



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Patrick C. Lynch, Attorney General

September 11, 2007

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Newport Water Compliance Filing -- Docket No. 3818

Dear Ms. Massaro,

The Division has reviewed Newport Water's compliance filing of September 7, 2007 in Docket No. 3818. Based on this review, the Division has identified two concerns. First, on Schedule C of the Tariffs addressing the Billing Charge, it states that billing charges are rendered in advance, either monthly or tri-annually. This needs to be corrected to monthly or quarterly, consistent with the Commission's decision. (The change was made on Schedule D to note that consumption charges are rendered in arrears either monthly or quarterly.)

Second, and more importantly, in calculating the increase in rates that is required from services other than the billing charge to produce the allowed revenue increase, Newport Water did not account for the additional revenues that will be generated by the move from tri-annual to quarterly billing. (This is reflected on RFC Schedule 2 Final). As a result, based on the Division's understanding of the Commission's open meeting decision, the proposed rates will generate \$117,119 of revenue in excess of the approved revenue requirement. (Refer to RFC Schedule 6 Final) This excess revenue is identified as a revenue surplus and no indication is provided as to how the surplus will be utilized by Newport Water.

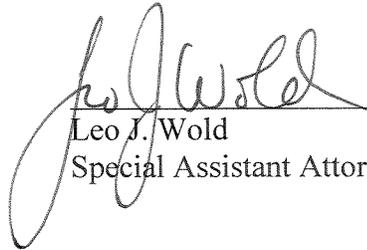
Clarification on this matter is sought from the Commission, especially in light of the Commission's decision not to change the operating revenue allowance in this

proceeding. If the Commission intended the increased revenue produced by changing from tri-annual to quarterly billing to be accounted for in determining the revenues available to meet the approved revenue requirement, Newport Water should be required resubmit its compliance filing to reflect the increase in billing charge revenues of \$117,119 and reduce its other rates and charges by that amount. If the Commission intended to allow Newport Water to generate a revenue surplus from the move to quarterly billing, Newport should be directed to set aside the excess revenues in a reserve fund to be used in a manner consistent with the restrictions summarized in Mr. Catlin's direct testimony on behalf of the Division (at page 20, line 1-15). The Division does not believe that Newport Water should be allowed to treat this revenue surplus as an incremental operating revenue allowance to be utilized as it sees fit.

Thank you for your attention to this matter.

Respectfully submitted,

Division of Public Utilities and Carriers



Leo J. Wold
Special Assistant Attorney General