

## Memorandum

To: Luly Massaro

From: Alberico Mancini, Rate Analyst

Date: March 30, 2016

Subject: Narragansett Bay Commission (NBC)  
Approval to Enter into Long-Term Debt and Issuance of  
Revenue Bonds of \$23,000,000 State Revolving Fund (SRF) Loan  
Docket No. D-16-08

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The Division, along with its consultant, Thomas Catlin, has reviewed NBC's Request for Approval to Enter into Long-Term Debt and Issuance of Revenue Bonds of \$23,000,000, along with the accompanying testimony and exhibits. The long-term debt for which NBC is seeking approval is an SRF loan from Rhode Island Infrastructure Bank (RIIB). As a result, the projected effective interest rate on this SRF loan is expected to be approximately 2.475 percent, which includes the traditional RIIB subsidy of 1/3 of the market rate. The SRF loans have a 20 year repayment schedule.

In reviewing NBC's request, the Division has confirmed that the \$23 million of loan proceeds is expected to be used to meet capital requirements in the Rhode Island Department of Environmental Management's 2016 Project Priority List. These projects include Preliminary design of the CSO Phase III Facilities, Improvements to the Field's Point Wastewater Treatment Facility Final Clarifiers, the Moshassuck Valley Interceptor Replacement, Bucklin Point Wastewater Treatment Facility Flood Protection, the Blackstone Valley Interceptor Easements and Phase II of the Field's point Wastewater Treatment Facility Blower Improvements.

NBC's current rates are not sufficient to meet the debt service on this loan. However, NBC made a Compliance Rate Filing in Docket No. 4602 on February 16, 2016 in which NBC sought a rate increase that will allow it to meet the debt service requirements associated with an SRF loan of \$23 million and the debt service in that request matches the amounts identified in this filing. Accordingly, the Division believes that the debt service on this loan can be satisfied by the

allowance for debt service included in rates and recommends approval for NBC to enter into long-term debt and issue revenue bonds for an amount not to exceed \$23 million as long as the NBC's request in Docket No. 4602 is approved by the Public Utilities Commission.

Cc: Thomas Ahern

