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General Mgr./Chief Engr.

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City Councilman

RITA M. WILLIAMS
City Councilwoman

MARY A. NOCERA
Member

JOSEPH D. CATALDI
Member

February 19, 1999

City Council President John J. Lombardi
 Providence City Council
 Providence City Hall
 Providence, Rhode Island 02903

Dear Council President Lombardi:

Enclosed is a copy of our Annual Report for the fiscal year ending June 1998. This report tells the continuous story of Providence Water and its efforts to provide reliable and safe drinking water to its customers and a fire supply for the protection of life and property.

This report is part of our Charter requirement and will also be mailed to the members of the City Council directly, to the Mayor, and to the City Clerk as part of the permanent record. Additionally, we will be distributing this report to City departments, Statewide to agencies and entities we normally deal with, and to comparable water utilities throughout the nation.

Also, for your information, Providence Water has established a web site at www.provwater.com

Respectfully,
 PROVIDENCE WATER SUPPLY BOARD

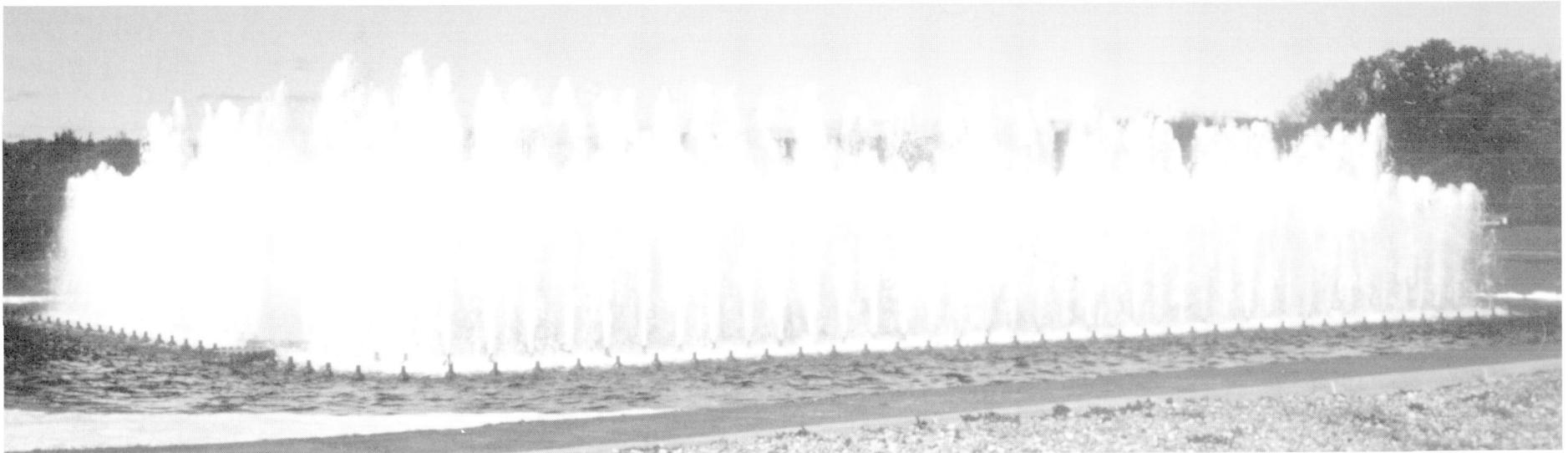
Richard O. Rafanovic, P.E.
 General Manager and Chief Engineer

2881
 Enclosure

IN CITY COUNCIL
APR 15 1999
 READ
 WHEREUPON IT IS ORDERED THAT
 THE SAME BE RECEIVED.

 CLERK

PROVIDENCE WATER SUPPLY BOARD



Maintains The **PURITY** Of Our
WATER

Mission Statement

To develop and maintain the necessary natural resources, facilities, business and financial systems to supply potable water to existing and projected customers for the enjoyment of their life and for the protection of life and property.

For more information visit our website at www.prowater.com

About the cover

Visible from Route 116 in Scituate, this majestic and decorative display serves an important role in the treatment process. "Aeration," which is one of the first phases of the treatment process, removes nature's gases from the raw water before the purification process starts.

A Message From Our Mayor



More than half of all Rhode Island residents enjoy the highest quality drinking water from a system that the City of Providence has been proud to own and manage for more than a century. Our ever-expanding water system, and its longstanding record of excellence, demonstrates the pivotal and prime role Providence plays as a capital city that thoroughly fulfills its myriad obligations to city residents, and to all the residents of our state.

Providence Water's success is due to a multitude of trained specialists with education and qualifications in their respective fields. Plant operations are managed by a microbiologist who is supported by a staff of professionals including chemists, mechanical equipment specialists, certified operators and sanitarians. The competent and committed work force, under the leadership of Providence Water's dedicated General Manager and Chief Engineer, Richard O. Rafanovic, is crucial to maintaining our system in strict compliance with EPA regulations.

Like systems nationwide, Providence Water must meet the challenges posed by an aging infrastructure. Our ongoing improvements, part of a 20 year Infrastructure Replacement Program, are designed to enhance the level of service provided to Providence Water customers and to ensure the continued reliability of water delivery. By implementing systemic improvements that employ the latest in technology for water safety, Providence Water will continue to set standards of excellence that benefit residents of Rhode Island well into the next century.

Vincent A. Cianci
Mayor of Providence

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A MESSAGE FROM OUR BOARD OF DIRECTORS

Progress Through Professionalism

For more than 100 years, the Providence Water Supply Board has been committed to delivering abundant supplies of safe drinking water to our customers and protecting the system's water resources. The result is a high quality drinking water product that exceeds, by a wide margin, tough Environmental Protection Agency standards. To that end, the Board of Directors at Providence Water continues to carry on a wide variety of activities to assure that all the water needs of our customers will continue to be met on a daily basis well into the new century.

While our commitment is unchanged, the environment in which we meet it is constantly evolving. We work with a century old system that has only recently been receiving the improvements to match the changing technology, various mandated regulations, advanced scientific research and expanded demands of our consumers. However, our infrastructure continues to age and demand maintenance. In order to maintain our high quality standards and continue to serve our growing customer base, the maintenance of our infrastructure remains a priority that should never be minimized if we are to stay true to our commitment and fulfill our responsibilities.



Shown left to right: Standing: Josephine DiRuzzo, Mary A. Nocera, Joel D. Landry, II, Esq.,
Seated - Boyce Spinelli, Armando Parillo, Chairman; Evelyn V. Fagnoli and Joseph D. Cataldi

Service

Providing efficient and effective service to the public

Assuring sufficient supply for today and tomorrow

Supply

Stewardship

Acting as stewards of the system's water resources

Maintaining high water quality

Quality

A Message From Our General Manager and Chief Engineer



Richard O. Rafanovic, P.E.

Providence Water has been an operating utility since 1869 when the voters approved the formation of a Board with the authority to construct and operate the Providence Water Works. This was approximately 230 years after the founders of Providence arrived and settled on the east bank of the Providence River. At that time, it was difficult to cross to the west side of the river. It wasn't until 1711 that a bridge was constructed and a new road was laid out westerly toward Plainfield, CT. Development on the west side was slow. By 1773, a fountain society was formed which supplied water to the area through a system of underground hollowed out logs. Significant progress took place in what was a vibrant settlement and a lively seaport.

Much progress and industrialization took place during the 19th century. Industrialization also brought with it pollution and reinforced the need for a public water supply necessary for domestic life and commerce. Providence Water performed an important function to support progress.

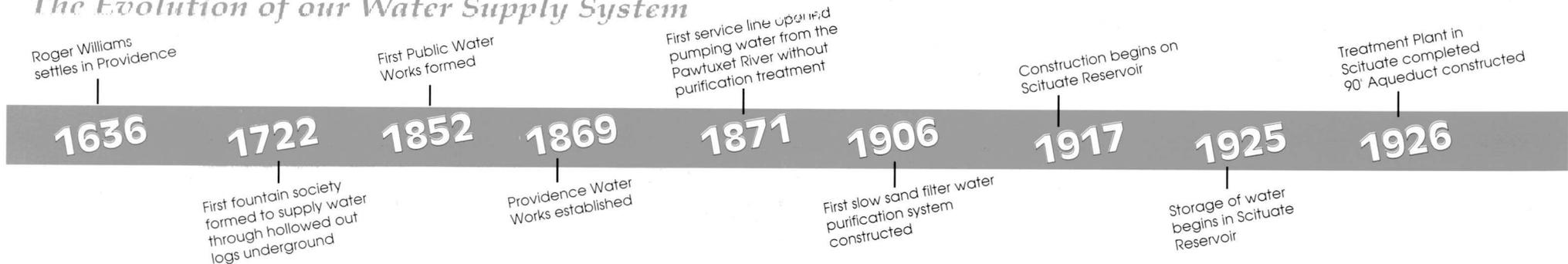
By 1911, it became apparent that the existing system could not satisfy future demands. The City fathers and the State legislature enacted Chapter 1278 of the Public Laws of 1915 authorizing the establishment of a water supply under the direction of a Water Supply Board. This led to the acquisition of land in the Pawtuxet

watershed in the Scituate Valley and the building of a dam and treatment plant which serves over 60% of the state's population to this day.

Today, the water utility is owned by the City of Providence, serves 14 communities in the State, and is regulated by the State Public Utilities Commission.

Commencing in 1990, management of the water system changed to a businesslike approach and plans were developed to ensure an adequate and reliable water supply into the 21st century. Under new management, the Board set out to secure funding for a responsible infrastructure replacement program, the development of a professional workforce to meet current and future challenges, and to develop goals for the future.

The Evolution of our Water Supply System



The mission of Providence Water is ***"To develop and maintain the necessary natural resources, facilities, business and financial systems to supply potable water to existing and projected customers for the enjoyment of their life and for the protection of life and property."***

To accomplish this mission, the Board and senior management staff developed goals that are annually reviewed and updated to meet changing conditions.

Our most valuable asset is our employees. In 1990, Providence Water embarked on an employee development and training program for the entire workforce. In recent years this initiative has been continued and expanded.

The water supply business is becoming more complex, requiring compliance with a myriad of Federal and State regulations intended to assure public health and safety. Water utilities are capital-intensive businesses where mains, service connections, pumps, and other such infrastructure need to be built and maintained to last for decades. The investment in Providence Water's plant and facilities is enormous. To protect these facilities, Providence Water secured ongoing funding and developed a 20 year replacement program to keep these facilities current.

From the early 18th century, when the fountain societies started to provide water, average daily consumption has grown to 70 million gallons a day. The Providence Water Supply Board and its Engineers stepped up to the plate to meet increasing demands throughout history. In the late 1860's, the first municipal water system was formed. After the turn of the century, the supply was increased by building the Scituate Reservoir, treatment plant and aqueducts. By the middle of the 20th century, the treatment plant was doubled to meet existing and anticipated growth. Over the years, the State legislature granted additional water rights from the Scituate Reservoir to various Rhode Island communities which were not part of the original Pawtuxet River watershed. Today, with the supply and demand once again needing adjustment, Providence Water is laying out plans for supplemental water sources.

Our goals, therefore, should be to protect and enhance our commitment to our customers by continuing to:

- Bolster and develop our workforce,
- Develop new source water opportunities directly or by acquisition of systems with a source of supply,
- Adding neighboring water systems that cannot readily meet current and future regulatory complexities,
- Maintain and improve our infrastructure.

The process to do so has already been started. Technicians and engineers are looking for new sources and opportunities to make the water system more valuable. The policymakers and legislators may want to review our goals and consider making them part of their objectives to ensure a reliable and safe water supply for the State's population into the future. Providence Water's management and staff are ready, willing and able to meet these challenges and priorities.

For continuous updates on our progress visit our website at www.provwater.com.

Richard O. Rafanovic P.E.
General Manager and Chief Engineer



Meet Our Management Team

Providence Water is fortunate to have seven skilled professionals providing guidance for a staff of over 260 dedicated employees. Collectively, these managers have more than 100 years of experience in the water supply industry. While clear lines of responsibility have been established and each manager is responsible for a specific area of operation, these senior managers work well together, insuring the effective and efficient use of people and equipment and a sharp focus on completing Providence Water's mission. Our managers have the training, experience and integrity needed to make the right decisions in the best interest of our customers.

Our Accomplishments

We have worked diligently to increase the training and flexibility of our workforce, to establish a customer friendly environment, to modernize our physical plant and to optimize the health, taste and purity of our product. Three key factors were instrumental to our success: the vision of our Board, the leadership of our Chief Engineer/General Manager, and the hard work and dedication of our employees.

Over the past several years Providence Water has concentrated on implementing a series of good business practices. During 1998, Providence Water initiated a number of actions that will mean improved service for our customers.

We changed our billing process, improved our telephone system and laid the groundwork for automatic meter reading. These actions have resulted in more accurate and timely bills, a more rapid response to customer complaints and a dramatic cut in the waiting time for customers who call Providence Water or who visit our office to pay a bill.

Providence Water completed a significant number of construction and system improvement projects during the past year. Of particular note is the Infrastructure Replacement Program; a multi-year effort to repair, replace, retrofit and upgrade dozens of treatment, distribution, pumping, storage and support systems and structures. We also replaced a significant number of lead services with new copper connections. In addition, a program to exercise all valves greater than 16 inches in diameter was started. This will insure that these critically important valves always remain in operating order.

We purchased and installed a new computerized accounting system that will improve the accuracy of our financial data.



(Left to Right)

Michael Russo, Transmission and Distribution

Michael A. Covellone, Water Supply

Paul J. Gadoury, P.E., Engineering

Paul Titzmann, Finance

Joseph Spremulli, Support Services

Peter J. Pallozzi, Commercial Services

Robert J. Kilduff, Esq., P.E. Deputy Legal Counsel

Many other procedures and programs, such as Dig Safe, cross connection control, backflow prevention, fire hydrant inspection and workmen's compensation insurance were improved or modified.

A formal employee training and skills development program was started. This program will provide training in areas such as computer systems, customer service skills, management techniques and water industry "Best Practices."

We made physical improvements to our buildings that will allow our employees to work more efficiently. A vehicle/equipment maintenance and replacement program was developed. This program will improve the safety and operational reliability of all vehicles and be less expensive in the long term.



Customer Relations

1998 was a year that customers began to notice big improvements in customer service. The mailing of water bills began to be spread out equally throughout the year, resulting in an equally distributed demand on customer service representatives. Combined with the installation of new and improved telephone and computer systems, customers began noticing an easier, quicker experience when paying a bill or resolving a problem. In 1999, with the introduction of Automatic Meter Reading, Providence Water will take another big step towards greater customer convenience and security.

Providence Water technicians will begin installing Automatic Meter Reading equipment early next year. Using technology already proven successful in the electric and gas industries, AMR enables us to read utility meters from outside the home using wireless radio signals. The signals are transmitted to data collection units mounted in a moving vehicle. This new technology will allow us to send out quarterly bills with an actual read of water consumption.

AMR will help us achieve the following benefits:

- **Greater customer convenience and security** - reading an AMR meter won't require anyone to enter the premises.
- **Consistently accurate water bills** - With AMR, actual readings will be available all the time. Presently, manual meter reading attempts are only successful a fraction of the time causing most customers to receive estimated bills with actual readings happening only once or twice a year.
- AMR offers long term savings and revenue improvements with more frequent actual meter readings.

This innovative technology will take place over the next three to five years for all of our residential and commercial customers. AMR will make a significant improvement in our continuing efforts to provide quality customer service.

Quality Control

We all take for granted that whenever we turn our faucet, safe, refreshing drinking water will flow from it. Few think about where the water comes from or how it gets to the faucet. For more than 100 years, Providence Water has combined the forces of nature with science and technology to produce a reliable, clean and good tasting supply of water at a reasonable cost to our consumers.

Providence Water's purification plant is located in Scituate, RI and is the largest filtration plant in New England. In service since 1926, the plant uses conventional treatment including aeration, coagulation/sedimentation, corrosion control, disinfection, filtration and fluoridation. The system's 18 sand filters operate just like nature, and have the capacity to filter up to 144 million gallons of water per day.

Tests conducted in the certified Providence Water lab assure the safety and purity of the drinking water, and compliance with strict Federal and State regulations. Each month, eight lab workers process more than 800 samples that are collected from locations throughout the watershed and distribution system. Brooks, streams and the six source water reservoirs are sampled and tested for bacteria, color, pH, Giardia, Cryptosporidium and many other contaminants. Recent EPA regulations also require that the source water be monitored for man-made compounds such as synthetic and volatile organic chemicals. Testing and sampling is also important to maintaining the fish and wildlife habitat that are part of the watershed environment.

Recent laboratory equipment and plant improvements ensure Providence Water will continue to provide a reliable and healthy water supply for now and many years to come.



TREATMENT PROCESS

COAGULANT

Adding ferric sulfate aids in particle removal.

INFLUENT AERATOR

Removes carbon dioxide and other gases. Improves taste.

LIME ADDED

Changes water from acid to alkaline. Removes corrosive properties.

SEDIMENTATION BASINS

Causes impurities to settle.

CHLORINE ADDED

Controls bacteria and viruses.

RAPID SAND FILTERS

Removes additional particles.

FLUORIDE ADDED

Prevents cavities in growing children.

CLEAR WELL

Holds water for distribution.

A Reliable Past....



Providence Water has reliably served the City of Providence for more than 100 years. Like any organization that has been in business for that length of time, our plant and equipment were showing their age. Our customers should be confident however, that bold steps have been taken to reverse this trend. In 1990, under the leadership of Chief Engineer Richard O. Rafanovic, Providence Water recognized the need to set money aside for infrastructure improvements. Working with the General Assembly, legislation was approved that allowed all utilities in Rhode Island to reserve revenue for infrastructure projects. Shortly thereafter, Providence Water secured additional funding and developed and implemented its Infrastructure Replacement Plan. More needs to be done, however, and the job of maintaining and upgrading our water system must be ongoing and continuous. In order to get the best return, Providence Water has been using a pay as we go approach, rather than relying on bonded debt. This work began with a comprehensive facility needs assessment, which evaluated the age and condition of all system components and identified the facilities needing rehabilitation or replacement. From this, Providence Water developed a formal long-term program of scheduled infrastructure replacements. Funding authorizations for the program were sought and obtained, the necessary staffing was secured, and work started on a twenty-year effort to rehabilitate Rhode Island's largest water system.

The program has been extremely successful. In the few years since its inception, many important improvements have been made to critical areas of the system, with more than **\$35 million** invested in the system.

Numerous components of the Water Supply and Treatment system have been rehabilitated and modernized. The antiquated chemical treatment equipment has been replaced with new, modern equipment. A state-of-the-art centralized computer control system has been installed to monitor and control all of the operations of the treatment plant and the system's remote facilities. Critical flow control and valving equipment have been replaced. New water quality monitoring equipment has been installed. Repairs have been made to concrete structures. The plant's service water tank has been rehabilitated. The antiquated, unreliable electrical feed system was replaced with a new, high voltage transmission line and substation. A new emergency generator has been installed to replace the old obsolete unit, providing a secure supply of backup electrical power during emergency power outages. A significant number of lead services were replaced with new copper connections. The Scituate Reservoir's 400' long concrete spillway structure has been rebuilt, and the dam's meter chamber structure has been rehabilitated.

And Bright Future!

Significant improvements have also been made in the Transmission and Distribution system. Two antiquated primary pump stations that supply water to one-quarter of Providence Water's customers, have been rebuilt and their pumping capacity significantly increased. New emergency generators have been installed at each station to provide continuous operation during emergency power outages. The 24 million gallon Longview distribution reservoir has been structurally rehabilitated. Most of the systems large 24" to 48" diameter valves, which are critically important in emergencies, have been replaced with new valves. Numerous smaller distribution main valves have been replaced. Finally, old obsolete hydrants have been replaced with new, modern hydrants ensuring reliable fire protection to customers' properties.

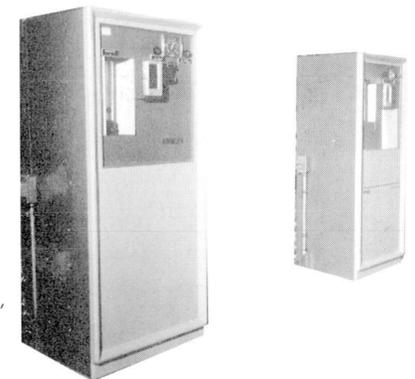
While much work has been accomplished, much remains to be done.

Many of the valves and a full 28% of all water pipes in the system date all the way back to their original installation in the 1800s. Our pumping and treatment systems are still in need of improvements. Increasingly stringent water quality requirements will require further improvements in the system and the incorporation of new technologies. In 1999, Providence Water will complete the rehabilitation of the Ponaganset Dam. The rehabilitation of additional portions of the 102" transmission aqueduct and the inspection and rehabilitation of the Aqueduct Reservoir are also scheduled for 1999. Design and engineering work is proceeding on many other projects; including the rehabilitation of the interior of the clearwell, concrete repairs to the effluent clearwell yard, improvements to the purification plant's water quality laboratory, cathodic corrosion protection for sections of a 48" steel transmission main and the twin 60" steel mains that deliver raw water from the Scituate Reservoir to the treatment plant.

Another challenge is to secure a supplemental water supply source. Alternate sources are needed to provide for future growth or in the event an emergency threatens our primary water source. Providence Water's commitment to its customers is to invest wisely for the future, replacing aging and obsolete facilities on a systematic and scheduled basis. Our goal is to protect the quality and integrity of the system for future generations, and to avoid the serious deterioration that now plagues so many water utilities throughout the nation.

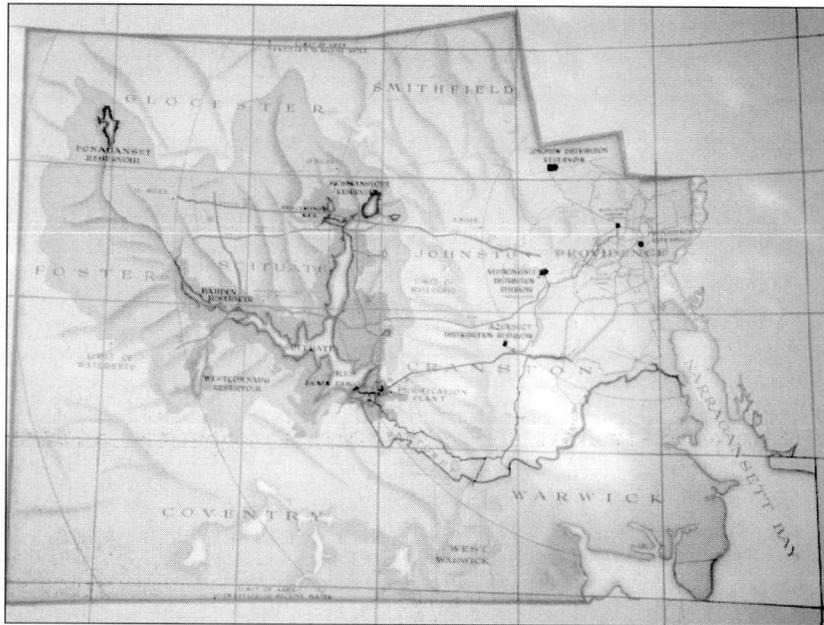


New central computer control system.



New automatic chemical feeders.

Where our water comes from... Where it goes.



RESERVOIR STORAGE CAPACITIES

SCITUATE RESERVOIR	37.011 Billion Gals.
MOSWANSICUT RESERVOIR	1.781 Billion Gals.
REGULATING RESERVOIR	428 Million Gals.
BARDEN RESERVOIR	853 Million Gals.
WESTCONNAUG RESERVOIR	453 Million Gals.
PONAGANSET RESERVOIR	742 Million Gals.
Total	41.268 Billion Gals.

RETAIL vs WHOLESAL %

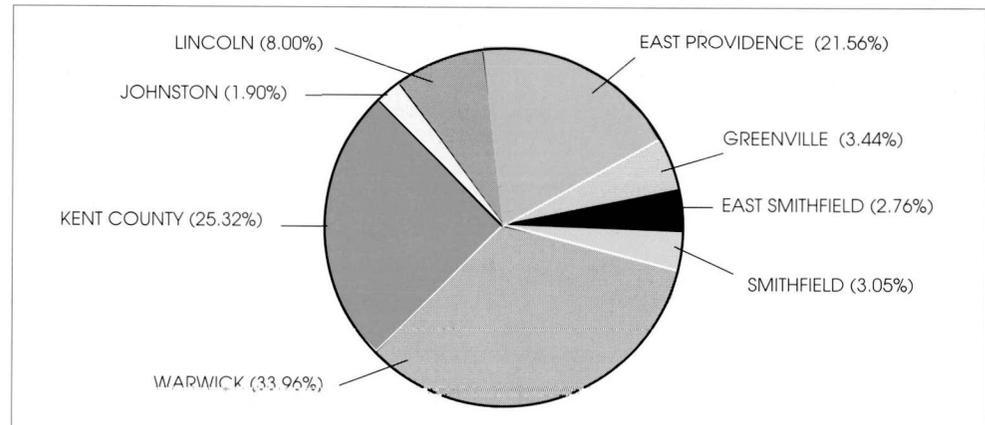
RETAIL CUSTOMERS

- Providence • North Providence
- Cranston • Johnston



WHOLESALE DELIVERIES

EAST PROVIDENCE	GREENVILLE	EAST SMITHFIELD	SMITHFIELD	WARWICK	KENT COUNTY	JOHNSTON	LINCOLN
5.74 MGD	0.92 MGD	0.74 MGD	0.81 MGD	9.04 MGD	6.74 MGD	0.51 MGD	2.13 MGD



REPORTING YEAR JULY TO JUNE

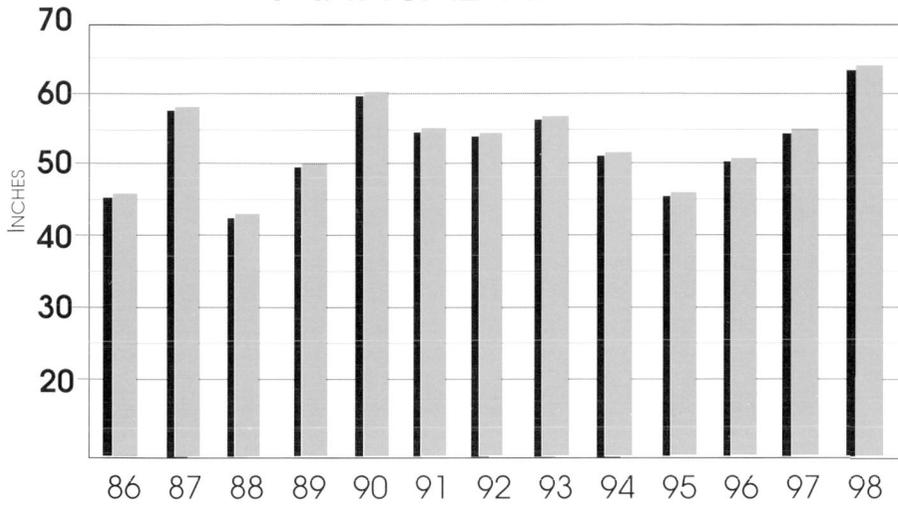
WHOLESALE CUSTOMERS

Warwick Water Department
 East Providence Water Division
 Town of Johnston
 East Smithfield Water Company

Kent County Water Authority
 Smithfield Water Department
 Greenville Water Department
 Lincoln Water Commission

An average of over 40 billion gallons of water a year flows into the reservoir system.

ANNUAL RAINFALL



YEAR	INCHES RAINFALL
98	64.02
97	55.14
96	50.31
95	45.71
94	51.42
93	57.29
92	54.65
91	54.88
90	60.15
89	50.17
88	44.04
87	58.28
86	45.91

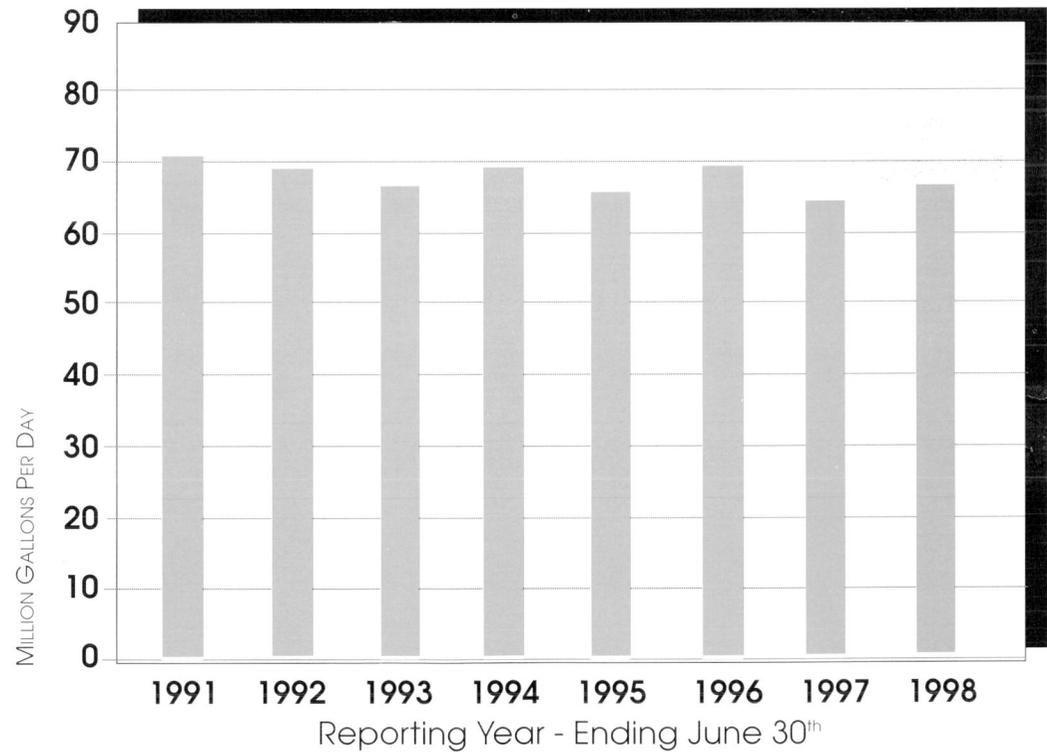
REPORTING YEAR ENDING JUNE 30th

RAINFALL DATA

Average Reporting Year Rainfall (1919 - 1998)	50.14 Inches
Maximum Reporting Year Rainfall (1972)	67.46 Inches
Minimum Reporting Year Rainfall (1965)	33.43 Inches
1998 Reporting Year Rainfall	64.02 Inches

Factoids

ANNUAL PLANT EFFLUENT

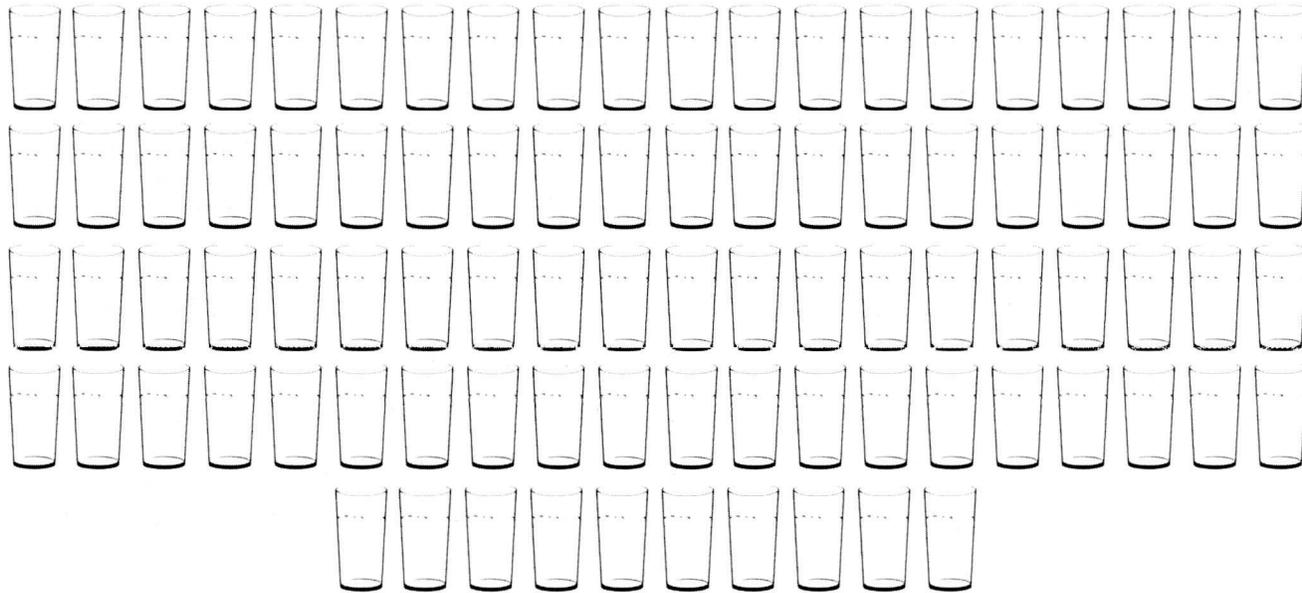


Clean Water - An Outstanding Value

It Only Takes One Of These



To Fill 90 Of These



It only costs a penny for ninety, eight ounce glasses of water

It's the best value around.

Providence Water - An Invaluable Asset

A glass of cool, refreshing water has to be one of the best bargains still available. Just as we strive to provide excellent product quality, so too do we attempt to ensure that asset value is maintained. Over the past year, Providence Water increased the net asset value of its system by \$12.5 million, primarily by reinvesting in the system.

Accounts receivable remained stable and total assets increased by about \$13 million. Outstanding long term debt decreased by \$3 million because Providence Water has chosen to pay for the system improvements directly out of rates, rather than issuing bonds.

This provides our customers with the least costly long term means of replacing property, plant and equipment. Historically, bonding results in paying back between two and three times the total construction cost of a project. We felt, and the Rhode Island Public Utilities Commission (PUC) agreed, that whenever possible it is less costly to the ratepayer to pay for system improvements directly. By using this approach, Providence Water provides our ratepayers with the biggest bang for the buck.

During fiscal year 1998, operating revenues increased due to a slight increase in consumption. Concurrently, operating expenses were tightly controlled. When revenues and expenses are tallied, retained earnings saw an increase of 43%. In summary, Providence Water has become more valuable as a result of the reinvestment in system assets and is in a better financial position to ensure that we continue to provide an excellent product for the future.

Providence Water Balance Sheets

For years ended June 30, 1998, 1997 & 1996

ASSETS	Unaudited 1998	Audited 1997	Audited 1996
Property, Plant and Equipment:			
Land	7,887,165	7,887,165	7,887,165
Buildings and Improvements	10,503,898	10,028,477	8,333,154
Improvements Other than Buildings	74,946,873	73,960,975	70,166,675
Machinery and Equipment	10,136,702	8,677,279	8,209,048
Assets under Capital Leases	16,804,150	16,275,128	11,215,217
Scituate Reservoir Project	18,681,695	18,681,695	18,681,695
Construction in Progress	26,830,954	15,354,608	6,261,829
Funds restricted for construction of assets under Capital Lease and long-term debt	<u>767,024</u>	<u>1,091,046</u>	<u>7,764,778</u>
	166,558,461	151,956,373	138,519,561
Less Accumulated Depreciation and Amortization	<u>39,550,014</u>	<u>37,428,988</u>	<u>35,108,487</u>
Net Property, Plant and Equipment	<u>127,008,447</u>	<u>114,527,385</u>	<u>103,411,074</u>
Current Assets			
Cash and Cash Equivalents	2,412,760	1,575,247	318,268
Accounts Receivable (net of allowance for uncollectible accounts of \$2,908,676 in 1996 and \$4,208,676.00 in 1997 and \$4,208.676 in 1998)	5,764,020	6,676,845	6,966,078
Accounts Receivable unbilled	4,754,558	4,825,444	7,189,885
Inventory	768,556	605,815	597,335
Other	<u>566,527</u>	<u>809,936</u>	<u>852,594</u>
Total Unrestricted	<u>14,266,422</u>	<u>14,493,287</u>	<u>15,924,160</u>
Restricted Assets			
Cash and Cash Equivalents	4,025,347	1,729,524	500,914
Investments	558,704	558,704	545,770
Accounts Receivable	1,352,054	1,142,708	1,122,473
Accounts Receivable unbilled	655,727	584,841	937,788
Due from Operations	<u>4,331,942</u>	<u>5,716,859</u>	<u>4,521,279</u>
Total Restricted	<u>10,923,774</u>	<u>9,732,636</u>	<u>7,628,224</u>
Total Current Assets	<u>25,190,196</u>	<u>24,225,923</u>	<u>23,552,384</u>
Total Assets	<u>152,198,643</u>	<u>138,753,308</u>	<u>126,963,458</u>

Please note that the 1998 amounts have not been audited and reflect preliminary amounts as of October 20, 1998

Providence Water Balance Sheets

For years ended June 30, 1998, 1997 & 1996

CAPITALIZATION AND LIABILITIES	Unaudited 1998	Audited 1997	Audited 1996
Capitalization			
Contributed Capital	56,800,261	56,493,469	53,984,842
Reserved Retained Earnings	10,063,069	8,827,857	6,864,066
Unreserved Retained Earnings	<u>28,949,443</u>	<u>20,920,836</u>	<u>15,155,367</u>
Total Capitalization	95,812,774	86,242,162	76,004,275
General Obligation Bonds	1,440,000	2,095,000	2,715,000
General Revenue Bonds	6,460,209	6,810,994	7,160,400
Obligations under Capital Lease	11,233,918	11,738,918	10,683,000
Scituate Reservoir II Bonds	900,000	1,750,000	2,550,000
Western Cranston Acquisition Debt	655,693	815,649	0
CWFA	<u>10,615,000</u>	<u>11,005,000</u>	<u>11,375,000</u>
Total Long-term Debt	31,304,820	34,215,561	34,483,400
Current Liabilities			
Note to City of Providence General Fund	2,285,376	2,285,376	2,592,842
Due to City of Providence General Fund	2,489,423	842,585	852,255
Due to Restricted Funds	4,331,942	5,716,859	4,521,279
Accounts Payable	3,721,098	3,209,339	2,825,681
Accrued Expenses	1,988,415	1,731,870	2,164,068
Current Portion of General Obligation Bonds	655,000	620,000	590,000
Current Portion of General Revenue Bonds	350,785	326,097	292,500
Current Portion of Obligations under Capital Lease	1,180,000	1,294,360	773,000
Current Portion of Scituate Reservoir II Bond	850,000	800,000	750,000
Current Portion of Western Cranston Acq Debt	354,276	194,320	0
Current Portion of CWFA Bond	<u>390,000</u>	<u>370,000</u>	<u>350,000</u>
Sub total	18,596,316	17,390,805	15,711,625
Amounts to be Paid from Restricted Assets			
Due to Water Resources Board	18,022	(111,236)	405,496
Due to City of Providence General Fund	6,263	6,630	3,080
Accounts Payable	6,460,449	989,788	321,683
Accrued Expenses	<u>0</u>	<u>19,597</u>	<u>33,899</u>
Sub total	6,484,735	904,779	764,158
Total Current Liabilities	<u>25,081,050</u>	<u>18,295,584</u>	<u>16,475,783</u>
Total Liabilities and Capitalization	<u>152,198,643</u>	<u>138,753,308</u>	<u>126,963,458</u>

Please note that the 1998 amounts have not been audited and reflect preliminary amounts as of October 20, 1998

PROVIDENCE WATER STATEMENT OF REVENUE AND EXPENSES

For the years ended June 30, 1998, 1997 & 1996

	Unaudited 1998	Audited 1997	Audited 1996
Operating Revenues - charges for services			
Water Sales			
General Customers	25,692,250	20,523,239	17,166,664
Other Local Water Suppliers	8,852,985	8,007,659	6,853,476
Fire Protection Services	1,452,218	1,530,663	1,218,484
Maintenance Charges and Other Revenue	340,439	<u>339,748</u>	<u>399,381</u>
Total Operating Revenues	36,337,892	30,401,309	25,638,005
Operating Expenses			
Source of Supply	783,962	807,821	780,890
Pumping Operations	540,759	450,253	354,807
Water Treatment	1,877,363	1,767,123	1,891,902
Transmission and Distribution	1,512,841	2,278,479	1,519,492
Charge for Services Provided by other City Departments	659,219	659,279	747,543
Customer Accounts	786,713	812,479	782,731
Administrative and General	11,325,024	8,650,447	7,214,873
Bad Debts	0	1,302,500	57,363
Depreciation and Amortization	2,121,026	2,324,343	2,121,025
Property Taxes - other Local Governments	4,004,209	<u>3,906,825</u>	<u>3,777,899</u>
Total Operating Expenses	23,611,115	22,959,549	19,248,525
Operating Income (Loss)	<u>12,726,778</u>	<u>7,441,760</u>	<u>6,389,480</u>
Non-operating Revenues (Expenses)			
Restricted Revenues (Expenses)			
Water Quality Protection Revenue	2,050,023	2,201,992	2,083,951
City Surcharge Revenue	0	0	0
Water Quality Protection Expense			
Interest Expense	(439,274)	(415,044)	(832,847)
Debt Issuance Expense	0	0	0
Other	(496,502)	(648,698)	(538,565)
Interest Income	427,183	894,569	876,994
Gain on Sale of Investment		0	0
Interest Expense	(1,420,465)	<u>(1,745,319)</u>	(1,778,369)
Net Non-operating Revenues (Expenses)	<u>120,965</u>	<u>287,500</u>	<u>(188,836)</u>
Net Income	12,847,743	7,729,260	6,200,644
Transfers (to) from Other Funds		0	0
Increase in Retained Earnings	12,847,743	7,729,260	6,200,644
Retained Earnings - beginning of year	29,748,693	<u>22,019,433</u>	<u>15,818,789</u>
Retained Earnings - end of year	<u>42,596,436</u>	<u>29,748,693</u>	<u>22,019,433</u>

Please note that the 1998 amounts have not been audited and reflect preliminary amounts as of October 20, 1998

PROVIDENCE WATER STATEMENT OF CONTRIBUTED CAPITAL AND RETAINED EARNINGS

For the years ended June 30, 1998, 1997 & 1996

	Contributed Capital	Reserved Retained Earnings	Unreserved Retained Earnings
Balance at June 30, 1996	<u>53,984,844</u>	<u>6,864,066</u>	<u>15,155,367</u>
Contribution in Aid	2,508,625	0	0
Water Quality Protection Revenue	0	2,201,992	(2,201,992)
Water Quality Protection Expense	0	1,063,742	1,603,742
Debt Service for Scituate Reservoir Project	0	0	0
Other	0	0	0
Net Income	0	825,541	6,903,719
Balance at June 30, 1997	<u>56,493,469</u>	<u>8,827,857</u>	<u>20,920,836</u>
Contribution in Aid	306,792	0	0
Water Quality Protection Revenue	0	2,050,023	(2,050,023)
Water Quality Protection Expense	0	(935,775)	935,775
Debt Service for Scituate Reservoir Project	0	0	0
Other	0	0	(3,583,923)
Net Income	0	120,965	12,726,778
Unaudited Balance at June 30, 1998	<u>56,800,261</u>	<u>10,063,069</u>	<u>28,949,443</u>

Please note that the 1998 amounts have not been audited and reflect preliminary amounts as of October 20, 1998

Over 60%

of Rhode Island's water needs are met by the Providence Water Supply Board from these locations.



*Administrative Building
552 Academy Avenue, Providence*



*Water Purification Plant
61 North Road, Route 116, Hope*



Engineering Department, Scituate Avenue, Cranston



General Information

Administrative Offices

Providence Water Supply Board

552 Academy Avenue

Providence, RI 02908-2792

401-521-6300

401-331-5081 (fax)

401-751-0203 (TDD)

www.provwater.com

Detailed engineering and statistical data is available, by request, in Volume II of the Providence Water Annual Report. Please call (401) 521-6300, ext. 7260, to receive a copy.

Introducing Walter Splash

In 1998, the Providence Water Supply Board adopted our registered mascot called "Walter Splash." This droplet character, following such well known predecessors as "Lester Lightbulb™" and "Smokey the Bear™", will be used as a spokesperson in the various media that will be carrying the Board's positive messages such as "Providence Water. ... it's as good as it gets."



Walter Splash will be an important element in all of the commercials and public service announcements that are produced annually. He will also be featured in the numerous printed pieces whose aim is to keep the public informed of the utility's proactive efforts to maintain a safe and healthy water supply for the 60% of Rhode Islanders who rely on the Providence Water Supply Board for this service.