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VIA FIRST-CLASS MAIL AND ELECTRONIC MAIL

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

July 10, 2019

Re: DOCKET NO. 4933 – CITY OF NEWPORT, UTILITIES DEPARTMENT, WATER DIVISION APPLICATION TO IMPLEMENT A MULTI-YEAR RATE PLAN

Dear Ms. Massaro:

Enclosed for filing in the above-referenced matter, please find an original and ten (10) copies of the Direct Testimony of Brian C. Collins, filed on behalf of the Department of the Navy.

Please call me at (757) 322-4119 if you have any questions or concerns regarding this filing. Thank you for your attention to this matter.

Very truly yours,

KELSEY A. HARRER, ESQ.
Assistant Counsel
NAVFAC Atlantic
Department of the Navy
Filing on Behalf of the
Federal Executive Agencies
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cc: Service List for Docket No. 4933

Enclosure

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

BEFORE THE
RHODE ISLAND PUBLIC UTILITIES COMMISSION

City of Newport, Utilities Department, Water Division - Application to Implement a Multi-Year Rate Plan Pursuant to R.I. Gen. Laws Section 39-15.1-4 (filed 2/13/2019)	)	**Docket No. 4933**

Direct Testimony of

Brian C. Collins

On behalf of

The United States Department of the Navy

July 10, 2019

Project 10777

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

BEFORE THE
RHODE ISLAND PUBLIC UTILITIES COMMISSION

City of Newport, Utilities Department, Water Division - Application to Implement a Multi-Year Rate Plan Pursuant to R.I. Gen. Laws Section 39-15.1-4 (filed 2/13/2019)	)	**Docket No. 4933**

Direct Testimony of Brian C. Collins

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Principal of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of the United States Department of the Navy ("Navy"). Our firm is under contract with Navy to perform cost of service, rate design and related studies. Naval Station Newport in Newport, Rhode Island purchases large volumes

of water from the Water Division of the City of Newport ("Newport Water"). Thus, Navy has a direct economic interest in how the cost of providing water service to it is determined.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A I address Newport Water's proposed class cost of service study as well as the compensation that Navy should receive from Newport Water for providing distribution service to Newport Water's wheeling accounts. The fact that I do not address Newport Water's position on a particular issue should not be construed as tacit agreement with Newport Water's position.

Newport Water's Proposed Class Cost of Service Study

Q HAVE YOU REVIEWED NEWPORT WATER'S PROPOSED CLASS COST OF SERVICE STUDY SPONSORED BY NEWPORT WATER WITNESS HAROLD SMITH?

A Yes.

Q DO YOU HAVE ANY SPECIFIC CONCERN WITH NEWPORT WATER'S PROPOSED CLASS COST OF SERVICE STUDY?

A Yes. I have two concerns with the Maximum Day Demand factor for Navy calculated by Newport Water in its class cost of service study. This factor is used to allocate to Navy the costs incurred to meet system peak water demand.

My first concern is that the Maximum Day Demand factor for Navy is overstated as a result of Newport Water using Navy usage data that is not reflective of its operations in a typical or normal year.

My second concern is that the Maximum Day Demand factor calculation should also, but does not, reflect the adjustment made by Newport Water to Navy's Green Lane meter data.

Q WHAT IS A PARTICULAR CLASS'S MAXIMUM DAY DEMAND FACTOR?

A It is the ratio of a class's maximum day of water usage to its average day usage, where the average day usage is the class's total annual water consumption divided by 365 days. The class Maximum Day Demand factors are used to develop class allocation factors that are then used to allocate to classes costs that Newport Water incurs to meet the system maximum day of water usage and the system maximum hour of water usage.

Q WITH RESPECT TO YOUR FIRST CONCERN REGARDING THE MAXIMUM DAY DEMAND FACTOR CALCULATION, WHY IS IT IMPORTANT THAT NORMALIZED CUSTOMER WATER USAGE BE USED WHEN DETERMINING MAXIMUM DAY DEMAND FACTORS FOR THE TEST YEAR?

A If a utility does not use data reflective of a normal test year to calculate the proposed class Maximum Day Demand factors used in allocating costs to classes and setting rates, its rates will not reflect cost causation because the atypical usage will introduce rate subsidies among customer classes.

Q WHAT IS NAVY'S MAXIMUM DAY DEMAND FACTOR FOR THIS RATE CASE?

A The Maximum Day Demand factor for Navy as proposed by Newport Water is 1.73.

Q HAVE YOU REVIEWED NAVY'S ACTUAL USAGE FOR FISCAL YEAR 2018 USED TO CALCULATE NAVY'S MAXIMUM DAY DEMAND FACTOR IN NEWPORT WATER'S CLASS COST OF SERVICE STUDY FOR THIS RATE CASE?

A Yes. I have reviewed Navy's water usage in Newport Water's workpapers that was utilized in calculating Navy's Maximum Day Demand factor.

Q HAVE YOU FOUND ANY NAVY WATER USAGE THAT IS NOT REPRESENTATIVE OF A NORMAL TEST YEAR?

A Yes. Water usage for Navy that occurred on January 10, 2018 is not representative of Navy's operations in a normal test year. It is my understanding that during this day Navy experienced a water main break and the subsequent water loss created Navy's unadjusted Maximum Day Demand factor for Fiscal Year 2018 that Newport Water used for the instant rate case.

Q DO YOU HAVE ANY CONCERN WITH NEWPORT WATER USING USAGE DATA THAT INCLUDES WATER USAGE RELATED TO MAIN BREAKS WHEN CALCULATING CLASS DEMAND FACTORS?

A Yes. Use of such abnormal data will not produce an appropriate cost allocation to various classes. As a result, rates will not reflect cost causation.

For example, excluding the excess water usage resulting from the main break on January 10, 2018, Navy's Maximum Day Demand factor would have been approximately 1.66. Using this Maximum Day Demand factor in Newport Water's cost of service model would have resulted in a cost of service rate increase of approximately 23.6% to Navy for its volumetric rate instead of Newport Water's proposed 25.4% rate increase.

Removing extraordinary events, such as water loss resulting from main breaks in order to normalize a utility's test year and to calculate peaking demand factors for customer classes, is reasonable. Basing allocations on usage that is not representative of normal operations would result in a class that experiences such a main break paying more than its fair share of Newport Water's cost of service.

Q ARE YOU RECOMMENDING ANY CHANGES TO NAVY'S MAXIMUM DAY DEMAND FACTORS IN THIS RATE CASE?

A Yes. I recommend that Newport Water remove water usage associated with the main break on January 10, 2018 when calculating Navy's Maximum Day Demand. This will normalize test year water usage that is used to calculate Navy's peaking factors used in the allocation of costs. It is appropriate to set rates reflective of normal conditions, and a main break that created the Maximum Day Demand for Navy is not a normal condition and should not be allowed to set Navy's revenue responsibility.

Q DID YOU RECOMMEND THAT USAGE RELATED TO MAIN BREAKS BE REMOVED FROM NAVY USAGE IN THE LAST RATE CASE?

A Yes. In Newport Water's last rate case in Docket 4595, I recommended that in future rate cases Newport Water remove water usage associated with main breaks not only for Navy but for all customer classes. This will normalize test year water usage that is used to calculate peaking factors used in the allocation of costs to all rate classes. It is appropriate to set rates reflective of normal conditions, and a main break that created the Maximum Day Demand for a customer class is not a normal condition.

Q IN NEWPORT WATER'S LAST RATE CASE IN DOCKET 4595, DID THE COMPANY REMOVE USAGE RELATED TO MAIN BREAKS TO CALCULATE NAVY'S MAXIMUM DAY DEMAND?

A Yes.

Q WHAT IS YOUR SECOND CONCERN WITH RESPECT TO NEWPORT WATER'S PROPOSED MAXIMUM DAY DEMAND FACTOR CALCULATION IN ITS CLASS COST OF SERVICE STUDY?

A Navy's usage is measured by 18 meters, including the meter at Green Lane. Navy's usage from its meters is used by Newport Water to calculate Navy's peak demand factors. Based on my review, it appears Newport Water should have made an adjustment for Navy's Green Lane meter data not only for Navy's Maximum Hour Demand factor calculation, but also for Navy's Maximum Day Demand factor calculation.

Q PLEASE DESCRIBE NEWPORT WATER'S ADJUSTMENT TO NAVY'S GREEN LANE METER DATA.

A It appears the Green Lane meter does not record hourly data, but is read at various times and records total usage. As a result, Newport Water adjusts the meter usage of Navy so that the hourly flow through the Green Lane meter is the same each hour, or 10,205 gallons per hour. This adjustment reduces Navy's total maximum hour usage used in its peak demand factor calculations.

Q DOES THIS ASSUMPTION RESULT IN A CHANGE TO THE DAILY CONSUMPTION FOR NAVY'S GREEN LANE METER?

A Yes. Assuming the same consumption each hour would result in the same consumption each day for the Green Lane meter. However, Newport Water did not carry its usage adjustment for Navy's Green Lane meter over to its calculation of the Maximum Day for Navy. In order to be consistent in its calculations of the peak demand factors, the Green Lane meter adjustment should apply to both the calculation of Navy's Maximum Hour as well as Navy's Maximum Day.

Q WHAT IS THE RESULT ON NAVY'S RATE OF THE ABOVE CHANGES?

A Under the Company's proposal, Navy would see an increase of approximately 25.4% in volumetric rate revenues. With the changes described above to address both of my concerns regarding the Maximum Day Demand factor calculation, including Newport Water's utilization of Navy usage that included water loss from a Navy main break and the Green Lane meter adjustment, Navy's increase in its volumetric rate would be approximately 22.6%, or approximately $34,000 less in volumetric rate revenues than the Company's proposal for Navy. The combination of these changes results in a Maximum Day Demand factor of 1.59 for Navy.

Q WHAT IS THE SYSTEM AVERAGE INCREASE FOR NEWPORT WATER REQUESTED IN THIS RATE CASE?

A The requested system average increase is approximately 14.0%. Thus, Navy would see an increase of approximately 1.62 times the system average increase in its volumetric rate charge.

Newport Water's Wheeling Accounts

Q DOES NAVY CURRENTLY WHEEL WATER FOR CERTAIN NEWPORT WATER ACCOUNTS?

A Yes. Navy wheels water to 26 Newport Water accounts. Meter sizes for these Newport Water accounts vary from 5/8 inch to 6 inches.

Q HOW IS WATER WHEELED BY NAVY?

A Water produced by Newport Water is accepted by Navy at its wholesale meter connection with Newport Water, and then wheeled (moved) through Navy's distribution system to the Newport Water accounts.

Q WHAT SERVICES ARE PROVIDED BY NEWPORT WATER?

A Metering, billing, and administration of the accounts are performed by Newport Water.

Q WHAT COMPENSATION DOES NAVY RECEIVE FROM NEWPORT WATER FOR WHEELING WATER TO THE NEWPORT WATER ACCOUNTS?

A According to the response to Navy 2-3 i., Navy does not receive any compensation from Newport Water for providing wheeling services to the 26 Newport Water accounts. Newport Water does deduct from Navy's bill an amount equal to Navy's rate multiplied by the amount of water provided to the Newport Water wheeling accounts.

Q DOES THE AMOUNT DEDUCTED FROM NAVY'S BILL COVER THE EXPENSES INCURRED BY NAVY FOR MAINTAINING THE DISTRIBUTION SYSTEM USED TO PROVIDE SERVICE TO THE WHEELING ACCOUNTS OF NEWPORT WATER?

A No. This amount only makes Navy whole for water purchased from Newport Water that is consumed by Newport Water's wheeling accounts.

Q SHOULD NAVY BE COMPENSATED FOR PROVIDING WHEELING SERVICES TO NEWPORT WATER?

A Yes.

Q WHY SHOULD NAVY BE COMPENSATED FOR PROVIDING WHEELING SERVICES TO NEWPORT WATER?

A Newport Water is receiving compensation through its retail rates for operation and maintenance ("O&M") services that it does not provide to the wheeling accounts. Navy provides these services to the wheeling accounts and should be compensated because it incurs the O&M expenses for these accounts. Newport Water should compensate Navy for maintaining the distribution system used to provide water to Newport Water's wheeling accounts.

Q HAS NAVY HISTORICALLY INCURRED O&M EXPENSES FOR THESE ACCOUNTS?

A Yes. The costs to Navy can be significant. For example, approximately three years ago Navy repaired a break in a main serving the wheeling accounts and incurred costs of approximately $30,000 for this single repair. This is in addition to the

approximately $4,000 in annual hydrant flushing expense that Navy incurs for these accounts.

Q WHAT IS YOUR RECOMMENDATION?

A Compensation should be provided to Navy for the distribution O&M expenses it incurs for providing wheeling service to the Newport Water accounts. This compensation should equal the Newport Water retail rate revenues derived from the applicable retail rate applied to the wheeling accounts' usage, minus the cost for services performed by Newport Water, which includes billing, metering, and administration of the accounts, and the cost of water. The remainder of the retail rate revenues should compensate Navy for the O&M services it provides, and should be applied as a deduction to Navy's bill from Newport Water.

Q HOW WOULD COMPENSATION BE ACCOMPLISHED?

A This compensation would occur via a modification to the contract between Navy and Newport Water that governs the wheeling accounts.

Q HAS NAVY PREVIOUSLY RAISED THIS ISSUE WITH NEWPORT WATER?

A Yes. Navy has previously raised this issue with Newport Water. However, Newport Water indicated to Navy that its preference was to defer this issue to a rate case proceeding.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

Qualifications of Brian C. Collins

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I graduated from Southern Illinois University Carbondale with a Bachelor of Science degree in Electrical Engineering. I also graduated from the University of Illinois at Springfield with a Master of Business Administration degree. Prior to joining BAI, I was employed by the Illinois Commerce Commission and City Water Light & Power ("CWLP") in Springfield, Illinois.

My responsibilities at the Illinois Commerce Commission included the review of the prudence of utilities' fuel costs in fuel adjustment reconciliation cases before the Commission as well as the review of utilities' requests for certificates of public convenience and necessity for new electric transmission lines. My responsibilities at CWLP included generation and transmission system planning. While at CWLP, I completed several thermal and voltage studies in support of CWLP's operating and planning decisions. I also performed duties for CWLP's Operations Department, including calculating CWLP's monthly cost of production. I also determined CWLP's

allocation of wholesale purchased power costs to retail and wholesale customers for use in the monthly fuel adjustment.

In June 2001, I joined BAI as a Consultant. Since that time, I have participated in the analysis of various utility rate and other matters in several states and before the Federal Energy Regulatory Commission ("FERC"). I have filed or presented testimony before the Arkansas Public Service Commission, the California Public Utilities Commission, the Delaware Public Service Commission, the Florida Public Service Commission, the Idaho Public Utilities Commission, the Illinois Commerce Commission, the Indiana Utility Regulatory Commission, the Kentucky Public Service Commission, the Minnesota Public Utilities Commission, the Missouri Public Service Commission, the Montana Public Service Commission, the North Dakota Public Service Commission, the Public Utilities Commission of Ohio, the Oregon Public Utility Commission, the Rhode Island Public Utilities Commission, the Virginia State Corporation Commission, the Public Service Commission of Wisconsin, the Washington Utilities and Transportation Commission, and the Wyoming Public Service Commission. I have also assisted in the analysis of transmission line routes proposed in certificate of convenience and necessity proceedings before the Public Utility Commission of Texas.

In 2009, I completed the University of Wisconsin – Madison High Voltage Direct Current ("HVDC") Transmission Course for Planners that was sponsored by the Midwest Independent Transmission System Operator, Inc. ("MISO").

BAI was formed in April 1995. BAI and its predecessor firm has participated in more than 700 regulatory proceeding in forty states and Canada.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy

services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, some utilities and, on occasion, state regulatory agencies. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Phoenix, Arizona and Corpus Christi, Texas.

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