



**STATE OF RHODE ISLAND**

**DIVISION OF PUBLIC UTILITIES & CARRIERS**

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Memo To: Luly Massaro, Commission Clerk

From : John Bell, Chief Accountant

Date : August 27, 2020

Subject: : Docket No. 4994, Providence Water's Multi-Year Rate Case  
Division Review of Amended Settlement Agreement dated August 25, 2020

On August 25, 2020, the Providence Water Supply Board (PWSB) filed an Amended Settlement Agreement (ASA) in the above referenced docket. The purpose of the ASA is to reflect the Public Utilities Commission's ("Commission's") recent Open Meeting rulings in this docket.

The revenue requirements in the ASA were adjusted from the original settlement in rate year 1 as follows:

<u>Description</u>	<u>Amount</u>
Revenue Requirements - Original Settlement	\$ 83,492,565
<u>Adjustments:</u>	
Power Expense	\$ (90,990)
Funding for REC Study	\$ 10,000
Cost of Service Study	\$ 30,000
Revenue Reserve (Flow Through Adjustment)	\$ (1,020)
Total Adjustments	\$ (52,010)
Revenue Requirements - Amended Settlement	\$ 83,440,555

In the ASA, and in accordance with the Commission's decision, the power expense adjustment and associated revenue reserve impact carries through to rate years 2 & 3, while the funding for the 2 studies was removed from the revenue requirements in Rate Years 2 & 3. The Division reviewed the adjustments between the original and amended settlements and concluded that the adjustments and corresponding revenue requirements in the ASA accurately reflect the Commission's decision.

The ASA also incorporates the Commission's decision on individual wholesale rates. The rates were calculated by utilizing the individual peaking factors from Bristol County Water Authority's brief and by moving one-third of the way from the rates included in the original Settlement Agreement. The ASA shows a shift of \$160,271 from retail to wholesale revenues. This shift was due to the use of individual peaking factors to calculate the individual wholesale rates. The Division reviewed the calculations of the rates and found them to be accurately calculated and in compliance with the Commission's decision. Attachment 1 to this memo is a comparison of the rates and revenues between the original and amended settlement. The attachment is included for informational purposes.

The Division also reviewed the terms of the ASA. The more important changes to the terms are summarized as follows:

- **Section 7. Individual Wholesale Rates and Cost of Service Study.** This section explains the adoption of individual wholesale rates. It further states that PWSB will perform a new Cost of Service Study (COSS) and file it by February 18, 2021 which is within the time frame set by the Commission. This section also discusses PWSB's right to request recovery of the cost of the COSS above the \$30,000 allowance included in Rate Year 1.
- **Section 16. Renewable Energy.** This section explains that PWSB will study alternatives to achieving its 100% renewable goal and that PWSB will be allowed up to \$10,000 for the study. This sections also includes a listing of the areas to be studied. The listing complies with the Commission's decision on this matter.

The Division believes the changes to the terms accurately reflect the Commission's decision.

Based on our review of the ASA, the Division found that it complies with the Commission's rulings in this docket and we recommend approval.

**Comparison of Settlement Agreement Rates and Revenues**

<u>Description</u>	<u>Original Settlement Rates</u>	<u>Amended Settlement Rates</u>	<u>Original Settlement Revenues</u>	<u>Amended Settlement Revenues</u>
<b>Service Charges</b>				
5/8"	\$ 9.92	\$ 9.92	\$ 6,881,940	\$ 6,881,940
3/4"	\$ 10.57	\$ 10.57	\$ 1,436,590	\$ 1,436,590
1"	\$ 12.47	\$ 12.47	\$ 798,329	\$ 798,329
1.5"	\$ 15.00	\$ 15.00	\$ 278,460	\$ 278,460
2"	\$ 21.99	\$ 21.99	\$ 358,085	\$ 358,085
3"	\$ 73.49	\$ 73.49	\$ 64,377	\$ 64,377
4"	\$ 92.57	\$ 92.57	\$ 38,879	\$ 38,879
6"	\$ 137.07	\$ 137.07	\$ 93,756	\$ 93,756
8"	\$ 187.92	\$ 187.92	\$ 94,712	\$ 94,712
10"	\$ 234.01	\$ 234.01	\$ 11,232	\$ 11,232
12"	\$ 280.10	\$ 280.10	\$ -	\$ -
<b>Total Service Charge</b>			<b>\$ 10,056,360</b>	<b>\$ 10,056,360</b>
<b>Retail Fire Protection Service Charges(Prov. Only)</b>				
5/8"	\$ 1.82	\$ 1.82	\$ 566,835	\$ 566,835
3/4"	\$ 2.72	\$ 2.72	\$ 149,491	\$ 149,491
1"	\$ 6.76	\$ 6.76	\$ 169,622	\$ 169,622
1.5"	\$ 18.03	\$ 18.03	\$ 195,157	\$ 195,157
2"	\$ 43.25	\$ 43.25	\$ 411,048	\$ 411,048
3"	\$ 117.11	\$ 117.11	\$ 77,293	\$ 77,293
4"	\$ 198.18	\$ 198.18	\$ 47,563	\$ 47,563
6"	\$ 405.37	\$ 405.37	\$ 136,204	\$ 136,204
8"	\$ 612.56	\$ 612.56	\$ 110,261	\$ 110,261
10"	\$ 936.86	\$ 936.86	\$ 22,485	\$ 22,485
12"	\$ 1,549.41	\$ 1,549.41	\$ -	\$ -
<b>Total Retail FPSC(Providence Only)</b>			<b>\$ 1,885,959</b>	<b>\$ 1,885,959</b>
<b>Total Retail Service Charge Revenue</b>			<b>\$ 11,942,319</b>	<b>\$ 11,942,319</b>
<b>Retail Consumption Charges</b>				
Residential	\$ 3.684	\$ 3.671	\$ 30,931,512	\$ 30,822,362
Commercial	\$ 3.859	\$ 3.847	\$ 15,596,785	\$ 15,548,285
Industrial	\$ 3.512	\$ 3.498	\$ 657,397	\$ 654,777
<b>Total Retail Consumption Charge</b>			<b>\$ 47,185,694</b>	<b>\$ 47,025,424</b>
East Smithfield Debt Surcharge	\$ 0.35	\$ 0.35	\$ 82,451	\$ 82,451
<b>Total Retail Volume Charge Revenue</b>			<b>\$ 47,268,145</b>	<b>\$ 47,107,875</b>
<b>Total Retail Revenue</b>			<b>\$ 59,210,464</b>	<b>\$ 59,050,194</b>

**Comparison of Settlement Agreement Rates and Revenues****Wholesale Charges**

Bristol County	1.614196	1.573918	2,412,973	2,352,763
East Providence	1.614196	1.609038	2,942,312	2,932,911
Greenville	1.614196	1.651888	680,418	696,306
Kent County	1.614196	1.571574	4,402,151	4,285,914
Lincoln	1.614196	1.623754	1,675,904	1,685,828
Smithfield	1.614196	1.659247	632,120	649,762
Warwick	1.614196	1.688386	5,595,843	5,853,034
<b>Total Wholesale Revenue</b>			<b>18,341,721</b>	<b>18,456,518</b>

**Private Fire Service Charges**

3/4"	11.34	11.34	272	272
1"	13.4	13.4	1,447	1,447
1-1/2"	16.5	16.5	396	396
2"	24.46	24.46	19,959	19,959
4"	104.53	104.53	490,455	490,455
6"	170.42	170.42	2,546,075	2,546,075
8"	258.11	258.11	792,914	792,914
10"	359.57	359.77	17,259	17,259
12"	482.35	482.35	104,188	104,188
16"	752.28	753.22	-	-
<b>Total</b>			<b>3,972,965</b>	<b>3,972,965</b>

Hydrants(Excluding Providence)	595.68	595.68	1,976,466	1,976,466
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<b>Total Fire Protection Charge Revenue</b>			<b>5,949,431</b>	<b>5,949,431</b>
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<b>Total Rate Revenues</b>			<b>\$ 83,501,616</b>	<b>\$ 83,456,143</b>
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