

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 24-064

PENNICHUCK EAST UTILITY, INC

Petition for Approval of Financing from CoBank, ACB

Order *Nisi* Approving Financing

ORDER NO. 27,037

July 19, 2024

Pennichuck East Utility, Inc. (PEU, or the Company) requests approval of a long-term loan through CoBank, ACB (CoBank) in the amount of \$1,890,931 to fund certain 2023 capital projects not otherwise funded. The loan proceeds will permit repayment and refinancing of amounts borrowed under the Company's Fixed Asset Line of Credit (FALOC) through CoBank for those projects. The Commission authorizes PEU to borrow this amount through a new loan to be amortized over 25 years at an annual estimated interest rate of 7.50 percent, subject to market conditions.

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/2024/24-064.html>.

I. BACKGROUND AND PROCEDURAL HISTORY

PEU is a New Hampshire regulated water utility as defined by RSA 362:2 and RSA 362:4. PEU provides retail water service to approximately 9,038 customers in the town of Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare, and Windham. See NH Department of Energy's June 27, 2024 Technical

Statement, Attachment A at 6. PEU is wholly owned by Penn Corp. Penn Corp is wholly owned by the City of Nashua. See Amended Petition at ¶1.

PEU filed its petition on April 19, 2024. The petition was subsequently amended on July 15, 2024. The Department of Energy (DOE) has filed a technical statement recommending approval of the amended petition.

II. POSITIONS OF THE PARTIES

A. PEU

PEU is seeking authority to secure a loan of \$1,890,931 from CoBank to fund 2023 capital projects not funded by State Revolving Fund (SRF) loans or Drinking Water and Groundwater Trust Fund (DWGTF) loans or through the 0.1 Debt Service Revenue Requirement (DSRR) account. See Amended Petition at ¶4. The loan will be repaid over a 25-year term on a fully amortizing basis, with level monthly principal and interest payments with an interest rate to be determined based on market conditions (currently estimated at 7.50 percent per annum). See Direct Testimony of George Torres at 7. The new CoBank loan will provide permanent financing for these long-lived assets. See Amended Petition at ¶6.

PEU provided an estimate of the rate impact on an average single family residential customer resulting from PEU's requested financing. The proposed CoBank financing and associated property tax expense would result in an increase of approximately \$1.92 per month or \$23.04 per year in the billings of an average single-family residential home. This translates into an average monthly bill impact of 2.28 percent. See Attachment C: Schedule GT-4A Revised 6/14/24 in DR Set 3.

B. DOE

DOE reviewed PEU'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 PEU’s capital structure because the Company’s current capital structure primarily consists of debt. See DOE June 27, 2024 technical statement at 4-5. The proposed refinancing ensures that PEU can meet its debt service obligations and maintain financial health. See *Id.*

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.

PEU has a statutory obligation to provide safe and adequate water service. *See* RSA 374:1. PEU has an established line of credit (FALOC) that provides for financing for its new capital expenditures, routine maintenance of capital projects and other non-recurring capital expenditures.¹ This financing petition is directly related to the Company’s current debt needs for the reimbursement financing for its investment in capital projects that were completed and used and useful during 2023. The proposed CoBank loan will convert short term borrowings under its FALOC to long term debt with a fixed interest rate and term to maturity, consistent with the Company’s annual Qualified Capital Project Adjustment Charge (QCPAC) filing².

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 PEU’s ordinary utility operations. We agree that the filing is consistent with the QCPAC mechanism as established by the Commission in Docket DW 17-123, Order No. 26,179 (October 4, 2018).

Accordingly, based on the record, the Commission finds the proposed refinancing to be reasonable. We conclude that approval of the proposed financing will permit PEU 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

¹ *See e.g.,* Pennichuck East Utility, Inc., Order No. 26,418 (October 29, 2020) at 11 and 14 (approving the FALOC and finding that the FALOC “will be used to finance capital projects when other funds are unavailable” and that it “allows PEU to fulfill its RSA 347:1 duty to provide safe and adequate water service as the proceeds are used for necessary capital investments.”)

² The QCPAC is an approved mechanism to compensate PEU for necessary capital investments between rate cases, thus promoting the Company’s ability to maintain adequate cash flows. Pennichuck East Utility, Inc., Order No. 26,767 (January 27, 2023) at 3.

technical statement and recommendation, we find PEU'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 PEU'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 Pennichuck East Utility, Inc. to enter into a loan of \$1,890,931 from CoBank, ACB to fund certain 2023 capital projects not otherwise funded, as a repayment and refinance of amounts borrowed under the Company's Fixed Asset Line of Credit for those projects during 2023 is **GRANTED**; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall submit written confirmation of the amount and interest rate of the finalized debt issuance and demonstrate that the financing availed a competitive interest rate; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall cause a copy of this order to be published on its website by no later than the close of business on July 23, 2024; 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 July 30, 2024; 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 August 6, 2024, for the Commission's consideration; and it is

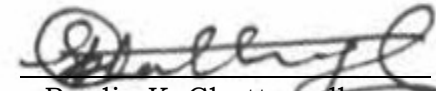
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than August 13, 2024; and it is

FURTHER ORDERED, that this order shall be effective August 21, 2024, 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.

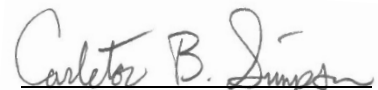
By order of the Public Utilities Commission of New Hampshire this nineteenth day of July, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 24-064

Printed: 7/19/2024

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