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June 28, 2017

Luly Massaro, Clerk
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

Re: A & R Marine Corp. – Application to Division for Expedited Authorization Pursuant to R.I.G.L. § 39-3-15 *et seq.* to incur \$300,000 of debt with BankRI – Docket No. D-17-_____

Dear Luly:

As you know, this office represents A & R Marine Corp. (A & R). Enclosed are the original and five (5) copies of the following:


1. An Application of A & R for expedited Division authorization pursuant to R.I.G.L. § 39-3-15 *et seq.* to incur \$300,000 of debt with BankRI. The notarized Application has been signed by the President of A & R, Stephen Antaya.
2. The testimony of David Bebyn, CPA, in support of this Application. His testimony contains the information required by R.I.G.L. § 39-3-17 and Rule 14 of the Rules of Practice and Procedure of the Division.
3. A draft Notice of Hearing as required by Division Rule 14(d). Please review it and let me know if it is acceptable. Please also let me know if you want me to publish it, or if you would prefer to publish it yourself.

It would be appreciated if you could have this matter set for hearing as soon as possible.

I am sending a copy of the Application, together with the supporting testimony, to Leo Wold, Esq. at the Attorney General's office.

If you have any questions, please feel free to call.

Very truly yours,


Michael R. McElroy

MRMc/tmg
cc: Leo Wold, Esq.
David Bebyn, CPA
Stephen Antaya

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: A & R MARINE CORP. : DOCKET No. D-17 - ____

**APPLICATION FOR EXPEDITED AUTHORIZATION PURSUANT TO
R.I.G.L. § 39-3-15 ET SEQ. TO INCUR \$300,000 OF DEBT WITH BANKRI**

NOW COMES A & R Marine Corp. (A & R), pursuant to R.I.G.L. § 39-3-15, § 39-3-17, and Rule 14 of the Rules of Practice and Procedure of the Division of Public Utilities and Carriers (Division), and requests expedited authorization to incur \$300,000 of debt with BankRI on the terms and conditions set forth in the testimony of David Bebyn, CPA.

The information required by R.I.G.L. § 39-3-17 and Rule 14 of the Rules of Practice and Procedure is incorporated into the written testimony of David Bebyn, CPA.

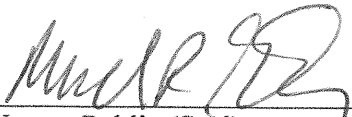
WHEREFORE A & R respectfully requests that the Division approve the financing with BankRI on an expedited basis.

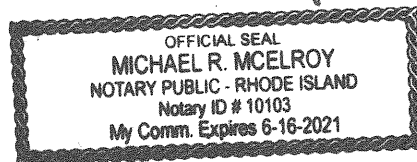
A & R Marine Corp.

By: 
Stephen Antaya
President

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Sworn to, subscribed, and verified before me this 19 day of June, 2017, by Stephen Antaya, President of A & R Marine Corp.


Notary Public (Seal)



**FINANCE TESTIMONY
of
DAVID G. BEBYN CPA**

**For
A&R MARINE CORP. d/b/a PRUDENCE & BAY ISLANDS TRANSPORT
IN SUPPORT OF REQUEST FOR APPROVAL OF A \$300,000 LOAN**

**Before
RHODE ISLAND DIVISION OF
PUBLIC UTILITIES AND CARRIERS**

Docket No. D-17-_____

June 2017

1 **Q. Will you please provide your full name and your employer for the record?**

2 A. Yes, my name is David George Bebyn CPA. I am the president of B&E Consulting LLC.

3

4 **Q. Mr. Bebyn, have you testified as an expert accounting witness prior to this docket?**

5 A. Yes. I have provided expert testimony on rate related matters before utility commissions

6 in Rhode Island and Connecticut. Regarding the Rhode Island Public Utilities

7 Commission ("Commission"), I have filed testimony and testified in the Woonsocket

8 Water Department's (WWD) last two rate filing Dockets #3800 & #4320 and Interstate

9 Navigation Company's general rate filing Docket #4373 in support of the adjusted test

10 year and rate design. I have also filed testimony on behalf of the Pascoag Utility District

11 in Docket #4341 in support of the rate year and rate design.

12

13 **Q. What is your knowledge of A&R Marine Corp.?**

14 A. I presented expert testimony before the Commission in support of A&R

15 Marine Corp.'s (A&R) last two rate filings Dockets #4499 and #4586. Also, I

16 provided expert testimony before the Division of Public Utilities and Carriers

17 ("Division") in support of A&R's financing requests in Dockets #D-14-62 and #D-

18 14-180.

19

20 **Q. Mr. Bebyn, what is the purpose of your testimony?**

21 A. As part of this testimony, I will provide some background information on the proposed

22 new \$300,000 loan relating to A&R Marine Corp.'s (A&R) Bristol Dock leasehold

23 repairs and improvements, ferry engine and transmission repairs, acquisition of

24 equipment and working capital infusion. I will also provide the financing terms for the

25 \$300,000 loan. Lastly, I will present the information required by the Rules of the

26 Division, so that the Division can review and evaluate the proposed financing package.

27

28

1 **Q. How will the proceeds of this borrowing be used?**

2 A. The proceeds of the \$300,000 loan will be used approximately as follows:

3	Leasehold repairs to Bristol Dock	\$ 70,000.00
4	Ferry Engine and Transmission repairs	220,000.00
5	Equipment Purchases/working capital	<u>10,000.00</u>
6	Total	<u>\$300,000.00</u>

7

8 **Q. Mr. Bebyn, what repayment terms are included in the BankRI loan?**

9 A. The term is 15 years from the date of the loan. The loan is fully amortizing, so there will
10 be no balloon payment at the end of 15 years. The debt service on the loan will be a
11 fixed monthly payment of approximately \$2,300 (which includes both interest and
12 principal) for the first 60 months before the July 1, 2022 and July 1, 2027 interest rate
13 adjustment periods. The debt service on the loan will result in annual payments of
14 approximately \$27,600 for the first 60 months before the July 1, 2022 and July 1, 2027
15 interest rate adjustment periods. Each periodic installment of principal and interest
16 following each change date will be adjusted and recalculated by the Lender based on a 15
17 year amortization less the time elapsed from the date of the note. Each recalculation will
18 use interest at the new rate determined as of the adjustment date.

19

20 **Q. What interest rate will be used for the loan?**

21 A. The interest rate on the note will be fixed, but adjusted every 5 years at the 5/5 Federal
22 Home Loan Bank of Boston Amortizing Advance Rate, plus 2.50%. For the first 5 years,
23 the initial interest rate will be approximately 4.44% per year for the first 5 years. The
24 interest rate will then be adjusted every 60 months (the "change period"). As stated
25 above, the Lender will adjust the interest rate each change period to reflect the 5/5
26 Federal Home Loan Bank of Boston Amortizing Advance Rate in effect on the first
27 calendar day of each change period plus 2.50%

28

29 **Q. What are the other terms?**

30 A. Other terms are as follows:

31

1 1. The collateral for the loan is a first preferred ships mortgage position on the vessel
2 recorded with the US Coast Guard named *Herbert C. Bonner* and the vessel recorded
3 with the US Coast Guard named *Dahlgren*. The *Herbert C. Bonner* is a ferry vessel held
4 by the regulated utility A&R Marine Corp. The *Dahlgren* is a commercial vessel held by
5 the unregulated company A&R Marine Construction, Inc.

6
7 Also, A&R will give the bank a security interest in its business assets, a collateral
8 assignment of its licenses, contracts and permits, and a conditional assignment of leases.

9
10 Lastly, the owner of A&R Marine Corp., Stephen Antaya, and his wife Donna Antaya,
11 will provide personal guarantees.

12
13 2. There are no prepayment penalties for the loan. There are, however, late charges of 5%
14 if a payment on the note is more than 15 days late.

15
16 **Q. Are the terms of the borrowing in the best interest of A&R and its ratepayers?**

17 A. Absolutely.

18
19 **Q. What is the current capital structure of the company?**

20 A. Schedule DGB-1 shows that A&R had a total capitalization, per the financial statements
21 ending December 31, 2016, as presented in the 2016 annual report, composed of 35.57
22 percent debt and 64.43 percent common equity.

23
24 **Q. What impact will the \$300,000 issuance have on the capital structure of A&R?**

25 A. Schedule DGB-1 shows that A&R's total capitalization will be composed of 40.34
26 percent debt and 59.66 percent common equity, but will still be less than the 50% debt
27 recommended by the Division's consultant in Docket #4586.

1 **Q. Is there an impact of this financing on the debt/equity ratio or any of the other**
2 **information required by the Division's rules?**

3 A. Yes. The addition of this borrowing in the amount of \$300,000 changes the debt equity
4 ratio to about 0.68 to 1 with debt of \$1,633,859 and equity of \$2,416,584. Ideally for
5 most business a ratio of less than 1 to 1 is very good. Even with this new borrowing,
6 A&R's debt equity ratio is still very good.

7

8 **Q. Will A&R require an increase in rates to pay the debt service on this new debt?**

9 A. Yes. However, the overall impact to rates is difficult to determine at this time. This is
10 because, in addition to the increase in debt service, there is the complicating factor of
11 reduced ridership for FY 2017 to date when compared to same point in FY 2016. The
12 estimated increase due only to the additional \$300,000 new debt service would be
13 approximately a 2.6% increase in rates based upon the approved rate year revenue
14 requirement from Docket #4586.

15

16 **Q. Is there a need for expedited approval?**

17 A. Yes. The funds are urgently needed and the closing for the Loan cannot occur until A&R
18 receives Division approval. Therefore, A&R respectfully requests that the Division give
19 its approval as soon as possible.

20

21 **Q. Have you attached the BankRI credit approval?**

22 A. Yes. It is attached as DGB-2.

23

24 **Q. Does that conclude your testimony?**

25 A. Yes.

Capital Structure
A&R Marine Corp

Schedule DGB-1

Proposed Capital Structure

	As of Dec 31, 2016		Financing	After Financing	
	Balance	Ratio		Balance	Ratio
Long-term Debt	\$ 1,333,859	35.57%	\$ 300,000	\$ 1,633,859	40.34%
Short-term Debt	-	0.00%	-	-	0.00%
Common Equity	2,416,584	64.43%	-	2,416,584	59.66%
Total Capital structure	\$ 3,750,442	100.00%	\$ 300,000	\$ 4,050,442	100.00%
 <u>Common Equity</u>					
Common Stock	-				
Other Paid-in Capital	2,693,287				
Treasury Stock	-				
Unappropriated Retained Earnings	(276,703)				
Total	2,416,584				

Management Loan Committee
on 5/10/17

BrooklineBancorp, Inc.

C&I CREDIT APPROVAL MEMORANDUM (CAM)

YJM *AK*

Bank: Bank Rhode Island
Date: May 8, 2017

Relationship Manager: Scott Lajoie
Prepared By: Donna Johnson

Borrower Name:	A & R Marine Corp. A & R Marine Construction, Inc.	New Commitment:	\$300,000
Relationship Name:	A & R Marine	Existing TCC:	\$1,310,907
Headquarter Location:	894 Neck Farm Road Prudence Island, RI 02872	Proposed Bank TCC:	\$1,610,907
Related Entities:	none	Proposed Corp. TCC:	\$1,610,907
Customer Since:	8/2014	ACH Exposure:	\$0
Ownership / %:	Stephen Antaya (50.0%) Donna Antaya (50.0%)	Total Deposit Balance (4 Quarters Avg. Collected):	A) \$84,398
		A) Borrower/Guarantor B) Related Entities	B) \$0
Business Description:	Provide ferry service to and from Prudence Island		
Part/Syndication:	<input type="checkbox"/> Yes	(%):	Agent/Lead:
Interest Rate Swap:	<input type="checkbox"/> Yes	Swap Fee (Mark-up BPS):	Swap Exposure: \$
Business Credit Card:	<input type="checkbox"/> Yes	Issuer's Exposure: \$	Bank's Exposure: \$

NEW LOANS:

Ref #	Commitment	Loan Type	Term / Amort.	Risk Rating	Collateral	Rate	
						Index + Spread	Numeric
1	\$300,000	Term	5 / 5	3	1 st security interest in all business assets including ferry and landing craft	5/5 FHLB Amortizing Advance Rate plus 250 basis points	4.46%

MODIFICATIONS (RENEWALS, INCREASES, DECREASES, EXTENSIONS, etc.):

Ref #	Existing Amt.	Proposed Amt.	Loan Type	Maturity	Risk Rating	Collateral	Rate	
							Index + Spread	Numeric

APPROVAL SUMMARY:

Ref #	Description
1	New five-year \$300,000 term loan
	Waiver of FY15 & FY16 DSCR Covenant

Approvals	Name	Date	Signature
Loan Officer:	Scott Lajoie	5/8/17	<i>[Signature]</i>
Line of Command Approver:	Tim Coggins	5/8/17	<i>[Signature]</i>
MLC:		5/10/17	<i>[Signature]</i>

[Handwritten signatures and initials]

C&I NEW OR RENEWAL CREDIT FACILITY-TERMS AND CONDITIONS

Ref. #: 1

New:

Renewal:

BORROWER:	A&R Marine Corp. and A&R Marine Construction, Inc., as co-borrowers
NOTE NUMBER:	New
PURPOSE:	To partially fund repairs to the Bristol, RI dock from which the borrower operates a ferry, and fund the rebuilding of the ferry's engine and transmission
AMOUNT:	\$300,000
LOAN TYPE:	Term
TERM/MATURITY:	5 / 5
REPAYMENT TERMS:	Equal monthly installments of principal in the amount of \$5,000, plus interest
RATE - INDEX PLUS SPREAD:	5/5 FHLB Amortizing Advance Rate plus 250 basis points
RATE - NUMERIC VALUE (as of write-up date):	4.46%
FUTURE RATE OPTIONS:	None
FEES:	\$0
PREPAYMENT PREMIUM:	None
COLLATERAL DESCRIPTION:	All business assets, to include the ferry and landing craft
FORMULA:	n/a
FIELD EXAM FREQUENCY:	None
SUBORDINATIONS:	None
GUARANTOR(S)/GUARANTY TYPE:	Unlimited personal guaranty of Stephen C. Antaya Unlimited personal guaranty of Donna L. Antaya
CLOSING CONDITIONS:	None
FUNDING:	
RISK RATING:	3
COVENANTS (Provided details in Covenant Compliance Detail schedule):	Minimum DSCR of 1.25x, tested annually
OTHER: (Describe here):	

An internet ("Google") search has been performed:

Yes No

If yes list and/or attach any meaningful risks or issues, else indicate "None":

None

Is this a Renewal?

Yes No

Is the current, or proposed, Risk Rating 5 or worse?

Yes No

If both of the above are YES, a TDR Checklist package is required when the loan closes.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: A & R MARINE CORP. :
APPLICATION TO INCUR \$300,000 : DOCKET No. D-17-____
OF DEBT WITH BANKRI :

NOTICE OF HEARING

Pursuant to the provisions of R.I.G.L. §§ 39-1-1, 39-3-15, and 39-3-17 of the Rhode Island General Laws, as amended, the Division of Public Utilities and Carriers will conduct a public hearing on _____, 2017, at _____ in a hearing room at the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, RI 02888. The hearing may continue thereafter from day to day and from time to time as required.

In this docket, the Division of Public Utilities and Carriers will consider an Application by A & R Marine Corp. seeking expedited consent and authorization to incur \$300,000 in debt with BankRI.

The application and related documents are on file at the office of the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, RI 02888 and at the office of Schacht & McElroy, 21 Dryden Lane, Providence, RI 02904 and may be examined there.

Reference is made to Chapters 39-1, 39-3, and 42-35 of the General Laws; also specific sections 39-1-7, 39-1-8, 39-1-11, 39-1-12, 39-1-16, 39-1-18, 39-1-20, 39-3-24, 39-3-25, 39-3-30, 42-35-8, 42-35-9, and 42-35-10.

THE DIVISION OF PUBLIC UTILITIES AND CARRIERS IS ACCESSIBLE TO THE HANDICAPPED. INDIVIDUALS REQUESTING INTERPRETER SERVICES FOR THE HEARING IMPAIRED MUST NOTIFY THE CLERK'S OFFICE AT 941-4500 FIVE DAYS IN ADVANCE OF HEARING DATE.

Macky McCleary, Administrator

_____, 2017