

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 —*

NOW COME Abenaki Water Company, Inc. ("Abenaki"), by and through Upton & Hatfield, LLP, and Rosebrook Water Company, Inc. ("Rosebrook"), by and through Devine, Millimet & Branch, P.A., and, as set forth herein, petition the Commission for approval to: (1) transfer Rosebrook's water utility assets and franchise to Abenaki as set forth in Asset Purchase Agreement, submitted herewith, pursuant to RSA 374:22 & 30; (2) discontinue Rosebrook's operation as a public water utility following the transfer pursuant RSA 374:28; (3) authorize Abenaki to borrow an amount not to exceed \$400,000 to finance the transfer of Rosebrook utility assets and franchise and to construct improvements to its water system pursuant to RSA 369:1 & 2; and (4) authorize Abenaki to modify Rosebrook's existing tariff to provide for monthly billing pursuant to RSA 378:3. In support of this Petition, Abenaki and Rosebrook state as follows:

**I. PARTIES**

Abenaki is a New Hampshire corporation authorized to operate as a public water utility and a public sewer utility in the State of New Hampshire. Abenaki owns and operates a water utility serving 256 customers in the towns of Bow and Belmont, New Hampshire. Abenaki also owns and operates a sewer utility serving 156 customers in the town of Belmont, New Hampshire.

Abenaki is a subsidiary of New England Service Company, Inc. ("NE Service") and is headquartered at 37 Northwest Drive, Plainville, CT 06062. NE Service owns and operates four public utility subsidiaries in New England: Valley Water Systems provides water service to 6,700 customers in Plainville, Farmington and Southington, Connecticut; Colonial Water Company provides water service to 580 customers in Dover, Massachusetts; Plymouth Water Company provides water service to 800 customers in Plymouth, Massachusetts; and Abenaki Water Company in New Hampshire.

Rosebrook is a New Hampshire corporation and a regulated public water utility that provides water service to approximately 410 customers in the Town of Carroll, New Hampshire. Rosebrook's mailing address is BW Clubhouse, 310 Mt. Washington Hotel Road, Bretton Woods, N.H., 03575.

## **II. TRANSFER OF UTILITY ASSETS AND FRANCHISE**

RSA 374:22 requires approval by the Commission to engage in the business of a public utility as follows:

### **374:22 Other Public Utilities. –**

I. No person or business entity ... shall commence business as a public utility within this state, or shall engage in such business, ... or shall exercise any right or privilege under any franchise not theretofore actually exercised in such town, without first having obtained the permission and approval of the commission.

RSA 374:30 requires approval for the transfer of the franchise, works, or system of an existing public utility as follows:

### **374:30 Other Public Utility Leases, Etc. –**

I. Any public utility may transfer or lease its franchise, works, or system, or any part of such franchise, works, or system, exercised or located in this state, ... when the commission shall find that it will be for the public good and shall make an order assenting thereto, but not otherwise ....

The Supreme Court has interpreted these provisions to require that “all sales or transfers of regulated public utility property must be approved by the PUC after a finding that the sales are for the public good.” *Appeal of Verizon New Eng., Inc.*, 153 N.H. 50, 62 (2005) citing *Appeal of Public Serv. Co. of N.H.*, 124 N.H. 479, 483 (1984). In making this determination, the Commission “consider[s] all the interests involved and all the circumstances in determining what is reasonable.” *Pennichuck Water Works, Order No. 25,292* (November 23, 2011) citing *Grafton County Electric Light and Power Co. v. State*, 77 N.H. 539, 540 (1915); *Parker-Young Co. v. State*, 83 N.H. 551, 561-562 (1929); *Appeal of Pinetree Power*, 152 N.H. 92, 97 (2005). The Commission also “has a longstanding practice of evaluating the managerial, financial, and technical ability of the proposed transferee to operate a public utility.” *Eastman Sewer Company, Order No. 25,634* (March 11, 2014).

In support of this Petition, Abenaki has provided the testimony of Abenaki’s Board Chairman Donald J.E. Vaughan, P.E., its President Alex Crawshaw, P.E., and its Treasurer Deborah Carson, which explains the significant benefits that Abenaki’s acquisition will provide and thereby promote the public good. For example, Abenaki’s acquisition and proposed financing will improve the utility’s balance of debt and equity which will lower the utility’s cost of capital. Abenaki has significant expertise operating water utilities in New Hampshire and New England which will improve operational performance and mitigate expense increases in the overall operation. This will reduce the future costs to provide service to customers and lower the cost to finance and construct improvements to the existing Rosebrook water system. As a result, transfer of Rosebrook’s utility assets and franchise to Abenaki is in the public good and consistent with the provisions of RSA 374:22 & 30.

### **III. PETITION TO DISCONTINUE OPERATION AS A PUBLIC UTILITY**

RSA 374:28 provides for Rosebrook, as an existing utility, to discontinue operations “whenever it shall appear that the public good does not require the further continuance of such service.” The Asset Purchase Agreement provides for Rosebrook to transfer all of its utility assets and franchise to Abenaki. Once transfer to Abenaki has been completed, there is no reason to “require the further continuance of [Rosebrook’s] service” as a public utility. *See e.g. Eastman Sewer, Order No. 25,634, Pages 19 to 21.* As a result, Abenaki and Rosebrook petition the Commission to authorize Rosebrook to discontinue operation as a public utility following the transfer of its assets and franchise as provided by the Asset Purchase Agreement.

### **IV. FINANCING APPROVAL**

RSA 369:1 requires Commission approval for the issuance of long-term debt as follows:

**369:1 Authority to Issue Securities.** — A public utility lawfully engaged in business in this state may, with the approval of the commission but not otherwise, issue and sell its stock, bonds, notes and other evidences of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes. The proposed issue and sale of securities will be approved by the commission where it finds that the same is consistent with the public good. Such approval shall extend to the amount of the issue authorized and the purpose or purposes to which the securities or the proceeds thereof are to be applied, and shall be subject to such reasonable terms and conditions as the commission may find to be necessary in the public interest; provided, however, that the provisions of RSA 293-A shall be observed by corporations organized under the laws of this state in respect of the corporate authorization required and of other formalities to be observed.

In addition, RSA 369:2 requires Commission approval for the issuance of a security interest in utility property as follows:

**369:2 Mortgages.** — A public utility may, with the approval of the commission but not otherwise, mortgage its present and future property, tangible and intangible including franchises, to secure the payment of its bonds or notes, including any bonds or notes to be thereafter issued under the provisions of such mortgage; provided, however, that no such approval shall be required for any

mortgage of property pursuant to after-acquired clauses of mortgages securing the payment of bonds or notes issued prior to September 1, 1951.

As set forth in the testimony of Donald J.E. Vaughan, P.E., and Deborah Carson, Abenaki requests Commission approval to issue up to \$400,000 of long term debt related to the acquisition of Rosebrook's utility assets and franchise as well as for the construction of significant improvements to the existing Rosebrook system that will directly benefit customers of the system. The total borrowing amount is intended to achieve an approximately 50 – 50 debt to equity ratio in Abenaki's post-acquisition capital structure, including funds that will be used for certain capital improvements in 2016-2017 based on Abenaki's evaluation of system needs. The lower cost financing and capital structure will reduce the future costs to provide service and construct improvements to the Rosebrook water system.

Abenaki will use CoBank's loan proceedings to finance the acquisition and to make significant improvements to Rosebrook's water system which are identified in Exhibit D to the *Testimony of Donald J.E. Vaughan, P.E.* For example, Abenaki proposes to upgrade Rosebrook's meter reading and billing procedures, including implementation of a radio-read meter replacement program during the first two years of operation. This will eliminate the need to manually access meters, hand-record and enter meter readings in order to prepare customer bills. Replacing this system with state-of-the-art radio read meters will be extremely cost effective over the long term for customers and provide other benefits.

Abenaki will also evaluate and implement measures to address significant pressure issues in the system which can increase system power consumption and operations. Abenaki has identified initial, provisional projects in Exhibit D, noted above. Following acquisition of the Rosebrook water system, Abenaki will review and implement measures to address the system

pressure condition and other aspects of the system in order to improve its operation and performance.

Abenaki has obtained a term sheet from CoBank ACB which presents favorable interest rates and terms. Abenaki proposes to borrow \$400,000 using CoBank's 10-year fixed rate with a 20-year amortization. The terms are highly competitive and the lower interest rates will benefit customers for the next decade. CoBank ACB's patronage discount is expected to result in an interest rates of 3.0% to 3.375% percent for the ten year term of the loan. These rates are comparable to the cost of debt for NE Service's other water utility subsidiaries. Because the actual interests rates will be determined at the time of closing, Abenaki requests that the Commission authorize Abenaki to borrow up to \$400,000 at interest rates not to exceed 4.75% for a 10-year fixed rate.

Abenaki also requests that the Commission approve the use of Rosebrook's assets "to secure the payment of its bonds or notes" under the terms of Abenaki's existing approved mortgage with CoBank ACB pursuant to RSA 369:2. Abenaki's existing approved mortgage with CoBank ACB provides for a security interest in "after acquired" property such as the Rosebrook water system. For the sake of clarity, Abenaki requests that the Commission authorize Abenaki to secure its proposed financing and update its existing, approved mortgage, to include the Rosebrook water system under RSA 369:2. Following approval and closing, Abenaki will then record in the mortgage security in the Coos County Registry of Deeds.

#### **V. REQUEST TO MODIFY TARIFF TO ALLOW MONTHLY BILLING**

Abenaki requests that the Commission authorize Abenaki to modify Rosebrook's existing tariff to provide for monthly billing and other minor revisions, effective on the transfer of Rosebrook's franchise and utility assets to Abenaki, as provided by RSA 378:3. As the

Commission observed, monthly billing is favorable to both a utility and its customers. See *Abenaki Water Company, Inc., Order No. 25,613* (December 23, 2014) citing *Hampstead Area Water Company, Order No. 25,000* (August 4, 2009) (monthly billing “will send more accurate price signals to customers and reduce [the utility’s] cash working capital requirements”); *Pittsfield Aqueduct Company, Inc., Order No. 23,117* (January 26, 1999) (change from quarterly billing to monthly billing is in the public interest); *North Country Water Supply, Inc., Order No. 20,957* (September 9, 1993) (Commission’s “favor[s] more frequent billing, thereby reducing uncollectible revenues and disconnect notices”).

As explained in the *Testimony of Donald J.E. Vaughan, P.E.*, Abenaki will implement installation of state of the art radio meters following the acquisition of Rosebrook’s utility assets and franchises. The use of this technology will allow Abenaki to collect consumption data in a fraction of the time compared to the existing “walk, read, and note” system presently employed by Rosebrook and many water systems. Abenaki expects to reduce data collection to a matter of hours which can take days using existing technology. The reduced data collection hours reduces the costs for customers and will provide other benefits, including:

- Monthly billing will make water charges more manageable and predictable as well as coincide with other utilities’ invoicing cycle.
- Domestic plumbing leaks will be more quickly identified and therefore customer water losses, and costs, will be minimized.
- Non-Revenue Water (unaccounted for water loss) will be identified more quickly and accurately calculated. This provides an important metric for system integrity which is a valuable data point for water operators.

- Monthly billing provides more accurate price signals to customers which can help promote conservation. Conservation and customer awareness of usage is a desired goal of DES.
- Delinquencies and bad debts which are ultimately borne by the customer base can be minimized through monthly billing.

The proposed changes to Rosebrook's existing tariff are shown in the *Testimony of Donald J.E. Vaughan, P.E.* Abenaki requests that the Commission approve these revisions and authorize Abenaki to implement monthly billing pursuant to RSA 378:3.

WHEREFORE Abenaki and Rosebrook respectfully request that the Commission:

- (1) Approve the transfer Rosebrook's water utility assets and franchise to Abenaki as set forth in Asset Purchase Agreement pursuant to RSA 374:22 & 30;
- (2) Authorize Rosebrook to discontinue operation as a public water utility following the transfer pursuant RSA 374:28;
- (3) Authorize Abenaki to borrow an amount not to exceed \$400,000 to finance the transfer of Rosebrook utility assets and franchise and to construct improvements to its water system pursuant to RSA 369:1 & 2;
- (4) Authorize Abenaki to modify Rosebrook's existing tariff to provide for monthly billing pursuant to RSA 378:3; and
- (5) Grant such other relief as justice may require.

Date: April 15, 2016

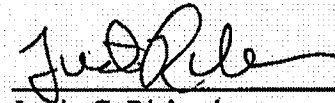
Respectfully submitted,

Abenaki Water Company

By Its Counsel,

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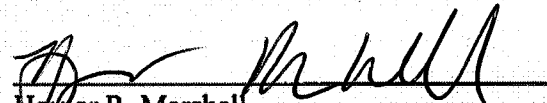
Date: April 15, 2016

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