

**STATE OF NEW HAMPSHIRE**  
**BEFORE THE**  
**PUBLIC UTILITIES COMMISSION**  
  
**PENNICHUCK WATER WORKS, INC.**

**DW 18-\_\_**

**PETITION OF PENNICHUCK WATER WORKS, INC. FOR APPROVAL OF  
FINANCING UNDER THE STATE DRINKING WATER AND GROUNDWATER  
TRUST FUND**

Pennichuck Water Works, Inc. (the “Company” or “PWW”), 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 borrow \$3,375,000 from the State Drinking Water and Groundwater Trust Fund (“DWGT”), which was established under RSA 485-F and is administered by the New Hampshire Department of Environmental Services (“DES”). In support of its Petition, the Company respectfully represents as follows:

1. PWW is a New Hampshire public utility corporation providing retail water service to approximately 28,700 customers in the towns of Nashua, Amherst, Merrimack, Milford, Hollis, Bedford, Derry, Plaistow, Epping, Salem, and Newmarket located in New Hampshire. PWW is wholly-owned by Pennichuck Corporation (“Penn Corp”), which, in turn, is wholly-owned by the City of Nashua.

2. As is explained in the Prefiled Direct Testimony of John J. Boisvert, the purpose of the financing is to fund the cost to replace sections of unlined cast iron water mains, sections of

asbestos-cement water mains, and install new water mains in portions of the overall systems in place in both the City of Nashua and Town of Amherst.

3. In his Prefiled Direct Testimony, Larry D. Goodhue, the Company's Chief Financial Officer, describes the terms and purposes of the proposed financing. He provides the estimated cost of the additional DWGTF 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 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 reflect the ratemaking treatment prescribed in Docket DW 16-806.

4. If the Company obtains authority from the Commission to borrow from the DWGTF, 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.

5. To fund the above described projects, the Company has applied to DES for a new DWGTF long-term loan. The loan, totaling \$3,375,000, will be repaid over 30 years commencing six months after the projects are substantially complete, and may result in multiple tranches and underlying loan repayment documents on a project level basis. The current maximum interest rate on DWGTF borrowings is 2.704% per annum (as of August 2, 2018), although the actual rates will be based on the current rates available at the time the loans are actually closed. The loans will be unsecured, and Penn Corp will provide an unsecured corporate guarantee for the repayment of the loan.

6. Copies of the loan documents will be submitted to the Commission once they have been finalized and executed.

7. The DWGTF financing has been approved by the Company's and Penn Corp's Boards of Directors and by Penn Corp's sole shareholder, the City of Nashua. The Company has not yet received the written verification of this approval voted upon by the City's Board of Alderman on August 14, 2018, and will supplement this Petition with that documentation showing such Board of Alterman approval. Additionally, the Company will supplement this Petition with an amended approval from its Board of Directors, reflecting the change in the maximum interest rate for this financing, which occurred since the original approval was granted by the Board.

8. Finally, the Company avers that it is entitled to issue promissory notes evidencing the financing described above, for the purposes set forth herein, and that the issuance of such notes will be consistent with the public good. Issuance of long term debt under the terms provided by the DWGTF and use of the proceeds from the issuance 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 being financed through the proposed DWGTF loan will enable PWW to continue to provide safe, adequate and reliable water service to PWW's customers. The projects and their proposed financing through the DWGTF loan will provide the most cost effective solutions, in support of this overall benefit for PWW's customers. For the reasons described in Mr. Boisvert's direct testimony, the Water Main Improvements in the Nashua Core Water System Project, and its proposed financing through the DWGTF loan, will provide the most cost effective solutions in support of this

overall benefit for PWW's customers. The terms of the financing through DWGTF loan are very favorable compared to other alternatives, and will result in lower financing costs than would be available through all other current debt financing options including tax-exempt bonds issued through the New Hampshire Business Finance Authority.

9. Furthermore, this petition qualifies as a routine financing consistent with the Commission's decision *In re PSNH*, Order No. 25,050, 94 NH PUC 691,699 (2009) and, most recently, in Docket DW 17-183, regarding PWW. *See* Order No. 26,121 (April 20, 2018).

10. By this Petition, the Company seeks this Commission's approval and authority under RSA 369:1-4 to enter into the new long term loan with the DWGTF and to issue its promissory notes evidencing such loan.

WHEREFORE, the Company respectfully requests that the Commission:

(a) Find that the proposed DWGTF financing in the amount of \$3,375,000 for the purpose 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) Find that the use of the proceeds to fund the capital projects in the manner set forth in this petition and as described in the prefiled testimony is prudent and consistent with the public good;

(c) 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

(d) Grant the requested approval of financing for the principal amount of \$3,375,000 by either finding the proposed DWGTF loan qualifies as a routine financing or, in the alternative, issue an order *nisi* issued in September 2018 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 WATER WORKS, INC.

By Its Attorneys

RATH, YOUNG & PIGNATELLI, PC

Date: August 29, 2018

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 electronic mail.

Date: August 29, 2018

  
Richard W. Head