

May 19, 2005

Cindy Wilson
Commission Counsel
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

Re: Docket No. 3626; Quarterly Billing

Dear Cindy:

The Commission has recently inquired of the Woonsocket Water Division ("WWD") how changing to quarterly billing will affect revenue and expenses. As you know, at the Open Meeting of February 17, 2005, the Commission authorized WWD to collect an additional \$1,602,012 in revenue in order to meet expenses. On February 21, 2005, WWD made a compliance filing to implement the order. As part of this compliance filing, a revised Schedule 7 was submitted, which included service charges for both semiannual and quarterly billing. The compliance filing was approved by the Commission on March 8, 2005.

The Commission has expressed concern that quarterly billing will result in increased revenue for WWD over what was approved. Specifically, the Commission is concerned that the switch to quarterly billing will result in approximately \$233,000 more in revenue than expenses, causing WWD to be out of compliance with the Order.

The switch to quarterly billing will not materially increase revenues, and will actually result in WWD collecting less revenue than expenses given the updated situation. The attached Revised Compliance Schedule 7 (p 1 of 3) shows that, all else being equal, quarterly billing would result in WWD recovering \$233,315 more in revenue than expenses. However, as set forth below, all else is not equal:

- Recent sales data shows much less revenue than forecast in the original Compliance Schedule 7. The updated sales data is reflected in the attached Revised Compliance Schedule (p. 2 of 3). Based on the updated sales data alone, the total increase in revenue over that allowed would fall from \$233,315 to \$116,794.
- Quarterly billing will only be in effect for the second half of Calendar Year 2005. The actual billings will be some \$95,600 less than as shown on the attached Revised Compliance Schedule (p.p. 1 and 2 of 3). Accordingly, taken together,

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the reduced consumption and delay in implementing the quarterly bills will result in revenues being only approximately \$21,000 more than approved by the Commission.

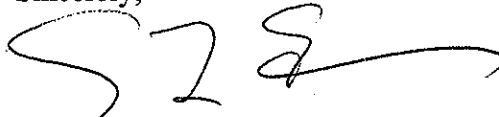
- Quarterly billing results in increased administrative expenses. As shown in Revised Compliance Schedule 7 (p. 3 of 3), postage and material costs alone will add an additional \$8,319 of expense. When additional time and other intangibles are taken into account, any increase of revenue over expenses becomes negligible.

It should be noted that, as shown in Revised Compliance Schedule 7 (p. 3 of 3), the above analysis does not take into account the increase in electric cost and additional bond issue payments. When these are factored in, a switch to quarterly billing will still not result in WWD's revenues being enough to cover expenses.

Please accept the attached Revised Compliance Schedule 7 as an update to the compliance filing made on February 21, 2005. Because the rates within Schedule 7 are not changing, it is WWD's position that no further action is needed from the Commission.

Thank you for this opportunity to update the Commission.

Sincerely,



CRAIG L. EATON, #5515

Attorney for Woonsocket Water Division

CLE/ln

cc: Luly Massaro, Commission Clerk
Leo Wold, Special Assistant Attorney General
Christopher Woodcock
Emerson J. Marvel
Carol Lariviere
Alan Nault, Commission

Revenue Reconciliation - with Quarterly Billing

Revenue Category	Size/Use # or 100 cu ft	Rate	Proposed Revenues	Current Revenues	Dollar Increase	Percent Increase
Public Fire Protection						
4 inch	31	\$110.82	\$3,435	\$2,943	\$493	16.74%
6 inch	1,519	\$321.91	\$488,981	\$418,879	\$70,102	16.74%
Bills	3	\$14.00	<u>\$42</u>	<u>\$0</u>	<u>\$42</u>	---
			\$492,459	\$421,822	\$70,636	16.75%
Private Fire Protection						
2 inch	11	\$40.72	\$448	\$412	\$36	8.64%
3 inch	5	\$78.20	\$391	\$187	\$204	108.64%
4 inch	46	\$143.30	\$6,592	\$6,116	\$476	7.78%
6 inch	87	\$368.44	\$32,054	\$29,309	\$2,746	9.37%
8 inch	19	\$756.98	\$14,383	\$13,090	\$1,292	9.87%
10 inch	4	\$1,329.48	<u>\$5,318</u>	<u>\$4,796</u>	<u>\$522</u>	<u>10.89%</u>
			<u>59,186</u>	<u>53,910</u>	<u>5,275</u>	<u>9.79%</u>
Subtotal Fire Protection			\$551,644	\$475,733	\$75,912	15.96%
Service Charges						
Semiannual						
5/8	0	\$25.75	\$0	\$431,808	(\$431,808)	-100.00%
3/4	0	\$30.68	\$0	\$14,809	(\$14,809)	-100.00%
1	0	\$34.65	\$0	\$11,963	(\$11,963)	-100.00%
1 1/2	0	\$52.28	\$0	\$142	(\$142)	-100.00%
2	0	\$67.75	\$0	\$193	(\$193)	-100.00%
3	0	\$88.32	\$0	\$0	\$0	---
4	0	\$126.69	\$0	\$0	\$0	---
6	0	\$212.33	\$0	\$0	\$0	---
8	0	\$361.41	\$0	\$0	\$0	---
10	0	\$512.82	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	---
			\$0	\$458,916	-\$458,916	---
Quarterly						
5/8	33,576	\$19.88	\$667,491	\$29,911	\$637,580	2131.60%
3/4	1,116	\$22.34	\$24,931	\$5,926	\$19,006	320.73%
1	1,452	\$24.33	\$35,327	\$21,789	\$13,538	62.13%
1 1/2	248	\$33.14	\$8,219	\$9,594	(\$1,375)	-14.34%
2	496	\$40.88	\$20,276	\$25,638	(\$5,362)	-20.91%
3	24	\$51.16	\$1,228	\$1,659	(\$431)	-25.98%
4	64	\$70.35	\$4,502	\$6,454	(\$1,951)	-30.24%
6	76	\$113.17	\$8,601	\$13,045	(\$4,444)	-34.07%
8	60	\$187.70	\$11,262	\$17,695	(\$6,433)	-36.35%
10	0	\$263.41	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	---
			<u>\$781,838</u>	<u>\$131,709</u>	<u>\$650,128</u>	<u>493.61%</u>
Subtotal Service Charge			\$781,838	\$590,625	\$191,213	32.37%
Metered Rates						
Wholesale						
	0	\$3,207.19	\$0	\$0	\$0	---
Retail						
	1,782,046	\$3.24	\$5,773,829	\$4,205,629	\$1,568,200	37.29%
Subtotal Metered Rates			\$5,773,829	\$4,205,629	\$1,568,200	37.29%
Total Rates and Charges			\$7,107,311	\$5,271,986	\$1,835,325	34.81%
Misc. Revenues			215,581	215,581	\$0	0.00%
Total Revenues			\$7,322,892	\$5,487,567	\$1,835,325	33.45%
Less Increm. Power & Chemical Adjustment (PUC-2)			(\$6,804)			
Adjusted Total Revenues			\$7,316,088			
Revenue Required			\$7,082,774			
Difference			\$233,315			3.19%

Revenue Reconciliation - with Quarterly Billing/Revised Usage

Revenue Category	Size/Use # or 100 cu ft	Rate	Proposed Revenues	Current Revenues	Dollar Increase	Percent Increase
Public Fire Protection						
	4 inch	31	\$110.82	\$3,435	\$2,943	\$493 16.74%
	6 inch	1,519	\$321.91	\$488,981	\$418,879	\$70,102 16.74%
	Bills	3	\$14.00	\$42	\$0	\$42 ---
				\$492,459	\$421,822	\$70,636 16.75%
Private Fire Protection						
	2 inch	11	\$40.72	\$448	\$412	\$36 8.64%
	3 inch	5	\$78.20	\$391	\$187	\$204 108.64%
	4 inch	46	\$143.30	\$6,592	\$6,116	\$476 7.78%
	6 inch	87	\$368.44	\$32,054	\$29,309	\$2,746 9.37%
	8 inch	19	\$756.98	\$14,383	\$13,090	\$1,292 9.87%
	10 inch	4	\$1,329.48	\$5,318	\$4,796	\$522 10.89%
				<u>59,186</u>	<u>53,910</u>	<u>5,275</u> 9.79%
Subtotal Fire Protection			\$551,644	\$475,733	\$75,912	15.96%
Service Charges						
Semiannual	5/8	0	\$25.75	\$0	\$431,808	(\$431,808) -100.00%
	3/4	0	\$30.68	\$0	\$14,809	(\$14,809) -100.00%
	1	0	\$34.65	\$0	\$11,963	(\$11,963) -100.00%
	1 1/2	0	\$52.28	\$0	\$142	(\$142) -100.00%
	2	0	\$67.75	\$0	\$193	(\$193) -100.00%
	3	0	\$88.32	\$0	\$0	\$0 ---
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Quarterly	5/8	33,576	\$19.88	\$667,491	\$29,911	\$637,580 2131.60%
	3/4	1,116	\$22.34	\$24,931	\$5,926	\$19,006 320.73%
	1	1,452	\$24.33	\$35,327	\$21,789	\$13,538 62.13%
	1 1/2	248	\$33.14	\$8,219	\$9,594	(\$1,375) -14.34%
	2	496	\$40.88	\$20,276	\$25,638	(\$5,362) -20.91%
	3	24	\$51.16	\$1,228	\$1,659	(\$431) -25.98%
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	6	76	\$113.17	\$8,601	\$13,045	(\$4,444) -34.07%
	8	60	\$187.70	\$11,262	\$17,695	(\$6,433) -36.35%
	10	0	\$263.41	\$0	\$0	\$0 ---
				<u>\$781,838</u>	<u>\$131,709</u>	<u>\$650,128</u> 493.61%
Subtotal Service Charge				\$781,838	\$590,625	\$191,213 32.37%
Metered Rates						
Wholesale		0	\$3,207.19	\$0	\$0	\$0 ---
Retail		1,746,083	\$3.24	\$5,657,309	\$4,205,629	\$1,451,680 34.52%
Subtotal Metered Rates				\$5,657,309	\$4,205,629	\$1,451,680 34.52%
Total Rates and Charges				\$6,990,791	\$5,271,986	\$1,718,805 32.60%
Misc. Revenues				215,581	215,581	\$0 0.00%
Total Revenues				\$7,206,372	\$5,487,567	\$1,718,805 31.32%
Less Increm. Power & Chemical Adjustment (PUC-2)				(\$6,804)		
Adjusted Total Revenues				\$7,199,568		
Revenue Required				\$7,082,774		
Difference				\$116,794		1.62%

Updated Retail Water Use

Commission Finding

	<u>CY 2002</u>	<u>CY 2003</u>	<u>CY 2004</u>
March	155,657	166,716	153,955
June	579,228	648,776	697,546
September	235,790	195,632	174,132
December	<u>808,685</u>	<u>756,541</u>	<u>720,450</u>
Actual Annual	1,779,360	1,767,665	1,746,083
Provision	1,782,046	1,782,046	1,782,046
Difference %	-0.2%	-0.8%	-2.0%

Additional Expenses/Lost Revenues

			Amt in Excess of Allowed
<u>Estim. Additional Billing Costs</u>			
No. of New Bills		16,638	\$116,794
Addtl Postage	\$0.37		
Addtl Forms	\$0.13		
Addtl Cost/Bill	\$0.50		
Estim. Cost		\$8,319	\$108,475
<u>Electric Costs</u>			
Increase from \$0.572 to \$0.66/kWh			
Total kWh	2,342,429		
Cost =		\$20,613	\$87,862
<u>Delay in Service Charge Billing/Revenues (billed in advance)</u>			
Annual amount under current	\$590,625		
Annual amount under proposed	\$781,838		
Annual difference	\$191,213		
Half year difference		\$95,606	(\$7,744)

Also consider new bond payments:

New (March 2005) Bond Issue Payments

<u>Due Date *</u>	<u>Pmt</u>	<u>Annual</u>
9/1/2005	\$15,735	\$15,735
3/1/2006	\$40,915	
9/1/2006	\$212,447	\$253,363
3/1/2007	\$63,391	
9/1/2007	\$216,391	\$279,783

* Note: amounts must be collected and paid by this date.