

Research Update:

Narragansett Bay Commission, RI Series 2026-1 Wastewater System Revenue Bond Anticipation Notes Rated 'SP-1+'

July 30, 2026

Overview

- S&P Global Ratings assigned its 'SP-1+' short term rating to the [Narragansett Bay Commission](#) (NBC) Rhode Island's \$100 million series 2026-1 wastewater system revenue bond anticipation notes (BANs).
- We also affirmed our 'AA-' underlying rating on NBC's outstanding parity debt and Water Infrastructure Finance and Innovation Act (WIFIA) loans.
- The outlook, where applicable, is stable.

Rationale

Security

The 'SP-1+' rating reflects our opinion of NBC's low market risk profile, as we believe at the current long-term rating level the commission could obtain market access to issue long-term debt to redeem the BANs if need be. Debt service on all loans and outstanding bonds is payable from the net revenue of the commission. We consider bond provisions credit-neutral. The \$100 million BANs will be used to fund portions of the capital program. The commission will have almost \$1.4 billion in debt and committed loans outstanding after the issuance. It plans to issue another \$165 million through 2032.

Credit highlights

As NBC continues moving through the significant mostly debt-funded capital program, mainly to deal with combined sewer overflow Phase III A-related projects (estimated completion in April 2028), it remains paramount for rating maintenance that management stay vigilant regarding getting sufficient rates approved by the Rhode Island Public Utilities Commission (PUC) as debt service levels will increase from \$50.1 million in fiscal 2026 to a peak of \$95.5 million in 2046.

The rating reflects our view of following credit strengths for NBC:

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- A service area participation in the Providence-Warwick metropolitan statistical area serving 403,000 residents and 7,441 businesses in northeastern Rhode Island, primarily Providence and Pawtucket;
- Rates that we generally view as affordable. Monthly equivalent water and sewer rates are \$53.10 for 800 cubic feet of usage, which is our standard benchmark for monthly consumption, or only 1.01% of median household effective buying income when annualized;
- Operational management practices and policies that we view as good;
- Financial metrics that include all-in debt service coverage of at least 1.3x the past three years and a days' cash equivalent of about 135-209 days over the past four fiscal years; and
- Management practices and policies that we view as strong.

Challenges for the commission include:

- The system's high leverage, at a 66.3% debt-to-capitalization ratio at the end of fiscal 2025 and a mostly debt-funded \$454 million capital program through 2032; and
- The successful maintenance of its currently good relationship with Rhode Island PUC to get rate increases approved to meet the rising debt service requirements, with its meeting for 2027 rate increases in fall 2026.

Environmental risk is also elevated as the system is under a consent agreement, although management has completed the planning and is well into the construction of the Phase III-A projects with expected completion in April 2028. Heightening this risk is that NBC must get rate approval from an outside entity—PUC—to fund these projects. This portion of the risk is somewhat mitigated as the commission has had a sound history of obtaining PUC rate approval

Outlook

The stable outlook on the long-term rating reflects our expectation that NBC's financial performance should remain consistent with historical trends, given PUC's sound history of credit-supportive rate decisions.

Downside scenario

Should future rates not generate sufficient revenue to help maintain consistently sound financial performance, leading to a material decline in coverage while supporting the commission's large capital improvement plan, we could lower the rating.

Upside scenario

If NBC's financial performance becomes significantly stronger compared with historical trends and we believe the commission can sustain these trends, we could raise the rating. However, given the need for continued PUC support and ongoing debt and capital needs, we believe the likelihood for upward rating movement is probably well beyond the two-year outlook period.

Narragansett Bay Commission, Rhode Island--economic and financial data

Fiscal year-end

	Most recent	2025	2024	2023	Median (AA-)
Economic data					
MHHEBI of the service area as % of the U.S.	97				105
Unemployment rate (%)	4.9				3.6
Poverty rate (%)	14.8				11.3
Water rate (6,000 gallons or actual) (\$)	0				37.7
Sewer rate (6,000 gallons or actual) (\$)	60.5				40.8
Annual utility bill as % of MHHEBI	1.1				1.2
Operational management assessment	Good				Good
Financial data					
Total operating revenues (\$000s)		115,104	110,296	105,380	15,647
Total operating expenses less depreciation (\$000s)		52,770	51,896	45,932	11,314
Net revenues available for debt service (\$000s)		66,404	62,343	62,835	--
Debt service (\$000s)		42,893	45,842	40,779	--
S&P Global Ratings-adjusted all-in DSC (x)		1.5	1.4	1.5	2
Unrestricted cash (\$000s)		24,404	19,135	22,584	16,768
Days' cash of operating expenses		169	135	179	610
Total on-balance-sheet debt (\$000s)		1,356,373	1,260,697	1,146,618	29,615
Debt-to-capitalization ratio (%)		66.3	65.7	64.1	31
Financial management assessment	Good	--	--	--	Good

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage.

Ratings List

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