STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT BAY COMMISSION	**:**	
GENERAL RATE FILING	**:**	**DOCKET NO. 24-41-WW**

REPORT AND ORDER

I. Introduction

On October 27, 2024, the Narragansett Bay Commission (NBC) filed with the Public Utilities Commission (PUC or Commission) a request to raise its rates.[1] The filing sought additional operating revenues of $13,913,861, or 12.3% to support a total revenue requirement of $130,373,593. For an average residential customer using 66 HCF of water per year, the request will result in an increase of $66.00 in their annual bill from $537.12 to $603.12. The impact of the rate increase on all other customers would vary depending on the customer's classification and consumption. The proposed effective date of the rate increase was July 1, 2025.

The Division of Public Utilities (Division), an indispensable party, with the assistance of its staff and outside expert consultant, Ralph Smith, CPA, JD, senior regulatory consultant at Larkin & Associates, PLLC, participated in the matter. No other parties intervened in this matter. Both the Division and the Commission filed numerous data requests, all of which were responded to by NBC. Both NBC and the Division filed testimony with supporting schedules. The parties also engaged in negotiations which resulted in the filing of a proposed Settlement Agreement (Settlement) on May 20, 2025.

On May 6, 2025, the Commission conducted a public comment hearing. On June 4, 2025, the Commission conducted an evidentiary hearing on the proposed Settlement. At an Open

[1] All filings in this matter may be accessed on the PUC's website at: https://ripuc.ri.gov/Docket-24-41-WW or revised during business hours at the PUC's office at 89 Jefferson Blvd., Warwick, RI 02888.

Meeting on June 23, 2025, the Commission voted 2-1 to approve the Settlement with the following modification: (1) NBC's proposal to move $312,202 of the $750,329 reduction in electricity expense to the insurance account, and $438,127 to the biosolids account was adopted; (2) NBC's proposal to apply any difference between the estimated and actual rate case expense to the biosolids account was adopted: and (3) the unamortized portion of the rate expense from the previous NBC filing in Docket 22-47-WW was excluded from the final rate case expense in this matter.

At an Open Meeting on June 26, 2025, the Commission approved NBC's compliance filing of June 25, 2025, finding it to be consistent with the Commission's decision of June 23, 2025.

II. Narragansett Bay Commission's Filing

The rate case filing was NBC's first since 2022 (Docket 22-47-WW). The test year was NBC's Fiscal Year ending June 30, 2024. The new rates were proposed to be effective on July 1, 2025, with the rate year matching NBC's Fiscal Year 2026. NBC's proposal sought: (1) an increase in salary and wages; (2) an increase in pensions and other benefits; (3) an increase to biosolids and grit disposal expenses; (4) an increase in electric expense; (5) an increase in chemicals expense; (6) an increase in insurance expenses; (7) an adjustment to the regulatory and rate case expense to reflect a 3-year amortization of rate case expenses, to include the unamortized balance from Docket 22-47-WW; (8) an increase in contractual and service agreement expenses, including an increase in the meter reading fee of $75,000 charged by the Providence Water Supply Board; (9) an increase in operations fuel and gas expense; (10) an increase in general and miscellaneous expenses; and (11) a corresponding increase to the operating allowance.

In connection with and in support of its general rate filing, NBC presented pre-filed direct testimony from four witnesses; (1) Charles E. Loy, CPA, a principal of GDS Associates; (2) James

McCaughey, CPA, BCEE, NBC's Deputy Director: (3) Leah Foster, CPA, NBC's Controller; and (4) Stephen Maceroni, Director with PFM Financial Advisors LLC.

Charles Loy provided testimony and schedules to support NBC's requested rate increase. Mr. Loy discussed test year adjustments and determined that NBC required an increase of $13,913,861, or 12.3%, to meet expenses and maintain the 125% debt service coverage ratio mandated by its trust indenture, assuming that the Commission approved NBC's then-pending debt service filing. He recommended that the increase be applied across the board to all rates charged for wastewater service.[2]

Mr. Loy first testified that adjustments were made to consumption charges, due to long term trends of declining usage driven largely by incremental introduction of more efficient plumbing fixtures and appliances and increasing awareness of the benefits of water conservation. When discussing adjustments to Renewable Energy Credit (REC) revenue, he noted that the biogas facility does not produce RECs when it runs on natural gas which it mostly did in FY 2024. Natural gas continues to be the fuel source in FY 2025.[3]

Mr. Loy next discussed the expense adjustments that he made, starting with payroll. He noted that NBC has union and non-union employees, which receive slightly different adjustments. He stated that NBC averaged 272 full time employees (FTE) during the Test Year. After making various adjustments for budgets, contractual increases, and merit increases, he calculated a total payroll expense of $25,557,158 in the Rate Year, an increase of $4,018,863 over the Test Year expense of $21,538,295.[4] He also made adjustments to pension and benefit expenses. Mr. Loy

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[2] *Id*. at 20-21.
[3] *Id*. at 34-35.
[4] For FY 2025, a total of 311 FTEs were budgeted, with 15.5 unfilled positions, for a net budgeted FTE of 295.5. Mr. Loy took the Test Year payroll expense and adjusted for FY 2025 by applying the 3.0% contracted Cost of Living Adjustment (COLA) for union employees, a 2.0% step increase for union employees and a 4.8% merit increase for non-union employees. He then made adjustments between FY 2025 and FY 2026, the rate year, by applying a 4.0% COLA increase and 2.0% step increase for union employees and a 4.0% merit increase for non-union employees.

concluded that the personnel related expenses for the Rate Year to be $13,074,000, while the expenses for the Test Year were $9,850,582.[5]

Mr. Loy testified that the cost of biosolid disposal is controlled by a contract, with the price paid per dry ton escalating based on a blend of the Consumer Price Index (CPI) and the Producer Price Index (PPI). He noted that the current contract expires in early 2026, within the Rate Year. He adjusted the total volume of biosolids from the Test Year actual 10,029 dry tons to 10,855 dry tons for the Rate Year based on the historical annual growth of dry tons From FY 2022 to FY 2024. Mr. Loy applied inflationary adjustments to arrive at a rate per dry ton of $648.27 for calendar year 2026. The calendar year 2024 rate was $586.40 per dry ton. As NBC's fiscal year includes two calendar years, a weighted average was used to arrive at a Rate Year rate of $632.40 per dry ton, thereby resulting in a revenue requirement of $6,864,752. Mr. Loy did acknowledge that the information necessary to make a supportable adjustment was not available so he assumed that the current contract would be extended or that the cost of alternative solutions would be equivalent to an extension. He made similar adjustments to grit screening and disposal with a Rate Year expense of $454,735. The total Rate Year Biosolid and Grit Disposal Expense was projected to be $7,319,487.

Mr. Loy discussed expected expenses related to NBC's wind turbines, biogas facility, and anaerobic systems.[6] He testified that in FY 2024, there was a significant reduction in net metering credits due to a reduction in the rate paid per net metering credit, and a reduction in the amount of credits produced. He noted that the amount of grid supplied energy was forecasted to decline in FY 2025 and the Rate Year as the biogas facility is increasingly utilized. He took the contracted effective composite rate of $0.1932 per kWh in FY 2025 for grid supplied energy and applied an

[5] Loy Test. at 38-43.
[6] *Id*. at 47-48.

inflationary adjustment of $0.2009 per kWh in the Rate Year for a total of $6,145,740. Mr. Loy arrived at a net energy expense for the Rate Year of $4,659,746 after calculating the expenses associated with operating the turbines and the biogas facility, the PPA cost, and the projected net metering credits.[7]

Mr. Loy then discussed NBC's chemical expenses, stating that chemical prices have increased significantly over the last few years due to inflationary pressures, resulting in a projected Rate Year expense of $2,294,041. He also made inflationary adjustments relative to property, liability and workers compensation insurance. Mr. Loy suggested that the rate case expense for this docket be amortized over three years. He also included the remaining unamortized balance from the prior docket (Docket 22-47-WW) in the calculation of the rate case expenses for this proceeding.[8]

With regard to contractual and service agreement expenses, Mr. Loy noted that electrical maintenance and operation work previously done by NBC employees is now being performed by a contractor, and that the Providence Water Supply Board was raising its meter reading fee from $25,000 to $100,000 as of July 1, 2025. The projected Rate Year expense for contractual and service agreement costs was $3,051,399. The projected Rate Year expense of $1,067,932 for operations fuel and gas reflected the use of natural gas as a fuel source while improvements are being made to the biogas facility.[9] He also made adjustments to general and miscellaneous expense along with calculating a 1.5% operating allowance.[10]

Finally, Mr. Loy noted that NBC had submitted a debt service compliance filing contemporaneously with this filing, requesting a total debt service of $53,230,362 for the Rate

[7] *Id*. at 50-52.
[8] *Id*. at 52-56.
[9] *Id*. at 56-59.
[10] *Id*. at 59-64.

Year. NBC had requested approval of the debt service filing by December 31, 2024 so that it could close on a $100 million loan by March 2025. The rates from the debt service filing do not need to go into effect until July 1, 2025, the same effective date requested in this filing. In his calculations, Mr. Loy assumed that the debt service compliance filing would be approved.[11]

James McCaughey addressed the request for an abatement reinstatement fee. He explained that under the abatement program, customers' water meter readings are adjusted to properly account for the volumes that do not flow into NBC's collection and treatment program, which instead flows through a separate abatement meter installed by NBC. This is water typically used for irrigation. Reinstatement of the fee is being requested to recover the costs caused by customers that join the voluntary program but fail to provide the required annual information. The proposed fee ensures that the cost of removing and reinstating abatement accounts is recovered directly from the customers that cause NBC personnel to perform this task.[12] Mr. McCaughey also explained that the Providence Water Supply Board plans to increase their annual meter reading fee from $25,000 to $100,000 effective July 1, 2025.[13]

Leah Foster supported NBC's basic audited financial statements.[14] Stephen Maceroni discussed NBC's debt service compliance filing (Docket 24-40-WW), which was filed on October 2, 2024. He explained that NBC plans on borrowing $100 million from the Rhode Island Infrastructure Bank (RIIB) in March 2025, and that NBC has requested additional revenue of $3,976,244 to service that debt. NBC was requesting that the increased rates sought in the debt service compliance filing go into effect on July 1, 2025.[15]

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[11] *Id*. at 65.
[12] McCaughey Test. at 137-38.
[13] *Id*. at 141.
[14] Foster Test. at 145.
[15] Maceroni Test. at 148-50.

III. The Division of Public Utilities

On March 19, 2025, the Division submitted the pre-filed direct testimony of their consultant, Ralph Smith. Testifying to NBC's revenue requirement, he explained that his recommended adjustments result in a recommended revenue increase of $9.55 million, which is $4.36 million less than what is being requested in this docket.[16]

Mr. Smith explained that NBC's proposed debt service includes both existing debt and a new $100 million loan through RIIB, totaling $53.2 million. He also noted that NBC corrected its health insurance cost estimates after realizing they had mistakenly included both employer and employee contributions, and had overstated enrollment levels. These corrections lowered the requested pension and benefits expense by $933,41. Additionally, NBC reported $114,600 in new contract expenses. Lastly, NBC entered a new natural gas contract after filing the case, increasing the projected gas expense by $330,036 to a total of $1,370,301.[17]

As for the PUC assessment, Mr. Smith used the FY 2025 assessment amount of $473,573, considering it reflective of the most current and reliable information, resulting in a $67,448 reduction. He did not adjust the rate case expense but noted an updated estimate would be provided later. Regarding biosolids disposal, Mr. Smith disagreed with Mr. Loy's claim of historical growth in dry tons, stating the peak was 10,051 tons in FY 2023. NBC later updated its disposal pricing to $600.81 per ton for 2025 and expects even higher costs in 2026 than initially projected. NBC also revised its projected disposal volume for the Rate Year from 10,855 to 10,549 dry tons.[18]

Mr. Smith challenged NBC's significantly increased biosolids disposal cost estimates, arguing they were not supported by sufficient documentation and relied on inflated projected

[16] Smith Test. at 1-7.
[17] *Id*. at 10-14.
[18] *Id*. at 15-19.

volumes. Instead, he recommended using a lower, historically supported disposal rate and volume, which results in a reduced expense of $6,356,205 representing a $508,546 reduction from NBC's proposed amount. He also left open the possibility of revisiting the adjustment if more supporting information is provided.[19]

Mr. Smith did not recommend an adjustment to the projected electricity expense, but did recommend that updated amounts based on the most current information available be provided by NBC in its rebuttal filing.[20]

Mr. Smith recommended two adjustments to the proposed Rate Year net payroll expense. He explained that the first adjustment recognizes that when positions become vacant and are filled, that, on average, the re-filled positions have lower payroll amounts than the vacated positions. This resulted in a reduction of $118,341. The second adjustment recognizes that NBC does not currently have a workforce of 295.5 FTEs, and is unlikely to have 295.5 FTEs throughout the Rate Year. Mr. Smith noted that during the Test Year, NBC had on average 272 FTEs. During the most recent months available, NBC had 269, 268 and 270 total employees for November and December 2024 and January 2025. Therefore, Mr. Smith recommended removing all of NBC's projected payroll expense for the additional 23.5 positions beyond the Test Year amount, which consisted of 11 union and 12.5 non-union positions. This adjustment reduced the payroll expense by $1,859,970.[21]

Mr. Smith made a corresponding reduction to the payroll tax expense of $150,154. He also removed NBC's projected Rate Year health care benefits expense for the 27.5 positions not currently participating in such plans, thereby reducing the expense by $473,715. Mr. Smith opined that pension and post-retirement benefit expenses for positions that are vacant and unlikely to be

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[19] *Id*. at 18-21.
[20] *Id*. at 21-23.
[21] *Id*. at 24-30.

filled should not be included in the calculation of the revenue requirement. He therefore reduced the union expense by $240,723 and the non-union expense by $115,356. He also removed the amounts associated with unfilled positions for dental insurance, vision insurance and long-term disability insurance.[22]

Mr. Smith reduced the postage expense by $24,861 to reflect the declining number of bills being mailed. Addressing NBC's chemical expense, he used a three-year average for polymer and soda ash, stating that their prices had been fluctuating up and down from year to year. This resulted in a reduction in chemical expense of $71,231.[23] He also made several adjustments to various accounts to which NBC made inflationary adjustments, opining that allowing the application of a general inflation adjustment could incentivize less accurate tracking of expenses and a less rigorous approach to controlling costs.[24] Finally, he made adjustments to the operating allowance to reflect his adjustments.[25] He made no adjustments to the proposed across-the-board rate changes, but did recommend that NBC provide an updated class cost of service study in its next rate case.[26]

IV. Narragansett Bay Commission's Rebuttal Case

On April 16, 2025, NBC submitted pre-filed rebuttal testimony from Charles Loy, James McCaughey, and Stephen Maceroni. Mr. Loy indicated that the purpose of his testimony was to respond to the recommendations made by Ralph Smith. Mr. Loy provided updated schedules supporting a revised revenue requirement of $127,940,070, which represented a reduction of

[22] *Id*. at 31-37.
[23] *Id*. at 37-39.
[24] *Id*. at 37-41.
[25] *Id*. at 42-43.
[26] *Id*. at 44-45.

$2,433,523 from NBC's originally filed position. The revised revenue requirement constituted an $11,480,338 or 10.13% increase over the revenues being collected in current rates.[27]

Mr. Loy agreed to the adjustments recommended by Mr. Smith in the following accounts: (1) health insurance and related costs; (2) contract expense; (3) natural gas; (4) rate case expense; and (5) chemicals expense. (Direct 3-5, 16). Mr. Loy agreed in part and disagreed in part with Mr. Smith as to several other accounts. Mr. Loy agreed that the Division's proposed number of dry tons provided a reasonable basis for determining the biosolids disposal expense. However, he did not agree with the Division's position as to cost per dry ton. He explained that although the new rates that will go into effect in May 2026 are still under negotiation, the anticipated rate for dry tons originating from Bucklin Point is $1,383.90 and $1,186.05 from Fields Point. He further explained that the prices are different because the treatment processes at each plant are different, and because of the difference in distance between each plant and the vendor's facility. He accordingly revised the average treatment cost to $710.87, resulting in an increase in biosolids expense of $280,188 over NBC's original request, and a new total expense of $7,144,940.[28]

As to payroll expense, Mr. Loy agreed with the Division's employee salary turnover adjustment. However, he did not agree with the Division's headcount position. Mr. Loy asserted that the Commission should not accept the use of Test Year FTEs for determining NBC's revenue requirement. He argued instead that the number of Rate Year FTEs should be set based on the personnel needed to safely, reliably and efficiently operate the utility. He noted that three positions had recently been filled, and that the interview process had been completed or was in process for six positions, all of which he listed. He also enumerated two new positions for which NBC anticipates hiring before FY 2026. There were also two open Process Monitor positions anticipated

[27] Loy Rebuttal Test. at 1-2.
[28] *Id*. at 5-7.

to be posted in May 2025 which he represented were critical to operations as one must be present during each shift. Accordingly, adding the above positions to the 270 FTEs in January 2025, results in NBC's rebuttal position of 283 FTEs. NBC's rebuttal position as to the FTE count resulted in a $750,858 increase to the Division's proposed revenue requirement, and to corresponding adjustments to payroll taxes and benefits.[29]

Mr. Loy addressed workers compensation expense stating that assuming there will be no increases in the cost of insurance is unreasonable. He testified that NBC now believes its workers compensation insurance expense will be $706,677 in the Rate Year, rather than the $583,641 included in the original filing. He explained this was primarily due to increased losses. He indicated that updates would be provided when the renewal premium becomes available.[30] Mr. Loy also disagreed with the Division's removal of the general inflationary adjustment to the insurance account, noting that NBC's budget for insurance in FY 2026 is $131,000 higher than the amount he included in the Rate Year.[31]

Mr. Loy also disagreed with Mr. Smith's adjustment to postage and printing expense. asserting that Mr. Smith had not considered all costs associated with various mailings.[32] He testified that NBC accepted the Division's adjustments to the educational services, other services, and service agreements accounts, provided that these accounts be adjusted for known and measurable increases not captured in the historical average and that the same two year period be used for the office equipment contracts account. He maintained that the other services account should be adjusted to reflect increased meter reading fees assessed by Providence Water and the Lincoln Water Commission. He also asserted that the service agreements account should be

[29] *Id*. at 9-14.
[30] *Id*. at 17.
[31] *Id*. at 18-19.
[32] *Id*. at 14-15.

adjusted due to increases in subscription expenses for payroll service provider ADP, cloud storage provider Forever Coud, and critical event management service OnSolve.[33]

James McCaughey testified that Mr. Loy's description of the positions NBC seeks to fill was accurate and was based on information provided by NBC. He also advised that Lincoln Water has requested compensation of $4,000 annually for providing meter reading and other information that NBC needs to bill Lincoln Water's customers.[34]

Stephen Maceroni testified that the $100 million loan from RIIB had not yet closed due to concerns over principal forgiveness stemming from the issuance of several presidential executive orders. He explained that NBC and RIIB worked together to secure the principal forgiveness portion through NBC's direct borrowing from RIIB of $25,000,000 of Bond Anticipation Notes (BANs) on February 27, 2025. He further explained that the BANs mature on August 27, 2025, there is no prepayment penalty, and that NBC will pay off the BANs using a portion of the $100 million loan, now scheduled to close in mid-June 2025.[35]

Mr. Maceroni testified that the loan amortization schedule has been modified so that the first principal payment is now due in September 2026 (FY 2027) instead of September 2025 (FY 2026). He explained that NBC has based the FY 2026 debt service cost on the updated schedule he provided with the Rate Year amount equal to the payments required in FY 2027. He stressed that this was important because NBC will need to have collected and deposited the funds necessary to make the first principal payment of $2,020,000 due in September 2026. He concluded his testimony by stating that NBC had reduced its Rate Year debt service request by $659,558, along with the associated coverage of $164,889 for a total reduction of $824,448.[36]

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[33] *Id*. at 20-21.
[34] McCaughey Rebuttal Test. at 1-2.
[35] Maceroni Rebuttal Test. at 1-2.
[36] *Id*. at 1-3.

V. The Division's Surrebuttal Case

The Division filed surrebuttal testimony of Ralph Smith on May 6, 2025 in response to NBC's rebuttal positions. He agreed with NBC's updated amount for Debt Service costs, noting that the principal forgiveness in the $25 million BANS borrowed through RIIB will be incorporated into the $100 million RIIB loan.[37] He did not agree with NBC's revised position on the PUC Assessment of $522,523, which was based on an average of the expense for fiscal years 2023, 2024 and 2025. He continued to recommend using the FY 2025 assessment of $473,573, opining that it reflects the most current and reliable information.[38] With respect to rate case expense, he suggested an adjustment could be made after an updated estimate is provided near the end of the case.[39]

As for the biosolids disposal expense, Mr. Smith noted that NBC now agreed with the Division's proposed quantity of dry tons. However, he did not agree with the revised proposed rates, especially the rates to begin in May 2026. He noted that the source of these rates were discussions with a vendor with an absence of written price quotes or contracts. Therefore, he continued to recommend a rate of $632.40 per dry ton, the same rate NBC proposed in its original filing. He did acknowledge that the rate could be re-evaluated if additional information became available.[40]

Mr. Smith accepted NBC's updated proposed net payroll expense, subject to NBC confirming that all of the currently unfilled but in-process of being filled positions needed to achieve the level of 283 FTEs will actually be filled by June 30, 2025. He suggested that

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[37] Smith Surr. Test. at 4-5.
[38] *Id*. at 5-6.
[39] *Id*. at 6-7.
[40] *Id*. at 7-11.

adjustments could be made if it becomes apparent that some of the positions will not be filled by June 30, 2025.[41]

Mr. Smith agreed with NBC's updated amount for its postage expense but not with the updated amounts for printing and binding, stating that he found the original proposed amount to be acceptable.[42] Mr. Smith accepted NBC's updated electric expense, noting that a new two-year contract had been recently executed.[43]

Mr. Smith accepted the updated amount for workers compensation expense, opining that the amount is not unreasonable in comparison with annualized recent monthly invoice amounts and in consideration of historical refunds and dividends. (Surrebuttal at 23). As for the insurance expense, he recommended that NBC's proposed rebuttal amount be rejected as being inadequately substantiated and uncertain. He emphasized that the uncertainty is due to the lack of final agreements with insurance providers. He also continued to maintain that NBC has not justified the use of a general inflation adjustment to this account.[44] (Surrebuttal at 20-21).

VI. The Settlement Agreement

Following the submission of the Division's surrebuttal testimony, the parties engaged in settlement discussions, resulting in the filing of a Settlement Agreement (Settlement) with the Commission on May 20, 2025. In reaching the Settlement, the parties represented that they gave due consideration to the testimony, exhibits, schedules, NBC's responses to the data requests from the Commission and the Division, and other documentation in this docket. NBC and the Division further represented that they agreed to a comprehensive settlement that resolves all issues relating to NBC's application to increase rates.

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[41] *Id*. at 12-13.
[42] *Id*. at 15-16.
[43] *Id*. at 16-17.
[44] *Id*. at 20-23.

In the Settlement, NBC agreed with the Division's position on: (1) PUC assessment; (2) postage and printing; and (3) insurance. The parties reached a compromise as to payroll, setting the number of FTEs at 280.[45] As for the biosolids expense, the Division agreed with NBC's request for $7,144,940, which incorporates the Division's position on the dry ton amount, and NBC's position on unit cost. The parties also agreed to include this account in the operation and maintenance reserve fund (OMR) due to the uncertainty regarding NBC's unit cost beginning in May 2026. The parties agreed that the biosolids disposal expense account will be subject to the true up process for the OMR fund set forth in Docket 22-47-WW. The Settlement provides that the inclusion of the account into the OMR Fund is intended to be temporary to allow NBC to address increases in per-unit cost that could impact NBC in FY 2027 while postponing NBC's need to file its next rate case for a number of months. The Division reserved the right to recommend removal of this account from the OMR Fund in NBC's next rate case.[46]

The parties further agreed that the rate case expense would be established at the conclusion of the docket and amortized over two years. The Settlement also provided that NBC's requests for the establishment of an abatement reinstatement fee and an increase to the other services expense account to pay meter reading fees charged by the Providence Water Supply Board and the Lincoln Water Commission may be granted.[47]

The Settlement allowed NBC to collect additional operating revenue in the amount of $10,925,919 to support a total cost of service of $127,385,651. This would result in a 9.38% increase in revenue and a 9.64% across-the-board increase in user fee revenue. For an average residential customer using 135 gallons per day (5.5 HCF of water per month), the Settlement would

[45] Settlement at 6.
[46] *Id*. at 6-8.
[47] *Id*. at 8-9.

result in an increase of $51.81 in their annual bill from $537.15 to $588.96. The impact of the rate increase on all other customers would vary depending on the customer's classification and consumption.[48]

VII. Evidentiary Hearing and Proposed Settlement Revision

The Commission conducted an evidentiary hearing on June 4, 2025, to consider the issues addressed in the Settlement Agreement, especially the issues relating to the biosolids, electricity, insurance, and rate case expenses. There being no objection, NBC's Motion for Protective Treatment of Confidential Information relating to its redacted responses to certain Division Data Requests was granted.[49]

After opening statements were made by the attorneys for both parties, the Commission proceeded to hear from the parties' witnesses regarding the Settlement. The Commission first heard from Mr. Maceroni who addressed the debt service issue in the case. Mr. Maceroni testified that the planned $100 million borrowing from RIIB, originally scheduled to close in March 2025, was now set to close on June 24, 2025. He explained that RIIB suggested the issuance of a BAN in the amount of $25 million to protect approximately $7 million in principal forgiveness that had become at risk. This has been accomplished, and the BAN will be paid off with the $100 million borrowing. He also indicated that the principal has now been deferred one year, from FY 2025 to FY 2026, thereby lowering NBC's debt service request.[50]

The next witness to testify was James McCaughey who discussed the biogas facility at Bucklin Point, specifically the anaerobic digester project which has been ongoing for several years.

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[48] *Id*. at 9.
[49] Hr'g. Tr. at 8-9. Responses to DIV 1-27, 1-29, 1-44, 1-45, 1-46, 1-47, 1-48, and 1-63 contained identifiable customer information that the Commission deemed exempt from public disclosure under R.I. Gen. Laws § 38-2-2-4(B).
[50] Hr'g. Tr. at 20-23.

He acknowledged that the project was taking much longer to complete than anticipated and that the digesters were still running on natural gas. He asserted, though, that progress was being made and that they anticipate running to some degree on biogas in December 2025. However, he indicated that the digesters would largely run on natural gas through June 2026.[51]

The Commission questioned Mr. McCaughey extensively about the biosolids disposal expense. The Settlement adopted the Division's position on tonnage, which was the highest twelve-month period for disposal totaling 10,051 dry tons in FY 2023. The parties agreed on a blended rate of $710.87 to arrive at a revenue requirement of $7,144,940. Mr. McCaughey explained that NBC is nearing the end of a twenty-year biosolids management and disposal contract. As such, NBC's current disposal rate of approximately $640 per dry ton is below market. However, the contract expires on May 5, 2026. He explained that NBC is currently in negotiations with their vendor to extend the contract. While they have not been provided with anything in writing, Mr. McCaughey represented that NBC has been told by their vendor they cannot continue with the current rates as they are losing money and that NBC's going forward costs per dry ton may be more than double what they are currently paying.[52]

Mr. McCaughey testified that while the blended rate used in the Settlement reflects the anticipated price increase based on discussions with two vendors and other wastewater facilities, there was uncertainty as to what the actual costs will be starting in May 2026 when the current contract ends. The materials have primarily been trucked to an incinerator in Woonsocket. According to Mr. McCaughey, the current vendor has advised NBC that the Woonsocket incinerator may not always be available, resulting in the materials being trucked to incinerators in Connecticut or Ohio, which would be more expensive. He also opined that it is possible that more

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[51] *Id*. at 30-34.
[52] *Id*. at 51-54; Proposed Settlement Revision.

biosolids could be generated than anticipated. This level of uncertainty led the parties to include the biosolids disposal expense account in the OMR Fund. It also resulted in the parties projecting a potential shortfall of $5,195,292 and the introduction of a Proposed Settlement Revision which would move projected reductions in electricity and rate case expenses to the biosolids and insurance accounts without affecting the overall revenue requirement.[53]

Leah Foster then testified that the OMR would be funded at a level of $2 million. She explained that to access the OMR Fund, the actual monthly expenses must exceed the amount allowed in rates by $200,000 or more. She stated that transfers from the OMR Fund are capped at $2 million each year.[54]

Mr. McCaughey next discussed NBC's staffing levels. While acknowledging that the Settlement provides funding for 280 FTEs, he indicated that NBC would use the funds in an efficient manner to hire the people needed to operate their facilities. He stated that twelve of the thirteen new positions listed in NBC's response to Commission Data Request 6-4 were workload driven. Only the new grant writer position could be called a strategic hire. Mr. McCaughey explained that currently, grant writing is spread out amongst staff. However, grant writing has become much more complicated and time consuming, especially regarding the reporting requirements. He indicated that cyber security had been strengthened with the hiring of a cyber security manager, and they are planning to add an employee to this group. He indicated that their rebuttal position of 283 FTEs was arrived at by looking at the 270 filled positions in January 2025 and the number of positions in the hiring stages.[55]

[53] Hr'g. Tr. at 41-54, 98; Proposed Settlement Revision.
[54] Hr'g. Tr. at 106-08; Response to RR-6.
[55] Hr'g. Tr. at 61-70, 92-94.

Mr. McCaughey was also questioned extensively about NBC's renewable energy resources. He testified that NBC owns three wind turbines at Field's Point. Mr. McCaughey indicated that the Field's Point turbines supply energy to the wastewater treatment plant on normal days and generate power to the grid on very windy days. He described this facility as a behind the meter net metering facility, and that NBC receives a net metering credit for the energy supplied to the grid.[56]

NBC also owns three wind turbines in Coventry. These turbines are not connected to any NBC facilities. Mr. McCaughey testified that the electricity produced in Coventry goes out to the grid, is metered, and that NBC then receives a net metering credit on its bill from Rhode Island Energy. This is a virtual net metering facility. [57]Mr. McCaughey also testified that NBC has a power purchase agreement (PPA) with Green Development to purchase net metering credits generated by their solar facility. He clarified that NBC is only purchasing billing credits and not buying power from Green Development. Mr. McCaughey further stated that all of the RECs generated from the turbines at Field's Point and Coventry, and from the Green PPA are sold to reduce NBC's overall electric cost to its customers.

Mr. McCaughey stated that NBC's goal was to produce or be responsible for producing 100% of its energy use through Rhode Island renewable resources. His assertion that NBC was at 85% was questioned by the Commission, due to the virtual facilities in Coventry. The issue of double counting by buyers and sellers of RECs was also raised by the Commission. The concerns expressed by the Commission were acknowledged by Mr. McCaughey.[58]

[56] *Id*. at 70-72.
[57] *Id*. at 74-77.
[58] *Id*. at 87-89.

Kevin McDonald testified that he started working as NBC's Chief Financial Officer on May 12, 2025. He indicated that it was the intention of NBC to have as close to 280 FTEs as possible. Turning to insurance, he next testified that the total actual insurance expenses for FY 2026 exceeded the Settlement amount by $312,202. He explained that insurance expenses have risen nationally, and above what was forecasted at the time the Settlement was crafted. He noted that the property insurance premium quote was just received on June 3, 2025, the day before the hearing.[59] Regarding rate case expense, Mr. McDonald acknowledged the amortization period for rate case expense had been reduced from three to two years in the Settlement, due to the expectation that NBC would file its next rate case in the Fall of 2025, seeking new rates to go into effect on July 1, 2026. He also expressed his understanding that the unamortized expenses in NBC's request have been paid, so they will not be incurred in the rate year.[60]

Ralph Smith was the only witness to testify for the Division. He acknowledged that NBC had budgeted for 295.5 FTEs in FY 2025, which corresponded with their initial request in this case. He explained that in arriving at a workforce level, the Division looked at the number of filled positions and the positions in the recruitment process. He stated that the Settlement provides funding for 280 FTEs and for no other number. He testified that NBC and the Division were able to reach a compromise and that they both agreed that 280 FTEs was a reasonable funding level for the workforce for the rate year. He maintained that the Division is comfortable with a revenue requirement that funds 280 FTEs, on average, throughout the rate year.[61]

As noted above, during the hearing, NBC presented a Proposed Settlement Revision which was admitted into evidence as a full exhibit without objection. Also admitted during Mr.

[59] *Id*. at 113-15.
[60] *Id*. at 124-25, 148.
[61] *Id*. at 135-46.

McDonald's testimony into evidence was a schedule which reflected that the actual insurance expenses for FY 2026 exceeded the amount provided in the Settlement by $312,202.[62]

As discussed in the hearing, there is a lot of uncertainty as to the costs beginning in May 2026 for biosolids disposal, with a potential shortfall of $5,195,292. Counsel for NBC also represented that the Settlement amount of $538,519 for the rate case expense would probably exceed the amount trued up at the end of the docket. Indeed, the final rate case expense submitted by NBC was $235,384.[63] It was further revealed that while the Settlement used 39,324,330 kWh for the electric expense, the use of a four-year average of 35,469,221 kWh for FY 2022-2025 would result in a reduction of $750,329. The Proposed Settlement Revision uses this 4-year average to determine the electric expense.[64]

In an effort to delay the filing of its next rate case, NBC proposed the following revisions to the Settlement for the Commission's consideration: (1) of the $750,329 from reduction in Electricity, (2) move $312,202 to Insurance and $438,127 to Biosolids; and (3) any difference between estimated expense and actual expense to be applied to Biosolids.

At the conclusion of the hearing, the record was left open for the receipt of NBC's responses to the record requests that were issued. An Open Meeting was scheduled for June 23, 2025.

VIII. Commission Decision

On June 23, 2025, the Commission conducted an Open Meeting to discuss and deliberate on NBC's application and the Settlement Agreement. The Commission discussed and considered the Settlement Agreement, and the Proposed Settlement Revision. The Commission found that the

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[62] *Id*. at 111-15.
[63] June 25, 2025 Compliance Filing.
[64] Proposed Settlement Revision; NBC Response to PUC 8-1.

use of the 4-year average to achieve a reduction of $750,329 in the electricity expense and to move $312,202 to the insurance expense to eliminate the shortfall in that account was reasonable. A majority of the Commission also found that the proposed allocation of the remaining $438,127 in electricity savings to the biosolids account was reasonable, given the concerns raised about the potential magnitude of increased cost.[65] The majority indicated that this ruling would allow NBC to defer its next rate filing longer.

The majority also approved the Settlement Agreement as revised at the hearing but required the unamortized portion of rate case expense from the previous rate case be excluded from rate case expense in the rate year. The majority found that the Settlement Agreement as revised is just, fair and reasonable, in the public interest, and in accord with law and regulatory policy. The majority also voted that approval of the Settlement Agreement as revised is not to be construed as setting a precedent for the treatment of any of the expenses that were used to determine the revenue requirement which was approved by the Commission in this case.

The Commission further directed NBC to work with Commission staff on crafting appropriate language regarding NBC's renewable energy goals for inclusion on its website.

On June 25, 2025, NBC submitted a compliance filing with supplemental revised tariffs and revised settlement schedules. The Division reviewed the compliance filing and associated schedules and tariffs and determined that the schedules and tariffs accurately reflected the Commission's modifications to the settlement. The Division recommended approval of NBC's supplemental revised tariffs as filed. At an Open Meeting held on June 26, 2025, the Commission reviewed the compliance filing and found it to be consistent with the Commission's decision on

[65] Commissioner Anthony disagrees with the majority's decision to allow NBC to retain $589,694 in net savings that she concluded were not demonstrated to be necessary during the rate year, finding that these funds should have been used to reduce the rate increase.

June 23, 2025. The Commission approved the compliance filing and the rates included therein to become effective on July 1, 2025.

Accordingly, it is hereby,

(25548) ORDERED:

1. Narragansett Bay Commission's General Request for Rate Relief, filed on October 27, 2024, is denied.

2. The Settlement Agreement between Narragansett Bay Commission and the Division of Public Utilities and Carriers and Proposed Settlement Revision, inclusive of the following modifications made at the June 23, 2025 Open Meeting: (a) the electricity expense shall be reduced by $750,329 by using the 4-year kWh average consistent with NBC's response to PUC 8-1; (b) the reduction in the electricity expense is to be allocated by transferring $312,202 to the insurance account, and $438,127 to the biosolids disposal account; and (c) the difference between the estimated rate case expense of $538,519 used in the Settlement Agreement and the actual, trued up expense of $235,384 shall be applied to the biosolids disposal account is approved for usage on and after July 1, 2025.

3. The Narragansett Bay Commission's request for an Abatement Reinstatement Fee is granted.

4. The Narragansett Bay Commission's request for an increase in Other Services Expense to pay meter reading fees charged by the Providence Water Supply Board and the Lincoln Water Commission is granted.

5. Narragansett Bay Commission's Compliance Filing of June 25, 2025 and its associated supplemental revised tariffs and revised settlement schedules are approved.

6. Narragansett Bay Commission shall follow all other instructions contained in this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 1, 2025, PURSUANT TO OPEN MEETING DECISIONS ON JUNE 23, 2025, AND JUNE 26, 2025. WRITTEN ORDER ISSUED NOVEMBER 3, 2025.

PUBLIC UTILITIES COMMISSION

Ronald T. Gerwatowski, Chairman

*Abigail Anthony, Commissioner

Karen M. Bradbury, Commissioner

*Commissioner Anthony concurred in part and dissented in part as noted herein.

NOTICE OF RIGHT OF APPEAL: Pursuant to R. I. Gen. Laws 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (7) days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.