

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

Petition of the KENT COUNTY WATER
AUTHORITY-Rate Application

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Docket No.: 3942

CITY OF WARWICK'S POST-HEARING MEMORANDUM

Now comes the City of Warwick (the "City"), by and through its City Solicitor, and the City Council of the City of Warwick, by and through its legal counsel, and submits this post-hearing memorandum for consideration by the members of the Public Utility Commission (the "Commission").

The Kent County Water Authority (the "Authority") filed a petition with the Commission seeking a rate hike of thirty-five (35) percent effective May 1, 2008¹. The rate hike would increase costs to residential, commercial and municipal customers applied to various billing methods available to the Authority and raise an additional Five Million Four Hundred Sixty Four Thousand Five Hundred Sixty-six Dollars (\$5,464,566.00) in Authority revenues². The Authority provides water service to a portion of the City. The Authority's customers located within the City are comprised of ninety-eight (98) percent of residential users. Fire protection supply is also provided by the Authority in these areas of the City. The hydrant rate hike proposed by the Authority sought a twenty-four (24) percent increase.³ The City objects to the rate ~~hike~~ increase sought by the Authority in general as inappropriate and unnecessary in these unprecedented economic times. Economic growth is currently stagnant, joblessness is increasing and overall economic conditions for stabilization or growth are uncertain. A rate hike request of the magnitude initially sought by the Authority disregards the current economic conditions and

¹ Tariff transmittal letter from Kent County Water Authority to Public Utilities Commission (Mar. 31, 2008).

² Supra, fn 1.

³ Supra, fn 1.

the fact that residential customers will have to absorb the sought after rate hike when they are least able to do so. Although during the discovery process and at the public hearing on the rate hike petition the Authority agreed to lower its rate hike request from \$5.4 Million to \$4.1 Million Dollars.⁴ The Department of Attorney General (the “State”) recommended that the Commission limit the rate hike to \$3.1 Million Dollars through a variety of expenditure reductions; primarily focused on the Authority’s infrastructure replacement (“IFR”) program.⁵ Neither the Authority nor the State suggested altering the twenty-four (24) percent rate hike sought for public fire hydrant rentals. The City urged the Commission to consider amending the requirement that all capital program expenses be fully funded with rate revenues and/or grant funds prior to the initiation of work. As an alternative, the Commission could require that funds be escrowed on an annual basis to cover capital costs anticipated to be incurred during that particular budget year. For example, the Authority could encumber a construction contract involving several years of work but only need to fund the contract on a budget year to budget year basis-thus avoiding the need to escrow the entire contract cost when only portions will be spent annually. Of course another option is to allow the Authority to bond some or all of each capital project and only fund the debt service requirements on an annual basis pursuant to the provisions of R.I. General Laws 46-15.6-6. Such an approach is allowable pursuant to Department of Health Regulations, Rules and Regulations for Clean Water Infrastructure Plans, Sec. 6.4. Either capital funding approach would reduce the need for the Authority to escrow substantial amounts of rate payer funds for multi-year capital projects. Either approach would also permit the Authority to continue its IFR program with no negative effect on service quality.

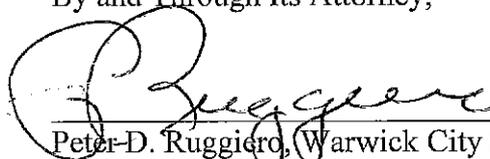
⁴ Admission of Attorney J. McGair at public hearing before the Commission on September 24, 2008.

⁵ Opening statement of Attorney L. Wold at public hearing before the Commission on September 24, 2008.

The City also requests the Commission to evaluate the justification for the Authority to increase public fire protection hydrant fees by twenty-four (24) percent. This cost has not been budgeted by the City Fire Department and would require an over-budget expenditure by the Fire Department to pay the increased rate. In addition, these costs would be passed on to municipal taxpayers in the form of municipal property taxes. No evidence was offered in the documents filed by the Authority or at the hearing on the petition to justify the hydrant rate hike request.

For these reasons the City hereby requests the Commission to consider reduced funding of the IFR line item in the Authority's budget to that amount which would need to be expended annually to pay on a cash basis for material purchased from suppliers and work performed by contractors or to service authorized debt for the Authority's IFR program or a combination of either two options. In addition, the City urges the Commission to deny or reduce the public fire protection hydrant rate hike request.

Respectfully submitted,
CITY OF WARWICK,
By and Through Its Attorney,



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Dated: October 14, 2008

CERTIFICATION

I, the undersigned, do hereby certify that I did forward a copy of the within Entry via e-mail and regular U.S. Mail, postage pre-paid, to all on the following service list on the 14th day of October, 2008.

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

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