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\*ADMITTED TO PRACTICE IN  
RHODE ISLAND & MASSACHUSETTS

July 1, 2011

Ms. Luly Massaro, Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**Re: *City of Newport, Utilities Department, Water Division  
Docket 4243***

Dear Ms. Massaro:

Enclosed please find an original and nine copies of Newport Water's Responses to the Division of Public Utilities and Carriers' Data Request (Set 2).

Please note that an electronic copy of this document has been provided to the service list.

Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough Jr.

JAK/kf  
Enclosures

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION  
DOCKET NO. 4243  
Response Of The City Of Newport,  
Utilities Division, Water Department  
To The Division Of Public Utilities and Carriers'  
Data Requests  
Set 2**

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Div. 2-1: With regard to the response to Div. 1-5, please reconcile the 976 overtime hours shown in this response for FY 2010 with the 395 hours shown for FY 2010 on RFC Schedule B-3.

Response: Upon review of the response to Div. 1-5, an error was noted in the totaling of overtime hours for FY 2010. Actual overtime hours as broken down by position are as follows:

Foreman	221 hours
Mechanic	129 hours
Operator	81.5 hours
Laborer	38 hours
Total	469.5 hours

During the preparation of RFC Schedule B-3, an error was also noted which only totaled the amount of overtime at 395 hours. The 469.5 hours noted above is the correct total for FY 2010.

Prepared by: K. Mason

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- Div. 2- 2:      With regard to the response to Div. 1-10:
- a.   Please provide a breakdown of actual FY 2011 expenses to date for services other than those associated with Docket No. 4243.
  - b.   Please explain why FY 2012 non-rate case expenses for legal fees, financial consultants and other fees are projected to be significantly above FY 2010 actuals and, with the exception of legal fees, projected FY 2011 expenses.

Response:      a. See Attached Schedule.

b. FY 2012 non-rate case expenses for legal fees, financial consultants and other fees are projected to be significantly above FY 2010 actual expenses and, with the exception of legal fees, projected FY 2011 expenses, because they were estimated based on consultant contracts for FY 2012 and our historical experiences.

The fees are also higher because of the new treatment plant projects. We expect to have both legal and financial consultants related to PUC rate consultation and representation under contract throughout the Design Build process to continue providing services as we anticipated going before the PUC and the Division several times as the project goes forward. In addition, we have special legal and financial services included in capital with the City Advisor.

Prepared by: J. Tracey

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Div. 2- 3: With regard to the response to Div. 1-15, please explain how Newport Water expects to utilize the monies in the Salary and Wage Increase Restricted Account.

Response: Each month Newport deposits \$7,601 to the restricted Salary and Wage Increase Account. As of June 30, 2011, this account will have an approximate balance of \$182,700. Newport has two proposals regarding this account.

1. In Fiscal 2012, Newport Water will need an additional \$1,605 per month for salary increases to the four non-union positions (Director of Utilities, Deputy Director of Utilities – Finance, Deputy Director of Utilities – Engineering, and Supervisor Water Quality and Production). Thus, Newport proposes that the monthly deposit to this account of \$7,601 be reduced by \$1,605. This money can then be used to cover the non-union salary increases. Newport would also request that it be allowed to withdraw an amount that would cover these increases from July 1, 2011 up to the time the Commission issues a decision on this issue.
2. Newport's expired labor contracts have not been finalized. However, based on past history, it is likely that retroactive pay increases will have to be paid when they are finalized. Thus, Newport proposes to continue restricting the balance of this account, plus any future contributions (minus the proposed \$1,605) until the contracts are settled. If they are finalized during the litigation of this Docket, Newport will notify the Commission and seek to un-restrict the amount necessary to make any retroactive payments. Newport will also provide a recommendation for using the balance of the funds, if there are any. If the contracts are not finalized during this Docket, Newport will file a petition with the Commission seeking an order on the disposition of the funds at the appropriate time.

Prepared by: J. Tracey

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Div. 2 - 4: Please reconcile the amount of Capital Outlays from the Capital Spending Account shown on the response to Div. 1-15 for FY 2009 through FY 2011 (to date) with those shown in the responses to Div. 1-16 and 1-17.

Response: See attached Schedule.

Prepared by: J. Tracey, K Mason

**City of Newport - Utilities Department - Water Division**

**Docket 4243**

**Div II-4**

**Reconciliation of Rate Funded Capital Outlays reimbursible from the Capital Spending Restricted Cash Account**

	<b>2009</b>	<b>2010</b>	<b>2011 To 4/30/11</b>	<b>Estimated 2011 5/1-6/30/11</b>
<b>Capital Outlays per Div I-15 (reimbursements from restricted)</b>	\$ 868,341	\$ 495,788	\$ 1,561,139	
Capital Outlays estimated (reimbursements from restricted)				\$ 119,511
Less prior period accounts payable paid in current period	\$ (291,613)	\$ (72,947)	\$ (41,149)	\$ (36,059)
Plus current period accounts payable paid in next period	\$ 72,947	\$ 41,149	\$ 36,059	\$ 175,016
Plus amounts reimbursed after the period end	\$ 2,841	\$ 8,833	\$ 14,077	\$ (25,751)
Less capital outlays refundable from RICWFA			\$ (844,575)	
Less withdrawal to transfer WPC grant deposited to this account by the US EPA in error			\$ (285,993)	
<b>Rate Funded Capital Outlays reimbursable from restricted cash</b>	<u>\$ 652,516</u>	<u>\$ 472,822</u>	<u>\$ 439,559</u>	<u>\$ 232,717</u>
<b>Rate Funded Capital Outlays per Div I-16 &amp; 17</b>	\$ 534,183	\$ 725,334	\$ 335,796	\$ 230,339
Corrections:				
<b><i>Reported in wrong period</i></b>				
Lawton Valley WTP - Chloramines Conversion Design	\$ (32,057)			
Station 1 - Chloramines Conversion Design	\$ (32,057)			
LVWTP RIPDES CA- Constructed Wetlands; Maguire Amend #12	\$ (2,775)			
Maguire Amend #9- assist with NOV- CA	\$ (1,680)			
Maguire Amen #11 Sediment Assess prop for NOV-CA (Reported in 2009 but should be 2008)	\$ (770)			
Equipment and Vehicle Replacement (Reported in 2009 Should be 2010)	\$ (70,061)	\$ 70,061		
Safe Yield Study- FY09 (Reported in 2010 Should be 2009)	\$ 123,533	\$ (123,533)		
GIS and Hydraulic Modeling- FY09 (Reported in 2010 Should be both 2009 & 2010)	\$ 129,740	\$ (129,740)		
Water Quality Protection Plan Update- RIWRB (Reported in wrong period and Typographical error)		\$ 2,128	\$ (2,628)	
Intake at Paradise (Reported in 2010 Should be 2011)		\$ (11,695)	\$ 11,695	
Equipment and Vehicle Replacement (Reported in 2010 Should be 2011)		\$ (94,868)	\$ 94,868	
<b><i>Reported in wrong amount</i></b>				
Water Trench Restoration		\$ 379		
Meter Replacement	\$ (789)		\$ (173)	\$ 2,378
Equipment and Vehicle Replacement	\$ (279)			
<b><i>Missing from report</i></b>				
Reservoir aeration	\$ 5,529			
MHz Radios		\$ 9,798		
LV Emergency Pump Replacement		\$ 24,958		
<b>Rate Funded Capital Outlays reimbursable from restricted cash</b>	<u>\$ 652,517</u>	<u>\$ 472,822</u>	<u>\$ 439,558</u>	<u>\$ 232,717</u>

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Div. 2-5: With regard to the response to Div. 1-18:

- a. Please identify Newport and/or its bond advisor's current estimate of the non-subsidized interest rate that would apply to the proposed FY 2012 borrowing.
- b. Please indicate whether Newport has any additional information regarding the amount of subsidized and/or non-subsidized bonds available from SRF in FY 2012.

Response:

- a. As indicated in the attached email from First Southwest, the current estimate of the non-subsidized interest rate that would apply to the proposed FY 2012 borrowing is 6.0%.
- b. At the present time, Newport has no new information regarding the amount of subsidized and/or non-subsidized bonds available from the SRF in 2012. This is why Newport has used the conservative interest rate of 6% for the proposed borrowings. Without knowing how much of the borrowing will be subsidized, Newport has to ensure it has sufficient initial revenues to service debt under any potential scenario that may arise regarding the mixture of subsidized and unsubsidized debt.

Prepared by: H. Smith

**From:** Sitrin, Laura  
**Sent:** Tuesday, June 14, 2011 1:48 PM  
**To:** Sitrin, Laura  
**Subject:** FW: Water Bonds

Laura L. Sitrin, CPA  
Director of Finance

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**From:** Bill Fazioli [mailto:William.Fazioli@firstsw.com]  
**Sent:** Tuesday, June 14, 2011 11:48 AM  
**To:** Sitrin, Laura  
**Subject:** RE: Water Bonds

After a very thorough analysis

We would recommend 6% for the open market bonds and 4.5% for the RICWFA bonds – 20 years each. The subsidy on the drinking water loans is only 25% plus you have to build in an annual admin fee into the rate

Let me know if this helps

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**Bill Fazioli**  
**Senior Vice President**  
**FirstSouthwest**

direct 401.334.4726 cell 401.641.1039  
12 Breakneck Hill Road, Suite 200, Lincoln, RI 02865

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**From:** Sitrin, Laura [mailto:lsitrin@CityofNewport.com]  
**Sent:** Monday, June 13, 2011 4:14 PM  
**To:** Bill Fazioli  
**Cc:** Harold Smith  
**Subject:** Water Bonds

Bill,

please send me an estimate of what rates the City of Newport Water Department would pay on \$70M to \$80M of bonds through SRF funds and through market revenue bonds if not issued through RICWFA. This information is being requested as part of the rate filing. Thanks,

Laura L. Sitrin, CPA  
Director of Finance

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Div. 2-6: With regard to the response to Div. 1-23 and 1-24, please provide Newport's estimate of the debt service payments in FY 2012 through FY 2014 if debt service payments on the projected borrowings were structured consistently with those applicable under the 2007, 2008, and 2009 SRF loans.

Response: For the 2007, 2008 and 2009 borrowings, the debt service payments during the initial years after issuance were essentially interest only payments on the anticipated draws on the borrowed funds, until the projects were complete, and then Newport began making principal and interest payments. In the case of the proposed borrowings, each borrowing represents a portion of the total cost of a project that will not be completed for several years after the first borrowing, despite the fact that the proceeds of the first borrowing will be expended in first. This difference in the way the borrowings are used to fund the project results in some current uncertainty as to how the debt service will be structured such that the amounts proposed in the initial filing are still our best estimates of the annual debt service requirements.

Prepared by: H. Smith

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Div. 2-7: Please identify when in 2012 and 2013 Newport Water expects to borrow the \$18.6 million 2012 SRF A and \$37 million 2013 SRF A loans.

Response: The exact timing of the borrowings depends on which firm is selected as the design/build contractor, their proposed price and the terms for payment of the design/build price. Since this information will not be known until a contract is awarded near the end of 2011, the exact timing of the borrowings cannot be stated with certainty at this point.

Prepared by: H. Smith

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Div. 2-8: With regard to the response to Div. 1-26, please explain what changes took place, if any, that caused the changes in the quantities of chemicals used from year to year, including but not limited to, lime and sodium hydroxide at both Station 1 and Lawton Valley.

Response: The biggest change which took place that caused changes in the quantities of chemicals used from year to year was that in September, 2008, both treatment plants changed from using lime to sodium hydroxide for pH control. Lime is now no longer used at either plant. Other minor changes in quantities are routinely made in the course of operations at each treatment plant with the goal of maintaining or improving water quality. An example of this is the increase in the usage of sodium chlorite, used for the production of chlorine dioxide which has occurred over the last year. This has been done in efforts to better control disinfectant by products, specifically TTHMs. Also due to changes recommended by the US Department of Health and Human Services and the US Environmental Protection Agency, fluoride usage at the treatment plants are expected to be slightly lower in future years. This is due to the revised target effluent concentration being lowered from 1.0 mg/l to 0.7 mg/l, which became effective in January 2011.

Prepared by: K. Mason

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**CERTIFICATION**

I hereby certify that on July 1, 2011, I sent by electronic mail a copy of the within to Service List herein below, and mailed one original and nine copies to Luly Massaro, Clerk, Rhode Island Public Utilities Commission.

<b>Parties/Address</b>	<b>E-mail Distribution</b>	<b>Phone/Fax</b>
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	<a href="mailto:jtracey@cityofnewport.com">jtracey@cityofnewport.com</a>	401-846-0947
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