

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

IN RE: City of Woonsocket Water Division :
 Application to Incur Long-Term Debt : Docket No. D-02-31

REPORT AND ORDER

On October 24, 2002, the City of Woonsocket Water Division (“WWD”) filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking authority to enter into long-term debt and issue revenue bonds in an amount not to exceed \$10,165,250 as part of a State Water Pollution Control Revolving Fund (“SRF”) loan from the Rhode Island Clean Water Finance Agency (“RICWFA”). 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 response to the application filing, the Division conducted a duly noticed public hearing on December 5, 2002. The hearing was conducted in the Division’s hearing room, located at 89 Jefferson Boulevard in Warwick. The following counsel entered appearances:

For the WWD:	Craig L. Eaton, Esq.
For the Division’s Advocacy Section:	John Bell Division Rate Analyst

The WWD proffered one witness in support of its application. The witness was identified as Mr. Emerson J. Marvel, the WWD's Superintendent. Mr. Marvel sponsored and authenticated four WWD exhibits, including his own pre-filed direct testimony.¹

Mr. Marvel testified that the WWD is requesting Division approval to enter into long-term debt and issue revenue bonds for an amount not to exceed \$10,165,250 at an interest rate not exceeding the market rate, which is now approximately 5.25%. Mr. Marvel related that the WWD plans to use the loan to "complete a system-wide meter change-out using automated meter reading technology and to complete infrastructure improvements approved in [Commission] Docket 2904".² Mr. Marvel identified the following specific projects as the infrastructure improvements in issue:

1. The construction of a Mount St. Charles low service potable water storage tank;
2. The replacement of the Mount St. Charles high service potable water storage tank;
3. The replacement of the Mount St. Charles high service pumping station;
4. The replacement of the Rhodes Avenue high service potable water storage tank; and

¹ WWD Exhibit 1 – Application, with one attached exhibit
WWD Exhibit 2 – Statement in Accordance with R.I.G.L. §39-3-17
WWD Exhibit 3 – Attestation under Rule 14 of the Rules of Practice and Procedure
WWD Exhibit 4 – Pre-filed testimony of Emerson J. Marvel, with two attached exhibits

² WWD Exhibit No. 4, p.4.

5. The replacement of the potable water transmission main from the water treatment plant to the Mount St. Charles potable water storage tanks on Logee Street.³

Mr. Marvel further testified that the proposed SRF loan would be secured by a water revenue pledge of the WWD. He added that by borrowing the funds from the RICWFA, the WWD “will be able to obtain a subsidized interest rate of borrowing, which is in the best interest of the ratepayers”.⁴

Mr. Marvel emphasized that the WWD will not require additional rate relief from the Public Utilities Commission (“Commission”) to make the principal and interest payments on the proposed note. He related that the Commission previously approved the rates necessary to fund these infrastructure replacement projects in the WWD’s last rate case, in Docket No. 2904, supra. He added that a “Revenue Anticipation Note”, also funded through Docket No. 2904, is being retired early, which he stated will now free up funds that “will be sufficient to pay for the meter change-out portion of the loan”.⁵

In his final comments, Mr. Marvel indicated that the Woonsocket City Council has passed a resolution authorizing the instant borrowing.⁶ He also briefly discussed two schedules that he prepared to illustrate how the proposed borrowing would affect the WWD’s capital structure.⁷

³ Id., pp. 4-5.

⁴ Id., p.5.

⁵ Id.

⁶ WWD Exhibit 1, attachment “Exhibit A”

⁷ WWD Exhibit 4, attachments.

The Division's Advocacy Section did not present any witnesses in this docket. It did however, propound a number of discovery requests, after which it proffered the WWD's responses as evidence in this docket.⁸ Included in this evidence was documentation from the RICWFA and the Rhode Island Department of Health, reflecting approval for the proposed borrowing and planned infrastructure improvement projects. The documents also contained the following relevant information:

- That the RICWFA has limited the term of the loan to a period not to exceed twenty years after project completion.
- That the interest cost for the proposed RICWFA loan will be fixed to equal, as nearly as practicable, three-quarters (3/4) of the prevailing market interest cost for tax-exempt or taxable issuers of comparable creditworthiness.
- That the infrastructure replacement projects identified herein are scheduled to be completed by no later than November of 2004.

After a thorough cross-examination of the WWDs witness, the Advocacy Section stated for the record that it was satisfied from the evidence presented, that the WWD 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 WWD's application seeking approval to enter into long-

⁸ Advocacy Section Exhibit 1.

term debt and issue revenue bonds in an amount not to exceed \$10,165,250, is reasonable and in the best interest of ratepayers.

Now, therefore, it is

(17264) ORDERED:

1. That the City of Woonsocket Water Division's October 24, 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 \$10,165,250 as part of a State Water Pollution Control Revolving Fund loan from the Rhode Island Clean Water Finance Agency, is hereby approved as filed.
2. That the Division hereby makes this approval contingent upon the WWD'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 DECEMBER 6, 2002.

John Spirito, Jr., Esq.
Hearing Officer

Thomas F. Ahern
Administrator

