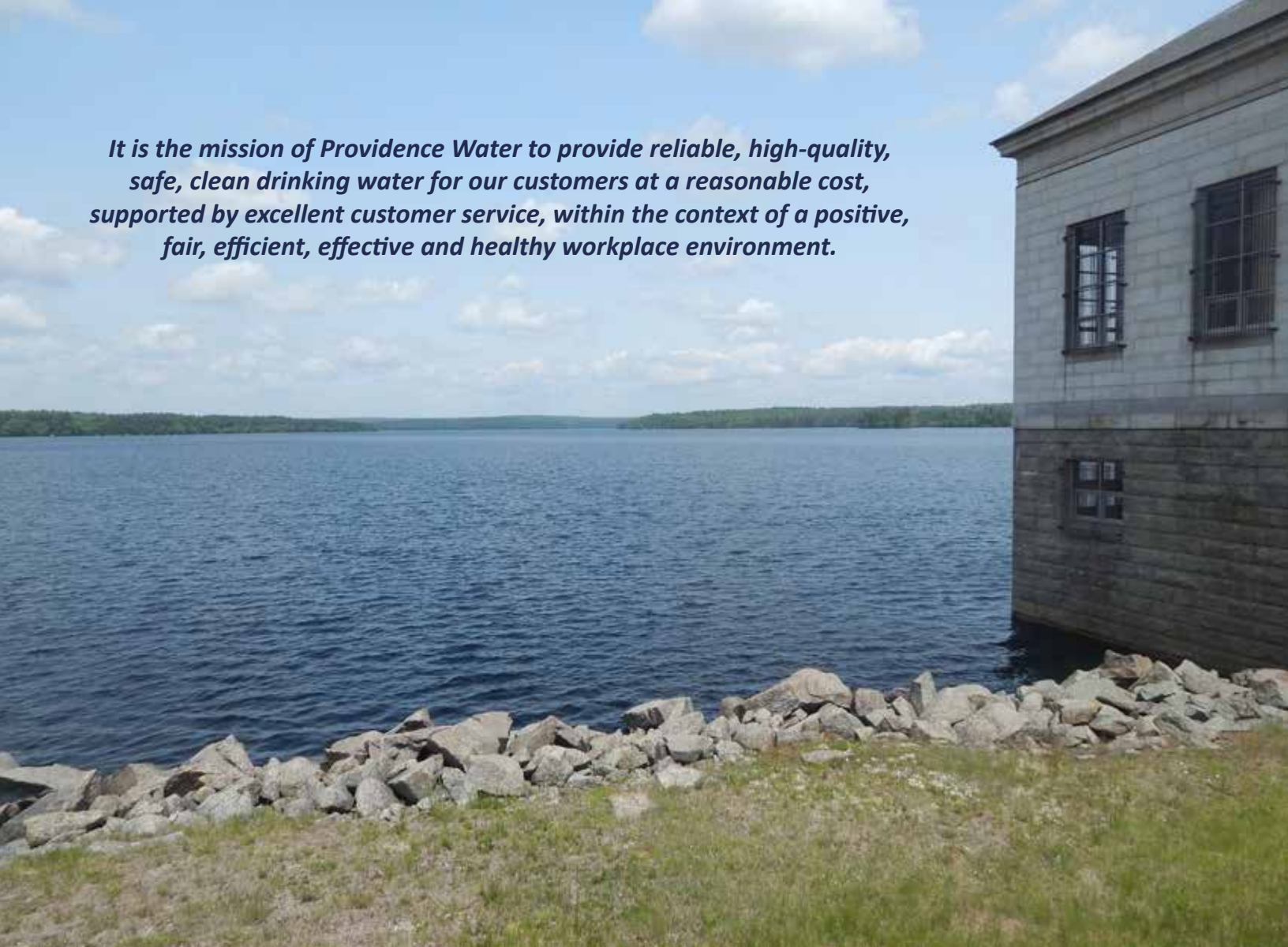


Tap Water Delivers



2018 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.





It is hard to believe that it was almost two years ago that we moved into our new Central Operations Facility on Dupont Drive in Providence. When we first began the process of looking for a new headquarters location, we had a vision of a facility that would not only house our equipment and staff, but would

also be environmentally friendly and sustain Providence Water and our customers for many years to come.

I am proud to share that our vision for a sustainable building has come to fruition. Rooftop solar panels that were installed in January 2018 currently power more than 50% of the energy needs of our building. In that first year alone, we saved approximately \$84,000 in electric costs. Our fleet of electric cars do not produce emissions or utilize fossil fuels. Looking forward, our long-term vision is to be 100% powered by renewable energy sources, and we're already on our way to this goal with projects such as our new 30 acre solar array in Johnston.

Ultimately though, it is the customer experience that was the most important consideration for our new headquarters location. With easy access and plentiful parking, customers are able to pay their bills quickly and

conveniently in our Customer Service Department, pick up free lead test kits and fill out new service application forms, all from one location.

Continuous investment in our infrastructure is critical to our ability to provide high-quality drinking water to our customers on a daily basis. With funding secured through the Rhode Island Public Utilities Commission and a partnership with the Rhode Island Infrastructure Bank, we are encouraging customers to take advantage of our 3-year, 0% interest loan program to replace their private-side lead service lines. Providence Water will ensure that the public side of the lead service line is automatically replaced, at no cost, whenever a homeowner replaces their private side of the lead service line.

As we look towards the future, we will continue to research new projects that will allow us to realize additional sustainable initiatives in order to minimize our environmental impact. We remain committed to providing our customers with safe, high-quality drinking water and we look forward to continuing to provide exceptional water service to you and your families for many generations to come.

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

System Improvements for a Sustainable Future

Maintaining and updating our infrastructure, as well as implementing programs and recommendations that 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 \$460 million (capital improvements and infrastructure replacement) into our system, with \$118 million expended on the rehabilitation of 86 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 of systematically flushing our system to improve water quality in specific areas. The program utilizes hydraulic modeling software and mapping sequences to attain optimal flushing velocities. In 2018, Providence Water flushed 96 miles of our system. Since inception of the program, more than 530 miles of our system have been flushed.

During 2018, a new campus for Citizens Bank in the Town of Johnston was completed. The new campus imposes additional domestic, irrigation, and fire flow demands on our 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, as well as future anticipated build-out demands in this area of our distribution system.

We began dewatering our 102-inch transmission main to prepare for the upcoming inspection and rehabilitation of the 5-mile main in 2019. The dewatering process, which occurs when water in the pipeline is drained and removed, was completed during the last three weeks of December, with the inspection and rehabilitation process beginning in January 2019.

Each year during construction season, we meet with members of our retail communities to provide important information regarding our water main rehabilitation program. Community outreach meetings are scheduled to inform residents who live near our work areas as to what they can expect to take place during construction, as well as addressing questions, distributing project handouts and encouraging enrollment in our mass notification system to stay apprised of work being done in their neighborhoods.



Leading the Way to Lead Free

The drinking water that leaves the Providence Water treatment plant in Scituate is of the highest quality and does not contain lead. Lead and copper contamination in drinking water primarily occurs because of the corrosion of lead pipes, lead plumbing and lead solder. Over the last twenty years, Providence Water has spent more than \$53 million replacing partial public side lead services. We have also made changes to the water treatment process to make the water less corrosive in order to reduce the lead levels in some homes. Some homeowners still have a water service line, or fixtures in the home, that contain a portion of lead. Since 2012, Providence Water has been working with an expert panel comprised of water supply professionals, consultants and academia to address lead issues, the latest research findings and potential treatment options.

Based on recommendations provided by the expert panel, we utilize a four-pronged approach to reducing lead at the tap - corrosion control, unidirectional flushing, water main rehabilitation and extensive public education and outreach. As part of this multi-pronged approach, Providence Water launched a proactive program offering homeowners a 3-year, 0% interest loan to replace the private side of their lead service line.

In 2017, Providence Water received unanimous approval from the Rhode Island Public Utilities Commission to utilize \$250,000 in rates annually for a 0% interest private-side lead service line replacement loan program. Additionally, in March 2018, Providence Water received approval to borrow \$1 million dollars at an interest rate of 0% through a partnership with the Rhode Island Infrastructure Bank. With funds secured, Providence Water

launched a wide-scale “Lead Free is the Way to Be” campaign to promote the availability of our cost-effective 3-year, 0% interest private-side lead service line replacement loan to customers and educate them on how to reduce lead levels at the tap.

<i>By the Numbers - Calendar Year 2018</i>	
Public Lead Services Replaced	525
Private Lead Services Replaced	209
Loan Applications Received:	443
Total Estimates Completed:	348

We have utilized various public outreach methods, including traditional mailings, social media, website promotion and advertising, to draw awareness to the campaign and expand the

reach of our audience. Our website contains a one-stop resource center offering loan information/applications and directions for customers to obtain free lead test kits. Within the year, our efforts yielded more than 400 applications from customers who have expressed interest in participating in our loan program.



Award Winning Leadership

Providence Water was recognized with a “Lead by Example” award from the Rhode Island Office of Energy Resources. The award recognizes state agencies, municipal governments, quasi-public agencies and public colleges and universities for significant contributions toward the promotion and implementation of comprehensive clean energy measures that are helping to reduce energy burdens and mitigate greenhouse gas emissions. Providence Water was recognized as an award winner and public sector leader due to the renewable energy, sustainability and energy efficiency measures achieved in the Central Operations Facility (COF) project. The award took into consideration green initiatives such as energy-saving LED lighting, the use of electric vehicles and charging stations, and a 496 kW AC rooftop solar array, which is expected to offset more than 50% of the COF’s annual electric consumption.



Delivering Exceptional Service Every Day

Customer satisfaction is our top priority and we strive to exceed expectations every day. To better assist our diverse customer base, our customer service representatives include bilingual staff who 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.

Paying your water bill has never been easier, as customers can utilize numerous options including visiting our website and paying online or utilizing our autopay and e-billing services. More than 6,800 Providence Water customers have opted to "go green" by signing up for our paperless e-billing service, while more than 4,500 customers have chosen to save a stamp each month by signing up for the autopay option.

Our Water Quality Hotline is staffed with representatives who can assist with water quality issues and testing. Providence Water customers who are interested in having their water tested can pick up a free test kit at our Central Operations Facility located at 125 Dupont Drive in Providence during regular business hours.

We connect with our customers through our Facebook and Twitter social media accounts by posting daily work schedule updates and promoting the benefits of programs like our 3-year, 0% interest loan for private-side lead service replacements. Followers are also informed of online payment options, our community events and water conservation tips.

For customers who want to stay informed, a new feature has been added to our website which allows them to register through our CodeRED mass notification system. Customers can register to receive information regarding hydrant flushings, system repairs, service interruptions, etc. They also have the ability to customize settings, including the alerts they receive and their preferred language.

Investing in Our 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. We are continuing our land acquisition efforts using bond funds obtained through the Rhode Island Infrastructure Bank and in 2018, Providence Water acquired approximately 55 acres of watershed property located in the towns of Johnston and Foster. Since 1989, approximately 3,600 acres of watershed land has been acquired for water quality protection purposes through fee simple or development rights purchases.

2018 Accomplishments:

- Leveraged \$65,000 in external grant funding spent on water quality protection through partnership projects with Northern RI Conservation District.
- Acquired more than \$50,000 of federal funds for watershed conservation.
- Conducted a limnological assessment of the Scituate Reservoir.
- Tapped 2,200 sugar maple tree for syrup production.
- Performed 30 dam inspections.
- Conducted avian surveys at five grassland field sites.
- Successfully established small wildflower planting beneficial for bees, butterflies, hummingbirds and other pollinating invertebrates.
- Collected and analyzed nearly 300 stream samples.

. . . and Managing our Water Supply



Enriching Lives Through Community Outreach

Providence Water employees participate in community outreach activities throughout 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.



During the year, Providence Water staff had the opportunity to visit with students of all ages to discuss drinking water, leadership and sustainability. The Scituate Reservoir Watershed Education Program is a partnership between Providence Water and the Northern Rhode Island Conservation District that educates residents and students about land use and water quality. Providence Water provides funding for events such as the annual Water Festival in North Scituate. The program provides an interactive and fun environment that teaches elementary grade school students the principles of water conservation and stewardship. Providence Water staff had the privilege of handing out awards for the annual poster and calendar contest based on a water quality protection theme.

Providence Water employees assisted in helping high school students dress to impress. Providence Water General Manager Ricky Caruolo and staff visited the Dr. Jorge Alvarez High School in Providence to deliver more than 200 neckties donated by Providence Water employees to the members of the Alvarez High Gentlemen's Club. The students work together in a team environment to build strong relationship skills and receive mentoring from school administrators and industry leaders on business skills, education planning and leadership development. The neckties are worn by the students as encouragement to become leaders and mentors not only in the school, but in their everyday lives as well.



With the successful implementation of energy-efficient projects, including a rooftop solar array and energy-saving LED lighting, Providence Water was pleased to welcome

students from the University of Rhode Island's Energy Fellows program who are passionate about sustainable energy issues. The students toured the Providence Water Central Operations Facility to see how the energy efficiency projects that they are working on today could affect daily operations within our facility.

Providence Water staff also visited with students at the Robert F. Kennedy Elementary School in Providence and challenged them to "Imagine A Day Without Water". The national "Imagine A Day Without Water" campaign was created to help educate people throughout America about the crucial need for investment in our nation's water infrastructure. Students learned about the importance of water in their everyday lives, as well as the steps that Providence Water takes to provide high-quality drinking water to their homes every day.

In an effort to promote healthy living and wellness, Providence Water employees joined thousands of local supporters in the annual 2018 American Heart Association Heart Walk in downtown Providence. Employees raised nearly \$5,000 in contributions, which was donated to the American Heart Association to help fund lifesaving research for heart disease and stroke.

Since 2010, Providence Water has collected more than \$35,500 through our "Dress Down Program" for local and national charities by paying to "dress 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
Director of 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, 2016, 2017, AND 2018

	2016	2017	2018
Total Current Assets	\$ 54,703,458	\$ 54,554,469	\$ 58,575,820
Net Property, Plant, and Equipment	360,983,066	391,547,959	406,430,789
Total Assets	\$ 415,686,524	\$ 446,102,428	\$ 465,006,609
Total Current Liabilities	13,183,282	11,953,738	13,098,064
Total Long-Term Liabilities	157,876,249	170,282,008	176,556,035
Total Liabilities	171,059,531	182,235,746	189,654,099
Deferred Outflows (Inflows) of Resources	6,170,051	3,952,606	162,247
Net Position:			
Net Investment in Capital Assets	256,129,467	273,631,269	294,002,639
Restricted Fund	37,233,166	41,155,297	43,260,428
Unrestricted Fund	(42,565,589)	(46,967,278)	(61,884,444)
Total Net Position	\$ 250,797,044	\$ 267,819,288	\$ 275,378,623

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDING JUNE 30, 2016, 2017, AND 2018

	2016	2017	2018
Total Operating Revenue	\$ 69,209,492	\$ 71,778,075	\$ 75,085,420
Total Operating Expenses	55,360,900	55,765,388	56,077,267
Operating Income	\$ 13,848,592	\$ 16,012,687	\$ 19,008,153
Net Non-Operating Revenue (Expenses)	(673,210)	(2,622,675)	(1,943,854)
Capital Grants and Contributions	483,201	405,252	4,245,111
Net Income	13,658,583	13,795,264	21,309,410
Net Pension Liability (GASB #68, #75 Implementation)	---	---	(13,613,941)
Prior Period Adjustment	---	---	---
Increase (Decrease) in Net Position	13,658,583	13,795,264	7,695,469
Net Position Acquired Via Merger (ESWD)	---	3,226,980	---
Net Position - Beginning of Year	237,138,461	250,797,044	267,819,288
Net Position - End of Year	\$ 250,797,044	\$ 267,819,288	\$ 275,514,757

Looking Ahead

Looking ahead to 2019, Providence Water will begin discussions with the Town of Scituate to negotiate a new 10-year tax agreement as the current agreement is set to expire in December 2019. We will continue to implement renewable energy projects that will allow us to reduce costs and lessen our impact on the environment. Planned infrastructure rehabilitation will remain ongoing, with the goal of replacing or relining an additional 16 miles of unlined cast iron mains within our distribution system. Finally, we will continue to offer customers the opportunity to utilize our 3-year, 0% interest private-side lead service line replacement loan program.



From our watershed to your faucet . . .

Tap Water Delivers



Lead Free
is the way to be



(401) 521-6300

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www.provwater.com



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