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September 26, 2012

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

**Re:   *Narragansett Bay Commission***  
***Docket 4352***

Dear Ms. Massaro:

Enclosed please find an original and nine copies of the following documents:

1. The Narragansett Bay Commission's response to the Division of Public Utilities and Carriers First Set of Data Requests.
2. The Narragansett Bay Commission, Revised Schedule WEE-1 – This schedule contains a correction to the Total Revenue for the test year and the rate year. The test year and rate year are based on the revenues granted by the Commission in Docket 4305. The original schedule used test year and rate year revenues of \$81,126,021. The revised schedule properly represents the test year and rate year revenues of \$82,889,327. This correction has no impact on the rates requested in this Docket.

Please note that an electronic copy of these documents have been sent to the service list.

Sincerely,



Joseph A. Keough Jr.

JAK/kf  
Enclosures

cc:     Service List (via electronic mail)

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION**

**NARRAGANSETT BAY COMMISSION:**

**DOCKET NO. 4352**

**FIRST SET OF DATA REQUESTS**

**DIV. 1-1.** Please explain the basis and provide supporting documentation for the assumed 5.0 percent interest rate on the 2013 Open Market bonds.

**Answer:** The interest rate is consistent with the 20 year average of 4.91% for highly rated (AAA) long-term tax-exempt rates (see attached). NBC's current credit rating is AA-. NBC's capital needs exceed the \$72 million contemplated in this application.

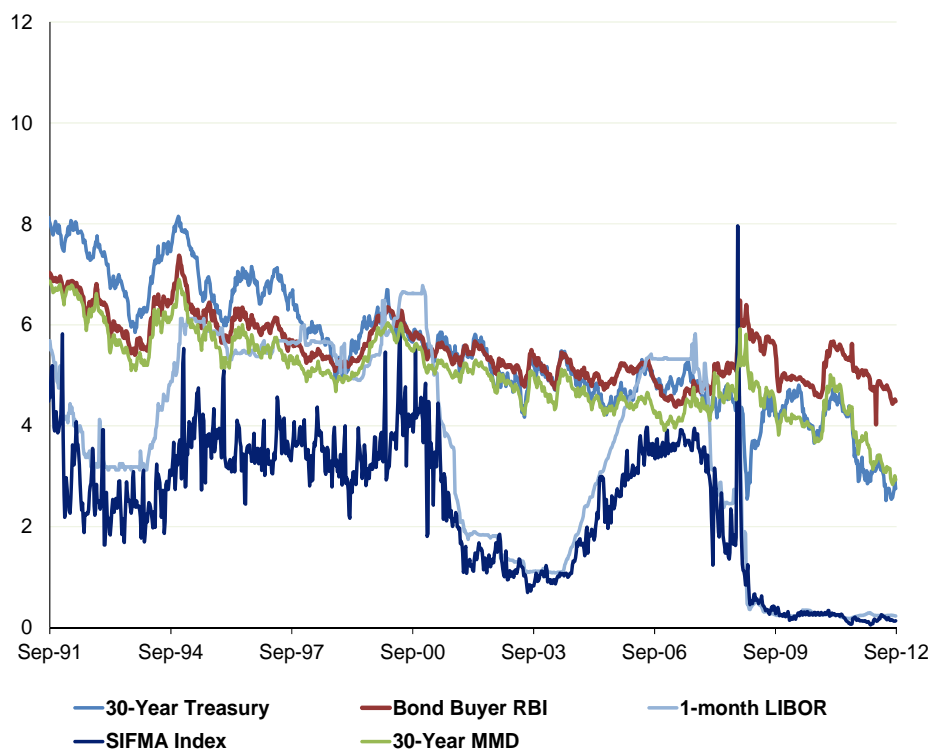
Prepared by: WEE

### Taxable and Tax-Exempt Interest Rates

The municipal market has held firm during the past several months. Despite the volatile financial markets, the absolute values of tax-exempt yields are at historically low levels. Long term tax-exempt rates as measured by the 30-year Municipal Market Data ("MMD") high grade scale, which approximates the expected yield on "AAA" tax-exempt bond issues, was 3.06% as of September 18, 2012. This rate is slightly above the 20-year low of 2.79% but well below the 20-year average of 4.91%.

As illustrated below, treasury yields also remain low. As of September 18, 2012 the 30-year treasury was 3.00% well below the 20-year average of 5.30%.

The graph below shows the historical range of taxable and tax-exempt interest rate highs and lows, along with the average rate over this time frame and the current rate.



	September 18, 2012	20-year High	20-year Low	20-year Average
30-Year Treasury	3.00%	8.16% (11/94)	2.45% (7/12)	5.30%
Bond Buyer Revenue Bond Index	4.42%	7.37% (11/94)	4.38% (3/07)	5.43%
1-Month LIBOR	0.22%	6.82% (11/00)	0.19% (7/11)	3.46%
SIFMA Index	0.16%	7.96% (9/08)	0.06% (1/12)	2.35%
30-Year MMD	3.06%	6.95% (11/94)	2.79% (7/12)	4.91%

**DIV 1-2.** Please explain the basis for the 3.33 percent interest rate on the 2013 SRF loan.

**Answer:** The traditional interest rate subsidy from the Rhode Island Clean Water Finance Agency (RICWFA) is 1/3 off of the market rate for the issuer. Since the model assumes 5% for the market rate, 1/3 off of the rate results in an interest rate of 3.33%. NBC has used a planning figure of \$12 million in RICWFA loans in FY 13 based upon information provided from the RICWFA's financial advisor.

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**DIV 1-3.** Please reconcile the sources of funds other than the 2012 Series B (SRF) and Series C (Revenue Bonds) shown on page 3 of Mr. Edge's testimony with those shown on page 6 of his testimony.

**Answer:** The sources of funds shown on page 3 are the FY 2013 Operating Budget projections based on the 3/31/12 balances, less estimated expenses from April through June, 2012, plus the projected transfer into the restricted account from the prior year's debt service coverage (held in the Stabilization Account). Page 6 of my testimony shows the actual available balances as of July 1, 2012.

<b>Sources of Funds</b>	<b>Page 3 Projected 7/1/12 Balance</b>	<b>Page 6 Available Balance 7/31/12</b>
Capital Account	\$ 315	
Restricted Account	29,186	
ARR Proceeds	5,260	
2011 Series A (SRF)	900	
2012 Series A (SRF)	24,750	
Projected 7/1/12 Balance		60,411
Plus Net Lower Expenditures April-June:		
Projected Expenditures	22,349	
Actual Expenditures	11,784	
Net Lower Expenditures		10,565
Less:		
Projected Restricted Transfer	9,700	
Actual Restricted Transfer	6,900	
Net Lower Restricted Transfer		(2,800)
Less:		
July 2012 Expenditures		(9,167)
<b>Available 7/31/12</b>		<b>\$ 59,009</b>

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**DIV 1-4.** Please explain which funds listed on Exhibit WEE-3 will be used to fund the \$133 million of project funding needs in FY 2013. Reconcile those amounts with those shown on pages 3 and 6 of Mr. Edge's testimony.

**Answer:** I have attached a corrected schedule WEE-3 to replace the schedule filed with my testimony as the first two columns in the original schedule are not relevant and were "leftovers" from an old schedule format. The funds that are available to fund the project needs in FY 2013 are the Restricted Account Balance of \$19,718,070 and \$6,899,756 of the total June 30, 2012 Stabilization Account balance of \$9,868,334\* that was transferred on August 28, 2012.

ALLOCATION OF THE FY 12 CARRYOVER FOR FY 13		
Balance in Operating Capital Cash Account	\$	1,428,907
Less Operating Capital Accruals FY 2012		664,122
Balance available for Operating Capital FY 2013		764,786
Budgeted Operating Capital FY 2013		3,734,400
Operating Capital Transfer for FY 2013		2,969,614
<b>CIP Transfer for FY 2013</b>		<b>6,899,756</b>
Total Transfer	\$	9,869,370
<b>Total Restricted Available as of 7/31/12</b>		
Balance as of 6/30/12	\$	19,718,070
less: July Expenditures		(1,560,640)
Subtotal		18,157,430
plus: CIP Transfer for FY 2013		6,899,756
Total	\$	25,057,186

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\* slight difference due to audit adjustment made subsequent to NBC's filing.

**Narragansett Bay Commission**  
**Restricted Activity Summary**

REVISED  
WEE-3

	Project Fund Operating Capital Acct. Restricted Acct	Debt Service Fund Debt/Coverage Restricted	Total
<b>Restricted Balance 6/30/2011</b>	<b>15,928,426</b>	<b>33,581,175</b>	<b>49,509,601</b>
Receipts FY 2012		43,579,839	43,579,839
Interest FY 2012	2,835	2,804	5,639
Disbursements FY 2012			
Debt Service		(31,806,872)	(31,806,872)
Operating Capital Outlay	(1,801,583)		(1,801,583)
Capital Projects	(3,689,769)		(3,689,769)
Transfer to Project Fund	10,538,726	(10,538,726)	-
<b>Restricted Balance 6/30/2012</b>	<b>20,978,635</b>	<b>34,818,220</b>	<b>55,796,855</b>

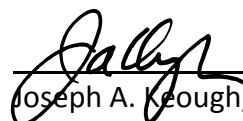
***Composition of the Cash:***

Debt Service Payment Account (includes June int.)		21,338,428	21,338,428
Stabilization Account(includes June int.)		9,868,334	9,868,334
Redemption Account (includes June int.)		1,037	1,037
Operating Capital Account (includes June int.)	1,428,907		1,428,907
Restricted Account	19,718,070		19,718,070
June Transfer	(168,343)	3,610,423	3,442,080
<b>Restricted Balance 6/30/2012</b>	<b>20,978,634</b>	<b>34,818,222</b>	<b>55,796,856</b>

### CERTIFICATION

I hereby certify that on September 26, 2012, I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Luly Massaro, Commission Clerk, by electronic mail and regular mail.

<b>Parties/Address</b>	<b>E-mail Distribution</b>	<b>Phone</b>
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<b>File an original and nine (9) copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:lmassaro@puc.state.ri.us">lmassaro@puc.state.ri.us</a>	401-780-2107
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**Narragansett Bay Commission**  
**Adjusted Rate Year Cost of Service**

REVISED  
WEE- 1

	Docket 4305*		
	Test Year	Adjustment	Rate Year
<b><u>REVENUES</u></b>			
User Fee Revenues	\$ 79,985,505		\$ 79,985,505
Miscellaneous	2,903,822		2,903,822
	<hr/>		
Total Revenue	82,889,327	-	82,889,327
<b><u>EXPENSES</u></b>			
Personnel Services	18,968,508		18,968,508
Operating Supplies & Expenses	14,073,616		14,073,616
Special Servies	2,983,341		2,983,341
Capital Outlay	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	37,316,114	4,702,069	42,018,183
Debt Coverage	9,329,029	1,175,517	10,504,546
	<hr/>		
Total Expense	82,718,281	5,877,586	88,595,867
OPERATING RESERVE	171,046	-	171,046
	<hr/>		
COST OF SERVICE	82,889,327	5,877,586	88,766,913
RATE YEAR REVENUES AT PRESENT RATES	82,889,327		82,889,327
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REVENUE INCREASE	\$ -	\$ 5,877,586	\$ 5,877,586
	<hr/>		

\* Docket 4305 Rate Year approved by PUC. Most current debt service approved and included in rates.