

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

**Docket No. DW 23-061**

**Pittsfield Aqueduct Company, Inc., Petition for Long Term Financing**

Technical Statement of Anthony J. Leone, Utility Analyst, Water Group  
New Hampshire Department of Energy, Division of Regulatory Support

September 6, 2023

Pursuant to RSA 12-P:2, IV, please accept this Technical Statement as the New Hampshire Department of Energy's (DOE) recommendation to the Commission in the above-referenced matter. The DOE has reviewed Pittsfield Aqueduct Company, Inc.'s (PAC or Company) June 12, 2023, filing for Approval to enter into a long-term intercompany loan with Pennichuck Corporation. Included with this Technical Statement is Attachment A, PAC Data Responses to DOE Discovery Sets 1 and 2 which the DOE reviewed as part of its analysis of this petition.

**Brief Summary of Company Request**

PAC initially proposed to enter into a 30-year, fully amortizing, long-term intercompany loan, with its parent corporation, Pennichuck Corporation, in the amount of \$94,401 at an interest rate of 6.70 percent.<sup>1</sup> The loan amount was subsequently reduced to \$80,308 after three items were removed by the Company as the result of DOE discovery.<sup>2</sup> The Company explained that the proposed annual interest rate of 6.70 percent for the long-term loan is based on the interest rate of Pennichuck Corporation's working line of credit at the time it filed its petition.<sup>3</sup> The stated purpose of the loan is to convert certain variable-rate short-term debt with Pennichuck Corporation to long-term debt at a fixed rate. The Company provided a list of the underlying financed assets that comprise the proposed amount of short-term debt to be converted to long-term debt.<sup>4</sup>

Regarding the estimated customer rate impact of the proposed conversion, the Company's original filing contained a calculation showing that the transaction would result in an estimated \$0.27 addition to the monthly bills of PAC's average residential customers. The

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<sup>1</sup> See Petition, Bates page 2.

<sup>2</sup> See Data Responses DOE 2-1 and 2-6.

<sup>3</sup> See Data Responses DOE 2-3 and 2-4.

<sup>4</sup> See Petition, Bates page 2 and Testimony of Mr. Torres, Exhibit GT-5, Bates pages 23-24.

Company, however, later revised that estimate to a \$0.51 addition to average residential customer monthly bills, from approximately \$61.27 per month to \$61.78 per month.<sup>5</sup>

The Company indicated that the proposed loan was approved by the respective Board of Directors of PAC and its parent, Pennichuck Corporation. PAC also stated that, as the proposed financing is an intercompany loan, it is only required to evidence the loan by an unsecured promissory note from the Company to Pennichuck Corporation and, as that being the case, shareholder approval by the City of Nashua is not required.<sup>6</sup>

### **DOE Recommendation**

The DOE reviewed the PAC's filing, as well as the Company's data responses in support of its filing. Specifically, the Company used funds obtained through short-term borrowings from its parent to construct a number of its long-term capital assets over the past five-years. The Company has requested to convert these funds, currently classified as short-term debt, to long-term, fully amortizing debt. The purpose of the conversion is as follows: (1) to enable the Company to re-term its short-term intercompany borrowings into a long-term debt obligation that better matches the original usage of the funds underlying the long-term capital investments included in its books and records; (2) to reduce and properly recategorize the level of the Company's short-term debt directly tied to those long-term capital assets; (3) to aid in reclassifying long-term funding currently included in the short-term balances that, cumulatively, are currently above the 10 percent short-term debt limit of net fixed plant (See N.H. Admin. Rule Puc 608.05); (4) to reduce the level of PAC's short-term debt 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); and (5) to provide level monthly payments at a fixed, annual interest rate of 6.7 percent.<sup>7</sup> As such, the DOE believes this is an appropriate use of funds in the ordinary course of the Company's utility operations.

As a result of the Company's acquisition by the City of Nashua, approved in Docket No. DW 11-026,<sup>8</sup> the Company's current capital structure primarily consists of debt.<sup>9</sup> As the Company's request is to essentially convert short-term debt to long-term debt, the resulting capital structure after the proposed transaction will be substantially similar to its current capital structure. Therefore, the proposed transaction will have little to no deleterious impact on the PAC's capital structure.

In addition, as the Company explained, and the DOE acknowledges, the Company's lending options are substantially limited. Therefore, considering the facts presented in this

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<sup>5</sup> See Petition. Bates page 21, and Data Responses DOE 1-4 and DOE 2-1. The Company's adjustment was primarily the result of the fact that PAC's current rates do not include the interest expense associated with its present short-term debt. The Company also reflected the removal of the three items previously discussed, which reduced the proposed loan amount from \$94,401 to \$80,308.

<sup>6</sup> See Petition Bates pages 3 and 5, and Testimony of Mr. Torres, Bates page 15.

<sup>7</sup> See Petition, Bates page 2 and Testimony of Mr. Torres, Bates page 13.

<sup>8</sup> See Docket No. DW 11-026, *City of Nashua, et al.*, Order No. 25,292 (2011)

<sup>9</sup> See Attachments of Mr. Torres, Schedule GT-3, Bates page 20.

docket, the proposed long-term loan, including the proposed terms and conditions, appears to be the most reasonable option.<sup>10</sup>

Finally, the Company calculated the proposed transaction would result in an impact of \$0.51 per month to the monthly bill of an average residential customer. The Company averred that this was negligible, to which the DOE agrees.<sup>11</sup>

Based upon the DOE's review and analysis, the DOE respectfully recommends that the Commission approve the Company's petition as requested.

cc: Service List (Email only)

Attachment

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<sup>10</sup> See Data Responses DOE 1-7, 2-3, and 2-4.

<sup>11</sup> See Data Response DOE 2-1.