

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION
PENNICHUCK EAST UTILITY, INC.

DW 17-__

**PETITION OF PENNICHUCK EAST UTILITIES, INC. FOR APPROVAL OF
FINANCINGS UNDER THE STATE REVOLVING LOAN FUND**

Pennichuck East Utility, Inc. (the "Company" or "PEU"), a corporation duly organized and existing under the laws of the State of New Hampshire and operating as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the "Commission"), hereby requests approval under RSA 369:1 to borrow \$3,215,000 from the Drinking Water State Revolving Loan Fund ("SRF"), which was created under the federal 1996 Amendments to the Safe Drinking Water Act and is administered by the New Hampshire Department of Environmental Services ("DES"). In support of its Petition, the Company respectfully represents as follows:

1. PEU provides retail water service to approximately 7,100 customers in the New Hampshire towns of Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare, and Windham. PEU is wholly owned by Pennichuck, Inc. ("Pennichuck"), which, in turn, is wholly owned by the City of Nashua.

2. As explained in the Prefiled Direct Testimony of John J. Boisvert, the proceeds of the financing from the SRF will be used for three separate projects:

- a. Maple Hills water main replacement (Derry). The Maple Hills project is necessary to replace approximately 2,400 linear feet of substandard 1 inch and 1.5 inch diameter water mains and replace the “main to stop” section of each customer service. The SRF loan amount for the Maple Hills project is \$570,000.00.
- b. Hillcrest Road water main replacement (Litchfield). The Hillcrest Road project is necessary to replace a section of water main due that has deteriorated due to corrosive soil conditions with high density polyethylene (“HDPE”) main. The SRF loan amount for the Hillcrest Road project is \$245,000.00.
- c. PEU and PWW interconnection pipeline (Merrimack and Litchfield). The interconnection is necessary to provide a more reliable alternative sources of water to manage the effects of drought now and in the future, provide redundancy to the Taylor Falls pumping station critical to meeting customer demands and to provide for expected customer growth in the five-town area east of the Merrimack River. The SRF loan amount for the interconnection pipeline is \$2,400,000.00.

3. In his Prefiled Direct Testimony, Larry D. Goodhue, the Company’s Chief Financial Officer, describes the terms and purposes of the proposed financing. He provides the estimated cost of the additional SRF financing and includes schedules showing the balance sheet and income statement of the Company, actual and pro forma, to show the effects of the proposed financing. Mr. Goodhue’s testimony provides the information required by N.H. Admin. Rule Puc 609.03 and Form F-4, and includes a schedule showing the capital structure of the Company, actual and pro forma, to reflect the ratemaking treatment prescribed in consolidated Dockets DW 08-052 and DW 09-051, and Docket DW 11-026, and the effects of the proposed financings. Mr. Goodhue further explains that the financings are consistent with the public good because (1) they will allow the Company to complete the necessary capital additions described by Mr. Boisvert, (2) the terms of the financing are favorable, and (3) they will result in lower financing costs than would be available through other current debt financing options.

4. If the Company obtains authority from the Commission to borrow from the SRF, loan documents will be prepared for the transactions, setting forth the exact terms and conditions for borrowing the funds. The Company will provide the Commission with a copy of the loan documents once they have been finalized and executed.

5. To fund the above described projects, the Company has applied to DES for three new SRF long-term loans. Two of the loans, totaling \$2,645,000 will be repaid over 20 years, while the third loan for \$570,000 will be repaid over 30 years with 10% principal forgiveness, commencing six months after the project is substantially complete. The current interest rate on borrowings is 1.96% per annum although the actual rates will be based on the current rates available at the time the loans are closed. The loan will not be secured by any assets of the Company. PEU's corporate parent, Pennichuck, however, will provide an unsecured corporate guarantee for repayment of the loan.

6. The financings have been approved by the Company's and Pennichuck's Boards of Directors. The Company has also provided required notice to its Parent Company's line of credit lender, of this requested financing. Pennichuck's sole shareholder, the City of Nashua, approved the financings by vote of the Board of Aldermen on March 21, 2017. The Company will supplement this Petition with documentation showing written confirmation from the City of Nashua upon receipt. Finally, the Company avers that it is entitled to issue promissory notes evidencing the financings described above, for the purposes set forth herein, and that the issuance of such notes will be consistent with the public good.

7. Issuance of long term debt under the terms provided by the SRF and use of the proceeds from the issuance for the three projects described above and in Mr. Boisvert's testimony is consistent with the public good as contemplated by the New Hampshire Supreme

Court's ruling in *Appeal of Easton*, 125 N.H. 205,211 (1984). As described in Mr. Goodhue's testimony, the projects being financed through the proposed SRF loans will enable PEU to continue to provide safe, adequate and reliable water service to PEU's customers. The projects and their proposed financing through the SRF loans will provide the most cost effective solutions, in support of this overall benefit for PEU's customers. The terms of the financing through the SRF loans are very favorable compared to other alternatives, and will result in lower financing costs than would be available through all other current debt financing options. Furthermore, this petition qualifies as a routine financing consistent with the Commission's decision *In re PSNH*, Order No. 25,050, 94 NH PUC 691,699 (2009) and, most recently, in Docket DW 15-044, regarding PEU. *See* Order No. 25,773 (April 3, 2015).

8. By this Petition, the Company seeks this Commission's approval and authority under RSA 369:1-4 to enter into three new long term loans with the SRF and to issue its promissory notes evidencing such loans.

WHEREFORE, the Company respectfully requests that the Commission:

(a) Find that the proposed SRF financing in the amount of \$3,215,000 for the purpose set forth herein and in the manner and on the terms described herein and in the prefiled testimony are consistent with the public good;

(b) Find that the use of the proceeds to fund the capital projects in the manner set forth in this petition and as described in the prefiled testimony is prudent and consistent with the public good;

(c) Authorize the Company to do all things, take all steps, and execute and deliver all documents necessary or desirable to implement and carry out the proposed financings; and

(d) Grant the requested approval of financing for the principal amount of \$3,215,000 by an order *nisi* issued in April 2017, and take such further steps and make such further findings and orders as in its judgment may be necessary and consistent with the above-stated request.

Respectfully submitted,

PENNICHUCK EAST UTILITIES, INC.

By Its Attorneys

RATH, YOUNG & PIGNATELLI, PC

Date: April 3, 2017

By: 

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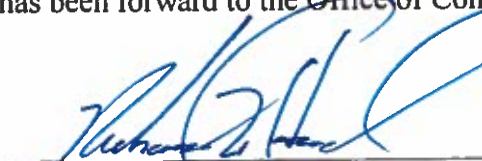
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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Petition for Approval of Financings, including prefiled testimony referred to in the Petition, has been forward to the Office of Consumer Advocate via electronic mail.

Date: April 3, 2017


Richard W. Head