



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

**DIVISION OF PUBLIC UTILITIES AND CARRIERS**

89 Jefferson Boulevard  
Warwick, R.I. 02888  
(401) 941-4500

FAX (401) 941-9248  
TDD (401) 941-4500

September 22, 2009

Memo To: Luly Massaro, Commission Clerk

From : John Bell *JB*  
Public Utilities Analyst

Subject : Docket 3832a – Providence Water's Request re: Revenue Reserve Account

On August 28, 2009, Providence Water filed a request with the Commission to draw from the restricted Revenue Reserve restricted account established in Docket 3832. In its Order in docket 3832, the Commission allowed a 3 percent net operating reserve with 2 percent restricted to cover revenue shortfalls resulting from reduced consumption once Providence Water demonstrates the need for such funds as a result of reduced sales levels.

In its filing, Providence Water explains that in fiscal year 2009, which ended June 30, 2009, their sales were down 8.5%, or 2,540,289 hcf below the sales projected in Docket 3832. The corresponding dollar shortfall amounts to \$4,345,864. Providence Water's request is to transfer the June 30, 2009 balance of the restricted revenue reserve fund balance of \$1,565,650 to the operating fund. Providence Water further proposes to book the \$2,780,214 difference between the restricted revenue reserve balance and the \$4,345,864 revenue shortfall as a Due to Operating in the Revenue Reserve Fund.

Based on my review of the filing, I concluded that Providence Water clearly demonstrated that they experienced a significant revenue shortfall in FY 2009 as a result of reduced sales. I reviewed the Company's calculation of the shortfall and their calculation appears accurate. Based on my review I recommend that Commission allow Providence Water to transfer the balance of the restricted revenue reserve account to the general fund as requested.

As noted above Providence Water also requested that they be allowed to record the \$2,780,214 difference between the fund balance and the revenue shortfall as a Due to Operating in the Revenue Reserve Fund. By doing so Providence Water would eventually recover the full \$4,345,864 shortfall as opposed to just the \$1,565,650 that was

in the reserve account as of June 30, 2009. This request appears to be consistent with the intent of the Revenue Reserve Fund. In addition if the revenue shortfall had not been as severe or if it happened a few years out when the fund had a higher balance then Providence Water would have been able to recover the full shortfall. As such the Division does not object to Providence Water's request to record the current shortfall as a Due to Operating in the Revenue Reserve Fund.

cc: Service List