

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

IN RE: Providence Water Supply Board :  
Application for Authority to : Docket No. D-18-02  
Issue Debt :

**REPORT AND ORDER**

On February 9, 2018, the Providence Water Supply Board (“Providence Water”) filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking authority to borrow from the Clean Water State Revolving Fund an amount not to exceed \$1,000,000. The application was filed in accordance with the requirements contained in Section 39-3-15 of the Rhode Island General Laws and Rule 14 of the Division’s *Rules of Practice and Procedure*.

In its filing, the Providence Water states that it plans to borrow from the Rhode Island Infrastructure Bank (“RIIB”) in an amount not to exceed \$1,000,000 for the Providence Water Private Side Lead Service Replacement Loan Program at an interest rate not to exceed 0%. The filing states that the loan will be secured by repayments of loans made to Providence Water by customers participating in the Providence Water Private Side Lead Service Replacement Loan Program, deposited as revenue into the Providence Water Restricted Fund.<sup>1</sup> The filing also states that the borrowing may reimburse

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<sup>1</sup> Providence Water Exhibit 1.

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

In response to the application filing, the Division conducted a duly noticed public hearing on March 16, 2018<sup>2</sup>. The hearing was conducted in the Division's hearing room, located at 89 Jefferson Boulevard in Warwick.

The following counsel entered appearances:

For the PWSB: Michael R. McElroy, Esq.

For the Division's  
Advocacy Section: Leo J. Wold, Esq.  
Assistant Attorney General

Providence Water proffered two witnesses in support of its filing. Both witnesses submitted pre-filed direct testimony.<sup>3</sup> The witnesses were identified as Ms. Nancy E. Parrillo, Providence Water's Senior Manager - Finance; and Mr. Gregg M. Giasson, PE, Providence Water's Deputy General Manager/Executive Engineer.

Ms. Nancy Parrillo testified in support of the proposed borrowing. She began her testimony by relating that the funds will be used to supplement Providence Water's Private Side Lead Service Replacement Loan Program, which she noted was endorsed by the Rhode Island Public Utilities Commission ("Commission") in its approval of new rates in Docket No. 4618 in February of 2017. She related that the Loan Program is being offered by Providence Water to its customers that are interested in replacing their

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<sup>2</sup> The hearing was originally scheduled to take place on March 13, but was rescheduled to March 16 due to inclement weather.

<sup>3</sup> Providence Water Exhibit 1.

private-side lead service. She also related that these loans to the customer will be at zero interest and provide a 3-year repayment schedule.<sup>4</sup>

Ms. Parrillo testified that the proposed \$1 million borrowing from the RIIB is designed to allow Providence Water to replace more than 70-75 customer lead services per year, which would otherwise be the limit under the Commission's \$250,000 per year allowance for this program.<sup>5</sup> Ms. Parrillo also stressed that this loan "will be a zero interest loan to Providence Water." She related that debt service payments will be calculated based on requisitions to RIIB for work performed each time requisitions are submitted, which are submitted on a quarterly basis.<sup>6</sup> Ms. Parrillo testified that the source of funds for the repayment of the loan will be the repayments by the customers to Providence Water. She also noted that these funds will be held separately from Providence Water's Operating Fund.<sup>7</sup>

Ms. Parrillo next explained that there will be no impact to the ratepayers as the debt service on the RIIB loan will be repaid with the repayments from the customers in the loan program. Ms. Parrillo also explained that Providence Water "has the authority to place the [customer's] property into a lien sale to recover any unpaid balance."<sup>8</sup>

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<sup>4</sup> Id., Parrillo Testimony, pp., 1-2.

<sup>5</sup> Ms. Parrillo explained that replacing a private-side lead service is approximately \$2,500. Id., p. 2.

<sup>6</sup> Id., p. 2.

<sup>7</sup> Id., pp. 2-3.

<sup>8</sup> Id., p. 3.

Lastly, Ms. Parrillo proffered a number of exhibits to further support the instant filing. First, in satisfaction of the requirements of R.I.G.L. §39-3-17, Ms. Parrillo provided an executed copy of a resolution of the Providence Water Supply Board stating that at the November 15, 2017 Board Meeting, the Board authorized the now proposed loan.<sup>9</sup>

Second, in her pre-filed testimony, Ms. Parrillo proffered a copy of the draft Ordinance approving the borrowing, which was before the City Council at the time the instant application was filed on February 8, 2018.<sup>10</sup> She supplemented this exhibit during the hearing, by providing a copy of the approved ordinance, which was approved by the City Council on February 21, 2018.<sup>11</sup>

Ms. Parrillo next presented a proforma capital structure showing the effect of the bond issuance as required under Rule 14 of the Division's Rules of Practice and Procedure. She testified that the debt to plant ratio with this issue would be 30.15%, which she noted is considered low or good in the opinion of rating agencies.<sup>12</sup>

Ms. Parrillo also provided a copy of the commitment letter from the RIIB, and a Certificate of Approval from the Rhode Island Department of Health.<sup>13</sup>

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<sup>9</sup> Id., p. 3; Parrillo Exhibit I.

<sup>10</sup> Id.; Parrillo Exhibit II.

<sup>11</sup> Providence Water Exhibit 2.

<sup>12</sup> Id., p. 4; Parrillo Exhibit III.

<sup>13</sup> Id.; Parrillo Exhibits IV and V, respectively.

Mr. Gregg Giasson reaffirmed that the funds for this borrowing will be used to provide zero percent interest loans to Providence Water's retail customers for the replacement of private-side lead services. Mr. Giasson estimates that there are approximately 29,000 such private lead services in Providence Water's retail system.<sup>14</sup> He testified that Providence Water has been involved in the replacement of 442 private-side lead service replacements to date, and that the range of costs for these services averaged about \$2,500 (ranged between \$1,000 and \$7,300).

Mr. Giasson related that Providence Water's interest in funding the replacement of these lead services is based on three factors. First, that the customer replacing the service is solely responsible for the cost; Providence Water's other ratepayers will not bear any costs. Second, the program will reduce the customer's exposure to lead in the water. And, lastly, it is uncertain whether the EPA will change its regulations to make water utilities responsible for these costs.<sup>15</sup>

In closing, Mr. Giasson testified that Providence Water modeled this program after a similar program that is used by the Boston Water and Sewer Commission. He explained that Providence Water is considering this a "pilot program" and depending on the amount of customers that take advantage of this loan program, Providence Water will adjust the program accordingly.<sup>16</sup>

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<sup>14</sup> Providence Water Exhibit 1, Giasson Testimony, pp., 1-2.

<sup>15</sup> *Id.*, pp. 2-3.

<sup>16</sup> *Id.*, p. 3.

The Division's Advocacy Section did not present any witnesses in this case. After a brief cross-examination of Providence Water's witnesses, the Advocacy Section stated for the record that it was satisfied from the evidence presented, that Providence Water had met the requisite burden of proof set forth in R.I.G.L. §39-3-15, et seq. and that the proposed borrowing was in the public interest.

### FINDINGS

Predicated on a careful examination of the record in this matter, the Division finds that Providence Water's application seeking authority to borrow from the Clean Water State Revolving Fund an amount not to exceed \$1,000,000, is reasonable and in the best interest of ratepayers.

Now, therefore, it is

(23048) ORDERED:

1. That the Providence Water Supply Board's February 9, 2018 application, which seeks Division approval under R.I.G.L. §39-3-15, to borrow from the Clean Water State Revolving Fund an amount not to exceed \$1,000,000, is hereby approved as filed.
2. That the Division hereby limits approval of the instant application to the terms and details identified in the record.
3. That the Division hereby makes this approval contingent upon the Providence Water Supply Board's use of the debt service allowance previously approved by the Public Utilities Commission, or if

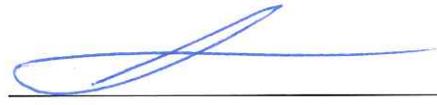
subsequently required, by additional debt service allowances approved by the Public Utilities Commission.

Dated and Effective at Warwick, Rhode Island on March 19, 2018.



John Spirito, Jr., Esq.  
Hearing Officer

Approved: \_\_\_\_\_



Macky McCleary  
Administrator