

Abenaki Water Company and Aquarion Company

DW 21-090

Aquarion Water Company's Responses to Staff Data Requests—Set 1

Data Request Received: May 17, 2021
Request No.: Staff 1-16

Date of Response: May 27, 2021
Witness: D.Morrissey
D.Szabo

REQUEST: Ref. Petition at 8, it states:

“Abenaki customers will see economic benefits from the Transaction in several areas, including cost reductions for administrative costs, elimination of the NESC board of directors fees, and reductions in annual insurance costs. Customers will also see economic benefits from the elimination of shareholder communications costs, lower borrowing costs due to Aquarion’s superior credit ratings and utilization of debt instruments that are more sophisticated than those currently utilized by NESC, among other potential cost savings over time.”

- a. Please quantify, and explain further if necessary, the economic benefits listed above.
- a. When does Aquarion estimate that the benefits explained above will be available to the NH customers?
- b. Please quantify, and explain further if necessary, what costs, if any, will be allocated to or charged to Abenaki Water Company (post-merger) in providing the benefits described and how those additional costs may offset any intended reductions in costs.
- c. Please explain what is meant by “Potential cost savings over time”. What factors would lead the potential savings to not be savings at all.

RESPONSE:

- a) As stated in the response to OCA 1-4, 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. Although not quantifiable at this time, the Transaction is also expected to result in lower borrowing costs due to Aquarion’s strong credit ratings, as well as having access to more sophisticated debt instruments than those currently utilized by NESC. Aquarion maintains a corporate credit rating of A- by S&P. In addition, all of NESC’s long-term debt consists of first lien mortgages with amortization, which are more costly than the types of debt instruments typically utilized by Aquarion.

Aquarion anticipates the benefits explained above will be available to Abenaki customers in its next rate case following closing of the transaction, which is consistent with the sequence by which Aquarion Water Company of

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New Hampshire customers would realize cost savings from the 2017 merger with Eversource..

- b) Historically, management services were provided to Abenaki by NESC. Post merger, these services will be provided by Aquarion in accordance with an affiliate agreement.
- c) “Other potential savings” refers to the possibility of longer term savings that may be identified in the future in addition to those specified in part (a) above. However, the details of any additional savings that are anticipated to arise over time will be determined following the close of the transaction and completion of integration of the companies. These savings are not currently known or quantifiable and therefore are described as “potential.”