

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 23-061

PITTSFIELD AQUEDUCT COMPANY, INC.

**Petition for Approval to Enter into a Long-Term
Intercompany Loan with Pennichuck Corporation**

Order *Nisi* Approving Financing

O R D E R N O. 26,893

October 4, 2023

Pittsfield Aqueduct Company, Inc. (PAC or the Company), requests approval to convert \$80,308 of variable short-term intercompany debt with Pennichuck Corporation (Penn Corp) to a fixed long-term intercompany loan. In this order, the Commission authorizes PAC to proceed with the long-term intercompany loan in the said amount.

The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-061.html>.

I. BACKGROUND AND PROCEDURAL HISTORY

PAC is a New Hampshire regulated water utility as defined by RSA 362:2 and RSA 362:4. PAC provides retail water service to approximately 630 customers in the town of Pittsfield, New Hampshire. PAC is wholly owned by Penn Corp. Penn Corp is wholly owned by the City of Nashua. See Amended Petition at ¶1.

PAC filed its petition on June 12, 2023. The petition was subsequently amended on September 27, 2023. On September 6, 2023, the Department of Energy (DOE) filed a technical statement recommending approval of the petition. The Office of the

Consumer Advocate did not submit an appearance in this docket, and no petitions to intervene were filed.

II. POSITIONS OF THE PARTIES

A. PAC

PAC proposes to convert \$80,308 in short-term intercompany debt to a fixed long-term loan. The long-term intercompany loan will be repaid over a 30-year term on a fully amortizing basis, at a fixed annual interest rate of 6.7 percent. *See* Amended Petition at ¶2. Converting the short-term intercompany debt into a fixed, long-term intercompany loan is consistent with the Commission's request that PAC consider options to minimize potential fiscal impacts of the debt to its customers. *See* Amended Petition at ¶3 citing Docket No. DW 22-075, Order No. 26,823 (May 16, 2023) at 5.

B. DOE

DOE reviewed PAC's filings and recommended that the Commission approve the proposed financing and find the financing to be consistent with the public good pursuant to RSA 369:1. Further, the DOE recommended that the Commission review the proposed financing as "routine." The DOE noted that the financing would not have a negative impact on the PAC's capital structure because the Company's current capital structure primarily consists of debt. *See* DOE September 6, 2023 technical statement at 2. The proposed refinancing would result in an impact of an increase of 51 cents per month to the monthly bill of the average customer. The DOE agreed with PAC that this increase is negligible.

III. COMMISSION ANALYSIS

RSA 369:1 states that a utility may, "with the approval of the commission but not otherwise, issue and sell ... notes and other evidences of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes." The

Commission shall authorize the financing “if in its judgment the issue of such securities upon the terms proposed is consistent with the public good.” RSA 369:4. The Commission reviews the amount to be financed, the reasonableness of the terms and conditions, the proposed use of proceeds, and the effect on rates. *Appeal of Easton*, 125 NH 205, 211 (1984) (*Easton*).

The rigor of an *Easton* inquiry varies depending on the circumstances of the request. As the Commission has noted in prior decisions, “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.” *Public Service Company of New Hampshire*, Order No. 25,050 at 14 (December 8, 2009). We engage in a more limited review for routine financing requests. *Id.* at 13-14. 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.” *Id.* at 13.

PAC proposed refinancing for the following five purposes:

- (1) Refinancing would enable the Company to re-term its short-term intercompany borrowings into a long-term debt obligation to better match it to the original usage of the funds underlying the long-term capital investments it currently has included in its books and records;
- (2) Refinancing would reduce and properly recategorize the level of the Company’s short-term debt directly tied to those long-term capital assets;
- (3) Refinancing would aid in reclassifying long-term funding currently included in the short-term balances that are currently above the 10 percent short-term debt limit of net fixed plant;
- (4) The refinancing will provide level monthly payments at a fixed, annual interest rate of 6.7%. See Direct Testimony of George Torres at 4; and
- (5) Reducing the level of PAC’s short-term debt is consistent with the Commission’s request that the Company consider options to minimize potential fiscal impacts of the debt to its customers. See Order No. 26,823 (May 16, 2023) in Docket No. DW 22-075 at 5.

Based on the Company's petition and DOE's analysis and recommendation, we find that the intended use of the proposed financing falls within the course of PAC's ordinary utility operations. We further concur with DOE's assessment that the proposed financing will have little to no impact on PAC's overall capital structure, and that the projected net impact on the average single-family residential bill will be negligible. Further, we are encouraged that PAC has refinanced a portion of its short-term debt to effectuate a lowering of its short-term debt limit as suggested by Order No. 26,823.

Accordingly, based on the record, the Commission finds the proposed refinancing to be reasonable. We conclude that approval of the proposed financing will permit PAC to provide safe and adequate service to its customers, as required by RSA 374:1, and that the financing is consistent with the public good, pursuant to RSA 369:1 and RSA 369:4. Accordingly, based on the Company's petition and on DOE's technical statement and recommendation, we find PAC's financing request to be consistent with the public good. We further find that additional investigation is not required and approve the proposed financing on a *nisi* basis.

Our approval of PAC's financing does not limit or preclude the Commission from reviewing in a future case, directly or indirectly, the prudence, use, and usefulness of any specific project financed by the borrowed funds pursuant to RSA 378:28. The Commission retains its authority under RSA 374:4 to be kept informed of PEU's use of the financing and any efforts to refinance under more favorable interest rates, separate and apart from any future review under RSA 378:28.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, the request of Pittsfield Aqueduct Company, Inc. to convert its variable short-term intercompany debt to a

fixed a long-term loan with Pennichuck Corporation in the amount of \$80,308 is **GRANTED**; and it is

FURTHER ORDERED, that Pittsfield Aqueduct Company, Inc. shall cause a copy of this order to be published on its website by no later than the close of business on October 6, 2023; noticed through billing in the next billing cycle after the issuance of this order; and to be documented by affidavit filed with this office on or before October 26, 2023; and it is

FURTHER ORDERED, that all persons interested in responding to this order 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 October 20, 2023, for the Commission's consideration; and it is

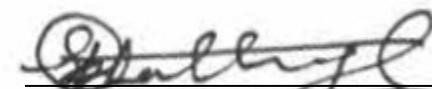
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than October 27, 2023; and it is

FURTHER ORDERED, that this order shall be effective November 3, 2023, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

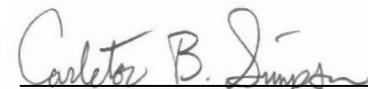
By order of the Public Utilities Commission of New Hampshire this fourth day of October, 2023.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 23-061

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