

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 15-045**

**PITTSFIELD AQUEDUCT COMPANY, INC.**

**Petition for Authority to Issue Long-term Debt**

**Order *Nisi* Approving Petition**

**ORDER NO. 25,772**

**April 3, 2015**

In this Order *Nisi*, we approve a petition of Pittsfield Aqueduct Company, Inc., to borrow \$165,000 from the Drinking Water State Revolving Loan Fund, to fund investments in long-term capital assets. The Commission finds the terms and uses of the debt to be reasonable, prudent, and consistent with the public good.

**I. BACKGROUND**

Pittsfield Aqueduct Company, Inc. (PAC), is a public utility providing retail water service to approximately 600 customers in the Pittsfield, New Hampshire. PAC is wholly-owned by Pennichuck Corporation (Pennichuck), which is wholly-owned by the City of Nashua.

On February 4, 2015, PAC filed a petition seeking authority pursuant to RSA 369:1, to borrow \$165,000 from the Drinking Water State Revolving Fund (SRF),<sup>1</sup> to fund its “Catamount Road Water Main Phase 1” project. In support of its petition, PAC filed the testimony of John J. Boisvert, Chief Engineer, and Larry D. Goodhue, Chief Financial Officer. On February 12, 2015, the Office of the Consumer Advocate (OCA) filed a notice that it would be participating in the proceeding on behalf of residential ratepayers. *See* RSA 363:28. PAC’s petition and

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<sup>1</sup> The SRF was created under the federal 1996 Amendments to the Safe Drinking Water Act and is administered by the New Hampshire Department of Environmental Services (DES).

subsequent docket filings are posted to the Commission's website at

<http://www.puc.nh.gov/Regulatory/Docketbk/2015/15-045.html>.

PAC views the project and SRF financing as necessary to provide safe and adequate service to its customers. The project entails installing approximately 1,350 feet of 8-inch water main on Fairview Street, in Pittsfield. This project will provide a back-up main to the Company's single transmission main, which serves customers in the downtown area of Pittsfield. The new main will interconnect two dead-end pipes, reducing the amount of non-paralleled main by approximately 2,700 feet.

The SRF financing will be structured as a single loan totaling \$165,000 for a 20-year term, at the interest rate available at closing. At the time of PAC's filing, the SRF interest rate was 3.168%. The loan will not be secured by a pledge of PAC's assets. Instead, Pennichuck will provide an unsecured guarantee of repayment. Any amounts advanced from the loan during construction will bear interest at 1%, which interest is due and payable when the project is completed. Payments of principal and interest will begin on the proposed loan six months after the project is complete and in service.

On January 28, 2015, PAC's and Pennichuck's Boards of Directors approved the proposed financing. Pennichuck's bylaws also require approval of the financing by its sole shareholder, the City of Nashua. This approval remains pending at this time. Nashua's decision is expected by mid-April.

On March 26, 2015, Commission Staff (Staff) recommended approval of PAC's petition subject to Nashua's approval of the financing. Staff viewed the proposed use of the funds as prudent and consistent with PAC's duty to provide reasonably safe, adequate, just and reasonable

service, because the associated project will address an important infrastructure issue within PAC's system. Staff also considered the terms and conditions of the proposed financing as reasonable, as the SRF loan ensures that the company will finance this needed project at the lowest possible cost to customers. The OCA took no position on PAC's petition or the Staff's recommendation to approve it.

## II. COMMISSION ANALYSIS

Pursuant to RSA 369:1, public utilities may issue evidence of indebtedness payable more than 12 months after issuance only if the Commission finds that the issuance is "consistent with the public good." The Commission's protection of the public good involves looking beyond actual terms of the financing to the use of the proceeds and to the effect on rates. *Pennichuck East Utility, Inc.*, Order No. 25,758 (January 21, 2015) at 5 (citing *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." *Pennichuck East Utility, Inc.*, Order No. 25,758 (January 21, 2015) at 5 (citing *In re PSNH*, 94 NH PUC 691 (2009)). The Commission finds that PAC's petition is a routine financing request.

PAC proposes to use the SRF financing to improve the reliability and safety of the water its customers consume. Without the financing and the project, PAC's downtown Pittsfield customers could lose water service if the single, existing main serving them must be taken out of service. With the financing and the project, PAC's service to those customers is less likely to be interrupted as the new main will provide a back-up. Consequently, we find that the project is a

prudent use of the proposed long-term debt and consistent with good utility practice and the public good.

SRF funds provide low-cost, long-term financing for Safe Drinking Water Act projects and tend to result in savings to customers from lower total project costs, when compared to other financing options. The interest rate on amounts advanced during construction will be 1%, and the interest rate applicable to the repayment period will be at or near 3.168%. This low-cost debt will help keep PAC's overall cost of capital low, which, in turn, will have the least upward impact on future customer rates as compared to other financing options. Also, the 20-year term is typical for SRF loans<sup>2</sup> and a better match than other, shorter-term financing options for long-lived assets like water mains. We therefore find that the amount and terms of PAC's proposed financing are just, reasonable, and consistent with the public good.

In conclusion, we approve PAC's petition. Our approval is given on the condition that the final terms are not substantially different from those proposed in PAC's filing. If such terms vary significantly, we will require PAC to seek additional Commission approval. We also condition our approval on Nashua's approval of the financing. To satisfy this condition, PAC must provide proof of Nashua's approval to the Commission before closing on financing. We issue this order on a *nisi* basis to ensure that all interested parties receive notice of our determination and have the opportunity to request a hearing.

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<sup>2</sup> See, e.g., *Pennichuck East Utility, Inc.*, Order No. 25,758 (January 21, 2015) (20-year SRF loan totaling \$510,000); *Pennichuck East Utility, Inc.*, Order No. 25,650 (April 15, 2014) (three 20-year SRF loans totaling \$1,522,000). See also *Pennichuck East Utility, Inc.*, Petition for Authority to Issue Long-term Debt, Docket No. 15-044 (February 2, 2015) (\$400,000, 20-year SRF loan pending Commission determination); and *Pennichuck Water Works, Inc.*, Petition for Authority to Issue Long-term Debt, Docket No. 15-046 (February 2, 2015) (\$3,500,000, 20-year SRF loan pending Commission determination).

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

**ORDERED *NISI***, that subject to the effective date below, authority to undertake the proposed financing, under the terms and conditions contained in PAC's petition, and for the purposes as outlined herein, is hereby **APPROVED**; and it is

**FURTHER ORDERED**, that PAC, prior to executing the SRF note, shall file with the Commission evidence that Nashua authorizes this borrowing; and it is

**FURTHER ORDERED**, that PAC shall cause a summary 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, such publication to be no later than April 13, 2015, and to be documented by affidavit filed with this office on or before May 4, 2015; 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 April 20, 2015, for the Commission's consideration; and it is

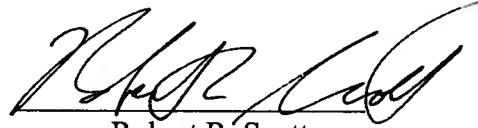
**FURTHER ORDERED**, that any person interested in responding to such comments or request for hearing shall do so no later than April 27, 2015; and it is

**FURTHER ORDERED**, that this Order *Nisi* shall be effective May 4, 2015, unless PAC fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this third day of April,  
2015.



Martin P. Honigberg  
Chairman



Robert R. Scott  
Commissioner

Attested by:



Debra A. Howland  
Executive Director