

THE STATE OF NEW HAMPSHIRE

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Debra A. Howland



PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX (603) 271-3878

Website:
www.puc.nh.gov

December 13, 2017 NH-PUC 13DEC17AM11:26

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

Re: DW 17-157, Pennichuck East Utility, Inc.
Petition for Approval of CoBank Financings and Refinancing of Intercompany Loans
Staff Recommendation for Approval

Dear Ms. Howland:

On October 19, 2017, Pennichuck East Utility, Inc. (PEU), submitted a petition pursuant to RSA 369:1, requesting authority to issue long-term debt. First, PEU seeks permission to borrow up to \$500,000 from CoBank, ACB (CoBank) to fund PEU's 2017 capital projects not financed by State Revolving Loan Funds. Second, PEU seeks permission to enter into a 3-year \$3.0 million Fixed Asset Line of Credit (FALOC) from CoBank to provide for short-term financing of capital projects. Third, PEU requests authority to refinance three intercompany loans with its parent company, Pennichuck Corporation (Pennichuck), totaling \$2,858,919. The testimony of John J. Boisvert, PEU's Chief Engineer, and Larry D. Goodhue, PEU's Chief Financial Officer, accompanied the petition. Staff has reviewed this filing and conducted discovery. Staff recommends the Commission grant authority to PEU for the two CoBank issues, and for two new intercompany loans with Pennichuck.

Under RSA 369:1, public utilities engaged in business in this state may issue evidence 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." Analysis of the public good involves looking beyond the actual terms of the proposed financing to the use of the funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). "[C]ertain 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." *Lakes Region*

Water Company, Inc., Order No. 25,753 (January 13, 2015) at 4-5, citing *Public Service Company of NH*, Order No. 25,050, 94 NH PUC 691, 699 (2009). Considering the purposes of these financings and the fact that PEU is solely dependent on debt financing for its capital needs, Staff reviewed PEU's filing as a routine financing.

\$500,000 CoBank Term Loan

In his testimony, Mr. Goodhue explains that this loan will be used to finance capital improvements that have or will be made during 2017 that have not been financed by State Revolving Loan Funds (SRF). While PEU expects to spend about \$368,844, it requests authority to borrow up to \$500,000 to allow for any unforeseen significant capital projects that may occur. Should the entire \$500,000 not be needed, the amount actually drawn will be reduced to that lower amount. CoBank is a federally chartered bank under the Farm Credit Act of 1971 and provides financing to borrowers in the agribusiness and rural utility industries. PEU entered into a Master Loan Agreement with CoBank in 2010, filed with the Commission in Docket No. DW 09-134, and that Agreement provides the framework for CoBank to loan to PEU from time to time. This loan is to be amortized over 25 years with level monthly payments and an interest rate based on market conditions. As of the date of this filing that rate was 3.25%. The loan will be secured by PEU's equity interest in CoBank as well as the unconditional guarantee of PEU's obligations to CoBank by Pennichuck, pursuant to the Guarantee of Payment by Pennichuck in favor of CoBank dated February 9, 2010, all as described by Mr. Goodhue in his testimony.

With respect to the proposed use of the funds, Mr. Boisvert's testimony describes PEU's 2017 capital projects. The emphasis continues to be the replacement or upgrading of water treatment facilities to ensure continued compliance with all standards, and the replacement of aging infrastructure. Mr. Boisvert provides descriptions of each of the major projects and project areas in his testimony.

Fixed Asset Line of Credit

The \$3 million FALOC has a term of up to three years, to be used for financing capital improvements during the year. Funds can be borrowed or repaid at any time, and the interest rate is set weekly throughout the term of the facility. That rate will be based on current market conditions; PEU's current estimate is an annual rate of 3.25%. PEU will make interest payments monthly. The FALOC will carry the same security conditions as the term loan discussed above.

Mr. Goodhue explains in his testimony that establishing this FALOC will dovetail with the modified ratemaking methodologies requested in PEU's current rate case, DW 17-128. PEU seeks approval for a Qualified Capital Project Annual Charge (QCPAC), which would enable PEU to seek recovery in the following year for its completed capital

improvements¹. The FALOC will provide the short term financing during the year and, once the QCPAC surcharge is approved, PEU will replace the balance on the FALOC with a new long term debt issue. Mr. Goodhue states that, in the event the Commission does not approve the modifications to PEU's ratemaking that it seeks, it still desires the approval of the FALOC to finance its annual capital needs.

Mr. Boisvert's testimony describes the proposed use of the funds from the FALOC in the coming three years, including an interconnection with sister company Pennichuck Water Works, Inc. under the Merrimack River. While most of the cost of that crossing are to be financed through the SRF program, about \$600,000 can be accessed through the FALOC². PEU is also planning a new 1.1 million gallon water storage tank to serve its Londonderry core water system, replacement of its Commerce Park Station, and the replacement of water meters containing lead to new "lead-free" meters.

Intercompany Refinancings

In its petition, PEU requested approval for the refinance of two intercompany loans with Pennichuck in the total amount of \$1,701,516. These two loans are both on 10 year terms; one has a balance of \$843,884 with an interest rate of 2.7%, the other a balance of \$857,632 with a rate of 2.65%. PEU proposed to combine the principal balances into one loan, using a 30 year term at 3.2%. In discovery Staff inquired about a third intercompany loan on PEU's books in the amount of \$1,157,403 and whether PEU intended to refinance that one as well. In its response to Staff data request 2-1, attached, PEU indicated that it had omitted that loan inadvertently and does seek approval to refinance it as well. Therefore, PEU seeks authority for two new loans to refinance the three existing and outstanding loans with Pennichuck. Both new loans will be fully amortizing loans but will be set on a 30 year amortization at 3.2%. This extended term is providing savings to customers under PEU's proposals in its current rate case, DW 17-128. In the case of the \$1,157,403 amount, as this relates to PEU's North Country systems, those savings are directed to reducing the North Country Capital Recovery Surcharge (NCCRS) for its Birch Hill and Locke Lake customers. In the case of the refinance of \$1,701,516, those savings are estimated to be about \$188,000 annually and serve to mitigate the overall increase in rates PEU seeks.

These three financing proposals have been voted on and approved by PEU's and Pennichuck's Board of Directors. As of the date of PEU's responses to the first set of Staff data requests, November 16, the company was awaiting a final vote of the Board of Aldermen. PEU will file a copy of the City of Nashua's resolution as soon as it is available. See Company's Response to Staff 1-1 (attached). PEU may not proceed on any of these

¹ PEU's sister utility, Pennichuck Water Works, Inc., received approval for a QCPAC in its recently completed rate case, DW 16-806. Order 26,070, November 7, 2017.

² The Commission approved a Special Contract between PEU and PWW for purchased water utilizing this proposed crossing in DW 17-071, Order No. 26,049, August 24, 2017. The Commission had previously provided its approval for a license for PEU to cross the river, pursuant to the Commission's authority under RSA 371:17 and :20. See Order No. 26,026 issued June 16, 2017.

financings without that resolution. In addition, PEU awaits a response from TD Bank on PEU's request to acquire this new debt. The Loan Agreement between Pennichuck and TD Bank restricts additional indebtedness among the Pennichuck subsidiaries except for certain allowed exceptions. The new amounts sought from CoBank in the instant docket exceed an annual limit of \$1.5 million, and thus written notice has been provided to TD Bank.

Staff has reviewed and supports these three financings as presented by PEU and, in the case of the refinancings with Pennichuck, as modified in discovery. The procurement of these CoBank loans ensures that the Company will finance its needed capital projects at the lowest possible cost to customers, and will have low-cost short term capital as projects are undertaken. In the case of the refinancings with Pennichuck, PEU has proposed passing on savings directly to customers upon approval in this docket. Staff believes PEU has demonstrated that the proposed use of the funds is appropriate and consistent with PEU's duty to provide "reasonably safe and adequate and in all other respects just and reasonable" service to its customers. RSA 374:1.

PEU has requested that the Commission issue an order in this docket in a timeframe that would permit it to close on these loans on or before the end of the year.

Thank you for your assistance in this matter. If you have any questions regarding this matter, please contact me.

Sincerely,



Mark A. Naylor
Director, Gas & Water Division

Attachments
cc: Service list

Pennichuck East Utility, Inc.
DW 17-157
Financing Approvals - Staff Data Requests - Set 1

Date Request Received: 11/07/17
Request No. Staff 1-1

Date of Response: 11/16/17
Witness: Larry Goodhue

REQUEST: Re: Petition paragraph 16. Please provide updates on corporate and City approvals.

RESPONSE:

All corporate approvals have been approved and voted upon. The City approvals have been submitted to the Board of Alderman and were discussed at their November 14, 2017 meeting and were remanded to the Board's Special Water Committee for consideration. Once scheduled, the Special Water Committee will meet with the Company's management to consider and recommend approval of the petition, which will then be remanded back to the Board of Alderman for a vote on the resolutions during their November 28, 2017 meeting. If this process is delayed in any manner, the Board of Alderman have two other scheduled meetings in 2017, on December 12 and December 26, in which they can convene a vote on the approvals.

Pennichuck East Utility, Inc.
DW 17-157
Financing Approvals-Discovery Request-Staff Set 1

Date Request Received: 11/07/17
Request No. Staff 1-2

Date of Response: 11/16/17
Witness: John Boisvert

REQUEST: Re: Mr. Boisvert's testimony page 6 lines 4-5. Please provide a citation to the Commission approval for the referenced contract.

RESPONSE:

The agreement with Manchester Water Works (MWW) dated March 21, 1997 and as amended February 3, 2003. This agreement is a carryover from the Town of Hudson from Southern NH Water Company (SNHWC). The MWW and SNHWC agreement is referenced in NHPUC docket DR 86-80 Order No. 18,628.

Pennichuck East Utility, Inc.
DW 17-157
Financing Approvals-Discovery Request-Staff Set 1

Date Request Received: 11/07/17
Request No. Staff 1-3

Date of Response: 11/16/17
Witness: John Boisvert

REQUEST: Re: Mr. Boisvert's testimony page 8 lines 18-23. a) Please indicate what is a "surcharge on new customer growth". b) Please indicate with greater detail the basis for a lower volumetric rate from MWW.

RESPONSE:

a) The new surcharge will be applied to all new customers at the time service is requested. The surcharge will enable new development to contribute to the cost of the tank. The surcharge is in accordance with the Company's Tariff Section 33 C System Upgrade Fees.

b) Section 302.1 of the agreement outlines a higher volumetric rate where MWW provides fire flow capacity (MWW owned storage tanks) and a lower rate where their customer, in this case PEU, operates its own tanks to supply fire flow. The proposed water storage tank will qualify PEU for the reduced purchased water rate from MWW.

Pennichuck East Utility, Inc.
DW 17-157
Financing Approvals-Discovery Request-Staff Set 1

Date Request Received: 11/07/17
Request No. Staff 1-4

Date of Response: 11/16/17
Witness: John Boisvert

REQUEST: Re: Mr. Boisvert's testimony pages 9-11. It is indicated that the valve replacement budget is \$14,000 annually, but the table on page 9 shows \$30,000 annually for the three years. Please clarify.

RESPONSE:

The replacement budget should read \$30,000 annually. The table is correct.

Pennichuck East Utility, Inc.
DW 17-157
Financing Approvals-Discovery Request-Staff Set 1

Date Request Received: 11/07/17
Request No. Staff 1-5

Date of Response: 11/16/17
Witness: Larry Goodhue

REQUEST: Re: Mr Goodhue's testimony at page 14 lines 7-11. Please update the information on TD Bank's response.

RESPONSE:

The Company is still waiting on TD Bank's response on this issue. The bank is working on a number of issues relating to the extension of the line of credit past its due date of November 30, 2017, at this time, and will be issuing its written affirmation of this request in conjunction with that overall process, on or before November 30.

Pennichuck East Utility, Inc.
DW 17-157
Financing Approvals-Discovery Request-Staff Set 1

Date Request Received: 11/07/17
Request No. Staff 1-6

Date of Response: 11/16/17
Witness: Larry Goodhue

REQUEST: Re: Mr. Goodhue's testimony at page 15 lines 2-4. Please indicate if all of the savings generated by the refinancings are dedicated to reducing the North Country Capital Recovery Surcharge.

RESPONSE:

Yes, all of the savings generated from the refinancing of the intercompany loans is dedicated to reducing the North Country Capital Recovery Surcharge for its Locke Lake and Birch Hill community water systems.

Pennichuck East Utility, Inc.
DW 17-157
Financing Approvals-Discovery Request-Staff Set 1

Date Request Received: 11/07/17
Request No. Staff 1-7

Date of Response: 11/16/17
Witness: Larry Goodhue

REQUEST: Re: Mr. Goodhue's testimony at page 8 lines 15-16. Please indicate if it is the company's intention to seek long term financing annually for each year's capital improvements.

RESPONSE:

Yes, it is the Company's intent to seek long term financing annually for each year's capital improvements, as a part of the QCPAC process requested in its current rate case docket under DW 17-128, and as annual repayment of any borrowings on the Fixed Asset Line of Credit. Pursuant to this, the Company will be filing Financing Petitions annually to seek approval for these annual long term debt financing events.

Pennichuck East Utility, Inc.
DW 17-157
Financing Approvals - Staff Data Requests - Set 2

Date Request Received: 11/21/17
Request No. Staff 2-1

Date of Response: 11/28/17
Witness: Larry D. Goodhue

REQUEST: Page 1 (Bates 001) of the Company's petition requests approval to refinance two Intercompany Loans with Pennichuck Corporation, in the amount of \$1,701,516, for a new term of 30 years. It appears that the amount indicated is comprised of the PEU Capex portion of the 2013 Intercompany Loan with a remaining balance of \$857,632 as well as the 2015 Intercompany Loan with a remaining balance of \$843,884. ($\$857,632 + \$843,884 = \$1,701,516$) However, it does not appear that the Company has included in its petition a request to refinance the North Country Capex portion of the 2013 Intercompany Loan with Pennichuck Corporation with a remaining balance of \$1,157,403. Please explain.

RESPONSE:

An error of omission occurred in the testimony and schedules filed for this case. The above referenced 2013 North County Intercompany Loan should have also been included in the testimony and exhibit schedules as being refinanced, as further supported and documented as a part of the 1604.08 Schedule 5, included in the docket for DW 17-128. The Exhibit schedules to this testimony have been corrected to include the refinance of this Intercompany loan, which is reflected on the attached revised Schedules LDG-1 and LDG-2, Proforma Balance Sheet, Income Statement and Supporting schedule.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2016

Schedule LDG-1
Page 1 of 2
Revised 11/28/17

	Account Number	12/31/2016	Pro Forma Adjustments	Proforma 12/31/16
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	59,471,255	368,844 (1)	59,840,099
Work in process	105	654,334	-	654,334
Utility Plant		60,125,588	368,844	60,494,432
Accumulated depreciation	108	12,277,191	22,158 (2)	12,299,349
Net Plant		47,848,398	346,686	48,195,084
Net Acquisition Adjustment	114 & 115	5,782,658	-	5,782,658
Total Net Utility Plant		42,065,740	346,686	42,412,426
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	40,070	-	40,070
Accounts receivable-billed, net	141 & 143	1,702,760	-	1,702,760
Accounts receivable-unbilled, net	173	418,849	-	418,849
Accounts receivable-other	142	-	-	-
Inventory	151	-	-	-
Prepaid expenses	162	5,963	-	5,963
Prepaid property taxes	163 & 236	205,561	-	205,561
Prepaid taxes	162.3	-	-	-
		2,373,204	-	2,373,204
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	234,140	-	234,140
Acquisition Premium - MARA	186	7,992,375	-	7,992,375
Other & Deferred Charges	182,184,186	764,222	-	764,222
		8,990,737	-	8,990,737
TOTAL ASSETS		\$ 53,429,681	\$ 346,686	\$ 53,776,367

Notes:

(1) To record the assets related to the CoBank Loan.

(2) To record the impact of full year depreciation offset by the Cost of Removal.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
EQUITY AND LIABILITIES
For the Twelve Months Ended December 31, 2016

Schedule LDG-1
Page 2 of 2
Revised 11/28/17

	Account Number	12/31/2016	Pro Forma Adjustments	Proforma 12/31/16
STOCKHOLDERS' EQUITY				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	\$ 13,333,907	-	\$ 13,333,907
Comprehensive Income	219	\$ (272,011)	-	\$ (272,011)
Retained earnings	215	\$ (128,250)	(45,805) (2)	\$ (174,055)
		12,933,745	(45,805)	12,887,940
LONG TERM DEBT				
Bonds, notes and mortgages	221	\$ 16,658,945	368,844 (3)	17,027,789
Intercompany advances	223	\$ 4,038,030	23,647 (3),(1)	4,061,677
Other Long Term Debt	224	\$ 453,352	-	453,352
CURRENT LIABILITIES				
Accounts payable	231	\$ 1,490,434	-	1,490,434
Accrued property taxes	236	\$ (0)	-	(0)
Accrued interest payable	237	\$ 23,114	-	23,114
Other accrued expenses	241	\$ 437,074	-	437,074
Income taxes payable	236	\$ -	-	-
Customer deposits & other	235	\$ 467,965	-	467,965
		2,418,588	-	2,418,588
OTHER LIABILITIES AND DEFERRED CREDITS				
Deferred income taxes	282	\$ 4,823,913	-	4,823,913
Customer advances	252	\$ -	-	-
CIAC, net	271 & 272	\$ 12,103,108	-	12,103,108
Other long term liabilities		-	-	-
		16,927,021	-	16,927,021
TOTAL EQUITY AND LIABILITIES		\$ 53,429,681	\$ 346,686	\$ 53,776,367

Notes:

(1) To record the CoBank Debt as follows:

CoBank Term Loan \$ 368,844 **CoBank**

(2) To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.

(3) To record the use of funds through the intercompany debt and the impact of the intercompany loan refinance.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2016

Revised 11/28/17
Schedule LDG-2
Page 1 of 2

	Account Number	Twelve Months 12/31/16	Pro Forma Adjustments	Pro Forma 12 Months 12/31/16
Water Sales	460 to 462	\$ 7,371,544	-	\$ 7,371,544
Other Operating Revenue	471	39,407	-	\$ 39,407
Total Revenues		<u>7,410,951</u>	-	<u>7,410,951</u>
Production Expenses	601 to 652	1,991,779	-	1,991,779
Transmission & Distribution Expenses	660 to 678	616,944	-	616,944
Customer Acct & Collection Exp	902 to 904	184,106	-	184,106
Administrative & General Expense	920 to 950	155,295	-	155,295
Inter Div Management Fee	930	1,811,426	-	1,811,426
Total Operating Expense		<u>4,759,549</u>	-	<u>4,759,549</u>
Dep Exp/Acq Adj Expense	403 & 406	1,039,607	22,158 (2)	1,061,765
Amortization Expense:CIAC	405	(259,085)	-	(259,085)
Amortization Expense	407	251,081	-	251,081
Gain on Debt Forgiveness	414	(22,613)	-	(22,613)
Property Taxes	408.1	1,051,160	26,401 (2)	1,077,561
Income Tax	409 to 410	47,319	(30,044) (3)	17,275
Total Operating Deductions		<u>2,107,469</u>	18,515	<u>2,125,984</u>
Net Operating Income		<u>543,933</u>	(18,515)	<u>525,418</u>
Other Income and Deductions		-	-	-
Interest Expenses		672,183	27,290 (1)	699,473
Net Income		<u>(128,250)</u>	<u>(45,805)</u>	<u>(174,055)</u>

Notes:

- 1 - To record the change in interest expense.
- 2 - To record the impact of assets on depreciation and property taxes.
- 3 - To record the tax impact resulting from additional expenses.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2016

Revised 11/28/17
Schedule LDG-2
Page 2 of 2

Supporting Calculations:

Interest Expense:

	Amount	Rate	Interest
CoBank Term Loan	\$ 368,844	3.25%	\$ 11,987
Existing 2013 Interco Loan-eliminated	\$ (857,632)	2.65%	\$ (22,727)
Refinance of 2013 Interco Loan	\$ 857,632	3.20%	\$ 27,444
Existing 2015 Interco Loan-eliminated	\$ (843,884)	2.70%	\$ (22,785)
Refinance of 2015 Interco Loan	\$ 843,884	3.20%	\$ 27,004
Existing 2013 North Country Interco Loan-eliminated	\$ (1,157,403)	2.65%	\$ (30,671)
Refinance of 2013 North Country Interco Loan	\$ 1,157,403	3.20%	\$ 37,037
Annual Interest			\$ 27,290

Depreciation

Additions:

	Asset Cost		Total	Depreciation	
	Asset Totals Term Loan	Cost of Removal		Rate	Amount
303 Land and Land Rights	\$ 98,500	\$ -	\$ 98,500	0.00%	\$ -
304 Structures & Improvements	\$ -	\$ -	\$ -	2.62%	\$ -
305 Collecting and Impounding Reservoirs	\$ -	\$ -	\$ -		\$ -
306 Lake, River and Other Intakes	\$ -	\$ -	\$ -		\$ -
307 Wells & Springs	\$ 234,256	\$ 23,426	\$ 210,830	3.79%	\$ 7,990
308 Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -		\$ -
309 Supply Mains	\$ -	\$ -	\$ -		\$ -
310 Power Generation Equipment	\$ -	\$ -	\$ -		\$ -
311 Pumping Equipment	\$ 39,112	\$ 3,911	\$ 35,201	5.50%	\$ 1,936
320 Water Treatment Equipment	\$ 47,421	\$ 4,742	\$ 42,679	7.33%	\$ 3,128
330 Distribution Reservoirs and Standpipes	\$ -	\$ -	\$ -	1.94%	\$ -
331 Transmission & Distribution Mains*	\$ 153,257	\$ 15,326	\$ 137,931	1.47%	\$ 2,028
333 Services	\$ 48,083	\$ 4,808	\$ 43,275	2.05%	\$ 887
334 Meters and Meter Installations	\$ 163,713	\$ 16,371	\$ 147,342	4.20%	\$ 6,188
335 Hydrants	\$ -	\$ -	\$ -	1.47%	\$ -
339 Other Plant and Misc Equipment	\$ -	\$ -	\$ -		\$ -
340 Office Furniture and Equipment	\$ -	\$ -	\$ -		\$ -
341 Transportation Equipment	\$ -	\$ -	\$ -		\$ -
342 Stores Equipment	\$ -	\$ -	\$ -		\$ -
343 Tools, Shop and Garage Equipment	\$ -	\$ -	\$ -		\$ -
344 Lab Equipment	\$ -	\$ -	\$ -		\$ -
345 Power Operated Equipment	\$ -	\$ -	\$ -		\$ -
347 Computer Equipment	\$ -	\$ -	\$ -		\$ -
Totals	\$ 784,343	\$ -	\$ 715,759		\$ 22,158

Net Additions \$ 784,343 \$ - \$ 715,759

Pro Forma Depreciation \$ 22,158
Adjusted Pro Forma Depreciation \$ 22,158

Property Taxes

	Combined Federal And State Income Tax		
Derry Town Tax Rate	\$ 27.06		
Other			
State of New Hampshire	\$ 6.60		
Total Tax Rate	\$ 33.66		
Pro Forma Property Taxes	\$ 26,401	1.1%	\$ 290
			\$ 26,691

Pennichuck East Utility, Inc.
DW 17-157
Financing Approvals-Discovery Request-Staff Set 2

Date Request Received: 11/21/17
 Request No. Staff 2-2

Date of Response: 11/28/17
 Witness: Larry D. Goodhue

REQUEST: Reference Company's response to Staff 1-6:

- a. Please explain how a reduction in the NCCRS is generated relative to the refinancing of the PEU Capex portion of the 2013 Intercompany Loan (\$857,632) and the 2015 Intercompany Loan (\$843,884) which also appears to relate to PEU Capex.
- b. Please provide the computation to derive the \$188,000 anticipated savings in the revenue requirement. (See Petition, Bates 007, Paragraph 13)

RESPONSE:

a. The error of omission described in the response to Staff 2-1, extends to this response. The reduction in the NCCRS relates to the refinance of the \$1,157,403 Intercompany Loan, not the refinance of the other two referenced Intercompany Loans (totaling \$1,701,516). The calculation of the impact of that refinance is included in footnote 9 on Schedule 5 of the 1604.08 Schedules for docket DW 17-128, as included herein:

North Country Surcharge InterCompany Refl Calculation							
	# of Customers	Existing P&I on NC Surcharge	Revised NC Surcharge with InterCompany Refl	Current Tariffed NC Surcharge	Current NC Annual Revenues	Proposed NC Surcharges with InterCompany Refl	Annual NC Revenues with Proposed NC Surcharges
Birch Hill	214	\$ 118,327.92	\$ 118,327.92	\$ 46.05	\$ 118,256.40	\$ 12.61	32,896
Sunrise Estates	81			\$ 10.74	\$ 10,439.28	\$ 10.74	10,439
Locke Lake	882	\$ 196,343.02	\$ 60,586.59	\$ 16.36	\$ 173,154.24	\$ 12.81	135,580
Totals -	1177	\$ 314,670.94	\$ 178,914.51		301,849.92		\$ 178,914.51
Outstanding Balance on Current InterCompany NC Loan -	1,157,403						
Proposed Term of New InterCompany NC Loan -	30	Years					
Proposed Interest Rate for New InterCompany NC Loan -	3.20%						

b. The computation of the savings of \$188,000 from the refinance of the \$1,701,516 in intercompany loans is included in footnote 6 of Schedule 5 of the 1604.08 schedules for docket 17-128, as included herein:

		With 1.1 multiplier
2016 P&I payments with 1.1 multiplier	\$ 259,708.22	\$ 285,679.05
Outstanding balance of debt being refinanced	\$ 1,701,516.37	
Refinanced Rate	3.20%	
Refinanced Term	30	
New P&I annual payment with 1.1 multiplier	\$89,069.34	\$ 97,976.28
Annual savings from refinancing		\$ 187,702.77

The \$259,708.22 is the total of the 2016 Principal and Interest Payments for the existing loans being refinanced (\$145,489.70 + \$114,218.52), which when multiplied by 1.1x for the proposed modified DSRR rate methodology included in DW 17-128, equals \$285,679.05. This is compared to the total calculated Principal and Interest on the new debt obligation for 30 years at 3.2%, times the 1.1x factor, equaling an amount of \$97,976.28. The difference between these two sums is the \$187,702.77 in annual savings (or approximately \$188K).

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov
alexander.speidel@puc.nh.gov
amanda.noonan@puc.nh.gov
carolann.howe@pennichuck.com
donald.ware@pennichuck.com
jay.kerrigan@pennichuck.com
jayson.laflamme@puc.nh.gov
larry.goodhue@pennichuck.com
mark.naylor@puc.nh.gov
ocalitigation@oca.nh.gov
robyn.descoteau@puc.nh.gov
rwh@rathlaw.com
steve.frink@puc.nh.gov

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**