

Abenaki Water Company and Aquarion Company

DW 21-090

Aquarion Water Company's Responses to Technical Session —Set 1

Data Request Received: June 14, 2021  
Request No.: TS1-TB1

Date of Response: June 21, 2021  
Witness: D. Morrissey  
D. Szabo

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REQUEST: The company speaks generally about the fact that there will be a benefit to customers of each smaller water systems related to the buyout of NESC by Aquarion. (Ie: Because these smaller systems will become part of a larger rate-paying base, will be serviced by a company with larger holdings, more equipment, etc.). As customers in the Abenaki portion of NESC, specifically in the Tioga, Belmont and Bow systems, we have not had this experience after the last buyout. We have seen higher rates (second highest in the State of NH under the PUC), and have had continued water quality issues.

- A. What specific benefits will Abenaki customers receive from this acquisition, aside from another possible rate increase?
- B. How can any benefits to Abenaki customers be quantified, considering that there is currently a pending rate increase case (DW 20-112)?

RESPONSE: A.& B:

Overall, the transaction will transfer ownership of Abenaki to Aquarion, which is a highly experienced and qualified operator, with strong local ties to New Hampshire communities. Aquarion has a strong track record of providing high-quality and cost-efficient water service to its customers, including the approximately 9,400 customers of its New Hampshire operating subsidiary. As noted in the petition, Aquarion's mission is to be the service provider, employer, and investment of choice through a relentless commitment to excellence, and it is a responsible environmental steward. These qualities will drive positive changes for Abenaki customers. Please also see the responses to Staff 1-9 and Staff 1-16 that describe how the merger will result in both qualitative and quantitative benefits for Abenaki's customers.

The anticipated near-term economic benefits to Abenaki customers will come from several areas, including reduced compensation costs upon the retirement of Mr. Vaughan, Vice President of Operation and Chairman of the Board of NESC (\$10,406), elimination of NESC Board of Directors fees (\$3,529), and a reduction in premiums for Directors and Officers insurance (\$1,566). The figures represent Abenaki's proportionate share of such costs in 2019. The management services currently provided by NESC will be provided by Aquarion following the closing. Aquarion anticipates no net new expenses for maintaining the current operations of the systems.

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Abenaki will also realize annual savings resulting from Aquarion's more favorable short term debt rate. Aquarion's short term debt rate as of the end of May 2021 is 0.2149% compared with the interest on Abenaki's \$150,000 line of credit of LIBOR plus 1.75%, which equates to 1.8425% for Abenaki as of end of May 2021. Applying Aquarion's short term debt rate to the total \$150,000 line of credit available to Abenaki would provide annual savings of approximately \$2,400.

Savings expected on long term borrowing are difficult to quantify at this time, as Aquarion stated in its response to Staff 1-9, Staff 1-10 and Staff 1-16. However there are several reasons that these cost are expected to decrease following the acquisition. See also the response to Staff 2-4.