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STATE OF NEW HAMPSHIRE



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April 8, 2016

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301

NH-PUC 8APR16-13:50

Re: DW 16-236, Pennichuck Water Works, Inc.  
Petition for Authority to Issue Long-term Debt  
Staff Recommendation for Approval

Dear Ms. Howland:

On February 12, 2016, Pennichuck Water Works, Inc. (PWW), submitted a petition pursuant to RSA 369:1, seeking authority to issue long-term debt. PWW intends to borrow up to \$1,400,000 from the Drinking Water State Revolving Loan Fund (SRF) administered by the New Hampshire Department of Environmental Services (NHDES). The proceeds of the loan will be used to replace a portion of the water main on Amherst Street and up to three adjoining side streets in the Nashua core system. The testimony of John J. Boisvert, PWW's Chief Engineer, and Larry D. Goodhue, PWW's Chief Financial Officer, accompanied the petition. After review of the filing, Staff recommends that the Commission approve PWW's proposed financing subject to the filing of certain shareholder and state government approvals.

Under RSA 369:1, public utilities engaged in business in this state may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be "consistent with the public good." Analysis of the public good involves looking beyond the actual terms of the proposed financing to the use of the funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). "[C]ertain financing related circumstances are routine, calling for more limited Commission review of the purposes and impacts of the financing, while other requests may be at the opposite end of the spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing." *Lakes Region Water Company, Inc.*, Order No. 25,753 (January 13, 2015) at 4-5, citing *Public Service Company of NH*, Order No. 25,050, 94 NH PUC 691, 699 (2009). Consistent with past SRF financing dockets, Staff reviewed PWW's filing as a routine financing.

Mr. Boisvert's testimony indicates that the Amherst Street project is consistent with the projects included in the company's current petition for approval of its 2016 Water Infrastructure and Conservation Adjustment (WICA) in Docket No. DW 16-220. It is being coordinated with a City of Nashua paving project and a gas main replacement by Liberty Utilities. PWW intends to replace a total of about 4,265 linear feet of water main. On March 25, 2016, Staff filed a letter in the WICA docket recommending approval of PWW's proposed 2016 projects. As of this date the Commission's decision is pending.

Mr. Goodhue's testimony describes the terms associated with the SRF financing. The interest rate for all SRF financings is based on rates available at the time the loan is closed. The interest rate available at the time of PWW's filing, for a 30 year loan, was 2.464%. This loan will be repaid with payments beginning six months after project completion. Amounts advanced under the loan by DES during the construction period will bear interest at a rate of 1% per annum, and that accrued interest will be payable upon substantial completion of the project. Because the median household income in the City of Nashua is less than that of the state as a whole, this loan will qualify for up to 10% principal forgiveness, which is earned ratably over the term of the loan. The loan will be unsecured and PWW's parent company Pennichuck Corporation (Pennichuck) will provide an unsecured corporate guarantee of repayment. This financing has been approved by PWW's and Pennichuck's Boards of Directors, and has been submitted for approval by the City of Nashua, as sole shareholder of Pennichuck. A copy of the City of Nashua's resolution will be filed by the company as soon as it is available.

Mr. Goodhue's testimony explains that previously approved bond and debt agreements contain covenants or restrictions which are impacted by the issuance of debt under this proposed financing. The loan agreement between Pennichuck and TD Bank, NA, prohibits Pennichuck or its subsidiaries from incurring additional indebtedness without the express prior written consent of TD Bank, except for certain allowed exceptions. One of the listed exceptions allows for borrowings under tax-exempt bond financing or state revolving loans made available by the State of NH, provided that in either instance the financing or loan is on an unsecured basis and TD Bank is given prior written notice of such financing. PWW provided written notice of the proposed SRF financing to TD Bank on February 3, 2016. *See Attachment B to Mr. Goodhue's testimony.*

In his testimony, Mr. Goodhue states that the anticipated issuance costs for the financing will total approximately \$10,000, covering loan documentation costs as well as the costs incurred to obtain Commission approval for the financing. Mr. Goodhue also provided pro-forma financial schedules showing the estimated impact of the loan on the balance sheet and income statement of PWW.

Staff recommends approval of the financing as proposed. The procurement of this SRF loan ensures that the company will finance the 2016 Amherst Street WICA project at the lowest possible cost to customers. Staff believes PWW has demonstrated that the

DW 16-236 Pennichuck Water Works, Inc.  
Petition for Approval of Long-term Debt  
Staff Recommendation for Approval  
Page 3 of 3

proposed use of the funds is appropriate and consistent with the Company's duty to provide "reasonably safe and adequate and in all other respects just and reasonable" service to its customers. RSA 374:1.

Staff has consulted with the Office of Consumer Advocate (OCA) prior to filing this recommendation.<sup>1</sup> The OCA takes no position. Thank you for your assistance in this matter. If you have any questions regarding this matter, please contact me.

Sincerely,



Mark A. Naylor  
Director, Gas & Water Division

cc: Service list

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<sup>1</sup> The OCA filed a notice of participation on February 22, 2016.



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**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

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Docket #: 16-236-1      Printed: April 08, 2016

**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

DEBRA A HOWLAND  
EXECUTIVE DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**