

BEFORE THE NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

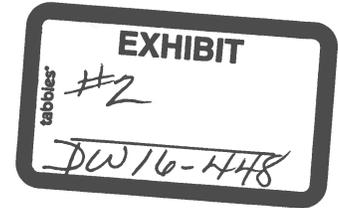
*Abenaki Water Co., Inc.  
Rosebrook Water Company, Inc.*

*Petition to Transfer Utility Assets and Franchise and for Related Approvals*

*Docket No. DW 16 - \_\_\_\_\_*

Direct Testimony of Deborah O. Carson

April 15, 2016



## **Introduction**

1 **Q. Ms. Carson, please state your full name and business address.**

2 A. My name is Deborah O. Carson, 37 Northwest Drive, Plainville, Connecticut 06062.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am Treasurer and Office Manager for both New England Service Company (“NE  
5 Service”) as well as Abenaki Water Company (“Abenaki”) located in Belmont and Bow,  
6 New Hampshire. In that capacity, I am responsible for overseeing all aspects of the  
7 administrative, fiscal and accounting operations, including billing, financial and  
8 regulatory reporting.

9 **Q. Please describe some of your duties.**

10 A. With respect to Abenaki, I oversaw the transition from quarterly to monthly billing  
11 beginning on April 1, 2015. This process included communication with customers, use  
12 of our website with online payment options, as well as the planning required to read and  
13 transfer data on a monthly basis. I have trained employees on performing daily tasks of  
14 cash receipts, bill preparation, and customer service. I also continue to assist with those  
15 tasks when needed.

16 On a monthly basis, I prepare a “Top 30” statistical data report, which compares the  
17 highest thirty (30) users with those from the previous month, the monthly and year-to-  
18 date water production and consumption compared with the previous year, as well as the  
19 average usage and charge for residential, commercial, and public authority customers for  
20 that month. This report is discussed at our monthly meetings, along with the trailing  
21 twelve (12) months’ Unaccounted for Water report, which also tracks average daily per

1 capita usage on a trailing twelve (12) month basis. In addition, I oversee the preparation  
2 of a monthly balance sheet, income statement, financial report, trailing twelve (12)  
3 months' ROE report, as well as a monthly and year-to date ("YTD") capital expenditures  
4 report. These reports enable the company to monitor its progress with respect to the  
5 monthly and YTD budgeted income statement and capital projects program.

6 With respect to NE Service, I am responsible for preparing consolidated monthly  
7 financial statements using Abenaki Water Company, Colonial Water Company,  
8 Plymouth Water Company, Valley Water Systems and New England Service Company  
9 stand-alone financial statements. I oversee the administration of non-regulated contract  
10 operations in Connecticut, Massachusetts and New Hampshire, and assist in the  
11 preparation of annual returns and various regulatory filings.

12 **Q. Please describe your educational background and professional experience.**

13 A. I have a Master's Degree in Accounting, with a concentration in finance, from the  
14 University of Connecticut. I began my career with Arthur Andersen, LLP in Hartford,  
15 CT, and then transitioned to a position as a Teacher Assistant for the University of  
16 Connecticut Master's in Accounting online program for several years. I began working  
17 at NE Service on a part-time basis in March of 2011, and then moved into a full-time  
18 managerial position in July of 2011.

19 **Q. Please describe the purpose of your testimony.**

20 A. The purpose of my testimony is: (1) to provide information about the nature and  
21 structure of the financing for the purchase by of the assets of Rosebrook Water Company

1 (“Rosebrook”); and (2) to provide information regarding the capital structure of Abenaki  
2 following the consummation of the sale.

3 **Q. How does Abenaki intend to finance the purchase of and capital improvements at**  
4 **Rosebrook?**

5 A. To finance the purchase and projected capital program, Abenaki intends to use debt  
6 financing of approximately \$400,000 plus equity capital of approximately \$250,000  
7 toward the purchase price (rate base as of the closing date plus a 10% premium), the  
8 capital program (see Exhibit D), and the transaction cost. The equity capital will be  
9 funded by an investment from NE Service to Abenaki to the extent necessary. Abenaki  
10 will borrow approximately \$400,000 from CoBank with NE Service as the guarantor, in  
11 order to capitalize the Company at a debt to equity ratio of approximately 50%-50%.

#### 12 **Debt Financing**

13 **Q. Please explain the debt financing.**

14 A. Abenaki Water will borrow about \$400,000 from CoBank with a 10 year term, a 20 year  
15 amortization and an approximate interest rate of 3.78% (rate as of 4/8/16), along with an  
16 expected patronage basis of 75 points, bringing the approximate effective interest rate to  
17 3.22%. Please see Exhibit B for more detail.

18 **Q. What other financing methods did you consider?**

19 A. We considered the following other options: 100% debt financing or 100% equity  
20 financing. Based on our analysis and experience, we concluded that the aforementioned  
21 debt financing plan was the most prudent course to follow. This will result in a 50% -  
22 50% debt to equity structure that is beneficial to customers and provides the resources to  
23 maintain a consistent capital improvement program.

1 **Q. How was the \$400,000 amount determined?**

2 A. This amount was determined by taking the combined Stockholder's Equity in the column  
3 labeled "New Abenaki Water Co." in Exhibit F, and then backing into the additional debt  
4 needed to balance the debt to equity as close to 50%-50% as possible.

5 **Q. After acquisition, on a pro forma basis, what will Abenaki Water's capitalization  
6 be?**

7 A. As mentioned above, Abenaki Water will have approximately a 50-50 debt to equity  
8 ratio. For more detail, please see Exhibit C.

9 **Q. What are the costs associated with this loan?**

10 A. The costs associated with this loan include: a \$3,000 commitment fee from CoBank  
11 (\$1,000 of which becomes an investment in CoBank), and estimated legal and  
12 administration costs of \$16,500.

13 **Q: Please explain Exhibits F and G, entitled "Abenaki Water Co. Before and After  
14 Acquisition of Rosebrook Water Co. Balance Sheets/ Income Statements as of  
15 December 31, 2015".**

16 A. These exhibits take the actual results as of 12/31/15 for each company and combine the  
17 two companies, adjusting for the acquisition and financing transactions.

18 **Q. Please explain any adjustments on Exhibit F.**

19 A. As explained in the footnotes, the transaction adjustments account for costs of acquisition  
20 and financing, typical accounting adjustments relative to an asset purchase, as well as the  
21 amounts funded by capital and debt as detailed above.

22 **Q. Please explain Exhibit C entitled "Abenaki Water Co. Before and After Acquisition  
23 of Rosebrook Water Co. Statements of Capitalization as of December 31, 2015."**

1 A. This exhibit shows the actual capital structures of Abenaki and Rosebrook and the pro  
2 forma capital structure of the merged entity as of 12/31/15 based on the calculations used  
3 in Exhibit F.

4 **Q. Does this conclude your testimony?**

5 A. Yes.