

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 20-___

Pennichuck Water Works, Inc.

First Amended Petition of Pennichuck Water Works, Inc. for Financing Approval

Pennichuck Water Works, Inc. (“PWW” or the “Company”), a corporation duly organized and existing under the laws of the State of New Hampshire and operating therein as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the “Commission”), hereby petitions the Commission for approval and authority under RSA 369:1-4 to issue up to \$75 million in aggregate principal amount of tax-exempt or taxable bonds. In support of its Petition, PWW respectfully represents as follows:

1. PWW is a New Hampshire public utility corporation providing retail water service to customers in the towns of Nashua, Amherst, Merrimack, Milford, Hollis, Bedford, Derry, Plaistow, Epping, Salem, and Newmarket New Hampshire. PWW is wholly-owned by Pennichuck Corporation (“Pennichuck”), which, in turn, is wholly-owned by the City of Nashua.

2. As is described in detail in the testimony of Larry Goodhue, PWW’s Chief Executive Officer, the purposed financing has the following purposes:

- a. Financing of \$5.5 million needed to complete a “one time” refill and replenishment of the MOERR RSF for the Company back to its authorized imprest value. This will allow the Company to stabilize or improve the Company’s credit rating to ensure the Company is obtaining debt

financing at the lowest possible cost, and can continue to access the credit markets as a desirable investment grade bond issuer.

- b. Refunding and refinancing of the currently outstanding Series 2014A and 2015A tax-exempt bonds and the Series 2015B taxable bonds. This will allow the Company to reduce the cost on over \$56 million in existing debt with lower interest bonds to the direct benefit of existing customers.
- c. Refinancing the currently outstanding note payable to American United Life Insurance, which matures and is due in full as of March 1, 2021.
- d. To fund the overall cost of issuance for the bonds, inclusive of any advance refunding escrow deposits.

3. The financing will be accomplished by issuing Taxable bonds¹ with a fixed interest rate, applicable to each instrument comprising the overall serialized bond offering. The term of the Bonds will be no greater than 35 years. Repayment of the Bonds will be unsecured.

4. Based upon market conditions existing as of the date of this filing, PWW believes that Bonds, with terms and conditions similar and aligned with the Company's already issued 2014-2019 Bonds and an estimated interest rate of between 3.5% and 4.5% percent per annum. current estimated overall Total Interest Cost ("TIC") is estimated to be approximately 3.67%.²

5. Attached as Exhibit LDG-3 to Mr. Goodhue's testimony is a proforma projection of total debt service from the proposed financing, compared to existing debt service on the impacted refinanced debt instruments, along with the issuance of \$5.5 million of new money for the RSF funds, thru 2055 (the full horizon for the repayment of 35 years bonds issued for 2020).

¹ As described in Mr. Goodhue's testimony, there is a possibility, albeit remote, that tax-exempt bonds would be available.

² Mr. Goodhue describes in his testimony factors that may affect TIC, including a potential credit rating enhancement, the effects of COVID-19 on the bond market, and the demand for bonds at the time of issuance.

6. The actual financing structure, rates, terms and conditions, amount, redemption provisions and coupon rate of the Bonds would be determined at the time of issuance based upon market conditions at that time.

7. PWW intends to issue the Financing Bonds on or about September 1, 2020 in order to apply any cash flow savings from this financing transaction to customer rates. Resolution of the total debt service from this financing is instrumental to the implementation of the Material Operating Expense Supplement (“MOES”) PWW is seeking in its pending rate case, DW 190-084.

8. In light of the volatility in the Bond market, the Company is seeking an Order NISI by or before June 30, 2020 to allow for the thirty-day public comment period that follows the issuance of such an order, and in order to complete this financing as soon as practical. It takes 5-8 weeks to complete the entire process of documenting, processing, marketing and closing upon a bond issuance to the markets, and the Company would anticipate beginning that process as soon as the Order NISI was received, and in parallel with the expiration of the public comment period. This would allow the Company to complete the bond issuance on or about September 1, 2020.

9. In accordance with Puc 609.03 and Form F-4, Mr. Goodhue’s testimony describes the estimated costs of the proposed financing, and includes the following attachments³:

- A balance sheet with pro forma adjustments reflecting the proposed financings (Schedule LDG-1);
- An income statement with pro forma adjustments (Schedule LDG-2); and

³ As has been noted in previous finance dockets, due to PWW’s unique ownership and financing structure, the Company has not included a schedule showing PWW’s capital structure with pro forma adjustments.

- An exhibit setting forth a long-term proforma projection of the differential in total debt service cash requirements from this transaction for PWW over a 35-year period from 2021 to 2055, based on estimates and assumptions, and reflecting the effects of the financings contemplated by the proposed financings (Schedule LDG-3).

10. Mr. Goodhue further explains that PWW is entitled to issue the proposed bonds under RSA Chapter 369 for the purposes set forth in this petition and the testimony that accompanies this petition, and the financings are consistent with the public good because they will (1) allow for the issuance of bonds which have repayment terms and financial covenants that are aligned with the capital requirements of PWW and supported by PWW's modified allowed revenue rate structure; (2) refinance long-term debt with favorable interest rates and maturities that are better aligned with the useful lives of the originally funded capital assets, to the long-term benefit of PWW's ratepayers; and (3) generally improve the capitalization of PWW consistent with the assumptions underlying the Commission's Order No. 25,292 (Approving Acquisition and Settlement Agreement) and providing for future revenue requirements for the DSRR portion of allowed annual revenues that will either be lower than current rates, and/or will maintain a level that is level in the years thru full maturity of the refinanced and re-termed bonds, based on reasonable projections.

11. As is described in Mr. Goodhue's testimony, the proposed financings have been given preliminary approval by PWW's and Pennichuck's Boards of Directors and which has authorized management to pursue all steps necessary to complete the transactions. The approvals are attached to Mr. Goodhue's testimony as Exhibits LDG-6 and 7. PWW's Board of Directors will also approve the final structure and terms of the proposed financings and the Bond

Purchase Agreement, pursuant to which the proposed bonds will be issued, and other material documents and agreements, when such documents are finalized.

12. PWW is preparing concurrently with this filing, a request for approval to the City of Nashua. It is anticipated that this request will be considered by the Board of Aldermen during their two meetings in the month of May 2020 and will be remanded to the City's Special Water Committee between those two meetings for consideration and recommendation in time for the next full Board of Aldermen. The Company will supplement this Petition with documentation showing written confirmation from the City of Nashua upon receipt.

13. PWW is also submitting its application to the New Hampshire Business Finance Authority ("NHBFA") Board of Directors for preliminary approval to issue taxable and/or tax-exempt bonds on behalf of PWW. It is anticipated that this application will be considered and voted upon during the NHBFA's May 2020 meeting. Upon receiving approval from the NHBFA, and the subsequent approval of the Governor and Executive Council on this request, a copy of the approvals will be provided to the Commission in support of this petition. The NHBFA has not actually reserved any portion of its bonding limit at this time, as it awaits the Commission's approval of this financing petition docket. PWW will provide a copy of NHBFA's final action to the Commission as soon as it becomes available following the Commission's Order.

14. For the reasons described in Mr. Goodhue's testimony, including the desire to consummate the transactions as soon as possible, which will allow for the public comment period and preparation of financing documents, PWW respectfully requests that the Commission issue an Order NISI no later than June 30, 2020 if possible.

15. Finally, the Company avers that it is entitled to issue promissory notes and issue

bonds 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 as contemplated by the New Hampshire Supreme Court's ruling in *Appeal of Easton*, 125 N.H. 205,211 (1984).

WHEREFORE, by this petition, PWW requests that the Commission:

(a) Find that the issuance of the Proposed Bond Financings in accordance with the terms and purposes described in this petition and in the prefiled testimony is consistent with the public good;

(b) Pursuant to RSA 369:1, 3 and 4, grant PWW the authority to arrange for the issuance and sale of new taxable bonds and in the aggregate principal amount of up to \$75 million for the purposes described herein;

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

(d) Approve the financing request by Order *Nisi* or, in the alternative, issue an Order of Notice as soon as practicable that establishes a procedural schedule, including a date for hearing in this matter, which would enable the Commission to hold a hearing and issue its decision on or before June 30, 2020; and

(e) Take such further action and make such other findings and orders as in its judgment may be just, reasonable, and in the public good.

Respectfully submitted,

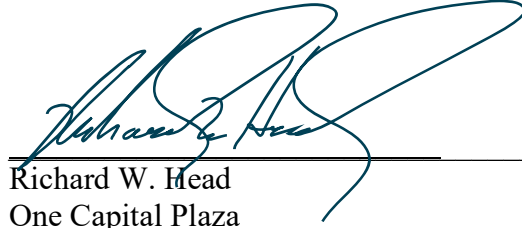
PENNICHUCK WATER WORKS, INC.

By Its Attorneys

RATH, YOUNG AND PIGNATELLI, P.C

Dated: May 19, 2020

By:



Richard W. Head
One Capital Plaza
Concord, NH 03302-1500
603-410-4322
rwh@rathlaw.com

Certificate of Service

I hereby certify that a copy of this 1st Amended Petition has this day been filed with the Service List for this Docket.

Dated: May 19, 2020



Richard W. Head