

January 30, 2012

Via Email and Hand Delivery

Ms. Luly Massaro, Clerk
Rhode Island Public Utilities Commission
89 Jefferson Blvd
Warwick, R.I. 02888

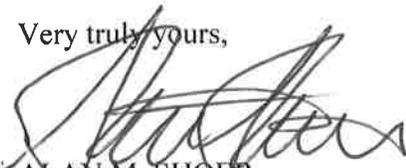
RE: City of Woonsocket, Water Division – Docket No. 4309

Dear Luly:

On behalf of the City of Woonsocket, Water Division (“WWD”) enclosed please find an original and three (3) copies of WWD’s Responses to the Commission’s Record Requests issued on January 26, 2012 for the aforementioned docket.

Please let me know if you have any questions.

Very truly yours,



ALAN M. SHOER

Enclosures

cc: Via E-mail:
Service List

WOONSOCKET WATER DIVISION'S RESPONSES
TO COMMISSION'S RECORD REQUESTS
Issued January 26, 2012

COMM 1-1: Has the City of Woonsocket paid its public fire service protection charges for the period July 1, 2011 through December 21, 2011 (the ordinance was filed with the Commission on December 22, 2011). If not, why not? If not, when has the City of Woonsocket told Woonsocket Water Division it will receive payment?

Response: No. The City administration was aware (on or around June of 2011) that the statute governing the charging of hydrant fees was changed by the General Assembly. Further the City anticipated that the Council was going to act on the new statute. Therefore, the City, for the 2012 fiscal year, did not include a budget payment amount for hydrant fees in the City Fire Department's budget. Likewise, the City did not budget the revenue in the enterprise fund (City Water Department).

Given the financial condition of the City's General Fund (of which the Fire Department is part) and based on the fact that the City expenditures remain under the review and oversight of the R.I. Director of Administration, the City believes that adding this expense to the budget at this time is problematic. The financial benefit of not having to budget the hydrant fee expense was critical to the challenging process of adopting a financially sound and balanced budget for FY 2012.

If the City now has to pay a five month liability (approximately \$300,000) for this charge it would be catastrophic to the City's already weak financial position. Further, even to accrue this liability to pay later would require recognition of the expense and result in a deficit at year end. A year end deficit could result in the City General Fund's bond rating being downgraded, which currently stands at a Moody's Ba2 level. This is already two grade levels **below** junk bonds (below investment) grade. The next level down is a C class associated with default. At that point, all funds, including the Water Fund, would be affected.

Due to the weakened liquidity of the City even the Water Fund (currently an enterprise fund) may be subject to further State oversight, including the possibility of the establishment of a budget commission or receivership. The City wants to do everything it can to protect the independence of the Water Fund and maintain its cash reserves. Therefore, not paying the

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hydrant fees for this 5 month period might be the best thing for the Water department and the ratepayers.

In short, the water department was not anticipating any revenue from the City for hydrant fees for this 5 month period, so the failure of the City to not pay the hydrant fees will not be a hardship to the water department, and it will not impact the next rate filing that is being prepared for filing in the next few weeks.

Given these very serious financial conditions facing the City of Woonsocket, the City is asking the PUC to waive the City's responsibility regarding hydrant fees for FYE June 30, 2012.

Respondent: Thomas Bruce, City Finance Director
Walter E. Edge, Jr., MBA, CPA

Dated: January 30, 2012

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COMM. 1-2: Please set forth all methods of customer notification Woonsocket Water will employ regarding the inclusion of a fire service protection charge, specifically advising the Commission whether there will be any notification available through electronic means or social media.

Response: Woonsocket Water plans to notify customers of the inclusion of a fire service protection charge through a bill insert, in the form attached to this response.

Woonsocket Water is not planning on notifying customers through any other electronic means or through social media beyond the notice that was published in the Woonsocket Call newspaper on or around January 6, 2012.

Respondent: Sheila McGauvran, Director – Public Works
Carol Lariviere, Superintendent

Dated: January 30, 2012

Attachment – COMM 1-2

Proposed Bill Insert

Due to a change in law, your water bill now includes a separate Fire Protection Service Charge. This charge will not provide additional revenues to the Woonsocket Water Division. Instead, fire protection service was previously billed to the City of Woonsocket and paid for by the City of Woonsocket with property tax revenues. The Woonsocket City Council, as permitted by the recent change in law, voted to pass the cost on to ratepayers. Therefore, Woonsocket Water is now prohibited from charging the City of Woonsocket for fire protection service. The Rhode Island Public Utilities Commission approved the new charge on [*INSERT DATE*].