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April 20, 2023

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, New Hampshire 03301

Re: Docket No. DW 23-024
Pennichuck East Utility, Inc.
Petition for Approval of Long-Term Financing

Technical Statement of Anthony J. Leone

Dear Chairman Goldner:

Enclosed for filing in the above-captioned matter is the Department of Energy's (DOE) Technical Statement of Anthony J. Leone, filed pursuant to a Procedural Order issued by the Public Utilities Commission (Commission) in this proceeding on March 24, 2023. The Procedural Order approved a proposed procedural schedule that established April 20, 2023, as the day by which the DOE file its review and analysis of Pennichuck East Utility, Inc (PEU) Petition for Approval of Long-Term Financing.

In its March 24, 2023, Procedural Order, the Commission also requested that the DOE filing include an analysis of whether PEU's proposed financing should be considered "routine", citing *Appeal of Easton*, 125 N.H. 205 (1984) (Easton analysis). The DOE provides that analysis below.

Pursuant to RSA 369:1 and :4, public utilities may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be "consistent with the public good." Analysis of the public good involves reviewing the amount to be financed, the reasonableness of the terms and conditions, the proposed use of the proceeds, and the effect on rates. See, *Appeal of Easton*, 125 N.H. 205, 211 (1984). The extent of the Commission's review of a financing request depends on whether or not the financing is considered routine. "[C]ertain financing related circumstances are routine, calling for a more limited Commission review of the purposes and impact 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." *Lakes Region Water Company, Inc.*, Order No. 25,753 (January 13, 2015) at 4-5. A routine financing 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."

Pennichuck Water Works, Inc., Order 26,197 (December 3, 2018) at 4. See, also, *Hampstead Area Water Company, Inc.*, Order 26,230 (March 29, 2019) at 7-8 (financing not routine; hearing required).

In the instant docket, as pointed out in the DOE Technical Statement prepared by Mr. Leone, PEU seeks new long-term financing to refinance an existing 10-year note that provided funds to support construction of long-lived fixed assets. The analysis states that refinancing a current loan is an appropriate use of a long-term loan. Mr. Leone also correctly points out that PEU's operations are financed primarily through debt. That being the case, this financing would have no effect on PEU's capital structure. Finally, PEU calculated the estimated impact of the financing on single-family residential rates to be an additional \$0.24 on monthly bills, which is an indiscernible effect on rates.

Based on the foregoing analysis, DOE concludes that, pursuant to the *Easton* analysis, PEU's proposed financing is a routine financing that requires no additional review, and that the financing is consistent with the public good as required by RSA 369:1.

Consistent with the Commission's current practice, this letter and the attached Technical Statement is being filed in electronic form only.

Respectfully,

Suzanne G. Amidon

/s/ *Suzanne Amidon*

Suzanne G. Amidon

Staff Counsel/Hearings Examiner

Department of Energy/Regulatory Division

Attachment

cc: Service List (electronic only)

Service List - Docket Related

Docket# : 23-024

Printed: 4/19/2023

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STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 23-024

Pennichuck East Utility, Inc., Petition for Long Term Financing

Technical Statement of Anthony J. Leone, Utility Analyst, Water Group
New Hampshire Department of Energy, Division of Regulatory Support

April 20, 2023

Pursuant to RSA 12-P:2, IV, please accept this Technical Statement as the New Hampshire Department of Energy's (DOE) recommendation to the Commission in the above-referenced matter. The DOE has reviewed Pennichuck East Utility, Inc.'s (PEU or Company) March 8, 2023, filing for Approval of Financing from CoBank, ACB (CoBank). Included with this Technical Statement is Attachment A, PEU Data Responses to DOE Sets 1 & 2.

Brief Summary of Company Request

PEU has proposed to enter into a 10-year fully amortizing loan with CoBank for \$1,025,000 at an estimated interest rate of 7.20%.¹ The Company further explained the new loan would refinance an existing loan that was authorized by Commission Order No. 24,480² in Docket No. DW 13-017 and which currently has a balloon payment due on June 23, 2023.³ The purpose of that loan was to refinance an intercompany loan between PEU and Pennichuck Corporation (Penn. Corp.)⁴ The original intercompany loan, in turn, provided funds necessary for capital improvements in two of PEU's North Country water systems: Locke Lake and Birch Hill.⁵

The new loan would be secured by 1) a security interest in the Company's equity investment in CoBank, currently calculated at \$312,618, and 2) the unconditional guarantee of the Company's obligations to CoBank by Penn. Corp. pursuant to the Guaranty of Payment by Penn. Corp. to CoBank.⁶ The Company indicated the anticipated impact of this loan on its annual

¹ Petition, Bates page 3, paragraph 5 & 6, and Bates page 5, paragraph 10.

² DOE contends this Order reference should be No. 25,480, as Order No. 24,480 pertains to Docket DW 04-145, Bodwell Waste Service Corp. Petition for Rate Increase.

³ Petition, Bates page 2, paragraph 2.

⁴ Petition, Bates 2, paragraph 1. Pennichuck Corporation, also known as Penn. Corp., wholly owns PAC, PEU and PWW, who in turn is owned by the City of Nashua. See also Data Response 1-1.

⁵ See Data Response 1-1, and Date Response 1-1 Supplemental.

⁶ Petition, Bates page 4, paragraph 7; see also Bates page 17, line 1.

revenue requirement would be \$27,915, or 0.28%. As a result, PEU projects that the net impact on single-family residential rates will be \$0.24 per month.⁷

The Company indicated the proposed loan has been approved by the Board of Directors of both the Company's and by its parent, Penn. Corp. Further, the Company submitted approval to the sole shareholder of Penn. Corp., the City of Nashua. The Company also submitted documentation of the City of Nashua's Board of Alderman approval on April 19, 2023.⁸

DOE Recommendation

The DOE reviewed the Company's filing, as well as the Company's data responses in support of its filing, and believes that the purpose of the loan, to refinance an existing 10-year note with a balloon payment on June 23, 2023, that was originally used to construct long-lived fixed assets, into a 10-year fully amortizing note, is an appropriate use of funds. Additionally, as the Company's capital structure primarily consists of debt, specifically long-term debt, as a result of the acquisition of the Company by the City of Nashua as approved in Docket No. DW 11-026, the proposed refinancing will have no impact on PEU's current debt to equity ratio or overall capital structure.⁹ Lastly, as calculated by the Company, the DOE believes that the projected net impact of \$0.24 for an average single-family residential bill resulting from this financing will be negligible.

As such, the DOE recommends that the Commission approve the Company's petition.

cc: Service List (Email only)

Attachment

⁷ Petition, Bates page 29.

⁸ See Data Response 2-1.

⁹ See Docket No. DW 11-026, *City of Nashua, et al.*, Order No. 25,292 (Nov. 23, 2011). See also Petition, Instant Docket, Bates page 28.