



2011 ANNUAL REPORT



"Our mission is to provide reliable, high-quality, safe, clean drinking water for our customers at a reasonable cost, supported by an excellent, efficient, and healthy workplace environment."



General Manager's Message

For more than 100 years, Providence Water has enjoyed a reputation as one of the premier drinking water systems in America. From its brilliantly engineered construction nearly a century ago to the care taken to protect the raw water that collects in our Scituate reservoir system, Providence Water's stellar reputation for quality and safety is no accident. Our reliability and service is the result of hundreds of talented people putting their expert abilities to work for our customers.

Webster defines "work" as something produced or accomplished by effort, exertion, or exercise of skill. Further defined, "work" is sustained physical or mental effort to overcome obstacles and achieve an objective or result.

Providence Water's mission is a simple one: To work tirelessly to provide reliable, high-quality, safe, clean drinking water at the lowest possible cost, supported by an excellent, efficient, and healthy workplace environment. To that end, one goal has and will continue to be to work smarter, work safer, work harder and work together to overcome any and all challenges to our mission.

Working Smarter...

Like any modern business, Providence Water can achieve more in less time by utilizing emerging technology.

Gone are the days of a meter reader entering a property once per year to visually scan a meter and manually log a meter reading. Now, with Automatic Meter Reading, we can gather thousands of reads a day by using radio frequency technology and a sophisticated meter reading computer mounted in a vehicle that simply drives by a home or business and gathers water usage information wirelessly. This computerized information is then automatically uploaded to our billing database, saving time and preventing data transcription errors. In the not-too-distant future, a fixed hybrid network will be able to monitor water use at any customer location as often as hourly and further improve leak detection and water distribution system performance. When that happens, we will put the meter vehicle to use somewhere else, because the fixed system can do all its monitoring from a single office location.

With laptop computers, road crew supervisors and technicians now have the ability to view distribution maps of all 870 miles of our water system,

Working Smarter

wirelessly, and with pinpoint precision. This saves valuable time and resources when responding to emergency water main issues and allows us to fix problems faster and more efficiently.

With our MLOG leak detection devices monitoring our entire system, we can detect even the smallest of leaks and deploy personnel for easy repairs before a leak erupts into a major water main break that can cause property damage and customer outages.

Working smarter with new technology translates into a greater need for a highly trained, more educated workforce. Working with Public Service Employees Local 1033, the New England Water Works Association, the Atlantic States Rural Water Works Association and vendor technical resources, more hours and resources were committed in Fiscal Year 2011 to technical training than in any previous year.

Working Safer...



We recognize the enormous responsibility we share when it comes to the safety of Rhode Island consumers who trust us to consistently deliver a safe product that meets or exceeds high quality standards. For decades, Providence Water has protected its reputation as one of America's best drinking water utilities by doing everything possible to deliver an exceptional drinking water product.

We also took steps in Fiscal Year 2011 to protect the overall safety and well-being of our people who provide services to our consumers.

We want our employees to enjoy good health

and wellness both on the job and during their off time with their families and friends.

To achieve this, an aggressive safety training program was expanded. More employees received personal safety training in Fiscal Year 2011 such as First Aid, CPR, AED and ergonomic work space design. Road crews received Work Zone Safety refreshers, safe lifting instruction, safe driver education and a host of other beneficial instruction to avoid accidents and injury.

Working Harder...

Like other water utilities across America, Providence Water faces major challenges in the months and years to come.

Our water system was built in the early 1900's with piping materials that have a useful life of between 80 and 100 years. That means that much of our system needs replacement parts in order to function at peak efficiency.

Working Safer

The good news is that for more than 15 years, we have been implementing programs that have been doing just that. Developed in 1996, our Infrastructure Replacement program and our Capital Improvements Program have reinvested a combined 241 million dollars in our water system.

Perhaps our most ambitious project to date, presently under construction, is the rehabilitation of our Scituate water treatment plant's 18 filters, many of which date back to the plant's original construction in the 1920s. These filters, having a combined surface area of 32,000 square feet, represent one of the most important steps in our treatment process and the final major purification process before finished water is sent on to our customers. The project includes the reconstruction all 18 of the plant's filtration beds, the installation of new modern filter underdrains, the replacement of all filter piping, control valves, and effluent meters, and the replacement of all existing sand filtration media with new deeper dual-media filtration with the capacity for the future incorporation of granular activated carbon media. Also included, and providing a major facelift to the plant, will be the replacement of the existing ground-level concrete roof slabs covering the filters with new open above-ground building enclosures that will provide full visibility and access to the entire surface area of the filters. With the need to keep the plant always in full operation, the \$40 million project is being constructed in controlled sequential phases, with final completion expected to take place in 2016.



Other infrastructure improvements in Fiscal Year 2011 include the rehabilitation of pumping stations, lead service connection replacements, and inspection and structural repairs to our 102" aqueduct.

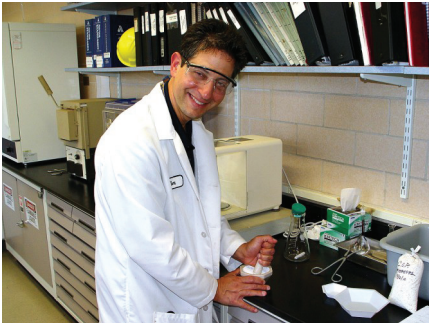
While 7.4 miles of aged water mains were replaced in Fiscal Year 2011, more mains need priority replacement in Fiscal Year 2012. Main replacement is expensive and takes time.

We are not alone. Most other water utilities face the same urgent infrastructure issues. But we are in much better shape than most other utilities. Not only do we have a plan in place to address future replacement needs in a systematic order, we also have a system that covers the costs of these improvements without disproportionate bonding costs or large rate increases.

Working Harder

For example, customers have been paying modest incremental increases in water rates since 1996 so that each year, an additional \$2 million is added to our infrastructure replacement fund. Currently, Providence Water has over \$16 million that is set aside annually, specifically for infrastructure replacement projects.

Working Together...



Looking to the future, there are two major areas where Providence Water plans to focus its attention.

First, we want to do a better job of communicating with our customers. We firmly believe that an informed consumer is vitally important as it pertains to the challenges we face as we work to improve water service. It is important that consumers understand the adjustments we make as our regulators impose stricter water quality standards on the water we collect, treat and deliver to them.

We do our best to inform consumers about these and other global issues with updates to our website, information printed on the quarterly water bills, annual Water Quality Reports and with invoice inserts.

However, in an emergency, we want to alert our customers at a moment's notice if there is a water issue that might affect them. Whether it is temporary loss of water service due to repairs or a water quality issue, we want them to know what's happening immediately with accurate information dispatched from us and instantly communicated.

That is why we have developed the Providence Water Customer Notification Alert Network designed to keep the community updated instantly when necessary.

This free service is available to any Providence Water customer. However, for the alert system to work at peak efficiency, we need current contact information so we can send alerts via home phone, work phone, cell phone, e-mail, voice mail and cell text.

Customers are urged to visit our website at www.provwater.com and click on the "Notification Network" icon. They will be directed to a page where they can sign in with a customer account number and meter number (both are printed on the water bill). Once that is completed, they can direct us to contact them in any combination of media they choose.

Working Together

Second, there are some additional customer service improvements and benefits worth mentioning.

This past year, we have changed our water bill format. This new look is more user-friendly, gives the customer more information about how much water they have used, and lists usage information for the previous 15 months so one can see peak consumption months and compare usage from month to month, season to season, and year to year.

Coming soon, we hope to get “greener” with the introduction of electronic billing statements to save time, paper and mailing costs. Customers can already pay their bills online. Now, we are working to give customers the option of receiving bill statements electronically so that we can eliminate the use of these resources and hold down the growth of future water rate increases.

Working for You...

Providence Water has a century-long tradition of delivering exceptional drinking water to our customers at a bargain price. Compared to the cost of bottled water and higher rates charged by other water utilities, our quality water is arguably the best anywhere in the world.

Our drinking water is also Rhode Island’s most important asset. Collecting, treating, and delivering this invaluable resource are responsibilities we at Providence Water take very seriously.



We still prohibit any recreational use of our watershed and reservoirs and work closely with our neighboring watershed communities to protect the reservoirs from any potential contaminants. Pristine raw water keeps treatment costs the lowest they can be.

We’re improving the treatment plant’s efficacy and capacity, we’re ahead of the curve with replacing aged infrastructure, and we’re committed to improved customer services.

We pledge to work as smart as we can, as safely as we can, and as hard as we can so that together, we can all continue to enjoy the best water our money can buy.

Boyce Spinelli

Boyce Spinelli
General Manager

Providence Water Supply Board



Angel Taveras
Mayor of Providence



Brett P. Smiley
Chairman



Joseph Cataldi
Vice Chairman



Michael A. Solomon
City Council President



Michael J. Correia
City Councilman



Joan S. Badway
Member



Andy Andujar
Member



Richard Kerbel
Ex-Officio



Fred Cunha Esq.
Legal Advisor

Providence Water Management



Boyce Spinelli
Acting General Manager



Ricky Caruolo
Commercial Services



Joseph Spremulli
Support Services



Paul Gadoury
Engineering



Jeanne Bondarevskis
Finance



Ken Booth
*Transmission and
Distribution*



Michael Covellone
Water Supply

PROVIDENCE WATER SUPPLY BOARD

BALANCE SHEET SUMMARY

FOR THE YEARS ENDING JUNE 30, 2010 AND 2011

	<u>2010</u>	<u>2011</u>
ASSETS:		
PROPERTY, PLANT AND EQUIPMENT	382,124,967	412,697,145
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	<u>147,026,055</u>	<u>158,405,608</u>
NET PROPERTY, PLANT AND EQUIPMENT	235,051,132	254,291,537
TOTAL UNRESTRICTED CURRENT ASSETS	15,156,973	19,154,886
TOTAL RESTRICTED CURRENT ASSETS	<u>33,990,002</u>	<u>21,540,249</u>
TOTAL CURRENT ASSETS	49,146,975	40,695,136
TOTAL ASSETS	284,245,887	294,986,673
 CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
TOTAL CAPITALIZATION	213,231,205	230,310,046
TOTAL LONG-TERM DEBT	52,429,690	49,488,923
TOTAL OPERATING CURRENT LIABILITIES	8,176,629	6,188,547
TOTAL RESTRICTED CURRENT LIABILITIES	<u>10,408,362</u>	<u>8,999,157</u>
TOTAL CURRENT LIABILITIES	18,584,991	15,187,704
TOTAL LIABILITIES AND CAPITALIZATION	284,245,887	294,986,673

PROVIDENCE WATER SUPPLY BOARD

	<u>2010</u>	<u>2011</u>
TOTAL OPERATING REVENUE	54,975,053	64,016,333
TOTAL OPERATING EXPENSES	<u>50,866,811</u>	<u>46,053,833</u>
OPERATING INCOME (LOSS)	4,108,242	17,962,500
NET NON-OPERATING REVENUES (EXPENSES)	(943,505)	(1,394,429)
CAPITAL GRANTS AND CONTRIBUTIONS	<u>772,617</u>	<u>510,771</u>
NET INCOME	3,937,355	17,078,841
INCREASE IN RETAINED EARNINGS	3,937,355	17,078,841
RETAINED EARNINGS — BEGINNING OF YEAR	151,191,094	155,128,449
RETAINED EARNINGS — END OF YEAR	155,128,449	172,207,290

SUMMARY STATEMENT OF CONTRIBUTED CAPITAL AND RETAINED EARNINGS FOR THE YEARS ENDED JUNE 30, 2010 AND 2011

	<u>CONTRIBUTED CAPITAL</u>	<u>RESERVED RETAINED EARNINGS</u>	<u>UNRESERVED RETAINED EARNINGS</u>	<u>TOTAL RETAINED EARNINGS</u>
BALANCE AS OF 6/30/2010	58,102,756	139,030,416	16,098,033	213,231,205
BALANCE AS OF 6/30/2011	58,102,756	154,313,217	17,894,072	230,310,046

A scenic view of a lake with pine trees in the foreground and a forest in the background. The sky is clear and blue. The water is a deep blue with gentle ripples. The foreground shows the trunks and branches of several pine trees, some with green needles and some bare. The background is a dense forest of trees, mostly evergreens, under a clear sky.

PROVIDENCE WATER SUPPLY BOARD

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