

Narragansett Bay Commission, RI – Wastewater Revenue

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METHODOLOGY

[Public Finance: U.S. Municipal
Retail Utility Revenue Bond
Rating Methodology](#)

Ratings

Description	Rating Action	Rating/Outlook or Watch
Issuer: Narragansett Bay Commission, RI		
Bucklin Point Resiliency Improvements WIFIA Loan	Affirmed	AA/Stable
Combined Sewer Overflow Phase III Facilities WIFIA Loan	Affirmed	AA/Stable

Rating Summary

The long-term ratings reflect the Narragansett Bay Commission's ("NBC's" or the "Commission's") sound financial performance supported by timely and adequate sewer rate adjustments, a diverse customer base with competitive sewer rates, and solid security provisions supporting the WIFIA loans. For the past five years, debt service coverage has been consistently solid and in excess of the 1.25x rate covenant.

Counterbalancing the aforementioned strengths is the regulatory oversight of NBC's rate setting by the Rhode Island Public Utility Commission ("RIPUC"), and the size and scope of the Commission's largely debt funded capital program through FY 2032, which will pressure leverage and annual debt service requirements over the capex cycle. KBRA notes NBC has historically received constructive RIPUC rate treatment, particularly given the critical and mandated (state and federal) nature of the majority of its capex. As of June 30th, 2026, NBC had approximately \$1.3 billion¹ in outstanding parity lien, long-term debt consisting of Water Infrastructure Finance and Innovation Act ("WIFIA") loans totaling \$539.1 million; \$224.6 million of wastewater revenue bonds; and \$533.5 million in Rhode Island Infrastructure Bank ("RIIB") state revolving fund loans. Additionally, in mid-2026, NBC issued \$100 million in bond anticipation notes to interim finance capex.

NBC, a public corporation created in 1980 pursuant to state statute, provides wastewater treatment and collection services to the Providence and Pawtucket metropolitan areas. The customer base is largely residential and modestly growing, with a total of 86,304 customer accounts, and a population base of roughly 403,000. NBC owns and operates Rhode Island's two largest wastewater treatment facilities, Field's Point and Bucklin Point, as well as a substantial wastewater transmission network, pumping stations and monitoring facilities.

NBC's service territory encompasses nearly 71 miles across ten Rhode Island communities in and around the greater metropolitan Providence area. Providence is the state capital and the largest city in Rhode Island. Demographics of the service area remain adequate, with income levels that are mostly below the state average, reflecting the urban economic base with considerable service-related industries, balanced by a notable presence of the more stable education, government and healthcare sectors.

¹ Pursuant to NBC's FY 2027 Annual Budget



Providence County population growth, as estimated by the US Census, remains solid, with a ten-year compound annual growth rate (“CAGR”) of 0.67% through 2024, ahead of the state (0.53%) and the nation (0.65%).

The Commission is presently in its third and final phase of a Combined Sewer Overflow (“CSO”) Abatement Program to comply with a federal mandate and a consent agreement with the Rhode Island Department of Environmental Management. Phases I and II were completed in 2008 and 2014, respectively, and incorporated CSO capture, transport and storage systems that feed into the Field’s Point Treatment Facility. The Phase III capital program includes four subphases (Phase III A, B, C, and D projects) with an estimated total cost of \$1.4 billion and planned completion in FY 2043. Of this total, the Phase III A projects account for \$907.1 million and are scheduled to be operational in early 2028.

NBC is currently working on the CSO Phase III A projects and the Bucklin Point resiliency improvements. The Phase III A capital projects (75% completed) have thus far been constructed generally within established budgets and timelines. As per the Commission’s current 6-year capital improvement plan (“CIP”), which is annually updated, the CIP is estimated to total \$454.7 million through FY 2032. In 2026, NBC completed the largest and most complex Phase III A project, the construction of the 2.2-mile Pawtucket deep-rock tunnel. Additional facilities are needed before the tunnel is fully operational, and able to convey flow from CSO outfalls into the tunnel and ultimately to the Bucklin Point Wastewater Treatment Facility. Positively, with the CSO abatement work completed to date, NBC reports significant water quality improvements in the Narragansett Bay, with beach closures reduced by 85% and improved shell-fishing conditions. Further environmental improvements are expected upon completion of Phase III A projects in 2028, when up to 95% of the CSO within the Bucklin Point service area will be treated.

With respect to the WIFIA loans, principal repayments do not begin until FY 2033, with the CSO Phase III Facilities WIFIA loan scheduled to be fully amortized in FY 2047, the Bucklin Point WIFIA loan in FY 2060, and the Series 2022 A WIFIA loan in FY 2062. The loans are structured such that interest is incurred as funds are drawn but payments do not commence until five years after substantial completion. The WIFIA loans’ debt service is payable from net system revenues on parity with NBC’s outstanding wastewater revenue bonds and RIIB borrowings. There is no debt service reserve fund for the WIFIA loans. In practice, after meeting the Trust Indenture’s 1.25x debt service coverage requirement, excess amounts in the Debt Service Fund’s Stabilization Account can be transferred to the Project Fund at fiscal year-end to pay for capital projects and provide operating capital. Non-system uses require US Environmental Protection Agency² approval, per the WIFIA loan agreement.

KBRA anticipates that capital funding will continue to be supported through internally generated funds and timely rate adjustments. As a regulated utility, the Commission’s sewer rates are approved by NBC’s governing Board of Commissioners as well as the State’s regulatory authority, the RIPUC. NBC proactively informs the RIPUC of necessary capital projects and rate requirements, and the RIPUC’s history of rate review and approval has been generally constructive, with rates designed to maintain at least 1.25x coverage of debt service. Additionally, pursuant to a RIPUC-approved debt service coverage compliance filing mechanism, NBC can seek rate relief solely for debt service and debt service coverage, via an expedited rate relief process supporting capital funding.

For the past five fiscal years, financial performance has been sound with debt service coverage (“DSC”) ranging from 1.36x to 1.56x, with regular rate increases supporting the rising operating, capital, and debt service costs. Going forward, pursuant to NBC’s FY 2027 Annual Budget, DSC is projected to remain at approximately 1.30x (FY28) - 1.49x (FY32), as debt outstanding peaks at \$1.5 billion in FY 2029. Annual debt service is rising, from approximately \$50.1 million in FY 2026, to \$76.5 million in FY 2032, and reaching at estimated peak of \$95.5 million in FY 2046, before declining thereafter. Leverage, as measured by long-term debt to net fixed assets, is likely to remain elevated (above 70%) through the five-year horizon, as NBC addresses remaining CSO Phase III related projects, the Bucklin Point Resiliency improvements, and other sewer upgrades through FY 2032.

Prospective sewer rate increases are projected to trend lower beginning in FY 2028, declining to 4% by FY 2032, as the capex plan moderates post-2032. NBC’s most recent rate increases included a 9.39% and 8.33% across-the-board increases in sewer use rates on July 1, 2025, and July 1, 2026, respectively, as approved by the RIPUC. Favorably, the

2 The US EPA administers the WIFIA loan program.



average annual residential sewer bill remains competitive and mid-range relative to other sewer systems in the State, totaling \$674 for FY 2026, or a relatively modest 0.9% of the 2024 median household income for Providence County³.

The Stable Outlook reflects KBRA's expectation that the Commission will manage its large capital plan close to budget, and adjust its rates as forecast to support operations and the ongoing capital program, while satisfying the 1.25x rate covenant. KBRA views the 1.25x DSC as minimally acceptable for the rating level, given the RIPUC support of the rate covenant requirement, the ability to utilize an expedited regulatory rate review process to ensure compliance with the rate covenant, and the RIPUC's generally constructive regulatory reviews to date.

Key Credit Considerations

The rating was affirmed because of the following key credit considerations:

Credit Positives

- Favorable history of rate setting, with the ability to use an expedited regulatory rate review process to maintain adequate debt service coverage.
- Largely residential and modestly growing customer base, with competitive wastewater rates.
- Comprehensive long-term financial and capital plan which has been maintained close to budget and updated on an annual basis.

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Credit Challenges

- Rate increases are subject to regulatory review by the State's RIPUC. Positively, NBC has a history of generally constructive rate reviews by the RIPUC.
- Higher complexity and implementation risk related to the CSO Phase III projects.
- Leverage, as measured by total debt to net plant, and debt service requirements are rising as NBC funds the large capital program.

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Rating Sensitivities

- Under budget completion of NBC's large capex, with lower debt requirements and financial coverage materially above the projected minimally required debt service coverage.
- Less favorable rate regulatory environment, with debt service coverage below financial projections.

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³ Median household income for Providence County is \$73,977 based upon US Census data for 2024.



Key Ratios

Narragansett Bay Commission, RI - Wastewater System			
FYE June 30	2023	2024	2025
Sewer Customer Accounts	85,825	86,277	86,304
% Change YoY	0.3%	0.5%	0.0%
Residential Revenues % Sewer Operating Revenues	57.1%	56.4%	56.4%
Population (US Census Data)			
Providence County	660,615	675,912	-
Providence County, 10-year CAGR	0.50%	0.67%	-
Rhode Island, 10-year CAGR	0.41%	0.53%	-
Key Financial Data and Ratios			
Long-Term Debt Outstanding (\$000)	1,144,278	1,183,491	1,256,094
Annual Debt Service (\$000)	40,779	45,842	42,893
Net Revenue Available for Debt Service (\$000s)	63,088	62,455	66,404
Days Cash on Hand	206	175	151
Debt Service Coverage (x)	1.55x	1.36x	1.55x
Long-Term Debt to Net Fixed Assets	77.5%	73.6%	73.6%
Long-Term Debt to Total Capitalization	64.0%	64.2%	64.5%

Sources: Narragansett Bay Commission's audited financial statements; US Census data; KBRA metrics.

Rating Determinants

Rating Determinants (RD)	
1. Management, Governance, Regulatory Framework	AA+
2. Legal Mechanics and Security Provisions	AA+
3. Service Area and Demand	AA
4. Operations and Capital	AA-
5. Financial Profile and Debt	AA-

For a more detailed discussion of Rating Determinants 1 through 5, and the Bankruptcy Risk Assessment, please refer to KBRA's prior reports, the most recent of which is dated, [September 29, 2025](#).



RD 5: Financial Profile and Debt

Figure 1

Narragansett Bay Commission Statement of Revenue and Expenditures					
FYE June 30th (\$000s)	FY2025	FY2024⁽⁵⁾	FY2023	FY2022	FY2021
Operating revenues ⁽¹⁾	\$ 115,543	\$ 110,283	\$ 105,646	\$ 104,033	\$ 104,582
Non-operating revenues ⁽²⁾	3,631	4,068	3,374	2,874	334
Total revenues	119,173	114,350	109,019	106,907	104,916
% Change YoY	4.2%	4.9%	2.0%	1.9%	0.0%
Personnel/Professional services	29,846	28,066	26,879	25,728	23,194
Depreciation	23,985	22,959	22,629	22,223	17,094
Operating expenses/supplies	22,924	23,830	19,053	17,218	17,228
Non-operating expenses	24,386	20,918	17,678	15,040	14,737
Total expenses	101,141	95,772	86,239	80,209	72,252
% Change YoY	5.6%	11.1%	7.5%	11.0%	-3.4%
Net Income Before Capital Contributions	18,032	18,579	22,780	26,698	32,664
Capital Contribution	13,900	649	2,590	1,000	-
Change in Net Position	31,933	19,228	25,941	27,698	32,664
Net Position ⁽³⁾	690,862	658,930	643,905	617,964	590,266
Total Revenues	119,173	114,350	109,019	106,907	104,916
Operating Expenses (excluding depreciation)	52,770	51,895	45,932	42,946	40,422
Net Revenues Available for Debt Service (Incl. Interest Income)	66,404	62,455	63,088	63,961	64,495
Annual Debt Service	42,893	45,842	40,779	41,105	43,382
Debt Service Coverage ⁽⁴⁾	1.55x	1.36x	1.55x	1.56x	1.49x

⁽¹⁾ Operating revenue for FY 2025 reflects sewer rate increases through July 1, 2024.

⁽²⁾ Nonoperating Revenue reflects variable sewer tie-in fees, interest earnings, grant revenue, and other miscellaneous income.

⁽³⁾ Inclusive of any prior period adjustment.

⁽⁴⁾ Pursuant to the Trust Indenture, as amended or supplemented, calculation of debt service coverage.

⁽⁵⁾ NBC's FY2024 audited financials were restated in the FY2025 ACFR.

Source: Narragansett Bay Commission Annual Comprehensive Financial Reports.

Figure 2

Narragansett Bay Commission Long Term Debt Outstanding					
FYE June 30th (\$000s)	2025	2024	2023	2022	2021
RI Infrastructure Bank (RIIB)	\$ 485,409	\$ 414,915	\$ 371,020	\$ 296,894	\$ 277,382
Wastewater Revenue Bonds	236,872	242,904	252,951	258,413	262,805
Wastewater Revenue - WIFIA Loans	531,890	525,672	520,307	461,271	459,705
Total Long-Term Bonds and Loans	\$ 1,254,171	\$ 1,183,491	\$ 1,144,278	\$ 1,016,579	\$ 999,892

Source: Narragansett Bay Commission FY 2025 ACFR, Supplemental Data.



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