

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: PAWTUCKET WATER SUPPLY :  
BOARD GENERAL RATE FILING : DOCKET NO. 3497

**ORDER**

On October 10, 2003, the Commission issued Order No. 17574, dismissing Pawtucket Water Supply Board's ("PWSB") Application for a General Rate Increase, filed on February 28, 2003 and granting a revenue increase of \$2,382,459, for a total cost of service of \$13,933,789 to be applied to usage on and after October 4, 2003. On October 29, 2003, the Division of Public Utilities and Carriers ("Division") filed a Motion to Clarify/Modify Order No. 17574 and on November 26, 2003, PWSB filed a Motion for Relief From Order No. 17574. The Commission granted the Division's Motion on December 4, 2003 and denied PWSB's Motion on December 18, 2003.

**I. Division's Motion to Clarify/Modify Order No. 17574**

In its Motion to Clarify/Modify Order No. 17574, the Division has requested that the Commission restrict the portion of the allowed rate increase related to Treatment Plant Expenses. The Division argued that under the Commission's Order, because the \$778,000 to be collected each year for treatment plant related expenses was not restricted, the funds can be used for other expenses. The Division further argued that because some of the projects are not expected to be undertaken until FY 2005, when the new plant will either be completed or mostly completed and thus, the funds may not be used for the current plant. Therefore, the Division requested that only the authorized increase be deposited into a restricted account.

PWSB filed an Objection to the Division's Motion which indicated that PWSB will remain in control of the current treatment plant facilities until at least February 2004 and the current facility will be in service until at least March 2006. PWSB also noted that it will retain responsibility for projects costing more than \$10,000 after the yearly \$100,000 vendor maintenance fund is exhausted. Therefore, PWSB argued, it could incur additional costs through 2006. Therefore, PWSB requested the Commission deny the Division's Motion, or in the alternative, clearly define the restriction on the funds to include a definition of treatment plant expenses.

The Commission clarifies Order 17574 to restrict the \$778,000 per year to be used for treatment plant expenses. Treatment Plant Expenses shall mean any expense necessary to operate, maintain or repair the current treatment plant until the new facility is operational. PWSB shall create a separate interest-bearing restricted receipt account entitled Treatment Plant Restricted Account and shall report on it three times per year at the same time and in the same manner as it reports on all other restricted accounts. In its rate filing, PWSB requested the funds for the specific purpose of maintaining the treatment plant.

## **II. PWSB's Motion for Relief from Order No. 17574**

In its Motion for Relief from Order No. 17574, PWSB requested that it be allowed to use money collected for the Central Falls Franchise Fee to fund the position of leak detection crew leader and to cover unforeseen expenses not covered by the 1.5% Operating Revenue Allowance.

In its motion, PWSB stated that its obligation for the Central Falls Franchise Fee was satisfied in October 2003. As of November 30, 2003, the balance remaining in the

restricted Franchise Fee account was \$101,254. Additionally, PWSB rates are designed to collect \$172,831 per year for Franchise Fees. The Order in docket 3378 indicated that after the Franchise Fee obligation is satisfied, any unused funds are to accrue to IFR. In the current motion, PWSB indicated that the current level of IFR funding is adequate and the Franchise Fee funds are not needed in that account. PWSB, therefore, wishes to use the funds to hire a 66<sup>th</sup> employee, specifically, a leak detection employee, and to increase the funding of its Operating Revenue Allowance.

PWSB argued that the leak detection equipment may go unused. However, the equipment had not yet been purchased. In a Commission data request, PWSB was asked whether any current employees could be trained in the use of the leak detection equipment. While PWSB provided a detailed response that explained the duties of the current supervisors in the Transmission & Distribution department, the response did not address whether any of the current employees could be trained in operating the leak detection equipment. PWSB has not made a convincing argument that there is no one in its organization that can be trained in the use of the leak detection equipment. Therefore, PWSB has not demonstrated that the leak detection equipment will go unused. When PWSB does purchase the leak detection equipment, they should actually use it.

PWSB has requested that any Franchise Fee funds remaining after funding a Leak Detection Crew Leader be used to increase funding of the Operating Revenue Allowance. At the conclusion of the rate case, PWSB was allowed a level of funding for the Operating Revenue Allowance that the Commission determined to be fair & reasonable. PWSB has provided no new evidence to indicate that the situation has changed. As such, the current level of funding is still fair & reasonable.

The Division recommends that the PWSB motion be denied and the excess franchise fee funds be directed to the Operating and Maintenance Reserve. The Division noted that the Commission did not eliminate the position of Crew Leader for Leak Detection or require that leak detection equipment go unused. The Commission simply allowed funding for 65 employees (made up in any manner PWSB sees fit, with the caveat that a certain number of employees be transferred to the vendor's operation), in light of the fact that PWSB has historically operated with an average of 62 permanent employees.

In making its original decision, the Commission found that fully funding the O&M Reserve by early 2005 would send a positive signal to the investment community. The Division's position seems to indicate that directing these excess funds to the O&M Reserve will cause the investment community to look even more favorably on PWSB. However, the Division does not provide any concrete evidence that this will improve PWSB's borrowing ability.

The Commission denies PWSB's Motion as PWSB has not presented any newly discovered evidence in support of its request for additional employees. The Commission also denies the Division's recommendation regarding application of the excess Franchise Fees at this time. At this time, the Commission amends its Order in Docket No. 3378 to direct PWSB to continue to accrue the funds in the Franchise Fee restricted account on the basis that circumstances have changed since that order. When the Commission ordered excess funds be put toward IFR, the IFR account was not fully funded through rates. In Order No. 17574, the Commission allowed adequate funding for IFR programs in rates. Therefore, there is no need to apply the excess Franchise Fees to the IFR

account. However, now that PWSB has satisfied its Franchise Fee obligations, the Commission is aware that PWSB has indicated that it will be filing for an increase in debt service in early 2004. Therefore, it may be appropriate to use the excess Franchise Fee funds that are already part of rates to mitigate the increase related to debt service. The Commission will be able to make a more informed determination of the best use of the funds once it sees the debt service filing.

Accordingly, it is

(17754) ORDERED:

1. The Division of Public Utilities and Carriers' Motion to Clarify/Modify Order No. 17574 is hereby granted.
2. Pawtucket Water Supply Board's Motion for Relief from Order No. 17574 is hereby denied.
3. Pawtucket Water Supply Board shall restrict \$778,000 per year to be used for treatment plant expenses in the same manner as its other restricted accounts.
4. Treatment Plant Expenses shall mean any expense necessary to operate, maintain or repair the current treatment plant until the new facility is operational.
5. Pawtucket Water Supply Board shall continue to accrue the excess Central Falls Franchise Fees into the Franchise Fee account until further Order by the Commission.
6. Pawtucket Water Supply Board shall comply with all other findings and instructions as contained in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN  
MEETING DECISION ON DECEMBER 4, 2003 AND DECEMBER 18, 2003.  
WRITTEN ORDER ISSUED FEBRUARY 16, 2004.

PUBLIC UTILITIES COMMISSION

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Elia Germani, Chairman

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Kate F. Racine, Commissioner

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Robert B. Holbrook, Commissioner