

THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Martin P. Honigberg

COMMISSIONERS
Robert R. Scott
Kathryn M. Bailey

EXECUTIVE DIRECTOR
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX (603) 271-3878

Website:
www.puc.nh.gov

NHPUC 10OCT15-42:52

October 1, 2015

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

Re: DW 15-345, Fryeburg Water Company
Notice of Foreign Business Financing Pursuant to RSA 369:8, II
Staff Recommendation to Grant Request Pursuant to RSA 369:1

Dear Ms. Howland:

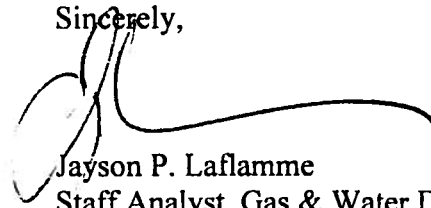
On August 25, 2015, Fryeburg Water Company (Fryeburg or, the Company) filed a Notice of Foreign Business Financing (Notice) pursuant to RSA 369:8, II (a). Fryeburg serves approximately 737 customers in the Town of Fryeburg, Maine, and approximately 67 customers in East Conway, New Hampshire. Fryeburg intends to refinance up to \$875,000 of existing debt through a loan from The Bank of Maine. This new loan will be secured by all of the Company's property located in Maine, except for two lots which had been financed separately when acquired. This loan will replace two existing debt issues from TD Bank, N.A. which each reach maturity on October 6, 2015. Fryeburg is simply refinancing existing loans at lower interest rates. Fryeburg asserts, and Staff agrees, that this refinancing will not adversely affect rates, terms, service, or operation of the utility, to the standard required by RSA 369:8, II (a). On September 22, 2015, the Maine Public Utilities Commission issued an order in Maine Docket No. 2015-00247 authorizing Fryeburg to enter into the loan agreement and associated mortgage. See Attachment.

Staff does not believe that RSA 369:8, II (a) is applicable in this case as that section of the statute deals with parent companies of a public utility regulated by this Commission, which is clearly not the case here. Staff is also not convinced that the exception to regulation provided by RSA 369:8, I is applicable because the Company uses a unified distribution system to provide service in both Maine and New Hampshire. Staff believes that RSA 369:1 is more applicable as the basis for granting financing approval. Therefore, Staff recommends that the Commission analyze Fryeburg's financing request under RSA 369:1 rather than RSA 369:8, II (a). After reviewing both Fryeburg's filing as well as the Maine order, Staff is of the opinion that the refinancing is consistent with the public good and in the public interest. Staff therefore recommends that the Commission approve the Company's financing request pursuant to RSA 369:1.

DW 15-345 Fryeburg Water Company
Notice of Foreign Business Financing Pursuant to RSA 369:8, II
Staff Recommendation to Grant Request Pursuant to RSA 369:1
Page 2 of 2

Thank you for your assistance in this matter. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Jayson P. Laflamme". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jayson P. Laflamme
Staff Analyst, Gas & Water Division

Attachment: Copy of Maine PUC Order Approving Financing

cc: Service List

September 22, 2015

FRYEBURG WATER COMPANY
Application for Approval of
Issues of Securities

ORDER APPROVING
ISSUES OF SECURITIES

VANNOY, Chairman; McLEAN and WILLIAMSON, Commissioners

I. SUMMARY

In this Order, the Commission authorizes the Fryeburg Water Company (Company) to enter into a loan agreement and associated mortgage in a sum not to exceed \$875,000 at a rate not to exceed 2.65 percent for the first 6 months of the loan and 3.87 percent for the remaining term of 5 years, with a balloon payment at the end of year 5 through the Bank of Maine.

II. BACKGROUND

On August 24, 2015, the Company filed with the Commission its application for authority to enter into a loan agreement and associated mortgage in a sum not to exceed \$875,000 at a rate not to exceed 2.65 percent for the first 6 months of the loan and 3.87 percent for the remaining term of 5 years, with a balloon payment at the end of year 5 year through The Bank of Maine.

The Company requires the issuances to fund a balloon payment required at the end of its existing mortgage with a maturity date of October 6, 2015 through TD Bank, N.A.¹ The Company reports that there will not be a rate change as the result of this new debt issuance which is at a lower rate.

¹ In Docket 2010-238, the Commission authorized the Company to enter into two mortgages with TD Bank, N.A. (Order dated September 10, 2010) These mortgages were in the amount of \$90,000 and \$959,657.94, both with an interest rate of 5.26 percent, and combined they presently have a principal balance equal to the amount of the proposed bond issuance. The Commission required the Company to develop a plan to improve its financial health and file plans to meeting the balloon payment approved in that docket. The Company submitted such a plan on October 31, 2011 which included, among other initiatives, creating stability in water sales and consumption, which the Company achieved with negotiations for bulk water sales with Nestlé Waters N.A., and additional investment by Company shareholders.

III. DISCUSSION

In approving an application to issue securities, the Commission considers the factors set forth in 35-A M.R.S. § 902(2): 1) the reasonableness of the purpose for which the proceeds of the issuance will be applied; 2) other resources that the utility may have available for those purposes; 3) the justness and reasonableness of the estimated cost of the issuance; and 4) the effect of the issuance upon the utility's capital structure.

Having reviewed Company's application and supporting information, the Commission finds that the proposed loan agreement is reasonable given the Company's current financial condition and the other resources available to the Company. The estimated costs of issuance through the Bank of Maine are just and reasonable in the current market and the issuance is not detrimental to the Company's capital structure, because the capital structure will remain the same, and the Company does not anticipate that as a direct result of this financing, it will need to raise rates within the next 12 months. Additionally, the proceeds of the loan agreement are required in good faith for the purposes enumerated in 35-A M.R.S. § 901. The Commission also finds that the issuance of debt for these purposes is a reasonable use of the Company's financial resources and that the long-term life of the projects originally financed is consistent with the term of the loan agreement.

As is required under 35-A M.R.S. § 1101, Fryeburg is also authorized to mortgage utility property as necessary to complete the transaction. Based upon the foregoing considerations, the Commission finds that the proceeds of the loan agreement are required in good faith for the purposes enumerated in 35-A M.R.S. § 901. The Commission's approval of this securities issue, consistent with normal practice and pursuant to § 902(4) does not imply approval of Company's capital needs or capitalization ratio for ratemaking purposes. Nor does this Order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, the Commission

O R D E R S

1. That the Fryeburg Water Company is hereby authorized to issue a secured mortgage in sums not to exceed \$875,000 at a rate not to exceed 2.65 percent for the first 6 months of the loan and 3.87 percent for the remaining term of 5 years, with a balloon payment at the end of year 5 through the Bank of Maine;
2. That Company report to the Commission, in writing, the status of this loan agreement pursuant to this Order within sixty (60) days of the date of the closing of the loan agreement, or December 1, 2015, whichever may come first.

Dated at Hallowell, Maine, this 22nd day of September, 2015.

BY ORDER OF THE COMMISSION

/s/ Harry Lanphear

Harry Lanphear,
Administrative Director

COMMISSIONERS VOTING FOR:

Vannoy
McLean
Williamson

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 11(D) of the Commission's Rules of Practice and Procedure (65-407 C.M.R. 110) within **20** days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought. Any petition not granted within **20** days from the date of filing is denied.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21** days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

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.

Executive.Director@puc.nh.gov
amanda.noonan@puc.nh.gov
jayson.laflamme@puc.nh.gov
jrichardson@upton-hatfield.com
mark.naylor@puc.nh.gov
ocalitigation@oca.nh.gov
robyn.descoteau@puc.nh.gov
rorie.patterson@puc.nh.gov
steve.frink@puc.nh.gov

Docket #: 15-345-1 Printed: October 01, 2015

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.**