



VIA E-MAIL

February 15, 2023

Ms. Luly E. Massaro, Commission Clerk
Rhode Island Public Utility Commission
89 Jefferson Blvd.
Warwick, RI 02888

**RE: Veolia Water Rhode Island
Application to Change Rate Schedules
Docket No. 4800
Distribution System Improvement Charge**

Dear Ms. Massaro,

Enclosed for filing, please find Veolia Water Rhode Island, Inc.'s Distribution System Improvement Charge calculation for the DSIC period August 1, 2022 through January 31, 2023. Since the Company first implemented DSIC in October 2018, it has invested over \$7 million in its facilities. After allowing for the approximately \$2.6 million allowed in the base rate case, this yields a DSIC surcharge of 12.94%. Pursuant to the DSIC rules, the maximum percentage allowed on an annual basis is 2.50%, which became effective November 5, 2021. The next allowable 2.50% for a total of 5.00%, became effective on November 5, 2022. As a result, the Company will not change the rate with this filing.

The enclosed filing also includes the Earnings Calculation for the 12 months ended January 31, 2023.

If you need any additional information, please advise.

Very truly yours,

Gary S. Prettyman

Gary S. Prettyman
Senior Director – Regulatory Business
cc: Service List

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Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2022 to January 31, 2023

Line No.	Description	8/1/22 to 1/31/23
1	Eligible Investment net of base spend (page 2)	\$ 657,052
2	Less: Accumulated Depreciation (page 2)	(2,513)
	Accumulated Depreciation from prior surcharges (page 6)	(26,712)
3	Less: Deferred Tax (page 2)	(852)
	Accumulated Deferred Tax from prior surcharges (page 6)	(9,058)
4	Eligible Net Investment	\$ 617,917
5	Pre-Tax Rate of Return (page 3)	8.55%
6	Pre-Tax Return on Investment	\$ 52,832
7	Add: Depreciation Expense (page 2)	10,052
8	Revenue Recovery	\$ 62,884
9	Revenue Factor (page 4)	1.017061
10	Subtotal DSIC revenue Requirement Recovery Amount	\$ 63,957
11	Plus DSIC Revenue Requirement from 8/15/2022 Filing	\$ 346,467
12	Amount Under-collected 11/5/2021 to 1/31/2022 (page 7) Reverse to Net Zero	(398)
13	Amount Over-collected 2/1/2022 to 7/31/2022 (page 7) Reverse to Net Zero	7,806
14	Amount Under-collected 8/1/2022 to 1/31/2023 (page 7)	6,923
15	Total DSIC revenue Requirement Recovery Amount (L10+L11+L12+L13+L14)	\$ 424,755
16	Semi-Annual Projected Water Service Revenues (page 8)	\$ 3,282,356
17	Projected DSIC Rate Increase Percentage (L15 / L16)	12.94%
18	Effective DSIC Surcharge (Annual Cap)	5.00%

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2022 to January 31, 2023

Line No.	Description	8/1/22 to 1/31/23
1	Major Projects	\$ 377,008
2	Blanket Projects	437,118
3	Total DSIC Plant (pages 9-10)	814,126
5	Less: Base Spend (page 5)	(157,074)
6	Eligible Investment	\$ 657,052
	<u>Accumulated Depreciation</u>	
7	Composite Depreciation Rate	1.5298%
8	Depreciation Expense	10,052.00
9	Half Year Convention	2,513.00
	<u>Deferred Taxes</u>	
10	Eligible Investment	\$ 657,052
11	MACRS Rate for First Year Water Plant	4.00%
12	Tax Depreciation First Year	6,571
13	Book Depreciation	2,513
14	Tax Depreciation Greater Than Book	4,058
15	Deferred Taxes at 21%	\$ 852

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2022 to January 31, 2023

Approved Capital Structure and Cost Rates

	Capital Structure Ratio	Cost Rate	Weighted Cost of Capital	Pre-Tax Rate of Return
Long Term Debt	45.57%	4.65%	2.12%	2.12%
Short Term Debt	0.52%	2.65%	0.01%	0.01%
Common Equity	53.91%	9.40%	5.07%	6.42%
Total	100.00%		7.20%	8.55%

Notes:

- 1) Capital structure and ROE per current authorized return Docket No. 4800
- 2) Pre-tax rate of return reflects 21% tax rate

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2022 to January 31, 2023

Revenue Factor

Dollar of Revenue	1.000000
PSC Assessment	0.004275
Gross Receipts Tax	0.012500
	<hr style="width: 100%;"/>
	0.016775
Taxable income	0.983225
Federal Income Tax Rate @ 21%	0.983225
Net of tax	<hr style="width: 100%;"/>
	0.983225
Revenue Factor	<u><u>1.017061</u></u>

Notes:

1) Rates per Final Order in Docket No. 4800

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2022 to January 31, 2023
DSIC Base Spending Schedule

Line No.	Depreciation Expense	Account	Amount
1	Transmission and Distribution Mains	331	\$ 133,748
2	Services	333	76,806
3	Meters	334	81,768
4	Hydrants	335	<u>21,826</u>
5	Total Annual Base Spending		<u>\$ 314,148</u>
6	Total Semmiannual Base Spending	Line 5 / 2	<u>\$ 157,074</u>

Notes:

- 1) SUEZ Water Rhode Island Annual Report to the Public Utilities Commission for 2020 has total depreciation expenses of \$823,676, Page 5 Line 25 column (d)
- 2) Referenced Accounts are those included in the definition of "Base Spending" per Docket No. 4800 DSIC Rules Effective 10/5/2018 Settlement Agreement Appendix A footnote 2 page 5 Updated account numbers in Order footnote 24 page 6

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2022 to January 31, 2023

Line No.	Accumulated Depreciation and Deferred Tax	Effective 11/5/21	2nd filing	3rd filing	4th filing	No rate change	3rd filing	4th filing	Effective 11/5/22	4th filing	Full Year
		1st filing				2nd filing			3rd filing		
		10/1/18 to 7/31/21	8/1/21 to 1/31/22	2/1/22 to 7/31/22	8/1/22 to 1/31/23	8/1/21 to 1/31/22	2/1/22 to 7/31/22	8/1/22 to 1/31/23	2/1/22 to 7/31/2022	8/1/22 to 1/31/23	
						(a)			(a)		(b)
1	Major Projects	\$ 1,817,078				\$ 2,096,366			\$ (51,813)		
2	Blanket Projects	1,865,855				408,371			89,130		
3	Total DSIC Plant	3,682,933				2,504,737			37,316		
4	Less amount included in Base Rates 10/1/18-9/30/19	(2,224,330)									
5	Less: Base Spend (page 5)	(314,148)				(157,074)			(37,316)		
6	Eligible Investment	\$ 1,144,455				\$ 2,347,663			\$ -		
	<u>Accumulated Depreciation</u>										
7	Composite Depreciation Rate (match base spend year)	1.5298%				1.5298%			1.5298%		
8	Depreciation Expense	\$ 17,508				\$ 35,915			\$ -		
9	Half Year Convention	\$ 4,377	\$ 4,377	\$ 8,754	\$ 8,754	\$ 8,979	\$ 8,979	\$ 17,958	\$ -	\$ -	\$ 26,712
	<u>Deferred Taxes</u>										
10	Eligible Investment	\$ 1,144,455				\$ 2,347,663			\$ -		
11	MACRS Rate for First Year Water Plant	4.00%				4.00%			4.00%		
12	Tax Depreciation First Year	\$ 11,445	\$ 11,445			\$ 23,477			\$ -		
13	Book Depreciation	4,377	4,377			8,979			0		
14	Tax Depreciation Greater Than Book	7,068	7,068			14,498			0		
15	Deferred Taxes at 21% (c)	\$ 1,484	\$ 1,484	\$ 2,968	\$ 2,968	\$ 3,045	\$ 3,045	\$ 6,090	\$ -	\$ -	\$ 9,058

Notes:

- (a) This period reflects the second 6 months of the 12 month period and therefore still reflects half year convention
(b) This period reflects the full year depreciation
(c) The FIT rate effective 1/1/18 is 21% and therefore the current period calculation is at 21%.

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2022 to January 31, 2023
Revenues Collected

<u>Month</u>	<u>Actual</u>	<u>Authorized</u>	<u>Over(under) Collected</u>
11/5/2021		\$ 55,673	\$ 9,279
11/30/2021	3,029	3,026	3
12/31/2021	9,374	9,279	95
1/31/2022	8,982	9,279	(297)
Total Nov21-Jan22	<u>\$ 21,385</u>	<u>\$ 21,584</u>	<u>\$ (199)</u> (1)

2/28/2022	12,037	9,279	2,758
3/31/2022	8,714	9,279	(565)
4/30/2022	7,041	9,279	(2,238)
5/31/2022	10,829	9,279	1,550
6/30/2022	10,692	9,279	1,413
7/31/2022	12,967	9,279	3,688
Total Feb22-Jul22	<u>\$ 62,281</u>	<u>\$ 55,674</u>	<u>\$ 6,607</u>
Interest Rate on Overcollection			
Monthly Interest Rate			0.072000
Months			6
Cumulative Interest			<u>\$ 1,199</u>
Over Collection Plus Interest			<u>\$ 7,806</u> (2)

<u>Month</u>	<u>Actual</u>	<u>Authorized</u>	<u>Over(under) Collected</u>
5/4/2022		\$ 82,059	\$ 13,677
11/5/2022		\$ 120,247	\$ 20,041
8/31/2022	19,037	13,677	5,360
9/30/2022	14,069	13,677	392
10/31/2022	11,669	13,677	(2,008)
11/30/2022	11,947	20,041	(8,094)
12/31/2022	18,809	20,041	(1,232)
1/31/2023	18,701	20,041	(1,340)
Total Aug22-Jan23	<u>\$ 94,231</u>	<u>\$ 101,154</u>	<u>\$ (6,923)</u> (3)

Notes

(1) Under collection Nov21-Jan22

(2) Over collection Feb22-Jul22 shall have Interest at the adjusted weighted average cost of capital

(3) Under collection Aug22-Jan23

Veolia Water Rhode Island Inc.
Proposed DSIC Calculation
August 1, 2022 to January 31, 2023
6 Months Revenues Projection

(1) Revenues	<u>Apr-23</u>	<u>May-23</u>	<u>Jun-23</u>	<u>Jul-23</u>	<u>Aug-23</u>	<u>Sep-23</u>	<u>TOTAL</u>
Residential facilities	\$ 63,613	\$ 63,613	\$ 63,613	\$ 63,613	\$ 63,613	\$ 63,613	\$ 381,678
Commercial facilities	24,720	24,720	24,720	24,720	24,720	24,720	148,319
Industrial facilities	723	723	723	723	723	723	4,340
Public Auth facilities	4,205	4,205	4,205	4,205	4,205	4,205	25,229
Sales for Resale facilities	18,130	18,130	18,130	18,130	18,130	18,130	108,782
General Metered Consumption	203,528	218,352	302,779	411,696	467,107	425,539	2,029,001
Private Fire protection facilities	20,906	20,906	20,906	20,906	20,906	20,906	125,437
Public Fire protection facilities	45,498	45,498	45,498	45,498	45,498	45,498	272,988
Miscellaneous service revenue	2,333	2,333	2,333	2,333	2,333	2,333	14,000
Unbilled Revenue	4,732	94,519	93,820	56,324	(27,383)	(49,428)	172,582
Revenue Projection	<u>\$ 388,389</u>	<u>\$ 493,001</u>	<u>\$ 576,727</u>	<u>\$ 648,148</u>	<u>\$ 619,852</u>	<u>\$ 556,239</u>	<u>\$ 3,282,356</u>
(2) Dist system improvement rev	<u>\$ 15,983</u>	<u>\$ 21,213</u>	<u>\$ 25,399</u>	<u>\$ 28,971</u>	<u>\$ 27,556</u>	<u>\$ 24,375</u>	<u>\$ 143,497</u>

Notes:

(1) 2023 Budget

(2) DISC Revenue Budget is not included in the Revenues Projection for Filing

(3) Projected Water Service Revenues are for the summer period April to September 2023

Veolia Water Rhode Island Inc.
Main Replacement Projects
August 1, 2022 to January 31, 2023

REDACTED

Project ID	Project Title	Project Scope	DSIC Category	Install Length	Replacement Main Size	Design Start Date	Construction Start Date	Engineering In-Service Date	Actual Project Cost (8/1/22 to 1/31/23)	Comments
C22D602_061	Alan Avenue Service Transfers		Replacement	-	0	N/A	May-22	Sep-22	\$ 27,428	Frequent breaks caused repeated flooding of customers in this area and frequent interruption to water service. Restoration was completed in December 2022.
C22D603_061	Ocean Road WM Replacement Phase 2		Replacement	700 feet	12"	Sep-22	Nov-22	Jan-23	\$ 219,525	Replacement of 700 feet of water main.
C20D601_061	Ocean Dr WM Repl Phase 1		Replacement	1603 feet	12"	Sep-19	Oct-21	Dec-21	\$ 24,400	Reclass of material costs that was erroneously charged to C21D501_061
C21D603_061	Bonnet Point Rd. WM Repl		Replacement	3140 feet	8" - 2,096 6" - 1,044	Aug-21	Sep-21	Dec-21	105,654	Paving and restoration completed in December 2022

\$ 377,008

**Veolia Water Rhode Island
Blankets
August 1, 2022 to January 31, 2023**

Project Name	Project ID	Blanket Replacements	Expenditure between 8/1/22 to 1/31/23
Replacement Hydrants	CYYD501	17	\$ 46,352
Replace Valves and section of Mains	CYYD502	22	172,124
Repl Domestic / Fire Services	CYYF501	23	37,523
Replace Meters	CYYG501	152	46,339
	Total Blanket Expenditures	214	\$ 302,338
Reclass South Kingston & Narraganset Hydrants	C21D501_061		58,748
Reclass South Kingston & Narraganset Valves	C21D502_061		\$ 76,031
	Total Blanket Expenditures		\$ 437,118

**Veolia Water Rhode Island
Income Statement
Earnings Calculation**

Line No.	Description	Actual 12 Months Ending 1/31/2023	Ratemaking Adjustments	Adjusted 12 Months Ending 1/31/2023
1	Operating Revenues	\$ 5,587,602		\$ 5,587,602
	Operating Expenses			
2	Operation and Maintenance Expenses	2,572,621 [1]	13,753 [2]	2,586,374
3	Depreciation and Amortization	935,474	10,150	945,624 [3]
4	Taxes Other Than Income	482,699		482,699
5	Operating Expenses Before Income Taxes	3,990,794		4,014,697
6	Pre-tax utility operating income	1,596,808		1,572,905
7	Federal Income Taxes (from tax calc tab)	224,065	(9,591)	214,474 [4]
8	Utility Operating Income	\$ 1,372,743		\$ 1,358,431
9	Rate Base	\$ 26,018,938		\$ 26,018,938
10	Return on Rate Base	5.28%		5.22%
11	Allowed Return on Rate Base	7.20%		7.20%
12	Earnings Adjustment	0.15%		0.15%
13	Earnings Base Rate of Return	7.35%		7.35%

Notes:

[1]	Operation & Maintenance Expenses		2,485,861
	71257426 Pension-Other componts of NPPC		89,572
	71258426 PBOP-Other components of NPPC		(2,812)
	Total Operation & Maintenance Expenses		\$ 2,572,621
[2]	O&M Expenses		
	Veolia M&S shared assets - return, interest taxes not booked		13,753
[3]	Depreciation Expense Annualized	Jan-23 Expense	\$ 78,802
			X12
			\$ 945,624

[4]	FIT Calculation		
	Pre-tax utility operating income		\$ 1,572,905
	Rate Base	\$ 26,018,938	
	Interest	2.12%	551,601
	Taxable income		1,021,304
	Federal income tax	21.00%	\$ 214,474

Return on Equity Calculation 1/31/2023	
Rate Base	\$ 26,018,938
Equity	53.91%
Equity on Rate Base	\$ 14,026,809
Utility Operating Income	\$ 1,358,431
Less Interest Expense	(551,601)
Utility Operating Income Net	\$ 806,830
ROE (Utility Operating Income Net / Equity on Rate Base)	5.75%