The Narragansett Bay Commission
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The Narragansett Bay Commission

February 27, 2007

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

Subject: PUC Data Requests of the Commission Set I – Docket No. 3797

Dear Ms. Massaro:

Attached please find an original and nine (9) copies of the response to the above data request sent by the Public Utilities Commission on February 7, 2007.

Sincerely,

Karen L. Giebink
Director of Administration & Finance

Enclosures

Cc: Service List

THE NARRAGANSETT BAY COMMISSION
DOCKET NO. 3797
Data Requests of the Commission
Set I

Com 1-1 NBC has provided a restricted account summary in the filing that reflects activity through September 30, 2006. Referring to the second page of the summary:

(a) Explain where the $150,000 reduction from Debt Coverage was transferred to.
(b) Explain where the $660,153.95 reduction to the Special Master account was transferred to.

Answer:

(a) NBC has been tracking the accrual for the special master as required in Docket3592. The Report and Order in that Docket on page 13 states “The CSO oversight funds shall continue to accrue from the carry forward of funds otherwise not used for Debt Service Coverage”

In the Report and Order of Docket 3707 page 25 the Commission ordered “Accordingly, at this time the Commission is limiting the amount in this account to $150,000”, NBC transferred the funds ($150,000) from the stabilization bank account which holds the debt coverage restricted funds to a new separate Special Master bank account.

(b) The remaining Special Master Account balance of $660,153.95 was not transferred anywhere. The entire balance was an accrued (allocated) balance of the stabilization account and the actual cash was and is maintained in the stabilization account. Based on the language from Docket 3707, the remaining accrued amount $660,153.95 is no longer restricted for the Special Master and therefore became available for all other purposes of the stabilization account.

Prepared by: WEE

Com 1-2 NBC has requested a $4.8 million increase in revenues. The requested cost of service of $72.5 million is $3.2 million higher than the cost of service approved in Docket 3775 ($69,295,022). Does the $1.6 million difference between the $4.8 million revenue request and the $3.2 increase in the cost of service represent the revenue shortfalls that Mr. Edge mentions in his testimony at page 20 (lines 9-11)?

Answer: Yes.

Prepared by: WEE

Com 1-3 Do non-union employees receive the same ‘COLAs’ negotiated for union employees? If the answer is no, explain why the ‘negotiated’ COLAs are the basis for the requested wage increase for non-union employees.

Answer: No, NBC’s non-union employees do not receive the same COLA’s as the union employees. The non-union employees receive merit raises based upon a performance based compensation system. Step and longevity increases for non-union employees were eliminated with the performance based computation implemented in FY 2002. However, the total non-union merit raises in a fiscal year are approximately the same percentage overall as the percent increase of the union COLA, step and longevity raises.

Prepared by: WEE

Com 1-4 Do non-union employees receive step adjustments? If the answer is no, explain why the 1% 'step increase amount' is added to the requested non-union wages increase. [Refer to Mr. Edge's testimony at page 15, line 27.]

Answer: No, they do not, however the merit increase given to non-union employees is generally equal to the combined COLA, step and longevity increases given to the union employees. See the answer to Com 1-3.

Prepared by: WEE

Com 1-5 Explain the co-payments currently required of union and non-union employees for health insurance. Do the co-payments change in fiscal year 2008? Also, explain the cap on the co-payment that is in the Collective Bargaining Agreement. Is there any cap on co-payments for non-union employees?

Answer: The following applies to both union and non-union employees.

FY 2007	Family	Co-pay	1% of base pay
		Cap	5% of premium
	Single	Co-pay	.5% of base pay
		Cap	5% of premium
FY 2008	Family	Co-pay	2% of base pay
		Cap	6% of premium
	Single	Co-pay	.9%of base pay
		Cap	6% of premium

All employees are subjected to the above co-pays and caps except employees hired after July 1, 2004 who opt for Healthmate. Their co-pays and caps are as follows:

FY 2007 and 2008	Family	Co-pay	2.7% of base pay
		Cap	$1,279
	Single	Co-pay	1.2% of base pay
		Cap	$468

Prepared by: WEE

Com 1- 6 Provide separately the total calendar year 2006 salary amounts paid to union and non-union employees.

Answer: Regular earnings on a cash basis for calendar year 2006 were $12,006,853. NBC does not track this separately for union and non-union employees.

Prepared by: WEE

Com 1-7 What is the amount that non-union employees contributed to their defined contribution plan for calendar year 2006?

Answer: Nothing.

Prepared by: WEE

Com 1-8 What is the amount that non-union employees contributed to their defined benefit retirement plan in calendar year 2006?

Answer: $294,142.

Prepared by: WEE

Com 1-9 What is the amount that NBC contributed to the non-union defined contribution retirement plan in calendar year 2006?

Answer: $333,325.37

Prepared by: WEE

Com 1-10 What is the amount that NBC contributed to the non-union defined benefit retirement plan in calendar year 2006?

Answer: $397,118

Prepared by: WEE

Com 1-11 Regarding the current non-union staffing:
a) How many non-union employees does NBC currently employ?
b) How many non-union employees are enrolled in the defined benefit plan?

Answer: As of January 31, 2007, NBC had 119 non-union employees of which 96 are enrolled in the defined benefit plan.

Prepared by: WEE

Com 1-12 Provide the actuary’s report for the non-union defined benefit retirement plan for calendar year 2006. If it is not yet available, please provide it when available; also, indicate when the report is expected to be received.

(a) Who is the actuary providing these services?
(b) Who is the actuary that provided these services for 2005?
(c) What is the actuary’s annual fee for 2006? [If billing is not available, please provide an estimate based on bid or the 2005 fee.]

Answer: The actuary’s report is not available and may be received in April or May 2007.
(a) The actuary services are provided through our Third Party Administrator (TPA), Abacus Benefits Consulting, Inc
(b) The actuary services were provided through Abacus Benefits Consulting, Inc for 2005.
(c) The actuary fee is included in the TPA fee and not itemized separately. The total TPA fee for calendar 2006 is projected to be $9,000.

Prepared by: WEE

Com 1-13 Provide the audit reports for NBC's non-union defined benefit pension plan for 2005 and 2006 (when available). If they are not available, please indicate when they are expected to be received.

Answer: The 2005 audit is complete but the Audited Statement has not yet been presented to the NBC Board. The 2006 audit of the defined benefit pension plan has not yet commenced. As soon as the 2005 and 2006 audits are available, NBC will provide copies to the PUC.

Prepared by: WEE

Com 1- 14 Provide an itemized summary of all costs related to administering the non-union defined benefit retirement plan for calendar year 2006. This would include the fee for the actuary, the fee for the audit report, trustee fees, etc. If actual billings are not available, please provide an estimate.

Answer:

$9,000 for the third party administrator (dependent upon the number of participants)
$500 for Trustee services
Legal fees – as needed only
Audit fees - $4,000 – $4,500 annually for audits requested

Prepared by: WEE

Com 1-15 If funding of the defined benefit plan for non-union employees for calendar year 2006 differed from the 2006 budgeted amount, provide the actual amount funded, the budgeted amount, and explain the reason for any variance.

Answer: NBC budgets on a fiscal year and not a calendar year. Therefore, to stay consistent both figures will need to be on a fiscal year.

FY 2006 Budgeted non-union retirement expense	$712,520.82
FY 2006 Actual non-union retirement expense (DC and DB)	$712,520.82

Prepared by: WEE

Com 1-16 What is the amount of wages and the number of employees budgeted for fiscal years 2007 and 2008? Provide the wage amounts and employee counts for union and non-union employees separately; also, provide the actual/ budgeted employee counts for each month.

Answer:

FY 2007	Count	Wages
Union	128	$5,411,098
Non-union	126	$7,429,745

Month	Budget	Actual
July 2006	254	245
Aug 2006	254	246
Sept 2006	254	246
Oct 2006	254	243
Nov 2006	254	244
Dec 2006	254	241
Jan 2007	254	240

NBC is currently in the process of developing the FY 2008 budget.

Prepared by: WEE

Com 1-17 For those employees whose wages are funded by / capitalized to CIP project funding, indicate the number of employees and the wages allocated to CIP funding for fiscal years 2007 and 2008 (provide estimate for 2008). [If a portion of an employee's cost is allocated, provide the approximate number of full-time positions allocated to CIP costs for fiscal year.]

Answer: There are nine full-time NBC employees in the Construction and Grants section who are charged to the CIP projects full-time and a number of employees who charge intermittently. The total wages capitalized in FY 2006 was $991,753. In FY 2007 it is estimated that the total wages to be capitalized will be $1,005,629. If the average salary of the nine Construction and Grants employees is used as a base and divided into the total FY 2006 $991,753, there would be approximately 14.9 FTEs charging the CIP projects.

The estimated wages capitalized to the CIP in fiscal year 2008 is $1,075,246.

Prepared by: WEE

Com 1-18 If the Commission approved funding for the Operation and Maintenance Reserve Fund over the 7 to 10 year period requested by NBC, what amount would NBC fund during fiscal year 2008?

Answer: NBC would recommend funding the O&M Reserve Fund between $800,000 and $1,150,000 in fiscal year 2008.

Prepared by: WEE

Com 1-19 In Division Docket D-06-69, NBC received approval to issue revenue bonds in an amount up to $43 million at an interest rate not to exceed 5.25%. Please provide actual information on the issuance of the bonds—i.e. date issued, amount issued, actual interest cost, etc.

Answer:

Date Issued:	February 8, 2007
Par Amount Issued:	$42,500,000
All-In True Interest Cost:	4.653513%

Prepared by: WEE

Com 1-20 Would the funding of an Operation and Maintenance Reserve Fund impact the interest cost on borrowing through the RI Clean Water Finance Agency?

Answer: The pricing of the RICWFA loans is dependent upon the NBC's credit rating. The traditional subsidized interest rate of RICWFA loans is determined as 1/3 of NBC's market rate (the projected interest rate that NBC would receive if NBC issued bonds in the open market). Typically the higher the credit rating, the lower the interest rate (Attached is a Municipal Market Data (MMD) Scale dated February 15, 2007 which shows the relative interest rates for different rating categories). To the extent that a funded Operating and Maintenance Reserve Fund were to result in a higher credit rating, a lower cost of borrowing could be achieved. Currently the interest rate spread between the "A" rating category and the "AA" rating category is 5 to 13 basis points. During periods when absolute rates are higher than current rates, such spreads can widen.

However, it is important to note that reserve levels and liquidity are one of many factors reviewed by credit rating agencies. Rating factors include: Legal Provisions, Economic and Demographic factors, Management and Administration, Operational Statistics, Rate criteria and Regulation, Finances and the Capital Improvement Plan. The reserve levels fall into the Legal Provisions category along with the Security, Additional Bonds Test, Rate Covenant, Coverage Requirement and other provisions in the Master Trust Indenture and Supplemental Indentures.

In addition, a funded Operating and Maintenance Reserve Fund could result in a lower insurance premium. There may be other benefits of a funded Operating Reserve as well. For example, improved liquidity can enhance investment earnings and eliminate the need for cash flow or working capital borrowings. In addition, Standard & Poor's Corporation and municipal bond insurers may become comfortable with a smaller or even no Debt Service Reserve Fund when Operating Reserves and other reserves are fully funded.

Prepared by: MG

MMD Benchmark Yields 1-30 YR

Data-Line page 3

[Municipal Yield Curves as of 02/15/2007]

		[General Obligations					]	["AAA" Coupon Range]	
		"AAA"	PRE-RE	INSURED	"AA"	"A"	"BAA"	"LOW"	"HIGH"
1	2008	3.58	3.60	3.64	3.64	3.69	3.85	4.25	5.00
2	2009	3.59	3.63	3.66	3.65	3.72	3.88	4.25	5.25
3	2010	3.60	3.66	3.68	3.67	3.76	3.90	4.50	5.25
4	2011	3.60	3.67	3.69	3.68	3.79	3.92	4.75	5.25
5	2012	3.61	3.68	3.71	3.69	3.82	3.94	5.00	5.40
6	2013	3.62	3.70	3.72	3.70	3.84	3.96	5.00	5.40
7	2014	3.65	3.73	3.76	3.74	3.87	4.00	5.00	5.40
8	2015	3.68	3.76	3.79	3.77	3.90	4.03	5.00	5.40
9	2016	3.71		3.82	3.80	3.95	4.07	5.00	5.40
10	2017	3.74		3.85	3.83	3.98	4.10	5.00	5.40
11	2018	3.77		3.88	3.86	4.01	4.14	5.00	5.25
12	2019	3.79		3.91	3.89	4.03	4.16	5.00	5.15
13	2020	3.81		3.93	3.91	4.05	4.18	5.00	5.00
14	2021	3.83		3.95	3.93	4.07	4.20	5.00	5.00
15	2022	3.85		3.97	3.95	4.09	4.22	5.00	5.00
16	2023	3.88		4.00	3.98	4.11	4.24	5.00	5.00
17	2024	3.91		4.03	4.01	4.14	4.26	5.00	5.00
18	2025	3.93		4.05	4.03	4.16	4.28	5.00	5.00
19	2026	3.95		4.07	4.05	4.18	4.30	5.00	5.00
20	2027	3.97		4.09	4.07	4.20	4.32	5.00	5.00
21	2028	3.98		4.10	4.08	4.21	4.33	5.00	5.00
22	2029	3.99		4.11	4.09	4.22	4.34	5.00	5.00
23	2030	4.00		4.12	4.10	4.23	4.35	5.00	5.00
24	2031	4.01		4.13	4.11	4.24	4.36	5.00	5.00
25	2032	4.02		4.13	4.12	4.25	4.37	5.00	5.00
26	2033	4.03		4.14	4.13	4.26	4.37	5.00	5.00
27	2034	4.04		4.14	4.14	4.27	4.38	5.00	5.00
28	2035	4.05		4.15	4.14	4.27	4.38	5.00	5.00
29	2036	4.06		4.16	4.15	4.28	4.39	5.00	5.00
30	2037	4.06		4.16	4.15	4.28	4.39	5.00	5.00

Com 1-21 Would the funding of an Operation and Maintenance Reserve Fund have reduced the interest cost on the revenue bond issue noted in Question 19? If the answer is yes, estimate what the impact would have been on the interest rate / cost on the bonds.

Answer: As indicated in the response to question 1-20, a higher credit rating indicates a higher quality credit and makes an issuer more attractive to investors. If NBC's credit rating were upgraded, it may have had a positive impact upon the interest rate. However, as outlined in the response to Com 1-21, the reserve levels are one of many credit factors reviewed by rating agencies.

Prepared by: MG

Com 1-22 Provide, for fiscal years 2007 and 2008, the dates and amounts of interest and principal payments that NBC will make on the revenue bond issue resulting from Division Docket D-06-69 (See Question 19).

Answer: FY 2007 No interest or principal payments.
FY 2008 Interest payments:

August 1, 2007	$ 992,617
February 1, 2008	1,032,781

Prepared by: WEE

Com 1-23 Provide copies of the exhibits referenced as MG-1 and MG-2 on pages 3 and 6 of Maureen Gurghigian's testimony.

Answer: Provided February 8, 2007.

Prepared by: WEE