



State of Rhode Island and Providence Plantations

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May 23, 2014

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

**In Re: City of Newport, Utilities Department, Water Division
Application to Change Rate Schedules Docket No. 4355**

Dear Ms. Massaro,

Enclosed for filing with the Commission, please accept this supplement to Division Comments filed on May 7, 2014.

On Tuesday May 20, 2014, counsel for the Division received an email containing two attachments from Newport counsel asking for a phone call. The attachments contained a Memorandum of Understanding (MOU) between Newport Water and Portsmouth Water and Fire District, and a revised Schedule C Base Charge.¹ The Division hereby objects to the complete disregard for the procedural schedule adopted by the Commission.

Portsmouth Water, as an intervenor, was subject to the procedural schedule implemented by the Commission on April 4, 2014. The procedural schedule listed May 7th as the date for Division Comments and Intervenor Comments. The Division timely filed comments on May 7th but no such filing was made by Portsmouth.

Not until May 20th at 3:06 P.M., was the Division advised that there was a discussion between Portsmouth and Newport regarding allocation to Services costs and

¹ It should be noted that the MOU initially submitted to the Division was an incorrect version of the MOU which the Division came to realize on May 21 when it could not tie in numbers in the MOU to the Newport rate filing in this docket.

meter costs. (It should be noted that, inappropriately, Counsel for Newport Water initiated an ex parte conversation with counsel for the Commission prior to notifying the Division of these changes.)

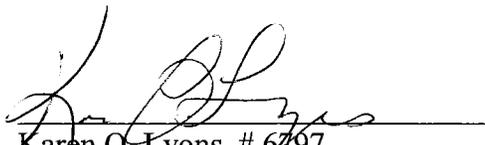
Division expert, Thomas Catlin, pointed out in his memo dated May 7, 2014, page 3, that the Commission has historically required that revenue increases authorized in compliance filings be generated by an across-the-board uniform percentage increase in rates. However in this compliance filing Newport Water has proposed rates using the cost of service model agreed upon in Docket 4355, adjusted to reflect its updated debt service requirements. The Division supported the use of the cost of service model, the use of which is favorable to Portsmouth in the amount of approximately \$38,000.00 as compared with the across-the-board methodology. The dollar amount at issue in the MOU is extremely small, in the range of an additional \$700.00 savings annually to Portsmouth but combined with savings from the original filing Portsmouth stands to gain significantly (offset by attorney and consultant fees).

As Portsmouth chose not to file any comments with the Commission on May 7th per the procedural schedule, and given that it was benefiting as described above by the application of the revenue increase through the cost study, the Division is troubled that Portsmouth and Newport dropped the MOU at the Division's feet, with no prior notification, the day before Newport's comments are due in this docket.

While the dollar amount is negligible to the ratepayers, the process is sacrosanct and in the interest of all, should have been followed. The Division at this point will not object to the changes in the MOU but would retain its right to review the cost allocation changes prescribed by the MOU in the next Newport Water rate filing to ensure they are justified. The Division is of the opinion that a hearing is not necessary in the instant proceeding.

DIVISION OF PUBLIC UTILITIES
AND CARRIERS
By its attorneys,

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