

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 23-066

**PENNICHUCK EAST UTILITY, INC., &
PITTSFIELD AQUEDUCT COMPANY, INC.**

Petition for Waiver and Increase to the Short-Term Debt Limit

Order *Nisi* Approving Financing

ORDER NO. 26,895

October 17, 2023

This order permits Pennichuck East Utility, Inc. & Pittsfield Aqueduct Company, Inc. to incur short-term debt up to 18 percent of its net fixed plant until June 30, 2025.

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/2023/23-066.html>.

I. BACKGROUND AND PROCEDURAL HISTORY

Pennichuck East Utility, Inc. (PEU), and Pittsfield Aqueduct Company, Inc. (PAC), are regulated public utilities pursuant to RSA 362:2 and RSA 362:4. Both are owned by Pennichuck Corporation, which in turn is owned by the City of Nashua. PEU provides water service to approximately 7,000 customers in 19 communities in the State of New Hampshire. PAC provides retail water service to approximately 600 customers in Pittsfield, New Hampshire. Due to their indirect municipal ownership, PEU's and PAC's investment in infrastructure to serve customers is currently financed primarily with debt capital.

On June 27, 2023, PEU and PAC filed a joint petition to increase their short-term debt limits. The companies' specific request is made pursuant to N.H. Code Admin. Rules Puc 201.05, for a waiver of N.H. Code Admin. Rules Puc 608.05, which limits the outstanding short-term debt of water utilities to 10 percent of net fixed plant. The companies contend that the waiver would serve the public interest and would not disrupt the orderly and efficient resolution of matters before the Commission. The companies also assert that compliance with Puc 608.05 would be onerous and that the purpose of the rule would be satisfied by an alternative method as discussed below.

PEU and PAC state that they have limited flexibility in funding necessary capital investments because of their indirect municipal ownership structure. The companies contend that, while their debt-heavy capital structures benefit customers through lower overall returns on rate base, the lack of access to equity capital causes a greater reliance on the use of short-term debt for paying expenses and funding capital improvements.

Since Nashua's acquisition, the companies have sought and received Commission permission to exceed the short-term debt limit prescribed in Puc 608.05. *see* Pennichuck East Utility, Inc., Order No. 25,820 (September 29, 2015) (approving temporary 18% short-term debt limit); Pennichuck East Utility, Inc., Order No. 26,311 (November 27, 2019) (approving temporary 18% short-term debt limit for PEU through June 30, 2023); Pittsfield Aqueduct Company, Inc. Order No. 26, 823 (May 16, 2023) (approving temporary 18% short-term debt limit for PAC through June 30, 2023). The companies filed this joint petition, seeking a waiver of the rule through June 30, 2025.

PEU asserts that its short-term debt levels have ranged between 8.87 percent and 17.73 percent since the last waiver to increase its short-term debt was approved.

See ¶ 9 of Petition. During this same period, PAC's short term debt limit have ranged from negative 0.45 percent to 21.3 percent. See ¶10 of Petition. The companies have notified the Department of Energy (DOE) when the short-term debt limits exceed 15 percent and filed a prior petition to increase the short-term debt limit for PAC in 2022 when the short-term debt reached 21.3 percent in 2022 due to a temporary one-time, year-to-date true-up in the inter-company accounts in PAC's balance sheet.

In its September 20, 2023, recommendation, the DOE agreed that PEU's and PAC's reliance on short-term debt makes it difficult for the PEU and PAC to maintain a short-term debt limit of 10 percent of net fixed plant. The DOE found that increasing PEU's and PAC's short-term debt limit to 18 percent would serve the public interest, in that it would result in greater financial flexibility and efficiency for the Company. The DOE agreed that the waiver of the short-term debt limit would not disrupt the orderly and efficient resolution of matters before the Commission. See DOE's September 20, 2023 filing. The DOE recommended that the Commission grant PEU's and PAC's request for a waiver of Puc 608.05, subject to the condition that they continue to notify the DOE and the OCA in any month its short-term debt level exceeds 15 percent.

II. COMMISSION ANALYSIS

Pursuant to N.H. Code Admin. Rules Puc Puc 201.05, the Commission shall waive provisions of its rules when the waiver would serve the public interest and would not disrupt the orderly and efficient resolution of the matters before it. See N.H. Admin. R. Puc 201.05. A waiver serves the public interest if compliance with the rule would be onerous or inapplicable under the circumstances, or the rule's purpose would be satisfied by a proposed alternative method.

The purpose of Puc 608.05 and RSA 369:7, the statute it implements, is to ensure that a utility's level of short-term debt is appropriate. Short-term debt, for example, may be more costly than long-term debt, and those costs could be passed on to ratepayers. RSA 369:7 authorizes the Commission to consider "the size, circumstances, and other characteristics of each utility," in determining the appropriate short-term debt limit, which it may establish by administrative rules or "by specific order ... in an individual case."

Based on DOE's recommendation and Mr. Torres's testimony, we find that it would be onerous for PEU and PAC to comply with the 10 percent short-term debt limit contained in Puc 608.05 because, unlike other utilities with access to equity and a variety of financing options, PEU and PAC rely on short-term debt to finance their capital projects. Allowing PEU and PAC the flexibility of a greater short-term debt limit would likely increase financing options and lower their cost of debt, consistent with the purpose of RSA 369:7. Therefore, we find that waiving the 10 percent short-term debt limit in Puc 608.05 and increasing it to 18 percent, as requested by PEU and PAC, would serve the public good in this instance. We also find that waiver of Puc 608.05 will not disrupt the orderly and efficient resolution of matters before the Commission.

Finally, we commend PAC for finding a means to refinance a portion of its short-term debt, as requested by Order No. 26,823 (May 16, 2023) into a fixed rate intercompany long-term loan with Pennichuck Corporation that was approved by the Commission earlier this month. See Order No. 26,893 (October 4, 2023) in Docket No. DW 23-061.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, the request of Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc. for a limited waiver of Puc 608.05 until June 30, 2025, is **GRANTED**; and it is

FURTHER ORDERED, that the request of Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc., for approval of a temporary increase in their short-term debt limit to 18 percent until June 30, 2025 is **GRANTED**; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc. each file written notice to the NH Department of Energy and the Office of the Consumer Advocate in any month during which the Company's short-term debt exceeds 15 percent during the period of the waiver and increased debt limit; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc. cause a copy of this order to be published on their respective websites such publication to be no later than October 19, 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 November 6, 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 November 2, 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 November 9, 2023; and it is

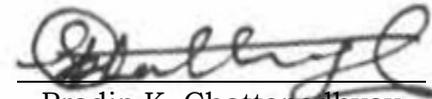
FURTHER ORDERED, that this order shall be effective November 16, 2023, unless the Petitioner fails to satisfy the publication obligation set forth above or the

Commission provides otherwise in a supplemental order issued prior to the effective date.

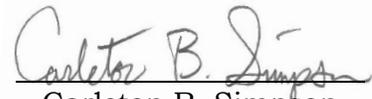
By order of the Public Utilities Commission of New Hampshire this seventeenth day of October, 2023.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 23-066

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