



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES AND CARRIERS

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February 22, 2016

Memo To: Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission

From : John Bell ^{JB} Assistant Chief Accountant
Rhode Island Division of Public Utilities and Carriers

Subject : Docket No. 3942 – Kent County Water Authority’s Miscellaneous Petition

On January 13, 2016, the Kent County Water Authority (KCWA) filed a Miscellaneous Petition for Relief seeking the Commission’s permission to use certain restricted funds for two capital projects. One of the projects is the completion of the Mishnock Transmission Main and the other is the design of a new connection between the north and south high pressure gradients for redundancy.

As explained in KCWA’s Petition, since its last rate filing a surplus has built up in its debt service restricted account due to the retirement of a bond issue in 2014 and the refinancing of another issue. In addition to the these savings, KCWA’s Operation and Maintenance Reserve and Renewal and Replacement Reserve requirements have been lower than the amounts allowed in rates. The total surplus is approximately \$4.6 million as of December 31, 2015. The Division held discussions with KCWA over the past several months concerning the buildup of these surplus funds. These discussions lead to the filing of this Petition.

The Division has been aware for some time of KCWA’s need for additional capital funds to complete the Mishnock Transmission Main and more recently of KCWA’s need to connect the two high service gradients. To expedite these two projects, both parties agreed that it would be beneficial to ratepayers to utilize the excess restricted funds in order to move forward with these projects. The need and importance of these two projects is explained in detail in KCWA’s testimony attached to the Petition. The Division reviewed this testimony and is in agreement with it.

According to KCWA’s Petition, they are in the process of preparing a rate case to include a new Capital Program for Commission review and approval. Therefore, the

current request is strictly limited to the two projects discussed in the Petition and any of the excess funds not expended on these projects will be held in a restricted account for future capital projects that will be subject to review in the upcoming rate case.

The Division believes that KCWA's proposal to use excess restricted funds for the completion of the Mishnock Transmission Main and the design of the connection between the high service gradients is prudent and in the best interest of ratepayers. The Division recommends the Commission approve KCWA's petition as filed.

cc: Service List via e-mail