



NARRAGANSETT BAY COMMISSION

ONE SERVICE ROAD, PROVIDENCE, RI 02905

**Approval to Enter Into Long-Term Debt and Issuance of Revenue
Bonds of \$41,753,500
State Revolving Fund (SRF) Loan**

May 22, 2015

Vincent Mesolella, Jr.
Chairman

Raymond J. Marshall
Executive Director

CERTIFICATE OF SERVICE

I, Karen L. Giebink, hereby certify that I have, this 22nd day of May, 2015 caused a copy of the within application filed under Section 39-3-15 for the Narragansett Bay Commission to be served on all parties designed on the official service list in this proceeding.



Karen L. Giebink
Director of Administration and Finance

1 **NARRAGANSETT BAY COMMISSION**

2

3 **PRE-FILED DIRECT TESTIMONY**

4 **OF KAREN L. GIEBINK**

5

6

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

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

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

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

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

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

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

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

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

24 A. To provide supplemental information regarding NBC's request.

25 **Q. What is the NBC requesting from the Division?**

26 A. The NBC is requesting Division approval to enter into long-term debt and issue
27 revenue bonds for an amount not to exceed \$41,753,500 million that will be used to
28 support borrowings from the RICWFA for the funding of NBC's capital improvement
29 program.

30

1 **Q. Can you describe this loan?**

2 A. This loan is from the Rhode Island Clean Water Finance Agency (RICWFA) and will be
3 used to fund capital projects. RICWFA is a state agency that administers the State
4 Revolving Loan Fund program that provides low interest loans to qualified
5 borrowers.

6 **Q. Has the Division approved other loans to NBC from RICWFA?**

7 A. Yes. The Division has approved numerous applications from NBC to enter into long-term
8 debt and effectuate borrowings through the RICWFA. Subsequent to these approvals,
9 the NBC has borrowed a total of \$553,919,709 from the RICWFA.

10 **Q. Are there any differences in the structure of this loan compared to prior loans?**

11 A. Yes. The NBC had requested that the RICWFA allow for a 30 year amortization which is
12 more consistent with the useful life of the assets that will be financed. In addition, this
13 loan includes \$512,070 in principal forgiveness for “green projects” related to the bio-
14 gas reuse project.

15 **Q. On what projects will the NBC expend the proceeds of this loan?**

16 A. The loan proceeds will be used for capital projects including: CSO Phase II Facilities -
17 Construction, CSO Phase III Facilities – Design, Regulatory Compliance Building –
18 Construction, Bio-gas Reuse Project, and NBC Interceptor Projects including the
19 Moshassuck Valley Interceptor. Additional projects have also been identified as being
20 funded fully or partially funded with proceeds from this bond issue including BPWWTF
21 Nitrogen Removal, FPWWTF Tunnel Pump Station Improvements, System-wide Facilities
22 Planning, Interceptor Easements, and the Providence River Siphon Replacement. All of
23 these projects are included on the RI DEM’s Project Priority List. In addition, proceeds
24 will be used to pay RICWFA fees and bond issuance costs.

25 **Q. Does NBC have sufficient coverage for this bond issuance?**

26 A. NBC’s existing rates do not generate sufficient revenues to meet the debt service and
27 debt service coverage requirements associated with this borrowing, however NBC filed
28 for the required rate relief with the Rhode Island Public Utilities Commission on April 21,

1 2015 (Docket 4562). Therefore NBC is requesting Division approval of this debt issuance
2 subject to RIPUC approval of the rates as filed in Docket 4562. Sufficient coverage is
3 achieved with the proposed revenue requirement (see Exhibit KG-1).

4 **Q Other than approval from the Division, has the NBC met all of the requirements**
5 **needed to close on this loan?**

6 A. Yes. NBC's Board of Commissioners passed the Authorizing Resolution for the borrowing
7 of the \$41,753,500 at the December 9, 2014 Board meeting. (See Exhibit KG-2). NBC
8 submitted the loan application to the RICWFA for the traditional annual borrowing on
9 April, 2014. NBC was notified by the RICWFA that the NBC's loan request was approved
10 on May 11, 2015.

11 **Q. When does NBC plan to complete the credit review process?**

12 A. Because the NBC went through a credit review prior to the May 5, 2015 refunding of the
13 2007 Series A Wastewater System Revenue Bonds no additional credit review is
14 required to effectuate this loan.

15 **Q. Are Loan Agreements included as part of this application final?**

16 A. No. NBC has included draft loan agreements which are representative of the loan
17 agreements that will be executed as part of this transaction; however, additional review
18 will take place prior to the closing of the loans.

19 **Q Does this conclude your pre-filed testimony?**

20 A. Yes.

Fiscal Year	Net Revenue			5/5/15 Refunding		Planned SRF 18	Revised	
	Available for	Current	Debt Service				Total	Debt Service
	Debt Service	Debt Service	Coverage	2007 Series A	2015 Series A		Debt Service	Coverage
2016	58,312,198	44,374,762	1.31	(2,065,563)	1,972,100	269,909	44,551,209	1.31
2017	58,312,198	44,344,398	1.31	(2,065,563)	1,972,100	979,896	45,230,831	1.29
2018	58,312,198	44,508,473	1.31	(2,065,563)	1,972,100	2,234,747	46,649,758	1.25
2019	58,312,198	44,228,908	1.32	(2,065,563)	1,972,100	2,235,893	46,371,338	1.26
2020	58,312,198	43,663,628	1.34	(2,065,563)	1,972,100	2,235,471	45,805,636	1.27
2021	58,312,198	43,728,461	1.33	(2,065,563)	1,972,100	2,234,056	45,869,054	1.27
2022	58,312,198	43,655,978	1.34	(2,065,563)	1,972,100	2,233,545	45,796,060	1.27
2023	58,312,198	40,495,634	1.44	(2,065,563)	1,972,100	2,231,998	42,634,169	1.37
2024	58,312,198	39,018,772	1.49	(2,065,563)	1,972,100	2,230,539	41,155,849	1.42
2025	58,312,198	38,033,215	1.53	(2,065,563)	1,972,100	2,229,769	40,169,522	1.45
2026	58,312,198	38,033,154	1.53	(2,065,563)	1,972,100	2,229,250	40,168,942	1.45
2027	58,312,198	37,348,267	1.56	(2,065,563)	1,972,100	2,226,938	39,481,742	1.48
2028	58,312,198	37,214,067	1.57	(5,455,563)	5,187,100	2,226,054	39,171,659	1.49
2029	58,312,198	37,052,630	1.57	(5,456,063)	5,188,500	2,225,099	39,010,167	1.49
2030	58,312,198	36,042,498	1.62	(5,453,063)	5,186,250	2,224,349	38,000,035	1.53
2031	58,312,198	35,757,440	1.63	(5,451,313)	5,185,750	2,222,884	37,714,761	1.55
2032	58,312,198	30,572,157	1.91	(5,455,313)	5,186,500	2,222,620	32,525,964	1.79
2033	58,312,198	28,083,389	2.08	(5,454,313)	5,188,000	2,221,648	30,038,725	1.94
2034	58,312,198	29,588,024	1.97	(5,453,875)	5,189,750	2,221,049	31,544,948	1.85
2035	58,312,198	22,135,789	2.63	(5,453,700)	5,186,250	2,219,759	24,088,097	2.42
2036	58,312,198	14,407,338	4.05	(5,453,313)	5,187,250	2,255,983	16,397,258	3.56
2037	58,312,198	15,103,013	3.86	(5,452,238)	5,187,000	2,254,198	17,091,973	3.41
2038	58,312,198	9,648,150	6.04			2,251,832	11,899,982	4.90
2039	58,312,198	9,652,150	6.04			2,251,581	11,903,731	4.90
2040	58,312,198	9,648,200	6.04			2,250,092	11,898,292	4.90
2041	58,312,198	9,649,200	6.04			2,248,394	11,897,594	4.90
2042	58,312,198	9,651,700	6.04			2,247,197	11,898,897	4.90
2043	58,312,198	9,650,200	6.04			2,246,382	11,896,582	4.90
2044	58,312,198	9,649,200	6.04			2,245,053	11,894,253	4.90
2045	58,312,198					2,242,638	2,242,638	26.00

	(79,325,500)	75,537,550	63,848,820
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Savings =	(3,787,950)
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Date: November 25, 2014

To: Finance Committee and Board of Commissioners

From: Karen Giebink, Director of Administration & Finance

Through: Raymond J. Marshall, Executive Director

Subject: Review and Approval of Resolution **2014:26**; Authorizing the Narragansett Bay Commission to Borrow an Amount Not to Exceed \$41,735,500 from the Rhode Island Clean Water Finance Agency

The purpose of this memo is to request approval of Resolution 2014:26 which will enable NBC to borrow an amount not to exceed \$41,735,500 from the Rhode Island Clean Water Finance Agency (RICWFA) through the State Revolving Fund program. This is the standard annual board authorization and the proceeds will be used to finance a number of NBC capital projects that have been identified through the capital planning process including the CSO Phase II Facilities, Regulatory Compliance Building, Biogas Reuse Energy Project and design of the CSO Phase III Facilities.

Existing rates do not generate sufficient revenue for the additional debt service and debt service coverage associated with this borrowing and therefore approval of a companion resolution authorizing submittal of an application for rate relief with the Public Utilities Commission is required.

With respect to this authorization, the RICWFA has indicated that the loan will be at the traditional subsidized rate of 1/3 of NBC's market rate of borrowing which is determined prior to the closing. NBC will also work with RICWFA to explore alternative amortization structures including a 30-year term. The maximum amount of this borrowing is \$41,735,500 and the final borrowing amount will depend upon updated cash flows and outputs from the Reassessment of the CSO Phase III Facilities.

Please let me know if you have any questions or require any additional information. Your consideration of this matter is appreciated.



RESOLUTION NO. 2014:26

RESOLUTION AUTHORIZING THE NARRAGANSETT BAY COMMISSION TO BORROW AN AMOUNT NOT TO EXCEED \$41,753,500 FROM THE RHODE ISLAND CLEAN WATER FINANCE AGENCY FOR THE PURPOSE OF FINANCING THE ACQUISITION, DESIGN, EVALUATION, INSPECTION, CONSTRUCTION, IMPROVEMENT, INSTALLATION, CLEANING, REHABILITATION, FURNISHING AND EQUIPPING OF THE PHASE I COMBINED SEWER OVERFLOW (CSO) FACILITIES, THE PHASE II CSO FACILITIES, THE PHASE III CSO FACILITIES, THE FIELD'S POINT WASTEWATER TREATMENT FACILITY NITROGEN REMOVAL FACILITIES, THE BUCKLIN POINT WASTEWATER TREATMENT FACILITY NITROGEN REMOVAL FACILITIES, THE REGULATORY COMPLIANCE BUILDING, THE BUCKLIN POINT BIOGAS REUSE, THE BUCKLIN POINT SOLAR ENERGY, THE FIELD'S POINT WIND TURBINES, THE FIELD'S POINT WASTEWATER TREATMENT FACILITY IMPROVEMENTS, UPGRADES AND FACILITIES REUSE, THE BUCKLIN POINT WASTEWATER TREATMENT FACILITY IMPROVEMENTS, UPGRADES AND FACILITIES REUSE, THE FLOATABLES CONTROL FACILITIES, THE NEW INTERCEPTOR MAINTENANCE (IM) FACILITIES, THE FIELD'S POINT TUNNEL PUMP STATION IMPROVEMENTS, SYSTEM-WIDE FACILITIES PLAN, RIVER MODEL DEVELOPMENT, RECEIVING WATER QUALITY STUDY, GREEN HOUSE GAS STUDY, MUNICIPAL LATERAL SEWER ACQUISITION IMPACT STUDY, THE OMEGA PUMP STATION IMPROVEMENTS, THE PROVIDENCE RIVER SIPHON REPLACEMENT, THE FIELD'S POINT UTILITY AND RELIABILITY ENHANCEMENT AND ELECTRICAL SUBSTATION, COMMISSION INTERCEPTOR INSPECTION, REPLACEMENT, IMPROVEMENTS AND REHABILITATION, INTERCEPTOR EASEMENTS, AND OTHER PROJECTS OF THE COMMISSION

WHEREAS, the Narragansett Bay Commission (the "Commission") desires to borrow an amount not to exceed Forty-One Million Seven Hundred Fifty-Three Thousand Five Hundred Dollars (\$41,753,500) from the Rhode Island Clean Water Finance Agency (the "Agency") in accordance with Title VI of the Federal Clean Water Act and Title 46-12.2 of the Rhode Island

General Laws, for the purpose of financing the acquisition, design, evaluation, inspection, construction, improvement, installation, cleaning, rehabilitation, furnishing and equipping of the Phase I Combined Sewer Overflow (CSO) Facilities, the Phase II CSO Facilities, the Phase III CSO Facilities, the Field's Point Wastewater Treatment Facility Nitrogen Removal Facilities, the Bucklin Point Wastewater Treatment Facility Nitrogen Removal Facilities, the Regulatory Compliance Building, the Bucklin Point Biogas Reuse, the Bucklin Point Solar Energy, the Field's Point Wind Turbines, the Field's Point Wastewater Treatment Facility Improvements, upgrades and facilities reuse, the Bucklin Point Wastewater Treatment Facility Improvements, upgrades and facilities reuse, the Floatables Control Facilities, the New Interceptor Maintenance (IM) Facilities, the Field's Point Tunnel Pump Station Improvements, System-Wide Facilities Plan, River Model Development, Receiving Water Quality Study, Green House Gas Study, Municipal Lateral Sewer Acquisition Impact Study, the Omega Pump Station Improvements, the Providence River Siphon Replacement, the Field's Point Utility and Reliability Enhancement and Electrical Substation, Commission Interceptor Inspection, replacement, improvements and rehabilitation, interceptor easements, and other projects of the Commission as defined in R.I. General Laws § 46-25-3(10), collectively, hereinafter referred to as the "Projects";

WHEREAS, the Commission desires to issue an amount not to exceed Forty-One Million Seven Hundred Fifty-Three Thousand Five Hundred Dollars (\$41,753,500) interest bearing revenue bonds for the purpose of evidencing the borrowing described above; and

WHEREAS, the Commission may desire to issue temporary revenue notes in anticipation of the issuance of its revenue bonds.

NOW, THEREFORE, THE COMMISSION RESOLVES AS FOLLOWS:

1. The Chairman and the Executive Director are authorized to borrow, on behalf of the Commission, an amount not exceeding Forty-One Million Seven Hundred

Fifty-Three Thousand Five Hundred Dollars (\$41,753,500) from the Agency in accordance with Title VI of the Federal Clean Water Act and Title 46-12.2 of the Rhode Island General Laws, in order to finance the Projects. The Chairman and the Executive Director are also authorized, empowered and directed, on behalf of the Commission, to:

(i) execute, acknowledge and deliver a loan agreement to the Agency representing such borrowing (the "Loan Agreement"), the next numerically sequential supplemental indenture (referred to herein for purposes of this Resolution as the "Supplemental Indenture" regardless of its actual sequential number, to be subsequently determined) amending and supplementing the trust indenture dated as of April 15, 2004 by and between the Commission and J.P. Morgan Trust Company, National Association, as initial trustee thereunder (the current successor trustee now being U.S. Bank National Association), as amended and supplemented (the "Trust Indenture"), relating to the issuance of the Bonds or Notes (each defined below) and any and all other documents, certificates or instruments necessary to effectuate such borrowing and issuance; (ii) to fix the terms, conditions and details of the Loan Agreement and the Supplemental Indenture; (iii) to comply with any requirements, restrictions or covenants not contrary to applicable local, state or federal law, pursuant to the Loan Agreement, the Trust Indenture and the Supplemental Indenture, or as requested by one or more insurance companies or financial institutions providing credit enhancement and/or liquidity facility support, if any, for the Bonds and Notes as hereinafter defined or any bonds or notes of the Agency in connection with the Projects; (iv) to amend, modify or supplement the Loan Agreement, Trust Indenture or Supplemental Indenture and any and all other documents, certificates or instruments at any time and from time to time, in such manner and for such purpose as such officers shall deem necessary, desirable or advisable; (v) to execute, acknowledge

and deliver any and all exhibits or other instruments as may be required by the Loan Agreement, Trust Indenture or Supplemental Indenture or required for the issuance of the Bonds or Notes as hereinafter defined; and (vi) to 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 resolution in order to effectuate said borrowing and the intent hereof.

2. Pursuant to Titles 46-12.2 and 46-25 of the Rhode Island General Laws and this Resolution, the Commission hereby authorizes the Chairman and the Executive Director, on behalf of the Commission, to issue an amount not to exceed Forty-One Million Seven Hundred Fifty-Three Thousand Five Hundred Dollars (\$41,753,500) interest bearing revenue bonds for the purpose of evidencing the Loan in order to finance the Projects (the "Bonds").

3. The said officers from time to time may issue and refund not exceeding Forty-One Million Seven Hundred Fifty-Three Thousand Five Hundred Dollars (\$41,753,500) interest bearing or discounted bond anticipation notes (the "Notes") in anticipation of the issuance of said Bonds.

4. The Bonds and Notes shall be issued by the Commission under its corporate name and seal or a facsimile of such seal. The Bonds and Notes shall be signed by the manual or facsimile signatures of the Chairman and the Executive Director. The manner of sale, denominations, maturities, interest rate or rates or method of determining the interest rate or rates, medium of payment and other terms, conditions, and details of the Bonds and Notes authorized herein shall be fixed by the Chairman and the Executive Director as set forth in the Supplemental Indenture. The Bonds and Notes shall be privately placed with the Agency. The Chairman and Executive Director are hereby

authorized to execute and deliver such other documents and take such other actions, as may be necessary, desirable or advisable to effectuate the issuance of the Bonds and Notes, including, without limitation, such documents as may be necessary or convenient in connection with obtaining credit enhancement and/or liquidity facility support for the Bonds and Notes or any bonds or notes of the Agency in connection with the Projects.

5. The Commission hereby pledges its full faith and credit or such security as required under the Loan Agreement for the payment of the principal amount of the Bonds and Notes and the interest thereon. The Bonds and Notes shall have such security provisions as to parity or subordination and shall be in such series and designated as set forth in the Trust Indenture and the Supplemental Indenture. The Bonds and Notes shall not be deemed to constitute a debt or pledge of the faith and credit of the State or any municipality. Neither the State nor any municipality shall be obligated to pay the Bonds and Notes or the interest thereon, and neither the faith and credit nor the taxing power of the State or any municipality is pledged to such payment. The Commission may issue revenue bonds on a parity with these Bonds.

6. If required, the Chairman and the Executive Director are authorized to execute and deliver one or more Disclosure Agreements in connection with the Bonds and Notes in such form as shall be deemed advisable by the Chairman and the Executive Director. The Commission hereby covenants and agrees that it will comply with and carry out all of the provisions of each Disclosure Agreement, as it may be amended from time to time. Notwithstanding any other provision of this Resolution or the Bonds or Notes, failure of the Commission to comply with the Disclosure Agreement 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 mandamus or specific

performance by court order, to cause the Commission to comply with its obligations under this Resolution and under the Disclosure Agreement.

7. This Resolution is an affirmative action of the Commission toward the issuance of the Bonds and Notes in accordance with the purposes of the laws of the State. This Resolution constitutes the Commission's declaration of official intent pursuant to the Treasury Regulation Section 1.150-2 to reimburse the Commission's Operation and Maintenance Fund or other funds and accounts for certain capital expenditures for the Projects paid on or after the date which is sixty (60) days prior to the date this Resolution is adopted, but prior to the issuance of the Bonds or Notes. Such amounts to be reimbursed shall not exceed \$41,753,500 and shall be reimbursed not later than eighteen (18) months after the later of (a) the date on which the expenditure is paid, or (b) the date the applicable project is placed in service or abandoned but in no event later than three (3) years after the date the expenditure is paid.

8. If the Bonds or Notes are issued on a tax-exempt basis, the Commission agrees to take all lawful action necessary to ensure that the interest on the Bonds and Notes will remain exempt from federal income taxation to the extent provided in Section 103 of the Internal Revenue Code of 1986, as amended, and it agrees not to take any action which will cause interest on the Bonds and Notes to lose the benefit of the exclusion from gross income.

9. Any action to be taken by the Chairman or Executive Director pursuant to this Resolution may be taken by the Vice Chairman and Director of Administration and Finance, respectively.

10. This Resolution shall take effect upon passage.

10. This Resolution shall take effect upon passage.

ADOPTED:

12/9/14

SIGNED:

Raymond J. Marshall

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

1 **NARRAGANSETT BAY COMMISSION**

2

3 **PRE-FILED DIRECT TESTIMONY**

4 **OF WILLIAM FAZIOLI**

5

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

7 A. My name is William J. Fazioli, Director with Public Financial Management, Inc. (PFM).

8

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

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

21

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

24 A. Over the past 39 years, PFM has provided independent financial advisory services to public
25 entities. PFM has grown into a national firm with over 500 employees in 32 offices across the
26 United States. For the 17th consecutive year, PFM has maintained its position as the number one
27 financial advisor in the industry, providing financial advisory services in more than 783
28 transactions for a total par amount in excess of \$48 billion in 2014. In terms of wastewater
29 issuers, PFM has been the top ranked financial advisor in this sector for several years as well
30 while representing other large wastewater operators including the Massachusetts Water
31 Resources Authority and the DC Water and Sewer District.

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

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

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

7 A. Yes. I have provided testimony in NBC's Docket 4364 and I also provided testimony in support
8 of the NBC's applications for Division approval to enter into long-term debt filed on February 7,
9 2013, October 11, 2013, and August 8, 2014.
10

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

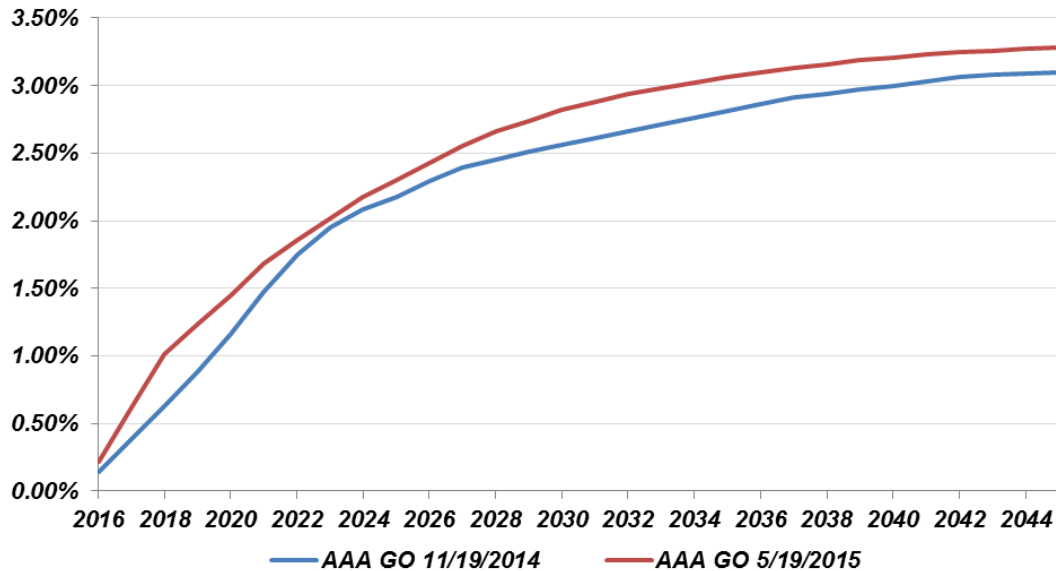
12 A. I was asked to provide testimony in support of NBC's application for Division approval to issue
13 long-term debt as part of the planned \$41.75 million borrowing through the Rhode Island Clean
14 Water Finance Agency (RICWFA).
15

16 **Q. Would you please address the structure and interest rate assumptions of the RICWFA
17 borrowing?**

18 The revenue bonds are amortized over 30 years with the final maturity in or about 2044 and will be
19 structured as level debt with the traditional RICWFA subsidy of 1/3 of the market rate. In addition, NBC is
20 eligible for \$512,070 in principal forgiveness related to its "green" bio-gas reuse project. On an aggregate
21 basis, it is anticipated that the borrowing will not exceed a market rate of 4.289%, which would result in a
22 projected subsidized rate of approximately 2.704%. The effective rate on the loan is projected at 2.611%
23 which reflects the 33% interest rate subsidy and the \$512,070 of principal forgiveness (see Exhibit WJF-1).
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1 **Q. Can you provide an update on current market rates, the yield curve, NBC's credit rating and**
2 **how these factors influence NBC's options?**

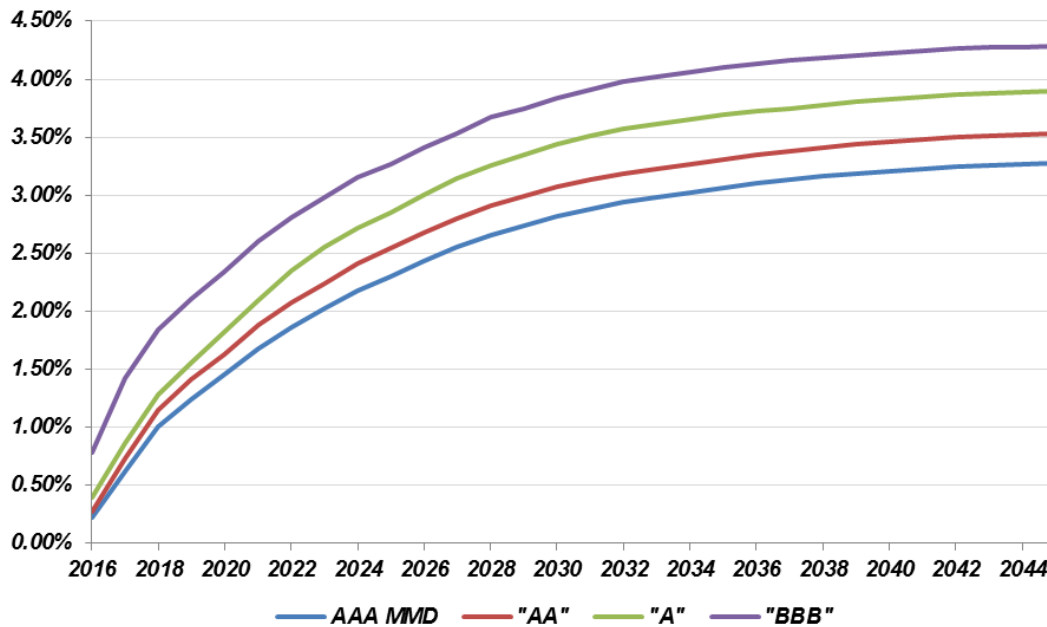
3 A. The following chart compares the current AAA Municipal Market Data Index to interest rates from six
4 months ago. Despite the recent increase in rates, market rates remain relatively low and credit spreads
5 remain narrow for high credit quality issuers.



6
7 The yield curve for a "AA" credit rating is only approximately 23 basis points higher than a "AAA" credit rating
8 as of May 19, 2015. The value of a "AA-" credit rating is tangible and will result in cost savings for ratepayers
9 compared to a lower quality credit. In addition, the yield curve remains relatively flat in the long term with the
10 spread between 20 and 30 year interest rates at about 22 basis points for a "AA" credit.
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Yield Curve as of May 19, 2015



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3 **Q. What are the applicable schedules and deadlines for this financing?**

4 A. The bonds to be issued by RICWFA are scheduled to be priced in early July 2015. RICWFA plans
5 to mail its Preliminary Official Statement to prospective investors approximately one week prior
6 to pricing and prefers that borrower approvals are in place prior to the mailing of the
7 Preliminary Official Statement. Therefore, NBC respectfully requests a decision by the Division
8 prior to July 1, 2015, if possible.

9 **Q. Does the NBC anticipate the issuance of any other long-term debt this fiscal year?**

10 A. No.

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

12 A. Yes.

Rhode Island Clean Water Finance Agency
Clean Water SRF Program - Series 2015A
Rates as of 3/25/2015 Plus 50 BP - Preliminary Subject to Change

Loan Debt Service

NBC- \$41.754M CWSRF Multiple Sources (AA Rated, Revenue Pledge)

Date	Principal	Loan Rate	(1) Principal Forgiveness	Net Principal	(2) Interest	Net Fees @ 0.500%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
05/20/15									-
09/01/15	-	0.530%	-	-	25,551.33	5,129.57	30,680.90	30,680.90	30,680.90
03/01/16	-	-	-	-	199,225.47	40,002.95	239,228.42	239,228.42	-
09/01/16	-	0.670%	-	-	354,565.79	71,193.18	425,758.97	425,758.97	664,987.39
03/01/17	-	-	-	-	461,455.39	92,681.61	554,137.00	554,137.00	-
09/01/17	1,035,000.00	0.930%	(23,342.22)	1,011,657.78	511,030.64	102,557.16	613,587.80	1,625,245.58	2,179,382.57
03/01/18	-	-	-	-	508,927.39	100,574.43	609,501.82	609,501.82	-
09/01/18	1,049,000.00	1.150%	(23,654.84)	1,025,345.16	508,927.39	100,574.43	609,501.82	1,634,846.98	2,244,348.80
03/01/19	-	-	-	-	503,031.66	98,011.07	601,042.73	601,042.73	-
09/01/19	1,067,000.00	1.330%	(24,071.67)	1,042,928.33	503,031.66	98,011.07	601,042.73	1,643,971.06	2,245,013.79
03/01/20	-	-	-	-	496,096.19	95,403.75	591,499.94	591,499.94	-
09/01/20	1,086,000.00	1.470%	(24,488.49)	1,061,511.51	496,096.19	95,403.75	591,499.94	1,653,011.45	2,244,511.39
03/01/21	-	-	-	-	488,294.08	92,749.97	581,044.05	581,044.05	-
09/01/21	1,108,000.00	1.630%	(25,009.52)	1,082,990.48	488,294.08	92,749.97	581,044.05	1,664,034.53	2,245,078.58
03/01/22	-	-	-	-	479,467.71	90,042.49	569,510.20	569,510.20	-
09/01/22	1,131,000.00	1.760%	(25,530.56)	1,105,469.44	479,467.71	90,042.49	569,510.20	1,674,979.64	2,244,489.84
03/01/23	-	-	-	-	469,739.58	87,278.82	557,018.40	557,018.40	-
09/01/23	1,156,000.00	1.880%	(26,051.59)	1,129,948.41	469,739.58	87,278.82	557,018.40	1,686,966.81	2,243,985.21
03/01/24	-	-	-	-	459,118.06	84,453.95	543,572.01	543,572.01	-
09/01/24	1,184,000.00	2.040%	(26,676.83)	1,157,323.17	459,118.06	84,453.95	543,572.01	1,700,895.18	2,244,467.19
03/01/25	-	-	-	-	447,313.36	81,560.64	528,874.00	528,874.00	-
09/01/25	1,215,000.00	2.210%	(27,406.27)	1,187,593.73	447,313.36	81,560.64	528,874.00	1,716,467.73	2,245,341.73
03/01/26	-	-	-	-	434,190.45	78,591.65	512,782.10	512,782.10	-
09/01/26	1,247,000.00	2.370%	(28,135.71)	1,218,864.29	434,190.45	78,591.65	512,782.10	1,731,646.39	2,244,428.49
03/01/27	-	-	-	-	419,746.91	75,544.49	495,291.40	495,291.40	-
09/01/27	1,283,000.00	2.460%	(28,969.37)	1,254,030.63	419,746.91	75,544.49	495,291.40	1,749,322.03	2,244,613.43
03/01/28	-	-	-	-	404,322.33	72,409.42	476,731.75	476,731.75	-
09/01/28	1,321,000.00	2.530%	(29,803.02)	1,291,196.98	404,322.33	72,409.42	476,731.75	1,767,928.73	2,244,660.48
03/01/29	-	-	-	-	387,988.69	69,181.43	457,170.12	457,170.12	-
09/01/29	1,361,000.00	2.560%	(30,636.67)	1,330,363.33	387,988.69	69,181.43	457,170.12	1,787,533.45	2,244,703.57
03/01/30	-	-	-	-	370,960.04	65,855.52	436,815.56	436,815.56	-
09/01/30	1,402,000.00	2.590%	(31,574.52)	1,370,425.48	370,960.04	65,855.52	436,815.56	1,807,241.04	2,244,056.60
03/01/31	-	-	-	-	353,213.03	62,429.45	415,642.48	415,642.48	-
09/01/31	1,446,000.00	2.620%	(32,616.59)	1,413,383.41	353,213.03	62,429.45	415,642.48	1,829,025.89	2,244,668.37
03/01/32	-	-	-	-	334,697.71	58,895.99	393,593.70	393,593.70	-
09/01/32	1,491,000.00	2.640%	(33,658.65)	1,457,341.35	334,697.71	58,895.99	393,593.70	1,850,935.05	2,244,528.75
03/01/33	-	-	-	-	315,460.80	55,252.64	370,713.44	370,713.44	-
09/01/33	1,538,000.00	2.650%	(34,700.71)	1,503,299.29	315,460.80	55,252.64	370,713.44	1,874,012.73	2,244,726.17
03/01/34	-	-	-	-	295,542.08	51,494.39	347,036.47	347,036.47	-
09/01/34	1,586,000.00	2.670%	(35,742.77)	1,550,257.23	295,542.08	51,494.39	347,036.47	1,897,293.70	2,244,330.17
03/01/35	-	-	-	-	274,846.15	47,618.75	322,464.90	322,464.90	-
09/01/35	1,637,000.00	2.670%	-	1,637,000.00	274,846.15	47,618.75	322,464.90	1,959,464.90	2,281,929.80
03/01/36	-	-	-	-	252,992.20	43,526.25	296,518.45	296,518.45	-
09/01/36	1,688,000.00	2.680%	-	1,688,000.00	252,992.20	43,526.25	296,518.45	1,984,518.45	2,281,036.90
03/01/37	-	-	-	-	230,373.00	39,306.25	269,679.25	269,679.25	-
09/01/37	1,742,000.00	2.890%	-	1,742,000.00	230,373.00	39,306.25	269,679.25	2,011,679.25	2,281,358.50
03/01/38	-	-	-	-	205,201.10	34,951.25	240,152.35	240,152.35	-
09/01/38	1,802,000.00	2.910%	-	1,802,000.00	205,201.10	34,951.25	240,152.35	2,042,152.35	2,282,304.70
03/01/39	-	-	-	-	178,982.00	30,446.25	209,428.25	209,428.25	-
09/01/39	1,863,000.00	2.910%	-	1,863,000.00	178,982.00	30,446.25	209,428.25	2,072,428.25	2,281,856.50
03/01/40	-	-	-	-	151,875.35	25,788.75	177,664.10	177,664.10	-
09/01/40	1,926,000.00	2.920%	-	1,926,000.00	151,875.35	25,788.75	177,664.10	2,103,664.10	2,281,328.20
03/01/41	-	-	-	-	123,755.75	20,973.75	144,729.50	144,729.50	-
09/01/41	1,992,000.00	2.940%	-	1,992,000.00	123,755.75	20,973.75	144,729.50	2,136,729.50	2,281,459.00
03/01/42	-	-	-	-	94,473.35	15,993.75	110,467.10	110,467.10	-
09/01/42	2,061,000.00	2.950%	-	2,061,000.00	94,473.35	15,993.75	110,467.10	2,171,467.10	2,281,934.20

Rhode Island Clean Water Finance Agency
Clean Water SRF Program - Series 2015A
Rates as of 3/25/2015 Plus 50 BP - Preliminary Subject to Change

Loan Debt Service

NBC- \$41.754M CWSRF Multiple Sources (AA Rated, Revenue Pledge)

Date	Principal	Loan Rate	(1) Principal Forgiveness	Net Principal	(2) Interest	Net Fees @ 0.500%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
03/01/43	-	-	-	-	64,073.60	10,841.25	74,914.85	74,914.85	-
09/01/43	2,132,000.00	2.950%	-	2,132,000.00	64,073.60	10,841.25	74,914.85	2,206,914.85	2,281,829.70
03/01/44	-	-	-	-	32,626.60	5,511.25	38,137.85	38,137.85	-
09/01/44	2,204,500.00	2.960%	-	2,204,500.00	32,626.60	5,511.25	38,137.85	2,242,637.85	2,280,775.70
	<u>41,753,500.00</u>		<u>(512,070.00)</u>	<u>41,241,430.00</u>	<u>19,106,446.96</u>	<u>3,500,939.66</u>	<u>22,607,386.62</u>	<u>63,848,816.62</u>	<u>63,848,816.62</u>

(1) Principal Forgiveness funds have been distributed to borrowers with loan proceeds used to fund Green Projects. See financing documents for details.

(2) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 2.490%.

Narragansett Bay Commission
Statement of Net Position
APR-15

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$15,142,407.13
Accounts receivable sewer use (net of allowance)	12,461,251.51
Accounts receivable sewer use unbilled	4,241,146.63
Accounts Receivable Series 2014A (PL17)	10,858,211.25
Receivables, other	175,250.95
Prepaid expense	280,868.74
Total Current Assets	<u>43,159,136.21</u>

NONCURRENT ASSETS*Restricted assets*

Cash, environmental enforcement	55,242.44
Cash and cash equivalents, restricted	35,255,883.71
Cash and cash equivalents, restricted for the acquisition and construction of capital assets	32,880,993.13
<i>Total Restricted Assets</i>	<u>68,192,119.28</u>

Capital Assets

Land	2,754,407.48
Plant and Equipment	88,331,608.27
Capital projects completed	688,964,434.10
Construction in Progress	343,898,044.52
	<u>1,123,948,494.37</u>

Less accumulated depreciation

(174,941,892.71)

*Net Capital Assets*949,006,601.66*Other assets*

Negative net pension obligation	213,413.46
Total Noncurrent Assets	<u>1,017,412,134.40</u>

TOTAL ASSETS1,060,571,270.61**DEFERRED OUTFLOWS OF RESOURCES**

Loss on refunding of debt	488,262.90
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TOTAL DEFERRED OUTFLOWS OF RESOURCES488,262.90**LIABILITIES****CURRENT LIABILITIES**

Accounts and Contracts Payable	6,210,109.76
Accrued interest payable	3,017,486.96
Other accrued expenses	3,353,017.14
Total Current Liabilities	<u>12,580,613.86</u>

NONCURRENT LIABILITIES

Long-term loans payable, net	346,159,233.32
Long-term leases payable, net	270,879.81
Long-term debt	260,942,285.80
Total Noncurrent Liabilities	<u>607,372,398.93</u>

TOTAL LIABILITIES619,953,012.79

UNAUDITED

Narragansett Bay Commission
Statement of Net Position
APR-15

DEFERRED INFLOWS OF RESOURCES	
Unearned revenue billed in advance	451,987.02
Gain on Refunding Debt	197,031.48
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>649,018.50</u>
NET POSITION	
Net Investment in capital assets	347,454,660.16
Restricted, environmental enforcement	55,242.44
Unrestricted	92,947,599.62
TOTAL NET POSITION	<u><u>\$440,457,502.22</u></u>

UNAUDITED

Narragansett Bay Commission
Statement of Revenues, Expenses and Changes in the Net Position
APR-15

OPERATING REVENUE	
User fees, residential	\$44,586,483.42
User fees, commercial and industrial	33,750,312.50
Sewer connection fees	82,203.00
Pretreatment fees	900,558.08
Environmental enforcement fees	5,972.33
Septage income	261,140.07
Miscellaneous	487,308.00
Late charge penalty	897,801.29
Total Operating Revenues	<u>80,971,778.69</u>
OPERATING EXPENSES	
Personnel services	17,855,065.45
Operating and maintenance	6,142,299.04
Utilities	3,205,132.32
Supplies	1,058,938.34
Professional services	2,488,068.70
Depreciation and amortization	10,754,991.49
Miscellaneous	610,939.02
Total Operating Expenses	<u>42,115,434.36</u>
OPERATING INCOME	<u>38,856,344.33</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	4,153.19
Grant revenue	4,910.00
Interest expense	(13,974,358.00)
Miscellaneous nonoperating revenue	146,049.41
Bond and note fees	(363,621.97)
Total Nonoperating Revenue (Expenses)	<u>(14,182,867.37)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>24,673,476.96</u>
Capital Contribution	<u>0.00</u>
CHANGE IN NET POSITION	<u>24,673,476.96</u>
TOTAL NET POSITION, BEGINNING	<u>415,784,025.26</u>
TOTAL NET POSITION, ENDING	<u><u>\$440,457,502.22</u></u>