

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

In Re: NBC Application for Approval to Enter into Long-Term Debt and Issuance of Revenue Bonds of \$100,000,000 State Revolving Fund (SRF) Loan Pursuant to R.I. Gen. Laws § 39-3-15, <i>et seq.</i>	:	
	:	Docket No. D-25-07
	:	
	:	
	:	

DECISION AND ORDER

Hearing Officer: Leo J. Wold, Esq.

Hearing Held: April 28, 2025

Appearances: Narragansett Bay Commission, *Applicant*
Joseph A. Keough, Jr., Esq.

Advocacy Section of the Division of Public Utilities and Carriers
Mark Simpkins, Esq.

I. INTRODUCTION

On April 3, 2025, Narragansett Bay Commission (“NBC”) filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking “authority to obtain financing not to exceed an original principal amount of one hundred million dollars (\$100,000,000) through the Rhode Island Infrastructure Bank (“RIIB”) (referred to herein as the “2025 Series A Loan”) for the purpose of financing the design and construction of various NBC projects and to prepay a previous \$25,000,000 loan from the RIIB, as evidenced by NBC’s \$25,000,000

Wastewater System Revenue Bond Anticipation Notes, 2025 Series 1 (BANs).¹ A duly noticed hearing on the application was held on April 28, 2025.

II. JURISDICTION

The Division has jurisdiction over this matter pursuant to R.I. Gen. Laws § 39-3-15, § 39-3-17 and § 39-3-18.

III. PROCEDURAL HISTORY

In support of its application, NBC submitted the pre-filed direct testimony of Karen L. Giebink and Stephen Maceroni. Ms. Giebink is Chief Financial Officer of NBC.² Mr. Maceroni is a Director with PFM Financial Advisors LLC, a national firm with over 300 employees in 32 offices across the United States providing independent financial advisory services to public entities.³ Among other things, Ms. Giebink testified about the purpose and structure of the proposed borrowing.⁴ Mr. Maceroni testified about the interest rate assumptions underlying the proposed borrowing and discussed how market rates, the yield curve, and NBC's credit rating influence NBC's borrowing options.⁵

NBC also presented oral testimony at hearing of Kathryn Kelly, NBC's Assistant Director of Engineering and Construction and Karen Grande, Esq., NBC's bond counsel. Ms. Kelly testified

¹ Direct Testimony of K. Giebink at 1-2.

² *Id.* at 1.

³ Direct Testimony of S. Maceroni at 1.

⁴ Direct Testimony of K. Giebink at 2-3.

⁵ Direct Testimony of S. Maceroni at 3-4.

about the CSO Phase III projects and contracts.⁶ Ms. Grande testified about NBC's debt service coverage requirements.⁷

The Advocacy Section of the Division ("Advocacy Section") did not file a memorandum or provide written direct testimony but presented at hearing the oral testimony of Alberico Mancini. Mr. Mancini is the Principal Policy Associate of the Division. Mr. Mancini recommended that NBC's application should be granted.⁸

Based on the pre-filed testimony, the testimony at hearing and the exhibits admitted into evidence, the Division makes the following findings of fact and conclusions of law.

IV. FINDINGS OF FACT

1. In January of 2025, NBC discerned that federally funded portions of RIIB loans were at risk of becoming inaccessible due to Executive Orders issued under the incoming federal administration.⁹

2. On February 27, 2025, NBC borrowed \$25 million from RIIB to secure approximately \$7 million in principal forgiveness by issuing \$25 million of BANs maturing on August 27, 2025.¹⁰

3. Of the approximately \$7 million of principal forgiveness identified by RIIB, approximately \$5.5 million related to affordability-based principal forgiveness and approximately

⁶ Hearing Transcript ("Tr.") dated April 28, 2025 at 14-16.

⁷ *Id.* at 22.

⁸ *Id.* at 30.

⁹ Direct Testimony of K. Giebink at 2.

¹⁰ *Id.*

\$1.5 million related to Rhode Island Clean Water State Revolving Fund's Green Project Reserve program forgiveness.¹¹

4. NBC will pay off the BANs by using a portion of the 2025 Series A Loan and spend the remainder of the loan proceeds on CSO Phase III A Facilities projects, the Bucklin Point Wastewater Facilities projects as well as "other projects, depending on actual cash draws."¹² A description of the uses to which the loan proceeds may be applied is contained in at Exhibit KG-4 (Exhibit B) of NBC's application.

5. All projects for which the 2025 Series A Loan proceeds will be used are included on the State of Rhode Island Department of Environment Management's 2025 Project Priority List.¹³

6. NBC will not incur any prepayment penalty for paying off the BANs prior to the August 27, 2025 maturity date.¹⁴

7. Among other features, the 2025 Series A Loan contains the following features:

- a. The loan is structured with level debt service;
- b. The loan does not include any capitalized interest;
- c. The loan amortization does not exceed 30 years; and
- d. The loan is anticipated to include a subsidy of 1/3 off the market rate.¹⁵

¹¹ *Id.*

¹² *Id.* at 2-3.

¹³ *Id.* at 3.

¹⁴ *Id.* at 2.

¹⁵ *Id.* at 3.

8. NBC’s FY 2026 rates approved by the Public Utilities Commission (“PUC”) in Dkt. 24-40-WW are designed to generate \$119,684,956 of which \$66,537,952 is for debt service.¹⁶ Exhibit KG-1 reflects NBC’s debt service coverage ratio from FY 2025 through FY 2062, including the debt service payments for the 2025 Series A Loan.¹⁷ For the identified periods, NBC’s debt service coverage ratio is projected to have the following ranges:¹⁸

Years	Debt Service Coverage Ratio Range
2025-2028	1.26 to 1.42
2029-2039	1.11 to 1.22
2040-2046	.92 to 1.00
2047-2062	1.40 to 18.86

9. S&P Global Rating (“S&P”) affirmed NBC’s AA- rating in or about March of 2024 in connection with the 2024 Series A Bonds that NBC issued.¹⁹

10. Kroll Ratings affirmed an AA rating for NBC as recently as October of 2024.²⁰

11. It is anticipated that the 2025 Series A Loan will not exceed a market rate of approximately 4.82% and an all-in subsidized rate of approximately 3.53% or approximately 3.23% when including the principal forgiveness obtained by NBC.²¹

¹⁶ *Id.*

¹⁷ Exhibit KG-1.

¹⁸ *Id.*

¹⁹ Direct Testimony of S. Maceroni at 4.

²⁰ *Id.*

²¹ *Id.* at 3.

V. DISCUSSION

R.I. Gen. Laws § 39-3-15, in pertinent part, provides that “a public utility, as defined in R.I. Gen. Laws § 39-1-2, may not without application to and authority from the Division issue stocks, bonds, notes, or other evidences of indebtedness, payable more than twelve (12) months from the date of issue...”²² & ²³ R.I. Gen. Laws § 39-3-18 provides that the Division shall fix “the amount, character, and terms of any issue, and purposes to which the issue or any proceeds shall be applied, and recite that the money, property, consideration or labor procured or paid for by the issue has been, or is reasonably required for the purposes specified in the order, and the value of any property, consideration, or service as the case may be, as found by the division for which, in whole or in part, the issue is proposed to be made.”²⁴ No public utility, without the consent of the Division, shall apply any issue or its proceeds to any purpose not specified in the order.²⁵ The purpose of these statutes is to require Division review of utility applications seeking authority to issue stocks, bonds, notes or other evidence of indebtedness (payable more than 12 months from the date of issue) to ensure that the borrowing is reasonable and in the best interest of ratepayers.²⁶

In its filing, NBC identified its plans for the 2025 Series A Loan, namely, to pay off the BANs and use a portion of the loan proceeds (approximately 85%) on capital projects identified

²² R.I. Gen. Laws § 39-3-15.

²³ R.I. Gen. Laws § 39-3-17, along with Rule 1.14 of the Division’s Rules of Practice and Procedure, establish the procedures which govern the proceedings for obtaining the consent and authority of the Division pursuant to R.I. Gen. Laws § 39-3-15.

²⁴ R.I. Gen. Laws § 39-3-18.

²⁵ *Id.*

²⁶ *E.g., In Re: City of Newport Water Division Application to Incur Long-Term Debt*, Dkt. D-20-02, Order No. 23802 at 6 (DPUC April 8, 2020); *In Re: City of Woonsocket Water Division Application for Authority to Issue Debt*, Dkt. D-17-43, Order No. 22964 (DPUC November 27, 2017).

in KG-4 (Exhibit B).²⁷ All the projects are included on the State of Rhode Island Department of Environmental Management's 2025 Priority List.²⁸ The Advocacy Section opined that the use of the proceeds for these purposes is "reasonable."²⁹ Having examined KG-4 (Exhibit B) and taking into consideration the Advocacy Section's recommendation, the Division finds the use of the proceeds from the 2025 Series A Loan for these stated purposes is both appropriate and reasonable.

The reasonableness of proposed 2025 Series A Loan also must be assessed in view of the NBC's motivation in issuing the BANs. The purpose of the BANs was to secure approximately \$7.0 million of principal forgiveness which the NBC anticipated would be not be available under the new federal administration.³⁰ Achieving principal forgiveness provides a material benefit to NBC's ratepayers by lowering the overall cost of the 2025 Series A Loan.³¹ The proposed loan, therefore, is reasonable because it would likely cost less than it would have had NBC not acted promptly to secure the principal forgiveness.³²

Debt service coverage is another metric the Division examines when assessing whether a proposed loan is reasonable and in the best interest of ratepayers.³³ A debt service coverage ratio that is greater than 1.25 during the first four years of the loan is considered the principal metric that should guide the Division's inquiry.³⁴ Since NBC's debt service coverage ratio (calculated to

²⁷ Direct Testimony of K. Giebink at 2.

²⁸ *Id.* at 3.

²⁹ Tr. at 31.

³⁰ Direct Testimony of K. Giebink at 1.

³¹ *Id.* at 2.

³² Tr. at 18-19.

³³ *See City of Newport; City of Woonsocket supra.*

³⁴ Tr. at 21-22.

include the 2025 Series A Loan) exceeds 1.25 through 2028, the evidence reflects that NBC possesses adequate capacity to service its debt through the conclusion of that year.³⁵ NBC can file a rate case with the PUC to maintain its capacity to service its debt in subsequent years.³⁶ The 2025 Series A Loan, therefore, is reasonable.

An AA rating represents a “very strong capacity to meet financial commitments.”³⁷ According to NBC, S&P affirmed NBC’s AA- rating in or about March of 2024 in connection with 2024 Series A Bonds that NBC issued.³⁸ Kroll Ratings affirmed an AA rating for NBC as recently as October of 2024.³⁹ Although NBC has not yet received a new credit rating from S&P,⁴⁰ NBC will be seeking to obtain a new rating from S&P in anticipation of the 2025 Series A Loan in May of 2025.⁴¹ NBC possesses a reasonable expectation that it will receive a rating comparable to its current S&P AA- rating, and represents that it will provide the Division with documentation that reflects and explains the rating it receives from S&P when S&P’s review is completed.⁴² As is probable, a strong credit rating (such as AA-) again would show that the proposed borrowing is reasonable.

³⁵ Exhibit KG-1.

³⁶ Tr. at 20-21.

³⁷ <https://www.spglobal.com/ratings/en/about/understanding-credit-ratings>

³⁸ Direct Testimony of S. Maceroni at 4.

³⁹ *Id.*

⁴⁰ Direct Testimony of K. Giebink at 4.

⁴¹ *Id.*

⁴² Tr. at 23.

Lastly, the Advocacy Section and Mr. Maceroni—NBC’s expert witness—recommended at hearing that they believed the 2025 Series A Loan is both reasonable and in the best interest of ratepayers.⁴³ Nothing in the Record suggests otherwise.

VI. CONCLUSIONS OF LAW

Based on its review of the Record and the findings of fact set forth herein, the Division determines that granting NBC’s application is reasonable and in the best interest of NBC’s ratepayers.

Accordingly, it is

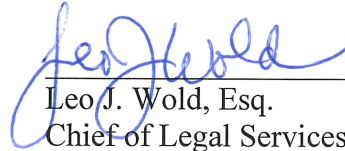
(25315) ORDERED:

1. NBC’s Application for Approval to Enter into Long-Term Debt and Issuance of Revenue Bonds of \$100,000,000 SRF Loan is granted;
2. The Division limits the approval of NBC’s application to the purposes, amounts, character and terms of the security issues identified in the Record;
3. The Division’s approval of NBC’s application is subject to NBC’s use of funding sources previously approved by the PUC to pay the 2025 Series A Loan, or if subsequently required, by additional funding sources approved by the PUC for such purpose; and

⁴³ Tr. at 28 & 30-32.

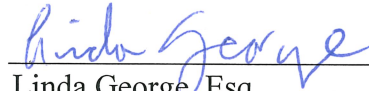
4. NBC will provide documentation to the Division that reflects and explains the rating it receives from S&P when S&P's review is completed.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND, MAY 5, 2025.



Leo J. Wold, Esq.
Chief of Legal Services
Hearing Officer

I have read the Hearing Officer's Decision and Order in this matter, and I hereby adopt the Decision and Order.



Linda 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. Gen. Laws § 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.