

DW 01-026

**WILDWOOD WATER COMPANY, INC.**

**Petition for Authority to Finance Long Term Debt  
in the Amount of \$31,900**

**Order Nisi Approving Financing**

**O R D E R    N O.    23,868**

**December 7, 2001**

**I.    SUMMARY OF THE PETITION AND BACKGROUND**

The Petitioner, Wildwood Water Company, Inc. (Company), on February 8, 2001, filed a request with the New Hampshire Public Utilities Commission (Commission) for authorization to borrow \$31,900 from the State Drinking Water Revolving Loan Fund (SRF) program, administered by the Department of Environmental Services (DES), to complete certain improvements to its water system. Application for these funds was anticipated by Order No. 22,881, issued March 24, 1998, in the event the Company was unable to interconnect with Conway Village Fire District (CVFD). Negotiations relating to interconnecting with CVFD have been unsuccessful. The Company serves a limited area of the Town of Albany, New Hampshire and has 42 customers.

Since March, 1998, and pursuant to Commission approval in Order No. 22,881, the Company has made certain other improvements to its system and has obtained preliminary cost estimates for the improvements now proposed, which include upgrades at the well house, restoration of an atmospheric storage

tank and installation of booster pumps and an oil-less air compressor. The proposed improvements would: restore an existing system storage tank to service; eliminate significant concerns about access to the pump station; allow boosting of pressures in the system; provide improved flushing capability; eliminate potential impacts of an older type of compressor on water quality; and in general enable the system to function as originally designed. The Company has indicated it would obtain at least three bids for the actual work once funding is finalized. The Company has also proposed depreciating all of the assets over the life of the loan.

The Company has tentatively secured financing in the amount of \$31,900 from the FY98 allotment of the SRF for a term of 10 years. The interest rate in 1998, cited in the Company's Petition, was 2.635%. On October 1, 2001 the rate changed to 2.48% for ten-year term loans. This change results in a lower rate impact than what Wildwood calculated in its Petition. It should be noted that this interest rate is the long term rate which becomes effective after substantial completion of the project and it includes a flat one per cent charge made on all disbursements. Prior to substantial completion of the project, DES will charge the Company an interim rate lower than the long term interest rate.

The Company states that these terms are more favorable than those the Company would have been able to obtain from banks or other

financial institutions. The annual revenue impact is estimated to be \$3,947 over a ten-year period. This would result in an annual increase of \$93.98 per customer, and bring the Company's annual rate to \$621.98 per customer.

Wildwood received Commission approval for this financing in Commission Order No. 23,787, dated September 27, 2001. Wildwood subsequently missed the publication and notification deadlines contained in the Order. For this reason, the order did not become effective. After confirming funds were still available from the Department of Environmental Services, Wildwood requested the Commission reissue an order approving the original \$31,500 financing amount.

Staff has again reviewed the filing and supports the Company's request for financing authority. The Staff recommends, as it did in the previous order, that the depreciable lives for the well house and storage tank be adjusted to more accurately reflect their expected useful lives as set forth in the Commission's Small Water Company Information Booklet, 1991.

## II. COMMISSION ANALYSIS

There being no material changes in the petition since this Commission's earlier approval in Order No. 23,787, we reiterate our previous analysis.

Pursuant to RSA 369:1, we find the proposed financing to be consistent with the public good and the proposed use of the funds to be prudent. Accordingly we will approve the proposed financing. However, if the final terms and conditions of the SRF financing vary materially from those outlined above, we reserve the right to revisit any borrowing authority given in this order.

With respect to the Company's proposal to depreciate all of the assets over the life of the loan, the Commission will only approve a ten-year depreciation life for the two pumps and the oil-less air compressor listed in the Petition. We accept Staff's recommendation that upgrades at the well house and the atmospheric storage tank be depreciated in accordance with guidelines contained in the Commission's Small Water Company Information Booklet, 1991. Appendix B identifies the average service life of a well house to be 40 years and the storage tank to be 45 years. Accordingly, the Commission will approve depreciation schedules for the well house and storage tank at 40 and 45 years respectively.

The Commission recognizes this change in depreciation life would, assuming the same interest rate as cited in the Company's Petition, result in an annual revenue requirement of \$3,106 instead of \$3,947. This would result in an increase to customers of \$73.95 instead of \$93.98. However, the final determination of the annual revenue impact will not be known until the Company submits its financial schedules in the step increase proceeding that was contemplated in Order No. 22,881, dated March 24, 1998. In that Order, the Commission allowed the Company two step increases in 1999. The two step adjustments were to afford the Company an opportunity to earn up to a return of 9.85% on equity capital or actual interest on any debt, and were to include annual depreciation, tax effect, and operation and maintenance expenses relating to certain improvements, and provided that any adjustment to operation and maintenance expenses would have to specifically consider, as an offset, the reduction in flushing time resulting from the improvements. The Commission also ordered that prior to imposing any step increases, the Company is to submit its proposal for approval by the Commission.

We note that the Company has not utilized these step increases. In light of this, we will allow the Company to utilize one step increase in 2002 for the purpose of recovering the costs of the proposed system improvements. The actual step increase may not be implemented until the Company obtains Commission approval. The Commission will review the requested step increase to confirm that the

costs incurred for the project are consistent with the Company's Petition herein and that all construction was prudently completed.

While we are concerned about the already high rates in this system, the proposed work is critical to the proper functioning of the water system, and we note that use of low interest rate funding will ameliorate the rate impact of the proposed work. To further ameliorate the rate impact, the Commission urges the Company to pursue its eligibility for debt forgiveness under the SRF program.

Lastly, to the extent that this order constitutes a modification of Order No. 22,881, we note that the provisions of RSA 365:28 require notice and a hearing. Therefore, we are issuing this decision as an Order Nisi.

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

**ORDERED NISI**, that Wildwood Water Company, Inc. is authorized to borrow \$31,900, under the terms and conditions set forth above; and it is

**FURTHER ORDERED**, that Wildwood Water Company, Inc. shall submit copies of the finalized loan documents to the Commission as soon as they are available; and it is

**FURTHER ORDERED**, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, and shall mail a copy of same to each customer, such publication and mailing to be no later than December

17, 2001 and to be documented by affidavit filed with this office on or before December 31, 2001; and it is

**FURTHER ORDERED,** that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than December 24, 2001; and it is

**FURTHER ORDERED,** that any party interested in responding to such comments or request for hearing shall do so no later than December 28, 2001; and it is

**FURTHER ORDERED,** that this Order Nisi shall be effective January 7, 2002, unless the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

**FURTHER ORDERED,** that the Petitioner shall file an accounting with this Commission, duly sworn to by its Treasurer, showing the disposition of the proceeds of this financing; and it is

**FURTHER ORDERED,** that Wildwood Water Company, Inc. submit to the Commission for approval any proposed step increase and obtain such approval prior to imposing any increase.

By order of the Public Utilities Commission of New Hampshire  
this seventh day of December, 2001.

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director and Secretary