



State of Rhode Island and Providence Plantations

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*Patrick C. Lynch, Attorney General*

June 9, 2008

Ms. Luly Massaro, Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Blvd.  
Warwick, RI 02888

**Re: Docket No. 3905**

The Division of Public Utilities and Carriers ("Division") has reviewed the response of Narragansett Bay Commission ("NBC") to the record request of the Public Utilities Commission ("Commission") for a draft of the structure of the Operating Reserve for the Revenue Stability Fund (the "Reserve") and writes to express several concerns. First, the language in Paragraph 2.(d)(3) appears to indicate that when the funds in the Reserve achieve the required level, NBC is at liberty to take any excess funds out and deposit them in the Revenue Fund. The Division is concerned that this would allow excess funds in the Reserve to be used for any purpose NBC chooses. The Division does not agree that such withdrawals should be allowed.

On Page 15 of his Direct Testimony, Mr. Edge stated that if NBC were allowed to establish this new Reserve, then the monies would only be available if NBC's revenues were significantly less than the Commission authorized revenue requirement. The Division believes that if the Reserve reaches the 25% of the O&M threshold, NBC should be required to obtain Commission approval to remove the funds and use them. The Division also finds paragraph 2.(d)(2) unclear. Does that paragraph, combined with paragraph 2.(e)(3), mean that the monies in the Reserve can only be used to pay principal and interest on the bonds if all of the other listed funds are inadequate? When the monies in the Reserve can be used and for what purposes are not at all clear. The Division requests that NBC be required to submit an explanation that makes it clear how the funds can be used and when. As noted above, the Division supported the establishment of the Reserve with the understanding that the monies would only be used if NBC's revenues fell significantly below those authorized by the Commission.

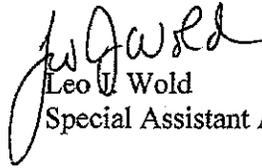
Finally, the Division did not identify where it is stated how interest on the monies in the Reserve would be utilized. It was and is the Division's position and understanding that interest would be retained in the Reserve to help it meet the 25% threshold.

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Thank you for your attention to this matter, and if the Division may be of any further assistance in identifying and explaining what it perceives are the deficiencies with the proposed structure of the Reserve, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Leo Wold".

Leo Wold  
Special Assistant Attorney General

cc: Service List