



NARRAGANSETT BAY COMMISSION

ONE SERVICE ROAD, PROVIDENCE, RI 02905

**Approval to Refund the Narragansett Bay Commission
Wastewater System Revenue Bonds, 2005 Series A**

August 8, 2014

Vincent Mesolella, Jr.
Chairman

Raymond J. Marshall
Executive Director

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August 8, 2014

Ms. Luly Massaro, Clerk
Rhode Island Division of Public Utilities
And Carriers
89 Jefferson Boulevard
Warwick, RI 02888

Re: Narragansett Bay Commission

Dear Ms. Massaro:

Enclosed please find an original and four copies of an Application for Approval of Borrowing Authority submitted by the Narragansett Bay Commission ("NBC"). In its application, NBC seeks Division approval to refund the Narragansett Bay Commission Wastewater System Revenue Bonds 2005 Series A.

Thank you for your attention to this matter.

Sincerely,


Joseph A. Keough Jr.

Enclosures

cc: RI Attorney General's Office

CERTIFICATE OF SERVICE

I, Karen L. Giebink, hereby certify that I have, this 8th day of August, 2014 caused a copy of the within application filed under Section 39-3-15 for the Narragansett Bay Commission to be served on all parties designed on the official service list in this proceeding.

A handwritten signature in black ink, appearing to read 'Karen L. Giebink', is written over a horizontal line.

Karen L. Giebink
Director of Administration and Finance

1 **NARRAGANSETT BAY COMMISSION**

2
3 **PRE-FILED DIRECT TESTIMONY**
4 **OF KAREN L. GIEBINK**
5

6
7 **Q. Please state your name and address.**

8 A. Karen L. Giebink. My business address is the Narragansett Bay Commission, One Service Road,
9 Providence, Rhode Island 02905.
10

11 **Q. For whom are you employed and what is your position?**

12 A. I am employed by the Narragansett Bay Commission (NBC) as its Director of Administration and
13 Finance.
14

15 **Q. For how long have you been so employed?**

16 A. I have been employed in this position since April 1997. I began my employment with the NBC in
17 1989 and have held the positions of Policy Associate and Senior Environmental Planner. The
18 three years prior to my employment with the NBC, I worked as an analyst for the City of San
19 Diego Water Utilities Department.
20

21 **Q. Have you previously testified before the Division of Public Utilities and Carriers (Division)?**

22 A. Yes. I provided testimony in previous NBC requests for approval to enter into long-term debt. I
23 have also provided testimony in dockets 1968, 2216, 3651, 3797, 3905, 4305, 4352, 4364 and
24 4478 before the Public Utilities Commission (PUC).
25

26 **Q. What is the purpose of your testimony?**

27 A. To provide supplemental information regarding NBC's application for Division approval to
28 refund the Narragansett Bay Commission Wastewater System Revenue Bonds 2005, Series A
29 (2005 Series A Bonds).
30

31 **Q. Why is NBC seeking to refund these bonds?**

32 A. It has been determined that current market conditions make it economically advantageous to
33 refund the bonds. This is projected to result in savings to ratepayers of nearly \$6.0 million with
34 net present value savings of approximately \$4.1 million.

1 **Q. Has NBC's Board of Commissioners authorized the refunding of the 2005 Series A Bonds?**

2 A. Yes. The Board passed Resolution 2013:04 authorizing the refunding of all or a portion of the
3 outstanding Narragansett Bay Commission Wastewater System Revenue Bonds, 2005 Series A at
4 their February 7, 2013 meeting, (see Exhibit KG-1).

5 **Q. Does NBC have sufficient coverage to meet the debt service and debt service coverage**
6 **requirements for the proposed refunding of the open market issues?**

7 A. Yes, the annual debt service of the refunding bonds is less than the existing debt service on the
8 bonds to be refunded. Please see the coverage schedule based upon the rates approved by the
9 Public Utilities Commission in Docket 4364 on June 13, 2013 (see Exhibit KG-2).

10
11 **Q. In addition to interest savings, will this refunding benefit NBC's ratepayers in other ways?**

12 A. Yes. NBC is still facing a significant capital program that will require additional financing and
13 rate increases to support future debt issues. NBC's current borrowing plans include a \$45
14 million loan from the Rhode Island Clean Water Finance Agency later this fiscal year. NBC will
15 need additional rate relief to effectuate that debt issuance. The lower debt service and
16 associated coverage resulting from this refunding will help mitigate the magnitude of the rate
17 increase required to support that transaction.

18
19 **Q. What other items are outstanding to complete this transaction?**

20 A. The current schedule includes a credit review by Standard and Poor's which is scheduled for
21 September 3, 2014 and the current schedule contemplates the receipt of the rating September
22 19, 2014. The working group is beginning to prepare the documents including the Preliminary
23 Official Statement (POS). The current schedule includes the mailing of the POS on September 17
24 and Division approval is needed prior to the mailing of the POS. The bond pricing is scheduled
25 for September 24, 2014 with the closing on October 9, 2014.

26
27 **Q. Does this conclude your pre-filed testimony?**

28 A. Yes.

The Narragansett Bay Commission
One Service Road
Providence, RI 02905

(401) 461-8848
(401) 461-6540 FAX

Vincent J. Mesolella
Chairman

Raymond J. Marshall, P.E.
Executive Director



RESOLUTION NO. 2013:04

NARRAGANSETT BAY COMMISSION

RESOLUTION OF THE NARRAGANSETT BAY COMMISSION AUTHORIZING THE REFUNDING OF ALL OR A PORTION OF THE OUTSTANDING NARRAGANSETT BAY COMMISSION WASTEWATER SYSTEM REVENUE BONDS, 2005 SERIES A

WHEREAS, in 2005, the Narragansett Bay Commission (the "Commission") issued its \$45,000,000 Wastewater System Revenue Bonds, 2005 Series A (the "2005 Obligations") pursuant to a Trust Indenture dated as of July 1, 2004 (the "Trust Indenture") by and between the Commission and U.S. Bank National Association, as successor to Wells Fargo Bank, N.A., as successor to J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), as amended and supplemented by the First Supplemental Indenture dated as of April 15, 2004, the Second Supplemental Indenture dated as of December 30, 2004, the Third Supplemental Indenture dated as of August 4, 2005, the Fourth Supplemental Indenture dated as of December 15, 2005, the Fifth Supplemental Indenture dated as of December 21, 2006, the Sixth Supplemental Indenture dated as of February 8, 2007, the Seventh Supplemental Indenture dated as of October 15, 2007, the Eighth Supplemental Indenture dated as of December 12, 2007, the Ninth Supplemental Indenture dated as of July 1, 2008, the Tenth Supplemental Indenture dated as of November 1, 2008, the Eleventh Supplemental Indenture dated as of October 6, 2009, the Twelfth Supplemental Indenture dated as of February 12, 2010, the Thirteenth Supplemental Indenture dated as of June 24, 2010, the Fourteenth Supplemental Indenture dated as of March 29, 2011, the Fifteenth Supplemental Indenture dated as of December 28, 2012 and the Sixteenth Supplemental Indenture dated as of November 28, 2012 each by and between the Commission and the Trustee. The Trust Indenture, as supplemented by the supplemental indentures (the "Supplemental Indentures") is referred to herein as the "Indenture";

WHEREAS, the 2005 Obligations were issued as fixed rate obligations;

WHEREAS, in order to adapt to prevailing market conditions, the Commission desires the ability to issue revenue obligations ("Refunding Obligations") pursuant to Title 46-25-58 of the Rhode Island General Laws for the purpose of refunding all or a portion of the 2005 Obligations (the "Refunding"), so long as it is determined by an Authorized Officer (as defined below) in consultation with Public Financial Management, Inc., the financial advisor to the Commission (the "Financial Advisor") that such Refunding is expected to result in a financial benefit to the Commission;

WHEREAS, in order to facilitate the Refunding, the Commission desires to: (i) enter into one or more Supplemental Indentures, dated as of a date to be determined, by and between the Commission and the trustee providing for the issuance of the Refunding Obligations; (ii) distribute one or more official statements or other disclosure documents to be issued in connection with the Refunding Obligations, describing the Commission and its activities, and setting forth statistical, financial and other information about the Commission and which will also include the audited financial statements of the Commission; (iii) enter into one or more bond purchase agreements or other bond purchase contracts dated as of a date to be determined, between the Commission and a purchaser to be named therein (the "Purchaser") and providing for the purchase of the Refunding Obligations by the Purchaser and containing or requiring provisions, inter alia for indemnification of the Commission and the Purchaser (one or more), either in such bond purchase agreements or pursuant to a separate document or instrument; (iv) if the Refunding Obligations are issued on a variable rate basis, enter into one of more remarketing agreements with one or more remarketing agents to be named therein; (v) enter into such documents as may be necessary or convenient in connection with obtaining credit enhancement and/or liquidity facility support for the Refunding Obligations; (vi) enter into agreements amending any documents executed in connection with the 2005 Obligations; (vii) enter into agreements, documents and/or other instruments by and among the Commission and one or more financial institutions in connection with the investment of the proceeds of the Refunding Obligations; (viii) enter into one or more escrow agreements or refunding trust agreements with respect to the Refunding; and (ix) enter into such other documents, certificates, instruments and agreements, including without limitation, a continuing disclosure agreement (the documents, certificates, instruments and agreements described in subsections (i) through (x) herein are collectively referred to as the "Refunding Documents") and perform such other actions as the officer or officers executing or delivering the same determine to be necessary or appropriate in

order to carry out any Refunding. Capitalized terms not otherwise defined herein shall be as defined in the Indenture.

NOW, THEREFORE, THE COMMISSION RESOLVES AS FOLLOWS:

1. Determination of Course of Action. The Chairman and the Executive Director of the Commission (each, an "Authorized Officer" and together, the "Authorized Officers") shall be and hereby are authorized, empowered and directed, for and in the name of and on behalf of the Commission, to determine, in consultation with the Commission's Financial Advisor, the advisability of any Refunding.
2. Approval of Refunding. The Board hereby approves the Refunding, provided that the Authorized Officers, in consultation with the Commission's Financial Advisor, have determined that such Refunding is expected to result in a financial benefit to the Commission. The Authorized Officers effectuating the Refunding shall present a report regarding such Refunding and the financial benefit resulting therefrom to the Board of the Commission at its next regular meeting.
3. Agreements. In connection with the Refunding, the Authorized Officers, or in the event of their absence, illness or other inability to act, any member of the Commission whom the Authorized Officers may designate, are hereby authorized, empowered and directed, for and in the name of and on behalf of the Commission, to do any and all things, and to make, execute, deliver, file and record any and all agreements, instruments, papers, certificates and documents which shall be or become necessary, proper or convenient to carry out such Refunding including, without limitation, the Refunding Documents, each to contain such provisions and to be in such form as the Authorized Officers shall determine to be necessary or appropriate, and the execution, acknowledgement and delivery of each such agreement or document by such Authorized Officers shall be conclusive evidence as to authorization by this vote.
4. Preliminary and/or Final Official Statement. The Authorized Officers are hereby authorized, empowered and directed, for and in the name of and on behalf of the Commission to approve a preliminary official statement and/or final official statement, including an informational statement regarding the Commission, to be prepared in connection with any Refunding and to execute, acknowledge, deliver and approve said preliminary and/or final official statement. The Commission hereby authorizes the Authorized Officers to deem the preliminary official statement, if any, "final as of its date" pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

5. Sale of the Refunding Obligations. The Chairman and the Executive Director, on behalf of the Commission, are authorized to issue the Refunding Obligations in the amount necessary to refund all or a portion of the 2005 Obligations, including financing costs and the funding of a debt service reserve. The Refunding Obligations, if any, shall be sold pursuant to the terms of a purchase contract and may bear fixed rates or variable rates of interest, as determined by the Authorized Officers executing the bond purchase agreement or agreements, in consultation with the Commission's Financial Advisor. The rates of interest per annum to be borne by any fixed rate obligations shall be determined pursuant to a certificate to be delivered by the Chairman or the Executive Director of the Commission, or in the event of their absence, illness or other inability to act, any member of the Commission who the Chairman or Executive Director may designate, which rates shall not exceed 8% per annum. The rates of interest for any obligations sold with variable rates of interest shall be determined pursuant to the Trust Indentures, which rates shall not exceed 12% per annum. Notwithstanding the foregoing, the obligations may bear a default rate which shall not exceed the highest rate permitted by law. All acts of the Authorized Officers and all other officers of the Commission which are in conformity with the purposes and intents of this Resolution and furtherance of the issuance of the Refunding Obligations and the execution, delivery and approval and performance of the Refunding Documents, any supplemental or amendatory documents with respect to existing documents, and all other documents, certificates and instruments as may be necessary or advisable in connection therewith, and the same hereby are, in all respects ratified, approved and confirmed.

6. Details of the Refunding Obligations. The Chairman or the Executive Director of the Commission, or in the event of their absence, illness or other inability to act, any member of the Commission whom the Chairman or the Executive Director may designate, are hereby authorized to reduce the total principal amount of the Refunding Obligations to be sold, to sell the Refunding Obligations, to select the dated date or dates of the Refunding Obligations, the maturity, redemption and other terms of the Refunding Obligations as set forth in the Trust Indenture. The Chairman and Executive Director are hereby authorized to execute and deliver such other documents and take such other actions, as may be necessary, desirable or advisable to effectuate the issuance of the Refunding Obligations. The Refunding Obligations shall not be deemed to constitute a debt or pledge of the faith and credit of the State or any municipality. Neither the State nor any municipality shall be obligated to pay the Refunding Obligations or the interest thereon, and neither the faith and credit nor the taxing power of the State or any municipality is pledged to such payment. The Commission may issue additional revenue

obligations on a parity with these Refunding Obligations.

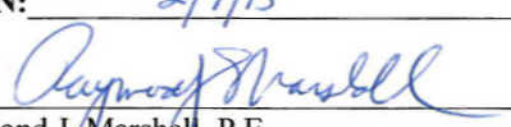
7. Compliance with Code – Refunding. The Refunding Bonds may be issued on a tax-exempt or taxable basis. In connection with any Refunding on a tax-exempt basis, each Authorized Officer is hereby authorized to take all lawful action necessary under the Code, to insure that the interest on the Refunding Obligations is exempt from federal taxation to the extent provided in Section 103 of the Code and to refrain from taking any action which would cause interest on the Refunding Obligations to lose the benefit of exclusion of gross income provided by Section 103(a) of the Code. The Authorized Officers, acting singly, are authorized to execute and deliver a Tax Certificate in connection with the issuance of the Refunding Obligations in order to effectuate the foregoing.

8. Additional Documents. From and after the execution and delivery of documents hereinabove authorized, the proper officers, Board members and agents and employees of the Board are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed and are further authorized to take any and all actions and to execute and deliver any and all documents as may be necessary or advisable in connection with the Refunding and in the execution, delivery, approval and performance of the Documents, any supplemental or amendatory documents with respect to existing documents, and all other documents, certificates and instruments as may be necessary or advisable in connection therewith.

11. Ratification and Approval. All acts of the Authorized Officers and all other officers of the Board which are in conformity with the purposes and intents of this Resolution and furtherance of the Refunding and the execution, delivery and approval and performance of the Refunding Documents, any supplemental or amendatory documents with respect to existing documents, and all other documents, certificates and instruments as may be necessary or advisable in connection therewith, shall be, and the same hereby are, in all respects ratified, approved and confirmed.

12. Effectiveness. This Resolution shall take effect upon passage.

ADOPTED ON: 2/7/13

SIGNED: 
Raymond J. Marshall, P.E.
Executive Director & Secretary

DS Coverage - Narragansett Bay Commission Wastewater System Revenue Bonds, Series 2005 A

Fiscal Year	Net Revenue Available for Debt Service	Current Debt Service	Debt Service Coverage	2014 Series B - Refunding 2005 Series A		Total Debt Service	Debt Service Coverage
				Less 2005 Series A Debt Service	2014 Series B - Refunding 2005 Series A		
2015	56,117,913	42,211,965	1.33	(1,125,000)	871,979	41,958,944	1.34
2016	56,117,913	44,680,362	1.26	(2,250,000)	2,092,750	44,523,112	1.26
2017	56,117,913	44,649,998	1.26	(2,250,000)	2,092,750	44,492,748	1.26
2018	56,117,913	44,814,073	1.25	(2,250,000)	2,092,750	44,656,823	1.26
2019	56,117,913	44,534,508	1.26	(2,250,000)	2,092,750	44,377,258	1.26
2020	56,117,913	43,969,228	1.28	(2,250,000)	2,092,750	43,811,978	1.28
2021	56,117,913	44,034,061	1.27	(2,250,000)	2,092,750	43,876,811	1.28
2022	56,117,913	43,961,578	1.28	(2,250,000)	2,092,750	43,804,328	1.28
2023	56,117,913	40,801,234	1.38	(2,250,000)	2,092,750	40,643,984	1.38
2024	56,117,913	39,324,372	1.43	(2,250,000)	2,092,750	39,167,122	1.43
2025	56,117,913	38,338,815	1.46	(2,250,000)	2,092,750	38,181,565	1.47
2026	56,117,913	38,338,754	1.46	(2,250,000)	2,092,750	38,181,504	1.47
2027	56,117,913	38,048,742	1.47	(5,740,500)	5,339,500	37,647,742	1.49
2028	56,117,913	37,913,792	1.48	(5,732,125)	5,333,875	37,515,542	1.50
2029	56,117,913	37,750,605	1.49	(5,729,625)	5,329,750	37,350,730	1.50
2030	56,117,913	36,742,598	1.53	(5,722,500)	5,321,750	36,341,848	1.54
2031	56,117,913	36,458,415	1.54	(5,720,250)	5,319,375	36,057,540	1.56
2032	56,117,913	31,272,757	1.79	(5,712,375)	5,312,125	30,872,507	1.82
2033	56,117,913	28,782,364	1.95	(5,708,375)	5,309,500	28,383,489	1.98
2034	56,117,913	30,284,124	1.85	(5,702,625)	5,305,875	29,887,374	1.88
2035	56,117,913	22,833,714	2.46	(5,694,625)	5,295,875	22,434,964	2.50
2036	56,117,913	15,104,338	3.72	(5,688,750)	5,289,000	14,704,588	3.82
2037	56,117,913	15,103,013	3.72	-	-	15,103,013	3.72
2038	56,117,913	9,648,150	5.82	-	-	9,648,150	5.82
2039	56,117,913	9,652,150	5.81	-	-	9,652,150	5.81
2040	56,117,913	9,648,200	5.82	-	-	9,648,200	5.82
2041	56,117,913	9,649,200	5.82	-	-	9,649,200	5.82
2042	56,117,913	9,651,700	5.81	-	-	9,651,700	5.81
2043	56,117,913	9,650,200	5.82	-	-	9,650,200	5.82
2044	56,117,913	9,649,200	5.82	-	-	9,649,200	5.82
<u>\$ 907,502,210</u>				<u>\$ (83,026,750)</u>	<u>\$ 77,048,854</u>	<u>\$ 901,524,314</u>	

1 **NARRAGANSETT BAY COMMISSION**

2

3 **PRE-FILED DIRECT TESTIMONY**

4 **OF WILLIAM FAZIOLI**

5

6 **Q. Please state your name and title.**

7 A. My name is William J. Fazioli, Senior Managing Consultant with Public Financial Management,
8 Inc. (PFM).
9

10 **Q. Could you please describe your educational and employment background?**

11 A. I hold a Master of Public Administration degree from the Rockefeller College at the State
12 University of New York - Albany and two Bachelor of Arts degrees from Rhode Island College.
13 With over 25 years of public finance experience, I have served as financial advisor to
14 governmental issuers in Rhode Island and throughout New England. A sample of communities
15 that I have served during my career as a financial advisor include the cities of Newport and
16 Warwick, as well as the Hartford Metropolitan District Commission and the City of New Haven in
17 Connecticut. In addition, I have extensive experience assisting borrowers through the Rhode
18 Island Clean Water Finance Agency State Revolving Fund Program. I have also served in the
19 public sector as City Manager of East Providence, Treasurer for the Town of Charlestown, and
20 Finance Director for the Town of North Providence. Also since 2009 I have served as the Acting
21 Chairman of the East Providence Waterfront Redevelopment Commission.
22

23 **Q. Can you describe the organization of Public Financial Management (PFM) and the types of**
24 **services that it provides?**

25 A. Over the past 38 years, PFM has provided independent financial advisory services to public
26 entities. PFM has grown into a national firm with over 500 employees in 34 offices across the
27 United States. For the 16th consecutive year, PFM has maintained its position as the number one
28 financial advisor in the industry, providing financial advisory services in more than 768
29 transactions for a total par amount in excess of \$46 billion in 2013. In terms of wastewater
30 issuers, PFM has been the top ranked financial advisor in this sector for several years as well
31 while representing other large wastewater operators including the Massachusetts Water
32 Resources Authority and the DC Water and Sewer District.

1 **Q. What is your relationship with the Narragansett Bay Commission (NBC)?**

2 A. PFM was appointed in 2012 to serve as Financial Advisor to the NBC by its Board of
3 Commissioners. I, as well as two of my colleagues at PFM, have experience working with the
4 NBC and we are familiar with NBC's borrowing history and capital needs.
5

6 **Q. Have you testified previously before the Rhode Island Public Utilities Commission (RIPUC)?**

7 A. Yes. I have provided testimony in NBC's Docket 4364 and I also provided testimony in support
8 of the NBC's applications for Division approval to enter into long-term debt filed on February 7,
9 2013 and October 11, 2013.
10

11 **Q. What is the purpose of your testimony?**

12 A. I was asked to provide testimony in support of NBC's application for Division approval to refund
13 its 2005 Series A revenue bonds, which is expected to be economically advantageous to NBC.
14

15 **Q. How is the refunding advantageous to NBC and its Ratepayers?**

16 A. As NBC's financial advisor, we evaluated NBC's existing debt service and determined that it is
17 economically beneficial for NBC to refund its 2005 Series A open market issue. Based on current
18 market conditions, a refunding of the 2005 issue generates gross budgetary savings of nearly
19 \$6.0 million and net present value debt service savings of approximately \$4.1 million or 9.22% of
20 refunded bond principal.
21

22 **Q. Why is it advantageous to refund at this time?**

23 A. Despite a somewhat volatile interest rate environment, rates remain near historic lows and the
24 total volume of municipal bonds being issued remains low. As previously stated, a refunding at
25 this time will save nearly \$6.0 million to NBC ratepayers.
26

27 **Q. What is the industry standard with respect to determining when it is economically
28 advantageous to refund a bond issue?**

29 A. The industry standard and Government Finance Officers Association guidelines for an advance
30 refunding transaction is 3.00% net present value savings. The estimated net present value
31 savings of the proposed refunding bond issue is 9.22%.
32

1 **Q. What does the refunding entail?**

2 A. The 2005 bonds are callable on or after August 15, 2015 at 100% of the par amount. The NBC
3 would issue refunding bonds in the current market. The proceeds of the refunding bonds would
4 be set aside in an escrow account and on August 15, 2015 be applied toward the repay the
5 outstanding 2005 bonds. The NBC will no longer be required to make any additional payments
6 on the 2005 bonds – all payments until the call date will be made out of the escrow fund. The
7 NBC will be required to make lower debt service payments on the new refunding bonds. The
8 below chart illustrates the savings generated by the refunding on a fiscal year basis (savings
9 based on interest rates as of August 5, 2014- preliminary subject to change).

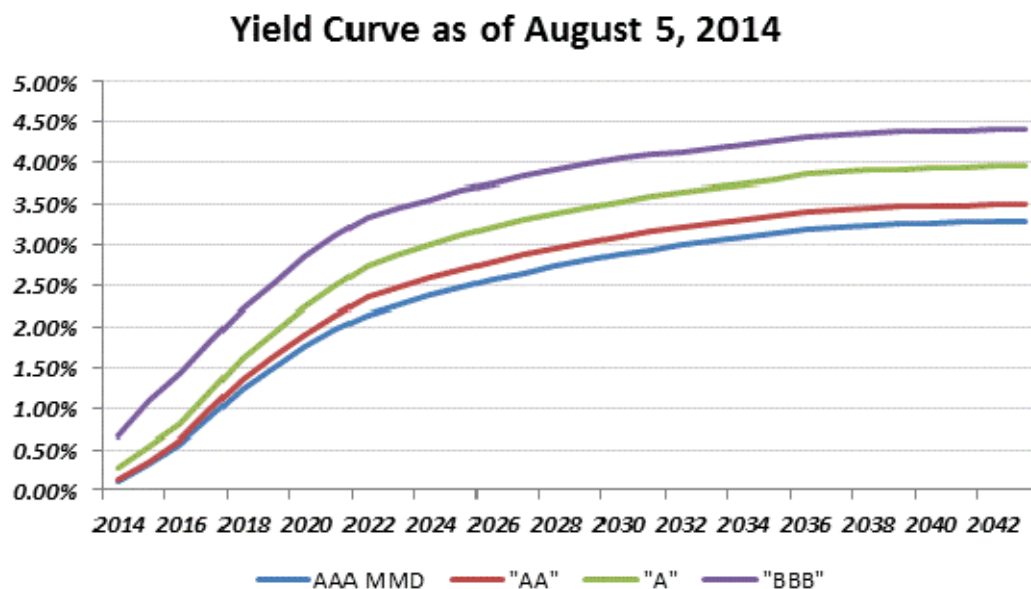
Date	Prior Debt Service	Refunding Debt Service	Gross Savings	Present Value Savings
06/30/2015	\$ 1,125,000	\$ 871,979	\$ 253,021	\$ 252,620
06/30/2016	2,250,000	2,092,750	157,250	157,278
06/30/2017	2,250,000	2,092,750	157,250	152,152
06/30/2018	2,250,000	2,092,750	157,250	147,193
06/30/2019	2,250,000	2,092,750	157,250	142,396
06/30/2020	2,250,000	2,092,750	157,250	137,755
06/30/2021	2,250,000	2,092,750	157,250	133,266
06/30/2022	2,250,000	2,092,750	157,250	128,922
06/30/2023	2,250,000	2,092,750	157,250	124,720
06/30/2024	2,250,000	2,092,750	157,250	120,656
06/30/2025	2,250,000	2,092,750	157,250	116,723
06/30/2026	2,250,000	2,092,750	157,250	112,919
06/30/2027	5,740,500	5,339,500	401,000	280,048
06/30/2028	5,732,125	5,333,875	398,250	269,186
06/30/2029	5,729,625	5,329,750	399,875	261,507
06/30/2030	5,722,500	5,321,750	400,750	253,581
06/30/2031	5,720,250	5,319,375	400,875	245,464
06/30/2032	5,712,375	5,312,125	400,250	237,172
06/30/2033	5,708,375	5,309,500	398,875	228,756
06/30/2034	5,702,625	5,305,875	396,750	220,237
06/30/2035	5,694,625	5,295,875	398,750	214,163
06/30/2036	5,688,750	5,289,000	399,750	207,758
	\$ 83,026,750	\$ 77,048,854	\$ 5,977,896	\$ 4,144,473

12 **Q. Would you please address the structure and interest rate assumptions of the proposed**
13 **refunding issue?**

14 A. The proposed refunding bonds will mature on August 1, 2035 which is the same maturity date as
15 the 2005 bonds. Based on current rates, the proposed interest rates on the refunding bonds
16 range from 2.98% to 3.60%. The rates on the outstanding 2005 bonds average approximately
17 4.34%.

1 **Q. Can you provide an update on current market rates, the yield curve, NBC's credit rating and**
2 **how these factors create this opportunity for NBC?**

3 A. As previously stated, municipal rates remain near historic lows. The chart below shows the
4 Municipal Market yield curve as of August 5, 2014.
5



6
7
8 NBC maintains a strong bond rating. The NBC was upgraded to AA- by Standard and Poor's on
9 July 14, 2008 and the rating has subsequently been affirmed, most recently on November 8,
10 2013. Given the changes in the financial markets, along with the negligible market value of
11 municipal bond insurance, the underlying credit rating of an issuer has become one of the most
12 important factors when marketing an issue. The NBC's strong bond rating has enabled the
13 Commission to take advantage of this refunding opportunity.
14

15 **Q. What is the expected timing of this issue?**

16 A. In order to take advantage of current low interest rates and overall favorable market conditions,
17 the schedule contemplates a bond sale in mid-September 2014.
18
19
20

1 **Q. What if interest rates increase significantly between now and the time of issue?**

2 A. With any refunding, we recommend the issuer be prepared to quickly enter the market. In the
3 event interest rates increase significantly over the next several weeks, the NBC could easily
4 delay or postpone the sale. However, it is important that the NBC be ready to enter the market
5 in the event rates begin to decline again.

6

7 **Q. When does the NBC need Division approval?**

8 A. In order to sell the NBC's proposed refunding bonds in mid-September 2014, Division approval is
9 needed in early September 2014.

10

11 **Q. Does this conclude your pre-filed testimony?**

12 A. Yes.

NARRAGANSETT BAY COMMISSION
STATEMENT OF NET POSITION
JUN-14

CURRENT ASSETS

Cash and cash equivalents	\$13,752,372.53
Accounts receivable sewer use (net of allowance)	10,940,774.43
Accounts receivable sewer use unbilled	4,241,146.63
Accounts Receivable Series 2014A (PL17)	43,977,792.79
Receivables, other	166,234.44
Prepaid expense	997,289.08
Total Current Assets	<u>74,075,609.90</u>

NONCURRENT ASSETS

Restricted assets	
Cash, environmental enforcement	72,426.42
Cash and cash equivalents, restricted	42,163,629.95
Cash and cash equivalents, restricted for the acquisition and construction of capital assets	24,643,812.92
Total Restricted Assets	<u>66,879,869.29</u>

Capital Assets

Land	2,754,407.48
Plant and Equipment	86,302,765.08
Capital projects completed	646,648,275.96
Construction in Progress	359,946,559.06
	<u>1,095,652,007.58</u>

Less accumulated depreciation	<u>(164,386,143.34)</u>
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Net Capital Assets	<u>931,265,864.24</u>
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Total Noncurrent Assets	<u>998,145,733.53</u>
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TOTAL ASSETS	\$1,072,221,343.43
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CURRENT LIABILITIES

Accounts and Contracts Payable	\$16,352,646.88
Accrued interest payable	6,044,660.01
Other accrued expenses	3,540,229.37
Unearned revenue	272,145.33
Total Current Liabilities	<u>26,209,681.59</u>

NONCURRENT LIABILITIES

Long-term loans payable, net	369,160,324.91
Long-term leases payable, net	445,978.23
Long-term debt	260,681,984.35
Total Noncurrent Liabilities	<u>630,288,287.49</u>

TOTAL LIABILITIES	<u>656,497,969.08</u>
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NET POSITION

Net Investment in capital assets	330,483,489.44
Restricted, environmental enforcement	72,426.42
Unrestricted	85,167,458.49
	<u>415,723,374.35</u>

TOTAL NET POSITION	<u><u>\$415,723,374.35</u></u>
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NARRAGANSETT BAY COMMISSION
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE PERIOD ENDING JUN-14

OPERATING REVENUE	
User fees, residential	\$51,144,886.02
User fees, commercial and industrial	38,053,039.97
Sewer connection fees	112,773.00
Pretreatment fees	1,095,550.83
Environmental enforcement fees	15,228.89
Septage income	310,135.57
Miscellaneous	418,567.73
Total Operating Revenues	<u>91,150,182.01</u>
OPERATING EXPENSES	
Personnel services	21,168,095.02
Operating and maintenance	7,781,278.03
Utilities	3,865,893.16
Supplies	1,565,016.58
Professional services	2,955,477.05
Depreciation and amortization	11,812,153.36
Miscellaneous	706,642.91
Total Operating Expenses	<u>49,854,556.11</u>
OPERATING INCOME	<u>41,295,625.90</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	5,432.90
Interest expense	(16,660,403.58)
Late charge penalty	1,013,239.66
Miscellaneous nonoperating revenue	182,084.52
Bond and note fees	(915,288.27)
Total Nonoperating Revenue (Expenses)	<u>(16,374,934.77)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>24,920,691.13</u>
Capital Contribution	<u>80,965.77</u>
CHANGE IN NET POSITION	<u>25,001,656.90</u>
TOTAL NET POSITION, BEGINNING	<u>390,721,717.45</u>
TOTAL NET POSITION, ENDING	<u><u>\$415,723,374.35</u></u>