

KENT COUNTY WATER AUTHORITY

MINUTES OF THE SPECIAL MEETING
OF THE BOARD

April 5, 2016

A special meeting of the Board of Directors of the Kent County Water Authority was held on the 5th day of April 2016, at 3:30 p.m. at the offices of the Authority in West Warwick, RI, in the Joseph D. Richard Board Room.

Chairman Boyer opened the meeting at 3:30 p.m. Board members Vice Chairman Peter Masterson, Treasurer Joseph Gallucci, Secretary Edward Inman and Frank Giorgio were all present together, along with the General Manager/Chief Engineer Timothy J. Brown, Legal Counsel Patrick J. Sullivan, Esq., Rate Counsel Mary Shekarchi, Director of Technical Services John Duchesneau, Treatment Manager/Water Project Engineer Dave Simmons and Director of Administration and Finance Director Jo-Ann Gershkoff. Mr. Simmons led the group in the pledge of allegiance.

APPROVAL RATE CASE FILING

Mr. Brown introduced the topic to the board. He reminded the board that the rate filing was reviewed by the board at the last meeting in great detail.

Rate Counsel Mary Shekarchi summarized the top and highlighted a few issues in the filing.

Mr. Brown advised the board that there will be two alternatives presented to the PUC. One will be to continue the current rate tariff with the upgrades and the other will be with the change in hydrant charges to be spread across all customers.

Chairman Boyer remarked that the hydrant proposal is an issue that is coming in any event. Mr. Brown indicated that municipalities already have the authority to do so by passing an ordinance.

Mr. Inman remarked that the board can give the PUC the option of selecting one or the other. Mr. Brown said that could be the case, but he wanted some guidance from the board if they wanted him to favor one option over the other in his prepared testimony. Mr. Inman cited the current problems with the fire districts in Coventry. He asked how the increase would affect the average homeowner. Mr. Brown said the charge for the

hydrants would be allocated to the customer based upon the size of their meter. He reminded the board, however, that the increase will be considerable.

Mr. Inman discussed the need to get the message out to the ratepayers. He added that this is designed to assist the fire districts and eliminate the need for them to charge for the hydrants from their taxpayers. The taxpayers should address their fire district boards regarding this. He commented that it is difficult to explain this issue to those taxpayers who do not attend the local fire district meetings.

Mr. Masterson reiterated the fact that it is up to the taxpayer to address this with their fire districts. He added that East Greenwich fire used to be like that until the town created a town wide fire district.

Mr. Brown added that KCWA does come out with a press release explaining the rate filing.

Mr. Masterson suggested that the considerable amount might not be considerable at all when it is broken down on the cost per gallon of water. He added that he doesn't mind asking for support from the town council and the manager, however the timing is important. Mr. Brown advised the board that the rate case will be filed this Friday and copies will go out to the cities and towns, so they should have it by Monday.. He added that there will be plenty of time during the pendency of the rate case. In the first 5 months, there will be hundreds of questions that will have to be addressed.

Mr. Masterson advocated that KCWA prefer the case with the new hydrant billing.

Chairman Boyer asked when the new rate would take place. Mr. Brown thought it would take effect in January or February 2017. He reminded the board that no matter what happens, the PUC is responsible for the decision, not the board. They only suggest, but the PUC makes the order. He said the PUC has great power, a power that was ratified by the RI Supreme Court. He said KCWA is proceeding under the premise of known and measurable changes.

Mr. Brown summarized the elements of the rate case, including the seasonal rate, meter replacement program, demand surcharge, salary increases, meter testing charge, hydrant installations and three tariff adjustments, among others.

Chairman Boyer asked Mr. Brown to explain the meter testing charge. Mr. Brown said customers may ask to have their meter tested. There is a \$50.00 charge to do so. If the meter is broken, the customer isn't charged. Finding a broken meter is rare, Mr. Brown said.

Mr. Gallucci discussed Warwick and their 4500 customers of KCWA. He discussed the hydrant charges being spread across all customers.

Mr. Brown then discussed the state law that requires infrastructure replacement and the capital improvement program. He said that although it is a law, Warwick does not follow it. KCWA follows that law, he said. He said that if KCWA abandoned the two programs, their rate would be close to that of Warwick. Instead, KCWA follows the law and in the last ten years, KCWA replaced 35 miles of pipe.

Mr. Gallucci then asked how healthy the pension was. Mr. Brown said that last year it was 84% to 87% funded. He then discussed the difference between the pension liability and the OPEB liabilities. He said that the board could eliminate the OPEB at any time by a vote of the board. Mr. Brown then discussed the concept of smoothing of the peaks and valleys of the earnings and losses of the pension fund.

Mr. Gallucci then asked if the board could change the pension benefits rather than granting salary increases. Mr. Brown said if the PUC approves the salary component of the rate filing, KCWA could deliver it any way they wanted, including change in pension benefits.

Mr. Gallucci then asked if a provision was in the rate filing for a change in the facilities. Mr. Brown asked for funding of a study of the facilities. He said Providence did this and he thought it was prudent for KCWA to do this as well.

Mr. Gallucci then said he supported the rate case. He asked Mr. Brown for some numbers that KCWA invested in Warwick in infrastructure replacement. Mr. Masterson reminded the board that Warwick was getting a rebuilt well and well housing. Mr. Brown discussed the ability of KCWA to service the Potowomut area of Warwick. He added that KCWA sells wholesale water to Warwick and buys water from them as well.

Chairman Boyer asked if the depressed sales of water would reflect on the rate case. Mr. Brown thought it would have a positive impact on the rate case. He said the KCWA should have more of a focus on fixed charges rather than the meter rate with the fluctuation in water sales. Chairman Boyer asked when the hearing would be, and Mr. Brown said September or October.

The Chairman then asked Mr. Brown to discuss the process. Mr. Brown said once the case is filed, the PUC has 30 days to accept it. During the next 8 month period, they will hit KCWA with data requests. They will hire consultants that we have to pay for. Then there is an intervention period so as to allow people, fire districts, cities and towns, and others to intervene. Then there is a preliminary schedule set, Mr. Brown continued. Then there are hearings set with public meetings set. He said KCWA has their meeting at the West Warwick High School.

Mr. Brown then went over the role Rate Counsel Shekarchi would have. Mr. Brown said she would present the case, cross examine the witnesses, and review the questions posed to KCWA. Ms. Shekarchi went on to say she would also review data requests, and that she works with staff. Mr. Brown added that the testimony is all pre filed, and this shortens hearings.

Chairman Boyer asked if there would be any issues given the fact that this is rate counsel's first rate filing. Ms. Shekarchi said she works with the witnesses and staff to respond to all factors of the filing.

Mr. Gallucci asked for an outline of the rate filing. Mr. Brown said he would provide it.

Chairman Boyer then asked if there were any issues with the rate filing that Mr. Brown could foresee. Mr. Brown said if the meter replacement program weren't approved, that could pose a problem. If the CIP plan failed, he said it could be re-filed next year. If the hydrant charge changes weren't approved, the charges would revert to the old way they are billed.

Mr. Masterson moved, seconded by Mr. Inman, to approve the submission of the rate filing with a 16.99% increase to the Public Utilities Commission for approval.

Upon motion duly made and seconded, it was unanimous

VOTED: That the KCWA is authorized to submit the rate filing with a 16.99% increase to the Public Utilities Commission for approval.

Mr. Brown then went over the Capital Improvement Program 2017-2022. He advised that this was an update of the previous capital program. He asked for approval from the board for the 5 year program.

Mr. Masterson moved, seconded by Mr. Giorgio, to approve the submission of the Capital Improvement Program 2017-2022 to the Public Utilities Commission for approval.

Upon motion duly made and seconded, it was unanimous

VOTED: That the KCWA is authorized to submit the Capital Improvement Program 2017-2022 to the Public Utilities Commission for approval.

There being no further business before the board, Mr. Inman moved, seconded by Mr. Giorgio, to adjourn the meeting.

Dated: April ____, 2016

Legal Counsel