



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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*Peter F. Kilmartin, Attorney General*

January 11, 2013

Ms. Luly Massaro, Clerk  
Public Utilities Commission  
89 Jefferson Blvd.  
Warwick, RI 02889

**Re: Docket No. 4142**

Dear Ms. Massaro,

The Kent County Water Authority ("KCWA") has filed a Miscellaneous Petition for Relief from Order No. 20162 in Docket No. 4142 contending that it has incurred a shortfall (\$607,077) from adjusted authorized rate revenue for 2012. The request, the utility claims, is permitted by language contained in Order No. 20162 in Docket No. 4142 which provides as follows:

Total allowed rate revenues will initially be set at the rate revenues allowed in this proceeding. This amount shall be adjusted annually based on the annual change in the Consumer Price Index (CPI) for the Northeast.

Order No. 20162 at 8.

According to KCWA when its total allowed rate revenues in 2011 and 2012 are adjusted for annual changes in the CPI for the Northeast, KCWA's actual rate revenue for FY 2012 is \$607,077 short of the adjusted amount. KCWA claims that it is entitled and requests to withdraw the same amount from the restricted portion of the Operating Revenue Allowance ("ORA") to cover the shortfall.

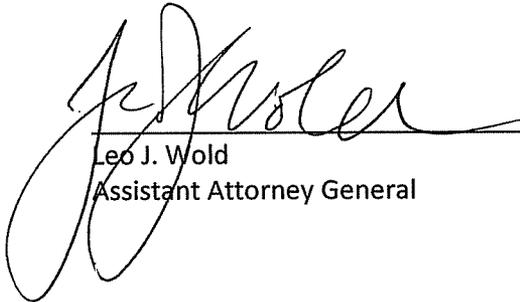
As part of the Division's review of KCWA's request in this matter, the Division reviewed evidence in Docket No. 4142, the language in Commission Order No. 20162 and we also reviewed KCWA's current financial situation and projected financial needs. Based on our review of the order and the evidence in the case, it is unclear whether KCWA's interpretation of the order is consistent with the Order's meaning. KCWA's interpretation of the Order is not

consistent with the Division's understanding of the Order and our position in Docket 4142. Specifically, the Division's position in this Docket intended for the inflation indexing to only apply to the calculation of excess revenues as opposed to increased expenses as KCWA claims in its filing. This was our understanding of the Decision. However, upon further review, the Division believes that the Order is not definitive on this matter and may be reasonably subject to interpretation. As noted below, the Division is not opposing KCWA's Petition and as such the Division doesn't believe the Commission needs to decide the intent of the order at this time. The Division recommends the Commission and parties revisit the issue of KCWA's operating revenue allowance and any restrictions that may be placed on it in KCWA's next rate filing so the issue may be more fully vetted.

In respect to the instant matter, based on our review of KCWA's financial situation, the Division recognizes that KCWA currently is experiencing cash flow problems that have mainly arisen from circumstances beyond the control of KCWA. One of the main issues relates to increases in accounts receivable. KCWA currently has receivables exceeding 31 days in excess of \$1 million. According to KCWA, some of the reasons for the large accounts receivable balance are the downturn in the RI economy, combined with foreclosures, bankruptcies and customers, both commercial and residential, who fail to pay bills in a timely manner. Some water bills are being discharged in bankruptcy proceeding and as such some receivables will never be realized. Accordingly, the Division recommends that the Commission permit KCWA to withdraw the \$607,077 it requested from its restricted ORA to enable it to meet its cash flow needs.

Respectfully submitted,

Division of Public Utilities and Carriers



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Leo J. Wold  
Assistant Attorney General

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