

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: KENT COUNTY WATER AUTHORITY :
MISCELLANEOUS PETITION TO TRANSFER FUNDS : DOCKET NO. 3942
FROM THREE RESTRICTED ACCOUNTS INTO :
ONE TO FUND CERTAIN CAPITAL PROJECTS :

ORDER

On January 13, 2016, the Kent County Water Authority (KCWA) filed with the Public Utilities Commission (PUC) a Miscellaneous Petition for Relief seeking permission to use funds from three restricted accounts (debt service, operations and maintenance reserve, and renewal and replacement reserve) to fund two capital projects from one new account. In support of its filing, KCWA submitted the written testimony of its General Manager/Chief Engineer, Timothy Brown, P.E. Mr. Brown explained that each of the three accounts had funds that were not being spent to meet capital needs. He noted that the excess funds in the debt service account were the result of two occurrences. First, since KCWA's last rate filing, a surplus accrued in its debt service restricted account due to savings resulting from the retirement of a bond issue in 2014 and the refinancing of another bond. Second, in addition to these savings, KCWA's operation and maintenance reserve and renewal and replacement reserve requirements have been lower than the amounts allowed in rates.¹

According to Mr. Brown, if the request were allowed, KCWA would utilize the funds to complete the Mishnock high service transmission main from the Mishnock Treatment Plant to serve the high service area directly and to connect to high service areas. In other words, in order to serve customers at a higher elevation than the treatment plant, this construction project is

¹ Brown Test. at 2. During the procedural conference held by PUC staff, Mr. Brown explained that the new Capital Fund will be funded by the accumulated balance (\$4.6 million as of December 31, 2015) plus the current funding of approximately \$1.6 million annually.

needed. KCWA will also be connecting two high service areas. These investments will allow KCWA to more fully utilize its own treatment plant by providing more water from the plant to its customers, thus reducing reliance on Providence Water Supply Board and increasing KCWA's ability to respond to emergency water issues.²

On February 13, 2016, the City of Warwick, through its attorney, filed a position statement indicating that because there was no rate impact as a result of KCWA's request, the City of Warwick had no objection to approval of the request.³ On February 22, 2016, the Division of Public Utilities and Carriers (Division) filed a Memorandum summarizing the request and recommending approval. The Division noted that through reporting requirements arising out of the last rate case, both the Division and PUC have been aware of the growing balance in the restricted accounts. Division Assistant Chief Accountant John Bell indicated that the total surplus was approximately \$4.6 million as of December 31, 2015. Mr. Bell explained that the Division staff had met with KCWA over the past several months concerning the buildup of these surplus funds. According to Mr. Bell, those discussions culminated in the filing of the instant Petition by KCWA.⁴

Mr. Bell stated that the Division has been aware of KCWA's need for additional capital funds to complete the Mishnock Transmission Main and of KCWA's need to connect the two high service gradients. To expedite these two projects, the Division agreed with KCWA that it would be beneficial to ratepayers to use the excess restricted funds to move forward with these projects. Mr. Bell stated that the Division concurred with KCWA's explanation of the need and importance of these two projects.⁵

² *Id.* at 2-4.

³ City of Warwick Position Statement.

⁴ Bell Mem., 1.

⁵ *Id.*

Mr. Bell pointed out that KCWA represented that it is preparing a rate case to include a new capital program for PUC review and approval. Therefore, according to Mr. Bell, the current request is strictly limited to the two projects discussed in the Petition; any of the excess funds not expended on these projects will be held in a restricted account for future capital projects. Those funds will be subject to review in the upcoming rate case. Mr. Bell concluded 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.⁶

At an Open Meeting held on February 25, 2016, the PUC reviewed the filings and found KCWA's proposal to be reasonable and in the best interest of ratepayers. KCWA adequately explained the need for the proposed projects. The current water treatment plant is not being used to its full capacity. Allowing funding for these projects now rather than after the conclusion of the next rate case will allow KCWA to utilize more capacity in the treatment plant, allowing ratepayers the full benefit of their investment. Based on the facts presented by both KCWA and the Division, it would not be reasonable to require KCWA to simply accrue funds in restricted accounts when there are projects previously identified and partially funded through rates that can be continued without an additional increase to rates.

⁶ *Id.* at 1-2.

Accordingly, it is hereby,

(22396) ORDERED:

Kent County Water Authority's Petition for Relief, filed on January 13, 2016, is hereby approved.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON FEBRUARY 25, 2016. WRITTEN ORDER ISSUED ON MAY 20, 2016.

PUBLIC UTILITIES COMMISSION



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Margaret E. Curran, Chairperson

A handwritten signature in blue ink, appearing to read "Paul J. Roberti", written over a horizontal line.

Paul J. Roberti, Commissioner

A handwritten signature in blue ink, appearing to read "Herbert F. DeSimone, Jr.", written over a horizontal line.

Herbert F. DeSimone, Jr., Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.