



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

January 27, 2012

Ms. Luly Massaro
Commission Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02889

Re: The Narragansett Bay Commission (NBC)
Compliance Rate Filing
RIPUC Docket No. 4305

Dear Luly,

Enclosed for filing on behalf of the Division please find a Memorandum submitted to Stephen Scialabba from Thomas S. Catlin of Exeter Associates regarding the NBC Compliance Rate Filing for RIPUC Docket No. 4305. Mr. Catlin has reviewed the filing on behalf of the Division and the Division submits this Memorandum and recommendation to the Commission for its consideration.

Thank you for your attention to this matter. If you have any questions, please contact me.

Sincerely,

Karen Lyons

Special Assistant Attorney General
Regulatory Unit

Enclosure

cc: Service List

EXETER

ASSOCIATES, INC.

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REF: 3427

January 25, 2012

Memorandum

To: Stephen Scialabba

From: Thomas S. Catlin

Subject: The Narragansett Bay Commission (NBC)
Compliance Rate Filing
RIPUC Docket No. 4305

Pursuant to your request, I have reviewed NBC's Compliance Rate Filing submitted on December 20, 2011. In its filing, NBC seeks approval for an increase in its revenues of \$1,763,306, which represents an increase in overall revenues at present rates of 2.17 percent and an increase in sewer user rates of 2.25 percent. The purpose of this revenue increase is to allow NBC to meet the additional the debt service and coverage requirements associated with a new \$25 million low interest rate loan from the Rhode Island Clean Water Finance Agency (RICWFA). The amount of the additional revenues sought is based on debt service in the fiscal year ending June 30, 2014 (FY 2014), inclusive of the debt service and coverage requirements associated with the new loan. FY 2014 was utilized as the rate year because that is the year in which NBC's debt service will be the highest during the three year certificate period required by the Trust Indenture. NBC is required to have rates in place that will generate sufficient revenues

to meet debt service coverage requirements in the rate year and the three subsequent years, inclusive of the debt service associated with the new loan.

NBC is seeking this increase pursuant to the provisions established by the Commission in its Order in Docket No. 3905 for obtaining rate relief to cover the costs of new debt. I have reviewed the requirements set forth in the Commission's Order in Docket No. 3905. Based on the information provided in the testimony submitted by Mr. Walter E. Edge in support of NBC's filing along with the supporting schedules, I believe NBC has complied with the Commission's requirements. In reviewing NBC's request, I have confirmed that the \$25 million of loan proceeds is expected to be used to meet capital requirements in the FY 2013 time frame. I have also confirmed that NBC has complied with the requirement that NBC develop rates to generate the additional revenues through a uniform percentage increase in all sewer user rates.

Although the proposed rate increase will not go into effect until July 1, 2012, it is necessary for NBC to be able to demonstrate that it will have sufficient revenues to meet the associated debt service and coverage requirements. Accordingly, in order to allow NBC to 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, I recommend that the Division not oppose the increase in revenues requested by NBC in order to meet the increased debt service and the associated coverage requirements.