



PROVIDENCE WATER

Tap Water Delivers

June 30, 2015

Mrs. Luly Massaro
Commission Clerk
RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

RE: Division Data Request Set 1- DK 4406 Motion to Reopen

BOARD OF DIRECTORS

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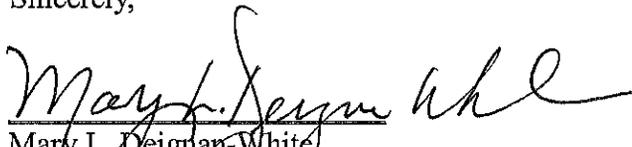
William E. O'Gara, Esq.
Legal Advisor

Dear Mrs. Massaro:

Enclosed for filing an original and nine copies of Providence Water's responses to the above Division data request dated June 23, 2015.

If there are any questions I can be reached at 521-6300, extension 7217.

Sincerely,


Mary L. Deignan-White
Senior Manager of Regulatory

cc: Dk 4406 Service List
File

MEMBER

Rhode Island Water Works Assn.
New England Water Works Assn.
American Water Works Assn.
Water Research Foundation

An EPA WaterSense Partner

(401) 521-6300

552 Academy Avenue
Providence, RI 02908

www.provwater.com

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PROVIDENCE WATER SUPPLY BOARD
Docket No. 4406 Motion to Reopen

Data Requests of the
Division Set I

DIV 1-1. Please identify the balance of the Capital Improvement Program Fund (CIP) as of July 1, 2013 and show the activity in that fund in Fiscal Year 2014 and Fiscal Year 2015 and identify the balance in the fund as of June 30, 2014 and June 30, 2015. (If June 30, 2015 is not available at this time the response to this question is prepared, provide the projected June 30, 2015 balance.)

Answer. Please see attached list for detail activity for FY 2014 and through June 24, 2015.

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015 *</u>
Fund Balance, July 1, 2013	\$6,446,770	\$8,320,735
Less:		
Debt Service Payment	(241,808)	(241,487)
Payments/Encumbrances	(360,151)	(969,216)
Cash Receipts	2,475,925	237,500
Cash Balance @ June 30	\$8,320,735	\$7,347,532*
Due From Operating Fund	\$1,225,000	\$1,237,500
Due From Chemical Fund	\$1,000,000	\$600,000

*Year-end 6/30/15 based on total estimated FY15 payments

**Providence Water Supply Board
Actual CIP Expenditures
Division 1-1**

FY 2015	Vendor Name	Project Number	Project Description	Amount	
	GAROFALO	845-20153	Treatment Plant/ Security	\$ 2,855	
	Sub-Total by Project				\$ 2,855
	NO-DES INC.	845-20131	Design & Development of UDF Program	\$ 91,082	
	WESTON AND SAMPSON	845-20131	Design & Development of UDF Program	\$ 159,693	
	Sub-Total by Project				\$ 250,775
	SYNAGRO NORTHEAST	845-20142	Design & Construction of Treatment Residual Handling	\$ 291,065	
	Sub-Total by Project				\$ 291,065
	ID MODELING	845-22001	Develop GIS System	\$ 2,750	
	PARE CORPORATION	845-22001	Develop GIS System	\$ 3,521	
	Sub-Total by Project				\$ 6,271
	AMERICAN MILLWRIGHT	845-22003	New Fence and Roads for PW property	\$ 3,685	
	AVO FENCE & SUPPLY	845-22003	New Fence and Roads for PW property	\$ 1,699	
	CCRB ASSOC. LLC	845-22003	New Fence and Roads for PW property	\$ 22,500	
	JAMESTOWN DISTRIBUTOR	845-22003	New Fence and Roads for PW property	\$ 1,418	
	Sub-Total by Project				\$ 29,302
	ANDOLFO APPRAISAL	845-28003	Preliminary Study & Design of Admin & Ops Building	\$ 2,500	
	DIMEO CONSTRUCTION CO	845-28003	Preliminary Study & Design of Admin & Ops Building	\$ 18,759	
	FIRST STATES INVESTOR	845-28003	Preliminary Study & Design of Admin & Ops Building	\$ 250,000	
	INTEGRA REALTY RESOUR	845-28003	Preliminary Study & Design of Admin & Ops Building	\$ 8,700	
	Keystone Consulting	845-28003	Preliminary Study & Design of Admin & Ops Building	\$ 4,990	
	Sub-Total by Project				\$ 284,949
	Total CIP Expenditures Fiscal Year Ending 6/30/2015 *				\$ 865,216
	Anticipated Expenditures for balance of FY 2015				\$ 104,000
					\$ 969,216

FY 2014	Vendor Name	Project Number	Project Description	Amount	
	WESTON AND SAMPSON	845-20131	Design & Development of UDF Program	\$ 212,376	
	Sub-Total by Project				\$ 212,376
	BOYLE & FOGARTY CONST	845-20134	Port of Providence Master Meter Installation	\$ 20,912	
	Sub-Total by Project				\$ 20,912
	ID MODELING	845-22001	Develop GIS System	\$ 3,250	
	PARE CORPORATION	845-22001	Develop GIS System	\$ 81,037	
	Sub-Total by Project				\$ 84,287
	CCRB ASSOC. LLC	845-22003	New Fence and Roads for PW property	\$ 22,500	
	NEW ENGLAND FENCE COM	845-22003	New Fence and Roads for PW property	\$ 4,150	
	Sub-Total by Project				\$ 26,650
	DIMEO CONSTRUCTION CO	845-28003	Preliminary Study & Design of Admin & Ops Building	\$ 4,708	
	Sub-Total by Project				\$ 4,708
	Total CIP Expenditures Fiscal Year Ending 6/30/2014				\$ 348,932
	Encumbrances				\$ 11,220
					\$ 360,152

PROVIDENCE WATER SUPPLY BOARD
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DIV 1-2. Please confirm that the debt service projections included with Mr. Massaro's testimony reflect Providence Water's current best estimates, and the \$2.4 million identified by Mr. Smith is an earlier approximation. If not, please explain.

Response: The debt service projection shown at exhibit TM-2 currently represents our best estimate for debt service costs. They were developed by First Southwest, our financial advisors on debt issuances.

The estimated \$2.4 million debt service projection was preliminary and represented a five (5) % interest rate on a \$30 million bond issuance with a 20 year amortization period.

RICWFA is now working towards issuing our \$30 million financing prior to March of 2016. The issuance may take place in November 2015, and will allow us to use proceeds to pay for the acquisition of the building and property.

PROVIDENCE WATER SUPPLY BOARD
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DIV 1-3. Please identify the interest rate and fees, if any, that would be incurred if/when money is borrowed under Providence Water's line of credit with Century Bank.

Response: The only cost of borrowing would be the interest on the loan. The interest rate for our line of credit is the one-year Libor rate plus 100 basis points. The current interest rate would be 1.77% (as of June 25).

PROVIDENCE WATER SUPPLY BOARD
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DIV 1-4. Please state whether the RICWFA Board conditionally approved Providence Water's request for funding at its June 22, 2015 meeting as referenced on page 3 of Mr. Massaro's testimony.

Response: On June 22nd, the RICWFA Board conditionally approved our loan application. The approval is subject to the Department of Health providing a Certificate of Approval for the project and to certain other terms. A copy Clean Water's June 23rd letter to Providence Water approving the financing is attached to the data responses.

Div 1-4



Merrill W. Sherman
Chair

William Sequino, Jr.
Executive Director

June 23, 2015

Ricky Caruolo, General Manager
Providence Water Supply Board
552 Academy Avenue
Providence, RI 02908

RE: Providence Water Supply Board
up to \$30,000,000 Drinking Water State Revolving Fund Loan for
drinking water Infrastructure Improvement projects

Dear Mr. Caruolo:

The Board of Directors of the Rhode Island Clean Water Finance Agency (the "Agency"), pursuant to policies and procedures adopted in accordance with the Safe Drinking Water Act Amendments of 1996 and Chapters 46-12.2 and 46-12.8 of the Rhode Island General Laws, is pleased to inform you that the application of the Providence Water Supply Board (the "Borrower") dated May 14, 2015 for financing through the Agency has been approved, at the Agency's June 22, 2015 Board Meeting, and in consideration of the receipt of the Certificates of Approval referred to below, the Agency shall provide financial aid in the form of a loan on the terms stated below, in an amount not to exceed \$30,000,000 for a term not to exceed 20 years after project completion.

This approval is subject to Providence Water Supply Board meeting the following terms:

- 1) That the project to be funded appears on the Department of Health's ("DOH") Project Priority List and have Certificates of Approval issued by DOH;
- 2) That the loan security be in a form acceptable to the Agency;
- 3) That the Borrower comply with applicable federal, state and municipal laws, ordinances, rules and/or regulations and Agency requirements; and
- 4) That a mutually accepted loan agreement be signed by all parties to the transactions.

TERMS AND CONDITIONS

(1) Division of Public Utilities and Carriers

Prior to entering into a loan agreement, the Borrower must receive approval from the Division of Public Utilities and Carriers for entering into long term financing with the Agency, if such approval is required by law, rule, or regulation.

(2) Certificate of Approval

Prior to disbursement of funds by the Agency, the Agency must be in receipt of Certificate(s) of Approval by the Rhode Island Department of Health (DOH) of the Borrower's proposed project(s), pursuant to Title 46-12.8 of the Rhode Island General Laws, and rules and regulations promulgated thereunder.

(3) Loan Agreement

There will be a loan agreement (the "agreement") with the Borrower outlining the specific terms and conditions of the Agency's loan program, as more generally set forth below and in the agreement, including the loan (the "Loan") to the Borrower. The Borrower's repayment obligation to the Agency under the agreement will be evidenced by a bond of the Borrower outlining the Loan's specific terms and conditions (the "Bond"). The Bond shall be in fully marketable form, accompanied by documentation, in form and substance satisfactory to the Agency, and an opinion, in form and substance satisfactory to the Agency, of nationally recognized bond counsel satisfactory to the Agency as to its valid authorization, execution, delivery and enforceability. The general provisions of the agreement will include (without limitation) the following provisions:

(a) Forgiveness of Loan Principal

In accordance with the federal FY14 appropriations act, rules, regulations and guidance issued thereunder by the Environmental Protection Agency and Chapter 12.2 of Title 46 of the Rhode Island General Laws, a portion of the loan principal which is used to finance the following projects may be forgiven:

Central Operations Facility

The final amount to be forgiven shall be determined prior to loan closing. Failure to utilize the allocated loan proceeds for the project(s) as described above may result in the loss of principal forgiveness.

(b) Borrowing Rate

Loans will be fixed to equal, as nearly as practicable, three quarters (3/4) of the prevailing market interest rate (the "Subsidized Interest Rate") for tax-exempt or taxable issuers of comparable creditworthiness and tax status to each Borrower,

as determined by the Agency on the advice of the Agency's Financial Adviser after consultation with the Borrower. Interest is to be calculated on the basis of a 360-day year and twelve thirty-day months, and may be capitalized during construction. Interest payments are semi-annually on March 1 and September 1. Borrower will be contractually liable for the full market interest rate on the Loans, as determined by the Agency at the time of closing on the Loan, but will be billed only for the subsidized interest rate as stated above.

(c) Amortization

Amortization will begin on September 1 beginning no later than one year after project completion. Principal payments will be made annually on September 1 and the schedule of payments will be structured to meet the debt service and financial assistance needs of the Borrower.

(d) Final Maturity

Loans shall mature up to twenty years after the completion of the funded project(s).

(e) Prepayments

A Loan may be prepaid by the Borrower at any time but may be subject to a prepayment penalty based on the cost of reinvesting the prepayment, the cost of prepaying outstanding bonds of the Agency or any other negative financial impact to the Agency.

(f) Security

Loans will have a pledge of (a) general revenues and/or water system user fee revenues; and (b) may be secured by any assets and/or credit enhancements which the Agency deems appropriate to protect the interest of the other participants in the loan programs of the Agency; bond holders; other creditors of the Agency; or the finances of the Agency.

(4) Construction Progress Payments

Progress payments for each construction project will be made through the Borrower's Construction Proceeds Account ("BCPA"). Loan proceeds will be transferred to the BCPA for the benefit of the Borrower based upon approved Requisition Forms submitted to the Agency. Upon receipt of the Requisition Form, the Agency will verify: a) that a Certificate of Approval has been issued by RIDOH; b) that the vendor is identified in the contract; and c) that there is sufficient availability in

the BCPA to make the payment. Payments will be made directly to the vendor and/or the Borrower for reimbursements by the Agency, and a "paid" stamped copy of the Requisition Form will be sent to the Borrower and RIDOH. RIDOH will perform periodic project inspections to a) monitor construction progress; b) verify eligibility of construction costs under the program; and c) ensure that construction is in conformity with Plans and Specifications. RIDOH will provide a copy of the inspection report to the Agency. Any adverse conditions will be reported to the Agency who will suspend further payments until the adverse conditions have been rectified. RIDOH will perform a final project inspection before the final payment is made by the Agency.

(5) **Reporting Requirements**

The Borrower will be required to provide information to the Agency during the life of the Loan. These are:

- (a) A copy of its annual audited financial statements in accordance with Generally Accepted Government Accounting Standards or other financial statements and compilations as acceptable to the Agency.
- (b) An annual analysis of operating revenues and expenses, including without limitation, a description of the status of the dedicated water system revenues and/or general revenues and operating expenses in excess of budget.
- (c) A copy of the annual budget of the Borrower, within fifteen days of its adoption, if applicable.
- (d) An annual schedule of current and projected short and long term debt service.
- (e) An annual schedule of Infrastructure Replacement Fund Reserves.
- (f) Copies of reports submitted to RIDOH, the Rhode Island Department of Environmental Management, the federal Environmental Protection Agency ("EPA") and any other regulatory agency relating to any project financed by the Agency or the operation thereof.
- (g) If appropriate, an accounting of all bond proceeds separately because, under the Tax Reform Act of 1986, all water and sewer districts may possibly have to rebate arbitrage profits regardless of whether they borrow through the Agency or otherwise. The \$5,000,000 "small issuer" exemption will not apply to water and sewer districts. Changes to the Code in 1989 do provide that if construction projects will be completed with bond proceeds spent on a specific timetable within two

years, the Borrower may not be subject to the rebate provisions contained in the Internal Revenue Code and temporary regulations promulgated thereunder. The Borrower should review this issue with bond counsel.

(h) Other information or reports that the Agency deems appropriate.

(6) **Compliance with State and Federal Law**

The Borrower must comply with all applicable state laws and regulations. Recipients of loans must also comply with all requirements of the Federal Safe Drinking Water Act, as amended and regulations issued thereunder, in addition to any other applicable federal laws and regulations (see attached- Davis-Bacon (DB) prevailing wage requirements and EPA Guidance on Use of American Iron and Steel).

In addition, the Borrower must agree to take all action, or refrain from taking any action, that would cause interest on any obligations of the Agency to be included, for federal income tax purposes, in the gross income of the holders of such obligations.

(7) **Fees**

An origination fee of one percent (1%) of the principal amount of the Loan will be payable to the Agency by the Borrower at the time of the Loan's closing. Costs incurred by the Agency in making the loan will be paid by the Agency. The Borrower will be responsible for its own costs incidental to the transaction; i.e. legal fees, bond counsel fees and financial advisory fees. The Agency will charge an annual service fee of one-half of one percent (0.5%) of the Loan's outstanding principal, payable semi-annually at each interest payment date. A late payment fee will be charged for every 15 days that a payment is late of five percent (5%) of the amount of the late payment.

(8) **Financial Advisory Services**

This letter shall constitute an acknowledgement and consent to the provision of financial advisory services by First Southwest Company to the Borrower and to the Rhode Island Clean Water Finance Agency regarding the Borrower loan.

(9) **Modifications**

Where deemed appropriate by the Agency, waiver or variation of any provisions herein may be made or additional requirements may be added.

(10) **Merger**

Once the Agreement, the Bond and all other closing documents, in form and substance satisfactory to the Agency, associated with the making of the Loan (collectively, the "Closing Documents") are executed, the terms of this letter shall be merged with those of the Closing Documents. The terms of the Closing Documents will govern the extension of the Loan to the Borrower. To the extent that any provisions contained in this letter are inconsistent with the definitive provisions contained in the Closing Documents, the terms of the Closing Documents shall control.

(11) **Beneficiaries**

This letter shall constitute a binding commitment between the Agency and the Borrower but no third party shall have any rights arising hereunder and the Borrower shall indemnify and hold the Agency harmless from any and all claims arising from or in connection with this letter, the Loan or the project financed thereby. In any case, the Agency's liability under this letter shall be limited to the amount held in the Borrower's BCPA from time to time.

Two copies of this letter are enclosed. Please sign both and return one original copy to this Agency at 235 Promenade Street, Suite 119, Providence, RI 02908.

I would like to take this opportunity to thank you for your participation in the Drinking Water State Revolving Fund. Please be assured that every effort will be made to get the lowest total cost for your long-term capital needs. If you have any questions, please do not hesitate to call this office.

Very truly yours,

RHODE ISLAND CLEAN WATER FINANCE AGENCY

By: William Sequino
William Sequino, Jr., Executive Director

Accepted this 26th day of JUNE, 2015

By: Rick Grande
Title: GENERAL MANAGER
Providence Water Supply Board

Name and Address of Legal Counsel and/or Bond Counsel to the Borrower

Legal

Michael R. McElroy, Esq.
21 DRYDEN LANE
PO BOX 6721
Providence, RI 02940-6721
401-351-4100

Bond
KAREN S. GRANDE, Partner
LAKE LODGE LLP
2800 FINANCIAL PLAZA
Providence, RI 02903
401-455-7608

cc: Carlene Newman-RI DOH
Christopher Vitale, Esq., Agency Counsel

PROVIDENCE WATER SUPPLY BOARD
Docket No. 4406 Motion to Reopen

Data Requests of the
Division Set I

DIV 1-5. Please provide an update when the Department of Health acts on the request for a Certificate of Approval for the project.

Response: The Department of Health's issuance of their Certificate of Approval is expected sometime after mid-July. Providence Water will provide notification to the Public Utilities Commission when the Certificate of Approval is issued.