

DW 06-030

PITTSFIELD AQUEDUCT COMPANY

Petition for Authority to Borrow up to \$750,000

Order *Nisi* Approving Financing Petition

ORDER NO. 24,610

March 31, 2006

I. BACKGROUND

On February 21, 2006, Pittsfield Aqueduct Company (PAC) filed with the New Hampshire Public Utilities Commission (Commission) a petition pursuant to RSA Chapter 369 for authority to Borrow up to \$750,000. PAC's petition was accompanied by the testimony of William D. Patterson, vice president and chief financial officer of PAC and of Pennichuck Corporation, the parent company of PAC.

In its petition, PAC requests approval to borrow up to \$750,000 from its parent company to finance the acquisition of the assets of Consolidated Water Company. and Central Water Company. This acquisition is the subject of Commission Docket No. DW 05-132. Pennichuck plans to lend PAC the entire amount of the purchase price in exchange for a promissory note to be issued to the parent company on an unsecured basis. The promissory note would provide for the entire principal balance to be due and payable in a single payment five years from the date of the note. Interest on the note will be payable monthly and the note will carry an annual interest rate of 6.5 percent.

In Mr. Patterson's testimony, he indicates that transaction costs for this borrowing are anticipated to be around \$4,000. He avers that the proposed financing would have no negative impacts on PAC's financial position, and that PAC has no covenants or restrictions in

its other debt which would be impacted by this proposed financing. Mr. Patterson also states that, based on his knowledge of the debt markets, the terms of the proposed borrowing are more favorable than those which PAC could expect to receive from any third party lender. On March 8, 2006, PAC filed a certificate documenting that the PAC board of directors has authorized PAC to enter into the financing contemplated in the instant petition.

On March 27, 2006, the Staff of the Commission (Staff) filed a letter recommending approval of PAC's request. Noting the Commission's prior approval of the two acquisitions to be financed, Staff concluded that the terms of the proposed financing are reasonable even though it would cause PAC's capital structure to be slightly more leveraged at 61 percent debt and 39 percent equity.

II. COMMISSION ANALYSIS

Pursuant to RSA 369:1, utilities in New Hampshire 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." The New Hampshire Supreme Court has observed that our review should look beyond actual terms of the proposed financing to the use of the proceeds of those funds and the effect on rates. See *Appeal of Easton*, 125 N.H. 205, 211 (1984).

In the instant proceeding, PAC seeks authorization to issue a promissory note to its parent company, Pennichuck Corporation, to obtain \$750,000 for the purpose of financing the acquisition of the assets of Consolidated Water Company and Central Water Company. The proposed transaction calls for PAC to repay the obligation in a single payment five years from the date of the note. The note will carry an interest rate of 6.5 percent annually and will require

monthly payments of interest. Issuance costs for this transaction are estimated by PAC to be around \$4,000. In our Order No. 24,606 (March 24, 2006) in Docket No. DW 05-132, we approved PAC's request to purchase the assets of Consolidated and Central. Based on our findings in that proceeding, we find that this financing, necessary to consummate the acquisitions, is consistent with the public good and we will approve it. As in other financings, we direct PAC to file copies of the executed loan documents once the transaction is complete.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that the request to undertake the financing proposed, under the terms and conditions contained in PAC's petition, and for the purpose as outlined herein, is hereby **APPROVED**; and it is

FURTHER ORDERED, that PAC shall file with the Commission true copies of the loan documents executed or otherwise finally issued in connection with the closing of the transaction contemplated herein; 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 April 10, 2006 and to be documented in affidavit filed with this office on or before May 1, 2006; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than April 17, 2006 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than April 24, 2006; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective May 1, 2006, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of March, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

ChristiAne G. Mason
Assistant Executive Director & Secretary