

**STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS
89 JEFFERSON BOULEVARD
WARWICK, RHODE ISLAND 02888**

In Re: The Narragansett Bay Commission)
Application Seeking Approval to) Docket No.: D-23-04
enter Long-Term Debt and Issuance)
of Revenue Bonds of \$100,000,000)
State Revolving Fund (SRF) Loan

REPORT AND ORDER

On February 8, 2023, the Narragansett Bay Commission (“NBC”) filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking authority to borrow from the Rhode Island Infrastructure Bank (“RIIB”) an amount not to exceed \$100,000,000. The application was filed in accordance with the requirements of Rhode Island Gen. Law §39-3-15 and Rule 1.14 of the Division’s *Rules of Practice and Procedure*. In its filing, NBC states that the purpose of the loan is to fund the design and construction of multiple NBC projects and to issue bonds evidencing the loan.¹

In response to the filing, the Division conducted a duly noticed public hearing on March 13, 2023. The hearing was conducted in the Division’s hearing room, located at 89 Jefferson Boulevard in Warwick.

¹ Pre-filed testimony Karen L. Giebink, (February 8, 2023) at 1.

The following counsel entered appearances at the hearing:

For NBC:	Joseph A. Keough, Esq.
For the Division's Advocacy Section:	Leo Wold, Esq.

NBC's Direct Case

NBC submitted pre-filed direct testimony from two witnesses in support of its application: Karen L. Giebink, Chief Financial Officer and Stephen Maceroni, a Director with PFM Financial Advisors, LLC. NBC presented Leah Foster, Controller, at the hearing, to answer specific questions.

Karen L. Giebink, Chief Financial Officer²

In her capacity as CFO, Ms. Giebink has testified numerous times in various docketed proceedings before both the Division and the Public Utilities Commission ("PUC").³ She noted that NBC has, on multiple prior occasions, been approved for borrowing totaling \$708,673,210 and has received \$13,396,592 in loan forgiveness from RIIB.⁴ She explained that the current filing proposes that the new debt service will be "wrapped" around NBC's existing debt service level to level annual debt service and to mitigate ratepayer impact. The loan does not include any capitalized interest and amortization will not exceed 30 years. Notably, the loan is anticipated to be at a subsidy of 1/3 market rates. Moreover, RIIB has confirmed that NBC is eligible to receive \$1,050,000 in affordability-based principal forgiveness and \$2,188,500 in loan forgiveness

² At hearing, Ms. Giebink adopted her pre-filed testimony under oath, without amendment.

³ *Id.*

⁴ *Id.* at 2.

through the Rhode Island Clean Water State Revolving Fund's Green Project Reserve program.⁵

Ms. Giebink related that the loan proceeds would be utilized as follows: \$21.9 million (22%) on the Bucklin Point Resiliency projects; \$1.3 million (1%) on the Field's Point Resiliency Project; \$75.7 million (76%) on CSO Phase III A projects; and \$1.3 (1%) million for the RIIB origination fee and bond issuance costs. She identified that all of NBC's proposed projects are included on the State of Rhode Island's Department of Environmental Management's ("RIDEM") 2022 Project Priority List.⁶

She further testified that NBC's current rates, as approved by the PUC, are designed to generate total revenue of \$107,180,080 of which \$62,642,390 is for debt service and debt service coverage, and that NBC has sufficient revenue to service the new debt.⁷ As such, no rate increase is required. Ms. Giebink submitted exhibits which verified that NBC's Board of Commissioners passed an Authorizing Resolution for the borrowing of an amount not to exceed \$110,000,000 at its May 17, 2022 meeting.⁸ Moreover, NBC received a commitment letter for the loan from RIIB dated December 21, 2022.⁹ As part of its application, NBC also submitted the proposed loan agreement.¹⁰

At the hearing conducted on March 13, 2023, Ms. Giebink indicated that NBC was removing a \$1.27 million solar carport project from the list of projects

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* See also, Ex. KG-1.

⁸ Exhibit KG-2.

⁹ Exhibit KG-3.

¹⁰ Exhibit KG-4.

because NBC was pursuing other sources of funding, potentially including grants. On cross-examination, Ms. Gieblink corrected an error on NBC's answer to Div. 1-2, the Lincoln Septage Receiving Station Replacement. The very bottom line showing net impact on operating budget for the fiscal years 2026 through 2029 should be negative numbers, not positive.

She further clarified that although no rate increase is required for this filing, Div. 1-7 shows that in the years 2044 and 2046, the debt service coverage ratio would dip below the required 1.25. She indicated that NBC would file a rate case prior to 2044.

Stephen Maceroni, Director-PFM Financial Advisors, LLC¹¹

In his prefiled testimony, Mr. Maceroni stated that his firm has been working with NBC's Board of Directors since 2012 and that he has worked closely with NBC on its loans through the Water Infrastructure Finance and Innovation Act program which is administered by the United States Environmental Protection Agency.

He described the anticipated revenue bonds as having a final maturity date of September 1, 2049 with principal amortization commencing on September 1, 2029.¹² The bonds will be structured with a RIIB subsidy of 1/3 of the market rate, plus expected principal forgiveness in the aggregate amount of \$3.2 million and an administrative fee of .30%. On an aggregate basis, it is anticipated that the borrowing will not exceed a market rate of 4.0% and an all-in subsidized rate

¹¹ At hearing, Mr. Maceroni adopted his pre-filed testimony under oath, with one amendment.

¹² The date of 2049 was provided at the hearing and corrected the pre-filed testimony of Stephen Maceroni at p. 2, line 22, which stated September 1, 2050.

of 3.74%. The bonds are structured to “smooth-out” NBC’s overall long-term debt service structure.¹³

Mr. Maceroni provided an update on current market rates, the yield curve, NBC’s credit rating and how these factors influence NBC’s options. He noted that tax-exempt interest rates increased steadily throughout most of 2022, primarily due to rising inflation and recession concerns. For instance, the 30-year AAA Municipal Market Rate Data Index (MMD) as of January 27, 2023 was 3.18%, up from 1.50% in January 2022. Mr. Maceroni indicated that NBC enjoys stable credit ratings which contribute to cost savings for ratepayers compared to lower ratings.¹⁴

Finally, Mr. Maceroni explained the facial discrepancy between his testimony in NBC’s pending rate case, PUC Docket No. 22-47-WW, and the current filing as it relates to RIIB’s projected subsidized interest rates. In the rate case, Mr. Maceroni projected that RIIB’s subsidized interest rate would be 4.0% and that in this filing, the loan schedule was created using an all-in subsidized rate of 3.745%.¹⁵ He explained that the .25% reduction occurred because during the 4th quarter of 2022, long-term tax-exempt rates declined from 3.81% in October to 3.18% as of January 27, 2023. The reduced rate will result in more rapid loan amortization and reducing the overall interest expense.¹⁶

¹³ Pre-filed testimony Stephen Maceroni, (February 8, 2023) at 2.

¹⁴ Maceroni testimony at 3.

¹⁵ Maceroni testimony at 4.

¹⁶ *Id.*

The Advocacy Section's Position

The Division's Advocacy Section issued a series of data requests that were entered as Div. Exhibit #1. Although the Division's Rate Analyst, Joel Munoz, did not submit pre-filed testimony, the parties agreed that he could testify on the Division's behalf at the hearing. He explained that the Division reviews debt filings to understand the amount, purpose, and terms of the loan and if the filing has provided adequate supporting documentation. The Division thoroughly examined Exhibits KG-2, KG-3, and KG-4 and subsequently issued a set of ten data requests, seeking additional information on the proposed projects, the debt service coverage ratio, NBC's credit ratings, and a pro forma Statement of Net Position.¹⁷ The Division was satisfied with NBC's responses. The Division further confirmed that the proposed projects were in fact on the RIDEM's list of priority projects and appeared reasonable to the Division.

Mr. Munoz related that the Division examined the ratepayer impacts and relying upon NBC Exhibit KG-1 (column SRF 23) and NBC's response to Div. data request 1-7, found that there were sufficient current revenues to service the proposed debt and that no rate increase would result. He further testified that the Division examined the evidence provided on NBC's strong credit worthiness and found those results satisfactory. Upon conclusion of his testimony, Mr. Munoz stated that the Division was, therefore, in support of the filing and recommended approval.

¹⁷ Division Data Requests 1-10 (Answers dated Mar. 3. 2023).

Findings

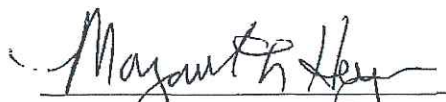
The Division finds that the witnesses appearing before the Hearing Officer were credible and reliable and that there were no conflicting facts. Predicated on a careful examination of the record and testimony in this matter, the Division finds that the instant application request is reasonable and in the best interest of NBC's ratepayers, and meets the requisite burden of proof set forth in R.I. Gen. Law §39-3-15, et seq.

Now, therefore, it is

(24624) ORDERED:

1. That NBC's February 8, 2023 application, which seeks Division approval under R.I. Gen Law §39-3-15, to borrow an amount not to exceed \$100,000,000 from the Rhode Island Infrastructure Bank, as amended at hearing, is hereby approved.
2. That the Division hereby limits approval of the instant application to the terms and details identified in the record, as amended at hearing.

Dated and Effective at Warwick, Rhode Island on March 22, 2023.


Margaret L. Hogan, Esq.
Hearing Officer

Approved: 
Linda D. George, Esq.
Administrator



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
89 Jefferson Boulevard
Warwick, Rhode Island 02888
(401) 941-4500

FAX: (401) 941-9161
TDD: (401) 941-4500

NOTICE OF AVAILABILITY OF JUDICIAL REVIEW
(PROVIDED PURSUANT TO R.I.G.L. § 42-35-12)

Please be advised that if you are aggrieved by this final decision (report and order) of the Rhode Island Division of Public Utilities and Carriers (“Division”) you may seek judicial review of the Division’s final decision by filing an appeal with the Rhode Island Superior Court. You have thirty (30) days from the mailing date (or hand delivery date) of the Division’s final decision to file your appeal. The procedures for filing the appeal are set forth in Rhode Island General Laws, Section 42-35-15.

Proceedings for review may be instituted by filing a complaint in the Superior Court of Providence or Kent Counties. Copies of the complaint must be served upon the Division and all other parties of record in your case. You must serve copies of the complaint within ten (10) days after your complaint is filed with the Superior Court.

Please be advised that the filing of a complaint (appeal) with the Superior Court does not itself stay enforcement of the Division’s final decision. You may however, seek a stay from the Division and/or from the Court.

The judicial review shall be conducted by the Superior Court without a jury and shall be confined to the record. The Court, upon request, shall hear oral argument and receive written briefs.