

**STATE OF NEW HAMPSHIRE**  
**BEFORE THE**  
**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**DW 18-\_\_\_\_**

**Pittsfield Aqueduct Company, Inc.**

**Petition of Pittsfield Aqueduct Company, Inc. for**  
**Approval of Refinancing of Intercompany Debt**

March 8, 2018

Pittsfield Aqueduct Company

By Their Attorneys,

RATH, YOUNG AND PIGNATELLI, P.C.

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Pittsfield Aqueduct Company, Inc. (“PAC”), a corporation duly organized and existing under the laws of the State of New Hampshire and operating therein as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the “Commission”), hereby petitions the Commission for approval and authority under RSA 369:1-4 to (1) to refinance a 10-year \$776,850 fixed rate intercompany note payable between the Company and Pennichuck Corporation (“Penn Corp” or “Pennichuck”) which matures on May 1, 2018, and (2) to convert \$409,150 of short term intercompany debt to a long term note. In support of its Petition, PAC respectfully represents as follows:

1. PAC is a New Hampshire public utility corporation providing retail water service to approximately 630 customers in the town of Pittsfield, New Hampshire. PAC is wholly-owned by Penn Corp, which, in turn, is wholly-owned by the City of Nashua.

2. PAC is seeking authority to (1) to refinance a 10-year \$776,850 7% fixed rate intercompany note payable between the Company and Penn Corp which matures on May 1, 2018, and (2) to convert \$409,150 of variable rate short term intercompany debt to a long term note. The two existing notes would be aggregated into one new long-term intercompany note payable as a new single intercompany loan. The new intercompany loan would be in the

aggregate amount of \$1,186,000, repaid over a 30 year term, on a fully amortizing basis, at an interest rate of 3.2%.

3. As is described in Mr. Goodhue's testimony, the 10-year fixed rate note was originally established when Penn Corp was a publicly-traded company, and as such had access to both the debt and equity markets as sources of capital funding. When this loan was initially established as an interest-only repayment term loan, it was anticipated that it would either be refinanced "in kind" at maturity, or most likely repaid in full with money that was funded by equity raised by Penn Corp as an infusion of equity into the Company by converting the debt obligation to equity at that time. Under the current ownership structure of Penn Corp, this option is no longer available, which is the basis for the proposed fully amortizing debt obligation going forward.

4. In addition to eliminating the pending balloon payment, the proposed debt would accomplish the following: (1) by extending the current amount due under the maturing intercompany loan further into the future, it will allow for a better matching of the life of PAC's long term debt to the underlying lives of the assets; (2) provide for favorable debt carrying costs of 3.2%; and (3) reduce the level of PAC's short term debt that is currently above the statutory 10% limit of net fixed plant.

5. As is explained in more detail in Mr. Goodhue's testimony, the financing approval requested in this Petition will accomplish a better match of long term debt to long term capital investments for the Company. With this proposed refinancing, with will result in the conversion of essentially the entire balance of net short term amounts due to Penn Corp from the Company, the Company will effectively match its long term debt obligations to the underlying long term capital investments it currently has on its books and records.

6. The current \$776,850 fixed rate intercompany note is maturing on May 1, 2018 and therefore the Company respectfully requests approval to allow the notes to be refinanced as of that date.

7. In accordance with Puc 609.03 and Form F-4, Mr. Goodhue's testimony describes the estimated costs of the proposed financing, and includes the following attachments:

- Schedule LDG-1: The pro forma adjustment in the intercompany debt line for the conversion of \$409,150 of short term intercompany debt to a \$409,150 long term intercompany note payable, aggregated with the refinance of the existing \$776,850 long term intercompany note payable (which is classified as a current obligation as of December 31, 2017, in conformity with GAAP);
- Schedule LDG-2: The pro forma impact of this financing on PAC's income statement for the twelve month period ended December 31, 2017; and
- Schedule LDG-3: PAC's pro forma total capitalization as of December 31, 2017, which is comprised of common equity and long term debt including intercompany notes payable.

8. Mr. Goodhue further explains that PAC is entitled to issue the proposed refinancing and aggregation of the two intercompany notes under RSA Chapter 369 for the purposes set forth in this petition and the financings are consistent with the public good because the terms of the financing are extremely favorable and represent the only viable financing option available to PAC to refinance existing short term and long term intercompany debt. Additionally, the term of the new loan, on a fully amortizing basis, better aligns the overall cost of funds with the underlying of the financed long term net plant assets.

9. The Company avers that it is entitled to issue promissory notes and issue bonds

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 as contemplated by the New Hampshire Supreme Court's ruling in *Appeal of Easton*, 125 N.H. 205,211 (1984).

10. As is described in Mr. Goodhue's testimony, the Company's Board approved the financing requested in this Petition at the Company's board meeting held on February 23, 2018, with a modification and re-approval to occur on March 23, 2018. A copy of the initial approval is included with Mr. Goodhue's testimony as Attachment A which will be supplemented following the Board's vote on re-approval.

WHEREFORE, by this petition, PAC requests that the Commission:

(a) Find that the refinancing and aggregation of the 10-year \$776,850 fixed rate intercompany note payable and the \$409,150 short term intercompany debt into a single intercompany note in accordance with the terms and purposes described in this petition and in the prefiled testimony is consistent with the public good;

(b) Pursuant to RSA 369:1, 3 and 4, grant PAC the authority to refinance the 10-year \$776,850 fixed rate intercompany note payable and further to aggregate that note with the \$409,150 short term intercompany debt into a single intercompany note for the purposes described herein;

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

(d) Approve the financing request by Order *Nisi* or, in the alternative, issue an Order of Notice as soon as practicable that establishes a procedural schedule, including a date for

hearing in this matter, which would enable the Commission to hold a hearing and issue its decision on or before May 1, 2018; and

(e) Take such further action and make such other findings and orders as in its judgment may be just, reasonable, and in the public good.

Respectfully submitted,

PITTSFIELD AQUEDUCT COMPANY, INC.

By Its Attorneys

RATH, YOUNG AND PIGNATELLI, P.C.

Dated: 3-8-18

By:

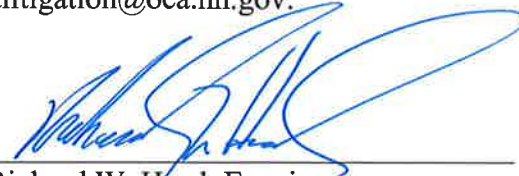


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**Certificate of Service**

I hereby certify that a copy of this petition for approval of financings, including the pre-filed testimony referred to in the Petition, have this day been forwarded to the Office of Consumer Advocate via electronic mail at [ocalitigation@oca.nh.gov](mailto:ocalitigation@oca.nh.gov).

Dated: 3-8-18

  
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Richard W. Head, Esquire