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April 8, 2019

John Spirito, Esq.
Chief of Legal Services
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

Re: Providence Water Supply Board – Debt Filing -- Docket No. D-19-01

Dear Mr. Spirito:

As you know, I represent the Providence Water Supply Board (“Providence Water”) in this docket.

Providence Water originally filed an Application with the Division seeking authority to borrow up to \$14.7 million through tax exempt governmental revenue bonds sold by the Rhode Island Infrastructure Bank under the Rhode Island Safe Drinking Sate Revolving Fund. The Fund provides subsidized below market rate loans to water suppliers for qualifying projects listed on the project priority list maintained by the Department of Health.

Providence Water expected that, as in the past, the revenue bonds would be tax exempt governmental bonds, which carry a very low interest rate.

Shortly before the hearing scheduled for February 5, 2019, I learned for the first time that bond counsel for Providence Water and bond counsel for the Rhode Island Infrastructure Bank had concluded that they were unable to render the necessary legal opinions to support tax exempt governmental bonds because the City of Providence and Providence Water were not able to make certain certifications required by the Internal Revenue Code. The reason for this was a combination of factors all relating to an attempt by the City of Providence to monetize or privatize Providence Water pursuant to proposed legislation introduced in the Rhode Island General Assembly (House Bill No. 5390 and Senate Bill No. 324) and a related Request for Qualifications (“RFQ”).

As a result, on March 26, 2019, Providence Water filed supplemental testimony in this matter asking for approval to substitute tax exempt private activity bonds for the tax exempt governmental bonds. The tax exempt private activity bonds, as shown by the supplemental testimony, are somewhat more expensive than the tax exempt governmental bonds.

The hearings concluded before you on April 1, 2019. On April 4, 2019, the Mayor of the City of Providence announced that the City was directing that the legislation be withdrawn from both the House and the Senate, and both bills were withdrawn on that day. In addition, I have been informed that the City has notified all RFQ respondents that it does not expect to pursue privatization of the water system.

Since the withdrawal of the legislation and the RFQ notifications, Providence Water has been working with the City of Providence and the Rhode Island Infrastructure Bank in an attempt to obtain the necessary certifications and legal opinions from bond counsel to support the tax exempt governmental bonds.

I am pleased to report that today agreement was reached among the City of Providence and its Solicitor, Providence Water and its bond counsel, and the Rhode Island Infrastructure Bank and its bond counsel that will allow Providence Water to obtain the tax exempt governmental bond financing we originally applied for. Therefore, it is no longer necessary for us to pursue tax exempt private activity bond financing.

Accordingly, Providence Water respectfully requests that we be allowed to return to our original financing package (collective Exhibit 1). The supplemental testimony package filed on March 26, 2019 (collective Exhibit 2) is no longer necessary.

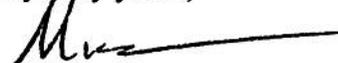
I am also pleased to report that interest rates have fallen since we originally filed this Application, which means that we will hopefully have more project funds available than we originally anticipated to do the rehabilitation of Providence Water's water mains and related work.

I will obtain new estimated debt service schedules for the tax exempt governmental financing and send them to you as soon as possible.

As we explained at the hearing on April 1, if we have an Order from the Division authorizing the tax exempt governmental borrowing on or before April 18, 2019, we should be able to participate in a pooled borrowing at the Rhode Island Infrastructure Bank, which will reduce Providence Water's issuance cost.

Thank you very much for your assistance in this matter, and as always, if you have any questions or need any additional information, please contact me.

Very truly yours,



Michael R. McElroy

MRMc/tmg
cc: Service List

Schacht & McElroy