

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

IN RE: Providence Water Supply Board :
Application for Authority to : Docket No. D-05-02
Issue Debt :

REPORT AND ORDER

On January 10, 2005, the Providence Water Supply Board ("PWSB") filed an application with the Rhode Island Division of Public Utilities and Carriers ("Division") seeking authority to borrow from the Drinking Water State Revolving Fund ("DWSRF") an amount not to exceed \$9,000,000. The application was filed in accordance with the requirements contained in Section 39-3-15 of the Rhode Island General Laws and Rule 14 of the Division's Rules of Practice and Procedure.

In response to the application filing, the Division conducted a duly noticed public hearing on January 25, 2005.¹ The hearing was conducted in the Division's hearing room, located at 89 Jefferson Boulevard in Warwick. The following counsel entered appearances:

For the PWSB:	Michael R. McElroy, Esq.
For the Division's Advocacy Section:	William K. Lueker, Esq. Special Assistant Attorney General

¹ The hearing was originally scheduled for January 24, 2004, but needed to be postponed to January 25, 2005 after the Governor closed all nonessential State offices on January 24, 2005 in response to a declared snowstorm emergency.

The PWSB proffered one witness in support of its application. The witness was identified as Mr. Walter E. Edge, Jr., MBA CPA, a consultant and principal in the firm of B&E Consulting LLC, 21 Dryden Lane, Providence, Rhode Island.

Mr. Edge testified that through this filing the PWSB seeks Division authority to refinance/refund its \$12 million 1994A Series Bond Issuance, which was previously approved by the Division through Order No. 14542. Mr. Edge related that the refunding will save the PWSB up to \$1.2 million over the next eleven years.² Mr. Edge testified that the refunding could be effectuated by borrowing up to \$9 million. He explained that \$8,460,000 of the proceeds would be needed for the refinancing and \$300,000 for issuance costs.³

Mr. Edge related that the Rhode Island Clean Water Finance Agency (“RICWFA”) signed a commitment letter on November 15, 2004 that provided the PWSB with the ability to borrow an amount not to exceed \$10 million. Mr. Edge thereupon provided details regarding the terms contained in the RICWFA commitment letter and related that the RICWFA loan would be funded with proceeds from the State’s Drinking Water State Revolving Fund Revenue Bonds. Mr. Edge further related that the interest rate for this loan will be fixed to equal, as nearly as practicable, three quarters (3/4) of the prevailing market

² PWSB Exhibit 1, Edge Testimony, p. 3 and “Exhibit D, Schedule A”, contained within PWSB Exhibit 1.

³ PWSB Exhibit 1, p. 3.

interest rate of the borrower as determined by the RICWFA on the advice of the RICWFA's Financial Advisor.⁴

After providing a calculation that shows the source and use of the funds⁵, Mr. Edge discussed the impact the borrowing will have on the PWSB's debt/equity ratio and on the PWSB's total assets and liabilities. Mr. Edge also emphasized that the PWSB will not require an increase in rates to pay the debt service on the new refinancing debt.⁶

The Division's Advocacy Section did not proffer any witnesses in this docket. However, after an inspection of the filing and a thorough cross-examination of the PWSB's witness, the Advocacy Section concluded that the proposed borrowing is in the public interest and recommended approval.

FINDINGS

Predicated on a careful examination of the record in this matter, the Division finds that the PWSB's application seeking authority to borrow from the Drinking Water State Revolving Fund an amount not to exceed \$9,000,000, is reasonable and in the best interest of ratepayers.

Now, therefore, it is

(18127) ORDERED:

1. That the Providence Water Supply Board's January 10, 2005 application, which seeks Division approval under R.I.G.L. §39-3-15, to borrow from the

⁴ Id., and "Exhibit C" contained within PWSB Exhibit 1.

⁵ Id., and "Exhibit D" contained within PWSB Exhibit 1.

⁶ Id., pp. 5-6.

Drinking Water State Revolving Fund an amount not to exceed \$9,000,000, is hereby approved as filed.

2. That the Division hereby limits approval of the instant application to the terms and details identified in the record.
3. That the Division hereby makes this approval contingent upon the PWSB's use of the debt service allowance previously approved by the Commission, or if subsequently required, by additional debt service allowances approved by the Commission.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 26, 2005.

John Spirito, Jr., Esq.
Hearing Officer

Thomas F. Ahern
Administrator