

**APPLICATION OF
THE PROVIDENCE WATER SUPPLY BOARD FOR
AUTHORITY TO BORROW FROM THE DRINKING WATER
STATE REVOLVING FUND IN AN AMOUNT NOT TO
EXCEED \$30,000,000**

AUGUST 7, 2015

D-15-_____

August 7, 2015

Luly Massaro,
Clerk of The Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

RE: Application of Providence Water for Authority to Borrow up to
\$30,000,000 from the RICWFA Docket No. D-15-_____

Dear Ms. Massaro:

BOARD OF DIRECTORS

Xaykham Khamsyvoravong
Chairperson

Joseph D. Cataldi
Vice Chairperson

Michael J. Correia
Councilperson

Sabina Matos
Councilperson

Lawrence J. Mancini
Ex-Officio

Andy M. Andujar
Member

Kerri Lynn Thurber
Member

Carissa R. Richard
Secretary

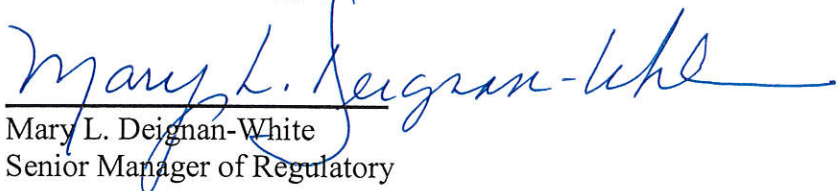
William E. O'Gara, Esq.
Legal Advisor

Enclosed for filing are an original and four copies of Providence Water's request for authority to borrow up to \$30,000,000 from the RI Clean Water Finance Agency.

The enclosed application does not include the Department of Health's rules and regulations for the Drinking Water State Revolving Fund or the RI Clean Water Finance Agency loan policies and procedures. However, we will provide these items if the Division so advises.

Providence Water respectfully requests an expedited review of the enclosed application. If you have any questions, contact me at 521-6300 ext.7217, or our Attorney Michael McElroy, Esq., at 351-4100.

Providence Water Supply Board


Mary L. Deignan-White
Senior Manager of Regulatory

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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cc: R. Caruolo
G. Giasson
N. Parrillo
T, Massaro
M. Gurghigian
K. Grande, Esq.
M. McElroy, Esq.
L. Wold, Esq.
File

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PROVIDENCE WATER SUPPLY BOARD

Application for Authority to Borrow from the Rhode Island Clean Water Finance Agency in an amount Not to Exceed \$30,000,000

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STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: PROVIDENCE WATER SUPPLY BOARD

DOCKET NO. D-15-__

R.I.G.L. § 39-3-15
APPLICATION OF THE PROVIDENCE WATER SUPPLY BOARD
FOR AUTHORITY TO BORROW FROM
THE RHODE ISLAND CLEAN WATER FINANCE AGENCY
IN AN AMOUNT NOT TO EXCEED \$30,000,000

In the above-entitled cause, the Providence Water Supply Board (PW) represents that:

1. The PW was created in 1940 by Chapter 832 of the Public Laws of the State of Rhode Island.
2. Providence Water seeks to borrow from the Drinking Water State Revolving Fund in an amount not to exceed \$30,000,000 for a new Central Operations Facility at an interest rate not to exceed 4.5%.
3. The borrowing will be provided by the RI Clean Water Finance Agency, pursuant to a resolution of the Providence Water Supply Board dated February 19, 2014.
6. The loan will be secured by the Providence Water Enterprise Fund Revenues under the Providence Water Supply Board Bond Indenture.
7. The borrowing may reimburse Providence Water for project costs incurred from inception of the project until actual funding date.
8. In accordance with Section 14 of the Rules of Practice and Procedure of the Division of Public Utilities and Carriers, written testimony and supporting exhibits are attached hereto, including the written testimony of Ricky Caruolo, Gregg Giasson, Nancy Parrillo and Maureen Gurghigian of First Southwest.
9. In accordance with Section 14 of the Rules of Practice and Procedure of the Division of Public Utilities and Carriers, a copy of this application has been filed with the Attorney General.

WHEREFORE, the Providence Water Supply Board respectfully requests that the Division of Public Utilities and Carriers authorize and consent to the borrowing from the Drinking Water State Revolving Fund in an amount not to exceed \$30,000,000.


PROVIDENCE WATER SUPPLY BOARD



BY:
Ricky Caruolo
GENERAL MANAGER

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Subscribed and sworn before me this 6 day of August, 2015.

Notary Public 
My Commission Expires: 6-24-17
#750667

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: PROVIDENCE WATER SUPPLY BOARD : Docket No. D-15-_____
APPLICATION FOR BORROWING AUTHORITY

NOTICE OF FILING AND PUBLIC HEARING

Pursuant to the provisions of the R.I.G.L. §39-3-15 and §39-3-17, the Division of Public Utilities and Carriers (the "Division") will conduct a public hearing on _____ at _____ in a hearing room of the Division of Public Utilities and Carriers, located at 89 Jefferson Boulevard, Warwick, Rhode Island. The hearing may continue thereafter from day to day and time to time as required.

At this hearing, the Division will consider the propriety of an application filed by the Providence Water Supply Board seeking consent and approval to obtain financing in an amount not to exceed \$30 million through revenue bonds to be sold by RI Clean Water Finance Agency for the Rhode Island Safe Drinking Water State Revolving Fund. The proceeds from the sale of the bonds will be used to purchase and refurbish a new Center Operations Facility located at 125 Dupont Drive, Providence Rhode Island.

The application is on file and may be examined at the office of the Division and at the office of the Providence Water Supply Board, 552 Academy Avenue, Providence, Rhode Island.

Reference is also made to Chapters 39-1, 39-3 and 42-35 of the Rhode Island General Laws; specifically Sections 39-1-7, 39-1-8, 39-1-11, 39-1-12, 39-1-16, 39-1-18, 39-1-20, 39-3-15, 39-3-17, 42-35-8, and 42-35-10. The Division of Public Utilities and Carriers is accessible to the handicapped. Individuals requesting interpreter services for the hearing impaired must notify the Clerk's office at 780-2107 seventy-two hours in advance of hearing date.

Thomas F. Ahern, Administrator

_____, 2015

Certificate of Service

I hereby certify that a true copy of the Application of the Providence Water Supply Board for Authority to borrow from the RI Clean Water Finance Agency in an amount not to exceed \$30,000,000, with all supporting documentation, was mailed by first class mail, postage prepaid, to the Attorney General, State of Rhode Island, 150 South Main Street, Providence, RI 02903, Attention: Leo Wold, Esq., Chief of the Regulatory Unit, on August 7, 2015.



Mary L. Deignan-White
Senior Manager of Regulatory
552 Academy Avenue
Providence, RI 02908
401-521-6300 Ext.7217
MaryDW@Provwater.com

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: PROVIDENCE WATER SUPPLY BOARD DOCKET NO. D-15-__

STATEMENT IN ACCORDANCE WITH R.I.G.L. § 39-3-17

Xaykham Khamsyvoravong, Chairman, and Carissa R. Richard, Secretary, Providence Water Supply Board, after being duly sworn, hereby make the following statement in accordance with R.I.G.L. § 39-3-17:

1. Providence Water Supply Board has filed with the Rhode Island Division of Public Utilities and Carriers an Application to Borrow from the Rhode Island Clean Water Finance Agency in an amount not to exceed Thirty Million dollars (\$30,000,000).
2. The debt will be incurred for the purpose of purchasing and refurbishing a new Central Operations Facility.
3. The total estimated project costs including cost of issuance, loan origination, etc, that will be borrowed are not to exceed Thirty Million dollars (\$30,000,000).
4. Attached hereto is the latest Audited Financial Statement of the Providence Water Supply Board, showing the assets and liabilities of the utility.

Xaykham Khamsyvoravong
Xaykham Khamsyvoravong, Chairman

Carissa R. Richard
Carissa R. Richard, Secretary

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Subscribed and sworn before me this 6th day of August, 2015.

Abner Rodriguez 8/6/15
Notary Public
My Commission Expires: #157383
12/11/18

Testimony
of
RICKY CARUOLO
before the
DIVISION of PUBLIC UTILITIES & CARRIERS

for

PROVIDENCE WATER

DOCKET# D-15

August 2015

1 **Q. Please state your full name and title.**

2 A. Ricky Caruolo, General Manager of the Providence Water Supply Board (Providence Water)

3 **Q. How long have you been employed at Providence Water?**

4 A. I have been employed at Providence Water since April 1993, or approximately 22 years. I
5 was appointed Acting General Manager in February 1, 2014 and became the permanent
6 General Manager on June 11, 2014.

7 **Q. Please describe your education and work experience.**

8 A. I graduated from the University of Rhode Island in 1990 with a Bachelor of Science in
9 Finance and a Bachelor of Science in Management. I also graduated from Providence
10 College in 1994 with a Master of Business Administration. As an employee of Providence
11 Water, I have held various management positions in the finance department, commercial
12 services department and executive management.

13 **Q. What are your duties and responsibilities?**

14 A. I am responsible for managing the operations of a public water supply system that serves
15 more than 600,000 people. I provide administrative, financial and supervisory oversight of
16 all divisions within the organization.

17 **Q. Do you belong to any professional organizations or committees?**

18 A. Yes. I belong to the American Water Works Association, the New England Water Works
19 Association and the Rhode Island Water Works Association.

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

21 A. I am asking the Division of Public Utilities and Carriers to approve Providence Water's
22 request to borrow \$30,000,000 from Clean Water Finance.

1 **Q. How is Providence Water intending to finance this project?**

2 A. Providence Water received approval for a discounted interest rate bond financing through the
3 Clean Water Finance Drinking Water State Revolving Fund.

4 **Q. Has Clean Water Finance provided Providence Water with a commitment letter?**

5 A. Yes.

6 **Q. What is the advantage of financing through the State Revolving Fund?**

7 A. Providence Water will receive a 25% discount on the market interest rate.

8 **Q. What does Providence Water plan on doing with the \$30,000,000?**

9 A. The money will be used for the purchase and renovation of a new central operations facility
10 (COF) located at 125 Dupont Drive in Providence.

11 **Q. Will all of the employees from the Cranston and Providence locations work out of the
12 new COF?**

13 A. Yes.

14 **Q. How many employees does Providence Water have at its Providence and Cranston
15 facilities?**

16 A. We have approximately 130 employees in Providence and 60 employees in Cranston. In
17 Providence, the employees are primarily management, customer service, and transmission
18 and distribution employees. The Providence facility also houses our heavy equipment, repair
19 materials, and replacement materials, such as new fire hydrants. Our Cranston facility is a
20 temporary modular trailer-type facility that has reached the end of its useful life. In
21 Cranston, the employees are primarily engineering and finance. Having engineering and

1 financial employees physically separate from administrative management presents a daily
2 challenge.

3 **Q. Are there problems with the location of your current facility 552 Academy Ave?**

4 A. Yes. Our building at 552 Academy Avenue sits squarely in a residential neighborhood and is
5 surrounded by five (5) elementary schools, two (2) high schools and two (2) colleges within a
6 one-mile radius.

7 **Q. Is this a new problem?**

8 A. No. However, the pedestrian and street traffic continues to hinder our operational efficiency
9 and is a danger to Providence Water and our neighbors. Also, among other things, the
10 congestion that we experience twice a day while school is in session delays our response
11 time.

12 **Q. Is highway access a concern from your current Providence location?**

13 A. Yes. Access to the nearest highway continues to be a concern for us because we need to
14 travel through congested areas for almost 2 miles in order to obtain access to the nearest
15 highway.

16 **Q. Is the Providence facility large enough to accommodate the finance and engineering
17 employees currently located in Cranston?**

18 A. No. Providence Water has out grown the Providence facility and we do not have enough
19 parking for all of our employees. In addition, we do not have space in our Providence
20 building to house the Cranston employees.

21 **Q. Is the size of the current Providence facility a concern?**

22 A. Yes. Because we are very limited with our space, it is difficult and dangerous to continue to
23 operate out of this facility. For example, our parking lot is very small and it is dangerous for

1 employees to walk in the parking lot while large construction vehicles are being dispatched
2 or returning. Deliveries continue to present a major challenge for us on a regular basis. New
3 fire hydrants can't be delivered on site because the delivery trucks are unable to maneuver in
4 our parking lot. Therefore, fire hydrants have to be unloaded in the middle of Academy Ave.
5 and our staff has to transport them into the building.

6 **Q. Does Providence Water own the building and land at 552 Academy Avenue?**

7 A. No. The building and land are owned by the City of Providence.

8 **Q. Does Providence Water have a lease or pay rent to the City?**

9 A. No, we do not have a lease or pay rent.

10 **Q. Who pays when repairs, renovations or upgrades are needed to 552 Academy Avenue?**

11 A. Providence Water incurs the cost of all repairs and upgrades as needed.

12 **Q. How old is the Academy Ave. facility?**

13 A. It is my understanding that the Academy Ave. facility was originally a trolley barn built in
14 the early 1900's. A two story addition was added in 1953. In the late 1990's it became
15 impossible for everyone to operate out of the Academy Ave. location and approximately 50-
16 60 employees were relocated to the Cranston facility.

17 **Q. Does 552 Academy Avenue require any immediate repairs or upgrades?**

18 A. Yes. The roof is very old and it is leaking; the cost to replace it is approximately \$300,000.
19 The parking lot is in need of repair and proper drainage needs to be installed which could
20 cost approximately \$600,000.

21 **Q. Are there other repairs or upgrades that will need to be made in the near future?**

1 A. Yes. The current heating system and piping will need to be replaced shortly, the cost is
2 approximately \$300,000. The current windows will need to be replaced with energy efficient
3 windows costing approximately \$300,000. The existing drainage system in the bathrooms
4 and garage floor needs to be replaced costing approximately \$200,000. We have also been
5 made aware that the building has asbestos and lead paint that needs to be removed, but we do
6 not yet have a cost estimate.

7 **Q. Has a facility assessment been completed?**

8 A. Yes. A facility assessment was completed in 2008. It categorized our existing Providence
9 location as functionally obsolete.

10 **Q. Have you identified a new location?**

11 A. Yes. After years of searching, we have located what we believe is an ideal facility located
12 off of Niantic Avenue. The property address is 125 DuPont Drive, Providence. I recently
13 signed a Purchase and Sale Agreement and hope to close by the end of the year. However,
14 our due diligence period expires on September 1, 2015. Therefore, in order to prevent the
15 loss of our \$250,000 deposit, we will need Commission approval of \$2.4 million in capital
16 funding, and Division approval of the \$30 million borrowing on or before that date.

17 **Q. Does this property resolve your location issues?**

18 A. Yes. The new facility is located in an industrial park, and it has a natural security boundary.

19 **Q. Does the new location have better highway access?**

20 A. Yes. The new location is in the heart of our distribution system and has highway access north
21 in .3 of a mile and access south in one mile.

22 **Q. Can the new location accommodate all employees in Providence and Cranston?**

1 A. Yes. The new location will allow us to all operate in one central location, with the exception
2 of the employees at the purification plant in Scituate. It also allows for future growth if we
3 were to grow as an organization.

4 **Q. Is the new location large enough to accommodate deliveries and all vehicles?**

5 A. Yes. The new location solves virtually all of the issues that we experience at our current
6 location because it has the necessary size that we need to operate efficiently.

7 **Q. Is the new location centrally located within your distribution system?**

8 A. Yes. It is more centrally located than our existing location. It also provides better access to
9 our purification plant and most pump stations.

10 **Q. Could you provide other details about the proposed purchase?**

11 A. Yes, Nancy E. Parillo, Senior Manager-Customer Service, is simultaneously filing testimony
12 that details the financial aspects of this proposal, and Gregg Giasson, Deputy General
13 Manager - Operations is simultaneously filing testimony that details the renovation plans.

14 **Q. Does this conclude your testimony?**

15 A. Yes.

16

PROVIDENCE WATER SUPPLY BOARD

Testimony of Nancy E. Parrillo

Before the

RI Division of Public Utilities and Carriers

In support of the Providence Water Supply Board

APPLICATION FOR AUTHORIZATION TO BORROW
\$30,000,000 FROM THE RHODE ISLAND
CLEAN WATER FINANCE AGENCY

August 7, 2015
Docket No. D-15-

1 Providence Water Supply Board
2 Testimony of
3 Nancy E. Parrillo
4

5 **Q. Please state your full name and title.**

6 A. Nancy E. Parrillo, Senior Manager of Customer Service for the Providence Water Supply
7 Board.

8 **Q. How long have you been employed at Providence Water?**

9 A. I have been employed at Providence Water since April 2015.

10 **Q. Please describe your education and work experience.**

11 A. I graduated from Wheaton College with a Bachelor of Arts Degree with a major in
12 Economics, and from Bryant University with a Masters of Business Administration
13 Degree, majoring in Finance. I recently was employed as the Chief Financial Officer of
14 the Rhode Island Turnpike and Bridge Authority. Prior to that, I was employed by Tatum
15 LLC, a financial services consultant for four and one half (4 ½) years. I also served as
16 Chief Financial Officer of the Massachusetts Water Pollution Abatement Trust, the
17 Massachusetts State Revolving Fund, from 1999 to 2005, and I served as Chief Financial
18 Officer for the South Essex Sewerage District from 1994 to 1999.

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

20 A. To provide information in support of Providence Water's application to borrow \$30
21 million from the Rhode Island Clean Water Finance Agency for the acquisition and
22 rehabilitation of a Central Operations Facility (COF). Providence Water signed a
23 Purchase and sale Agreement (PSA) on May 7, 2015 for a facility at 125 Dupont Drive in
24 Providence.

1 **Q. What are the terms of the Purchase and Sale Agreement?**

2 A. The purchase price is \$10,350,000, and a deposit for \$250,000 was made when the PSA
3 was executed. Providence Water has a due diligence period that ends on September 1,
4 2015. Providence Water may elect to terminate the agreement for any reason, or for no
5 reason, any time prior to the expiration of the due diligence period. If terminated by
6 September 1, Providence Water will receive a refund of the \$250,000; however, after
7 September 1, the deposit is no longer refundable. Under the terms of the PSA, the
8 purchase must close by 2:00 PM on December 29, 2015. Prior to September 1, 2015,
9 Providence Water must receive approval from all applicable state and local regulatory
10 and financial authorities to acquire and finance the property.

11 **Q. What is the projected cost for acquisition and renovation of the building?**

12 A. We currently project a cost of approximately \$27,000,000, consisting of the following:

13 ~ The purchase price for the building and land is \$10,350,000.

14 ~ Expenditures of approximately \$130,000 will be incurred for work through the
15 remainder of the due diligence period associated with engineering and design costs,
16 inspections, surveys, appraisals, and legal costs.

17 ~ Dimeo Construction Company has made a preliminary cost estimate of \$16.3 million to
18 perform the necessary renovations to the building and property.

19 ~ Office furnishings for the building and moving of furnishings / equipment from the
20 Providence and Cranston facilities are estimated at \$100,000.

21 **Q. What is the source of funds for payment of the debt service?**

22 A. In Commission Docket 4571 (filed June 17, 2015), Providence Water has requested a
23 revenue increase of \$2,448,000. The amount of \$2,400,000 will provide the funding for

1 debt service on the \$30 million borrowing and a 25% reserve requirement for fiscal year
2 2017. The remaining amount of \$48,000 is for Providence Water's Revenue Reserve
3 Fund (\$12,000) and our Operating Reserve (\$36,000). See testimony filed by Maureen
4 Gurchigian in this Docket with provides additional information on the debt service
5 requirements.

6 **Q. What will be the impact to ratepayers from this borrowing?**

7 A. The increase will only impact retail customers. There is no proposed increase to
8 wholesale rates. A residential customer using 100 HCF (74,800 gallons) per year will
9 have an annual billing increase of \$19 or 5%. Retail, Commercial, and Industrial
10 customers will experience increases in the 6% range.

11 **Q. Have you addressed the requirements of RIGL 39-3-17 regarding the approval of**
12 **the financing by the Providence Water Board and the City of Providence?**

13 A. Yes, we have included a statement signed by the Providence Water Board Chairman and
14 Secretary as required by RIGL 39-3-17 (see Tab 2). A Certificate of the Secretary of the
15 Providence Water Supply Board stating that at the June 17, 2015 Board Meeting, the
16 Board authorized the General Manager to seek approval of the Providence City Council
17 for financing from the RI Clean Water Finance Agency for an amount not to exceed \$39
18 million (see attached **Exhibit I**). Also, attached is an ordinance approved by the City on
19 July 24 that authorizes the borrowing from the RI Clean Water Finance Agency for an
20 amount not to exceed \$39 million (see attached **Exhibit II**).

21 **Q. Have you presented a proforma capital structure showing the effect of the bond**
22 **issuance as required by Section 14 of the Rules of Practice and Procedure of the**
23 **Division?**

1 Yes, a present and proforma capital structure showing the effects of the bond issue is
2 shown at **Exhibit III**. Our projected debt to net utility plant with this issue would be
3 38.16%. Our financial advisor has indicated that debt to net utility plant should be less
4 than 40% and the debt to total assets ratio should be less than the debt to net plant ratio.
5 Our projected debt to total asset ratio is estimated at 27.52%.

6 **Q. How will the proceeds of the bond be utilized?**

7 A. As shown on **Exhibit IV**, page 2, the \$30 million bond proceeds will be applied to:

8 ~ \$2,065,567 deposited with the trustee for a debt reserve fund; this represents one's
9 year's debt service cost.

10 ~ A 1% loan origination fee of \$300,000 will be paid to RI Clean Water.

11 ~ An estimated \$150,000 will be paid for costs of issuance incurred by Providence
12 Water; this includes legal and financial consulting fees.

13 The remaining funds totaling approximately \$27.5 million will be available for funding
14 the acquisition cost of the property and renovations to the facility.

15 The issuance of the bonds by RI Clean Water is anticipated in February of 2016. As the
16 Purchase and Sale Agreement requires a closing date no later than December 29, 2015,
17 Providence Water will make payment at closing using a combination of funds from our
18 Capital Fund and our line of credit. The \$27.5 million available from the bond proceeds
19 will be used to repay the Capital Fund and the line of credit. The remaining bond
20 proceeds will be applied to renovation costs and furnishings for the building.

21 **Q. What are the terms of the financing?**

22 A. The bonds will be issued under the Trust Indenture dated March 5, 2008. There will be a
23 Supplemental Indenture issued which relates to these bonds. In this filing, Maureen

1 Gurchigian, our financial consultant with First Southwest, provides testimony and
2 additional information on the bond issuance and debt service requirements. The general
3 terms of the borrowing are:

4 ~ A \$30 million, 20-year term borrowing through the RI Clean Water Finance Agency.

5 ~ Bonds will be funded through the Drinking Water State Revolving Fund (DWSRF) and
6 will have an interest rate subsidy of 25%.

7 ~ The interest rate of the loan will be based on Providence Water's AA- rating, less a
8 25% discount. An annual administrative fee of .5% of the outstanding loan
9 balance will be paid to RI Clean Water finance Agency. The estimated effective
10 interest rate is approximately 2.84%. The projected interest rate does not include
11 the .5% annual administrative fee of RI Clean Water Finance [See **Exhibit IV**,
12 page 2.]

13 ~ One year's debt service cost (approximately \$2,066,000) will be deposited to a Debt
14 Service Reserve Fund from the proceeds of the borrowing.

15 ~ There must be sufficient annual net revenues for each of the three full fiscal years
16 following the issuance of the bonds to provide for 125% of the debt service
17 requirements of such fiscal years.

18 **Q. What is the security for the bonds?**

19 A. The bonds will be secured with a revenue pledge by the Providence Water Enterprise
20 Fund Revenues under the Providence Water Bond Indenture.

21 **Q. Has Providence Water received a commitment letter from the RI Clean Water
22 Finance Agency?**

23 A. Yes. The commitment letter was received on June 23rd, 2015. It is attached as **Exhibit V**.

1 **Q. Has Providence Water received a Certificate of Approval from the RI Department**
2 **of Health?**

3 A. Yes. The Certificate of Approval was received from the RI Department of Health on July
4 16, 2015. It is attached as **Exhibit VI**.

5 **Q. Is Providence Water seeking expedited consideration of this matter?**

6 A. Yes. Although the RI Clean Water Finance Agency will not issue bonds until February
7 of 2016, the Purchase and Sale Agreement requires Providence Water to “receive
8 approval from all applicable state and local regulatory and financial authorities to acquire
9 the Property prior to the expiration of the Due Diligence Period.” As the Due Diligence
10 Period ends at 5:00 PM on September 1, 2015, Providence Water would like a Division
11 Order to be issued on or before this date. See page 6 of the Purchase and Sale Agreement
12 attached as **Exhibit VII**. We have also asked the Commission for expedited consideration
13 of our rate increase request in Docket 4571 so that we have a Commission Order on or
14 before September 1, 2015.

15 **Q. Does this conclude your testimony?**

16 A. Yes.

17

18

19

20

21



CERTIFICATE OF SECRETARY

I, Carissa R. Richard, do upon oath say:

1. That I am the duly appointed Secretary of the Providence Water Supply Board (PWSB), an entity established by the Home Rule Charter of the City of Providence.
2. That at the meeting of the PWSB held on Wednesday, June 17, 2015, the following was voted by all members of the Providence Water Supply Board:

The Hon. Jorge O. Elorza
Mayor
Ricky Caruolo
General Manager

BOARD OF DIRECTORS

Kaykham Khamsyvoravong
Chairperson
Joseph D. Cataldi
Vice Chairperson
Michael J. Correia
Councilperson
Sabina Matos
Councilperson
Lawrence J. Mancini
Ex-Officio
Andy M. Andujar
Member
Kerri Lynn Thurber
Member
Carissa R. Richard
Secretary
William E. O'Gara, Esq.
Legal Advisor

RESOLVED: That the Board of Directors authorizes the General Manager to seek approval from the Providence City Council for the purchase and renovation of 125 Dupont Drive in Providence for our Central Operations Facility for an amount not to exceed \$39 million in financing from the RI Clean Water Finance Agency.

In Witness Whereof, I have set my hand this 18th day of June 2015.

Carissa R. Richard
Carissa R. Richard
Secretary
Providence Water Supply Board

STATE OF RHODE ISLAND
PROVIDENCE, sc.

In Providence on the 18th day of June 2015, there personally appeared before me the above-named, Carissa R. Richard, individually and in her capacity as Secretary of the Providence Water Supply Board, and she acknowledged the execution of this certificate to be her free act and deed and in her said capacity.

Joseph R. Murphy
Notary Public: Joseph R. Murphy
My Commission Expires: 4/7/18
LIC 57857

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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City of Providence
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

CHAPTER 2015-31

No. 403 AN ORDINANCE APPROVING THE ACQUISITION, CONSTRUCTION, RENOVATION, FURNISHING AND EQUIPPING OF A NEW CENTRAL OPERATIONS FACILITY, INCLUDING, BUT NOT LIMITED TO, ACQUISITION OF REAL PROPERTY, DEMOLITION, DESIGN, ENGINEERING, PAVING, LANDSCAPING, AND ALL ATTENDANT EXPENSES AND APPROVING THE FINANCING BY THE ISSUANCE OF WATER REVENUE BONDS AND NOTES IN AN AMOUNT NOT TO EXCEED \$39,000,000.00

Approved July 24, 2015

Be it ordained by the City of Providence:

WHEREAS, The Providence Water Supply Board ("Providence Water") has outgrown its Academy Avenue administration building and its Scituate Avenue facility; and

WHEREAS, Providence Water's current facilities are in need of many upgrades and Providence Water's working out of two administrative facilities is inefficient and not conducive to a productive work environment; and

WHEREAS, It is in the best interest of Providence Water and its customers for Providence Water to operate from one central location (a "Central Operations Facility") that will house all departments and employees not located at the water treatment plant; and

WHEREAS, The new Central Operations Facility will house the following Divisions: Transmission & Distribution, Water Quality, Engineering, Support Services, Finance, Information Technology, Customer Service, and Administration; and

WHEREAS, The new Central Operations Facility will be located at 125 Dupont Drive, in Providence, in the heart of Providence Water's retail distribution system, enabling Providence Water staff to respond to water quality issues, such as main breaks, leaks and rusty water, in a more timely and efficient manner; and

WHEREAS, Currently, water samples taken throughout the distribution system are analyzed at the water treatment plant; the relocation of the lab to the new Central Operations Facility will allow Providence Water to analyze water quality in a more timely and efficient manner; and

WHEREAS, Relocating the Supervisory Control and Data Acquisition (SCADA) system to the new Central Operations Facility will provide a more secure and centralized network location for Providence Water's data system; and

WHEREAS, Providence Water plans to renovate the building to LEED (Leadership in Energy & Environmental Design) green certification standards; and

WHEREAS, Providence Water will explore all possibilities for alternative energy sources such as solar and wind energy to power the new Central Operations Facility; and

WHEREAS, Providence Water plans to install stormwater mitigation measures at the Central Operations Facility to minimize runoff into nearby water bodies.

NOW THEREFORE BE IT ORDAINED BY THE CITY OF PROVIDENCE THAT:

SECTION 1. The Providence Water Supply Board is authorized to acquire the real property located at 125 Dupont Drive, in Providence, Rhode Island to serve as the site of Providence Water's new Central Operations Facility.

SECTION 2 The sum of Thirty Nine Million Dollars (\$39,000,000) is appropriated for the purpose of financing the acquisition, construction, renovation, furnishing and equipping of a new Central Operations Facility, including, but not limited to, acquisition of real property, demolition, design, engineering, paving, landscaping, and all attendant expenses, including funding a debt service reserve fund and costs of issuance (the "Project"). The period of usefulness of the improvements financed as part of the Project is expected to be not less than forty (40) years.

SECTION 3. In accordance with Chapter 46-12.8 of the Rhode Island General Laws, the City Treasurer and the Mayor are hereby authorized to borrow an amount not exceeding Thirty Nine Million Dollars (\$39,000,000) from the Rhode Island Clean Water Finance Agency, and to evidence such loan, such officers are hereby authorized to issue and refund on behalf of the City, in an amount not exceeding Thirty Nine Million Dollars (\$39,000,000) water revenue bonds (the "Bonds") of the City, at one time, or from time to time in order to meet the foregoing appropriation.

SECTION 4. The said officers from time to time may issue and refund not exceeding \$39,000,000 interest bearing or discounted water revenue notes (the "Notes") in anticipation of the issue of said Bonds.

SECTION 5. The Bonds and Notes shall be payable solely from revenues of the Providence water supply system. The City may issue bonds, notes, or other obligations on a parity with these Bonds. The manner of sale, amount, denominations, maturities, conversion or registration privileges, interest rates, medium of payment, and other terms, conditions and details of the Bonds or Notes may be fixed by the officers authorized to sign the Bonds or Notes. The net debt of the City is not affected by the issuance of the Bonds or Notes and the Bonds and Notes authorized hereby will be within all debt and other limitations prescribed by the Constitution and the laws of Rhode Island.

SECTION 6. Pending the issuance of the Bonds under Section 3 hereof or pending or in lieu of the issue of Notes under Section 4 hereof, the General Manager of Providence Water may expend funds from the Water Fund of the City for the purposes specified in Section 2 hereof. Any advances made under this section shall be repaid without interest from the proceeds of the Bonds or Notes issued hereunder or from the proceeds of applicable federal or state assistance or from other available funds.

SECTION 7. The City Treasurer, the Mayor and the General Manager of Providence Water are also authorized, empowered and directed, on behalf of the City, to: (i) execute, acknowledge and deliver a Supplemental Indenture (the "Supplemental Indenture") by and between the City and U. S. Bank, National Association, as trustee (the "Trustee") amending and supplementing the Trust Indenture dated June 5, 2008 by and between the City and the Trustee (as supplemented, the "Indenture") relating to the Bonds and any and all other loan agreements, documents, including disclosure documents for investors, certificates or instruments necessary to effectuate such borrowing; (ii) amend, modify or supplement the Indenture, the Bonds or Notes and any and all other loan agreements, documents, certificates or instruments at any time and from time to time, in such manner and for such purposes as such officers shall deem necessary, desirable or advisable; (iii) direct the Trustee with regard to investments of trust funds pursuant to the Trust Indenture, and (iv) do and perform all such other acts and things deemed by such officers to be necessary, desirable or advisable with respect to any matters contemplated by this Ordinance in order to effectuate the acquisition of real property located at 125 Dupont Drive, the borrowing and the intent hereof.

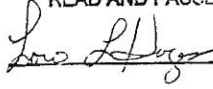
SECTION 8. The City Treasurer, the Mayor and the General Manager of Providence Water are hereby authorized to deliver the Bonds or Notes to the purchaser and said officers are hereby authorized and instructed to take all actions, on behalf of the City and Providence Water, necessary to ensure that interest on the Bonds or Notes will be excludable from gross income for federal income tax purposes and to refrain from all actions which would cause interest on the Bonds or Notes to become subject to federal income taxes.

SECTION 9. The Director of Finance, the Mayor and the General Manager of Providence Water are authorized to take all actions necessary to comply with federal tax and securities laws including Rule 15c2-12 of the Securities and Exchange Commission (the "SEC Rule") and to execute and deliver one or more Disclosure Certificates in connection with the Bonds or Notes in the form as shall be deemed advisable by the Director of Finance, the Mayor and the General Manager of Providence Water in order to comply with the SEC Rule. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Disclosure Certificates, as they may be amended from time to time. Notwithstanding any other provision of this Ordinance or the Bonds or Notes, failure of the City or Providence Water to comply with a Disclosure Certificates shall not be considered an event of default; however, any Bondholder or Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Providence Water to comply with its obligations under this Section and under the Disclosure Certificate.

SECTION 10. This Ordinance shall take effect upon passage.

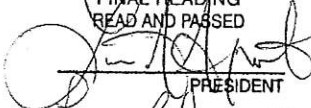

IN CITY COUNCIL

JUL 16 2015
FIRST READING
READ AND PASSED

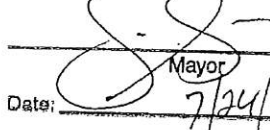

CLERK

IN CITY
COUNCIL

JUL 22 2015
FINAL READING
READ AND PASSED


PRESIDENT

CLERK

I HEREBY APPROVE:


Mayor
Date: 7/24/15



June 25, 2015

The Hon. Jorge O. Elorza
Mayor
Ricky Caruolo
General Manager

Council President Luis A. Aponte
Providence City Hall
25 Dorrance Street
Providence, RI 02903

BOARD OF DIRECTORS

- Xaykham Khamsyvoravong
Chairperson
- Joseph D. Cataldi
Vice Chairperson
- Michael J. Correia
Councilperson
- Sabina Matos
Councilperson
- Lawrence J. Mancini
Ex-Officio
- Andy M. Andujar
Member
- Kerri Lynn Thurber
Member
- Carissa R. Richard
Secretary
- William E. O'Gara, Esq.
Legal Advisor

Dear President Aponte:

At the regular meeting of Providence Water Supply Board held on June 17, 2015, the Board authorized the General Manager to seek approval from the City Council for the purchase and renovation of 125 Dupont Drive in Providence as a Central Operations Facility for an amount not to exceed \$39 million in financing from the RI Clean Water Finance Agency.

A certificate of secretary attesting to the authorization by the Providence Water Supply Board is attached.

We are requesting that this issue be placed on the docket for the July 2, 2015 City Council meeting. Councilman Correia and Councilwoman Matos are sponsoring this request. Please contact me at 521-6300 ext. 7188 if you have any questions.

Respectfully,
PROVIDENCE WATER SUPPLY BOARD

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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Ricky Caruolo, General Manager



CERTIFICATE OF SECRETARY

I, Carissa R. Richard, do upon oath say:

- 1. That I am the duly appointed Secretary of the Providence Water Supply Board (PWSB), an entity established by the Home Rule Charter of the City of Providence.
2. That at the meeting of the PWSB held on Wednesday, June 17, 2015, the following was voted by all members of the Providence Water Supply Board:

The Hon. Jorge O. Elorza Mayor
Ricky Caruolo General Manager

BOARD OF DIRECTORS

Xaykham Khamsyvoravong Chairperson
Joseph D. Cataldi Vice Chairperson
Michael J. Correia Councilperson
Sabina Matos Councilperson
Lawrence J. Mancini Ex-Officio
Andy M. Andujar Member
Kerri Lynn Thurber Member
Carissa R. Richard Secretary
William E. O'Gara, Esq. Legal Advisor

RESOLVED: That the Board of Directors authorizes the General Manager to seek approval from the Providence City Council for the purchase and renovation of 125 Dupont Drive in Providence for our Central Operations Facility for an amount not to exceed \$39 million in financing from the RI Clean Water Finance Agency.

In Witness Whereof, I have set my hand this 18th day of June 2015.

Carissa R. Richard
Carissa R. Richard
Secretary
Providence Water Supply Board

STATE OF RHODE ISLAND PROVIDENCE, sc.

In Providence on the 18th day of June 2015, there personally appeared before me the above-named, Carissa R. Richard, individually and in her capacity as Secretary of the Providence Water Supply Board, and she acknowledged the execution of this certificate to be her free act and deed and in her said capacity.

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
Follow us @provwater
Like us at: facebook.com/Providencewater

Notary Public: Joseph R. Murphy
My Commission Expires: 4/7/18
Lic 57857

Exhibit III

PROVIDENCE WATER
CAPITALIZATION
6/30/15

		<u>Due</u>	<u>Interest Rate</u>	<u>Actual Outstanding (1)</u>	<u>Pro-Forma Amount</u>
<u>Long Term Debt:</u>					
Clean Water Revenue Bonds 2002	(2)	9/1/21	3.61%	\$ 1,061,241	\$ 1,061,241
Clean Water Revenue Bonds 2008A	(3)	09/01/29	2.85%	28,181,000	28,181,000
ARRA Stimulus Bonds 2009	(4)	10/2/2015-9/1/30	.041 - 3.14%	8,660,000	8,660,000
Clean Water Watershed Bonds 2012	(5)	9/1/32	.012 - 3.24%	2,748,000	2,748,000
Clean Water Watershed Bonds 2013	(6)	9/1/33	.019 - 2.53%	4,021,000	4,021,000
Clean Water Revenue Bonds 2013	(7)	9/1/34	.022 - 2.63%	24,998,000	24,998,000
Clean Water Revenue Bonds 2014	(8)	9/1/34	.022 - 3.01%	8,000,000	8,000,000
Clean Water Revenue Bonds 2016				-	30,000,000
				<u>\$ 77,669,241</u>	<u>\$ 107,669,241</u>
				<u>\$ 77,669,241</u>	<u>\$ 107,669,241</u>
				<u>\$ 77,669,241</u>	<u>\$ 107,669,241</u>
Total Assets	(9)			\$ 361,285,576	\$ 391,285,576
Debt/Total Assets				21.50%	27.52%
Net Utility Plant	(9)			\$ 252,187,815	\$ 282,187,815
Debt/Net Utility Plant				30.80%	38.16%

(1) Includes long term and current amounts.

(2) Borrowing 12/04/01 (WCWDS Improvements) from WCWDS Funds.

(3) Borrowing 05/19/08 CWFA08a for Various IFR Projects from IFR Funds.

(4) Borrowing 9/09 CWFA09 for Various Projects from ARRA Stimulus Funds.

(5) Borrowing 6/12 CWFA for Watershed Acquisition paid from WQPF.

(6) Borrowing 6/12 CWFA for Watershed Acquisition paid from WQPF.

(7) Borrowing 05/06/13 CWFA13 for Main Replacements & Appurtenances.

(8) Borrowing 12/04/14 CWFA14 for Main Replacements & Appurtenances.

(9) From Unaudited Balance Sheet Amounts as of 6/30/15

Rhode Island Clean Water Finance Agency
 2015 Drinking Water Program Admin Funds Loan
 Rates as of 5/6/2015 Plus 50 BP

Exhibit IV

Calculation of Borrower Rate

Providence WSB- \$30.0M Admin Funds

Borrower:	Providence WSB	Highest Rating:	AA
Rate Lock Date:	05/06/15	MMD Scale:	Revenue-AA
Closing Date:	02/17/16	Zero% Subsidy:	-
Pledge:	Revenue	DSR Required:	Yes

Maturity	Market Rate	Less 25% Subsidy	Subsidized Rate	Loan Rate	Plus Admin. Fee	Total Borrower Billing Rate
2016	0.970%	-0.240%	0.730%	0.730%	0.500%	1.230%
2017	1.580%	-0.400%	1.180%	1.180%	0.500%	1.680%
2018	2.130%	-0.530%	1.600%	1.600%	0.500%	2.100%
2019	2.400%	-0.600%	1.800%	1.800%	0.500%	2.300%
2020	2.470%	-0.620%	1.850%	1.850%	0.500%	2.350%
2021	2.600%	-0.650%	1.950%	1.950%	0.500%	2.450%
2022	2.790%	-0.700%	2.090%	2.090%	0.500%	2.590%
2023	3.000%	-0.750%	2.250%	2.250%	0.500%	2.750%
2024	3.150%	-0.790%	2.360%	2.360%	0.500%	2.860%
2025	3.140%	-0.790%	2.350%	2.350%	0.500%	2.850%
2026	3.470%	-0.870%	2.600%	2.600%	0.500%	3.100%
2027	3.710%	-0.930%	2.780%	2.780%	0.500%	3.280%
2028	3.880%	-0.970%	2.910%	2.910%	0.500%	3.410%
2029	4.000%	-1.000%	3.000%	3.000%	0.500%	3.500%
2030	4.110%	-1.030%	3.080%	3.080%	0.500%	3.580%
2031	4.190%	-1.050%	3.140%	3.140%	0.500%	3.640%
2032	4.250%	-1.060%	3.190%	3.190%	0.500%	3.690%
2033	4.050%	-1.010%	3.040%	3.040%	0.500%	3.540%
2034	4.070%	-1.020%	3.050%	3.050%	0.500%	3.550%
2035	4.440%	-1.110%	3.330%	3.330%	0.500%	3.830%

Rhode Island Clean Water Finance Agency
 2015 Drinking Water Program Admin Funds Loan
 Rates as of 5/6/2015 Plus 50 BP

Sources & Uses

Providence WSB- \$30.0M Admin Funds

Sources:

Admin Funds	30,000,000.00
Fed Direct - Prin Forgiveness Funds	-
Total Sources	<u>30,000,000.00</u>

Uses:

Admin Loan - Deposit to Construction Fund	27,484,433.30
Principal Forgiveness Funds	-
Deposit to DSRF	2,065,566.70
Capitalized Interest	-
Loan Origination Fee (1.0%)	300,000.00
Costs of Issuance - Local Level	150,000.00
Total Uses	<u>30,000,000.00</u>

Providence WSB - Admin Loan Statistics (Exclusive of Fees):	
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Weighted Average Maturity (Years)	11.0077
Market Yield on the Loan:	3.871%
Effective Yield* on Total Admin Loan	2.842%

Net Effective Subsidy:	26.576%
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*Effective Yield incorporates:

* 25% DWSRF Interest Rate Subsidy

Rhode Island Clean Water Finance Agency
 2015 Drinking Water Program Admin Funds Loan
 Rates as of 5/6/2015 Plus 50 BP

Construction Fund Cash Flow
 Providence WSB- \$30.0M Admin Funds

Date	Beginning Balance	Loan Proceeds Deposit	Cost of Issuance	Admin Loan Draws	DSRF & Cap-I	Total Draws	Ending Fund Balance	6-Month Const. Draws	% Spent
02/17/16	-	30,000,000.00	450,000.00	10,000,000.00	2,065,566.70	12,515,566.70	17,484,433.30		
03/01/16	17,484,433.30	-	-	1,955,000.00	-	1,955,000.00	15,529,433.30		
04/01/16	15,529,433.30	-	-	1,955,000.00	-	1,955,000.00	13,574,433.30		
05/01/16	13,574,433.30	-	-	1,955,000.00	-	1,955,000.00	11,619,433.30		
06/01/16	11,619,433.30	-	-	1,955,000.00	-	1,955,000.00	9,664,433.30		
07/01/16	9,664,433.30	-	-	1,955,000.00	-	1,955,000.00	7,709,433.30		
08/01/16	7,709,433.30	-	-	1,955,000.00	-	1,955,000.00	5,754,433.30	21,730,000.00	79%
09/01/16	5,754,433.30	-	-	1,955,000.00	-	1,955,000.00	3,799,433.30		
10/01/16	3,799,433.30	-	-	1,955,000.00	-	1,955,000.00	1,844,433.30		
11/01/16	1,844,433.30	-	-	1,844,433.30	-	1,844,433.30	-		
12/01/16	-	-	-	-	-	-	-		
01/01/17	-	-	-	-	-	-	-	5,754,433.30	100%
02/01/17	-	-	-	-	-	-	-		
03/01/17	-	-	-	-	-	-	-		
04/01/17	-	-	-	-	-	-	-		
05/01/17	-	-	-	-	-	-	-		
06/01/17	-	-	-	-	-	-	-		
07/01/17	-	-	-	-	-	-	-		
08/01/17	-	-	-	-	-	-	-	-	100%
09/01/17	-	-	-	-	-	-	-		
10/01/17	-	-	-	-	-	-	-		
11/01/17	-	-	-	-	-	-	-		
12/01/17	-	-	-	-	-	-	-		
01/01/18	-	-	-	-	-	-	-		
02/01/18	-	-	-	-	-	-	-	-	100%
03/01/18	-	-	-	-	-	-	-		
04/01/18	-	-	-	-	-	-	-		
05/01/18	-	-	-	-	-	-	-		
06/01/18	-	-	-	-	-	-	-		
07/01/18	-	-	-	-	-	-	-		
08/01/18	-	-	-	-	-	-	-	-	100%
09/01/18	-	-	-	-	-	-	-		
10/01/18	-	-	-	-	-	-	-		
11/01/18	-	-	-	-	-	-	-		
12/01/18	-	-	-	-	-	-	-		
01/01/19	-	-	-	-	-	-	-		
02/01/19	-	-	-	-	-	-	-	-	100%
03/01/19	-	-	-	-	-	-	-		
04/01/19	-	-	-	-	-	-	-		
05/01/19	-	-	-	-	-	-	-		
06/01/19	-	-	-	-	-	-	-		
		<u>30,000,000.00</u>	<u>450,000.00</u>	<u>27,484,433.30</u>	<u>2,065,566.70</u>	<u>30,000,000.00</u>		<u>27,484,433.30</u>	

**Rhode Island Clean Water Finance Agency
2015 Drinking Water Program Admin Funds Loan
Rates as of 5/6/2015 Plus 50 BP**

Loan Balance

Providence WSB- \$30.0M Admin Funds

Date	Admin Loan Draws	Admin Loan Principal Paid	Admin Loan Balance	Interest (1) Accrued @ 2.520%	Semiannual Interest Requirements	Loan Fees @ 0.500%	Semiannual Loan Fees Payable
02/17/16	12,516,200.00	-	12,516,200.00	-	-	-	-
03/01/16	1,955,000.00	-	14,471,200.00	12,265.88	12,265.88	2,433.71	2,433.71
04/01/16	1,955,000.00	-	16,426,200.00	30,389.52	-	6,029.67	-
05/01/16	1,955,000.00	-	18,381,200.00	34,495.02	-	6,844.25	-
06/01/16	1,955,000.00	-	20,336,200.00	38,600.52	-	7,658.83	-
07/01/16	1,955,000.00	-	22,291,200.00	42,706.02	-	8,473.42	-
08/01/16	1,955,000.00	-	24,246,200.00	46,811.52	-	9,288.00	-
09/01/16	1,955,000.00	(1,170,000.00)	25,031,200.00	50,917.02	243,919.62	10,102.58	48,396.75
10/01/16	1,955,000.00	-	26,986,200.00	52,565.52	-	10,429.67	-
11/01/16	1,843,800.00	-	28,830,000.00	56,671.02	-	11,244.25	-
12/01/16	-	-	28,830,000.00	60,543.00	-	12,012.50	-
01/01/17	-	-	28,830,000.00	60,543.00	-	12,012.50	-
02/01/17	-	-	28,830,000.00	60,543.00	-	12,012.50	-
03/01/17	-	-	28,830,000.00	60,543.00	351,408.54	12,012.50	69,723.92
04/01/17	-	-	-	-	-	-	-
05/01/17	-	-	-	-	-	-	-
06/01/17	-	-	-	-	-	-	-
07/01/17	-	-	-	-	-	-	-
08/01/17	-	-	-	-	-	-	-
09/01/17	-	-	-	-	-	-	-
10/01/17	-	-	-	-	-	-	-
11/01/17	-	-	-	-	-	-	-
12/01/17	-	-	-	-	-	-	-
01/01/18	-	-	-	-	-	-	-
02/01/18	-	-	-	-	-	-	-
03/01/18	-	-	-	-	-	-	-
04/01/18	-	-	-	-	-	-	-
05/01/18	-	-	-	-	-	-	-
06/01/18	-	-	-	-	-	-	-
07/01/18	-	-	-	-	-	-	-
08/01/18	-	-	-	-	-	-	-
09/01/18	-	-	-	-	-	-	-
10/01/18	-	-	-	-	-	-	-
11/01/18	-	-	-	-	-	-	-
12/01/18	-	-	-	-	-	-	-
01/01/19	-	-	-	-	-	-	-
02/01/19	-	-	-	-	-	-	-
03/01/19	-	-	-	-	-	-	-
04/01/19	-	-	-	-	-	-	-
05/01/19	-	-	-	-	-	-	-
06/01/19	-	-	-	-	-	-	-
	<u>30,000,000.00</u>	<u>(1,170,000.00)</u>		<u>607,594.04</u>	<u>607,594.04</u>	<u>120,554.37</u>	<u>120,554.37</u>

(1) Interest rate represents the weighted average loan rate for the entire loan amortization.

Rhode Island Clean Water Finance Agency
 2015 Drinking Water Program Admin Funds Loan
 Rates as of 5/6/2015 Plus 50 BP

Loan Debt Service

Providence WSB- \$30.0M Admin Funds

Date	Principal	Loan Rate	(1) Interest	Net Fees @ 0.500%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
02/17/16							-
03/01/16	-	-	12,265.88	2,433.71	14,699.59	14,699.59	-
09/01/16	1,170,000.00	0.730%	243,919.62	48,396.75	292,316.37	1,462,316.37	1,477,015.96
03/01/17	-	-	351,408.54	69,723.92	421,132.46	421,132.46	-
09/01/17	1,184,000.00	1.180%	374,154.85	72,075.00	446,229.85	1,630,229.85	2,051,362.31
03/01/18	-	-	367,169.25	69,115.00	436,284.25	436,284.25	-
09/01/18	1,204,000.00	1.600%	367,169.25	69,115.00	436,284.25	1,640,284.25	2,076,568.50
03/01/19	-	-	357,537.25	66,105.00	423,642.25	423,642.25	-
09/01/19	1,229,000.00	1.800%	357,537.25	66,105.00	423,642.25	1,652,642.25	2,076,284.50
03/01/20	-	-	346,476.25	63,032.50	409,508.75	409,508.75	-
09/01/20	1,257,000.00	1.850%	346,476.25	63,032.50	409,508.75	1,666,508.75	2,076,017.50
03/01/21	-	-	334,849.00	59,890.00	394,739.00	394,739.00	-
09/01/21	1,287,000.00	1.950%	334,849.00	59,890.00	394,739.00	1,681,739.00	2,076,478.00
03/01/22	-	-	322,300.75	56,672.50	378,973.25	378,973.25	-
09/01/22	1,319,000.00	2.090%	322,300.75	56,672.50	378,973.25	1,697,973.25	2,076,946.50
03/01/23	-	-	308,517.20	53,375.00	361,892.20	361,892.20	-
09/01/23	1,353,000.00	2.250%	308,517.20	53,375.00	361,892.20	1,714,892.20	2,076,784.40
03/01/24	-	-	293,295.95	49,992.50	343,288.45	343,288.45	-
09/01/24	1,390,000.00	2.360%	293,295.95	49,992.50	343,288.45	1,733,288.45	2,076,576.90
03/01/25	-	-	276,893.95	46,517.50	323,411.45	323,411.45	-
09/01/25	1,430,000.00	2.350%	276,893.95	46,517.50	323,411.45	1,753,411.45	2,076,822.90
03/01/26	-	-	260,091.45	42,942.50	303,033.95	303,033.95	-
09/01/26	1,470,000.00	2.600%	260,091.45	42,942.50	303,033.95	1,773,033.95	2,076,067.90
03/01/27	-	-	240,981.45	39,267.50	280,248.95	280,248.95	-
09/01/27	1,516,000.00	2.780%	240,981.45	39,267.50	280,248.95	1,796,248.95	2,076,497.90
03/01/28	-	-	219,909.05	35,477.50	255,386.55	255,386.55	-
09/01/28	1,566,000.00	2.910%	219,909.05	35,477.50	255,386.55	1,821,386.55	2,076,773.10
03/01/29	-	-	197,123.75	31,562.50	228,686.25	228,686.25	-
09/01/29	1,619,000.00	3.000%	197,123.75	31,562.50	228,686.25	1,847,686.25	2,076,372.50
03/01/30	-	-	172,838.75	27,515.00	200,353.75	200,353.75	-
09/01/30	1,676,000.00	3.080%	172,838.75	27,515.00	200,353.75	1,876,353.75	2,076,707.50
03/01/31	-	-	147,028.35	23,325.00	170,353.35	170,353.35	-
09/01/31	1,736,000.00	3.140%	147,028.35	23,325.00	170,353.35	1,906,353.35	2,076,706.70
03/01/32	-	-	119,773.15	18,985.00	138,758.15	138,758.15	-
09/01/32	1,799,000.00	3.190%	119,773.15	18,985.00	138,758.15	1,937,758.15	2,076,516.30
03/01/33	-	-	91,079.10	14,487.50	105,566.60	105,566.60	-
09/01/33	1,865,000.00	3.040%	91,079.10	14,487.50	105,566.60	1,970,566.60	2,076,133.20
03/01/34	-	-	62,731.10	9,825.00	72,556.10	72,556.10	-
09/01/34	1,931,000.00	3.050%	62,731.10	9,825.00	72,556.10	2,003,556.10	2,076,112.20
03/01/35	-	-	33,283.35	4,997.50	38,280.85	38,280.85	-
09/01/35	1,999,000.00	3.330%	33,283.35	4,997.50	38,280.85	2,037,280.85	2,075,561.70
	<u>30,000,000.00</u>		<u>9,285,507.09</u>	<u>1,618,799.37</u>	<u>10,904,306.46</u>	<u>40,904,306.46</u>	<u>40,904,306.46</u>

(1) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 2.520%.



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: Ruby Conada
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

- 6 -

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

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



Exhibit VI

TTY: 711

www.health.ri.gov

July 16, 2015

Ricky Caruolo
General Manger
Providence Water
552 Academy Avenue
Providence, RI 02908

RE: Certificate of Approval for Central Operations Facility
Providence Water, PWS ID#1592024

Dear Mr. Caruolo:

Enclosed please find a copy of the DWSRF Certificate of Approval (COA) issued to Providence Water for the central operations facility project. Also please find a copy of the RIDEM memo referencing the Categorical Exclusion (CATEX) and the CATEX certificate for the central operations facility project.

If you should have any questions please feel free to contact me at 222-3436.

Sincerely,

Carlene B. Newman
Principal Sanitary Engineer
Office of Drinking Water Quality

Enclosures:

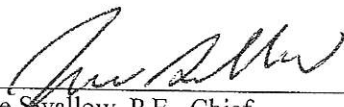
cc: Rhode Island Clean Water Finance Agency
Gregg Giasson, Providence Water
Gary Marino, Providence Water
Kenneth Burke, Water Resources Board
Charles Newton, MBE Compliance Office

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Department of Health
Office of Drinking Water Quality
Drinking Water State Revolving Fund Program

CERTIFICATE OF APPROVAL

Providence Water has met the program requirements of the Drinking Water State Revolving Fund (DWSRF) program for the Central Operations Facility project and is eligible to apply for a DWSRF loan from the Rhode Island Clean Water Finance Agency. The project entails the purchase and rehabilitation of an existing 175,000 square foot building. This facility will house the following divisions: Transmission and Distribution, Water Quality, Engineering, Support Services, Finance, Information Technology, Customer Service and Administration. In addition, the water testing laboratory will be relocated to this Central Operations Facility. It is the intent that the project will be funded through a DWSRF loan. Specifically, Providence Water is seeking funding up to \$30,000,000.00 for the Central Operations Facility project. Providence Water has certified that it will comply with all the requirements of applicable State and Federal laws in the application package. The following conditions detail certain specific requirements for this project:

1. Providence Water is responsible for obtaining any other necessary permits or approvals from any Federal or State agency with authority over the project or project area.
2. All engineering and/or construction related costs incurred prior to January 1, 2015 are ineligible for DWSRF Program Participation.
3. All applicable architectural/engineering reports including specifications and plans are to be submitted upon their availability for review and approval by Department of Health, Office of Drinking Water Quality (DWQ). No monies from the DWSRF loan can be expended for the actual rehabilitation/construction of the Central Operations Facility until DWQ has approved the specifications for the project.
4. An approved Disadvantaged Business Enterprise utilization plan shall be obtained from the State prior to issuing the Notice to Proceed. A copy of the approved DBE utilization plan shall be sent to DWQ for the project file.
5. Short-term excavation related impacts shall be mitigated by utilizing standard sedimentation and erosion control methods. Fugitive dust related impacts shall be mitigated by using standard dust control methods.



June Swallow, P.E., Chief
Office of Drinking Water Quality

7/15/15

DATE

Project Name: Central Operations Facility
Project Number: DWSRF-15-04
Associated PPL: 2015

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Department of Health
Office of Drinking Water Quality
Drinking Water State Revolving Fund Program

Categorical Exclusion

The Office of Drinking Water Quality has reviewed the proposed Central Operations Facility project submitted by Providence Water and has concluded that the project qualifies for a CATEGORICAL EXCLUSION in accordance with the requirements of RIGL 46-12.8 and the "Rules and Regulations Pertaining to the Drinking Water State Revolving Fund", dated June 2011. The proposed project will not impact the environment either by itself or in combination with other projects, and the information provided has met the statutory intent of the Federal Clean Water Act environmental review requirements and is sufficient to issue a CATEGORICAL EXCLUSION.

Project Name: Central Operations Facility

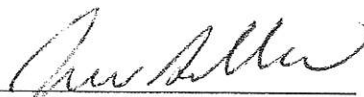
DWSRF Program Number: 15-04

Project Locations: Providence, RI.

Project Description: The project includes the purchase and rehabilitation of an existing 175,000 square foot building. This facility will house the following divisions: Transmission and Distribution, Water Quality, Engineering, Support Services, Finance, Information Technology, Customer Service and Administration. In addition, the water testing laboratory will be relocated to this Central Operations Facility.

Anticipated Environmental Impacts: Impacts will be minor and short term in duration (i.e. erosion, dust, noise, air quality, and traffic).

Specific Requirements: Short-term excavation related impacts shall be mitigated by utilizing standard sedimentation and erosion control methods. Fugitive dust related impacts shall be mitigated by using standard dust control methods.



June Swallow, P.E., Chief
Office of Drinking Water Quality

7/15/15

DATE

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

INTER-OFFICE MEMO

TO: June Swallow, P.E., Chief
Division of Drinking Water Quality

DEPT: Health

FROM: Angelo S. Liberti, P.E., Chief
Office of Water Resources

DEPT: Environmental Management

SUBJECT: Environmental Review for Providence Water

DATE: May 27, 2015



Attached is the recommendation from the Office of Water Resources for a Categorical Exclusion to be issued to Providence Water for its Central Operations Facility project. This recommendation is given in accordance with the Memorandum of Agreement between the Department of Health and the Department of Environmental Management in regards to the Drinking Water State Revolving Fund program.

If you have any questions do not hesitate to contact me at 222-4700, extension 7225 or Jay Manning at 222-4700, extension 7254.

AL/JM/jm

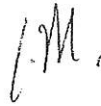
Attachment

Cc: Carlene Newman, DOH
William Sequino, Jr., RICWFA

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

INTER-OFFICE MEMO

TO: Angelo S. Liberti, P.E., Chief
Office of Water Resources
DEPT: Environmental Management

FROM: Jay Manning, P.E., Principal Sanitary Engineer 
Office of Water Resources
DEPT: Environmental Management

SUBJECT: Environmental Review for Providence Water -
Central Operations Facility

DATE: May 27, 2015

Providence Water is seeking funding from the RI Drinking Water State Revolving Fund (DWSRF) program to purchase and rehabilitate a 175,000 square foot building to become a central operations facility. The Providence Water is requesting a Categorical Exclusion for the project. In accordance with the Memorandum of Agreement between the Department of Health and the Department of Environmental Management, I have reviewed the material presented in support of the Categorical Exclusion request as required by the DWSRF program.

The rehabilitated building will house Providence Water's Transmission & Distribution, Water Quality, Engineering, Support Services, Finance, Information Technology, Customer Service, and Administration divisions. The project will not increase the footprint of the existing building. In light of the information presented any impacts appear to be minor and short term in duration. **Therefore, I recommend that a Categorical Exclusion be issued for this project.**

JM/jm

Exhibit VII

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is entered into this 7th day of May, 2015 (the "Effective Date"), by and between First States Investors 5200, LLC, a Delaware limited liability company ("Seller"), and the City of Providence Water Supply Board ("Purchaser"). In consideration of the mutual agreements herein set forth, the parties hereto, intending to be legally bound, agree as follows.

1. Defined Terms/Riders:

Business Day or business day:	Each day of the week except Saturdays, Sundays and federal holidays.
Closing Date:	2:00 PM prevailing Eastern Time on December 29, 2015, or on such earlier date as mutually agreed upon by Buyer and Seller.
Deposit:	\$250,000.00 (together with any interest earned thereon)
Due Diligence Period:	The period ending at 5:00 P.M. prevailing Eastern Time on September 1, 2015. ✓
Escrowee:	First American Title Insurance Company 633 Third Avenue New York, New York 10017 Attention: Jed Levine Phone: (212) 551-9482 Email: jlevine@firstam.com
Exhibits:	<u>Exhibit A</u> – Legal Descriptions <u>Exhibit B</u> – Escrow Agreement <u>Exhibit C</u> – Permitted Exceptions <u>Exhibit D</u> – Bill of Sale <u>Exhibit E</u> – Title Affidavit <u>Exhibit F</u> – Assignment and Assumption of Intangibles <u>Exhibit G</u> – Non-Foreign Affidavit
Improvements:	The buildings, structures, improvements, personal property (including, but not limited to, all furniture located in the Building) and fixtures erected or located on the Land.

Land:	That certain tract or parcel of land situated at 125 Dupont Drive, Providence, Rhode Island, as more fully described on <u>Exhibit A</u> attached hereto.
Person:	Any individual, corporation, partnership, limited liability company, trust, unincorporated association, government, governmental authority, or other entity.
Purchase Price:	\$10,350,000.00
Purchaser's EIN:	05-600039 05-6000329 "R" 5/6/15
Purchaser's Notice Address:	552 Academy Avenue Providence, Rhode Island 02908 Attn: Gary P. Marino E-mail: gmarino@provwater.com With a required copy to: Schacht & McElroy 21 Dryden Lane, P.O. Box 6721 Providence, Rhode Island 02940-6721 Attn: Michael R. McElroy E-mail: michael@mcelroylawoffice.com
Riders:	The following Rider is attached to and made a part of this Agreement as if more fully set forth herein: <input checked="" type="checkbox"/> Due Diligence Rider
Seller's EIN:	20-1656923
Seller's Notice Addresses:	c/o Gramercy Property Trust 521 Fifth Avenue 30th Floor New York, NY 10175 Attention: Allan B. Rothschild E-mail: ARothschild@gptreit.com With a required copy to:

	Kirkland & Ellis LLP 300 N. LaSalle St. Chicago, Illinois 60654 Attn.: Andrew D. Small, Esq. E-mail: andrew.small@kirkland.com
Transfer Tax:	Any tax, levy or documentary stamp required to be paid or purchased in connection with recordation of the Deed (hereinafter defined) and the cost of which is determined by the amount of the Purchase Price.

2. Agreement to Sell.

(A) For the Purchase Price and subject to the terms and conditions hereof, Seller agrees to sell and convey to Purchaser, and Purchaser agrees to purchase and take from Seller, all of Seller's right, title and interest in and to the following (individually referred to as a "Property" or collectively referred to as the "Property", as the context may require):

1. the Land;
2. the Improvements;
3. the tenements, hereditaments, appurtenances, rights of way, strips, gores, easements, rights and privileges in any way pertaining or beneficial to the Land or Improvements;
4. all intangible property, if any, owned by Seller and related to the Land and Improvements; and
5. all damages, awards, claims and causes of action now or hereafter payable or assertable with respect to any of the foregoing by reason of any exercise of the power of eminent domain, any change of grade of any street, road, highway, avenue or alley, or any damage, destruction, loss or removal of any of the foregoing.

Notwithstanding anything contained in this Agreement to the contrary, those certain assets located on the Land or in the Improvements as set forth on Schedule 1 attached hereto and incorporated by reference herein (the "Excluded Assets") are expressly excluded from the transactions contemplated by this Agreement and are not part of the Property being transferred hereunder.

3. Purchase Price. The Purchase Price for the Property shall be payable by Purchaser as follows:

(A) The Deposit is payable by Purchaser to Escrowee upon execution of this Agreement, to be held in escrow and disbursed by Escrowee pursuant to the provisions of that certain Escrow Agreement (the "Escrow Agreement") of even date herewith among Seller, Purchaser and Escrowee, a copy of which is attached hereto as Exhibit B. At Closing (hereinafter defined), the Deposit shall be credited to Purchaser on account of the Purchase Price.

(B) Notwithstanding anything contained herein to the contrary, including, without limitation, the terms and provisions of the Escrow Agreement, Purchaser hereby agrees that in the event that Purchaser does not elect to terminate this Agreement pursuant to the terms and provisions of the Due Diligence Rider annexed hereto, the Deposit shall become NON-REFUNDABLE upon expiration of the Due Diligence Period, and shall become the sole property of Seller. In such event, Purchaser agrees that the Deposit shall be deemed fully earned by Seller, and Purchaser and Seller hereby acknowledge and agree that Escrowee shall immediately release the Deposit to Seller upon expiration of the Due Diligence Period. Purchaser agrees that under no circumstances whatsoever shall Purchaser have any right or claim to the Deposit after the expiration of the Due Diligence Period, unless the Closing shall not occur due solely to Seller's Willful Default (hereinafter defined) or as may otherwise be expressly provided for herein. In any such event, the Deposit shall be refunded to Purchaser.

(C) The balance of the Purchase Price, subject to the prorations and adjustments herein provided for, shall be payable at Closing by wire transfer to an account designated by Seller.

4. Closing.

(A) "Closing" shall mean the consummation of each of the actions set forth below in this Section 4, or the waiver of such action by the party in whose favor such action is intended. At Closing, Seller shall transfer ownership of the Property by quitclaim deed, the form of which deed (including the legal description of the Property) shall be the same form in which title to the Property is vested in such Seller (individually and collectively, as the context may require, the "Deed"), and Purchaser shall pay the balance of the Purchase Price. Closing shall be held no later than 2:00 P.M. Eastern on the Closing Date. Closing shall take place through an escrow with the offices of Escrowee.

(B) At Closing, Seller shall deliver or cause to be delivered the following documents to Purchaser (the "Seller Deliverables");

1. the Deed for the Property sufficient to vest in Purchaser marketable title to the Land and the other portions of the Property that constitute real property in accordance with this Agreement and subject to exceptions as provided for in this Agreement;

2. a bill of sale for the Property transferring to Purchaser title to any portion of the Property that is not conveyed by the Deed, without recourse or warranty (other than that such property, if any, is owned by Seller free and clear of liens and encumbrances), in substantially the form attached hereto as Exhibit D;

3. a title affidavit for the Property in substantially the form attached hereto as Exhibit E;

4. two (2) counterparts of an assignment and assumption of intangibles for the Property, executed by Seller, pursuant to which Seller assigns to Purchaser and Purchaser assumes all of Seller's right, title and interest to the intangible personal property relating to the Property, without recourse or warranty, in substantially the form attached hereto as Exhibit F (the "Assignment and Assumption of Intangibles");

5. two (2) counterparts of a closing statement reflecting the apportionments and adjustments provided for in this Agreement (the "Closing Statement");

6. written evidence of termination of that certain lease with respect to the Land and Improvements by and between Seller, as landlord, and Bank of America Corporation, as tenant, to be effective on or before the Closing Date;

7. a certificate stating that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445, in substantially the form attached hereto as Exhibit G; and

8. such other certificates and affidavits to the extent reasonably acceptable to Seller as may be customarily required by the title company.

(C) At Closing, Purchaser shall deliver or cause to be delivered the following documents to Seller (the "Purchaser Deliverables");

(i) the amounts required to be paid to Seller pursuant to this Agreement;

(ii) two (2) duly executed counterparts of the Closing Statement;

(iii) two (2) duly executed counterparts of the Assignment and Assumption of Intangibles.

(D) The acceptance of the Deed by Purchaser shall be deemed to be full performance and discharge of any and all obligations on the part of Seller to be performed pursuant to the provisions of this Agreement except where such agreements and obligations are specifically stated herein to survive the Closing.

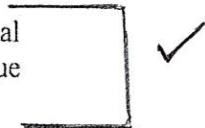
(E) Purchaser's obligation to pay the Purchase Price, and to accept title to the Property, shall be subject to compliance by Seller with the following conditions precedent on and as of the Closing Date:

(i) Possession of the Property shall be delivered free and clear of all tenancies or other occupancies;

(ii) Escrowee, in its capacity as title agent (the "Title Company") shall

have committed to issue an owner's policy of title insurance insuring Purchaser as the owner of fee simple title to the Property, as well as a customary lender's policy of title insurance subject only to those matters described on Exhibit C attached hereto and made a part hereof, exceptions listed on the deed in which title was vested in Seller, title and survey matters not objected to by Purchaser pursuant to Section 5(c) hereof (collectively, the "Permitted Exceptions"); and

(iii) Purchaser shall receive approval from all applicable state and local regulatory and financial authorities to acquire the Property prior to the expiration of the Due Diligence Period.



If all of the above conditions have not been satisfied or waived in writing by Purchaser on or prior to the Closing Date, then Purchaser shall have the right to terminate this Agreement, and upon such termination the Deposit shall be refunded to Purchaser and neither Purchaser nor Seller shall have any further rights, obligations or liabilities hereunder, except as otherwise set forth herein.

(F) Seller's obligation to deliver title to the Property shall be subject to compliance by Purchaser with the following condition precedent on and as of the Closing Date:

(i) Purchaser shall deliver to Escrowee on behalf of Seller upon the Closing the remainder of the Purchase Price, subject to adjustment of such amount pursuant to the terms hereof; and

(ii) Purchaser shall deposit with Escrowee the balance of the Purchaser Deliverables.

If all of the above conditions have not been satisfied or waived in writing by Seller on or prior to the Closing Date, then Seller shall have the right to terminate this Agreement, and upon such termination the Deposit shall be refunded to Purchaser and neither Purchaser nor Seller shall have any further rights, obligations or liabilities hereunder, except as otherwise set forth herein.

5. Title.

(A) Purchaser shall, at Purchaser's sole cost and expense, order from the Title Company, a commitment to insure title to the Property, together with complete and legible copies of all written covenants, restrictions, easements, and agreements which are listed as exceptions thereon (the "Title Commitment").

(B) Purchaser may, at Purchaser's sole cost and expense, employ a surveyor to prepare and deliver to Purchaser a survey of the Property or an update thereof (the "Survey").

(C) Within ten (10) Business Days following Purchaser's receipt of each of the Title Commitment and the Survey, Purchaser shall notify Seller in writing (the "Title Objection Notice") of any exception or matter shown in the Title Commitment or the Survey that is not satisfactory to Purchaser ("Title Objections"). If Purchaser delivers a Title Objection Notice to Seller, Seller agrees to notify Purchaser in writing ("Seller's Notice") within ten (10) Business

Days after its receipt of the Title Objection Notice as to whether Seller will attempt to cure such defect(s). If Purchaser does not submit the Title Objection Notice within the time allowed, then Purchaser shall be deemed to have approved all exceptions or matters shown on the Title Commitment and Survey and shall accept title subject thereto.

(D) If Purchaser gives the Title Objection Notice within the time allowed, then Seller shall have the right, at its option, to defer the Closing Date for a period not exceeding sixty (60) days in the aggregate, during which time Seller shall have the right, but not the obligation, to remove or otherwise resolve Purchaser's Title Objections. Nothing contained herein shall obligate Seller to expend any sums of money whatsoever in order to remove or otherwise resolve Purchaser's objections contained in the Title Objection Notice.

(E) If, within ten (10) Business Days after its receipt of the Title Objection Notice, Seller either (1) fails to deliver a Seller's Notice to Purchaser or (2) delivers a Seller's Notice in which Seller refuses to cure such Title Objections by the Closing Date, as such date may be adjourned pursuant to Section 5(D) above, Purchaser shall have the right, prior to the expiration of the Due Diligence Period, to either elect: (i) to terminate this Agreement by giving written notice to Seller, and upon delivery of such written notice of termination, the Deposit shall be returned to Purchaser and this Agreement shall be null and void and of no further force and effect; or (ii) to perform all of Purchaser's obligations hereunder and accept title to the Property subject to such uncured objections without any abatement of the Purchase Price on account of such uncured objections or liability on the part of Seller with respect thereto.

If Purchaser shall fail to deliver a written notice of its election under this Section 5(E) on or before the Closing Date, Purchaser shall be deemed to have elected clause (ii) above and the Closing shall take place on the Closing Date. In the event Purchaser makes the election, or is deemed to have made the election, contemplated by clause (ii) above then those matters of title to which Purchaser has not objected, as well as Purchaser's Title Objections which remain uncured as of the date of such election, shall be deemed Permitted Exceptions. Seller's failure to cure any of Title Objections raised in the Title Objection Notice shall not be considered a default on Seller's part but shall solely give Purchaser the right to terminate this Agreement in accordance with this Section 5(E).

6. Seller's Representations, Warranties and Covenants.

(A) Seller represents and warrants to Purchaser as follows:

(i) Seller is duly organized and validly existing under the laws of its state of formation. Seller has the right, power and authority to enter into this Agreement and, to convey the Property in accordance with the terms and conditions of this Agreement, to engage in the transactions contemplated in this Agreement and to perform and observe the terms and provisions hereof.

(ii) Seller has taken all necessary action to authorize the execution, delivery and performance of this Agreement, and upon the execution and delivery of any document to be delivered by Seller on or prior to the Closing, this Agreement and such document

STATE OF RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

DOCKET NO. _____

ATTESTATION UNDER RULE 14
OF THE RULES OF PRACTICE AND PROCEDURE
OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS


I, Nancy Parrillo, in conformance with Rule 14 of the Rules of Practice and Procedure of the Division of Public Utilities and Carriers, hereby attest under oath that the facts contained in my direct testimony with exhibits and supporting documents are true and correct to the best of my knowledge, information, and belief. All changes and differences between books and test year data and any changes in the manner of recording said data during the test year have been expressly noted.



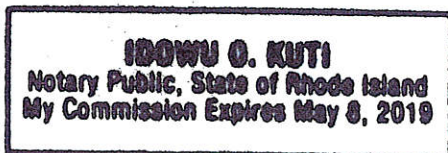
Nancy Parrillo

STATE OF RHODE ISLAND
PROVIDENCE COUNTY

Subscribed and sworn to me this 6th of August, 2015.



Notary Public
Expires 5/8/2019 ID# 757869



Testimony
of
GREGG M. GIASSON, PE
before the
RI DIVISION OF PUBLIC UTILITIES AND CARRIERS

for
APPLICATION FOR AUTHORIZATION TO BORROW
\$30,000,000 FROM THE RHODE ISLAND
CLEAN WATER FINANCE AGENCY

DOCKET No. D-

August 2015

1 **Q. Please state your name and your position.**

2 A. My name is Gregg M. Giasson and I am the Deputy General Manager of Operations. I
3 oversee the Engineering, Water Supply and Transmission & Distribution Divisions of the
4 Providence Water Supply Board.

5

6 **Q. Please describe your educational background and work experience.**

7 A. I obtained a Masters of Science in Environmental Engineering from Worcester Polytechnic
8 Institute in 2001 and a Bachelor of Science in Civil Engineering from Tufts University in
9 1992. I have worked for the Providence Water Supply Board for just under three years, the
10 first two years as the Senior Director of Operations and the last year as the Deputy General
11 Manager. From 2008 to 2012, I worked for the Pawtucket Water Supply Board as the
12 Assistant Chief Engineer/Chief of Operations. Prior to Pawtucket, I worked at the consulting
13 firm Camp, Dresser & McKee for 12 years where I worked on a variety of drinking water
14 projects as both a project engineer and project manager. I am a Registered Professional
15 Engineer in the State of Rhode Island.

16

17 **Q. What items are being addressed in this testimony?**

18 A. My testimony will cover: (a) the process Providence Water followed to locate and purchase a
19 new central operations facility (COF), (b) how the purchase price was negotiated, and (c) the
20 total cost to purchase and rehabilitate the new COF.

21

22

1 **Q. Why does Providence Water need a new COF?**

2 A. In 2007, Providence Water engaged the consulting firm Camp Dresser & McKee (CDM) to
3 conduct a facility assessment. CDM performed studies that evaluated the conditions of the
4 Academy Avenue (Providence) and Scituate Avenue (Cranston) facilities and developed an
5 initial needs assessment of the Providence Water organization. The study concluded:

- 6 ○ The Academy Avenue site was too small and could not accommodate parking needs;
- 7 ○ There were safety issues when large truck deliveries were made to the storage yard;
- 8 ○ Building facilities and components were approaching or beyond their useful service
9 life, and the upgrades required to bring all components into compliance with current
10 codes would represent a substantial investment.

11 As a result of this work, and an ongoing re-evaluation of Providence Water needs, criteria
12 were developed to evaluate potential COF locations.

13

14 **Q. What properties did Providence Water consider for the new COF?**

15 A. From 2007 through 2015, Providence Water evaluated at least 28 different properties. Many
16 of the facilities on the list were quickly dismissed because they did not meet many (or any) of
17 the criteria determined to be needed for a COF.

18

19 **Q. What property is Providence Water purchasing for the new COF?**

20 A. Providence Water has signed a Purchase and Sales (P&S) agreement for the property at 125
21 Dupont Drive in Providence. This property meets the needs for a COF for Providence Water,
22 and is located close to the center of our distribution system.

1 **Q. How was the \$10.35 million purchase price determined?**

2 A. The best way to answer this question is to provide a timeline of events that culminated in the
3 signing of the P&S.

4 On February 5, 2015, Peter Hayes from Hayes & Sherry notified Providence Water that a
5 property with a 175,000 square foot building on 16.5 acres was going to be made available
6 for purchase.

7 On February 20, 2015, Providence Water toured the facility at 125 Dupont Drive.

8 On February 26, 2015, Hayes & Sherry indicated that their research of comparable properties
9 would warrant an offer of \$10,000,000 (approximately \$58/square foot).

10 On March 13, 2015, Providence Water receives three appraisals on the property at 125
11 Dupont Drive. The appraisals ranged from \$9.2 million to \$15 million.

12 On March 16, 2015, Providence Water submitted an offer to buy the property for \$9.5
13 million.

14 On March 26, 2015, Providence Water settled on a purchase price of \$10.35 million.

15

16 **Q. What is the total acquisition and rehabilitation cost for 125 Dupont Drive?**

17 A. Providence Water engaged Dimeo to develop a preliminary construction cost estimate to
18 rehabilitate the property at 125 Dupont Drive to meet the needs of Providence Water. The
19 estimated construction cost is \$16.3 million. The construction cost includes converting the
20 existing 100% office space to a mix of 70% office space and 30% garage space. Including

1 purchase price, due diligence costs, and construction costs, the cost to Providence Water is
2 estimated to be \$27 million. A complete breakdown of costs is included in Exhibit GG-1.

3

4 **Q. Mr. Giasson, does that conclude your testimony?**

5 A. Yes it does

EXHIBIT GG-1

Providence Water Supply

Providence, Rhode Island

March 20, 2015



<i>Order of Magnitude Budget, based on Program Area Layout, Pre-Design.</i>		
01000	General Conditions	\$400,000
02050	Demolition	\$867,750
02100	Sitework	\$669,600
02900	Landscape	\$50,000
03100	Concrete	\$142,200
04200	Masonry	\$156,013
05100	Steel Structure	\$248,000
05500	Misc Metals	\$16,625
06100	Temp Requirements	\$617,350
06200	Millwork	\$251,650
07400	Metal Panel	\$100,000
07500	Roof	\$162,802
07900	Joint Sealants	\$37,000
08100	Doors / Frames / Hardware	\$167,500
08300	OH Coiling Door	\$170,400
08410	Glass & Aluminum	\$291,250
09250	Drywall	\$458,030
09300	Tile	\$83,600
09510	Ceiling Systems	\$179,200
09680	Carpet / Resilient	\$245,627
09900	Paint	\$373,183
10440	Signage	\$40,000
10505	Lockers	\$18,500
10605	Wire Mesh Partitions	\$50,000
11160	Loading Dock Equip	\$23,500
12500	Window Treatments	\$12,500
15300	Fire Protection	\$365,910
15400	Plumbing	\$556,825
15500	HVAC	\$675,314
16000	Electrical	\$1,471,350
		Subtotal:
		\$8,901,677
<i>Allowance</i>	Fuel Disp AST Storage Tanks	\$300,000
<i>Allowance</i>	Covered Storage	\$420,803
<i>Allowance</i>	Granular Storage	\$346,419
<i>Allowance</i>	Fixtures & Equipment / Security	\$1,000,000
<i>Allowance</i>	Data / Network / Phone	\$500,000
<i>Allowance</i>	Haz Mat Abate Allowance	\$100,000
<i>Allowance</i>	Escalation Factor Excluded	\$0
8.00%	Architectural Fee	\$11,568,899
		\$925,512
\$8.5/\$1000	General Liability	\$12,494,411
1.20%	Subguard Insurance	\$106,203
		\$149,933
LS	Prov Building Permit \$2,200 + \$19/k	\$12,750,547
		\$2,200
\$19/\$1000	Prov Building Permit \$2,200 + \$19/k	\$242,260
LS	Prov FireDept Permit \$3,033 + \$4/k	\$3,033
\$4/\$1000	Prov FireDept Permit \$3,033 + \$4/k	\$51,002
		\$13,049,042
10%	Contingency- Estimate / Design	\$1,304,904
10%	Contingency- Construction	\$1,304,904
		\$15,658,850
3.25%	CM Fee	\$508,913
		\$16,167,763
	Payment & Performance Bond	\$105,090
		TOTAL
		\$16,272,853

TESTIMONY

of

MAUREEN E. GURGHIGIAN

before the

RI DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN SUPPORT OF PROVIDENCE WATER SUPPLY BOARD'S
APPLICATION FOR AUTHORIZATION TO BORROW
FROM THE DRINKING WATER STATE REVOLVING FUND
IN AN AMOUNT
NOT TO EXCEED \$30,000,000

August 2015

Docket No. D-15-

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
MAUREEN E. GURGHIGIAN
August 2015

1 **Q: Please state your name and business address.**

2 A: My name is Maureen E. Gurghigian and I am a Managing Director at First
3 Southwest Company's Lincoln, Rhode Island office.

4

5 **Q: Please state your duties at First Southwest Company.**

6 A: I provide financial advisory services to issuers of municipal debt, primarily in the
7 State of Rhode Island. In addition, I have supervisory responsibility for First
8 Southwest's involvement with borrowings by the State of Rhode Island, numerous
9 public agencies and 20 Rhode Island municipalities. The firm serves approximately
10 2000 municipal issuers, including more than 400 in New England. The Rhode
11 Island office assisted clients with the origination of more than \$1 billion in public
12 financing issues this past year.

13

14 **Q: Please describe your qualifications and experience.**

15 A: I hold a Masters Degree in business administration from the University of Rhode
16 Island. I am a registered Municipal Principal with the Municipal Securities
17 Rulemaking Board, holding the following licenses: Series 52, Series 53 and Series
18 63. Prior to joining First Southwest in 2001, I worked in public finance for Fleet
19 Bank and/or Fleet Securities for 16 years. Before joining Fleet, I spent 8 years in
20 Rhode Island State Government, including four years as Director of the Governor's
21 Policy Office under then Governor J. Joseph Garrahy.

22

23 **Q: Have you previously testified before the Public Utilities Commission and**
24 **Division of Public Utilities and Carriers?**

25 A: Yes, I have provided testimony before the Public Utilities Commission and the
26 Division of Public Utilities and Carriers ("Division") on behalf of the Narragansett
27 Bay Commission, Woonsocket Water Division, Pawtucket Water Supply Board, the
28 City of Newport, Water Division and the Providence Water Supply Board
29 ("Providence Water").

30

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
MAUREEN E. GURGHIGIAN
August 2015

1 **Q: Please describe your role in this proceeding.**

2 A: I am providing assistance to Providence Water and its financing team with respect
3 to the issuance of debt through the Rhode Island Clean Water Finance Agency
4 (“RICWFA”). I have been asked by Providence Water to provide information on
5 the debt service requirements for its proposed borrowing, and to respond to related
6 questions.

7
8 **Q: Please discuss Providence Water’s financing plans.**

9 A. As set forth in its Application for Approval of Borrowing Authority, Providence
10 Water seeks to obtain a loan in the amount of up to thirty million dollars
11 (\$30,000,000), through revenue bonds sold by RICWFA for the Rhode Island Safe
12 Drinking Water State Revolving Fund (DWSRF) for financing the acquisition,
13 construction, renovation, furnishing and equipping of a new central operations
14 facility, including but not limited to, land and building acquisition, demolition,
15 design, engineering, paving, landscaping, and all attendant expenses (the “Project”).
16 Nancy Parrillo has described the project in her testimony; and I will provide the
17 details of the financing for the project.

18
19 **Q. Can you explain how the financing will work for the \$30,000,000 borrowing for**
20 **the new central operations facility?**

21 A. Yes. In accordance with the Safe Drinking Water Act Amendments of 1996, the
22 State of Rhode Island has created a Drinking Water State Revolving Fund
23 administered by the RICWFA to provide financial assistance to water suppliers.
24 This fund uses federal capitalization grants and state matching funds to provide
25 subsidized (25% below market-rate) loans to water suppliers for qualifying projects
26 listed on the Project Priority List maintained by the Department of Health. The
27 RICWFA sells bonds in the public market and loans the proceeds to its drinking
28 water borrowers pursuant to loan agreements. This project has been identified in
29 Providence Water’s capital program, and is listed on the Department of Health’s

PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
MAUREEN E. GURGHIGIAN
August 2015

1 Project Priority List. Therefore, this project is eligible for a subsidized DWSRF
2 loan through RICWFA.

3
4 **Q: What is the term of this borrowing and the applicable interest rate?**

5 A. The term is 20 years. The expected interest cost will reflect a subsidized rate of
6 25% off the current market rates. Based upon market conditions as of May 6, 2015,
7 it is anticipated that the loan will not exceed a market rate of 3.87%, which would
8 result in a projected subsidized rate of approximately 2.84%.

9
10 **Q: How will the funds from this borrowing be disbursed?**

11 A: Approximately \$27,484,433 will be available for Project funds, approximately
12 \$2,065,567 will be set aside in the debt service reserve fund, and approximately
13 \$450,000 is allocated for costs of issuance, including rating agency fees, bond
14 counsel, financial advisor and trustee fees, and the RICWFA origination fee.

15
16 **Q: What are the applicable schedules and deadlines for this financing?**

17 A: This borrowing will be done when RICWFA sells its revenue bonds for the
18 DWSRF, which is anticipated to take place in the fourth quarter of 2015 or the first
19 quarter of 2016. RICWFA requires that all borrower approvals be in place prior to
20 mailing the RICWFA Preliminary Official Statement.

21
22 **Q: What is the projected schedule of debt service for the contemplated new
23 borrowings?**

24 A. The projected debt service for the new borrowings is displayed in Schedule MG-1.
25 For the \$30,000,000 debt, annual debt service is expected to increase by
26 approximately \$2,076,000 per year. This amount is subject to change based upon
27 the actual project costs, draw schedule and prevailing interest rates at the time of
28 borrowing.

29
30 **Q: Does this complete your testimony?**

31 A: Yes it does.

Preliminary Subject to Change

**Rhode Island Clean Water Finance Agency
2015 Drinking Water Program Admin Funds Loan
Rates as of 5/6/2015 Plus 50 BP**

Loan Debt Service

Providence WSB- \$30.0M Admin Funds

Date	Principal	Loan Rate	(1) Interest	Net Fees @ 0.500%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
02/17/16							-
03/01/16	-	-	12,265.88	2,433.71	14,699.59	14,699.59	-
09/01/16	1,170,000.00	0.730%	243,919.62	48,396.75	292,316.37	1,462,316.37	1,477,015.96
03/01/17	-	-	351,408.54	69,723.92	421,132.46	421,132.46	-
09/01/17	1,184,000.00	1.180%	374,154.85	72,075.00	446,229.85	1,630,229.85	2,051,362.31
03/01/18	-	-	367,169.25	69,115.00	436,284.25	436,284.25	-
09/01/18	1,204,000.00	1.600%	367,169.25	69,115.00	436,284.25	1,640,284.25	2,076,568.50
03/01/19	-	-	357,537.25	66,105.00	423,642.25	423,642.25	-
09/01/19	1,229,000.00	1.800%	357,537.25	66,105.00	423,642.25	1,652,642.25	2,076,284.50
03/01/20	-	-	346,476.25	63,032.50	409,508.75	409,508.75	-
09/01/20	1,257,000.00	1.850%	346,476.25	63,032.50	409,508.75	1,666,508.75	2,076,017.50
03/01/21	-	-	334,849.00	59,890.00	394,739.00	394,739.00	-
09/01/21	1,287,000.00	1.950%	334,849.00	59,890.00	394,739.00	1,681,739.00	2,076,478.00
03/01/22	-	-	322,300.75	56,672.50	378,973.25	378,973.25	-
09/01/22	1,319,000.00	2.090%	322,300.75	56,672.50	378,973.25	1,697,973.25	2,076,946.50
03/01/23	-	-	308,517.20	53,375.00	361,892.20	361,892.20	-
09/01/23	1,353,000.00	2.250%	308,517.20	53,375.00	361,892.20	1,714,892.20	2,076,784.40
03/01/24	-	-	293,295.95	49,992.50	343,288.45	343,288.45	-
09/01/24	1,390,000.00	2.360%	293,295.95	49,992.50	343,288.45	1,733,288.45	2,076,576.90
03/01/25	-	-	276,893.95	46,517.50	323,411.45	323,411.45	-
09/01/25	1,430,000.00	2.350%	276,893.95	46,517.50	323,411.45	1,753,411.45	2,076,822.90
03/01/26	-	-	260,091.45	42,942.50	303,033.95	303,033.95	-
09/01/26	1,470,000.00	2.600%	260,091.45	42,942.50	303,033.95	1,773,033.95	2,076,067.90
03/01/27	-	-	240,981.45	39,267.50	280,248.95	280,248.95	-
09/01/27	1,516,000.00	2.780%	240,981.45	39,267.50	280,248.95	1,796,248.95	2,076,497.90
03/01/28	-	-	219,909.05	35,477.50	255,386.55	255,386.55	-
09/01/28	1,566,000.00	2.910%	219,909.05	35,477.50	255,386.55	1,821,386.55	2,076,773.10
03/01/29	-	-	197,123.75	31,562.50	228,686.25	228,686.25	-
09/01/29	1,619,000.00	3.000%	197,123.75	31,562.50	228,686.25	1,847,686.25	2,076,372.50
03/01/30	-	-	172,838.75	27,515.00	200,353.75	200,353.75	-
09/01/30	1,676,000.00	3.080%	172,838.75	27,515.00	200,353.75	1,876,353.75	2,076,707.50
03/01/31	-	-	147,028.35	23,325.00	170,353.35	170,353.35	-
09/01/31	1,736,000.00	3.140%	147,028.35	23,325.00	170,353.35	1,906,353.35	2,076,706.70
03/01/32	-	-	119,773.15	18,985.00	138,758.15	138,758.15	-
09/01/32	1,799,000.00	3.190%	119,773.15	18,985.00	138,758.15	1,937,758.15	2,076,516.30
03/01/33	-	-	91,079.10	14,487.50	105,566.60	105,566.60	-
09/01/33	1,865,000.00	3.040%	91,079.10	14,487.50	105,566.60	1,970,566.60	2,076,133.20
03/01/34	-	-	62,731.10	9,825.00	72,556.10	72,556.10	-
09/01/34	1,931,000.00	3.050%	62,731.10	9,825.00	72,556.10	2,003,556.10	2,076,112.20
03/01/35	-	-	33,283.35	4,997.50	38,280.85	38,280.85	-
09/01/35	1,999,000.00	3.330%	33,283.35	4,997.50	38,280.85	2,037,280.85	2,075,561.70
	<u>30,000,000.00</u>		<u>9,285,507.09</u>	<u>1,618,799.37</u>	<u>10,904,306.46</u>	<u>40,904,306.46</u>	<u>40,904,306.46</u>

(1) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate

552 Academy Avenue
Providence, RI 02908

401-521-6300

www.provwater.com

RESOLUTION OF THE PROVIDENCE WATER SUPPLY BOARD

A Resolution of the City of Providence Water Supply Board authorizing the Acting General Manager to petition the Division of Public Utilities and Carriers to authorize long term borrowing and to provide an effective date.

The Hon. Angel Taveras
Mayor

Ricky Caruolo
Acting General Manager

WHEREAS, the City of Providence Water Supply Board (the Board) is an agency of the City of Providence, Rhode Island and owns and operates a Water Supply system (the System); and

WHEREAS, the Board desires to replace the current building and facilities it now occupies on Academy Avenue in Providence; and

BOARD OF DIRECTORS

Kaykham Khamsyvoravong
Chairman

Joseph D. Cataldi
Vice Chairman

Lawrence J. Mancini
Ex-Officio

Michael A. Solomon
City Council President

Michael J. Correia
City Councilman

Andy M. Andujar
Member

Kerri Lynn Thurber
Member

Carissa R. Richard
Secretary

William E. O'Gara, Esq.
Legal Advisor

WHEREAS, it is the intent of the Board to borrow funds in an amount, not to exceed thirty million dollars (\$30,000,000) for the acquisition of land, construction of a new facility, any additional costs associated therewith, and any cost of issuance and/or reserves as required.

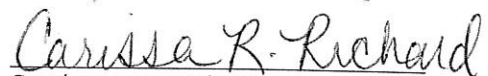
NOW, THEREFORE, BE IT RESOLVED:

- That the Board authorizes the Acting General Manager to enter into negotiations, petition the Division of Public Utilities and Carriers to authorize long term borrowing, and borrow through the RI Clean Water Finance Agency and/or any other funding avenues for the replacement of the Academy Avenue facility.
- This resolution shall take effect upon passage.

The above and foregoing was duly adopted and approved at a meeting of the City of Providence Water Supply Board as held on February 19, 2014 by vote of the members of the Providence Water Supply Board present.



Kaykham Khamsyvoravong, Chairman
Providence Water Supply Board



Carissa R. Richard, Secretary
Providence Water Supply Board

H:\Bonds miscellaneous\RESOLUTION New Building 2 Feb 2014.docx

Member

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

An EPA WaterSense Partner

Only Tap Water Delivers

552 Academy Avenue
Providence, RI 02908

401-521-6300

www.provwater.com

RESOLUTION OF THE PROVIDENCE WATER SUPPLY BOARD

A Resolution of the City of Providence Water Supply Board expressing the intention of the Board to reimburse expenditures from the proceeds of the Notes, Bonds, or Loans for certain Capital Improvements and to provide an effective date.

The Hon. Angel Taveras
Mayor

WHEREAS, the City of Providence Water Supply Board (the Board) is an agency of the City of Providence, Rhode Island and owns and operates a Water Supply system (the System); and

Ricky Caruolo
Acting General Manager

WHEREAS, the Board desires to replace the current building and facilities it now occupies on Academy Avenue in Providence; and

BOARD OF DIRECTORS

Xaykham Khamsyvoravong
Chairman

WHEREAS, it is the intent of the Board to borrow funds in an amount, not to exceed thirty million dollars (\$30,000,000) for the acquisition of land, construction of a new facility, any additional costs associated therewith, and any cost of issuance and/or reserves as required.

Joseph D. Cataldi
Vice Chairman

NOW, THEREFORE, BE IT RESOLVED:

Lawrence J. Mancini
Ex-Officio

Michael A. Solomon
City Council President

- This Resolution is an affirmative action of the Board towards the issuance of Bonds, Notes, or Loans through the RI Clean Water Finance agency and/or other funding avenues. This resolution constitutes the Board's declaration of official intent pursuant to Treasury Regulation • 1.150-2 to reimburse the Board's funds and accounts for certain capital expenditures paid on or after the date which is sixty (60) days prior to the date of this resolution but prior to the issuance of the Bonds, Notes or Loans.

Michael J. Correia
City Councilman

Andy M. Andujar
Member

- That the Board authorizes the Acting General Manager to enter into negotiations and borrow through the RI Clean Water Finance Agency and/or any other funding avenues for the replacement of the Academy Avenue facility.

Kerri Lynn Thurber
Member

Carissa R. Richard
Secretary

- This resolution shall take effect upon passage.

William E. O'Gara, Esq.
Legal Advisor


The above and foregoing was duly adopted and approved at a meeting of the City of Providence Water Supply Board as held on February 19, 2014 by vote of the members of the Providence Water Supply Board present.

Member

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

An EPA WaterSense Partner

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Xaykham Khamsyvoravong, Chairman
Providence Water Supply Board



Carissa R. Richard, Secretary
Providence Water Supply Board

PROVIDENCE WATER
Comparison of Projected Interest Rates
Preliminary. Subject to change.

		<u>Source</u>
Market Rate	3.871%	(1)
Total Interest Payments	\$ 12,576,067	(2)
Subsized Rate (AIC)	2.842%	(1)
Total Interest Payments	\$ 9,285,507	(3)
Savings:		
Interest Rate	1.029%	
Interest Payments	\$ 3,290,560	
Interest Rate Savings/Market Rate	26.582%	

Prepared by First Southwest

- (1) From page 2 of the attached Projected Subsized Schedules
- (2) From the attached Projected Market Schedule
- (3) From page 5 of the attached Projected Subsidized Schedules

BOND DEBT SERVICE

Rhode Island Clean Water Finance Agency
 Providence Water Supply Board
 'AA' Market Rates as of 5/6/2015 + 50bps
 Preliminary/Subject to Change

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2016			38,999.55	38,999.55	
09/01/2016	1,590,000	0.970%	501,422.75	2,091,422.75	2,130,422.30
03/01/2017			493,711.25	493,711.25	
09/01/2017	1,140,000	1.580%	493,711.25	1,633,711.25	2,127,422.50
03/01/2018			484,705.25	484,705.25	
09/01/2018	1,160,000	2.130%	484,705.25	1,644,705.25	2,129,410.50
03/01/2019			472,351.25	472,351.25	
09/01/2019	1,185,000	2.400%	472,351.25	1,657,351.25	2,129,702.50
03/01/2020			458,131.25	458,131.25	
09/01/2020	1,215,000	2.470%	458,131.25	1,673,131.25	2,131,262.50
03/01/2021			443,126.00	443,126.00	
09/01/2021	1,240,000	2.600%	443,126.00	1,683,126.00	2,126,252.00
03/01/2022			427,006.00	427,006.00	
09/01/2022	1,275,000	2.790%	427,006.00	1,702,006.00	2,129,012.00
03/01/2023			409,219.75	409,219.75	
09/01/2023	1,310,000	3.000%	409,219.75	1,719,219.75	2,128,439.50
03/01/2024			389,569.75	389,569.75	
09/01/2024	1,350,000	3.150%	389,569.75	1,739,569.75	2,129,139.50
03/01/2025			368,307.25	368,307.25	
09/01/2025	1,390,000	3.140%	368,307.25	1,758,307.25	2,126,614.50
03/01/2026			346,484.25	346,484.25	
09/01/2026	1,435,000	3.470%	346,484.25	1,781,484.25	2,127,968.50
03/01/2027			321,587.00	321,587.00	
09/01/2027	1,485,000	3.710%	321,587.00	1,806,587.00	2,128,174.00
03/01/2028			294,040.25	294,040.25	
09/01/2028	1,540,000	3.880%	294,040.25	1,834,040.25	2,128,080.50
03/01/2029			264,164.25	264,164.25	
09/01/2029	1,600,000	4.000%	264,164.25	1,864,164.25	2,128,328.50
03/01/2030			232,164.25	232,164.25	
09/01/2030	1,665,000	4.110%	232,164.25	1,897,164.25	2,129,328.50
03/01/2031			197,948.50	197,948.50	
09/01/2031	1,735,000	4.190%	197,948.50	1,932,948.50	2,130,897.00
03/01/2032			161,600.25	161,600.25	
09/01/2032	1,805,000	4.250%	161,600.25	1,966,600.25	2,128,200.50
03/01/2033			123,244.00	123,244.00	
09/01/2033	1,880,000	4.050%	123,244.00	2,003,244.00	2,126,488.00
03/01/2034			85,174.00	85,174.00	
09/01/2034	1,960,000	4.070%	85,174.00	2,045,174.00	2,130,348.00
03/01/2035			45,288.00	45,288.00	
09/01/2035	2,040,000	4.440%	45,288.00	2,085,288.00	2,130,576.00
	30,000,000		12,576,067.30	42,576,067.30	42,576,067.30

**Rhode Island Clean Water Finance Agency
2015 Drinking Water Program Admin Funds Loan
Rates as of 5/6/2015 Plus 50 BP**

Calculation of Borrower Rate
Providence WSB- \$30.0M Admin Funds

Borrower:	Providence WSB	Highest Rating:	AA
Rate Lock Date:	05/06/15	MMD Scale:	Revenue-AA
Closing Date:	02/17/16	Zero% Subsidy:	-
Pledge:	Revenue	DSR Required:	Yes

Maturity	Market Rate	Less 25% Subsidy	Subsidized Rate	Loan Rate	Plus Admin. Fee	Total Borrower Billing Rate
2016	0.970%	-0.240%	0.730%	0.730%	0.500%	1.230%
2017	1.580%	-0.400%	1.180%	1.180%	0.500%	1.680%
2018	2.130%	-0.530%	1.600%	1.600%	0.500%	2.100%
2019	2.400%	-0.600%	1.800%	1.800%	0.500%	2.300%
2020	2.470%	-0.620%	1.850%	1.850%	0.500%	2.350%
2021	2.600%	-0.650%	1.950%	1.950%	0.500%	2.450%
2022	2.790%	-0.700%	2.090%	2.090%	0.500%	2.590%
2023	3.000%	-0.750%	2.250%	2.250%	0.500%	2.750%
2024	3.150%	-0.790%	2.360%	2.360%	0.500%	2.860%
2025	3.140%	-0.790%	2.350%	2.350%	0.500%	2.850%
2026	3.470%	-0.870%	2.600%	2.600%	0.500%	3.100%
2027	3.710%	-0.930%	2.780%	2.780%	0.500%	3.280%
2028	3.880%	-0.970%	2.910%	2.910%	0.500%	3.410%
2029	4.000%	-1.000%	3.000%	3.000%	0.500%	3.500%
2030	4.110%	-1.030%	3.080%	3.080%	0.500%	3.580%
2031	4.190%	-1.050%	3.140%	3.140%	0.500%	3.640%
2032	4.250%	-1.060%	3.190%	3.190%	0.500%	3.690%
2033	4.050%	-1.010%	3.040%	3.040%	0.500%	3.540%
2034	4.070%	-1.020%	3.050%	3.050%	0.500%	3.550%
2035	4.440%	-1.110%	3.330%	3.330%	0.500%	3.830%

Rhode Island Clean Water Finance Agency
 2015 Drinking Water Program Admin Funds Loan
 Rates as of 5/6/2015 Plus 50 BP

Sources & Uses

Providence WSB- \$30.0M Admin Funds

Sources:

Admin Funds	30,000,000.00
Fed Direct - Prin Forgiveness Funds	-
Total Sources	<u>30,000,000.00</u>

Uses:

Admin Loan - Deposit to Construction Fund	27,484,433.30
Principal Forgiveness Funds	-
Deposit to DSRF	2,065,566.70
Capitalized Interest	-
Loan Origination Fee (1.0%)	300,000.00
Costs of Issuance - Local Level	150,000.00
Total Uses	<u>30,000,000.00</u>

Providence WSB - Admin Loan Statistics (Exclusive of Fees):	
---	--

Weighted Average Maturity (Years)	11.0077
Market Yield on the Loan:	3.871%
Effective Yield* on Total Admin Loan	2.842%
Net Effective Subsidy:	26.576%

*Effective Yield incorporates:

* 25% DWSRF Interest Rate Subsidy

Rhode Island Clean Water Finance Agency
 2015 Drinking Water Program Admin Funds Loan
 Rates as of 5/6/2015 Plus 50 BP

Construction Fund Cash Flow
 Providence WSB- \$30.0M Admin Funds

Date	Beginning Balance	Loan Proceeds Deposit	Cost of Issuance	Admin Loan Draws	DSRF & Cap-I	Total Draws	Ending Fund Balance	6-Month Const. Draws	% Spent
02/17/16	-	30,000,000.00	450,000.00	10,000,000.00	2,065,566.70	12,515,566.70	17,484,433.30		
03/01/16	17,484,433.30	-	-	1,955,000.00	-	1,955,000.00	15,529,433.30		
04/01/16	15,529,433.30	-	-	1,955,000.00	-	1,955,000.00	13,574,433.30		
05/01/16	13,574,433.30	-	-	1,955,000.00	-	1,955,000.00	11,619,433.30		
06/01/16	11,619,433.30	-	-	1,955,000.00	-	1,955,000.00	9,664,433.30		
07/01/16	9,664,433.30	-	-	1,955,000.00	-	1,955,000.00	7,709,433.30		
08/01/16	7,709,433.30	-	-	1,955,000.00	-	1,955,000.00	5,754,433.30	21,730,000.00	79%
09/01/16	5,754,433.30	-	-	1,955,000.00	-	1,955,000.00	3,799,433.30		
10/01/16	3,799,433.30	-	-	1,955,000.00	-	1,955,000.00	1,844,433.30		
11/01/16	1,844,433.30	-	-	1,844,433.30	-	1,844,433.30	-		
12/01/16	-	-	-	-	-	-	-		
01/01/17	-	-	-	-	-	-	-		
02/01/17	-	-	-	-	-	-	-	5,754,433.30	100%
03/01/17	-	-	-	-	-	-	-		
04/01/17	-	-	-	-	-	-	-		
05/01/17	-	-	-	-	-	-	-		
06/01/17	-	-	-	-	-	-	-		
07/01/17	-	-	-	-	-	-	-		
08/01/17	-	-	-	-	-	-	-		
09/01/17	-	-	-	-	-	-	-	-	100%
10/01/17	-	-	-	-	-	-	-		
11/01/17	-	-	-	-	-	-	-		
12/01/17	-	-	-	-	-	-	-		
01/01/18	-	-	-	-	-	-	-		
02/01/18	-	-	-	-	-	-	-		
03/01/18	-	-	-	-	-	-	-	-	100%
04/01/18	-	-	-	-	-	-	-		
05/01/18	-	-	-	-	-	-	-		
06/01/18	-	-	-	-	-	-	-		
07/01/18	-	-	-	-	-	-	-		
08/01/18	-	-	-	-	-	-	-		
09/01/18	-	-	-	-	-	-	-	-	100%
10/01/18	-	-	-	-	-	-	-		
11/01/18	-	-	-	-	-	-	-		
12/01/18	-	-	-	-	-	-	-		
01/01/19	-	-	-	-	-	-	-		
02/01/19	-	-	-	-	-	-	-	-	100%
03/01/19	-	-	-	-	-	-	-		
04/01/19	-	-	-	-	-	-	-		
05/01/19	-	-	-	-	-	-	-		
06/01/19	-	-	-	-	-	-	-		
	<u>30,000,000.00</u>		<u>450,000.00</u>	<u>27,484,433.30</u>	<u>2,065,566.70</u>	<u>30,000,000.00</u>		<u>27,484,433.30</u>	

Rhode Island Clean Water Finance Agency
 2015 Drinking Water Program Admin Funds Loan
 Rates as of 5/6/2015 Plus 50 BP

Loan Balance

Providence WSB- \$30.0M Admin Funds

Date	Admin Loan Draws	Admin Loan Principal Paid	Admin Loan Balance	Interest (1) Accrued @ 2.520%	Semiannual Interest Requirements	Loan Fees @ 0.500%	Semiannual Loan Fees Payable
02/17/16	12,516,200.00	-	12,516,200.00	-	-	-	-
03/01/16	1,955,000.00	-	14,471,200.00	12,265.88	12,265.88	2,433.71	2,433.71
04/01/16	1,955,000.00	-	16,426,200.00	30,389.52	-	6,029.67	-
05/01/16	1,955,000.00	-	18,381,200.00	34,495.02	-	6,844.25	-
06/01/16	1,955,000.00	-	20,336,200.00	38,600.52	-	7,658.83	-
07/01/16	1,955,000.00	-	22,291,200.00	42,706.02	-	8,473.42	-
08/01/16	1,955,000.00	-	24,246,200.00	46,811.52	-	9,288.00	-
09/01/16	1,955,000.00	(1,170,000.00)	25,031,200.00	50,917.02	243,919.62	10,102.58	48,396.75
10/01/16	1,955,000.00	-	26,986,200.00	52,565.52	-	10,429.67	-
11/01/16	1,843,800.00	-	28,830,000.00	56,671.02	-	11,244.25	-
12/01/16	-	-	28,830,000.00	60,543.00	-	12,012.50	-
01/01/17	-	-	28,830,000.00	60,543.00	-	12,012.50	-
02/01/17	-	-	28,830,000.00	60,543.00	-	12,012.50	-
03/01/17	-	-	28,830,000.00	60,543.00	351,408.54	12,012.50	69,723.92
04/01/17	-	-	-	-	-	-	-
05/01/17	-	-	-	-	-	-	-
06/01/17	-	-	-	-	-	-	-
07/01/17	-	-	-	-	-	-	-
08/01/17	-	-	-	-	-	-	-
09/01/17	-	-	-	-	-	-	-
10/01/17	-	-	-	-	-	-	-
11/01/17	-	-	-	-	-	-	-
12/01/17	-	-	-	-	-	-	-
01/01/18	-	-	-	-	-	-	-
02/01/18	-	-	-	-	-	-	-
03/01/18	-	-	-	-	-	-	-
04/01/18	-	-	-	-	-	-	-
05/01/18	-	-	-	-	-	-	-
06/01/18	-	-	-	-	-	-	-
07/01/18	-	-	-	-	-	-	-
08/01/18	-	-	-	-	-	-	-
09/01/18	-	-	-	-	-	-	-
10/01/18	-	-	-	-	-	-	-
11/01/18	-	-	-	-	-	-	-
12/01/18	-	-	-	-	-	-	-
01/01/19	-	-	-	-	-	-	-
02/01/19	-	-	-	-	-	-	-
03/01/19	-	-	-	-	-	-	-
04/01/19	-	-	-	-	-	-	-
05/01/19	-	-	-	-	-	-	-
06/01/19	-	-	-	-	-	-	-
	<u>30,000,000.00</u>	<u>(1,170,000.00)</u>		<u>607,594.04</u>	<u>607,594.04</u>	<u>120,554.37</u>	<u>120,554.37</u>

(1) Interest rate represents the weighted average loan rate for the entire loan amortization.

**Rhode Island Clean Water Finance Agency
2015 Drinking Water Program Admin Funds Loan
Rates as of 5/6/2015 Plus 50 BP**

Loan Debt Service

Providence WSB- \$30.0M Admin Funds

Date	Principal	Loan Rate	(1) Interest	Net Fees @ 0.500%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
02/17/16							-
03/01/16	-	-	12,265.88	2,433.71	14,699.59	14,699.59	-
09/01/16	1,170,000.00	0.730%	243,919.62	48,396.75	292,316.37	1,462,316.37	1,477,015.96
03/01/17	-	-	351,408.54	69,723.92	421,132.46	421,132.46	-
09/01/17	1,184,000.00	1.180%	374,154.85	72,075.00	446,229.85	1,630,229.85	2,051,362.31
03/01/18	-	-	367,169.25	69,115.00	436,284.25	436,284.25	-
09/01/18	1,204,000.00	1.600%	367,169.25	69,115.00	436,284.25	1,640,284.25	2,076,568.50
03/01/19	-	-	357,537.25	66,105.00	423,642.25	423,642.25	-
09/01/19	1,229,000.00	1.800%	357,537.25	66,105.00	423,642.25	1,652,642.25	2,076,284.50
03/01/20	-	-	346,476.25	63,032.50	409,508.75	409,508.75	-
09/01/20	1,257,000.00	1.850%	346,476.25	63,032.50	409,508.75	1,666,508.75	2,076,017.50
03/01/21	-	-	334,849.00	59,890.00	394,739.00	394,739.00	-
09/01/21	1,287,000.00	1.950%	334,849.00	59,890.00	394,739.00	1,681,739.00	2,076,478.00
03/01/22	-	-	322,300.75	56,672.50	378,973.25	378,973.25	-
09/01/22	1,319,000.00	2.090%	322,300.75	56,672.50	378,973.25	1,697,973.25	2,076,946.50
03/01/23	-	-	308,517.20	53,375.00	361,892.20	361,892.20	-
09/01/23	1,353,000.00	2.250%	308,517.20	53,375.00	361,892.20	1,714,892.20	2,076,784.40
03/01/24	-	-	293,295.95	49,992.50	343,288.45	343,288.45	-
09/01/24	1,390,000.00	2.360%	293,295.95	49,992.50	343,288.45	1,733,288.45	2,076,576.90
03/01/25	-	-	276,893.95	46,517.50	323,411.45	323,411.45	-
09/01/25	1,430,000.00	2.350%	276,893.95	46,517.50	323,411.45	1,753,411.45	2,076,822.90
03/01/26	-	-	260,091.45	42,942.50	303,033.95	303,033.95	-
09/01/26	1,470,000.00	2.600%	260,091.45	42,942.50	303,033.95	1,773,033.95	2,076,067.90
03/01/27	-	-	240,981.45	39,267.50	280,248.95	280,248.95	-
09/01/27	1,516,000.00	2.780%	240,981.45	39,267.50	280,248.95	1,796,248.95	2,076,497.90
03/01/28	-	-	219,909.05	35,477.50	255,386.55	255,386.55	-
09/01/28	1,566,000.00	2.910%	219,909.05	35,477.50	255,386.55	1,821,386.55	2,076,773.10
03/01/29	-	-	197,123.75	31,562.50	228,686.25	228,686.25	-
09/01/29	1,619,000.00	3.000%	197,123.75	31,562.50	228,686.25	1,847,686.25	2,076,372.50
03/01/30	-	-	172,838.75	27,515.00	200,353.75	200,353.75	-
09/01/30	1,676,000.00	3.080%	172,838.75	27,515.00	200,353.75	1,876,353.75	2,076,707.50
03/01/31	-	-	147,028.35	23,325.00	170,353.35	170,353.35	-
09/01/31	1,736,000.00	3.140%	147,028.35	23,325.00	170,353.35	1,906,353.35	2,076,706.70
03/01/32	-	-	119,773.15	18,985.00	138,758.15	138,758.15	-
09/01/32	1,799,000.00	3.190%	119,773.15	18,985.00	138,758.15	1,937,758.15	2,076,516.30
03/01/33	-	-	91,079.10	14,487.50	105,566.60	105,566.60	-
09/01/33	1,865,000.00	3.040%	91,079.10	14,487.50	105,566.60	1,970,566.60	2,076,133.20
03/01/34	-	-	62,731.10	9,825.00	72,556.10	72,556.10	-
09/01/34	1,931,000.00	3.050%	62,731.10	9,825.00	72,556.10	2,003,556.10	2,076,112.20
03/01/35	-	-	33,283.35	4,997.50	38,280.85	38,280.85	-
09/01/35	1,999,000.00	3.330%	33,283.35	4,997.50	38,280.85	2,037,280.85	2,075,561.70
	<u>30,000,000.00</u>		<u>9,285,507.09</u>	<u>1,618,799.37</u>	<u>10,904,306.46</u>	<u>40,904,306.46</u>	<u>40,904,306.46</u>

(1) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 2.520%.

CITY OF PROVIDENCE, RHODE ISLAND
WATER SUPPLY BOARD

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
June 30, 2014 and 2013

CITY OF PROVIDENCE, RHODE ISLAND
WATER SUPPLY BOARD

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Providence Water Supply Board
Providence, Rhode Island

We have audited the accompanying financial statements of Providence Water Supply Board of Providence, Rhode Island, as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Providence Water Supply Board, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

The financial statements of the Providence Water Supply Board as of and for the year ended June 30, 2013, were audited by other auditors whose opinion dated December 31, 2013, on those statements was unmodified. As discussed in Note 11, the Providence Water Supply Board has restated its 2013 financial statements during the current year in accordance with the implementation of GASB No. 65 – *Items Previously Reported as Assets and Liabilities*. The other auditors reported on the 2013 financial statements before the restatement.



As part of our audit of the 2014 financial statements, we also audited adjustments described in Note 11 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We are not engaged to audit, review, or apply any procedures to the 2013 financial statements of the Providence Water Supply Board other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

Prior Period Financial Statements

The financial statements of the Providence Water Supply Board as of June 30, 2013 were audited by Braver P.C. whose practice was combined with Marcum LLP as of January 1, 2014, and whose report dated December 31, 2013 expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Providence Water Supply Board, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-activities of the City of Providence that is attributable to the transactions of Providence Water Supply Board. They do not purport to, and do not, present fairly the financial position of the City of Providence as of June 30, 2014, the changes in its financial position, or where applicable, its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2014, on our consideration of the City of Providence, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Providence, Rhode Island's internal control over financial reporting and compliance.

Marcum LLP

Providence, Rhode Island
December 31, 2014

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

The management of the Providence Water Supply Board (the "Water Supply Board") offers readers of our financial statements the following narrative overview and analysis of our financial activities for the years ended June 30, 2014 and 2013.

Financial Statements

Our financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting an economic resources measurement focus and the accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These statements are followed by notes to the financial statements.

- The statements of net position present information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water Supply Board is improving or deteriorating.
- The statements of revenues, expenses, and changes in net position report the operating and non-operating revenues and expenses of the Water Supply Board for the fiscal year with the difference – the net income or loss – being combined with any capital contributions to determine the net change in assets for the fiscal year. That change combined with the previous year-end net position total reconciles to the net position at the end of the fiscal year.
- The statements of cash flows report cash and cash equivalents activity for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalents balance at the end of the fiscal year.

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

Condensed Financial Information (in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 50,845	\$ 51,371	\$ 39,274
Capital assets, net	299,812	295,298	266,247
Total assets	<u>350,657</u>	<u>346,669</u>	<u>305,521</u>
Current liabilities	9,928	14,109	10,490
Noncurrent liabilities	75,560	78,321	52,081
Total liabilities	<u>85,488</u>	<u>92,430</u>	<u>62,571</u>
Deferred inflows of resources	2,709	1,997	1,979
Total deferred inflows of resources	<u>2,709</u>	<u>1,997</u>	<u>1,979</u>
Net position:			
Net investment in capital assets	225,543	217,211	213,758
Restricted	32,410	31,512	18,649
Unrestricted	4,507	3,519	8,564
Total net position	<u>\$ 262,460</u>	<u>\$ 252,242</u>	<u>\$ 240,971</u>
Operating revenues	\$ 62,872	\$ 61,070	\$ 61,727
Operating expenses	41,750	38,041	37,404
Depreciation	12,644	12,264	12,191
Total operating expenses, including depreciation	<u>54,394</u>	<u>50,305</u>	<u>49,595</u>
Operating income	8,478	10,765	12,132
Nonoperating expense	(1,562)	(1,593)	(1,671)
Capital grants and contributions	3,304	2,100	200
Increase in net position	<u>\$ 10,220</u>	<u>\$ 11,272</u>	<u>\$ 10,661</u>

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

Financial Highlights

The Water Supply Board's net position totaled \$ 262 million at June 30, 2014. Total net position increased by \$10.2 million, or about 3.9% from June 30, 2013.

During the year, the Water Supply Board had operating revenues that exceeded operating expenses by \$10.2 million. This is primarily due to the large commitment to the replacement of infrastructure included in water rates, and holding the line on operating costs.

At June 30, 2014, the Water Supply Board's net position totaled \$ 262 million. Total assets were \$351 million, up \$ 4 million from last year's total assets of \$ 347 million.

At June 30, 2013, the Water Supply Board's net position totaled \$ 252 million. Total assets were \$347 million, up \$ 41 million from the prior year's total assets of \$ 306 million.

The Water Supply Board's total operating revenues were \$63 million at June 30, 2014, which increased from \$61 million at June 30, 2013. The total cost of operating the water system, including property taxes and depreciation, was \$54 million, which increased from \$50 million in June 30, 2013. This resulted in an operating income of \$10 million in June 30, 2014. Non-operating revenue consists of interest and dividend income. Interest on long-term restricted debt is the largest non-operating expense, followed by miscellaneous and other expenses. Non-operating expense for the fiscal year totaled (\$1.6) million, with capital grants of \$3 million. The total increase in net asset was \$10.2 million.

The increase in revenue in 2014 was attributable to the increase in rates in December 2013. The increase in operating expenses were the result of a combination of increases in wages and salary, pension contribution, property taxes, contractual services, an increase in the adjustment to bad debt on the allowance for uncollectible, a decrease in insurance expenses, and a decrease in chemical.

The Water Supply Board's total operating revenues were \$61.1million at June 30, 2013, which decreased from \$61.7 million at June 30, 2012. The total cost of operating the water system, including property taxes and depreciation, was \$50.3 million. This resulted in an operating income of \$10.6 million. Non-operating revenue consists of interest and dividend income. Interest on long-term restricted debt is the largest non-operating expense, followed by miscellaneous and other expenses. Non-operating expense for the fiscal year totaled (\$1.6) million, with capital grants of \$2.0 million. The total increase in net asset was \$ 11.3million.

The decrease in revenue in 2013 compared to the 2012 was an attributable to a decrease in consumption based revenue. The 1.4% overall increase in operating expenses were a combination of increases in salaries and benefits, pension contribution, contractual services, and decreases in chemical expenses, insurance and depreciation expenses, and a big decrease in bad debt expense due to an adjustment in the allowance for uncollectible.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the Water Supply Board had \$ 299.8 million invested in various capital assets, including land, buildings and improvements, transmission and distribution reservoirs, mains, services, hydrants and appurtenances, machinery and equipment and construction work in progress. This amount represents a net increase of \$4.5 million, or 1.5%, over last year.

At June 30, 2013, the Water Supply Board had \$ 295.3 million invested in various capital assets, including land, buildings and improvements, transmission and distribution reservoirs, mains, services, hydrants and appurtenances, machinery and equipment and construction work in progress. This amount represents a net increase of \$ 29 million, or 9.8%, over last year.

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013

Capital Assets and Debt Administration (Continued)

Major project expenditures included (in millions):

- ◆ Replace and Upgrade water mains, \$13.9
- ◆ Sand Filters, \$4.9
- ◆ 78" Aqueducts assessment, \$2.2
- ◆ Sludge maintenance, \$1.0
- ◆ Plant influent and aerator rehabilitation, \$0.8
- ◆ Treatment process study, \$0.7
- ◆ Replace lead services, \$0.5
- ◆ Unidirectional Flushing program development, \$0.4
- ◆ Ferric system upgrades, \$0.4
- ◆ Various distribution system improvements \$0.3
- ◆ Replace fire hydrants, \$0.3
- ◆ Replace distribution valves, \$0.2
- ◆ Aerated, settled and filter influent conduits, \$0.1
- ◆ 90" influent conduit, \$0.1
- ◆ GIS system and base mapping conversion system, \$0.05

The Water Supply Board's fiscal 2014 capital budget includes projected expenditures of \$25.3 million for infrastructure and capital projects. The major projects are filter replacements, water main replacements and upgrade, plant influent and aerator upgrade, and sludge removal and disposal, source water improvements, treatment plant system upgrades, GIS system, and land acquisition. Other projects will be funded from bond proceeds issued in fiscal year 2013, and with restricted cash funding from rate revenues. The majority of infrastructure projects are financed on a pay-as-you-go, cash basis. New capital additions, that benefit the ratepayers for many years, are paid for with debt financing on an as needed basis.

Debt

At June 30, 2014, the Water Supply Board had \$74.2 million in bonds and notes outstanding versus \$78.0 million in the previous year. This represented a decrease of \$3.8 million or 5.1%. No new debt was issued in 2014.

At June 30, 2013, the Water Supply Board had \$ 78.0 million in bonds and notes outstanding versus \$ 53 million in the previous year. This represented an increase of \$25.6 million or 33%. Total of \$29.2 million in new debts was issued in 2013 to fund watershed land acquisition, and water main and/or lead service replacements.

Contacting Providence Water's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the Water Supply Board's finances and to show the Water Supply Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at the Providence Water Supply Board, 552 Academy Avenue, Providence, RI 02908.

(CONCLUDED)

PROVIDENCE WATER SUPPLY BOARD
 (An enterprise fund of the City of Providence, Rhode Island)

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current unrestricted assets		
Cash and cash equivalents (Note 3)	\$ 5,935,190	\$ 4,882,804
Accounts receivable, net of allowance for uncollectible accounts of \$1,516,982 in 2014 and \$1,465,426 in 2013	6,620,177	8,318,265
Accounts receivable - unbilled, net of allowance for uncollectible accounts of \$0 in 2014 and 2013	3,258,843	4,618,337
Inventory	879,812	645,401
Other assets	31,703	-
Total current unrestricted assets	16,725,725	18,464,807
Current restricted assets		
Cash and cash equivalents (Note 3)	27,147,017	26,277,650
Investments (Note 3)	6,960,501	6,610,501
Accounts receivable	12,214	18,288
Total current restricted assets	34,119,732	32,906,439
Total current assets	50,845,457	51,371,246
Capital Assets (Note 4)		
Land	21,958,397	21,918,296
Building and improvements	79,135,020	74,388,265
Improvements other than buildings	297,055,247	270,994,006
Machinery and equipment	30,877,466	30,450,111
Scituate Reservoir Project	18,681,695	18,681,695
Construction in progress	47,609,161	61,726,417
	495,316,986	478,158,790
Less accumulated depreciation and amortization	195,504,655	182,860,733
Total capital assets, net	299,812,331	295,298,057
Total assets	350,657,788	346,669,303

(CONTINUED)

The accompanying notes are an integral part of these financial statements.

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
LIABILITIES		
Current liabilities		
Due to City of Providence General Fund (Note 6)	1,377,649	1,795,842
Accounts payable	410,797	843,849
Accrued expenses	2,335,631	3,256,455
Line of credit	-	3,000,000
Current portion of long-term debt (Note 5)	4,094,775	3,817,842
	8,218,852	12,713,988
 Amounts to be paid from current restricted assets (Note 2)		
Due to Water Resources Board	268,312	464,121
Accounts payable	1,441,034	930,735
	1,709,346	1,394,856
Total current liabilities	9,928,198	14,108,844
 Non-current liabilities		
General revenue bonds (Note 5)	70,174,018	74,268,794
Other post employment benefits (Note 10)	5,385,261	4,052,946
Total non-current liabilities	75,559,279	78,321,740
 Total liabilities	85,487,477	92,430,584
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues from impact fees	2,709,308	1,997,014
	2,709,308	1,997,014
 NET POSITION		
Net investment in capital assets	225,543,538	217,211,421
Restricted	32,410,386	31,511,583
Unrestricted	4,507,079	3,518,701
Total net position	\$ 262,461,003	\$ 252,241,705

(CONCLUDED)

The accompanying notes are an integral part of these financial statements.

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
Operating Revenues		
Charges for services:		
Water sales (Note 1):		
General customers	\$ 41,728,477	\$ 40,547,555
Other local water suppliers	16,852,460	15,788,788
Fire protection services	2,083,816	1,956,427
Maintenance charges and other revenue	2,207,478	2,776,905
Total operating revenues	62,872,231	61,069,675
Operating Expenses		
Source of supply	2,678,278	2,008,017
Pumping operations	638,487	631,195
Water treatment	8,643,838	8,155,303
Transmission and distribution	5,207,017	5,337,188
Charge for services provided by other City departments (Note 6)	839,167	839,167
Customer accounts and service	3,340,891	2,798,208
Administrative and general	13,480,801	11,892,810
Depreciation	12,643,922	12,263,983
Property taxes - other local governments	6,921,638	6,378,112
Total operating expenses	54,394,039	50,303,983
Net operating income	8,478,192	10,765,692
Nonoperating Revenues (Expenses)		
Interest income	314,637	297,139
Interest expense and other	(1,877,131)	(1,890,330)
Net nonoperating expenses	(1,562,494)	(1,593,191)
Capital Grants and Contributions	3,303,600	2,099,550
Change in net position	10,219,298	11,272,051
Net Position, beginning of year	252,241,705	240,969,654
Net Position, end of year	\$262,461,003	\$252,241,705

The accompanying notes are an integral part of these financial statements.

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities		
Cash received from customers	\$ 65,904,184	\$ 62,072,672
Cash paid to vendors	(28,264,414)	(24,701,009)
Cash paid to employees	(12,714,891)	(13,322,855)
Net cash provided by operating activities	24,924,879	24,048,808
Cash Flows From Non-Capital and Related Financing Activities		
Due to/from other funds	(418,193)	1,254,139
Net cash provided by (used in) capital and related financing activities	(418,193)	1,254,139
Cash Flows From Capital and Related Financing Activities		
Interest and insurance costs paid on debt	(1,877,131)	(1,979,316)
Proceeds from line of credit	(3,000,000)	3,000,000
Repayment of long-term debt	(3,817,843)	(3,602,288)
Proceeds from long-term debt	-	29,200,000
Capital grants	3,303,600	2,099,550
Net cash provided by (used in) capital and related financing activities	(5,391,374)	28,717,946
Cash Flows From Investing Activities		
Acquisition and construction of capital assets	(17,158,196)	(41,314,114)
Purchase of investment securities	(350,000)	(1,786,777)
Investment income (loss)	314,637	297,139
Net cash used in investing activities	(17,193,559)	(42,803,752)
Net increase in cash and cash equivalents	1,921,753	11,217,141
Cash and cash equivalents		
Beginning	31,160,454	19,943,313
Ending	\$ 33,082,207	\$ 31,160,454
Unrestricted cash and cash equivalents	\$ 5,935,190	\$ 4,882,804
Restricted cash and cash equivalents	27,147,017	26,277,650
	\$ 33,082,207	\$ 31,160,454
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Net operating income	\$ 8,478,192	\$ 10,765,692
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	12,643,922	12,263,983
Change in allowance for doubtful accounts	51,556	(1,320,107)
Changes in assets and liabilities:		
Accounts receivable	3,012,100	2,584,128
Inventories	(234,411)	(7,943)
Other assets	(31,703)	(261,014)
Accounts payable and accrued expenses	292,929	5,782
Unearned revenue	712,294	18,287
Net cash provided by operating activities	\$ 24,924,879	\$ 24,048,808

The accompanying notes are an integral part of these financial statements.

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Providence Water Supply Board, an enterprise fund of the City of Providence, (the "Water Supply Board") was created in 1940 by Chapter 832 of the Public Laws of the State of Rhode Island. Membership of the Water Supply Board is comprised of four persons appointed by the Mayor, who serve for four-year staggered terms and two City Council members elected by the City Council who serve during their four-year City Council term. The Finance Director of the City of Providence also serves as an ex-officio Water Supply Board member.

The Water Supply Board provides water supply services through metered sales in Providence and parts of the surrounding communities of North Providence, Johnston and Cranston. The Water Supply Board also sells water to other local water supply systems on a wholesale basis. The Water Supply Board's source of water supply is the Scituate Reservoir, located in the Town of Scituate, Rhode Island, and five tributary reservoirs.

Significant accounting policies are as follows:

Basis of Presentation

The Water Supply Board is considered an enterprise fund of the City of Providence (the "City"). The operations of the Water Supply Board are accounted for with a separate set of self-balancing accounts organized on a Proprietary Fund type (Enterprise Fund) basis.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Water Supply Board utilizes the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred.

Regulations and Operations

The Water Supply Board is subject, as to rates and other matters, to the regulatory authority of the State of Rhode Island Public Utilities Commission ("PUC").

Cash equivalents

The Water Supply Board considers all highly liquid instruments with an original maturity of three months or less, when purchased, to be cash equivalents.

Investments

The Water Supply Board accounts for investments at fair values which are established by quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets.

Inventory

Inventory, consisting of materials and supplies, is valued at the lower of average cost or market using the first-in, first-out method.

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets, depreciation and amortization

Capital assets owned by the Water Supply Board are stated at cost. They are defined as assets with an initial cost of more than \$3,000 and an estimated useful life in excess of 1 year. Depreciation and amortization is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Building, source of supply structures, and improvements	5-75 years
Improvements other than buildings	3-75 years
Equipment	3-50 years

Depreciation expense is not reflected for construction in progress until such time as it is placed in service. Assets under capital leases are amortized under the Water Supply Board's normal depreciation policies for similar assets.

Restricted funds for construction of assets

Restricted funds for construction of assets represent unexpended revenue bond proceeds obtained specifically for construction of water facilities. These funds are included in restricted assets.

Capital contributions

Capital contributions consist of property and equipment paid for by customers for water installations. Once the installation is complete, the property and equipment transfers to the Water Supply Board at fair value.

Impact fees

The impact fees assessment was established in 1996 when Providence water acquired the water distribution system in the City of Cranston. As part of the agreement for the acquisition, Providence Water assumed all operation obligation, benefits, and assets, and debt service related to the water distribution system, and created an impact fee agreement with the city of Cranston. In accordance with the City of Cranston ordinance, impact fee for the water system improvement must be set aside by the city of Cranston and paid to Providence Water or deducted from the debt services providence water pays to the City of Cranston.

The impact fee is assessed by the City of Cranston based on the agreement with Providence Water. If new water systems facilities are required to serve areas where no water system presently exists, Providence Water will collect a subdivision processing fee, and City of Cranston will collect a water impact fee for the benefit of Providence Water as follows: 1) residential \$1,352 per unit; 2) industrial and commercial \$6,003 per acre. Providence Water in turn agreed to use the said impact fee solely for the purposed of construction of new water system facilities required to serve area where no water system presently exists.

Since 1996 a total of \$2,009,227 in impact fee has been collected from the City of Cranston which is posted as restricted deferred revenue for future development in the Western Cranston division, where no water service exists.

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

I. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues, operating revenues and expenses

Revenues include amounts billed and unbilled to all customers, including those customers outside the City of Providence, Rhode Island. All billed charges are based on rates approved by the PUC. Revenues for unbilled amounts to general customers are estimated based on billing amounts subsequent to year-end. The Water Supply Board distinguishes operating revenues and expenses from non-operating. Operating revenues result from charges to customers for water and related services. Operating expenses include the cost of operations, maintenance, sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating or capital contributions.

Concentration of credit risk

The Water Supply Board's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable. Exposure to losses on receivables is principally dependent on each customer's financial condition. Concentration of credit risk with respect to receivables is limited due to the large number of customers. The Water Supply Board monitors its exposure for credit losses and maintains allowances for anticipated losses.

Use of estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated absences

Employees accumulate sick leave hours for subsequent use or for payment upon retirement. Sick leave and vacation may be carried forward into the following calendar year, but not to exceed 135 days and 30 days, respectively.

Vested sick leave and accumulated vacation leave are recorded as expenses and liabilities as the benefits accrue to employees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2014 the Water Supply Board did not have any items that qualified as a deferred outflow of resources.

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013 (000's)

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2014 and 2013, the Water Supply Board did have unavailable revenue from impact fees totaling \$2,709,308 and \$1,997,014, respectively that qualified as a deferred inflow of resources.

2. RESTRICTED ASSETS

The State of Rhode Island enacted the Public Drinking Water Protection Act of 1987 (the "Act") that empowers suppliers of public drinking water to levy a surcharge (the "surcharge") of one cent (\$0.01) per hundred gallons of water for all customers. The surcharge has been amended several times since 1987. The last increase was on July 1, 2002, when the surcharge increased to \$0.0292 per hundred gallons of water for all customers. In addition to the increase, the Water Supply Board will retain 36.1% of the surcharge in its Water Quality Protection fund, remit 57.0% to the State Water Resources Board and retain 6.9% for general operations. The funds collected in the Water Quality Protection fund are to be expended in the following manner:

- 1) at a minimum, 55% of the funds are to be spent for the acquisition of land or land rights or physical improvements to acquired land to protect the quality of the raw water of the water supply system;
- 2) 35% may be used to acquire a fee simple interest or a conservation restriction that directly protects the quality and safety of the public drinking water supply; and
- 3) 10% may be used by the supplier for any purpose relating to its operations.

The restricted investments are pooled with the cash and cash equivalents and investments of other funds maintained by the City of Providence. The earnings from investments are allocated in proportion to each fund's balance.

3. CASH AND INVESTMENTS

The following is a summary of cash and investments:

	<u>Fair Value</u>
Cash and cash equivalents	\$ 5,935,190
Restricted cash and cash equivalents	27,147,017
Equity Mutual Funds	<u>6,960,501</u>
Total	<u>\$ 40,042,708</u>

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

3. CASH AND INVESTMENTS (CONTINUED)

Responsibility for custodial credit risk of deposits, investment risk, interest rate risk and concentration of investments rests with the City; accordingly separate disclosure is not possible. The City's financial statements should be read to determine the associated risks of the Water Supply Board's deposits and investments.

4. CAPITAL ASSETS

The following is a summary of the activity in capital assets as of June 30, 2014:

	Balance June 30, 2013	Additions	Disposals / Reclasses	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 21,918,296	\$ 40,101	\$ -	\$ 21,958,397
Scituate Reservoir Project	18,681,695	-		18,681,695
Construction in progress	61,726,417	15,173,778	29,291,034	47,609,161
Total capital assets not being depreciated	102,326,408	15,213,879	29,291,034	88,249,253
Capital assets being depreciated:				
Buildings and improvements	74,388,265	4,819,992	73,237	79,135,020
Improvements other than buildings	270,994,006	26,061,241	-	297,055,247
Machinery and equipment	30,450,111	427,355	-	30,877,466
	375,832,382	31,308,588	73,237	407,067,733
Less accumulated depreciation for:				
Buildings and improvements	48,420,614	6,846,571	-	55,267,185
Improvements other than buildings	108,384,312	4,679,696	-	113,064,008
Machinery and equipment	26,055,807	1,117,655	-	27,173,462
	182,860,733	12,643,922	-	195,504,655
Total capital assets being depreciated, net	192,971,649	18,664,666	73,237	211,563,078
Total capital assets, net	\$ 295,298,057	\$ 33,878,545	\$ 29,364,271	\$ 299,812,331

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

4. CAPITAL ASSETS (CONTINUED)

The following is a summary of the activity in capital assets as of June 30, 2013:

	Balance June 30, 2012	Additions	Disposals / Reclasses	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 21,917,266	\$ 1,030	\$ -	\$ 21,918,296
Scituate Reservoir Project	18,681,695	-	-	18,681,695
Construction in progress	63,796,405	39,477,946	41,547,934	61,726,417
Total capital assets not being depreciated	<u>104,395,366</u>	<u>39,478,976</u>	<u>41,547,934</u>	<u>102,326,408</u>
Capital assets being depreciated:				
Buildings and improvements	69,295,960	5,092,305	-	74,388,265
Improvements other than buildings	234,157,767	36,836,239	-	270,994,006
Machinery and equipment	28,995,582	1,454,529	-	30,450,111
Total capital assets being depreciated	<u>332,449,309</u>	<u>43,383,073</u>	<u>-</u>	<u>375,832,382</u>
Less accumulated depreciation for:				
Buildings and improvements	42,057,445	6,363,169	-	48,420,614
Improvements other than buildings	103,365,784	5,018,528	-	108,384,312
Machinery and equipment	25,173,521	882,286	-	26,055,807
	<u>170,596,750</u>	<u>12,263,983</u>	<u>-</u>	<u>182,860,733</u>
Total capital assets being depreciated, net	<u>161,852,559</u>	<u>31,119,090</u>	<u>-</u>	<u>192,971,649</u>
Total capital assets, net	<u>\$ 266,247,925</u>	<u>\$ 70,598,066</u>	<u>\$ 41,547,934</u>	<u>\$ 295,298,057</u>

5. LONG-TERM DEBT

Long-term debt activity for the years ended June 30, 2014 and 2013 were as follows:

	2014				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 78,086,636	\$ -	\$ (3,817,843)	\$ 74,268,793	\$ 4,094,775
Total bonds	<u>78,086,636</u>	<u>-</u>	<u>(3,817,843)</u>	<u>74,268,793</u>	<u>4,094,775</u>
Total long-term debt	<u>\$78,086,636</u>	<u>\$ -</u>	<u>\$(3,817,843)</u>	<u>\$74,268,793</u>	<u>\$4,094,775</u>

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

5. **LONG-TERM DEBT (CONTINUED)**

	2013				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 52,488,924	\$ 29,200,000	\$(3,602,288)	\$ 78,086,636	\$ 3,817,842
Total bonds	52,488,924	29,200,000	(3,602,288)	78,086,636	3,817,842
Total long-term debt	\$52,488,924	\$ 29,200,000	\$(3,602,288)	\$78,086,636	\$ 3,817,842

The following is a summary of bonds and notes outstanding at June 30, 2014 and 2013:

Description	June 30, 2014	
	Interest Rate	Balance
Revenue bonds:		
Safe Drinking Water Bonds (CWFA FY2002)	3.61%	\$ 1,193,199
Scituate Reservoir Project (PPBA FY 2011)	5.40%	635,594
Safe Drinking Water Bonds (CWFA FY2005)	2.22%	915,000
Safe Drinking Water Bonds (CWFA FY2008)	2.85%	29,617,000
Safe Drinking Water Bonds (CWFA FY2010)	.0410% to 3.14%	9,836,000
Safe Clean Water Bonds (CWFA FY2012)	.072% to 3.26%	2,874,000
Safe Clean Water Bonds (CWFA FY2013)	.019% - 2.53%	4,199,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 2.63%	24,999,000
		\$ 74,268,793
Description	June 30, 2013	
Description	Interest Rate	Balance
Revenue bonds:		
Safe Drinking Water Bonds (CWFA FY2002)	3.61%	\$ 1,320,729
Scituate Reservoir Project (PPBA FY 2011)	5.40%	760,907
Safe Drinking Water Bonds (CWFA FY2005)	2.22%	1,802,000
Safe Drinking Water Bonds (CWFA FY2008)	2.85%	31,014,000
Safe Drinking Water Bonds (CWFA FY2010)	.0410% to 3.14%	10,990,000
Safe Clean Water Bonds (CWFA FY2012)	.072% to 3.26%	2,999,000
Safe Clean Water Bonds (CWFA FY2013)	.019% - 2.53%	4,200,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 2.63%	25,000,000
		\$ 78,086,636

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

5. LONG-TERM DEBT (CONTINUED)

Scheduled principal maturities of long-term debt are as follows:

Year ending June 30:	Principal	ARRA Principal Forgiveness	Interest and Fees	Total
2015	\$ 4,094,775	\$ (306,789)	\$ 2,006,532	\$ 5,794,518
2016	4,296,807	(371,874)	2,076,920	6,001,853
2017	3,557,845	(185,788)	2,019,013	5,391,070
2018	3,641,016	(189,407)	1,938,125	5,389,734
2019	3,574,253	(193,177)	1,850,290	5,231,366
2020-2024	19,100,847	(1,001,848)	7,832,751	25,931,750
2025-2029	21,551,000	(1,061,362)	4,957,768	25,447,406
2030-2034	12,857,250	(915,062)	2,117,299	14,059,487
2035-2036	1,595,000	(90,559)	23,545	1,527,986
	<u>\$ 74,268,793</u>	<u>\$ (4,315,866)</u>	<u>\$ 24,822,243</u>	<u>\$ 94,775,170</u>

6. TRANSACTIONS WITH CITY OF PROVIDENCE, RHODE ISLAND

The City of Providence performs various services for the Water Supply Board including certain accounting, personnel and cash management services and working capital support. The total billing to the Water Supply Board for services performed amounted to \$839 for each of the years ended June 30, 2014 and 2013, respectively. This amount is established by the City, approved by the Water Supply Board and ultimately approved by the PUC. The Water Supply Board also provides services to various City funds and departments, the charges for which have been included as revenue in the accompanying financial statements. Included within the Due To City of Providence General Fund balance on the statements of net position are the related balances due for the services described above. The balance also includes payments for pension and post-employment benefits. The total balance due to the City of Providence General Fund at June 30, 2014 and 2013 totaled \$1,377,649 and \$1,795,842, respectively.

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

7. LINE OF CREDIT

Providence Water Supply Board opened a line of credit with Century Bank of \$5,000,000 in 2013. This line of credit is used for infrastructure replacement and renewed annually per the agreement terms. The balance as of June 30, 2014 and 2013 is \$0 and \$3,000,000, respectively.

8. COMMITMENTS AND CONTINGENCIES

Risk Management

The Water Supply Board has a complete comprehensive insurance program protecting all facilities, employees and liability claims.

The Water Supply Board is subject to various claims and litigation that arise in the ordinary course of its operations. Legal counsel and management are of the opinion that the Water Supply Board's liabilities in such cases, if decided adversely to the Water Supply Board, would not materially affect the financial statements.

Union Contract

The labor force of the Water Supply Board, with the exception of management, is covered by a union contract which is effective for the period January 1, 2011 to June 30, 2015.

Contingent Liability to City of Providence per Rhode Island G.L.

A law passed in 2003 (R.I.G.L. § 39-3-11.3 and § 46-15.3-21) required an annual payment by the Water Supply Board to the City of Providence of 5% of the Water Supply Board's gross revenues for the years ending June 30, 2004, 2005 and 2006. The law specifically provides that this payment shall not be included as part of the Water Supply Board's rates for these years. These payments would total approximately \$2,500,000 per year.

The Water Supply Board has no material funds (other than revenues from rates) from which to make these payments and therefore has not made the payments. Further, since the payments cannot be made from rate revenues the Board believes it is not liable for any amount to the City and therefore has not accrued an amount for the potential liability. As of June 30, 2014, the Water Supply Board is considered to be in default of these required payments.

No action has been taken by either the City of Providence or the Rhode Island Public Utilities Commission concerning this matter.

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lead Service Replacement Program

The EPA Lead and Copper Rule require that systems monitor drinking water at the customer tap. In accordance with the Rule, if after corrosion control optimization is implemented, lead concentrations exceed an action level of 15 ppb in more than 10% of customer taps sampled, the system is required to replace lead service lines under its ownership. The regulations require that the utility must replace annually 7% of the total amount of lead services in the system. In accordance with EPA requirements, the Rhode Island Department of Health found that Providence Water exceeded the lead action level on September 30, 2006 (the date of conclusion of that monitoring period) and was required to begin the annual replacement of 7% of its 25,600 lead services. Because of lead-time in gearing up for an undertaking of this magnitude, RIDOH and Providence Water agreed to a compliance schedule that fulfilled the intent of the regulation whereby 14% of the lead services were to be replaced over the two-year period ending September 30, 2008 and 7% annually thereafter.

By September of 2010, Providence Water exceeded the lead service replacement requirement by over 2,200 services and as a result of being approximately one year ahead of the regulatory required pace, we were informed by RIDOH that the mandated replacements of lead service could be suspended until October 2011.

During this period, various concerns were raised about the effectiveness of partial lead service replacements, the persistence of lead levels in the water, and the difficulty of finding a proven solution for reducing the levels. In June 2012, the RIDOH in concert with the USEPA, agreed to enter into a consent agreement with Providence Water which granted a stay of the lead service replacement requirement for construction season 2012. As part of the agreement, RIDOH and the USEPA required that Providence Water convene a panel of national water quality experts, to include regulators, water professionals, and members of academia, to recommend studies and / or treatment modifications with the objective of reducing lead levels in the water. In 2013 Providence Water was granted a stay of the lead services replacement requirement for the 2013 construction season.

In April 2014, RIDOH granted Providence Water a stay of the lead service replacement requirement for the 2014 construction season. By consent order Providence is required to:

1. Continue with the consultation with its expert panel to evaluate corrosion control treatment in the system.
2. Conduct studies to examine alternative treatment schemes for optimization of corrosion control.
3. Continue a unidirectional flushing program.
4. Continue to rehabilitate and replace unlined cast iron mains that are usually found to be problematic in terms of both water quality and delivery capacity.

Even though the lead service replacement program is temporarily suspended, lead service are still replaced in conjunction with the water main replacement program. Lead services are also replaced on an ongoing basis where customers are voluntarily replacing their private side lead services. Lead services continue to be replaced in areas of local and state road resurfacing projects, and on projects initiated by private or outside entities. PW's own crews replace lead services which are found to be leaking. The replacement work is subject to all of the EPA regulatory notification, testing, and reporting requirements.

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lead Service Replacement Program (Continued)

Since inception of the reporting of the IFR program and the lead service replacement program to the RIPUC (July 1, 1996), Providence Water has replaced 15,632 lead services to the end of fiscal year 2014 (June 30, 2014) at a cost of \$55,245,834.

As part of the consent agreement between the Rhode Island Department of Health and Providence Water, a final contribution payment of \$125,000 is expected. No further contribution to this program is expected to be paid by Providence Water going forward.

9. PENSION PLANS

Substantially all employees of the Water Supply Board participate in the Employees' Retirement System of the City of Providence (the "Plan"), a defined-benefit, single-employer plan. Disclosures about this plan, as a whole, are presented in the City of Providence, Rhode Island's basic financial statements. As of June 30, 2014 and 2013, the City recorded a liability for unpaid pension contributions of \$154,539,226 and \$151,884,292, respectively. Separate actuarial information related to the Water Supply Board employees is not available. Accordingly, only disclosures about the Water Supply Board's participation in the Plan are presented herein.

Water Supply Board employees participating in the Plan are eligible to retire at age 55 if hired prior to July 1, 2004, at age 60 if hired between July 1, 2004 and June 30, 2009, at age 62 with 10 years of service if hired on or after July 1, 2009 or at any age after 25 years of service if hired prior to July 1, 1995, or at any age after 30 years of service if hired on or after July 1, 1995. The total retirement allowance is equal to an annuity, which is the actuarial equivalent of accumulated contributions at the time of retirement, plus a pension which when added together either; 1) equals 1/40 of final compensation for each year of total service up to 20 years and 1/50 of final compensation for each year of service in excess of 20 years if hired prior to July 1, 1996 or; 2) equals 1/50 of final compensation for each year of total service credited if hired on or after July 1, 1996. These benefit provisions and all other requirements are established by City ordinance.

The Water Supply Board's allocation of the actuarial required contribution and amount contributed for the year ended June 30, 2014 was \$3,212,354. The Water Supply Board's allocation of the actuarial required contribution and amount contributed for the year ended June 30, 2013 was \$2,762,060. The employer and employees contribution rates are approximately 25% and 8%, respectively, for both 2014 and 2013.

The historical schedules of employer contributions and funding progress for the Plan are included in the City of Providence, Rhode Island's basic financial statements.

(CONTINUED)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

10. POST EMPLOYMENT BENEFITS

The Water Supply Board follows GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

The Water Supply Board's Post-Retirement Benefits Program of the City of Providence (the "Program") is a defined-benefit, single-employer post-retirement health and life insurance program. The Program provides lifetime health care and life insurance benefits to substantially all retired employees and their spouses. Disclosures about this program, as a whole, are presented in the City of Providence, Rhode Island's basic financial statements. As of June 30, 2014 and 2013, the City recorded a liability for unpaid post-retirement contributions of \$209,481,098 and \$173,271,000, respectively. Separate actuarial information related to the Water Supply Board employees is not available. Accordingly, only disclosures about the Water Supply Board's participation in the Plan are presented herein.

The Water Supply Board's allocation of the actuarial required contribution was \$1,755,357 and \$437,598 was contributed for the year ended June 30, 2014.

The Water Supply Board's allocation of the actuarial required contribution was \$1,305,000 and \$446,523 was contributed for the year ended June 30, 2013.

The unpaid balance of the actuarial required contribution at June 30, 2014 and June 30, 2013 of \$5,385,261 and \$4,052,946, respectively, is included in non-current liabilities on the Statements of net position.

The historical schedules of employer contributions and funding progress for the Program are included in the City of Providence, Rhode Island's basic financial statements.

11. RESTATEMENT

The net position of the Governmental Activities has been restated as of June 30, 2013 and June 30, 2012 to reflect the implementation of GASB Statement #65 - *Items Previously Reported as Assets and Liabilities*. Implementation of this new Standard resulted in the removal of bond issuance costs as an asset from the Statement of Net Position (formerly the Statement of Net Assets). Under GASB Statement #65 bond issuance costs, excluding bond insurance costs, are to be recorded as an expense in the year the costs are incurred rather than amortizing those costs over the life of the bond obligation. As a result, the unamortized bond issuance costs as of June 30, 2013 and June 30, 2012 totaling \$261,014 and \$479,382, respectively, have been retroactively removed from the opening net position balance. The following reflects the effect of implementation of GASB Statement #65:

Net Position, June 30, 2012 as originally stated	\$ 241,449,036
Less write-off of FY12 bond issuance costs, net	<u>479,382</u>
Net Position, June 30, 2012 as restated	<u><u>\$ 240,969,654</u></u>
Net Position, June 30, 2013 as originally stated	\$ 252,982,101
Less write-off of FY12 bond issuance costs, net	479,382
Less write-off of FY13 bond issuance costs, net	<u>261,014</u>
Net Position, June 30, 2013 as restated	<u><u>\$ 252,241,705</u></u>

(CONCLUDED)

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Water Supply Board
City of Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Providence Water Supply Board (the "Water Supply Board"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Water Supply Board's basic financial statements, and have issued our report thereon dated December 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Supply Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Supply Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Water Supply Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Water Supply Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Providence, Rhode Island
December 31, 2014