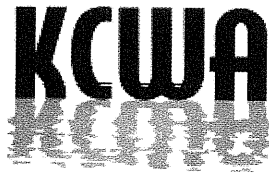


**TESTIMONY AND DATA
IN SUPPORT OF THE
KENT COUNTY WATER AUTHORITY'S**

**RATE FILING
MARCH 31, 2008**

**1072 MAIN STREET
P.O. BOX 192
WEST WARWICK, RHODE ISLAND 02893-0192**



**TESTIMONY AND DATA
IN SUPPORT OF THE
KENT COUNTY WATER AUTHORITY'S**

**RATE FILING
MARCH 31, 2008**

**1072 MAIN STREET
P.O. BOX 192
WEST WARWICK, RHODE ISLAND 02893-0192**

RATE FILING

**Testimony & Data in Support of the
KENT COUNTY WATER AUTHORITY**

RATE FILING

March 31, 2008

*1072 Main Street
P.O. Box 192
West Warwick, RI 02893-0192*

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Christopher Woodcock, Woodcock & Associates

TESTIMONY:

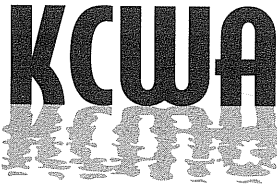
Direct Testimony of Timothy J. Brown

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Kent County Water Authority

March 31, 2008

The Honorable Elia Germani
Chairman Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Kent County Water Authority Abbreviated Tariff Filing

Dear Chairman Germani:

On behalf of the Kent County Water Authority, we herewith file a revised tariff to be effective May 1, 2008. These tariffs represent a general increase in our rate revenues in the amount of \$5,464,566. The rate structure remains consistent and conforms to that (1993) Cost of Service Study.

We have included in our tariff filing pre-filed testimony from two witnesses to be presented by the Kent County Water Authority including all supporting documents as required by the rules of practice and procedure. We have complied with all requirements including Rhode Island General Laws 39-3-12.1 by filing that information as exhibits attached to our filing.

We are filing along with these, copies to all affected parties within our system those being the following communities and organizations:

- Attorney General's Office
- Town Clerk of the Town of East Greenwich
- City Clerk of the City of Warwick
- Town Clerk of the Town of West Greenwich
- Town Clerk of the Town of Coventry
- Town Clerk of the Town of West Warwick
- City Clerk of the City of Cranston
- Town Clerk of the Town of Scituate
- Town Clerk of the Town of North Kingstown

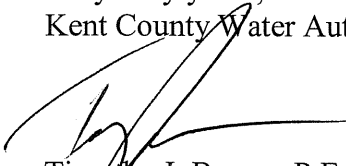
Also, in accordance with RIGL 3-3-11C all fire districts will be notified via certified mail of notice of this rate increase.

We have included a copy of our proposed notice to be published in the Providence Journal. Once approved, we will forward copies via mail to our customers.

PO Box 192
West Warwick, RI 02893-0192
401-821-9300
www.kentcountywater.org

The following individuals should receive all correspondence for any additional information requested by the Public Utilities Commission; 1.) General Manager of the Kent County Water Authority, Timothy J. Brown, P.E., General Manager/Chief Engineer, P.O. Box 192, West Warwick, Rhode Island 02893; 2.) Joseph J. McGair, Attorney, 797 Bald Hill Road, Warwick, Rhode Island 02886 as our legal counsel who will represent us in all rate filing matters concerning this document.

Very truly yours,
Kent County Water Authority

A handwritten signature in black ink, appearing to be 'TJ Brown', written over a horizontal line.

Timothy J. Brown, P.E.
General Manager Chief Engineer

TB/lms

**NOTICE OF PROPOSED CHANGES
AND
RATE TARIFFS**

State of Rhode Island and Providence Plantations
PUBLIC UTILITIES COMMISSION

RE: KENT COUNTY WATER AUTHORITY
Docket No. _____

NOTICE OF CHANGE IN RATE

Pursuant to Rhode Island General Laws (R.I.G.L.), Sections 39-3-11, and in accordance with Section 2.4 of the Rules of Practice and Procedure of the Rhode Island Public Utilities Commission, the Kent County Water Authority ("KCWA") hereby gives notice of a proposed change in rates filed and published in compliance with R.I.G.L. 39-3-10.

The proposed changes are contained in accompanying exhibits. The new rates, as proposed, are to become effective May 1, 2008. The new rates are designed to collect additional revenues in a twelve (12) month period equal to \$5,464,556. For the average customer this represents a 35.0% increase and for public and private fire customers a 24.8% and 16.5% respectively.

The average residential customer will see a yearly billing of \$603.44 under the proposed rates, a \$156.44 increase over the current rates for the same amount of water consumed.

The proposed rate structure will not change the current three (3) block uniform rate structures based on meter size. That is contained in our current rates.

In addition, the Authority has developed a seasonal water rate that has been presented to the Commission as an alternative. Under this alternative, water use by all customers during the summer billing periods would be assessed at a rate that would be approximately 7.4% higher than the non-seasonal rate proposal. During the non-summer billing periods, the rates would be lower by approximately 7.4%.

A copy of this filing is on file at our office at 1072 Main Street and at the Public Utilities Commission, 89 Jefferson Boulevard, Warwick, Rhode Island 02889 and may be examined by the public during business hours. Also, copies are available at the public libraries and the cities and towns we service. The commission will publish a notice of the hearing dates when they are scheduled.

Robert B. Boyer
Chairman
Kent County Water Authority

CURRENT TARIFF SCHEDULES

**KENT COUNTY WATER AUTHORITY
RATE SCHEDULE**

Page 1
KCWA PUC DOCKET# 3843
PROVIDENCE PASS THROUGH
EFFECTIVE: 11-1-2007

METER SALES VOLUME:

Applicable to all metered water in the Kent County system for residential, commercial and industrial consumption.

Rates:

	<u>Rate Per</u> <u>100 cu. ft.</u>
Small (5/8" to 2" meters)	\$3.790
Medium (3" to 4" meters)	\$3.210
Large (6" meters and up)	\$2.721

Terms of payment:

All metered sales bills are rendered quarterly or monthly and are due and payable in full when rendered.

METERED SALES SERVICE CHARGE:

Applicable to all metered sales of customers of Kent County Water Authority exclusive of fire service connections.

Rates:

	<u>Meter Size (in)</u>	<u>Quarterly Accounts</u>	<u>Monthly Accounts</u>
	5/8 & 3/4	\$ 8.20	\$ 6.83
	1	\$ 9.84	\$ 7.38
	1 ½	\$ 12.92	\$ 8.40
	2	\$ 15.58	\$ 9.29
	3	\$ 19.07	\$10.46
	4	\$ 25.84	\$12.71
	6	\$ 40.82	\$17.70
	8	\$ 66.87	\$26.39

Terms of Payment:

All customer service charges are billed quarterly or monthly in advance, and are due and payable in full when rendered.

PUBLIC FIRE SERVICE:

Applicable for service to public fire hydrants in the Kent County service area.

Rates:

	<u>Quarterly</u>
Hydrant	\$118.39/hydrant
Plus	\$ 6.15/billing

Terms of Payment:

All bills for public fire service are rendered quarterly in advance and are due payable in full when rendered.

PRIVATE FIRE SERVICE:

Applicable for service to private fire protection systems and private hydrants in the Kent County service area.

Rates:

	<u>Service Size (in.)</u>	<u>Quarterly Accounts</u>
	4	\$ 51.67
	6	\$135.98
	8	\$280.57
	10	\$500.15
	12	\$803.32
	hydrant	\$135.98

Terms of Payment:

All bills for private fire services are rendered quarterly in advance and are due and payable in full when rendered.

OTHER CHARGES

WHOLESALE RATE WARWICK WATER DEPARTMENT: Same rate as charged by Providence Water Supply Board. Rate will change upon changes to Providence Water Supply Board wholesale rate charges.

INTEREST ON DELINQUENT ACCOUNTS: Applicable to all water account balances over 30 days from billing date. Interest charges are payable as incurred.

CHARGE: 1.5% per month on unpaid balances.

TURN ON CHARGE: Applicable to all services turned on after the interruption of a service due to a specific violation which resulted in the service shut off and requests prior to 8:00 a.m. and after 3:00 p.m., Monday thru Friday and all day Saturday, Sunday, and any Holiday. Charges payable in full prior to turn-on.

CHARGE: \$50.00 per occurrence

INSTALLATION AND REPAIR WORK: Applicable to all installation and repair work.

CHARGE: Cost of all material, labor and equipment plus applicable overhead, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

CHLORINATION CHARGE: Applicable to all main extensions to existing systems.

CHARGE: Cost of laboratory and labor to collect, flush and test sample, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

MATERIAL PURCHASE: Applicable to all material sales.

CHARGE: Cost of material plus handling and applicable overhead, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

INSUFFICIENT FUND RETURNED CHECKS: Applicable to all payment checks returned to Kent County Water Authority by our bank due to insufficient funds available or account problems will bear a charge for our handling and bank charges.

CHARGE: \$20.00 Per occurrence.

METER TESTING: Applicable to all meter testing services.

CHARGE: \$50.00 Per occurrence.

INSPECTION FEE'S: Applicable to all developer installation work, public or private, in regards to all main or service extensions.

CHARGE: \$5.00/ft of installed main or for service pipe from main to curb stop.

LEGAL FEE'S: Applicable to all services requiring legal assistance by the Kent County Water Authority's legal counsel including but not limited to easement description preparation or review, deed restriction preparation or review, involvement with actions necessary for review or approvals of any water service request to the Authority.

CHARGE: Cost as billed to Kent County Water Authority by legal counsel on a monthly basis.

Terms Of Payment For All Other Charges: All bills rendered quarterly or monthly are due and payable in full when rendered.

PROPOSED TARIFF SCHEDULES

**KENT COUNTY WATER AUTHORITY
PROPOSED RATE SCHEDULE
(NO SEASONAL RATES)**

Page 1
KCWA PUC DOCKET# _____
EFFECTIVE: 3-31-2008

METER SALES VOLUME:

Applicable to all metered water in the Kent County system for residential, commercial and industrial consumption.

Rates:

	<u>Rate Per 100 cu. ft.</u>
Small (5/8" to 2" meters)	\$5.138
Medium (3" to 4" meters)	\$4.341
Large (6" meters and up)	\$3.663

Terms of payment:

All metered sales bills are rendered quarterly or monthly and are due and payable in full when rendered.

METERED SALES SERVICE CHARGE:

Applicable to all metered sales of customers of Kent County Water Authority exclusive of fire service connections.

Rates:

	<u>Meter Size (in)</u>	<u>Quarterly Accounts</u>	<u>Monthly Accounts</u>
	5/8 & 3/4	\$ 10.51	\$ 7.66
	1	\$ 13.92	\$ 8.80
	1 ½	\$ 20.32	\$10.93
	2	\$ 25.87	\$12.78
	3	\$ 33.12	\$15.20
	4	\$ 47.20	\$19.89
	6	\$ 78.35	\$30.28
	8	\$ 132.53	\$48.34

Terms of Payment:

All customer service charges are billed quarterly or monthly in advance, and are due and payable in full when rendered.

PUBLIC FIRE SERVICE:

Applicable for service to public fire hydrants in the Kent County service area.

Rates:

	<u>Quarterly</u>
Hydrant	\$147.74/hydrant
Plus	\$ 6.24/billing

Terms of Payment:

All bills for public fire service are rendered quarterly in advance and are due payable in full when rendered.

PRIVATE FIRE SERVICE:

Applicable for service to private fire protection systems and private hydrants in the Kent County service area.

Rates:

<u>Service Size (in.)</u>	<u>Quarterly Accounts</u>
4	\$ 58.64
6	\$158.46
8	\$330.62
10	\$589.59
12	\$948.51
hydrant	\$158.46

Terms of Payment:

All bills for private fire services are rendered quarterly in advance and are due and payable in full when rendered.

OTHER CHARGES

WHOLESALE RATE WARWICK WATER DEPARTMENT: Same rate as charged by Providence Water Supply Board. Rate will change upon changes to Providence Water Supply Board wholesale rate charge.

INTEREST ON DELINQUENT ACCOUNTS: Applicable to all water account balances over 30 days from billing date. Interest charges are payable as incurred.

CHARGE: 1.5% per month on unpaid balances.

TURN OFF CHARGE: Applicable to all services turned off due to a specific violation which resulted in the requirement to terminate service and requests prior to 8:00 a.m. and after 3:00 p.m., Monday thru Friday and all day Saturday, Sunday, and any Holiday. Charges payable in full prior to subsequent turn-on.

CHARGE: \$55.00 per occurrence

TURN ON CHARGE: Applicable to all services turned on after the interruption of a service due to a specific violation which resulted in the service shut off and requests prior to 8:00 a.m. and after 3:00 p.m., Monday thru Friday and all day Saturday, Sunday, and any Holiday. Charges payable in full prior to turn-on.

CHARGE: \$45.00 per occurrence

INSTALLATION AND REPAIR WORK: Applicable to all installation and repair work.

CHARGE: Cost of all material, labor and equipment plus applicable overhead, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

CHLORINATION CHARGE: Applicable to all main extensions to existing systems.

CHARGE: Cost of laboratory and labor to collect, transport to lab, flush and test sample, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

MATERIAL PURCHASE: Applicable to all material sales.

CHARGE: Cost of material plus handling and applicable overhead, as determined by the Kent County Water Authority on a yearly basis, usually on July 1.

INSUFFICIENT FUND RETURNED CHECKS: Applicable to all payment checks returned to Kent County Water Authority by our bank due to insufficient funds available or account problems will bear a charge for our handling and bank charges.

CHARGE: \$20.00 Per occurrence.

METER TESTING: Applicable to all meter testing services.

CHARGE: \$50.00 Per occurrence.

INSPECTION FEE'S: Applicable to all developer installation work, public or private, in regards to all main or service extensions.

CHARGE: \$5.00/ft of installed main or for service pipe from main to curb stop.

LEGAL FEE'S: Applicable to all services requiring legal assistance by the Kent County Water Authority's legal counsel including but not limited to easement description preparation or review, deed restriction preparation or review, involvement with actions necessary for review or approvals of any water service request to the Authority.

CHARGE: Cost as billed to Kent County Water Authority by legal counsel on a monthly basis.

VIOLATION OF MORATORIUMS/RESTRICTIONS: Applicable to all services in violation of an imposed moratorium on water use or violations of water use restrictions imposed. Charges payable in full prior to service reactivation. Order of Violation and charges for same event (moratorium or water use restriction) occurrence:

1. Notice of Violation via KCWA employee either a door hanger or direct contact with the customer No Charge.
2. 2nd Notice of Violation service termination with the charges of Turn Off and Turn On to be assessed.
3. 3rd Notice of Violation service termination with a flat charge to reactivate of \$250.00.
4. 4th Notice of Violation service termination with a flat charge to reactivate of \$500.00.
5. 5th Notice of Violation service termination till event has been rescinded. Charges of Turn Off and Turn On to be assessed.

Terms Of Payment For All Other Charges: All bills rendered quarterly or monthly are due and payable in full when rendered.

**KENT COUNTY WATER AUTHORITY
PROPOSED RATE SCHEDULE
(SEASONAL RATES)**

Page 1
KCWA PUC DOCKET# _____
EFFECTIVE: 3-31-2008

METER SALES VOLUME:

Applicable to all metered water in the Kent County system for residential, commercial and industrial consumption.

Rates: (all but July, August and September)

	<u>Rate Per</u> <u>100 cu. ft.</u>
Small (5/8" to 2" meters)	\$5.014
Medium (3" to 4" meters)	\$4.230
Large (6" meters and up)	\$2.866

Rates: (July, August and September)

	<u>Rate Per</u> <u>100 cu. ft.</u>
Small (5/8" to 2" meters)	\$5.383
Medium (3" to 4" meters)	\$4.536
Large (6" meters and up)	\$3.070

Terms of payment:

All metered sales bills are rendered quarterly or monthly and are due and payable in full when rendered.

METERED SALES SERVICE CHARGE:

Applicable to all metered sales of customers of Kent County Water Authority exclusive of fire service connections.

<u>Rates:</u>	<u>Meter Size (in)</u>	<u>Quarterly Accounts</u>	<u>Monthly Accounts</u>
	5/8 & 3/4	\$ 10.51	\$ 7.66
	1	\$ 13.92	\$ 8.80
	1 ½	\$ 20.32	\$10.93
	2	\$ 25.87	\$12.78
	3	\$ 33.12	\$15.20
	4	\$ 47.20	\$19.89
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	8	\$330.62
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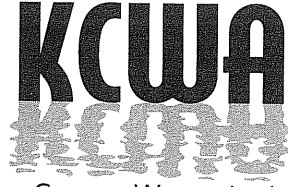
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4. 4th Notice of Violation service termination with a flat charge to reactivate of \$500.00.
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Terms Of Payment For All Other Charges: All bills rendered quarterly or monthly are due and payable in full when rendered.

**LETTERS OF NOTICE
TO
MUNICIPALITIES, AGENCIES
AND
FIRE DISTRICTS**



Kent County Water Authority

March 31, 2008

Attorney General Patrick Lynch
Attorney General's Office
150 South Main Street
Providence, Rhode Island 02903

Re: Kent County Water Authority
Application for increase in tariffs with the Public Utilities Commission

Dear Mr. Lynch:

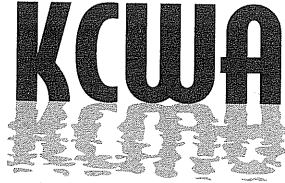
Pursuant to Section 39-3-11 of the General Laws of the State of Rhode Island, Kent County Water Authority has filed the enclosed document with the Rhode Island Public Utilities Commission in support of an increase in its rates. Copies of these documents have been filed with each governing body of our service communities. Pursuant to RIGL 39-3-11C a notice of our increase in rates will be provided to the fire districts within our service area. Certainly, if you have any questions or concerns on this filing, you may contact myself or our attorney Joseph McGair, to review any of these items.

Very truly yours,
KENT COUNTY WATER AUTHORITY

A handwritten signature in black ink, appearing to read "Timothy J. Brown", is written over the typed name and title.

Timothy J. Brown, PE
General Manager/Chief Engineer

Enclosure



Kent County Water Authority

March 31, 2008

Susan J. Cyr, Town Clerk
Coventry Town Hall
1670 Flat River Road
Coventry, RI 02816

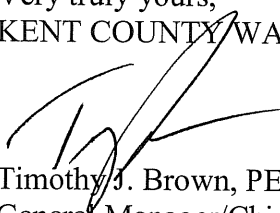
Re: Kent County Water Authority
Application for increase in tariffs with the Public Utilities Commission

Dear Ms. Cyr:

Pursuant to Section 39-3-11 of the General Laws of the State of Rhode Island, Kent County Water Authority has filed the enclosed document with the Rhode Island Public Utilities Commission in support of an increase in its rates. Copies of these documents are to be filed with the governing council of your community. Please notify them of this filing and that you are in possession of the complete document. You may also wish to leave it out for public display.

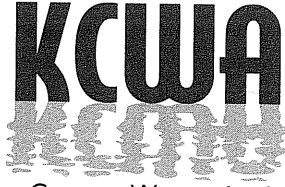
Thank you for your assistance.

Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, PE
General Manager/Chief Engineer

Enclosure



Kent County Water Authority

March 31, 2008

Maria Wall, City Clerk
869 Park Avenue
Cranston, Rhode Island 02910

Re: Kent County Water Authority
Application for increase in tariffs with the Public Utilities Commission

Dear Ms. Wall:

Pursuant to Section 39-3-11 of the General Laws of the State of Rhode Island, Kent County Water Authority has filed the enclosed document with the Rhode Island Public Utilities Commission in support of an increase in its rates. Copies of these documents are to be filed with the governing council of your community. Please notify them of this filing and that you are in possession of the complete document. You may also wish to leave it out for public display.

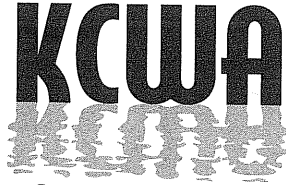
Thank you for your assistance.

Very truly yours,
KENT COUNTY WATER AUTHORITY

A handwritten signature in black ink, appearing to read "Timothy J. Brown", is written over the typed name.

Timothy J. Brown, PE
General Manager/Chief Engineer

Enclosure



Kent County Water Authority

March 31, 2008

Deidra A. Kettelle, Town Clerk
Town of East Greenwich
P.O. Box 111
East Greenwich, Rhode Island 02818

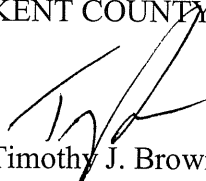
Re: Kent County Water Authority
Application for increase in tariffs with the Public Utilities Commission

Dear Ms. Kettelle:

Pursuant to Section 39-3-11 of the General Laws of the State of Rhode Island, Kent County Water Authority has filed the enclosed document with the Rhode Island Public Utilities Commission in support of an increase in its rates. Copies of these documents are to be filed with the governing council of your community. Please notify them of this filing and that you are in possession of the complete document. You may also wish to leave it out for public display.

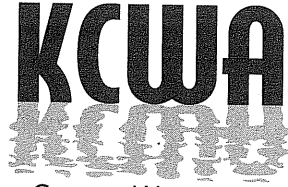
Thank you for your assistance.

Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, PE
General Manager/Chief Engineer

Enclosure



Kent County Water Authority

March 31, 2008

James Marques, Town Clerk
Town of North Kingstown
80 Boston Neck Road
North Kingstown, Rhode Island 02852

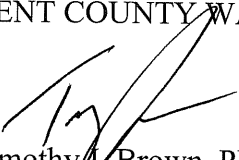
Re: Kent County Water Authority
Application for increase in tariffs with the Public Utilities Commission

Dear Mr. Marques:

Pursuant to Section 39-3-11 of the General Laws of the State of Rhode Island, Kent County Water Authority has filed the enclosed document with the Rhode Island Public Utilities Commission in support of an increase in its rates. Copies of these documents are to be filed with the governing council of your community. Please notify them of this filing and that you are in possession of the complete document. You may also wish to leave it out for public display.

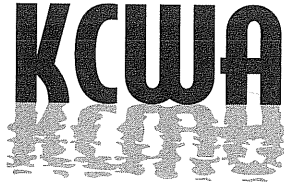
Thank you for your assistance.

Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, PE
General Manager/Chief Engineer

Enclosure



Kent County Water Authority

March 31, 2008

Margaret Long, Town Clerk
Town of Scituate
195 Danielson Pike
P.O. Box 328
North Scituate, R.I. 02857

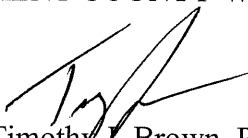
Re: Kent County Water Authority
Application for increase in tariffs with the Public Utilities Commission

Dear Ms. Long:

Pursuant to Section 39-3-11 of the General Laws of the State of Rhode Island, Kent County Water Authority has filed the enclosed document with the Rhode Island Public Utilities Commission in support of an increase in its rates. Copies of these documents are to be filed with the governing council of your community. Please notify them of this filing and that you are in possession of the complete document. You may also wish to leave it out for public display.

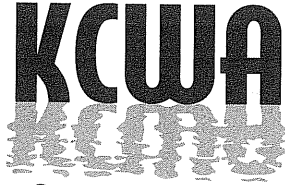
Thank you for your assistance.

Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, PE
General Manager/Chief Engineer

Enclosure



Kent County Water Authority

March 31, 2008

Marie Ahlert, City Clerk
City of Warwick
3275 Post Road
Warwick, R.I. 02857

Re: Kent County Water Authority
Application for increase in tariffs with the Public Utilities Commission

Dear Ms. Ahlert:

Pursuant to Section 39-3-11 of the General Laws of the State of Rhode Island, Kent County Water Authority has filed the enclosed document with the Rhode Island Public Utilities Commission in support of an increase in its rates. Copies of these documents are to be filed with the governing council of your community. Please notify them of this filing and that you are in possession of the complete document. You may also wish to leave it out for public display.

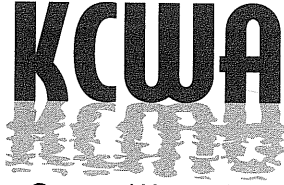
Thank you for your assistance.

Very truly yours,
KENT COUNTY WATER AUTHORITY

A handwritten signature in black ink, appearing to read "T. J. Brown", is written over the typed name.

Timothy J. Brown, PE
General Manager/Chief Engineer

Enclosure



Kent County Water Authority

March 31, 2008

Janet Olsson, Town Clerk
Town of West Greenwich
280 Victory Highway
West Greenwich, Rhode Island 02817

Re: Kent County Water Authority
Application for increase in tariffs with the Public Utilities Commission

Dear Ms. Olsson:

Pursuant to Section 39-3-11 of the General Laws of the State of Rhode Island, Kent County Water Authority has filed the enclosed document with the Rhode Island Public Utilities Commission in support of an increase in its rates. Copies of these documents are to be filed with the governing council of your community. Please notify them of this filing and that you are in possession of the complete document. You may also wish to leave it out for public display.

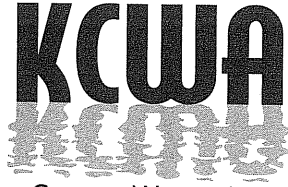
Thank you for your assistance.

Very truly yours,
KENT COUNTY WATER AUTHORITY

A handwritten signature in black ink, appearing to read "Timothy J. Brown", is written over the typed name.

Timothy J. Brown, PE
General Manager/Chief Engineer

Enclosure



Kent County Water Authority

March 31, 2008

David Clayton, Town Clerk
West Warwick Town Hall
1170 Main Street
West Warwick, Rhode Island 02893

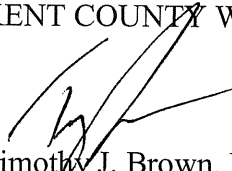
Re: Kent County Water Authority
Application for increase in tariffs with the Public Utilities Commission

Dear Mr. Clayton:

Pursuant to Section 39-3-11 of the General Laws of the State of Rhode Island, Kent County Water Authority has filed the enclosed document with the Rhode Island Public Utilities Commission in support of an increase in its rates. Copies of these documents are to be filed with the governing council of your community. Please notify them of this filing and that you are in possession of the complete document. You may also wish to leave it out for public display.

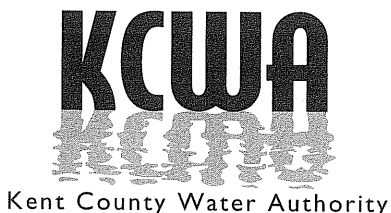
Thank you for your assistance.

Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, PE
General Manager/Chief Engineer

Enclosure



March 31, 2008

Anthony Fire District
Chief Paul Labbadia
571 Washington Street
Coventry, RI 02816

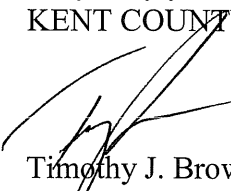
Re: Kent County Water Authority Rate Filing

Dear Chief Labbadia:

Pursuant to RIGL 39-3-11C Kent County Water Authority must provide, by certified mail, a notice of our increase in rates to you. Attached herewith find the original notice as filed to the Public Utilities Commissions of our proposed rate increase as filed on or before March 31, 2008 with the Public Utilities Commission. A complete copy of this filing has been provided to each city and town for review. You may review that copy. We are also providing copies to the libraries within your area, the Coventry Public Library, West Warwick Public Library, East Greenwich Public Library, Warwick Public Library, and the West Greenwich Public Library, and may obtain a copy to review as well.

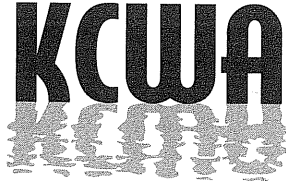
Certainly, if you have any questions or concerns on this filing, you may contact myself or our attorney, Joseph McGair, to review any of these items. Also, the hearing process will be fully noticed in accordance with state law by the Public Utilities Commission.

Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, P.E.
General Manager/Chief Engineer

CERTIFIED



Kent County Water Authority

March 31, 2008

Central Coventry Fire District
Chief Robert Seltzer
240 Arnold Road
Coventry, RI 02816

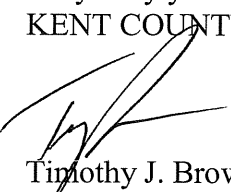
Re: Kent County Water Authority Rate Filing
(Harris – Tiogue – Washington – Central)

Dear Chief Seltzer:

Pursuant to RIGL 39-3-11C Kent County Water Authority must provide, by certified mail, a notice of our increase in rates to you. Attached herewith find the original notice as filed to the Public Utilities Commissions of our proposed rate increase as filed on or before March 31, 2008 with the Public Utilities Commission. A complete copy of this filing has been provided to each city and town for review. You may review that copy. We are also providing copies to the libraries within your area, the Coventry Public Library, West Warwick Public Library, East Greenwich Public Library, Warwick Public Library, and the West Greenwich Public Library, and may obtain a copy to review as well.

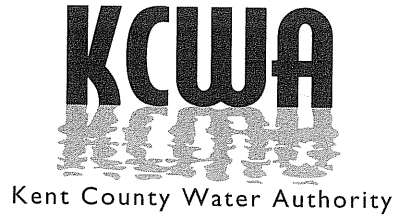
Certainly, if you have any questions or concerns on this filing, you may contact myself or our attorney, Joseph McGair, to review any of these items. Also, the hearing process will be fully noticed in accordance with state law by the Public Utilities Commission.

Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, P.E.
General Manager/Chief Engineer

CERTIFIED



March 31, 2008

East Greenwich Fire Department
Chief John McKenna
284 Main Street
East Greenwich, RI 01281

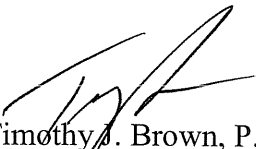
Re: Kent County Water Authority Rate Filing

Dear Chief McKenna:

Pursuant to RIGL 39-3-11C Kent County Water Authority must provide, by certified mail, a notice of our increase in rates to you. Attached herewith find the original notice as filed to the Public Utilities Commissions of our proposed rate increase as filed on or before March 31, 2008 with the Public Utilities Commission. A complete copy of this filing has been provided to each city and town for review. You may review that copy. We are also providing copies to the libraries within your area, the Coventry Public Library, West Warwick Public Library, East Greenwich Public Library, Warwick Public Library, and the West Greenwich Public Library, and may obtain a copy to review as well.

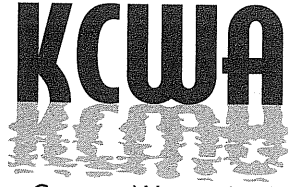
Certainly, if you have any questions or concerns on this filing, you may contact myself or our attorney, Joseph McGair, to review any of these items. Also, the hearing process will be fully noticed in accordance with state law by the Public Utilities Commission.

Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, P.E.
General Manager/Chief Engineer

CERTIFIED



Kent County Water Authority

March 31, 2008

Hope-Jackson Fire Department
Chief Donald Campbell
117 Main Street
Hope, RI 02831

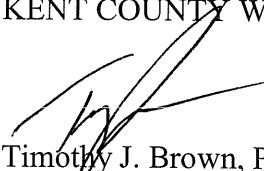
Re: Kent County Water Authority Rate Filing

Dear Chief Campbell:

Pursuant to RIGL 39-3-11C Kent County Water Authority must provide, by certified mail, a notice of our increase in rates to you. Attached herewith find the original notice as filed to the Public Utilities Commissions of our proposed rate increase as filed on or before March 31, 2008 with the Public Utilities Commission. A complete copy of this filing has been provided to each city and town for review. You may review that copy. We are also providing copies to the libraries within your area, the Coventry Public Library, West Warwick Public Library, East Greenwich Public Library, Warwick Public Library, and the West Greenwich Public Library, and may obtain a copy to review as well.

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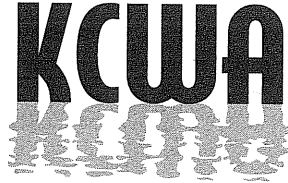
Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, P.E.
General Manager/Chief Engineer

CERTIFIED

PO Box 192
West Warwick, RI 02893-0192
401-821-9300
www.kentcountywater.org



Kent County Water Authority

March 31, 2008

Hopkins Hill Fire District
Chief Frank Brown
1 Bestwick Trail
Coventry, RI 02816

Re: Kent County Water Authority Rate Filing

Dear Chief Brown:

Pursuant to RIGL 39-3-11C Kent County Water Authority must provide, by certified mail, a notice of our increase in rates to you. Attached herewith find the original notice as filed to the Public Utilities Commissions of our proposed rate increase as filed on or before March 31, 2008 with the Public Utilities Commission. A complete copy of this filing has been provided to each city and town for review. You may review that copy. We are also providing copies to the libraries within your area, the Coventry Public Library, West Warwick Public Library, East Greenwich Public Library, Warwick Public Library, and the West Greenwich Public Library, and may obtain a copy to review as well.

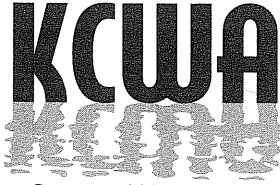
Certainly, if you have any questions or concerns on this filing, you may contact myself or our attorney, Joseph McGair, to review any of these items. Also, the hearing process will be fully noticed in accordance with state law by the Public Utilities Commission.

Very truly yours,
KENT COUNTY WATER AUTHORITY

A handwritten signature in black ink, appearing to read "T. J. Brown", is written over the printed name.

Timothy J. Brown, P.E.
General Manager/Chief Engineer

CERTIFIED



Kent County Water Authority

March 31, 2008

Lake Mishnock Fire Department
Chief Claude Tyler, III
166 Mishnock Road
West Greenwich, RI 02817

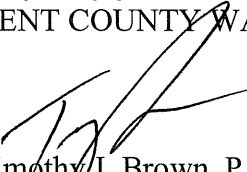
Re: Kent County Water Authority Rate Filing

Dear Chief Tyler:

Pursuant to RIGL 39-3-11C Kent County Water Authority must provide, by certified mail, a notice of our increase in rates to you. Attached herewith find the original notice as filed to the Public Utilities Commissions of our proposed rate increase as filed on or before March 31, 2008 with the Public Utilities Commission. A complete copy of this filing has been provided to each city and town for review. You may review that copy. We are also providing copies to the libraries within your area, the Coventry Public Library, West Warwick Public Library, East Greenwich Public Library, Warwick Public Library, and the West Greenwich Public Library, and may obtain a copy to review as well.

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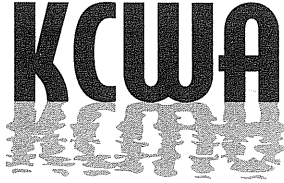
Very truly yours,
KENT COUNTY WATER AUTHORITY



Timothy J. Brown, P.E.
General Manager/Chief Engineer

CERTIFIED

PO Box 192
West Warwick, RI 02893-0192
401-821-9300
www.kentcountywater.org



Kent County Water Authority

March 31, 2008

West Greenwich Fire Department #1
Chief Edward Hoxsie
830 Nooseneck Hill Road
West Greenwich, RI 02817

Re: Kent County Water Authority Rate Filing

Dear Chief Hoxsie:

Pursuant to RIGL 39-3-11C Kent County Water Authority must provide, by certified mail, a notice of our increase in rates to you. Attached herewith find the original notice as filed to the Public Utilities Commissions of our proposed rate increase as filed on or before March 31, 2008 with the Public Utilities Commission. A complete copy of this filing has been provided to each city and town for review. You may review that copy. We are also providing copies to the libraries within your area, the Coventry Public Library, West Warwick Public Library, East Greenwich Public Library, Warwick Public Library, and the West Greenwich Public Library, and may obtain a copy to review as well.

Certainly, if you have any questions or concerns on this filing, you may contact myself or our attorney, Joseph McGair, to review any of these items. Also, the hearing process will be fully noticed in accordance with state law by the Public Utilities Commission.

Very truly yours,
KENT COUNTY WATER AUTHORITY

A handwritten signature in black ink, appearing to read "T. J. Brown", is written over the typed name of Timothy J. Brown.

Timothy J. Brown, P.E.
General Manager/Chief Engineer

CERTIFIED

ATTESTATIONS

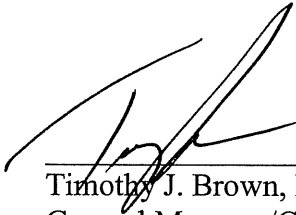
In Reference:

Kent County Water Authority
Tariff Filing of 2008

State of Rhode Island
Public Utilities Commission
Docket

Attestation Under Rule 1.20 (e) (2) and 2.7
of the Rules of Practice and Procedures
of the Public Utilities Commission


I, Timothy J. Brown, PE, General Manager & Chief Engineer of the Kent County Water Authority, in conformance with Rule 1.20 (e) (2) and 2.7 of the Rules and Practice and Procedure of the Public Utilities Commission, hereby attest that the facts contained in the documents and testimony prepared by me are true and correct to the best of my knowledge, information, and belief.



Timothy J. Brown, PE
General Manager/Chief Engineer

STATE OF RHODE ISLAND
KENT COUNTY

Subscribed and sworn to me this 19TH of FEBRUARY, 2008.



Notary Public

EXHIBITS

EXHIBIT 1

CHECK LIST OF REQUIRED INFORMATION OF WATER UTILITIES

Index and responses to Compliance

Item 2.4	Notice of Filing Proposal General Rate Changes
Response	Will be published upon Commission approval and provided to all customers by separate mailing.
Item 2.5(a)	Current and Proposed Rate Schedules; Terms and Conditions
Response	Included in filing
Item 2.5(b)	Complete Direct Case with Testimony and Exhibits
Response	Included in filing
Item 2.5(c)(1)	Annual Reports to Commission
Response	FY 2006 & FY 2007 Filed
Item 2.5(c)(2)	FERC or FCC annual reports
Response	Not applicable
Item 2.5(c)(3)	FERC or FCC audit reports
Response	Not applicable
Item 2.5(c)(4)	SEC Annual 10K reports
Response	Not applicable
Item 2.5(c)(5)	Prospectuses issued during last two (2) years.
Response	Not applicable
Item 2.5(c)(6)	Annual Reports to Stockholders
Response	Not applicable
Item 2.5(c)(7)	Statement reconciling any significant differences between items shown in filing and in any of above reports.
Response	Not applicable

Index and responses to Compliance

Item 2.5(d)	Complete set of documents filed with the Attorney General at time of filing.
Response	Filed
Item 2.5(e)	Index of responses filed Section 2.4 through 2.10
Response	Attached
Item 2.6(a) & 2.9(a)	Cost of service schedules for the test years and the proposed rate year.
Response	For cost of service schedules, see testimony.
Item 2.6(b)	Rate Year (November 1, 2008) to October 31, 2009
Item 2.6(c)	Adjustments to Test year
Response	Included in Testimony and Exhibits
Item 2.7	Attestation of Financial Data
Response	Included
Item 2.9(b)	Work papers supporting working capital allowance.
Response	Not applicable
Item 2.9(c)	Work papers supporting allocations of cost of service amounts among entities.
Response	Not applicable
Item 2.9(d)	Work papers detailing the test year and rate year revenues.
Response	Included in testimony
Item 2.9(e)	For each rate class, proposed rate change effects. Copy of actual bill.
Response	Please see testimony, actual bill sample is attached as an exhibit.
Item 2.9(f)	Principal and Interest paid on Debt Service
Response	Please see attached Debt Service Schedules
Item 2.9(g)	Schedule of Lease payments
Response	Not applicable
Item 2.9(h)	Adjustment Clause revenue analysis
Response	Not applicable

Index and responses to Compliance

Item 2.9(i)	Rate year Municipal Tax Expense, and prior three years.
Response	Payments in lieu of taxes is included in testimony.
Item 2.9(j)	Number of Employees and Overtime
Response	See testimony
Item 2.9(k)	Summary of transactions with affiliated entities/funds
Response	Not applicable
Item 2.9(1)	(1) balance sheet (2) income statement (3) statement of changes in retained earnings
Response	Please see attached Audited Financial Statements for Fiscal Year ending 6/30/2006 and 6/30/2007.
Item 2.9(m)	Summary of rate case expense incurred and projected.
Response	Please see testimony of Mr. Woodcock Schedule 1E
Item 2.9(n)	Information for preceding five years (1) unaccounted for water (2) loss on transmission of electricity or gas (3) utility's own use of water
Response	(1) Please see attached (2) Not applicable (3) Please see attached
Item 2.9(o)	Summary of the status of compliance and reporting required by prior Commission orders.
Response	KCWA is in compliance with all prior Commission orders and reporting.
39-3-12.1	Information required of water utility response attached as Exhibit 2.

KENT COUNTY WATER AUTHORITY
P.O. BOX 192
West Warwick, RI 02893-0192

Office Hours: Monday thru Friday
 8:00 A.M. - 4:00 P.M.
 401 - 821 - 9300
 www.kentcountywater.org

RETAIN THIS STUB FOR YOUR RECORDS



ACCOUNT NUMBER:
 116298
 CUSTOMER NAME:

ACCOUNT NUMBER	BILL PERIOD
116298	11/01/07- 01/31/08

CUSTOMER NAME:
 SERVICE LOCATION: CLUB HOUSE RD

CODE LEGEND	BILLING DATE			PRESENT READING	PREVIOUS READING	CONSUMPTION		BILLED AMOUNT	
BA	10	31	07					9	84
PY	11	16	07					-9	84
RS	01	07	08	1400	1300	A	1000	37	90
WP	01	07	08	1400	1300	A	1000	2	19
SC	01	31	08					9	84

DUE DATE: 03/03/08

TOTAL DUE \$ 49.93

CLUB HOUSE RD
 WEST GREENWICH RI 02817

SERVICE LOCATION:
 CLUB HOUSE RD

CODE LEGEND:

- BA BALANCE FORWARD
- AD ADJUSTMENT
- TX TAX
- PY PAYMENT
- CR CREDIT
- IC IND/COMM
- RS RESIDENTIAL
- GT GOVERNMENT
- SC SERVICE CHARGE
- BC BILL CHARGE
- WP WATER PROTECTI
- A ACTUAL READING
- E ESTIMATED READI
- LC LATE CHARGE

TOTAL DUE \$ 49.93

RATES EFFECTIVE NOVEMBER 1, 2007

METERED SALES

SMALL (5/8" TO 2" METER)	\$3.790
MEDIUM (3" TO 4" METER)	\$3.210
LARGE (6" METERS AND UP)	\$2.721

STATE WATER PROTECTION CHARGE (WP)
 FOR CONSUMPTION \$0.219 PER 100 CU. FT.

CONVERSION:

YOUR BILLED CONSUMPTION IS IN CUBIC FEET. TO CONVERT YOUR USAGE FROM CUBIC FEET TO GALLONS, MULTIPLY THE CONSUMPTION BY 7.5

SERVICE CHARGE

METER SIZE	QUARTERLY		MONTHLY	
	ACCTS	ACCTS	ACCTS	ACCTS
5/8" & 3/4"	\$8.20		\$6.83	
1"	\$9.84		\$7.38	
1 1/2"	\$12.92		\$8.40	
2"	\$15.58		\$9.29	
3"	\$19.07		\$10.46	
4"	\$25.84		\$12.71	
6"	\$40.82		\$17.70	
8" & >	\$66.87		\$26.39	

BILLING INQUIRIES:

CONTACT OUR CUSTOMER SERVICE OFFICE AT 821-9300. IF YOU STILL BELIEVE YOUR BILL IS INCORRECT AFTER TALKING TO OUR SERVICE REPRESENTATIVE, YOU MAY SUBMIT THE MATTER TO THE DIVISION OF PUBLIC UTILITIES & CARRIERS LOCATED AT 89 JEFFERSON BLVD., WARWICK, RI, TELEPHONE NUMBER 780-9700.

PAYMENT:

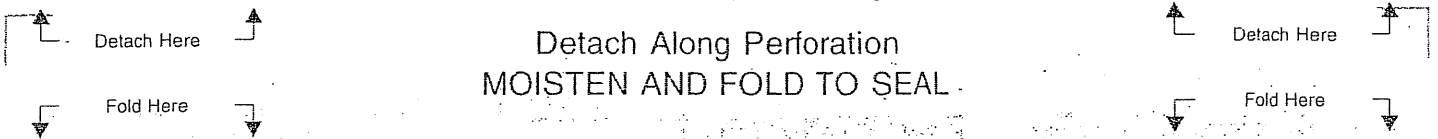
THIS IS DUE AND PAYABLE WITHIN 30 DAYS OF BILLING DATE. ANY BILL OR PORTION THEREOF UNPAID AFTER 30 DAYS IS SUBJECT TO INTEREST AT A RATE OF 1 1/2% PER MONTH OF THE UNPAID BALANCE. SHUT OFF FOR NON-PAYMENT WILL INCUR A SERVICE CHARGE OF \$50.00

BILL PERIOD
 11/01/2007-01/31/2008

IMPORTANT MESSAGE TO OUR CUSTOMERS:

YOUR CURRENT BILL REFLECTS A 4.6% RATE INCREASE RESULTING FROM AN INCREASE IN THE WHOLESALE RATE FOR WATER SUPPLIED BY THE PROVIDENCE WATER SUPPLY BOARD. THE NEW RATE IS EFFECTIVE NOVEMBER 1, 2007. THERE IS NO CHANGE TO THE QUARTERLY SERVICE CHARGE.

Water Protection (WP) is a state charge that is billed and collected by KCWA. If you are a customer 65 years or older and own a single family home, you are eligible for an exemption from this charge. In order to process the exemption, you must come to our office with identification such as a birth certificate or license and fill out an exemption form. Future water bills will then become exempt from this charge.



PLEASE BE SURE YOU HAVE

- ...made out your check or money order to KCWA and written your account number on it? (Please do not send cash)
- ...include your receipt and place a stamp on the envelope?

FROM _____

PLACE STAMP HERE
 The Post Office will not deliver mail without Postage.

|||||
KENT COUNTY WATER AUTHORITY
PO BOX 192
WEST WARWICK RI 02893-0192

KENT COUNTY WATER AUTHORITY

P.O. BOX 192

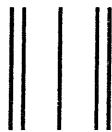
WEST WARWICK, RI 02893-0192

PRESORTED
FIRST CLASS MAIL
U.S. POSTAGE PAID
WEST WARWICK, RI
PERMIT NO. 224

***Please Open Immediately* – BILL ENCLOSED**

CLUB HOUSE RD
WEST GREENWICH RI 02817

RETURN ENVELOPE ENCLOSED



NEW ISSUE

**Ratings: Standard & Poor's: AAA (MBIA Insured)
Fitch: AAA (MBIA Insured)
(See "RATINGS.")**

In the opinion of Tillinghast Licht Perkins Smith and Cohen, LLP, Bond Counsel, assuming the accuracy of certain representations and continuous compliance with certain covenants of the Authority, under existing statutes and court decisions interest on the 2001 Series A Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals and corporations. Interest on the 2001 Series A Bonds will be included, however, in the calculation of adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The 2001 Series A Bonds and the income therefrom are exempt from Rhode Island taxes (See "TAX MATTERS" and Appendix B-Proposed Form of Opinion of Bond Counsel.)

\$10,000,000

**KENT COUNTY WATER AUTHORITY
GENERAL REVENUE BONDS, 2001 SERIES A**

Dated: June 1, 2001

Due: July 15, as shown below

The 2001 Series A Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York to which principal and interest payments on the 2001 Series A Bonds will be made so long as Cede & Co. is the registered owner of the 2001 Series A Bonds. Individual purchases of the 2001 Series A Bonds will be made only in book-entry form, in denominations of \$5,000, or any multiple thereof. Individual purchasers ("Beneficial Owners") of the 2001 Series A Bonds will not receive physical delivery of bond certificates.

The 2001 Series A Bonds bear interest from June 1, 2001, payable on January 15 and July 15 of each year commencing January 15, 2002. All such interest payments shall be payable to the person in whose name such 2001 Series A Bonds are registered on the bond registration books maintained by State Street Bank and Trust Company, Boston, Massachusetts, as trustee (the "Trustee") as of the close of business on the last business day of the month next preceding each interest payment date on which such interest is due. So long as DTC or its nominee is the registered owner of the 2001 Series A Bonds, disbursement of such payments to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants (as defined herein) as more fully described herein.

The 2001 Series A Bonds will constitute general obligations of the Kent County Water Authority (the "Authority"). The Authority has no taxing power. The 2001 Series A Bonds will be secured by a pledge of and security interest in certain revenues and other moneys of the Authority as described herein. Neither the State of Rhode Island, nor any political subdivision thereof other than the Authority is obligated to pay the principal of and interest on the 2001 Series A Bonds and neither the faith and credit nor the taxing power of the State of Rhode Island or any other political subdivision thereof is pledged to such payment.

Payment of the principal of and interest on the 2001 Series A Bonds when due will be insured by a financial guaranty insurance policy (the "Policy") to be issued simultaneously with the delivery of the 2001 Series A Bonds by



as more fully described herein.

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS
\$7,175,000 SERIAL BONDS**

<u>Maturity</u> July 15	<u>Principal</u> Amount	<u>Interest</u> Rate	<u>Price</u> or Yield	<u>Maturity</u> July 15	<u>Principal</u> Amount	<u>Interest</u> Rate	<u>Price</u> or Yield
2002	\$280,000	3.50%	2.80%	2010	\$445,000	4.25%	4.28%
2003	340,000	3.50	3.10	2011	465,000	4.375	4.375
2004	355,000	3.75	3.40	2012	490,000	4.50	4.50
2005	365,000	3.50	3.60	2013	510,000	4.55	4.65
2006	380,000	3.75	3.75	2014	535,000	5.00	4.77
2007	395,000	4.00	3.95	2015	565,000	5.00	4.87
2008	410,000	4.00	4.05	2016	590,000	5.00	4.97
2009	430,000	4.25	4.18	2017	620,000	5.00	5.02

**\$1,340,000 5.00% Term Bonds Due July 15, 2019 priced at 98.713% to Yield 5.11%
\$1,485,000 5.00% Term Bonds Due July 15, 2021 priced at 98.016% to Yield 5.16%
(plus accrued interest from June 1, 2001)**

The 2001 Series A Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Tillinghast Licht Perkins Smith & Cohen, LLP Providence, Rhode Island, Bond Counsel, and certain other conditions. Certain legal matters with respect to the Authority will be passed upon by its counsel, Petrarca, & McGair, Warwick, Rhode Island. Certain legal matters are subject to the approval of Moses & Afonso, Ltd., Providence, Rhode Island, counsel to the Underwriters. It is expected that the 2001 Series A Bonds in definitive form will be available for delivery in New York, New York on or about July 10, 2001.

QUICK & REILLY, INC.

FIRST SOUTHWEST COMPANY

Ratings: Standard & Poor's: "AAA" (MBIA Insured)
Fitch: "AAA" (MBIA Insured)
(See "RATINGS")

In the opinion of Tillinghast Licht Perkins Smith and Cohen, LLP, Bond Counsel, assuming the accuracy of certain representations and full compliance with certain covenants of the Authority, under existing statutes and court decisions interest on the 2002 Series A Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals and corporations. Interest on the 2002 Series A Bonds will be included, however, in the calculation of adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The 2002 Series A Bonds and the income therefrom are exempt from Rhode Island taxes although the 2002 Series A Bonds and any income there from may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes. (See "TAX MATTERS" and Appendix B – Proposed Form of Opinion of Bond Counsel.)

\$24,390,000
KENT COUNTY WATER AUTHORITY
GENERAL REVENUE BONDS, 2002 SERIES A

Dated: November 1, 2002

Due: July 15, as shown below

The 2002 Series A Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York to which principal and interest payments on the 2002 Series A Bonds will be made so long as Cede & Co. is the registered owner of the 2002 Series A Bonds. Individual purchases of the 2002 Series A Bonds will be made only in book entry form, in denominations of \$5,000, or any multiple thereof. Individual purchasers ("Beneficial Owners") of the 2002 Series A Bonds will not receive physical delivery of bond certificates.

The 2002 Series A Bonds bear interest from November 1, 2002, payable on January 15 and July 15 of each year commencing July 15, 2003. All such interest payments shall be payable to the person in whose name such 2002 Series A Bonds are registered on the bond registration books maintained by State Street Bank and Trust Company, Boston, Massachusetts, as trustee (the "Trustee") as of the close of business on the last business day of the month next preceding each interest payment date on which such interest is due. So long as DTC or its nominee is the registered owner of the 2002 Series A Bonds, disbursement of such payments to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants (as defined herein) as more fully described herein.

The 2002 Series A Bonds will constitute general obligations of the Kent County Water Authority (the "Authority"). The Authority has no taxing power. The 2002 Series A Bonds will be secured by a pledge of and security interest in certain revenues and other moneys of the Authority as described herein. Neither the State of Rhode Island, nor any political subdivision thereof other than the Authority is obligated to pay the principal or interest on the 2002 Series A Bonds and neither the faith and credit nor the taxing power of the State of Rhode Island or any other political subdivision thereof is pledged to such payment.

Payment of the principal of and interest on the 2002 Series A Bonds when due will be insured by a financial guaranty insurance policy (the "Policy") to be issued simultaneously with the delivery of the 2002 Series A Bonds by



as more fully described herein.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS
\$13,515,000 SERIAL BONDS

<u>Maturity</u> <u>July 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u> <u>July 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2003	\$400,000	2.00%	1.42%	490511CB6	2010	\$ 990,000	4.00%	3.55%	490511BR2
2004	810,000	3.50	1.73	490511BK7	2011	1,030,000	4.00	3.73	490511BS0
2005	840,000	3.50	2.08	490511BL5	2012	1,070,000	4.00	3.80	490511BT8
2006	870,000	3.00	2.45	490511BM3	2013	1,110,000	4.00	3.95	490511BU5
2007	895,000	3.00	2.75	490511BN1	2014	1,155,000	4.15	4.15	490511BV3
2008	920,000	4.00	3.10	490511BP6	2015	1,205,000	5.00	4.30	490511BW1
2009	955,000	3.25	3.30	490511BQ4	2016	1,265,000	5.00	4.40	490511BX9

\$2,730,000 5.375% Term Bonds Due July 15, 2018 Price to Yield 105.873 CUSIP - 490511BZ4
 \$6,885,000 5.00% Term Bonds Due July 15, 2023 Price to Yield 99.359 CUSIP - 490511BY7
 \$1,260,000 4.875% Term Bonds Due July 15, 2023 Price to Yield 97.770 CUSIP - 490511CA8

(plus accrued interest from November 1, 2002)

The 2002 Series A Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of legality by Tillinghast Licht Perkins Smith & Cohen, LLP Providence, Rhode Island, Bond Counsel, and certain other conditions. Certain legal matters with respect to the Authority will be passed upon by its counsel, Petrarca, & McGair, Inc., Warwick, Rhode Island. Certain legal matters are subject to the approval of Lynch & Greenfield LLP, Providence, Rhode Island, counsel to the Underwriter. First Southwest Company will be serving as financial advisor for the Authority on this transaction. It is expected that the 2002 Series A Bonds in definitive form will be available for delivery in New York, New York on or about December 11, 2002.

RBC DAIN RAUSCHER INC.

The date of this Official Statement is November 22, 2002

NEW ISSUE

**Ratings: Standard & Poor's: AAA (MBIA Insured)
Fitch: AAA (MBIA Insured)
(See "RATINGS" herein)**

In the opinion of Tillinghast Licht Perkins Smith and Cohen, LLP, Bond Counsel, assuming the accuracy of certain representations and continuous compliance with certain covenants of the Authority, under existing statutes and court decisions, interest on the 2004 Series A Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals and corporations. Interest on the 2004 Series A Bonds will be included, however, in the calculation of adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The 2004 Series A Bonds and the income therefrom are exempt from Rhode Island taxes although the 2004 Series A Bonds and any income therefrom may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes. (See "TAX MATTERS" and Appendix B-Proposed Form of Opinion of Bond Counsel.)

\$10,430,000
KENT COUNTY WATER AUTHORITY
GENERAL REVENUE REFUNDING BONDS, 2004 SERIES A

Dated: April 1, 2004

Due: July 15, as shown below

The 2004 Series A Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York to which principal and interest payments on the 2004 Series A Bonds will be made so long as Cede & Co. is the registered owner of the 2004 Series A Bonds. Individual purchases of the 2004 Series A Bonds will be made only in book-entry form, in denominations of \$5,000, or any multiple thereof. Individual purchasers ("Beneficial Owners") of the 2004 Series A Bonds will not receive physical delivery of bond certificates.

The 2004 Series A Bonds bear interest from April 1, 2004, payable on January 15 and July 15 of each year commencing July 15, 2004. All such interest payments shall be payable to the person in whose name such 2004 Series A Bonds are registered on the bond registration books maintained by U.S. Bank National Association, Boston, Massachusetts, as trustee (the "Trustee") as of the close of business the last business day of the month next preceding each interest payment date on which such interest is due. So long as DTC or its nominee the registered owner of the 2004 Series A Bonds, disbursement of such payments to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants (as defined herein) as more fully described herein.

The 2004 Series A Bonds will constitute general obligations of the Kent County Water Authority (the "Authority"). The Authority has no taxing power. The 2004 Series A Bonds will be secured by a pledge of and a security interest in certain revenues and other moneys of the Authority as described herein. Neither the State of Rhode Island, nor any political subdivision thereof other than the Authority is obligated to pay the principal of and interest on the 2004 Series A Bonds and neither the faith and credit nor the taxing power of the State of Rhode Island or any other political subdivision thereof is pledged to such payment.

Payment of the principal of and interest on the 2004 Series A Bonds when due will be insured by a financial guaranty insurance policy (the "Policy") to be issued simultaneously with the delivery of the 2004 Series A Bonds by



<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>		<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>			
<u>July 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>July 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>	<u>CUSIP No.</u>
2005	\$ 915,000	3.00%	1.17%	2010	\$1,065,000	3.75%	2.60%	490511 CD2	490511 CJ 9
2006	950,000	4.00	1.38	2011	1,100,000	4.00	2.90	490511 CE0	490511 CK6
2007	980,000	2.00	1.72	2012	1,140,000	4.00	3.13	490511 CF7	490511 CL4
2008	1,000,000	3.00	2.02	2013	1,180,000	3.25	3.30	490511 CG5	490511 CM2
2009	1,030,000	3.00	2.32	2014	1,070,000	3.375	3.43	490511 CH3	490511 CN0

The 2004 Series A Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of legality by Tillinghast Licht Perkins Smith & Cohen, LLP Providence, Rhode Island, Bond Counsel, and certain other conditions. Certain legal matters with respect to the Authority will be passed upon by its counsel, Petrarca & McGair, Inc., Warwick, Rhode Island. Certain legal matters are subject to the approval of Moses & Afonso, Ltd., Providence, Rhode Island, counsel to the Underwriter. First Southwest Company is serving as Financial Advisor for the Authority in this transaction. It is expected that the 2004 Series A Bonds in definitive form will be available for delivery in New York, New York on or about April 20, 2004.

QUICK & REILLY, INC.



KENT COUNTY WATER AUTHORITY

Financial Statements and Required Supplementary Information

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

KENT COUNTY WATER AUTHORITY

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Independent Auditors' Report

The Commissioners
Kent County Water Authority:

We have audited the accompanying statements of net assets of the Kent County Water Authority (the Authority) as of June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 2 through 5 and the pension information on page 19 are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

December 19, 2007

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis

Required Supplementary Information - Unaudited

June 30, 2007 and 2006

The Kent County Water Authority (the Authority) is a public benefit corporation created pursuant to and existing under Chapter 1740 of the Public Laws of 1946, at Chapter 16 of Title 39 of the Rhode Island General Laws (1956), as amended, and is subject to the supervisory and regulatory powers of the State Public Utilities Commission (PUC).

The Authority provides water supply services through metered sales in the communities of Coventry, Warwick, West Warwick, East Greenwich, West Greenwich, and in smaller sections of Cranston, Scituate, and North Kingstown. The Authority is responsible for operating and maintaining the water supply system.

The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis. The Authority operates in a manner similar to private business enterprises where the costs of providing goods or services to the general public, support of a Capital Improvement Program, and funding of an Infrastructure Replacement Program are financed or recovered through user charges approved by the PUC.

Condensed financial information from the statements of net assets and operations is presented below. The statement of net assets provides information on the assets and liabilities of the Authority, with net assets reported as the difference between assets and liabilities. The statement of operations of the Authority reflects all revenues earned and all expenses incurred for each fiscal year:

Condensed Financial Information

	2007	2006	2005
Current assets	\$ 2,727,491	2,499,686	2,382,426
Capital assets, net	78,515,214	73,600,443	68,146,201
Other noncurrent assets	39,174,220	38,285,410	38,871,627
Total assets	120,416,925	114,385,539	109,400,254
Current liabilities	4,233,818	3,899,359	4,714,727
Noncurrent liabilities	36,052,216	38,298,479	40,474,742
Total liabilities	40,286,034	42,197,838	45,189,469
Net assets:			
Invested in capital assets, net of related debt	67,699,651	61,377,674	55,759,492
Restricted net assets	3,200,319	2,973,006	2,741,884
Unrestricted net assets	9,230,921	7,837,021	5,709,409
Total net assets	\$ 80,130,891	72,187,701	64,210,785

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis

Required Supplementary Information - Unaudited

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenue:			
Water sales	\$ 14,844,048	15,426,276	12,704,220
Hydrant rentals	1,089,366	1,083,097	867,392
Other	238,486	498,021	284,058
Total operating revenue	<u>16,171,900</u>	<u>17,007,394</u>	<u>13,855,670</u>
Operating expenses:			
Source of supply	3,658,536	3,850,249	3,851,480
Pumping	667,868	662,025	613,018
Transmission and distribution	1,409,859	1,141,107	863,894
Water treatment	207,829	201,962	181,141
Customer accounting	286,602	279,223	285,317
Administrative and general	2,053,634	2,217,950	2,113,640
Depreciation	1,040,460	900,276	792,620
Taxes other than income	161,999	159,670	151,339
Amortization	120,374	120,374	120,374
Total operating expenses	<u>9,607,161</u>	<u>9,532,836</u>	<u>8,972,823</u>
Operating income	6,564,739	7,474,558	4,882,847
Nonoperating income:			
Capital contributions	837,225	163,312	624,350
Interest income	541,226	339,046	—
Change in net assets	<u>\$ 7,943,190</u>	<u>7,976,916</u>	<u>5,507,197</u>

In FY07, the Authority's net assets totaled \$80.1 million, an increase of \$7.9 million or 11% from the previous year. Total assets in FY07 were \$120.4 million, an increase of \$6.0 million or 5.3% from last year. Total liabilities decreased by \$1.9 million or 4.5% as a result of continuing debt service payments. The Authority's major capital expenditures included Capital Improvement Projects (funded by revenue bonds) and Infrastructure Projects (funded by water rates). In FY06, the Authority's net assets totaled \$72.2 million, an increase of \$8.0 million or 12.4% from the previous year. Total assets in FY06 were \$114.4 million, an increase of \$5.0 million or 4.6% from last year. Total liabilities decreased by \$3.0 million or 6.6% as a result of continuing debt service payments.

Water and fire protection charges for FY07 represented 98.5% of operating revenues. The remaining 1.5% includes inspection and turn-on fees, and late payment penalties. The operating revenue totaled \$16.2 million or 4.9% less than the prior year's revenue. This decrease can be attributed to wet 2006 summer months and a moratorium on water use during service maintenance of tanks from 2006 to 2007. Water and fire protection charges for FY06 represented 97.1% of operating revenues. The remaining 2.9% includes inspection and turn-on fees, and late payment penalties. The operating revenue totaled \$17.0 million or 22.7% more than the prior year's revenue. This increase can be attributed to an increase in water rates from 2005 to 2006.

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis

Required Supplementary Information - Unaudited

June 30, 2007 and 2006

Total operating expenses for FY07 totaled \$9.6 million, which was \$74 thousand or less than 1% over the operating expenses for the previous year. The increase is the result of an increase in plant maintenance and depreciation expense in 2007 due to new plant additions. Total operating expenses for FY06 totaled \$9.5 million, which was \$0.6 million or 6.2% over the operating expenses for the previous year. The increase is the result of an increase in plant maintenance and depreciation expense in 2006 due to new plant additions.

The operating income for FY07 totaled \$6.6 million, representing a decrease of 12% from the previous year. This decrease is a result of the changes discussed above.

Capital Assets

In FY07, the Authority's project additions financed with bond proceeds totaled approximately \$3.0 million and included a primary pump station upgrade and additional transmission lines. Infrastructure projects funded by rates totaled \$3.0 million, which was used primarily for water main installation. In FY06, the Authority's project additions financed with bond proceeds totaled approximately \$5.3 million and included a storage tank and additional transmission lines. Infrastructure projects funded by rates totaled \$1.1 million, which was used primarily for water main installation.

The Authority's capital budget includes projected expenditures of \$5.4 million for projects over the 2007-2008 period. Infrastructure projects under a state-mandated plan to replace old plant in service includes projected expenditures of \$4.8 million over the same period.

Debt Plan

Currently, the Authority has three series of General Revenue Bonds outstanding at the end of FY07, totaling \$38.3 million at par value.

2001 Series "A"	\$	8,280,000
2002 Series "A"		21,470,000
2004 Series "A"		8,565,000

During FY07, the Authority paid approximately \$2.2 million in principal on outstanding issuances and \$1.6 million of interest on outstanding issuances.

The Authority is required to establish and maintain rates and charges at levels sufficient so that total net revenues in each year during which bonds are outstanding will equal at least 125% of the bond debt service requirement during such year less the amount, if any, of bond proceeds available to pay interest becoming due in such year on bonds outstanding as of the first day of such year. The Authority has exceeded the 125% debt service coverage requirement of the Resolution in each year since the 2001 issue.

FY08 Budget and Rates

For FY08, the budget for operating revenues will increase by 3.6%. A 1% increase is projected for operation and maintenance expenses.

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis

Required Supplementary Information - Unaudited

June 30, 2007 and 2006

Requests for Information

This financial report is intended to provide an overview of the financial picture of the Kent County Water Authority. Any further questions regarding any of the information contained within this report may be directed to the General Manager or the Treasurer at P.O. Box 192, West Warwick, RI 02893.

KENT COUNTY WATER AUTHORITY

Statements of Net Assets

June 30, 2007 and 2006

Assets	2007	2006
Current assets:		
Cash and cash equivalents (note 3)	\$ 130,501	61,584
Accounts receivable, less allowance of \$103,683 in 2007 and 2006	2,249,101	2,063,909
Materials and supplies inventory	347,284	373,917
Other assets	605	276
Total current assets	2,727,491	2,499,686
Noncurrent assets:		
Restricted cash and investments held by trustee (note 3)	38,697,208	37,767,461
Capital assets:		
Depreciable, net (note 4)	61,891,547	54,051,156
Nondepreciable (note 4)	16,623,667	19,549,287
Deferred bond issuance costs, net	477,012	517,949
Total noncurrent assets	117,689,434	111,885,853
Total assets	\$ 120,416,925	114,385,539
Liabilities		
Current liabilities:		
Accounts payable	\$ 695,533	393,884
Accrued interest	831,384	870,559
Accrued liabilities	315,347	320,416
Water quality protection charges payable (note 7)	121,554	114,500
Current portion of long-term debt (note 5)	2,270,000	2,200,000
Total current liabilities	4,233,818	3,899,359
Noncurrent liabilities:		
Long-term debt, net (note 5)	36,052,216	38,298,479
Total liabilities	40,286,034	42,197,838
Net Assets		
Net assets:		
Invested in capital assets, net of related debt	67,699,651	61,377,674
Restricted for debt service	3,200,319	2,973,006
Unrestricted net assets	9,230,921	7,837,021
Total net assets	80,130,891	72,187,701
Commitments and contingencies (notes 8 and 10)		
Total liabilities and net assets	\$ 120,416,925	114,385,539

See accompanying notes to financial statements.

KENT COUNTY WATER AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2007 and 2006

	2007	2006
Operating revenues:		
Water sales	\$ 14,844,048	15,426,276
Hydrant rentals	1,089,366	1,083,097
Other	238,486	498,021
Total operating revenues	16,171,900	17,007,394
Operating expenses:		
Source of supply	3,658,536	3,850,249
Pumping	667,868	662,025
Transmission and distribution lines	1,409,859	1,141,107
Water treatment	207,829	201,962
Customer accounts and salaries and supplies	286,602	279,223
Administrative and general	2,053,634	2,217,950
Depreciation	1,040,460	900,276
Taxes other than income	161,999	159,670
Amortization	120,374	120,374
Total operating expenses	9,607,161	9,532,836
Operating income	6,564,739	7,474,558
Nonoperating income:		
Capital contributions	837,225	163,312
Interest income	541,226	339,046
Nonoperating income	1,378,451	502,358
Change in net assets	7,943,190	7,976,916
Total net assets – beginning	72,187,701	64,210,785
Total net assets – ending	\$ 80,130,891	72,187,701

See accompanying notes to financial statements.

KENT COUNTY WATER AUTHORITY

Statements of Cash Flows

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers	\$ 15,986,701	16,752,916
Amount paid to suppliers	(6,414,727)	(7,575,405)
Amount paid to employees	(1,701,655)	(1,668,447)
Net cash provided by operating activities	<u>7,870,319</u>	<u>7,509,064</u>
Cash flows from investing activities:		
Interest received	541,226	339,046
Net cash provided by investing activities	<u>541,226</u>	<u>339,046</u>
Cash flows from capital and related financing activities:		
Payments on debt	(2,200,000)	(2,120,000)
Capital additions	(5,212,881)	(6,281,719)
Net cash used for capital and related financing activities	<u>(7,412,881)</u>	<u>(8,401,719)</u>
Net decrease in cash and investments	998,664	(553,609)
Cash and investments, beginning of year	<u>37,829,045</u>	<u>38,382,654</u>
Cash and investments, end of year	\$ <u><u>38,827,709</u></u>	\$ <u><u>37,829,045</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,564,739	7,474,558
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,160,834	1,020,650
Changes in operating assets and liabilities:		
Accounts receivable	(185,192)	(254,478)
Inventory	26,633	128,967
Other assets	(329)	(78)
Accounts payable	301,649	(823,046)
Accrued liabilities	(5,069)	(2,194)
Water quality protection charges payable	7,054	(35,315)
Net cash provided by operating activities	\$ <u><u>7,870,319</u></u>	\$ <u><u>7,509,064</u></u>

Noncash capital and related financing activities:

Noncash acquisition of capital assets totaled \$837,225 and \$163,312 in 2006 and 2005, respectively.

See accompanying notes to financial statements.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

(1) Organization

(a) *Primary Government*

The Kent County Water Authority (the Authority) was created by the General Assembly of the State of Rhode Island on April 24, 1946, and was organized on July 8, 1946. The Authority is a body corporate and politic and serves as the governing body of the Kent County Water District, a political subdivision of the State of Rhode Island. The Authority is subject to the regulations of the Public Utility Commission (PUC) of the State of Rhode Island.

The Authority provides water supply services through metered sales in the communities of Warwick, West Warwick, Coventry, East Greenwich, and West Greenwich. The Authority is also responsible for acquiring, constructing, improving, operating, and maintaining the water supply system. The Authority's source of water supply is principally through purchases of water from the Providence Water Supply Board and Warwick Water Department with the remaining amount produced from its own wells.

(b) *Component Units*

Component Units are included in the Authority's reporting entity if their operational and financial relationships with the Authority are significant. Pursuant to the criteria established by the Governmental Accounting Standards Board (GASB), no component units were identified for inclusion in the accompanying financial statements.

(2) Summary of Significant Accounting Policies

The accounting policies of the Kent County Water Authority (the Authority) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies followed by the Authority:

(a) *Basis of Presentation*

The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

(b) Operating and Nonoperating Revenue

Water operating revenue consists of billings for metered and unmetered water supplied to residential, commercial, and industrial entities; fire protection charges; sales to public authorities; irrigation; water property; and water related services. Nonoperating revenues are recorded for other nonutility income.

(c) Utility Plant

Property, plant, and equipment is stated at cost. The Authority provides for depreciation of capital assets based on a composite rate of 1.5% of depreciable capital assets as required by the Public Utility Administrator. Depreciation expense is not reflected for construction in progress until such time as it is placed in service. The Authority capitalizes interest costs as part of the cost of constructing transmission and distribution facilities.

(d) Capital Contributions

Capital contributions consist of property, plant, and equipment paid for by customers for water installations. Once the installation is complete, the property, plant, and equipment transfers to the Authority.

(e) Materials and Supplies Inventory

Materials and supplies inventory is stated at the lower of cost (average cost method) or market.

(f) Proprietary Activity Accounting and Financial Reporting

The Authority has elected to apply accounting standards applicable to the private sector issued on or before November 30, 1989 unless those standards conflict with or contradict pronouncements of GASB.

(g) Cash and Cash Equivalents

Cash and cash equivalents and restricted cash (held by trustee) include highly liquid investments with a maturity of three months or less when purchased. Restricted cash has been classified as noncurrent as it primarily represents unspent bond proceeds restricted for future capital spending.

(h) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Bond Issue Costs

Expenses related to the issuance of Bonds are amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

(j) Reclassifications

Certain 2006 amounts have been reclassified to conform with the 2007 presentation.

(3) Cash, Cash Equivalents and Investments

Effective July 1, 2004, the Authority has adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. The standard requires that entities disclose essential risk information about deposits and investments.

(a) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that fully insured by FDIC insurance, as well as uninsured deposits. As of June 30, 2007 and 2006, bank balances totaling \$225,265 and \$61,284, respectively, are fully FDIC insured.

(b) Interest Rate Risk

In connection with the issuances of \$10 million general revenue bonds in July 2001, \$24.4 million of general revenue bonds in December 2002, and \$10.4 million of general revenue in April 2004, the proceeds from the bonds along with subsequent debt payments by the Authority and unspent operating income are maintained in cash accounts held in trust by the trustee.

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

Investments are valued at fair value. The fair values and maturities of the Trust's investment are presented below (in thousands):

Investment type	Fair value		Investment maturities (in years)	
	2006	2007	Less than 1	More than 10
Mutual bond fund	\$ 17,004,734	35,594,950	35,594,950	—
U.S. treasuries	18,939,167	1,278,698	1,278,698	—
Other	1,823,560	1,823,560	—	1,823,560
Total investments	\$ 37,767,461	38,697,208	36,873,648	1,823,560

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

(c) Credit Risk

The Authority has not adopted a formal policy related to credit risk. The Authority's investments are as follows:

	<u>Credit rating</u>
Mutual bond fund	AAA (S&P)
U.S. agencies	N/A
U.S. treasuries	N/A

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority places no limit in the amount that may be invested in any one issuer. More than 5% of the Authority's total investments are with the following issuers:

	<u>Percent of total investments</u>
Issuer: First American Funds	92%

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

(4) Capital Assets

The cost and activity of water capital assets in service and related accumulated depreciation for the years ending June 30, 2007 and 2006 is as follows:

	<u>Balance at June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2007</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 17,713,242	5,119,482	8,045,102	14,787,622
Land	1,836,045	—	—	1,836,045
Total capital assets, not being depreciated	<u>19,549,287</u>	<u>5,119,482</u>	<u>8,045,102</u>	<u>16,623,667</u>
Capital assets, being depreciated:				
Buildings and improvements	347,395	—	—	347,395
Machinery and equipment	4,090,175	654,983	14,328	4,730,830
Infrastructure	59,994,714	8,225,868	49,894	68,170,688
Total capital assets, being depreciated	64,432,284	8,880,851	64,222	73,248,913
Less accumulated depreciation	<u>10,381,128</u>	<u>1,040,460</u>	<u>64,222</u>	<u>11,357,366</u>
Total capital assets, being depreciated, net	<u>54,051,156</u>	<u>7,840,391</u>	<u>—</u>	<u>61,891,547</u>
Capital assets, net	\$ <u><u>73,600,443</u></u>	<u><u>12,959,873</u></u>	<u><u>8,045,102</u></u>	<u><u>78,515,214</u></u>

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

	<u>Balance at June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2006</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 21,286,541	6,141,118	9,714,417	17,713,242
Land	<u>1,836,045</u>	<u>—</u>	<u>—</u>	<u>1,836,045</u>
Total capital assets, not being depreciated	<u>23,122,586</u>	<u>6,141,118</u>	<u>9,714,417</u>	<u>19,549,287</u>
Capital assets, being depreciated:				
Buildings and improvements	347,395	—	—	347,395
Machinery and equipment	3,505,499	602,770	18,094	4,090,175
Infrastructure	<u>50,730,853</u>	<u>9,325,047</u>	<u>61,186</u>	<u>59,994,714</u>
Total capital assets, being depreciated	54,583,747	9,927,817	79,280	64,432,284
Less accumulated depreciation	<u>9,560,132</u>	<u>900,276</u>	<u>79,280</u>	<u>10,381,128</u>
Total capital assets, being depreciated, net	<u>45,023,615</u>	<u>9,027,541</u>	<u>—</u>	<u>54,051,156</u>
Capital assets, net	<u>\$ 68,146,201</u>	<u>15,168,659</u>	<u>9,714,417</u>	<u>73,600,443</u>

Interest costs of \$1,607,069 and \$1,685,419, offset by interest income of \$1,253,667 and \$940,205, were capitalized in 2007 and 2006, respectively.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

(5) Long-Term Obligations

The Authority issues revenue bonds to support various projects. The following is a summary of the bond activity for the years ended June 30, 2007 and 2006:

<u>Description</u>	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Amounts due within one year</u>
Revenue bonds:					
July 2001 Series A bearing interest at 3.5%-5% and maturing in 2017	\$ 8,660,000	—	(380,000)	8,280,000	395,000
December 2002 Series A bearing interest at 2%-5% and maturing in 2024	22,340,000	—	(870,000)	21,470,000	895,000
April 2004 Series A bearing interest at 2%-4% and maturing in 2014	9,515,000	—	(950,000)	8,565,000	980,000
	<u>40,515,000</u>	<u>—</u>	<u>(2,200,000)</u>	<u>38,315,000</u>	<u>2,270,000</u>
Add (less):					
Unamortized discount	(18,078)	—	1,205	(16,873)	—
Unamortized premium	617,195	—	(56,905)	560,290	—
Unamortized loss on refunding	(615,638)	—	79,437	(536,201)	—
	<u>(16,521)</u>	<u>—</u>	<u>23,737</u>	<u>7,216</u>	<u>—</u>
	<u>\$ 40,498,479</u>	<u>—</u>	<u>(2,176,263)</u>	<u>38,322,216</u>	<u>2,270,000</u>

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

Description	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts due within one year
Revenue bonds:					
July 2001 Series A bearing interest at 3.5%-5% and maturing in 2017	\$ 9,025,000	—	(365,000)	8,660,000	380,000
December 2002 Series A bearing interest at 2%-5% and maturing in 2024	23,180,000	—	(840,000)	22,340,000	870,000
April 2004 Series A bearing interest at 2%-4% and maturing in 2014	10,430,000	—	(915,000)	9,515,000	950,000
	<u>42,635,000</u>	<u>—</u>	<u>(2,120,000)</u>	<u>40,515,000</u>	<u>2,200,000</u>
Add (less):					
Unamortized discount	(19,283)	—	1,205	(18,078)	—
Unamortized premium	674,100	—	(56,905)	617,195	—
Unamortized loss on refunding	(695,075)	—	79,437	(615,638)	—
	<u>(40,258)</u>	<u>—</u>	<u>23,737</u>	<u>(16,521)</u>	<u>—</u>
	\$ <u>42,594,742</u>	<u>—</u>	<u>(2,096,263)</u>	<u>40,498,479</u>	<u>2,200,000</u>

The annual debt service requirements of the general long-term bonds payable outstanding as of June 30, 2007 are as follows:

Fiscal year ending June 30:	Principal	Interest	Total
2008	\$ 2,270,000	1,631,645	3,901,645
2009	2,330,000	1,558,918	3,888,918
2010	2,415,000	1,477,213	3,892,213
2011	2,500,000	1,387,882	3,887,882
2012	2,595,000	1,285,883	3,880,883
2013 – 2017	11,885,000	4,841,583	16,726,583
2018 – 2022	10,825,000	2,285,267	13,110,267
2023 – 2024	3,495,000	176,210	3,671,210
	\$ <u>38,315,000</u>	<u>14,644,601</u>	<u>52,959,601</u>

Borrowings are secured by the Authority's pledge of all revenues, monies, securities, receivables, and other funds of the Authority as well as the proceeds of the sale of the Authority's real property pursuant to a mortgage on its water supply, treatment and distribution facilities, exclusive of monies collected as water quality protection charges.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

(6) Pension Plan

(a) Plan Description

The Authority maintains a single employer, noncontributory defined benefit pension plan (the Plan) covering substantially all employees. To participate in the Plan, employees must be at least twenty-one years of age and be employed by the Authority for a minimum of 12 months. The Plan provides retirement, disability, and death benefits to plan members based upon the average of the highest consecutive five years of compensation of the last 10 years of participation. The Authority is responsible for making all contributions to the Plan. The benefits provisions and all other requirements under the Plan are established by the Authority's board of directors. A copy of the Plan statements may be obtained by contacting the Authority.

At January 1, 2007 and 2006, the Plan membership consisted of the following:

	2007	2006
Retirees and beneficiaries receiving benefits	20	18
Terminated vested participants	6	6
Active with vested benefits	32	33
Total membership	58	57

(b) Funding Policy

The Authority's funding policy provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. The Authority's contributions to the Plan for the years ended June 30, 2007, 2006, and 2005 were \$145,400, \$215,654, and \$218,404, respectively. The required contributions for the years ended June 30, 2007, 2006, and 2005 were approximately \$145,400, \$176,000, and \$217,000, respectively. The contribution requirements of the Authority are established and may be amended by the Authority's board of directors.

(7) Water Quality Protection Charges Payable

Pursuant to the rules and procedures of the Public Drinking Water Protection Program as promulgated by the Rhode Island Water Resources Board, the Authority has imposed a water quality protection charge on its customers. Prior to June 30, 1992, the Authority accounted for all water quality protection charges imposed as a liability due to the Authority's position that the rules and procedures regarding the imposition of the water quality protection charge did not adequately address the Authority's status as both a purchaser and supplier of water. The law governing the implementation of the water quality protection charge was amended on July 1, 1992. At June 30, 2007 and 2006, water quality protection charges payable of \$121,554 and \$114,500, respectively, represented funds collected from customers that are required to be paid to the Water Resources Board.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2007 and 2006

(8) Commitments and Contingencies

There are several pending law suits in which the Authority is involved. The Authority and its legal counsel estimate that the potential claims against the Authority not covered by insurance resulting from such litigation would not materially affect the financial statements of the Authority.

(9) Regulatory Matters

The Authority periodically submits rate and compliance filings with the PUC to receive rate relief for amounts equal to rate increases awarded by the PUC to the Providence Water Supply Board, the Authority's supplier.

(10) Risk Management

Insurance Held

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$1,000 per incident. Directors, officers, and Board members are insured for a maximum of \$1,000,000 per incident.

The Authority is a member of the Rhode Island Workers' Compensation Association public entity risk pool (the Pool) currently operating as a common risk management and insurance program for workers' compensation benefits for all employees. The Pool assesses premiums which are paid by the Authority. The Pool is self-sustaining through member premiums and reinsures through commercial companies for stop loss insurance.

The Authority has a variety of third-party insured health care programs for its employees for which the Authority pays 100% of the premium costs.

Long-term disability is covered by the State's temporary disability insurance for the first 26 weeks of medical coverage and lost wages. Thereafter, the Authority maintains a third-party insured employee disability program that provides for longer term disability.

KENT COUNTY WATER AUTHORITY

Required Supplementary Information

Pension Funding Progress

June 30, 2007

(Dollar amounts in thousands)

(Unaudited)

Schedule of Funding Progress

Plan year ended December 31	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Under (over) funding AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2001	\$ 2,689	2,990	301	89.9%	1,343	22.4%
2002	2,597	3,232	635	80.4	1,365	46.5
2003	3,077	3,301	224	93.2	1,458	15.4
2004	3,366	3,607	241	93.3	1,518	15.9
2005	3,524	3,947	423	89.3	1,683	25.1
2006	3,775	4,319	544	87.4	1,713	31.8

Schedule of Contributions from Employer

Plan year ended December 31	Annual required contribution	Percentage contributed
2001	\$ 106,086	100.0%
2002	159,300	100.0
2003	218,271	100.0
2004	215,654	100.0
2005	136,201	100.0
2006	154,574	100.0

Notes to Schedule

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2007
Actuarial cost method	Individual entry age normal
Amortization method	Approximate level percent of compensation aggregate
Remaining amortization period	5 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3% per year
Cost-of-living adjustments	None

See accompanying independent auditors' report.



KENT COUNTY WATER AUTHORITY
Financial Statements and Required Supplementary Information
June 30, 2006 and 2005
(With Independent Auditors' Report Thereon)

KENT COUNTY WATER AUTHORITY

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Independent Auditors' Report

The Commissioners
Kent County Water Authority:

We have audited the accompanying statements of net assets of the Kent County Water Authority (the Authority) as of June 30, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 2 through 5 and the pension information on page 19 are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

December 6, 2006

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2006 and 2005

The Kent County Water Authority (the Authority) is a public benefit corporation created pursuant to and existing under Chapter 1740 of the Public Laws of 1946, at Chapter 16 of Title 39 of the Rhode Island General Laws (1956), as amended, and is subject to the supervisory and regulatory powers of the State Public Utilities Commission (PUC).

The Authority provides water supply services through metered sales in the communities of Coventry, Warwick, West Warwick, East Greenwich, West Greenwich, and in smaller sections of Cranston, Scituate, and North Kingstown. The Authority is responsible for operating and maintaining the water supply system.

The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis. The Authority operates in a manner similar to private business enterprises where the costs of providing goods or services to the general public, support of a Capital Improvement Program, and funding of an Infrastructure Replacement Program are financed or recovered through user charges approved by the PUC.

Condensed financial information from the statements of net assets and operations is presented below. The statement of net assets provides information on the assets and liabilities of the Authority, with net assets reported as the difference between assets and liabilities. The statement of operations of the Authority reflects all revenues earned and all expenses incurred for each fiscal year:

Condensed Financial Information

	2006	2005	2004
Current assets	\$ 2,499,686	2,382,426	2,512,815
Capital assets, net	73,600,443	68,146,201	60,228,882
Other noncurrent assets	38,285,410	38,871,627	42,205,268
Total assets	114,385,539	109,400,254	104,946,965
Current liabilities	3,899,359	4,714,727	3,672,372
Noncurrent liabilities	38,298,479	40,474,742	42,571,005
Total liabilities	42,197,838	45,189,469	46,243,377
Net assets:			
Invested in capital assets, net of related debt	61,377,674	55,759,492	46,407,691
Restricted net assets	2,973,006	2,741,884	3,238,438
Unrestricted net assets	7,837,021	5,709,409	9,057,459
Total net assets	\$ 72,187,701	64,210,785	58,703,588

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2006 and 2005

	2006	2005	2004
Operating revenue:			
Water sales	\$ 15,426,276	12,704,220	12,389,765
Hydrant rentals	1,083,097	867,392	865,493
Other	498,021	284,058	253,369
Total operating revenue	17,007,394	13,855,670	13,508,627
Operating expenses:			
Source of supply	3,850,249	3,851,480	3,883,459
Pumping	662,025	613,018	558,522
Transmission and distribution	1,141,107	863,894	796,437
Water treatment	201,962	181,141	170,339
Customer accounting	279,223	285,317	267,944
Administrative and general	2,217,950	2,113,640	2,074,721
Depreciation	900,276	792,620	733,699
Taxes other than income	159,670	151,339	147,092
Amortization	120,374	120,374	37,646
Total operating expenses	9,532,836	8,972,823	8,669,859
Operating income	7,474,558	4,882,847	4,838,768
Nonoperating income			
Capital contributions	163,312	624,350	799,459
Interest income	339,046	—	—
Change in net assets	\$ 7,976,916	5,507,197	5,638,227

In FY06, the Authority's net assets totaled \$72.2 million, an increase of \$8.0 million or 12.4% from the previous year. Total assets in FY06 were \$114.4 million, an increase of \$5.0 million or 4.6% from last year. Total liabilities decreased by \$3.0 million or 6.6% as a result of continuing debt service payments. The Authority's major capital expenditures included Capital Improvement Projects (funded by revenue bonds) and Infrastructure Projects (funded by water rates). In FY05, the Authority's net assets totaled \$64.2 million, an increase of \$5.5 million or 9.4% from the previous year. Total assets in FY05 were \$109.4 million, an increase of \$4.5 million or 4.2% from last year's of \$104.9 million. Total liabilities decreased by \$1.1 million or 2.3% as a result of continuing debt service payments.

Water and fire protection charges for FY06 represented 97.1% of operating revenues. The remaining 2.9% includes inspection and turn-on fees, and late payment penalties. The operating revenue totaled \$17.0 million or 22.7% more than the prior year's revenue. This increase can be attributed to an increase in water rates from 2005 to 2006. Water and fire protection charges for FY05 represented 98.0% of operating revenues. The remaining 2.0% includes inspection and turn-on fees, and late payment penalties. The operating revenue totaled \$13.9 million or 2.6% more than the prior year's revenue. This increase can be attributed to an increase in usage due to customer base growth from 2004 to 2005.

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2006 and 2005

Total operating expenses for FY06 totaled \$9.5 million, which was \$0.6 million or 6.2% over the operating expenses for the previous year. The increase is the result of an increase in plant maintenance and depreciation expense in 2006 due to new plant additions. Total operating expenses for FY05 totaled \$9.0 million, which was \$0.3 million or 3.5% over the operating expenses for the previous year. The increase is also the result of an increase in plant maintenance and depreciation expense in 2005 due to new plant additions.

The operating income for FY06 totaled \$7.5 million, representing an increase of 53.1% from the previous year. This increase is a result of the changes discussed above.

Capital Assets:

In FY06, the Authority's project additions financed with bond proceeds totaled approximately \$5.3 million and included a storage tank and additional transmission lines. Infrastructure projects funded by rates totaled \$1.1 million, which was used primarily for water main installation. In FY05, the Authority's project additions financed with bond proceeds totaled approximately \$6.1 million and included a storage tank and additional transmission lines. Infrastructure projects funded by rates totaled \$2.6 million, which was used primarily for water main installation.

The Authority's capital budget includes projected expenditures of \$5.0 million for projects over the 2006-2007 period. Infrastructure projects under a state-mandated plan to replace old plant in service includes projected expenditures of \$4.8 million over the same period.

Debt Plan:

Currently, the Authority has three series of General Revenue Bonds outstanding at the end of FY06, totaling \$40.5 million at par value.

2001 Series "A"	\$ 8,660,000
2002 Series "A"	22,340,000
2004 Series "A"	9,515,000

During FY06, the Authority paid approximately \$2.1 million in principal on outstanding issuances and \$1.8 million of interest on outstanding issuances.

The Authority is required to establish and maintain rates and charges at levels sufficient so that total net revenues in each year during which bonds are outstanding will equal at least 125% of the bond debt service requirement during such year less the amount, if any, of bond proceeds available to pay interest becoming due in such year on bonds outstanding as of the first day of such year. The Authority has exceeded the 125% debt service coverage requirement of the Resolution in each year since the 2001 issue.

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2006 and 2005

FY07 Budget and Rates:

For FY07, the budget for operating revenues will increase by 7%. A 3.7% increase is projected for operation and maintenance expenses.

Requests for Information

This financial report is intended to provide an overview of the financial picture of the Kent County Water Authority. Any further questions regarding any of the information contained within this report may be directed to the General Manager or the Treasurer at P.O. Box 192, West Warwick, RI 02893.

KENT COUNTY WATER AUTHORITY

Statements of Net Assets

June 30, 2006 and 2005

Assets	2006	2005
Current assets:		
Cash and cash equivalents (note 3)	\$ 61,584	69,913
Accounts receivable, less allowance of \$103,683 in 2006 and in 2005	2,063,909	1,809,431
Materials and supplies inventory	373,917	502,884
Other assets	276	198
Total current assets	2,499,686	2,382,426
Noncurrent assets:		
Restricted cash and cash equivalents held by trustee (note 3)	37,767,461	38,312,741
Capital assets:		
Depreciable, net (note 4)	54,051,156	45,023,615
Nondepreciable (note 4)	19,549,287	23,122,586
Deferred bond issuance costs, net	517,949	558,886
Total noncurrent assets	111,885,853	107,017,828
Total assets	114,385,539	109,400,254
Liabilities		
Current liabilities:		
Accounts payable	393,884	1,216,930
Accrued interest	870,559	905,372
Accrued liabilities	320,416	322,610
Water quality protection charges payable (note 7)	114,500	149,815
Current portion of long-term debt (note 5)	2,200,000	2,120,000
Total current liabilities	3,899,359	4,714,727
Noncurrent liabilities:		
Long-term debt, net (note 5)	38,298,479	40,474,742
Total liabilities	42,197,838	45,189,469
Net Assets		
Net assets:		
Invested in capital assets, net of related debt	61,377,674	55,759,492
Restricted for debt service	2,973,006	2,741,884
Unrestricted net assets	7,837,021	5,709,409
Total net assets	72,187,701	64,210,785
Commitments and contingencies (notes 8 and 10)		
Total liabilities and net assets	\$ 114,385,539	109,400,254

See accompanying notes to financial statements.

KENT COUNTY WATER AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2006 and 2005

	2006	2005
Operating revenues:		
Water sales	\$ 15,426,276	12,704,220
Hydrant rentals	1,083,097	867,392
Other	498,021	284,058
Total operating revenues	17,007,394	13,855,670
Operating expenses:		
Source of supply	3,850,249	3,851,480
Pumping	662,025	613,018
Transmission and distribution lines	1,141,107	863,894
Water treatment	201,962	181,141
Customer accounts and salaries and supplies	279,223	285,317
Administrative and general	2,217,950	2,113,640
Depreciation	900,276	792,620
Taxes other than income	159,670	151,339
Amortization	120,374	120,374
Total operating expenses	9,532,836	8,972,823
Operating income	7,474,558	4,882,847
Nonoperating income		
Capital contributions	163,312	624,350
Interest income	339,046	—
Nonoperating income	502,358	624,350
Change in net assets	7,976,916	5,507,197
Total net assets – beginning	64,210,785	58,703,588
Total net assets – ending	\$ 72,187,701	64,210,785

See accompanying notes to financial statements.

KENT COUNTY WATER AUTHORITY

Statements of Cash Flows

Years ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from customers	\$ 16,752,916	13,999,240
Amount paid to suppliers	(7,575,405)	(6,460,946)
Amount paid to employees	(1,668,447)	(1,567,238)
	7,509,064	5,971,056
Cash flows from investing activities:		
Interest received	339,046	—
	339,046	—
Cash flows from capital and related financing activities:		
Payments on debt	(2,120,000)	(1,165,000)
Capital additions	(6,445,031)	(8,712,862)
Capital contributions	163,312	624,350
	(8,401,719)	(9,253,512)
Net decrease in cash and investments	(553,609)	(3,282,456)
Cash and investments, beginning of year	38,382,654	41,665,110
Cash and investments, end of year	\$ 37,829,045	38,382,654
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 7,474,558	4,882,847
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,020,650	912,994
Changes in operating assets and liabilities:		
Accounts receivable	(254,478)	143,570
Inventory	128,967	(2,735)
Other assets	(78)	(198)
Accounts payable	(823,046)	(37,475)
Accrued liabilities	(2,194)	56,830
Water quality protection charges payable	(35,315)	15,223
Net cash provided by operating activities	\$ 7,509,064	5,971,056

See accompanying notes to financial statements.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

(1) Organization

(a) Primary Government

The Kent County Water Authority (the Authority) was created by the General Assembly of the State of Rhode Island on April 24, 1946, and was organized on July 8, 1946. The Authority is a body corporate and politic and serves as the governing body of the Kent County Water District, a political subdivision of the State of Rhode Island. The Authority is subject to the regulations of the Public Utility Commission (PUC) of the State of Rhode Island.

The Authority provides water supply services through metered sales in the communities of Warwick, West Warwick, Coventry, East Greenwich, and West Greenwich. The Authority is also responsible for acquiring, constructing, improving, operating, and maintaining the water supply system. The Authority's source of water supply is principally through purchases of water from the Providence Water Supply Board and Warwick Water Department with the remaining amount produced from its own wells.

(b) Component Units

Component Units are included in the Authority's reporting entity if their operational and financial relationships with the Authority are significant. Pursuant to the criteria established by the Governmental Accounting Standards Board (GASB), no component units were identified for inclusion in the accompanying financial statements.

(2) Summary of Significant Accounting Policies

The accounting policies of the Kent County Water Authority (the Authority) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies followed by the Authority:

(a) Basis of Presentation

The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

(b) *Operating and Nonoperating Revenue*

Water operating revenue consists of billings for metered and unmetered water supplied to residential, commercial, and industrial entities; fire protection charges; sales to public authorities; irrigation; water property; and water related services. Nonoperating revenues are recorded for other nonutility income.

(c) *Utility Plant*

Property, plant, and equipment is stated at cost. The Authority provides for depreciation of capital assets based on a composite rate of 1.5% of depreciable capital assets as required by the Public Utility Administrator. Depreciation expense is not reflected for construction in progress until such time as it is placed in service. The Authority capitalizes interest costs as part of the cost of constructing transmission and distribution facilities.

(d) *Capital Contributions*

Capital contributions consist of property, plant, and equipment paid for by customers for water installations. Once the installation is complete, the property, plant, and equipment transfers to the Authority.

(e) *Materials and Supplies Inventory*

Materials and supplies inventory is stated at the lower of cost (average cost method) or market.

(f) *Proprietary Activity Accounting and Financial Reporting*

The Authority has elected to apply accounting standards applicable to the private sector issued on or before November 30, 1989 unless those standards conflict with or contradict pronouncements of GASB.

(g) *Cash and Cash Equivalents*

Cash and cash equivalents and restricted cash (held by trustee) include highly liquid investments with a maturity of three months or less when purchased. Restricted cash has been classified as noncurrent as it primarily represents unspent bond proceeds restricted for future capital spending.

(h) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) *Bond Issue Cost*

Expenses related to the issuance of Bonds are amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

(j) *Reclassifications*

Certain 2005 amounts have been reclassified to conform with the 2006 presentation.

(3) **Cash and Cash Equivalents**

Effective July 1, 2004, the Authority has adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. The standard requires that entities disclose essential risk information about deposits and investments.

(a) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that fully insured by FDIC insurance, as well as uninsured deposits. As of June 30, 2006 and 2005, bank balances totaling \$61,284 and \$69,913, respectively, are fully FDIC insured.

(b) *Interest Rate Risk*

In connection with the issuances of \$10 million general revenue bonds in July 2001, \$24.4 million of general revenue bonds in December 2002, and \$10.4 million of general revenue in April 2004, the proceeds from the bonds along with subsequent debt payments by the Authority and unspent operating income are maintained in cash accounts held in trust by the trustee.

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

The fair values and maturities of the Trust's investment are presented below (in thousands):

Investment type	2005 Fair value	2006 Fair value	Investment maturities (in years)	
			Less than 1	More than 10
Guaranteed investment contract	\$ 1,823,560	1,823,560	—	1,823,560
Mutual bond fund	33,653,377	17,004,734	17,004,734	—
U.S. agencies	1,549,774	—	—	—
U.S. treasuries	1,286,030	18,939,167	18,939,167	—
Total investments	\$ <u>38,312,741</u>	<u>37,767,461</u>	<u>35,943,901</u>	<u>1,823,560</u>

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

(c) *Credit Risk*

The Authority has not adopted a formal policy related to credit risk. The Authority's investments are as follows:

	<u>Credit rating</u>
Mutual bond fund	AAA (S&P)
Guaranteed investment contracts	N/A
U.S. agencies	N/A
U.S. treasuries	N/A

(d) *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority places no limit in the amount that may be invested in any one issuer. More than 5% of the Authority's total investments are with the following issuers:

Issuer:	<u>Percent of total investments</u>
First American Funds	45%

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

(4) Capital Assets

The cost and activity of water capital assets in service and related accumulated depreciation for the years ending June 30, 2006 and 2005 is as follows:

	<u>Balance at June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2006</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 21,286,541	6,141,118	9,714,417	17,713,242
Land	1,836,045	—	—	1,836,045
Total capital assets, not being depreciated	<u>23,122,586</u>	<u>6,141,118</u>	<u>9,714,417</u>	<u>19,549,287</u>
Capital assets, being depreciated:				
Buildings and improvements	347,395	—	—	347,395
Machinery and equipment	3,505,499	602,770	18,094	4,090,175
Infrastructure	50,730,853	9,325,047	61,186	59,994,714
Total capital assets, being depreciated	54,583,747	9,927,817	79,280	64,432,284
Less accumulated depreciation	<u>9,560,132</u>	<u>900,276</u>	<u>79,280</u>	<u>10,381,128</u>
Total capital assets, being depreciated, net	<u>45,023,615</u>	<u>9,027,541</u>	<u>—</u>	<u>54,051,156</u>
Capital assets, net	<u>\$ 68,146,201</u>	<u>15,168,659</u>	<u>9,714,417</u>	<u>73,600,443</u>

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

	<u>Balance at June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2005</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 17,206,292	8,078,013	3,997,764	21,286,541
Land	1,836,045	—	—	1,836,045
Total capital assets, not being depreciated	<u>19,042,337</u>	<u>8,078,013</u>	<u>3,997,764</u>	<u>23,122,586</u>
Capital assets, being depreciated:				
Buildings and improvements	335,914	11,481	—	347,395
Machinery and equipment	3,460,741	63,188	18,430	3,505,499
Infrastructure	46,280,067	4,555,021	104,235	50,730,853
Total capital assets, being depreciated	<u>50,076,722</u>	<u>4,629,690</u>	<u>122,665</u>	<u>54,583,747</u>
Less accumulated depreciation	<u>8,890,177</u>	<u>792,620</u>	<u>122,665</u>	<u>9,560,132</u>
Total capital assets, being depreciated, net	<u>41,186,545</u>	<u>3,837,070</u>	<u>—</u>	<u>45,023,615</u>
Capital assets, net	<u>\$ 60,228,882</u>	<u>11,915,083</u>	<u>3,997,764</u>	<u>68,146,201</u>

Interest costs of \$1,685,419 and \$1,765,233, offset by interest income of \$940,205 and \$700,262, were capitalized in 2006 and 2005, respectively.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

(5) Long-Term Obligations

The Authority issues revenue bonds to support various projects. The following is a summary of the bond activity for the years ended June 30, 2006 and 2005:

Description	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts due within one year
Revenue bonds:					
July 2001 Series A bearing interest at 3.5%-5% and maturing in 2017	\$ 9,025,000	—	(365,000)	8,660,000	380,000
December 2002 Series A bearing interest at 2%-5% and maturing in 2024	23,180,000	—	(840,000)	22,340,000	870,000
April 2004 Series A bearing interest at 2%-4% and maturing in 2014	10,430,000	—	(915,000)	9,515,000	950,000
	<u>42,635,000</u>	<u>—</u>	<u>(2,120,000)</u>	<u>40,515,000</u>	<u>2,200,000</u>
Add (less):					
Unamortized discount	(19,283)	—	1,205	(18,078)	—
Unamortized premium	674,100	—	(56,905)	617,195	—
Unamortized loss on refunding	(695,075)	—	79,437	(615,638)	—
	<u>(40,258)</u>	<u>—</u>	<u>23,737</u>	<u>(16,521)</u>	<u>—</u>
	<u>\$ 42,594,742</u>	<u>—</u>	<u>(2,096,263)</u>	<u>40,498,479</u>	<u>2,200,000</u>
Description	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts due within one year
Revenue bonds:					
July 2001 Series A bearing interest at 3.5%-5% and maturing in 2017	\$ 9,380,000	—	(355,000)	9,025,000	365,000
December 2002 Series A bearing interest at 2%-5% and maturing in 2024	23,990,000	—	(810,000)	23,180,000	840,000
April 2004 Series A bearing interest at 2%-4% and maturing in 2014	10,430,000	—	—	10,430,000	915,000
	<u>43,800,000</u>	<u>—</u>	<u>(1,165,000)</u>	<u>42,635,000</u>	<u>2,120,000</u>
Add (less):					
Unamortized discount	(20,488)	—	1,205	(19,283)	—
Unamortized premium	731,005	—	(56,905)	674,100	—
Unamortized loss on refunding	(774,512)	—	79,437	(695,075)	—
	<u>(63,995)</u>	<u>—</u>	<u>23,737</u>	<u>(40,258)</u>	<u>—</u>
	<u>\$ 43,736,005</u>	<u>—</u>	<u>(1,141,263)</u>	<u>42,594,742</u>	<u>2,120,000</u>

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

The annual debt service requirements of the general long-term bonds payable outstanding as of June 30, 2006 are as follows:

Fiscal year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,200,000	1,701,944	3,901,944
2008	2,270,000	1,631,645	3,901,645
2009	2,330,000	1,558,918	3,888,918
2010	2,415,000	1,477,213	3,892,213
2011	2,500,000	1,348,454	3,848,454
2012-2016	12,625,000	5,356,429	17,981,429
2017-2021	10,295,000	2,822,737	13,117,737
2022-2024	5,880,000	428,777	6,308,777
	<u>\$ 40,515,000</u>	<u>16,326,117</u>	<u>56,841,117</u>

Borrowings are secured by the Authority's pledge of all revenues, monies, securities, receivables, and other funds of the Authority as well as the proceeds of the sale of the Authority's real property pursuant to a mortgage on its water supply, treatment and distribution facilities, exclusive of monies collected as water quality protection charges.

(6) Pension Plan

(a) Plan Description

The Authority maintains a single employer, noncontributory defined benefit pension plan (the Plan) covering substantially all employees. To participate in the Plan, employees must be at least twenty-one years of age and be employed by the Authority for a minimum of 12 months. The Plan provides retirement, disability, and death benefits to plan members based upon the average of the highest consecutive five years of compensation of the last 10 years of participation. The Authority is responsible for making all contributions to the Plan. The benefits provisions and all other requirements under the Plan are established by the Authority's board of directors. A copy of the Plan statements may be obtained by contacting the Authority.

At January 1, 2006 and 2005, the Plan membership consisted of the following:

	<u>2006</u>	<u>2005</u>
Retirees and beneficiaries receiving benefits	18	18
Terminated vested participants	6	6
Active with vested benefits	33	31
Total membership	<u>57</u>	<u>55</u>

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

(b) Funding Policy

The Authority's funding policy provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. The Authority's contributions to the Plan for the years ended June 30, 2006, 2005, and 2004 were \$215,654, \$218,404, and \$213,273, respectively. The required contributions for the years ended June 30, 2006, 2005, and 2004 were approximately \$176,000, \$217,000 and \$255,000, respectively. The contribution requirements of the Authority are established and may be amended by the Authority's board of directors.

(7) Water Quality Protection Charges Payable

Pursuant to the rules and procedures of the Public Drinking Water Protection Program as promulgated by the Rhode Island Water Resources Board, the Authority has imposed a water quality protection charge on its customers. Prior to June 30, 1992, the Authority accounted for all water quality protection charges imposed as a liability due to the Authority's position that the rules and procedures regarding the imposition of the water quality protection charge did not adequately address the Authority's status as both a purchaser and supplier of water. The law governing the implementation of the water quality protection charge was amended on July 1, 1992. At June 30, 2006 and 2005, water quality protection charges payable of \$114,500 and \$149,815, respectively, represented funds collected from customers that are required to be paid to the Water Resources Board.

(8) Commitments and Contingencies

There are several pending law suits in which the Authority is involved. The Authority and its legal counsel estimate that the potential claims against the Authority not covered by insurance resulting from such litigation would not materially affect the financial statements of the Authority.

(9) Regulatory Matters

The Authority periodically submits rate and compliance filings with the PUC to receive rate relief for amounts equal to rate increases awarded by the PUC to the Providence Water Supply Board, the Authority's supplier.

KENT COUNTY WATER AUTHORITY

Notes to Financial Statements

June 30, 2006 and 2005

(10) Risk Management

(a) *Insurance Held*

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$1,000 per incident. Directors, officers, and Board members are insured for a maximum of \$1,000,000 per incident.

The Authority is a member of the Rhode Island Workers' Compensation Association public entity risk pool (the Pool) currently operating as a common risk management and insurance program for workers' compensation benefits for all employees. The Pool assesses premiums which are paid by the Authority. The Pool is self-sustaining through member premiums and reinsures through commercial companies for stop loss insurance.

The Authority has a variety of third-party insured health care programs for its employees for which the Authority pays 100% of the premium costs.

Long-term disability is self-insured for 26 weeks of medical coverage and lost wages. The liability for long-term disability was not material at June 30, 2006 or June 30, 2005.

KENT COUNTY WATER AUTHORITY

Required Supplementary Information

Pension Funding Progress (Unaudited)

June 30, 2006

(Dollar amounts in thousands)

Schedule of Funding Progress

Plan year ended December 31	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Under (over) funding AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2000	\$ 2,748	2,932	184	93.7%	1,210	
2001	2,689	2,990	301	89.9	1,343	15.2%
2002	2,597	3,232	635	80.4	1,365	22.4
2003	3,077	3,301	224	93.2	1,458	46.5
2004	3,366	3,607	241	93.3	1,518	15.4
2005	3,524	3,947	423	89.3	1,683	15.9
						25.1

Schedule of Contributions from Employer

Plan year ended December 31	Annual required contribution	Percentage contributed
2000	—	NA
2001	106,086	100.0%
2002	159,300	100.0
2003	218,271	100.0
2004	215,654	100.0
2005	136,201	100.0

Notes to Schedule

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2006
Actuarial cost method	Individual entry age normal
Amortization method	Approximate level percent of compensation aggregate
Remaining amortization period	5 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3% per year
Cost-of-living adjustments	None

See accompanying independent auditors' report.

Kent County Water Authority

(1) An Original

(Mo, Da, Yr)

(2) A Resubmission

9/29/04

6/30/04

WATER STATISTICS

Report the details as requested for the current and prior 2 years.

Particlurs (a)	HCF Amount 2 Yrs Prior (b)	HCF Amount Prior Year (c)	HCF Amount Current Year (d)
Total Utility Water	805,347	877,304	383,093
Total Purchased Water	4,116,766	3,979,743	4,563,127
Total Source of Water	4,922,113	4,857,047	4,946,220
DISPOSITION OF WATER			
Water Revenues by Classifications (From Page 7, Line 56, Column (c))	4,663,331	4,566,617	4,447,841
Unmetered Water Revenues (460)	0	0	0
Other Revenue Areas Not Listed			
1) KCWA use and Unmetered Water	4,497	5,719	81,794
2)			
Reverse Out Prior Year's Accrual	0	0	0
Add in This Year's Accrual	0	0	0
Total Disposition of Water	4,667,828	4,572,336	4,529,635
UNACCOUNTED FOR WATER	254,285	284,711	416,585
Percentage	5.2%	5.9%	8.4%

Explain below the unaccounted for water and steps to reduce this loss as outlined in the Water Management Plan, and/or any other report and study undertaken by the utility.

A leak detection program covers approximately 25% of the system each year.

Name of Respondent Kent County Water Authority	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 9/15/05	Year of Report 6/30/05
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WATER STATISTICS

Report the details as requested for the current and prior 2 years.

Particlurs (a)	HCF Amount 2 Yrs Prior (b)	HCF Amount Prior Year (c)	HCF Amount Current Year (d)
Total Utility Water	877,304	383,093	510,788
Total Purchased Water	3,979,743	4,563,127	4,508,148
Total Source of Water	4,857,047	4,946,220	5,018,936
DISPOSITION OF WATER			
Water Revenues by Classifications (From Page 7, Line 56, Column (c))	4,566,617	4,447,841	4,401,526
Unmetered Water Revenues (460)	0	0	0
Other Revenue Areas Not Listed			
1) KCWA Use and Unmetered Water	5,719	81,794	16,928
2) West Warwick - Mill Fire			5,512
Reverse Out Prior Year's Accrual	0	0	0
Add in This Year's Accrual	0	0	0
Total Disposition of Water	4,572,336	4,529,635	4,423,966
UNACCOUNTED FOR WATER	284,711	416,585	594,970
Percentage	5.9%	8.4%	11.8%

Explain below the unaccounted for water and steps to reduce this loss as outlined in the Water Management Plan, and/or any other report and study undertaken by the utility.

A leak detection program covers approximately 25% of the system each year.

Note: Thirteen Fire Departments do not report on the amount of water taken from fire hydrants.

Name of Respondent	This Report Is:	Date of Report	Year of Report
Kent County Water Authority	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	9/29/06 (Mo, Da, Yr)	6/30/06
WATER STATISTICS			
Report the details as requested for the current and prior 2 years.			
Particlurs (a)	HCF Amount 2 Yrs Prior (b)	HCF Amount Prior Year (c)	HCF Amount Current Year (d)
Total Utility Water	383,093	510,788	306,516
Total Purchased Water	4,563,127	4,508,148	4,368,434
Total Source of Water	4,946,220	5,018,936	4,674,950
DISPOSITION OF WATER			
<u>Water Revenues by Classifications</u>	4,447,841	4,401,526	4,345,550
(From Page 7, Line 56, Column (c))			
<u>Unmetered Water Revenues (460)</u>	0	0	0
<u>Other Revenue Areas Not Listed</u>			
1) KCWA Use and Unmetered Water	81,794	16,928	144,719
2) West Warwick - Mill Fire	0	5,512	0
<u>Reverse Out Prior Year's Accrual</u>	0	0	0
<u>Add in This Year's Accrual</u>	0	0	0
Total Disposition of Water	4,529,635	4,423,966	4,490,269
UNACCOUNTED FOR WATER	416,585	594,970	184,681
Percentage	8.4%	11.8%	4.0%

43 Explain below the unaccounted for water and steps to reduce this loss as outlined in the Water
 44 Management Plan, and/or any other report and study undertaken by the utility.
 45 A leak detection program covers approximately 25% of the system each year.
 46 Please see attached sheet for statistical refinement.
 47 NOTE: Thirteen fire departments do not report on the amount of water taken
 48 from fire hydrants.
 49
 50

NON-ACCO WATER FOR FISCAL YRS. 2006 & 2007

Supplier: Kent County Water Authority

(July 1 through June 30)	2006 (MG)	2006 (MCU.FT.)	2007 (MG)	2007 (MCU.FT.)
Total Water Produced/Purchased (MG)				
Water exported	3517.82	470.30	3329.39	445.11
Billed Metered Consumption	78.66	10.52	82.14	10.98
Unbilled Metered Consumption	3173.39	424.25	2922.74	390.74
Total Metered Consumption				
Unbilled Metered Consumption	0.26	0.03	2.33	0.31
Total Non-Metered Water Use (1)	265.51	35.50	322.18	43.07
% Non-Metered	7.5%	7.5%	9.7%	9.7%
Accounting of Non-Metered Water				
Billed Unmetered Consumption				
Unbilled Unmetered Consumption				
	consumption billed on estimates or norms (i.e. unmetered fire line)	0.18	1.88	0.25
	Fire Fighting & Training	1.00	1.00	0.13
	Main Flushing	16.79	20.77	2.78
	System Maintenance		4.00	0.53
	Storm Drain Flushing			0.00
	Sewer Cleaning			0.00
	Street Cleaning			0.00
	Construction Sites			0.00
	Water Quality and Other Testing	0.10	0.30	0.04
	Process Water at Treatment Plants	1.08	0.75	0.10
	Private fire hydrant flushing/testing	0.37	0.37	0.05
	Blow-offs for freeze prevention and/or water quality			0.00
	Hydrant Flow Tests	83.90	97.47	13.03
	Illegal water withdrawn from hydrants	0.05	0.11	0.01
	Illegal connections			0.00
	meter bypass or meter tampering			0.00
	apparent losses caused by customer meter inaccuracies			0.00
	apparent losses caused by errors with meter reading and/or billing system			0.00
	Includes leakage on mains, overflows at storage tanks, and service connections	2.61	-0.20	-0.03
Total Non-Metered Water (2)	108.25	14.47	130.95	17.51
Total Non-Account Water	157.26	21.02	191.23	25.57
Total Non-Account Water as a % of Total Produced/Purchased	4.5%	4.5%	5.7%	5.7%

39-3-12.1
Information Required of Water Utility

TABLE A

Status of Physical Plant

TABLE B

Maintenance Policy

TABLE C

Water Treatment Methods

TABLE D

Policy Related to Expansion and Renovations

TABLE E

Copies of Statements Filed with City and Town Councils of Service

Table A
Status of Physical Plant

The physical plant of the Kent County Water Authority consists of the following items as of June 30, 2007.

REAL ESTATE

IN THE CITY OF WARWICK:

- A. On the Easterly side of Rhode Island Highway Route 1 and Post Road, 8.2 acres with one gravel-packed well.
- B. On the West side of Route 2, 9.0 million gallon per day booster station with generator.

IN THE TOWN OF COVENTRY:

- A. On the East side of Route 3 abutting the Coventry-West Greenwich town line, ninety acres of land, two gravel-packed wells and lime silo. Plus approximately 300 acres of land purchased for wellhead protection and proposed well sites.
- B. On Route 3, at the top of Tiogue Hill, land with a three-quarter million-gallon storage tank.
- C. On Read Schoolhouse Road, land and one and one half million gallon steel storage tank. To the north of the existing site an additional site of two acres has been acquired for the proposed new replacement tank.
- D. On the East side of Route 3, in Coventry, 17 acres of land, one gravel-packed well and lime facility
- E. On Knotty Oak Road, Rhode Island Highway Route 116, pumping station, 1,750,000 gal/day capacity.
- F. Site on 7,500 sq. ft. leased land for 99 years location of Johnsons Blvd. High Service Booster Station.
- G. North side Mishnock Road 9 acres land for future storage ad treatment facility.

IN THE TOWN OF WEST WARWICK:

- A. At the intersection of Gough Avenue and West Street, land and steel storage tank one million gallons.

- B. On the North side of East Greenwich Avenue, Setian Lane, land and a three million gallon steel storage tank plus high service booster station.
- C. At 1072 Main Street, two buildings consisting of office building, storage facilities, workshop, garage, operation headquarters.
- D. On the North side of Wakefield Street a 2.0 million gallon storage tank.
- E. North side of Crompton Road (Nottingham Estates) 10,000 sq. ft. land for proposed tank site.
- F. West Warwick Industrial Park Tank, land (new high service booster station and abandoned tank).

IN THE TOWN OF SCITUATE:

- A. On Clinton Avenue, a 22 million gallon per day pumping station.

IN THE CITY OF CRANSTON:

- A. One and one half million gallon combined capacity underground concrete storage tanks; Seven Mile Road.
- B. Oaklawn Avenue leased site metering station for source supply.

IN THE TOWN OF WEST GREENWICH:

- A. 1.5 million gallon storage tank on easement land Technology Park.
- B. On the north side of Mishnock Road, approximately 100 acres of wellhead protection land proposed new well sites.
- C. On west side of Carrs Pond Road leased site and 3.0 million gallon storage tank.

IN THE TOWN OF EAST GREENWICH:

- A. 1.5 million gallon concrete storage tank on land off of Frenchtown Road.

The above listed items constitute the physical plant of the Kent County Water Authority and cite the source of supply owned by the Kent County Water Authority. All property unless otherwise noted, is held in fee simple and not subject to any mortgage, liens, attachments or other encumbrances.

In addition to wells cited, the Kent County Water Authority has as a source of supply the Scituate Reservoir owned by the City of Providence and has two connections into the source of supply; one, on Oaklawn Avenue in the City of Cranston and one, at the cited-pumping station in

the Town of Scituate. A connection is also available at Bald Hill Road in Warwick from the Warwick Water Department system obtained from Providence Water supply Board.

The volume of the four wells cited has not been determined for safe yield. We also periodically modify the impeller setting to adjust flow based on ground water levels and gradient backpressure.

Our estimates are as follows:

Mishnock Well #1	450 gpm (Emergency use only & out of service)
Mishnock Well #3	690 gpm (out of service)
Spring Lake Well	300 gpm (out of service)
Warwick Well (AKA – East Greenwich)	2000 gpm to 1400 gpm

The volume of water from Scituate Reservoir Providence Water Supply Board is variable depending on our demand. By state law, Kent County Water Authority has a daily draw from Providence of a maximum of 150 gpcd for all individuals of Kent County proper except Potowomut in Warwick and areas not subject to the north/south branch drainage basin of the Pawtuxet River.

Table B
Maintenance Policy

It is and has been the policy of the Kent County Water Authority to maintain its system in proper operating condition accordance with acceptance with accepted standards. All damaged items, valves, hydrants, pipe, etc. of our distribution system are repaired as expeditiously as possible. Replacement of deteriorated lines via the Infrastructure Program is replaced during the construction period each year. Any emergency items are repaired immediately. All physical plant is maintained and performed by staff of the Kent County Water Authority. With the addition of the IFR Program, a continual replacement program has been established for this system. This is outside and separate for our Capital Improvement Program. Distribution pipes were last installed this construction season by the Authority and its contractors. Total pipe installed in a 10-year period is:

1997	1,907,108 ft
2007	<u>2,110,963 ft</u>
	203,855 ft

Table C
Water Treatment Methods Chemicals Used
For Last Twelve Months
(7/1/06 – 6/30/07)

1) Potassium hydroxide is added to the East Greenwich well for pH adjustment.

496,550# @ .1706 <u>49,816# @ .1806</u> 546,366#	Fuel Charge Chemical	\$ 2,945.00 <u>93,708.24</u> \$ 96,653.24
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2) Sequestering agent for East Greenwich well

Tetra Potassium Pyrophosphate

480 Gallons @ 9.24	Fuel Charge Chemical	\$ 177.55 <u>4,435.34</u> 4,612.89
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3) Chlorine for East Greenwich Well

1,085 Gallons @ 1.60		\$ 1,740.00
	Total Cost	<u>\$ 103,006.13</u>

Table D

Policy Relating to Expansion and Renovation

It is and has been the policy of the Kent County Water Authority to assure that the system will continue to provide service to all existing customers. It is the requirement and the established legislation of the Kent County Water Authority to service all customers within the borders of Kent County property and has been our policy to extend our service to areas contiguous to ours where the Providence Water Supply Board can not be serviced by that public water system. Capital Improvement Programs have been developed and are in existence to provide existing customers and limited proposed future customers the same level of service throughout. All Capital Improvement Programs, Infrastructure Programs and restricted accounts are reported to the Commission semiannually and are up to date. Additional copies can be provided if requested. These reports list funds expended and projects completed or under construction. A current Capital Improvement Program exists and is under implementation. An Infrastructure Program is current and is under implementation.

Table E

All statements of service can be found in the first section of this filing.