

ANDREW K. MOFFIT
Chairman

JOSEPH D. CATALDI
Vice Chairman

JOHN C. SIMMONS
Ex-Officio

CARISSA R. RICHARD
Secretary

FERNANDO S. CUNHA, ESQ.
Legal Advisor



DAVID N. CICILLINE
Mayor

PAMELA M. MARCHAND, P.E.
Chief Engineer & General Manager

JOSEPH DE LUCA
City Councilman

MICHAEL A. SOLOMON
City Councilman

JOHN A. FARGNOLI
Member

EVERETT BIANCO
Member

August 20, 2007

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

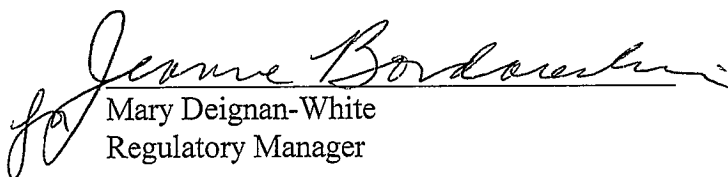
RE: Docket 3832 Division of Public Utilities & Carriers; Set V

Dear Luly:

Enclosed for filing are an original and four copies of Providence Water's responses to the fifth set of data requests from the Division of Public Utilities.

If there are any questions, I can be reached at 521-6300, extension 7217.

Sincerely,


Mary Deignan-White
Regulatory Manager

cc: Pamela M. Marchand
Boyce Spinelli
Jeanne Bondarevskis
Walter Edge
Thomas S. Catlin
Joseph J. McGair, Esq.
Timothy J. Brown, P.E.
Christopher P.N. Woodcock
William Lueker, Esq.
Thomas Massaro

Michael R. McElroy, Esq.
Paul Gadoury
Harold Smith
David Bebyn
Jerome Mierzwa
Steve Frias, Esq.
Steve Scialabba
John Bell
R. DiMeglio, Esq.
file

N:\HOME\MARYDW\WPDOCS\PUC\lm082007 Div 5 DR Cover.wpd

WWW.PROVWATER.COM

PROVIDENCE WATER SUPPLY BOARD
Docket No. 3832
Data Requests of the Division of Public Utilities & Carriers
Set 5

5-1 Please provide an update on the status of PWSB's property tax dispute with the City of Cranston and the settlement of that dispute.

Answer: As explained in Chief Marchand's rebuttal testimony, "Providence Water annually contested taxes charged by the City of Cranston for 2003 through 2007. A Judgment was entered by the Superior Court in Providence Water's favor on December 8, 2006, requiring the City of Cranston to refund the taxes paid on tax exempt facilities pursuant to Public Law 1986, Chapter 84, which amends Section 18 of Chapter 1278 of the Public Laws of 1915 entitled "An Act to furnish the City of Providence with a supply of pure water", which states that "the city of Providence shall be exempt from local taxes on all pipe lines and other water appurtenances installed, located, or laid for the purpose of serving areas not served with water by said city of Providence prior to April 27, 1931".

"After the Judgment was entered, the City of Cranston and the Providence Water Supply Board negotiated an agreement regarding the facilities considered taxable and those exempt, the tax rates applicable, and the amount to be refunded. Based (among other things) on the timeliness and cooperation of the City during these negotiations, the willingness of the City to issue a judgment bond in order to pay the total refund amount in a lump sum in the near future, and to forgo any further legal action by not appealing the Judgment, the Board of Providence Water agreed to a lump sum payment that includes less than 12% interest (as listed in the Judgment) for a total amount of \$1,508,362 (with added interest of \$216.77 per diem from 8/16/07 until payment is made). "

PROVIDENCE WATER SUPPLY BOARD
Docket No. 3832
Data Requests of the Division of Public Utilities & Carriers
Set 5

5-2 To the extent the settlement of the tax dispute with the City of Cranston is not currently final, please provide updates if the status changes during the pendency of this proceeding.

Answer: Please see the response to DIV 5-1.

PROVIDENCE WATER SUPPLY BOARD
Docket No. 3832
Data Requests of the Division of Public Utilities & Carriers
Set 5

5-3 Please state how Providence Water proposes to treat any payment(s) it receives from the City of Cranston as part of the settlement for the purposes of setting rates.

Answer: Again, as explained in Chief Marchand's rebuttal testimony, "Providence Water requests that this refund, when received, be placed in a restricted account to fund further expenses incurred in the contesting of tax bills, or larger than anticipated increases in tax bills. To date, this has been a costly and time consuming process, with over \$550,000 spent to date." See attached.

"These "one-time" costs have become overwhelming because recent tax litigation actions have required extensive legal assistance, as well as large fees for engineering and professional assessments for utility facilities and property, including appraisals. There are still a number of outstanding cases (i.e., the Scituate case in particular)."

Providence Water**Property tax issue****Legal bills****Schact & McElroy billing**

| | |
|-----------|--------------------|
| FY 2002 | \$57,664.00 |
| FY 2003 | \$31,581.00 |
| FY 2004 | \$29,536.00 |
| FY 2005 | \$31,741.00 |
| FY 2006 * | \$69,651.39 |
| FY 2007 * | <u>\$83,459.00</u> |

| | |
|-------|--------------|
| Total | \$303,632.39 |
|-------|--------------|

* Also includes Forest Land appeal costs for Lauren Jones

Peter Scotti for Appraisals

| | |
|-----------|--------------------|
| FY 2002 | \$0.00 |
| FY 2003 | \$4,830.50 |
| FY 2004 | \$4,142.50 |
| FY 2005 | \$0.00 |
| FY 2006 * | \$24,377.26 |
| FY 2007 * | <u>\$60,960.75</u> |
| | \$94,311.01 |

* Includes \$49,838.01 for George Sansoucy bill

George Sansoucy for Engineering analysis

| | |
|---------|--------------|
| FY 2007 | \$158,476.69 |
|---------|--------------|

| | |
|-------|--------------|
| Total | \$556,420.09 |
|-------|--------------|

For DIV 5-3