

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DW 14-_____

Petition of Pennichuck Water Works, Inc. for Approval of Financings
Under the State Revolving Loan Fund
For Water Main Improvements in the Nashua Core Water System
and Timberline Booster Station Upgrades

Pennichuck Water Works, Inc. (the “Company” or “PWW”), 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”), hereby petitions the Commission for approval and authority under RSA 369:1-4 to enter into two new State Revolving Loan Fund long term loans and to issue promissory notes evidencing such loans. In support of its Petition, the Company respectfully represents as follows:

1. The Company is a New Hampshire public utility corporation providing retail water service to approximately 26,760 customers in the towns of Nashua, Amherst, Merrimack, Milford, Hollis, Bedford, Derry, Plaistow, Epping, Salem, and Newmarket located in New Hampshire. PWW is wholly owned by Pennichuck Corporation (“Pennichuck”) which, in turn, is wholly owned by the City of Nashua.

2. As detailed in the Prefiled Direct Testimony of John J. Boisvert, Chief Engineer of Pennichuck, which is being submitted contemporaneously with this Petition and incorporated herein by reference, the Company is proposing a main replacement project in its Nashua Core

system, which will replace approximately 7,100 linear feet (“LF”) of transite and unlined cast iron water main. The purpose of this project is to replace certain pipe consistent with the Company’s Water Infrastructure and Conservation Adjustment (“WICA”) program. The Company’s 2014 projects are based on the coordination of the Company’s core system replacement work with road and sewer projects of the City of Nashua and the Town of Amherst. *See* Prefiled Direct Testimony of John J. Boisvert at pp. 4-5.

3. Additionally, the Company is proposing a station upgrade to the Timberline booster station in the Nashua core water system. The purpose of this project is to replace pumps, flow control valves, motor starters and some of the piping that have reached the end of their useful life. *See* Prefiled Direct Testimony of John J. Boisvert at pp. 5-7.

4. To fund the above described projects, the Company has applied to the New Hampshire Department of Environmental Services (“DES”) for two new State Revolving Loan Fund (“SRF”) long term loans: (i) a loan in the principal amount of \$1,540,000 to fund the cost of the replacing water main in a portion of the Nashua Core water system; and (ii) a loan in the amount of \$330,000 to upgrade a booster station in the Nashua Core water system.

5. Attached to this Petition is the Prefiled Direct Testimony of Larry D. Goodhue, the Company’s Chief Financial Officer, which is being submitted contemporaneously with this Petition and incorporated herein by reference, describing the proposed financings and the terms and purposes thereof. Mr. Goodhue’s testimony provides the estimated cost of the proposed financings and includes schedules showing the balance sheet and income statement of the Company, actual and proforma, to show the effects of the proposed financing. Mr. Goodhue’s testimony provides the information required by N.H. Admin. Rule Puc 308.12 and Form F-4, including a schedule showing the capital structure of the Company, actual and proforma, to

reflect the ratemaking treatment prescribed in Docket DW 11-026 and the effects of the proposed financings. Mr. Goodhue further explains that the SRF financing is in the public interest because it will allow the Company to complete the necessary capital additions described by Mr. Boisvert, and that the terms of the financing through SRF are very favorable, and will result in lower financing costs than would be available through all other current debt financing options. *See* Prefiled Direct Testimony of Larry D. Goodhue at pp. 6-7.

6. If the Company obtains authority from the Commission to borrow the aggregate principal amount of up to \$1,870,000 through the two SRF loans, then DES will prepare loan documents for the transactions. The loan documents will set forth the exact terms and conditions for borrowing the funds from the SRF, but are expected to be substantially the same as those in prior SRF loans to the Company or its affiliates. After the Company and DES reach agreement on the terms and conditions of the loans, the loan documents will be submitted to the Governor and Executive Council for their approval. The Company will provide the Commission with a copy of the loan agreements and other loan documents once they have been finalized and executed.

7. The Company seeks the Commission's approval and authorization to borrow an aggregate principal amount of up to \$1,870,000 from the SRF, in the form of two loans, as described in paragraph 4 above. Each of the two loans will be repaid over a 20-year term with interest at a rate based on the current rate available for SRF loans at the time the loan is actually closed. The current interest rate on SRF borrowings is 2.72% per annum. Amounts advanced by DES to the Company during construction will bear interest at a rate of 1% per annum, which will accrue through and be due upon substantial completion of the capital improvements. The loans will be unsecured by a pledge of any of the Company's assets. Repayment of the two SRF loans

will be supported by an unsecured guarantee of the Company's corporate parent, Pennichuck Corporation. The Company will commence repayment of the loans' principal plus interest six months after the project is substantially complete. *See* Prefiled Direct Testimony of Larry D. Goodhue at p. 3.

8. The SRF financings have been approved by the Company's and Pennichuck's Boards of Directors and are being submitted for approval by Pennichuck's sole shareholder, the City of Nashua. The Company will supplement this Petition with documentation showing such shareholder approval promptly upon receipt.

9. The Company avers that it is entitled to issue its promissory notes evidencing the financings described above, for the purposes set forth herein, and that the issuance of such notes will be consistent with the public good.

WHEREFORE, the Company respectfully requests that this Commission:

(a) Find that the proposed financings through the two SRF loans for the purposes set forth herein and in the manner and on the terms described herein and in the prefiled testimony is consistent with the public good;

(b) Pursuant to RSA 369:1, approve and authorize the borrowing by the Company to borrow an aggregate principal amount of up to \$1,870,000 from the New Hampshire Drinking Water State Revolving Fund, through the issuance of two promissory notes in the principal amounts of up to \$1,540,000 and \$330,000 (the "Promissory Notes"), for the capital improvements described in this Petition;

(c) Find that the use of the proceeds of the two SRF loans to fund the capital projects in the manner set forth in this petition and as described in the prefiled testimony is prudent and consistent with the public good;

(d) Authorize the Company to do all things, take all steps, and execute and deliver all documents necessary or desirable to implement and carry out the proposed SRF financings; and

(e) Grant the requested authorizations to borrow up to an aggregate principal amount of \$1,870,000 from the SRF without a hearing, by an order Nisi to be final and effective no later than April 25, 2014, and take such further steps and make such further findings and orders as in its judgment may be necessary and consistent with the above-stated request.

Respectfully submitted,

PENNICHUCK WATER WORKS, INC.

By Its Attorneys

RATH, YOUNG AND PIGNATELLI, P.C.

Dated: January 22, 2014

By: 

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Certificate of Service

I hereby certify that a copy of this Petition for Approval of Financings, including the prefiled testimony referred to in the Petition, have this day been forwarded to Meredith Hatfield, Esq. of the Office of Consumer Advocate via electronic mail.

Dated: January 22, 2014



William F. J. Ardinger