

For the Division's
Advocacy Section:

Christy Hetherington, Esq.
Special Assistant Attorney General

A&R Marine proffered two witnesses in support of its application. The witnesses were identified as Mr. Stephen Antaya, the Applicant's President; and Mr. David G. Bebyn, CPA, President of B&E Consulting, LLC. 21 Dryden Lane, Providence, Rhode Island. Mr. Bebyn submitted pre-filed direct testimony with A&R Marine's application. Mr. Antaya was proffered by A&R Marine to answer any questions from the Division relative to the proposed borrowing and/or the status of A&R Marine's fledgling ferry services operation, which began in September, 2014.

Mr. Bebyn's Pre-filed Direct Testimony

Mr. Bebyn testified that the instant request to increase A&R Marine's borrowing authority from \$1 million to \$1,475,000 "is related primarily to cost overruns associated with A&R's dock construction and vessel acquisition and rehabilitation." Mr. Bebyn also testified that A&R Marine is additionally requesting to extend the term of the entire \$1,475,000 from 10 years and 3 months to 15 years. Mr. Bebyn related that there will be no balloon payment at the end of the 15 years; and that the interest rate terms will remain the same.

Mr. Bebyn also testified that this modification agreement changes the \$1,475,000 repayment to a fixed monthly payment for the first 5 years of \$11,857.20, which includes both interest and principal. He noted that the debt service on the original \$1,000,000 loan was designed to include 3

payments of interest only, followed by payments of interest on the disbursed principal balance, plus a fixed monthly principal of \$8,330.³

Mr. Bebyn next moved to a discussion about the planned financing's impact on A&R Marine's capital structure and ratepayers. In a schedule attached to his pre-filed testimony, Mr. Bebyn indicates that as of August 1, 2014, A&R Marine's total capitalization was composed of 54.94 percent debt and 45.06 percent common equity. He relates that after the \$1,475,000 million loan, A&R Marine's total capitalization will change to 64.27 percent debt and 35.73 percent common equity. Mr. Bebyn testified that the proposed borrowing will change A&R Marine's "...debt/equity ratio to about 1.80 to 1 with debt of \$1,475,000 and equity of \$820,061." Mr. Bebyn testified that for most businesses a ratio of less than 1 to 1 is very good. In this case, Mr. Bebyn opined that given that A&R is a capital intensive utility and a new start-up, he believes that a 1.80 to 1 debt/equity ratio "is still good."⁴

Mr. Bebyn testified that in his professional opinion he believes the terms of the "increased borrowing" are in the best interest of A&R Marine and its ratepayers.⁵ However, though he was unable to measure the overall impact on rates at this time, Mr. Bebyn conceded that A&R Marine will require an increase in rates to pay the debt service on this new debt.⁶

Mr. Antaya did respond to a number of questions from both the Division's Advocacy Section and the hearing officer. Most of the questions were

³ Id., p. 3.

⁴ A&R Marine Exhibit 1, Bebyn Testimony, pp. 4-5.

⁵ A&R Marine Exhibit 1, Bebyn Testimony, p. 4.

⁶ A&R Marine Exhibit 1, Bebyn Testimony, p. 5.

related to the two vessels and two docks that A&R Marine is using in furtherance of providing ferry services between Bristol and on Prudence Island.

The Division's Advocacy Section did not proffer any witnesses in this docket. After an examination of the application filing and related pre-filed testimony, the Advocacy Section stated for the record that it was satisfied from the evidence presented that A&R Marine had met the requisite burden of proof set forth in R.I.G.L. §39-3-15, et seq. and that the proposed borrowing was in the public interest.

FINDINGS

As the instant loan request is inextricably connected to A&R Marine's \$1,000,000 loan request that the Division approved earlier this year, the Division will incorporate the record from that docket, and the Division's decision therein, into the record of this docket.

Predicated on a careful examination of the record in this matter, the Division finds that A&R Marine's application seeking approval to increase its existing \$1,000,000 of debt with BankRI to \$1,475,000, under the terms identified in its filing, is reasonable and in the best interest of ratepayers.

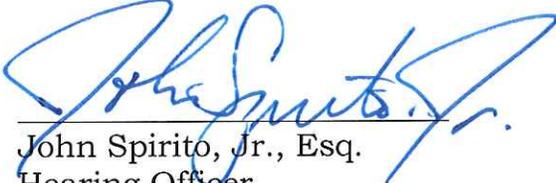
Now, therefore, it is

(21717) ORDERED:

1. That the record evidence contained in Docket No. D-14-62 is hereby incorporated by reference into the record of this proceeding; Report and Order No. 21524 is similarly incorporated by reference into this Report and Order.

2. That A & R Marine Corporation's October 23, 2014 application, which seeks Division approval under R.I.G.L. §39-3-15, to increase its existing \$1,000,000 of debt with BankRI to \$1,475,000, is hereby approved as filed.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND ON NOVEMBER 12, 2014.


John Spirito, Jr., Esq.
Hearing Officer

APPROVED: 
Thomas F. Ahern
Administrator