

Ms. Giebink testified that the NBC is requesting Division approval to enter into long-term debt and issue revenue bonds for an amount not to exceed \$25,000,000 at an interest rate not to exceed a market rate of 4.75%, which would result in a projected blended subsidized rate of 2.25%. She also testified that the loan will be from the Rhode Island Clean Water Finance Agency (“RICWFA”) and will be used to fund capital projects.¹

Ms. Giebink noted that the RICWFA is the State agency that administers the State Revolving Loan Fund (“SRF”) program that provides low interest loans to qualified borrowers. She further noted that the Division has approved thirteen NBC loans from the RICWFA to date, totaling \$326,169,709.²

Ms. Giebink testified that the loan would be used to fund eligible projects in the NBC’s Capital Improvement Program including the construction of the CSO Phase I Facilities and design of the CSO Phase II Facilities. She related that the loan might also be used to provide additional funding for:

“... the acquisition, design, evaluation, inspection, construction, improvement, cleaning, installation, rehabilitation, furnishing and equipping of: (i) the Phase I Combined Sewer Overflow (CSO) Facilities, (ii) the Phase II CSO Facilities (iii) the Field’s Point Wastewater Treatment Facility Nitrogen Removal Facilities, (iv) Bucklin Point Biogas Microturbines (v) Field’s Point Wind Turbines (vi) a Site Specific Study for the Metals Compliance Plan, (vii) Water Quality Monitoring, (viii) the River Model Development, (ix) the Asset Management System, (x) the Improvements to Air Piping and Splitter Box D, (xi) the Upgrade of the Field’s Point Operations Building and other miscellaneous improvements at various locations, (xii) the Bucklin Point Wastewater

¹ NBC Exhibit 1, Giebink Testimony, p. 2.

² Ms. Giebink described the previously approved loans as: Pool Loans I, II, III, IV, V, VI, VII, VIII, IX, X and contracts 201, 401 and 601. Id.

*Treatment Facility Nitrogen Removal Facilities, (xiii) the Bucklin Point Wastewater Treatment Facility Improvements (xiv) a System-Wide Facilities Plan, (xv) the Washington Highway, Omega and Central Avenue Pump Stations, (xvi) the Lab Building Heating, Ventilating and Air Conditioning Repairs, (xvii) the Floatables Control Facilities, and (xviii) Commission Interceptors..."*³

Ms. Giebink additionally related that some of the loan proceeds would also be used to pay RICWFA fees and bond issuance costs.⁴

Ms. Giebink next testified that other than the instant petition for authority to issue the new bonds, the NBC has met all of the other requirements needed to close on the loan. She related that on June 20, 2007 the NBC's Board of Commissioners passed a resolution authorizing the NBC to borrow an amount not to exceed \$25,000,000 under the RICWFA administered SRF program.⁵ She testified that the NBC had requested the loan from the RICWFA on June 31, 2007, and that the RICWFA approved the NBC's financing application on September 4, 2007.⁶ Ms. Giebink also related that the NBC's current long-term credit rating with Standard and Poor's is A+. She added that a credit review related to this loan will take place in the next few weeks.⁷

Ms. Giebink next testified that the loan would be structured as a blended rate loan, similar to the NBC's last loan from the RICWFA. She related that this means that 50% of the loan will be made at the subsidized interest rate of 1/3 off current market rates and 50% of the loan at zero percent interest. Ms.

³ *Id.*, pp. 2-3.

⁴ *Id.*, p. 3.

⁵ Evidenced by "Exhibit KG-1", attached to Ms. Giebink's pre-filed testimony.

⁶ Evidenced by "Exhibit KG-2", attached to Ms. Giebink's pre-filed testimony.

⁷ *Id.*, and Transcript.

Giebink related that although pricing on the loan has not yet taken place, the RICWFA is confident, given current market conditions, that the interest rate for this loan will not exceed 4.75%. Ms. Giebink thereupon proffered debt service schedules reflecting a \$25 million loan at a blended rate of approximately 2.25%.⁸

Ms. Giebink related that the NBC's current rates generate sufficient revenue to meet the debt service payments associated with the instant loan.⁹ She testified that NBC's current rates also generate sufficient debt service coverage for the fiscal year ending June 30, 2007. Ms. Giebink additionally provided a debt service coverage schedule to show that there is sufficient capacity to finance the additional debt service and maintain the coverage requirements.¹⁰ Lastly, she noted that the closing of this loan is scheduled for December 12, 2007.¹¹

As in previous related dockets, Ms. Maureen E. Gurghigian began her testimony by stating that First Southwest Company serves as financial advisor to many bond issuers such as schools, cities, airports, hospitals, sports complexes, water and wastewater authorities and districts and toll roads. She related that the firm currently serves more than 2000 municipalities and agencies, including more than 400 in New England.¹²

⁸ Id., and "Exhibit KG-3".

⁹ Id., p. 4; and Transcript.

¹⁰ Id., and "Exhibit KG-4".

¹¹ Id., p. 4; and Transcript.

¹² Id., Gurghigian Testimony, pp. 1-2.

Ms. Gurghigian related that she has served as financial advisor to the NBC for the past 18 years. She stated that in her capacity as the NBC's financial advisor she has assisted the NBC with a number of long-term borrowings from the RICWFA, several short-term borrowings, the \$70 million Variable Rate Demand Bonds issued in April 2004, the \$45 million Open Market Revenue Bond Issue in August 2005 and a \$42.5 million issue in February 2007. She related that her services have included the facilitation of the credit rating process, loan structuring and other functions.¹³

Ms. Gurghigian provided additional information regarding the proposed \$25,000,000 revenue bond issue and specifically addressed the anticipated interest rate. Ms. Gurghigian also testified that NBC's financing strategy maximizes the use of RICWFA loans, which she described as the "lowest cost form of financing."¹⁴

Ms. Gurghigian testified that the proposed RICWFA loan is amortized over 20 years with final maturity in 2028. Ms. Gurghigian noted that the amortization of this loan is also similar to prior loans from the RICWFA with slight modifications to ensure compliance with the Trust Indenture coverage requirements. She reiterated that the loan would be structured as a blended rate loan, similar to NBC's last loan from the RICWFA. She explained that 50% of the loan would be made at the subsidized interest rate of 1/3 off current market rates and 50% of the loan at zero percent interest. Ms. Gurghigian related that based upon market conditions, it is anticipated that the loan will

¹³ *Id.*, p. 2.

¹⁴ *Id.*, p. 3.

not exceed a market rate of 4.75%, which she noted would result in a projected blended subsidized rate of 1.75% plus RICWFA service fees of 0.5%.¹⁵

The Division's Advocacy Section did not present any witnesses in this docket. Alternatively, however, the Advocacy Section proffered a memorandum from Mr. Thomas S. Catlin, a consulting economist who specializes in public utility regulation. In the memorandum, Mr. Catlin indicates that he had reviewed the filing and agrees that the NBC has a sufficient debt service allowance in rates to meet the debt service on this new \$25,000,000 loan.¹⁶ After a brief cross-examination of the NBC's witnesses, the Advocacy Section stated for the record that it was satisfied from the evidence presented, that the NBC had met the requisite burden of proof set forth in R.I.G.L. §39-3-15, et seq. and that the proposed borrowing was in the public interest.

FINDINGS

Predicated on a thorough examination of the record in this matter, including the "Loan Agreement" to be executed by the NBC and the RICWFA at the scheduled closing and the NBC's "Financials"¹⁷, the Division finds that the NBC's application seeking approval to enter into long-term debt and issue revenue bonds in an amount not to exceed \$25,000,000, is reasonable and in the best interest of ratepayers.

Now, therefore, it is

(19119) ORDERED:

¹⁵ Id.

¹⁶ Advocacy Section Exhibit 1.

¹⁷ Both contained in NBC Exhibit 1.

1. That the Narragansett Bay Commission's October 5, 2007 application, seeking authority to enter into long-term debt and issue revenue bonds in an amount not to exceed \$25,000,000, is hereby approved as filed.
2. That the Division hereby makes this approval contingent upon the NBC's use of the debt service allowance previously approved by the Public Utilities Commission, or if subsequently required, by additional debt service allowances approved by the Public Utilities Commission.
3. That the Division hereby limits approval of the instant application to the terms and details identified in the record.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND ON NOVEMBER 1, 2007.


John Spirito, Jr., Esq.
Hearing Officer

APPROVED: 
Thomas F. Ahern
Administrator