

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

In Re: The Providence Water Supply)
 Board, Application for) Docket No: D-22-16
 Authority to Issue Debt)
)

REPORT AND ORDER

On November 15, 2022, the Providence Water Supply Board, (“Providence Water” or “PW”) filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking authority to borrow from the Rhode Island Infrastructure Bank’s Safe Drinking Water Revolving Fund in an amount not to exceed \$10,000,000. The application was filed in accordance with the requirements contained in Section 39-3-15 of the Rhode Island General Laws and Rule 1.14 of the Division’s *Rules of Practice and Procedure*.

In its filing, Providence Water states that it plans to borrow from the Efficient Buildings Fund through the Rhode Island Infrastructure Bank (“RIIB”), revenue bonds in an amount not to exceed \$10,000,000, the proceeds of which will be used to fund improvements on the Providence Water’s central operations facilities, treatment plant and the Fruit Hill pumping station.¹

In response to the application filing, the Division conducted a duly noticed public hearing on December 12, 2022. The hearing was conducted in the

¹ Providence Water Exhibit “A.”

Division's hearing room, located at 89 Jefferson Boulevard in Warwick. The following counsel entered appearances at the hearing:

For Providence Water: Leah Donaldson, Esq.

Advocacy Section: Leo Wold, Esq.
Chief Legal Counsel

PROVIDENCE WATER'S DIRECT CASE

Providence Water proffered three witnesses in support of its borrowing request all of whom submitted pre-filed direct testimony.² The witnesses were identified as Ms. Nancy Parrillo, Providence Water's Senior Manager of Finance for the Providence Water Supply Board; Peter LePage, Director of Engineering for the Providence Water Supply Board; and Ms. Maureen Gurghigian, Managing Director at Hilltop Securities, Inc.

Ms. Parrillo testified that this borrowing from RIIB will be used for the replacement and upgrades to Providence Water's facilities with more energy efficient equipment.³ Ms. Parrillo testified that the debt service payments for the borrowing were included in rates previously approved in Providence Water's multi-year rate filing in Rhode Island Public Utilities Commission Docket No. 4991.⁴ She explained that bonds issued by RIIB will be secured with a revenue pledge by Providence Water's Enterprise Fund under a Providence Water Bond Indenture.⁵

² Providence Water Exhibit "A".

³ Providence Water Exhibit "A", Parrillo Testimony, p. 1.

⁴ Providence Water Exhibit "A", Parrillo Testimony, p. 2.

⁵ Providence Water Exhibit "A", Parrillo Testimony, p. 3.

The next witness was Mr. Peter LePage, Director of Engineering for the Providence Water Supply Board. Mr. LePage testified that the primary use of the funds will be improvements to the Providence Water Supply Board's Central Operations Facility (CCP), Treatment Plant, and the Fruit Hill Pumping Station, including but not limited to replacement of emergency power generators, utility service transformers, multiple HVAC units and dehumidification units.⁶ Additionally he explained the funds will pay for energy efficient LED lighting systems.⁷ Mr. LePage testified that there are cost reduction benefits of replacing this old equipment with energy efficient equipment.⁸

The final witness for PW was Maureen Gurghigian who stated she is providing assistance to Providence Water with respect to the instant borrowing through RIIB.⁹ She explained that Providence Water is requesting authority to obtain financing not to exceed \$10,000,000.¹⁰ It is expected that the loan will be funded by RIIB's Efficient Building Fund ("EBF") at or below market rates equal to 33% off PW's market rate at the time of pricing.¹¹ PW seeks to use funds for improvements to the Providence Water's central operations facilities, treatment plant and the Fruit Hill pumping station.¹²

Ms. Gurghigian testified that, based upon market conditions as of October 20, 2022, it is anticipated that the interest rate on the loan will not exceed the

⁶ Providence Water Exhibit "A", LePage Testimony, p. 2.

⁷ Providence Water Exhibit "A", LePage Testimony, p. 3.

⁸ Id.

⁹ Providence Water Exhibit "A", Gurghigian Testimony, p. 2.

¹⁰ Id.

¹¹ Id.

¹² Id.

market rate of 5%, which would result in a projected subsidized rate of 3.34.%¹³. For purposes of Division approval, she recommended a not to exceed market rate of 5.25% and a subsidized rate of 3.5% ¹⁴

Next, Ms. Gurghigian testified as to how the funds from the borrowing would be disbursed. She explained that of the \$10,000,000 loan that \$8,986,824 would be available for project expenditures, approximately \$848,176 would be set aside for the debt service reserve fund, and about \$165,000 would be allocated for costs of issuance, rating agency fees, bond counsel, financial advisor and trust fees, and the RIIB origination fee.¹⁵

Ms. Gurghigian also proffered a debt service schedule with her pre-filed testimony. She testified that for the \$10,000,000 loan, annual debt service is expected to be approximately \$870,000 per year at projected interest rates, including the RIIB annual fee.¹⁶ She noted that this amount is subject to change based upon the actual project costs, draw schedule and prevailing interest rates at the time of borrowing.¹⁷ She stated that during the construction period, PW will pay interest based upon the construction draw down and this is why the first year's debt service is significantly lower.¹⁸

¹³ Providence Water Exhibit 1, Gurghigian Testimony, p. 3.

¹⁴ Id.

¹⁵ Id.

¹⁶ Id.

¹⁷ Id.

¹⁸ Id.

THE ADVOCACY SECTION'S POSITION

The Division's Advocacy Section did not present any witnesses in this case but did proffer one exhibit containing Providence Water's responses to data requests.¹⁹ 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

Based upon a careful examination of the record in this matter, I find that the instant application request is reasonable and in the best interest of Providence Water's ratepayers.

Now, therefore, it is


(24550) ORDERED:

1. That Providence Water's November 15, 2022 application, which seeks Division approval under R.I.G.L. §39-3-15, to borrow an amount not to exceed \$10,000,000 from the Rhode Island Infrastructure Bank's Efficient Building Fund, 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 Providence Water's use of the debt service allowance previously approved by the Public

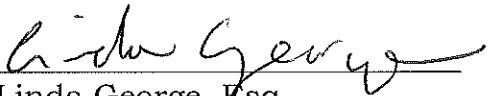
¹⁹ Advocacy Section Exhibit "B".

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 DECEMBER 21, 2022.



Jon G. Hagopian, Esq.
Hearing Officer

Approved: 

Linda George, Esq.
Administrator



STATE OF RHODE ISLAND

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NOTICE OF AVAILABILITY OF JUDICIAL REVIEW (PROVIDED PURSUANT TO R.I.G.L. § 42-35-12)

Please be advised that if you are aggrieved by this final decision (report and order) of the Rhode Island Division of Public Utilities and Carriers ("Division") you may seek judicial review of the Division's final decision by filing an appeal with the Rhode Island Superior Court. You have thirty (30) days from the mailing date (or hand delivery date) of the Division's final decision to file your appeal. The procedures for filing the appeal are set forth in Rhode Island General Laws, Section 42-35-15.

Proceedings for review may be instituted by filing a complaint in the Superior Court of Providence or Kent Counties. Copies of the complaint must be served upon the Division and all other parties of record in your case. You must serve copies of the complaint within ten (10) days after your complaint is filed with the Superior Court.

Please be advised that the filing of a complaint (appeal) with the Superior Court does not itself stay enforcement of the Division's final decision. You may however, seek a stay from the Division and/or from the Court.

The judicial review shall be conducted by the Superior Court without a jury and shall be confined to the record. The Court, upon request, shall hear oral argument and receive written briefs.