



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

**DIVISION OF PUBLIC UTILITIES AND CARRIERS**

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October 30, 2008

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

**Re: Docket No. 3942**

Dear Ms Massaro,

Enclosed please find the Division's responses to the Commission's Post Hearing Data Request.

Very truly yours,

John Bell  
Rate Analyst

cc: Service List via E-mail only

Kent County Water Authority  
Docket No. 3942

Responses of the Division of  
Public Utilities and Carriers to the  
Commission's Post-Hearing Data Request

A. Using the hypothetical from the hearing where the total revenue requirement is \$1,000,000 and assuming the Commission were to allow a 3% operating revenue allowance, please explain your respective position (include assumptions) where:

- 1) total revenues are \$950,000
- 2) total revenues are \$1,050,000
  
- 3) total revenues are \$971,000
- 4) total revenues are \$969,000
  
- 5) total revenues are \$1,029,000
- 6) total revenues are \$1,031,000
  
- 7) total revenues are \$961,000
- 8) total revenues are \$959,000
  
- 9) total revenues are \$1,039,000
- 10) total revenues are \$1,041,000

For purposes of this exercise, please ignore any Clariant adjustment and any CPI/GDP-PI or Pass-Through adjustments. Under each scenario (where applicable):

- a) How much would be set aside in a restricted operating revenue allowance account?
- b) How much could be drawn from a restricted operating revenue allowance account?

B. What is the proposed methodology for withdrawing from a restricted operating revenue allowance account?

Response

A. In light of Mr. Woodcock's testimony regarding the treatment of an overage of \$35,000, as cited in the Memo transmitting this request, the Division is prepared to accept KCWA's proposal for the treatment of revenue surpluses and shortfalls. That is, if the

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Responses of the Division of  
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Response (Continued)

revenue shortfall exceeds 0.5 percent, the reserve could be used to cover the full revenue shortfall and if revenues exceed the total allowed revenues by more than 3 percent, then the full amount of the excess would be deposited in the reserve. Accordingly, the

Division's position with regard to the specific examples is as follows:

- |                                    |   |
|------------------------------------|---|
| 1) total revenues are \$950,000    | \$50,000 could be drawn from the reserve.     |
| 2) total revenues are \$1,050,000  | \$50,000 would be deposited into the reserve. |
| 3) total revenues are \$971,000    | \$29,000 could be drawn from the reserve.     |
| 4) total revenues are \$969,000    | \$31,000 could be drawn from the reserve.     |
| 5) total revenues are \$1,029,000  | No deposit or withdrawal from the reserve.    |
| 6) total revenues are \$1,031,000  | \$31,000 would be deposited into the reserve. |
| 7) total revenues are \$961,000    | \$39,000 could be drawn from the reserve.     |
| 8) total revenues are \$959,000    | \$41,000 could be drawn from the reserve.     |
| 9) total revenues are \$1,039,000  | \$39,000 would be deposited into the reserve. |
| 10) total revenues are \$1,041,000 | \$41,000 would be deposited into the reserve. |

In the alternative, the amounts under Mr. Catlin's original recommendation are set forth below.

Under his original recommendation, only the amount of any revenue shortfall in excess of 0.5 percent could be withdrawn from the reserve. That is, if revenues were \$950,000 instead of the allowed \$1,000,000, the shortfall eligible for withdrawal from the reserve would be \$50,000 less \$5,000 (0.5% of \$1,000,000) or \$45,000. Similarly, if revenues were \$1,050,000, KCWA would

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Responses of the Division of  
Public Utilities and Carriers to the  
Commission's Post-Hearing Data Request

Response (Continued)

only deposit \$20,000 into the reserve under Mr. Catlin's original proposal because that is the amount in excess of the 3 percent upper threshold.

- |                                    |   |
|------------------------------------|---|
| 1) total revenues are \$950,000    | \$45,000 could be drawn from the reserve.     |
| 2) total revenues are \$1,050,000  | \$20,000 would be deposited into the reserve. |
| 3) total revenues are \$971,000    | \$24,000 could be drawn from the reserve.     |
| 4) total revenues are \$969,000    | \$26,000 could be drawn from the reserve.     |
| 5) total revenues are \$1,029,000  | No deposit or withdrawal from the reserve.    |
| 6) total revenues are \$1,031,000  | \$1,000 would be deposited into the reserve.  |
| 7) total revenues are \$961,000    | \$34,000 could be drawn from the reserve.     |
| 8) total revenues are \$959,000    | \$36,000 could be drawn from the reserve.     |
| 9) total revenues are \$1,039,000  | \$9,000 would be deposited into the reserve.  |
| 10) total revenues are \$1,041,000 | \$11,000 would be deposited into the reserve. |

- B. If the Commission approves a restricted operating revenue allowance, the Division has accepted KCWA's proposal that it would make annual filings identifying the amount of any revenue shortfall or surplus. If that filing shows a revenue shortfall in excess of 0.5 percent of allowed revenue, KCWA would have the right to seek to draw money out of the reserve to cover the revenue shortfall. The Commission and Division would have an opportunity to review the request and the Commission would rule on the request within a period that it should establish in this proceeding.

**Docket No. 3942 – Kent County Water Authority - General Rate Filing  
Service List 6/18/08**

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