

Administration and Finance; and Mr. Michael Larocque, an account manager at the RICWFA.¹

Ms. Giebink testified that the NBC is requesting Division approval to enter into long-term debt and issue revenue bonds for an amount not to exceed \$60,000,000 at an interest rate not to exceed 2.2%. She testified that the NBC plans to use the loan to fund capital projects. She related that the Division has previously approved eight such loans to the NBC from the RICWFA, totaling \$129,345,031.²

Ms. Giebink explained that the loan proceeds will primarily provide “*partial funding for the construction of Phase I of the Combined Sewer Overflow abatement project [Contract 302 - \$44,100,000] and Contract 807: Improvements to the Bucklin Point Wastewater Treatment Facility [\$10,612,000]*”.³ She related that the proceeds would also fund the “*design phase of improvements to the Washington Highway and Omega Pump Stations [Contract 704 - \$200,000] and Television Inspection and Cleaning of Interceptors [Contract 304.04 - \$1,000,000] and other qualified projects [Contract 903 (GIS) - \$300,000; and Contract 109 (Nitrogen Removal) - \$100,000]*”.⁴ Ms. Giebink related that the balance of the proceeds would be used to pay RICWFA fees and the NBC’s bond issuance costs.⁵

¹ Mr. Larocque appeared in place of Mr. Anthony Simeone, the RICWFA’s Executive Director, who was originally identified as a supporting witness in this docket. Mr. Simeone was not available due to an illness in his family. Mr. Larocque adopted Mr. Simeone’s pre-filed direct testimony as his own sworn testimony in this docket.

² NBC Exh. 1, Giebink Testimony, p. 2.

³ Id.

⁴ Id., p. 3.

⁵ Id.

Ms. Giebink testified that other than the approval being sought from the Division, the NBC has met all of the requirements needed to close on the RICWFA loan. She related that the NBC's Board of Commissioners passed a resolution on May 6, 2002 authorizing the NBC to apply for a loan under the SRF program.⁶

Ms. Giebink related that the NBC applied for the instant loan on May 15, 2002 and that the RICWFA approved the loan on July 8, 2002. She related that the loan is conditioned upon a number of terms that are set forth in the RICWFA's approval letter.⁷

Ms. Giebink also related that she was pleased to inform the Division that Standard and Poor's has upgraded the NBC's credit rating from an A to an A+. She noted that one of the factors sighted for the upgrade was the acceptance of the need to establish rates that generate 125% of the debt service coverage by the NBC's Board of Directors, the Division and the Public Utilities Commission. She opined that the upgrade could result in more favorable interest rates and therefore cost savings to the NBC's ratepayers in the future.⁸

Ms. Giebink next testified that the loan would be structured similar to prior loans from the RICWFA. She related that this particular loan, however, would be the first loan at the blended rate discussed at length during the last loan approval process. She explained that the blended rate would be achieved

⁶ Id., p.3.

⁷ Id., "exhibit 2".

⁸ Id., p.4.

by structuring the loan half at zero percent and half at the subsidized rate under market conditions.⁹

Ms. Giebink explained that the NBC's application reflects "not-to-exceed" figures for the loan amount and the interest rate due to current market conditions. She related that the NBC's financial advisor is confident that the interest rate for the loan will not exceed 2.2%. She also related that the RICWFA has indicated that although the maximum amount of this borrowing is \$57,000,000, there is a possibility that the loan amount could be increased if market conditions change prior to pricing on the loan, which is scheduled for October 4, 2002.¹⁰ Ms. Giebink subsequently proffered debt service schedules reflecting a \$57,000,000 loan at 2.133% and a draft loan agreement.¹¹

In her final comments, Ms. Giebink related that the NBC's current rates generate sufficient revenue to fund the debt service associated with the instant loan. She noted that the Public Utilities Commission ("Commission") recently approved an annual debt service allowance of \$20,428,887 for the NBC on June 6, 2002. Ms. Giebink thereupon proffered a "*debt service coverage schedule*", which she stated reflects that the additional debt service can be covered through the annual allowance.¹²

⁹ *Id.*, p. 4.

¹⁰ *Id.*, pp. 4-5.

¹¹ *Id.*, "exhibits 3 [and] 5" and NBC Exh. 2.

¹² *Id.*, p.5 and "exhibit 4".

Mr. Larocque provided supplemental information regarding the loan and also offered a description of the structure of the RICWFA's "*blended rate program*".¹³

The Division's Advocacy Section did not present any witnesses in this docket. After a thorough cross-examination of the NBC's witnesses, the Advocacy Section stated for the record that it was satisfied from the evidence presented, that the NBC 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 the NBC's application seeking approval to enter into long-term debt and issue revenue bonds in an amount not to exceed \$60,000,000, is reasonable and in the best interest of ratepayers.

Now, therefore, it is

(17195) ORDERED:

1. That the Narragansett Bay Commission's September 16, 2002 application, which seeks Division approval under R.I.G.L. §39-3-15, seeking authority to enter into long-term debt and issue revenue bonds in an amount not to exceed \$60,000,000 as part of a State Water Pollution Control Revolving Fund loan from the Rhode Island Clean Water Finance Agency, is hereby approved as filed.

¹³ Id., Simeone Testimony, p.2.

2. That the Division hereby makes this approval contingent upon the NBC's use of the debt service allowance previously approved by the Commission, or if subsequently required, by additional debt service allowances approved by the Commission.
3. That the Division hereby limits approval of the instant application to the terms and details identified in the record.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 17, 2002.

John Spirito, Jr., Esq.
Hearing Officer

Thomas F. Ahern
Administrator