

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 10-105**

**PENNICHUCK WATER WORKS, INC.**

**Petition for Authority to Issue up to \$1,600,000 of Long-Term Debt**

**Order *Nisi* Approving Petition**

**ORDER NO. 25,114**

**June 16, 2010**

**I. BACKGROUND**

On April 14, 2010, Pennichuck Water Works, Inc. (PWW) filed a petition with the Commission seeking authority to borrow up to \$1,600,000 in long-term debt pursuant to RSA 369:1. In support of its petition, PWW filed testimony, schedules, proposed loan documents, and an interconnection agreement with the Town of Derry. PWW proposes to borrow funds available through the State Revolving Fund (SRF) administered by the Department of Environmental Services (DES). PWW intends to use the proceeds of the proposed borrowing for a joint interconnection project with the Town of Derry whereby PWW would be able to connect its Drew Woods water system to the Town of Derry's municipal water system and the town would be able to connect its nearby Meadowbrook community water system to the town water supply. Drew Woods is presently supplied by its own wells; however, a comprehensive well field assessment filed with the petition indicates the aquifer underlying the development is unsustainable and dwindling. PWW states it has implemented water use restrictions at Drew Woods since 2002. Meadowbrook is also plagued by water supply issues.

The Town of Derry obtains water for its municipal water system from Manchester Water Works through a wholesale contract. According to the interconnection agreement, PWW will be entitled to take a minimum of 35,000 and up to 200,000 gallons per day (gpd) from this water source. The Drew Woods system's 5-year average usage is approximately 114,000 gpd; between Drew Woods' existing wells and the interconnection, PWW expects to have sufficient supply to meet the water needs of Drew Woods.

The interconnection project is estimated to cost \$1,435,842 and will include the construction of 6,575 lineal feet (LF) of 12" water main; 2,200 LF of 8" water main; and upgrades to pumps at the Town of Derry's Pond Road Water Booster Station. The cost of the project will be prorated between PWW and the Town of Derry. The Town of Derry will pay for, among other things, 10% of the overall project costs, the cost to upsize the water main to 12", all hydrant installations, the interconnection to Meadowbrook, as well as another lateral along Hampstead Road at Adams Pond Road. PWW estimates its share of the total cost will be approximately \$1,218,000. PWW seeks approval of an additional \$400,000 in the event the actual construction costs it is responsible for exceed its initial estimate. At the conclusion of the project, PWW will own a meter pit, upgrades to the Drew Woods Booster Station, as well as a portion of the interconnection piping. The Town of Derry will own, operate, and maintain the water main up to within 10 feet of the Drew Woods meter pit. PWW intends to record on its books the proportionate share of the cost of construction turned over to the Town of Derry as a cost to obtain water rights. The Town of Derry will charge PWW the same rates it charges retail multi-family customers.

The proposed SRF loan is for a 20-year term at an interest rate not to exceed 2.952%. During construction, the advances made by DES will accrue interest at 1.00% until substantial completion of the project. Substantial completion is expected to occur in October 2010. Approximately six months after project completion, monthly payments of principal and interest will commence.

On May 7, 2010, PWW filed a copy of PWW's Board of Directors vote to authorize PWW to secure the SRF financing. On May 10, 2010, Staff filed a recommendation that the Commission approve PWW's petition. Staff stated that it concurred with the necessity of the project as well as with the proposed improvements to be financed by the proposed borrowing. Staff stated the terms were favorable and that there would be a minimal anticipated impact on PWW's balance sheet. On May 14, 2010, Staff supplemented its recommendation and stated that based on a project cost of \$1,218,000 and including a return, incremental operating expenses, depreciation, and taxes, the project would have an estimated potential rate impact of 1.1%.

## **II. COMMISSION ANALYSIS**

Pursuant to 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 consideration involves looking beyond actual terms of the proposed financing to the use of the proceeds of those funds, and the effect on rates, to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). As we have previously noted, "certain 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.” *In re PSNH*, Docket No. DE 09-033, Order No. 25,050 (December 8, 2009) at 14.

PWW seeks to borrow up to \$1,600,000 for 20 years from the SRF at an interest rate not to exceed 2.952%. The proceeds will fund an interconnection project between PWW’s Drew Woods water system and the Town of Derry’s municipal water system. This interconnection will allow PWW to secure a more sustainable water source for Drew Woods and will better enable PWW to provide safe and adequate service pursuant to RSA 374:1. Accordingly, we find that the proposed use of the financing in this case is in the public good. We note that a determination as to whether the costs to complete the interconnections were prudently incurred will take place when they are “used and useful” in the provision of utility service and the Company seeks to place the assets in rate base.

The interconnection project is not expected to have a significant impact on customer rates. According to Staff, based on a project cost of \$1,218,000, if the full amount were placed into rate base, it would increase rates by about 1.1%. Given the important nature of the proposed capital project, the favorable terms of the borrowing, and the relatively small impact upon rates, we find that the financing is consistent with the public good and we will approve the amount and purpose of the financing. This approval is given on the condition that the final terms are not substantially different from those proposed in PWW’s filing and that if such terms vary significantly, we will require PWW to seek additional Commission approval. We will issue this order on a *nisi* basis to afford interested parties notice and an opportunity to be heard.

**Based upon the foregoing, it is hereby**

**ORDERED *NISI***, that subject to the effective date below, authority to undertake the financing proposed by PWW, upon the terms and conditions proposed in its petition, is hereby granted; and it is

**FURTHER ORDERED**, that PWW shall cause a copy of this Order *Nisi* to be published once in those newspapers with circulation in those portions of the state where operations are conducted, such publication to be on or before June 21, 2010 and to be documented by affidavit filed with this office on or before June 30, 2010; and it is

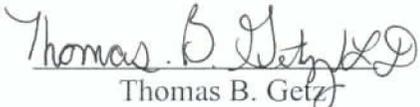
**FURTHER ORDERED**, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than June 24, 2010 for the Commission's consideration; and it is

**FURTHER ORDERED**, that any party interested in responding to such comments or request for hearing shall do so no later than June 28, 2010; and it is

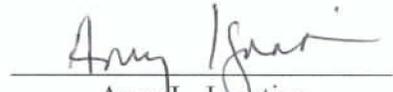
**FURTHER ORDERED**, that this Order *Nisi* shall be effective June 30, 2010, unless PWW fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

**FURTHER ORDERED**, that PWW shall file true copies of the loan documents executed or otherwise finally issued in connection with the closing of the transactions contemplated hereby.

By order of the Public Utilities Commission of New Hampshire this sixteenth day of  
June, 2010.

  
Thomas B. Getz  
Chairman

  
Clifton C. Below  
Commissioner

  
Amy L. Ignatius  
Commissioner

Attested by:

  
Debra A. Howland  
Executive Director

