

1 **Q. Do you hold any special licenses or certifications?**

2 A. I am a registered Municipal Principal with the Municipal Securities Rulemaking
3 Board and hold the Series 52, 53 and 63 licenses

4

5 **Q: Have you previously testified before the Public Utilities Commission and/or
6 Division of Public utilities on rate related matters?**

7 A: Yes, I have provided testimony before the Public Utilities Commission and the
8 Division of Public Utilities on matters relating to the Pawtucket Water Supply
9 Board and other municipal utilities including the Kent County Water Authority, the
10 Woonsocket Water Division, the Providence Water Supply Board and the
11 Narragansett Bay Commission.

12

13 **Q: Please describe your role in this proceeding.**

14 A: I served as financial advisor to the City of Pawtucket (“City”) and the Pawtucket
15 Water Supply Board (“PWSB”) with respect to the 2005 loan from the Rhode
16 Island Clean Water Finance Agency (“RICWFA”) which closed on March 23,
17 2005. I have been asked to describe the financing.

18

19 **Q: Please discuss the PWSB’s financing.**

20 A: The PWSB borrowed \$31,909,000 from the Rhode Island Clean Water Finance
21 Agency (“RICWFA”) in March 2005 (hereinafter the “2005 Borrowing”) to finance
22 the balance of the construction of the PWSB’s new water treatment plant (WTP)
23 and cleaning and lining and other capital projects for the PWSB’s water distribution
24 system. Last year the PWSB borrowed \$43,450,000 for the first phase of the WTP
25 construction (hereinafter the “2004 Borrowing”).

26

27 **Q: How will these funds be disbursed?**

28 A: Of the total borrowed, \$28,657,448 is set aside for project expenses and \$2,242,643
29 funded the Debt Service Reserve Fund as required by the PWSB’s Indenture of
30 Trust. An additional \$721,909 is allocated for capitalized interest and costs of
31 issuance and \$287,000 for municipal bond insurance.

1 **Q: How much of the borrowing is allocated to the treatment plant and cleaning**
2 **and lining projects at this time?**

3 A: The 2004 Borrowing provided approximately \$37.2 million in WTP project
4 proceeds. The expected total project requirements for the WTP is approximately
5 \$47.0 million. As such, a portion of the 2005 Borrowing will be used to fund the
6 balance needed for the WTP. The remainder of the project funds will finance
7 cleaning and lining in the PWSB's distribution system and other construction
8 projects in accordance with the PWSB CIP.

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10 **Q: Please describe the rate impact of the financing.**

11 A: In Docket 3593, the Public Utilities Commission ("PUC") Order (#17930) approved
12 an additional \$3,414,969 for debt service effective April 2005, which will ensure
13 that funds are in place for the debt service required by this borrowing.

14
15 **Q: What is projected schedule of debt and debt service over the life of the issues?**

16 A: Net Debt Service on the 2005 bonds is projected at approximately \$1 million in
17 fiscal year 2007 and \$2.25 million annually for the fiscal years 2008 through 2028.
18 These estimates assume a construction draw schedule based upon the PWSB's
19 current CIP. To the extent funds are drawn more quickly, interest would begin to
20 accrue sooner. The subsidized interest rates averaged 2.90% for a total loan rate of
21 3.40%, which includes the RICWFA annual fee and reflects a market rate of
22 approximately 4%.

23
24 **Q: Does PWSB have to pay an annual trustee fee (in addition to the RICWFA**
25 **fee)?**

26 A: Yes, the Indenture of Trust requires that PWSB have a trustee to administer the
27 indenture on behalf of the bondholders. The Trustee assesses an annual fee for each
28 series of bonds outstanding. Currently, it is projected that annual trustee fees will
29 range from \$12,000 to \$15,000 annually.

30 **Q: Currently the PWSB has approximately \$3.1 million set aside in an IFR**
31 **account for projects. Do you expect that amount to be sufficient?**

1 A: In the short-run, we view the current amount as sufficient. On an annual basis we
2 will review the PWSB's CIP and Plan of Finance and recommend appropriate
3 adjustments to both the debt service allowance and IFR level. The PWSB has
4 structured its debt service to smooth out annual increases. It is also important to
5 note that any projects financed with IFR funds will reduce future borrowing
6 requirements and result in savings to rate payers.

7

8 **Q: Does this complete your testimony?**

9 A: Yes, it does.