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November 26, 2025

Ms. Stephanie De La Rosa, Clerk
State of Rhode Island
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Narragansett Bay Commission – Docket 25-40-WW – Debt Service Compliance Filing

Dear Ms. De La Rosa:

Enclosed herewith please find an original and nine copies of the following:

1. The Narragansett Bay Commission's Response to the Rhode Island Public Utilities Commission's Data Requests (Set One).

Please note that an electronic copy of this document has been provided to the service list.
Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough Jr.

Enclosure

cc: Docket 25-40-WW Service List (via electronic mail)

PUC 1-1: The table on page 11 of Mr. Kevin B. McDonald's testimony indicates that after borrowing \$100 million since new rates were made effective on July 1, 2025, there will still be a shortfall of \$67.9 million through June 30, 2027.

- a. Will NBC utilize the Debt Service Reserve to fill this funding gap? If no, please explain how the funding gap will be filled.
- b. If the answer to (a.) is no, what will be the disposition of the Debt Service Reserve funds collected annually?

Response:

- a. No. The funding gap will be filled by future borrowings. It is also important to note that the \$67.9 million shortfall is only an estimate.

A debt service reserve is a segregated fund of cash available for specific bondholders to cover shortfalls in debt service payments. However, NBC does not establish debt service reserves for bonds issued to RIIB. NBC is assuming the reference to Debt Service Reserve is referring to the concept of debt service coverage.

As the Commission is aware, NBC is required under its bond indenture to set rates and charges (net of operating expenses) to equal at least 1.25x of the annual total debt service; this general requirement is standard across municipal wastewater utility debt issuers and is usually referred to as a rate covenant.

NBC allocates its revenues according to a defined flow of funds: first to operating expenses, then to debt service, followed by replenishment of reserve funds if needed, and finally to capital projects.

In a simplified manner, the concept over the course of a year works like this:

- 1) Collect rate revenues in an amount totaling \$200
- 2) Pay operating expenses of \$100, leaving a balance of \$100
- 3) Pay debt service of \$80, leaving a balance of \$20
- 4) Refill Operating Reserve for Revenue Stability and the Operations & Maintenance Reserve Funds of \$5
- 5) Apply funds for projects in the following year, eligible for operating capital funding of \$5
- 6) Apply the leftover amount (\$10) to fund the following year's capital projects.

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In this scenario, the rate covenant of 1.25x is just barely satisfied because the balance after paying operating expenses of \$100 is 1.25x of the \$80 due in debt service.

The amount referred to as OCA-RCIP in the table on Page 11 is analogous to the \$10 in step 6 of the example above and has already been budgeted for capital projects. As a result, NBC has no excess funds, and the estimated \$67.9M in additional capital needs must be funded with another debt issuance. It is also important to note that the \$67.9M shortfall is only an estimate and may change due to evolving project disbursement schedules, bidding timelines, etc.

- b. See response to PUC 1-1a above.

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PUC 1-2: The table on page 11 of Mr. Kevin B. McDonald's testimony identifies a projected transfer to the OCA-RCIP of \$10 million in July 2025. What was the date and actual amount of the transfer?

Response: \$8,508,912 was transferred in August 2025.

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- PUC 1-3:** The table on page 11 of Mr. Kevin B. McDonald's testimony identifies three transfers to the OCA-RCIP totaling \$37,812,817.
- a. Is the source of these funds NBC's Debt Service Reserve?
 - b. If yes, why are the projected transfers each \$10 million rather than the full amount of debt service coverage collections?
 - c. If no, what is the source of these funds?

Response:

- a. No.
- b. Not applicable. There is a difference between debt service reserve and debt service coverage.
- c. The source of funds is from debt service coverage. Refer to the response for PUC 1-1a, which explains why the entire debt service coverage is not available for the Operating Capital Account - Restricted CIP.

Description	Amount	
Operating Capital Account - Restricted CIP Balance 7/1/2025	\$ 17,812,817	
Projected Prior Year Debt Service Coverage Transfer July-2025	10,000,000	ESTIMATE
Projected Prior Year Debt Service Coverage Transfer July-2026	10,000,000	ESTIMATE
	<u>\$ 37,812,817</u>	

The above is funded by debt service coverage and is held in the Operating Capital Account - Restricted CIP

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PUC 1-4: Referring to Schedule KBM-4, please explain why the interest rate and total amount varies from year to year rather than remaining fixed.

Response: When RIIB prices (sets the interest rate) debt, each principal payment date is essentially priced based on its individual maturity length. For example, the \$2.085MM principal payment on 6/30/2036 is priced using the interest rate for a 10-year municipal bond (2.3971%). Since interest rates generally increase the longer the length of the borrowing term, principal payments further into the future bear a higher interest rate. The overall debt service structure is designed to keep total payments as level as possible over time.

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PUC 1-5: Following the \$75 million borrowing that is the subject of this filing, what are the anticipated dates and amounts of borrowings over the next 5 years.

Response: NBC evaluates and adjusts its cash draw spending on a quarterly basis. Because project schedules and scopes are subject to change, the following amounts should be considered estimates of anticipated borrowings for the next five years.

Anticipated Borrowings

Fiscal Year	Amount
FY 2027	\$ 69,166,257
FY 2028	\$ 113,767,266
FY 2029	\$ 33,479,982
FY 2030	\$ 23,377,770
FY 2031	\$ 2,945,633

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PUC 1-6: Please provide a list of each capital project that NBC has started or plans to start through 2030. For each, please provide the cost and what portion of the cost will be funded via direct borrowing or via the Debt Service Reserve.

Response: NBC reviews and updates its cash draw spending on a quarterly basis. The projections through June 30, 2030 reflect NBC's latest update as of July 1, 2025 (Actual spent through October 31, 2025). For a detailed breakdown of spending by project, please refer to "PUC 1-6 Projected Capital Spending" attachment.

Funding Source	Projected Spending 11/1/25 - 6/30/30	
NBC Pay-Go	\$	47,966,059
SRF 25		24,985,912
SRF 26		74,300,000
WIFIA		92,841,860
Funding Needed		287,275,944
Total	\$	527,369,775

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PUC 1-6

Projected Spending November 1, 2025 through June 30, 2030

Project No.	Project Name	NBC Pay-Go	SRF 25	SRF 26	WIFIA	Funding Needed	Total
20300	FPWWTF Improvements	\$ 1,269,050	\$ -	\$ 12,550	\$ 17,398,300	\$ 15,737,200	\$ 34,417,100
20400	FPWWTF Ernest Street Pump Station Improvements	810,500	-	70,200	9,571,300	15,923,400	26,375,400
20500	FPWWTF Maintenance and Storage Buildings	649,500	-	124,100	2,563,300	24,632,400	27,969,300
20700	Long-Range Biosolids Disposal	2,545,200	-	-	-	-	2,545,200
20701	Biosolids Management Facility Upgrade	548,500	-	-	51,814,760	67,290,060	119,653,320
20801	Data Communications Upgrades and WWTF Network Improvements	11,838,900	-	57,700	-	-	11,896,600
20900	FPWWTF Wet Weather Clarifier Facility Improvements	565,000	155,800	1,256,600	-	3,171,700	5,149,100
24000	NBC Facility Electrical Improvements	495,000	-	-	-	-	495,000
30315	Woonasquaket CSO OF 046 Improvements	78,699	-	-	-	3,795,201	3,873,900
30400	Interceptor Inspection and Cleaning Projects	912,733	-	-	-	-	912,733
30421	Louisquisset Pike Interceptor Improvements	76,500	-	-	-	-	76,500
30468	Improvements to Interceptors FY 2022	1,471,900	-	-	-	-	1,471,900
30500	NBC Interceptor Easements Restoration, Various Locations	1,578,400	-	-	-	-	1,578,400
30610	NBC System-wide Regulator Modifications	210,948	-	500,280	-	969,034	1,680,262
30700	NBC System-wide Facilities Planning	1,770,000	-	-	-	-	1,770,000
30800	CSO Phase III A Facilities - Design and Construction Program Management	1,465,352	887,000	4,283,400	-	11,870,648	18,506,400
30801	CSO Phase III A Facilities - Pawtucket Tunnel and Pump Station Shaft	122,886	4,660,300	8,150,414	-	-	12,933,600
30802	CSO Phase III A Facilities - Tunnel Pump Station Fit-out	1,709,244	6,875,000	31,160,519	-	49,346,310	89,091,073
30803	CSO Phase III A Facilities - OF 205	67,114	123,736	199,750	-	-	390,600
30804	CSO Phase III A Facilities - OF 210, 213, 214	679,520	6,565,300	9,752,500	-	30,898,880	47,896,200
30810	CSO Phase III A Facilities - BPWWTF Clarifiers and Flow Splitters	376,546	1,228,495	8,534,987	-	7,765,972	17,906,000
30830	CSO Phase III B Facilities	1,707,400	-	-	-	26,411,000	28,118,400
40101	FPWWTF Electrical Improvements	477,000	-	55,500	3,632,000	7,720,900	11,885,400
40200	NBC System-wide Inflow Reduction	1,689,600	-	-	-	-	1,689,600
40600	Asset Management Program Support Services	2,045,100	-	-	-	-	2,045,100
40700	Enterprise Resource Planning (ERP) System Replacement	856,800	-	-	-	-	856,800
70900	Omega Pump Station Improvements	421,000	-	-	-	7,210,000	7,631,000
71000	Lincoln Septage Receiving Station Replacement	441,500	-	58,900	7,862,200	565,600	8,928,200
72000	Reservoir Avenue Pump Station Improvements	295,500	130,200	259,800	-	4,500,200	5,185,700
72100	Saylesville Pump Station Improvements	1,189,700	-	-	-	3,626,800	4,816,500
81000	BPWWTF UV Disinfection Improvements	270,000	2,906,560	7,180,850	-	1,278,940	11,636,350
81600	BPWWTF Improvements	485,000	145,600	362,400	-	4,561,700	5,554,700
81701	BPWWTF Service Building Demolition	3,753,300	-	-	-	-	3,753,300
81800	BPWWTF Sludge Digestion Facility Improvements	124,500	1,307,921	2,179,950	-	-	3,612,371
91000	Office and Building Improvements	39,000	-	-	-	-	39,000
91004	Office Improvements 2026	1,011,800	-	-	-	-	1,011,800
1140600	RIPDES Compliance Improvements	719,000	-	99,600	-	-	818,600
1140700	PFAS Testing and Monitoring	844,000	-	-	-	-	844,000
1140900	Water Quality Model Validation and Enhancement	89,700	-	-	-	-	89,700
30400M	Interceptor Inspection and Cleaning Project	2,058,667	-	-	-	-	2,058,667
30482M	Interceptor Inspection and Cleaning	206,000	-	-	-	-	206,000
Total		\$ 47,966,059	\$ 24,985,912	\$ 74,300,000	\$ 92,841,860	\$ 287,275,944	\$ 527,369,775

Source: 2025.07 Cash Draw Master-3

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PUC 1-7: Please state the approvals needed from the Commission and please provide suggested language to be included in the Commission's Order that would allow NBC to complete the borrowing in February 2026.

Response: The approval needed from the Commission is the same as in Docket 24-40-WW, which was NBC's last Debt Service Compliance Filing and the approval language should be as follows:

"Accordingly, it is hereby

(#) ORDERED:

1. The Narragansett Bay Commission's Compliance Filing for Debt Service and Debt Service Coverage is approved for effect July 1, 2026. Tariff rates will be increased by 4.08%, to generate additional revenues of \$5,065,959, for a total revenue requirement of \$132,462,867."

Sponsored by: Kevin McDonald

CERTIFICATION

I hereby certify that on November 26, 2025 I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Stephanie De La Rosa, Commission Clerk, by electronic mail and first class mail.

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