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April 4, 2024

Ms. Luly Massaro, Clerk
State of Rhode Island Division of
Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

RE: Narragansett Bay Commission Application For Borrowing Authority

Dear Ms. Massaro:

On behalf of the Narragansett Bay Commission ("NBC"), enclosed you will find an original and four copies of an Application for Borrowing Authority. In its application, NBC seeks to refund the outstanding Narragansett Bay Commission Wastewater System Revenue Refunding Bonds 2008 Series A (the "2008 Series A Bonds") and approval for the tender offer purchase and refunding of all or a portion of the Narragansett Bay Commission Wastewater System Revenue Refunding Bonds 2020 Series A ("2020 Series A Bonds"). Included in the application package is a copy of the proposed notice to be published in the Providence Journal. Please let me know if the proposed notice is acceptable and please contact me with a hearing date so it can be published.

Thank you for your attention to these matters.

Sincerely,



Joseph A. Keough, Jr.

Enclosures

cc: State of Rhode Island Attorney General's Office



NARRAGANSETT BAY COMMISSION

ONE SERVICE ROAD, PROVIDENCE, RI 02905

**Approval to Pursue Refunding of All or a Portion of the
Outstanding 2008 Series A Revenue Refunding Bonds**

**Approval to Pursue Tender Offer Purchase and
Refunding of All or a Portion of the Outstanding
2020 Series A Revenue Refunding Bonds**

April 4, 2024

Vincent Mesoletta, Jr.
Chairman

Laurie Horridge
Executive Director

**STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

IN RE: THE NARRAGANSETT BAY COMMISSION:

Docket No. D-24-

**APPLICATION FOR BORROWING AUTHORITY
NOTICE OF FILING AND PUBLIC HEARING**

Notice is hereby given that on April 4, 2024, pursuant to the Rhode Island General Law §39-3-15, §39-3-17, §39-3-18 and Section 1.14 of the Rhode Island Division of Public Utilities and Carriers' Rules of Practice and Procedure, the Narragansett Bay Commission ("NBC") filed with the Division of Public Utilities and Carriers ("Division") an Application For Borrowing Authority to obtain financing, payable more than twelve (12) months from the date of issue to refund the outstanding Narragansett Bay Commission Wastewater System Revenue Refunding Bonds, 2008 Series A (the "2008 Series A Bonds") and approval for the tender offer purchase and refunding of all or a portion of the Narragansett Bay Commission Wastewater System Revenue Refunding Bonds, 2020 Series A ("2020 Series A Bonds"). These refundings will allow NBC to lower the principal amount and overall debt service owed on these bonds, which will result in a financial benefit to NBC and its ratepayers. The Application seeks authority to issue refunding bonds in an amount sufficient to pay all or a portion of the principal of, interest on, and redemption price, if any, of the 2008 Series A Bonds and 2020 Series A Bonds, provided, however, that refunding bonds shall be issued only if NBC is able to achieve satisfactory net present value savings, net of issuance costs.

A hearing on the proposal will be held at the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, Rhode Island on April _____, 2024 at _____ a.m. The hearing may continue thereafter from day to day and time to time as required. At this hearing, the Division will consider the propriety of NBC's Application For Borrowing Authority. Please note that the Division is accessible to the handicapped, and that individuals requesting interpreter services for the hearing impaired must contact the Clerk seventy-two hours in advance of the hearing.

A copy of the application is on file for examination at the NBC, One Service Road, Providence, Rhode Island and at the offices of the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, Rhode Island. A copy of the filing was also provided to the Rhode Island Attorney General's Department, Consumer Division.

Reference is made to Chapters 39-1, 39-3 and 42-35 of the Rhode Island General Laws; specifically Sections 39-1-7, 39-1-8, 39-1-11, 39-1-12, 39-1-16, 39-1-18, 39-1-20, 42-35-8, and 42-35-10.

1 NARRAGANSETT BAY COMMISSION

2
3 PRE-FILED DIRECT TESTIMONY
4 OF JOHN SCOTTON
5

6 I. INTRODUCTION

7 **Q. Please state your name and address.**

8 A. My name is John Scotton. My business address is the Narragansett Bay Commission, One
9 Service Road, Providence, Rhode Island 02905.
10

11 **Q. For whom are you employed and what is your position?**

12 A. I am employed by the Narragansett Bay Commission (NBC) as the Treasury and Debt Manager.
13

14 **Q. For how long have you been so employed?**

15 A. I joined NBC in November 2023 as the Treasury and Debt Manager. Prior to joining NBC, I
16 was a Corporate Finance Manager with Duke University Health System from 2019 through
17 2023. In this capacity, I was responsible for the administration and accounting for the
18 Health System’s cash, debt, and investment portfolios. Prior to my employment with Duke
19 University Health System, I was the Corporate Debt Manager with Duke University from
20 2016 through 2019, where I administered the University and Health System Debt and
21 Derivative Portfolios and participated in multiple financing transactions. I began my career
22 in 2013 as an auditor with Ernst & Young. I am a Certified Public Accountant and hold a
23 Bachelor’s Degree in Business Administration and Master’s Degree in Accounting from the
24 University of North Carolina at Chapel Hill, where I was a Morehead-Cain Scholar.
25

26 **Q. Have you previously testified before the Division of Public Utilities and Carriers?**

27 A. No.
28

29 **Q. What is the purpose of your testimony?**

30 The purpose of my testimony is to provide information regarding NBC’s application for
31 approval by the Rhode Island Division of Public Utilities and Carriers (Division) to enter into
32 long-term debt and issue revenue bonds to effectuate the refunding of all or a portion of

1 the outstanding Narragansett Bay Commission Wastewater System Revenue Refunding
2 Bonds, 2008 Series A (2008 Series A Bonds) and approval for the tender offer purchase and
3 refunding of all or a portion of the Narragansett Bay Commission's Wastewater System
4 Revenue Refunding Bonds, 2020 Series A (2020 Series A Bonds).

5
6 **Q. Has the Division previously approved similar applications from NBC?**

7 A. Yes. The Division has approved previous requests from NBC that effectuated the refunding
8 of the 2005 Series A Bonds, 2007 Series A Bonds, as well as the 2013 Series A and 2013
9 Series C Bonds and specific maturities of the 2014 Series B and 2015 Series A Bonds. Those
10 refundings generated significant savings for NBC and ratepayers.

11
12 **Q. Can you briefly describe how a bond refunding works, and why NBC needs Division
13 approval?**

14 A. Yes. NBC wishes to "refinance" the bonds and achieve savings. This is the same concept as
15 refinancing a mortgage whereby one repayment obligation is replaced with a separate
16 repayment obligation. In past refundings approved by the Division, NBC has replaced
17 higher interest rate borrowings with lower interest rate borrowings. In this case, NBC is
18 replacing lower interest rate borrowings with higher interest rate borrowings, but with
19 lower principal amounts. The lower principal amounts are what allow NBC to achieve
20 savings despite higher interest rates. NBC seeks approval from the Division to be
21 positioned to execute the refundings as soon as practicable.

22
23 **Q. How would you like to proceed with your testimony?**

24 A. The two transactions identified in this application are similar but not identical. I will first
25 provide testimony regarding the proposed refunding of the 2008 Series A Bonds and follow
26 with testimony regarding the proposed refunding of the 2020 Series A Bonds. I will then
27 address refunding considerations, requirements, and timing.

1 **II. 2008 SERIES A BONDS**

2 **Q. Would you please provide some background regarding the proposed 2008 Series A**
3 **refunding?**

4 A. Yes. NBC seeks to refund all or a portion of the 2008 Series A Bonds. NBC issued the tax-
5 exempt 2008 Series A on July 17, 2008, in variable rate mode. On January 17, 2020, in
6 accordance with the terms of the 2008 bond documents, NBC converted the interest rate
7 on its 2008 Series A Bonds from variable mode to a tax-exempt fixed rate of 2.29% through
8 a direct purchase by J.P. Morgan (JPM). Since that time, interest rates have risen
9 significantly. Recently, JPM approached NBC with a proposal to refund the 2008 Series A
10 Bonds at a 6% discount of the principal outstanding, which would allow JPM to redeploy
11 their capital in a higher interest rate environment. There is currently \$52,965,000
12 outstanding, and JPM is willing to accept 94% of this amount, or approximately
13 \$49,787,100. The transaction requires a rating agency credit review and the completion
14 of public offering documents.

15
16 **Q. If interest rates are higher now, how does this generate savings for NBC?**

17 A. As set forth more fully in Mr. Maceroni's testimony, the discount proposed by JPM reduces
18 the principal amount of the refunding, which results in savings even though interest rates
19 are higher. Preliminary analysis based on current market conditions shows aggregate
20 projected net present value savings of \$2.148 million or 4.05%. The savings are net of all
21 fees and expenses.

22
23 **III. 2020 SERIES A BONDS**

24 **Q. Would you provide some background regarding the proposed refunding of the 2020**
25 **Series A bonds?**

26 A. Yes. NBC seeks to refund all or a portion of the 2020 Series A Bonds through a tender
27 offering to current bondholders. On March 19, 2020, NBC issued the \$196,360,000
28 Wastewater System Refunding Revenue Bonds, 2020 Series A (Federally Taxable) that
29 refunded all or a portion of several revenue bond issues. Currently, \$186,555,000 of the
30 2020 Series A Bonds are outstanding.

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These bonds were issued when interest rates were at historic lows. Interest rates have changed significantly in the time since the transaction was executed, and bondholders may be interested in tendering and selling their 2020 Series A Bonds to NBC at a discount in order to redeploy their capital in higher earning instruments. NBC would issue tax-exempt refunding bonds to finance the purchase.

Q. If interest rates are higher now, how does this generate savings for NBC?

A. As with the 2008 Series A Bonds, the savings are generated by lowering the principal amount of the debt. Please refer to the testimony of Mr. Maceroni for additional information regarding the mechanics of the transaction.

IV. REFUNDING CONSIDERATIONS, REQUIREMENTS, AND TIMING

Q. Why is NBC interested in these refundings now?

A. NBC is interested in these refundings now for a few reasons. First, and most important, the savings to NBC and ratepayers are material and achievable. Second, there are economies of scale that can be realized by undertaking both transactions at the same time, such as the credit review by S&P Global and the preparation of public offering documents. And finally, unlike a traditional refunding where the biggest risk is rising interest rates, the biggest risk associated with deferring this refunding is that interest rates will fall in the interim, making the proposed transactions less attractive to JPM, as holder of the 2008 Series A Bonds, and less enticing to the 2020 Series A Bondholders.

NBC seeks approval from the Division now to be positioned to execute these transactions as soon as practicable.

Q. Has NBC’s Board of Commissioners (Board) authorized the refunding of the Bonds as proposed in this application with the Division?

A. Yes, on March 5, 2024, the Board authorized these refunding transactions through the approval of Resolutions 2024:06 and 2024:08 (see Exhibit JS-1a and Exhibit JS-1b).

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Q. What other items are outstanding to complete this transaction?

A. A credit review by S&P Global was held on March 26, 2024 in connection with its issuance of bonds to Rhode Island Infrastructure Bank, and NBC expects the results shortly. NBC must work with its municipal advisor and bond counsel to prepare the public offering documents. These same parties must work with the underwriters to successfully market the bonds and, in the case of the 2020 Series A Bonds, to undertake a tender offering to the bondholders.

Q. Are there any factors that could delay this closing date or cause the transactions to not be executed?

A. The main factors that could delay closing would be material changes in interest rates and market conditions between now and the pricing date. If rates changed to such an extent that present value savings are eroded because bondholders are not willing to take sufficient discounts to make the refundings economically beneficial, NBC would postpone the transactions.

Q. Does NBC have sufficient coverage to meet the debt service and debt service coverage requirements for the proposed refundings of the open market issues?

A. Yes. Please see the coverage schedule based upon the rates approved by the Public Utilities Commission in Docket 22-47-WW effective July 1, 2024 (see Exhibit JS-2a and Exhibit JS-2b).

Q. Do these proposed transactions have any unusual features which may have a significant impact on the Division’s ability to regulate the utility?

A. No, they do not.

Q. Will these refundings have any ratepayer impact?

A. No. The refundings will not have any impact on current rates.

1 Q. Does this conclude your pre-filed testimony?

2 A. Yes.

The Narragansett Bay Commission
One Service Road
Providence, Rhode Island 02905

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Vincent J. Mesolella
Chairman

Laurie A. Horridge
Executive Director

RESOLUTION 2024:06

RESOLUTION OF THE NARRAGANSETT BAY COMMISSION AUTHORIZING THE REFUNDING OF ALL OR A PORTION OF THE OUTSTANDING NARRAGANSETT BAY COMMISSION WASTEWATER SYSTEM REVENUE REFUNDING BONDS, 2008 SERIES A

WHEREAS, the Narragansett Bay Commission (the "Commission") issued its \$66,360,000 Wastewater System Revenue Refunding Bonds, 2008 Series A currently outstanding in the aggregate principal amount of \$52,965,000 (the "2008 Series A Bonds") pursuant to a Trust Indenture dated as of April 15, 2004 (the "Trust Indenture"), as amended and supplemented, including by the Ninth Supplemental Indenture dated as of July 1, 2008, each by and between the Commission and Wells Fargo Bank, N.A., as successor to The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, N.A. The Trust Indenture, as amended and supplemented, including by the Thirty-Third Supplemental Indenture dated as of August 1, 2023, each by and between the Commission and U.S. Bank Trust Company, National Association, as successor-in-interest to U.S. Bank National Association, as successor to Wells Fargo Bank, N.A., as successor to The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, N.A. (the "Trustee") is referred to herein as the "Indenture;"

WHEREAS, in order to take advantage of market conditions and opportunities currently prevailing, the Commission desires the ability to issue revenue obligations ("Refunding Obligations") pursuant to Title 46-25-58 of the Rhode Island General Laws for the purpose of refunding all or a portion of the 2008 Series A Bonds (the "Refunding"), so long as it is determined by an Authorized Officer (as defined below) in consultation with PFM Financial Advisors, LLC, the municipal advisor to the Commission (the "Municipal Advisor"), that such Refunding is expected to result in a financial benefit to the Commission;

WHEREAS, in order to facilitate the Refunding, the Commission desires to: (i) enter into one or more Supplemental Indentures, dated as of a date to be determined, by and between the Commission and the trustee providing for the issuance of the Refunding Obligations; (ii) distribute one or more official statements or other disclosure documents to be issued in connection with the Refunding Obligations, describing the Commission and its activities, and setting forth statistical, financial and other information about the Commission and which will also include the audited financial statements of the Commission; (iii) enter into one or more bond purchase agreements dated as of a date to be determined, between the Commission and a purchaser to be named therein (the "Purchaser") and providing for the purchase of the Refunding Obligations by the Purchaser and containing or requiring provisions, *inter alia* for indemnification of the Commission and the Purchaser (one or more), either in such bond purchase agreements or pursuant to a separate document or instrument; (iv) enter into such documents as may be necessary or convenient in connection with obtaining credit enhancement for the Refunding Obligations; (v) enter into agreements amending any documents executed in connection with the 2008 Series A Bonds and the Refunding Obligations; (vi) enter into agreements, documents and/or other instruments by and among the Commission and one or more financial institutions in connection with the investment of the proceeds of the Refunding Obligations; (vii) enter into one or more escrow agreements or refunding trust agreements with respect to the Refunding; and (viii) enter into such other documents, certificates, instruments and agreements, including without limitation, a continuing disclosure agreement (the documents, certificates, instruments and agreements described in subsections (i) through (viii) herein are collectively referred to as the "Refunding Documents") and perform such other actions as the officer or officers executing or delivering the same determine to be necessary or appropriate in order to carry out any Refunding. Capitalized terms not otherwise defined herein shall be as defined in the Indenture.

NOW, THEREFORE, THE COMMISSION RESOLVES AS FOLLOWS:

1. Determination of Course of Action. The Chairman and the Executive Director of the Commission (each, an "Authorized Officer" and together, the "Authorized Officers") shall be and hereby are authorized, empowered and directed, for and in the name of and on behalf of the Commission, to determine, in consultation with the Commission's Municipal Advisor, the advisability of any Refunding.

2. Approval of Refunding. The Board hereby approves the Refunding, provided that the Authorized Officers, in consultation with the Commission's Municipal Advisor, have determined that such Refunding is expected to result in a financial benefit to the Commission. The Authorized Officers effectuating the Refunding shall present a report regarding such Refunding and the financial benefit resulting therefrom to the Board of the Commission at its next regular meeting.

3. Agreements. In connection with the Refunding, the Authorized Officers, or in the event of their absence, illness or other inability to act, any member of the Commission whom the Authorized Officers may designate, are hereby authorized, empowered and directed, for and in the name of and on behalf of the Commission, to do any and all things, and to make, execute, deliver, file and record any and all agreements, instruments, papers, certificates and documents which shall be or become necessary, proper or convenient to carry out such Refunding including, without limitation, the Refunding Documents, each to contain such provisions and to be in such form as the Authorized Officers shall determine to be necessary or appropriate, and the execution, acknowledgement and delivery of each such agreement or document by such Authorized Officers shall be conclusive evidence as to authorization by this vote.

4. Preliminary and/or Final Official Statement. The Authorized Officers are hereby authorized, empowered and directed, for and in the name of and on behalf of the Commission to approve a preliminary official statement and/or final official statement, including an informational statement regarding the Commission, to be prepared in connection with any Refunding and to execute, acknowledge, deliver and approve said preliminary and/or final official statement. The Commission hereby authorizes the Authorized Officers to deem the preliminary official statement, if any, "final as of its date" pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

5. Sale of the Refunding Obligations. The Chairman and the Executive Director, on behalf of the Commission, are authorized to issue the Refunding Obligations in the amount necessary to refund all or a portion of the 2008 Series A Bonds, including financing costs and the funding of a debt service reserve. The Refunding Obligations, if any, shall be sold pursuant to the terms of a bond purchase agreement or agreements and shall bear fixed rates, as determined by the Authorized Officers executing the bond purchase agreement or agreements, in consultation with the Commission's Municipal Advisor. The rates of interest per annum to be borne shall be determined pursuant to a certificate to be delivered by the Chairman or the Executive Director of

the Commission, or in the event of their absence, illness or other inability to act, any member of the Commission who the Chairman or Executive Director may designate, which rates shall not exceed 8% per annum. All acts of the Authorized Officers and all other officers of the Commission which are in conformity with the purposes and intents of this Resolution and furtherance of the issuance of the Refunding Obligations and the execution, delivery and approval and performance of the Refunding Documents, any supplemental or amendatory documents with respect to existing documents, and all other documents, certificates and instruments as may be necessary or advisable in connection therewith, and the same hereby are, in all respects ratified, approved and confirmed.

6. Details of the Refunding Obligations. The Chairman or the Executive Director of the Commission, or in the event of their absence, illness or other inability to act, any member of the Commission whom the Chairman or the Executive Director may designate, are hereby authorized to reduce the total principal amount of the Refunding Obligations to be sold, to sell the Refunding Obligations, to select the dated date or dates of the Refunding Obligations, the maturity, redemption and other terms of the Refunding Obligations as set forth in the Indenture. The Chairman and Executive Director are hereby authorized to execute and deliver such other documents and take such other actions, as may be necessary, desirable or advisable to effectuate the issuance of the Refunding Obligations. The Refunding Obligations shall not be deemed to constitute a debt or pledge of the faith and credit of the State or any municipality. Neither the State nor any municipality shall be obligated to pay the Refunding Obligations or the interest thereon, and neither the faith and credit nor the taxing power of the State or any municipality is pledged to such payment. The Commission may issue additional revenue obligations on a parity with these Refunding Obligations.

7. Compliance with Code – Refunding. The Refunding Obligations may be issued on a tax-exempt or taxable basis. In connection with any Refunding on a tax-exempt basis, each Authorized Officer is hereby authorized to take all lawful action necessary under the Code, to insure that the interest on the Refunding Obligations is exempt from federal taxation to the extent provided in Section 103 of the Code and to refrain from taking any action which would cause interest on the Refunding Obligations to lose the benefit of exclusion of gross income provided by Section 103(a) of the Code. The Authorized Officers, acting singly, are authorized to execute and deliver a Tax Certificate in connection with the issuance of the Refunding Obligations in order to effectuate the foregoing.

8. Additional Documents. From and after the execution and delivery of documents hereinabove authorized, the proper officers, Board members and agents and employees of the Board are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed and are further authorized to take any and all actions and to execute and deliver any and all documents as may be necessary or advisable in connection with the Refunding and in the execution, delivery, approval and performance of the Refunding Documents, any supplemental or amendatory documents with respect to existing documents, and all other documents, certificates and instruments as may be necessary or advisable in connection therewith.

9. Ratification and Approval. All acts of the Authorized Officers and all other officers of the Board which are in conformity with the purposes and intents of this Resolution and furtherance of the Refunding and the execution, delivery and approval and performance of the Refunding Documents, any supplemental or amendatory documents with respect to existing documents, and all other documents, certificates and instruments as may be necessary or advisable in connection therewith, shall be, and the same hereby are, in all respects ratified, approved and confirmed.

10. Capacity to Act. Any action to be taken by the Chairman or Executive Director pursuant to this Resolution may be taken by the Vice Chairman and Chief Financial Officer, respectively.

11. Effectiveness. This Resolution shall take effect upon passage.

ADOPTED ON: March 5, 2024

SIGNED: 
Laurie Horridge
Executive Director and Secretary

The Narragansett Bay Commission
One Service Road
Providence, Rhode Island 02905

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Vincent J. Mesolella
Chairman

Laurie A. Horridge
Executive Director

RESOLUTION 2024:08

RESOLUTION OF THE NARRAGANSETT BAY COMMISSION AUTHORIZING THE TENDER OFFER PURCHASE AND REFUNDING OF ALL OR A PORTION OF THE OUTSTANDING NARRAGANSETT BAY COMMISSION WASTEWATER SYSTEM REVENUE REFUNDING BONDS, 2020 SERIES A (FEDERALLY TAXABLE)

WHEREAS, the Narragansett Bay Commission (the "Commission") issued its \$196,360,000 Wastewater System Revenue Refunding Bonds, 2020 Series A (Federally Taxable) currently outstanding in the aggregate principal amount of \$186,555,000 (the "2020 Series A Bonds") pursuant to a Trust Indenture dated as of April 15, 2004 (the "Trust Indenture"), as amended and supplemented, including by the Twenty-Seventh Supplemental Indenture dated March 19, 2020, each by and between the Commission and U.S. Bank National Association, as Trustee, as successor trustee to Wells Fargo Bank, N.A., as successor to The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, N.A. The Trust Indenture, as amended and supplemented, including by the Thirty-Third Supplemental Indenture dated as of August 1, 2023, by and between the Commission and U.S. Bank Trust Company, National Association, as successor-in-interest to U.S. Bank National Association, as successor trustee to Wells Fargo Bank, N.A., as successor to The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, N.A. (the "Trustee") is referred to herein as the "Indenture;"

WHEREAS, in order to take advantage of market conditions and opportunities currently prevailing, the Commission desires the ability to undertake a tender offer purchase of all or a portion of the 2020 Series A Bonds (the "Tender Purchase") and issue revenue obligations ("Refunding Obligations") pursuant to Title 46-25-58 of the Rhode Island General Laws for the purpose of refunding all or a portion of the 2020 Series A Bonds (the "Refunding"), so long as it is determined by an Authorized Officer (as defined below) in consultation with PFM Financial Advisors, LLC, the municipal advisor to the Commission (the "Municipal Advisor"), that such Refunding is expected to result in a financial benefit to the Commission;

WHEREAS, in order to facilitate the Tender Purchase and Refunding, the Commission desires to: (i) enter into one or more Supplemental Indentures, dated as of a date to be determined, by and between the Commission and the trustee providing for the issuance of the Refunding Obligations; (ii) distribute one or more official statements or other disclosure documents to be issued in connection with the Refunding Obligations, describing the Commission and its activities, and setting forth statistical, financial and other information about the Commission and which will also include the audited financial statements of the Commission; (iii) enter into one or more bond purchase agreements dated as of a date to be determined, between the Commission and a purchaser to be named therein (the "Purchaser") and providing for the purchase of the Refunding Obligations by the Purchaser and containing or requiring provisions, *inter alia* for indemnification of the Commission and the Purchaser (one or more), either in such bond purchase agreements or pursuant to a separate document or instrument; (iv) enter into such documents as may be necessary or convenient in connection with obtaining credit enhancement for the Refunding Obligations; (v) enter into agreements amending any documents executed in connection with the 2020 Series A Bonds and the Refunding Obligations; (vi) enter into agreements, documents and/or other instruments by and among the Commission and one or more financial institutions in connection with the investment of the proceeds of the Refunding Obligations; (vii) enter into one or more escrow agreements or refunding trust agreements with respect to the Refunding; (viii) enter into one or more dealer manager and solicitation agent agreement with respect to the Tender Purchase, and (ix) enter into such other documents, certificates, instruments and agreements, including without limitation, a continuing disclosure agreement with respect to the Tender Purchase and the Refunding (the documents, certificates, instruments and agreements described in subsections (i) through (ix) herein are collectively referred to as the "Tender Purchase and Refunding Documents") and perform such other actions as the officer or officers executing or delivering the same determine to be necessary or appropriate in order to carry out any Tender Purchase and Refunding. Capitalized terms not otherwise defined herein shall be as defined in the Indenture.

NOW, THEREFORE, THE COMMISSION RESOLVES AS FOLLOWS:

1. Determination of Course of Action. The Chairman and the Executive Director of the Commission (each, an "Authorized Officer" and together, the "Authorized Officers") shall be and hereby are authorized, empowered and directed, for and in the name of and on behalf of the

Commission, to determine, in consultation with the Commission's Municipal Advisor, the advisability of any Tender Purchase and Refunding.

2. Approval of Tender Purchase and Refunding. The Board hereby approves the Tender Purchase and Refunding, provided that the Authorized Officers, in consultation with the Commission's Municipal Advisor, have determined that such Tender Purchase and Refunding is expected to result in a financial benefit to the Commission. The Authorized Officers effectuating the Tender Purchase and Refunding shall present a report regarding such Tender Purchase and Refunding and the financial benefit resulting therefrom to the Board of the Commission at its next regular meeting.

3. Agreements. In connection with the Tender Purchase and Refunding, the Authorized Officers, or in the event of their absence, illness or other inability to act, any member of the Commission whom the Authorized Officers may designate, are hereby authorized, empowered and directed, for and in the name of and on behalf of the Commission, to do any and all things, and to make, execute, deliver, file and record any and all agreements, instruments, papers, certificates and documents which shall be or become necessary, proper or convenient to carry out such Tender Purchase and Refunding including, without limitation, the Tender Purchase and Refunding Documents, each to contain such provisions and to be in such form as the Authorized Officers shall determine to be necessary or appropriate, and the execution, acknowledgement and delivery of each such agreement or document by such Authorized Officers shall be conclusive evidence as to authorization by this vote.

4. Preliminary and/or Final Official Statement. The Authorized Officers are hereby authorized, empowered and directed, for and in the name of and on behalf of the Commission to approve a preliminary official statement and/or final official statement, including an informational statement regarding the Commission, to be prepared in connection with any Tender Purchase and Refunding and to execute, acknowledge, deliver and approve said preliminary and/or final official statement. The Commission hereby authorizes the Authorized Officers to deem the preliminary official statement, if any, "final as of its date" pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

5. Sale of the Refunding Obligations. The Chairman and the Executive Director, on behalf of the Commission, are authorized to issue the Refunding Obligations in the amount necessary to refund all or a portion of the 2020 Series A Bonds, including financing costs and the funding of a debt service reserve. The Refunding Obligations, if any, shall be sold pursuant to the

terms of a bond purchase agreement or agreements and shall bear fixed rates, as determined by the Authorized Officers executing the bond purchase agreement or agreements, in consultation with the Commission's Municipal Advisor. The rates of interest per annum to be borne shall be determined pursuant to a certificate to be delivered by the Chairman or the Executive Director of the Commission, or in the event of their absence, illness or other inability to act, any member of the Commission who the Chairman or Executive Director may designate, which rates shall not exceed 8% per annum. All acts of the Authorized Officers and all other officers of the Commission which are in conformity with the purposes and intents of this Resolution and furtherance of the issuance of the Refunding Obligations and the execution, delivery and approval and performance of the Tender Purchase and Refunding Documents, any supplemental or amendatory documents with respect to existing documents, and all other documents, certificates and instruments as may be necessary or advisable in connection therewith, and the same hereby are, in all respects ratified, approved and confirmed.

6. Details of the Refunding Obligations. The Chairman or the Executive Director of the Commission, or in the event of their absence, illness or other inability to act, any member of the Commission whom the Chairman or the Executive Director may designate, are hereby authorized to reduce the total principal amount of the Refunding Obligations to be sold, to sell the Refunding Obligations, to select the dated date or dates of the Refunding Obligations, the maturity, redemption and other terms of the Refunding Obligations as set forth in the Indenture. The Chairman and Executive Director are hereby authorized to execute and deliver such other documents and take such other actions, as may be necessary, desirable or advisable to effectuate the issuance of the Refunding Obligations. The Refunding Obligations shall not be deemed to constitute a debt or pledge of the faith and credit of the State or any municipality. Neither the State nor any municipality shall be obligated to pay the Refunding Obligations or the interest thereon, and neither the faith and credit nor the taxing power of the State or any municipality is pledged to such payment. The Commission may issue additional revenue obligations on a parity with these Refunding Obligations.

7. Compliance with Code – Refunding. The Refunding Obligations may be issued on a tax-exempt or taxable basis. In connection with any Refunding on a tax-exempt basis, each Authorized Officer is hereby authorized to take all lawful action necessary under the Code, to insure that the interest on the Refunding Obligations is exempt from federal taxation to the extent provided in Section 103 of the Code and to refrain from taking any action which would cause

interest on the Refunding Obligations to lose the benefit of exclusion of gross income provided by Section 103(a) of the Code. The Authorized Officers, acting singly, are authorized to execute and deliver a Tax Certificate in connection with the issuance of the Refunding Obligations in order to effectuate the foregoing.

8. Additional Documents. From and after the execution and delivery of documents hereinabove authorized, the proper officers, Board members and agents and employees of the Board are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed and are further authorized to take any and all actions and to execute and deliver any and all documents as may be necessary or advisable in connection with the Tender Purchase and Refunding and in the execution, delivery, approval and performance of the Tender Purchase and Refunding Documents, any supplemental or amendatory documents with respect to existing documents, and all other documents, certificates and instruments as may be necessary or advisable in connection therewith.

9. Ratification and Approval. All acts of the Authorized Officers and all other officers of the Board which are in conformity with the purposes and intents of this Resolution and furtherance of the Tender Purchase and Refunding and the execution, delivery and approval and performance of the Tender Purchase and Refunding Documents, any supplemental or amendatory documents with respect to existing documents, and all other documents, certificates and instruments as may be necessary or advisable in connection therewith, shall be, and the same hereby are, in all respects ratified, approved and confirmed.

10. Capacity to Act. Any action to be taken by the Chairman or Executive Director pursuant to this Resolution may be taken by the Vice Chairman and Chief Financial Officer, respectively.

11. Effectiveness. This Resolution shall take effect upon passage.

ADOPTED ON: March 5, 2024

SIGNED: Laurie Horridge
 Laurie Horridge
 Executive Director and Secretary

**Narragansett Bay Commission
Debt Service Coverage**

Exhibit JS-2a

Fiscal Year	Available for Debt Service	Current Debt Service(1)	Debt Service Coverage	Impact of Bond Refunding			Debt Service Coverage
				Less Refunded Bonds Debt Service	Plus Refunding Bonds Debt Service	Total Debt Service After Refunding	
2025	\$ 62,559,886	\$ 42,466,145	1.47	\$ (4,672,824)	\$ 5,028,900	\$ 42,822,221	1.46
2026	62,559,886	48,720,166	1.28	(5,778,934)	5,501,000	48,442,232	1.29
2027	62,559,886	48,131,567	1.30	(5,177,029)	4,905,250	47,859,789	1.31
2028	62,559,886	47,906,967	1.31	(5,080,849)	4,808,750	47,634,868	1.31
2029	62,559,886	49,784,568	1.26	(4,984,669)	4,709,250	49,509,150	1.26
2030	62,559,886	50,746,230	1.23	(5,679,329)	5,391,625	50,458,527	1.24
2031	62,559,886	50,744,184	1.23	(5,564,829)	5,275,125	50,454,481	1.24
2032	62,559,886	55,049,573	1.14	(5,450,329)	5,159,000	54,758,244	1.14
2033	62,559,886	54,814,899	1.14	(6,027,814)	5,725,500	54,512,585	1.15
2034	62,559,886	54,826,087	1.14	(5,897,284)	5,589,000	54,517,804	1.15
2035	62,559,886	55,290,308	1.13	(5,831,009)	5,519,625	54,978,923	1.14
2036	62,559,886	54,275,311	1.15			54,275,311	1.15
2037	62,559,886	54,105,611	1.16			54,105,611	1.16
2038	62,559,886	53,859,546	1.16			53,859,546	1.16
2039	62,559,886	53,302,738	1.17			53,302,738	1.17
2040	62,559,886	62,821,846	1.00			62,821,846	1.00
2041	62,559,886	61,557,041	1.02			61,557,041	1.02
2042	62,559,886	64,262,946	0.97			64,262,946	0.97
2043	62,559,886	63,101,109	0.99			63,101,109	0.99
2044	62,559,886	65,455,165	0.96			65,455,165	0.96
2045	62,559,886	64,432,115	0.97			64,432,115	0.97
2046	62,559,886	67,422,291	0.93			67,422,291	0.93
2047	62,559,886	28,607,649	2.19			28,607,649	2.19
2048	62,559,886	22,174,514	2.82			22,174,514	2.82
2049	62,559,886	22,210,024	2.82			22,210,024	2.82
2050	62,559,886	26,057,699	2.40			26,057,699	2.40
2051	62,559,886	41,434,747	1.51			41,434,747	1.51
2052	62,559,886	42,928,000	1.46			42,928,000	1.46
2053	62,559,886	42,881,334	1.46			42,881,334	1.46
2054	62,559,886	41,684,360	1.50			41,684,360	1.50
2055	62,559,886	27,442,404	2.28			27,442,404	2.28
2056	62,559,886	27,321,092	2.29			27,321,092	2.29
2057	62,559,886	27,193,582	2.30			27,193,582	2.30
2058	62,559,886	27,081,334	2.31			27,081,334	2.31
2059	62,559,886	26,962,676	2.32			26,962,676	2.32
2060	62,559,886	13,379,629	4.68			13,379,629	4.68
2061	62,559,886	3,569,780	17.52			3,569,780	17.52
2062	62,559,886	3,527,964	17.73			3,527,964	17.73
		<u>\$ 1,647,533,200</u>		<u>\$ (60,144,894)</u>	<u>\$ 57,613,025</u>	<u>\$ 1,645,001,330</u>	

(1) Inclusive of projected debt service on yet-to-be-issued \$75M 2024A RIB Bonds

**Narragansett Bay Commission
Debt Service Coverage**

Exhibit JS-2b

Fiscal Year	Available for Debt Service	Current Debt Service(1)	Debt Service Coverage	Impact of Bond Refunding			Debt Service Coverage
				Less Refunded Bonds Debt Service	Plus Refunding Bonds Debt Service	Total Debt Service After Refunding	
2025	62,559,886	42,466,145	1.47	(711,883)	822,938	42,577,199	1.47
2026	62,559,886	48,720,166	1.28	(711,883)	1,097,250	49,105,533	1.27
2027	62,559,886	48,131,567	1.30	(2,272,159)	2,008,875	47,868,284	1.31
2028	62,559,886	47,906,967	1.31	(2,005,602)	1,742,750	47,644,114	1.31
2029	62,559,886	49,784,568	1.26	(2,567,288)	2,306,875	49,524,156	1.26
2030	62,559,886	50,746,230	1.23	(2,568,579)	2,308,875	50,486,526	1.24
2031	62,559,886	50,744,184	1.23	(2,565,280)	2,302,500	50,481,404	1.24
2032	62,559,886	55,049,573	1.14	(2,564,764)	2,302,625	54,787,434	1.14
2033	62,559,886	54,814,899	1.14	(2,387,170)	2,123,500	54,551,229	1.15
2034	62,559,886	54,826,087	1.14	(2,949,907)	2,690,625	54,566,806	1.15
2035	62,559,886	55,290,308	1.13	(1,986,948)	1,723,500	55,026,860	1.14
2036	62,559,886	54,275,311	1.15	(2,164,190)	1,902,375	54,013,496	1.16
2037	62,559,886	54,105,611	1.16	(2,281,649)	2,020,250	53,844,212	1.16
2038	62,559,886	53,859,546	1.16	(1,409,300)	1,148,500	53,598,746	1.17
2039	62,559,886	53,302,738	1.17	(1,410,062)	1,150,875	53,043,551	1.18
2040	62,559,886	62,821,846	1.00	(1,409,788)	1,146,125	62,558,183	1.00
2041	62,559,886	61,557,041	1.02	(1,409,313)	1,149,125	61,296,852	1.02
2042	62,559,886	64,262,946	0.97	(1,410,268)	1,149,625	64,002,302	0.98
2043	62,559,886	63,101,109	0.99	(1,410,096)	1,147,625	62,838,638	1.00
2044	62,559,886	65,455,165	0.96	(1,409,624)	1,148,000	65,193,541	0.96
2045	62,559,886	64,432,115	0.97			64,432,115	0.97
2046	62,559,886	67,422,291	0.93			67,422,291	0.93
2047	62,559,886	28,607,649	2.19			28,607,649	2.19
2048	62,559,886	22,174,514	2.82			22,174,514	2.82
2049	62,559,886	22,210,024	2.82			22,210,024	2.82
2050	62,559,886	26,057,699	2.40			26,057,699	2.40
2051	62,559,886	41,434,747	1.51			41,434,747	1.51
2052	62,559,886	42,928,000	1.46			42,928,000	1.46
2053	62,559,886	42,881,334	1.46			42,881,334	1.46
2054	62,559,886	41,684,360	1.50			41,684,360	1.50
2055	62,559,886	27,442,404	2.28			27,442,404	2.28
2056	62,559,886	27,321,092	2.29			27,321,092	2.29
2057	62,559,886	27,193,582	2.30			27,193,582	2.30
2058	62,559,886	27,081,334	2.31			27,081,334	2.31
2059	62,559,886	26,962,676	2.32			26,962,676	2.32
2060	62,559,886	13,379,629	4.68			13,379,629	4.68
2061	62,559,886	3,569,780	17.52			3,569,780	17.52
2062	62,559,886	\$ 3,527,964	17.73			3,527,964	17.73
		<u>\$ 1,647,533,200</u>		<u>\$ (37,605,752)</u>	<u>\$ 33,392,813</u>	<u>\$ 1,643,320,260</u>	

(1) Inclusive of projected debt service on yet-to-be-issued \$75M 2024A RIIB Bonds

NARRAGANSETT BAY COMMISSION
PRE-FILED DIRECT TESTIMONY
OF STEPHEN MACERONI

I. INTRODUCTION

Q. Please state your name and title.

A. My name is Stephen Maceroni, Director with PFM Financial Advisors LLC (PFM).

Q. Could you please describe your educational and employment background?

A. I hold a Master of Business Administration degree from the University of Rhode Island and a Bachelor of Science in Management degree from Rhode Island College. With over 26 years of public finance experience, I have served as financial advisor to governmental issuers in Rhode Island and throughout New England. Issuers that I have served during my career as a financial advisor include over 22 cities and towns in Rhode Island as well as the Rhode Island Commerce Corporation, Rhode Island Health and Educational Building Corporation, Rhode Island Airport Corporation, and the Rhode Island Convention Center Authority. In addition, I have extensive experience assisting borrowers through the Rhode Island Infrastructure Bank (RIIB) State Revolving Fund Loan Program.

Q. Can you describe the organization of PFM Financial Advisors LLC and the types of services that it provides?

A. Since 1975, PFM has provided independent financial advisory services to public entities. PFM has grown into a national firm with over 300 employees in 32 offices across the United States. For the 29th consecutive year, PFM has maintained its position as the number one financial advisor in the industry, providing financial advisory services on more than 648 transactions for a total par amount in excess of \$71.9 billion in 2023. In terms of water and wastewater issuers, PFM has been the top ranked financial advisor in this sector for several years as well representing many other large wastewater operators across the country. In 2023, PFM maintained its position as the number one financial

1 advisor for water and wastewater transactions, providing financial advisory services on
2 58 transactions for a total par amount in excess of \$13.0 billion.

3
4 **Q. What is your relationship with the Narragansett Bay Commission (NBC)?**

5 A. PFM was appointed in 2012 to serve as Financial Advisor to the NBC by its Board of
6 Commissioners. I have experience working with NBC and I am familiar with NBC's
7 borrowing history and capital needs. I worked closely with NBC on their loans through the
8 Water Infrastructure Finance and Innovation Act (WIFIA) program administered by the
9 United States Environmental Protection Agency (USEPA). Most recently, I worked with
10 NBC on its 2023 financings through RIIB in the principal amount of \$100 million, the 2023
11 Series A and 2023 Series B bonds, and the 2024 Series A RIIB Loan.

12
13 **Q. Have you testified previously before the Rhode Island Division of Public Utilities and
14 Carriers (Division)?**

15 A. Yes. I have personally testified before the Rhode Island Division of Public Utilities and
16 Carriers ("Division") in support of NBC's application for approval to issue long-term debt
17 in connection with the NBC's WIFIA I and WIFIA II Loans, 2021 Series A RIIB Loan, WIFIA
18 III Loan, 2023 Series A and Series B RIIB Loans and 2024 Series A RIIB Loan (Dockets D-19-
19 33, D-20-06, D-21-13, D-22-09, D-23-04 and D-24-03). PFM has provided testimony in
20 support of Division debt applications since 2012.

21
22 **Q. What is the purpose of your testimony?**

23 I was asked to provide testimony in support of NBC's application for Division approval to
24 refund the outstanding Narragansett Bay Commission Wastewater System Revenue
25 Refunding Bonds, 2008 Series A (the "2008 Series A Bonds") and approval for the tender
26 offer purchase and refunding of all or a portion of the Narragansett Bay Commission
27 Wastewater System Revenue Refunding Bonds, 2020 Series A (the "2020 Series A Bonds").

1 **Q. How would you like to proceed with your testimony?**

2 A. The two transactions identified in this application are similar but not identical. I will first
3 provide testimony regarding the proposed refunding of the 2008 Series A Bonds and
4 follow with testimony regarding the proposed refunding of the 2020 Series A Bonds.

5

6 **II. 2008 SERIES A BONDS**

7 **Q. Can you provide some background regarding the proposed 2008 Series A bonds and**
8 **NBC's proposed refunding?**

9 A. Yes. On January 17, 2020, in accordance with the terms of the 2008 Series A Bonds, NBC
10 converted the interest rate on its 2008 Series A Bonds from variable mode to a fixed rate
11 of 2.29% through a direct purchase with JP Morgan (JPM). In the four years since those
12 bonds were converted to a 2.29% fixed rate, market interest rates have increased
13 significantly. The 30-year AAA Municipal Market Data Index (MMD) was 1.96% in January
14 2020, the current 30-year MMD is 3.68%. Recently, JPM approached NBC with a proposal
15 to refund the 2008 Series A Bonds at a 6% discount of the outstanding principal, which is
16 currently \$52,965,000. In other words, JPM would only receive 94% of the outstanding
17 principal, or approximately \$49,787,100.

18

19 **Q. Why would JPM agree to do this?**

20 A. Because it allows JPM to take this discounted principal and redeploy it in a higher interest
21 rate environment.

22

23 **Q. If interest rates are higher, why would NBC agree to do this?**

24 A. Because NBC will be financing a lower principal amount (\$49,787,100), which results in
25 saving to NBC even though interest rates are higher.

26

27 **Q. Can you explain how this transaction will work?**

28 A. Yes. The concept here is essentially the same as refinancing a mortgage whereby one
29 repayment obligation is replaced with a separate repayment obligation. In past

1 refundings, NBC has replaced a higher interest rate borrowing with a lower interest rate
2 borrowing. In this case, NBC is replacing a lower interest rate borrowing with a higher
3 interest rate borrowing, but one that has a lower principal amount. This lower principal
4 amount is what allows NBC to achieve savings despite the higher interest rate. The
5 following table summarizes the proposed refunding.

6 Exhibit I

2008 Series Refunding Statistics		
Current Outstanding Bonds:	\$	52,965,000
Current Rate:		2.29%
Proposed Discount:		6.00%
Proposed Principal Amount to be Refunded:	\$	49,787,100
Principal Savings:	\$	3,177,900
Projected Rate (TIC) of Refunding Bonds:		2.79%
Net Present Value of Savings:	\$	2,148,984
Percentage value savings of Refunded Bonds		4.05%

7
8 The projected savings are net of all fees and expenses.

9
10 **III. 2020 SERIES A BONDS**

11 **Q. Can you provide some background on the 2020 Series A refunding?**

12 A. Yes. On March 19, 2020, NBC issued the \$196,360,000 Wastewater System Refunding
13 Revenue Bonds 2020 Series A (Federally Taxable) that refunded all or a portion of
14 several revenue bond issues. Currently, \$186,555,000 of the 2020 Series A Bonds are
15 outstanding. Similar to JPM and the 2008 Series A Bonds, bondholders may be
16 interested in tendering their 2020 Series A Bonds to NBC at a discount in order to
17 redeploy their capital in higher earning instruments. This will allow NBC to reduce the
18 principal amount owed on 2020 Series A Refunding Revenue Bonds.

19
20 **Q. Are there any other reasons bondholders would be interested in tendering their
21 bonds to NBC at a discount at this time?**

22 A. As indicated above, the 2020 Series A Bonds are taxable, and NBC would refund these
23 taxable bonds through the issuance of tax-exempt refunding bonds. In the current

1 market, taxable rates are much higher than tax-exempt rates. As illustrated in Exhibit
 2 II below, the current 10-year Treasury Ratio between taxable and tax-exempt bonds
 3 is 56.9%. The 5-year average is 83.4%. The low ratio in the current market is main
 4 reason for this refunding opportunity. The 10 year ratio is applied as 10 years is the
 5 average life of the proposed refunding bonds.

6 Exhibit II

Treasury Ratio (Cheap/Rich) Past 5 Years				
	30 yr	10 yr	5 yr	3 yr
Current	82.4%	56.9%	56.5%	58.4%
High	251.7%	365.0%	649.9%	818.8%
Average	95.4%	83.4%	78.4%	79.6%
Low	67.2%	53.9%	37.3%	32.8%

7
8
9 **Q. Can you explain how this refunding would work?**

10 A. Yes. First or all, pursuant to IRS regulations, NBC can only issue a tender on 56% of the
 11 outstanding principal amount of the 2020 Series A Bonds. Second, the discounts
 12 offered to bondholders would range from 6% to 25% of principal outstanding. This is
 13 because some bondholders have a longer maturity date than others. A bondholder
 14 with a shorter maturity date will seek a lower discount rate because they don't have
 15 to wait long to redeploy their capital. However, a bondholder with a longer maturity
 16 date will likely accept a higher discount so they can get their capital back now to take
 17 advantage of higher interest rates.

18
19 History has shown that the owners of approximately 30% of the outstanding principal
 20 amount will accept a discount tender offer. Thus, based on the parameters of
 21 redeeming 56% of the outstanding principal at discounts ranging from 6% to 25%, and
 22 a participation rate by the owners of 30% of the outstanding principal amount, a tax-
 23 exempt refunding generates present value savings of approximately \$3.0 million, or
 24 10%. The savings are net of all fees and expenses. The following table summarizes
 25 the proposed refunding.

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Exhibit III

2020 Series Refunding - Partial Tender Statistics		
Current Outstanding Bonds:	\$	186,555,000
Current Rate:		2.52%
Proposed Discount:		6% to 25%
Bonds Available to Tender:		56.00%
Assumed Participation:		30.00%
Proposed Principal Amount to be Refunded:	\$	29,673,840
Principal Savings:	\$	5,174,742
Projected Rate (TIC) of Refunded Bonds:		3.52%
Net Present Value Savings:	\$	2,995,297
Percentage value savings of Refunded Bonds:		10.09%

IV. REFUNDING CONSIDERATIONS AND TIMELINES

Q. How do you determine when a bond should be refunded?

A. There are two types of refundings: (1) Current Refunding – this is a refunding where the refunded bonds are paid off within 90 days; and (2) Advance Refunding – this is a refunding where the bonds are paid off in a period longer than 90 days. The proposed refundings of the 2008 Series A Bonds and 2020 Series A Bonds are Current Refundings, as tax-exempt Advance Refundings are not currently permitted by federal tax law. The Government Finance Officers Association’s (GFOA) suggested best practices for executing a refunding transaction is the ability to achieve a 3.0% net present value savings measured in relation to the principal amount of the bonds being refunded. NBC’s Debt Policy generally considers a 4.0% net present value savings for an Advance Refunding and a lower savings threshold for a Current Refunding. As noted above, the proposed refunding of the Series 2008 A Bonds generates 4.05% net present value savings and the proposed refunding of the 2020 Series A Bonds generates 10% net present value savings, so both refundings exceed the GFOA best practices and NBC’s Debt Policy guideline for current refundings.

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Q. Why should NBC refund these borrowings now?

A. The current interest rate environment makes these transactions viable, however market conditions are subject to change. Unlike a traditional refunding where the biggest risk is rising interest rates, the biggest risk associated with deferring these refundings is that interest rates will fall in the interim, making the proposed discount less attractive to JPM and 2020 Series A bondholders.

Q. What if interest rates change significantly between now and the time of pricing?

A. With any refunding, we recommend the issuer be prepared to quickly enter the market. In the event the interest rate environment changes significantly over the next several weeks, NBC could easily postpone the sale. However, it is important that NBC be ready to enter the market again in the event rates become favorable and NBC is able to meet the minimum net present value thresholds. As such, NBC seeks Division approval to issue refunding bonds in an amount sufficient to refund all or a portion of NBC’s 2008 Series A Bonds and all or a portion of the 2020 Series A Bonds, provided that the refundings shall only be completed if NBC is able to achieve satisfactory net present value savings, net of issuance costs.

Q. What is the expected timing of this issue?

A. In order to take advantage of these opportunities, the schedule contemplates bond pricing 2008 Series A Refunding in late May 2024 and for the 2020 Series A Refunding in early June 2024, as long as NBC can achieve satisfactory net present value savings net of issuance costs on the pricing dates. The Closing for the 2008 Series A Refunding is expected in early June 2024 and the closing for the 2020 Series A Refunding is expected in mid to late June 2024.

Q. When does the NBC need Division approval?

1 A. Division approval is needed the week of May 1, 2024. That date is prior to the projected
2 mailing of the Preliminary Official Statement and is 30 days prior to the bond pricings
3 scheduled for early June 2024. The bond closings are scheduled to close prior to June 30,
4 2024.

5

6 **Q. Does this conclude your pre-filed testimony?**

7 A. Yes.

NARRAGANSETT BAY COMMISSION
STATEMENT OF NET POSITION
JANUARY 31, 2024

ASSETS**CURRENT ASSETS**

Accounts receivable sewer use (net of allowance)	\$ 10,709,628.10
Accounts receivable sewer use unbilled	7,429,404.00
Accounts receivable RIIB	14,584,002.67
Accounts receivable WIFIA	155,308,947.48
Receivables, other	180,223.94
Prepaid expense	280,879.21
Total Current Assets	<u>188,493,085.40</u>

NON-CURRENT ASSETS**Restricted Assets**

Cash and cash equivalents, restricted	72,326,857.33
Total Restricted Assets	<u>72,326,857.33</u>

Capital Assets

Land	2,597,439.72
Plant and equipment	116,251,245.18
Capital projects completed	1,014,268,216.86
Leased land	2,344,136.84
Subscription assets	622,685.56
Construction in progress	750,098,235.94
	<u>1,886,181,960.10</u>
Less accumulated depreciation	(327,818,356.01)
Less accumulated amortization	(643,909.42)
Total Net Capital Assets	<u>1,557,719,694.67</u>

Other assets

Net pension asset - Non-Union Defined Benefit Plan	3,714,890.00
Total Non-current Assets	<u>1,633,761,442.00</u>

TOTAL ASSETS

1,822,254,527.40

DEFERRED OUTFLOWS OF RESOURCES

Loss on refunding of debt, net	4,627,231.43
Pension related outflows, net	5,527,478.58
OPEB related outflows, net	593,737.31
Asset retirement obligation, net	391,875.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,140,322.32</u>

NARRAGANSETT BAY COMMISSION
STATEMENT OF NET POSITION
JANUARY 31, 2024

LIABILITIES**CURRENT LIABILITIES**

Accounts and contracts payable	\$ 25,190,790.27
Accrued interest payable	6,073,206.18
Accrued expenses	1,060,671.96
Total Current Liabilities	<u>32,324,668.41</u>

NON-CURRENT LIABILITIES

Net pension liability - ERSRI Pension Plan	15,659,853.00
Net OPEB liability	2,223,344.00
Other accrued expenses	3,656,730.76
Loans payable	347,666,316.14
Loan payable, WIFIA	523,308,413.22
Revenue bond	245,141,058.36
Lease Liability	2,072,555.62
Subscriptions payable	224,749.46
Asset retirement obligation	450,000.00
Total Non-current Liabilities	<u>1,140,403,020.56</u>

TOTAL LIABILITIES

1,172,727,688.97

DEFERRED INFLOWS OF RESOURCES

Gain on refunding debt, net	2,101,939.48
Pension related inflows, net	1,851,013.00
OPEB related inflows, net	1,074,895.00

TOTAL DEFERRED INFLOWS OF RESOURCES

5,027,847.48

NET POSITION

Net Investment in capital assets	587,949,039.93
Restricted - environmental enforcement	69,019.25
Restricted - bond covenants	45,850,090.90
Restricted - debt service reserve	2,976,039.76
Restricted - operating reserve for revenue stability	4,520,350.60
Restricted - net pension asset	3,714,890.00
Restricted - operating maintenance reserve	2,000,000.00
Restricted - operating capital	5,294,370.79
Unrestricted	3,265,512.04
TOTAL NET POSITION	<u>\$ 655,639,313.27</u>

NARRAGANSETT BAY COMMISSION
STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION
FOR THE PERIOD ENDING JANUARY 31, 2024

OPERATING REVENUE	
User fees, residential	\$ 37,489,657.64
User fees, commercial and industrial	27,610,930.52
Sewer connection fees	130,985.00
Pretreatment fees	35,420.00
Environmental enforcement fees	6,000.00
Septage income	238,689.03
Renewable energy credits	607,710.00
Miscellaneous	82,240.00
Late charge penalties	259,265.73
Total Operating Revenues	<u>66,460,897.92</u>
OPERATING EXPENSES	
Personnel	16,427,992.18
Operating supplies /expense	14,812,527.14
Professional services	1,303,128.31
Depreciation and amortization	13,219,648.77
Total Operating Expenses	<u>45,763,296.40</u>
OPERATING INCOME	<u>20,697,601.52</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	1,983,536.13
Grant revenue	50,929.20
Project related revenue	32,500.00
Interest expense	(11,473,141.60)
Gain (loss) on disposal of asset	322,508.76
Miscellaneous non-operating revenue	118,680.52
Bond and note fees	(173,250.00)
Total Non-operating Revenue (Expenses)	<u>(9,138,236.99)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	11,559,364.53
Capital Contribution	648,894.64
CHANGE IN NET POSITION	<u>12,208,259.17</u>
TOTAL NET POSITION, BEGINNING	<u>643,431,054.10</u>
TOTAL NET POSITION, ENDING	<u>\$ 655,639,313.27</u>

CERTIFICATE OF SERVICE

I, Gail Degnan, hereby certify that I have, this 4th day of April, 2024 caused a copy of the within application filed under Section 39-3-15 for the Narragansett Bay Commission to be served on all parties designed on the official service list in this proceeding.



Gail Degnan
Revenue Analyst