



Sayer Regan & Thayer, LLP

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August 16, 2019

Via regular mail and email 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 Amendment to the Testimony of David Russell, PE;

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,

Andrea Richardson, Paralegal

/ar
Service List via Email
Enclosures

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

AMENDMENT TO PP. 21-22 OF THE JULY 10, 2019, DIRECT TESTIMONY
of
DAVID F. RUSSELL, PE

FILED ON BEHALF OF THE TOWN OF MIDDLETOWN, RHODE ISLAND
IN THE MATTER OF
NEWPORT WATER DIVISION RATE CASE

DOCKET NO. 4933

AUGUST 16, 2019

1 two main replacements be paid for with the issuance of new debt that will be paid
 2 for over 20 years. At least two other capital improvements listed on Exhibit 1
 3 appear to be improvements being made to major fixed assets that should be paid
 4 for with new debt. These are the Reservoir Road Tank improvements and the
 5 Forest Avenue Pump Station Retrofit improvement. Both are relatively expensive,
 6 are designed to essentially replace older facilities in a manner that should extend
 7 their useful lives for many years, certainly beyond the 20-year term of new debt.
 8 Therefore, it is recommended that these two projects be funded with new debt. If
 9 the commission approves the alternative funding for these improvements, the
 10 estimated costs of this funding alternative are provided in the following table and are
 11 compared with Newport Water's cost estimates in the following table.

12

Year	FY2020	Fy2021	FY2022	FY2023	FY2024
Annual Costs of Newport Water's Funding Plan	\$700,000	\$800,000.	\$200,000.	\$500,000.	\$1.15 Mil.
Annual Costs of Alt. Funding Plan	\$28,000	\$0.0 Mil.	\$139,000	\$159,000	\$131,000
Annual Difference (Savings comp w/Newport Water)	\$672,000	\$800,000.	\$61,000	\$341,000.	\$1.019 Mil.
Cumulative Difference/Savings	\$672,000	\$1.47 Mil.	\$1.53 Mil.	\$1.87 Mil.	\$2.89 Mil.

13

14 The alternative funding plan consists of BANs in FY2020 (\$0.7 Mil., cost at 4% -
 15 \$28,000) and in FY2022 (\$0.2 Mil., - Cost at 4% - \$8,000), and in FY2023 (\$0.7
 16 Mil., - Cost at 4% - \$28,000), first debt issue (\$1.7 Mil.) in FY2021 with annual Debt
 17 Service payments of about \$131,000 starting in FY2022, a second debt issue
 18 (\$2.05 Mil. in FY2024 with annual Debt Service payments of about \$158,000
 19 starting in FY2025.

20

1 Thus, this alternative plan reduces total costs over the first five years by about \$2.89
2 Mil.¹ Beyond FY2024 there would be no additional capital costs associated with
3 Newport Water's plan. Under the alternative plan the debt service payments would
4 continue for 17 years at about \$289,000 per years (debt service on both debt
5 issues), and for three years beyond that with debt service payments that would be
6 reduced to about \$158,000. Thus, overall the short run savings of the Alternative
7 plan would be offset by the two additional debt service payments for the remaining
8 years of the 20-year terms of each bond. In the long run the present value of the
9 short run savings minus the present value of the additional debt service payments,
10 may be close to zero or a relatively small negative amount (net cost increase).
11 Because of this and the fact of this alternative has a large impact (in reducing
12 capital costs) on this case (next 5 years), it should be approved by the Commission.

13 These savings could be used to lower the need to increase rate revenues by about
14 \$600,000 in the first-rate year (FY2020). Another option would be to reduce the
15 annual contributions to the Capital Reserve Fund by a significant portion of the
16 \$600,000 (as much as \$500,000), and use the balance to lower future debt service
17 payments on the two associated debt issues.

18

19 System Wide Main Improvements

20 With a relatively minor shift in the scheduling of the System Wide Main
21 Improvements Newport Water could significantly lower its capital costs associated
22 with these improvements over the next five years. Additionally, by spreading the
23 construction expenditures on a more equalized annual schedule, the planning and
24 scheduling of each project's implementation may be more effectively accomplished.

25 This alternative improvement plan for System Wide Main Improvements –
26 Construction along with the proposed plan are compared in the Table below:

1 This total amount and the annual amounts from the table for the alternative case are approximate estimates, but are based largely on similar estimates provided by Newport Water. Assuming the Commission approves this alternative or some variation of it, more precise estimates can be made when the amounts, timing and other terms of each debt and loan instrument are provided by Newport Water and their Financial Advisors.

CERTIFICATION

I hereby certify that on August 16, 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
Andrea Richardson, Paralegal

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