



Tap Water Delivers



2017 ANNUAL REPORT TO THE COMMUNITY



It is the mission of Providence Water to provide reliable, high-quality, safe, clean drinking water for our customers at a reasonable cost, supported by excellent customer service, within the context of a positive, fair, efficient, effective and healthy workplace environment.



2017 was a monumental year for Providence Water with the completion of renovations and relocation in October to our new Central Operations Facility (COF). Recognizing that we had outgrown our antiquated administrative and engineering buildings, Providence Water's search for a new COF began more than 10 years ago,

reviewing more than 30 potential locations before finding 125 Dupont Drive in 2015. The COF offers our customers "one-stop shopping" where all of their water-related business transactions can be completed at one location. The COF houses administrative, billing, engineering, laboratory and technical teams, as well as our heavy equipment and fleet of trucks and vehicles. The project was one of the first to utilize the RI Infrastructure Bank and leveraged state and federal financing programs to reduce borrowing costs and debt service.

In 2017, Providence Water also implemented a roll-out of our "Lead Free is the Way to Be" loan program offering homeowners 3-year, 0% interest loans to replace the private side of their lead service line. As part of our multi-pronged approach to minimize our customers' exposure to lead, we received unanimous approval from the Public Utilities Commission to make \$250,000 in

rates per year available for the loan program and have recently finalized approvals to receive \$1 million in loan program funding as part of our partnership with the RI Infrastructure Bank.

Providence Water owns and maintains almost 1,000 miles of pipe in our distribution system. We continued to implement unidirectional flushing of our system and aggressively clean/line or replace our unlined cast iron mains. In 2017, we replaced or cleaned/lined more than 10 miles of main and flushed another 100 miles of main in our distribution system. We continue to invest in our distribution system to ensure that our high-quality drinking water is always delivered safely and timely to our customers. We obtained \$15 million in Safe Drinking Water SRF bonds through the RI Infrastructure Bank at a reduced rate to be used for water main rehabilitation work. We believe that the investments we make today, such as the purchase of our COF or our distribution system improvements, position Providence Water for the next 100 years as we continue with our commitment to ensure that our customers have safe, affordable, high-quality drinking water.

A handwritten signature in black ink, appearing to read "Ricky Caruolo". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ricky Caruolo
General Manager

Central Operations Facility

Providence Water owns and operates the largest water utility in Rhode Island, supplying high-quality drinking water to more than 600,000 retail and wholesale consumers in cities and towns throughout the state. After an extensive search, Providence Water relocated in 2017 to a new Central Operations Facility (COF) at 125 Dupont Drive in Providence. Conveniently located in the center of Providence Water's retail distribution system, the COF enhances customer service by allowing staff to respond quickly and efficiently to water distribution system issues, as well as providing timely water quality sampling and analysis.

Providence Water renovated the original COF building administrative space to a mixed-use facility. The COF is now a combination of administrative offices, complete construction services and automotive garage. The COF also includes our customer service area, emergency operations center, a laboratory and a museum area. Enhanced security measures such as additional fencing, a guard shack and cameras were incorporated into the design of the facility.

Providence Water took into consideration the potential for energy savings, reducing our footprint and selecting sustainable materials when renovating the new COF. We received approximately \$475,000 in grants and rebates to help offset the cost of the various COF green initiatives. As a result of our efforts, the Providence Water COF renovation project received a "Lead by Example Award" from the RI Office of Energy Resources in recognition of our significant contribution toward the promotion and implementation of comprehensive clean energy measures that are helping to reduce energy burdens and mitigate greenhouse gas emissions.

- The reuse of an existing building minimized the quantity of raw materials during construction – we reused approximately 90% of the existing exterior wall and floor construction.
- In general, materials selected for this project involved manufacturers with sustainable initiatives and production methods. Care was given to ensure that finish selections were not only produced to be sustainable, but require minimal maintenance and have the ability to be recycled at the end of use. The full life cycle of the product was considered in order to provide a space with the lowest impact on the environment.



Central Operations Facility

- We incorporated environmentally conscious materials into the design process such as reclaimed wood harvested in New England.
- We salvaged and reconfigured/reused existing furniture to reduce costs as well as extend the life cycle of the product.
- We recycled all unusable existing furniture.
- We provided new windows and skylights to introduce natural light into the facility.
- We installed bioretention basins and sand filters to reduce storm water runoff.
- We maintained the ratio of green space to produce biodiversity and minimize disturbances to the existing ecosystem.
- We removed existing sections of impervious paving/asphalt adjacent to the area Mashapaug Pond for better stormwater management.
- We partnered with GreenWorks Providence, which had received a grant for approximately \$15,000, to plant trees, flowers and various vegetation throughout the site.
- We are using low water-consumption type plumbing fixtures that comply with “Water Sense” technology and efficient lighting (LED, occupancy light sensors) to reduce overall power usage.
- We installed a rooftop solar array which is expected to offset approximately 60% of the COF annual electric consumption.
- We purchased three electric vehicles and installed an electric vehicle charger at the COF to offset greenhouse gas emissions through our use of the zero emissions vehicles.
- The existing site is located within a 1/4 mile of two bus lines to encourage occupants and visitors to utilize mass transit. Additionally, we installed bike racks to encourage occupants and visitors to use bicycles in lieu of automobiles.



Rooftop Solar Array



Electric Vehicles with Charging Station



Museum Featuring Reclaimed Wood

Infrastructure Projects

Providence Water has a long tradition of providing customers with high-quality drinking water at an affordable price. Maintaining and updating our infrastructure, as well as implementing programs and recommendations which protect water quality and public health, is the highest priority for Providence Water. The Providence Water transmission and distribution system is comprised of approximately 1,040 miles of mains, ranging in size from 6 to 102 inches. Since the inception of Providence Water's Infrastructure Replacement Program in 1996, Providence Water has reinvested \$431 million (capital improvements and infrastructure replacement) into our system, with approximately \$96 million expended on the rehabilitation of approximately 73 miles of water mains. Water main rehabilitation construction is ongoing, with factors such as age, flow testing, hydraulic modeling, past leak history and main sampling all considered in the selection process. Priority is also given to replacements in areas of local and state road resurfacing projects where cost savings can be realized through coordination.



Our Unidirectional Flushing Program is an advanced preventive maintenance program which systematically flushes our system to improve water quality in specific areas. The program utilizes hydraulic modeling software and mapping sequences to attain optimal flushing velocities. In 2017, Providence Water flushed 100 miles of our system. Since inception of the program, approximately 440 miles of our system have been flushed.

During 2017, a new Citizens Bank campus in the Town of Johnston was under construction. The new facility has room for more than 3,000 employees and imposes additional domestic, irrigation and fire flow demands on the Providence Water system. As a result, a new 1 million gallon elevated storage tank was constructed in the Greenville Avenue pump zone to address the needs of the new facility and potential future demands in this area.

Providence Water merged with the East Smithfield Water District at the end of 2016. The merger resulted in 2,400 new retail service locations and 33 miles of water main being added to our distribution system. During 2017, upgrades and water main improvements were conducted in the East Smithfield area. As a result, the North Elmore Pump Station was decommissioned and this area of East Smithfield is now part of the Fruit Hill extra high service pump zone area. In addition, new valves were installed on numerous hydrants within the East Smithfield area in order to improve service.



Customer Service

Our customers are at the forefront of everything we do within each of our departments. From Customer Service to Water Supply, we are dedicated to providing exceptional service and support to our customers. Our goal is to meet and exceed customer expectations on a daily basis and to deliver high quality water to homes and businesses at the lowest possible cost.

Our customer service representatives are available to provide quick, responsive support to our customers' needs. Each day, we assist with new service installations, meter readings and replacements, and billing inquiries. We make it easy to pay water bills as customers can utilize several options such as visiting our Customer Service department, mailing in a payment, paying by phone, visiting our website and paying online, and utilizing our autopay and e-billing service. As of the end of 2017, more than 5,400 Providence Water customers have opted to "go green" by signing up for our paperless e-billing service, while more than 3,300 customers have chosen to save a stamp each month by signing up for the auto-pay option.

We are available to address customer questions and concerns regarding any issues with drinking water. Our Water Quality Hotline is staffed with representatives who can assist with water quality issues and water testing. Current Providence Water customers who are interested in having their water tested can pick up a free water testing kit at our Customer Service department located at 125 Dupont Drive in Providence during regular business hours.

We utilize our social media accounts, Facebook and Twitter, by posting daily work schedule sites in order to keep our customers apprised of water utility work being completed within their community and to promote programs that benefit our customers, including our 0% interest loan for private-side lead service replacements.

We stay connected with customers via our mass notification system which is used to inform residents of upcoming utility work within communities. Customers can also visit our website to view our daily crew schedule and to download forms and applications.



Protecting the Watershed . . .

The watershed area surrounding the Scituate Reservoir system consists of almost 93 square miles of land that flows across or under on its way to the Scituate Reservoir. Providence Water owns more than 25 square miles of land within the watershed area and continuously works to reduce water pollution and protect drinking water quality at its source.

- In 2017, we collected and analyzed nearly 300 stream samples obtained throughout the watershed.
- Conducted 30 dam inspections throughout the watershed as part of Providence Water's Dam Safety Program.
- Managed a limnological assessment of the Scituate Reservoir.
- Conducted an inventory of timber at 28 pre-established measuring points.
- Maintained 65 acres of grassland for wildlife habitat on the former Joslin property.
- Tapped 2,855 sugar maple trees for syrup production.
- Leveraged more than \$50,000 of federal funds for watershed conservation.

. . . and Managing our Water Supply



Community Outreach

Providence Water employees actively participate in community outreach activities during the year. We visit with local school children to educate them about their drinking water and the watershed, work closely with industry partners to help promote stewardship of our natural resources and help raise funds for local and national charities.

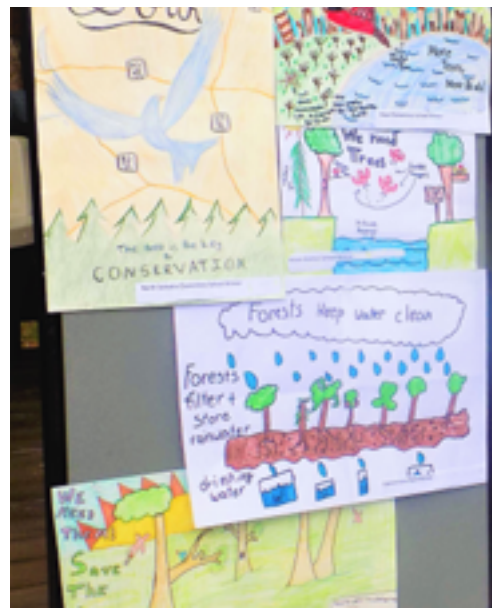
The Scituate Reservoir Watershed Education Program is a partnership between Providence Water and the Northern Rhode Island Conservation District. The program educates residents and students in the Scituate Reservoir watershed about land use and water quality. Providence Water provides funding for events, such as the annual Water Festival in North Scituate, RI, through the program, which provides an interactive and fun environment that teaches elementary grade school students the principles of water conservation and stewardship, and a sponsored poster contest in which the students are given a water quality protection theme.

Providence Water staff visit schools located in our retail area to meet with students to educate them on important topics relating to their drinking water, such as the benefits of drinking tap water over bottled water, the importance of protecting our watershed from pollutants and an overview of our treatment process.



Providence Water also offers free public field tours which are scheduled throughout the year, as well as our neighborhood community meetings that are scheduled during construction season to inform residents and businesses of upcoming utility work in their area.

Since 2010, Providence Water has collected more than \$25,800 through our “Dress Down Program” for local and national charities by “dressing down” each Friday to support a great cause.



Leadership



Mayor Jorge O. Elorza



Xaykham Khamsyvoravong
Chairperson



Joseph D. Cataldi
Vice Chairperson



Michael J. Correia
City Councilperson



Sabina Matos
City Councilperson



Cristen L. Raucci
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
Executive Engineer /
Deputy GM Operations



Peter J. Pallozzi
Deputy GM
Administration



Peter LePage
Sr Manager, Engineering



Mark Haroian
Sr Manager, T&D



Nancy Parrillo
Sr Manager, Finance



Stephen Soito
Sr Manager, Water Supply



Antonio M. Araujo, III
Sr Manager, Support Svcs



Stephen Colman
Sr Manager, IT



Lynn Roberts
Sr Manager, Personnel



Mark Ceseretti
Sr Manager, Customer
Service



Carissa Richard
Sr Manager, Governmental
Relations

Financials

SUMMARY OF NET POSITION FOR THE YEARS ENDED JUNE 30, 2015, 2016, AND 2017

	2015	2016	2017
Total Current Assets	\$ 55,703,859	\$ 56,011,846	\$ 54,554,469
Net Property, Plant, and Equipment	317,261,613	359,674,679	391,547,959
Total Assets	\$ 372,965,472	\$ 415,686,525	\$ 446,102,428
Total Current Liabilities	13,498,668	13,183,282	11,953,738
Total Long-Term Liabilities	123,484,785	157,876,249	170,282,008
Total Liabilities	136,983,453	171,059,531	182,235,746
Deferred Outflows (Inflows) of Resources	1,156,442	6,170,051	3,952,606
Net Position:			
Net Investment in Capital Assets	239,087,594	256,129,467	273,631,269
Restricted Fund	36,145,168	37,233,166	41,155,297
Unrestricted Fund	(38,094,301)	(42,565,589)	(46,967,278)
Total Net Position	\$ 237,138,461	\$ 250,797,044	\$ 267,819,288

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDING JUNE 30, 2015, 2016, AND 2017

	2015	2016	2017
Total Operating Revenue	\$ 69,231,217	\$ 69,209,492	\$ 71,778,075
Total Operating Expenses	54,492,430	55,360,900	55,765,388
Operating Income	\$ 14,738,787	\$ 13,848,592	\$ 16,012,687
Net Non-Operating Revenue (Expenses)	(1,811,838)	(673,210)	(2,622,675)
Capital Grants and Contributions	1,098,258	483,201	405,429
Net Income	14,025,206	13,658,583	13,795,441
Net Pension Liability (GASB 68 Implementation)	(41,356,974)	---	---
Prior Period Adjustment	2,009,226	---	---
Increase (Decrease) in Net Position	(25,322,542)	13,658,583	13,795,441
Net Position Acquired Via Merger (ESWD)	---	---	3,226,980
Net Position - Beginning of Year	262,461,003	237,138,461	250,797,044
Net Position - End of Year	\$ 237,138,461	\$ 250,797,044	\$ 267,819,288

Looking Ahead

Providence Water has installed a rooftop solar array which is expected to offset approximately 60% of the annual electric consumption at our new Central Operations Facility and we would like to be completely reliant on renewable energy by the end of 2019. Looking ahead, we will explore additional renewable energy options, as well as continue to evaluate our facilities for all opportunities to improve energy efficiency and reduce our carbon footprint.

Providence Water plans to aggressively promote our “Lead Free is the Way to Be” loan program through our website, social media, lead information brochures, customer bills and the Water Quality Report. The program offers customers the opportunity to obtain a 3-year, 0% interest loan to replace the private side of their lead service line. We are also working to make the Providence Water website more user-friendly and provide customers with easy website access to sign up for our email and telephone notification service to receive information during water main breaks, hydrant flushings, advisories, system repairs and service interruptions.

The current 10-year tax agreement between Providence Water and the Town of Glocester is set to expire on December 31, 2018. Providence Water will work with the Town of Glocester to renegotiate a fair tax agreement. Finally, Providence Water will continue to invest in the sustainability of our system through our infrastructure rehabilitation, unidirectional flushing and water quality protection programs.





From our watershed to your faucet . . .

Tap Water Delivers



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