

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Pittsfield Aqueduct Company, Inc.

DW 13-_____

Petition to Increase Short Term Debt Limit

Pittsfield Aqueduct Company, Inc. ("PAC" or the "Company") hereby petitions the New Hampshire Public Utilities Commission (the "Commission") pursuant to Puc 201.05 for a waiver of the short term debt limit under N.H. Code Admin. Rule Puc 608.05 and for authority to increase its short term debt limit to 18% of its net fixed plant until December 31, 2014. The requested waiver would cover the period during which the Commission considers the rate case that is the subject of Docket No. DW 13-128, and a final decision issued in that proceeding has had time to positively impact the short term debt limit calculation for the Company. In support of its Petition, PAC states the following:

1. PAC is a New Hampshire public utility corporation providing retail water service to approximately 650 customers in the town of Pittsfield, New Hampshire. PAC is wholly owned by Pennichuck Corporation ("Pennichuck") which, in turn, is wholly owned by the City of Nashua, New Hampshire.

2. Pursuant to Puc 608.05, a public utility is authorized to issue and renew its notes, bonds and other evidences of indebtedness payable less than twelve (12) months after the date thereof ("short term debt") provided that the aggregate amount outstanding at any one time does not exceed 10% of the utility's net fixed plant without Commission approval. *See* N.H. Code Admin. Rule Puc 608.05.

3. As of July 31, 2013, PAC's net short term debt totaled approximately \$389,000 or 11.65% of PAC's net fixed plant in service. In the preceding seventeen months, PAC's short term debt had fluctuated between 5% and 9%. The increase in July was primarily related to the payment of accounts payable invoices due within the month, while the Company only generated approximately \$4,000 in net income for the month and approximately \$19,000 in operating cash flow.

4. Based on the latest financial information available, PAC expects that short term debt levels will likely exceed the 10% limit set forth in Puc 608.05 due to several circumstances.

5. First, PAC's internal cash generation is adversely affected by its low level of earnings. PAC's revenues are lower than the revenues approved and granted by the Commission in Docket No. DW 10-090. PAC expects to have only nominally positive net income for 2013. In addition, PAC is currently projecting only nominally positive net income overall for the year 2014.

6. Second, PAC's investment in net utility plant has been modest over the past several years, and remains nearly constant at a level of approximately \$3.3 million. Due to the Company's relatively small size, minor fluctuations in earnings and cash flows from operations can have a significant impact on its short term debt as a percentage of net utility plant.

7. Finally, the Commission is currently reviewing in Docket No. DW 13-128 the Company's request for a temporary rate increase of 7% and a permanent rate increase of 9.34%. If a temporary increase is approved, the increase in revenues is anticipated to occur in the fourth quarter of 2013, with the resulting cash flow increase commencing late in that quarter. As a

result, the rate case impact on providing additional cash in 2013 will be minimal. The full impact of these rate increases will not be realized until permanent rates are approved sometime in the later part of 2014, providing for additional cash to fund short term working capital needs.

8. The foregoing circumstances require PAC to temporarily increase its short term borrowings in order for the Company to fund its ongoing operating and capital requirements. Based on the Company's financial projections, the Company believes that establishing a short term debt level of 18% of its net fixed plant will be sufficient to meet the Company's cash needs for the period through December 31, 2014, the date by which new permanent rates will be determined, and the cash flow resulting from these new rates will begin to have a positive impact on the Company's short term debt as a percentage of net utility plant. Thereafter, the Company believes a 10% limit will again be sufficient. If a different limit is appropriate at that time, the Company will petition for a new short term debt limit based on the circumstances at that time.

9. PAC plans to continue to borrow under its existing Money Pool Agreement with Pennichuck to meet its short term debt requirements.

10. Puc 201.05 provides that the Commission shall waive the provisions of any of its rules if it finds that the waiver serves the public interest and will not disrupt the orderly and efficient resolution of matters before the Commission. In determining the public interest, the Commission shall waive a rule if compliance would be onerous or inapplicable under the circumstances, or if the purpose of the rule is alternatively satisfied. *See* N.H. Code Admin. Rule Puc 201.05.

11. In the instant case, waiver of the 10% short term debt borrowing limit under Puc 608.05 will serve the public interest because it will enable PAC to fund its short term working

capital needs and meet its ongoing operating requirements. Furthermore, waiver of Puc 608.05 will not disrupt the orderly and efficient resolution of any proceeding before the Commission.

12. Compliance with the 10% short term debt limitation at this time could require the Company to forego or significantly delay the payment of certain normal operating obligations, which would include property taxes, utility bills, amounts in support of the maintenance of infrastructure needed for the distribution and treatment of water supplied to customers, and normal billing and customer service activities, which would negatively affect the Company's business relationships, potentially increase the costs of doing business, and ultimately raise rates to customers. Moreover, the apparent purpose of Puc 608.05, i.e., to keep the Company's level of short term debt within specified boundaries in order to monitor financing costs, continues to be satisfied by a temporary increase of the short term debt limit.

13. For the reasons set forth above, the requested waiver satisfies the standard under Puc 201.05. In further support of this Petition, the Company submits the following exhibits:

Exhibit 1 - The Company's Year to Date balance sheet as of July 31, 2013.

Exhibit 2 - The Company's Year to Date income statement for the seven months ended July 31, 2013.

WHEREFORE, Pittsfield Aqueduct Company, Inc. respectfully requests that the Commission:

- A. Waive the 10% short term debt borrowing limit set forth in Puc 608.05 for the period through December 31, 2014; and
- B. Authorize PAC to increase its short term debt borrowing limit to 18% of its net fixed plant for the period through December 31, 2014; and
- C. Grant such other and further relief as may be just and equitable.

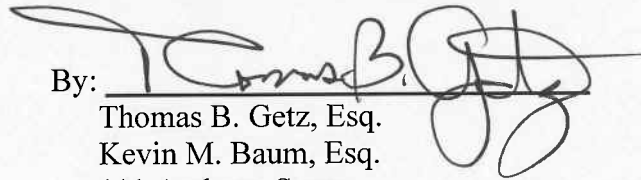
Respectfully submitted,

PITTSFIELD AQUEDUCT COMPANY, INC.

By Its Attorneys,

DEVINE, MILLIMET & BRANCH
PROFESSIONAL ASSOCIATION

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