

**KEOUGH & SWEENEY, LTD.**

ATTORNEYS AND COUNSELORS AT LAW  
100 ARMISTICE BOULEVARD  
PAWTUCKET, RHODE ISLAND 02860

JOSEPH A. KEOUGH JR.\*  
JEROME V. SWEENEY III\*

SEAN P. KEOUGH\*  
MARGARET HOGAN SWEENEY\*

JEROME V. SWEENEY II  
OF COUNSEL

TELEPHONE  
(401) 724-3600

FACSIMILE  
(401) 724-9909

www.keoughsweeney.com

BOSTON OFFICE:  
171 MILK STREET  
SUITE 30  
BOSTON, MA 02109  
TEL. (617) 574-0054  
FAX (617) 451-1914

\*ADMITTED TO PRACTICE IN  
RHODE ISLAND & MASSACHUSETTS

June 27, 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 Response to the Portsmouth Water and Fire District's Data Request (Set 3).

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

Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough Jr.

JAK/kf  
Enclosure

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION  
DOCKET NO. 4243  
Response Of The City Of Newport,  
Utilities Division, Water Department  
To The Portsmouth Water and Fire District's  
Data Requests  
Set 3**

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PWFD 3-1: Regarding the response to PWFD 1-8 (private fire service billings). If these are billed in advance on July 1, explain how NWD expects any additional revenues from an increase to private fire service billings in FY 2012 (the rate year) if the Commission does not render a decision prior to the July 1, 2011 billing? Also please provide a breakdown of the amounts of private fire service revenue included in each of the quarterly reports under "retail consumption".

Response: NWD expects to issue annual private fire service bills on July 1, 2011 at our existing rate and will issue supplemental bills for the rate increase when the Commission renders its decision. All \$375,488 of FY 2011 private fire service revenue was included in the September 30, 2010 quarterly report under "Fire Protection" revenue. The collection of the related account receivable is included in the monthly cash flow report under "retail consumption" when collected. Separately reporting each type of revenue collected from each type of customer in each monthly cash flow would make the monthly report excessively detailed. The private fire protection cash collected after July and August is minimal (less than 5%).

Prepared by: J. Tracey

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PWFD 3-2: Newport has assumed that the annual principal and interest payment on the proposed new loans will start the year the project expense is listed and has assumed that the principal and interest payments will be essentially the same every year for the term of the proposed bonds. In the response to Division 1-24 on the existing SRF loans Newport explained how much the payments for each loan was in the initial years and the source for those values. Please explain why Newport paid considerably less in the initial years than the approximate annual payment of:

- a. \$211,000 shown for 2009-2028 for the 2007 SRF loan
- b. \$420,000 shown for 2011-2030 for the 2008 SRF loan
- c. \$181,000 shown for 2012-2031 for the 2009 SFR loan

Note that the question is NOT trying to determine where Newport got the data or information, but why the initial year payments were NOT approximately the same as annual payments for the final 20 years as Newport has assumed on RFC Schedule C.

Response: As stated in the response to Division 1-24, the debt service schedules for the existing SRF loans were developed by the RICWFA and I do not know the approach they used to develop these schedules. However, it is possible that the lower annual payments in the early years of the repayment term are due to the issuance of the loan late in the year or other factors. Representatives of the RICWFA would likely be able to explain the methodology used to develop debt service schedules for their loans to utilities.

Prepared by: Harold J. Smith

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PWFD 3-3: Regarding the response to PWFD 1-13:

- a. Please provide a breakdown of the legal fees related to (a) the current rate case, (b) any prior rate cases, (c) design build services, and (d) other.
- b. In the case of legal fees related to the design build services, please explain why these are not included under the "Professional Service for WTP Imprv (Legal & Financial)" item in the CIP (RFC Sch 4).
- c. Please provide a breakdown of the financial consultant services for (a) the current rate case, (b) the ongoing demand study, (c) other filings before the Commission and Division, (d) financing and bonding issues, (e) financial coverage certificates, and (f) other.
- d. In the case of financial consulting fees related to financing and bonding issues and financial coverage certificates, please explain why these aren't part of the 13% included as issuance costs in response to PWFD 1-3 and/or included under the "Professional Service for WTP Imprv ( Legal & Financial)" item in the CIP (RFC Sch 4).
- e. Please provide the basis for the DPUC expenses of \$66,800. Are these an annual cost?

Response:

- a. Legal services in the rate year will be provided under a not-to-exceed contract up to \$125,000. We estimate that approximately \$70,200 will relate to Docket 4243 based on our prior rate case experience, but are unable to estimate a breakdown of the balance because it depends upon unknown future events.

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- b. Since we are unable to estimate how much, if any, of these legal fees might relate to the design build services, none were included under the "Professional Service for WTP Imprv (Legal & Financial)" item in the CIP (RFC Sch 4).
- c. Financial consultant services in the rate year will be provided under a not-to-exceed contract up to \$128,400. We estimate that approximately \$28,800 will relate to Docket 4243 based on our prior rate case experience and \$56,000 relate to the demand study, but are unable to estimate a breakdown of the balance because it depends upon unknown future events.
- d. Since we are unable to estimate how much, if any, of these of financial consulting fees might relate to financing and bonding issues and financial coverage certificates none were included under the "Professional Service for WTP Imprv (Legal & Financial)" item in the CIP (RFC Sch 4).
- e. The estimated rate year DPUC expenses of \$66,800 relate to Docket 4243 expenses of approximately \$24,500, demand Study expenses of approximately \$32,300 and other filing expenses of approximately \$11,000. Because of Newport's frequent filings, and anticipated future filings, this is considered an annual cost.

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**CERTIFICATION**

I hereby certify that on June 27, 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>
Julia Forgue, Director of Public Works Newport Water Department 70 Halsey St. Newport, RI 02840	<a href="mailto:jforgue@cityofnewport.com">jforgue@cityofnewport.com</a>	401-845-5601
	<a href="mailto:jtracey@cityofnewport.com">jtracey@cityofnewport.com</a>	401-846-0947
	<a href="mailto:lsitrin@CityofNewport.com">lsitrin@CityofNewport.com</a>	
Jon Hagopian, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:jhagopian@riag.ri.gov">jhagopian@riag.ri.gov</a>	401-222-2424
	<a href="mailto:sscialabba@ripuc.state.ri.us">sscialabba@ripuc.state.ri.us</a>	401-222-3016
	<a href="mailto:pdodd@ripuc.state.ri.us">pdodd@ripuc.state.ri.us</a>	
	<a href="mailto:dmacrae@riag.ri.gov">dmacrae@riag.ri.gov</a>	
Harold Smith Raftelis Financial Consulting, PA 511 East Blvd. Charlotte, NC 28203	<a href="mailto:Hsmith@raftelis.com">Hsmith@raftelis.com</a>	704-373-1199
	<a href="mailto:Hhoover@raftelis.com">Hhoover@raftelis.com</a>	704-373-1113
Gerald Petros, Esq. Hinckley, Allen & Snyder 1500 Fleet Center Providence, RI 02903	<a href="mailto:gpetros@haslaw.com">gpetros@haslaw.com</a>	401-274-2000
	<a href="mailto:clomas@haslaw.com">clomas@haslaw.com</a>	
William McGlinn Portsmouth Water & Fire District 1944 East Main Rd. PO Box 99 Portsmouth, RI 02871	<a href="mailto:wmcglinn@portsmouthwater.org">wmcglinn@portsmouthwater.org</a>	401-683-2090 ext. 224
Ellen M. Evans Senior Trial Attorney Naval Facilities Engineering Command Litigation Office 720 Kennon St., Bldg. 36, Room 136 Washington Navy Yard, DC 20374-5051	<a href="mailto:ellen.evans@navy.mil">ellen.evans@navy.mil</a>	202-685-2235 202-433-2591

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Dr. Kay Davoodi, P.E. Utility Rates and Studies Office NAVFACHQ- Building 33 1322 Patterson Ave SE Washington Navy Yard, D.C. 20374-5065	<a href="mailto:Khojasteh.davoodi@navy.mil">Khojasteh.davoodi@navy.mil</a>	202-685-3319 202-433-7159
	<a href="mailto:Larry.r.allen@navy.mil">Larry.r.allen@navy.mil</a>	
Maurice Brubaker Brubaker and Associates, Inc. PO Box 412000 St. Louis, MO 63141-2000	<a href="mailto:mbrubaker@consultbai.com">mbrubaker@consultbai.com</a>	401-724-3600 401-724-9909
	<a href="mailto:bcollins@consultbai.com">bcollins@consultbai.com</a>	
Thomas S. Catlin Exeter Associates, Inc. 10480 Little Patient Parkway, Suite 300 Columbia, MD 21044	<a href="mailto:tcatlin@exeterassociates.com">tcatlin@exeterassociates.com</a>	410-992-7500 410-992-3445
Christopher Woodcock Woodcock & Associates, Inc. 18 Increase Ward Drive Northborough, MA 01532	<a href="mailto:Woodcock@w-a.com">Woodcock@w-a.com</a>	508-393-3337 508-393-9078
Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:lmassaro@puc.state.ri.us">lmassaro@puc.state.ri.us</a>	401-780-2107 401-941-1691
	<a href="mailto:cwilson@puc.state.ri.us">cwilson@puc.state.ri.us</a>	
	<a href="mailto:sccamara@puc.state.ri.us">sccamara@puc.state.ri.us</a>	

Joseph A. Keough, Jr., Esquire # 4925  
KEOUGH & SWEENEY, LTD.  
100 Armistice Boulevard  
Pawtucket, RI 02860  
(401) 724-3600