

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 09-111

PENNICHUCK WATER WORKS, INC.

Petition for Authority to Issue Long Term Debt

Order *Nisi* Approving Petition

ORDER NO. 24,984

July 6, 2009

I. BACKGROUND

On June 9, 2009, the petitioner, Pennichuck Water Works, Inc. (PWW), filed a petition seeking authority to borrow up to \$300,000 in long-term debt pursuant to RSA 369:1. PWW proposes to borrow funds made available through the American Recovery and Reinvestment Act of 2009, which will be disbursed through the existing State Revolving Loan Fund (SRF) administered by the Department of Environmental Services (DES). PWW intends to construct the Armory Booster Station adjacent to the National Guard Armory in south Nashua in order to better serve the southern portion of the DW Highway. PWW's states that the costs and energy savings of this option were compared to that of upgrading the Company's existing Timberline Station, which currently provides service to the area by boosting to higher pressures and then reducing those pressures through a pressure reducing valve. According to PWW, construction of the Armory Booster Station will yield a net energy savings of 64% and a nearly \$13,000 annual cost savings over the Timberline alternative. PWW has secured the necessary easements and hopes to complete the majority of construction by early next year.

The loan that PWW anticipates is expected to have terms and conditions similar to those of prior SRF loans. The \$300,000 loan is expected to be repaid over a 20-year term, with an

interest rate of 3.744% per year. As with prior SRF loans, DES would make disbursements of funds based on invoices submitted by contractors engaged by PWW, and those advances would accrue interest at an annual rate of 1% until substantial completion of the capital projects.

Approximately six months after project completion, monthly payments of principal and interest will begin, with 50% of the \$300,000 principal forgiven., leaving PWW with only \$150,000 to repay.

Commission Staff, by letter of June 30, 2009, recommended that the petition be approved and noted that due to the favorable terms of the loan, the impact on PWW's balance sheet would be minimal. Additionally, Staff concurred with the company's proposed use of the funds and the improvements planned for its water system.

II. COMMISSION ANALYSIS

Pursuant to the provisions of 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 consideration involves looking beyond actual terms of the proposed financing to the use of the proceeds of those funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205 (1984).

PWW has asked to borrow \$300,000 to finance capital improvements to its Nashua core system. The loan funds originate through the American Recovery and Reinvestment Act of 2009 and are being disbursed through the existing SRF structure on extremely favorable terms. As repayment commences, half of the loan principal will be forgiven and will not accrue interest.

We have reviewed PWW's intended use of the funds and find that PWW has demonstrated that the proposed project will enable it to provide better service to its customers at an advantageous cost, and achieve significant energy savings over the project's alternative. Additionally, the project will not have a significant impact on ratepayers due to the low interest rate and 50% principal forgiveness. Accordingly, given the important nature of the capital project to be undertaken with the requested funds and the favorable terms of financing, we conclude that the financing is consistent with the public good and approve the amount and purpose of the financing. Finally, although the petition did not specifically request it, recent experience with petitions for SRF loans suggests that a security interest in the borrower's assets may be required. Accordingly, approval is granted pursuant to RSA 369:2 and PWW may provide a security interest in its real and personal property if needed to secure the loan.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, authority to undertake the financings proposed by PWW, upon the terms and conditions proposed in its petition, is hereby **APPROVED**; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than July 9, 2009 and to be documented by affidavit filed with this office on or before July 15, 2009; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states

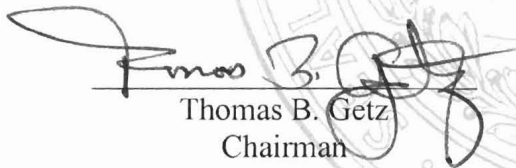
the reason and basis for a hearing no later than July 13, 2009 for the Commission's consideration; and it is


FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than July 14, 2009; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective July 15, 2009, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

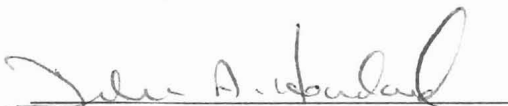
FURTHER ORDERED, that PWW shall file true copies of the loan documents executed or otherwise finally issued in connection with the closing of the transactions contemplated hereby.

By order of the Public Utilities Commission of New Hampshire this sixth day of July, 2009.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner

Attested by:


Debra A. Howland
Executive Director