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Peter F. Neronha
Attorney General

October 11, 2023

Via Electronic Mail

Luly Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

RE: Docket No. 4800
Veolia Water Rhode Island, Inc.'s Distribution System Improvement Charge (DSIC)
Calculation For The Period February 1, 2023, through July 31, 2023

Dear Ms. Massaro:

On behalf of the Division of Public Utilities and Carriers, please accept for filing the attached memorandum from Pat Smith, Utility Analyst, that provides the Division's position regarding its review of the DSIC filing in the above docket.

Thank you for your attention to this submission.

Very truly yours,

/s/ Gregory S. Schultz

Gregory S. Schultz
Special Assistant Attorney General
On behalf of the Division of Public Utilities and Carriers

Enclosure

cc: 4800 Service List
Linda George, Esq., Division Administrator
John Spirito, Esq., Division Deputy Administrator
Christy Hetherington, Esq., Division Chief Legal Counsel
Paul Roberti, Esq., Division Chief Economic and Policy Analyst



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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**To: Luly Massaro, Commission Clerk
Public Utilities Commission**

**From: Pat Smith, Rate Analyst
Division of Public Utilities and Carriers**

Date: October 11, 2023

**Subject: Docket No. 4800 - Veolia Water Rhode Island, Inc.'s Distribution System
Improvement Charge (DSIC) Calculation For The Period February 1, 2023,
through July 31, 2023**

On August 11, 2023, Veolia Water Rhode Island Inc. submitted its semi-annual Distribution System Improvement Charge (DSIC) filing for the period February 1, 2023, through July 31, 2023, which is in accordance with the DSIC mechanism as approved in its last general rate case in Docket 4800.

In general, the DSIC mechanism allows for a surcharge to be added to customer bills to provide for the recovery between rate cases of non-revenue producing qualified additions such as replacement and rehabilitation projects related to distribution infrastructure, including mains, services, hydrants, valves, and meters. The maximum allowed surcharge on an annual basis is 2.5% with a cumulative cap between rate cases of 7.5%. The previous DSIC change occurred on November 5, 2022, when the surcharge increased from 2.5% to 5.0%. In the current filing, Veolia requested the maximum annual incremental DSIC surcharge of 2.5% which would bring the cumulative total surcharge to the 7.5% cap. The proposed effective date is November 5, 2023.

Review of DSIC Surcharge Calculations

According to the filing, the Company invested over \$7.4 million in DSIC facilities since the implementation of the DSIC, which calculates out to a DSIC surcharge of 18.05%. The DSIC tariff also requires the Company to include an earnings calculation in its filing. The tariff states in part:

After the first twelve-month DSIC period and each six-month period thereafter on a rolling twelve-month basis, the Company will include an Earnings Test as part of its DSIC Filing. If the Company is earning in excess of 15 basis points over its last allowed overall rate of return on rate base, as approved by the Commission in the Company's most recent base rate case, then the DSIC surcharge would cease until such time as the Company is in an under-earning position.

Based on the Earnings calculation included in the filing for the 12-month period ending July 31, 2023, Veolia's ROE was 5.38% which is well below their allowed return on equity of 9.40%. The Division conducted a review of both the DSIC and earnings calculations included in the Company's filing and found no exceptions.

Conclusions and Recommendations

Based on the Division's review of the Company's filing, we found it to be complete, in accordance with the approved DSIC tariff, and the calculations contained therein to be accurate. The Division recommends the proposed DSIC surcharge be approved for effect on November 5, 2023 as requested.