

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

IN RE:           Narragansett Bay Commission                                 :  
                  Application For Authority to Incur Debt           :     Docket No. D-10-19

**REPORT AND ORDER**

On May 14, 2010, the Narragansett Bay Commission (“NBC”), One Service Road, Providence, Rhode Island, filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking approval to enter into long-term debt and issue revenue bonds for an amount not to exceed \$20,000,000 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.

In response to the application filing, the Division conducted a duly noticed public hearing on June 1, 2010. The hearing was conducted in the Division’s hearing room, located at 89 Jefferson Boulevard in Warwick. The following counsel entered appearances:

For the NBC:	Joseph A. Keough, Jr., Esq.
For the Division’s Advocacy Section:	Karen Lyons, Esq. Special Assistant Attorney General

The NBC proffered pre-filed direct testimony from two witnesses in support of its application. The witnesses were identified as Ms. Karen L. Giebink, the NBC’s Director of Administration and Finance; and Ms. Maureen Gurghigian, Managing Director, First Southwest Company.

Ms. Giebink testified that the NBC is requesting Division approval to enter into long-term debt and issue revenue bonds for an amount not to exceed \$20 million at an interest rate not to exceed a market rate of 4.855 percent, which would result in a projected subsidized rate of 3.1 percent plus RICWFA fees.<sup>1</sup>

Ms. Giebink testified that the requested loan is from the RICWFA and will be used to fund capital projects. She noted that the RICWFA is a state agency that administers the State Revolving Loan Fund program that provides low interest loans to qualified borrowers.<sup>2</sup> In support of the NBC's petition, Ms. Giebink identified many similar loans from the RICWFA totaling over \$350 million previously approved by the Division.<sup>3</sup>

Ms. Giebink testified that the authorizing resolution provides that the proceeds of this loan may be used for:

*“... financing the acquisition, design, evaluation, inspection, construction, improvement, installation, cleaning, rehabilitation, furnishing and equipping of: (i) the Phase I Combined Sewer Overflow (CSO) Facilities, (ii) the Phase II CSO Facilities (iii) the Field's Point Wastewater Treatment Facility Nitrogen Removal Facilities, (iv) Bucklin Point Biogas Microturbines (v) Field's Point Wind Turbines (vi) the Upgrade of the Field's Point Operations Building and other miscellaneous improvements at various locations, (vii) the Bucklin Point Wastewater Treatment Facility Nitrogen Removal Facilities, (viii) the Bucklin Point Wastewater Treatment Facility Improvements (ix) a System-Wide Facilities Plan, (x) the Washington Highway, Omega and Central Avenue Pump Stations*

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<sup>1</sup> NBC Exhibit 1, Giebink Testimony, p. 2.

<sup>2</sup> Id.

<sup>3</sup> Id.

*and Commission Interceptors, and, (xi) other projects of the Commission.*"<sup>4</sup>

Ms. Giebink additionally related that some of the loan proceeds would also be used to pay RICWFA fees and bond issuance costs.<sup>5</sup>

Ms. Giebink next testified that other than the instant petition for approval from the Division, and completing the necessary credit review process, the NBC has met all of the other requirements needed to complete the proposed transaction. She related that the NBC submitted its initial loan application with the RICWFA on July 14, 2009. Ms. Giebink stated that the NBC's Board of Commissioners subsequently passed a resolution authorizing the NBC to borrow an amount not to exceed \$25 million on January 20, 2010. Ms. Giebink related that on February 9, 2010, the NBC submitted a revised loan application to the RICWFA for \$25 million. She added that on April 8, 2010 NBC received notification from the RICWFA that due to capacity limitations, the NBC's loan amount would be limited to \$20 million, which was followed-up on May 13, 2010 with a notification from the RICWFA that the NBC's financing application was approved subject to a number of terms.

Ms. Giebink testified that the NBC's current long-term credit rating with Standard and Poor's is AA-, which was established during the last review on August 17, 2009. She explained that a credit review as part of this borrowing should take place within the next few weeks.<sup>6</sup>

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<sup>4</sup> *Id.*, p. 2.

<sup>5</sup> *Id.*, p. 2.

<sup>6</sup> *Id.*, pp. 2-3.

Ms. Giebink added that the loan will be a subsidized loan, similar to the majority of the loans from the RICWFA. She related that this means that the loan will be made at the subsidized interest rate of 1/3 off current market rates.<sup>7</sup>

Ms Giebink also testified that NBC's current rates generate sufficient revenue to meet the debt service payments associated with the instant loan.<sup>8</sup>

Finally, Ms. Giebink noted that the Loan Agreement included with the instant application is not final. She explained that the NBC has included a draft loan agreement that is similar to the loan agreements executed by the NBC as part of the traditional subsidized RICWFA loan program. She related that the NBC understands that the draft is subject to final modifications including post-issuance tax compliance. Ms. Giebink assured the Division that all documents will be thoroughly reviewed by the NBC's bond counsel prior to their execution.<sup>9</sup>

Ms. Maureen E. Gurghigian testified that since 1946, First Southwest Company has served as financial advisor to many bond issuers such as schools, cities, airports, hospitals, sports complexes, water and wastewater authorities and districts and toll roads. She related that the firm currently serves more than 2000 municipalities and agencies, including more than 400 in New England.<sup>10</sup>

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<sup>7</sup> Id., p. 3.

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> Id., Gurghigian Testimony, p. 1.

Ms. Gurghigian related that she has served as financial advisor to the NBC for the past 20 years. She stated that in her capacity as the NBC's financial advisor she has assisted the NBC with a number of long-term borrowings from the RICWFA, several short-term borrowings, the \$70 million Variable Rate Demand Bonds ("VRDB") issued in April 2004, the \$45 million Open Market Revenue Bond Issue in August 2005, a \$42.5 million issue in February 2007, the refunding of the 2004 VRDB issue in 2008, and the \$55 million ARRA subsidized borrowing from the RICWFA reviewed by the Division in August 2009 and the \$2 million ARRA subsidized borrowing from RICWFA reviewed by the Division in January 2010. She related that her services have included the facilitation of the credit rating process, loan structuring and other functions.<sup>11</sup>

As background, Ms. Gurghigian related that over the past few years she and First Southwest Company have worked closely with the staff of NBC to develop a long term financing strategy that would allow the NBC to meet the significant needs of its capital program while mitigating rate payer impact. She related that the NBC's lowest cost form of financing its capital program is through subsidized low interest loans from the RICWFA. Ms. Gurghigian testified that the NBC's financing strategy maximizes the use of these loans.<sup>12</sup>

Ms. Gurghigian testified that the NBC has the opportunity to borrow an additional \$20 million through this program. She related that the loan is amortized over 20 years after construction funds are drawn with the final

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<sup>11</sup> Id., p. 2.

<sup>12</sup> Id.

maturity in or about 2030 (or 20 years after the construction funds are fully drawn). She explained that the amortization of this loan is also similar to prior loans from the RICWFA. Ms. Gurghigian related that the loan will be structured as level debt with the traditional RICWFA subsidy of 1/3 of the market rate. Based upon current market conditions, Ms. Gurghigian anticipated that the loan will not exceed a market rate of 4.855%, which she related would result in a projected subsidized rate of approximately 3.1% plus RICWFA service fees of 0.5%.<sup>13</sup>

In closing, Ms. Gurghigian testified that the bonds to be issued by RICWFA are scheduled to be priced on or about June 7, 2010. She related that the RICWFA plans to mail its Preliminary Official Statement to prospective investors on or about May 27, 2010 and prefers that borrower approvals are in place prior to the mailing of the Preliminary Official Statement.

The Division's Advocacy Section did not present any witnesses in this docket. After a brief cross-examination of the NBC's witnesses, the Advocacy Section stated for the record that it was satisfied from the evidence presented, that the NBC 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 thorough examination of the record in this matter, the Division finds that the NBC's application seeking approval to enter into long-term debt and issue revenue bonds for an amount not to exceed \$20,000,000

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<sup>13</sup> Id., p. 3.

from the Rhode Island Clean Water Finance Agency, is reasonable and in the best interest of ratepayers.

Now, therefore, it is

(20018) ORDERED:

1. That the Narragansett Bay Commission's May 14, 2010 application, seeking approval to enter into long-term debt and issue revenue bonds for an amount not to exceed \$20,000,000 from the Rhode Island Clean Water Finance Agency, is hereby approved as filed.
2. That the Division hereby makes this approval contingent upon the NBC'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.
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 JUNE 2, 2010.

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John Spirito, Jr., Esq.  
Hearing Officer

APPROVED: \_\_\_\_\_  
Thomas F. Ahern  
Administrator

