

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

**Pennichuck Water Works, Inc.**

<b>ORIGINAL</b>
N.H.P.U.C. Case No. <u>DW 14-130</u>
Exhibit No. <u>#1</u>
Witness <u>Pana</u>
<b>DO NOT REMOVE FROM FILE</b>

**Petition of Pennichuck Water Works, Inc. for Approval of Financing Transactions**

**DW 14-\_\_\_\_\_**

Pennichuck Water Works, Inc. ("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 issue up to \$54,500,000 in aggregate principal amount of tax-exempt and taxable bonds and financing for the purpose of: (1) reimbursement of funding for capital projects completed by PWW in 2013 in the amount of approximately \$5,100,000; (2) funding of capital projects to be completed in 2014, 2015 and 2016 in the amount of approximately \$19,500,000, (3) refinancing approximately \$23,375,000 of PWW's currently outstanding tax-exempt bonds; and (4) funding, if necessary and appropriate, a debt service reserve fund or other credit enhancement measure as may be determined by PWW in response to prevailing market conditions, in the approximate amount of \$5,400,000, and costs of issuance in the approximate amount of \$1,125,000 (collectively, the



“Integrated Capital Finance Plan”). In support of its Petition, PWW respectfully represents as follows:

1. PWW 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 Pre-Filed Direct Testimony of Larry D. Goodhue, PWW’s Chief Financial Officer, which is being submitted contemporaneously with this Petition and is incorporated herein by reference, PWW expended approximately \$5.1 million to finance capital projects in 2013. PWW financed these capital expenditures with working capital of PWW, short-term intercompany borrowings from Pennichuck and borrowings under Pennichuck’s existing line of credit. PWW requests authority to issue taxable indebtedness, either through the issuance of taxable bonds or through a long-term borrowing facility, to provide long-term financing to reimburse PWW’s general operating accounts used to finance the 2013 capital projects. As described in Mr. Goodhue’s testimony, this taxable debt will either be fixed-rate, 30-year fully amortizing bonds with final maturity in 2044, or a credit facility with a 10-year term, amortized on a 20-year straight-line basis, with a \$2.5 million “bullet payment” due upon maturity. The decision between these two alternatives will depend upon which offers the most economically favorable results, based on developments during the course of this proceeding. The estimated interest rate for the bond alternative is approximately 7.25%, while the estimated rate for the credit facility alternative will be approximately 5.0%, taking into account certain interest rate protection requirements for this facility.



3. As further detailed in Mr. Goodhue's testimony, PWW plans to complete additional capital projects during 2014, 2015 and 2016. The total cost of these capital projects is projected to be approximately \$19,500,000. PWW requests authority to issue a new series of tax-exempt bonds, through the issuance and sale by the New Hampshire Business Finance Authority, pursuant to a loan and trust agreement entered into by the BFA, PWW and a trustee (the "Trustee"), to provide long-term funds for these capital projects. This indebtedness will bear a tax-exempt, fixed interest rate and will fully amortize over a 30-year term with a final maturity in 2044. The estimated interest rate for this series of bonds is approximately 5.875%. These bonds will be unsecured.

4. As further detailed in Mr. Goodhue's testimony, PWW has approximately \$50.1 million of long-term indebtedness outstanding as of March 31, 2014. PWW requests authority to issue the a new series of tax-exempt bonds, through the issuance and sale by the New Hampshire Business Finance Authority, pursuant to one or more loan and trust agreements entered into by the BFA, PWW and the Trustee, to refinance four series of PWW's outstanding bonds in the aggregate principal amount of \$23,375,500. This indebtedness will bear a tax-exempt, fixed interest rate and will fully amortize over a 30-year term with a final maturity in 2044. The estimated interest rate for this series of bonds is approximately 5.50%. These bonds will be unsecured.

5. The proposed Integrated Capital Finance Plan will enable PWW to continue to transform its current capital structure, established when Pennichuck was an investor-owned public utility, into a capital structure that is more aligned with PWW's current ultimate ownership by the City of Nashua. The proposed Plan will improve the stability of PWW's capital structure by financing necessary capital projects with long-term (30-year) fully-



amortizing debt, and by replacing the existing bonds with new bonds whose term will be more properly structured to match the remaining useful lives of PWW's capital assets. Accordingly, the proposed Integrated Capital Finance Plan will mitigate repayment risks associated with existing bonds that mature more quickly and are subject to "bullet" repayment requirements that were established when PWW's parent company, Pennichuck, was an investor-owned utility. Further, as detailed in Mr. Goodhue's testimony, the new bonds to be issued pursuant to the proposed Plan will be subject to new covenant requirements that are more aligned with the capital structure of PWW, as ultimately owned by the City of Nashua.

6. The two new series of tax-exempt bonds would be issued by the BFA under a loan and trust agreement to be entered into by the BFA, PWW and the Trustee. All payments of principal and interest on the new bonds would be limited obligations of the BFA and would be payable solely from payments made by PWW. The new bonds would not be general obligations of the State of New Hampshire, and neither the general credit nor the taxing power of the State of New Hampshire or any subdivision thereof, including the BFA, would secure the payment of any obligation under the indenture.

7. The exact financing structure, terms and conditions, amounts, documentation and interest rates of the indebtedness to be issued pursuant to the Integrated Capital Finance Plan will be determined at the time of issuance depending upon prevailing market conditions.

8. In accordance with Puc 609.03, Mr. Goodhue's testimony describes the estimated costs of the proposed financing, and includes the following attachments:

- A balance sheet with pro forma adjustments reflecting the proposed financings (Schedule LDG-1);
- An income statement with pro forma adjustments (Schedule LDG-2);



- A statement showing PWW's capital structure with pro forma adjustments (Schedule LDG-3);
- An exhibit showing the projected capital expenditure budget for the years 2013 through 2016 (Schedule LDG-4); and
- An exhibit showing a long-term financial projection, based on estimates and assumptions, and reflecting the effects of the proposed financings contemplated by the Integrated Capital Finance Plan (Schedule LDG-5)

9. PWW believes and therefore alleges that the proposed tax-exempt and taxable bonds and financing and the other transactions contemplated by and described in this Petition are consistent with the public good, will not have an adverse impact on customers' rates, and that it is entitled to issue said bonds and financings and consummate such transactions under RSA Chapter 369 for the purposes set forth in this Petition and described herein.

WHEREFORE, by this Petition, PWW requests that the Commission:

- (a) Find that the issuance of the proposed bonds and financings in accordance with the Integrated Capital Finance Plan described in this Petition and Mr. Goodhue's prefiled testimony is consistent with the public good;
- (b) Pursuant to RSA 369:1, 3 and 4, grant PWW the authority to arrange for the issuance and sale of new tax-exempt and taxable bonds and financings in the aggregate principal amount of up to \$54,500,000 for the purposes described herein;
- (c) Authorize PWW to do all things, take all steps, and execute and deliver all documents necessary or desirable to consummate, implement and carry out the proposed bonds and financings in accordance with the Integrated Capital Finance Plan;



- (d) Issue an Order of Notice as soon as practicable that establishes a procedural schedule, including a date for hearing with respect to this Petition, which would enable the Commission to hold a hearing and issue its initial decision on or before November 15, 2014; and
- (e) Take such further action and make such other findings and orders as in its judgment may be just, reasonable and in the public good.

Respectfully submitted,

PENNICHUCK WATER WORKS, INC.

By Its Attorneys

RATH, YOUNG AND PIGNATELLI, P.C.

Dated: May 15, 2014

By:



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**Certificate of Service**

I hereby certify that a copy of this Petition for Approval of Financings, including the pre-filed testimony referred to in the Petition, have this day been forwarded to the Office of Consumer Advocate via electronic mail at [ocalitigation@oca.nh.gov](mailto:ocalitigation@oca.nh.gov).

Dated: May 15, 2014

  
William F. J. Ardinger