Docket DW 20-055
Pennichuck Water Works, Inc. – Petition for Financing Approval
Information Disclosure for Post Bond Closing Results

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I. INTRODUCTION

Order No. 26,383 issued for this docket, on July 24, 2020, required Pennichuck Water Works, Inc. ("PWW" or "Company") to "submit the final terms of bond financing" "within 10 days of closure of the bond issuance." The Company offers the following summary of events and final terms of the bond financing.

II. PROCESS AND SUMMARY OF TERMS

- The Company successfully closed on the bond issuance on September 2, 2020 (Series 2020C bonds), and as such this disclosure is being filed within the filing deadline of 10 days post-closing, on or before September 14, 2020 pursuant to Puc 202.03(b), Computation of Time.
- The bond issuance was "pre-priced" on Tuesday August 25, 2020, which is the deadline for the overall structure of the deal to be finalized, going into pricing the next day.
- The bond issuance was marketed, priced and sold on Wednesday August 26, 2020.
- The overall value of the bonds issued was $73,630,000, which is in conformity with the Order giving authority to issue up to $75,000,000 of bonds.
- The bond issuance accomplished all of the major factors petitioned for and approved in Docket DW 20-055, including:
    - The advance refunding and refinancing of the 2014A, 2015A and 2015B bonds, including the funding of the escrow deposit for that advance refunding;
    - The payoff of the AULI Note Payable set to expire on 3/1/2021;
    - The funding of monies needed to refill the MOERR RSF to its imprest level of $2,850,000, and paydown the Working Capital Line of Credit for the balance outstanding as of the date of pre-pricing, with a maximum cap of $2,650,000 for that purpose ($5,500,000 in the aggregate for both components of the new money borrowed);
    - Pay for the overall cost of issuance on the bonds.
- Attached to this disclosure are details of the Post-Award Pricing of the bonds and indicate the overall results of the offering.
- Page 1 as attached is the summation of the entire offering, including all of the components indicated above.
- Page 2 is a summation of the hybrid offering the deal was comprised of, including serial bonds issued maturing from 2021 thru 2030, as well as three term bonds with annual sinking fund payments, having maturities in 2038, 2045 and 2055. All together comprising the structure of the deal to issue bonds over the 35 year term petitioned for and approved, and structured to allow for a near flat cost of debt service over a period of years, and then a reduction in annual debt service for another plateau of years to full maturity. The deal was consummated with an average arbitrage yield of 3.871383% and an overall All-In TIC of 4.011440%
- Page 3 gives the portion of the bonds that were issued within the deal in support of the new money borrowed of $4.7 million, including COI of $95,000, with a year one debt service cost of $250,494.66

- Page 4 shows the total debt service (principal and interest) portion of the bonds for the balance of the offering, including the advance refunding of the 2014/2015 bonds, the payoff of AULI, and the funding of the escrow for the advanced refunding, as well as the COI. This takes the 2021 debt service on the prior debts at $4,725,486.07 down to a new amount of $3,648,837.67, for an annual savings of $1,076,648.40.
- The bond issuance was floated with the Company's attached "A" rating with a negative outlook by S&P. This is the same rating the Company was given for its April 2020 bond issuance, and was not yet given full credit for the results of this current bond issuance in refilling the MOERR RSF account, allowing for the establishment of the MOEF in the Company's rate structure, as approved in the July 24, 2020 Order under Docket No. 19-084, or giving credit for the full value of permanent rates being granted under that docket. The rationale given by S&P in this credit rating issuance was that although those factors were positive for the Company's overall credit rating, the final rates had not yet gone into effect, and thus they could not be fully weighted in the rating. One benefit of the Commission's order and approval of the revised revenue requirement methodology, however, was that, S&P indicated that without these positive items being put in place, the Company's rating would have decreased, like it has for many Companies, due to current overall market concerns and uncertainty due to COVID-19, and its impact on the worldwide economy.
- The Company only funded the new monies at $4.7 million, instead of the full $5.5 million authorized, in conformity with the order, based upon the outstanding balance of the W/C Line of Credit as of the date of pre-pricing. On that morning, the outstanding balance was slightly in excess of $1.85 million, and as bonds are issued in $5,000 increments, the amount included in the overall offering was rounded down to the $1.85 million amount.
- The bonds when priced on August 26, 2020 were actually floated at a rate lower than the rates in existence in the market on both the day before and the day after pricing. This is important because it allowed the Company to obtain a lower rate. In fact, the muni bond market rates went up 10 basis points (0.10%) the day after we priced our issuance.
- The Company had $1,710,867.79 in its DSRR 1.0 account awaiting the 10/1/2020 payment on the 2014A, 2015A, and 2015B bonds, and as such, those monies were used in the deal for those debt instruments being refinanced and defeased in this offering, as those 10/1/2020 payment obligations were being negated and replace with the new debt service obligations on the new Series 2020 C bonds, with future payment dates of 3/1 and 9/1 of each year until maturity. This eliminated the need to reborrow any of those funds in this offering.
- The net result of this overall transaction is a net annual debt service savings in 2021 of $826,153.74 ($1,076,648.40 – $250,494.66); the amount upon which the overall rate increase and factor for the MOEF in Docket DW 19-084 will be calculated and finalized.