

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

In Re:	Kent County Water Authority	:	
	35 Technology Way	:	
	West Greenwich, Rhode Island 02817	:	DOCKET No.: D-25-02
		:	
	Petition for Authority to Borrow Up to \$25,000,000	:	
	From the Drinking Water State Revolving Fund	:	
	Through the RI Infrastructure Bank	:	
		:	

DECISION AND ORDER

Hearing Officer:	Kyle Lynch, Esq.	
Hearing Held:	April 14, 2025	
Appearances:	For KCWA:	Mary Shekarchi, Esq.
	For the Division's	Gregory Schultz, Esq.
	Advocacy Section:	Chief of Legal Services

I. INTRODUCTION

On February 27, 2025, the Kent County Water Authority ("KCWA" or "Authority") filed an application with the Rhode Island Division of Public Utilities and Carriers ("Division") seeking authority to borrow an amount not to exceed \$25,000,000 from the Drinking Water State Revolving Fund ("DWSRF") through the RI Infrastructure Bank ("RIIB"). The application was filed in accordance with the requirements of R.I. Gen. Laws § 39-3-15 and Rule 1.14 of 815-RICR-00-00-1 ("Division Rules"). In its filing, KCWA states that the purpose of the borrowing is to utilize the proceeds to fund the construction of a new water treatment facility to replace the existing

East Greenwich Well. The Division conducted a duly noticed public hearing on April 14, 2025. The hearing was conducted in the Division's hearing room, located at 89 Jefferson Boulevard in Warwick.

II. JURISDICTION

The Division has jurisdiction over this matter pursuant to R.I. Gen. Laws § 39-3-15.

III. DISCUSSION

KCWA submitted pre-filed direct testimony from three witnesses in support of its application: David L. Simmons, Executive Director and Chief Engineer for KCWA, Finance Director for KCWA; Matthew J. Blais, Vice President of Hilltop Securities, Inc.; and David G. Bebyn, President of B&E Consulting LLC.

A. David L. Simmons, KCWA Executive Director and Chief Engineer

David Simmons is a professional engineer with twenty-eight (28) years of water system experience, and he currently serves as the main licensed operator for KCWA. Mr. Simmons stated KCWA intends to utilize the proposed borrowing proceeds to fund the construction of a new water treatment facility to replace the existing East Greenwich Well. Mr. Simmons explained that the new facility will include advanced water filtration capabilities. He specified that the new water treatment facility designs are complete and have been provided to the Division as Appendix H within the KCWA application. Mr. Simmons added that the new facility will have a capacity of approximately 4.0 million gallons per day and will provide treatment to remove poly-fluoroalkyl substances ("PFAS"), iron, and manganese from KCWA drinking water.

Mr. Simmons stated that PFAS are man-made chemicals commonly used in firefighting foams and various household products. He explained that PFAS are an emerging contaminant of concern in groundwater across the United States because PFAS compounds are resistant to

environmental degradation and can easily infiltrate groundwater systems. Mr. Simmons stated that the bonds would be funded through the DWSRF with a 20-year repayment term. He specified that the DWSRF program contractually obligates the Authority to pay interest at the market rate, although the commitment letter confirms that KCWA would only be charged a subsidized interest rate.

Mr. Simmons explained that the KCWA has received a financing commitment letter from RIIB and has provided a copy within the application.¹ He also stated that the new treatment facility is fully certified and highly ranked on the Rhode Island Department of Health's ("RIDOH") Project Priority List ("PPL"). Mr. Simmons noted that the RIDOH PPL certification makes the KCWA eligible to apply for subsidized interest rates and principal forgiveness through the RIIB. He explained that the Authority has sufficient funding to complete this project even if federal funding uncertainty impacts RIIB's financing program in the future.

Mr. Simmons stated that the current East Greenwich Well facility lacks filtration capabilities and as a result, the Authority has experienced increasing aesthetic water quality problems in the distribution system. He added that the new facility project has been a central component of the Authority's capital improvement plan for nearly two (2) decades. Mr. Simmons explained that recent State and Federal laws and regulations pertaining to PFAS concentrations in water supplies were important motivators to complete the new facility design and financing.

Mr. Simmons explained that a 2022 state law, entitled the "Rhode Island PFAS in Drinking Water, Groundwater, and Surface Waters Act" ("Act") established an interim concentration standard for six (6) PFAS chemicals of twenty (20) parts per trillion. He added that the Act obligates water suppliers to sample for PFAS in water, including on an annual or quarterly basis if

¹ Exhibit 1 of the KCWA Application (February 27, 2025).

initial PFAS levels exceed the concentration standard. Mr. Simmons stated that the new facility would make the Authority fully compliant with these State and Federal obligations and would additionally enable the Authority to filter iron and manganese contaminants within the distribution system.

On cross-examination, Mr. Schultz inquired whether the new treatment facility would benefit other users beyond KCWA. Mr. Simmons confirmed that the Quonset Development Corporation (“QDC”) will benefit under its existing interconnection agreement with KCWA, where 200 gallons per minute are provided to QDC. He explained that the town of North Kingstown may also benefit from the new facility, if the town chooses to partner with KCWA in the future. Mr. Schultz inquired whether KCWA intended to build the treatment facility up to the full scale of up to four (4) million gallons per day. Mr. Simmons explained that the facility design is modular, so KCWA can build a smaller initial facility if tariff uncertainty or lower local demand impact daily usage projections.

B. Matthew J. Blais - Vice President, Hilltop Securities Inc.

As a Vice President at Hilltop Securities Inc., Mr. Blais provides municipal advisory services to municipalities and various regional agencies. In his pre-filed testimony, Mr. Blais described KCWA’s broad financing plan to support the new treatment facility and noted that the requested borrowing authority is similar to previous KCWA loans funded by RIIB. Mr. Blais explained that these funds utilize federal capitalization grants and state matching funds to provide subsidized loans to water suppliers such as the Authority for qualifying projects listed on the PPL maintained by RIDOH. Mr. Blais confirmed that the KCWA’s new treatment facility has been ranked highly on RIDOH’s PPL which qualifies the new treatment facility project for a subsidized interest rates and principal forgiveness.

On cross-examination, Attorney Schultz inquired whether the Authority had, in addition to the PPL listing, also obtained a RIDOH “certificate of approval” as required by the terms of the RIIB commitment letter. Mr. Blais and Mr. Simmons explained that the Authority was still awaiting the certificate but has been in frequent contact with RIDOH on this matter. Attorney Schultz requested that a copy of the RIDOH certificate be provided to the Division upon receipt.

Mr. Blais explained that RIIB’s loan program requires the Authority to be contractually committed to pay interest on the borrowing at the market rate, despite RIIB, in practice, only charging the subsidized interest rate. For the purposes of Division approval, Mr. Blais included a not-to-exceed market rate of 5.00% and a subsidized market rate of 4.26% in his analysis of the application. He added that based upon market condition as of January 10, 2025, he expected that the subsidized the interest on the RIIB loan would not exceed 3.20%.

Mr. Blais explained that approximately \$23,260,000 of the borrowing will be available for project expenditures, approximately \$1,400,000 will be placed in a debt service reserve fund, and approximately \$340,000 will be allocated to costs of issuance. He added that the borrowing is projected to close in mid-June 2025.

On cross-examination, Mr. Schultz inquired whether default, or any other event, would trigger an obligation on behalf of the Authority to pay the step-up market rate rather than the subsidized rate. Mr. Blais confirmed that a default could lead to the Authority paying the step-up market rate, but that there would also be a cure period afforded and that there is no history of such default on similar loans.

C. David G. Bebyn - President, B&E Consulting LLC

Mr. Bebyn referenced Mr. Blais’ pre-filed testimony and confirmed that the interest rate calculations as of January 10, 2025 would result in a subsidized KCWA interest rate of

approximately 3.20%. Mr. Bebyn stated that this is the lowest interest rate available to the Authority. Mr. Bebyn reiterated that the \$25,000,000 bond proceeds would be used to support the construction of the new water treatment facility to replace the East Greenwich Well. He specified that \$5,000,000 of the loan principal will be subject to principal forgiveness provided by RIIB, resulting in a total cost to the Authority of \$20,000,000 plus interest. Mr. Bebyn explained that the repayment term was twenty (20) years and that no balloon payment will be due at the completion of the term.

Mr. Bebyn stated that the Authority has sufficient funds to pay for this borrowing in its capital improvement fund ("CIP") restricted account. He explained that during the filing of Division Docket #5012, the Authority reached a settlement agreement with the Division to transfer debt service funding for its retired 2012 Series A bond to the CIP account. Mr. Bebyn added that the settlement agreement also allows the Authority to use the CIP account for pay-as-you-go capital projects or debt service payment such as the new water treatment facility. Mr. Bebyn explained that the approximately \$2,500,000 in the CIP account is more than sufficient to cover the debt service for this borrowing. He specified that the RIIB commitment letter requires the Authority to maintain a debt service coverage of 1.25x for open market bonds and 1.35x for RIIB bonds based on the debt service net of any interest rate subsidy, and the CIP account funds satisfy this coverage level.

Mr. Bebyn explained that the borrowing would not have any impact on KCWA ratepayers. He stated that current rates and the CIP account funds will cover the ongoing debt service payments across the 20-year repayment term. Mr. Bebyn concluded that the terms of the borrowing are in the best interest of KCWA ratepayers. He specified that the borrowing offers a below-market interest rate and maximum flexibility for repayment.

Attorney Schultz inquired whether any of the terms of the commitment letter, including the principal forgiveness or subsidized interest rate projections, have changed since KCWA applied to the Division. Mr. Bebyn confirmed that none of the loan terms have changed.

D. Advocacy Section's Position

The Division's Advocacy Section presented oral testimony from Joel Munoz, Public Utility Rate Analyst. He testified that he had reviewed the filing and agreed with KCWA's request as being reasonable and prudent and in the best interest of KCWA ratepayers. Mr. Munoz recommended approval of the application. Upon conclusion of the evidentiary hearing, the Advocacy Section concurred that the amount of the borrowing, the term, and use of the proceeds are all reasonable and in the best interest of KCWA's ratepayers. As such, the Advocacy Section recommended approval of the application.

IV. CONCLUSION AND ORDER


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 for authority to borrow an amount not to exceed \$25,000,000 for the construction of a new water treatment facility to replace the East Greenwich Well is reasonable and in the best interest of KCWA's ratepayers, and meets the requisite burden of proof set forth in R.I. Gen. Law §39-3-15, et seq.

Accordingly, it is

(25343) ORDERED:

1. That KCWA's February 27, 2025 application, which seeks Division approval under R.I. Gen Law §39-3-15, to borrow an amount not to exceed \$25,000,000 through the Drinking Water State Revolving Fund, is approved.
2. KCWA shall, upon receipt, file the RIDOH certificate of approval with the Division.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND MAY 14, 2025.



Kyle Lynch, Esq.
Deputy Chief of Legal Services
Hearing Officer

I have read the Hearing Officer's Decision and Order in this matter, and I hereby Adopt the Decision and Order.



Linda George
Administrator



STATE OF RHODE ISLAND

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NOTICE OF AVAILABILITY OF JUDICIAL REVIEW **(PROVIDED PURSUANT TO R.I. Gen. Laws § 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.