

DW 00-067

PENNICHUCK WATER WORKS, INC.

Petition for Authority to Issue Securities
Order NISI Approving Issuance of Securities

O R D E R N O. 23,459

May 2, 2000

The Petitioner, Pennichuck Water Works, Inc.

(Pennichuck), is a public utility engaged in the distribution and sale of water in and about the City of Nashua and portions of the Towns of Merrimack, Milford, Amherst, Hollis, Derry, Epping, Bedford, Plaistow, Salem and Newmarket, New Hampshire. On March 28, 2000, Pennichuck filed a petition seeking authorization to issue and sell unsecured debt securities in the amount of \$145,000. The proceeds of such issuance would be used at Pennichuck's Twin Ridge community water system for the following projects: (a) rehabilitation of the pump station; (b) the addition of green sand filtration to remove iron and manganese currently existing in the well supply; and (c) the addition of radon remediation treatment.

Twin Ridge is a community water system that serves 88 customers in Plaistow, New Hampshire. Twin Ridge is adjacent to Rolling Hills, a community water system that serves approximately 50 customers and is owned by one of Pennichuck's sister companies, Pennichuck East Utility, Inc.

(PEU). Both of these community water systems have had water quality problems and the booster station at each system was in need of extensive rehabilitation. During 1999, an interconnection between Twin Ridge and Rolling Hills was completed that eliminated the need for separate booster stations at each community system. As a result, both systems are now served by the Twin Ridge well system and PEU will be able to abandon the Rolling Hills pumping station. The improvements to the Twin Ridge system that are the subject of the proposed financing will benefit customers of both systems.

Pennichuck has applied for financing for the project from the New Hampshire Department of Environmental Services (DES) State Revolving Loan Fund (SRF). The project is included on the SRF Fiscal Year 1999 Priority List. The financing will be for a period of ten years with an annual interest rate of 2.865%. Due to the terms and conditions of Pennichuck's existing bond and note agreements that prohibit Pennichuck from pledging or granting any security interest in any of its assets, Pennichuck will be providing a corporate guarantee to satisfy the credit quality concerns of the DES.

Our Staff has reviewed the proposed use of the funds as well as the proposed terms and conditions of the requested financing and recommends that the project and the related

financing be approved as presented. Based upon Staff's review, we find the proposed use of the funds to be prudent and in the public interest and the terms and conditions of the loan to be just and reasonable.

An issue that arises relative to the interconnection of these two community water systems involves the fact that each system is owned by a separate affiliate and the rates charged to customers of the respective systems differ. The interconnection and the project that is the subject of the proposed financing will result in utility plant that is serving the customers of both systems. However, the capital costs which support the plant will only be recorded on the books of Pennichuck. We noted in Order No. 22,792, dated November 21, 1997, that representatives of Pennichuck Corporation, the parent company of Pennichuck and PEU, testified that PEU would file a full rate case 18 to 24 months after its authorized operation. PEU was granted authority to engage in business per our Order No. 22,880 dated March 23, 1998. With this in mind, we expect PEU to be filing a full rate case in the very near future. Therefore, we will address the issues raised by the interconnection in the context of that case.

Based upon the foregoing, it is hereby

ORDERED NISI, that, pursuant to RSA 369, Pennichuck is authorized to borrow up to \$145,000 under the terms and conditions set forth above; and it is

FURTHER ORDERED, that Pennichuck submit copies of the finalized loan documents to the Commission as soon as they are available; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than May 9, 2000 and to be documented by affidavit filed with this office on or before May 18, 2000; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than May 18, 2000; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than May 23, 2000; and it is

FURTHER ORDERED, that this Order Nisi shall be effective June 1, 2000, unless the Commission provides

otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that the Petitioner shall file an accounting with this Commission, each January 1 and July 1, duly sworn to by its Treasurer, showing the disposition of the proceeds of this financing, until said proceeds are fully expended.

By order of the Public Utilities Commission of New Hampshire this second day of May, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary