



Sayer Regan & Thayer, LLP

ATTORNEYS AND COUNSELLORS AT LAW

August 20, 2019

Via regular mail and email [Luly.massaro@puc.ri.gov](mailto:Luly.massaro@puc.ri.gov)

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

Re: *City of Newport, Utilities Department, Water Division; PUC Docket No. 4933*

Dear Ms. Massaro:

Please find enclosed for filing in the above-referenced case, (1) original and (9) copies the following:

1. Town of Middletown's Supplemental Responses to Newport Water 1<sup>st</sup> Set of Data Requests;

Should you have any questions, or need further information, please do not hesitate to contact this office. Thank you for your attention to this correspondence.

Sincerely,

A handwritten signature in cursive script that reads "Andrea Richardson".

Andrea Richardson, Paralegal

/ar  
Service List via Email  
Enclosures

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

**IN RE: CITY OF NEWPORT, UTILITIES DEPARTMENT, WATER DIVISION  
APPLICATION TO CHANGE RATE SCHEDULES** **DOCKET NO. 4933**

**THE TOWN OF MIDDLETOWN'S SUPPLEMENTAL RESPONSES TO THE CITY OF  
NEWPORT, UTILITIES DEPARTMENT, WATER DIVISION'S FIRST SET OF DATA  
REQUESTS (REVISED)  
(JULY 15, 2019)**

- NW 1-18:** Regarding Mr. Russell's testimony on Pg. 22 that "In the long run the present value of the short run savings minus the present value of the additional debt service payments, may be close to zero or a relatively small negative amount (net cost increase).":
- a. Please state all facts supporting this testimony.
  - b. Please provide supporting documentation relied upon by Mr. Russell in support of this testimony.
  - c. Please provide a worksheet that shows this calculation and includes all assumptions made in making the calculation.

**Original Response:**

a. First, Mr. Russell did not make a detailed NPV analysis of the savings (short term cost reduction) versus the long-term costs (future debt service payments). He did, however, outline the approach that should be used. Again, a useful/close estimate of this NPV can only be made when the amounts, timing and other terms of each debt and loan instrument, are provided by Newport Water and their financial Advisors. Another key input is the appropriate discount rate to use. The parties may have considerable disagreements on what that value should be. Mr. Russell's professional opinion as stated in his testimony is that unless the NPV shows that the additional cost is much higher than the savings, debt funding is preferred to using current revenues to pay for Major Fixed Assets.

b. and c. Notwithstanding the foregoing, Mr. Russell has made rough estimates of the requested NPV. The bottom line of this analysis results in a positive NPV (NPV of the short run savings is greater than the NPV of the long run additional costs) assuming a discount rate of both 4% and 6%.

**Supplemental Response:**

See attached Worksheet

# RIPUC Docket No. 4933

## Present Value (PV) analysis (approximation) of Alternative Debt Funding of 2 Projects

PV of Savings

P/F is the single payment Present Worth Factor

Present Value (PV)

PV	equals	Future Value (FV)	X	P/F	(6%) Disc. Rate
2019		2020		0.9434	
		\$672,000			
2019		2021		0.8900	
		\$800,000			
2019		2022		0.8396	
		\$61,000			
2019		2023		0.7921	
		\$341,000			
2019		2024		0.7473	
		\$1,019,000			

PV of Savings

\$2,428,785

2019

P/A is the Uniform Series Present Worth Factor

PV of Add'l Costs

equals

Annual Payment (Avg.)

X

P/A

(6%) Disc. Rate

2024	\$1,353,500	\$125,000	10.8280		18 years
2024	\$1,720,500	\$150,000	11.4700		20 years
	\$3,074,000				

PV

equals

Future Value

X

P/F

(6%) Disc. Rate

PV of Addl Costs

\$2,297,200

2019

\$3,074,000

0.7473

NPV of Savings

\$131,585

Present Value of Savings minus Present Value of Add'l Costs

- NW 1-23:** Regarding Mr. Russell's testimony on Pg. 24 that "The present value (PV) of short run savings minus the PV of two additional debt service payments 19 and 20 years in the future, may be close to zero or somewhat negative (Net PV of additional costs exceed the Net PV of savings)":
- a. Please state all facts supporting this testimony.
  - b. Please provide supporting documentation relied upon by Mr. Russell in support of this testimony.
  - c. Please provide a worksheet that shows this calculation and includes all assumptions made in making the calculation.

**Original Response:**

- a. Please see response to NW1-18. a.
- b. and c. Notwithstanding the foregoing. Mr. Russell has made rough estimates of the requested NPV. The bottom line of this analysis results in a positive NPV (NPV of the short-run savings are greater than the NPV of the long run additional costs) assuming discount rates of both 4% and 6%.

**Supplemental Response:**

See attached Worksheet

# RIPUC Docket No. 4933

## Present Value (PV) analysis (approximation) of Alternative Schedule and Funding of the System Wide Main Improvements

PV of Savings		P/F is the single payment Present Worth Factor	
Present Value (PV)		P/F	
PV	equals	Future Value	X P/F (6%) Disc. Rate
2019	\$0	2020	\$0
2019	\$113,920	2021	\$128,000
2019	\$284,624	2022	\$339,000
2019	\$135,449	2023	\$171,000
2019	\$174,868	2024	\$234,000
<b>PV of Savings</b>	<b><u>\$708,862</u></b>	<b>2019</b>	<b>0.7473</b>

PV of Add'l Costs		equals		Future Payment		X P/F (6%) Disc. Rate	
2024	\$119,805	2024	\$374,249	2020	\$322,578	0.3714	17 years
2024	\$112,656	2024	\$374,249	2021	\$321,598	0.3503	18 years
2024	\$73,135	2024	\$374,249	2022	\$221,285	0.3305	19 years
2024	\$68,653	2024	\$374,249	2023	\$220,182	0.3118	20 years
<b>PV of Add'l Costs</b>	<b><u>\$279,676</u></b>	<b>2019</b>	<b>0.7473</b>	<b>\$374,249</b>	<b>\$374,249</b>	<b>0.7473</b>	

<b>NPV of Savings</b>	<b>Present Value of Savings minus Present Value of Add'l Costs</b>
<b><u>\$429,186</u></b>	<b>Present Value of Savings minus Present Value of Add'l Costs</b>

**CERTIFICATION**

I hereby certify that on August<sup>20</sup>, 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.

  
Andrea Richardson, Paralegal

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