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July 20, 2023

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

Re: Docket No. DW 23-049
Pennichuck East Utility, Inc.
Petition for Financing Approval to Renew and Extend Fixed Asset Line of Credit
Department of Energy, Technical Statement of Anthony J. Leone

Dear Chairman Goldner:

Enclosed for filing in this matter is the New Hampshire Department of Energy's (DOE) Technical Statement of Anthony J. Leone in the above-captioned docket. This cover letter and the enclosed technical statement with attachments represent the DOE's filing with the Public Utilities Commission in this matter, pursuant to the parties' agreed-upon procedural schedule approved by the Commission in a procedural order dated May 2, 2023. The Commission's May 2, 2023, procedural order also requested that the DOE's filing include an analysis of whether Pennichuck East Utility, Inc.'s (PEU or Company) financing in this docket should be considered "routine," citing *Pub. Serv. Co. of N.H.*, Order No. 25,050 (December 8, 2009); and *Appeal of Easton*, 125 N.H. 205 (1984) (*Easton*). The DOE's *Easton* analysis for PEU's proposed financing follows.

Under RSA 369:1 and RSA 369:4, 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 of the financing on customer 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 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." *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 No. 26,197 (December 3, 2018) at 4. See, also, *Hampstead Area Water Company, Inc.* Order No. 26,230 (March 29, 2019) at 7-8 (financing not routine, more comprehensive Commission review of public good.)

The DOE recommends that the Commission review PEU’s proposed financing request as “routine.” As the Company indicated, the request is for renewal of a Fixed Asset Line of Credit (FALOC) (short-term debt), which will be used to finance the construction of fixed assets. These costs are converted on an annual basis to long-term debt, which is then included in the calculation of rates only upon a Commission finding that those fixed assets are complete, used and useful, and the Commission approves recovery of that long-term debt through PEU’s annual Qualified Capital Project Adjustment Charge (QCPAC).

The DOE investigation included an inquiry into the expected rate impact of the FALOC renewal. To the extent PEU was able to estimate an impact, it would be from the interest incurred on the FALOC. PEU presented, and in his technical statement Mr. Leone discussed, that under the situation presented by the Company, the impact of the interest incurred by the FALOC on the bill of an average residential customer would be an increase of \$0.07 cents per month, which is a negligible amount. Mr. Leone also observes that the FALOC renewal would have no effect on PEU’s capital structure because the Company’s current capital structure primarily consists of debt. See Docket No. DW 11-026, *City of Nashua, et al.*, Order No. 25,292 (2011). Therefore, the additional debt introduced by the FALOC will not dilute the Company’s current capital structure. Finally, the purpose of the FALOC is to provide the cash flow required to finance the construction of capital projects in providing utility service, until PEU converts the amounts on the FALOC to long-term debt through an annual conversion process, which is an appropriate use of the funds.

The enclosed technical statement contains the DOE’s substantive analysis of the proposed financing, discussing the factors listed above. Based on its analysis of the proposed financing, the DOE recommends that the Commission find the financing is in the public good as required by RSA 369:1 and approve PEU’s request for financing in this docket.

With the filing of this letter and the enclosed technical statement with attachment, the DOE believes a complete record has been provided for consideration by the Commission in this matter, pursuant to RSA 12-P:2, IV.

Consistent with the Commission’s current practices, this letter and accompanying technical statement with attachment are being filed only in electronic form.

Respectfully,

/s/ Suzanne Amidon

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Enclosure

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