

that NBC has filed two of the same types of filings in Docket Nos. 3639 and 3775. He noted how the Commission approved NBC's request to increase debt service and coverage by \$2,153,339 in Docket No. 3905 to reflect \$12 million in borrowing from the Rhode Island Clean Water Finance Agency ("RICWFA"). He noted that NBC borrowed \$25 million in FY2008, \$0 in FY2009 and so far in FY2010 has borrowed a total of \$57 million in the form of two separate loans. NBC expects to borrow again in an amount not to exceed \$25 million. This borrowing results in debt issuance of \$34.12 million more than projected in Docket No. 3905.¹

Mr. Edge noted that NBC filed for a rate increase in FY2010 in Docket No. 4026 but did not request an increase in debt service and debt service coverage expense at that time. He pointed out that NBC was able to borrow more than planned because of increased federal funding through the American Recovery and Reinvestment Act ("ARRA") which allowed the Rhode Island Clean Water Finance Agency ("RICWFA") to increase its loan capacity for fiscal year 2009. Mr. Edge stated that the third loan will not be subsidized through ARRA and while NBC will be able to meet its debt service and debt service coverage for this loan through FY 2011, it will need additional revenue to meet those requirements for 2012 when principal payments are projected to begin. He noted that this rate request reflects the annual debt service in FY 2013 because that is higher and NBC requires sufficient revenue to cover these costs.²

Mr. Edge explained why after borrowing \$57 million NBC needed additional capital funds noting that after much discussion on the restrictions and conditions on the ARRA funding, NBC had chosen to use these funds on a single project, the Field's Point

¹ NBC Compliance Rate Filing, Direct Testimony of Walter E. Edge, Jr., pp. 1-2.

² *Id.* pp. 3-4.

Nitrogen Removal Facilities. Mr. Edge indicated that the \$2,111,330 that NBC is requesting represents a percentage increase of 2.74% over test year revenues at current rates but because not all revenue accounts are impacted, the uniform across-the-board rate increase on sewer user rates will be 2.85%.³

Mr. Edge identified the compliance debt service filing requirements required by the Commission in Docket No. 3905 and stated that NBC has provided all of the information required and has complied with all of those requirements. Mr. Edge also provided a comparison between the projected debt service increases and the subsequent actual debt service increases.⁴

On April 20, 2010, the Division of Public Utilities and Carriers (“Division”) submitted the pre-filed testimony of its consultant, Thomas S. Catlin of Exeter Associates, Inc. In his pre-filed testimony, Mr. Catlin presented his findings and recommendations regarding NBC’s request. He noted that the request would result in a 2.74% increase in test year revenues at present rates and that the purpose of the request was to enable NBC to collect sufficient revenues to meet additional debt service requirements. Mr. Catlin discussed NBC’s response to the Division’s Data Request 1-1 noting that even though NBC had received approval for a \$25 million loan, the RICWFA notified NBC that it would only be able to loan \$20 million of the original amount with the additional \$5 million held in abeyance. This reduced NBC’s revenue request increase from \$2,111,330 to \$1,667,687 resulting in an across the board rate increase of 2.25% instead of the 2.85 % originally calculated. Mr. Catlin concluded that NBC had complied with the requirements of the Commission’s Order in Docket No. 3483. Also, Mr. Catlin

³ *Id.* at pp. 4-5.

⁴ *Id.* at 5-10.

noted that this increase is necessary at this time in order for NBC to demonstrate that its revenues will be sufficient to meet debt service and coverage requirements so that it will have access to additional RICWFA debt and to allow RICWFA to issue that debt as soon as possible to take advantage of current favorable interest rates.⁵

Following published notice, an evidentiary hearing was conducted at the offices of the Public Utilities Commission at 89 Jefferson Boulevard, Warwick, Rhode Island on May 4, 2010. The following appearances were entered:

FOR NBC:	Joseph A. Keough, Jr., Esq.
FOR THE DIVISION:	Karen Lyons, Esq. Special Assistant Attorney General
FOR THE COMMISSION:	Patricia S. Lucarelli, Esq. Chief of Legal Services

At the hearing, Mr. Edge and Mr. Catlin testified. Mr. Edge testified that he provided updated schedules to his direct testimony to address the decreased amount that NBC was receiving from RICWFA in his response to the Division's Data Request.

At the conclusion of the hearing, the Commission unanimously approved the rate increase as filed for effect July 1, 2010.⁶ The Commission finds that this rate increase is necessary and in the public interest. Of course, future NBC rate increases due to debt service "could be mitigated if the Commission were to determine that other areas in NBC's cost of service could be reduced" or as a result of "any prudence review it may want to undertake at [that] time."⁷

⁵ Division Exhibit 1 Direct Testimony of Thomas S. Catlin at pp. 1-6.

⁶ The approved cost of service schedule is attached to this Report and Order as Appendix A.

⁷ Order No. 17558, pp.25-26.

Accordingly, it is

(19999) ORDERED:

1. Narragansett Bay Commission's rate application of March 2, 2010 is hereby approved for effect July 1, 2010.
2. Tariffed rates, except for septage fees, permit fees, BOD/TSS surcharges and pre-treatment fees, will be increased by 2.25 percent, or \$1,667,687 for a total cost of service of \$78,604,366.
3. Narragansett Bay Commission shall comply with all other findings and instructions in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 1, 2010,
PURSUANT TO A BENCH DECISION ON MAY 4, 2010. WRITTEN ORDER
ISSUED MAY 14, 2010.

PUBLIC UTILITIES COMMISSION



Elia Germani, Chairman

Elia Germani, Chairman



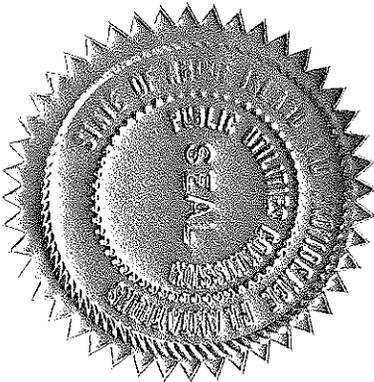
Mary E. Bray, Commissioner

Mary E. Bray, Commissioner



Paul J. Roberti, Commissioner

Paul J. Roberti, Commissioner



Appendix A

Narragansett Bay Commission
Docket 4151
Cost of Service

	Cost of Service Docket 4026	NBC Adjustments	Pro forma
REVENUES			
User Fee Revenues	\$ 74,033,857	\$ - 0 -	\$ 74,033,857
Other Service Revenues	1,712,626		1,712,626
Miscellaneous	<u>1,191,196</u>	<u>-</u>	<u>1,191,196</u>
Total Revenues	\$ 76,937,679	\$ - 0 -	\$ 76,937,679
EXPENSES			
Personnel Services	\$ 18,968,508		\$ 18,968,508
Operating Supplies & Exp	14,073,616		14,073,616
Special Services	2,983,341		2,983,341
Capital Outlays	1,871,466		1,871,466
Prior Year Debt Coverage	(1,871,466)		(1,871,466)
Amortization	9,690		9,690
Debt Related Costs	37,983		37,983
Debt Service	32,554,796	\$ 1,333,349	33,888,145
Debt Coverage	<u>8,138,699</u>	<u>333,337</u>	<u>8,472,036</u>
Total Expenses	\$ 76,766,633	\$ 1,666,687	\$ 78,433,320
OPERATING RESERVE	<u>171,046</u>		<u>171,046</u>
COST OF SERVICE	<u>\$ 76,937,679</u>	<u>\$ 1,666,687</u>	<u>\$ 78,604,366</u>
RATE YEAR			
REVENUES AT PRESENT RATES	\$76,937,679		\$76,937,679
REVENUE INCREASE		<u>\$ 1,666,687</u>	<u>1,666,687</u>