

CITY OF NEWPORT - WATER DEPARTMENT
Docket No. 3818
Responses of
Portsmouth Water & Fire District
To Newport Water Department Data Request Set 4

1. In Christopher Woodcock's direct testimony (page 15, lines 11-12), he indicates that "To date we are told that Newport can not present an accrual based monthly reports (sic)." Please have Mr. Woodcock set forth in detail each and every fact that supports this testimony. Please include
 - a. The identity of any representative of Newport Water or the City of Newport who stated that Newport cannot present an accrual based monthly report;
 - b. The identity of any person to whom that statement was made;
 - c. The date of said statement;
 - d. Any and all documents which evidence, support or document Mr. Woodcock's testimony.

Response: This statement is based the report and order in Docket No. 3675 which stated: "In addition, Newport Water agreed to provide new information, including monthly statements on an accrual basis covering a "statement of net assets-comparative," a "statement of revenues," a "statement of revenues, expenses, and changes in fund net assets," and a "statement of cash flows." Such new reports will be filed beginning within six months of the date Newport Water hires its Deputy Director of Finance. The Commission will decide the parameters of all such reports that Newport Water will be required to file." (Page 4) and "Commencing May 31, 2006, City of Newport, Utilities Department, Water Division shall provide monthly statements on an accrual basis consistent with a format and due date to be approved by the Public Utilities Commission." (Page 12)

As noted in Mr. Woodcock's prefilled Direct Testimony (page 15), Newport Water had indicated at the November 9, 2005 hearing that with the new Deputy Director of Finance that Newport would be able to provide the stipulated accrual based reports by May 2006. At the Commission's May 25, 2006 Open Meeting the Commission was made aware that the "Financial Officer" had been hired, "considered the situation and unanimously agreed that Newport Water continue the current reporting requirements." The May 2007 reports that were recently submitted do not appear to include monthly statements on an accrual basis covering a statement of revenues and expenses, rather they appear to be a cash based.

The testimony should not have said "we are told"; rather it should have stated that Newport is not providing accrual based revenue and expense reports.

Prepared by: C. Woodcock

2. In Mr. Woodcock's surrebuttal testimony (page 19, lines 16-18), he states that his testimony regarding Newport's 2007 Series B loan was based in part "on discussion with RICWFA." Please have Mr. Woodcock set forth in detail each and every fact that supports this testimony. Please include:
 - a. The identity of anyone at RICWFA or its representatives with whom Mr. Woodcock had any conversations or communications regarding Newport's 2007 Series B loan;
 - b. The date of said conversation(s) or communication(s);
 - c. A complete description of what was said by each party;
 - d. Any and all documents which evidence, support or document Mr. Woodcock's testimony and his conversations with RICWFA or its representatives regarding Newport's 2007 Series B loan.

Response: Mr. Woodcock is unable to find any notes regarding that conversation. He recalls talking to Mr. Michael Larocque, but does not have the date. In general they discussed what was required in the application for a loan, when payments start, the payment of interest only during construction, the need for a draw down schedule, and that full principal and interest payments would start the September after construction was completed.

Prepared by: C. Woodcock

3. In Mr. Woodcock's supplemental response to NWD 1-1 he states that the order in Docket 3578 contains "numerous other references to historic slippage" in Newport's capital program. Please have Mr. Woodcock identify each and every instance in which the Order in Docket 3578 references "historic slippage" in Newport's capital program. In doing so, please cite the exact language and the page number where said language can be found.

Response:

Mr. Woodcock did not mean to infer that the exact phrase "historic slippage" was used in the Report and Order and apologizes if that meaning was unintentionally conveyed. Rather, he was referring to references where delays in the capital program and its funding had slipped. References noted are on:

- Page 3, 2nd full paragraph: Ms. Forgue "indicated that some of the projects set forth for funding in Docket No. 2985 were not completed due to a lack of support from staff members."
- Page 3 last paragraph: "The Commission and Division of Public Utilities and Carriers ("Division") previously authorized Newport Water to borrow up to \$3,000,000 from the Drinking Water State Revolving Fund ("SRF") to continue work on its CIP. However, as of the filing date in the instant case, Newport had not borrowed those funds and in fact, excluded this amount from this filing because the debt service is projected to begin in FY 2005."
- Page 12, last paragraph: re: testimony of W. McGlinn on capital program
- Page 27, last paragraph: Mr. Catlin noted "Newport Water had not expended the funds provided in debt service and cash capital outlays, leaving significant balances in those restricted accounts which could be drawn upon over the next several years."
- Page 31, last paragraph: "Reviewing Newport Water's restricted accounts, Mr. Catlin noted that both the capital outlay and debt service accounts were overfunded due to the fact that Newport Water had not undertaken the projects for which the funds were approved."
- Page 35, last paragraph: "Ms. Forgue explained that while Newport Water had received authorization in Division Docket D-02-03 to borrow up to \$3 million from the Rhode Island Clean Water Finance Agency, Newport Water had not borrowed the money."
- Page 46, first full paragraph: "Mr. Woodcock further maintained that for Newport Water's immediate needs, a balance of \$2.5 million at the start of the rate year with annual deposits of \$1.4 million that were allowed in Docket No. 2985 should be sufficient. He indicated that because Newport Water has not yet filed an updated IFR plan, any increases would be premature."

Prepared by: C. Woodcock

4. With respect to all proceedings before the Rhode Island Public Utilities Commission in which Mr. Woodcock has testified in support of a General Rate Schedule Change pursuant to Part Two of the Commission's Rules of Practice and procedure, please have Mr. Woodcock set forth the following:

- a) Identify each and every rate filing by utility and docket number in which the test year figures were not audited.
- b) In said rate filings where the test year numbers were not audited, please state all steps taken by the utility to ensure that the test year numbers were actual numbers.
- c) Identify each and every rate filing by utility and docket number in which Mr. Woodcock provided an attestation pursuant to Rule 2.7 of the Commission's rules of practice and procedure.
- d) In said rate filings where Mr. Woodcock provided an attestation pursuant to Rule 2.7, please state whether the test year numbers were audited numbers, and if the test year numbers were not audited, please state all steps taken by the utility to ensure that the test year numbers were actual numbers.

Response:

A) Mr. Woodcock does not have the data available to respond to this request in full. Mr. Woodcock has been participating in rate cases before the Commission for over 20 years and has no way of researching each and every one of those cases to see if an audited test year was used. In some of the cases Mr. Woodcock was representing an intervener and would not have the ability to "state all steps taken by the utility to ensure test year numbers were actual numbers. Lastly, while Mr. Woodcock has indeed filed attestations in rate filings before the Commission, the attestation pursuant to Rule 2.7 of the Commission's rules of practices and procedures says it "shall be signed by the chief financial officer or a person duly authorized by such financial officer." Mr. Woodcock is not the chief financial officer of any utility in Rhode Island; accordingly, this rule would not apply to him.

In regards to cases where the test year was not a fiscal year and was not audited, Newport Water should certainly be aware of their own filing in Docket 3578 (page 7 of the Report & Order indicates a test year ending March 31, 2003). In addition see:

- Kent County Water Authority Docket No. 3311
- Kent County Water Authority Docket No. 2440
- Pawtucket Water Supply Board Docket No. 3378
- Woonsocket Water Department Docket No. 3626

Mr. Woodcock is unaware if cases where a test year corresponded to a fiscal year if the values were indeed values or unaudited values.

Prepared by: C. Woodcock

5. In Mr. Woodcock's surrebuttal testimony (Page 27, Lines 22-230), he testifies that "As the Commission is aware there have been other water utilities that have been unable to fund restricted accounts due to revenue shortfalls." Please have Mr. Woodcock provide the following information:

- a) The identity of each and every utility he is referring to that has been "unable to fund restricted accounts due to revenue shortfalls."
- b) The year in which said utilities were "unable to fund restricted accounts due to revenue shortfalls."
- c) The amount of money each utility was unable to fund.
- d) The identity of each restricted account, each utility was unable to fund.
- e) Whether each utility was required to fully fund its restricted accounts based on the actual dollar amounts set by the Commission or on a percentage of collections basis.

Response:

Mr. Woodcock does not have the time nor the resources to search all years and cases, nor does he have the ability to determine the amounts that were unfunded. The context of Mr. Woodcock's testimony was Mr. Smith's claim that Newport was required to fully fund its restricted accounts. In fact the decision in Docket 3578 specifically stated (page 68) that "if Newport Water finds that it is not collecting sufficient funds to fund the accounts, it shall advise the Commission immediately." It is Mr. Woodcock's opinion that this is evidence that the Commission is aware of the possibility of under-funding as were Commission Counsel's questions referred to in Mr. Woodcock's testimony. This data request seeks information far beyond the scope of Mr. Woodcock's testimony that the Commission is aware of cases where revenue shortfalls precluded full funding.

Nonetheless; the Kent County Water Authority has not been able to fully fund restricted accounts on occasion. They have notified the Commission and discussed this with the Commission as the Commission had expected Newport to do. In addition, Newport Water had revenue shortfalls and had not been fully funding its restricted accounts prior to Docket No. 3578.

As Newport knows from prior testimony on this subject, there have been utilities such as Pawtucket Water that funded restricted accounts based on a percentage of collections. There may be other utilities that have or still do fund restricted accounts based on a percentage of collections. Clearly Mr. Woodcock's testimony was not dealing with these utilities; for these cases there would obviously be no under-funding due to a revenue shortfall, funding was tied to revenues.

Prepared by: C. Woodcock

6. In Mr. Woodcock's surrebuttal testimony (Page 11, lines 29-30), he states that it his understanding "that the monthly reports of revenues and expenses submitted by Newport are NOT on an accrual basis, but are still on a cash basis." Please have Mr. Woodcock provide the following information:

- a) Each and every fact upon which his understanding is based.
- b) Which of Newport's three monthly reports (cash flow statement, cash flow narrative, trial balance) are not on an accrual basis?
- c) The identity of each and every representative of Newport Water who Mr. Woodcock spoke with or communicated with regarding this matter.
- d) The date of each such conversation or communication.

Response:

- a. the monthly and quarterly revenue and expense (cash flow reconciliation) reports submitted by Newport reflect cash receipts.
- b. The cash flow reconciliation is not on an accrual basis. The narrative is not a financial report but a description of amounts owed to other funds.
- c. Mr. Woodcock did not speak to anyone in Newport nor any of its representatives as a basis for the testimony cited in the data request.
- d. n/a

Prepared by: C. Woodcock

CERTIFICATION

I hereby certify that I sent by electronic mail a copy of the within Responses to Newport's Third Set of Data Requests to all parties set forth on the attached Service List on July 27, 2007.

SERVICE LIST - RIPUC DOCKET NO. 3818 City of Newport Water Division – General Rate Filing

Updated 2/22/07

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