

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 14-191**

**PENNICHUCK EAST UTILITY, INC.**

**Request to Renew Waiver of Short-Term Debt Limit**

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

**ORDER NO. 25,740**

**December 19, 2014**

In this order, the Commission grants a request of Pennichuck East Utility, Inc. (PEU), for the renewal of a prior waiver of N.H. Code Admin. Rules Puc 608.05, which limits short-term debt to 10% of net fixed plant. The Commission hereby authorizes a short-term debt limit of up to 12% of PEU's net fixed plant until 90 days after final orders have been issued in PEU's rate case and its pending financing dockets, DW14-282 and DW14-321.

PEU's request and other docket filings, except for 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>.

**I. BACKGROUND**

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 in the State of New Hampshire. PEU is a subsidiary of Pennichuck Corporation, which is wholly-owned by the City of Nashua. Due to its indirect municipal ownership, PEU's investment in infrastructure to serve its customers is financed solely with debt capital at this time.

PEU initially requested a waiver of Puc 608.05, the Commission's rule limiting short-term debt to 10% of a utility's net fixed plant, on July 15, 2014. At that time, PEU requested a waiver through the end of October 2014. On September 12, 2014, the Commission granted the waiver as requested by Order No. 25,716.

On December 11, 2014, PEU filed a request to renew the expired waiver of Puc 608.05. In support of its request, PEU stated that it expects to "minimally" exceed the 10% limit in December 2014, when it makes certain year-end property tax payments to municipalities. Specifically, PEU requested a short-term debt limit of up to 12% of its net fixed plant "until 90 days after final orders have been issued in PEU's rate case and its pending financing dockets, DW14-282 and DW14-321."

In support of its waiver renewal request, PEU reiterated the reasons underlying the initial waiver request, which relate to its indirect municipal ownership. PEU asserted that it has "limited financial flexibility" in funding necessary capital investments with long-term debt because of this ownership structure. Consequently, PEU has continued to fund these investments using short-term debt, and its short-term debt balance has continued to increase.

In addition, PEU cited lower-than-expected earnings experienced due to a delay in the calculation of its temporary rate recoupment in its rate case, DW 13-126. Although the Commission approved an 11.53% rate increase in that docket, *see* Order No. 25,696 (July 25, 2014), it has taken PEU longer than anticipated to reconcile temporary and permanent rates. This delay has resulted in a delay of the associated rate adjustment.

Further, PEU previously expected its percentage of short-term debt to decrease as a result of long-term financing, for which it initially planned to seek Commission approval in August

2014. Those petitions, however, were not filed until October 6 and November 14, 2014.

Consequently, any reduction in short-term debt that could have resulted from long-term debt has been similarly delayed.

The Staff concurred with PEU's waiver renewal request. The OCA took no position.

## **II. COMMISSION ANALYSIS**

Under N.H. Code Admin. Rules 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. Based on the circumstances described by PEU in its request, the Commission finds that a renewal of the waiver of the short-term debt limit in Puc 608.05 is consistent with those requirements.

PEU has experienced a period of low earning levels pending the resolution of its rate case, has continued to invest in necessary capital improvements, has experienced a delay in securing long-term financing, and has relied on short-term debt for liquidity. Such circumstances can reasonably cause a utility to exceed the 10% limit on short-term debt of Puc 608.05.

Also, since the final resolutions in its rate case and financing proceedings will abate the problems causing its level of short-term debt to exceed 10%, PEU does not expect to exceed the short-term debt limit for long. PEU only seeks a waiver until 90 days after the final orders have been issued in these dockets.

Having considered PEU's request, we find that the waiver is in the public interest and will not disrupt the orderly and efficient resolution of matters before the Commission. We therefore approve PEU's request for waiver of Puc 608.05 to a level of up to 12% of the utility's


net fixed plant on a temporary basis, until 90 days after final orders have been issued in PEU's rate case, DW 14-126, and its pending financing dockets, DW14-282 and DW14-321.

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

**ORDERED**, that PEU's request for renewal of a waiver of Puc 608.05 up to a short-term debt limit of 12% of its net fixed plant until 90 days after final orders have been issued in PEU's rate case, DW 14-126, and its pending financing dockets, DW14-282 and DW14-321 is GRANTED; and

By order of the Public Utilities Commission of New Hampshire this nineteenth day of December, 2014.

  
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Martin P. Honigberg  
Chairman

  
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Robert R. Scott  
Commissioner

Attested by:

  
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Debra A. Howland  
Executive Director