

THE STATE OF NEW HAMPSHIRE  
BEFORE THE  
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

**Aquarion Water Company of New Hampshire, Inc. and Abenaki Water Company**

Merger Assessment of Abenaki Water Company with Aquarion Water Company of New  
Hampshire

**Technical Statement of John P. Walsh and Debra A. Szabo**

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**A. Regulatory Overview and Purpose of Technical Statement**

This technical statement is being submitted by Aquarion Water Company of New Hampshire, Inc. (“Aquarion”), and Abenaki Water Company (“Abenaki”) (together, the “Companies”) pursuant to the settlement agreement in Docket No. DW 21-090, approved by the New Hampshire Public Utilities Commission (“Commission”) in Order No. 26,549 (“Settlement”).

Section 6.1 of the Settlement states that “No less than 60 days in advance of the next rate case for either Abenaki or Aquarion Water Company of New Hampshire (“AWC-NH”), Aquarion shall develop and distribute (as provided below): an assessment to date of the integration of Abenaki into the Aquarion organization; an examination of merging the Abenaki and AWC-NH corporate entities, including post-merger rate structures; and a timeline to implement such merger. Aquarion shall circulate that document to the service list in Docket No. DW 21-090 via e-mail. This analysis shall include a listing of the advantages/disadvantages of any future consolidated rates proposed by Aquarion. The “next rate case” as relating to AWC-NH means the next rate case after the pending Docket No. DW-20-184, which will not be filed prior to 12 months of Aquarion ownership of Abenaki. If no rate case is filed by AWC-NH or Abenaki before January 1, 2024, the assessment shall be developed and circulated as agreed no later than January 15, 2024. If a merger of the corporate entities is not warranted or achievable at that time, the report shall discuss other options for capturing the benefits of common ownership of the two New Hampshire operating companies and providing those benefits to the customers of those companies.” (Settlement Section 6.1, pages 5-6). The Settlement goes further to state that “[w]hen either AWC-NH or Abenaki subsequently files its next rate proceeding, the respective utility shall include with its rate filing either a petition for Commission approval to merge the corporate structures of Abenaki with Aquarion, or detailed testimony as to why continuation of the two utilities as separate entities is beneficial to their respective customers.” (Settlement Section 6.2, page 6).

This technical statement provides an assessment of the current conditions of the Companies resulting from the acquisition of Abenaki by Aquarion’s parent, Aquarion Water Company. It provides an overview of the benefits and improvements that have been realized

through organizational integration; the implementation of Aquarion's processes, practices, and technology applications; and facility and infrastructure upgrades. There are additional benefits and efficiencies that can be realized by merging the Companies' corporate structures. For the reasons stated in this technical statement, Aquarion sees merit in the Companies merging outside the context of a rate case with each of the Companies maintaining existing rate structures until such time as is appropriate for the merged Companies to file a single unified rate case in which Aquarion will propose transitioning Abenaki and Aquarion customers to consolidated rates. Aquarion believes a merger to be beneficial not only to the Companies, but also to customers and the regulatory agencies alike and therefore in the public interest. One reason to merge outside the context of a rate case is because Aquarion has only recently closed the books on its most recent rate case and sees no immediate cause for filing a new petition for another rate change. On the other hand, the revenue deficiency of Abenaki was made well known in Abenaki's withdrawn rate case in Docket No. DW 20-112, and in the Aquarion/Abenaki acquisition of Docket No. DW 21-090. But even in the absence of a corporate merger, Abenaki has realized certain cost savings as a result of the acquisition due most notably to reduced management fees.

## **B. Current Benefits Being Realized: Operational Conditions**

In December 2021, Aquarion Water Company acquired Abenaki Water Company, consisting of five separate water systems: Rosebrook, Lakeland, Tioga Belmont, White Rock, and Gilford. Integration activities for these water systems started months before the closing of the acquisition. A cross-functional team, including staff from operations, engineering, water quality, customer service, environmental management, information technology, and accounting, worked together to identify critical integration needs, define responsibilities, and set schedules to ensure an efficient integration of the acquired water systems.

Aquarion manages and oversees the operations of these systems in the same manner as its other water systems in New Hampshire. In particular:

- The Companies currently utilize a singular operational reporting structure. Abenaki and Aquarion staff work under the same New Hampshire Operations Manager; however, due to the distance between Aquarion and Abenaki operations, there are dedicated operations staff for each of the respective Companies, though certain managerial and administrative staff are shared between the two Companies.
- Functional areas including Customer Service, Water Quality, Engineering, Information Technology, and Human Resources have implemented Aquarion's uniform standard of responsibilities for the Abenaki water systems.

This level of integration ensures that policies, processes, and practices are consistent across all operations in New Hampshire.

The integration of these standards and efforts has not only created efficiencies, but concrete benefits as well. The unification of these resources has yielded immediate improvements in business operations and customer experience. Abenaki Customers currently benefit from the technical expertise and professional standards of Aquarion staff and the expanded resources that Aquarion applies to its operations in the field, providing much-needed predictability, transparency, and flow of information to customers for an improved customer experience and increased water quality.

Specific examples of integration and improvements are described below, followed by a discussion of the positive impact of these improvements on the customer experience.

Prior to closing, Aquarion integrated the Abenaki customers into Aquarion's existing customer service call centers and billing systems. The customer information was integrated into Aquarion's parent-company ERP system so that customers can now access their accounts, bills, and payment information via Aquarion's online portal. The Company also added information for the Abenaki water systems to the Aquarion website, including information about water quality, rates, and capital improvement program, dramatically augmenting transparent customer access to information about their water quality and systems.

As part of Aquarion's comprehensive safety program that is led by the Human Resources Department, employees of Abenaki were provided with Aquarion's safety training for confined space, hazard communications, arc flash, lock-out/tag-out, and provided the policy for vehicle safety. Safety personnel from Aquarion also visited the facilities in the Abenaki franchise to review safety risks and identify corresponding mitigation measures to implement corrective actions.

For operations functions, Aquarion implemented its technology tools for the Abenaki water systems, including its Geographic Information System (GIS), Supervisory Control and Data Acquisition (SCADA) tools, operations data reporting software, and emergency customer communications.

Aquarion has implemented numerous system-specific improvements across the five Abenaki water systems comprising the Abenaki franchise; the highlights of which are listed below.

#### Gilford Water System

- Cleaned and relined the storage tank, which improved water quality and extended the tank's service life.
- Installed a backup power generator (projected operational startup Q1 2024), increasing reliability in the event of a power outage.
- Replaced a break-prone water main.
- Installed SCADA telemetry that provides for chemical flow pacing, remote monitoring of flow rates and tank levels, and better data for reporting.

#### Lakeland Water System

- Installed a backup power generator at the Plummer Hill booster station and at the well pump station (projected startup Q1 2024), increasing reliability of the system in the event of a power outage.
- Cleared pipe rights-of-way of trees and brush that would delay emergency access
- Installed SCADA telemetry that allows for remote monitoring of flow rates and tank levels and provides better data for reporting.

#### Rosebrook Water System

- Installed SCADA telemetry that allows remote monitoring of flow rates and tank levels and provides better data for reporting.

#### Tioga-Belmont Water System

- Installed a backup power generator, increasing reliability in the event of a power outage.
- Replaced a leaking distribution pipe and reconnected the distribution system loop.
- Installed a system valve to reduce the shutdown area in the event of a break.

#### White Rock

- Replaced filters and media to remove arsenic from the well water, reducing arsenic levels in the water delivered to customers to non-detectable levels.
- Replaced one of the distribution booster pumps to restore full redundancy for system reliability.
- Relined storage tanks, thereby extending their service lives.
- Rebuilt two pressure control valves to improve pressure regulation and system efficiency by reducing lost water.
- Installed a new system valve and replaced other system valves to reduce shutdown areas in the event of a break.
- Installed SCADA telemetry that allows remote monitoring of flow rates, well levels and tank levels, and provides better data for reporting.

For our customers, these facility and infrastructure improvements have improved the reliability of these five systems by reducing the risk of service outages and disruptions (e.g. pressure fluctuations). The improvements, particularly SCADA upgrades, have also improved the Companies' ability to identify, diagnose, and address system issues. Additionally, implementation of Aquarion's emergency communications systems and processes has improved communications with customers for both Companies during service outages and disruptions. Aquarion has also held several meetings with customers to introduce its staff to Abenaki's residential customers, provide them with a summary of completed and planned facility and infrastructure projects, and seek any feedback they may have for the Companies.

### **C. Benefits of Corporate Merger for Company, Customers and Regulators**

Unlike the daily operations of the Companies, the Companies have distinct corporate administrative and regulatory structures and processes. But like operations, the potential exists for efficiencies and improvements to be harnessed for the benefit of the Companies and its customer and regulatory stakeholders once the corporate entities are merged.

#### 1. Additional efficiencies: administrative and regulatory

The practical effects of merger are not insignificant. Currently, both Aquarion's and Abenaki's administrative responsibilities and processes remain separate and distinct. As could be imagined, this is perpetuating duplicative efforts that could be consolidated and streamlined with a corporate merger such as eliminating separate audited financial statements, internal

corporate recordkeeping, accounts payable, websites and customer communications. Moreover, the merger of Abenaki with Aquarion would mean that the Commission and the New Hampshire Department of Energy would have one less utility to regulate: one less set of routine and matter-specific filings, one less entity to oversee regarding compliance, one less utility's worth of dockets, financings and the like, and perhaps most significantly, one less utility seeking rate relief through a base rate proceeding. The regulatory burden will be ameliorated on both sides: the Companies will nearly cut their filing requirements in half, while the regulators will have a significant reduction in filings to review, compliance to ensure, and dockets—including rate cases—to staff and at times require hiring expert consultants to support.

## 2. Rate stability for customers

Should Aquarion petition the Commission to have Abenaki merge with it outside of a rate case scenario, the Companies would not recommend any change in rates for either of the Companies at the time of merger. Distinct tariffed rates within a single corporate structure should not prove problematic and it is not unprecedented for a single utility to have more than one set of tariffed rates.<sup>1</sup> Both Abenaki's and Aquarion's existing rates have been approved by the Commission as just and reasonable for each of the Companies' respective customers. Additionally, the Commission, as arbiter between the interests of the customer and the interests of the regulated utilities, can provide customers the benefits that would result from approving the corporate merger and provide rate stability for all the current Companies' customers by not consolidating rates at the time of merger, an act which Aquarion believes should happen in the context of a rate proceeding.

And as a practical matter, the acquisition of Abenaki by Aquarion has already been approved, making merger more a question of when and how rather than if. The Companies see multiple advantages to approving and executing the corporate merger independent of and prior to a full rate proceeding, and if Aquarion is able, it would file a petition with the Commission seeking approval of the merger without a change in rates or a rate case proceeding.

## 3. One rate case instead of two: mitigated administrative burden on regulators and stakeholders

An additional significant benefit to merging the corporate entities is that by doing so, the Commission can ensure that only one rate proceeding will eventually follow for both Aquarion and Abenaki, cutting that administrative and regulatory lift nearly in half.

## **D. Assessment of Consolidation of Water Rates**

The Companies vary greatly in terms of number of customers and rates. As of December 31, 2023, Aquarion serves four towns with approximately 9,700 customers all subject to the same consolidated rate schedule. Whereas Abenaki serves 740 customers in 5 towns, each with its own rate structure. Consolidated rates use a unified rate structure for multiple water systems owned and operated by a single utility but that may not be contiguous or physically connected.

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<sup>1</sup> Abenaki historically has had and continues to have five separate tariffs in its franchise: Belmont, Bow, Carrol, Abenaki-Tioga Belmont, and Abenaki-Tioga Gilford. See <https://www.puc.nh.gov/Regulatory/companies-regulated-tariffs.htm#water> for current tariffs.

Consolidated rates require the calculation of an overall revenue requirement and then the allocation of that requirement among customer classes franchise wide. Without the dedicated resources and cost of service study of a full rate case, predicting what consolidated rates would look like for the currently disparate franchises of the two Companies is untenable.

However, Aquarion can address its position regarding advantages and disadvantages of consolidated rates. Any of the Companies' customers, regardless of location, expect to and are entitled to receive comparable safe, reliable service at just and reasonable rates. Consolidated rates foster rate stability, support affordable rates and offer simplicity of rates for customers while creating administrative efficiencies for the Companies, the benefits of which flow through to customers. As a general matter, a common complaint about consolidated rates is that they create cost shifts from one group of customers in a particular service area to those in another service area. However, every service area will at some point be in need of capital improvements. Consolidated rates smooth the effect of acute cost spikes across separate water systems and over time because those costs are defrayed over a larger population in addition to efficiencies generated by economies of scale.

Consolidation of rates is a complex undertaking and as such, any proposal of rate consolidation in a future rate proceeding will be done with a great degree of consideration for all customers and may require a creative or phased approach to ensure the greatest degree of equity throughout the Aquarion franchise.

## **E. Recommendation and Conclusion**

It is the opinion of the Companies that the acquisition of Abenaki by Aquarion has already yielded concrete positive results for both company and customer. For the reasons discussed above, it is the Companies' recommendation that Aquarion, should it have the opportunity to do so, file a petition with the Commission seeking approval of the merger with Abenaki before either of the Companies files its next rate case, for the reasons mentioned in this statement. In the meantime, and most importantly, the Companies are presently benefitting from the acquisition, affirming the Commission's finding that Aquarion Water Company's acquisition of Abenaki was in the public interest. Customers are benefitting from rate stability while receiving tangible benefits from the expertise of Aquarion's operations and staff. As for the consolidation of rates among the Companies, Aquarion reiterates that this is a matter of considerable impact and complexity and should be approached with a most measured and deliberate method of execution that prioritizes both equity and stability for customers while addressing the revenue exigencies of the Companies. Therefore, Aquarion will hold off on consolidating rates until its next rate case filing, even if it should file a corporate merger petition before that time.