

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 14-191**

**PENNICHUCK EAST UTILITY, INC.**

**Request for Waiver of Short-Term Debt Limit**

**Order Approving Waiver of Short-Term Debt Limit**

**ORDER NO. 25,716**

**September 12, 2014**

In this order, the Commission grants PEU's request for a waiver of the 10% short-term debt limit set by N.H. Code Admin. Rules Puc 608.05. The Commission authorizes a short-term debt limit of up to 12% of PEU's net fixed plant through October 31, 2014.

**I. BACKGROUND**

Pennichuck East Utility, Inc. (PEU), is a regulated public utility pursuant to RSA 362:2 and RSA 362:4 and provides water service to approximately 7,000 customers in 19 communities throughout the State of New Hampshire. PEU is a subsidiary of Pennichuck Corporation, which is wholly owned by the City of Nashua. Due to this municipal ownership, PEU is financed solely with debt capital. PEU filed a request for a temporary waiver of the Commission's 10% short-term debt limit set by Puc 608.05. PEU states that it expects to exceed the 10% limit by a small amount in the coming months, and seeks a brief waiver, allowing it to assume short-term debt up to 12% of its net fixed plant (book value) through October 31, 2014.

PEU's request and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2014/14-191.html>.

In support of its request, PEU states that it has been under municipal ownership since 2012 and, as a result, it is exclusively capitalized with debt. PEU's continued investment in infrastructure has necessitated the use of short-term debt. PEU experienced lower earnings prior to the issuance of a final order in its rate case, Docket No. DW 13-126, in which the Commission authorized an 11.53% increase in rates. *See Pennichuck East Utility Inc.*, Order No. 25,696 (July 25, 2014). PEU states that its short-term debt was 10.26% in May due to property tax payments, and 9.99% in June. PEU anticipates that its short-term debt will remain in the range of 10% to 12% until its cash flow begins to improve through the new permanent rates and expected long-term financing.

On August 4, 2014, the Commission Staff (Staff) filed a recommendation that the Commission approve PEU's request. Staff states that PEU is actively working to acquire new long-term debt and that recently approved permanent rates will improve PEU's financial situation. Staff concludes that the waiver serves the public interest and will not disrupt the orderly and efficient resolution of matters before the Commission.

## **II. COMMISSION ANALYSIS**

Pursuant to Puc 201.05(a), the Commission may waive a rule if it finds that the waiver is in the public interest and that it will not disrupt the orderly and efficient resolution of matters before the Commission. The Commission has approved waivers of the short-term debt limit for PEU in the past for circumstances similar to those present in this docket. After the City of Nashua acquired PEU, the Commission approved a short-term debt limit of 15% of net fixed plant for the remainder of calendar year 2012. *See Pennichuck East Utility, Inc.*,

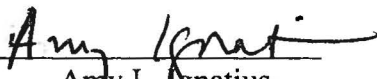
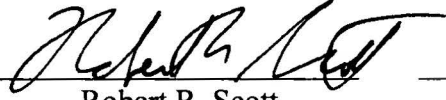

Order No. 25,326 (February 1, 2012). In 2013, the Commission approved a short-term debt limit of 18% of net fixed plant for 45 days following an order approving three new long-term loans and then 12% for the remainder of calendar year 2013. *See Pennichuck East Utility, Inc.*, Order No. 25,482 (March 28, 2013).

In the instant case, PEU has: (1) experienced a period of low earning levels pending the resolution of its rate case, (2) continued to invest in necessary capital improvements, and (3) relied on short-term debt for liquidity. Such circumstances can reasonably cause a utility to exceed the 10% limit, although PEU does not expect short-term debt to exceed the 10% limit for long. The Commission approved an increase to PEU's revenue requirement of 11.53% in July and given that the company bills monthly, PEU will realize those increased revenues in the near future. PEU is also taking steps to obtain long-term financing and expects to file for Commission approval in September. For those reasons, PEU only seeks a waiver through October 31, 2014. Having considered PEU's request and Staff's recommendation, the Commission finds that the waiver is in the public interest and that it will not disrupt the orderly and efficient resolution of matters before the Commission. We will approve PEU's request for waiver of Puc 608.05 to a level of up to 12% on a temporary basis through October 31, 2014.

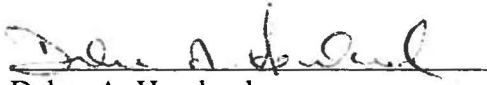
**Based upon the foregoing, it is hereby**

**ORDERED**, that Pennichuck East Utility, Inc.'s request for a waiver of Puc 608.05 up to a limit of 12% of its net fixed plant through October 31, 2014 is **GRANTED**.

By order of the Public Utilities Commission of New Hampshire this twelfth day of  
September, 2014.

 _____ Amy L. Ignatius Chairman	 _____ Robert R. Scott Commissioner	 _____ Martin P. Honigberg Commissioner
---	--	---

Attested by:

  
\_\_\_\_\_  
Debra A. Howland  
Executive Director