

**WATER RESOURCES BOARD AND CORPORATE
PERFORMANCE OF WATER QUALITY PROTECTION CHARGE
REVIEWS IN ACCORDANCE WITH
G. L. TITLE 46 CHAPTER 15**

NORTH SMITHFIELD WATER DEPARTMENT

June 2011

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Executive Summary:

B&E was engaged to perform reviews of the WQP surcharge remittances paid to the WRB-Corporate (“penny money”) and paid to the WRB (generally referred as “1.664 money”). Only the amounts paid for “1.664 money” were reviewed since North Smithfield Water Department is exempt from paying penny money due to its annual sales of less than 50,000,000 gallons. The scope and specific work required to complete this review are detailed later in this report. North Smithfield Water Department had prior report findings which resulted in NSW D owing \$13,271.48 of “1.664” money. North Smithfield did pay the “1.664” money with a separate March 2008 surcharge payment. The result of this review found that, **North Smithfield Water Department owes the net amount of \$9,623.35 of “1.664 money” to the WRB.**

Background:

Rhode Island’s water utilities are divided into two groups relating to the Water Quality Protection (WQP) surcharge reviews. The first group is Providence Water and its wholesale customers while the second group is “all other” water utilities. Since North Smithfield Water Department does not purchase any water from Providence Water it falls into the second category. The reason for this distinction is the fact that the “penny money” charged to ratepayers of Providence Water and its wholesale customers is used by Providence Water, while the “penny money” for “all other” water utilities is remitted to the Water Resources Board (WRB)-Corporate.

Starting in January 1989, the “penny money” (it was actually one penny per hundred gallons at that time) has been charged to all ratepayers. Both the WRB-Corporate and Providence Water use the remittances to make debt service payments on bonds and the WRB-Corporate also has provided additional grants to water utilities to protect raw water sources. The proceeds of the original water quality protection bonds were used to purchase land to protect the reservoirs of those water utilities that produce water. Providence Water retained the proceeds from its bonds to protect Providence’s reservoirs,

while the WRB-Corporate allocated the proceeds of its bonds to the water utilities that produce water based upon the utilities average annual production.

In addition to the “penny money” (currently .01054 per hundred gallons) the State requires that the WQP surcharge include a surcharge of \$0.01664 per hundred gallons for the State to fund its water activities (administration, regulation, and advisory). Unlike the penny money, all water utilities must pay the “1.664 money” to the State Treasurer through the WRB. The assessment of the “1.664 money” was enacted July 1, 2002 (the initial assessment amount was \$0.01334).

To cover the water utilities administrative cost relating to the collection and remittance of the WQP surcharge, the State allows the water utilities to collect an additional fee of \$0.00202 per hundred gallons. The combined WQP surcharge, including all three parts, is \$0.0292 per one hundred gallons from July 1st 2002 forward.

Per the Rhode Island General Laws the WRB has the authority and responsibility to review the books and records of all water utilities relating to the remittances of the “1.664 money” and for the “all other” water utilities (excluding Providence Water and its wholesale customers) the WRB has the authority and responsibility to review the remittances of the penny money. To this end, the Water Resources Board and the WRB-Corporate have hired B&E Consulting, LLC (B&E) to complete these reviews.

This specific engagement is designed to have B&E complete a third round of WQP surcharge reviews. The first round of reviews covered periods of 9 to 13 years and resulted in significant review findings. The second and third round reviews have covered, on average, three year periods and therefore have provided a more timely review of the WQP surcharge remittances. To date, the total review findings have far exceeded the cost of the WQP surcharge reviews.

Overall Scope of Work:

For this third round, B&E was engaged to perform reviews of the WQP surcharge remittances paid to the WRB-Corporate (“penny money”) and paid to the WRB (generally referred as “1.664 money”). The reviews were designed to cover the period from the supplier’s last review through the completion date of current review. NSW’s last review was completed through June 2007. The entire third round reviews are scheduled to be completed over a four year period (FYE 2008, 2009, 2010 and 2011) in conformance with procedures requested by the WRB.

Specific Scope of Work for the North Smithfield Water WQP Surcharge Review:

This WQP surcharge review including the following tasks:

1. B&E obtained the financial information (remittance advices and ledgers) maintained at the WRB for NSW. The more current information was posted

by B&E to the WRB ledgers showing the period covered consumption data and cash remittances. The WRB staff postings were verified to the remittance advises.

2. NSWDC was notified of its selection for review by a letter sent from the WRB. The letter provided a listing of the information required by B&E for the review.
3. B&E followed-up on the WRB letter and set an introduction meeting. At this meeting, B&E made introductions, explained the scope of the engagement, reviewed the information requested, and answered questions.
4. The field work consisted of the following:
 - ✓ Visited NSWDC to review the books and records relating to the WQP surcharge.
 - ✓ Compared the information from the NSWDC's original billing registers to the remittances listed on B&E's review work schedules. B&E then recalculated the WQP surcharge amounts shown on the remittance advice to the North Smithfield Water Department invoice registers.
 - ✓ B&E reviewed the results of the last review and checked to see that any amounts owed or owing were eventually paid.
5. B&E prepared this comprehensive report that presents B&E's observations, findings and amounts due to/from the WRB.
6. By this report, B&E presents its findings to the WRB management.

Observations and Findings:

In the prior review of North Smithfield Water Department was found owing \$13,271.48 of "1.664" money. North Smithfield Water Department did pay the "1.664" money with a separate March 2008 surcharge payment.

Other Current finding:

1. B&E determined the North Smithfield attempted remit the surcharge on billings from July 2007 to January 2010. They mailed the payment to the old North Main Street address which was returned and the check was voided. At the beginning of fieldwork for this review North Smithfield had reissued this check. The payment has been received and no further action is required for this finding.

2. North Smithfield as of the April 2010 quarterly billing stopped remitting the surcharge. This incorrect suspension of remittances resulted in an underpayment of \$9,623.35 of "1.664" money thru April 2011.

CONCLUSION:

With the receipt of the net amount of \$9,623.35 in "1.664" money payment North Smithfield's account with the WRB will be in balance thru April 2011 and no further adjustments are necessary. North Smithfield should be making their remittance timelier instead of allowing a year's worth of surcharges to accumulate. They should be remitting 60 days after each billing.

B&E would like to thank the management and staff at NSWDC for their assistance in this WQP surcharge review. Their professional and helpful manner made the engagement possible and enjoyable.