

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

In Re: The Narragansett Bay Commission :  
Application Seeking Approval to : Docket No.: D-24-03  
Enter Long-Term Debt and :  
Issuance of Revenue Bonds of :  
\$75,000,000 State Revolving Fund  
(SRF) Loan

**REPORT AND ORDER**

On February 16, 2024, the Narragansett Bay Commission (“NBC”) filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking authority to borrow from the Rhode Island Infrastructure Bank (“RIIB”) an amount not to exceed \$75,000,000. The application was filed in accordance with the requirements of Rhode Island Gen. Law §39-3-15 and Rule 1.14 of the Division’s *Rules of Practice and Procedure*. In its filing, NBC states that the purpose of the loan is to fund the design and construction of multiple NBC capital projects and to issue bonds evidencing the loan.<sup>1</sup>

In response to the filing, the Division conducted a duly noticed public hearing on March 20, 2024. The hearing was conducted in the Division’s hearing room, located at 89 Jefferson Boulevard in Warwick.

---

<sup>1</sup> Pre-filed testimony Karen L. Giebink, (February 16, 2024) at 1.

The following counsel entered appearances at the hearing:

For NBC: Joseph A. Keough, Esq.

For the Division's  
Advocacy Section: Gregory Schultz, Esq.

**NBC's Direct Case**

NBC submitted pre-filed direct testimony from two witnesses in support of its application: Karen L. Giebink, Chief Financial Officer and Stephen Maceroni, a Director with PFM Financial Advisors, LLC.

**Karen L. Giebink, Chief Financial Officer<sup>2</sup>**

In her capacity as CFO, Ms. Giebink has testified numerous times in various docketed proceedings before both the Division and the Public Utilities Commission ("PUC").<sup>3</sup> She noted that NBC has, on multiple prior occasions, been approved for borrowing totaling \$808,673,210 and has received \$16,635,092 in principal forgiveness from RIIB.<sup>4</sup> She explained that the current filing proposes that the new debt service will be "wrapped" around NBC's existing debt service to level annual debt service and to mitigate ratepayer impact. The loan does not include any capitalized interest and amortization will not exceed 30 years. Notably, the loan is anticipated to be at a subsidy of 1/3 market rates. In her prefiled testimony Ms. Giebink indicated that RIIB confirmed that NBC is eligible to receive between \$3,000,000 and \$5,000,000 in affordability-based principal forgiveness and between \$1,000,000 and \$3,000,000 in loan

---

<sup>2</sup> At hearing, Ms. Giebink updated and adopted her prefiled testimony under oath.

<sup>3</sup> Giebink Test. at 1.

<sup>4</sup> *Id.* at 2.

forgiveness through the Rhode Island Clean Water State Revolving Fund's Green Project Reserve program.<sup>5</sup> At the hearing, these figures were updated as follows: \$4,191,624 in affordability-based principal forgiveness and \$1,000,704 in Green Project forgiveness, for a total of \$5,199,024.

Ms. Giebink related that the loan proceeds would be utilized predominantly for the Combined Sewer Overflow (CSO) IIIA project. Other, smaller projects may also be funded, depending upon actual cash draws and whether projects qualify for "green funding" which allows NBC to receive principal forgiveness. RIIB origination fee and bond issuance costs will total \$976,000.<sup>6</sup> She testified at the hearing that the predominant Green Project identified is the Bucklin Point wastewater ultra-violet disinfecting project. She identified that all of NBC's proposed projects are included on the State of Rhode Island's Department of Environmental Management's ("RIDEM") 2024 Project Priority List.<sup>7</sup>

She further testified that NBC's current rates for 2025, as approved by the PUC, are designed to generate total revenue of \$115,814,922<sup>8</sup> of which \$62,642,390 is for debt service and debt service coverage, and that NBC has sufficient revenue to service the new debt.<sup>9</sup> According to Exhibit KG-1 the debt service coverage requirement meets Trust Indenture requirements for an overall debt service coverage ratio of 1.25 x and debt service coverage of 1.35x (net of

---

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> This figure was updated from her prefiled testimony of \$112,485,922. See Giebink Test. at 3.

<sup>9</sup> *Id.* See also, Exhibit KG-1.

RIIB interest rate subsidies) for three full fiscal years following the issuance of the bonds to RIIB. As such, no rate increase is required at this time. At the hearing, she confirmed that by 2032, a rate increase would be likely but that NBC had planned to file a rate proceeding before that time.

Ms. Giebink submitted exhibits which verified that NBC's Board of Commissioners passed two Authorizing Resolution for borrowings. The first was Narragansett Bay Commission Resolution 2023:09 for an amount not to exceed \$50,000,000 at its May 16, 2023 meeting.<sup>10</sup> The second NBC resolution, 2023:21 was issued on September 26, 2023 in an amount not to exceed \$100,000,000.<sup>11</sup> On February 15, 2024, NBC received a commitment letter from RIIB for an amount not to exceed \$75,000,000.<sup>12</sup> As part of its application, NBC also submitted the proposed loan agreement.<sup>13</sup>

**Stephen Maceroni, Director-PFM Financial Advisors, LLC<sup>14</sup>**

In his prefiled testimony, Mr. Maceroni stated that his firm has been working with NBC's Board of Directors since 2012 and that he has worked closely with NBC on its loans through the Water Infrastructure Finance and Innovation Act program which is administered by the United States Environmental Protection Agency.

He described the anticipated revenue bonds as having a final maturity date of September 1, 2053 with principal amortization commencing on September 1,

---

<sup>10</sup> Exhibit KG-2a.

<sup>11</sup> Exhibit KG-2b.

<sup>12</sup> Exhibit KG-3.

<sup>13</sup> Exhibit KG-4.

<sup>14</sup> At hearing, Mr. Maceroni adopted his pre-filed testimony under oath.

2035.<sup>15</sup> The bonds will be structured with a RIIB subsidy of 1/3 of the market rate, plus expected principal forgiveness and an administrative fee of .30%. On an aggregate basis, it is anticipated that the borrowing will not exceed a market rate of 4.80% and an all-in subsidized rate of 3.52%. The bonds are structured to “smooth-out” NBC’s overall long-term debt service structure.<sup>16</sup> He further indicated that given the volatility on the market, the debt service schedules in the filing include current market rates plus an additional .50%.<sup>17</sup>

Mr. Maceroni provided an update on current market rates, the yield curve, NBC’s credit rating and how these factors influence NBC’s options. He noted that tax-exempt interest rates experienced volatility throughout 2023. He explained that the 30-year AAA Municipal Market Rate Data Index (MMD) began 2023 at 3.57% before declining to 3.20% at the end of first quarter. Rates gradually rose to 3.88% at the end of August and to 4.57% by the end of October. Thereafter, rates declined to 3.42% by the end of the year. By the end of January 2024, the 30-year MMD was 3.61%. He submitted that while yield curve interest rates are slightly higher as of the filing date, they were within the historical range of the last 10 years.<sup>18</sup> Finally, Mr. Maceroni testified that NBC will be seeking a credit rating from S&P Global Ratings in March 2024 and that NBC’s stable credit ratings have and will contribute to cost savings to ratepayers.

---

<sup>15</sup> See Exhibit SM-1.

<sup>16</sup> Pre-filed testimony Stephen Maceroni, (February 16, 2024) at 2.

<sup>17</sup> *Id.*

<sup>18</sup> Maceroni testimony at 3.

### **The Advocacy Section's Position**

The Division's Advocacy Section presented oral testimony from Alberico Mancini, Chief Regulatory Analyst for the Division. He explained that the Division reviews debt filings to understand the amount, purpose, and terms of the loan and if the filing has provided adequate supporting documentation. He testified that he had reviewed the filing in detail and concluded that the proposal merited a positive recommendation from the Division. The Division further confirmed, on cross-examination, that the proposed projects were in fact on the RIDEM's list of priority projects and appeared reasonable to the Division. Upon conclusion of his testimony, Mr. Mancini stated that the Division was, therefore, in support of the filing and recommended approval.

### **Findings**

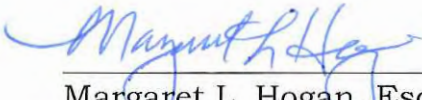
The Division finds that the witnesses appearing before the Hearing Officer were credible and reliable and that there were no conflicting facts. Predicated on a careful examination of the record and testimony in this matter, the Division finds that the instant application request is reasonable and in the best interest of NBC's ratepayers, and meets the requisite burden of proof set forth in R.I. Gen. Law §39-3-15, et seq.


Now, therefore, it is

**( 24967 ) ORDERED:**

1. That NBC's February 16, 2024 application, which seeks Division approval under R.I. Gen Law §39-3-15, to borrow an amount not to exceed \$75,000,000 from the Rhode Island Infrastructure Bank, as amended at hearing, is hereby approved.
2. That the Division hereby limits approval of the instant application to the terms and details identified in the record, as amended at hearing.

Dated and Effective at Warwick, Rhode Island on March 27, 2024.

  
\_\_\_\_\_  
Margaret L. Hogan, Esq.  
Hearing Officer

Approved:   
\_\_\_\_\_  
Linda D. George, Esq.  
Administrator



**STATE OF RHODE ISLAND**

**DIVISION OF PUBLIC UTILITIES & CARRIERS**  
89 Jefferson Boulevard  
Warwick, Rhode Island 02888  
(401) 941-4500

**FAX: (401) 941-9161**  
**TDD: (401) 941-4500**

**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.