



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, Principal Policy Associate
Division of Public Utilities and Carriers**

Date: November 14, 2025

**Subject: Narragansett Bay Commission
Compliance Rate Filing
Docket No. 25-40 WW**

On October 6, 2025, the Narragansett Bay Commission (“NBC”) submitted a Compliance Rate Filing to the Public Utilities Commission (“Commission”) seeking approval for a revenue increase of \$7,897,138, or 6.35%, resulting in a total revenue requirement of \$135,294,045. The purpose of this requested increase is to fund additional debt service and related costs associated with a planned \$75 million borrowing from the Rhode Island Infrastructure Bank (RIIB) in February 2026. NBC’s filing was submitted under the Commission-approved debt service compliance filing process originally authorized in Docket 3483, extended through 2022 in Docket 4364, and further extended through 2029 in Docket 22-47-WW. This process permits NBC to make limited rate filings to address increases in debt service and related costs. The request is supported by the Direct Testimony of Kevin B. McDonald, Chief Financial Officer; David Bowen, Director of Construction and Engineering; and Stephen Maceroni, NBC’s Financial Advisor.

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 135 gallons of water per day results in an annual bill increase of \$37.39, or 6.35% from \$588.43 to \$625.82.

Mr. McDonald testified that NBC needs Commission approval of its application in this docket by November 30, 2025, in order to close on the loan in February 2026; however, it doesn’t need new rates until July 1, 2026.¹ After the filing in this docket, on October 17, 2025, NBC submitted an application for a general rate case requesting a \$14,102,824 or 11.35% revenue increase, effective July 1, 2026, to support a total revenue requirement of \$141,499,731. The filing includes the

¹ Mr. McDonald’s pre-filed direct testimony, Page 3.

impact of the \$7,897,138 requested increase in this docket, resulting in a single coordinated rate adjustment between the two dockets.

In support of the proposed financing, Mr. McDonald testified that “NBC continues to have significant capital needs primarily related to the federally mandated Combined Sewer Overflow (CSO) Abatement Program,” as well as other capital requirements for the Fields Point and Bucklin Point Treatment Facilities. Additionally, Mr. McDonald presented a summary of sources and uses of funds on page 11 of his testimony, which indicates capital needs of \$355,275,524 through the end of FY 2027 and total funding sources of \$287,346,832, including the proposed \$75 million loan. This results in a shortfall of \$67,928,692. About \$206 million of the capital needs are tied to the federally mandated CSO Phase III A Facilities, highlighting the urgent need for the proposed borrowing.

Mr. McDonald also testified that NBC is requesting an increase in the debt service coverage from 1.25 to 1.30 which he explains would “strengthen NBC’s financial position, improve its debt to operating revenue ratio, and increase the ability of NBC to fund the capital program through pay-go capital as opposed to additional borrowings.” He further stated that additional pay-go funding would “allow NBC to help maintain NBC’s financial flexibility to respond to new/unknown operational and regulatory demands and reduce the burden of interest costs on ratepayers in the higher interest rate environment since the COVID-19 pandemic.”

The test year used in NBC’s filing is FY 2026, and the rate year is FY 2027. As shown on Schedule KBM-1, the test year amounts are the approved revenue and expenses from NBC’s last rate case, Docket 24-41-WW. The only adjustments between the test year and rate year are for debt service (\$4,052,767) and debt service coverage (\$3,844,370), including the requested increase in debt service coverage from 1.25 to 1.30. The request results in a total rate-year debt service amount of \$56,623,570 and a debt coverage amount of \$16,987,071.

Mr. David Bowen testified that NBC’s Board approved the FY 2026-2031 Capital Improvement Program at its February 4, 2025, meeting. Included in the program are expenditures of \$511.9 million for the following large projects: CSO Phase III Facilities, Field’s Point Resiliency Improvements, Wastewater Treatment Facility Improvements, Sewer System Improvements, and Bucklin Point Resiliency Improvements, with 5% or \$24.6 million designated for several smaller projects. Most of the loan proceeds will be used for the CSO Phase III A facilities.

Mr. Bowen also provided a construction update on several major projects, including the CSO Phase III Facilities, Bucklin Point Resiliency Improvements, Field’s Point Resiliency Improvements, Wastewater Treatment Facility Improvements, and other Sewer System Improvement projects throughout the sewer collection system.

Mr. Stephen Maceroni testified in support of NBC’s application. He 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 an annual RIIB administration fee of .30%. The all-in cost is estimated to be 3.26%, including the .30% RIIB administration fee. The revenue bond will also be eligible for principal forgiveness, to be determined by RIIB before closing.

The Division of Public Utilities and Carriers (“Division”) has reviewed NBC’s filing in detail and verified that NBC’s request met all filing requirements as set forth by the Commission in Docket

No. 3483. Based on our review, the Division is not opposed to NBC's request for additional debt service funding to support the proposed debt issuance. The Division supports NBC's use of Rhode Island Infrastructure Bank (RIIB) subsidized loans to fund its capital program. The loans allow the costs of the capital program to be spread over the loan term, and the subsidized rate results in cost savings for ratepayers. However, the Division does not support NBC's request to increase the debt service coverage from the current 1.25% level to 1.30%. The Division believes the proposed increased coverage level is better addressed in NBC's pending general rate filing (Docket 25-41-WW), where all costs can be reviewed and considered.

Accordingly, the Division recommends that the Commission approve NBC's proposed debt service increase of \$4,052,767 and limit the debt service coverage increase to 25% of the debt service increase or \$1,013,192 ($\$4,052,767 \times 25\% = \$1,013,192$) for a total revenue requirement increase of \$5,065,959, resulting in a total revenue requirement of \$132,462,867.