

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS
89 JEFFERSON BOULEVARD
WARWICK, RHODE ISLAND 02888**

IN RE: Providence Water Supply Board :
Application for Authority to : Docket No. D-19-01
Issue Debt :

REPORT AND ORDER

On January 11, 2019, the Providence Water Supply Board (“Providence Water”) filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking authority to borrow from the Clean Water State Revolving Fund an amount not to exceed \$14,700,000. The application was filed in accordance with the requirements contained in Section 39-3-15 of the Rhode Island General Laws and Rule 14 of the Division’s *Rules of Practice and Procedure*.

In its filing, Providence Water states that it plans to borrow from the Drinking Water State Revolving Fund, through the Rhode Island Infrastructure Bank (“RIIB”), in an amount not to exceed \$14,700,000 primarily for the rehabilitation of water mains and appurtenances at an interest rate not to exceed 5.5%. The filing states that the loan will be secured by the Providence Water Enterprise Fund Revenues under the Providence Water Bond Indenture.¹ The filing also states that the borrowing

¹ Providence Water Exhibit 1.

may reimburse Providence Water for the project costs incurred from inception of the project until actual funding date.

In response to the application filing, the Division opened and was prepared to conduct a public hearing on February 25, 2019, which had been duly noticed on February 15, 2019. However, at the outset of the hearing, Providence Water moved for a postponement of the hearing. In support of its request, Providence Water explained that due to an unexpected loan structure issue between the Rhode Island Infrastructure Bank (“RIIB”) and Providence Water, a brief delay was needed. Providence Water asked that the matter be continued until the first week in April. The Division’s Advocacy Section, an indispensable party to the proceeding, did not object to Providence Water’s request.² Because there was no opposition to the request, the Division summarily granted Providence Water’s motion for a continuance.

A second hearing was subsequently conducted on April 1, 2019. Both the April 1, and February 25, 2019 hearings were conducted in the Division’s hearing room, located at 89 Jefferson Boulevard in Warwick. The following counsel entered appearances at both hearings:

For the PWSB:	Michael R. McElroy, Esq.
For the Division’s Advocacy Section:	Christy Heatherington, Esq. Spec. Assistant Attorney General

² February 25, 2019 transcript, Tr. 2-5.

Providence Water's Initial Direct Case

Providence Water proffered three witnesses in support of its initial January 11, 2019 filing. All three witnesses submitted pre-filed direct testimony.³ The witnesses were identified as Ms. Nancy E. Parrillo, Providence Water's Senior Manager; Mr. Gregg M. Giasson, PE, Providence Water's Deputy General Manager of Operations/Executive Engineer; and Maureen E. Gurghigian, Managing Director at Hilltop Securities, Inc.

Ms. Nancy Parrillo testified in support of the proposed borrowing. She began her testimony by relating that the funds will be used to continue Providence Water's work on improvements to its distribution system and appurtenances, "focusing on rehabilitation of water mains, transmission lines, service lines and valves, and related expenses throughout the Providence Water system in accordance with our agreement with the RI Department of Health (RIDOH)"⁴

Ms. Parrillo testified that the proposed \$14.7 million borrowing from the RIIB is estimated to be sufficient to cover the construction costs for this portion of the project as well as the cost of issuance, origination fee to the RIIB, and required debt service reserve fund. Ms. Parrillo also testified that Providence Water will use rate revenue to pay the debt service. She related that because of the structure of the repayment schedules by the RIIB, Providence Water does not need to ask for a rate increase to cover the initial

³ Providence Water Exhibit 1.

⁴ Id., Parrillo Testimony, pp., 1-2.

repayments “as the transfer of rate revenue to the Restricted Infrastructure Replacement Fund is sufficient until such time as Providence Water files its next rate filing with the PUC.”⁵ Ms. Parrillo explained that there will be no impact to the ratepayers at this time.

Ms. Parrillo next proffered several exhibits to further support the January 11, 2019 filing. First, in satisfaction of the requirements of R.I.G.L. §39-3-17, Ms. Parrillo provided an executed copy of a resolution of the Providence Water Supply Board stating that at the August 15, 2018 Board Meeting, the Board authorized the now proposed loan.⁶

Ms. Parrillo also proffered a copy of the Ordinance approving the borrowing, which the City Council approved on November 1, 2018.⁷

Ms. Parrillo next presented a proforma capital structure showing the effect of the bond issuance as required under Rule 14 of the Division’s Rules of Practice and Procedure. She testified that the debt to plant ratio with this issue would be 33.47%, which she noted is considered low or good in the opinion of rating agencies.⁸

Ms. Parrillo also provided a breakdown of how the \$14.7 million of available bond proceeds will be used. She related that \$1,470,000 will be deposited with the Trustee for a debt reserve fund, which represents one year’s debt service. Next, she related that a 1% loan origination fee of

⁵ Id., p. 2.

⁶ Id., pp. 2-3; Parrillo Exhibit I.

⁷ Id., p. 3; Parrillo Exhibit II.

⁸ Id., p. 3; Parrillo Exhibit III.

\$147,000 will be paid to the RIIB, and that \$272,000 will be paid for costs of issuance incurred by Providence Water, which includes legal, rating and financial consulting fees. She testified that the remaining funds, approximately \$12.9 million, will be used to fund the planned work projects.⁹

Regarding the terms of the financing, Ms. Parrillo testified that the bonds will be issued under the Trust Indenture, dated March 5, 2008. She noted that there will be a Supplemental Indenture issued that relates to these bonds. She identified the general terms of the borrowing as follows:

- An estimated \$14.7 million, 20-year term borrowing through the RIIB;
- Bonds will be funded through the Safe Drinking Water State Revolving Fund and will have an interest rate subsidy of 25%;
- The interest rate of the loan will be based on Providence Water's AA-rating, less a 25% discount. An annual administrative fee of .5% of the outstanding loan balance will be paid to the RIIB. The estimated effective interest rate is approximately 3.211%.
- The bonds will be secured with a revenue pledge by the Providence Water Enterprise Fund Revenues under the Providence Water Bond Indenture.¹⁰

⁹ Id., pp. 3-4.

¹⁰ Id., p. 4; Parrillo Exhibit IV.

Ms. Parrillo also provided a copy of the commitment letter from the RIIB, and a Certificate of Approval from the Rhode Island Department of Health.¹¹

Mr. Gregg Giasson reaffirmed that the funds for this borrowing will be used for distribution water main rehabilitation, which involves both “complete replacement” and “cleaning and lining” methods. Mr. Giasson offered a description for both methods.¹²

Mr. Giasson testified that since 1997, Providence Water has rehabilitated approximately 81 miles of distribution system water mains.¹³ He related that the amount of main rehabilitated per year increased significantly as part of the Bilateral Compliance Agreement (“BCA”) made with the RIDOH in 2013. Mr. Giasson added that because a good portion of the distribution system water mains are either at or beyond their useful life, Providence Water has committed to replace 10 miles of water main per year.¹⁴

Mr. Giasson next testified that the cost per foot to rehabilitate Providence Water’s water mains varies due to several factors, which he enumerated below:

1. The type of rehabilitation (replacement versus cleaning and lining);
2. The amount of other utilities in the roadway;

¹¹ Id., pp. 4-5; Parrillo Exhibits V and VI, respectively.

¹² Providence Water Exhibit 1, Giasson Testimony, pp. 1-2.

¹³ Id., p. 2; and Giasson Exhibit GMG-1.

¹⁴ Id., p. 2.

3. The amount of pavement restoration and police details;
4. Contractor availability and current economic conditions;
5. The location of the work (urban area versus rural area); and
6. The amount and type of services (copper versus lead).¹⁵

In closing, Mr. Giasson testified that Providence Water is still under a BCA with RIDOH, which resulted from a finding that Providence Water had exceeded “the action limit for lead in 2017.” He related that the current BCA was executed in August of 2018 and requires Providence Water to spend \$17,000,000 in FY 2018, \$17,000,000 in FY 2019 and \$18,000,000 in FY 2020 on water main rehabilitation.¹⁶

Ms. Maureen Gurghigian related that she is providing assistance to Providence Water and its financing team with respect to the instant borrowing through RIIB. She testified that the proposed \$14,700,000 borrowing from the RIIB is needed for financing continued improvements to the distribution system including but not limited to the cleaning, relining, repair and replacement of water mains, transmission lines, service lines, and valves, and all attendant expenses.¹⁷

Ms. Gurghigian confirmed that of the \$14,700,000 loan amount, approximately \$12,958,000 will be available for project funds, and approximately \$1,470,000 will fund the debt service reserve fund. She stated that an additional \$272,000 is allocated for costs of issuance,

¹⁵ Id.

¹⁶ Id., p. 3.

¹⁷ Id., Gurghigian Testimony, p. 2.

including rating agency fees, bond counsel, financial advisor and trustee fees, and the RICWFA origination fee.¹⁸

In describing how the financing works, Ms. Gurghigian explained that pursuant to the Safe Drinking Water Act Amendments of 1996, Rhode Island has created a Drinking Water State Revolving Fund (“DWSRF”) administered by the RIIB to provide financial assistance to water suppliers. She related that the fund uses federal capitalization grants and state matching funds to provide subsidized (25% below market rate) loans to water suppliers for qualifying projects listed on the Project Priority List maintained by the Rhode Island Department of Health. Ms. Gurghigian explained that RIIB sells bonds in the public market and loans the proceeds to its drinking water borrowers pursuant to loan agreements. Ms. Gurghigian related that PWSB identified these projects in its capital program and they are listed on the Rhode Island Department of Health’s Project Priority List. She testified that these projects, therefore, qualify for a subsidized DWSRF loan through the RIIB.¹⁹

Ms. Gurghigian testified that the term of the requested borrowing is 20 years. She explained that the expected interest cost will reflect a subsidized rate of 25% off the current market rates. Ms. Gurghigian testified that based upon market conditions as of December 5, 2018, it is anticipated that the

¹⁸ Id., p. 3.

¹⁹ Id., p. 2.

loan will not exceed a market rate of 4.696%, which, she related, would result in a projected subsidized rate of approximately 3.211%.²⁰

Ms. Gurghigian testified that this borrowing will be done when the RIIB sells its revenue bonds for the DWSRF, which is anticipated to take place in the first or second quarter of 2019. Ms. Gurghigian related that RIIB requires that all borrower approvals be in place prior to mailing the RIIB Preliminary Official Statement.²¹

Ms. Gurghigian also proffered a debt service schedule with her pre-filed testimony. She testified that for the \$14,700,000 loan, annual debt service is expected to increase by approximately \$1,050,000 per year. She noted that this amount is subject to change based upon the actual project costs, draw schedule and prevailing interest rates at the time of borrowing.²²

Providence Water's Supplemental Direct Case

On March 26, 2019, Providence Water filed supplemental testimony in support of its request for authority to borrow up to \$14,700,000.²³ The filing contained additional pre-filed testimony from Nancy Parrillo, Providence Water's Senior Manager; Gregg M. Glasson, Providence Water's Deputy General Manager of Operations/Executive Engineer; and Maureen E. Gurghigian, Managing Director at Hilltop Securities, Inc. The filing also contained pre-filed direct testimony from Karen S.D. Grande, who was

²⁰ Id., p. 3.

²¹ Id., p. 3.

²² Id., pp. 3-4; Schedule MG-1.

²³ Providence Water Exhibit 2.

identified as bond counsel to the City of Providence (“City”) and Providence Water. Additionally, during the hearing, Providence Water made two additional witnesses available in further support of its amended filing. These additional witnesses were identified as Richard Caruolo, Providence Water’s General Manager; and Jeffrey Diehl, RIIB’s Executive Director and CEO.

Ms. Parrillo testified that since her original testimony was submitted there has been “changes to circumstances surrounding this borrowing.” She related that the City has recently announced that it is exploring the possibility of “monetizing” the Providence Water supply system to fund its unfunded pension liability. Ms. Parrillo explained that due to this development, the City and Providence Water have been advised by their consultants and the RIIB that they “cannot make the tax certifications required to proceed with a traditional long-term tax-exempt government bond financing.”²⁴

According to Ms. Parrillo, RIIB has offered Providence Water the following four alternative options:

1. Tax exempt private activity bond 20-year loan;
2. Taxable 20-year loan;
3. Public offering conduit tax exempt governmental Bond Anticipation Note (BAN) (2-year);
4. Bank placement conduit tax exempt governmental BAN (2 year).

²⁴ Providence Water Exhibit 2, Parrillo Supplemental Testimony, p. 2.

Ms. Parrillo testified that Providence Water subsequently performed an analysis of the cost of these options and has determined that “the tax-exempt private activity bonds” afford the lowest cost to borrow “as compared to the tax-exempt governmental bonds that Providence Water has issued in the past.”²⁵ Ms. Parrillo related, however, that the interest rate on the private activity tax-exempt bonds would be about 33 basis points higher than tax-exempt governmental bonds. She stated that this would result in approximately \$531,000 in additional interest costs over the 20-year life of the loan or approximately \$26,000 per year on average.²⁶

Ms. Parrillo ended her supplemental testimony by requesting an expedited decision from the Division to coincide with the RIIB’s schedule to issue these bonds in late April/early May.²⁷

In his supplemental testimony, Mr. Giasson provided further details on the specific projects that Providence Water plans to fund through this borrowing. He identified the following three projects:

1. In the Blackstone area of Providence, rehabilitation of 36,360 feet of water main and appurtenances and replacement of 372 lead services.
Estimated Cost - \$9,600,000.
2. In the Edgewood area in Cranston, rehabilitation of 20,360 feet of water main and appurtenances and replacement of 35 lead services.
Estimated Cost - \$4,500,000.

²⁵ Id., pp. 2-3.

²⁶ Id., p. 3.

²⁷ Id., p. 4.

3. In the Marievillle area of North Providence, rehabilitation of 27,860 feet of water main and appurtenances and replacement of 31 lead services. Estimated Cost - \$5,600,000.

Mr. Giasson also stressed that Providence Water is under a time constraint to complete these projects under the BCA with RIDOH, *supra*. He testified that without the \$14.7 million in bond proceeds, Providence Water will not be able to meet the requirements of the BCA and will be in non-compliance. Mr. Giasson also testified that related “administrative costs,” which Providence Water has already paid, could be lost if these projects are delayed past May of 2019.²⁸

Ms. Gurghigian’s supplemental testimony covered the impact of Providence Water’s switch-over to tax-exempt private activity bonds, from tax-exempt governmental bonds. She related that the only impact comes from the change in interest rates. Under the originally proposed tax-exempt governmental loan, now based on current market conditions, it was anticipated that the interest rate would not exceed a market rate of 4.31%, which would result in a projected subsidized rate of approximately 2.947%. In contrast, under the tax-exempt private activity loan, it is anticipated that the interest rate would not exceed a market rate of 4.655%, which would result in a projected subsidized rate of approximately 3.272%, an increase of about 33 basis points or .33% over a tax-exempt governmental loan.²⁹

²⁸ Providence Water Exhibit 2, Gaiasson Supplemental Testimony, pp. 2-3.

²⁹ Providence Water Exhibit 2, Gurghigian Supplemental Testimony, p. 2.

Ms. Gurghigian testified that there would not be any changes in how the funds from this borrowing will be disbursed. She related that approximately \$13,378,000 will be available for Project funds, approximately \$1,050,000 will be set aside in the debt service reserve fund, and approximately \$272,000 is allocated for costs of issuance, including rating agency fees, bond counsel, financial advisor and trustee fees, and origination fees. Ms. Gurghigian did note that the debt service reserve fund for a private activity bond will be about \$30,000 higher than for a tax-exempt governmental bond, which results in a slightly smaller project fund deposit for the private activity bond.³⁰

Ms. Gurghigian provided an updated projected debt service schedule to reflect the change in interest costs.³¹ She added that RIIB requires all borrower approvals to be in place prior to mailing the RIIB Preliminary Official Statement.³²

Ms. Karen S.D. Grande identified herself as bond counsel to the City and Providence Water “in connection with its water bond issues since 1990, including previous loans from the... RIIB.” Ms. Grande testified that the purpose of her testimony is to address the instant proposal to issue \$14,700,000 in revenue obligations as tax-exempt private activity bonds.

³⁰ Id., pp. 2-3.

³¹ Id., p. 3 and Schedule MG-2.

³² Id.

Ms. Grande began her testimony by explaining that Providence Water is a board of the City and has no independent legal authority to issue bonds. Therefore, any borrowing for Providence Water must be carried out by the City.

Ms. Grande next moved onto a discussion about the difference between governmental bonds and private activity bonds. She explained that tax-exempt government bonds are tax-exempt bonds issued by a state or local government, the proceeds of which are used to finance activities or facilities owned, operated, or used by that or another government for its own purposes. In contrast, she related, bonds are private activities bonds if they meet the 'private business use' and 'private security' or 'private payment' test. Ms. Grande testified that , generally, "the test is met if:

(1) more than 10% of the proceeds of an issue is used in a private trade of business, and (2) the payment of principal or interest on more than 10% of the issue is directly or indirectly secured by or derived from property used or to be used for a private business use, or payments made for such property. A nongovernmental person will be treated as "using" proceeds of tax exempt obligations to the extent the nongovernmental person: (a) borrows proceeds of the tax-exempt obligations, (2) uses any portion of the projects financed with tax-exempt obligations as owner, lessee, service provider, operator or manager, (3) acquires the output of such projects, or (4) enters into any other arrangement that provides a special legal entitlement or special economic benefit to a nongovernmental person.³³

Ms. Grande testified that the City is not issuing its usual tax-exempt government bonds in this case due to the fact that the City "is taking

³³ Providence Water Exhibit 2, Grande Testimony, pp. 3-4.

affirmative steps to attempt to enter into an arrangement whereby the Providence water supply system may be transferred, leased or operated by a nongovernmental person during the terms of the bonds....”³⁴ Ms. Grande also explained that the difference now, compared to the City’s past efforts to monetize its water system, is that the City has “issued a Request for Qualifications for private companies to monetize the system.” She related that the City taking this additional step has now made the City’s issuance of bonds for its water system ineligible for tax-exempt governmental bonds.³⁵

Ms. Grande next reiterated Ms. Parrillo’s testimony regarding the City’s and Providence Water’s other options for financing and agreed that the tax-exempt private activity bond with a 20-year maturity would be the preferred alternative. Ms. Grande also confirmed that under the instant circumstances, the Internal Revenue Code allows for such bonds to be issued on a tax-exempt basis.³⁶

In her final comments, Ms. Grande verified that if facts and circumstances change, the City and Providence Water will be able to refinance these bonds. However, she related that before a refinancing would be possible, the City would need the consent of the RIIB and that RIIB bonds typically are not subject to redemption during the first ten years following the issuance of the bonds.³⁷

³⁴ Id., pp. 4-5.

³⁵ Id., p. 5.

³⁶ Id., p. 6.

³⁷ Id.

Impact on Existing Bonds

After the Advocacy Section examined Providence Water's witnesses, the Division (Hearing Officer) queried Ms. Grande and Mr. Diehl on the issue of whether the City's decision to seek the monetization of the Providence Water's water system would have an undesirable impact on Providence Water's existing outstanding bonds. The record reflects that Providence Water has thirteen (13) existing bond issues in effect, with an aggregate total face-value of \$111,470,000.³⁸

On this issue, Ms. Grande testified that there is the potential for an impact to Providence Water's outstanding bond issues "if and when the City actually enters into a monetization agreement." She provided the following explanation:

[T]here's a concept of change in use of bonding finance facilities, so that if you reasonably expect it on the date of issuance that they were going to be governmentally owned and operated and then, you know, ten years in there is a change and you enter into, say, a long-term management contract that is not a compliant management contract, then under the code you have 90 days to take certain remedial actions.

Typically, that involves using the proceeds of the monetization to pay down the existing bond issue. There are certain other remedial actions that can be taken, but, you know, you decide that at the time, but, theoretically, the existing bonds could become taxable because of the agreement which would trigger the need to take remedial action in order to, you know, not have the prior bonds all become taxable retroactively to the date of issuance to basically take them off the market.³⁹

³⁸ April 1, 2019, transcript, Tr. 83.

³⁹ Id., Tr. 79-80.

When asked if this potential development would be a “big deal” for Providence Water, Ms. Grande opined: “[i]t’s not a small deal.”⁴⁰ She opined that if Providence Water must refinance all of its governmental bonds due to the monetization of the water system, as a remedial action to comply with the law, the interest rates in effect at that time could result in significant additional costs for Providence Water’s ratepayers.⁴¹

Mr. Diehl was similarly asked to opine on whether the monetization of the Providence Water system could pose trouble for outstanding bonds. In response, Mr. Diehl declared that in his opinion, “it would be a big deal, because not only would it potentially impact that – you know, because we issue in pools, we combined a number of our water companies into one pool, and issue bonds against that. It may also impact that portion of the bonds, and it’s financing other projects across the state. So, it may not just be impacting Providence Water’s proportion...”⁴²

Ms. Grande responded that because Providence Water’s bonds “secure RIIB’s bonds, that to the extent we’d need to take remedial action with respect to Providence Water’s bonds, that it would affect – that RIIB would have to do something at their level as well to refinance or take out or pay off the bonds that they issue for Providence Water.”⁴³

⁴⁰ Id., Tr. 80.

⁴¹ Id., Tr. 80-81.

⁴² Id., Tr. 82.

⁴³ Id., Tr. 82-83.

Mr. Diehl related that “hundreds of millions of dollars” exist in RIIB pooled bond issues that could be impacted by the monetization of the Providence Water system.⁴⁴

The Advocacy Section’s Position

The Division’s Advocacy Section did not present any witnesses in this case. After a lengthy cross-examination of Providence Water’s witnesses, the Advocacy Section, through counsel, made the following statement for the record:

We find that the filing itself has met all of the requirements laid out in the Division’s Rules of Practice and Procedure. I believe that the amount of the loan, the term of the loan and the use of the proceeds are all reasonable, and we have verified that Providence Water has the necessary rates to repay the loan through its infrastructure replacement fund, or its IFR.

That said, we do have significant concerns related to the additional interest expense that will be incurred by the issuance of tax-exempt private activity bonds versus tax-exempt government bond financing that we’ve discussed today. That said, with the favorable interest rate environment and the need to get the projects done in a timely manner, we recommend approval of Providence Water’s application in this matter; however, we strongly urge and recommend the Division at the next rate case for Providence Water, that it zealously advocate an equitable and just cost recovery.⁴⁵

Post-Hearing Developments

On April 4, 2019, the City made a public announcement that it was withdrawing its plans to monetize its water system. The City has also

⁴⁴ Id., Tr. 83 and 85.

⁴⁵ April 1, 2019, transcript, pp. 99-100.

notified all RFQ respondents that it does not expect to pursue privatization of the water system. Subsequently, on April 8, 2019 Providence Water filed a letter with the Division that provides notice of these City developments and also notice, based on these developments, that the City's and RIIB's respective bond counsel have issued amended legal opinions and the necessary certifications to support the issuance of tax-exempt governmental bonds in the instant borrowing. Accordingly, Providence Water requests that it be allowed "to return to our original financing package... [and that] it is no longer necessary for us to pursue tax-exempt private activity bonds financing."⁴⁶

On April 9, 2019, Providence Water submitted a revised debt service schedule, prepared by Ms. Gurghgian, which reflects interest rates on tax-exempt governmental bonds based on market conditions as of March 20, 2019. Ms. Gurghgian had noted the fact that such interest rates had come down vis à vis the market rates that were contained in Providence Water's initial filing in her March 26, 2019 supplemental direct testimony. But because, at the time, Providence Water was switching to tax-exempt private activity bonds, she never submitted a revised debt service schedule for tax-exempt governmental bonds. Now that Providence Water is again able to issue tax-exempt governmental bonds, Ms. Gurghgian is proffering a revised debt service schedule to update the record.⁴⁷ This schedule now relies on a

⁴⁶ See April 8, 2019 letter from Providence Water (addressed to the Hearing Officer).

⁴⁷ Providence Water Exhibit 3; MG-3 (entered into the record (post-hearing) by agreement).

market rate of 4.31%, which would result in a projected subsidized rate of approximately 2.947%. Based on these updated interest rates, Providence Water requests that the Division authorize a “not to exceed” interest rate of 4.4% and a “not to exceed” subsidized rate of 3.0% for this borrowing. Based on the reduced interest rates, Providence Water notes that it will now have \$13.4 million in project funds available instead of the original projection of \$12.9 million.

In response to Providence Water’s recent submittals, the Advocacy Section contacted the Hearing Officer to express its support for Providence Water’s request.

Findings

Clearly, the twists and turns in this case have made for an interesting ride to a final record. Predicated on a careful examination of that record, the Division is relieved that Providence Water’s ratepayers will realize the full interest rate benefits associated with the most-favorable type of financing for public water systems, tax-exempt governmental bonds. In addition to saving on borrowing costs, Providence Water will now also have extra funding for much needed distribution system repairs. Based on this final record, the Division finds that Providence Water’s application seeking authority to borrow from the Clean Water State Revolving Fund an amount not to exceed \$14,700,000 be approved.

Now, therefore, it is

(23519) ORDERED:

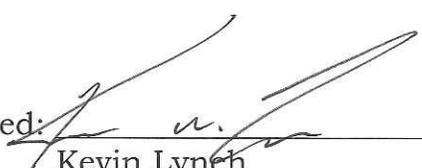
1. That the Providence Water Supply Board's January 11, 2019 application, which seeks Division approval under R.I.G.L. §39-3-15, to borrow from the Clean Water State Revolving Fund an amount not to exceed \$14,700,000, is hereby approved as originally filed, as updated with the latest interest rate projections and "not to exceed" limits.
2. That the Division hereby limits approval of the instant application to the terms and details identified in the record.
3. That the Division hereby makes this approval contingent upon the Providence Water Supply Board'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.

Dated and Effective at Warwick, Rhode Island on April 10, 2019.



John Spirito, Jr., Esq.
Hearing Officer

Approved: _____



Kevin Lynch
Deputy Administrator⁴⁸

⁴⁸ Normally, the Administrator of the Rhode Island Division of Public Utilities and Carriers would approve and sign Orders such as this. In his absence, and pursuant to the authority granted by R.I.G.L. §§ 42-20-3 and 42-20-5, Deputy Administrator Lynch has been designated and authorized by the Administrator to sign Orders such as this issued by the Division of Public Utilities and Carriers.