

Providence Water

2019 Annual Report

I am pleased to present our 2019 Annual Report that highlights our accomplishments over the past year.

For more than 100 years, Providence Water has been providing high-quality drinking water to over 600,000 Rhode Islanders each and every day. We take this responsibility very seriously and work hard every day to ensure that the water you receive from your tap is safe, clean and reliable.

Over the past year, we continued to perform system upgrades to our infrastructure, reaffirmed our commitment to reduce the amount of lead at customers' taps by offering interest-free loans to replace private-side lead service lines, and steadfastly adhered to our goal of exceeding our customers' expectations by providing exceptional customer service and support.

Our 2019 capital improvement highlights include the continuation of our water quality improvement work, which includes our water main replacement/relining and unidirectional flushing programs. In 2019, 16 miles of cast iron mains were relined/replaced through our Infrastructure Replacement Program (IFR), while 103 miles of water main were flushed through our unidirectional flushing program. More than 114 miles of water main have been replaced/relined since the program began in 1996, and more than 670 miles of water main have been flushed since 2013. In 2019, \$36.6 million has been spent on IFR improvement projects, with approximately \$428 million spent since the inception of the program in 1996.

We are also continuing with the comprehensive inspection and rehabilitation program of our 102" aqueduct, our largest transmission water main which has a capacity to deliver 150 million gallons of water per day. Our inspection and rehabilitation program has been in place since 1996, when a rupture of the 102" occurred. As part of the program, the five-mile pipeline is periodically isolated, shut down, dewatered and inspected. Upon completion of repairs made to any issues that have been identified, the main is disinfected, flushed, sampled upon refill, and placed back into service. This past year, 2,000 feet of the pipeline was repaired utilizing a cost-effective rehabilitation method known as "sliplining" (relining) with fiberglass reinforced pipe. Additional transmission water mains were utilized in order to avoid any impact to our water service customers during this duration of this project. As part of our Infrastructure Replacement Program, Providence Water will continue to complete these periodic assessments and inspections of the 102" aqueduct in order to maintain a reliable aqueduct to service our customers and ensure the sustainability of our water supply system.

We are aggressively promoting our "lead free is the way to be" campaign to properties that are still connected to lead service lines by continuing to offer 3-year 0% interest loans to help homeowners replace their private lead service lines. To get the word out to customers, we actively promoted the availability of this loan through our water main

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

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replacement program, bill stuffers, invoice messaging, and our social media platforms. Homeowners who participate in this program will have the public side of the lead service line automatically replaced at no cost if they choose to replace their private side of the lead service line. In 2019, 173 private-side lead services were replaced utilizing the 3-year 0% interest program. The program was implemented in February 2017, when the Public Utilities Commission authorized Providence Water to raise \$250,000 annually through rates to fund a 0% interest loan program to help customers replace the private side of their lead service. An additional \$1 million loan from the Rhode Island Infrastructure Bank was secured in 2018 to further fund the program.

Our customers are at the heart of everything we do, so it's important that we continue to offer convenient programs and services that will assist them quickly and efficiently. Our website and social media communications are continuously updated to relay information to our customers in a timely and user-friendly manner. In 2019, we upgraded our website to include a new mobile-friendly format to accommodate our "on-the-go" users. We have also made it easier for our audience to find important documents on our website by creating user-friendly features such as categorized forms and centralized report repositories.

We also continue to offer convenient online services, such as meter reading submissions and bill payments. In 2019, an additional 1,066 customers signed up for the autopay feature that allows customers to pay their monthly bills online and schedule future payments. We also had 1,404 customers sign up for electronic billing (e-bill), which is a green initiative that allows us to send invoices electronically. Customers save a stamp by utilizing this feature, as e-billing replaces the traditional monthly paper mailing method. Since the implementation of the autopay and e-bill programs in 2015, a total of 5,222 customers have signed up to utilize the autopay billing service and 7,811 customers have signed up for our e-billing service.

In 2019, Providence Water completed the multi-year meter and Encoder Receiver Transmitter (ERT) conversion project in the East Smithfield retail system which was acquired in 2017. A total of 2,415 active account meters were converted over to Automated Meter Reading (AMR) digital meters, which allows for actual versus estimated meter readings and reduces labor costs as the digital meters transmit data to a Providence Water reader vehicle, which eliminates the need for in-person meter reading appointments.

A healthy workforce is the cornerstone of every business, and we continue to invest in our employees' safety and well-being by offering extensive safety training and workshops to promote safe work practices and reduce workers' compensation insurance costs. In September, a Safety Day event was held at our Central Operations Facility to promote safety awareness, learning, teamwork and cooperation. This bi-annual event featured a variety of guest speakers and provided our employees with the opportunity to view presentations and interactive demonstrations of daily functions that are completed within each department in accordance with our safety procedures. Additionally, in-house trainings are offered throughout the year to reinforce the importance of following all safety procedures, wearing personal protective equipment, and always remaining in compliance.

Providence Water remains very active within the community, where we perform outreach activities that allow us to connect with our consumers on both an informative and educational level. At the beginning of each construction season, we conduct several community outreach meetings within the defined work areas to notify local area residents of upcoming water main work and its potential impact on their daily activities. Customers appreciate the opportunity to meet with our engineers and contractors ahead of scheduled work so that they can adequately prepare for any disruptions. We also scheduled several visits to local classrooms to meet with students and teachers and conducted interactive learning sessions that teach the value of water, watershed protection, and water conservation. We were excited once again to collaborate with the Northern Rhode Island Conservation District to sponsor the annual Scituate Watershed Festival, where children of all ages are assembled in a fun-filled learning environment to learn

about drinking water and sustainability. We also supported our local and national charities through our “Dress Down Friday” program, where our employees make a donation each Friday for the opportunity to dress-down for the day. Charities receiving donations in 2019 included the RI Food Bank, Wildlife Rehabilitators Assoc. of RI, No Kid Hungry, ATSSA, the American Heart Association, New England Hemophilia Association, Meals on Wheels of RI, BTSCRI, Gloria Gemma, and Esperanza Hope. Since 2010, Providence Water has collected more than \$49,500 for our dress-down community charity programs.

In 2019, Providence Water was honored to receive an AQUARIUS award through the Drinking Water State Revolving Fund (DWSRF). The award is presented for projects that demonstrate exceptional focus on sustainability and protection of public health. Providence Water has been proactively replacing public-side lead service lines and offering our aforementioned 0% interest loans to homeowners for private lead service line replacements, utilizing a cost-effective method of replacing distribution lines in the area at the same time services are performed. Over the past 13 years, the DWSRF has provided \$100 million in funding to Providence Water, with an additional \$16.3 million of funding in 2017 for lead service line replacements.

Additional accomplishments last year include the successful renegotiation of a 10-year tax agreement with the Town of Scituate that builds upon the payment schedules negotiated in the 2009 and 2017 tax agreements. We also leveraged \$150,000 in external grant funding spent on water quality protection through partnership projects with the Northern RI Conservation District to assist landowners in applying for and implementing federal grants to protect existing forest/farmland from being sold or converted in order to protect the water quality in the reservoir from contaminated runoff.

As we look towards the coming year, we will continue to focus on managing our infrastructure replacement programs, with installations of a new lime chemical feed system and a system-wide orthophosphate chemical feed system to protect our customers and water supply system. We will continue to anticipate our community’s needs as we evaluate and adjust operations that are consistent with state and city COVID-19 guidelines in order to keep our customers, visitors and employees safe. We will also explore grant funding opportunities for our private-side lead service replacement loan program as we continue to aggressively promote our 0% interest loan program to our customers to increase awareness and encourage participation. We also look forward to completing our new 30-acre solar array in Johnston, which will enable Providence Water to become 100% green and utilize all of our electricity from our own in-house renewable energy systems.

As always, we appreciate our customers’ continued confidence and support as we maintain our commitment to building a sustainable future and investing in capital infrastructure improvements to ensure safe, clean and reliable drinking water for future generations to come.

Respectfully,

A handwritten signature in black ink, appearing to read "Ricky Caruolo", with a stylized flourish at the end.

Ricky Caruolo
General Manager

PROVIDENCE WATER SUPPLY BOARD

SUMMARY OF NET POSITION FOR THE YEARS ENDED JUNE 30, 2017, 2018, AND 2019

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Current Assets	\$ 60,356,548	\$ 63,035,181	\$ 52,637,422
Net Property, Plant and Equipment	\$ 390,371,354	\$ 405,390,317	\$ 440,179,409
Total Assets	\$ 450,727,902	\$ 468,425,498	\$ 492,816,831
 Total Current Liabilities	 \$ 11,953,867	 \$ 13,098,062	 \$ 14,062,833
Total Long-Term Liabilities	\$ 170,341,046	\$ 176,556,035	\$ 189,514,439
Total Liabilities	\$ 182,294,913	\$ 189,654,097	\$ 203,577,272
 Deferred Outflow (Inflow) of Resources	 \$ 786,585	 \$ 3,256,637	 \$ 3,562,081
 Net Position:			
Net Investment in Capital Assets	\$ 273,631,269	\$ 294,002,639	\$ 319,818,541
Restricted Fund	\$ 41,155,297	\$ 43,396,562	\$ 33,525,802
Unrestricted Fund	(46,967,278)	(61,884,444)	(67,666,865)
Total Net Position	\$ 267,819,288	\$ 275,514,757	\$ 285,677,478

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDING JUNE 30, 2017, 2018, AND 2019

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Operating Revenue	\$ 71,778,075	\$ 75,085,420	\$ 72,330,415
Total Operating Expenses	\$ 55,765,388	\$ 56,077,267	\$ 59,428,296
Operating Income	\$ 16,012,687	\$ 19,008,153	\$ 12,902,119
 Net Non-Operating Revenue (Expenses)	 (2,622,675)	 (1,943,854)	 (3,655,366)
Capital Grants and Contributions	\$ 405,252	\$ 4,245,111	\$ 915,968
Net Income	\$ 13,795,264	\$ 21,309,410	\$ 10,162,721
Net Pension Liability (GASB #68, #75 Implementation)	--	(13,613,941)	--
Prior Period Adjustment	--	--	--
Increase (Decrease) in Net Position	\$ 13,795,264	\$ 7,695,469	\$ 10,162,721
Net Position Acquired via Merger (ESWD)	\$ 3,226,980	--	--
Net Position – Beginning of Year	\$ 250,797,044	\$ 267,819,288	\$ 275,514,757
Net Position – End of Year	\$ 267,819,288	\$ 275,514,757	\$ 285,677,478