

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION
PENNICHUCK EAST UTILITY, INC.

DW 18-___

**PETITION OF PENNICHUCK EAST UTILITY, INC. FOR APPROVAL OF
FINANCING UNDER THE STATE REVOLVING LOAN FUND**

Pennichuck East Utility, Inc. (the “Company” or “PEU”), a corporation duly organized and existing under the laws of the State of New Hampshire and operating as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the “Commission”), hereby requests approval under RSA 369:1 to borrow \$4,240,000 from the Drinking Water State Revolving Loan Fund (“SRF”), which 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”). In support of its Petition, the Company respectfully represents as follows:

1. PEU provides retail water service to approximately 8,000 customers in the New Hampshire towns of Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare, and Windham. PEU is wholly owned by Pennichuck Corporation, Inc. (“Penn Corp”), which, in turn, is wholly owned by the City of Nashua.

2. As explained in the Prefiled Direct Testimony of John J. Boisvert, the proceeds of the financing from the SRF will be used for to complete three projects in the PEU owned Locke Lake Community Water System in Barnstead, New Hampshire:

- a. To develop a surface water source of water for the system in response to a Corrective Action Plan currently in process with DES.
- b. To install alternative arsenic treatment at PEU's Airstrip Well in response to current arsenic levels.
- c. To replace water mains in the Georgetown section of the water system.

3. In his Prefiled Direct Testimony, Larry D. Goodhue, the Company's Chief Financial Officer, describes the terms and purposes of the proposed financing. He provides the estimated cost of the additional SRF financing and includes schedules showing the balance sheet and income statement of the Company, actual and pro forma, to show the effects of the proposed financing. Mr. Goodhue's testimony provides the information required by N.H. Admin. Rule Puc 609.03 and Form F-4, and includes a schedule showing the capital structure of the Company, actual and pro forma, to reflect the ratemaking treatment prescribed in consolidated Dockets DW 08-052 and DW 09-051, and Docket DW 11-026, and the effects of the proposed financing. In its pending rate case, Docket DW 17-128, PEU has requested modifications to its existing rate structure, which includes a component of revenue tied to the Company's actual annual debt service and a step increase for completed used and useful projects funded by debt between rate cases. If the Commission approves the revised methodology, the debt repayment of the loan proposed in this financing petition would be included in the revenue component in its future rate and revenue structure.

4. Mr. Goodhue further explains that the financing is consistent with the public good because (1) it will allow the Company to complete the necessary capital additions

described by Mr. Boisvert, (2) the terms of the financing are favorable, and (3) it will result in lower financing costs than would be available through other current debt financing options.

5. If the Company obtains authority from the Commission to borrow from the SRF, loan documents will be prepared for the transactions, setting forth the exact terms and conditions for borrowing the funds. The Company will provide the Commission with a copy of the loan documents once they have been finalized and executed.

6. To fund the above described projects, the Company has applied to DES for a new SRF long-term loan. The loan, totaling \$4,240,000, will be repaid over 20 years commencing six months after the projects are substantially complete. The current maximum interest rate on SRF borrowings is 2.704% per annum (as of August 2, 2018), although the actual rates will be based on the current rates available at the time the loans are actually closed. The loans will be unsecured and Penn Corp will provide an unsecured corporate guarantee for the repayment of the loans.

7. The SRF financing has been approved by the Company's and Penn Corp's Boards of Directors, as well as Penn Corp's sole shareholder, the City of Nashua. The Company has not yet received the written verification of this approval voted upon by the City's Board of Alderman on August 14, 2018, and will supplement this Petition with that documentation showing such Board of Alterman approval. Additionally, the Company will supplement this Petition with an amended approval from its Board of Directors, reflecting the change in the maximum interest rate for this financing, which occurred since the original approval was granted by the Board.

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

9. Issuance of long term debt under the terms provided by the SRF and use of the proceeds from the issuance for the projects described above and in Mr. Boisvert's testimony is consistent with the public good as contemplated by the New Hampshire Supreme Court's ruling in *Appeal of Easton*, 125 N.H. 205,211 (1984). As described in Mr. Goodhue's testimony, the projects being financed through the proposed SRF loans will enable PEU to continue to provide safe, adequate and reliable water service to PEU's customers. The projects and their proposed financing through the SRF loans will provide the most cost effective solutions, in support of this overall benefit for PEU's customers. The terms of the financing through the SRF loans are very favorable compared to other alternatives, and will result in lower financing costs than would be available through all other current debt financing options.

10. By this Petition, the Company seeks this Commission's approval and authority under RSA 369:1-4 to enter into the new long term loan with the SRF and to issue its promissory notes evidencing such loans.

WHEREFORE, the Company respectfully requests that the Commission:

(a) Find that the proposed SRF financing in the amount of \$4,240,000 for the purpose set forth herein and in the manner and on the terms described herein and in the prefiled testimony are consistent with the public good;

(b) Find that the use of the proceeds 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;

(c) 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 financing; and

(d) Grant the requested approval of financing for the principal amount of \$4,240,000 by an order *nisi* issued in September 2018, 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 EAST UTILITY, INC.

By Its Attorneys

RATH, YOUNG & PIGNATELLI, PC

Date: August 28, 2018

By: 

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Petition for Approval of Financing, including prefiled testimony referred to in the Petition, has been forward to the Office of Consumer Advocate via electronic mail.

Date: August 28, 2018


Richard W. Head