

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

**Docket No. DW 24-089**

**Pennichuck Water Works, Inc. Petition for Approval of Financing for Upgrades to Nashua Water Treatment Facility**

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

October 2, 2024

Pursuant to RSA 12-P:2, IV, please accept this Technical Statement as the New Hampshire Department of Energy’s (DOE or Department) recommendation to the New Hampshire Public Utilities Commission (PUC or Commission) relative to Pennichuck Water Works, Inc.’s (PWW or Company) July 3, 2024, filing for Approval of Financing from the New Hampshire Department of Environmental Services (NHDES) (Petition). Included with this Technical Statement is Attachment A, which is the DOE’s Discovery including PWW Data Responses Sets 1, 2, and 3; as well as Attachment B containing the Memo Report from Mr. Douglas W. Brogan, P.E who the DOE retained to review the technical and engineering aspects of the Company’s request.

**Brief Summary of Company Request**

PWW requested approval to enter into a 20-year, fully amortizing, unsecured, long-term loan arrangement, for an amount up to \$11,450,000 at a fixed interest rate of 3.50 percent per year, funded from the PFAS Remediation Grant and Loan Fund, administered by the NHDES. The Company explained that the purpose of the loan is for necessary upgrades to its Nashua Water Treatment Facility (WTF), with a specific emphasis on the chemical feed and storage systems.<sup>1</sup>

According to the Company, the WTF was originally constructed in 1980, and significantly rebuilt from 2006 through 2009.<sup>2</sup> Since then, State and Federal requirements regarding drinking water have changed significantly, especially with regard to PFOA and PFAS detection and treatment. According to the Company, concerns and regulations regarding those two contaminants, greatly influenced its decision to change its primary source of water supply from the Pennichuck Brook to the Merrimack River. As a result, the Company increased the daily use of certain chemicals, specifically ferric chloride and sodium hypochlorite, which has resulted in the need for additional daily and bulk storage for those chemicals. Further, the Company referenced the evaluation by CDM Smith, where it was reported that certain components of the existing chemical feed system, including the electrical system, the logic controllers for the real-time data and status of the system, and the tanks themselves, are aged visibly showing signs of corrosion. According to the Company, this is the result of equipment that not only operates in an environment with corrosive chemicals, but is at, or

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

<sup>2</sup> See Petition, Bates page 3.

near, the end of its useful service life.<sup>3</sup> Given the needed repairs to the chemical feed system and based on the Company's description of its lack of space for the additional chemicals, an additional building, with new and upgraded equipment, became necessary.<sup>4</sup> As such, the Company asserts in its response to DOE 3-5, that this type of investment is one that a public water utility would make in the ordinary course of its business as its overall goal is to provide safe drinking water in order to maintain compliance with the Safe Drinking Water Act.

As explained by the Company, and confirmed in Mr. Brogan's report,<sup>5</sup> the Company continues to assess various aspects of the proposal, and anticipates design refinements through March 2025, with construction of the new building anticipated to start later that year and end during 2026. Pursuant to the terms of the copy of the unsigned Promissory Note between the Company and the State of NH, during the time of construction, amounts disbursed accrue interest at the rate of 1.00 percent per year until the "interest rate change date", at which time the interest rate becomes 3.50 percent. The Promissory Note describes the interest rate change date as, the earlier of the date on which the project becomes substantially complete, or December 31, 2026, whichever comes sooner.<sup>6</sup>

Relative to the accrued interest, the Company may elect to: 1) six months after the interest rate change date, commence interest-only payments for six months, followed by principal and interest payments beginning at twelve months after the interest rate change date or, 2) add the previously accrued interest on the loan to the principal balance of the loan and amortize both, together, within the loan payments, beginning on the thirteenth month after the interest rate change date, as long as the combined balance does not exceed \$11,450,000. Relative to the principal and interest payments, these will begin either on the first day of the twelfth month or on the first day of the thirteenth month after the interest rate change date, depending on the Company's decision regarding the accrued interest on the loan described above.<sup>7</sup>

The Company asserted that this loan should be reviewed as a routine financing for the following reasons.<sup>8</sup> First, the Company estimated that the rate impact of the proposed financing on its single-family residential customers would be approximately \$1.35 per month, which the Company believes is not significant.<sup>9</sup> Second, the Company indicated that, as a result of the acquisition of the Company by the City of Nashua in Docket No. DW 11-026, the Company was recapitalized as a debt-only Company, and therefore, the impact of the additional debt from this financing on its overall capitalization would be negligible.<sup>10</sup> Lastly, the Company believes the funds from this financing enables investments appropriate in the ordinary course of business.<sup>11</sup>

Administratively, the Company indicated that the proposed loan was approved by the respective Boards of Directors of PWW and PWW's parent, Pennichuck Corporation. The Company

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<sup>3</sup> See Company Response to DOE DR 1-2, Evaluation by CDM Smith, Page 61; Page 62, Para. 3.2.3; Page 63, Para. 3.2.4; and Page 70, Para. 4.3.

<sup>4</sup> See Company Response to DOE DR 1-8, and DOE DR 3-4

<sup>5</sup> See Company Response to DOE 3-2(a), and Memo Report by Mr. Brogan, page 3.

<sup>6</sup> See Company Response to DOE DR 1-19(a).

<sup>7</sup> See Petition, Bates page 2, 5, 7, 20, and 37; and Company Response to DOE 1-19(a) – Promissory Note, para. 1(a) & 1(b).

<sup>8</sup> See Petition, Bates page 11, paragraph 20.

<sup>9</sup> In its response to DOE 2-2, the Company estimated that the rate impact to single-family residential customers relative to the Company's pending request to merge PAC and PEU into PWW in DW 23-101 would also be approximately \$1.35 per month. (See Schedule GT-4A, Bates page 30; and Company Response to DOE 2-2.)

<sup>10</sup> See Pre-Filed Testimony of Mr. Torres, Bates page 18.

<sup>11</sup> See Petition, Bates page 11.

also provided documentation regarding the approval of this financing arrangement by the City of Nashua's Special Water Committee of its Board of Aldermen on July 18, 2024, and approval by the full Board of Alderman on August 1, 2024.<sup>12</sup> Finally, the Company provided a copy of its required 30-day notice of its intent to enter into this State Revolving Fund to TD Bank, the holder of PWV's fixed asset line of credit (FALOC), on June 20, 2024.<sup>13</sup>

### **DOE Recommendation**

The Department reviewed the Company's filing, the Company's data responses in support of its filing, and met with the Company in a technical session on Wednesday, August 28, 2024. The Department also engaged the services of Mr. Douglas W. Brogan, P.E., who reviewed the filing with a specific emphasis on the engineering aspects of the Company's request. Mr. Brogan further provided a Memo Report, attached to this Technical Statement as Attachment B, indicating that it was his opinion that the proposed project was appropriate.

The Department agrees that the projected impact of this loan on the monthly bill of a single-family residential customer, at \$1.35, is not significant. The Department also recognizes that the terms of the NHDES financing are very favorable when compared to loan terms that may be available to the Company if it were to seek financing from a commercial bank.

The Department also agrees that the additional debt from the proposed financing will not have a deleterious impact on the Company's current capital structure. This is due to the acquisition of the Company by the City of Nashua in 2012 (See Docket No. DW 11-026), and that the Company's capital structure primarily consists only of long-term debt.<sup>14</sup>

Lastly, the Department agrees that the investment resulting from the proposed financing is appropriate and typical in the ordinary course of business of a public water utility, and is also supported by Mr. Brogan.

As a result, the Department believes the record is complete and ready for consideration by the Commission, and respectfully recommends that the Commission approve the Company's petition.<sup>15</sup>

cc: Service List (Email only)

Attachments A and B.

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<sup>12</sup> See Company Response to DOE 1-12 and Company Supplemental Response to DOE 1-12.

<sup>13</sup> See Petition, Bates page 21. The FALOC is the Company's primary method to finance annual capital investments, and is required to be paid off on an annual basis. (Petition, Bates page 6.)

<sup>14</sup> See Docket No. DW 11-026, *City of Nashua, et al.*, Order No. 25,292 (Nov. 23, 2011). See also Schedule GT-3, Bates page 28.

<sup>15</sup> See Order No. 26,407 at 6 (September 28, 2020) in Docket No. DW 19-147.