



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
89 Jefferson Boulevard
Warwick, Rhode Island 02888
(401) 941-4500
(401) 941-9207 - Fax

To: Luly Massaro, Commission Clerk

From: John Bell, Chief Accountant

Date: June 1, 2022

Subject: Docket 4933 – Newport Water’s Multi-Year Plan Compliance Filing and
Docket 5254 – Miscellaneous Petition to Recover Electronic Payment Fees

The Division of Public Utilities and Carriers (“Division”) writes to provide the Public Utilities Commission (“Commission”) with its recommendation regarding the City of Newport, Utilities Department, Water Division (“Newport Water”) filings in the above referenced dockets. In Docket 4933, Newport Water requests the implementation of the second phase (“Step Two”) of the multi-year rate plan authorized in this docket. In Docket 5254, Newport Water submitted a Miscellaneous Petition to recover electronic payment fees that it paid on behalf of its customers pursuant to Commission Orders issued in Docket 5022. The Division is addressing both dockets in this position memo because Newport Water is seeking an effective date of July, 1 2022 for both rate changes.

Review of Docket 4933 Filing

Newport Water submitted its Step Two compliance filing on April 29, 2022 and requested a \$920,0004 annual increase in debt service funding from the current level of \$6,000,000 annually to \$6,920,004. The Commission-approved revised settlement agreement in this docket allowed for a Step Two debt service increase of \$1,337,412. The current request is lower than the amount in the revised settlement agreement due to slightly lower debt service requirements and the amortization of an accumulated balance in Newport Water’s restricted debt service account. As shown on HJS Exhibit 2 (CF), the debt service requirements through 2028 is approximately \$7,200,000 annually. With the proposed increase Newport Water will be able to meet its debt service needs through FY 2028 by using the accumulated debt service balance to offset the difference between the requested rate allowance and the actual debt service expense. The Division finds that Newport Water’s Step Two requested increase complies with the revised settlement agreement in this docket and therefore does not object to the requested increase.

Review of Docket 5254 Filing

In this docket, Newport Water seeks to recover electronic payment transaction fees that are not currently included in its cost of service revenues and that it incurred on behalf of its customers during the pandemic and continues to incur. In Docket 5022, the Commission allowed utilities that do not have the fees in their cost service to file for recovery of such fees that it incurred and will continue to incur until its next general rate filing. According to Newport Water's filing, they incurred \$106,918 of electronic payment fees between July 1, 2020 and February 28, 2022. They propose to withdraw this amount plus any additional fees incurred through June 30, 2022 from their restricted Revenue Reserve Account, which has a balance of \$887,699 as of March 31, 2022. For the period beginning July 1, 2022, Newport Water proposed to adjust rates and include \$74,400 in their revenue requirements to cover the cost of the electronic fees on an ongoing basis. The Division doesn't oppose the recovery mechanisms Newport Water proposed in its filing; however we are concerned that some of the costs that they are seeking to recover may have been incurred for the benefit of the City of Newport's Water Pollution Control Division. In response to Comm 1-3, Newport Water stated in part "... some of the electronic payment fees, could in theory, be related to the water control portion of the bill." Recently, the Division issued follow-up discovery on this issue and we are currently waiting responses. We reserve our right to comment on the amount of fees that should be allocated to Newport Water ratepayers after we have the opportunity to review responses to the outstanding discovery.

Review of Rate Calculations

Newport Water proposed a July 1, 2022 effective date for new rates for both the Step Two increase and for the recovery of the proposed ongoing electronic payment fees of \$74,400. The Division reviewed the calculation of the proposed rates and found that they were accurately calculated. The proposed rates are shown on Revised HJS Exhibit 4 (CF), which was filed on May 24, 2022. For a residential customer using 84,000 gallons annually, the impact of the proposed rates would result in an increase of \$52.80 per year from \$936.36 to \$988.44 which is a 5.6% increase.

Conclusion

The Division is not opposed to Newport Water's Step Two requested debt service funding increase of \$920,004 as detailed in its compliance filing in Docket 4933. In addition, we are not opposed to the recovery mechanisms Newport Water requested related to electronic payment fees in Docket 5254, specifically withdrawing the fees incurred between July 1, 2020 and June 30, 2022 from the restricted Revenue Reserve Account, and including the ongoing fees incurred subsequent to June 30, 2022 in rates beginning July 1, 2022. However, the Division reserves its right to comment on the amount of fees Newport Water is allowed to recover from water ratepayers pending their responses to our outstanding discovery.

Additionally, because Newport Water doesn't have a long history of incurring electronic payment fee expenses on behalf of its customers and because the driver of the expense is the customer and not Newport Water, the Division recommends an annual true-up between the amount allowed in rates and the actual expense incurred with any difference settled through the Revenue Reserve Account. This proposal will protect both Newport Water and its customers from any over or under recoveries.