

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 15-288

**PENNICHUCK EAST UTILITY, INC.
AND PITTSFIELD AQUEDUCT COMPANY, INC.**

Petition to Waive and Increase Short-Term Debt Limit

Order Approving Waiver and Increase of Short-Term Debt Limit

ORDER NO. 25,820

September 29, 2015

In this order, the Commission grants Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc., a waiver of N.H. Code Admin. Rules Puc 608.05, which limits short-term debt to 10% of net fixed plant, and permission to increase their short-term debt limit. The Commission authorizes a short-term debt limit of up to 18% of the companies' net fixed plant until June 30, 2019.

I. BACKGROUND

Pennichuck East Utility, Inc. (PEU), and Pittsfield Aqueduct Company, Inc. (PAC), are regulated public utilities pursuant to RSA 362:2 and RSA 362:4. Both are owned by Pennichuck Corporation, which in turn is owned by the City of Nashua. PEU provides water service to approximately 7,000 customers in 19 communities in the State of New Hampshire. PAC provides retail water service to approximately 600 customers in Pittsfield, New Hampshire. Due to their indirect municipal ownership, PEU's and PAC's investment in infrastructure to serve customers is financed primarily with debt capital at this time.¹ On July 24, 2015, PEU and PAC filed a joint petition to increase their short-term debt limits. The companies' petition and other

¹ These companies no longer have access to equity capital. Because Pennichuck Corporation is no longer publicly traded, it cannot go to the equity markets or sell shares to raise money.

docket filings, except for any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at

<http://www.puc.nh.gov/Regulatory/Docketbk/2015/15-288.html>.

The companies' specific request is made pursuant to Puc 201.05, for a waiver of Puc 608.05, which limits the outstanding short-term debt of water utilities to 10% of net fixed plant. The companies contend that the waiver would serve the public interest and would not disrupt the orderly and efficient resolution of matters before the Commission. The companies also assert that compliance with Puc 608.05 would be onerous and that the purpose of the rule would be satisfied by an alternative method as discussed below.

PEU and PAC state that they have limited flexibility in funding necessary capital investments because of their indirect municipal ownership structure. The companies contend that, while their debt-heavy capital structures benefit customers through lower overall returns on rate base, the lack of access to equity capital causes a greater reliance on the use of short-term debt for paying expenses and funding capital improvements.

Since Nashua's acquisition, the companies have sought and received Commission permission to exceed the short-term debt limit prescribed in Puc 608.05. *Pennichuck East Utility, Inc.*, Order No. 25,482 (DW 12-349, March 28, 2013) (approving temporary 12% short-term debt limit); *Pittsfield Aqueduct Company, Inc.*, Order No. 25,581 (DW 13-247, October 10, 2013) (approving temporary 18% short-term debt limit); *Pennichuck East Utility, Inc.*, Order No. 25,740 (DW 14-191, December 19, 2014) (approving temporary 12% short-term debt limit). Rather than continue to request short-term waivers of Puc 608.05, the companies filed this joint petition, seeking a waiver of the rule through June 30, 2019. The Companies also

propose that the waiver become permanent after June 30, 2019, if the Commission does not alter its order approving the waivers before then.

PEU and PAC propose, pursuant to RSA 369:7, that the Commission authorizes short-term debt limits of 18%. The companies request that the 18% debt limits govern during the period of the Commission's waiver of Puc 608.05.

The Commission Staff concurred with PEU and PAC's debt-limit waiver and increase of the short term debt limit up to 18% of fixed capital. However, Staff objected to the companies' request to make both automatically permanent after June 30, 2019, if the Commission takes no further action. The OCA did not participate in the docket.

II. COMMISSION ANALYSIS

Under N.H. Code Admin. Rules Puc 201.05(a), the Commission may waive a rule if it finds that the waiver is in the public interest and that it will not disrupt the orderly and efficient resolution of matters before the Commission. Our decision whether to waive Puc 608.05 is further guided by RSA 369:7, II. That statute provides:

In establishing the amounts of [short-term] notes, bonds, and other evidences of indebtedness which the utility is permitted to issue or renew without prior commission approval, the commission shall consider the size, circumstances, and other characteristics of each utility, the aggregate term of the renewals of such notes, bonds and other evidences of indebtedness, and the time period and manner for reporting such renewals to the commission.

The waiver and increased debt limits are consistent with the waivers and increases that we have approved since Nashua's acquisition of the companies. Unlike privately owned utilities, the companies must rely on debt to finance capital investments. Using debt results in lower costs to customers, but limits the companies' options for financing capital investment. More

frequently than typical privately owned utilities, the companies turn to short-term debt to bridge the gaps during which they secure or respond to opportunities for long-term financing.

We find reasonable the companies' proposal to report monthly short-term debt levels in their annual reports, and to file written notice with Staff and the OCA in any month that short-term debt exceeds 15% of net fixed capital. We do not, however, find that it would be reasonable to automatically extend the waivers beyond June 30, 2019, at this time. If the companies want the waiver to continue beyond that date, they will need to file an appropriate request.

We are satisfied that the waiver, as limited above, is in the public interest and will not disrupt the orderly and efficient resolution of matters before the Commission. We therefore approve PEU and PAC's request for waiver of Puc 608.05 and for an increase to a level of up to 18% of the utilities' net fixed plant until June 30, 2019.

Based upon the foregoing, it is hereby


ORDERED, that the request of Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc., for a waiver of Puc 608.05 is GRANTED until June 30, 2019; and it is

FURTHER ORDERED, that the request of Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc., for short-term debt limits of 18% is GRANTED until June 30, 2019; and it is

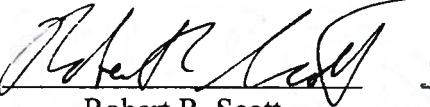
FURTHER ORDERED, Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc., file monthly short-term debt levels in its annual reports during the period of the waiver and increased debt limit; and it is

FURTHER ORDERED, Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc., file written notice to Staff and the OCA in any month that short-term debt exceeds 15% during the period of the waiver and increased debt limit.

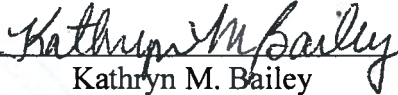
By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of September, 2015.



Martin P. Honigberg
Chairman

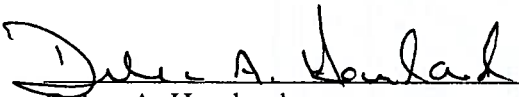


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

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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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
EXEC 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.