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August 18, 2020

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

***RE: Narragansett Bay Commission Application For Borrowing Authority
Division Docket D-20-06***

Dear Ms. Massaro:

On behalf of the Narragansett Bay Commission (“NBC”), enclosed you will find an original and four copies of the following documents:

1. Supplemental Testimony of Karen L. Giebink;
2. Supplemental Testimony of Stephen Maceroni;
3. Supplemental Testimony of Karen S.D. Grande, Esquire; and,
4. Revised Notice of Filing And Public Hearing.

In its original application, NBC sought authority to obtain financing not to exceed an original principal amount of forty million dollars (\$40,000,000) through a federal loan program established by the Water Infrastructure Finance and Innovation Act of 2014 (WIFIA), which is administered by the United States Environmental Protection Agency. NBC now seeks to issue compound interest bonds in an original principal amount of up to two hundred million dollars (\$200,000,000), plus compounded interest through 2032, through the WIFIA program. The proceeds will continue to be used to fund NBC’s Bucklin Point Resiliency Improvement Projects. NBC also seeks to authority to issue bonds to refund its 2019 Series C Bond issued in the original principal amount of \$268,710,610 plus compounded interest through 2032, which secured a 2019 WIFIA borrowing, to take advantage of currently prevailing lower interest rates, which will result in a financial benefit to the NBC and its ratepayers.

Please let me know if the proposed notice is acceptable and please contact me with a hearing date so it can be published.

Thank you for your attention to these matters.

Sincerely,



Joseph A. Keough, Jr.

Enclosures

cc: Docket D-20-06 Service List



NARRAGANSETT BAY COMMISSION

ONE SERVICE ROAD, PROVIDENCE, RI 02905

Revised Application for Borrowing Authority

Approval to Borrow an Original Principal Amount of up to \$200.0 million plus Compounded Interest through the United States Environmental Protection Agency (USEPA) Water Infrastructure Finance and Innovation Act (WIFIA) and the Refunding of the 2019 Series C Bond Securing the Narragansett Bay Commission's first WIFIA loan in an Original Principal Amount of \$268.7 million Plus Compounded Interest and Related Costs

August 18, 2020


Amended Docket D-20-06

Vincent Mesoletta, Jr.
Chairman

Laurie Horridge
Executive Director

CERTIFICATE OF SERVICE

I, Karen L. Giebink, hereby certify that I have, this 18th day of August, 2020 caused a copy of the within application filed under Section 39-3-15 for the Narragansett Bay Commission to be served on all parties designed on the official service list in this proceeding.

A handwritten signature in black ink, appearing to read "Karen L. Giebink", is written over a horizontal line. The signature is stylized and cursive.

Karen L. Giebink
Chief Financial Officer

NARRAGANSETT BAY COMMISSION
SUPPLEMENTAL PRE-FILED DIRECT TESTIMONY
OF KAREN L. GIEBINK

INTRODUCTION

Q. Please state your name and address.

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

Q. By whom are you employed and what is your position?

A. I am employed by the Narragansett Bay Commission (NBC) as its Chief Financial Officer.

Q. For how long have you been so employed?

A. I have been employed as NBC's Chief Financial Officer since July 2018. Prior to that date, I served as NBC's Director of Administration and Finance beginning in April 1997. I began my employment with the NBC in 1989 and have held the positions of Policy Associate and Senior Environmental Planner. The three years prior to my employment with the NBC I worked as an analyst for the City of San Diego Water Utilities Department.

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

A. Yes. I provided testimony in previous NBC requests for approval to enter into long-term debt. I have also provided testimony in dockets 1968, 2216, 3651, 3797, 3905, 4305, 4652, 4364, 4478, 4885 and 4890 before the Rhode Island Public Utilities Commission (PUC).

Q. What is the purpose of your supplemental testimony?

A. To provide testimony in support of NBC's revised application to seek Division approval for financing through the Water Infrastructure Finance and Innovation Act (WIFIA) program. NBC is now requesting approval to increase the amount of the new money loan identified in my original testimony in this Docket ("WIFIA II" loan), and to refinance NBC's 2019 WIFIA loan ("WIFIA I" loan). NBC is requesting that the original principal amount for the bonds to secure the WIFIA II loan be increased to an original principal amount of up to \$200.0 million, plus compounded interest through 2032, which is \$160.0 million more than NBC's original

1 application. NBC is also requesting that the Division approve the refunding of the bonds securing
2 NBC's WIFIA I loan in order to take advantage of an interest rate reset that WIFIA is offering at
3 this time.

4
5 **Q. Would you please provide some background on the WIFIA program?**

6 A. Yes. The WIFIA program is by far NBC's best capital infrastructure financing option and has the
7 least impact on NBC's ratepayers. The WIFIA I loan was for an original principal amount of
8 \$268,710,610, plus compound interest through 2032, at an interest rate of 1.89% and closed on
9 August 27, 2019. As I explained in my original testimony filed in this Docket, the advantages of
10 the WIFIA program include low interest rates, amortization flexibility, and low ongoing loan
11 service expense. As set forth below, the proposed WIFIA II loan will allow the NBC to borrow
12 funds at even lower rate than in August, 2019, and WIFIA is offering NBC the opportunity to re-
13 finance the WIFIA I loan to obtain the same lower interest rate. As in the past, the bonds would
14 be issued in the form of compound interest bonds, meaning that interest through 2032 would
15 be compounded and added to the principal amount borrowed, thus increasing the principal
16 amount.

17
18 **WIFIA II LOAN**

19 **Q. Can you provide an overview on the increased loan amount on the WIFIA II Loan?**

20 Yes. The higher loan amount is the function of three factors:

- 21
- 22 1. Following the submittal of the WIFIA II loan application to USEPA, NBC's Finance staff became
23 aware of changes in the costs to the Bucklin Point Resiliency Improvements Project, which will
24 be funded by the WIFIA II loan.
 - 25
 - 26 2. NBC has identified additional previously incurred expenses that are eligible to be financed
27 through the WIFIA II loan.
 - 28
 - 29 3. NBC has included financing of the interest on non-WIFIA debt (State Revolving Fund bonds
30 and publicly offered revenue bonds) during the construction period in order to mitigate
31 ratepayer impact.
- 32

1 **Q. Would you briefly explain the project that will be funded through this loan?**

2 A. Yes. The Project description is as follows:

3

4 **The Bucklin Point Resiliency Improvements Project.** This project is comprised of two elements:
5 **Element A (Bucklin Point Facilities)** – this portion of the project will provide upgrades to the
6 Bucklin Point facilities to improve operational efficiency and reliability, and address aging
7 infrastructure. The scope of work includes:

8

- 9 • Bucklin Point Wastewater Treatment Facility Ultraviolet (UV) Disinfection Improvements
- 10 • New Operations Building and Maintenance Storage Facility
- 11 • New Standby Power Generator and Related Improvements

12

13 **Element B (CSO Phase III Overflow Project in Bucklin Point service area)** – this portion of the
14 project will complete work required for system resiliency related to combined stormwater
15 overflows in the Bucklin Point service area and enable NBC to comply with a Consent Agreement
16 with the Rhode Island Department of Environmental Management (RIDEM). The scope of work
17 includes:

18

- 19 • Contract 30800 - CSO Phase III Facilities Design and Land Acquisition and Construction
- 20 • Contract 30801 - CSO Phase III Facilities Pawtucket Tunnel and Pump station
- 21 • Contract 30802 - CSO Phase III Facilities Tunnel Pump Station Fit-Out
- 22 • Contract 30803 - CSO Phase III Facilities of 205
- 23 • Contract 30804 - CSO Phase III Facilities of 210, 213, 214
- 24 • Contract 30805 - CSO Phase III Facilities of 217
- 25 • Contract 30806 - CSO Phase III Facilities of 218
- 26 • Contract 30807 - CSO Phase III Facilities Regulator Modifications
- 27 • Contract 30809 - CSO Phase III Facilities GSI Projects
- 28 • Contract 30810 - Bucklin Point Wastewater Treatment Facility Clarifiers and Flow Splitters
- 29 • Contract 30812 - CSO Phase III Facilities Dexter Street Stormwater Infrastructure; and
- 30 • Contract 30813 - CSO Phase III Facilities – Site Demolition

31

32

33 **Q. What is the basis for the increase in the project costs financed in this loan?**

34 A. For Element A, there are increases to the three separate projects, and the primary reasons for
35 the cost changes are shown in the following table:

1

BBWTF Ultraviolet (UV) Disinfection Improvements (Project 81000)

Increased cost due to the complexity of locating the new UV building. The building has a relatively deep foundation and will be located on a highly congested site having numerous underground utilities, including multiple large concrete encased electrical duct banks which supply primary utility power to the back of the WWTF. The proposed work area also has many underground process pipelines and is in close proximity to the plant's main outfall pipe.

BPWWTF Standby Power Generator and Related Improvements (Project 81600)

The cost of the generator, based on an actual bid was \$2.7 million more than the \$2.0 million estimate. The generator required new switchgear and related switchgear equipment and involves complex integration with the biogas generator.

BPWWTF New Operations and Maintenance Buildings (Project 81700)

The completed evaluation and preliminary design resulted in a 110% increase in the total square footage (sf) of the buildings from approximately 24,000 sf to 50,443 sf. This was the result of an outside consultant's detailed Program Analysis of NBC's specific building needs, interviews with staff and preliminary design of various building support systems.

2

3

4

With regard to Element B, NBC became aware of updated cost estimates for CSO Phase III A based upon a review of the design/build proposals for the Tunnel and Tunnel Pump Station. Costs for this project have updated accordingly to ensure sufficient funding is available.

7

8 **Q.**

The second reason you gave for the increase in WIFIA II loan was that NBC identified additional previously incurred costs that can be financed through the borrowing. What are those costs?

9

10

11 **A.**

NBC identified additional eligible CSO Phase III costs of \$1.1 million and Bucklin Point Resiliency costs of \$2.1 million incurred during the time between NBC's submittal of the Letter of Interest in July 2019 for the WIFIA II loan and the anticipated closing in October 2020, resulting in a total increase in the loan amount for previously-incurred costs of \$3.3 million.

15

16 **Q.**

The final reason you gave for the increase in the WIFIA II loan was that NBC can finance interest on non-WIFIA debt. How much of that interest will be financed through the WIFIA II loan?

17

18

19 **A.**

The WIFIA II loan includes costs of \$33.6 million for interest expense on Rhode Island Infrastructure Bank loans and publicly-offered revenue bonds during construction. Funding this interest as part of the WIFIA II loan reduces ratepayer impact by amortizing these costs over the life of the WIFIA II loan.

20

21

22

23

1 **Q. Have you prepared a summary of the changes to the WIFIA II loan?**

2 A. Yes. The following table summarizes the changes in the sources and uses of the WIFIA II loan:

3

Change In WIFIA II Sources and Uses

	Original Loan Sources		Updated Loan Sources	
WIFIA Loan II	\$	33,393,869	\$	190,633,824
Revenue Bonds		11,679,000		138,022,830
SRF		-		33,966,899
Paygo Cash		23,077,885		26,425,068
TOTAL SOURCES	\$	68,150,754	\$	389,048,620

	Original Loan Uses		Updated Loan Uses	
Element A				
Bucklin Point Resiliency Improvements	\$	45,250,754	\$	64,389,345
Design - CSO A Previously Incurred Costs		22,899,999		24,015,341
Design - BP Resiliency Previously Incurred Costs		-		2,120,946
Element B				
CSO Phase III A Facilities		-		264,884,615
Funding of Interest on Non-WIFIA Bonds		-		33,638,373
TOTAL USES	\$	68,150,753	\$	389,048,620

WIFIA Loan at 49%	\$	33,393,869	\$	190,633,824
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4

5

6 **Q. With these modifications to eligible loan amounts, what is the revised estimated total amount**
7 **of the WIFIA II loan?**

8 A. The new loan amount is an original principal amount of between \$190.6 – \$200.0 million.

9

10 **Q. Why is NBC seeking approval of an original principal amount of \$200.0 million if the current**
11 **loan request amount is only \$190.6 million?**

12 A. NBC is using an original principal amount of \$200.0 million because the final loan amount will be
13 determined as part of the loan approval process. Division approval of the original principal
14 amount of \$200.0 million request will provide NBC with flexibility should there be upward
15 adjustments to the eligible costs prior to closing.

1 **Q. What is the projected interest rate of this loan?**

2 A. NBC's financial advisor has updated the modeling based on the new loan amount using a
3 projected interest rate of 1.16%. Please see the testimony of Stephen Maceroni for more
4 details.

5
6 **Q. What is the status of the loan process?**

7 A. NBC has been working with USEPA's underwriter and bond counsel on finalizing the loan size,
8 eligible costs, and loan documents. Given the change in loan size, NBC has also updated the
9 proforma and proposed loan amortization.

10 USEPA requires two credit ratings and NBC plans to use the same firms that were used with the
11 WIFIA I loan, S&P Global Ratings and Kroll Bond Rating Agency. The credit review with S&P
12 Global is scheduled for September 17, 2020. NBC has signed the engagement letter with Kroll
13 Bond Rating Agency and understands that they have initiated their review, but the credit review
14 conference call has not yet been scheduled.

15

16 **WIFIA I Re-Finance**

17 **Q. What other Division approval is NBC requesting through this application?**

18 A. NBC is eligible for a one-time interest rate reset on the WIFIA I loan. On August 27, 2019, when
19 NBC closed the WIFIA I loan, the interest rate was very favorable at 1.89%. Since that time,
20 interest rates have continued to decline, and NBC has demonstrated to USPEA that the first loan
21 meets the criteria for a one-time interest rate reset. This will be accomplished through a refunding
22 of the 2019 Series C Bond which secured the WIFIA I loan, with no changes to any of the terms of
23 the loan or the amortization of the Bond. NBC and USEPA plan to execute the refunding bond on
24 the same date as the bond securing the WIFIA II loan. The new rate on the WIFIA I bond is
25 projected to be 1.16%, which will result in additional savings to NBC's ratepayers. Therefore, NBC
26 is requesting Division approval for the issuance of a refunding bond sufficient to refinance the
27 2019 Series C Bond in an original principal amount of \$268.7 million, plus compounded interest
28 through 2032, and related costs.

29

1 **Q. Are there any other approvals required prior to the execution of the WIFIA II loan or the WIFIA**
2 **II refunding?**

3 A. Yes. NBC’s Board of Commissioners must approve a new authorizing resolution for the higher
4 original principal amount of up to \$200,000,000, plus compounded interest through 2032. The
5 resolution will be brought to the Board for their review and consideration at their next regularly
6 scheduled meeting on September 29, 2020. NBC’s Board of Commissioners must also approve
7 an authorizing resolution for the refunding of the WIFIA I loan. This will be presented to the
8 Board at their September 29, 2020 meeting as well.

9

10 **AMORTIZATION AND RATE IMPACT**

11 **Q. Does the new loan size impact the loan amortization as originally submitted in this application?**

12 A. Yes. NBC worked with its financial advisor to update the model using the new loan amount for
13 the WIFIA II loan and the “What’s Best” optimizer. The model also incorporates the impact of
14 the refunded WIFIA I loan at the lower interest rate and a modified draw schedule for the WIFIA
15 II loan. The new amortization schedule reflects a recommended repayment developed by NBC’s
16 financial advisor that wraps around NBC’s existing debt, compounds interest and begins loan
17 payments five years after substantial completion. As such, payments do not begin until the fiscal
18 year ending June 30, 2032 (federal fiscal year 2031 which ends on September 30th of each year).
19 Principal payments begin in fiscal year 2046 and is fully amortized in fiscal year 2060. It should
20 be noted that the original principal amount of \$190.6 million increases to a principal amount of
21 \$213.1 million prior to the commencement of loan payments due to the compounding of
22 interest.

23

1

Please see the following schedule reflecting the preliminary WIFIA II draw and amortization.

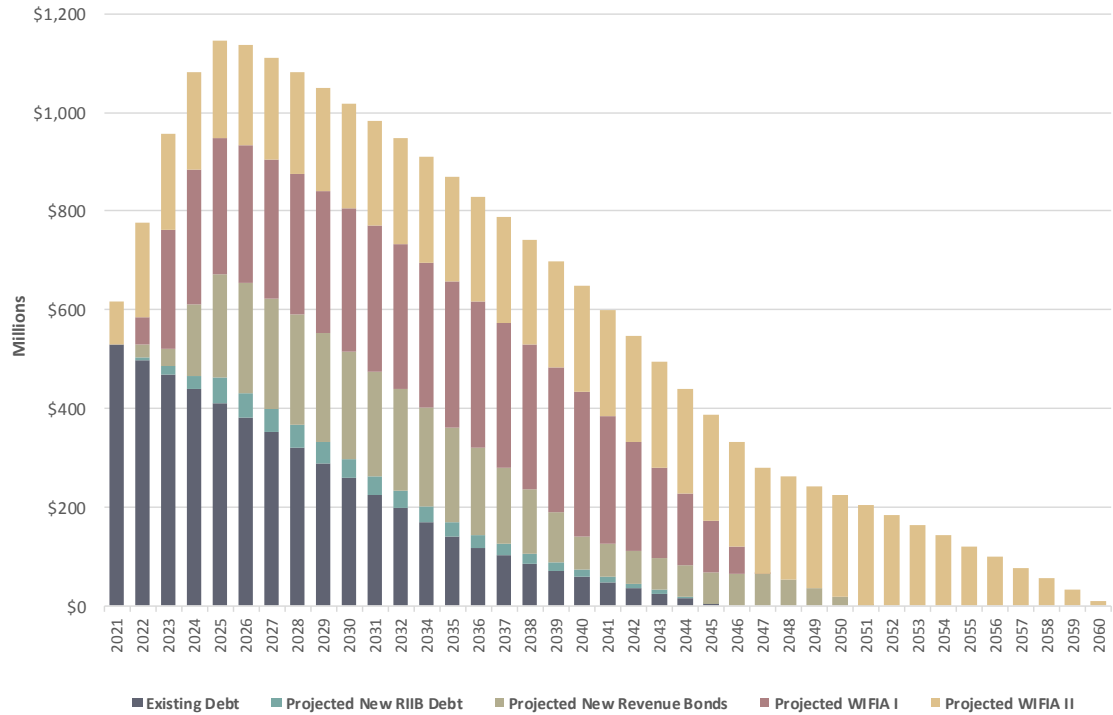
Preliminary WIFIA Draw and Amortization*					
Fiscal Year	Beginning Balance	Draws	Interest	Payment	Ending Balance
2021	\$ -	\$ 84,871,292	\$ 410,211	\$ -	\$ 85,281,503
2022	85,281,503	105,762,532	1,503,320	-	192,547,355
2023	192,547,355	-	2,240,027	-	194,787,382
2024	194,787,382	-	2,266,086	-	197,053,468
2025	197,053,468	-	2,292,449	-	199,345,917
2026	199,345,917	-	2,319,119	-	201,665,036
2027	201,665,036	-	2,346,098	-	204,011,134
2028	204,011,134	-	2,373,392	-	206,384,526
2029	206,384,526	-	2,401,003	-	208,785,529
2030	208,785,529	-	2,428,936	-	211,214,465
2031	211,214,465	-	2,457,193	-	213,671,658
2032	213,671,658	-	2,478,591	2,478,591	213,671,658
2033	213,671,658	-	2,478,591	2,478,591	213,671,658
2034	213,671,658	-	2,478,591	2,478,591	213,671,658
2035	213,671,658	-	2,478,591	2,478,591	213,671,658
2036	213,671,658	-	2,478,591	2,478,591	213,671,658
2037	213,671,658	-	2,478,591	2,478,591	213,671,658
2038	213,671,658	-	2,478,591	2,478,591	213,671,658
2039	213,671,658	-	2,478,591	2,478,591	213,671,658
2040	213,671,658	-	2,478,591	2,478,591	213,671,658
2041	213,671,658	-	2,478,591	2,478,591	213,671,658
2042	213,671,658	-	2,478,591	2,478,591	213,671,658
2043	213,671,658	-	2,478,591	2,478,591	213,671,658
2044	213,671,658	-	2,478,591	2,478,591	213,671,658
2045	213,671,658	-	2,478,591	2,478,591	213,671,658
2046	213,671,658	-	2,472,815	3,468,736	212,675,737
2047	212,675,737	-	2,434,315	8,076,243	207,033,810
2048	207,033,810	-	2,401,592	2,401,592	207,033,810
2049	207,033,810	-	2,401,592	2,401,592	207,033,810
2050	207,033,810	-	2,379,569	6,176,741	203,236,638
2051	203,236,638	-	2,246,477	21,396,089	184,087,026
2052	184,087,026	-	2,014,022	22,942,858	163,158,191
2053	163,158,191	-	1,769,831	22,942,858	141,985,165
2054	141,985,165	-	1,522,792	22,942,858	120,565,099
2055	120,565,099	-	1,272,869	22,942,858	98,895,110
2056	98,895,110	-	1,020,031	22,942,858	76,972,284
2057	76,972,284	-	764,243	22,942,858	54,793,669
2058	54,793,669	-	505,470	22,942,858	32,356,281
2059	32,356,281	-	243,678	22,942,858	9,657,101
2060	9,657,101	-	56,011	9,713,112	-

2

* Preliminary and subject to change

1 **Q. How will the new loan and the refunding impact NBC's Outstanding Debt and Debt Service?**

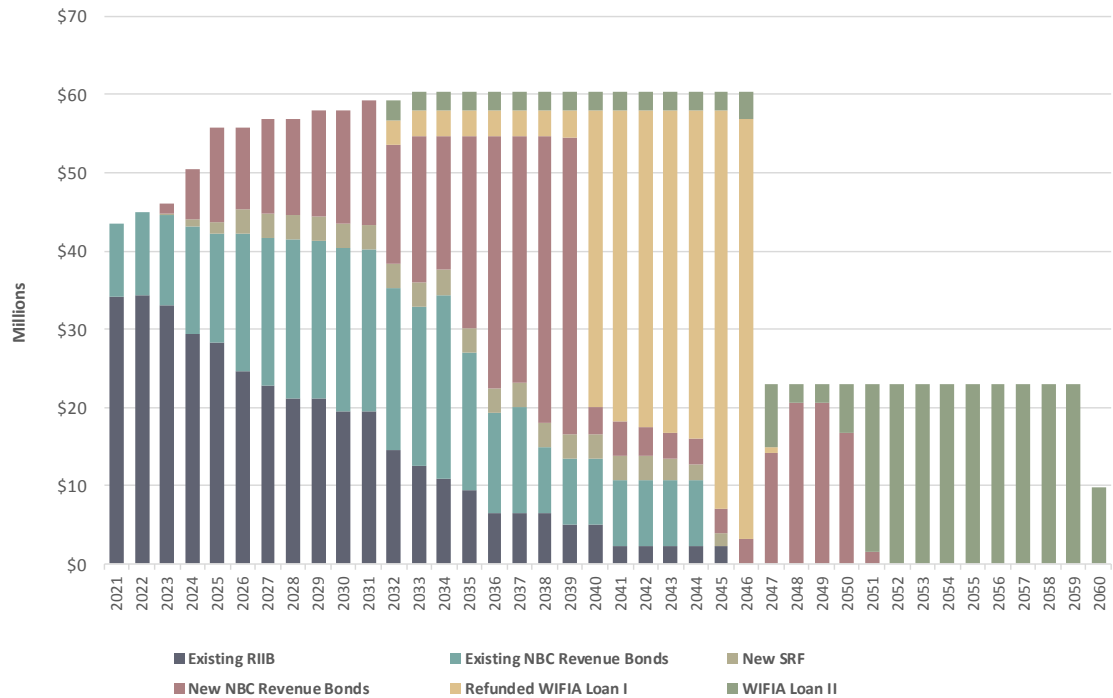
2 A. The modeling serves to develop a financing strategy that mitigates ratepayer impact. NBC is
3 financing nearly a billion dollars of capital improvements and that is reflected in the following
4 chart that shows how total outstanding debt, existing debt, the WIFIA II loan and new debt
5 issuance required for NBC's 51% match, peaks in FY 2025 at approximately \$1.15 billion.
6



7 Fortunately, the flexibility of the WIFIA program provides NBC with an opportunity to structure
8 capital financing in a way that reduces rate impact. The following chart shows existing and
9 projected debt service payments from FY 2021 through the WIFIA II Loan maturity in FY 2060.
10
11
12

1
2

Existing and Projected Debt Service Payments



3
4
5
6
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9
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11

Annual debt service is projected to peak in FY 2033 at \$60.4 million and remains at this level through fiscal year 2046. In fiscal year 2047, debt service declines to \$22.9 million and remains at that level through the maturity of the WIFIA II loan in FY 0260. Referring to the chart, the light green portion represents the WIFIA II loan payments. In a manner similar the WIFIA I loan, the optimization of the model takes advantage of the generous amortization flexibility of the WIFIA program with interest payments beginning in fiscal year 2032 and principal payments commencing once the majority of NBC’s other debt is fully amortized.

12 **Q. Does NBC have sufficient revenue for this borrowing?**

13 A. Based on NBC’s approved revenue requirement from its most recent rate filing (Docket 4890),
14 NBC has sufficient revenue to meet the additional bonds test as set forth in Section 205 (2)(iv) of
15 the Trust Indenture. As indicated above, one of the advantages of WIFIA is that the WIFIA debt
16 can be “wrapped” around NBC’s existing debt, such that ratepayer impact is mitigated. As is
17 shown in Exhibit KG-2 Supplemental, the ability to wrap the WIFIA debt around NBC’s existing
18 debt means that NBC has sufficient revenue to meet debt service and debt service coverage
19 requirements until fiscal year 2040 based on current rates.

1 **Q. How does NBC plan to fund its share of the Bucklin Point Resiliency Improvements Project?**

2 A. NBC plans to fund the balance of the project with a combination of revenue bonds, RIIB financing
3 and pay-as-you-go capital. NBC is only seeking approval of the bonds securing the WIFIA II loan
4 and the refinancing of the 2019 Series C Bonds which secure the WIFIA I loan in this application.
5 Please refer to the sources identified in the table on page four of my testimony.

6
7 **Q. Will NBC need future rate increases to service the non-WIFIA borrowings?**

8 A. Yes. The PFM model reflects the following projected rate increases for debt service and debt
9 service coverage only with no additional rate increases beyond FY 2033 for debt and debt service
10 coverage:

Year Ending June 30,	Modeled Rate Increase*
FY 2021	0.0%
FY 2022	0.0%
FY 2023	5.5%
FY 2024	0.0%
FY 2025	5.5%
FY 2026	0.0%
FY 2027	2.0%
FY 2028	0.0%
FY 2029	2.0%
FY 2030	0.0%
FY 2031	2.0%
FY 2032	0.0%
FY 2033	2.0%

11

12

13 **Miscellaneous Regulatory Issues**

14 **Q. Will NBC seek PUC approval for rates to service the debt for these future Open Market and/or**
15 **RIIB borrowings?**

16 A. Yes.

17

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

20 A. No. As mentioned above, NBC's Board of Commissioners must approve an authorizing resolution
21 for the higher original principal amount of up to \$200.0 million, plus compounded interest and
22 this will be considered at their September 29, 2020 meeting. NBC is requesting Division approval
23 contingent upon the approval of NBC's Board. In addition, NBC is in the credit review process.

1 NBC is also reviewing a number of documents that will be required to ensure compliance with
2 federal requirements.

3

4 **Q. Has NBC included the anticipated loan agreement as part of this application?**

5 A. NBC is working with EPA to finalize the WIFIA II loan agreement as well as the terms and
6 conditions. NBC and EPA plan to use a loan agreement that is similar to the document used to
7 execute the WIFIA I loan. The WIFIA I loan agreement was provided as Exhibit KSDG-1 included
8 with the original testimony of Karen S.D. Grande.

9

10 **Q. When does NBC need a decision on this application?**

11 A. NBC and EPA are targeting mid-October 2020 to close on this loan. Given that there is a 30-day
12 statutory appeal on Division orders of this type, NBC is requesting Division approval of this
13 application, if possible, by mid-September 2020.

14

15 **Q. Do these proposed transaction have any unusual features, which may have significant impact
16 on the Division's ability to regulate the utility?**

17 A. No, they do not.

18

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

20 A. Yes.

**Narragansett Bay Commission
Debt Service Coverage**

Exhibit KG-2 Supplemental

Fiscal Year	Available for Debt Service	Current Debt Service	Debt Service Coverage	WIFIA I Refunding Savings	WIFIA Loan II	Total Debt Service	Debt Service Coverage
2021	\$ 62,642,390	\$ 43,488,780	1.44	-	-	\$ 43,488,780	1.44
2022	62,642,390	\$ 44,911,279	1.39	-	-	\$ 44,911,279	1.39
2023	62,642,390	\$ 44,555,649	1.41	-	-	\$ 44,555,649	1.41
2024	62,642,390	\$ 43,105,097	1.45	-	-	\$ 43,105,097	1.45
2025	62,642,390	\$ 42,175,181	1.49	-	-	\$ 42,175,181	1.49
2026	62,642,390	\$ 42,257,796	1.48	-	-	\$ 42,257,796	1.48
2027	62,642,390	\$ 41,669,197	1.50	-	-	\$ 41,669,197	1.50
2028	62,642,390	\$ 41,444,597	1.51	-	-	\$ 41,444,597	1.51
2029	62,642,390	\$ 41,342,570	1.52	-	-	\$ 41,342,570	1.52
2030	62,642,390	\$ 40,404,092	1.55	-	-	\$ 40,404,092	1.55
2031	62,642,390	\$ 40,263,431	1.56	-	-	\$ 40,263,431	1.56
2032	62,642,390	\$ 41,281,943	1.52	(2,869,655)	2,478,591	\$ 40,890,880	1.53
2033	62,642,390	\$ 38,894,155	1.61	(2,869,655)	2,478,591	\$ 38,503,091	1.63
2034	62,642,390	\$ 40,469,517	1.55	(2,869,655)	2,478,591	\$ 40,078,453	1.56
2035	62,642,390	\$ 33,077,865	1.89	(2,869,655)	2,478,591	\$ 32,686,802	1.92
2036	62,642,390	\$ 25,368,984	2.47	(2,869,655)	2,478,591	\$ 24,977,920	2.51
2037	62,642,390	\$ 26,062,892	2.40	(2,869,655)	2,478,591	\$ 25,671,829	2.44
2038	62,642,390	\$ 20,866,799	3.00	(2,869,655)	2,478,591	\$ 20,475,736	3.06
2039	62,642,390	\$ 19,674,094	3.18	(2,888,824)	2,478,591	\$ 19,263,861	3.25
2040	62,642,390	\$ 56,960,252	1.10	(5,702,091)	2,478,591	\$ 53,736,752	1.17
2041	62,642,390	\$ 56,009,373	1.12	(5,551,913)	2,478,591	\$ 52,936,051	1.18
2042	62,642,390	\$ 56,424,798	1.11	(5,278,422)	2,478,591	\$ 53,624,966	1.17
2043	62,642,390	\$ 56,841,754	1.10	(4,996,711)	2,478,591	\$ 54,323,634	1.15
2044	62,642,390	\$ 57,298,245	1.09	(4,708,887)	2,478,591	\$ 55,067,949	1.14
2045	62,642,390	\$ 58,261,558	1.08	(5,082,923)	2,478,591	\$ 55,657,226	1.13
2046	62,642,390	\$ 58,654,226	1.07	(4,871,221)	3,468,736	\$ 57,251,741	1.09
2047	62,642,390	\$ 743,920	84.21	(61,713)	8,076,243	\$ 8,758,450	7.15
2048	62,642,390	\$ -	-	-	2,401,592	\$ 2,401,592	26.08
2049	62,642,390	\$ -	-	-	2,401,592	\$ 2,401,592	26.08
2050	62,642,390	\$ -	-	-	6,176,741	\$ 6,176,741	10.14
2051	62,642,390	\$ -	-	-	21,396,089	\$ 21,396,089	2.93

1 **NARRAGANSETT BAY COMMISSION**

2 **PRE-FILED DIRECT TESTIMONY**

3 **OF KAREN S. D. GRANDE**

4

5 **Q. Please state your name.**

6 A. My name is Karen S. D. Grande, my business address is Locke Lord LLP, 2800 Financial Plaza,
7 Providence, Rhode Island 02903.

8

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

10 A. I have a bachelor's degree from Syracuse University and a juris doctor from Suffolk University Law
11 School. I am a partner in the law firm of Locke Lord LLP and joined the firm in 2006. I have focused
12 my practice in the area of public finance. When I joined the firm, the name was Edwards Angell
13 Palmer & Dodge LLP. In 2011, the firm merged and became Edwards Wildman Palmer LLP. Finally,
14 in 2015 the firm merged into Lock Lord LLP and that name was assumed. I began my law practice
15 with Tillinghast Licht in 1987 where I became partner in 1994. I have served as bond counsel to
16 23 of Rhode Island's 39 cities and towns, as well as many state and municipal agencies, which
17 finance public projects, including public water supply and wastewater projects.

18

19 **Q. Do you hold any special licenses or certifications?**

20 A. I am licensed to practice law in Rhode Island and Massachusetts. Although I have focused my
21 practice in the area of public finance, neither the State of Rhode Island nor the Commonwealth
22 of Massachusetts has a procedure for certification of specialization. I am a member of the Rhode
23 Island Bar Association, a Rhode Island Bar Foundation Fellow and an associate member of the
24 Rhode Island Government Finance Officers Association. I am also a member of the National
25 Association of Bond Lawyers and the sole Rhode Island fellow of the American College of Bond
26 Counsel. I have been named the Best Lawyers' Providence Public Finance "Lawyer of the Year"
27 for the years 2015 and 2021.

28

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

2 A. I have served as bond counsel to the NBC for many years. In this capacity, I have assisted the NBC
3 with the issuance of several user fee anticipation notes, revenue notes, loans from the Rhode
4 Island Infrastructure Bank (RIIB) formerly known as the Rhode Island Clean Water Finance Agency,
5 NBC's August 2019 loan from the United States Environmental Protection Agency (USEPA)
6 through the Water Infrastructure Finance and Innovation Act (WIFIA) program ("WIFIA I" loan),
7 and revenue bonds.

8

9 **Q. Have you testified previously before the PUC?**

10 A. I have appeared before the PUC in connection with rate filings for the Kent County Water
11 Authority, the Pawtucket Water Supply Board, the Providence Water Supply Board and the NBC.

12

13 **Q. What is the purpose of your supplemental testimony?**

14 A. To provide testimony in support of NBC's application to seek Division approval for the issuance of
15 compound interest bonds through the Water Infrastructure Finance and Innovation Act (WIFIA)
16 program. NBC is requesting that the authorized original principal amount for the bonds securing the
17 WIFIA II loan be increased to \$200.0 million, plus compounded interest through 2032 ("WIFIA II" loan),
18 which is approximately \$160.0 million more than NBC's original application, as well as Division approval
19 of the refunding of the bonds securing NBC's WIFIA I loan in order to take advantage of an interest rate
20 reset that WIFIA is offering at this time.

21

22 **Q. Would you please describe how the rate reset of the WIFIA I loan will be accomplished?**

23 A. Yes. The rate reset will be accomplished through a current refunding that will require the
24 execution of a supplemental indenture, a bond and a new or amended WIFIA loan agreement. In
25 accordance with USEPA policy, there are no changes in the disbursement or amortization
26 schedule from what was included in the 2019 bond documents.

27

1 **Q. Are any additional authorizations required by the NBC's Board of Commissioners (Board)?**

2 A. Yes. The Board approved an Authorizing Resolution for an original principal amount of \$40.0
3 million, plus compounded interest for the WIFIA II loan at their April 21, 2020 meeting. Since that
4 time, the scope and cost of the project to be funded through this loan have increased and an
5 Authorizing Resolution for an original principal amount of up to \$200.0 million, plus compounded
6 interest will be presented to the Board for review and approval at a meeting planned for
7 September 29, 2020. In addition, NBC staff recently qualified for the rate reset for the WIFIA I
8 loan, and that refunding transaction also requires Board approval. An Authorizing Resolution will
9 be presented to the Board at their September 29, 2020 meeting for the refunding as well.
10 Therefore, NBC is requesting Division approval contingent upon the passage of the Authorizing
11 Resolutions by NBC's Board.

12

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

14 A. Yes.

1 **NARRAGANSETT BAY COMMISSION**

2
3 **PRE-FILED SUPPLEMENTAL DIRECT TESTIMONY**

4 **OF STEPHEN MACERONI**

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

7 A. My name is Stephen Maceroni, Director with PFM Financial Advisors LLC (PFM).

8
9 **Q. Could you please describe your educational and employment background?**

10 A. I hold a Master of Business Administration degree from the University of Rhode Island and a
11 Bachelor of Science in Management degree from Rhode Island College. With over 23 years of
12 public finance experience, I have served as financial advisor to governmental issuers in Rhode
13 Island and throughout New England. Issuers that I have served during my career as a financial
14 advisor include over 20 cities and towns in Rhode Island as well as the Rhode Island Health and
15 Educational Building Corporation, the Rhode Island Commerce Corporation and the Rhode Island
16 Convention Center Authority. In addition, I have extensive experience assisting borrowers through
17 the Rhode Island Infrastructure Bank State (RIIB) Revolving Fund Loan Program.

18
19 **Q. Can you describe the organization of PFM Financial Advisors LLC (PFM) and the types of
20 services that it provides?**

21 A. Over the past 44 years, PFM has provided independent financial advisory services to public
22 entities. PFM has grown into a national firm with over 600 employees in 38 offices across the
23 United States. For the 22nd consecutive year, PFM has maintained its position as the number one
24 financial advisor in the industry, providing financial advisory services on more than 873
25 transactions for a total par amount in excess of \$63.6 billion in 2019. In terms of wastewater
26 issuers, PFM has been the top ranked financial advisor in this sector for several years as well while
27 representing other large wastewater operators including the Massachusetts Water Resources
28 Authority and the DC Water and Sewer District. in 2019, PFM maintained its position as the
29 number one financial advisor for wastewater transactions, providing financial advisory services
30 on 87 transactions for a total par amount in excess of \$6.5 billion.

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 have experience working with the NBC and am familiar with NBC's borrowing
4 history and capital needs. I worked closely with NBC on the \$268.7 million loan through the Water
5 Infrastructure Finance and Innovation Act (WIFIA) program administered by the United States
6 Environmental Protection Agency (USEPA) for the CSO Phase IIIA Project. Most recently I worked
7 with NBC on the refunding of NBC's 2013 Series A and 2013 Series C Bonds and specific maturities
8 of the NBC's 2014 Series B and 2015 Series A bonds.

9

10 **Q. Have you testified previously before the Rhode Island Division of Public Utilities and Carriers
11 (Division)?**

12 A. Yes. In November 2019 I was asked to provide testimony in support of NBC's application for
13 Division approval to issue long-term debt as part of the proposed refunding of NBC's 2013 Series
14 A and 2013 Series C Bonds and specific maturities of the NBC's 2014 Series B and 2015 Series A
15 bonds.

16

17 **Q. What is the purpose of your supplemental testimony?**

18 A. To provide testimony in support of NBC's application to seek Division approval for a loan through
19 the Water Infrastructure Finance and Innovation Act (WIFIA) program for an original principal of
20 up to \$200.0 million, plus compounded interest through 2032 ("WIFIA II" loan), which is
21 approximately \$160.0 million more than NBC's original application, as well as the refunding of
22 NBC's WIFIA loan executed on August 27, 2019 issued in the original principal amount of \$268.7
23 million, plus compounded interest through 2032 ("WIFIA I" loan).

24

25 **Q. Would you please discuss how PFM modeled the proposed funding of the Bucklin Point
26 Resiliency Improvements and developed the WIFIA loan structure?**

27 A. PFM used the same model that was used as part of NBC's WIFIA I application. This debt
28 optimization model which incorporates the "What'sBest!" linear optimization tool to structure
29 the capital financing plan. With What'sBest!, the user places constraints on the model (i.e.,
30 coverage cannot go below 1.25x in any year, RIIB State Revolving Fund loans have certain
31 structuring limitations, etc.) that cannot be violated when What'sBest! is determining the
32 solution. Outside of these constraints that are placed on the model, What'sBest! is given the

1 ability to modify the funding source mix between WIFIA, RIIB State Revolving Fund loans, and NBC
2 open market revenue bonds along with the ideal amortization length for each to determine the
3 most inexpensive path of financing. With this approach, we are able to place a high degree of
4 confidence on the final structure of the financing sources since every possible funding mix and
5 amortization length for each source was contemplated by What'sBest!

6
7 The model prepared for NBC incorporated NBC's projected cash flows for the Bucklin Point
8 Resiliency Improvements along with NBC's other programmed capital improvement expenditures.
9 Other modeling considerations included maximum WIFIA funding of 49% of the project cost. The
10 resulting draws and amortization schedule are reflected in the testimony of Karen Giebink. The
11 balance of the funding for NBC's share of the project is from pay-as-you-go capital and publicly
12 offered Open Market bonds. In this regard, the model also took into consideration that NBC
13 desired to mitigate ratepayer impact. The model incorporated constraints of revenue increases
14 for debt service and debt service coverage for Open Market and/or RIIB loans every other year.
15 As a result of the modeling, relatively modest rate increases are required to support the program,
16 given the magnitude of the debt issuance. Please see the table below for the projected rate
17 increases and note that there are no projected increases related to this program after FY 2033
18 and also note that these projections are preliminary and subject to change:

Year Ending June 30,	Modeled Rate Increase*
FY 2021	0.0%
FY 2022	0.0%
FY 2023	5.5%
FY 2024	0.0%
FY 2025	5.5%
FY 2026	0.0%
FY 2027	2.0%
FY 2028	0.0%
FY 2029	2.0%
FY 2030	0.0%
FY 2031	2.0%
FY 2032	0.0%
FY 2033	2.0%

1 **Q. What makes the WIFIA loan the preferred funding source for the Bucklin Point Resiliency**
2 **Improvements Project?**

3 A. In addition to low fees and an attractive interest rate, the flexibility of the loan amortization and
4 repayment term offer significant benefits to NBC. The modeling maximized the benefits of the
5 amortization flexibility by compounding interest and structuring the loan repayment around
6 existing and planned debt issuance.

7
8 **Q. What is the projected interest rate of the WIFIA II loan?**

9 A. The interest rate is determined at loan closing and is based on the State and Local Governments
10 Series (SLGS) rate for the weighted average maturity of the loan. SLGS are securities that the
11 Department of the Treasury may issue to state and local government entities to assist with
12 complying with tax-exempt bond regulations. The daily SLGS rate is found on the Treasury Direct
13 website. Based on the amortization of the loan as structured for modeling purposes completed in
14 July 2020, the interest rate was 1.16%. The SLGS rate will ultimately be determined at closing and
15 may be slightly higher or lower.

16
17 **Q. What is the projected interest savings related to the rate reset of the WIFIA I loan?**

18 The interest rate is currently 1.89% and based on current market conditions, it is projected that
19 the rate could be reset at 1.16%. This would result in annual interest savings of approximately
20 \$2.9 million per year, or \$59.2 million over the life of the loan.

21
22 **Q. How does the interest rate compare to the projected RIIB or open market interest rates?**

23 A. Based on current market conditions, the WIFIA interest rate is for a 38.5-year bond with an
24 average life of 33.9 years is less than a 20-year RIIB loan and lower than what NBC would be able
25 to achieve through an open market revenue bond issue. For a RIIB loan, based on current market
26 rates, NBC could expect a subsidized interest rate of 1.00%. To this rate, you must add 30 basis
27 points for the RIIB service fees and you arrive at a rate of 1.30 %. Inclusion of RIIB's 1.0%
28 origination fee, which on a loan this size would be approximately \$1.9 million, results in an
29 effective interest rate of 1.40%.

30
31
32

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

2 A. NBC and USEPA are targeting October 2020 to close on this new money loan and the refunding.
3 Given that there is a 30-day statutory appeal on Division orders of this type, NBC is requesting
4 Division approval of this application, if at all possible, by mid-September 2020.

5

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

7 A. Yes.

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

IN RE: THE NARRAGANSETT BAY COMMISSION:

Docket No. D-20-06

**APPLICATION FOR BORROWING AUTHORITY
NOTICE OF FILING AND PUBLIC HEARING**

Notice is hereby given that pursuant to Rhode Island General Laws §39-3-15, §39-3-17, §39-3-18 and Section 14 of the Rhode Island Division of Public Utilities and Carriers' Rules of Practice and Procedure, the Narragansett Bay Commission ("NBC") filed with the Division of Public Utilities and Carriers ("Division") an Application For Borrowing Authority to obtain financing, payable more than twelve (12) months from the date of issue.

In its application, NBC seeks to issue compound interest bonds in an original principal amount of up to two hundred million dollars (\$200,000,000), plus compounded interest through 2032, through the Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA). These proceeds will be used to fund NBC's Bucklin Point Resiliency Improvements Project. NBC also seeks to authority to issue bonds to refund its 2019 Series C Bond issued in the original principal amount of \$268,710,610 plus compounded interest through 2032, which secured a 2019 WIFIA borrowing, to take advantage of currently prevailing lower interest rates, which will result in a financial benefit to the NBC and its ratepayers. The Application seeks authority to issue refunding bonds in an amount sufficient to refinance the NBC's 2019 Series C Bond and to pay related costs.

A hearing on the proposal will be held at the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, Rhode Island on _____, 2020 at _____ a.m. 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 NBC's Application For Borrowing Authority. Please note that the Division is accessible to the handicapped, and that individuals requesting interpreter services for the hearing impaired must contact the Clerk seventy-two hours in advance of the hearing.

A copy of the application is on file for examination at the NBC, One Service Road, Providence, Rhode Island and at the offices of the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, Rhode Island. A copy of the filing was also provided to the Rhode Island Attorney General's Department, Consumer Division.

Reference is 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, 42-35-8, and 42-35-10.

Linda George, Esquire, Interim Administrator