

State of Rhode Island and Providence Plantations

Public Utilities Commission

Minutes of Open Meeting Held September 20, 2016

Attendees: Chairperson Margaret Curran, Commissioner Herbert DeSimone, Cynthia Wilson-Frias, Sharon Colby Camara, Alan Nault, Todd Bianco and Luly Massaro.

Chairperson Curran called the Open Meeting to order at 2:00 P.M. in the first-floor hearing room of the Public Utilities Commission. A quorum was present.

Approval of the Minutes of Open Meeting held on September 9, 2016 – Commissioner DeSimone moved to approve the minutes and Chairperson Curran seconded the motion. **Vote 2-0.**

Renewable Energy Resource Eligibility Applications Dockets: The PUC considered the eligibility applications as submitted in the following dockets by:

- 4624 – Northbrook Lyons Falls - Application for eligibility certification of the Lyons Falls Mill Facility, a 5.5 MW small hydro generation unit located in Lyons Falls, New York, as a Repowered New Renewable Energy Resource. PUC Consultant filed a memorandum recommending approval with the conditional requirements that the Company provide the PUC with written documentation verifying Commercial Operation including as-built construction, actual capital costs and efficiency improvement details, and confirmation of the NEPOOL-GIS Asset Identification Number. Also, a copy of a unit specific bilateral contract for the import of energy into the NEPOOL must be provided by the Company. Noting the Consultant’s good work in explaining and evaluating the application, Chairperson Curran moved to approve the eligibility application for the Lyons Falls Mill Facility with all conditional requirements outlined and recommended by the Consultant. Commissioner DeSimone seconded the motion. **Vote 2-0.**
- 4629 - Brown Bear II Hydro, Inc. - Application for eligibility certification of the Worumbo Hydroelectric Project, a 19.4 MW small hydro generation unit located in Lisbon Falls, Maine, as an Existing Renewable Energy Resource. PUC Consultant filed a memorandum recommending approval of the application. Chairperson Curran moved to certify the Worumbo Hydroelectric Project as an eligible existing renewable energy resource. Commissioner DeSimone seconded the motion. **Vote 2-0.**

4243 – City of Newport Water Division – The PUC reviewed Newport Water’s June 15, 2016 Miscellaneous Petition for Relief. Newport Water seeks permission to withdraw \$74,400.79 from its restricted Salary Increase Account to cover salary increases for Fiscal Year 2016. The Division filed a memorandum finding the request complies with PUC's orders, finds the request to be reasonable and recommended approval of

Newport Water's request. Portsmouth Water and Fire District has no objection to the request. After review, Commissioner DeSimone found that the request comports with the PUC's previous order and moved to approve the request. Chairperson Curran seconded the motion. **Vote 2-0.**

4595 – City of Newport Water Division – The PUC reviewed the record regarding Newport Water's December 23, 2015 application to collect additional revenues of \$1,304,595 to support a total cost of service of \$20,151,440. The PUC discussed the following issues and rules as follows:

Rate Design

1. Demand Factors: Commissioner DeSimone moved to approve Newport Water's position to use 2015 daily data for both wholesale customers PWFD and Navy, and the 2015 monthly data for retail customers. Chairperson Curran concurred. **Vote 2-0.**
2. Treatment Capital Allocators (as to the treatment plant): Commissioner DeSimone moved to approve an allocated cost based on how the facility is currently being used and operated which is 63% by retail and 37% by wholesale. These factors can be changed in the future if the usage changes. Chairperson Curran seconded the motion **Vote 2-0.**
3. Consistency of Time Periods: Newport advocated for maximum day factors based on year 2013 and maximum hours based on average of years 2014-2015. Commissioner DeSimone move to accept Newport Water's position. This is supported by and is consistent with the agreement by the parties in Docket No. 4355. Chairperson Curran seconded the motion. **Vote 2-0.**
4. Lost and Unaccounted for Water: Commissioner DeSimone moved to approve the use of a two-year average for lost and unaccounted for water. Chairperson Curran concurred. **Vote 2-0.**
5. Gradualism: Commissioner DeSimone moved to support approval of the implementation of gradualism advocated by the Division by keeping retail rates unchanged in order to reduce the increases to the other customer classes. Chairperson Curran seconded the motion. **Vote 2-0.**

Revenue Requirements

Rate Case Expense: Chairperson Curran moved to approve the updated rate case expense of \$276,866 and a 2.5 year amortization of the rate case costs. This was agreed to by the parties. Commissioner DeSimone seconded the motion. **Vote 2-0.**

Restricted Accounts:

1. Restricted Capital Account: Commissioner DeSimone moved to approve the \$2.5 million funding as agreed by the parties.

2. Restricted Debt Service Account: The parties agreed not to change the funding levels, and agreed that \$337,000 be transferred from accrued benefits to debt service, and \$185,000 be transferred from the retiree insurance account to debt service account.
3. Restricted Chemical Expense: Commissioner DeSimone was hesitant to remove funds from this account because, unlike other water suppliers, Newport Water had some serious water quality issues, Newport Water's two new water treatment facilities had been in operation for a short duration and Newport Water did not have enough experience operating the new treatment facilities to accurately estimate annual operating costs. Commissioner DeSimone moved to adopt Newport Water's position to fund this expense and to not withdraw any funds from this account at this time. Commissioner Curran seconded the motion.
4. Electricity Expense: Commissioner DeSimone supported that the PUC remove \$100,000 from the balance of the account and transfer those funds to the general operating fund in order to reduce the overall rate increase. He stated the balance of the account was \$261,089 as of 6/30/16, which he felt was excessive. Also, he supported approval of the current funding request of \$820,424 going forward. Chairperson Curran concurred.
5. Retiree Insurance Expense: Newport Water requested ongoing funding of \$370,000. The parties agreed to remove \$185,000 from this account and transfer to debt service. This left a balance of \$296,209. Commissioner DeSimone carefully considered this expense and recommended a conservative approach on this issue. Commissioner DeSimone advocated approval that the annual funding be reduced to a level that would draw the balance to approximately three months reserve within 2.5 years, and would leave it to Newport Water to calculate what that amount would be. Chairperson Curran concurred.
6. Accrued Benefits: After transferring \$337,000 to the Debt Service Account, Commissioner DeSimone moved to adopt the Division's position that \$300,000 be transferred to the Restricted Revenue Reserve account and to cease funding accrued benefits. Chairperson Curran agreed.
7. Revenue Reserve Account: After transferring \$300,000 from the Accrued Benefits Account, Commissioner DeSimone moved to cease funding this Revenue Reserve Account. Chairperson Curran concurred.
8. Payroll Account: Commissioner DeSimone moved to close the account and transfer the balance to the general operating fund.

Commissioner DeSimone moved approval of the decisions in connection with the restricted accounts identified above. Chairperson Curran seconded the motion. **Vote 2-0.**

City Services: Commissioner DeSimone moved to approve Newport Water's Cost Allocation Manual except as to the City Solicitor's which should be allocated according to the formula approved by the PUC in Docket No. 4025 and use FY 2017 budget allocation. In the next rate case filing, Newport Water shall break out the expenses for cell phone and other wireless communications devices. Chairperson Curran seconded the motion. **Vote 2-0.**

Miscellaneous Item:

1. Commissioner DeSimone moved to accept Newport Water's request to discontinue filing the Monthly Cash Flow Report. Chairperson Curran seconded the motion. **Vote 2-0.**
2. Commissioner DeSimone moved to reject Newport Water's request to discontinue filing the Quarterly Restricted Account Analysis Report. Chairperson Curran seconded the motion. **Vote 2-0.**
3. Commissioner DeSimone moved to allocate an amount not to exceed \$15,000 for an independent evaluator to assess Newport Water's service line asset values. Chairperson Curran concurred. **Vote 2-0.** The parties are instructed to file an agreement with the PUC. The parties may seek assistance from the PUC or Division staff to work out the parameters of the work.

Newport Water shall submit compliance tariffs in conformance with this open meeting decision.

The Open Meeting adjourned at 3:05 P.M.