

January 25, 2013

Ms. Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02889

Re: Docket No. 4142

Dear Ms. Massaro,

Petitioner, Kent County Water Authority, has filed a Miscellaneous Petition for Relief seeking access to revenue from funds presently restricted in its Operating Revenue Allowance account established in Order No. 20162 in Docket No. 4142. These funds are necessary to offset a shortfall in revenue, the cause of which has been explained in our Petition for Relief and further illustrated in our responses to requests for information by the Division.

While we are satisfied that the Order in Docket 4142, regarding the restricted operating revenue account, is consistent with our pleadings, we do not take issue with the Division's contention that the Order "may be reasonably subject to interpretation". Notwithstanding the differing views of the Order's expressed intent, we appreciate that the Division has recognized Petitioners need to withdraw funds from the restricted Operating Revenue Allowance.

The Petitioner does take issue with the Intervener's Position, as set forth by the City of Warwick, in the above-captioned matter. The City has requested that the Public Utilities Commission deny our request for relief.

The City contends that "[t]he Authority's Requested Relief will create a structural deficit in this fiscal year's operational budget". We, however, maintain that such a structural deficit would manifest itself were our request for relief not be granted.

While the City recognizes our revenue shortfall, citing reduced sales, they fail to acknowledge the challenges we face in collecting on accounts receivable. The Division has correctly cited the downturn in the economy, and the resultant cash flow problems, as beyond our control and a legitimate reason to grant our Petition for Relief. Nonetheless, the Intervener claims that they intend to "show

that the Authority has not demonstrated a need to supplement its revenue to meet current budget expenditures." The position taken by Intervener is in opposition to the Division and inconsistent with the facts presented in support of our Petition.

Intervener claims that "[n]o facts have been asserted to show that the Authority attempted, considered or effected expense reductions as a part of this request." Such a burden is not a requirement set forth in the Commission's Order or in the laws of our state. Rather than addressing the economic realities of the times, the City chooses to mock the Petitioners request as "simple" and "the easy way out".

Missing from the City's less than complete analysis, of the economic condition of Petitioner, is the recognition that Petitioner's operating expenses remain static yet always subject to inflationary factors. Such inflation realities was the basis for the Commission's granting of a restricted operating revenue allowance in the first place. When setting the total rate revenue allowed, it was understood that inflation would be calculated and, under certain conditions, revenue adjustments would be made utilizing the restricted account. The reason for such a restricted account and a triggering mechanism was to ensure that revenue would be sufficient to meet approved expenses.

The City is correct when it contents that "ratepayers will...make up for the rate revenue shortfall". Any and all rate filings assume that ratepayers will be responsible for a rate schedule that adequately covers necessary expenses. This is neither inconsistent with the responsibility of the ratepayer nor a valid reason to oppose Petitioner's Request.

Arguing that "the general public and many levels of government make do with less today but the Authority wants to proceed with business as usual" is a gratuitous as well as a frivolous statement to assert given the otherwise static nature of the Kent County Water Authority's duties and operation requirements. Intervener's claim that "[t]he City intends to show that expense reductions at the Authority are possible without compromising the public health, safety or welfare", is a hollow promise.

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