

Narragansett Bay Commission
 Division Docket No. D-13-143
 Responses to 10-23-13 Data Requests

D-1 Please identify the final amount of open market bonds issued in FY 2013 and associated annual debt service amounts over the term of the borrowing.

Answer: Bond Proceeds:
 Par Amount: \$ 71,480,000.00
 Premium: \$ 4,131,888.25
 Total : \$ 75,611,888.25
 True Interest Cost: 4.02%

**Narragansett Bay Commission
 Wastewater Revenue Bonds, 2013 Series A
 FINAL**

Period Ending	Principal	Coupon	Interest	Total
6/30/2014			2,962,391.67	2,962,391.67
6/30/2015			3,136,650.00	3,136,650.00
6/30/2016			3,136,650.00	3,136,650.00
6/30/2017			3,136,650.00	3,136,650.00
6/30/2018			3,136,650.00	3,136,650.00
6/30/2019			3,136,650.00	3,136,650.00
6/30/2020			3,136,650.00	3,136,650.00
6/30/2021			3,136,650.00	3,136,650.00
6/30/2022			3,136,650.00	3,136,650.00
6/30/2023			3,136,650.00	3,136,650.00
6/30/2024			3,136,650.00	3,136,650.00
6/30/2025			3,136,650.00	3,136,650.00
6/30/2026	3,100,000		3,059,150.00	6,159,150.00
6/30/2027	1,545,000		2,943,025.00	4,488,025.00
6/30/2028			2,904,400.00	2,904,400.00
6/30/2029			2,904,400.00	2,904,400.00
6/30/2030			2,904,400.00	2,904,400.00
6/30/2031			2,904,400.00	2,904,400.00
6/30/2032			2,904,400.00	2,904,400.00
6/30/2033			2,904,400.00	2,904,400.00
6/30/2034			2,904,400.00	2,904,400.00
6/30/2035			2,904,400.00	2,904,400.00
6/30/2036	1,085,000	5.00%	2,877,275.00	3,962,275.00
6/30/2037	6,975,000	5.00%	2,675,775.00	9,650,775.00
6/30/2038	7,330,000	5.00%	2,318,150.00	9,648,150.00
6/30/2039	7,710,000	5.00%	1,942,150.00	9,652,150.00
6/30/2040	8,060,000	4.00%	1,588,200.00	9,648,200.00
6/30/2041	8,390,000	4.00%	1,259,200.00	9,649,200.00
6/30/2042	8,735,000	4.00%	916,700.00	9,651,700.00
6/30/2043	9,090,000	4.00%	560,200.00	9,650,200.00
6/30/2044	9,460,000	4.00%	189,200.00	9,649,200.00
	71,480,000		81,029,766.67	152,509,766.67

Prepared under the supervision of William Fazioli.

Narragansett Bay Commission
Division Docket No. D-13-143
Responses to 10-23-13 Data Requests

DIV - 2 Please provide a schedule similar to Exhibit WJF-1 showing the debt service on the 2008 Variable Rate bonds prior to the proposed restructure.

Answer: See below:

	2008 Series A Refunding Bonds					
	Original			Preliminary Restructure		
	Principal	Interest	Total	Principal	Interest	Total
6/30/2015	\$ 1,855,000	\$ 1,707,286	\$ 3,562,286		\$ 1,962,275	\$ 1,962,275
6/30/2016	1,915,000	1,648,387	3,563,387		1,962,275	1,962,275
6/30/2017	1,990,000	1,587,277	3,577,277		1,962,275	1,962,275
6/30/2018	2,055,000	1,524,076	3,579,076		1,962,275	1,962,275
6/30/2019	2,160,000	1,457,930	3,617,930		1,962,275	1,962,275
6/30/2020	2,230,000	1,389,342	3,619,342		1,962,275	1,962,275
6/30/2021	2,310,000	1,318,352	3,628,352		1,962,275	1,962,275
6/30/2022	2,385,000	1,244,999	3,629,999		1,962,275	1,962,275
6/30/2023	2,470,000	1,169,087	3,639,087	1,000,000	1,936,025	2,936,025
6/30/2024	2,545,000	1,090,774	3,635,774	4,500,000	1,809,150	6,309,150
6/30/2025	2,635,000	1,009,786	3,644,786	4,500,000	1,650,650	6,150,650
6/30/2026	2,725,000	926,009	3,651,009	4,500,000	1,494,150	5,994,150
6/30/2027	2,820,000	839,325	3,659,325	4,500,000	1,336,650	5,836,650
6/30/2028	2,915,000	749,696	3,664,696	4,500,000	1,178,150	5,678,150
6/30/2029	3,015,000	657,006	3,672,006	4,500,000	1,021,650	5,521,650
6/30/2030	3,125,000	560,984	3,685,984	4,500,000	864,150	5,364,150
6/30/2031	3,235,000	461,551	3,696,551	4,500,000	706,650	5,206,650
6/30/2032	3,345,000	358,709	3,703,709	4,500,000	549,150	5,049,150
6/30/2033	3,460,000	252,340	3,712,340	4,500,000	391,650	4,891,650
6/30/2034	3,575,000	142,406	3,717,406	5,065,000	219,319	5,284,319
6/30/2035	3,700,000	28675	3,728,675	5,000,000	43,750	5,043,750
	\$ 56,465,000	\$ 20,123,997	\$ 76,588,997	\$ 56,065,000	\$ 28,899,294	\$ 84,964,294

Prepared under the supervision of William Fazioli.

Narragansett Bay Commission
Division Docket No. D-13-143
Responses to 10-23-13 Data Requests

DIV – 3 Referring to Exhibit WJF-2, please explain the basis for the premium on the fixed-rate bonds and how that amount was determined.

Answer: Issuing premium bonds is primarily driven by investor demand and market conditions. Typically in a low interest rate environment, investors have a preference for premium bonds for two reasons. First, it provides coupon protection when interest rates eventually rise. Secondly, it provides investors a higher fixed annual return. Consequently, investors are willing to pay in excess of 100% for a bond in order to receive a higher annual rate of return.

Prepared under the supervision of William Fazioli.

Narragansett Bay Commission
Division Docket No. D-13-143
Responses to 10-23-13 Data Requests

DIV – 4 Please explain the basis and provide support for the 5 percent interest rate on the fixed-rate revenue bonds.

Answer: As in response to DIV - 4, the preliminary structure of the NBC's upcoming bond issue includes premium bonds with 5% coupons in order to provide coupon protection and generate investor interest. It should be noted that the overall interest expense for the proposed \$30 million bond issue is 4.50% when taking into consideration the premium.

Prepared under the supervision of William Fazioli.

Narragansett Bay Commission
 Division Docket No. D-13-143
 Responses to 10-23-13 Data Requests

DIV – 5 Please provide the current interest rate being paid by NBC on its outstanding variable rate bonds.

Answer: below for the month of October. Note that in addition, NBC pays 10 basis points for remarketing and 58 basis points for the Letter of Credit.

Issue: NARRAGANSETT R I BAY COMMN WASTEWATER SYS REV 2008 A
 CUSIP: 631060AQ3
 Outstanding: 56,465,000
 Prev Int. Pay Date: Tue, 10/01/13
 Next Int. Pay Date: Fri, 11/01/13
 Total Days: 30
 Wghtd. Avg. Rate: 0.072
 Total Interest: 3,356.96

#	Start	End	Rate	Days	Period Accrued	Total Accrued
---	-----	-----	-----	----	-----	-----
1	10/01/13	10/02/13	0.070	2	216.58	216.58
2	10/03/13	10/09/13	0.050	7	541.45	758.02
3	10/10/13	10/16/13	0.070	7	758.02	1,516.05
4	10/17/13	10/23/13	0.080	7	866.31	2,382.36
5	10/24/13	10/30/13	0.090	7	974.60	3,356.96

Prepared under the supervision of Karen Giebink.

Narragansett Bay Commission
Division Docket No. D-13-143
Responses to 10-23-13 Data Requests

DIV – 6 To the extent applicable, explain the basis for any difference in the 3.5 percent interest rate used for the 2014 variable rate bonds and the interest rate on existing variable rate bonds.

Answer: The NBC's variable rate bonds have performed extremely well during the past 10 years. Despite a few sharp increases during volatile periods, it has averaged approximately 1.58% during this time and when support costs are included it has averaged approximately 2.15%. We estimate that the variable rate bonds have saved the NBC's rate payers in excess of \$16 million in interest expense when compared to a comparable fixed rate bond issued in 2004. With that said, it is prudent to budget a variable rate bond conservatively in order to withstand potential spikes in rates due to conditions out of the control of the NBC, as was the case during the 2008 fiscal crisis. Additionally, this practice is positively viewed by S&P when the NBC is periodically reviewed for its credit rating.

Prepared under the supervision of William Fazioli.

Narragansett Bay Commission
 Division Docket No. D-13-143
 Responses to 10-23-13 Data Requests

DIV – 6 Referring to pages 4-5 of Ms. Giebink’s testimony, please explain and provide a comparison of how NBC’s financing needs for FY 2014 and FY 2015 differ from those anticipated in Division Docket No. D-13-13.

Answer: Please see the table below. This application includes the funding of commitments through FY 15 and takes into consideration bond issues and capital expenditures between January 1, 2013 and September 30, 2013.

Reconciliation with 2/7/13 Filing	
Capital Cash Balance 1/1/13	\$ 52.0
Plus:	
2013 Series A issued 3/21/13	75.6
2013 Series B (RICWFA) issued 6/6/13	25.0
Restricted Transfer 8/22/13	<u>7.7</u>
Subtotal capital cash sources 1/1/13-9/30/13	108.3
less:	
Takeout of BANS	(40.0)
Capital Expenditures	<u>(70.9)</u>
Subtotal capital cash uses 1/1/13-9/30/13	<u>(110.9)</u>
Capital Cash Balance 9/30/13	<u>49.4</u>
Capital Cash Balance 10/1/13	49.4
Less:	
Capital Expenditures	
10/1/13-6/30/14	(74.9)
7/1/14-60/30/15	(46.5)
Unfunded Capital Expenditures	
10/1/13-6/30/14	(12.5)
7/1/14-60/30/15	(13.7)
Restricted Reserve	<u>(10.0)</u>
Subtotal cash uses 10/1/13-6/30/15	<u>(157.6)</u>
Uses net of 10/1/13 Capital Cash Balance	<u>(108.2)</u>
Plus:	
New RICWFA Loan	24.8
Open Market	57.2
Unfunded	<u>26.2</u>
	\$ 108.2

Prepared under the supervision of Karen Giebink.

Narragansett Bay Commission
 Division Docket No. D-13-143
 Responses to 10-23-13 Data Requests

In addition the following table shows the differences in the projected capital need:

	Docket 4364	Updated Costs per D-13-143	Funded in D-13-143	Unfunded in D-13-143
FY 2013	\$ 126.9	\$ 103.0		
FY 2014 YTD		23.8		
	114.6	87.4	74.9	12.5
FY 2014	114.6	111.2	74.9	12.5
FY 2015**	68.8	60.2	46.5	13.7
Total	\$ 310.3	\$ 274.4	\$ 121.4	\$ 26.2

*Actual through 9/30/13

Prepared under the supervision of Karen Giebink.

Narragansett Bay Commission
Division Docket No. D-13-143
Responses to 10-23-13 Data Requests

DIV – 7 Referring to pages 4-5 of Ms. Giebink’s testimony, please reconcile the capital funding needs on page 5 of \$108.2 million from new sources plus \$49.4 million from existing capital with the updated capital needs shown in the table on page 4.

Answer: Please see the response to DIV – 6.

Prepared under the supervision of Karen Giebink.

Narragansett Bay Commission
Division Docket No. D-13-143
Responses to 10-23-13 Data Requests

DIV – 8 Please explain how NBC anticipates funding the \$26.2 million of unfunded expenditures shown in the table on page 5 of Ms. Giebink’s testimony.

Answer: NBC must ensure that it has sufficient funding to meet its commitments and the projects/costs that are funded in this application are either under contract or well through the design process and scheduled to be put out to bid and initiated in the near future. NBC does not want to “over borrow” and incur debt service costs. In addition, as a policy decision NBC does not finance land (easements) through tax-exempt financing.

The table below shows the breakdown by category of the unfunded costs in FY 14 and 15. The unfunded costs primarily relate to bio-gas reuse, new IM facilities, and certain interceptor construction projects. The unfunded contingency relates to projects in progress that do not have specific identified costs that would hit the contingency at this point. The unfunded placeholder projects relate to the annual allowance for interceptor maintenance.

Unfunded CIP Components

LAND	Unfunded	Unfunded Contingency	Unfunded Placeholder	Total
\$ 0.7	\$ 9.0	\$ 15.6	\$ 0.9	\$ 26.2

The financing plan included in this application includes a reserve of \$10 million in restricted funds that can be used to fund these items on an interim or long-term basis. In addition, NBC projects that there will be an additional \$6-9 million available for capital projects as a result of the FY 14 restricted carry-forward that would be transferred in August 2014 (FY 15). NBC will seek additional rate relief and approval to issue long-term debt if capital needs are in excess of what can be financed through this application.

Prepared under the supervision of Karen Giebink.