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# EXETER

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REF: 3374

February 8, 2010

Memorandum

To: Stephen Scialabba, John Bell  
From: Thomas S. Catlin  
Subject: Kent County Water Authority  
Docket No. 4142

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I have reviewed Kent County Water Authority's (KCWA's) Rate Filing dated January 29, 2010. In this filing, KCWA has adjusted the rates approved in Docket No. 3942, as further adjusted in Docket No. 4067 for the flow through of Providence Water Supply Board's rate increase in Docket No. 4061, to reflect KCWA's actual sales for the 12 months ended October 31, 2009. Consistent with the reduction in sales, KCWA has also reduced purchased water costs to reflect the actual purchase volumes for the 12 months ended October 31, 2009. Finally, in calculating its proposed rates, KCWA has updated meter, hydrant and fire service counts to reflect the actual levels as of October 2009 as well as reflecting the reduced sales volumes.

Based on my review, I have concluded that KCWA has appropriately calculated the rates required to generate the revenue requirements approved in Docket Nos. 3942 and 4067 at the reduced sales level. I would note that in calculating the revenue requirement on Schedule 1

accompanying Chris Woodcock's testimony, KCWA did not adjust either the three percent operating revenue allowance to account for the reduction attributable to the change in purchased water costs or the reduction in Water Protection Fee revenues that results from the reduction in sales revenues due to the reduction in purchased water costs. However, these two items virtually offset each other so that the overall revenue level is correct to within \$1,000. (In the proof of revenues shown on Schedule 11, the reduction in Water Protection Fees of approximately \$11,900 is automatically captured by the rate model, which is what accounts for difference between the miscellaneous revenues on Schedules 1 and 11.)

I have also reviewed the rate calculations that Chris Woodcock submitted on Friday, February 5, 2010 to account for the change in purchased water costs that KCWA would experience if Providence Water Supply Board's (Providence's) rates are increased as a result of Providence's request to reopen Docket No. 4061 to reflect the reduction in sales that it has experienced. Chris submitted calculations based on both the rates approved for KCWA in Docket No 4067 and the rates requested in this filing. For both calculations, he used the actual sales for the 12 months ending October 31, 2009 and the associated reduction in purchased water volumes in calculating the increase in KCWA's water usage rates that would be required to recover the increase in purchased water costs that would result if Providence's rate increase is granted. As a result the dollar amounts of the increases are the same. I agree with Chris's calculations.