

# KENT COUNTY WATER AUTHORITY

## BOARD MEETING MINUTES

September 20, 2006

The Board of Directors of the Kent County Water Authority held its monthly meeting in the Joseph D. Richard Board Room at the office of the Authority on September 20, 2006.

Board Member Masterson opened the meeting at 3:30 P.M. Board Members, Mr. Gallucci, Mrs. Graham, Mr. Inman and Mr. Boyer were present together with the General Manager Timothy J. Brown, Technical Service Director John Duchesneau, System Engineer, Kevin J. Fitta, Arthur Williams, Finance Director, Legal Counsel, Lewis J. Paras, and other interested parties.

The minutes of the Board meetings of August 16, 2006 and Special Board Meeting Minutes of July 26, 2006 and August 2, 2006 were moved for approval by Board Member Graham and seconded by Board Member Boyer and were unanimously approved.

### Guests:

### High Service Requests:

Chairman Masterson read aloud for the benefit of the attendees all of the revised standard conditions in lieu of a moratorium attached as "A".

Chairman Masterson also read the memorandum submitted by the General Manager dated September 18, 2006 attached as "B" which states that the General Manager is the Department of Health licensed operator of the Kent County Water Authority system and that he can not countenance any further water approvals while the water deficit continues in order to avoid a catastrophic incident.

### Old Farm Road–John Buontempo

John Buontempo appeared before the Board with a presentation. Mr. John Buontempo referred to a January, 2006 letter from Kent County Water Authority received from the Town of East Greenwich which listed streets where irrigation systems would not be allowed. His street was not listed so he concluded that he would be able to go ahead and install an irrigation system and worked to do so. He then came before the Board and was denied his irrigation system. He indicated that he would not be able to install a well for irrigation due to the fact that he could not get equipment trucks in to do so because they would go over his septic system and can not install irrigation in the front of his property because he is less than 60 feet from the street. After further

discussion, Chairman Masterson indicated that the Board would take this under advisement and look into this matter with the Town of East Greenwich further and put it on the Agenda for a future meeting.

#### Lot 20 Phillips Street, Petrarca Request to Appear

Mr. Joseph Petrarca appeared before the Board and indicated that if he were required to move his water line to avoid a dead end line, it would cost him \$20,000 or \$90.00 a foot. Board Member Boyer indicated that the \$90.00 a foot figure was high and he could probably get the construction done for \$50.00 a foot. The General Manager indicated that Mr. Petrarca needed 230 feet of further line to loop into the system and not end up with a dead end line. Chairman Masterson indicated that the Board had no choice but to have the applicant comply with the regulations. The Chairman stated that there would be no change in the previous decision.

#### Hill Top Phase 3–Request to appear continuation

Armand Cortelleso appeared and was represented by Robert Murray, Esq. Mr. Murray presented “as-built” plans which were delivered to Kent County Water Authority on September 20, 2006 which indicated that Mr. Cortelleso would address the grading problems in the cul de sac area to comply with the line being 48’ below grade as was originally approved and stipulated by Kent County Water Authority. There is still one other area needing additional grade of 2 ½ inches to comply with the 48’ requirement. Mr. Cortelleso indicated the problem with this would be that the additional grade would result in the owners of Lot 38 having a berm that is too high for the grade of their driveway and the possibility existed for the bottom of their cars coming into contact with it. Board Member Boyer indicated that a further raise of the grade could result in drainage problems for this home and the General Manager added that the 48’ requirement would have to be followed because there is a state code which requires 54’ below grade location of water lines. Chairman Masterson suggested that this matter should be discussed with Paul Thomas at the Department of Transportation to see if a plan could address the problems with Lot 38. Attorney Murray asked the Board that if Mr. Thomas said that nothing could be done at his end would his client have to come back for request for a wavier of the grade requirement. Chairman Masterson responded by stating that it would be necessary to have Mr. Thomas address the issue and then report back to the Board and the matter would be reviewed at that time. Mr. Murray and Mr. Cortelleso indicated that they would confer with the Department of Transportation for recommendations as to resolution of the issue.

#### Request to appear Lisa Salsbury–payroll change

Lisa Salsbury stated that her employment starting date was August 2<sup>nd</sup> which left her two days shy of the start date for a raise. She was asking for a waiver of the start date deadline to include hers because she was only two days after the deadline. Chairman Masterson outlined the development of the payroll system and indicated that it required a specific cut-off date which can not be changed on a case by case basis.

The General Manager added that the development of the specific start date which is included in the new payroll system was implemented to rectify problems because of a lack of a specific start date for payroll increases. Board Member Gallucci stated that the only possible question with exception to the July 31st deadline was that in this case July 31<sup>st</sup> was a Saturday and reference could be made to extend it to the following business day which would be August 2<sup>nd</sup> to include Lisa in the new program. Chairman Masterson made a recommendation that Legal Counsel look into the weekend issue to see if it could be applied to the payroll system and to see if there is any statutory references along those lines.

Board Member Boyer moved and it was seconded by Board Member Gallucci to authorize Legal Counsel to research the weekend issue and report to the Board and it was unanimously,

VOTED: To authorize Legal Counsel to research the weekend issue and report to the Board.

#### Request to appear Elso Correia–payroll change

Mr. Correia appeared looking for a raise stating that he had been told at one time that he would be making \$19.00 an hour after his probation period ended, but in reality he was brought on \$17.25 an hour after probation and is now earning \$17.77 an hour after the last pay increase. Mr. Correia's complaint is that individuals who were hired less than a year before he was were making more money and he felt he should be closer to par with those employees. Board Member Graham stated that Mr. Correia came in at the time when the new base salary was \$14.00 an hour as he started on September 2, 2003. Board Member Graham also noted that she had a conversation with Mr. Correia regarding the new payroll system and she explained to him that the Board had implemented the current system and that \$14.00 at the start was fair. Mr. Correia acknowledged this conversation and is only looking for a catch up to other employees similarly situated. The General Manager indicated that Mr. Correia is actually above the pay grade for his position. Board Member Boyer stated that he needed more time to become more familiar with the new pay system and how it affects individuals such as Mr. Correia. Chairman Masterson stated that Mr. Correia's matter should be tabled until the October, 2006 regular meeting so that further discussion could be had and Mr. Correia could be informed more clearly as to his request and to his status with regards to the new payroll system. Mr. Correia was then informed that his request would be tabled and reviewed probably in the October, 2006 Board meeting.

#### Request to appear Steve D'Ambrosca–payroll change

Mr. D'Ambrosca appeared and indicated that he was an operator/laborer and had dual responsibilities and duties and had been with Kent County Water Authority for a little over three years and he loves his job. However, he is making \$18.30 an hour right now and is still making less than those employees that do not have the same qualifications as he does. Board Member Graham indicated that Mr. D'Ambrosca was

hired at the time when the new base pay of \$14.00 an hour was implemented and emphasized that the new payroll system is an incentive program and he would have the opportunity by taking further tests to upgrade his pay. Mr. D'Ambrosca acknowledged that but also indicated that he still after taking these tests would be making less money, approximately \$.50 an hour less than individuals with less skill who were hired less than a year before him. Mr. D'Ambrosca indicated that he should be paid at \$20.63 an hour due to his operator's license. Chairman Masterson again recommended that this matter be tabled and informed Mr. D'Ambrosca that it would be tabled so that it can be addressed at a future meeting.

## **Legal Matters**

### **Relocation of Tank Site–Read School House Road**

Legal Counsel, the Chairman, and the General Manager met with the Acting Town Manager, Richard Sullivan, Solicitor, Patrick Sullivan and the Director of Public Works, Sheila Barrett and the Parks and Recreation Director. The land swap was agreed to for location of the tank. Legal Counsel performed a current owner rundown with respect to the land owned by the Town of Coventry and is pursuing whether or not the Town received an owner's policy of title insurance. The Solicitor advised Legal Counsel that a special use permit from the Zoning Board of Review is required and Legal Counsel will prepare the zoning application.

### **Facility Access–Amgen**

Easement rights of Kent County Water Authority are impeded due to Amgen's security protocol. Legal Counsel has researched the easement rights of Kent County Water Authority and this issue will be reviewed by the Board.

### **Wakefield Street, West Warwick Tank Site**

The General Manager stated that the appraisal of the site has been obtained by Kent County Water Authority and that the Town of West Warwick owns most of the land and this matter will be reviewed further by Kent County Water Authority.

### **Department of Health follow up private systems**

Legal Counsel sent a general matrix to Kent County Water Authority the week of June 13, 2006 and the staff of Kent County Water Authority and Legal Counsel will work on the matrix together and will then present it to the Department of Health. The General Manager stated that they will write comprehensive regulations rather than just an outline and that the General Manager and Kevin Fitta will be meeting to review this matter and then will meet with Legal Counsel.

### Town of Coventry Sewer Easement

Coventry requested from Kent County Water Authority a sewer easement over land owned by Kent County Water Authority and designated as Assessor's Plat 20 Lot 9. Kent County Water Authority acquired the land subject to a restriction that it be used only for water conservation purposes. Given this restriction, Legal Counsel inquired on August 5, 2006 of legal counsel for Department of Environmental Management as to whether or not Kent County Water Authority is permitted to grant an easement. The Water Resources Board approved the grant of easement and the form of easement deed has been forwarded to the Town for review. Therefore, the Town's prior position of condemning the land was obviated by the easement.

### Centre of New England (First case)

Kent County Water Authority Board Members signed their releases on September 23, 2005 and September 26, 2005 and we have not received the original release from the Plaintiff and the Board direction is this is to be pursued.

### Potowomut Agreement

The Agreement with the City of Warwick has been forwarded to the Board for review and the agreement was forwarded to the City of Warwick and Legal Counsel is awaiting word. Legal Counsel spoke with Board Member Gallucci who is following up on this matter.

### Kent Hospital/Tollgate/Emergency Interconnection

This will be addressed by Legal Counsel and Kent County Water Authority staff after the Potowomut agreement is finalized by the City of Warwick.

### PUC Docket #3671

Legal Counsel summarized report distributed to the Board Members indicating that the PUC will review the matter and National Grid position and will issue a public decision.

### **Director of Finance Report:**

Arthur Williams, Finance Director, explained and submitted the financial report and comparative balance sheets, statements of revenues, expenditures, and cash receipts, disbursements through August, 2006 and closing documents which is attached as "C", and after discussion, Board Member Boyer moved and seconded by Board Member Graham to accept the reports and attach the same as an exhibit and that the same be incorporated by reference and be made a part of these minutes and it was unanimously,

VOTED: That the financial report, comparative balance sheet statement of revenues, expenditure, cash receipts and disbursements through August, 2006 and closing documents, be approved as presented and be incorporated herein and are made a part hereof as “C”.

**GENERAL MANAGER/CHIEF ENGINEER’S REPORT**  
**OLD BUSINESS:**

Supplemental Water Supply for Discussion

The program is ongoing and there is nothing major to report.

S-2681 Sub A-39-3-43 Action by Board

Legal Counsel submitted a memorandum of law and there was no action taken and will be put on a special meeting or October meeting.

Discussion and Action Request Organization of AFSCME, AFL-CIO

The General Manager indicated that the Union had filed a petition and that an informal conference will be held on September 25, 2006 at the Labor Board. Legal Counsel and the General Manager recommended that the Board should approve an election for union representation giving the employees the chance to vote on the matter. Board Member Graham moved and it was seconded by Board Member Gallucci to approve selecting the election process and it was unanimously,

VOTED: To approve selecting the election process.

**New Business**

Fire Alarm Requirements KCWA Facilities

The Fire Marshall stated that Kent County Water Authority needs fire alarms and the process for getting proposals for installation of fire alarms is underway.

The S.E.D. program was discussed by the General Manager. The General Manager stated that Kent County Water Authority could do it at cost of \$14,000.00. This matter will be reviewed.

DOH Required Lead and Copper Testing

Due to the Providence failure, Kent County Water Authority has to test. One more test to be done. Kent County Water Authority to absorb cost.

### Flushing Program 2006 "October"

To be done in October.

### DRPR State II, Filing with Regulators

Filing due by October 1, 2006. This will go in on September 21, 2006 to be reviewed by E.P.A. Samples are to be collected for one year and this program is involved with detecting carcinogens in water.

### W.S.S.M.P. Proposal for 5 Year Update Approval

The General Manager stated that this update must be done in 2007. It can be done at a cost of under \$20,000 so no R.F.P. would be needed. The General Manager recommended that Kent County Water Authority use the same firm as before which was Pare Engineering. Board Member Gallucci moved and it was seconded by Board Member Graham to engage Pare Engineering for the update as attached as "D" and it was unanimously,

VOTED: To engage Pare Engineering for the update as attached as "D".

### Legislative Reports due October 1, 2006 Comments

1. The General Manager stated that a report is to be submitted on Amgen as required by new legislation attached as "E".

2. Water Supply Management Report - Report to be filed yearly which is to be sent by September 30<sup>th</sup> to the Governor, Secretary of State, Speaker of the House, and President of the Senate attached as "F".

### Gas Tank Installation Status

The tank to be installed when manufactured that should be completed in three weeks.

### Leak Detection Program Status

This is ongoing and ¼ of system done per year.

### Pennsylvania Purchasing Council Membership (Approval)

The General Manager indicated that he has the ability to purchase a copying machine which will allow scanning for \$13,000 which is less than the Pennsylvania Purchasing Council Membership and the GSA pricing. It was moved by Board Member Inman and seconded by Board Member Graham to purchase the machine for \$13,000 as attached as "G" and it was unanimously,

VOTED: To purchase the copying machine for \$13,000.00 as attached as  
G.

### Revised Regulation Approval

The General Manager had submitted a September 20, 2006 version of the Rules and Regulations to the Board which included the following changes to the regulation as recommended by Legal Counsel:

1. Under Section regarding legal fees—that section will include the following language at the beginning, “payment of legal fees will be applicable”.
2. Section 2.7.7 regarding irrigation systems will be removed.
3. Section 1.7 will be added and will include the revised conditions that are read into the record at every meeting with regard to high service approvals and this would be done so that they would not have to read at every Board meeting.

It was moved by Board Member Graham and seconded by Board Member Gallucci to approve the regulations as presented with the amendments noted above and it was unanimously,

VOTED: To approve the regulations as presented with the amendments noted above.

### Newspaper Article Water Park Discussion and Action

There was a discussion regarding the September 12, 2006 newspaper article concerning the \$100 million water park which is proposed for West Warwick. In the article, there was a reference whereby the developer said that he received verbal assurance from Kent County Water Authority regarding availability of water for the project. Board Member Boyer stated that the Town may have misrepresented the availability of water to developer as it did not come from anyone associated with Kent County Water Authority. Chairman Masterson then initiated a discussion regarding the need for a letter to respond to the inaccuracy of the newspaper article. After further discussion, it was agreed that no further action would be taken and that the Authority would abide by the rules and regulations and deal with approvals for availability of water at the time of receipt of an application for water.

### Immunex/Amgen Letter 8/21/06 Action Required

The General Manager reviewed as-built submitted in 2004. Still do not have all data necessary. He recommended sending a letter back in response. Board Member Boyer suggested sending copy of letter to Geisser. It was the consensus of Board to send a response letter.

Action to Rescind Payroll System

Not addressed in light of review of payroll requests noted above.

**CAPITAL PROJECTS:**  
**INFRASTRUCTURE PROJECTS :**

Route 2 Corridor(Kent County Courthouse South to Interstate 95)

Board Member Graham made a motion to add to the Infrastructure Project Section of the Agenda a discussion regarding the status of high service upgrading in the Route 2 corridor from the Kent County Courthouse South to Interstate 95 and it was seconded by Board Member Gallucci and it was unanimously,

VOTED: To add to the Infrastructure Project Section of the Agenda a discussion regarding the status of high service upgrading in the Route 2 corridor from the Kent County Courthouse South to Interstate 95.

A discussion then ensued on a general basis with the General Manager indicating the areas around this Route 2 corridor where a new line would have to be installed to upgrade the high service situation in this area and that it would be very costly and could be the subject of a new future capital project.

All other Capital Projects and Infrastructure Projects are addressed in an exhibit attached as "H" as prepared and described to the Board by the General Manager with general discussion following.

Board Re-organization

Chairman Masterson called to open nominations for Chairman. Chairman Masterson nominated Robert B. Boyer for Chairman. The Chair recognized Board Member Graham who seconded the nomination of Robert B. Boyer.

The Chair declared that without objection nominations were closed and there was a voice vote. All in favor of Board Member Boyer being elected to the Chairmanship of Kent County Water Authority Board. The Ayes had it and Board Member Boyer was elected Chairman of Kent County Water Authority Board.

The Chair called for nominations for Vice Chairman. Board Member Graham nominated Board Member Masterson for Vice Chairman. The Chair recognized Board Member Inman and Board Member Gallucci who seconded the nomination of Board Member Masterson.

The Chair declared that without objection nominations were closed and there was a voice vote. All in favor of Board Member Masterson being elected to the Vice

Chairmanship of Kent County Water Authority Board. The Ayes had it and Board Member Masterson was elected Vice Chairman of Kent County Water Authority Board.

The Chair called for nominations for Treasurer. Board Member Boyer nominated Board Member Gallucci for Treasurer. The Chair recognized Board Member Graham who seconded Board Member Gallucci for Treasurer.

The Chair declared that without objection nominations were closed and there was a voice vote. All in favor of Board Member Gallucci being elected to Treasurer of Kent County Water Authority Board. The Ayes had it and Board Member Gallucci was elected Treasurer of Kent County Water Authority Board.

Board Member Inman made a Motion to adjourn, seconded by Board Member Gallucci and it was unanimously,

VOTED: To adjourn the meeting a 7:08 p.m.

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Secretary Pro Tempore

# **EXHIBIT A**

September 20, 2006

### Revised Conditions

- The Kent County Water Authority (KCWA) is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third party commitments made by a applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.
- A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA, the KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers of KCWA.
- Ventures, commitments or agreements are at the applicant's sole risk if supply or existing infrastructure is found to be insufficient to support service. The applicant may afford the Authority with system improvements to facilitate adequate service.
- The applicant shall file a formal application with the necessary design drawings, flow calculations, including computer hydraulic modeling to fully evaluate this project supply availability and the potential impact on the existing public water supply system. The applicant/customer understands that any undetected error in any calculation or drawing or an increase or change in demand as proposed, which materially affects the ability to supply water to the project, will be the responsibility of the applicant/customer and not the KCWA.
- Only conservation-wise plumbing fixtures are to be installed including but not limited to low flow shower heads, low flow toilets and low flow aerators on faucets.
- If irrigation systems are installed, they must be supplied by a private well. Xeroscape landscaping technique and/or proper planting bed (high water holding capacity) soil preparation shall be employed throughout the project.

"A"

# **EXHIBIT B**

September 20, 2006

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# OFFICE MEMO

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**To:** Board  
**From:** Timothy Brown  
**Subject:** Board Meeting, September 20, 2006  
**Date:** September 18, 2006

Prior to the Board's action on high service requests for the September Board meeting, I must for the record state my objection again for any additional approvals being granted; in particular, for irrigation. It does not seem proper to allow high service irrigation when we are scrutinizing each project that requests water from the high service. This added demand which is somewhat uncontrollable to the high service gradient will certainly exacerbate a serious situation that exists. Any added demand will cause additional supply problems in the high service gradient. I have reported last meeting that irrigation is the crux of the problem and even with our operational improvements, we will still need to control it. As before, any catastrophic incident requiring water during the maximum day demand period when the system may not be able to supply will place liability upon the Authority for whatever ramifications occur due to the catastrophe. The calculated maximum day demand has already been exceeded. C & E Partners, Incorporated have clearly indicated this to the Board, the calculations have been reviewed and checked by the engineers and the existing conditions have indicated that calculations of modeling provided by the engineers is accurate. I must, again, urge the Board to implement a moratorium on all future high service requests as the Kent County Water Authority cannot serve new customers until a source of supply is operational or at least a definitive plan with full financing is established to deal with the shortage. The assumption that additional high service supply will be available at specific dates in the future and approval of projects with future similar or assumed completion dates is dangerous. We only have had preliminary studies (ongoing) or discussion of possible alternatives to the high service supply issue at present.

# **EXHIBIT C**

September 20, 2006

KENT COUNTY WATER AUTHORITY  
CASH RECEIPTS & DISBURSEMENTS  
FY 2006 - 2007

	JULY 2006	AUGUST 2006	SEPTEMBER 2006	OCTOBER 2006	NOVEMBER 2006	DECEMBER 2006	JANUARY 2007	FEBRUARY 2007	MARCH 2007	APRIL 2007	MAY 2007	JUNE 2007	RATE REVENUE FY 06-07	RATE REVENUE FY 05-06
BEGINNING MONTH BALANCE	37,828,745	35,079,271												
<b>CASH RECEIPTS</b>														
Water Collections	1,520,991	1,360,437												
Interest Earned	133,259	61,482												
Inspection Fees	13,845	600												
Contribution in Aid Construction	-	-												
Other	-	-												
<b>TOTAL CASH RECEIPTS</b>	<b>39,496,840</b>	<b>36,501,790</b>												
<b>CASH DISBURSEMENTS</b>														
Purchased Water	284,609	418,379												
Electric Power	56,735	56,495												
Payroll	138,818	181,915												
Operations	89,320	113,528												
Employee Benefits	47,401	45,699												
Legal	7,087	4,075												
Materials	12,628	20,583												
Insurance	2,999	2,999												
Sales Taxes	22,916	12,463												
Refunds	317	678												
Rate Case	-	-												
Conservation	-	-												
Pilot	8,344	-												
Capital Expenditures (Other)	569	5,395												
2004 Infrastructure	17,672	332,027												
Mahonock Well/Storage/Pump/Truss	-	144,678												
Clinton Avenue Pump Station	405,364	256,735												
E. G. Well Upgrade	-	-												
(GIS Development Mapping	11,060	-												
Blanchard Road - 24"	156,770	1,798												
Reed Schoolhouse Road	-	-												
Reed Schoolhouse Road Tank	-	-												
Mahonock Well - Pilot	-	-												
Greenwich Avenue - Pipe Lining	724	636												
Veterans Memorial Drive	-	-												
System Storage Evaluation	-	12,565												
U. S. Bank - Debt Service (P. & I.)	3,070,559	-												
Water Protection	83,657	17,387												
<b>TOTAL DISBURSEMENTS</b>	<b>4,417,569</b>	<b>1,628,035</b>												
BALANCE END OF MONTH	<b>34,079,271</b>	<b>34,873,735</b>												
PRIOR YEAR	36,022,640	35,582,079	36,244,232	37,871,723	38,014,975	38,869,307	38,066,404	38,482,335	38,626,460	39,468,648	38,714,788	37,828,745		



# **EXHIBIT D**

September 20, 2006



September 12, 2006

Mr. Timothy J. Brown, PE  
General Manager/Chief Engineer  
Kent County Water Authority  
1072 Main Street  
West Warwick, Rhode Island 02893



Re: **Kent County Water Authority  
Water Supply System Management Plan (WSSMP)  
5-Year Plan Update  
PARE Proposal No. EP294.06**

Dear Mr. Brown:

In accordance with our recent discussion, we are pleased to have this opportunity to submit this Proposal for Professional Services for your project. Outlined herein are the description of your project, our Scope of Services, and the method and basis of compensation for our services.

**PROJECT DESCRIPTION**

This project shall consist of providing general engineering consultation services associated with the 5 year update of the Kent County Water Authority (KCWA) Water Supply System Management Plan (WSSMP). The regulatory authority associated with development of Water Supply System Management Plans has fallen under jurisdiction of the Rhode Island Water Resources Board (RIWRB). In October of 1998, the RIWRB promulgated revised Water Supply System Management Planning Regulations associated with preparation and update of future Water Supply System Management Plans (WSSMP). The existing KCWA WSSMP was developed under these regulations in 2001 by Pare Engineering Corporation (PARE) and was formally approved by the RIWRB in 2002.

The goal of this project shall be to provide professional engineering services to the KCWA in the research, preparation and update of the existing elements of the Water Supply System Management Plan. In October of 2002, the RIWRB once again promulgated revised Water Supply System Management Planning Regulations associated with preparation and update of future Water Supply System Management Plans (WSSMP). The update will include incorporation of the RIWRB requirements to reflect changes in the water system and recent operational data as well as to revise the plan format to be compatible with these revised WSSMP regulations.

COPY SENT TO	
BOARD MEMBERS	9/13/06
CHAIRMAN	
LEGAL COUNSEL	

8 BLACKSTONE VALLEY PLACE  
LINCOLN, RI 02865  
401-334-4100 401-334-4108 FAX  
www.parecorp.com

NORWOOD, MA



## **SCOPE OF SERVICES**

### **Basic Services**

The following tasks are those envisioned to be conducted for the successful completion of the project and will comprise our scope of services.

#### **Task 1 - Background Regulatory Research**

The requirement for the update of the Water Supply System Management Plan (WSSMP) is contained in the following document:

- State of Rhode Island and Providence Plantations, Rhode Island Water Resources Board (RIWRB) – *Rules and Procedures for Water Supply System Management Planning*, October 1998, as amended October 2002.

Utilizing the information stipulated in this document, PARE shall identify those specific requirements applicable for the update of the KCWA WSSMP. This information will be tailored to a specific program of data collection and evaluation necessary for the update. PARE will prepare the update in a format consistent with the regulations and shall utilize the existing WSSMP outline as the basis for preparation of the update.

#### **Task 2 - Information/Data Compilation**

PARE will review and evaluate the existing WSSMP and identify specific areas that require update. This will include a compilation of available information regarding the water supply and distribution system, its facilities, the customer demand base, capital improvement planning, changes in administrative policy and procedure, and other relevant data which has been compiled since preparation of the previous plan.

It is envisioned that this information will be available from existing records and sources of information compiled by the staff of KCWA. To a large extent, PARE shall rely on KCWA records and information in completing this task as the update primarily relies upon a compilation and interpretation of historical records and documentation.

Additionally, PARE staff will review the Comprehensive Community Plans for KCWA's service territory. The plans will be reviewed with respect to the provision of potable water in an attempt to ensure consistency between WSSMP and the local comprehensive plan.

#### **Task 3 – Facility Inspections**

The information for update of waterworks facilities, which necessarily needs to be incorporated into the update, will be gathered through inspections performed by PARE's trained engineers on an as needed basis. These inspections, where deemed necessary, shall include the wells, water treatment systems, pumping facilities, interconnections, storage and critical transmission facilities (i.e. meter



pits, system interconnections), etc. The purpose of these inspections will be to discern the condition of the system components, as well as to identify any system improvements that have taken place since the previous WSSMP.

It is expected that the KCWA will provide one employee who is thoroughly knowledgeable of these facilities, who will accompany PARE personnel during these inspections, and who will explain their operation, history, and recent modifications, etc.

#### **Task 4 – Update of the existing WSSMP**

Upon completion of the data gathering, review, and evaluation tasks, PARE will commence with the activities directly related to the plan update. Any existing electronic copies of the digital files (including all text, maps, charts, worksheets, etc.) of the original WSSMP shall be utilized as the basis for the update.

Existing mapping shall be utilized to the extent possible. Where required, mapping shall be reproduced from the Rhode Island Geographic Information System (RIGIS) database sets for the communities that comprise the KCWA service area. PARE maintains a license agreement through RIGIS for the use and availability of the data sets for the State of Rhode Island.

Each of the listed data sets shall be overlain on as few maps (typically 2) as possible to clearly depict the resources and infrastructure within the service area. Additional maps depicting selected data will also be produced using the latest available aerial photography as a base map. All geographic data prepared as part of this update shall be in a form such that the RIWRB is able to transfer data directly into RIGIS.

The following are the major elements of the existing WSSMP that will serve as the basis for the outline of the preparation and presentation of the WSSMP update. Each section of the existing plan shall be reviewed and revised accordingly to present updated information from 1996 to the most recent information available.

- A. Detailed Executive Summary
- B. Statement of Plan's Goals and Objectives
- C. Water Supply System Description
- D. Requirements of the Water Quality Protection Components \*
- E. Mapping Requirements
- F. Supply Management:
  - 1. Anticipated Future Demands
  - 2. Available Water



- 3. Alternative Supply Sources
- 4. Supply Augmentation Studies
  
- G. Demand Management
- H. System Management
- I. Emergency Management Plan
- J. Drought Management
- K. Implementation Schedule, Responsibility, and Project Costs
- L. Financial Management
- M. Coordination

\* It is noted here that the work was initially performed in 2003 by the R.I. Department of Health as part of its Source Water Assessment Program and satisfied the vast majority of the requirements of Section 8.03, Requirements of the Water Quality Protection Component, of the rules and procedures for WSSMP's. As of the date of this proposal, the RIWRB has developed and issued **Draft Guidelines (August 2006)**, in conjunction with RIDOH and the University of Rhode Island, regarding updating the 2003 completed Source Water Assessments. PARE will develop an update of KCWA's 2003 Source Water Assessment based on the draft guidelines (August 2006) for the KCWA Wellhead Protection Areas (WHPA) of Spring Lake Well, Mishnock Well Field, and the Hunt River Aquifer. The update will include completing the Seven Risk Indicators which include updating the land use map and potential sources of pollution map (through either GIS or via hand markup), completing the Source Water Assessment for WHPA Risk Spreadsheets for each WHPA, developing narratives on methods used for the source water assessment update and source and management measures developed by KCWA for wellhead protection, and review of water supply monitoring criteria as detailed within the guidelines. It is PARE's assumption that the 2003 KCWA Source Water Assessment land use map and potential sources of pollution map will be available in both hard copy and GIS format through the KCWA, RIDOH, or University of Rhode Island. It is also PARE's assumption that history of contaminate detects within the last 5 years, bacterial detects within 5 years, maximum nitrogen concentration in the last 5 years, and average nitrogen concentration in the last 5 years will be available electronically and via hard copy through KCWA or RIDOH.

#### **Task 5 – Meetings**

PARE will set-up and attend a project initiation meeting with the KCWA to discuss any specific issues that need to be addressed and incorporated. In addition, PARE will hold a sufficient number of meetings with KCWA staff to review project progress, topics of concern, and to identify items of a critical nature that would need to be addressed, with specific actions as required to expedite their resolution.



Mr. Timothy J. Brown, P.E.

- 5 -

September 12, 2006

### **Task 6 - Coordination with Regulatory Agencies**

It is understood that the primary goal of this project is to meet the regulatory requirements of the various regulatory agencies in Rhode Island with regard to the update of the WSSMP. Toward this end, PARE will assist the KCWA in gaining regulatory approval. This will be in the form of pre-meeting preparation services and the subsequent attendance of PARE at meetings with these agencies to describe the procedures utilized in WSSMP update development and to respond to comments received from reviewing agencies.

### **Task 7 - Deliverables**

Upon completion of the updated WSSMP, a hard copy shall be presented to the KCWA for review and comment. Upon incorporation of comments and revisions from the KCWA, PARE shall submit three copies of the WSSMP to the KCWA, one bound, one unbound for copying, and one electronic copy. It shall be the responsibility of the KCWA to submit the required number of copies of the WSSMP to the RIWRB, based on the Rules and Procedures for Water Supply System Management Planning.

Upon receipt of written comments from the various reviewing agencies, PARE shall prepare a response letter to the comments, in addition to revising the WSSMP, as appropriate. PARE shall submit three copies of the revised WSSMP to the KCWA, one bound, one unbound for copying, and one electronic copy. It shall be the responsibility of the KCWA to submit the required number of copies of the WSSMP to the RIWRB, in conjunction with PARE's response letter to comments containing annotated responses to all of the review agency comments.

If KCWA desires, PARE can perform the required printing/reproduction. Any such printing and binding costs shall be passed on to the KCWA at cost with no markup.

### **Outside Services**

PARE does not envision utilizing any outside services to complete the basic services as described above.

### **ADDITIONAL SERVICES**

Services required by KCWA, which are not part of the Scope of Services as described above shall be considered Additional Services. Additional Services shall be furnished by PARE, or obtained from others by PARE if requested in writing by KCWA. KCWA shall pay PARE for Additional Services in accordance with rates and charges agreed to in writing prior to authorization by KCWA.



### **SERVICES PROVIDED BY THE KENT COUNTY WATER AUTHORITY**

The KCWA shall be responsible for furnishing and making available to PARE required information to update and complete the 5 year update of the WSSMP. The KCWA shall be responsible for aiding PARE with the information/data compilation and facility inspections. In addition, the KCWA shall be responsible for meeting with PARE and providing review and comments on the WSSMP

### **PERIOD OF SERVICE**

The time period for performance of the services as set forth in the Scope of Services shall be approximately 210 days from receipt of a written authorization to proceed. Additional services may materially add to the time required to complete the work of the Project. Pare Engineering Corporation will be entitled to an equitable adjustment in the Period of Service as a result of services added.

### **BASIS OF COMPENSATION**

KCWA shall pay Pare Engineering Corporation for Basic Services and Outside Services rendered as described above, a Lump Sum Fee of **Nineteen thousand nine hundred and ninety five dollars (\$19,995.00)**. As noted under Task 7 –Deliverables, if KCWA desires, PARE can perform the required printing/reproduction. Any such printing and binding costs shall be passed on to the KCWA at cost with no markup.

As stated above, this letter constitutes our Proposal for Professional Services in connection with this Project. Should you accept this Proposal, we will enter into a separate form of agreement that will supersede this Proposal and constitute the final, complete and integrated agreement between us.

Thank you for the opportunity to submit this Proposal. If you have any questions, please contact us at your convenience.

Sincerely,

George G. Palmsiciano, P.E.  
Senior Vice President

GGP/BFE/abv

# **EXHIBIT E**

September 20, 2006

**DRAFT**  
FOR REVIEW ONLY

**KENT COUNTY WATER AUTHORITY**

**SEPTEMBER 30, 2006**

**COMPLIANCE FILING  
IN ACCORDANCE  
WITH**

**RHODE ISLAND GENERAL LAWS 39-3-43  
TO**

**SPEAKER OF THE HOUSE  
PRESIDENT OF THE SENATE  
CHAIRMAN, HOUSE FINANCE COMMITTEE  
CHAIRMAN, SENATE FINANCE COMMITTEE**



**DRAFT**  
FOR REVIEW ONLY

In accordance with Rhode Island General Laws 39-3 entitled "Regulatory Powers of Administration" Section 43, Kent County Water Authority, herewith, reports to Representative William J. Murphy, Speaker of the House, Senator Joseph A. Montalbano, President of the Senate, Representative Steven M. Costantino, Chairman, House Finance Committee and Senator Stephen D. Alves, Chairman, Senate Finance Committee compliance with provisions of Rhode Island General Law 39-3-43.

We are pleased to report that in accordance with 39-3-43(a) we are in full compliance and have provided an uninterrupted water supply within our ability and it has not been less than 800,000 gallons per day.

We are pleased to report that in accordance with 39-3-43(b) we are in full compliance with Section 1.7.3 of the revised Rules and Regulations of the Kent County Water Authority. Implementation of the odd/even water use restriction is implemented on a yearly basis.

We would be happy to meet with anyone from the House or Senate to review this report and answer any questions that there may be concerning our compliance filing.

# **EXHIBIT F**

September 20, 2006

**DRAFT  
FOR REVIEW ONLY**

**KENT COUNTY WATER AUTHORITY**

**SEPTEMBER 30, 2006**

**COMPLIANCE REPORT  
IN ACCORDANCE  
WITH**

**RHODE ISLAND GENERAL LAWS 46-15.1-21**

**PRESENTED TO**

**GOVERNOR STATE OF RHODE ISLAND  
SPEAKER OF THE HOUSE OF REPRESENTATIVES  
PRESIDENT OF THE SENATE  
SECRETARY OF STATE**



**Kent County Water Authority  
P. O. Box 192  
West Warwick, RI 02893-0192**

**DRAFT  
FOR REVIEW ONLY**

## **Preface**

In accordance with Rhode Island General Laws 46-15.1 entitled “Water Supply Facilities” Section 21, Kent County Water Authority, herewith, reports to the Honorable Donald L. Carcieri, Governor of the State of Rhode Island and Providence Plantations; Representative William J. Murphy, Speaker of the House of Representatives; Senator Joseph A. Montalbano, President of the Senate; and Mathew Brown, Secretary of State Compliance with Provisions of Rhode Island General Law 46-15.1-21 and forwards this annual report.

## **Kent County Water Authority Description**

Kent County, with some 172 square miles, lies approximately five miles south of Providence and includes the towns of Coventry, East Greenwich, West Greenwich, West Warwick and the City of Warwick. The Authority currently supplies and distributes water services on a retail basis to residential, commercial, industrial and other consumers within reach of its existing infrastructure within Kent County and a portion of Cranston, Scituate and a small area of North Kingstown. The water users in Kent County not serviced by the Authority are served by privately owned wells or the Warwick Water Department for the City of Warwick.

The Authority is governed by a five member Board: one member of which is appointed by each of the town councils in East Greenwich, West Warwick and Coventry; one member by the Warwick City Council; and an additional member elected by the Board from the city or town with the greatest number of water users. Each member serves for a term of 10 years. Vacancies occurring during a term are filled for the unexpired term. The chairperson of the Board is selected by a majority vote of the Board members.

The secretary and treasurer are appointed by the Board, but need not be members. Three members of the Board constitute a quorum and the vote of three members is necessary for any action taken by the Authority.

Kent County Water Authority has 34 employees to bring service to over 65,000 inhabitants through 26,000 service connections and 388 miles of water main.

General - The System is a dual source system with water coming from groundwater wells owned by the Authority and from water purchased wholesale from the Providence Water Supply Board (PWSB), a municipal authority regulated by the Public Utilities Commission. Besides the water sources, the System is comprised of a distribution and transmission pipe system, pumping stations, storage facilities and fire hydrants. The System contains approximately 388 miles of distribution and transmission mains, nine storage tanks of the standpipe ground storage or elevated design, four pressure booster (or pumping) stations, four wells, 2,226 public fire hydrants and 156 private fire hydrants.

Pressure Zone Update - The existing KCWA water distribution system is divided into eight (8) distinct pressure zones operating at varying hydraulic pressure gradients and five (5) of which service the majority of the KCWA service territory. These five (5) pressure zones are as follows:

- Low Service (334 foot) Pressure Gradient
- Reduced Low Service (280) Pressure Gradient
- High Service (500 foot) Pressure Gradient
- Reduced High Service (430 foot) Pressure Gradient
- Read School House Road (430 foot) Pressure Gradient

There also exist three (3) pressure service areas that provide service to isolated areas of the system and include the following:

- Warwick Tanks (231 foot) Pressure Gradient
- Oaklawn Service (231 foot) Pressure Gradient
- Hope Road Booster Service (510 foot) Pressure Gradient

A new ninth and temporary pressure zone was created recently which is supplied directly from the Low Service Pressure Gradient. The new pressure zone isolates the area in and around the existing Tiogue Water Storage Tank that has an overflow elevation of 350

feet, which is approximately 16 feet higher than the overflow of the remaining existing tanks in the Low Service Pressure Gradient. The new pressure zone is roughly defined as the area located to the north of Tiogue Avenue between Pembroke Lane and Wesleyan Avenue and to the south of Tiogue Avenue between Ferris Drive and North Road.

A booster pump station located in proximity to the tank, which was designed to boost water from the Low Service into the Tiogue Tank pressure zone, was also installed.

Water Supply - By state law the, Authority is entitled to receive from certain sources maintained by the PWSB a maximum of 150 gallons of water per day per inhabitant of Kent County for domestic, fire and other ordinary municipal water supply purposes. Approximately 80 percent of all water supplied to the System is obtained through wholesale purchase from the PWSB's Scituate Reservoir. The System has three connections into this water source: one at Oaklawn Avenue in Cranston; one at the Clinton Avenue Pumping Station in Scituate; and one at the Bald Hill Road Pumping Station in Warwick from the Warwick Water Department System, which obtains the water from the PWSB. Since the PWSB is regulated by the PUC, the Authority pays a wholesale rate established by the PUC for that water.

The remaining 20 percent of water supplied to the System is produced from four gravel-packed wells owned by the Authority and located in three well fields. One of the wells is located in Warwick and derives its water from the Hunt River Aquifer and three are located in Coventry and derive water from the Mishnock Aquifer. Normally, the Authority's wells are operated either on a continuous or intermittent basis depending upon their location and the pressure within the gradient that they service. The three wells in the Mishnock Aquifer are currently shut down due to coloration issues and will be reactivated when treatment has been installed. All existing or replaced wells have been producing water to supplement the District's needs for more than 30 years. In addition, the System's nine water storage tanks (of which eight are currently in service) range in capacity from .75 million to 3 million gallons. These nine water storage tanks are designed to provide sufficient storage under maximum-day-flow-plus-fire basis to service the Authority's customers should this condition occur.

Water Treatment - All water produced from the System's own wells is treated to comply with all applicable federal and state water quality requirements. Water derived from the System's Mishnock and Spring Lake Well Fields is treated by the addition of calcium hydroxide (quick lime) for pH adjustment. The Hunt River Well is treated with potassium hydroxide for pH adjustment. Chlorine is added to all wells for bacteria control. All water supplied to the System from PWSB has already been treated to comply with such requirements and, therefore, requires no additional treatment by the Authority. Future treatment upgrades are being proposed for all KCWA wells to improve quality and meet the proposed water quality regulations.

Distribution System - The distribution/transmission system of the Authority comprised some 388 miles of main varying in size from 2 inches to 24 inches with over 85 percent of the mains in the 6 inch to 12 inch range. The distribution system is considered a gravity system with water flowing from system tanks to customers. The System's tanks are replenished by transmission pumping. There is relatively minimal impact on water service during short period power outages because storage capacity in the tanks continues to provide the gravity supply to the distribution system. All public hydrants within the distribution system are owned by the Authority and are rented for emergency use by each individual fire department and/or districts within the System.

Water Demand - The average demand for water within the System is approximately 10.5 million gallons per day. During the summer months, maximum daily demands of approximately 20 million gallons per day have been experienced. Our current system supply capacity is now approximately 17.1 million gallons per day due to our inability to use the Mishnock Wells. Increased color and manganese levels resulted in aesthetically displeasing staining occurrences to our customers when the wells were in operation. These wells have been temporarily taken out of service while additional treatment technologies are examined to correct this non-hazardous situation.

## **Water Supply System Management Plan**

Kent County Water Authority is in compliance with the Water Supply System Management Plan as prepared for the Kent County Water Authority and prescribed in Rhode Island General Laws 46-15.3-5.1 and 46-15.3-7.

Our implementation of that plan has advanced in accordance with the 20 year implemented schedule as provided. The current status of that plan is as follows:

1. Develop New Mishnock Wells – This deals with two issues. Initially it included what was known as the expanded well field; additional wells planned for land purchased from well head protection funds. These have been temporarily abandoned due to DEM permitting issues. We have now concentrated our efforts on the existing wells or well field and will develop those to their capacity. They include two additional or replacement wells for an initial three well total. During the time of the preparation of the WSSMP, the second issue appeared at the well fields and that being high concentration of manganese and visible color in the produced water. Lack of a control or removal system required shut down of the production at Mishnock Well Field. Treatment will be required and is currently underway with various programs to accomplish removal of the manganese, iron and visible color.
2. Residential Retrofit Program – This remains ongoing and devices to retrofit are available at no cost for customers to install.
3. Upgrade East Greenwich Well – Temporary measures have been installed to sequester the manganese that is present and causes staining. The proposed upgrade and treatment plant is still a planned project, but is pending the work at Mishnock Well Field as the same treatment technology will be utilized for treatment.
4. Preventative Maintenance Program – This is an ongoing continuous program that is staffed by in-house employees. It is and has been a great success to the continued operation of this entity and benefit to our customers.

5. Infrastructure Rehabilitation (IFR) Program – A continuous rehabilitation and replacement program for our system that complies with state law. An excellent program that benefits all customers of the system by the improvements to the distribution system now funded by customer revenue at \$4.8 million per year.
6. Master Meter Testing/Calibration – This has been an active program that repeats on itself yearly. In order to control and assure sales are accurate, the testing of large meters yearly or biannually is required. Staff has dedicated resources to track and notify customers of this obligation as well as review the test reports for acceptance. This will continue indefinitely to meet this requirement.
7. Consumer Meter Testing/Calibration – This program turns our attention to the domestic residential meters. This is on a request basis or if a problem is present, testing is required. Done in-house on KCWA calibrated equipment, it keeps the cost of testing to a reasonable rate. Since meters are normally replaced then repaired, the program remains on an as need request basis. Technology of metering has advanced at a rapid pace and we will need to consider an upgrade of all residential meters in the near future.
8. Update Water Supply System Management Plan – Scheduled to be completed August of 2007. The plan update will be invaluable to, again, analyze the system and set priorities for the next 20 year planning period. This will include the proposed new programs that are being contemplated.
9. Update Well Head Protection Plan – Scheduled at the same time as the WSSMP update it is scheduled to be completed August of 2007. This will be an opportunity to review the protective measures and any additional needs.
10. Major Users Technical Assistance Program – Completion of the major outreach program was accomplished in 2005/2006. We now provide service on an as need or requested basis.
11. Updated IFR Program – Scheduled for the 5 year update to be completed in 2008. An extremely valuable program that has been the main stay for our rehabilitation of the distribution system. The pipeline database was updated in

2006 upon the hydraulic model upgrade. Funding of this program has never reached the required amount as provided in the approved program and as such is behind in the implementation schedule.

### **Supply Concerns**

The major issue that Kent County Water Authority has faced and is facing is supplemental supply for the maximum day demand of our system. Growth continues unchecked and usage patterns are rapidly changing with increase in outside use of water at alarming rates. This is the crux of the issue all water suppliers are faced with and the one issue we have been exploring for rectification since the early 1990s. Throughout that period, groundwater was the key to supplementing our supply. That has not been fruitful due to the burden of over regulation and as such we have channeled our efforts into options to increase source supply that are available to us. The attached report in Appendix A prepared for the Joint Legislative Commission studying all aspects of the Kent County Water Authority details review of our current direction and programs. This is all encompassing and is in various stages of build-out as this report is prepared. It will outline the important aspects of our expanding use of existing sources as well as securing our existing sources of supply. This we believe will resolve our supply concerns. Not only will these assist us, but our advancement of demand management, conservation and proper use of supply through education will assist in securing our supply into the future.

### **P. U. C. Annual Report**

The Public Utilities Annual Report for the latest fiscal year completed is attached in Appendix B and provided the detailed operation of the Kent County Water Authority.

## **Kent County Water Authority Annual Report**

The annual report of the Kent County Water Authority prepared each year in accordance with state statute 39-16 is attached as Appendix C.

### **System Performance**

Calendar year performance system data for 2005 is provided in Appendix D.

## **APPENDIX A**

Five Year Build-out Report to the Legislative Commission  
to study all aspects of the Kent County Water Authority

May 31, 2006

**Five Year Build-Out Report to the Legislative Commission to Study All Aspects of the  
Kent County Water Authority**

This report will deal with the supply and transmission improvements that are proposed by the Kent County Water Authority on a summary basis over the next five year planning period. Some are in their preliminary stages at this time, and will require further study and inclusion in the updated Capital Improvement Program. The others are in different stages, and will be so noted. Planning proposals are also included as they are part of the required process as noted. Program advancement has occurred along with changes to our supply premise from additional self supply to wholesale supply purchase to address the shortage in the high service gradient.

CLINTON AVENUE PUMPING STATION UPGRADE

DUAL SOURCE SUPPLY

The Clinton Avenue Pumping Station is under major revision with the inclusion of low service and high service booster pumps and all related appurtenances. This is the main connection to our wholesale supply from Providence Water Supply Board. It is expected to be operational this summer. This project will maximize the source water from this connection point due to suction size constraints. Approximately 25 million gallons per day double the original capacity will be available from this connection for system use and is our northerly connection point. The transmission improvement, Black Rock Road replacement, as proposed in the Capital Improvement Program of 2001 is complete and will facilitate the additional low service gradient water needs. New transmission for the high service gradient water has also been completed and will re-service the Read School House Road area of Coventry an existing intermediate pressure gradient with the new proposed high pressure gradient. It initially will not be interconnected with the high service gradient supply of the south. Additional Capital Programs (not funded) will be needed to be completed for this to be operational. It is intended to provide redundant source supply to the southern high service gradient only. The cost of this upgrade program is included in the bond issue already acquired. The removal of the Knotty Oak Booster Station will be a major benefit to the system as it will ease a bottleneck to the distribution from the north to

the Central part of our system.<sup>1</sup> The ability of maximizing this station to its full suction capacity will complete our long planned upgrade to this connection. The project is on schedule for a mid June completion date of the booster pumping station. It must be kept in mind that maximizing this source flow connection capacity does not mean the water is fully available to the system. There are transmission issues that must be dealt with if it is to be made available and the cost of those must be weighed against other potential options for added supply to the system.

#### BALD HILL PUMPING STATION UPGRADE

#### DUAL SOURCE SUPPLY

We are proceeding with an agreement with our second wholesaler, the City of Warwick, to increase supply from our second wholesale connection the Bald Hill Pumping Station. We have received approval from the City Council concerning an agreement for this increase in supply. Finalization of the agreement is necessary for us to begin the process of the upgrade and system changes. We will accelerate the design efforts for refurbishment of the existing booster pumps and the potential for an added high service booster option in this same facility. This “dual” system philosophy that we are using at the Clinton Avenue Booster Station is going to be applied to this as well. The transmission main for the high service booster option will be phased separately due to lack of funds. This is our second main connection to a wholesale supply source and will also be maximized based on the suction size. The increase in capacity will allow great flexibility in acquiring the additional supply needed in the short-term for the southern high service gradient water needs. Existing infrastructure renewal and replacement funds are proposed for the existing gradient upgrade of the current station and are allowed by the Rules and Regulations governing that program. The reason for possible phasing of the project is the lack of funding and Capital programming of the high service transmission main and the required booster pumps that are necessary. It will require inclusion in our updated Capital Improvement Program and, of course, the necessary debt coverage for bonding or by other state funding. The maximum capacity will increase from 4.6 million gallons to 10 million gallons per day, and of that two million gallons per day will be set aside for the high service gradient flow to the southerly high service gradient. A preliminary budget for the unfunded high service portion,

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<sup>1</sup> This is being replaced with the Clinton Avenue Booster Station high service pumping when operational and with gradient system improvements.

pumps and transmission, to the 16” main at the West Warwick Business Park is approximately \$5 million dollars. When activated, the high service booster pump segment of the upgrade should provide the most immediate requirement for flow of water to the southerly reaches of the high service gradient. This is considered a high priority of the Authority to seek the needed funds and to move this project in an accelerated fashion. We will also consider in this project sizing that will accommodate additional flow from a new connection to the north which will be discussed in the next section.

### PROPOSED NEW SUPPLY CONNECTION

### DUAL SOURCE SUPPLY

We have reached an agreement in principal with the Providence Water Supply Board, our wholesaler, for a new connection to the 102 inch aqueduct. This would provide a third connection producing 5 million gallons average daily flow. This translates into approximately 10 million gallons maximum day flow. This is good news for the short term and allows us great flexibility for additional supply in both low service and high service as well as a redundant supply source.<sup>2</sup> This also will provide us the option for a temporary booster station for the future shutdown of the Clinton Avenue Booster Pumping Station for the planned PWSB maintenance work on the 78 inch aqueduct.<sup>3</sup> Funding is necessary to proceed with this third connection but preliminary design and planning will continue and be ongoing including site selection, site securing, transmission routing and funding proposals. This is significant to the Authority in the fact that even though this may be considered as a detriment to become more dependent upon Scituate flow, it will provide us a new source for dual use in both high and low service gradients. It would be expected that approximately 2 million gallons of the 5 million gallons average daily flow established will be committed to the high service southerly gradient. No cost has been established as of yet for this improvement. The transmission system will be the greatest cost factor of this proposal as it will require transmission main construction from the northern part of our system of West Warwick to the southern part of our system to the future connection

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<sup>2</sup> Our main wholesale connection is off the 78 inch piped aqueduct west of the tunnel aqueduct and this connection will be to the east of the tunnel aqueduct on the 102 inch piped aqueduct section. Both fed by the same source, but due to valves and flexibility of Providence’s supply, it allows us the potential to feed this from Scituate in a different direction if necessary.

<sup>3</sup> KCWA and PWSB are working in a joint effort to effectuate the Clinton shutdown and the planned work on the 78” aqueduct of PWSB

discussed under the Bald Hill Pumping Station upgrade. A cautionary note must be made concerning the ability to secure the site, its location and ramifications of where the potential connection will be located and the ability to secure the funds needed to proceed.

#### MISHNOCK WELL FIELD UPGRADE

#### DUAL SOURCE SUPPLY

Our produced supply from our well fields is an extremely important and necessary addition to our production capacity. Our existing Mishnock well field, our south westerly supply source, is currently being piloted for technology selection for treatment to alleviate and remove mineral issues that have caused discoloration. Its completion this summer will hasten the future reactivation with the needed iron and manganese treatment removal of the well fields producing a pristine quality product for the customers. When under full production, 2.4 million gallons per day can be produced that will allow it to service the low service gradient and the southern high service gradient. Transmission and storage is also part of this program and is currently bond funded under the Capital Improvement Program of 2001. The existing design portion of the transmission and storage will need to be reviewed when the treatment process has been selected as well as the site for that treatment facility. Once that is determined, we will be able to move forward with this program and develop a final budget and detailed construction documents. Currently, we expect to split the supply flow into two pressure gradients with half the supply flow going into low service gradient needs and half to the high service gradient needs.

#### EAST GREENWICH WELL FIELD UPGRADE

#### SINGLE SOURCE SUPPLY

Our Warwick/East Greenwich supply well, our south easterly supply serving East Greenwich and Warwick is operational and will be outfitted with treatment technology similar to the Mishnock equipment for treatment once selected. It too will provide a very pristine quality product to our customers in a much needed location. It will also allow us to increase our supply to its full operational capacity from one million gallons per day to approximately 2 million gallons per day production from that well field. This supply will be low service based on its location and will be utilized to offset the supply from the Bald Hill Booster Pumping Station. No storage or transmission issues are related to this at the present time as the existing infrastructure

and well are capable of the flow that will be produced. This is currently funded under our Capital Improvement Program of 2001 and bond funding already secured.

SPRING LAKE WELL FIELD UPGRADE

SINGLE SOURCE SUPPLY

Our third well field, located in Coventry will be reviewed for treatment after both the Mishnock and East Greenwich wells are operational with treatment. It is now currently offline because of similar mineral issues that caused closure of the Mishnock well field. It is a much smaller capacity well. The total capacity if treated is approximately one half million gallons per day. It is valuable, and will need to be reviewed in detail upon completion of the other two well projects. Its work will need to be included in the proposed updated Capital Improvement Program. This is a low service producing well and will continue to produce water in the low service gradient.

JOHNSON'S BOULEVARD PUMPING STATION

LOW TO HIGH SERVICE BOOSTING

Constructed in 1990, this station services the high service gradient to the south. It is the original booster station to the Technology Park Tank. No upgrades are planned as it is of current technology. It is an intermediate booster deriving supply from the low service gradient. Restricted in capacity because of this fact, the additional low service transmission improvements will assist its pumping capacity during maximum day operation conditions.

SETIAN LANE PUMPING STATION

LOW TO HIGH SERVICE BOOSTING

Setian Lane Pumping Station is the newest pumping station for intermediate boosting we have within our system. Constructed specifically for high service supply deriving supply from the low service gradient. With upgrades proposed for the Bald Hill Pumping Station completed, it is anticipated that the increase in supply from the station to the high service southerly gradient will occur. Current operation is approximately one million gallons per day with an anticipation of adding one half million to an additional one million gallons per day if the Bald Hill upgrade is completed and operational. Its only restriction is the ability for the Setian Lane Storage Tank to

supply low service gradient water in sufficient quantity to the pumping station. This will be assisted by the proposed upgrade of the Bald Hill Booster Pumping Station to allow its full capacity operation.

#### W. W. BUSINESS PARK PUMPING STATION      LOW TO HIGH SERVICE BOOSTING

Built as an emergency and redundant supply for the Amgen facility it replaced an existing booster station to the isolated West Warwick Business Park pressure gradient. Since reconfiguration of the gradients has occurred, this allowed for this reconstruction and reprioritization of supply. It will be benefited by the Bald Hill Pumping Station upgrade. It boosts supply as an interior booster from the low service gradient to the high service southerly gradient. It does not have emergency power and therefore cannot be relied upon during emergencies. It is of the current technology and no upgrades are planned at this time.

#### EXTENDED PROPOSALS

Other programs that have been proposed are outside of the five year period that this report considered.

- Future well field expansion
- New well field development
- Contaminated well field reactivation
- Joint well field operation
- Big River Reservoir (Kent County Water Authority still maintains the need for this Reservoir and the cost effectiveness of building it now rather than later)

#### FIVE YEAR PLANNING PROGRAMS

Planning programs to be included and completed in the five year planning period of this report.

- Distribution Storage Tank Hydraulic Evaluation – critical to the system operation – initiated – expected completion October 2006
- Five Year Capital Improvement Program Update – the key document for all Capital Improvements to the Kent County Water Authority system – to be initiated upon completion of the Distribution Storage Tank Evaluation – expected completion Spring 2007 – Critical for regulatory approval of funding and potential bond funding.
- Five year update of Water Supply System Management Plan – mandated document which is a key component of the Kent County Water Authority system - reviews all major components – to be initiated end of 2006 with submission by August 2007.
- Required 5 year update of the Infrastructure Renewal and Replacement Program – June 2008.
- Conservation – Statewide Conservation Program is necessary. Kent County Water Authority stands ready to implement all facets of a state mandated program. Modification of our current program as needed will follow. It must be a statewide problem that requires a statewide solution and statewide funding to implement effectively.

## FUNDING

As a regulated utility, all funding for the programs mentioned is derived from the customers if approved by the regulator the Public Utilities Commission. Improvement to the Kent County Water Authority system which has statewide implications should not be funded solely by the Kent County Water Authority customers. Any funding allocated or any method to speed the process in securing the needed added funding would directly improve the time required to implement the improvements described.

**SOURCE SUPPLY PROJECTS**

PROJECT DESCRIPTION	CURRENT STATUS	MAXIMUM* PRODUCTION CAPACITY MGD		PURPOSE	ANTICIPATED SCHEDULE		FUNDING SOURCE STATUS	RESTRICTIONS
		HIGH	LOW		START	FINISH		
Clinton Avenue Booster Station Upgrade	Under Construction	3	22	Wholesale Water Supply	Ongoing	Mid June 2006	Capital Bond Funds Currently Funded	Delivery Limited to Transmission System High and Low
Bald Hill Booster Station Upgrade	Council Approval Agreement Pending RFP/Engineering Pending	2	8	Wholesale Water Supply	Pending	Dec. 2007 Dec. 2008 Phase II	IFR Current Funds Can Be Currently Funded	None
Proposed Third Connection to P. W. S. B	Discussion & Preliminary Planning	2	8	Wholesale Water Supply	Unknown	5 Year Planning & Construction	No Funding At Present	None Anticipated
E. G. Well field Upgrade	Awaiting Mishnock Technology Evaluation	N/A	2	Water Supply	Winter 2006	Spring 2009	Capital Bond Funds Currently Funded	None Anticipated, Low Service May Be Considered Redundant Back-Up Supply
Mishnock Well field Upgrade	Awaiting Completion of Technology Evaluation	1.2	1.2	Water Supply	Winter 2006	Spring 2009	Capital Bond Funds Currently Funded	Production Can Be Limited
Spring Lake Well field Upgrade	Upon Completion of Other Well field Completion		0.5	Water Supply	2008	2009	No Funding at Present	Production Can Be Limited

\* Cautionary Note: These are maximum production estimates and can only be achieved when system upgrades are completed and all sources available. A factor of safety should be applied due to service variability 20% decrease is suggested.

## **APPENDIX B**

Annual Report to the Public Utilities Commission

Fiscal year Ending  
June 30, 2005

**APPENDIX C**

**Kent County Water Authority Annual Report**

**Fiscal Year Ending  
June 30, 2005**

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# ANNUAL REPORT

**FISCAL YEAR 2005**

*Kent County Water Authority  
P. O. Box 192, 1072 Main Street  
West Warwick, Rhode Island 02893*

**JUNE 30, 2005**  
**MEMBERS OF KENT COUNTY WATER AUTHORITY**

Francis J. Perry, P.E., Coventry, **Chairman**  
Peter O. Masterson, East Greenwich, **Vice-Chairman**  
Robert B. Boyer, West Warwick, **Treasurer**  
Barbara F. Graham, West Warwick, **Member**  
Joseph E. Gallucci, Warwick, **Member**

**OFFICERS**

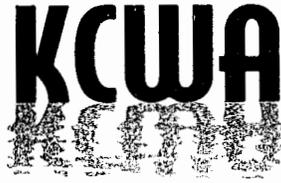
Arthur C. Williams, Secretary

**FISCAL AGENT**

US Bank, Boston, Massachusetts

**AUDITORS**

KPMG Peat Marwick, Providence, Rhode Island



Kent County Water Authority

Chairman's Report to Customers:

January 2006

As our Fiscal Year began in 2004, the Kent County Water Authority continued to address a supply shortfall in our system due to continued rapid building and development in the high service gradient caused in part by the economic growth along the I-95 corridor. The ability to provide water through the high service gradient under demand conditions has outstripped the ability to supply. It has been a major concern of the Authority and of course to the communities where this economic growth is desired. Throughout the year, we have continued to pursue all avenues available to us to address this shortfall both on a short and long term basis, for the future of our new customers and of course securing sufficient supply for our existing customers. The engineering studies have been completed to analyze this and a direction with options has been formulated. The solution will include our Capital Improvement Program, our Infrastructure Renewal and Replacement Program and additional resources not yet identified for a resolution. The Capital Improvement Program which deals with future use is bond funded and the Infrastructure Program which is a Replacement Program is funded by a yearly cash infusion from customer's rates. These programs not only will assist us in addressing our supply shortfall, but also improving our system. Our customers see, vividly, our programs each year as our construction activity is quite visible throughout our system.

We continue with our yearly flushing and testing program, which has been invaluable in determining the priorities for replacement of substandard distribution mains in our system.

We are still without an acceptable permit by the Rhode Island Department of Environmental Management and have temporarily abandoned our expansion Wellfield Design Program. We have accelerated our efforts for rehabilitation of the existing wellfields and the needed treatment. This will continue in the next fiscal year.

We continued with our strategic planning efforts with a goal to complete our first plan by next fiscal year. This planning program will develop a plan for the future of the Kent County Water Authority as we move into the 21<sup>st</sup> Century. The purpose of this planning is to look at our strengths, our weaknesses and the future direction that the company must achieve. The plan explores both long and short term goals and the methods to accomplish them with a flexible action plan.

Within our fiscal year budget, we continue to make improvements in our equipment and staff training to create a more efficient work environment. Only with the proper equipment, can we decrease our maintenance costs and increase our capacity for emergency services, emergency repairs and preventative maintenance programs. It has always been the Board's opinion that the resultant benefits of modernized equipment and proper staff training far exceeds the cost of those programs. We will continue our endeavors in the modernization of the existing functions of the Kent County Water Authority to their fullest potential with the use of the best available technology.

As we have stated before, and in our previous fiscal years, our commitment and goal is to maintain operating expenses as close as possible to budget. We strive daily to balance revenue with expenditures for a balanced budget. Revenue and expenses will rise and fall depending on many factors that are outside of our control. Certainly, one of the primary factors in generating sales revenue during the summer months is the weather. It is important to keep consistent with our operating expenses, based on our staff allocation and our facilities, while just as important is providing the service to our customers that they have been accustomed to and deserve.

PO Box 192  
West Warwick, RI 02893-0192  
401-821-9300

During this fiscal year, we filed a rate case with the Public Utilities Commission to increase our rates to cover debt service shortfall, increasing expenses and additional IFR funding to match our approved program commitments. We expect a decision the first month of our next fiscal year.

Operating revenues were up \$347,043 for fiscal year 2005. Operating expenses were up by \$302,964 from the previous fiscal year. Total net income at the end of the year was \$4.88 million dollars, up \$44,079 dollars from the previous fiscal year. The total cash and cash equivalents at the end of the fiscal year was \$38,382,654 after netting the operation activities and capital, non-capital and investing activities. The major portion of that cash is held in trust and segregated in the respective project and debt service accounts from each bond issue sold. These funds are expended for the Capital Programs including design services and construction. The funds are allocated to well redevelopment and treatment at approximately \$20,000,000; Clinton Avenue booster station rehabilitation at \$6,000,000; a new storage tank in Coventry at \$2,000,000 and transmission mains throughout our district at approximately \$10,000,000. We continue to provide sufficient coverage as required by our bond covenants and our PUC rate order. It is obvious that our continued revenue stream must improve and control of our expenses must continue in order to provide us the secure footing to provide quality service to our customers.

Once again, our financial statements are prepared utilizing the Government Accounting Standards Board requirements using our classification as a public benefit corporation and a district designation as a political subdivision by the State legislature. Therefore, the financial statement included with this annual report will follow that format and as did the previous year's annual report with the inclusion of GASB Statements 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

Our continued priorities have been and will be to comply with all requirements for the Safe Drinking Water Act and their Amendments. This assures our customers that they are receiving safe and healthy water throughout our system and it is our continued pledge to continue to improve our system and to strive for the highest quality and most efficient, cost-effective system possible. We have established, as our highest priority, improvement programs to become more self-sufficient and decrease dependency on the Providence Water Supply. This not only will provide detailed hands-on control with cost efficiency, but the ability to access multiple supply sources for our varying demand conditions. We still believe strongly in conservation as the foremost demand management technique that we have available to us. We continue to distribute conservation devices to all customers that request them as they provide a simple effective approach to conservation. Conservation is a key initiative every fiscal year and will assist us in meeting the requested demand for new services.

As the Chairman of the Kent County Water Authority, I would like to thank my fellow Board members, Vice Chairman, Mr. Peter Masterson; Treasurer, Mr. Robert Boyer; Mrs. Barbara Graham and Mr. Joseph Gallucci for their continued cooperation, diligence and their foresight into the future operation of this Authority. Certainly, we cannot forget to mention the employees of the Authority for their continued support and service each day of the year. The great accomplishments of this year have been achieved by the quality work of everyone involved with the Authority. This is the finest organization that I have been associated with and I look forward to chairing the Authority in the next fiscal year. As we begin our next fiscal year, our programs will be concentrated at benefiting our customers. The issues we face will be challenging as we continue to explore for new supply sources to keep pace with the growth we are experiencing without impacting our existing customers. We look forward to the support of our customers and members of the communities we service as we implement major phases of our Capital and Infrastructure Programs for the upcoming fiscal year.

Francis J. Perry, P.E., Chairman  
Kent County Water Authority



KPMG LLP  
99 High Street  
Boston, MA 02110-2371

Telephone 617 988 1000  
Fax 617 988 0800  
Internet [www.us.kpmg.com](http://www.us.kpmg.com)

## Independent Auditors' Report

The Commissioners  
Kent County Water Authority:

We have audited the accompanying statements of net assets of the Kent County Water Authority (the Authority) as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 5 and the pension information on page 20 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

December 12, 2005

# KENT COUNTY WATER AUTHORITY

## Management's Discussion and Analysis

### Required Supplementary Information

June 30, 2005 and 2004

The Kent County Water Authority (the Authority) is a public benefit corporation created pursuant to and existing under Chapter 1740 of the Public Laws of 1946, at Chapter 16 of Title 39 of the Rhode Island General Laws (1956), as amended, and is subject to the supervisory and regulatory powers of the State Public Utilities Commission (PUC).

The Authority provides water supply services through metered sales in the communities of Coventry, Warwick, West Warwick, East Greenwich, West Greenwich, and in smaller sections of Cranston, Scituate, and North Kingstown. The Authority is responsible for operating and maintaining the water supply system.

The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis. The Authority operates in a manner similar to private business enterprises where the costs of providing goods or services to the general public, support of a Capital Improvement Program, and funding of an Infrastructure Replacement Program are financed or recovered through user charges approved by the PUC.

Condensed financial information from the statements of net assets and operations is presented below. The statement of net assets provides information on the assets and liabilities of the Authority, with net assets reported as the difference between assets and liabilities. The statement of operations of the Authority reflects all revenues earned and all expenses incurred for each of the fiscal years ended June 30, 2005, 2004, and 2003.

### Condensed Financial Information

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current assets	\$ 2,382,426	2,512,815	2,630,630
Capital assets, net	68,146,201	60,228,882	52,182,004
Other noncurrent assets	38,871,627	42,205,268	46,934,925
<b>Total assets</b>	<b>109,400,254</b>	<b>104,946,965</b>	<b>101,747,559</b>
Current liabilities	4,714,727	3,672,372	3,792,257
Noncurrent liabilities	40,474,742	42,571,005	44,889,941
<b>Total liabilities</b>	<b>45,189,469</b>	<b>46,243,377</b>	<b>48,682,198</b>
Net assets:			
Invested in capital assets, net of related debt	54,760,765	47,255,722	41,098,808
Restricted net assets	9,102,371	9,637,781	11,024,350
Unrestricted net assets	347,649	1,810,085	942,203
<b>Total net assets</b>	<b>\$ 64,210,785</b>	<b>58,703,588</b>	<b>53,065,361</b>

**KENT COUNTY WATER AUTHORITY**

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating revenue:			
Water sales	\$ 12,704,220	12,389,765	12,891,062
Hydrant rentals	867,392	865,493	858,155
Other	284,058	253,369	210,887
Total operating revenue	<u>13,855,670</u>	<u>13,508,627</u>	<u>13,960,104</u>
Operating expenses:			
Source of supply	3,851,480	3,883,459	3,213,056
Pumping	613,018	558,522	520,938
Transmission and distribution	863,894	796,437	689,384
Water treatment	181,141	170,339	210,089
Customer accounting	285,317	267,944	255,953
Administrative and general	2,113,640	2,074,721	1,781,085
Depreciation	792,620	733,699	659,558
Taxes other than income	151,339	147,092	136,639
Amortization	120,374	37,646	32,284
Total operating expenses	<u>8,972,823</u>	<u>8,669,859</u>	<u>7,498,986</u>
Operating income	4,882,847	4,838,768	6,461,118
Nonoperating revenue:			
Gain on sale of securities	—	—	232,465
Income before contributions	4,882,847	4,838,768	6,693,583
Capital contributions	624,350	799,459	320,781
Change in net assets	<u>\$ 5,507,197</u>	<u>5,638,227</u>	<u>7,014,364</u>

In FY05, the Authority's net assets totaled \$64.2 million, an increase of \$5.5 million or 9.4% from the previous year. Total assets in FY05 were \$109.4 million, an increase of \$4.5 million or 4.2% from last year's of \$104.9 million. Total liabilities decreased by \$1.1 million or 2.3% as a result of continuing debt service payments. The Authority's major capital expenditures included Capital Improvement Projects (funded by revenue bonds) and Infrastructure Projects (funded by water rates). In FY04, net assets totaled \$58.7 million, an increase of \$5.6 million or 10.6%. Total assets in FY04 were \$104.9 million, an increase of \$3.2 million or 3.1% from the FY03 amount of \$101.7 million. Total liabilities decreased \$2.4 million or 5.0% as a result of debt service payments.

Water and fire protection charges for FY05 represented 98.0% of operating revenues. The remaining 2.0% includes inspection and turn-on fees, and late payment penalties. The operating revenue totaled \$13.9 million or 2.6% more than the prior year's revenue. This increase can be attributed to an increase in usage due to customer base growth from 2004 to 2005. Water and fire protection revenues for FY04 accounted for 98.1% of operating revenues. Total operating revenue of \$13.5 million was \$0.5 million or 3.2% lower than in FY03 and is attributable to the decrease in usage in 2004 versus 2003 due to the wetter weather in 2004.

## KENT COUNTY WATER AUTHORITY

### Management's Discussion and Analysis

#### Required Supplementary Information

June 30, 2005 and 2004

Total operating expenses for FY05 totaled \$9.0 million, which was \$0.3 million or 3.5% over the operating expenses for the previous year. The increase is the result of an increase in plant maintenance and depreciation expense in 2005 due to new plant additions. Total operating expenses for FY04 totaled \$8.7 million, a \$1.2 million or 15.6% increase over FY03. Approximately \$0.6 million of the increase is the result of an increase in wholesale water rates and the remainder of the increase primarily relates to greater depreciation expense in 2004 versus 2003 as a result of new plant additions.

The operating income for FY05 totaled \$4.9 million, representing a slight increase of .9% from the previous year, consistent with the fluctuations in revenue and operating expenses discussed.

#### Capital Assets:

In FY05, the Authority's project additions financed with bond proceeds totaled approximately \$6.1 million and included a storage tank and additional transmission lines. Infrastructure projects funded by rates totaled \$2.6 million, which was used primarily for water main installation. In FY04, the Authority's project additions financed with bond proceeds totaled approximately \$8.4 million and included a storage tank and additional transmission lines. Infrastructure projects funded by rates totaled \$0.4 million, which was used for the rehabilitation of an existing water tank.

The Authority's capital budget includes projected expenditures of \$34 million for projects over the 2005-2006 period. Infrastructure projects under a state-mandated plan to replace old plant in service includes projected expenditures of \$3.4 million over the same period.

#### Debt Plan:

Currently, the Authority has three series of General Revenue Bonds outstanding at the end of FY05, totaling \$42.6 million at par value.

2001 Series "A"	\$ 9,025,000
2002 Series "A"	23,180,000
2004 Series "A"	10,430,000

During FY05, the Authority paid approximately \$1.2 million in principal on outstanding issuances and \$2.5 million of interest on outstanding issuances.

In April 2004, the Authority refunded the outstanding principle balance of the 1994 Series A Bonds, which generated a net present value savings of \$1.3 million. During FY04, the Authority paid approximately \$740,000 in principal on outstanding issuances and \$2.5 million of interest on outstanding issuances.

The Authority is required to establish and maintain rates and charges at levels sufficient so that total net revenues in each year during which bonds are outstanding will equal at least 125% of the bond debt service requirement during such year less the amount, if any, of bond proceeds available to pay interest becoming due in such year on bonds outstanding as of the first day of such year. The Authority has exceeded the 125% debt service coverage requirement of the Resolution in each year since the 2001 issue.

**KENT COUNTY WATER AUTHORITY**

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2005 and 2004

**FY06 Budget and Rates:**

For FY06, the budget for operating revenues will increase by 4.5%. A 3.1% increase is projected for operation and maintenance expenses. An abbreviated filing for approval to increase rates by 25% to cover increases in O & M expense and to satisfy debt service requirements was filed in January 2005 with the Rhode Island Public Utility Commission (PUC). A decision is expected shortly after year-end 2005.

**Requests for Information**

This financial report is intended to provide an overview of the financial picture of the Kent County Water Authority. Any further questions regarding any of the information contained within this report may be directed to the General Manager or the Treasurer at P.O. Box 192, West Warwick, RI 02893.

**KENT COUNTY WATER AUTHORITY**

Statements of Net Assets

June 30, 2005 and 2004

Assets	<u>2005</u>	<u>2004</u>
<b>Current assets:</b>		
Cash and cash equivalents (note 3)	\$ 69,913	59,665
Accounts receivable, less allowance of \$103,683 in 2005 and \$103,976 in 2004	1,809,431	1,953,001
Materials and supplies inventory	502,884	500,149
Other assets	198	—
Total current assets	<u>2,382,426</u>	<u>2,512,815</u>
<b>Noncurrent assets:</b>		
Restricted cash held by trustee (note 3)	38,312,741	41,605,445
<b>Capital assets:</b>		
Depreciable, net (note 4)	45,023,615	41,186,545
Nondepreciable (note 4)	23,122,586	19,042,337
Deferred bond issuance costs, net	558,886	599,823
Total noncurrent assets	<u>107,017,828</u>	<u>102,434,150</u>
Total assets	<u>109,400,254</u>	<u>104,946,965</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	1,216,930	1,254,405
Accrued interest	905,372	852,595
Accrued liabilities	322,610	265,780
Water quality protection charges payable (note 7)	149,815	134,592
Current portion of long-term debt (note 5)	2,120,000	1,165,000
Total current liabilities	<u>4,714,727</u>	<u>3,672,372</u>
<b>Noncurrent liabilities:</b>		
Long-term debt, net (note 5)	<u>40,474,742</u>	<u>42,571,005</u>
Total noncurrent liabilities	<u>40,474,742</u>	<u>42,571,005</u>
<b>Net Assets</b>		
<b>Net assets:</b>		
Invested in capital assets, net of related debt	54,760,765	47,255,722
Restricted for debt service	6,682,301	7,217,711
Restricted for debt covenants	2,420,070	2,420,070
Unrestricted net assets	347,649	1,810,085
Total net assets	<u>64,210,785</u>	<u>58,703,588</u>
Commitments and contingencies (notes 8 and 10)		
Total liabilities and net assets	<u>\$ 109,400,254</u>	<u>104,946,965</u>

See accompanying notes to financial statements.

**KENT COUNTY WATER AUTHORITY**

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2005 and 2004

	2005	2004
Operating revenues:		
Water sales	\$ 12,704,220	12,389,765
Hydrant rentals	867,392	865,493
Other	284,058	253,369
Total operating revenues	13,855,670	13,508,627
Operating expenses:		
Source of supply	3,851,480	3,883,459
Pumping	613,018	558,522
Transmission and distribution lines	863,894	796,437
Water treatment	181,141	170,339
Customer accounts and salaries and supplies	285,317	267,944
Administrative and general	2,113,640	2,074,721
Depreciation	792,620	733,699
Taxes other than income	151,339	147,092
Amortization	120,374	37,646
Total operating expenses	8,972,823	8,669,859
Operating income	4,882,847	4,838,768
Income before contributions	4,882,847	4,838,768
Capital contributions	624,350	799,459
Change in net assets	5,507,197	5,638,227
Total net assets – beginning	58,703,588	53,065,361
Total net assets – ending	\$ 64,210,785	58,703,588

See accompanying notes to financial statements.

**KENT COUNTY WATER AUTHORITY**

Statements of Cash Flows

Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Receipts from customers	\$ 13,999,240	13,620,500
Amount paid to suppliers	(6,460,946)	(5,709,593)
Amount paid to employees	(1,567,238)	(1,542,517)
Net cash provided by operating activities	5,971,056	6,368,390
Cash flows from capital and related financing activities:		
Debt refunding	—	(11,777,390)
Proceeds from issuance of debt, net	—	10,639,814
Payments on debt	(1,165,000)	(1,450,000)
Capital additions	(8,712,862)	(9,278,439)
Capital contributions	624,350	799,459
Net cash provided for capital and related financing activities	(9,253,512)	(11,066,556)
Net increase in cash and cash equivalents	(3,282,456)	(4,698,166)
Cash and cash equivalents, beginning of year	41,665,110	46,363,276
Cash and cash equivalents, end of year	\$ 38,382,654	41,665,110
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,882,847	4,838,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	912,994	771,345
Changes in operating assets and liabilities:		
Accounts receivable	143,570	111,873
Inventory	(2,735)	(42,535)
Other assets	(198)	25,961
Accounts payable	(37,475)	574,168
Accrued liabilities	56,830	95,213
Water quality protection charges payable	15,223	(6,403)
Net cash provided by operating activities	\$ 5,971,056	6,368,390

See accompanying notes to financial statements.

# KENT COUNTY WATER AUTHORITY

## Notes to Financial Statements

June 30, 2005 and 2004

### (1) Organization

#### (a) *Primary Government*

The Kent County Water Authority (the Authority) was created by the General Assembly of the State of Rhode Island on April 24, 1946, and was organized on July 8, 1946. The Authority is a body corporate and politic and serves as the governing body of the Kent County Water District, a political subdivision of the State of Rhode Island. The Authority is subject to the regulations of the Public Utility Commission (PUC) of the State of Rhode Island.

The Authority provides water supply services through metered sales in the communities of Warwick, West Warwick, Coventry, East Greenwich, and West Greenwich. The Authority is also responsible for acquiring, constructing, improving, operating, and maintaining the water supply system. The Authority's source of water supply is principally through purchases of water from the Providence Water Supply Board and Warwick Water Department with the remaining amount produced from its own wells.

#### (b) *Component Units*

Component Units are included in the Authority's reporting entity if their operational and financial relationships with the Authority are significant. Pursuant to the criteria established by the Governmental Accounting Standards Board (GASB), no component units were identified for inclusion in the accompanying financial statements.

### (2) Summary of Significant Accounting Policies

The accounting policies of the Kent County Water Authority (the Authority) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies followed by the Authority:

#### (a) *Basis of Presentation*

The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

# KENT COUNTY WATER AUTHORITY

## Notes to Financial Statements

June 30, 2005 and 2004

**(b) *Operating and Nonoperating Revenue***

Water operating revenue consists of billings for metered and unmetered water supplied to residential, commercial, and industrial entities; fire protection charges; sales to public authorities; irrigation; water property; and water related services. Nonoperating revenues are recorded for gains on sale of securities and other nonutility income.

**(c) *Utility Plant***

Property, plant, and equipment is stated at cost. The Authority provides for depreciation of capital assets based on a composite rate of 1.5% of depreciable capital assets as required by the Public Utility Administrator. Depreciation expense is not reflected for construction in progress until such time as it is placed in service. The Authority capitalizes interest costs as part of the cost of constructing transmission and distribution facilities.

**(d) *Capital Contributions***

Capital contributions consist of property, plant, and equipment paid for by customers for water installations. Once the installation is complete, the property, plant, and equipment transfers to the Authority.

**(e) *Materials and Supplies Inventory***

Materials and supplies inventory is stated at the lower of cost (average cost method) or market.

**(f) *Proprietary Activity Accounting and Financial Reporting***

The Authority has elected to apply accounting standards applicable to the private sector issued on or before November 30, 1989 unless those standards conflict with or contradict pronouncements of GASB.

**(g) *Cash Equivalents***

Cash equivalents and restricted cash (held by trustee) include highly liquid investments with a maturity of three months or less when purchased. Restricted cash has been classified as noncurrent as it represents unspent bond proceeds restricted for future capital spending.

**(h) *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(i) *Bond Issue Cost***

Expenses related to the issuance of Bonds are amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method.

**KENT COUNTY WATER AUTHORITY**

Notes to Financial Statements

June 30, 2005 and 2004

(j) *Reclassifications*

Certain 2004 amounts have been reclassified to conform with the 2005 presentation.

(3) **Cash and Cash Equivalents**

For the year ended June 30, 2005 the Authority has adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. The standard requires that entities disclose essential risk information about deposits and investments.

(a) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that fully insured by FDIC insurance, as well as uninsured deposits. As of June 30, 2005 and June 30, 2004, bank balances totaling \$69,913 and \$59,665, respectively, are fully FDIC insured.

(b) *Interest Rate Risk*

In connection with the issuances of \$10 million general revenue bonds in July 2001, \$24.4 million of general revenue bonds in December 2002, and \$10.4 million of general revenue in April 2004, the proceeds from the bonds along with subsequent debt payments by the Authority are maintained in cash accounts held in trust by the trustee.

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

The fair values and maturities of the Trust's investment are presented below (in thousands):

Investment type	2005 Fair value	Investment maturities (in years)	
		Less than 1	More than 10
Guaranteed investment contract	\$ 1,823,560	—	1,823,560
Mutual bond fund	33,653,377	33,653,377	—
U.S. agencies	1,549,774	1,549,774	—
U.S. treasuries	1,286,030	1,286,030	—
Total investments	\$ 38,312,741	36,489,181	1,823,560

**KENT COUNTY WATER AUTHORITY**

Notes to Financial Statements

June 30, 2005 and 2004

**(c) Credit Risk**

The Authority has not adopted a formal policy related to credit risk. The Authority's investments are as follows:

	<u>Credit rating</u>
Mutual bond fund	AAA (S&P)
Guaranteed investment contracts	N/A
U.S. agencies	N/A
U.S. treasuries	N/A

**(d) Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority places no limit in the amount that may be invested in any one issuer. More than 5% of the Authority's total investments are with the following issuers:

	<u>Percent of total investments</u>
Issuer: First American Funds	85%

**KENT COUNTY WATER AUTHORITY**

Notes to Financial Statements

June 30, 2005 and 2004

**(4) Capital Assets**

The cost and activity of water capital assets in service and related accumulated depreciation for the years ending June 30, 2005 and 2004 is as follows:

	<u>Balance at June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2005</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 17,206,292	8,078,013	3,997,764	21,286,541
Land	1,836,045	—	—	1,836,045
Total capital assets, not being depreciated	<u>19,042,337</u>	<u>8,078,013</u>	<u>3,997,764</u>	<u>23,122,586</u>
Capital assets, being depreciated:				
Buildings and improvements	335,914	11,481	—	347,395
Machinery and equipment	3,460,741	63,188	18,430	3,505,499
Infrastructure	46,280,067	4,555,021	104,235	50,730,853
Total capital assets, being depreciated	<u>50,076,722</u>	<u>4,629,690</u>	<u>122,665</u>	<u>54,583,747</u>
Less accumulated depreciation	<u>8,890,177</u>	<u>792,620</u>	<u>122,665</u>	<u>9,560,132</u>
Total capital assets, being depreciated, net	<u>41,186,545</u>	<u>3,837,070</u>	<u>—</u>	<u>45,023,615</u>
Capital assets, net	<u>\$ 60,228,882</u>	<u>11,915,083</u>	<u>3,997,764</u>	<u>68,146,201</u>

**KENT COUNTY WATER AUTHORITY**

Notes to Financial Statements

June 30, 2005 and 2004

	<u>Balance at June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2004</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 11,704,973	8,429,425	2,928,106	17,206,292
Land	<u>1,836,045</u>	<u>—</u>	<u>—</u>	<u>1,836,045</u>
Total capital assets, not being depreciated	<u>13,541,018</u>	<u>8,429,425</u>	<u>2,928,106</u>	<u>19,042,337</u>
Capital assets, being depreciated:				
Buildings and improvements	335,914	—	—	335,914
Machinery and equipment	3,456,276	7,360	2,895	3,460,741
Infrastructure	<u>43,031,288</u>	<u>3,271,898</u>	<u>23,119</u>	<u>46,280,067</u>
Total capital assets, being depreciated	<u>46,823,478</u>	<u>3,279,258</u>	<u>26,014</u>	<u>50,076,722</u>
Less accumulated depreciation	<u>8,182,492</u>	<u>733,699</u>	<u>26,014</u>	<u>8,890,177</u>
Total capital assets, being depreciated, net	<u>38,640,986</u>	<u>2,545,559</u>	<u>—</u>	<u>41,186,545</u>
Capital assets, net	\$ <u><u>52,182,004</u></u>	<u><u>10,974,984</u></u>	<u><u>2,928,106</u></u>	<u><u>60,228,882</u></u>

Interest costs of \$1,765,233 and \$1,951,556, offset by interest income of \$700,262 and \$480,756, were capitalized in 2005 and 2004, respectively.

**KENT COUNTY WATER AUTHORITY**

Notes to Financial Statements

June 30, 2005 and 2004

**(5) Long-Term Obligations**

The Authority issues revenue bonds to support various projects. The following is a summary of the bond activity for the years ended June 30, 2005 and 2004:

Description	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts due within one year
Revenue bonds:					
July 2001 Series A bearing interest at 3.5%-5% and maturing in 2017	\$ 9,380,000	—	(355,000)	9,025,000	365,000
December 2002 Series A bearing interest at 2%-5% and maturing in 2024	23,990,000	—	(810,000)	23,180,000	840,000
April 2004 Series A bearing interest at 2%-4% and maturing in 2014	10,430,000	—	—	10,430,000	915,000
	<u>43,800,000</u>	<u>—</u>	<u>(1,165,000)</u>	<u>42,635,000</u>	<u>2,120,000</u>
Add (less):					
Unamortized discount	(20,488)	—	1,205	(19,283)	—
Unamortized premium	731,005	—	(56,905)	674,100	—
Unamortized loss on refunding	(774,512)	—	79,437	(695,075)	—
	<u>(63,995)</u>	<u>—</u>	<u>23,737</u>	<u>(40,258)</u>	<u>—</u>
	<u>\$ 43,736,005</u>	<u>—</u>	<u>(1,141,263)</u>	<u>42,594,742</u>	<u>2,120,000</u>

**KENT COUNTY WATER AUTHORITY**

Notes to Financial Statements

June 30, 2005 and 2004

Description	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts due within one year
Revenue bonds:					
July 1994 Series A bearing interest at 4%-6% and maturing in 2014	\$ 11,955,000		(11,955,000)	—	
July 2001 Series A bearing interest at 3.5%-5% and maturing in 2017	9,720,000		(340,000)	9,380,000	355,000
December 2002 Series A bearing interest at 2%-5% and maturing in 2024	24,390,000		(400,000)	23,990,000	810,000
April 2004 Series A bearing interest at 2%-4% and maturing in 2014	—	10,430,000	—	10,430,000	—
	<u>46,065,000</u>	<u>10,430,000</u>	<u>(12,695,000)</u>	<u>43,800,000</u>	<u>1,165,000</u>
Add (less):					
Unamortized discount	(117,691)		97,203	(20,488)	
Unamortized premium	392,632	367,700	(29,327)	731,005	
Unamortized loss on refunding	—	(794,371)	19,859	(774,512)	
	<u>274,941</u>	<u>(426,671)</u>	<u>87,735</u>	<u>(63,995)</u>	<u>—</u>
	<u>\$ 46,339,941</u>	<u>10,003,329</u>	<u>(12,607,265)</u>	<u>43,736,005</u>	<u>1,165,000</u>

On April 20, 2004, the Authority issued \$10,430,000 in Series A General Revenue Refund Bonds with an interest rate range of 2.0% to 4.0% to currently refund the remaining \$11,245,000 portion of outstanding 1994 Series A General Revenue Bonds, which had an interest rate range of 4.0% to 6.0%. The new bonds require ten debt service payments with the final payment due on July 15, 2004. The net proceeds of \$10,639,814, plus \$1,447,905 and \$968,805 from the debt service reserve and debt service funds, respectively, were deposited into a current refund trust account with an escrow agent to provide for the refunding of the 1994 bonds on July 15, 2004. The net proceeds have been used to purchase U.S. Government obligations and will remain in escrow until the refunding date. As a result, the bonds were considered to be defeased and the liability for 1994 bonds was removed from the Authority's financials as of June 30, 2004.

The Authority refunded the 1994 bonds to reduce its total debt service payments over the next ten years by \$1,480,495 and to obtain an economic gain (the difference between the present value of the debt service payments on the old debt and the new debt) of \$1,272,955.

**KENT COUNTY WATER AUTHORITY**

Notes to Financial Statements

June 30, 2005 and 2004

The annual debt service requirements of the general long-term bonds payable outstanding as of June 30, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30:			
2006	\$ 2,120,000	1,775,932	3,895,932
2007	2,200,000	1,701,944	3,901,944
2008	2,270,000	1,631,645	3,901,645
2009	2,330,000	1,558,918	3,888,918
2010	2,415,000	1,477,213	3,892,213
2011-2015	13,355,000	5,882,648	19,237,648
2016-2020	9,790,000	3,334,631	13,124,631
2021-2024	8,155,000	759,546	8,914,546
	<u>\$ 42,635,000</u>	<u>18,122,477</u>	<u>60,757,477</u>

Borrowings are secured by the Authority's pledge of all revenues, monies, securities, receivables, and other funds of the Authority as well as the proceeds of the sale of the Authority's real property pursuant to a mortgage on its water supply, treatment and distribution facilities, exclusive of monies collected as water quality protection charges.

**(6) Pension Plan**

**(a) Plan Description**

The Authority maintains a single employer, noncontributory defined benefit pension plan (the Plan) covering substantially all employees. To participate in the Plan, employees must be at least twenty-five years of age and be employed by the Authority for a minimum of five years. The Plan provides retirement, disability, and death benefits to plan members based upon the average of the highest consecutive five years of compensation. The Authority is responsible for making all contributions to the Plan. The benefits provisions and all other requirements under the Plan are established by the Authority's board of directors. A copy of the Plan's financial statements may be obtained by contacting the Authority.

At January 1, 2005 and 2004, the Plan membership consisted of the following:

	<u>2005</u>	<u>2004</u>
Retirees and beneficiaries receiving benefits	18	16
Terminated vested participants	6	5
Active with vested benefits	31	31
Total membership	<u>55</u>	<u>52</u>

# KENT COUNTY WATER AUTHORITY

## Notes to Financial Statements

June 30, 2005 and 2004

**(b) Funding Policy**

The Authority's funding policy provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. The Authority's contributions to the Plan for the years ended June 30, 2005, 2004, and 2003 were \$171,325, \$166,000, and \$232,465, respectively. The required contributions for the years ended June 30, 2005, 2004, and 2003 were approximately \$217,000, \$255,000 and \$226,000, respectively. The contribution requirements of the Authority are established and may be amended by the Authority's board of directors.

**(7) Water Quality Protection Charges Payable**

Pursuant to the rules and procedures of the Public Drinking Water Protection Program as promulgated by the Rhode Island Water Resources Board, the Authority has imposed a water quality protection charge on its customers. Prior to June 30, 1992, the Authority accounted for all water quality protection charges imposed as a liability due to the Authority's position that the rules and procedures regarding the imposition of the water quality protection charge did not adequately address the Authority's status as both a purchaser and supplier of water. The law governing the implementation of the water quality protection charge was amended on July 1, 1992. At June 30, 2005 and 2004, water quality protection charges payable of \$149,815 and \$134,592, respectively, represented funds collected from customers that are required to be paid to the Water Resources Board.

**(8) Commitments and Contingencies**

There are several pending law suits in which the Authority is involved. The Authority and its legal counsel estimate that the potential claims against the Authority not covered by insurance resulting from such litigation would not materially affect the financial statements of the Authority.

**(9) Regulatory Matters**

As of December 31, 1993, docket number 2098 was approved which granted the Authority a rate increase of approximately \$2.5 million, assuming the Authority was to borrow \$26.5 million in bonds. As of July 1994, the Authority only borrowed \$16.5 million so the PUC ordered a rate reduction of approximately \$1.1 million through docket number 2440. On October 2, 1998, the PUC approved docket number 2555, granting the Authority a rate increase of approximately \$2.2 million. On January 1, 2002, the PUC approved Docket 3311, granting the Authority rate increases of approximately \$1.8 million.

In addition to the above rate filings, the Authority periodically submits compliance filings with the PUC to receive rate relief for amounts equal to rate increases awarded by the PUC to the Providence Water Supply Board, the Authority's supplier.

**(10) Risk Management**

**(a) Insurance Held**

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims.

## KENT COUNTY WATER AUTHORITY

### Notes to Financial Statements

June 30, 2005 and 2004

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$1,000 per incident. Directors, officers, and Board members are insured for a maximum of \$1,000,000 per incident.

The Authority is a member of the Rhode Island Workers' Compensation Association public entity risk pool (the Pool) currently operating as a common risk management and insurance program for workers' compensation benefits for all employees. The Pool assesses premiums which are paid by the Authority. The Pool is self-sustaining through member premiums and reinsures through commercial companies for stop loss insurance.

The Authority has a variety of third-party insured health care programs for its employees for which the Authority pays 100% of the premium costs.

Long-term disability is self-insured for 26 weeks of medical coverage and lost wages. The liability for long-term disability was not material at June 30, 2005 or June 30, 2004.

**KENT COUNTY WATER AUTHORITY**

Required Supplementary Information

Pension Funding Progress (Unaudited)

June 30, 2005

(Dollar amounts in thousands)

**Schedule of Funding Progress**

<b>Plan year ended December 31</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial accrued liability (AAL) (b)</b>	<b>Under (over) funding AAL (UAAL) (b-a)</b>	<b>Funded ratio (a/b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a percentage of covered payroll ((b-a)/c)</b>
1999	\$ 2,775	2,907	132	95.5%	1,118	11.8%
2000	2,748	2,932	184	93.7	1,210	15.2
2001	2,689	2,990	301	89.9	1,343	22.4
2002	2,597	3,232	635	80.4	1,365	46.5
2003	3,077	3,301	224	93.2	1,458	15.4
2004	3,366	3,607	241	93.3	1,518	15.9

**Schedule of Contributions from Employees**

<b>Plan year ended December 31</b>	<b>Annual required contribution</b>	<b>Percentage contributed</b>
1999	97,745	100.0%
2000	—	NA
2001	106,086	100.0
2002	159,300	100.0
2003	218,271	100.0
2004	215,654	100.0

**Notes to Schedule**

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2005
Actuarial cost method	Individual entry age normal
Amortization method	Approximate level percent of payroll
Remaining amortization period	5 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	3% per year
Cost-of-living adjustments	None

See accompanying independent auditors' report.

## **APPENDIX D**

Kent County Water Authority

System Performance  
Calendar Year 2005

**METERED WATER PRODUCTION FROM EACH SOURCE ON A MONTHLY BASIS**

SUPPLIER: KENT COUNTY WATER AUTHORITY

LAST COMPLETED CALENDAR YEAR 2005

Month	MISHNOCK #1 Gallons	MISHNOCK #3 Gallons	SPRING LAKE Gallons	EAST GREENWICH Gallons	Total Gallons
JANUARY	0	0	5,946,000	25,465,000	31,411,000
FEBRUARY	0	0	4,031,000	21,315,000	25,346,000
MARCH	0	0	8,669,000	24,324,000	32,993,000
APRIL	0	0	8,917,000	31,503,000	40,420,000
MAY	0	0	7,449,000	26,132,000	33,581,000
JUNE	0	0	5,271,000	38,336,000	43,607,000
JULY	0	0	5,261,000	25,979,000	31,240,000
AUGUST	0	0	4,546,000	34,555,000	39,101,000
SEPTEMBER	0	0	393,000	24,306,000	24,699,000
OCTOBER	0	0	0	21,126,000	21,126,000
NOVEMBER	0	0	0	15,210,000	15,210,000
DECEMBER	0	0	0	14,600,000	14,600,000
<b>TOTALS</b>	0	0	50,483,000	302,851,000	353,334,000

Section 9.01(b)

**METERED WATER PURCHASED FROM OTHER WATER SUPPLIER(S) BY INTERCONNECTION  
ON A MONTHLY BASIS**

SUPPLIER: KENT COUNTY WATER AUTHORITY

LAST COMPLETED CALENDAR YEAR 2005

Month	Clinton Avenue Gallons	Oaklawn Gallons	Quaker Lane Gallons	Total Gallons
JANUARY	257,704,729	6,692,242	386,000	264,782,971
FEBRUARY	222,167,349	5,010,289	0	227,177,638
MARCH	208,105,909	5,699,393	279,000	214,084,302
APRIL	215,984,933	5,417,378	2,083,280	223,485,591
MAY	261,417,473	6,465,770	12,626,000	280,509,243
JUNE	254,763,523	8,715,157	94,698,000	358,176,680
JULY	324,562,191	12,067,169	119,157,000	455,786,360
AUGUST	299,734,531	11,469,477	138,142,000	449,346,008
SEPTEMBER	222,055,845	6,828,200	97,103,000	325,987,045
OCTOBER	217,865,059	5,698,221	11,024,000	234,587,280
NOVEMBER	244,676,353	6,436,596	1,835,000	252,947,949
DECEMBER	228,742,791	3,718,557	896,000	233,357,348
<b>TOTALS</b>	<b>2,957,780,686</b>	<b>84,218,449</b>	<b>478,229,280</b>	<b>3,520,228,415</b>

NOTE: FIGURES ARE BASED ON BILLABLE AMOUNTS FROM WHOLESALERS. THESE MAY NOT COINCIDE WITH END OF MONTH KCWA READINGS

QUAKER LANE WHOLESALE PURCHASE MAY INCLUDE CONSUMPTION FROM SERVICES OFF UNMETERED TRANSMISSION MAIN

Section 9.01 (c)

**ESTIMATE OF POPULATION SERVED  
AND NUMBER OF SERVICE CONNECTIONS**

CALENDAR YEAR 2005

<b>CUSTOMERS SERVICED</b>	<b>RHODE ISLAND CENSUS NUMBER OF PEOPLE PER HOUSEHOLD</b>	<b>ESTIMATE OF POPULATION SERVED</b>
26,625	2.47	65,764

Section 9.01(d)

**TOTAL METERED RETAIL WATER SALES ON AN ANNUAL BASIS  
AND METERED RETAIL WATER SALES BY USER  
ON AN ANNUAL BASES**

SUPPLIER: KENT COUNTY WATER AUTHORITY

**LAST COMPLETED CALENDAR YEAR 2005**

<b>Month</b>	<b>Government Cubic Feet</b>	<b>Ind/Comm Cubic Feet</b>	<b>Residential Cubic Feet</b>	<b>Total Cubic Feet</b>
<b>JANUARY</b>	620,960	7,505,510	18,276,550	26,403,020
<b>FEBRUARY</b>	420,960	6,649,822	17,922,930	24,993,712
<b>MARCH</b>	2,114,423	12,567,717	20,728,374	35,410,514
<b>APRIL</b>	692,062	6,512,690	17,428,129	24,632,881
<b>MAY</b>	440,340	7,481,195	16,317,469	24,239,004
<b>JUNE</b>	2,815,982	14,392,284	26,661,150	43,869,416
<b>JULY</b>	739,840	9,744,215	28,837,397	39,321,452
<b>AUGUST</b>	931,580	7,259,610	27,255,960	35,447,150
<b>SEPTEMBER</b>	3,890,023	18,147,782	57,424,054	79,461,859
<b>OCTOBER</b>	957,875	8,860,218	31,120,208	40,938,301
<b>NOVEMBER</b>	603,200	5,899,958	21,124,245	27,627,403
<b>DECEMBER</b>	2,283,720	11,953,134	24,356,777	38,593,631
<b>TOTALS</b>	16,510,965	116,974,135	307,453,243	440,938,343

Section 9.01(e)

**METERED WHOLESALE WATER SALES BY INTERCONNECTION  
ON A QUARTERLY BASIS**

SUPPLIER: KENT COUNTY WATER AUTHORITY

**LAST COMPLETED CALENDAR YEAR 2005**

<b>Month</b>	<b>Forge Road Cubic Feet</b>	<b>Total Cubic Feet</b>
<b>MARCH</b>	1,375,000	1,375,000
<b>JUNE</b>	2,560,000	2,560,000
<b>SEPTEMBER</b>	5,056,000	5,056,000
<b>DECEMBER</b>	1,584,000	1,584,000
<b>TOTAL</b>	10,575,000	10,575,000

**NOTE: CONSUMPTION IN CUBIC FEET**

Section 9.01(f), (g), (h)

**ESTIMATED VOLUME OF NON-ACCOUNT WATER ON AN ANNUAL BASIS  
INCLUDING ESTIMATED VOLUME OF WATER USED FOR FIRE FIGHTING PURPOSES  
ON AN ANNUAL BASIS**

SUPPLIER: KENT COUNTY WATER AUTHORITY

**LAST COMPLETED CALENDAR YEAR 2005**

Source	2002 Gallons	2003 Gallons	2004 Gallons	2005 Gallons	Total Gallons
LEAKS	1,769,633	1,162,500	4,667,400	1,527,300	9,126,833
BLOW OFFS	32,774,850	21,124,800	38,236,800	22,680,000	114,816,450
NEW CONSTRUCTION	279,521	3,648,405	933,237	1,548,314	6,409,477
SEMI ANNUAL MAINTENANCE	11,657,562	15,511,900	8,159,700	17,116,500	52,445,662
FLOW TEST	0	0	0		0
ILLEGAL USE	0	0	0		0
REPORTED FIRE USE	0	0	0	4,122,857	4,122,857
<b>TOTALS</b>	<b>46,481,566</b>	<b>41,447,605</b>	<b>51,997,137</b>	<b>46,994,971</b>	<b>186,921,279</b>

# **EXHIBIT G**

September 20, 2006



- Corporate Office:  
415 Kilvest Street  
Warwick, RI 02886  
t: 401.732.9800  
f: 401.752.1550
  - Hingham Office:  
35 Pond Park Road  
Unit 49  
Hingham, MA 02043  
t: 781.741.9919  
f: 781.741.9929
  - Worcester Office:  
167 South west Cutoff  
Worcester, MA 01604  
t: 508.852.2939  
f: 508.856.0949
- TotalOfficeAnswer.com

September 18, 2006

Attention: Tim  
Kent County Water Authority  
P.O. Box 192  
W. Warwick, RI 02893

Dear Tim,

I would like to express my appreciation for the business your company has given us over the past several years.

We always attempt to provide Kent County Water Authority with prompt, courteous service, and this new opportunity to quote on your office solution requirements, leads us to believe that we are succeeding in our attempt.

We consider Kent County Water Authority to be a valuable customer, and look forward to servicing your account for many years to come.

Very truly yours,

**AUTOMATED BUSINESS MACHINES**

  
Alan Albergaria  
President

COPY SENT TO	
BOARD MEMBERS	9/18/06
CHAIRMAN	
LEGAL COUNSEL	



ID Power and Associates Award  
for Sales & Service Excellence

Kent County Water Authority  
 Page 2  
 September 18, 2006

**Proposed Equipment**  
**Kyocera KM 6030 Digital Copier**

	<b><u>Retail</u></b>
KM 6030 w/ Feeder, Duplex, Electronic Sorting & Extended Memory	\$21,995.00
DF-650 Multi-Position Staple Finisher	\$ 3,295.00
PH-4 Punch Unit	\$ 695.00
Print System V	\$ 2,195.00
Scan System G	\$ 895.00
ESP Surge Protector	<u>\$ 495.00</u>
	\$29,570.00
Less GSA/Profit Plus Discount/ Trade	<u>\$16,422.00</u>
<b>Your Cost</b>	<b>\$13,148.00</b>

	<b><u>Lease Options</u></b>	
<b><u>60 Months</u></b>	<b><u>48 Months</u></b>	<b><u>36 Months</u></b>
\$278.00	\$336.00	\$394.00

**Above Includes:**

- ◆ Above 60cpm digital copier with feeder, duplex, electronic sorting, extended memory, multi-position staple finisher, print and scan system
- ◆ Delivery, installation and training
- ◆ An extended 1-year or 200k warranty to include parts and labor. (A value of \$1,600.00) overage at .008. Excludes only paper and toner.

# Purchase Agreement



Total OfficeAnswer.com



Corporate Office:  
415 Kilvert St.  
Wanwick, RI 02886  
T: 401.732.3000  
T: 800.832.2729  
F: 401.732.1550

Hingham Office:  
35 Pond Park Rd. #9  
Hingham, MA 02043  
T: 781.741.9919  
T: 800.832.2729  
F: 781.741.9929

Worcester Office:  
167 SouthWest Court  
Worcester, MA 01604  
T: 508.852.2939  
T: 800.832.2729  
F: 508.852.0949

ID Power and Associate Award for Sales & Service Excellence

<b>Cash/Lease</b>	<b>Customer Contact</b> Tim	<b>Phone</b> 401-821-9300
<b>Order Date</b>	<b>Ship Date</b>	<b>Terms/ P.O.</b>
<b>Salesperson</b> Alan	<b>Corp. Officer Approval</b>	<b>Meter Reading</b>

**BILL TO:**

Name Kent County Water Authority

Address 1012 Main St.

City West Warwick

State RI Zip 02893

Attention \_\_\_\_\_

**SHIP TO:**

Name \_\_\_\_\_

Address SAME

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Attention \_\_\_\_\_

Quantity	Item Number	ID #	Description	Serial Number	Amount Due
1			Kyocera Km 6030 Digital		\$13,148.00
			Super w/ Feeder, Duplex		
			Stacking, Extend memory		
1			DF-650 Stage Finisher		
1			PH-4 Punch Unit		
1			Print System V		
1			Scan System G		
1			ESP Swiss Protector		

\* Above includes a 1-year or 200K warranty to include parts & labor averages at .008. Excludes paper and toner. This order is subject to terms and conditions appearing on reverse side.

No terms or conditions expressed or implied are authorized unless they appear on original order.

This return must be approved by an ABS officer for merchandise credit only.

ABS warrants all new or remanufactured equipment sold to be free from defects in materials and workmanship for a period of \_\_\_\_\_ days or \_\_\_\_\_ copies from date of delivery to customer.

Customer Authorization: \_\_\_\_\_

Date: \_\_\_\_\_

ABS Authorization: \_\_\_\_\_

Date: \_\_\_\_\_

TOTAL	\$13,148.00
SALES TAX	Exempt
	\$45,595 + \$195
BALANCE DUE	\$13,148.00

FAX COVER SHEET



E.V. COPIER

YOUR TOTAL OFFICE ANSWER  
TotalOfficeAnswer.com

CORPORATE OFFICE   
415 Kilvert Street  
Warwick, Rhode Island 02886  
(401) 732-3000 Fax (401) 732-1550

WORCESTER OFFICE   
1200 Millbury Street  
Worcester, Massachusetts 01607  
(508) 852-2939 Fax (508) 856-0949

SOUTH COUNTY OFFICE   
17 Narragansett Avenue  
Wakefield, Rhode Island 02879  
(401) 783-9380 Fax (401) 783-1880

HINGHAM OFFICE   
35 Pond Park Road  
Hingham, Massachusetts 02043  
(781) 741-9919 Fax (781) 741-9929

Digital Copiers \* Fax \* Printers \* Duplicators \* Finishing Equipment \* Computer Networking  
Electronic Filing Systems \* Color Copiers \* Wide Format Printers \* Supplies \* Fine Paper  
Carbonless Paper \* Brights \* Envelopes \* Commodity Papers \* Laminators \* Folders

SALES SERVICE SUPPLIES RENTALS LEASING

Date: 09/18/2006

Pages including cover sheet: 4

To: Tim  
Company: Kent County Water  
Phone: \_\_\_\_\_  
Fax: 823-4810

From: Lori Bacon  
Phone: (401) 732-3000  
Fax: (401) 732-1550

Urgent  For your review  Reply  Please comment

REMARKS:  
Hello Tim,  
Per your conversation with Alan please see attached revised quote. Also, see the attached purchase  
agreement for signature. Please sign at the X and fax back to 732-1550.  
\_\_\_\_\_  
\_\_\_\_\_  
Thanks,  
Lori Bacon  
\_\_\_\_\_  
\_\_\_\_\_

# **EXHIBIT H**

September 20, 2006

**PLANNING DOCUMENT \$25,000/YEAR ALLOCATION**

<b>PROJECT</b>	<b>STATUS</b>
Water Supply System Management Plan WSSMP	Approved & completed 5 year update due 2007
Clean Water Infrastructure Plan	Approval June 13, 2003. 5 year update due 2008
Vulnerability Assessment Bio-Terrorism Bill	Submitted December 19, 2003
Revised Emergency Response Plan	By June 19, 2004
Simplified EFP Topic Sheets/Employee distribution	December 2004

**UPDATED CIP PROJECTS BOND FUNDING**

<b>PROJECT</b>	<b>STATUS</b>
Mishnock Well Field (new wells) CIP - 1A	Project closed out.
Mishnock Transmission Mains CIP - 1B	Project closed out.
Mishnock Treatment Plant CIP - 1C	Project closed out.
<b>R-CIP 19 Tiogue Avenue Main</b>	<b>Project closed out.</b>
East Greenwich Well Treatment Plant – CIP-2	Pilot Program Results Mishnock
<b>Blackrock Road Transmission Main – CIP-4</b>	<b>Completed</b>
Clinton Avenue Pump Station Rehabilitation CIP - 7A	Completion & Close-out
Read School House Road Tank CIP - 7B	Board Action Required
Read School House Road Main CIP 7c, 7d, 8a	On hold till tank site is secured.

**IFR FUNDED PROJECTS**

<b>PROJECT</b>	<b>STATUS</b>
<b>IFR 2003</b>	<b>Construction completed.</b>
IFR 2005	Construction On-going.
IFR 2006 A	Reconfiguration & Design Underway Bid Fall 2006
IFR 2006 B	Reconfiguration of Design Bid 2007
IFR 2007	On Hold, Additional Funding Required
<b>Geographic Information System Base Map</b>	<b>Completed.</b>
<b>Geographic Information System Second Phase</b>	<b>Completed.</b>
<b>Knotty Oak Road. Old CIP 5</b>	<b>Construction completed.</b>
<b>Tiogue Tank Modified Service Area</b>	<b>Project closed out.</b>
<b>Setian Lane new pumping station and Frenchtown vault rehabilitation.</b>	<b>Completed.</b>
<b>Setian Lane Tank painting</b>	<b>Completed.</b>
<b>Oaklawn Meter Replacement IFR</b>	<b>Completed.</b>
PWSB 78" / Johnson Blvd. P.S. Modification	Ames Street & Main Street Rehabilitation Design Proceeding Under 2006 A.
<b>Rehabilitation Mishnock #3</b>	<b>Redevelopment completed.</b>
<b>Revised Hydraulic Model</b>	
Color Study Mishnock Wells	Pilot Program Report Due
Cleaning & Lining Greenwich Avenue	Design on Replacement Required
<b>Spring Lake Well Redevelopment</b>	<b>Completed.</b>
Hydraulic Tank Evaluation	Technical Memo #1 Review
<b>PROJECT</b>	<b>STATUS</b>
<b>Web site preparation</b>	<b>Up and running.</b>
<b>Strategic Plan</b>	<b>For Approval</b>
<b>CCR 2003</b>	<b>Mailed.</b>
<b>Colvintown Road</b>	<b>Completed.</b>