

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

**In Re:** Providence Water Supply Board :  
125 Dupont Drive :  
Providence, Rhode Island : **DOCKET No.: D-25-06**  
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 **Petition for Authority to Borrow Up to \$21,000,000** :  
 **From the Drinking Water State Revolving Fund** :  
 **Through the RI Infrastructure Bank** :  
 :  
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**DECISION AND ORDER**

Hearing Officer: John Harrington, Esq.

Hearing Held: May 20, 2025

Appearances: Providence Water Supply Board, *Applicant*  
Leah J. Donaldson, Esq.

Advocacy Section of the Division of Public Utilities and Carriers  
Leo Wold, Esq.

**I. INTRODUCTION**

On April 2, 2025, the Providence Water Supply Board (Providence Water) filed an application with the Rhode Island Division of Public Utilities and Carriers (Division) seeking authority to borrow an amount not to exceed \$21,000,000 from the Drinking Water State Revolving Fund (DWSRF) through the Rhode Island Infrastructure Bank (RIIB). The application was filed in accordance with the requirements of R.I. Gen. Laws § 39-3-15 and Rule 1.14 of 815-RICR-00-00-1 (Division Rules). In its filing, Providence Water states that the purpose of the borrowing is to fund improvements to the Providence Water distribution system, including but not

limited to cleaning, lining, repair, and replacement of water mains, transmission lines, service lines, and valves. The Division conducted a duly noticed public hearing on May 20, 2025, in the Division's hearing room, located at 89 Jefferson Boulevard in Warwick.

## **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. DISCUSSION**

Providence Water submitted pre-filed direct testimony from three witnesses in support of its application: Cheryl McCreight, Finance Director for Providence Water; Peter R. LePage, Senior Director of Engineering for Providence Water; and Matthew Blais, Vice President of Hilltop Securities Inc.

### **A. Providence Water Pre-Filed Testimony**

Among other things, Ms. McCreight testified that Providence Water sought to borrow \$21,000,000 from RIIB to fund improvements to the Providence Water distribution system, including but not limited to cleaning, lining, repair, and replacement of water mains, transmission lines, service lines, and valves.<sup>1</sup> Ms. McCreight stated that the amount of \$21 million was estimated to be sufficient to cover the construction costs for a portion of the project, along with the cost of issuance, the origination fee to the RIIB, and the required debt service reserve fund.<sup>2</sup> Ms. McCreight explained that, in order to pay the debt service, Providence Water will use rate revenue already approved by the Public Utilities Commission in Docket No. 4994, its most recent,

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<sup>1</sup> Direct Testimony of Cheryl McCreight at 1. Ms. McCreight also testified that Providence Water authorized its General Manager to seek approval from the Providence City Council for financing from the RIIB for an amount not to exceed \$21 million. The Providence City Council authorized this borrowing by Ordinance on February 28, 2025. *Id.* at 2; Exhibit CM-1.

<sup>2</sup> *Id.*

three-step rate filing approved by the PUC on August 27, 2020. Because of the structure of the repayment schedules by the RIIB, Providence Water does not need a rate increase to cover the initial repayments because the transfer of rate revenue to the Restricted Infrastructure Replacement Fund is currently sufficient.<sup>3</sup>

Ms. McCreight described the terms of the financing as follows: The Bonds will be funded through the DWSRF with terms of approximately 20 years from the projected date of borrowing.<sup>4</sup> The expected interest cost will reflect a 25% subsidized interest rate reduction off the current market rates. Ms. McCreight stated that, based upon market conditions as of March 5, 2025, Providence Water expected that the market interest rate on the loan will not exceed 4.11%, which, with the 25% subsidy, would result in a projected subsidized rate of 3.08%.<sup>5</sup>

Mr. LePage provided more detail about the projects that would be funded by this borrowing. Providence Water would reline existing unlined cast iron pipe with a cement mortar coating in the Trinity Square section and the Lower South Providence section of its distribution system in the City of Providence. The existing unlined cast iron pipes contribute to water quality (red water) issues. In addition, the City of Providence Department of Public Works will be resurfacing the streets in the Trinity Square section, so Providence Water is taking advantage of this opportunity to rehab the mains in this area prior to the City's street resurfacing project. This reduces the street remediation costs that would otherwise be incurred by ratepayers in connection with this rehabilitation project.<sup>6</sup>

Mr. Blais explained that the State of Rhode Island has created a DWSRF administered by RIIB to provide financial assistance to water suppliers. This fund uses federal capitalization grants

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<sup>3</sup> *Id.* at 2-3.

<sup>4</sup> Ms. McCreight's appended a copy of the RIIB commitment letter to her pre-filed testimony. *See* Exhibit CM-4.

<sup>5</sup> *Id.* at 3.

<sup>6</sup> Direct Testimony of Peter R. LePage at 1-2.

and state matching funds to provide subsidized loans to water suppliers for qualifying projects listed on the Project Priority List (PPL) maintained by the Department of Health (DOH). Providence Water's proposed project has been identified in Providence Water's capital program and is listed on the DOH's PPL, thereby qualifying for the subsidized interest rate.<sup>7</sup>

The term of the proposed borrowing is approximately 20 years from the projected date of borrowing. The expected interest cost will reflect a 25% subsidized interest rate reduction off the current market rates. Mr. Blais reiterated that, based upon market conditions as of March 5, 2025, he anticipated that the market interest rate on the loan will not exceed 4.11%, which, with the 25% subsidy, would result in a projected subsidized rate of 3.08%. Mr. Blais anticipated the borrowing to take place in May of 2025 and, for purposes of Division approval, he recommended a not-to-exceed market rate of 5.00% and a subsidized rate of 4.00% to allow for market movement.<sup>8</sup>

Finally, Mr. Blais explained that, of the \$21,000,000 loan, approximately \$19,240,400 will be available for project expenditures, approximately \$1,459,650 will be set aside in the debt service reserve fund, and approximately \$300,000 is allocated for costs of issuance, including rating agency fees, bond counsel, financial advisor and trustee fees, and the origination fee. The average annual debt service is expected to be approximately \$1,464,000 per year, including the RIIB annual fee; however, this amount is subject to change based upon the actual project costs, draw schedule and actual interest rate subsidy at the time of borrowing.<sup>9</sup>

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<sup>7</sup> Direct Testimony of Matthew J. Blais at 2-3.

<sup>8</sup> *Id.* at 3.

<sup>9</sup> *Id.*; *see* Schedule MB-1 for a schedule of projected debt service.

## **B. Discovery and Hearing**

The Division conducted a public hearing on May 20, 2025.<sup>10</sup> Ms. McCreight, Mr. LePage, and Mr. Blais all testified for Providence Water. Mr. Joel Munoz, a Public Utility Rate Analyst at the Division, testified for the Advocacy Section of the Division.

In response to discovery requests from the Advocacy Section, Providence Water provided a detailed description of the work that it intends to undertake with the funding. Providence Water intends to rehab large distribution water mains in the Trinity Square section and the Lower South Providence section of its system. The Trinity Square project was initially funded through a \$5.5M bond obtained in 2023 and is partially complete. The original Trinity Square project bond was intended to cover a smaller scope project that Providence Water is accelerating to coordinate with a scheduled municipal paving project in the area. The scope of the original project was significantly expanded to include a larger area to better coordinate the work with the scheduled paving and with work done by other utilities in the area. The new bond will be allocated to finish the Trinity project and also finish the first two projects in Lower South Providence section of the system. The first area in the Lower South Providence section is expected to begin this construction season and will finish sometime in early 2026.<sup>11</sup>

Ms. McCreight testified that Providence Water was currently in the process of a rate filing with the PUC.<sup>12</sup> Ms. McCreight explained and referenced Schedule HJS-10 attached to Providence Water's Response to AS-1, that Providence Water included the proposed borrowing within its debt service in the pending rate case.<sup>13</sup>

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<sup>10</sup> Providence Water also responded to data requests propounded by the Advocacy Section. *See* Providence Water's Response to the Advocacy Section's data requests dated April 11, 2025.

<sup>11</sup> Providence Water's Response to AS 1-8.

<sup>12</sup> *See* Providence Water Supply Board's Application for General Rate Schedule Changes, PUC Docket No. 24-51-WW filed on November 26, 2024.

<sup>13</sup> Hearing Transcript (Tr.), May 20, 2025, at 11-14.

Mr. Blais provided an update to the expected interest rate on the borrowing. Mr. Blais stated that he was still recommending Division approval of a market rate not to exceed 5.00%, despite the recent increase to interest rates and general market volatility.<sup>14</sup> Mr. Blais also explained that Providence Water is required to maintain a debt service coverage ratio of above 1.25, meaning available net revenues are above 125% of debt service.<sup>15</sup> Providence Water's debt service coverage ratio is projected to be 2.26 after the proposed borrowing.<sup>16</sup> Finally, Mr. Blais testified that Providence Water may be eligible for principal forgiveness of up to 20% of the loan amount from RIIB. Providence Water will not know its eligibility for or the amount of principal forgiveness until the loan closing. In order to be conservative, Providence Water has prepared its debt service repayment schedules and related debt ratios based on not receiving any principal forgiveness.<sup>17</sup>

Mr. LePage testified that Providence Water would still have needed to undertake the expected projects even if the City of Providence was not undertaking repaving in the areas. When the City informed Providence Water of the upcoming repaving project, Providence Water put together several smaller projects that it intended to undertake into the proposed larger project. Mr. LePage explained that Providence Water would like to close the borrowing as soon as possible to take advantage of avoiding the expense of repaving.<sup>18</sup> Mr. LePage also testified that Providence Water was in the process of obtaining its certificate of approval from the DOH and expects to receive it within the following week.<sup>19</sup>

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<sup>14</sup> *Id.* at 17; *see also* Providence Water's Response to AS 1-7.

<sup>15</sup> *Id.* at 23.

<sup>16</sup> Providence Water's Response to AS 1-2.

<sup>17</sup> Tr. dated May 20, 2025 at 30-31.

<sup>18</sup> Tr. at 18-19, 26-27.

<sup>19</sup> Tr. at 31.

Mr. Munoz testified that the Advocacy Section had reviewed Providence Water's filing and its responses to data requests and concluded that the proposed borrowing was reasonable and in the best interest of ratepayers. In particular, Mr. Munoz opined that the borrowing was made for a proper purpose, that Providence Water's current level of funding was sufficient to cover the associated debt service, that Providence Water's debt service coverage ratio remained above the 1.25 benchmark, and that the proposed borrowing would not impact Providence Water's credit rating.<sup>20</sup>

#### IV. CONCLUSION AND ORDER

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 evidence of indebtedness, payable more than twelve (12) months from the date of issue. . ." R.I. Gen. Laws § 39-3-18 provides that the Division shall "fix the amount, character, and terms of any issue, and the purposes to which the issue or any proceeds thereof shall be applied, and recite that the money, property, consideration, or labor procured or to be 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." No public utility shall, without the consent of the division, apply any issue or its proceeds to any purpose not specified in the order.<sup>21</sup>

The Division finds that the witnesses appearing before the Hearing Officer were credible and reliable and that there were no conflicting facts. The record evidences that Providence Water needs the borrowing in order to fund needed improvements to its system, that the amount of the

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<sup>20</sup> Tr. at 33-34.

<sup>21</sup> R.I. Gen. Laws § 39-3-18.

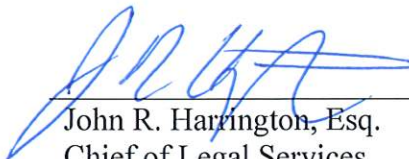
borrowing and interest rate is reasonable, particularly in light of the RIIB subsidization, and that Providence Water can take advantage of the City of Providence's upcoming repaving project to avoid the cost of repaving. Predicated on a careful examination of the record and testimony in this matter, the Division finds that the instant application request for authority to borrow an amount not to exceed \$21,000,000 to fund improvements to the Providence Water distribution system is reasonable and in the best interest of Providence Water's ratepayers, and meets the requisite burden of proof set forth in R.I. Gen. Law §39-3-15, et seq.

Accordingly, it is


**(25394) ORDERED:**

1. That Providence Water's April 2, 2025 application, which seeks Division approval under R.I. Gen Law §39-3-15, to borrow an amount not to exceed \$21,000,000 through the Drinking Water State Revolving Fund, is approved.
2. The Division limits the approval of Providence Water's application to the purposes, amounts, character and terms of the security issues identified in the Record.
3. Providence Water shall, upon receipt, file the RIDOH certificate of approval with the Division.

**DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND JUNE 18, 2025.**

  
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John R. Harrington, 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.



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Linda George  
Administrator



## STATE OF RHODE ISLAND

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### **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.