

State of Rhode Island and Providence Plantations

Public Utilities Commission

Minutes of Open Meeting Held October 30, 2008

Attendees: Chairman Elia Germani, Commissioner Robert Holbrook, Commissioner Mary Bray, Patricia Lucarelli, Cindy Wilson-Frias, Alan Nault, Sharon Colby Camara, Nick Ucci and Luly Massaro.

Chairman Germani called the open meeting to order at 1:00 P.M. in the first-floor hearing room of the Public Utilities Commission. A quorum was present.

Approval of Open Meeting Minutes held on October 6, 2008:

Chairman Germani moved to approve the minutes of open meeting held October 6, 2008. Commissioner Bray seconded the motion. **Vote 2-0.** Commissioner Holbrook did not participate at this open meeting and therefore abstained.

Approval of Open Meeting Minutes held on October 9, 2008:

Commissioner Germani moved to approve the minutes of open meeting held October 9, 2008. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Competitive Telecommunications Service Providers

The following companies filed a registration application for authority to provide telecommunications service in Rhode Island. The Division has reviewed the registration applications and recommends that they be approved.

3996 – BCL Management LLC

2262(H21) – Total Holdings, Inc.

After review, Chairman Germani entertained a motion to approve the applications.

Commissioner Holbrook seconded the motion and the motion was unanimously passed.

Vote 3-0.

The following companies submitted tariff revisions. The Division has reviewed the tariff filings and recommends that they be allowed to go into effect without suspension:

2618 – AT&T Communications (tariff filings 10/1, 10/3 & 10/9/08)

2486 – MCImetro Access Transmission Services (tariff filings 10/1, 10/3 & 10/9/08)

2262(P7) – MCI Communications Services, Inc. (tariff filing 10/1/08)

2262(D5) – DeltaCom Inc. (tariff filing 10/2/08)

2262(C19) – Inmate Calling Solutions, LLC (tariff filing 10/10/08)

2262(A6) – SBC Long Distance, LLC (tariff filing 10/10/08)

2262(G1) – Business Telecom, Inc. (tariff filing 10/2/08)

2262(F16) – Bell Atlantic Communications, Inc. (tariff filings 10/2 & 10/10/08)

2262(G16) – NYNEX Long Distance Co. (tariff filing 10/10/08)

2262(J20) – Embarq Communications, Inc. (tariff filing 10/16/08)

2262(P20) – First Communications, LLC (tariff filing 10/16/08)

After review, the Commission followed the Division's recommendation to allow the tariff filing to go into effect without suspension.

3919 - Pepperell Hydro Co. LLC – Pepperell Hydro submitted an application seeking certification for its 1.92 MW small hydro energy generation unit named Pepperell Hydro, as a resource capable of producing both, new (53.2%) and existing (46.8%) Renewable Energy Resource. After review, Chairman Germani found that the applicant meets eligibility requirement and moved to approve the application for certification of the Pepperell Hydro Generation Unit as new and existing, small hydro Renewable Energy Resource. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**

3931 – National Grid (NGrid) – This docket relates to NGrid’s Least Cost Procurement Plan that was filed on September 3, 2008. The Commission agreed to defer a decision because there is insufficient information regarding the System Reliability Plan and also, until the Commission has had an opportunity to review the specifics of the Company’s anticipated 2009 Demand Side Management filing. **Vote 3-0.**

1725 & 3423 – Newport Water Division (NWD) – The Commission reviewed Newport Water’s Miscellaneous Petition seeking approval to change its procedures regarding customer notification of past due balances, which may affect the utility’s shut-off procedures. The effect of this change will allow NWD to comply with the PUC’s order (in Docket 3818) to implement quarterly billing, mail shutoff statements to customers who are in arrears on a single bill and reduce the collection process from approximately 120 days to 90 days. The change will have no effect on the customer’s ability to enter into payment plans to avoid termination. The filing is in conformance with PUC Order 17170. After review, Chairman Germani moved to grant the petition and approve the revised procedures. Commissioner Holbrook seconded the motion and the motion was unanimously passed. **Vote 3-0.**

3942 – Kent County Water Authority (KCWA) – The Commission reviewed the record relating to the KCWA’s rate application, discussed and deliberated on the following outstanding issues:

- Infrastructure Renewal & Replacement (IFR) - Chairman Germani moved approve an allowance for IFR funding of \$5.4 million. Commissioner Holbrook seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Operating Revenue Allowance – Chairman Germani moved to approve an operating revenue allowance of 3% of rate revenues. Commissioner Holbrook seconded the motion adding that 1.5% of the operating revenue allowance should be deposited into a restricted account to be used for the purpose of offsetting declines in consumption. If revenues exceed the total allowed rate revenue as adjusted (based on the annual change in CPI Northeast and any increase in revenues resulting from a Providence Water Supply Board wholesale rate increase) by more than 3%, the full amount of the revenue in excess of the allowed rate revenue shall be deposited in the restricted operating revenue reserve. Commissioner Bray supported the Division’s position of 1.5% and therefore, opposed. **Vote 2-1.** KCWA shall file a report on November 1 of each year that presents the revenues for the prior fiscal year and level of restricted operating revenue reserve. **Vote 2-1.** (Commissioner Bray dissenting)

- Generic review of Operating Revenue Allowance – Commissioner Holbrook moved to open a docket to review the operating reserve needs of water utilities. Chairman Germani seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Revenues from Clariant – Commissioner Holbrook moved to reject the Division’s proposal that KCWA be required to deposit any Clariant’s revenues in excess of the allowed revenues into a restricted account. Chairman Germani seconded the motion. Commissioner Bray opposed. **Vote 2-1.**
- Seasonal Rates – Commissioner Bray noted that there is not enough information on seasonal rates to make a decision and moved to deny KCWA’s request to implement seasonal rates. Commissioner Holbrook seconded the motion. Chairman Germani supported KCWA’s request and dissented. **Vote 2-1.**
- Health Insurance – Commissioner Holbrook supported the Division’s position that employees contribute 10% towards health insurance. He encouraged KCWA to implement a policy that requires a co-pay with employees. Commissioner Bray concurred and moved to fund 90% of health costs. Commissioner Holbrook seconded the motion. Chairman Germani supported a percentage of salary approach to fund health costs and disagreed with the majority. **Vote 2-1.**
- Labors Costs – In view of the economic condition, Commissioner Bray moved to include funding in the rate year for a 2% salary increase for employees. Commissioner Holbrook seconded the motion. Chairman Germani opposed, noting that he supported a different approach that would not be limited to a 2% increase with the stipulation that KCWA be allowed to use the difference for employee merit compensation. **Vote 2-1.**
- O&M Reserve and R&R Reserve – Chairman Germani moved to find that to the extent the approved amounts to be funded through rates for the O&M and R&R reserves are not required to meet increases in the reserve requirements, any excess shall be set aside in a separate restricted account to be used to meet future capital needs. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Based upon the above decisions, Mr. Alan Nault calculated a revenue requirement of approximately \$19,818,000 to KCWA, providing additional revenues of \$3.4 million or 21% over current authorized revenues.

With reference to KCWA’s investments funds as provided in KCWA’s data response to COMM 1-15 and COMM 1-17 and record request COMM 5, Commissioner Holbrook noted that KCWA may have too much unused money and investments. The Report & Order should mention that KCWA take steps to better manage its investment, establish a formal investment policy and seek outside assistance on how it should invest its funds safely. Chairman Germani concurred with Commissioner Holbrook’s concern and noted that if KCWA accumulates a significant amount of money in debt service, perhaps it should find other projects. There was also a concern regarding the wisdom of KCWA’s policy to accrue 100% of an IFR project’s cost until an RFP is issued, particularly in a multi-year project because of interest loss and the time value of money.

The open meeting adjourned at 1:50 P.M.