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*ADMITTED TO PRACTICE IN
RHODE ISLAND & MASSACHUSETTS

August 2, 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 Supplemental Responses to the Portsmouth Water and Fire District's 4th Set of Data Requests (Request 9 and 10).

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
Supplemental Response Of
The City Of Newport,
Utilities Division, Water Department
To The Portsmouth Water and Fire District's
Data Requests
Set 4**

PWFD 4-9: In addition to the Debt Service Fund, please provide the balance as of May 31, 2011, of each of the funds held by the Trustee as designated in Section 502 of the Trust Indenture dated March 7, 2007 between the City of Newport and Wells Fargo Bank, N.A. When available, please update to June 30, 2011.

Response: The only accounts held by the Trustee, Wells Fargo Bank, have been disclosed in PWFD 4-8 along with their balances.

Supplemental
Response:

Section 502 of Newport's Trust Indenture requires the establishment of ten Funds. According to the Indenture, some of these Funds are held by the Trustee and some are held by the City. Each of these Funds is addressed herein below:

(i) Project Fund – The only account established in this fund is the PUC Restricted Capital Improvement Account. This account is held by the City as required under the terms of the Indenture. The balances of this account are as follows:

July 2010	\$1,934,272.89
August 2010	\$1,761,488.83
September 2010	\$1,857,327.35
October 2010	\$2,113,840.14
November 2010	\$1,516,439.89
December 2010	\$1,584,024.32
January 2011	\$1,968,321.18
February 2011	\$2,062,627.28
March 2011	\$2,098,724.18
April 2011	\$2,069,244.17
May 2011	\$2,133,636.60
June 2011	\$2,141,182.92

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(ii) Revenue Fund - This Fund is held by City as directed in the Indenture. However, there are no balances in this Fund as Newport Water rarely has revenues that exceed expenses in any given period. All revenues from the Revenue Fund are immediately deposited into the operating fund and the restricted debt service account.

(iii) Operating Fund. The accounts for this fund are held by the City as directed by the Indenture. Within this fund are several restricted Accounts:

- O&M Account
- Chemicals Account
- Electricity Account
- Retiree Health Insurance Account
- Accrued Benefits Buyout Account

The balances for each of these Accounts are set forth in Newport Water's quarterly reports.

(iv) Debt Service Fund –This fund is held by the Trustee in accordance with the Indenture. There is only one Debt Service Account established in the Fund that is to be used to make payments for Newport Water's four outstanding bond issues. For historical reasons, this Account is sometimes referred to as the 2007 A Debt Service Account. When a payment is due for any of these bond issues, money is transferred from Newport's Stabilization Account (the formal Indenture name for the PUC restricted debt service account which is also held by the Trustee) to the Debt Service Account, and the Trustee makes the debt service payment. The balances in the Stabilization Account in the Debt Service Fund are set forth in Newport's response to PWFD 4-8. Most of the balances in this account are small because this account is simply used to make bond payments.

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(v) Redemption Fund – This Fund is lawfully established and held by the Trustee in accordance with the Indenture, but is not funded. This Fund is established in the event that any of Newport Water's bonds are redeemed or paid off early. The Fund would only be funded if Newport were to redeem or pay off a bond early.

(vi) Debt Service Reserve Fund – The Accounts for this fund are held by the Trustee in accordance with the Indenture. Each of Newport's three borrowings from the Drinking Water State Revolving Fund requires that an Account in the Debt Service Reserve Fund be established for each borrowing. The balances of these three reserve accounts are set forth in Newport's response to PWFD 4-8. The interest from these accounts is transferred to Debt Service Account within the Debt Service Fund held by the Trustee, otherwise known as the Water Revenue Bonds, 2007 A Debt Service Account.

(vii) Rebate Fund – The account for this fund is lawfully established, but is not funded. This account would only be funded if Newport had a rebate liability for earning arbitrage in excess of that permitted for tax-exempt bond proceeds. This account is required for all tax-exempt revenue bond indentures.

(viii) Operation and Maintenance Reserve Fund – This Fund holds Newport Water's restricted Operating Revenue Allowance. The permitted balance of this Fund was set forth in Newport Water's Miscellaneous Petition to un-restrict this Fund.

(ix) Insurance Reserve Fund – The account for this fund is lawfully established, but not funded. This fund is funded when a utility is partially or solely self-insured. Newport Water is not self-insured so this Fund has no balances.

(x) Unrestricted Fund – This fund is lawfully established, but not funded. This Fund is commonly found in Indentures for non-regulated utilities. This Fund would be funded if there was excess revenue after all other

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Funds and Accounts under the Indenture were fully funded. Thus, this Fund has no balances.

Prepared by: Laura Sitrin with assistance from bond counsel, Karen S.D. Grande,
Esquire

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PWFD 4-10: For the Capital Improvements Accounts of the Project Fund held by the City under Section 502 and 503 of the Trust Indenture dated March 7, 2007 between the City of Newport and Wells Fargo Bank, N.A., please provide the balance as of May 31, 2011. When available, please update to June 30, 2011.

Response: The City of Newport does not hold the Project Fund. This fund is held by the RICWFA. The City submits all bills to the RICWFA, and once they are approved, the RICWFA issues checks from the Project Fund. Thus, the City does not hold any Capital Improvements Accounts or Project Funds other than the PUC required restricted capital account.

Supplemental

Response: Please see the supplemental response to PWFD 4-9.

Prepared by: Laura Sitrin with assistance from bond counsel, Karen S.D. Grande,
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CERTIFICATION

I hereby certify that on August 2, 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.

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