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Dianne Martin, Chair
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: AMENDED FILING IN SUPPORT OF THE VERIFIED JOINT PETITION FOR APPROVAL OF THE ACQUISITION OF ABENAKI WATER COMPANY BY AQUARION COMPANY

Dear Chair Martin:

On April 30, 2021, Abenaki Water Company (“Abenaki”) and Aquarion Company (“Aquarion”) (together, the “Joint Petitioners”) submitted a “Verified Joint Petition for Approval of the Acquisition of Abenaki Water Company by Aquarion Company” (the “Joint Petition”) requesting approval by the Public Utilities Commission (the “Commission”), pursuant to RSA 369:8, II and RSA 374:33, of the indirect acquisition of Abenaki by Aquarion, or, alternatively, to determine that approval is not required because the acquisition will not have an adverse effect on rates, terms, service, or operation of Abenaki pursuant to RSA 369:8, II.¹

The Joint Petition set forth a detailed written representation in accordance with RSA 369:8, II(b) to demonstrate that the proposed transaction will not have an adverse effect on rates, terms, service, or operations of Abenaki. The Joint Petition proposes no increases to Abenaki’s rates or changes to terms or conditions of service due to the transaction. The Joint Petition further demonstrates that the transaction will be beneficial to Abenaki’s customers because, if approved by the Commission, customers will be served by an organization with greater financial strength, broader operating experience, and substantial technical capabilities and resources. In support of the Joint Petition, a copy of the Agreement and Plan of Merger (“Merger Agreement”) was provided memorializing the terms and conditions of the transaction. On May 10, 2021, the Joint Petitioners provided a supplemental filing with the disclosure schedules to the Merger Agreement, Abenaki financial statements, and Abenaki unaccounted for water data to augment the details set forth in the Joint Petition.

Following a period of discovery, a technical session, and two days of evidentiary hearings, the Commission issued Order No. 26,506 on August 6, 2021 (“Order”) finding certain benefits associated with the proposed transaction, as follows:

¹ The Joint Petition was verified by Donald J. Morrisey, President and Chief Operating Officer of Aquarion Company and Donald J.E. Vaughan, Vice President of Operations of New England Service Company, the parent company of Abenaki Water Company.

Aquarion, through its current ownership of New Hampshire utilities, has demonstrated its managerial, financial, and technical capability to operate a utility in New Hampshire. Aquarion's superior financial resources will be useful to the Abenaki water companies. Further, Aquarion's willingness to defer a rate case until a full test year of data under Aquarion's ownership and operation eliminates other potential adverse impacts presented by the pending Abenaki rate case.

Order at 11.

At the same time, the Order rendered a preliminary determination that the proposed transaction would have an adverse effect on rates. Order at 1, 11. The Commission encouraged the Joint Petitioners to amend their initial filing "in order to address the adverse effect on rates" and emphasizing "that memorializing Abenaki assets appropriately in the acquisition for purposes of rate recovery is at the core of the finding and must be addressed before the acquisition can be approved." Order at 11.

The Joint Petitioners appreciate the opportunity provided by the Commission to address its preliminary determination of an adverse effect. This amended filing is made pursuant to RSA 369:8, II(b)(3) to address the Commission's preliminary determination. This amended filing incorporates by reference the evidence set forth in Joint Petition and the testimony and exhibits presented at the hearing on June 28 and 29, 2021, and is supplemented by the attached Direct Testimony of Donald J. Morrisey and Donald J.E. Vaughan on behalf of the Joint Petitioners ("Supplemental Testimony"). The Supplemental Testimony and attachments specifically address the Commission's concerns regarding potential adverse rate effects and ensuring that Abenaki assets are memorialized appropriately for purposes of rate recovery.

As confirmed in the Order, the standard applicable to the Commission's analysis under RSA 369:8 is that the proposed transaction will have "no adverse effect" on rates, terms, service, or operations of Abenaki. Order at 9. The Commission has already determined that there will be *benefits* associated with the proposed transaction (i.e., there will be a positive effect as a result of the transaction – not adverse), with respect to the aspects of the transaction outside of rates. However, with respect to rates, the Joint Petitioners respectfully submit that the preliminary determination of adverse effect is inadvertently incorrect for both factual and legal reasons.

This Supplemental Testimony discusses the alleged adverse impact to rates in detail and provides assurance that the Abenaki rate base is properly accounted for; that the plant assets are not impaired; and that the assets will not be negatively affected by the proposed transaction. The area of concern identified by the Commission is the incorrect statement that the "proposed carry forward of existing Abenaki rate base for purposes of the transaction do not take into account the impaired state of the rate base assets." Order at 10.

However, all of the plant assets in Abenaki's rate base were previously determined by the Commission to be prudent, used and useful and eligible for recovery in rates. There is no aspect of the proposed transaction that changes the Commission's prior determinations on the valuation of rate base. Aquarion is paying a negotiated purchase price to acquire the stock of Abenaki's parent company. The negotiated purchase price does not contemplate a discounted value for the

Abenaki rate-base assets and there will be no change to the value of rate base or Abenaki's assets as a result of the transaction closing (up or down). For a regulated utility, there is definitively "no adverse effect" on rates from the transaction because Abenaki's book value of the assets is unaffected, and the rate base cannot change outside of a rate case and without Commission review and approval.

Any changes to rate base that might occur in the future due to ongoing capital investments, cannot be reflected in rates unless and until it is allowed by the Commission in future rate cases, irrespective of any future parent company of Abenaki. The Supplemental Testimony addresses these issues in further detail and provides assurance that the Abenaki assets are memorialized appropriately for purposes of rate recovery.

The Joint Petitioners respectfully request that the Commission allow the proposed transaction to move forward based on a determination of no adverse effect under RSA 369:8. The benefits of the transaction are compelling and the public interest will be served by Aquarion ownership. Aquarion is uniquely qualified to address the challenges confronting the Abenaki system and to provide customers with safe, reliable, high-quality and cost-effective water service.

Please contact me if you have any questions.

Sincerely,



Matthew J. Fossum
Senior Regulatory Counsel

cc: Service List, Docket DW 21-090