



PROVIDENCE WATER

Tap Water Delivers



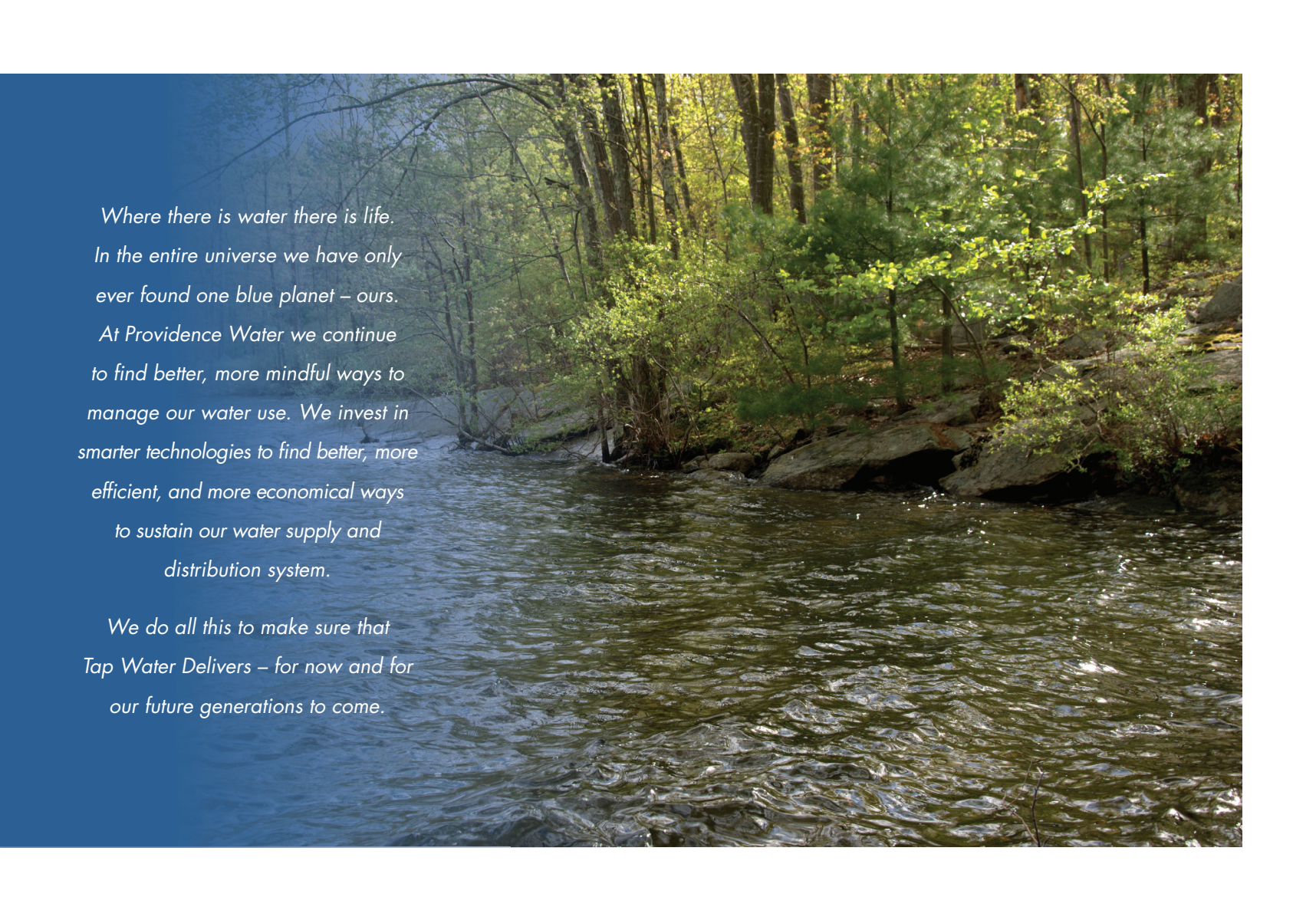
2014 ANNUAL REPORT TO THE COMMUNITY



Turn on the tap and fill your glass. For generations of Rhode Islanders – for nearly 100 years now – Providence Water has made that possible.

Tap Water Delivers where we need it, when we need it – reliably, safely and efficiently.

We are building a smarter operation, drop by drop, for every community for today and for generations to come.



*Where there is water there is life.
In the entire universe we have only
ever found one blue planet – ours.
At Providence Water we continue
to find better, more mindful ways to
manage our water use. We invest in
smarter technologies to find better, more
efficient, and more economical ways
to sustain our water supply and
distribution system.*

*We do all this to make sure that
Tap Water Delivers – for now and for
our future generations to come.*



Ricky Caruolo
General Manager

A handwritten signature in black ink that reads "Ricky Caruolo". The signature is written in a cursive, flowing style.

Tap Water Delivers – For all children quenching their thirst, all parents who fill a bath, all doctors who wash their hands, all firefighters who carry a hose, all farmers who harvest their crops... For all of us everywhere, the dependable flow of water 24 hours a day, 7 days a week supports and sustains our way of life.

At Providence Water, we deliver water safely and reliably to 600,000 consumers every day. It is an important responsibility we have had for a century now and today we are investing in our system to ensure our customers can count on us for the next 100 years.

During 2014, Providence Water continued investing in several vital infrastructure projects at all levels from our watershed to our distribution system. We are also implementing a slate of customer-centric initiatives that are designed for more convenience, quicker response times, ongoing affordability and efficient operations.

Among the highlights:

- Expansion and protection of our 93 square mile watershed
- Implementation of state-of-the-art technology at our water treatment facility
- Continued replacement and rehabilitation of our 100 year-old water main distribution system
- New leak detection technology
- Precise meter readings and easy to read monthly bills
- Investment in green initiatives to help improve the way we do business and to reduce our carbon footprint

Looking forward to 2015 you can expect to see prioritized customer convenience solutions that include a robust online presence and new paperless bills and automated payment options.

Providence Water's commitment – our mission – is to continue a legacy of providing quality water services for generations to come.

On behalf of Providence Water and our dedicated employees, I want to thank you, our customers, for your continued confidence.



2014 Accomplishments

- *Installed state-of-the-art stormwater management system to help mitigate water quality impacts*
- *Obtained EPA grant for landowners in Moswansicut Reservoir watershed to reduce phosphorous levels*
- *Reconstructed Gainer Dam Bridge (DOT Project completed in Fall 2014)*
- *Rebuilt Horseshoe Dam stone wall*
- *Conducted four timber harvests*
- *Acquired one new parcel of watershed land*



Protecting Our Forest, Managing Our Watershed

The 93 square mile Scituate Reservoir watershed is carefully protected and managed to support and supply clean drinking water to 600,000 Rhode Islanders.

While Providence Water has several green initiatives underway, one of the most important is caring for the watershed, including its forest, wildlife habitat, dams, and intersecting roadways.

A forestry program started in the early 20th century is responsible for the planting of seven million trees that today line the reservoir shorelines, filter sediments and maintain a natural balance of the

water that feeds the 41.2 billion gallon Scituate Reservoir system. Protecting our pristine watershed is a top priority in maintaining the integrity of our forest, water, and resources. Watershed Inspectors survey and inspect the watershed daily to ensure that no unauthorized activities are taking place on the watershed property.

Copying Nature

A state-of-the-art stormwater management system helps mitigate water quality impacts by mimicking the natural filtration system in a forest, creating a more natural “green infrastructure”.

Providence Water – Always Refreshingly Good

Providence Water's purification plant in Scituate currently tests and treats on average 61 million gallons of water that is consumed by our customers each and every day.

The water purification plant, which is the largest of its kind in New England, is winding down a multi-year \$40 million dollar improvement project designed to make our great drinking water even better.

The facility houses our certified laboratory with its staff of highly skilled chemists, microbiologists, and engineers who work together to ensure that our water meets and exceeds the highest water quality standards.

Constant sampling, monitoring, and testing make sure we are delivering some of the highest quality (and best tasting) water in the country to you, our customers.

Carbon In Check

Providence Water is lowering its carbon footprint by using motion sensor lighting and by purchasing low sulfur diesel fuel. We also recycle all metals, such as pipes, hydrants, file cabinets – as well as computers, wood pallets, cardboard, and paper.

2014 From the Lab

- *48,000 water samples from the watershed, purification facility, and distribution system were taken and tested in order to ensure we continue to meet or exceed the highest water quality standards.*
- *Extensive lead monitoring program.*
- *Active routine monitoring at designated sites throughout the distribution system on a regular basis to ensure high water quality.*
- *Comprehensive chemical and bacteria testing program ensuring high quality water from the source of supply with detailed analysis of water quality representation from raw water to consumer's tap.*



2014 Infrastructure Improvements:

- Six new filter beds were placed online; 8 of the 18 conventional sand filters have now been replaced with new modern-design filters.
- Three chlorinators were retrofitted with new gas controllers to improve accuracy and stability.
- Two wash water pump valve actuators were replaced.
- Renovated aeration system.



A Thousand Miles of Mains

Providence Water's ability to serve customers and create value depends on the miles of pipeline that – along with pumps, valves, mains and other equipment – compose our distribution system.

From our massive 102-inch aqueducts, to 5,783 fire hydrants, to the smallest 6-inch water main, the distribution system carries some of the country's highest quality drinking water to 60% of the State of Rhode Island.

Many of our water mains were installed over 100 years ago, dating back to horse and buggy days. While these mains have served us well, it is time to replace and

rehabilitate the distribution system so that we can continue to deliver the highest quality water to future generations over the next 100+ years.

The system-wide project will first target the oldest areas that have been prone to water quality issues such as discoloration and low water pressure. Providence Water has 530 miles of unlined cast iron mains that will either be replaced with new piping or cleaned and relined with concrete.

To extend the life of the existing main, and to improve water quality and pressure issues, Providence Water is also performing preventative unidirectional flushing

of its mains. Unidirectional flushing is an advanced preventative maintenance program that systematically flushes water through strategically located hydrants and valves in specific areas of the system.

Saving Water with Leak Detection

Small sensors placed before the water meter in homes and businesses collect and analyze sound patterns that detect leaks on service lines and mains. Using that data, we are making repairs with smaller excavations and restoring service in less time - and saving a lot of water in the process.



In 2014

- *Approximately 9 miles of cast iron pipes and mains were rehabilitated or replaced.*
- *1,000 excavations and trenches were restored, including emergency restorations with minimal backlog.*
- *Crews performed unidirectional flushing on approximately 100 miles of water mains.*



Tap Water Delivers – Value, Convenience, and Quality

At Providence Water we know that thousands of Rhode Islanders count on us every time they turn on the tap for safe, clean affordable drinking water. Our customers have high expectations and we are committed to delivering the best drinking water we can to them and to our future generations.

When it comes to cost, our water is one of the best values around. For just one penny you can get three gallons of water. Our new monthly bills detail water usage and cost so that customers can monitor their water activities and manage their budgets accordingly.

Customers are also benefiting from state-of-the-art automatic meter reading devices, which allow crews to obtain drive-by readings without having to enter homes or businesses.

Clean Air

Providence Water practices an anti-idling policy where we have procedures in place to assist and monitor productive and non-productive idle times on our trucks.

In 2014:

- *Our Customer Alert Notification Network sent thousands of e-mails, telephone and text communications advising customers of service and repair work being done in their area.*
- *100% of Providence Water Customers were switched to monthly billing, making it easier to monitor water consumption.*
- *Our Automatic Meter Reading program, benefiting 99.8% of our customers, provides actual meter reads so that customers are being billed on an actual amount, not estimated.*
- *Our Water Quality Hotline allows us to log water quality calls and to investigate and resolve water quality issues as quickly as possible.*

Tap Water Delivers – Hands-On Learning

Providence Water is committed to managing and safeguarding Rhode Island's greatest water resource for many generations to come. Crucial to that core mission is cultivating those who will act as stewards in the future.

Classroom activities and watershed tours are all part of the Scituate Reservoir Watershed Education Program, a program that is fully funded by Providence Water in collaboration with the Northern Rhode Island Conservation District.

Educational programs begin with simple fun lessons for elementary school children and carry forward into high school years where students conduct water sampling, testing, and monitoring.

Educational literature and seminars are also held throughout our communities for consumers, homeowners, and businesses.

Watershed tours are open to the public and are designed to give interested people an opportunity to visit different areas of the property and learn more about current projects in forest and land restoration issues.



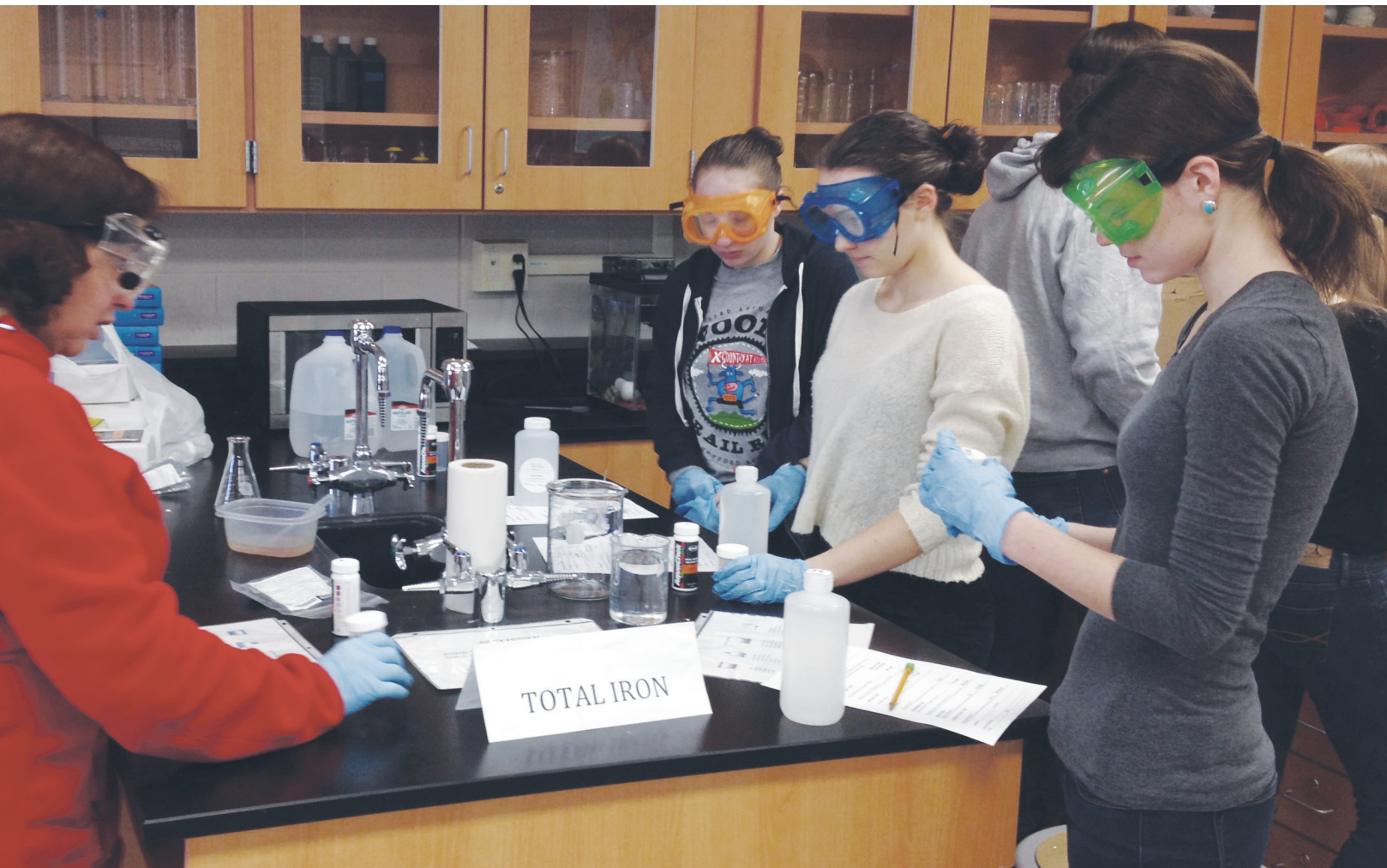
Rain Gardens

The Scituate Reservoir Watershed Education Program is in the community working with local neighborhoods to plant and maintain rain gardens to manage storm water.

Four rain gardens are in place with three more planned for 2015.

In 2014:

- 262 Scituate Reservoir Watershed children participated in the Elementary School Classroom Program, where educators visited 3rd and 4th graders to teach children about the watershed and how they and their families can help to keep it clean.
- 350 3rd, 4th, and 5th grade students from Foster, Glocester, Scituate, and Providence participated in fun activities at the annual Water Festival, where students learned about the history of the Scituate Reservoir and how to conserve Rhode Island's natural resources.
- 252 students participated in the GET WET! High School Program, where high school students tested their well water for contamination, collected data about the results, and communicated their findings to their families and communities.



Providence Water Leadership



Mayor Jorge O. Elorza



Xaykham Khamsyvovong
Chairperson



Joseph D. Cataldi
Vice Chairperson



Michael J. Correia
City Councilperson



Sabina Matos
City Councilperson



Andy M. Andujar
Member



Kerri Lynn Thurber
Member



Lawrence J. Mancini
Ex-Officio



William E. O'Gara, Esq.
Legal Advisor

Providence Water Management



Ricky Caruolo
General Manager



Gregg Giasson
Deputy GM - Operations



Peter J. Palozzi
Deputy GM - Admin



Mark Haroian
Sr. Manager - T&D



Peter R. LePage
Sr. Manager - Engineering



Stephen Soito, P.E.
Sr. Manager - Water Supply



Stephen M. Colman
Sr. Manager - IT



Thomas Massaro
Sr. Manager - Finance



Nancy Parrillo
Sr. Manager - Cust Svc

Financials at a Glance

PROVIDENCE WATER SUPPLY BOARD BALANCE SHEET SUMMARY FOR THE YEARS ENDING JUNE 30, 2012, 2013, AND 2014

	2012	2013	2014
ASSETS:			
PROPERTY, PLANT AND EQUIPMENT	\$436,857,172	\$478,158,790	\$495,316,986
LESS: ACCUMULATED DEPRECIATION AND AMORTIZATION	170,596,750	182,860,733	195,504,655
NET PROPERTY, PLANT AND EQUIPMENT	266,260,422	295,298,057	299,812,331
TOTAL UNRESTRICTED CURRENT ASSETS	17,557,165	18,464,807	16,725,725
TOTAL RESTRICTED CURRENT ASSETS	24,072,393	32,906,439	34,119,732
TOTAL CURRENT ASSETS	41,629,557	51,371,246	50,845,457
TOTAL ASSETS	\$307,889,979	\$346,669,303	\$350,657,788
<i>CAPITALIZATION AND LIABILITIES:</i>			
CAPITALIZATION			
TOTAL CAPITALIZATION	241,449,036	252,241,705	262,461,003
TOTAL LONG TERM DEBT	48,886,636	74,268,794	70,174,018
TOTAL OPERATING CURRENT LIABILITIES	8,425,647	16,766,934	13,604,113
TOTAL RESTRICTED CURRENT LIABILITIES	9,128,660	3,391,870	4,418,654
TOTAL CURRENT LIABILITIES	17,554,307	20,158,804	18,022,767
TOTAL LIABILITIES AND CAPITALIZATION	\$307,889,979	\$346,669,303	\$350,657,788

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

	2012	2013	2014
TOTAL OPERATING REVENUE	\$61,725,852	\$61,069,674	\$62,872,231
TOTAL OPERATING EXPENSES	49,595,735	50,303,984	54,394,039
OPERATING INCOME (LOSS)	12,130,117	10,765,690	8,478,192
NET NON-OPERATING REVENUE (EXPENSES)	(1,191,543)	(1,593,191)	(1,562,494)
CAPITAL GRANTS AND CONTRIBUTIONS	200,416	2,099,550	3,303,600
NET INCOME	\$11,138,990	\$11,272,049	\$10,219,298
INCREASE IN RETAINED EARNINGS	11,138,990	11,272,049	10,219,298
RETAINED EARNINGS - BEGINNING OF YEAR	230,310,000	240,969,656	252,241,705
RETAINED EARNINGS - END OF YEAR	\$240,969,656	\$252,241,705	\$262,461,003

SUMMARY STATEMENT OF CONTRIBUTION CAPITAL AND RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 2012, 2013, AND 2014

	CONTRIBUTED CAPITAL	RESERVED RETAINED	UNRESERVED RETAINED EARNINGS	TOTAL CAPITAL AND RETAINED EARNINGS
BALANCE AS OF 6/30/2012	\$58,102,756	\$163,865,187	\$19,001,713	\$240,969,656
BALANCE AS OF 6/30/2013	\$58,102,756	\$173,965,956	\$20,172,993	\$252,241,705
BALANCE AS OF 6/30/2014	\$58,102,756	\$183,123,366	\$21,234,881	\$262,461,003

Looking Ahead

For 2015, Providence Water has set some ambitious goals to continue improving our infrastructure, protecting our watershed, serving our customers, and planning for the future.

We are implementing paperless billing and automatic e-Pay options that will save customers time and postage and will assist Providence Water in operating more efficiently while also continuing to invest in our green initiatives.

New robust communication channels will be in place, including a user-friendly website that will allow customers to: access information about our latest

construction projects; read detailed news articles; locate easy-to-download forms; and report water-related issues 24 hours a day, 7 days a week.

Our social media Twitter and Facebook platforms will allow us to communicate quickly and more efficiently with customers during an emergency, such as a water main break, and will allow us to provide timely updates on construction projects, flushing schedules, and general customer inquiries.

Going forward, Providence Water will continue to look towards renewable energy projects that harness hydro and solar power.

Our green initiatives not only help us to save money, but allow us to reinvest those saved dollars back into programs that will continue to benefit the environment while helping us to lower our carbon footprint for now and for many future generations to come.



PROVIDENCE WATER

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