

February 29, 2012

Via Email and Regular Mail

Ms. Luly Massaro, Commission Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket No. 4309

Dear Luly:

On behalf of the City of Woonsocket, Water Division ("WWD"), enclosed please find an original and nine (9) copies of WWD's Response to the Commission's Request for Comments dated February 1, 2012.

Please let me know if you have any questions regarding this filing.

Very truly yours,



ALAN M. SHOER

cc: Service List (via e-mail)

**WOONSOCKET WATER DIVISION'S RESPONSE
TO COMMISSION'S REQUEST FOR COMMENT (Issued February 1, 2012)**

COMMISSION REQUEST

“Where the City of Woonsocket has indicated it does not intend to pay the hydrant fees for FY 2012 that accrued prior to the notification of the Commission pursuant to R.I. Gen. Laws Sec. 39-3-11.1, the appropriateness under ratemaking principles of netting the 25 weeks of hydrant fees owed to WWD against the City Service charges that would be paid by WWD to the City of Woonsocket in FY 2012.”

WOONSOCKET WATER DIVISION'S RESPONSE

After a review of this matter, the City of Woonsocket Water Division (“WWD”) recommends, that the Commission address this issue in the next rate filing that is expected to be filed by WWD shortly. This is advisable for several reasons.

First, while this type of offset would not be inappropriate from a ratemaking perspective, the Commission should be concerned that any recognition of this liability at this time will require the City to book the expense, which has the serious potential of endangering the City’s already fragile financial viability. These are very difficult times in the City of Woonsocket, as the Commission is aware, and for this reason WWD requests that the Commission review this matter in the context of the next utility rate filing so as to determine the implications to the City that would be caused by this offset proposal.

Second, given that the City is facing tremendous financial pressures WWD suggests that it would be more prudent to address this in the soon to be filed rate filing for ratemaking

purposes as another potential revenue source in the rate year and, if necessary, this revenue source could be amortized in subsequent years to help accommodate the payment of such a large sum from the City. In any event, the City of Woonsocket should, at a minimum, be allowed an opportunity to explore the option of a payment plan with the utility to recover these amounts, as any other ratepayer would be allowed. For this reason, WWD does not agree that in these difficult financial times an offset as proposed by the Commission's request for comment is advisable.

Third, if after further investigation, depending upon the future financial condition of the City, it may instead be appropriate for the utility to write off this receivable as bad debt based upon an ability to pay. It appears likely (if not already) that the City will be under an agreement with the State, through the office of Auditor General, to obtain approval for any material budgetary changes. Since this item was not included in the City's or the Water Division's budgets, the City would then be forced to seek authorizations from the State to implement such an offset. The WWD fears that if the State looks to the Water Division's budget for this item it may also look at WWD's restricted accounts to help the City's financial difficulties, which should not be allowed. See further WWD's response to Commission RR-1.

For all these reasons WWD requests that the Commission not take action on this proposal at this time and that this matter should be more fully reviewed in the context of the WWD's next rate filing which is expected to be filed shortly.

RESPONDENT: Walter E. Edge, Jr., MBA, CPA

DATE: February 29, 2012

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