

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

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.

Docket No. DW 23-XXX

**PETITION OF AQUARION WATER COMPANY OF NEW HAMPSHIRE FOR
APPROVAL OF FINANCING FROM CoBank, ACB**

Aquarion Water Company of New Hampshire, Inc. (“Aquarion” or the “Company”), 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”), petitions the Commission for approval and authority under RSA 369:1 and 369:4 for Aquarion to issue a General Mortgage Bond (the “Bond”) in the aggregate principal amount of up to \$11,000,000 to CoBank, ACB (“CoBank”) to refinance outstanding short-term debt; finance the Company’s capital expenditures; pay at maturity the Company’s \$3,000,000, 7.71% General Mortgage Bonds, due June 1, 2023 and fund working capital needs, all in the course of ordinary utility operations. In support of this Petition, Aquarion provides the following:

1. Aquarion is a New Hampshire corporation and public utility authorized by the Commission to provide water service to approximately 9,600 customers in Hampton, North Hampton, Rye, and Stratham New Hampshire. Aquarion is a subsidiary of Aquarion Water Company, which is owned by parent company Eversource Energy.

2. Aquarion is seeking Commission approval to for the Bond so that the Company can refinance outstanding short-term debt; finance the Company’s capital expenditures; pay at maturity the Company’s \$3,000,000, 7.71 percent General Mortgage Bonds, due June 1, 2023 and fund working capital needs in the course of ordinary utility operations, to ensure

the provision of safe, adequate and reliable water supply that is in all other respects just and reasonable, as required by RSA 374:1. The amount of \$11,000,000 was determined based upon those factors, and is discussed in the direct testimony of Mr. Donald J. Smiarowski.

3. The proposed Bond will have a term of between five and thirty years. The Company believes that the ten year provides the best balance between rate and tenor currently, though Aquarion does not want to select the tenor until the time of pricing, to provide the greatest benefit to the Company and its customers. The estimated fixed interest rate (or coupon rate), per CoBank, for the 10-year is currently 5.90 percent per annum which was 245 basis points (“bps”) above the 10-yr U.S. Treasury (“UST”) (3.45 percent as of January 12, 2023). It is important to note that CoBank currently offers patronage (as in the case with the Company’s past financing) of 80 bps (48 bps in cash and 32-bps in stock). Though the Company will not be able to redeem the stock currently, the cash portion of the patronage would immediately and effectively reduce the rate from 5.90 percent down to 5.42 percent.

4. Aquarion is requesting the Commission approve a credit spread of 300 basis points over the comparable UST to provide flexibility for the rate to address changing market conditions and volatile markets. It will be secured by a mortgage on the Company’s real property located in Hampton, North Hampton, and Rye New Hampshire. Granting these security interests is a condition of the Company obtaining the Bond financing. The Company would normally be required to purchase stock in CoBank having a value of \$1,000 upfront at the Bond closing. This will not be required in this transaction since the Company already has CoBank stock from its last financing with CoBank in 2012.

5. The issuance of the proposed Bond is also consistent with the Company's existing debt covenants and restrictions. The Company's Indenture of Mortgage dated as of May 1, 1968 with U.S. Bank, N.A., as successor trustee (as amended and supplemented, the "Indenture"), provides that the Company may not issue new bonds under the Indenture unless the aggregate principal amount of those bonds, when added to the principal amount of all other bonds outstanding under the Indenture and the principal amount of other outstanding long-term debt, does not exceed 65 percent of the Company's total capitalization. As illustrated in Attachment DJS-6 accompanying the testimony of Mr. Smiarowski, after taking the Bond financing into consideration, the Company's long-term debt/total capitalization ratio is expected to be 40.8 percent, which is under the 65 percent limit in the Indenture.

6. Pursuant to the supplemental indentures for the Company's outstanding general mortgage bonds, the Company must obtain the consent of certain bond holders to issue additional bonds under the Indenture if the Company's net income does not equal at least 1.5 times the aggregate interest charges on all the Company's long-term debt outstanding immediately after the new bonds are issued. As illustrated in Attachment DJS-4 accompanying Mr. Smiarowski's testimony, the Company expects a ratio of 2.85 after taking the Bond financing into consideration, which will satisfy the minimum 1.5 ratio requirement.

7. The estimated costs of the Bond are \$105,000. These costs include (a) the Company's legal fees and expenses related to bond financing, associated documentation costs and this administrative proceeding, (b) CoBank's legal fees and expenses arising from the Bond transaction, and (c) Trustee's legal fees and expenses. All of these costs are customary and routine financing costs in transactions of this type. The estimated fees and expenses in Attachment DJS-2 are reasonable based on similar financing transactions undertaken by the Company and the

Company's affiliated regulated utilities. The Company is requesting to amortize the costs ratably over the term of the Bond.

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

Attachment DJS-1 Pro Forma Embedded Cost of Long-Term Debt to Reflect Issuance of New Financing, referenced as Exhibit 6 in Puc 609.03(b)(7).

Attachment DJS-2 Estimated Costs to Reflect Issuance of General Mortgage Bond, referenced as Exhibit 2 in Puc 609.03(b)(3).

Attachment DJS-3 Balance Sheet, Actual and Pro Forma to Reflect Issuance of General Mortgage Bond, referenced as Exhibit 3 in Puc 609.03(b)(4).

Attachment DJS-4 Income Statement for the Twelve Months Ended September 30, 2022, Actual and Pro Forma to Reflect Issuance of General Mortgage Bond, referenced as Exhibit 4 in Puc 609.03(b)(5).

Attachment DJS-5 Journal Entries to Reflect Issuance of General Mortgage Bond

Attachment DJS-6 Statement of Capitalization, Actual and Pro Forma to Reflect Issuance of General Mortgage Bond, referenced as Exhibit 5 in Puc 609.03(b)(6).

Attachment DJS-7 Consent by Board of Directors, referenced in Puc 609.03(c)(4).

Attachment DJS-8 Summary of terms and conditions from CoBank stating the details of the Bond, referenced in Puc 609.03(c)(1).

**Puc 609.03(c)(2) requires a copy of the Company's mortgage indenture, but as referenced in Mr. Smiarowski's testimony, a copy of the indenture is already on file with the Commission.*

9. The Bond is consistent with the public good, as required for authorization of a financing pursuant to RSA 369:1 and 369:4 and consistent with the New Hampshire Supreme Court's ruling in *Appeal of Easton*, 125 N.H. 205, 211 (1984). In *Easton*, the Court held that the Commission reviews the amount to be financed, the reasonableness of the terms and conditions, the proposed use of the proceeds, and the effect on rates. The Bond amount is appropriate as it was determined according to the three criteria described above, consistent with the type made during proper and good utility practice. It will also provide the most cost-effective method for Aquarion to continue to provide safe, adequate, and reliable water service to Aquarion's customers. Mr. Smiarowski in his testimony explains that the terms of the Bond are favorable and that CoBank is uniquely positioned to provide the most favorable terms for this financing. Additionally, the Bond will provide greater long-term stability to the Company's debt profile. The issuance of the Bond will also reduce the Company's cost of long-term debt.

10. The Commission determines the rigor of an *Easton* inquiry based upon the circumstances of the request, and noted when approving a recent Aquarion financing in Docket No. DW 21-072 that "certain financing related circumstances are routine, calling for more limited Commission review of the purposes and impacts of the financing" and that "a routine request is one that will have no discernible impact on rates or deleterious effect on capitalization, [and] in which the funds are to enable numerous investments appropriate in the ordinary course of utility operations." *Aquarion Water Company of New Hampshire, inc.*, Order No. 26,490 (June 24, 2021) (internal citations omitted). The Bond meets the criterial for a routine financing and merits a limited Commission review, as the proceeds are to be used for "investments appropriate in the ordinary course of utility operations", the Bond will not have a deleterious, but rather a positive effect on capitalization, and the impact on rates due to the Bond will not be significant.

11. Aquarion respectfully requests that the Commission approve the financing via order *nisi* in the same manner as the last routine financing of the Company in Docket No. DW 12-098, approved by Order *nisi* No. 25,369, and in the Company's most recent financing in Docket No. DW 21-072, approved by Order *nisi* No. 26,490, to become final and effective no later than April 30, 2023. Upon approval by the Commission, the Company will still need to obtain credit approval from CoBank and Aquarion's \$3,000,000 long-term debt will mature June 1, 2023.

WHEREFORE, Aquarion respectfully requests that the Commission:

1. Find that the proposed \$11,000,000 Bond is consistent with the public interest;
2. Approve Aquarion's financing for the principal amount by issuing an order *nisi* to be effective no later than April 30, 2023;
3. Authorize Aquarion 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
4. Approve any and all other relief as may be just and reasonable under these circumstances.

Respectfully submitted by:

**AQUARION WATER COMPANY OF NEW
HAMPSHIRE, INC.**

By its counsel

EVERSOURCE ENERGY SERVICE COMPANY

Date: 2/1/2023

By:  _____

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CERTIFICATE OF SERVICE

I hereby certify that, on the date written below, I caused the attached to be served pursuant to N.H. Code Admin. Rule Puc 203.11.

Dated: February 1, 2023



— Jessica A. Chiavara —