

CHAIRMAN
Martin P. Honigberg

COMMISSIONERS
Kathryn M. Bailey
Michael S. Giarno

EXECUTIVE DIRECTOR
Debra A. Howland

STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

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

Tel. (603) 271-2431

FAX No. 271-3878

Website:
www.puc.nh.gov

October 16, 2018

NHPUC 16OCT18AM9:55

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

RE: DW 18-133 Pennichuck Water Works, Inc.
Petition for Authority to Issue Debt
Staff Recommendation for Approval

Dear Ms. Howland:

On August 29, 2018, Pennichuck Water Works, Inc. (PWW or Company) submitted a petition pursuant to RSA 369:1, seeking authority to issue long-term debt. PWW intends to borrow up to \$3,375,000 from the Drinking Water and Ground Water Trust Fund (DWGTF) administered by the New Hampshire Department of Environmental Services (DES). The proceeds of the loan will be used 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 both the City of Nashua and Town of Amherst. The testimony of John J. Boisvert, PWW's Chief Engineer, and Larry D. Goodhue, PWW's Chief Executive Officer, accompanied the petition. After review of the filing, Staff recommends the Commission approve PWW's proposed financing as filed.

Under RSA 369:1, public utilities engaged in business in this state 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." Analysis of the public good involves looking beyond the actual terms of the proposed financing to the use of the funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). "[C]ertain financing related circumstances are routine, calling for more limited Commission review of the purposes and impacts of the financing, while other requests may be at the opposite end of the spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing." *Lakes Region Water Company, Inc.*, Order No. 25,753 (January 13, 2015) at 4-5, citing *Public Service Company of NH*, Order No. 25,050, 94 NH PUC 691, 699 (2009). Consistent with other past financings administered by DES, Staff reviewed PWW's filing as a routine financing.

Mr. Boisvert's testimony indicates the projects contemplated with the funds are consistent with those found in the Company's 2018 QCPAC filing in DW 18-022. In addition to the replacement

of aging mains in and around the City of Nashua, PWW specifically intends to make additions and improvements to the so-called "Northwest System" (NWS). Mr. Boisvert's testimony adds that the NWS serves the northwest quadrant of Nashua, the Merrimack Village District and the Towns of Amherst and Milford. His testimony also states the NWS area of the Nashua Core Distribution System has experienced growth and expansion over the last several decades and that the improvements to the NWS are also necessary to facilitate the replacement of the Kessler Farm water storage tank planned in 2020. When the Kessler Farm tank is temporarily out of service during that replacement, hydraulic modeling results revealed that the existing NWS infrastructure would be unable to meet and maintain peak demand and fire flows without necessary distribution system improvements.

Mr. Goodhue's testimony describes the anticipated terms of the financing, which include a 30-year repayment term and a maximum interest rate of 2.704%. The actual interest rate of the financing will be determined at the time the loan is closed. Payments on the loan will begin six months after the project is substantially complete. Amounts advanced under the loan by DES during construction will bear interest at 1% per annum payable upon substantial completion of the project. Mr. Boisvert's testimony adds that the median household income for the City of Nashua exceeds that which would qualify these projects for principal forgiveness.

In his testimony, Mr. Goodhue also states that the anticipated issuance costs for the financing will total approximately \$10,000, covering loan documentation costs as well as the costs incurred to obtain Commission approval for the financing. Mr. Goodhue's testimony also includes pro-forma financial schedules showing the estimated impact of the loan on the balance sheet and income statements of PWW.

This financing has been approved by both PWW's and Pennichuck's Board of Directors, as well as by the City of Nashua, the sole shareholder of Pennichuck. PWW has provided documentation in support of these approvals.

Staff conducted discovery in this docket to which the Company provided responses (See attached.) Included in that discovery, the Company was asked to calculate the estimated increase in its revenue requirement based upon 100% use of the funds at the currently anticipated financing terms. In its response to Staff Data Request 1-7, the Company calculated that impact as follows:

Annual Debt Service (after 1.1x multiplier):	<u>\$180,788</u>
Estimated Impact from Property Taxes :	<u>\$106,886</u>
Total Revenue Requirement Impact:	<u>\$287,674</u>

Based on the above, an average single-family customer currently paying \$53.98 per month would experience an increase of approximately \$.49 per month.

Staff recommends approval of the financing as proposed. The procurement of this DWGTF loan ensures that the company will finance these projects at the lowest possible cost to customers. Staff believes PWW has demonstrated that the proposed use of the funds is appropriate and consistent with the Company's duty to provide "reasonably safe and adequate and in all other respects just and reasonable" service to its customers as stated in RSA 374:1.

Staff has consulted with the Office of Consumer Advocate (OCA) prior to filing this recommendation, and the OCA notified Staff of their concurrence to Staff's position.¹ The OCA takes no position. Thank you for your assistance and attention regarding this matter. If you have any questions, do not hesitate to contact me.

Respectfully,

A handwritten signature in dark ink, appearing to read 'A. Leone', with a long horizontal flourish extending to the right.

Anthony J. Leone
Utility Analyst

cc: Service List

¹ The OCA filed a notice of participation on September 25, 2018.

Pennichuck Water Works, Inc.
DW 18-133
Petition For Approval of DWGTF Financing - Staff Data Requests - Set 1

Date Request Received: 9/18/18
Request No. Staff 1-1

Date of Response: 10/02/18
Witness: Larry D. Goodhue

REQUEST: Re: Petition Page 3 at 7:

Please provide the Board of Aldermen of the City of Nashua written approval for the financing.

RESPONSE:

The written approval from the City is attached as Exhibit A.



RESOLUTION

AUTHORIZING PENNICHUCK CORPORATION, PENNICHUCK WATER WORKS, INC., AND PENNICHUCK EAST UTILITY, INC., TO BORROW FUNDS FROM THE STATE OF NEW HAMPSHIRE DRINKING WATER REVOLVING LOAN FUND AND THE STATE OF NEW HAMPSHIRE DRINKING WATER AND GROUNDWATER TRUST FUND

CITY OF NASHUA

In the Year Two Thousand and Eighteen

WHEREAS, the City of Nashua is the sole shareholder of Pennichuck Corporation and each of its subsidiaries;

WHEREAS, Article IX (3) of the Articles of Incorporation of Pennichuck Corporation and Article V §2 of the by-laws of Pennichuck Corporation require the approval of the sole shareholder (the City of Nashua) for Pennichuck to create, incur, assume, or guarantee any indebtedness for borrowed money, which includes contracting a loan on behalf of the Corporation; and

WHEREAS, Pennichuck Water Works, Inc. ("PWW"), and Pennichuck East Utility, Inc. ("PEU"), are regulated New Hampshire public water utility corporations providing retail water service to New Hampshire customers, and are wholly owned subsidiaries of Pennichuck Corporation ("Pennichuck") which, in turn, is wholly owned by the City of Nashua.

NOW, THEREFORE, BE IT RESOLVED by the Board of Aldermen of the City of Nashua that the City approves the borrowing by Pennichuck East Utility, Inc. of up to \$4,240,000 from the State of New Hampshire Drinking Water Revolving Loan Fund to finance the cost of the Locke Lake New Groundwater Source Project;

FURTHER RESOLVED by the Board of Aldermen of the City of Nashua that the City approves the borrowing by Pennichuck Water Works, Inc. of up to \$3,375,000 from the State of New Hampshire Drinking Water and Groundwater Trust Fund to finance the cost of the Pennichuck Core Water main Replacement Project; and

FURTHER RESOLVED by the Board of Aldermen of the City of Nashua that the City approves the guaranty by Pennichuck Corporation of the payments by Pennichuck East Utility, Inc. and Pennichuck Water Works, Inc. for each of the two loans described above.

LEGISLATIVE YEAR 2018

RESOLUTION:

R-18-058

PURPOSE:

Authorizing Pennichuck Corporation, Pennichuck Water Works, Inc., and Pennichuck East Utility, Inc. to borrow funds from the State of New Hampshire Drinking Water Revolving Loan Fund and the State of New Hampshire Drinking Water and Groundwater Trust Fund

ENDORSERS:

Alderman-at-Large Lori Wilshire

**COMMITTEE
ASSIGNMENT:**

FISCAL NOTE:

None.

ANALYSIS

This resolution approves the proposals by Pennichuck Corporation and two of their regulated public water subsidiaries to obtain loans from the State of New Hampshire Drinking Water Revolving Loan Fund and the State of New Hampshire Drinking Water and Groundwater Trust Fund for the purposes described in the resolution.

Pennichuck has provided additional information on the proposal to the Board of Aldermen.

Article IX (3) of Pennichuck Corporation's Articles of Incorporation and Article V §2 of the Pennichuck Corporation's by-laws requires City approval for the borrowing.

Approved as to form:

Office of Corporation Counsel

By: 

Date: July 2, 2018

Pennichuck Water Works, Inc.
DW 18-133
Petition For Approval of DWGTF Financing - Staff Data Requests - Set 1

Date Request Received: 9/18/18
Request No. Staff 1-2

Date of Response: 10/02/18
Witness: Larry D. Goodhue

REQUEST: Re: Petition Page 3 at 7:

Please provide updated approvals from PWW and Pennichuck Corporation's Boards of Directors with the updated interest rates from the September meeting.

RESPONSE:

The updated approvals are attached as Exhibits B-1 and B-2.



PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Corporation (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Company on September 28, 2018; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

Resolved: that the Board of Directors hereby approves the guaranty by Pennichuck Corporation (the "Company") of the payment by Pennichuck Water Works, Inc. ("PWW") of all of its obligations with respect to PWW's borrowing of up to \$3,375,000 in principal amount from the New Hampshire Drinking Water and Groundwater Trust Fund (the "Trust Fund"), such amount to be paid over a 30-year term, level payment, with interest at a maximum rate of 2.704% and related costs, for the purpose of funding the Pennichuck Core Water Main Replacement project, pursuant to a Loan Agreement between PWW and the New Hampshire Department of Environmental Services.

Further

Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Guaranty agreement with respect to the Trust Fund loan described in the prior resolution (the "Trust Fund Loan"), with such terms as may be deemed necessary or advisable in the several judgment of the officers executing the Guaranty agreement.

Further

Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Guaranty from the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the Guaranty.

Further

Resolved: that Larry D. Goodhue, Donald L. Ware and Carol Ann Howe are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Guaranty and the Trust Fund Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand as Corporate Secretary of Pennichuck Corporation this 1st day of October, 2018.



Suzanne L. Ansara
Corporate Secretary



PENNICHUCK

PENNICHUCK WATER WORKS, INC.

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Water Works, Inc. (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Company on September 28, 2018; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

Resolved: that the Board of Directors hereby approves the borrowing by Pennichuck Water Works, Inc. (the "Company") of up to \$3,375,000 in principal amount from the New Hampshire Drinking Water and Groundwater Trust Fund (the "Trust Fund"), such amount to be paid over a 30-year term, level payment, with interest at a maximum rate of 2.704% and related costs, for the purpose of funding the Pennichuck Core Water Main Replacement project, pursuant to a Loan Agreement between the Company and the New Hampshire Department of Environmental Services.

Further

Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Loan Agreement for the Trust Fund loan described in the previous resolution (the "Trust Fund Loan") with such terms, including the exhibits and schedules to such Loan Agreement, as may be deemed necessary or advisable in the several judgment of the officers executing the Loan Agreement.

Further

Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Trust Fund Loan from the New Hampshire Public Utilities Commission, the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of Pennichuck Corporation (the Company's parent corporation), and any other authority determined by such officers relating to the Trust Fund Loan.

Further

Resolved: that Larry D. Goodhue, Donald L. Ware and Carol Ann Howe are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Trust Fund Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand as Corporate Secretary of Pennichuck Water Works, Inc. this 1st day of October, 2018.


Suzanne L. Ansara
Corporate Secretary

Pennichuck Water Works, Inc.
DW 18-133
Petition For Approval of DWGTF Financing - Staff Data Requests - Set 1

Date Request Received: 9/18/18
Request No. Staff 1-7

Date of Response: 10/02/18
Witness: Larry D. Goodhue

REQUEST: Re: Petition

Based upon all currently known and anticipated information:

- a. Please provide the currently anticipated additional revenue requirement from the use of the loan proceeds inclusive of any estimated property tax impact and the 1.1x debt service multiplier.
- b. Please indicate the rate impact derived from the additional revenue requirement.

RESPONSE:

- a. Based upon an assumed debt service at the maximum interest rate for this loan at 2.704% for 30 years, and full utilization of the funds available under this loan, of \$3,375,000, that anticipated additional revenue requirement would be as follows:

(i) Monthly P&I payment for loan of \$3,375,000 for 30 years at 2.704%	=	\$ 13,696.05
(ii) Times: 12 payments per year, equals annual debt service of	=	<u>\$164,352.54</u>
(iii) Times: 1.1x debt service multiplier (ii x 1.1)	=	<u>\$180,787.79</u>
(iv) Plus: estimated incremental property taxes (see Schedule LDG-2)	=	<u>\$106,886.25</u>
(v) Anticipated Additional Revenue Requirement: annual P&I times 1.1x, plus incremental property taxes (iii + iv)	=	<u>\$287,674.04</u>

- b. The rate impact from this, given an increase in revenue requirement of \$287,674.04 over and above the allowed revenue requirement, as approved in DW 16-806, of \$31,496,787, is 0.91%. The current average monthly single family bill is \$53.98, and as such, the impact of this financing would increase that average monthly bill by approximately \$.49 per month.

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
anthony.leone@puc.nh.gov
carolann.howe@pennichuck.com
david.shulock@puc.nh.gov
donald.kreis@oca.nh.gov
donald.ware@pennichuck.com
james.brennan@oca.nh.gov
jay.kerrigan@pennichuck.com
jayson.laflamme@puc.nh.gov
larry.goodhue@pennichuck.com
mrp@rathlaw.com
ocalitigation@oca.nh.gov
robyn.descoteau@puc.nh.gov
rwh@rathlaw.com
steve.frink@puc.nh.gov

Docket #: 18-133-1 Printed: October 16, 2018

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.