



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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*Peter F. Kilmartin, Attorney General*

January 31, 2013

Luly Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Blvd.  
Warwick, RI 02888

**RE: CITY OF NEWPORT, UTILITIES DEPARTMENT, WATER DIVISION  
DOCKET NO: 4243**

Dear Ms. Massaro,

Enclosed for filing with the Commission, is an original and nine (9) copies of the Division of Public Utilities and Carriers Comments Regarding the City of Newport, Utilities Division, Water Department's Multi-Year Rate Plan Compliance Filing in the above-entitled matter. I am forwarding an electronic copy to the service list as well.

Sincerely,

Karen Lyons  
Special Assistant Attorney General

KL/jm

Encl.

cc: Service list

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION**

<b>IN RE:</b>	<b>CITY OF NEWPORT,</b>	)	
	<b>UTILITIES DIVISION,</b>	)	
	<b>WATER DEPARTMENT</b>	)	<b>DOCKET NO. 4243</b>
	<b>APPLICATION TO CHANGE</b>	)	
	<b>RATES</b>	)	

**THE DIVISION OF PUBLIC UTILITIES AND CARRIERS COMMENTS REGARDING  
THE CITY OF NEWPORT, UTILITIES DIVISION, WATER DEPARTMENT'S MULTI-  
YEAR RATE PLAN COMPLIANCE FILING**

Now comes the Division of Public Utilities and Carriers (the "Division"), and hereby submits the within comments in the above entitled matter.

**INTRODUCTION**

On December 28, 2012, the City of Newport, Utilities Division, Water Department (Newport Water) submitted its Multi-Year Rate Plan Compliance filing to the Commission. The Division has reviewed Newport Water's debt service Compliance Filing and its responses to the discovery requests submitted by Portsmouth Water and Fire District.

As discussed in its filing, Newport Water plans to borrow the full remaining \$31,000,000 needed to finance the design and construction of a new Lawton Valley Treatment Plant and to finance improvements at the Station One Water Treatment Plant (the Treatment Plant Projects) in 2013 rather than borrowing \$26,900,000 million in 2013 and \$5,000,000 in 2014 as was anticipated in the cost of service filing in Docket No. 4355. To meet the debt service requirements associated with this borrowing, Newport Water is requesting an increase in rates to produce additional revenues of \$2,145,647.

**DISCUSSION**

Newport Water anticipates borrowing the needed funds through the Rhode Island Clean Water Finance Agency (RICWFA). The debt service on the \$31,000,000 RICWFA borrowing was

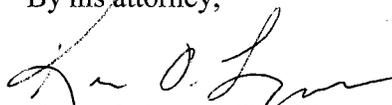
based on an estimated interest rate of 4.5 percent. No discussion for the basis for that interest rate is provided. Depending on the extent to which RICWFA is able to provide its normal interest rate subsidization of 33 percent on most of the borrowing, the Division anticipates that the 4.5 percent interest rate that Newport has used will exceed the actual interest rate.

However, since the extent to which subsidized funds will be available is not known, the Division is prepared to accept Newport Water's use of the 4.5 percent interest rate. In doing so, the Division recognizes that if the rate proves to be too high, any excess revenues will go into the debt service reserve fund and will be available to meet future debt service requirements. According to the information in its filing, Newport Water will be required to seek an additional increase to cover increases in the debt service on this and previous loans in 2014 and any differences in debt service resulting from a lower interest rate can be addressed at that time.

Accordingly, the Division does not oppose Newport Water's request to increase revenues by \$2,145,657 to meet additional debt service.

Thomas F. Ahern, Administrator  
State of Rhode Island  
Division of Public Utilities and Carriers

By his attorney,



Karen O. Lyons (#6169)  
Special Assistant Attorney General  
State of Rhode Island  
Department of Attorney General  
150 South Main Street  
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Dated: January 31, 2013