page 1 of 5.

(2) Per Exhibit RCS-2, Schedule B1 and B2

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Summary of Expenses

Line No.	Elements of Operating Expenses	Amount per Company (1)	Settlement Adjustments (2)	Adjusted Per Settlement	Source
1	Operation and Maintenance Expenses:				
2	Wages and Salaries	\$ 654,731	(22,883)	\$ 631,848	Schedule 5
3	Fringe Benefits Transferred	(92,635)		(92,635)	
4	Power Expense	363,086	(4,346)	358,740	Schedule 6
5	Chemical Expense	45,171	2,068	47,239	Schedule 7
6	Pension Expense	95,599		95,599	
7	PEBOP Expense	(948)		(948)	
8	Employee Health and Welfare Expense	248,419		248,419	
9	Tank Painting Amortization	19,812		19,812	
10	Transportation/Vehicle Expense	61,569	(4,977)	56,592	Schedule 8
11	Customer Information/Billing Expense	128,805		128,805	
12	Rent Expense	88,724		88,724	
13	Outside Services Expense	121,533		121,533	
14	M&S	509,952	(61,734)	448,217	Schedule 9
15	Rate Case Expense	60,333		60,333	
16	Regulatory Commission Expense	20,579		20,579.37	
17	Amortization of TCJA		(105,921)	(105,921)	Schedule 10
18	Other Operation and Maintenance Expense	185,776	(3,127)	182,649	Schedule 11
19					
20	Total Operation and Maintenance Expenses	<u>\$ 2,510,506</u>	<u>\$ (200,921)</u>	<u>\$ 2,309,585</u>	
21					
22	Taxes other than Income				
23	Property Tax Expense	\$ 409,722	\$ (11,083)	\$ 398,640	Schedule 12
24	Payroll Tax Expense	66,946	(4,440)	62,506	Schedule 13
25	Gross Receipts Tax Expense	60,174		60,174	
26		<u>\$ 536,842</u>	<u>\$ (15,523)</u>	<u>\$ 521,319</u>	

Notes:

(1) Per Exhibit 3 (Arp), Schedule 1

(2) Adjustments per Settlement

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Salaries and Wages and Benefits Expense
to Reflect Updated Percentage Charged to Expense

Wages		
Rate Year Salaries and Wages per Company (1)	\$	837,587
Adjustments per Settlement (2)		(16,040)
Rate Year Salaries and Wages per Settlement	\$	821,548
Net Percentage Charged to O&M per Settlement (3)		76.91%
Wages Charged to O&M per Settlement	\$	631,847
Amount per Company (1)		654,731
Adjustment to Rate Year Wage Expense	\$	(22,883)

Notes:

- (1) Per Exhibit 3 (Arp), Schedule 2.
- (2) Refer to Page 2 of this Schedule
- (3) Refer to Page 3 of this Schedule.

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Company Incentive Compensation Expense

<u>Employee</u>	<u>Incentive Payment % (1)</u>	<u>Non Financial Percentage (2)</u>	<u>Recoverable Incentive Compensation</u>
Mgr Rhode Island	15.00%	60.00%	
Foreman	10.00%	60.00%	
Supv Customer Contact&Billing	10.00%	60.00%	
Superintendent	5.00%	60.00%	
Total			\$ 22,308
Amount Incentives per Company (1)			37,179
Reduction in Incentive Compensation (2)			\$ (14,872)
Salaries and overtime adjustment (3)			(1,168)
Total Adjustments			\$ (16,040)

Notes:

(1) Amounts per Exhibit 3 (Arp), Schedule 2A.

(2) Per DIV 3-3.

(3) Per COM 1-19.

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Calculation of Normalized Percentage of Labor Costs Expensed and Capitalized
Based on 3-Year Average for 2015 through 2017

		2015 (1)	2016 (1)	2017 (2)	3 Yr Avg
Gross Payroll	(a)	\$ 684,882	\$ 707,293	\$ 716,552	\$ 702,909
Capitalized	(b)	(163,142)	(164,632)	(182,580)	(170,118)
Transferred to Other BU's	(c)	-	-	-	-
Net Payroll	(d)	\$ 521,741	\$ 542,661	\$ 533,972	\$ 532,791
Expense Rate	(d) / (a)	76.18%	76.72%	74.52%	75.80%
Capitalized/Transferred Out	(b)+(c)	\$ (163,142)	\$ (164,632)	\$ (182,580)	\$ (170,118)
Capitalized/Transferred Out Rate	(b)+(c)/(a)	23.82%	23.28%	25.48%	24.20%
Transferred in	(c)	\$ 8,414	\$ 6,341	\$ 8,681	\$ 7,812
Transferred in Rate	(c)/(a)	1.23%	0.90%	1.21%	1.11%

Notes:

(1) Per Exhibit 3 (Arp), Schedule 2B.

(2) Per Exhibit 3 (Gil) Schedule 2B Rebuttal

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Power Expense

Power

Rate Year 12M 09/30/2019	kWh	Projected Water Production (MG)	kWh Avge Usage	kWh Avge Cost	Total Cost 12M- 09/30/2019 (3)	Total Cost 12M- 09/30/2019 (4)
Commodity (Engie Resources, LLC)	1,650,975	941	1,754	\$ 0.0850	\$ 140,333	\$ -
Distribution (National Grid)	1,650,975	941	1,754	0.1176	194,145	-
Commodity (Engie Resources, LLC)	1,688,191	944 (1)	1,788 (2)	\$ 0.0850	\$ -	\$ 143,496
Distribution (National Grid)	1,688,191	944	1,788	0.1118 (2)	-	188,668
Total Rate Year					\$ 334,478	\$ 332,164

Adjustment to Power \$ (2,313)

Other Utilities-Power

	Company Rate Year Amount	Settlement Rate Year Amount
2014	\$ 28,132	\$ -
2015	31,106	31,106
2016	18,623	18,623
12M - 09/30/2017	30,386	-
12M - 12/31/2017	-	25,688
3 years average	\$ -	\$ 25,139
4 years average	27,062	-
Rate Year 2019 (2)	5.714% \$ 28,608	\$ 26,575

Adjustment Other Utilities (2,033)

Power Expense Adjustment \$ (4,346)

Notes:

(1) Exhibit 3 (Gil) Schedule 5A Rebuttal

(2) Exhibit 3 (Gil) Schedule 4A Rebuttal

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Chemical Expense

Rate Year 12M 09/30/2019	UOM	Usage	Projected Water Production (MG) (2)	Average Usage Per MG	Chemical Unit Price (1)	Total Cost 12M-09/30/2019 (3)	Total Cost 12M-09/30/2019 (4)
Lime	lbs	105,246	941	111.84	\$ 0.1916	\$ 20,168	
Sodium Hypochloride	gals	9,350	941	9.94	\$ 1.5310	14,315	
Zinc Orthophosphate (Klenphos K-10)	lbs	18,031	941	19.16	\$ 0.5928	10,688	
Lime	lbs	105,230	944	111.48	\$ 0.1987		\$ 20,907
Sodium Hypochloride	gals	9,999	944	10.59	\$ 1.5310		15,308
Zinc Orthophosphate (Klenphos K-10)	lbs	18,598	944	19.70	\$ 0.5928		11,024
Total Rate Year						\$ 45,171	\$ 47,239

Chemical Expense Adjustment

\$ 2,068

Notes:

(1) Chemical Prices per response to COM 1-25

Settlement Rate Year Amount				
Description	UOM	2017	2018	2019
Lime	lbs	\$ 0.2488	\$ 0.1944	0.1944
Sodium Hypochloride	gals	\$ 1.3700	\$ 1.4980	1.4980
Zinc Orthophosphate (Klenphos K-10)	lbs	\$ 0.5281	\$ 0.5800	0.5800

(2) Projected water production - Exhibit 3 (Gil) Schedule 5A Rebuttal

Computation of Water Subject to Chemical Treatment:

	Company Rate Year	Settlement Rate Year
Billed Consumption (MG) (per witness Gil - Sch 2.8h)	912	912
Non-revenue water %	3.05%	3.36%
Total Production Subject to Chemical Treatment (MG)	<u>941</u>	<u>944</u>

(3) Per Exhibit 3 (Arp), Schedule 5A.

(4) Adjustments per Settlement

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Transportation Expense

Description	Company Rate Year Amount (1)	Settlement Rate Year Amount
Leases (2)	\$ 34,362	\$ 35,879
Fuel (3)	20,569	19,139
Maintenance & Repair (3)	11,313	9,356
Insurance (3)	6,291	4,544
Depreciation	1,643	1,643
Other-Registration, plates, tolls, mileage, etc. (3)	5,811	4,101
Total Costs	\$ 79,989	\$ 74,661
Capitalized/Transferred Out (4)	(18,420)	(18,070)
Net Transportation Expense	\$ 61,569	\$ 56,592
Adjustment to Transportation expense		\$ (4,977)

Notes:

(1) Per Exhibit 3 (Arp) Schedule 10A

(2) Per response to Div. 3-14.

(3) Amounts are based upon three year average (instead of 4) adjusted for inflation as follows:

Fuel:		
Year		
2014	\$ 27,357	\$ -
2015	17,337	17,337
2016	17,732	17,732
12M - 09/30/2017	15,403	
12M - 12/31/2017		19,244
4 Year Average	\$ 19,457	
3 Year Average		\$ 18,104
Apply inflation rate	5.714%	5.714%
Rate Year Amount	\$ 20,569	\$ 19,139

Maintenance & Repair:		
Year		
2014	\$ 3,753	\$ -
2015	5,522	5,522
2016	9,113	9,113
12M - 09/30/2017	13,717	
12M - 12/31/2017		11,916
4 Year Average	\$ 10,701.60	
3 Year Average		\$ 8,850
Apply inflation rate	5.714%	5.714%
Rate Year Amount	\$ 11,313	\$ 9,356

Insurance:		
Year		
2014	\$ 4,907	\$ -
2015	6,055	6,055
2016	4,273	4,273
12M - 09/30/2017	2,618	
12M - 12/31/2017		2,566
4 Year Average	\$ 5,951	
3 Year Average		\$ 4,298
Apply inflation rate	5.714%	5.714%
Rate Year Amount	\$ 6,291	\$ 4,544

Other Misc:		
Year		
2014	\$ 4,770	\$ -
2015	5,882	5,882
2016	4,167	4,167
12M - 09/30/2017	1,671	
12M - 12/31/2017		1,589
4 Year Average	\$ 5,497	
3 Year Average		\$ 3,880
Apply inflation rate	5.714%	5.714%
Rate Year Amount	\$ 5,811	\$ 4,101

(4) Capitalized amount based on 23.03% per Company and 24.20% per Settlement.

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Management and Service (M&S) Fees

Description	Amount
2016 (1)	\$ 463,490
2017 (1)	461,774
	<u>\$ 925,264</u>
Average of the two years	\$ 462,632
2% salary increase	9,253
	<u>\$ 471,885</u>
Eliminates Financial STIP at 40% (2)	<u>\$ (23,667)</u>
Management and Services (M&S) Expense Revised	<u>\$ 448,218</u>
Management and Services (M&S) Expense as filed	<u>\$ 509,952</u>
Management and Services (M&S) Adjustment	<u>\$ (61,734)</u>

Notes:

(1) Per Exhibit 3 (Arp) Schedule 14A

(2) Per DIV 3-3. Allows 60% STIP which pertains to personal goals

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Amortization TCJA

<u>Description</u>	<u>Amount</u>
Amortization of TCJA as filed	(1) \$ -
Amortization of TCJA adjustment	(2) <u>(105,921)</u>
Amortization of TCJA	<u>\$ (105,921)</u>

Notes:

(1) Exhibit 3 (Cagle) Schedule 21

(2) Per Settlement

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Other O&M Expenses

<u>Description</u>	<u>Amount</u>
Other Operation and Maintenance Expenses as filed (1)	\$ 185,776
Elimination of non recoverable expenses (2)	<u>(3,127)</u>
Other Operation and Maintenance Expenses	<u><u>\$ 182,649</u></u>

Notes:

(1) Per Exhibit 3 (Arp), Schedule 17.

(2) Per data request COM 2-15

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Property Tax Expense

<u>Description</u>	<u>Amount</u>
Rate Year Property Taxes per Company (1)	\$ 409,722
Rate Year Property Taxes per Settlement (2)	<u>398,640</u>
Adjustment to Rate Year Property Tax Expense	<u>\$ (11,083)</u>

<u>Property Taxes</u>	<u>Amount</u>	<u>% Change</u>
2014	\$ 322,959	
2015	334,442	3.56%
2016	343,043	2.57%
2017	366,378	6.80%
Average Annual Increase		4.31%
2018 Projected	\$ 382,168	
2019 Projected	\$ 398,640	

Notes:

(1) Per Exhibit 3 (Arp), Schedule 18.

(2) Per Exhibit RCS-2, Schedule C-5

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Payroll Tax Expense

Description	Amount
Payroll Tax Expense as filed (1)	\$ 66,946
Payroll Tax Per Settlement (2)	<u>62,506</u>
Adjustment to reflect Payroll taxes per Settlement	<u><u>\$ (4,440)</u></u>

Notes:

(1) Per Exhibit 3 (Arp), Schedule 19.

(2) Flow through of the Settlement's adjustment to Wages and Salaries

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Adjustment to Depreciation Expense

<u>Description</u>		<u>Amount</u>
Rate Year Depreciation/Amortization Expense as filed	(1) \$	905,502
Depreciation rates per Settlement	(2)	(9,537)
Settlement Adjustment CCB (3 year)	(3) <u></u>	<u>(43,694)</u>
Rate Year Depreciation/Amortization Expense Revised		<u>\$ 852,271</u>

Notes:

(1) Per Exhibit 4 (Gil), Schedule 1, page 1 of 5.

(2) Refer to Page 2 of this Schedule

(3) Per Exhibit RCS-2, Schedule C1 page 2

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Depreciation Rates

Per Settlement

Line No.	Plant Account	Account Description	Depr Rate Recommended (A)	Plant In Service (B)	Depreciation Expense (C) = A x B	Difference (D) = C - Proposal
1	301	301-Intangible Plant-Organizat		\$ 51,107	\$ -	\$ -
2	303	303-Intangible Plant-Miscellan	8.63%	\$ 93,794	\$ 8,094	\$ -
3	310	310-Source Of Supply-Land And		\$ 27,717	\$ -	\$ -
4	311	311-Source Of Supply-Stuctures	2.20%	\$ 105,260	\$ 2,316	\$ -
5	314	314-Source Of Supply-Wells And	3.98%	\$ 567,394	\$ 22,582	\$ -
6	316	316-Source Of Supply-Supply Ma	2.87%	\$ 58,771	\$ 1,687	\$ -
7	317	317-Source Of Supply-Other Wat	1.94%	\$ 1,601	\$ 31	\$ -
8	320	320-Pumping Plant-Land And Lan		\$ 5,601	\$ -	\$ -
9	321	321-Pumping Plant-Stuctures An	2.20%	\$ 708,032	\$ 15,530	\$ -
10	325	325-Pumping Plant-Electric Pum	1.73%	\$ 1,600,025	\$ 27,680	\$ (2,656)
11	328	328-Pumping Plant-Other Pumpin	2.05%	\$ 101,513	\$ 2,081	\$ -
12	331	331-Water Treat Plant-Stucture	2.30%	\$ 9,437	\$ 217	\$ -
13	332	332-Water Treat Plant-Water Tr	2.08%	\$ 492,038	\$ 10,227	\$ -
14	340	340-T&D Plant-Land And Land Ri		\$ 1,862	\$ -	\$ -
15	341	341-T&D Plant-Stuctures And Im	1.66%	\$ 139,985	\$ 2,324	\$ -
16	342	342-T&D Plant-Distr Reservoirs	2.93%	\$ 7,545,523	\$ 221,084	\$ -
17	343	343-T&D Plant-Transmission And	1.23%	\$ 13,577,008	\$ 166,997	\$ (6,880)
18	345	345-T&D Plant-Services	1.76%	\$ 4,281,555	\$ 75,235	\$ -
19	346	346-T&D Plant-Meters	2.56%	\$ 3,493,702	\$ 89,036	\$ -
20	348	348-T&D Plant-Hydrants	1.73%	\$ 1,131,653	\$ 19,561	\$ -
21	390	390-General Plant-Stuctures An	1.45%	\$ 193,272	\$ 2,802	\$ -
22	390L	390-General Plant-Leasehold improvements	12.50%	\$ 210,000	\$ 26,250	\$ -
23	391	391-General Plant-Office Furni	12.58%	\$ 61,084	\$ 7,614	\$ -
24	391H	391-General Plant-Computer Hardware	20.02%	\$ 103,713	\$ 20,763	\$ -
25	391S	391-General Plant-Computer Software	25.66%	\$ 417,991	\$ 106,676	\$ -
26	391CB	391-General Plant-Computer Soft Lighthouse	12.50%	\$ 552,856	\$ 69,107	\$ -
27	392	392-General Plant-Transportati	12.87%	\$ 3,451	\$ 444	\$ -
28	394	394-General Plant-Tools, Shop	2.33%	\$ 86,792	\$ 2,017	\$ -
29	396	396-General Plant-Power Operat	4.33%	\$ 15,685	\$ 679	\$ -
30	397	397-General Plant-Communicatio	10.05%	\$ 355,365	\$ 35,566	\$ -
31	398	398-General Plant-Miscellaneous	5.80%	\$ 79,677	\$ 4,621	\$ -
32		Accumulated Amortization of CIAC		\$ -	\$ (45,258)	\$ -
33		Total		<u>\$ 36,073,465</u>	<u>\$ 895,965</u>	<u>\$ (9,537)</u>
34		Adjustment to Plant Account 391CB				<u>\$ (43,694)</u>
35		Adjustment to Depreciation Expense per Settlement				<u>\$ (53,231)</u>
36		Total Depreciation Expense per Settlement				<u>\$ 852,271</u>

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Calculation of Current Income Tax

	Amount per Company at Present Rates (A)	Settlement Adjustments (B)	Adjusted per Settlement at Present Rates (C)
Operating Revenue	\$ 4,813,887	\$ -	\$ 4,813,887
O&M Expense	2,510,506	(200,921)	2,309,585
Depreciation Expense	905,502	(53,231)	852,271
Property Tax	409,722	(11,083)	398,640
Payroll Tax	66,946	(4,440)	62,506
Gross Receipts Tax	60,174	-	60,174
Operating Income Before Income Taxes	\$ 861,037	\$ 269,675	\$ 1,130,712
Interest Expense	437,556	(4,090)	433,466
Federal Taxable Income	423,481	273,765	697,246
Federal Income Tax at 21%	\$ 88,931	\$ 57,491	\$ 146,422
Amortization of Reg Liability TCJA	(33,604)	33,604	0
Investment Tax Credit Amortization	(4,662)	-	(4,662)
Total Federal Income Tax	\$ 50,666	\$ 91,095	\$ 141,760

Notes:

(1) Calculation of Interest Deduction

Rate Base	\$ 20,542,518		\$ 20,446,525
Weighted Cost of Debt	2.13%		2.12%
Interest Deduction	\$ 437,556	\$ (4,090)	\$ 433,466
		-	
Federal Income Tax Effect at 21%		859	
Interest Synchronization Adjustment		\$ 859	

SUEZ WATER RHODE ISLAND, INC.
Rate Year Ended September 30, 2019
Summary of Cost of Capital

SUEZ Water Capital Structure and Rate of Return (1)

<u>Capital Source</u>	<u>Capitalization Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Common Equity	54.19%	10.50%	5.69%
Long-Term Debt	45.81%	4.65%	2.13%
Total	100.00%		7.82%

Settlement Capital Structure and Rate of Return (2)

<u>Capital Source</u>	<u>Capitalization Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Common Equity	53.91%	9.40%	5.07%
Short Term Debt	0.52%	2.65%	0.01%
Long-Term Debt	45.57%	4.65%	2.12%
Total	100.00%		7.20%

Notes:

(1) Per Company

(2) Per Settlement

EXHIBIT 2

SUEZ WATER RHODE ISLAND
Rate Year at Existing and Proposed Settlement Rates

(1)	(2)	(3)	(4)	(5)
Rate Year at Present Rates for the Twelve Months Ended September 30, 2019				
Fixed Charges				
<u>All Meters Monthly</u>				
Meter Size	Number of Eqv Meters	Number of Bills	Rate	Total
5/8"	7,702	92,424	\$ 10.61	\$ 980,619
3/4"	1	12	11.37	136
1"	307	3,684	16.68	61,449
1-1/2"	79	948	28.05	26,591
2"	169	2,028	37.91	76,881
3"	12	144	50.80	7,315
4"	2	24	75.82	1,820
6"	6	72	131.17	9,444
8"	1	12	227.47	2,730
	8,279	99,348		1,166,986
 <u>Resale Monthly</u>				
4"	1	12	81.88	983
4"	1	12	-	-
<u>Point Judith Country Club Maintenance Charge per Year</u>				
8"	1	1	2,190.00	2,190
Total Fix Charges				\$ 1,170,158
 Consumption Charges				
<u>Residential Metered Customers</u>				
	MGL	Rate Converted Per Mgal	Total	
First Block First 5.984 mgl	284,849	4.035	1,149,366	
Second Block Over 5.984 mgl	92,951	5.059	470,239	
<u>General Metered Customers</u>				
All Use mgl	234,266	3.853	902,627	
<u>Resale Customers</u>				
All Use mgl	293,378	1.490	437,133	
<u>Tank Trunk Sales</u>				
All Use mgl	6,835	2.250	15,379	
Total Consumption	912,279			\$ 2,974,744
Total Metered Revenue				\$ 4,144,902
 Fire Services				
<u>Private Fire Monthly</u>				
	Number of Units	Number of Bills	Rate	Total
2 1/2"	8	91	9.67	882
3"	-	-	14.00	-
4"	21	257	26.67	6,849
6"	149	1,786	71.67	127,974
8"	27	324	149.00	48,276
10"	-	-	265.67	-
12"	1	12	427.00	5,124
16"	-	-	906.33	-
	206			\$ 189,105
Public HYD Monthly	660	7,915	57.50	455,124
Total Fire Service				\$ 644,229
Total Revenue from Sales				\$ 4,789,131
Miscellaneous Revenue				24,756
TOTAL REVENUE				4,813,887

(6)	(7)	(8)	(9)	(10)	
Rate Year at Proposed Rates for the Twelve Months Ended September 30, 2019					Percent Increase
Fixed Charges					
All Meters Monthly					
Meter Size	Number of Eqv Meters	Number of Bills	Rate	Total	
5/8"	7,702	92,424	\$ 11.75	\$ 1,085,982	10.74%
3/4"	1	12	14.10	169	24.01%
1"	307	3,684	18.68	68,817	11.99%
1-1/2"	79	948	30.20	28,630	7.66%
2"	169	2,028	44.06	89,354	16.22%
3"	12	144	76.26	10,981	50.12%
4"	2	24	122.44	2,939	61.49%
6"	6	72	237.59	17,106	81.13%
8"	1	12	375.88	4,511	65.24%
	8,279	99,348		1,308,489	12.13%
Resale Monthly					
4"	1	12	\$ 122.44	1,469	49.54%
4"	1	12	\$ -	-	
Point Judith Country Club Maintenance Charge per Year					
8"	1	12	\$ 2,738.00	2,738	25.02%
Total Fix Charges				\$ 1,312,696	12.18%
Consumption Charges					
		Rate Converted			
Residential Metered Customers	MGL	Per Mgal	Total		
First Block First 5.984 mgl	284,849	4.423	1,259,887	9.62%	
Second Block Over 5.984 mgl	92,951	6.043	561,703	19.45%	
General Metered Customers					
All Use mgl	234,266	4.249	995,396	10.28%	
Resale Customers					
All Use mgl	293,378	1.639	480,846	10.00%	
Tank Trunk Sales					
All Use mgl	6,835	3.500	23,923	55.56%	
Total Consumption mgl		912,279		\$ 3,321,756	11.67%
Total Metered Revenue				\$ 4,634,451	11.81%
Fire Services					
Private Fire Monthly	Number of Units	Number of Bills	Rate	Total	
2 1/2"	8	91	\$ 11.60	1,056	19.96%
3"	-	-	16.79	-	19.93%
4"	21	257	31.99	8,221	19.95%
6"	149	1,786	85.97	153,542	19.95%
8"	27	324	178.73	57,909	19.95%
10"	-	-	318.67	-	19.95%
12"	1	12	512.19	6,146	19.95%
16"	-	-	1,087.14	-	19.95%
	206			\$ 226,874	
Public HYD Monthly	660	7,915.00	68.98	545,977	19.97%
Total Fire Service				\$ 772,851	19.97%
Total Revenue from Sales				\$ 5,407,302	12.91%
Miscellaneous Revenue				28,226	14.02%
TOTAL REVENUE				5,435,529	12.91%

5,435,965
612,066 (437)
172674 622,078
0.282117 12.92%

EXHIBIT 3

SUEZ Water Rhode Island Inc.
Proposed Sample DSIC Calculation
January 1, xxxx to June 30, xxxx

	<u>1/1/xx to 6/30/xx</u>
Eligible Investment (page 2)	\$1,400,000
Less: Accumulated Depreciation (page 2)	(5,625)
Less: Deferred Tax (page 2)	<u>(1,969)</u>
Eligible Net Investment	\$1,392,406
Pre-Tax Rate of Return (page 3)	<u>9.33%</u>
Pre-Tax Return on Investment	\$129,911
Add: Depreciation Expense (page 2)	<u>22,500</u>
Revenue Recovery	\$152,411
Revenue Factor (page 3)	<u>1.017061</u>
Total DSIC Revenue Requirement Recovery Amount	<u><u>\$155,011</u></u>
Revenues allowed in Docket No. _____	<u><u>\$5,000,000</u></u>
Percent Increase	<u><u>3.10%</u></u>

SUEZ Water Rhode Island Inc.
Proposed Sample DSIC Calculation
January 1, xxxx to June 30, xxxx

	<u>1/1/xx to 6/30/xx</u>
Major Projects	\$1,000,000
Eligible Investment	<u>\$500,000</u>
Eligible Investment	<u>1,500,000</u>
Less: Base Spend	<u>(100,000)</u>
Net Eligible Investment	<u>1,400,000</u>
 <u>Accumulated Depreciation</u>	
Composite Depreciation Rate (Based upon applicable accounts)	<u>1.5000%</u>
Depreciation Expense	22,500
Half Year Convention	<u>5,625</u>
 <u>Deferred Taxes</u>	
Eligible Investment	\$1,500,000
MACRS Rate for First Year Water Plant	<u>4.00%</u>
Tax Depreciation First Year	15,000
Book Depreciation	<u>5,625</u>
Tax Depreciation Greater Than Book	9,375
Deferred Taxes at 21%	<u><u>\$1,969</u></u>

Note: This schedule is for explanatory purposes.

SUEZ Water Rhode Island Inc.
Proposed Sample DSIC Calculation
January 1, xxxx to June 30, xxxx

Approved Capital Structure and Cost Rates

	Capital Structure Ratio	Cost Rate	Weighted Cost of Capital	Pre-Tax Rate of Return
Long Term Debt	45.81%	4.65%	2.13%	2.13%
Common Equity	54.19%	10.50%	5.69%	7.20%
Total	100.00%		7.82%	9.33%

1) capital structure and ROE per current authorized return Docket No. _____

For purposes of this example, the as-filed capital structure and cost rates were utilized.

Revenue Factor

Dollar of Revenue	1.00000
Gross Receipts Tax	0.01250
PUC Assessment	0.00428
Income Before Federal Taxes	<u>0.98323</u>
Revenue Factor	<u>1.017061</u>

Rates per Final Order in Docket No. _____

Note: This schedule is for explanatory purposes.

EXHIBIT 4

SUEZ Water Rhode Island
Income Statement
Earnings Calculation

Page 1 of 3

Line No.	Description	Actual 12 Months Ending <u>12/31/2017</u>
1	Operating Revenues	<u>\$4,847,248</u>
	Operating Expenses	
2	Operation and Maintenance Expenses	2,136,218
3	Depreciation and Amortization	779,598
4	Taxes Other Than Income	<u>559,486</u>
5	Operating Expenses Before Income Taxes	<u>3,475,302</u>
6	Pre-tax utility operating income	1,371,946
7	Federal Income Taxes	<u>341,385</u>
8	Utility Operating Income	<u><u>\$1,030,562</u></u>
9	Rate Base	<u><u>\$ 16,966,015</u></u>
10	Return on Rate Base	<u><u>6.07%</u></u>
11	Allowed Return on Rate Base	7.20%
12	Earnings Adjustment	<u>0.15%</u>
13	Earnings Base Rate of Return	<u><u>7.35%</u></u>

SUEZ Water Rhode Island
Rate Base Summary

Page 2 of 3

Line Number	Description	Actual at 12/31/2017
1	Utility Plant in Service	\$ 31,522,941
2	Accumulated Depreciation	<u>(7,940,514)</u>
3	Net Plant	23,582,427
4	Contributions in Aid of Construction	(3,355,575)
5	Customer Advances for Construction	-
6	Accumulated Deferred Income Taxes	(3,134,775)
7	Unamortized ITC	(72,752)
8	Unfunded FAS 106 (net of Def'd Tax)	(666,309) as allowed Docket No. 4800
9	Materials and Supplies	234,042
10	Prepaid Expenses	-
11	Working Capital	298,560 as allowed Docket No. 4800
12	Def'd Tank Painting (net of Def'd Tax)	80,397
13	Total Rate Base	<u><u>\$ 16,966,015</u></u>

SUEZ Water Rhode Island
Approved Capital Structure and Cost Rates

Page 3 of 3

Line No.	Type of Capital	Ratios	Cost Rate	Weighted Cost Rate
1	Long-Term Debt	45.57%	4.65%	2.12%
2	Short Term Debt	0.52%	2.65%	0.01%
3	Common Equity	<u>53.91%</u>	9.40%	<u>5.07%</u>
4	Total	<u>100.00%</u>		<u>7.20%</u>