

October 31, 2006

Luly Massaro, Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, Rhode Island 02888

Subject: PUC Data Requests 1 – Docket 3775

Dear Ms. Massaro:

Enclosed please find an original and nine (9) copies of NBC's data responses to the PUC's October 19, 2006 data requests.

Sincerely,

Karen Giebink  
Director of Administration & Finance

Enclosures

Cc: Service List

- 1-1 Explain the debt service coverage requirements that support the revenue increase filed for in this docket.

The annual debt service coverage of 125% of principal and interest is required to maintain NBC's credit rating and comply with the legally binding rate covenants set forth in NBC's Trust Indenture. In Docket 3409, effective June 6, 2002, NBC provided expert testimony regarding the need to generate 125% of principal and interest annually from the credit rating standpoint. The PUC concurred and the coverage was included in NBC's revenue requirement. Since that time the 125% coverage has been reviewed and approved by the PUC in Dockets 3483, 3592, 3639 and 3707. In addition, NBC has provided the PUC with copies of the Trust Indenture executed by NBC as a precursor to the issuance of the \$70 million variable rate demand obligations. The Trust Indenture sets forth rate covenants under Section 603 and coverage requirements are also referenced in Section 604. Since the execution of the Trust Indenture, the NBC has issued \$115 million in open market revenue bonds and \$70 million in borrowings from the Rhode Island Clean Water Finance Agency.

1-2 Provide projected rate year debt service coverage calculations:

That shows the coverage calculation in fiscal year 2008 without the rate increase

That shows the coverage calculation in fiscal year 2008 with the rate increase.

### Calculation of Debt Service Coverage

	Docket 3707	With Rate Increase
FY 2008 Debt Service		
SRF Debt Service	\$ 22,555,743	\$ 22,555,743
VRDO Debt Service	4,269,700	4,269,700
Open Market Debt Service	4,006,682	4,006,682
Total Debt Service	30,832,125	30,832,125
Revenue Available for Debt Service		
Debt Service	25,872,877	30,832,125
Debt Coverage	6,656,397	7,708,031
	\$ 32,529,274	\$ 38,540,156
Debt Service Coverage	1.06	1.25

- 1-3 Testimony and schedules at page 7 of Mr. Edge's testimony show that in fiscal year 2008, NBC will receive \$12 million in bonds from State Revolving Funds from the RI Clean Water Finance Agency. Is the \$12 million committed or is it possible that the amount could be higher or lower in fiscal year 2008?

No, the Rhode Island Clean Water Finance Agency has not committed to providing NBC with a \$12 million loan in fiscal 2008 and the actual amount may be lower. The \$12 million level was projected by RICWFA based upon their projected loan capacity. The capacity of the RICWFA low interest loan program is driven by federal capitalization grants which have steadily declined. The federal appropriations for capitalization grants have been reduced almost 50% over the past four years. Rhode Island's share of this year's federal appropriation is approximately \$1.5 million lower than last year, which may actually reduce the amount that is available for NBC in fiscal 2008. In the event that the amount of SRF capacity available increases, NBC has the option of "taking out" some of its variable rate debt with SRF proceeds.