

**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-23-06
 Borrowing Authority)
)

REPORT AND ORDER

On February 27, 2023, 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 \$5,500,000. 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 Drinking Water State Revolving Fund through the Rhode Island Infrastructure Bank (“RIIB”), revenue bonds in an amount not to exceed \$5,500,000, proceeds of which will be used to fund improvements on the Providence Water’s large distribution water main replacement project in the Trinity Square section of Providence.¹

In response to the application filing, the Division conducted a duly noticed public hearing on March 28, 2023. The hearing was conducted in the Division’s

¹ Providence Water Exhibit “A.”

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 a panel of 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 distribution system and appurtenances, focusing on the rehabilitation of water mains, transmission lines, service lines, valves, and related expenses.³ Ms. Parrillo testified that Providence Water does not need to ask for a rate increase to cover initial repayments because the transfer of rate revenue to the Infrastructure Replacement Fund is currently sufficient.⁴ Providence Water anticipated additional borrowings in its most recent, three step rate filing—Docket 4994—that was approved on August 27, 2020 and included the estimated debt service

² Providence Water Exhibit "A".

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

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

payments at that time.⁵ Ms. Parrillo explained that the borrowing will not impact customers at this time as any impact to the customer base has been anticipated and included in the three step rate increase approved in Docket 4994.⁶

The next witness to testify 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 for improvements to a large distribution water main rehabilitation project in the Trinity Square section of Providence.⁷ Mr. LePage testified that Providence water will be able to take advantage of working on this water main rehabilitation project before the Providence Public Works Department resurfaces the roadway in this section of Providence, ultimately saving the rate payers the cost of remediation of the roadway 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 \$5,500,000.¹⁰ It is expected that the loan will be funded by RIIB's Drinking Water State Revolving Fund (DWSRF) at below market rates equal to 25% off PW's market rate at the time of pricing.¹¹ The bonds here will be secured with a revenue pledge by the Providence Water Enterprise Fund Revenues under the Providence Water Bond Indenture. PW seeks to use the

⁵ Id.

⁶ Id.

⁷ Providence Water Exhibit "A", LePage Testimony, p. 2.

⁸ Id.

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

¹⁰ Id.

¹¹ Id.

funds for improvements to water mains in the Trinity Square section of Providence.¹²

Ms. Gurghigian testified that based upon market conditions as of January 11, 2023, it is anticipated that the interest rate on the loan will not exceed the market rate of 4.19%, which would result in a projected subsidized rate of 3.14%.¹³ For purposes of Division approval, she recommended a not to exceed market rate of 5.25% and a subsidized rate of 4.00% ¹⁴

Next, Ms. Gurghigian testified as to how the funds from the borrowing would be disbursed. She explained that of the \$5,500,000 loan, \$4,985,017 would be available for project expenditures, approximately \$384,983 would be set aside for the debt service reserve fund, and about \$130,000 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 \$5,500,000 loan, annual debt service is expected to be approximately \$384,500 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

¹² Id. p. 4.

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

¹⁴ Id.

¹⁵ Id.

¹⁶ Id.

¹⁷ Id.

will pay interest based upon the construction draw down and this is why the first year's debt service is significantly lower.¹⁸

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

(24638) ORDERED:

1. That Providence Water's February 27, 2023 application, which seeks Division approval under R.I.G.L. §39-3-15, to borrow an amount not to exceed \$5,500,000 from the Rhode Island Infrastructure Bank's Drinking Water State Revolving Fund, is approved as filed.

¹⁸ Id.

¹⁹ Advocacy Section Exhibit "B".

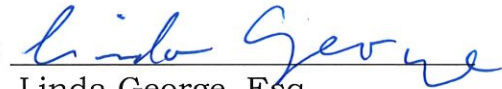
2. That the Division hereby limits approval of the instant application to the terms and details identified in the record.
3. That the Division hereby makes this approval contingent upon Providence Water's use of the debt service allowance previously approved by the Public Utilities Commission, or if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

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND OF APRIL 10, 2023.



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.