



Providence, Rhode Island. Mr. Bebyn submitted pre-filed direct testimony with A&R Marine's application on July 10, 2014. 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 current operations.

Mr. Bebyn's Pre-filed Direct Testimony

Mr. Bebyn testified that the instant borrowing is necessary for A&R Marine to make additional improvements to the Bristol Dock, anticipated to cost \$70,000; for ferry engine and transmission repairs, expected to cost \$220,000; and for equipment purchases and working capital, expected to be \$10,000.<sup>2</sup>

Mr. Bebyn testified that BankRI will be the Lender with this borrowing. The loan was identified as a non-balloon payment type loan with a term of 15 years from the date of the loan. Mr. Bebyn related that the debt service on the loan will be a fixed monthly payment of approximately \$2,300, which includes interest and principal, for the first 60 months before July 1, 2022 and July 1, 2027 interest rate adjustment periods. Mr. Bebyn related that the debt service on the loan will result in annual payments of approximately \$27,600 for the first 60 months before the July 1, 2022 and July 1, 2027 interest rate adjustment periods. He noted that each periodic installment of principal and interest following each change date will be adjusted and recalculated by the Lender based on a 15 year amortization less the time elapsed from the date of

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<sup>2</sup> A&R Marine Exhibit 1, Bebyn Testimony, p. 2.

the note. Mr. Bebyn testified that each recalculation will use interest at the new rate determined as of the adjustment date.

Mr. Bebyn added that the interest rate on the note will be fixed, but adjusted every 5 years at the 5/5 Federal Home Loan Bank of Boston Amortizing Advance Rate, plus 2.5%. He testified that for the first 5 years, the initial rate will be approximately 4.44% per year; the interest rate will thereafter be adjusted every 60 months (the "change period").<sup>3</sup>

Mr. Bebyn also testified that the loan agreement requires A&R Marine to give BankRI a security interest in its business assets, a collateral assignment of its licenses, contracts and permits, and a conditional assignment of all leases. Mr. Bebyn added that the collateral for the loan also includes a first preferred ship's mortgage position on the vessels *Herbert C. Bonner* and *Dahlgren*, which are owned by A&R Marine and A&R Marine Construction, Inc. (an affiliated company), respectively, and which are recorded with the U.S. Coast Guard. Lastly, Mr. Bebyn noted that Stephen Antaya, and his wife, Donna Antaya, will also be providing personal guarantees.<sup>4</sup>

Mr. Bebyn testified that in his professional opinion he believes the terms of the borrowing are in the best interest of A&R Marine and its ratepayers.<sup>5</sup>

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 December

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<sup>3</sup> Id., p. 3.

<sup>4</sup> A&R Marine Exhibit 1, Bebyn Testimony, pp. 3-4.

<sup>5</sup> A&R Marine Exhibit 1, Bebyn Testimony, p. 4.

31, 2016, A&R Marine's total capitalization was composed of 35.57% debt and 64.43% common equity. He relates that after the \$300,000 loan, A&R Marine's total capitalization will change to 40.34% debt and 59.66% common equity. Mr. Bebyn testified that the proposed borrowing will change A&R Marine's "...debt equity ratio to about 0.68 to 1 with debt of \$1,633,859 and equity of \$2,416,584." 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 even with this new borrowing, A&R's debt equity ratio "is still good."<sup>6</sup>

Mr. Bebyn also conceded that A&R Marine will require an increase in rates to pay the debt service on this new debt. However, he was unable to measure the overall impact on rates at this time. He explained that this "is because, in addition to the increase in debt service, there is the complicating factor of reduced ridership for FY2017 to date when compared to the same point in FY 2016." Mr. Bebyn estimated that the "increase due only to the additional \$300,000 new debt service would be approximately a 2.6% increase in rates based upon the approved rate year revenue requirement from Docket #4586."<sup>7</sup>

In his closing comments, Mr. Bebyn explained that A&R Marine must have approval of the financing very soon so that the loan cannot close without Division approval.<sup>8</sup>

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<sup>6</sup> A&R Marine Exhibit 1, Bebyn Testimony, p. 5.

<sup>7</sup> A&R Marine Exhibit 1, Bebyn Testimony, p. 5.

<sup>8</sup> A&R Marine Exhibit 1, Bebyn Testimony, p. 5.

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

Predicated on a careful examination of the record in this matter, the Division finds that A&R Marine's application seeking approval to borrow \$300,000 from BankRI, under the terms identified in its filing, is reasonable and in the best interest of ratepayers.

Now, therefore, it is

(22850) ORDERED:

That A & R Marine Corporation's June 29, 2017 application, which seeks Division approval under R.I.G.L. §39-3-15, to incur \$300,000 of debt with BankRI, is hereby approved as filed.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 27, 2017.

  
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John Spirito, Jr., Esq.  
Hearing Officer

APPROVED:   
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Macky McCleary  
Administrator