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**SURREBUTTAL TESTIMONY  
OF  
PHILIP T. DRISCOLL, CLERK  
ON BEHALF OF THE  
PORTSMOUTH WATER AND FIRE DISTRICT**

**In re: Application for Rate Relief  
City of Newport Utilities Department, Water Division  
Docket No. 3818**

**June 19, 2007**

1 **Q. Please state your name and business address.**

2 A. My name is Philip T. Driscoll. My address is 169 Immokolee Lane, Portsmouth,  
3 Rhode Island.

4  
5 **Q. Are you the same person that provided direct testimony in this docket on behalf  
6 of the Portsmouth Water and Fire District (PWFD)?**

7 A. Yes, I am.  
8

9 **Q. Do you have any comments regarding the rebuttal testimony by Newport Water  
10 Department (NWD)?**

11 A. Yes, I do. I will comment on the Ms. Forgue's rebuttal testimony.  
12  
13

14 **Q. Ms. Forgue indicates that NWD prefers to look forward, rather than backward  
15 and that NWD does not agree that its financial and operational difficulties will  
16 exit perpetually. Do you have a response?**

17 A. Yes. NWD continues to run financial deficits and borrow from the city. At year end  
18 for FY-05, the deficit and amount owed to the city was \$1,209,000. At year end FY-  
19 06 this deficit amount had grown to \$1,238,000. As of March 31, 2007, this deficit  
20 amount has grown to \$1,351,000, which is \$487K higher than the same time one year  
21 prior. This amount is 56% higher than one year prior, not the 74% as presented in the  
22 March quarterly financial reports submitted to the Commission.  
23

24 It is also noted that the March 2007 trial balance "adjusted" shows account number  
25 "15-2500 - Due to other funds" as being \$178,000, not \$1,351,000, as reported on the  
26 March 2007 quarterly report.  
27

28 The narrative in the financial reports for April 2006 shows payables of \$1,108,900.  
29 The narrative for April 2007, shows past due payables of \$1,806,100. This appears  
30 to be an increase of almost \$700,000.00 in unpaid obligations.  
31

32 NWD has testified in this docket (Forgue, page 6, lines 25 to 27) that it paid FY-05  
33 expenses with FY-06 revenue. PWFD has not seen any testimony that projects what  
34 the deficit will be for FY-07 and how NWD will cover this deficit. Will NWD cover  
35 the FY-07 expenses with the FY-08 revenue from this docket or will the city loan  
36 NWD the money once again?  
37

38 These deficits continue despite the Commission's direction to file immediately if they  
39 didn't have sufficient revenue to operate.  
40

1 These deficits, which become loans from the city to the NWD follow on the heels of  
2 the settlement agreement for Docket Number 3578, which allowed NWD to repay the  
3 city for \$5,000,000 of loans for 2004 and prior years. The funds for this repayment  
4 came, in part, from the debt service account approved in Docket Numbers 2985  
5 (5/28/99), which included funds for a loan which did not close until March of 2007,  
6 almost eight years later.

7  
8 In this Docket we have learned that a substantial number of meters are not being read  
9 on a regular schedule, but are being estimated. The impact of this on revenue,  
10 deficits, cash flow and rates is undetermined at this time. According to a data  
11 response from the Navy, one Navy meter has been in a failed state for ten years and  
12 apparently has not been billed by NWD during that time.

13  
14 NWD continues to experience high turnover. NWD will be hiring its third Deputy  
15 Director of Finance since this position was approved for FY-06, less than two years  
16 ago. Clearly this is a critical concern given NWD's financial difficulties.

17  
18 I can understand why Ms. Forgue would not want to engage in a discussion of my  
19 testimony and prefers only to look forward. Unfortunately, as I look forward, the  
20 financial landscape appears much as it did four years ago. NWD can no longer blame  
21 the current situation on past administrators in the city and NWD. I have made  
22 suggestions on financial reporting and financial management, which I hope the  
23 commission will examine and require NWD to implement. I also recommend that  
24 NWD and the city be held accountable for the continued financial mismanagement.

25  
26 **Q. Does this conclude your testimony?**

27 Yes it does. However, as the only elected official that has participated in these  
28 proceedings, I would be please to address the Commission on these matters.

**CERTIFICATION**

I hereby certify that I sent by electronic mail a copy of the within Surrebuttal Testimony of Philip Driscoll to all parties set forth on the attached Service List on June 20, 2007.

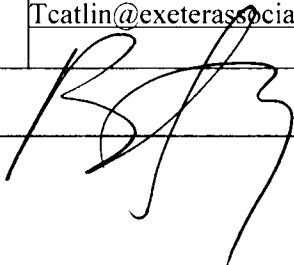
**SERVICE LIST - RIPUC DOCKET NO. 3818**  
**City of Newport Water Division – General Rate Filing**

**Updated 2/22/07**

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