

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: NARRAGANSETT BAY	:	
COMMISSION'S DEBT SERVICE	:	DOCKET 25-40-WW
AND DEBT SERVICE COVERAGE	:	
COMPLIANCE FILING	:	
	:	
	:	

ORDER

I. Introduction

This matter is before the Public Utilities Commission (Commission) upon the Narragansett Bay Commission's (NBC) October 6, 2025 Compliance Filing for Debt Service and Debt Service Coverage with the Public Utilities Commission (Commission).¹ In this docket, NBC sought approval for a revenue requirement increase of \$7,897,138 to cover debt service and debt service coverage expenses to fund NBC's ongoing capital improvements.² The request supported a total revenue requirement of \$135,294,045 and a 6.35% across-the-board increase on all residential and non-residential rates.³ NBC specifically requested an increase of \$4,052,767 to its debt service and \$3,844,370 to its debt service coverage.⁴

II. NBC's Filing

NBC's filing was submitted under the Commission authorized Debt Service Compliance Filing Mechanism. The Filing Mechanism was originally approved in Docket No. 3483; it was extended through 2022 in Docket No. 4364; it was further extended through 2027 in Docket No.

¹ Narragansett Bay Commission's Filing at 1. All filings in this docket can be found at: <https://ripuc.ri.gov/Docket-25-40-WW> or reviewed at the Commission's office at 89 Jefferson Boulevard, Warwick, Rhode Island.

² *Id.*

³ *Id.* at 3.

⁴ *See* KBM-1, Bates No. 16.

22-47-WW.⁵ The debt service compliance filing mechanism allows NBC to make abbreviated filings for debt service and debt service coverage related to capital projects.⁶ The mechanism allows NBC to avoid the cost of a full rate filing, achieving savings for ratepayers.⁷ NBC has filed compliance filings previously in Dockets No. 3775, 4151, 4214, 4305, 4352, 4562, 4602, 4885, and 24-40-WW.⁸

The filing requirements, originally established in Docket 3483 for NBC's Debt Service Compliance Filing Mechanism, are as follows:

- (1) Be filed no later than sixty days prior to its effective date;
- (2) Be limited for debt service and debt service coverage for Capital Improvement Projects (CIP) projects;
- (3) Contain a revised limited cost of service schedule reflecting the changes to the revenue and expense accounts affected by the Variable Rate Debt Obligation in Tax Exempt Commercial Paper ("VRDO/TECP") program;
- (4) Contain testimony and schedules in support of the debt service and debt service coverage proposed as well as current and projected annual debt service payment schedule;
- (5) Contain a summary of funds currently available for the CIP program and the projected funding needed for the rate year period;
- (6) Contain a summary of funding received from Rhode Island Clean Water Finance Agency (RICWFA), now known as the Rhode Island Infrastructure Bank (RIIB), including funds required, received, the interest rate, any repayment schedules;
- (7) Contain a summary of how prior years' debt service coverage funds were utilized;
- (8) Contain a calculation of new rates based on a uniform percentage increase to rates; and,
- (9) Contain a showing of compliance with prior Commission orders and the requirements of Section 5.11 of the Commission's Rule of Practice and Procedure.⁹

Mr. Kevin McDonald provided pre-filed testimony on behalf of NBC. Mr. McDonald is the Chief Financial Officer of NBC. Mr. McDonald testified that NBC seeks the additional rate relief for debt service and debt service coverage to ensure that it receives planned borrowing of \$75.0 million from RIIB in February 2026. Specifically, NBC plans to use the loan to finance its capital

⁵ See generally PUC Order approving Settlement Agreement, dated April 8, 2024.

⁶ McDonald Direct at 2.

⁷ *Id.*

⁸ *Id.*

⁹ See *id.* at 8-9, referencing filing requirements set forth by the PUC in Docket No. 3483.

needs for the federally mandated Combined Sewer Overflow (CSO) Abatement Program. In this filing, the test year is fiscal year 2026 (which is also the approved rate year from NBC's prior docket 24-41-WW), and the rate year is fiscal year 2027.¹⁰

Mr. McDonald also testified that NBC requests an increase of the debt service coverage ratio from 1.25 to 1.30 in its filing. As grounds therefore, NBC testified that such an increase would "strengthen [its] 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." Additionally, Mr. McDonald testified that NBC has historically relied heavily on debt to fund its ongoing capital projects. However, NBC's debt to operating revenue ratio places NBC in the lowest rating for Mood's credit factor. Mr. McDonald testified that the increase in the debt service coverage ratio from 1.25 to 1.30 would reduce long-term costs and save ratepayers roughly \$36,315,126 in interest payments.¹¹

The majority of the NBC's capital uses, from July 1, 2025 through June 30, 2027, are for the CSO Phase III A Facilities. The total number allocated for CSO Phase III A is \$206,529,242. However, additional capital funding of more than \$67.9 million is projected to be required in fiscal year 2027.¹² In response to PUC data request 1-1, NBC responded that that funding gap is anticipated to be filled by future borrowings.¹³

Overall, Mr. McDonald testified that NBC's filing was in compliance with the mechanism and met all nine requirements. Further, NBC's requested increase was comprised of \$4,052,767 for debt service and \$3,844,370 for debt service coverage, resulting in a total requested increase of \$7,897,138. The amount of the debt service coverage increase related to the request to change

¹⁰ *See id.* at 4.

¹¹ *Id.* at 8.

¹² *Id.* at 11-12.

¹³ NBC Response to PUC 1-1.

the debt service coverage ratio from 1.25 to 1.30 was \$2,831,179. The requested increases would raise NBC's total revenue requirement to \$135,294,045.¹⁴

Next, Mr. David Bowen provided pre-filed testimony on behalf of NBC. Mr. Bowen is the Director of Construction and Engineering. He has been employed by NBC since May of 2018 as its Engineering Manager. He testified to provide an update on NBC's capital projects. Mr. Bowen testified that NBC approved its Fiscal year 2026-2031 Capital Improvement Program (CIP) at its February 4, 2025 meeting. The CIP forecasted expenditures of \$511.9 million in that time frame. Mr. Bowen testified that the CSO Phase III Facilities accounted for approximately 50% of the total CIP expenditures from fiscal years 2026-2031. Mr. Bowen specifically described the projects within the CSO Phase III of the CSO Abatement Program.¹⁵

Lastly, Mr. Stephen Maceroni provided pre-filed testimony in support of NBC's filing. Mr. Maceroni is the Director with PFM Financial Advisors, LLC (PFM).¹⁶ As the financial advisor to NBC, Mr. Maceroni was familiar with NBC's borrowing history and capital needs.¹⁷ Mr. Maceroni testified in support of NBC's request to finance its CIP. He specifically testified about the RIIB bonds and their structure. Moreover, Mr. Maceroni testified about NBC's credit rating and how NBC's strong ratings from various entities will result in cost savings for ratepayers.¹⁸

III. **NBC's General Rate Filing**

On October 17, 2025, NBC filed an application for a general rate increase.¹⁹ In its filing, NBC requested additional revenues in the amount of \$14,102,824 to support a total revenue

¹⁴ See KBM-1. This number was prior to the general rate filing made by NBC, on October 17, 2025.

¹⁵ Bowen Pre-Filed Direct, at 2-3.

¹⁶ In 2012, PFM was appointed to serve as Financial Advisor to NBC by NBC's Board of Commissioners. Maceroni Pre-Filed Direct, at 1.

¹⁷ Maceroni Pre-Filed Test., at 1.

¹⁸ *Id.* at 2-3.

¹⁹ See NBC's General Rate Filing. All filings in this docket can be found at: <https://ripuc.ri.gov/Docket-25-32-WW> or reviewed at the Commission's office at 89 Jefferson Boulevard, Warwick, Rhode Island.

requirement of \$141,499,731. This represented an across-the-board increase of 11.35% on residential and non-residential rates. Importantly, the proposed revenue requirement included the proposed revenue increase requested in this docket. NBC requested in its general rate filing that rates become effective on July 1, 2026.²⁰

IV. **Division's Memorandum**

The Division of Public Utilities and Carriers (Division) filed a memorandum on November 14, 2025. In its memorandum, the Division noted that NBC's general rate filing included the impact of the requested \$7,897,138 increase in this docket, No. 25-40-WW. The impact resulted in a single, coordinated rate adjustment between the two dockets. The Division reviewed the NBC's pre-filed testimony along with the rest of its filing and concluded that the request met all filing requirements as set forth by the Commission in Docket No. 3483. The Division did not oppose NBC's request for additional debt service funding to support the proposed debt issuance and NBC's use of the RIIB subsidized loans to fund its CIP. However, the Division did oppose NBC's request to increase the debt service coverage ratio from the current level of 1.25 to 1.30. As grounds therefore, the Division stated that the debt service coverage issue would be "better addressed in NBC's pending general rate filing . . ." Accordingly, the Division recommended that the Commission approve NBC's proposed debt service increase of \$4,052,767. Additionally, the Division recommended that the Commission limit the debt service coverage increase to 25% of the debt service increase, of \$1,013,192. The Division recommended a total revenue requirement increase of \$5,065,959, which results in a total revenue requirement of \$132,462,867.²¹

²⁰ *See id.*

²¹ Division's Mem, at 2-3.

V. **NBC's Rebuttal Testimony**

On November 19, 2025, in response to the Division's memorandum and position, NBC submitted rebuttal testimony from Mr. McDonald. In his rebuttal, Mr. McDonald testified that he agreed with the Division's recommendation to address the proposed increase in debt service coverage ratio from the current 1.25 to 1.30 rate in NBC's General Rate Filing case (Docket No. 25-32-WW). Specifically, Mr. McDonald testified that "[A]s long as NBC can continue to seek an increase in debt service coverage in the General Rate Filing, we have no objection to the Division's recommendation."²²

VI. **Commission's Hearing**

On December 4, 2025, the Commission conducted a hearing to review NBC's filing and take further evidence.²³ At hearing, Ms. Kathryn Kelly adopted the pre-filed testimony of Mr. David Bowen. Ms. Kelly is the Assistant Director of Engineering and Construction at NBC. She testified that the total estimated cost of NBC's CSO project Phase 3 is \$1.4 billion.²⁴ Ms. Kelly estimated that approximately \$850 million is to be spent by the time that the facilities are scheduled to be operational, on February 21, 2028. Additionally, Mr. McDonald and Ms. Kelly testified regarding NBC's Long Term Debt Balance forecast in the next ten years. However, Mr. McDonald deferred to Mr. Maceroni for the actual estimate.²⁵ As it currently sits, NBC's long-term debt is approximately \$1.2 billion. Mr. McDonald testified that, were NBC granted an increase its debt service coverage ratio from 1.25 to 1.30, then it would increase its pay-go capital by \$80 million

²² McDonald Rebuttal Test., at 1.

²³ The Commission also received public comment from interested members of the public at the start of the December 4, 2025, hearing. At public comment, Mr. Grant Dulgarian commented regarding NBC's billing structure, stating that it should be based heavily on usage with only a small customer charge. Additionally, Mr. Dulgarian advocated that NBC should return to a semi-annual billing structure.

²⁴ Hearing Transcript, at 26-27.

²⁵ *Id.* at 30. Mr. Maceroni later agreed to answer a record request for NBC's long-term debt balance for a 10-year model. *Id.* at 35.

over the life of its issuance.²⁶ In response to the Commission's record request to project NBC's long-term debt balance through fiscal year 2035, NBC responded that its total Long Term Debt balance would be approximately \$1.426 billion in fiscal year 2035.²⁷ After testimony from NBC's witnesses, the Division then presented Mr. Albert Mancini. Mr. Mancini testified at hearing in support of the Division calculations reflected in its memorandum.²⁸

VII. **Decision**

After a review of the filings, holding an evidentiary hearing, and conducting an Open Meeting held on December 23, 2025, the Commission approves in part and denies in part NBC's Compliance Filing for Debt Service and Debt Service Coverage. Specifically, the Commission, approves NBC's request for a debt service increase in the amount of \$4,052,767, effective July 1, 2026. However, the Commission denies NBC's request to increase the debt service coverage ratio from 1.25 to 1.30 of the annual debt service, without prejudice. NBC is able to request the increase in debt service coverage in its general rate filing in Docket No. 25-32-WW.

Accordingly, it is hereby:

(25601) ORDERED:

1. The Commission approves NBC's proposed debt service increase of \$4,052,767 effective July 1, 2026;
2. The Commission denies NBC's request to increase debt service coverage to 1.30 times the annual debt service, without prejudice;
3. The Commission approves debt service coverage of 1.25 times the annual debt service, in the amount of \$1,013,192 for effect July 1, 2026; and

²⁶ *Id.* at 30.

²⁷ NBC's Response to the PUC's Hearing Record Request (NBC RR).

²⁸ *See id.* at 38-39.

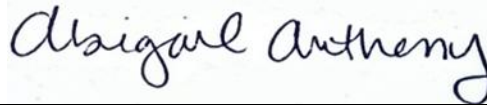
4. The Commission approves a revenue requirement increase of \$5,065,959 for a total revenue requirement of \$132,462,867.

EFFECTIVE AT WARWICK, RHODE ISLAND ON DECEMBER 23, 2025, PURSUANT TO OPEN MEETING DECISIONS ON DECEMBER 23, 2025, WRITTEN ORDER ISSUED FEBRUARY 2, 2026.

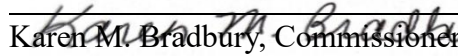
PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairman



Abigail Anthony, Commissioner


Karen M. Bradbury, Commissioner

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.