

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION
PENNICHUCK EAST UTILITY, INC.

DW 19-__

PETITION OF PENNICHUCK EAST UTILITIES, INC. FOR
APPROVAL OF COBANK FINANCING

Pennichuck East Utility, Inc. (the “Company” or “PEU”), a corporation duly organized and existing under the laws of the State of New Hampshire and operating as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the “Commission”), hereby requests approval under RSA 369:1 to enter into a loan of \$1,297,379 from CoBank, ACB (“CoBank”) to reimburse PEU’s FALOC borrowings in 2018. In support of its Petition, the Company respectfully represents as follows:

1. PEU provides retail water service to approximately 8,100 customers in the New Hampshire towns of Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare, and Windham. PEU is wholly owned by Pennichuck, Inc. (“Pennichuck”), which, in turn, is wholly owned by the City of Nashua.

2. As explained in the Prefiled Direct Testimony of Larry D. Goodhue and John J. Boisvert, PEU is seeking to refinance the capital expenditures of \$1,297,379 completed in 2018, with a 25-year term loan from CoBank. These expenditures for 2018 cover project costs which were not fully funded by the New Hampshire State Revolving Fund (“SRF”) or the New Hampshire Drinking Water and Groundwater Trust Fund (“DWGTF”), and capital

expenditures for maintenance capital items described in the Company's Qualified Capital Project Adjustment Charge (QCPAC) filing DW 19-035.

3. During 2018, expenditures totaling \$871,491 associated with costs incurred for three projects which were not fully covered by SRF loans or a DWGTF grant, and were therefore financed with proceeds from drawdowns on PEU's fixed asset line of credit ("FALOC"). As is described in Mr. Boisvert's testimony, those three projects were: (1) the PEU/PWW interconnection; (2) the Brady Avenue water main, and; (3) the Hillcrest Road watermain. The remaining \$425,888 included in the proposed CoBank refinancing is for projects associated with maintenance projects that are described in Mr. Boisvert's testimony.

4. In Mr. Goodhue's prefiled testimony, he describes the terms and conditions of the proposed \$1,297,379 Term Loan financing. While the final terms and interest rates are subject to change based on CoBank's due diligence (which is in progress as of the filing of this Petition) and market conditions, the Company expects to obtain a \$1,297,379 Term Loan with a 25-year amortization, with level monthly principal and interest payments with an interest rate to be determined based on market conditions (currently estimated at 4.5% per annum).

5. As is described by Mr. Goodhue, the new CoBank Term Loan will be secured by (i) a security interest in the Company's equity interest in CoBank (consisting of the Company's \$151,206.15 equity investment in CoBank and the Company's right to receive patronage dividends) and (ii) the unconditional guarantee of the Company's obligations to CoBank by Pennichuck pursuant to the Guarantee of Payment by Pennichuck in favor of CoBank dated as of February 9, 2010 (the "Guaranty"), a copy of which was also filed with the Commission in Docket No. DW 09-134. The Company's equity investment in CoBank consists of an initial \$1,000 investment pursuant to the Master Loan Agreement described in

Mr. Goodhue's testimony, as well as the accumulation of the equity portion of the annual patronage earned by the Company, associated with its existing debt obligations with CoBank.

6. Mr. Goodhue provides the estimated cost of the CoBank financing and includes schedules showing the balance sheet and income statement of the Company, actual and pro forma, to show the effects of the proposed financing. Mr. Goodhue's testimony and schedules attached to his testimony provides the information required by N.H. Admin. Rule Puc 609.03 and Form F-4, and includes a schedule showing the capital structure of the Company, actual and pro forma, to show the effects of the proposed financing. The filing does include the Company's pro forma total capitalization as of December 31, 2018. In light of the new rate structure approved for the Company under DW 17-128, this schedule is no longer applicable in support of financing dockets for the Company. As a result, Mr. Goodhue has provided a pro-forma analysis of the projected rate impact on a single-family residential home as a result of this financing.

7. Mr. Goodhue further explains that the financings are consistent with the public good because the terms of the financing are favorable and they will result in lower financing costs and annual debt service requirements, than would be available through other current debt financing options.

8. If the Company obtains authority from the Commission to borrow from CoBank and to refinance the FALOC, loan documents will be prepared for the transactions, setting forth the exact terms and conditions for borrowing the funds. The Company will provide the Commission with a copy of the loan documents once they have been finalized and executed.

9. The financing has been given final approval by PEU's Board of Directors and Pennichuck's sole shareholder, the City of Nashua, by vote of the Board of Aldermen. Copies

of the approvals are attached as exhibits A and B to Mr. Goodhue's testimony. The approvals were for a loan of up to \$1.45 million. The Company is seeking through this Petition approval for a loan of \$1,297,379 which is within the Board's and Shareholder's approval limits. Finally, the Company avers that it is entitled to issue promissory notes evidencing the financings described above, for the purposes set forth herein, and that the issuance of such notes will be consistent with the public good.

10. Issuance of debt under the terms provided by CoBank and use of the proceeds for the projects described above and in Mr. Boisvert's testimony is consistent with the public good as contemplated by the New Hampshire Supreme Court's ruling in *Appeal of Easton*, 125 N.H. 205,211 (1984). As described in Mr. Goodhue's testimony, the projects that will be refinanced through the proposed CoBank loan are part of PEU's continuing effort to provide safe, adequate and reliable water service to PEU's customers.

11. By this Petition, the Company seeks this Commission's approval and authority under RSA 369:1-4 to enter into and issue a promissory note evidencing the loan.

WHEREFORE, the Company respectfully requests that the Commission:

(a) Find that the proposed \$1,297,379 Term Loan for the purposes set forth herein and in the manner and on the terms described herein and in the prefiled testimony are consistent with the public good;

(b) Authorize the Company to do all things, take all steps, and execute and deliver all documents necessary or desirable to implement and carry out the proposed financing; and

(c) Approve the requested approval of financing for the principal amount of \$1,297,379 by either finding the proposed CoBank loan qualifies as a routine financing or, in the alternative, issue an order *nisi* issued in April 2019 and to take such further steps and make such further

findings and orders as in its judgment may be necessary and consistent with the above-stated request.

Respectfully submitted,

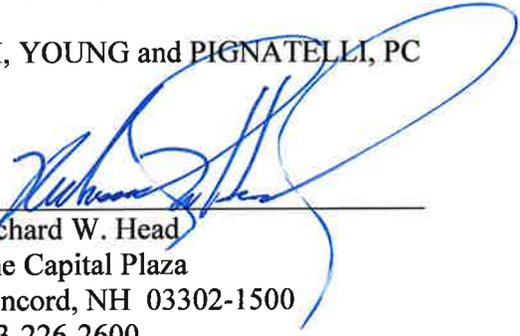
PENNICHUCK EAST UTILITIES, INC.

By Its Attorneys

RATH, YOUNG and PIGNATELLI, PC

Date: March 29, 2019

By:

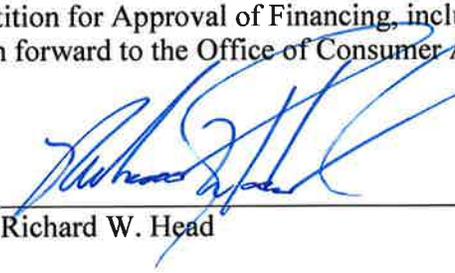


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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Petition for Approval of Financing, including prefiled testimony referred to in the Petition, has been forward to the Office of Consumer Advocate via hand delivery and electronic mail.

Date: March 29, 2019



Richard W. Head