



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

150 South Main Street • Providence, RI 02903

(401) 274-4400 - TDD (401) 453-0410

Peter F. Kilmartin, Attorney General

June 2, 2015

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. 4562

Dear Luly,

Enclosed for filing, please find an original and twelve (12) copies of a Memorandum submitted from Thomas S. Catlin of Exeter Associates regarding the NBC Compliance Rate Filing for RIPUC Docket No. 4562. 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. Please note that an electronic copy of this document has been sent to the service list.

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

Sincerely,

Christy Hetherington, Esq.
Special Assistant Attorney General
Regulatory Unit
Extension 2425

Enclosure

cc: Service List (via electronic mail)

EXETER

ASSOCIATES, INC.

CONSULTING ECONOMISTS
10480 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044
(410) 992-7500
(410) 992-3445 FAX
topcat@exeterassociates.com

Thomas S. Catlin
Steven L. Estomin
Dwight D. Etheridge
Jerome D. Mierzwa
Christina R. Mudd
Kevin L. Porter

REF: 3504

June 2, 2015

Memorandum

To: RI Public Utilities Commission

From: Thomas S. Catlin, Exeter Associates
DPUC Consultant

Subject: The Narragansett Bay Commission (NBC)
Compliance Rate Filing
RIPUC Docket No. 4562

Pursuant to the Division's request, I have reviewed NBC's Compliance Rate Filing submitted on April 21, 2015. In its filing, NBC seeks approval for an increase in its revenues of \$2,194,285, which represents an increase in overall revenues at present rates of 2.29 percent and an increase in sewer user rates of 2.37 percent. The purpose of this revenue increase is to allow NBC to meet the additional debt service and coverage requirements associated with a new \$41.75 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, 2018 (FY 2018), inclusive of the debt service and coverage requirements associated with the new loan. The FY 2018 debt level was utilized in 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 has sought this increase pursuant to the provisions for obtaining rate relief to cover the costs of new debt first established by the Commission in its Order No. 17558 in Docket No. 3483 and subsequently extended in Docket No. 3905 and, most recently, in Docket No. 4364. I have reviewed the requirements set forth in the Commission Order No. Docket No. 17558. 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 \$41.75 million of loan proceeds is expected to be used to meet capital requirements in the FY 2016 time frame. I would note, however, that NBC is attempting to maximize its borrowing of low cost RICWFA financing to meet CSO Phase III construction costs and will have funds in excess of its immediate requirements on hand after this loan. 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, 2015, 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 Commission approve the increase in revenues requested by NBC in order to meet the increased debt service and the associated coverage requirements.