

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 23-___

Pittsfield Aqueduct Company, Inc.

Petition of Pittsfield Aqueduct Company, Inc. for Approval to Enter into a Long-Term Intercompany Loan with Pennichuck Corporation

Pittsfield Aqueduct Company, Inc. (“PAC” or “Company”), 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”), petitions the Commission for approval and authority under RSA 369:1-4 to enter into a long-term intercompany loan with Pennichuck Corporation to convert \$94,401 of variable short-term intercompany debt to a fixed 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 Pennichuck Corporation (“Penn Corp”), which, in turn, is wholly-owned by the City of Nashua.

2. PAC is seeking authority to enter into a long-term intercompany loan with Pennichuck Corporation to refinance and convert \$94,401 of variable short-term intercompany debt to a fixed long-term loan. The new long-term intercompany loan will be repaid over a 30-year term on a fully amortizing basis, at an interest rate of 6.7% that provides the Company with level monthly payments. The Company proposes replacing and refinancing \$94,401 of short-term intercompany payables to Pennichuck, which were incurred pursuant to the intercompany

Money Pool Agreement dated as of January 1, 2006 (the “Money Pool Agreement”), a copy of which has been filed with the Commission pursuant to RSA 366:3. See *Direct Testimony of George Torres* at 3.

3. As is discussed in Mr. Torres’ testimony, by authorizing the Company to enter into a long-term intercompany loan with Penn Corp. will convert the variable, short-term intercompany debt into a fixed, long-term intercompany loan that would: (1) enable the Company to re-term its short term intercompany borrowings into a long-term debt obligation to better match it to the original usage of the funds underlying the long-term capital investments it currently has included in its books and records; and (2) reduce and properly recategorize the level of the Company’s short-term debt directly tied to those long-term capital assets, and (3) to aid in reclassifying long-term funding currently included in the short-term balances that are currently above the 10% short-term debt limit of net fixed plant. The refinancing will also provide level monthly payments at a fixed, annual interest rate of 6.7%. See *Direct Testimony of George Torres* at 4. Reducing the level of PAC’s short-term debt is consistent with the Commission’s request that the Company consider options to minimize potential fiscal impacts of the debt to its customers. See Order No. 26,823 (May 16, 2023) in Docket No. DW 22-075 at 5.

4. As stated above, the long-term loan will allow the debt to better match the long-term character of the assets that were financed with the short-term payables owed to Penn Corp. The Company has provided a list of the assets funded with the short-term monies that the Company is now requesting to be converted to a long-term debt obligation, are included as Exhibit GT-5. See *Direct Testimony of George Torres* at 3.

5. The new intercompany loan from Pennichuck will be evidenced by an unsecured promissory note from the Company and payable to Pennichuck. See *Id.* at 3.

6. The anticipated issuance costs for the CoBank loan total less than \$5,000 relates primarily to legal costs which will be incurred to review and revise the necessary loan documentation and in obtaining Commission approval of the loans. See *Id.* at 4. The issuance costs will be amortized over the life of the CoBank loans. The annual amortization expense of \$167, associated with the issuance costs, has not been reflected in schedules attached in Exhibits GT-2 through 3 to Mr. Torres' testimony due to its immateriality with respect to the overall analysis and impact of this proposed financing. See *Id.* at 4.

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

- Schedule GT-1, pages 1 and 2, presents the actual financial position of the Company as of December 31, 2021, and the pro forma financial position reflecting certain adjustments pertaining to the proposed long-term debt financing in the amount of \$94,401. Schedule GT-1, page 1, reflects the pro forma adjustments to the conversion of the \$94,401 of short-term intercompany debt to a \$94,401 long-term intercompany note.
- Schedule GT-1, page 2 reflects the income impact on retained earnings related to costs associated with the financing, as reflected on Schedule GT-2.
- Schedule GT-2, pages 1 and 2, presents the Company's Operating Income Statement for the Twelve Months Ended December 31, 2022. As indicated previously, the issuance costs associated with the financing are not expected to be significant and are not reflected in Schedule GT-2, page 1. Schedule GT-2, page 1, contains two pro forma adjustments. The first adjustment records the income tax effect of the additional pro forma interest expense, depreciation and property

tax expenses, using an effective combined federal and state income tax rate of 27.00%. The second adjustment records the estimated increase in interest expense related to additional debt raised at interest rates of 6.7% per annum. .

- Schedule GT-3, the Company's Pro Forma Capital Structure for Ratemaking Purposes for the Twelve Months Ended December 31, 2022, demonstrating the Company's pro forma total capitalization as of December 21, 2022. Schedule GT-3 is consistent with the Statement of Capitalization Ratios filed as Exhibit 5 to the Form F-4 pursuant to PUC Rule 609.03(b)(6).
- Schedule GT-4A, the Company's Projected Rate Impact on Single Family Residential Homes illustrates the Company's pro forma impact from this financing on the average single-family residential home's water bill, as it pertains to the rates that were approved under Docket No. DW 20-153.
- Schedule GT-4B, the Company's Weighted Average Cost of Long-Term Debt, demonstrates the Company's pro forma impact from this financing on its overall annual weighted average cost of Long-Term debt, inclusive of loans already in existing on the Company's books as of December 31, 2022. This schedule is consistent with Exhibit 6 of Form F-4 pursuant to PUC Rule 609.03(b)(7).

8. The proposed intercompany loan financing was approved by the Company's and Penn Corp's Boards of Directors on May 21, 2023. Copies of the approvals are attached as Exhibits GT-6. The intercompany loan does not require shareholder approval. See *Direct Testimony of George Torres* at 6.

9. Mr. Torres further explains that the proposed financing is consistent with the public good because the proposed inter-company loan will reduce the Company's short-term

debt, provide a partial cure to the Company's short-term debt limit compliance, match the long-term nature of the assets financed to the long-term nature of the debt, and provide the Company with needed flexibility to finance capital improvements necessary to provide PAC customers with safe, adequate, and reliable water service. See *Id.* at 6.

10. The Company avers that it is entitled to 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). The use of long-term debt to convert the short-term intercompany payables to long-term debt which better aligns with the useful life of the underlying capital assets. See *Pennichuck East Utility, Inc.*, Order No. 26,253 (May 22, 2019), see also *Pennichuck East Utility, Inc.*, Order No. 26,418 (October 30, 2020).

11. Furthermore, the Company asserts that 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 (December 8, 2009) and regarding a similar financing of PAC short-term intercompany debt in Order 26,125 (April 30, 2018) in Docket No. DW 18-033 where the Commission found the conversion of short-term intercompany payables to long-term intercompany debt was routine and in the public good. See Order No. 26,125 (April 30, 2018) at 4. A routine request is one "that will have no discernible impact on rates or deleterious effect on capitalization, [and] in which the funds are to enable numerous investments appropriate in the ordinary course of utility operations." See *In re PSNH*, Order No. 25,050 at 13 (December 8, 2009). Here, the Company avers that the proposed financing will not have a significant impact on rates (\$0.27 per average single family household), the conversion of debt will reduce potential impacts to ratepayers consistent with the Commission's recommendations in Order No. 26,823 (May 16, 2023) in

Docket No. DW 22-075, align the debt with long-term assets and at least temporarily result in the Company's compliance with the short-term debt limits, while providing the Company with financing flexibility to facilitate customary improvements made in the ordinary course of PAC's business to maintain its service to its customers.

WHEREFORE, by this petition, the attached testimony and exhibits, and pursuant to RSA 369, including RSA 369:1-4, PAC requests that the Commission:

(a) Find that the conversion of short-term debt in the amount of \$94,401 to a long-term loan in accordance with the terms and purposes described in this petition and in the pre-filed testimony is consistent with the public good;

(b) 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;

(c) Approve and authorize 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 if required, a date for hearing in this matter, which would result in an Order as soon as practicable; and

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

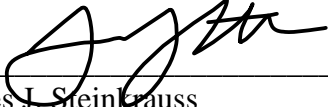
Respectfully submitted,

PITTSFIELD AQUEDUCT COMPANY, INC.

By Its Attorneys

RATH, YOUNG AND PIGNATELLI, P.C.

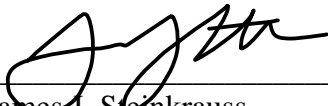
Dated: June 12, 2023

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 and exhibits referred to in the Petition, have this day been forwarded to the Office of Consumer Advocate via electronic mail at ocalitigation@oca.nh.gov.

Dated: June 12, 2023


James J. Steinkrauss