SUEZ Water Rhode Island
Distribution System Improvement Charge
Summary of States that Adopted

State	Adopted	Water	Wastewater	Items Included		Surcharge Maximum	Filing Frequency
Arizona	2013	yes	yes	Mains, services, valves, hydrants, meters, fire mains		5%	Annual
Connecticut	2007	yes		Mains, services, valves, hydrants, meters, cleaning and lining, relocation due to government, leak detection equipment, production meters, pressure reducing valves, improvements to comply with river and stream flow.		10%	Semi-annual
Delaware	2001	yes		Mains, services, valves, hydrants, meters, dead-end looping, relocation due to government, new or additional water treatment facilities to meet new government water quality	Max in 1 yr	7.50% 5.00%	Semi-annual
Illinois Amended	2001 2016	yes	yes	Mains, services, valves, hydrants, meters, backflow prevention cleaning and lining, relocation due to government, Collecting and impounding reservoirs, lake river and other intakes Wells and Springs, infiltration galleries and tunnels Supply mains, power generation equipment, pumping equipment Water treatment equip, distribution reservoirs and standpipes Sewer - power generation equip, force mains, collection mains flow measuring device, reuse meters, receiving wells, pumping equip, reuse distribution reservoirs, reuse T&D mains, T&D disposal equip manholes, improvements to improve I&I	Average Max in 1 yr	2.50% 3.50%	Annual
Indiana Amended Amended Amended	2000 2014 2015 2016	yes	yes	Mains, services, valves, hydrants, meters, other appurtenances		10%	Annual
Maine	2013	yes		Mains, storage tanks, and pumping facilities Stationary physical assets needed to operate a water system.	< $250k $250k to $750k > $750k	7.50% 5% 3%	Semi-annual
Missouri	2003	yes		Mains, valves, hydrants, main cleaning and lining, relocation due to government		10%	Semi-annual
Nevada	2014	yes	yes	Mains, services, valves, hydrants, meters Other appurtenances need to transport treated water: wells, treatment, storage facilities, booster stations.		n/a	n/a

New Hampshire Amended	2009 2013	yes		Amounts over annual threshold $50k, mains, valves, hydrants, main cleaning and lining, relocation due to government, production meters pressure reducing valves	Max in 1 yr	7.50% 5%	Annual
New Jersey Amended	2012 2017	yes		Mains, services, valves, hydrants, main cleaning and lining relocation due to government, dead end looping		5%	Semi-annual
New York	2008	yes		Large capital projects with long construction periods with in-service dates in rate years two and beyond. Mains, services, valves, meters are reflected in future rate years of base rate case		As approved	Annual
North Carolina	2013	Yes	yes	Mains, services, valves, hydrants, meters, dead-end looping, relocations due to government, equipment and infrastructure needed for regional water supply and drinking water standards with Commission approval. Sewer- collection mains, improvements necessary to improve I&I, relocation due to government, pumps, motors, blowers, and other mechanical equipment.		5%	Semi-annual
Ohio	2003	yes	yes	Mains, services, valves, hydrants, meters Chemical feed systems, filters, pumps, motors, generators, main cleaning and relining, Sludge handling equip, lift stations, I&I improvements Relocation due to government.	Water Sewer	4.25% 3%	Annual
Pennsylvania Amended	1997 2012	yes	yes	Mains, services, valves, hydrants, meters, dead-end looping, main cleaning and lining, relocation due to government. Sewer- collection mains, services, valves, manholes, grinder pumps, air and vacuum release chambers, cleanouts, flow meters, lift stations,	Water Sewer	7.50% 5%	Quarterly
Tennessee	2014	yes		Mains, services, valves, hydrants, meters, relocation due to government water treatment facilities and equipment replacements, raw water and finished water pumping equipment and structures.		None	Annual
Virginia (Alexandria District)	2017	yes		Mains, services, valves, hydrants, meter boxes, dead-end looping, solutions to regional water supply in order to comply with primary and secondary water standards.		7.50%	Annual
West Virginia	2017	yes		No specific facilities, to be determined in each filing	Max in 1 yr	7.50% 3.75%	Annual

Note: This summary is meant to give an overview of each states program. For more detailed information regarding a particular state a review of that states regulations should be made.

Resolution Supporting Consideration of Regulatory Policies Deemed as "Best Practices"

WHEREAS, A number of innovative regulatory policies and mechanisms have been implemented by public utility commissions throughout the United States which have contributed to the ability of the water industry to effectively meet water quality and infrastructure challenges; *and*

WHEREAS, The capacity of such policies and mechanism to facilitate resolution of these challenges in appropriate circumstances supports identification of such policies and mechanisms as "best practices"; *and*

WHEREAS, During a recent educational dialogue, the "2005 NAWC Water Policy Forum," held among representatives from the water industry, State economic regulators, and State and federal drinking water program administrators, participants discussed (consensus was not sought nor determined) and identified over 30 innovative policies and mechanisms that have been summarized in a report of the Forum to be available on the website of the Committee on Water at www.naruc.org; *and*

WHEREAS, As public utility commissions continue to grapple with finding solutions to meet the myriad water and wastewater industry challenges, the Committee on Water hereby acknowledges the Forum's *Summary Report* as a starting point in a commission's review of available and proven regulatory mechanisms whenever additional regulatory policies and mechanisms are being considered; *and*

WHEREAS, To meet the challenges of the water and wastewater industry which may face a combined capital investment requirement nearing one trillion dollars over a 20-year period, the following policies and mechanisms were identified to help ensure sustainable practices in promoting needed capital investment and cost-effective rates: a) the use of prospectively relevant test years; b) the distribution system improvement charge; c) construction work in progress; d) pass-through adjustments; e) staff-assisted rate cases; f) consolidation to achieve economies of scale; g) acquisition adjustment policies to promote consolidation and elimination of non-viable systems; h) a streamlined rate case process; i) mediation and settlement procedures; j) defined timeframes for rate cases; k) integrated water resource management; l) a fair return on capital investment; *and* m) improved communications with ratepayers and stakeholders; *and*

WHEREAS, Due to the massive capital investment required to meet current and future water quality and infrastructure requirements, adequately adjusting allowed equity returns to recognize industry risk in order to provide a fair return on invested capital was recognized as crucial; *and*

WHEREAS, In light of the possibility that rate increases necessary to remediate aging infrastructure to comply with increasing water quality standards could aversely affect the affordability of water service to some customers, the following were identified as best practices to address these concerns: a) rate case phase-ins; b) innovative payment arrangements; c) allowing the consolidation of rates ("Single Tariff Pricing") of a multi-divisional water utility to spread capital costs over a larger base of customers; *and* d) targeted customer assistance programs; *and*

WHEREAS, Small water company viability issues continue to be a challenge for regulators, drinking water program administrators and the water industry; best practices identified by Forum participants include: a) stakeholder collaboration; b) a memoranda of understanding among relevant

State agencies and health departments; c) condemnation and receivership authority; and d) capacity development planning; *and*

WHEREAS, The U.S. Environmental Protection Agency's "Four-Pillar Approach" was discussed as yet another best practice essential for water and wastewater systems to sustain a robust and sustainable infrastructure to comprehensively ensure safe drinking water and clean wastewater, including: a) better management at the local or facility level; b) full-cost pricing; c) water efficiency or water conservation; *and* d) adopting the watershed approach, all of which economic regulators can help promote; *and*

WHEREAS, State drinking water program administrators emphasized the following mechanisms which Forum participants identified as best practices: a) active and effective security programs; b) interagency coordination to assist with new water quality regulation development and implementation, such as a memorandum of understanding; c) expanded technical assistance for small water systems; d) data system modernization to improve data reliability; e) effective administration and oversight of the Drinking Water State Revolving Fund to maximize infrastructure remediation, along with permitting investor owned water companies access in all States; f) the move from source water assessment to actual protection; *and* g) providing State drinking water programs with adequate resources to carry out their mandates; *now therefore be it*

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC), convened in its July 2005 Summer Meetings in Austin, Texas, conceptually supports review and consideration of the innovative regulatory policies and practices identified herein as "best practices;" *and be it further*

RESOLVED, That NARUC recommends that economic regulators consider and adopt as many as appropriate of the regulatory mechanisms identified herein as best practices; *and be it further*

RESOLVED, That the Committee on Water stands ready to assist economic regulators with implementation of any of the best practices set forth within this Resolution.

Sponsored by the Committee on Water
Adopted by the NARUC Board of Directors July 27, 2005

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

	1/1/xx to 6/30/xx
Eligible Investment (page 2)	$1,500,000
Less: Accumulated Depreciation (page 2)	(5,625)
Less: Deferred Tax (page 2)	(1,969)
Eligible Net Investment	$1,492,406
Pre-Tax Rate of Return (page 3)	9.33%
Pre-Tax Return on Investment	$139,241
Add: Depreciation Expense (page 2)	22,500
Revenue Recovery	$161,741
Revenue Factor (page 3)	1.017061
Total DSIC Revenue Requirement Recovery Amount	$164,500
Revenues allowed in Docket No. _____	$5,000,000
Percent Increase	3.29%

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

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

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	0.98323
Revenue Factor	1.017061

Rates per Final Order in Docket No. _____

Note: This schedule is for explanatory purposes.