

1 **STATE OF NEW HAMPSHIRE**
2 **PUBLIC UTILITIES COMMISSION**

3
4 **November 6, 2020 - 10:06 a.m.**

5
6 *[Remote Hearing conducted via Webex]*

7
8 **RE: DW 20-157**
9 **PENNICHUCK WATER WORKS, INC.:**
10 **Petition for Approval of Bond**
11 **Financing and Fixed Asset Line**
12 **of Credit. (Prehearing conference)**

13 **PRESENT:** Chairwoman Dianne Martin, Presiding
 Cmsr. Kathryn M. Bailey

14 Jody Carmody, Clerk
15 Eric Wind, PUC Remote Hearing Host

16
17 **APPEARANCES:** **Reptg. Pennichuck Water Works, Inc.:**
18 Richard W. Head, Esq. *(Rath, Young...)*
 James Steinkrauss, Esq. *(Rath, Young...)*

19 **Reptg. PUC Staff:**
20 Christopher Tuomala, Esq.
 Jayson Laflamme, Asst. Dir./Gas & Water

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23 Court Reporter: Steven E. Patnaude, LCR No. 52
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P R O C E E D I N G

CHAIRWOMAN MARTIN: We're here this morning in Docket DW 20-157 for a prehearing conference on the Pennichuck Water Works, Incorporated's Petition for Approval of Bond Financing and Fixed Asset Line of Credit.

I need to make the necessary findings for a remote hearing.

As Chairwoman of the Public Utilities Commission, I find that due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic, and in accordance with the Governor's Emergency Order Number 12, pursuant to Executive Order 2020-04, this public body is authorized to meet electronically. Please note that there is no physical location to observe and listen contemporaneously to this hearing, which was authorized pursuant to the Governor's Emergency Order.

However, in accordance with the Emergency Order, I am confirming that we are utilizing Webex for this electronic hearing. All members of the Commission have the ability to communicate contemporaneously during this

1 hearing, and the public has access to
2 contemporaneously listen and, if necessary,
3 participate.

4 We previously gave notice to the public
5 of the necessary information for accessing the
6 hearing in the Order of Notice. If anybody has a
7 problem during the hearing, please call (603)
8 271-2431. In the event the public is unable to
9 access the hearing, the hearing will be adjourned
10 and rescheduled.

11 Okay. Let's take a roll call
12 attendance of the Commission. My name is Dianne
13 Martin. I am the Chairwoman of the Public
14 Utilities Commission. And I am alone.

15 Commissioner Bailey.

16 CMSR. BAILEY: Commissioner Kathryn
17 Bailey. And I am alone.

18 CHAIRWOMAN MARTIN: All right. Let's
19 take appearances, starting with Mr. Head. Good
20 morning.

21 MR. HEAD: Good morning. Thank you
22 very much.

23 For the record, Richard Head, from
24 Rath, Young & Pignatelli, appearing on behalf of

1 Pennichuck Water Works, the Petitioner. Also
2 attending, on behalf of Pennichuck, are, from my
3 office, James Steinkrauss, an attorney, who will
4 soon be filing an appearance. I will be filing a
5 withdrawal in this matter after today's hearing
6 to take a position with the Judicial branch. So,
7 James will be taking over, with Bill Ardinger,
8 who is not on today, but will be on in future
9 proceedings.

10 From the Company, Pennichuck, Larry
11 Goodhue is attending, the CEO of Pennichuck Water
12 Works; Carol Ann Howe, the Assistant Treasurer
13 and Director of Regulatory Affairs; Jay Kerrigan,
14 a financial analyst; and George Torres,
15 Treasurer.

16 Thank you very much.

17 CHAIRWOMAN MARTIN: All right. Well,
18 thank you. And congratulations on your new
19 position.

20 MR. HEAD: Thank you.

21 CHAIRWOMAN MARTIN: Mr. Tuomala.

22 MR. TUOMALA: Good morning, Chairwoman
23 Martin, Commissioner Bailey.

24 My name is Christopher Tuomala. I'm an

1 attorney representing the Commission Staff here
2 at the Public Utilities Commission.

3 With me, I have Jayson Laflamme, the
4 Assistant Director of the Gas and Water Division.

5 CHAIRWOMAN MARTIN: Okay. Thank you.

6 All right. So, I have, for preliminary
7 matters, a pending Motion for Confidential
8 Treatment, which we will take under advisement.
9 But I would ask that everyone treat the
10 information that's identified as "confidential"
11 as confidential during today's prehearing.

12 And I also have a pending Motion for
13 Bifurcation. Do counsel wish to be heard on
14 that?

15 I will also note for the record that I
16 did receive an email this morning related to the
17 motion, and suggesting that it may come up for
18 consideration this morning, from Staff, just for
19 the record.

20 Mr. Tuomala, Mr. Head, would you like
21 to be heard on that motion?

22 MR. HEAD: Thank you. Richard Head.
23 Very briefly.

24 We did seek, after discussion with

1 Staff and counsel, a request to bifurcate the two
2 financing aspects of this docket. There's a
3 fixed asset line of credit and a bond financing
4 request. The timing of these two financing
5 requests is such that the fixed asset line of
6 credit would need to be addressed sooner than the
7 bonds needs to be addressed.

8 The current fixed asset line of credit
9 that the Company has expires at the end of the
10 year, December 31. So, the timing on that is a
11 little more critical than the bond, which would
12 not be issued until next year.

13 And, in order to allow certain most
14 efficient operation and investigation of the
15 fixed asset line of credit, after consultation
16 with Staff, it seemed to make sense to bifurcate,
17 so that the immediate short-term need of the
18 FALOC could be addressed first.

19 And that's the basis for the request,
20 just really one of timing, and the two different
21 financing requests having a different timeline.

22 Thank you.

23 CHAIRWOMAN MARTIN: Mr. Tuomala.

24 MR. TUOMALA: Thank you, Madam

1 Chairwoman.

2 Staff concurs and agrees with
3 everything that Attorney Head has represented.
4 For the record, staff believes that this would be
5 the most efficient way for the Commission to
6 examine this docket, given the timing of
7 approvals. And, again, as Attorney Head had
8 stated, the fixed asset line of credit is up for
9 renewal by the end of this calendar year,
10 December of 2020, and the bonding is in April of
11 2021, looking for resolution by the Commission
12 somewhere around mid February.

13 So, for expediency, Staff suggested
14 that PWW file the Motion to Bifurcate, allowing
15 us to directly examine the FALOC first, and then
16 move on to the bonding afterwards, so that we
17 could meet PWW's needs to have an order issued by
18 the end of the calendar year.

19 And Staff, for the record, we feel that
20 it meets the standard set by the Commission.
21 And, if I could quote from Order 26,407, that's
22 Hampstead Area Water Company, that "Bifurcation
23 of the financing requests would promote the
24 orderly and efficient conduct of the proceeding."

1 Thank you, Madam Chairwoman.

2 CHAIRWOMAN MARTIN: Okay. Thank you.

3 Commissioner Bailey, do you have any
4 questions or concerns related to the motion?

5 CMSR. BAILEY: No. I have no questions
6 or concerns. Thank you.

7 CHAIRWOMAN MARTIN: Okay. Well, with
8 that, then we will grant the Motion to Bifurcate
9 the issues in the case, between the fixed asset
10 line of credit and the bond financing, finding
11 that it would promote the orderly and efficient
12 conduct of the proceeding. Thank you both for
13 your argument on that.

14 Anything else we need to cover before
15 we hear preliminary positions?

16 MR. HEAD: Nothing from the Petitioner.
17 Thank you.

18 CHAIRWOMAN MARTIN: Okay. Then, go
19 ahead, Mr. Head.

20 MR. HEAD: Excellent. Thank you.
21 Again, for the record, Richard Head, on behalf of
22 the Petitioner.

23 This is a financing docket request, as
24 I said before, with two aspects of it. And

1 they're really two of the probably most critical
2 financing aspects for this Company.

3 The first is a fixed asset line of
4 credit. The current fixed asset line of credit
5 is set to expire at the end of calendar year
6 2020. And this is the financing mechanism to pay
7 for projects on a short-term basis during the
8 calendar year. And then, those are then wrapped
9 in the following year through the bonding
10 request. So, these are tied together.

11 The fixed asset line of credit is the
12 short-term debt financing mechanism that the
13 Company uses throughout the calendar year. And
14 then, after the final payment is made for the
15 calendar year, those then are considered as part
16 of the annual QCPAC, and evaluated under the
17 QCPAC Program, and ultimately put into long-term
18 financing through the bonding.

19 So, these really are the two sort of
20 critical financing mechanisms that the Company
21 utilizes to manage their sort of day-to-day
22 capital needs that are approved through the year
23 by the Boards of Pennichuck, by the Boards of
24 Pennichuck Water Works, and Pennichuck

1 Corporation, and then ultimately reviewed by the
2 Commission and by Staff.

3 So, you know, I don't know that I need
4 to go into a great deal of detail for purposes of
5 today's hearing, but just to note that these are
6 the, you know, sort of the essential operating
7 and construction financing mechanisms that the
8 Company uses.

9 They have been -- they're consistent
10 with past practices. So, the FALOC that is
11 before you is consistent with the FALOC that's
12 currently in effect, and the bonding mechanism --
13 with the exception of there's a request to
14 increase the cap on it, as is described in
15 Mr. Goodhue's testimony that was presented, and
16 then the bonding mechanism is, again, consistent
17 with the way and the manner in which the Company
18 has been bonding in the past.

19 So, thank you. Thank you again for
20 your time this morning.

21 CHAIRWOMAN MARTIN: Commissioner
22 Bailey, do you have any questions?

23 CMSR. BAILEY: No questions. Thank
24 you.

1 CHAIRWOMAN MARTIN: Okay. Mr. Tuomala.

2 MR. TUOMALA: Thank you, Madam

3 Chairwoman. Christopher Tuomala, for Commission
4 Staff.

5 I agree with everything that Attorney
6 Head has summarized about the Petition. There
7 are two financing requests. And thank you for
8 granting the Motion for Bifurcation.

9 At this point, Staff is examining, and
10 we've already begun examining, the request for
11 the line of credit extension, in both time and in
12 terms of the cap, from 10 million to 12 million.

13 Staff issued discovery on October 28th,
14 I believe, and those responses will be due soon.
15 We've been coordinating with the Company with
16 some unofficial technical sessions and discussing
17 this matter. So, we're well underway, our
18 investigation.

19 We have a technical session scheduled
20 after this hearing, which we will be discussing
21 with the Company the next steps in our
22 examination of the fixed asset line of credit,
23 and then moving on to the timing of the bond
24 financing request.

1 And, at this time, we don't have any
2 major issues with either financing. Our
3 investigation into the line of credit right now
4 is specifically into the terms, which I will not
5 go into, because those are under request to
6 maintain confidentiality. But we will be
7 examining exactly what those terms are, and how
8 they apply to Pennichuck Water Works, and
9 possibly their sister companies.

10 But, again, we don't have any major
11 concerns at this point. And we look forward to
12 speaking with the Company afterwards in the
13 technical session.

14 Thank you.

15 CHAIRWOMAN MARTIN: Okay. Thank you.
16 Commissioner Bailey, any questions on that?

17 CMSR. BAILEY: Not really a question,
18 but I would like to hear from Staff whether the
19 \$2 million increase in the line of credit is
20 necessary and reasonable? Not today,
21 necessarily, but --

22 MR. TUOMALA: At first blush,
23 Commissioner Bailey, we don't have any concerns
24 about the requested increase. And, as Attorney

1 Head had stated, this is pretty integral to the
2 whole QCPAC process and that -- their continuing
3 capital budget operation. And given their
4 projected budgets over the next few years, it
5 doesn't seem to be inappropriate that this
6 request to extend the cap from 10 million to
7 12 million would be unreasonable, due to some of
8 the projects that they have in the pipeline for
9 the next couple years.

10 CHAIRWOMAN MARTIN: Okay. Is there
11 anything else we need to cover before the
12 technical session?

13 MR. HEAD: On behalf of the Petitioner,
14 we have nothing else. Thank you.

15 CHAIRWOMAN MARTIN: Okay. Then, --

16 MR. TUOMALA: Oh, sorry. Staff has
17 nothing further either. Thank you.

18 CHAIRWOMAN MARTIN: Okay. Thank you.

19 Then, I think we've covered everything,
20 and we'll let you get to the technical session.
21 We're adjourned for the day. Thanks, everyone.

22 **(Whereupon the prehearing conference**
23 **was adjourned at 10:19 a.m.; a**
24 **technical session followed.)**