

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: NARRAGANSETT BAY COMMISSION :
APPLICATION TO CHANGE : **DOCKET 22-47-WW**
RATE SCHEDULES :

**DIVISION’S RESPONSE TO THE
COMMISSION’S FIRST SET OF DATA REQUESTS
DIRECTED TO THE DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**Issued June 19, 2023
Response Due June 23, 2023**

1. Referencing the attached excel file titled PUC Summary of Settlement, please confirm that the calculations included in the tab titled Summary accurately reflect the contents of the proposed Settlement of the parties. For each line item where the percentage change in column R exceeds 10%, please provide an explanation for the change from NBC’s adjusted Test Year. Please include in your answer an explanation as to why the change is reasonable and in the interest of ratepayers. If the explanation is elsewhere in the record you may cite the location if you wish but please also include the explanation in the response to this request. (To the extent certain line items can be grouped together, i.e. chemicals, etc., please feel free to present a combined answer based on grouping).

RESPONSE:

We confirm that the total Revenue Requirement of \$115,814,922 in the “Settlement Rate Year” column in Excel column Q, row 174 is consistent with the Settlement that was filed with the Commission as a Joint Settlement by NBC and the Division on June 14, 2023.

The Total Revenue amount in Excel column Q, row 46 of \$106,168,231 for revenue at current rates agrees with the amount shown on Exhibit RCS-4, Schedule RCS-1, page 2 of 5, line 43, that was filed with Division witness Ralph Smith’s May 25, 2023 Surrebuttal Testimony. This reflects the Divisions’ recommended adjustments to NBC’s Rate Year revenue at current rates. The Total Revenue Amount of \$106,168,231 is also shown on Exhibit JS-1, Schedule JS-1, Page 2 of 5, that was filed with the Settlement Agreement. This amount is reasonable for the reasons presented in the Division’s Direct and Surrebuttal Testimony.

The Net: Personnel Expense amount in Excel column Q, row 68 of \$28,138,547 is based on updated NBC Labor Cost information that was provided by NBC subsequent to the Division’s Surrebuttal Testimony filing. Details by account of the updated NBC Labor Cost that is reflected in the Settlement Agreement are summarized below (from Exhibit JS-1, Schedule JS-10, that was filed with the Settlement Agreement, in column C, on line 18):

Narragansett Bay Commission			Docket No. 22-47-WW			
Wages and Salaries Expense			Schedule JS-10			
			Page 1 of 1			
Test Year Ended June 30, 2022 and Rate Year Ending June 30, 2024						
Line No.	Account	Description	Rate Year	Rate Year	Rate Year As	Division Net Settlement Adjustment
			Expenses As Originally Filed by NBC (A)	Expenses As Originally Filed by NBC (B)	Most Recently Updated by NBC (C)	
			(A)	(B)	(C)	(D) = C - A
1	52100	Union - Regular	\$ 6,899,394	\$ 6,899,394	\$ 6,576,459	\$ (322,935)
2	52150	Union Overtime	\$ 732,552	\$ 732,552	\$ 732,552	\$ -
3	52300	Non-Union Regular	\$ 12,604,344	\$ 12,604,344	\$ 13,155,842	\$ 551,498
4	52350	Non-Union Overtime	\$ 265,329	\$ 265,329	\$ 259,012	\$ (6,317)
5	52400	Non-Union Limited	\$ 32,366	\$ 32,366	\$ 31,595	\$ (771)
6	52800	Union Pension	\$ 2,279,613	\$ 2,279,613	\$ 2,182,830	\$ (96,783)
7	52810	FICA/Medicare	\$ 1,559,111	\$ 1,559,111	\$ 1,576,054	\$ 16,943
8	52820	Unemployment	\$ 60,259	\$ 60,259	\$ 60,259	\$ -
9	52920	Non Union Pension	\$ 1,259,485	\$ 1,259,485	\$ 1,314,635	\$ 55,150
10	52940	Union Retirement Health	\$ 343,805	\$ 343,805	\$ 329,208	\$ (14,597)
11	52950	Health Insurance	\$ 4,344,705	\$ 4,344,705	\$ 4,397,356	\$ 52,651
12	52970	Dental Insurance	\$ 292,574	\$ 292,574	\$ 298,206	\$ 5,632
13	52980	Vision Insurance	\$ 47,928	\$ 47,928	\$ 48,942	\$ 1,014
14	52990	Disability Insurance	\$ 48,235	\$ 48,235	\$ 48,235	\$ -
15		Total: Personnel	\$ 30,769,700	\$ 30,769,700	\$ 31,011,186	\$ 241,485
16	59000	Salary Reimbursement	\$ (1,835,987)	\$ (1,835,987)	\$ (1,861,973)	\$ (25,986)
17	59001	Fringe Reimbursement	\$ (972,331)	\$ (972,331)	\$ (1,010,665)	\$ (38,335)
18		Net: Personnel	\$ 27,961,383	\$ 27,961,383	\$ 28,138,547	\$ 177,165

It should be noted that subsequent to filing the Settlement Agreement, NBC and the Division have agreed to an additional adjustment to remove \$53,172 from Rate Year Labor Cost, which has the impact shown below:

Narragansett Bay Commission			Docket No. 22-47-WW	
Presentation of Revenue Deficiency			Schedule A	
			Page 1 of 1	
Test Year Ended June 30, 2022 and Rate Year Ending June 30, 2024			Revised	
Line No.	Description	Projected Rate Year per NBC (A)	Projected Rate Year per Division (B)	Difference (C)
1	Projected Rate Year Revenue Requirement	\$ 115,574,327	\$ 115,814,922	\$ 240,595
2	Less: Projected Rate Year Miscellaneous Revenues	(3,006,527)	(3,221,809)	(215,281)
3	Net Revenue Requirement to be Recovered through User Charges	112,567,800	112,593,113	25,314
4	Rate Year User Charge Revenue without Increase	101,309,840	102,946,422	1,636,582
5	Revenue Increase	\$ 11,257,959	\$ 9,646,691	\$ (1,611,268)
5a	Updated 6/14/2023 to remove \$39k to address concern from Comm. 3-5 (see note below)		\$ (53,172)	
5b	Revised Revenue Increase for Joint Settlement		\$ 9,593,519	
6	Calculation of Across the Board Increase Percentage filed June 14, 2023	11.11%	9.37%	-1.74%
6a	After 6/14/2023 revision		9.32%	
Notes and Source:				
Col. A: Schedule 35 from NBC's filing				
Line 5a	Comm. 2-5: The response to DIV 1-15 states that \$3,000 in vaccine bonus and \$36,000 in Covid stipends were paid in FY 2022. Were these amounts normalized out to arrive at the Adjusted Test Year? If not, why not?			
	Response: No. The Vaccine bonus and the Covid stipends were not normalized out of the adjusted test year. This was an oversight by NBC			
Additional: NBC's review indicated that the test year amount of \$39,000 was escalated to an amount of \$53,172 for the Rate Year. Consequently, NBC and the Division have agreed to remove that \$53,172 amount on line 5a above.				

The NBC Labor Cost described above, with the additional adjustment to reduce the amount in the Settlement Agreement by \$53,172 is believed to be reasonable as an estimate of NBC’s Labor Cost for the Rate Year and reflects recent information on NBC’s non-union and union staffing (i.e., the number of full time equivalent filled positions) and NBC’s labor costs. The amount of non-union labor cost for NBC for the Rate Year reflects recent staffing levels, and only applies a 2.5% increase for non-union salaries, not the 5.0% increase that NBC had originally proposed, which was contested by the Division.

The Total: Operating Supplies/Expense in Excel column Q, row 130 of \$22,405,026 is based on the \$21,198,922 amount on Exhibit RCS-4, Schedule RCS-1, page 4 of 5, line 59 that was filed with Division witness Ralph Smith’s May 25, 2023 Surrebuttal Testimony, has been updated for Settlement Agreement purposes for the following items, which have been summarized on Exhibit JS-1, Schedule JS-1, page 4 of 5, that was filed with the Settlement Agreement. Revised Schedules that were included in Exhibit JS-1 that was filed with the Settlement Agreement contain details for each updated expense amount. The differences between the \$22,405,026 Settlement Agreement amount and the Division Surrebuttal amount of \$21,198,922 is a net expense increase of \$1,206,104. That \$1,206,104 difference is comprised of three items: (1) increased chemical expense, (2) contract labor expense for electricians and (3) increased workers compensation expense, as summarized below:

- An amount of \$779,415 relates to increases in Chemicals Expense as summarized below (and on Exhibit JS-1, Schedule JS-18):

Account	Description	Chemicals Adj
54332	Chlorine/Hypochlorite	\$ 544,513
54333	Carbon Feed	\$ 26,591
54335	Polymer	\$ 28,081
		\$ -
54337	Sodium Bisulfite	\$ 163,788
54338	Soda Ash	\$ 16,442
	Total Increase	\$ 779,415

- An amount of \$237,324 is for Contract Labor, account 53615, Repairs Process Equipment, for electricians that NBC hired as contract workers, as shown on Exhibit JS-1, Schedule JS-10, line 19.
- An amount of \$189,365 is related to increased expense for Workers Compensation Insurance Expense, account 53680, based on recent premium invoices that NBC provided after the Division’s Surrebuttal Testimony was filed. Exhibit JS-1, Schedule JS-14, shows the \$611,770 settlement amount for Workers Comp Insurance that was based upon NBC's documentation for annual renewal, policy effective period for 7/1/2023 through 7/1/2024.

The Total: Professional Services in Excel column Q, row 140 of \$2,228,558 is based on the \$2,190,039 amount on Exhibit RCS-4, Schedule RCS-1, page 5 of 5, line 8 that was filed with Division witness Ralph Smith’s May 25, 2023 Surrebuttal Testimony. That has been updated as shown in Exhibit JS-1, Schedule JS-1, page 5 of 5, attached to the Settlement Agreement, which shows the updated amount for account 52600, Regulatory Expense of \$707,628, for which detail is

shown on Exhibit JS-1, Schedule JS-8 of the Settlement Agreement, and which includes the following components:

PUC Assessment	\$ 600,225
Rate Case	\$ 88,519
Other Regulatory Expense	\$ 18,884
Total	\$ 707,628

The rate case expense component was updated based on recent actual information and the \$88,519 reflects the following costs amortized over three years (as shown on Exhibit JS-1, Schedule JS-8):

Actual Expense Docket 22-47-WW		
Division (estimate from Division 6/12/23)		\$ 95,000
Keough and Sweeny		\$ 76,774
Cathedral		\$ 3,783
Raftelis		\$ 90,000
Total		\$ 265,557
Amortized over 3 years		\$ 88,519

The Total: Leases in Excel column Q, row 145 of \$113,400 is based on the amount on Exhibit RCS-4, Schedule RCS-1, page 5 of 5, line 11 that was filed with Division witness Ralph Smith’s May 25, 2023 Surrebuttal Testimony.

The Total: Operations & Maintenance Expenses in Excel column Q, row 145 of \$52,885,531 is a sum of items addressed above.

The Total: Debt Service in Excel column Q, row 171 of \$62,559,886 is based on the amount on Exhibit RCS-4, Schedule RCS-1, page 5 of 5, line 29 that was filed with Division witness Ralph Smith’s May 25, 2023 Surrebuttal Testimony, and reflects the following components for NBC’s Debt Service, including Debt Service Coverage, which are application to the Rate Year, as explained in NBC’s Rebuttal Testimony and the Division’s Surrebuttal Testimony:

<u>Component of Debt Service</u>	<u>Amount</u>
Debt Service - Principal	\$ 33,164,787
Debt Service - Interest	\$ 16,883,122
Total Debt Service Principal and Interest	\$ 50,047,909
Multiply by 1.25	1.25
FY 2024 Total Debt Service	\$ 62,559,886
Debt Service Coverage	\$ 12,511,977

The Operating Reserve in Excel column Q, row 173 of \$369,504 is a calculated amount. The calculation applies a 1.5% factor to adjusted amounts of Operating Supplies/Expense and Professional Services. This calculation method is consistent with the Commission’s Report and Order from Docket No. 7890. As described in the Direct Testimony and Surrebuttal Testimony of Division witness Ralph Smith, in the current case NBC had inappropriately included the category of Net Personnel in the Operating Allowance calculation, as shown on Exhibit RCS-4, Schedule RCS-15, in column B, filed with Mr. Smith’s Surrebuttal Testimony. A similar

depiction of NBC's calculation was presented on Schedule RCS-15 filed with Mr. Smith's Direct Testimony. Schedule JS-15 filed with the Settlement Agreement shows the calculation of the \$369,504 as follows, in column D:

Narragansett Bay Commission					Docket No. 22-47-WW	
Operating Allowance					Schedule JS-15	
Test Year Ended June 30, 2022 and Rate Year Ending June 30, 2024						
Line No.	Description	Docket No. 4890 (A)	NBC Presentation (B)	NBC Calculation (C)	Division-NBC Settlement Calculation (D)	Division-NBC Settlement Adjustment (E) = (D) - (C)
1	Net Personnel	\$ -	\$ 27,961,383			
2	Operating Supplies/Expense	\$ 17,393,725	\$ 21,885,456	\$ 21,885,456	\$ 22,405,026	
3	Professional Services	\$ 1,320,054	\$ 2,198,672		\$ 2,228,558	
4	Total Operations & Maintenance	\$ 18,713,779	\$ 52,045,511	\$ 21,885,456	\$ 24,633,585	
5	Operating Allowance Percentage	1.50%		1.50%	1.50%	
6	Annual Operating Allowance	\$ 280,707	\$ 328,282	\$ 328,282	\$ 369,504	\$ 41,222
Notes and Source						
Col. A: Amounts from the Commission's Report and Order from Docket No. 4890, Rate Year ASJ-12 Joint Settlement Operating Reserve and AJS-1A Rate Year						
Cols. B-C: Amount from Schedule DMF-26 from NBC's filing						
Col. D: see Exhibit RCS-4, Schedule RCS-1, pages 4-5						