

DW 04-116

WHITE ROCK WATER COMPANY, INC.

Petition for Authority to Issue Long Term Debt

Order Nisi Approving Petition

O R D E R N O. 24,378

September 30, 2004

I. PROCEDURAL HISTORY AND BACKGROUND

On July 1, 2004, White Rock Water Company, Inc. (White Rock) filed with the New Hampshire Public Utilities Commission (Commission) a petition pursuant to RSA 369 requesting authority to issue long-term debt. White Rock is a New Hampshire public utility that owns and operates a public water supply system serving approximately 96 customers within a limited area of the Town of Bow, New Hampshire. The stock of White Rock was recently purchased by C&C Water Services, Inc. of Gilford, New Hampshire. The sale of White Rock's stock was approved by Commission Order No. 24,322 (May 7, 2004) in Docket No. DW 03-240. In the instant petition, White Rock requests authorization to issue \$25,000 in long term debt for the purpose of financing enclosure of a new arsenic treatment plant at White Rock's pumping and storage station.

In its petition, White Rock states that, due to changes in government regulations regarding water quality in public water systems, effective in 2005, the level of arsenic permissible in public water supplies has been reduced. White Rock further states that its present arsenic treatment facility is inadequate to meet these more stringent levels. As a result, White Rock applied for and obtained an agreement with the National Risk Management Research Laboratory of the United States Environmental Protection Agency (EPA) to participate in a

demonstration project for arsenic removal. Under that agreement, the EPA will provide a new arsenic treatment system to White Rock at no cost. White Rock, in return, will monitor the treatment system's function and submit reports to the National Risk Management Research Laboratory. White Rock estimates that the value of this new arsenic treatment system is in excess of \$100,000.

White Rock's petition stated that its current facility will not accommodate this new system and thus a new structure needs to be constructed in order to house and protect that equipment. The cost of this structure is \$25,000. White Rock proposes to finance this amount through a note payable to C&C Water Services, Inc. The note will be repaid in 60 equal monthly installments, at an interest rate of 6.00%.

On September 27, 2004, Commission Staff (Staff) filed a memorandum recommending that the Commission approve White Rock's petition by issuance of an order *nisi*. Staff indicates that it conducted discovery with regard to the filing and propounded data requests. Staff believes that the terms of the financing are reasonable, and that the proposed use of the funds is prudent.

II. COMMISSION ANALYSIS

Pursuant to the provisions of RSA 369:1, public utilities engaged in business in this State may issue evidences 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." The New Hampshire Supreme Court has further provided that the public good consideration involves looking beyond actual terms of the proposed financing to the use of the

proceeds of those funds and the effect on rates to insure the public good is protected. See *Appeal of Easton*, 125 N.H. 205 (1984).

In the case at hand, White Rock has requested authorization to borrow an amount of \$25,000 from its principal, C&C Water Services, Inc., in order to finance the construction of a facility to house a new arsenic treatment system that it is receiving at no cost from the EPA. We recognize that more stringent arsenic standards are due to take effect beginning in 2005, which will result in high costs for small water utilities. We are pleased to see White Rock's initiative to obtain and install the equipment necessary to lower its arsenic levels to mandated standards at a fraction of the cost that it would otherwise have incurred.

Our review of the petition must also consider possible effects on its overall cost of capital to ratepayers. According to Staff, the 6.00% interest rate for the proposed loan is a favorable rate for a utility of this size and comparable to other interest rates in recent financing approvals granted by this Commission. White Rock's filing also shows that it has no other outstanding loans. Therefore, approval of this financing poses no concern with regard to White Rock's capital structure.

Under the circumstances, we find that the terms and conditions of the loan are just and reasonable and that the proposed use of the funds is prudent. Therefore, the financing is consistent with the public good.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that authority to undertake the financing proposed by White Rock, upon the terms and conditions proposed in White Rock's petition, is hereby APPROVED; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than October 11, 2004 and to be documented by affidavit filed with this office on or before October 25, 2004; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than October 18, 2004; 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 25, 2004; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective November 1, 2004, 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; and it is

FURTHER ORDERED, that the Petitioner shall file true copies of the loan documents executed or otherwise finally issued in connection with the closing of the transactions contemplated hereby.

By order of the Public Utilities Commission of New Hampshire this thirtieth day
of September, 2004.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary