



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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**To: Ms. Stephanie De La Rosa, Commission Clerk
Rhode Island Public Utilities Commission**

**From: Alberico Mancini, Chief Regulatory Analyst
Division of Public Utilities and Carriers**

Date: November 21, 2024

**Subject: Narragansett Bay Commission
Compliance Rate Filing
Docket No. 24-40 WW**

On October 2, 2024, Narragansett Bay Commission (“NBC”) submitted a Compliance Rate Filing with the Public Utilities Commission (“Commission”) seeking approval for a revenue increase of \$3,976,244 or 3.44%, for a total revenue requirement of \$119,684,956. The purpose of the requested increase is to provide funding for additional debt service and the associated debt service coverage costs related to a planned \$100 million borrowing from the Rhode Island Infrastructure Bank (RIIB) in March 2025. NBC’s filing was submitted under the Commission authorized debt service compliance filing mechanism originally approved in Docket 3483, extended through 2022 in Docket 4364 and further extended through 2029 in Docket 22-47-WW. The debt service compliance filing mechanism allows NBC to make limited rate filings to cover increases in debt service and debt service coverage costs. The request is supported by the Direct Testimony of Karen Giebink, Chief Financial Officer, David Bowen, Director of Construction and Engineering, and Stephen Maceroni, Financial Advisor to NBC.

NBC proposed to apply the increase on an across-the-board basis to all residential and non-residential rates. The impact of the proposal on a residential customer using 150 gallons of water per day results in an annual bill increase of \$20.04, or 3.53% from \$567.29 to \$587.32.

Ms. Giebink, testified that NBC needs Commission approval of their application in this docket by December 31, 2024 in order to close on the loan in March 2025, however they don’t need new rates until July 1, 2025.¹ Subsequent to the filing in this docket, on October 4, 2024, NBC submitted an application for a general rate filing requesting a \$13,913,861 or 12.3% revenue

¹ Ms. Giebink’s prefiled direct testimony, Page 3.

increase, effective July 1, 2025, to support a total revenue requirement of \$130,373,593. The general rate filing request includes the requested \$3,976,244 increase in this docket resulting in the need for only one rate change for both dockets.

In support of the need for the proposed financing, Ms. Giebink stated in her testimony that “NBC continues to have significant capital needs primarily related to the federally mandated Combined Sewer Overflow (CSO) Abatement Program. In further support, Ms. Giebink provided, on page 7 of her testimony, a sources and uses of funds summary for capital improvements. The table was updated in response to PUC 1-1, and shows capital needs of \$356,682,042 through the end of the rate year, and total funding sources of \$317,099,459, inclusive of the proposed \$100 million borrowing, resulting in a shortfall of \$39,582,583. Close to \$260M of the capital needs relate to CSO Phase III A Facilities, which demonstrates the critical need for the proposed borrowing.

The test year used in NBC’s filing is FY 2025 and the rate year is FY 2026. As shown on Schedule KLG -1, the test year amounts are the approved revenue and expenses from NBC’s last rate case, Docket 22-47-WW. The only adjustments between the test and rate years are for debt service (\$3,182,453) and debt service coverage (\$795,613). The request results in a rate year debt service amount of \$53,230,362 which is supported by the debt service coverage schedule (KLG-2) attached to Ms. Giebink’s testimony.

Mr. David Bowen testified that NBC’s Board approved the FY 2025-2030 CIP at its January 16, 2024, meeting. Included in the program are expenditures of \$559.8 million for the following large projects: CSO Phase III Facilities, Field’s Point Resiliency Improvements, Wastewater Treatment Facility Improvements, and Bucklin Point Resiliency Improvements with 8% or \$42.8 million designated for several smaller projects. Most of the loan proceeds will be used for the CSO Phase III A facilities.

Mr. Stephen Maceroni testified in support of NBC’s application and explained that the RIIB bonds will be structured as 30-year bonds with level debt service and will include the traditional RIIB subsidy of 1/3 of the market rate and annual RIIB administration fee of .30%. The all-in cost is estimated to be 3.11%, including a .50% cushion to cover any changes in the market rate at the time of the closing. The revenue bond will also be eligible for principal forgiveness which will be determined by RIIB prior to the closing. Any additional funding over the actual debt service required by this borrowing subsequent to the closing would remain restricted.

The Division reviewed the filing in detail and found that the proposed increase was accurately calculated and that the request met all filing requirements as set forth by the Commission in Docket No. 3483. The Division supports NBC’s use of Rhode Island Infrastructure Bank (RIIB) subsidized loans to fund its capital program. The loans allow for the costs of the capital program to be spread out over the term on the loan and the subsidized rate results in cost savings to rate payers. Accordingly, the Division recommends that the Commission approve the increase in revenues requested by NBC to meet the increased debt service and the associated coverage requirements.