

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 22-075

PITTSFIELD AQUEDUCT COMPANY, INC.

Petition for Waiver and Increase to Short-Term Debt Limit

Order *Nisi* Approving Petition

ORDER NO. 26,823

May 16, 2023

In this order, the Commission grants a petition filed by Pittsfield Aqueduct Company, Inc. (PAC, or the Company) on November 3, 2022, for a waiver pursuant to N.H. Admin. Rule Puc 201.05 of the limit on short-term debt established in Puc 608.05 and a temporary increase of that limit from 10 percent to 18 percent of the Company's net fixed plant until June 30, 2023. The Commission grants the requested waiver and authorizes the requested increase in the short-term debt limit until June 30, 2023. The petition and subsequent docket filings are posted on the Commission's website at www.puc.nh.gov/Regulatory/Docketbk/2022/22-075.html.

I. BACKGROUND/POSITIONS OF THE PARTIES

On November 9, 2021, the Commission approved a settlement agreement amending PAC's ratemaking methodology in Docket DW 20-153. See Petition at Bates Page 5, ¶11; see also Order No. 26,544 (Nov. 9, 2021) at 8-9. According to PAC, the Company's underlying capital structure, which is composed primarily of debt, remains in place and is "reinforced" under the new ratemaking methodology. Petition at Bates Page 5, ¶11. The Company's short-term debt subsequently reached 21.3 percent of its net fixed plant in August 2022, at which point PAC notified the NH Department of Energy (DOE) and the Office of the Consumer Advocate (OCA) of the exceedance above the 15 percent short-term debt limit granted to PAC's sister company, Pennichuck

East Utility (PEU) by Order No. 26,311 (Nov. 27, 2019) in Docket No. DW 19-112. Petition at Bates Page 6, ¶13. We note, however, that Order No. 26,311 granted a waiver of the 10 percent limit established by Puc 201.05 and approval of an 18 percent limit until June 30, 2023, to PEU, specifically, not to all the Pennichuck Companies. Accordingly, here we address PAC's exceedance of the 10 percent limit set forth in Puc 201.05.

According to PAC, the increase in its short-term debt in 2022 was due to a temporary, one-time, year-to-date true-up in the inter-company accounts on PAC's balance sheet. Petition at ¶12. Subsequently, as of September 2022, PAC's short-term debt threshold dropped to 11.98 percent. Petition at ¶12. On November 3, 2022, PAC notified DOE and the OCA of its exceedance of the 10 percent short-term debt limit established by Puc 608.05.¹ PAC has maintained levels below 10 percent from May 1, 2019 until May 2022. However, the Company anticipates that its short-term debt will be in the range of 12 to 13 percent going forward, as it reached 12.62 percent in April 2022 and fell to 11.98 percent in September 2022. In its petition, PAC requests a temporary waiver of the 10 percent debt limit under Puc 201.05 until June 30, 2023, at which time the Company will re-evaluate its debt levels and file jointly with PEU a petition for both companies to be more efficient and minimize legal expenses.

PAC has requested a temporary waiver of the short-term debt limit under Puc 608.05, from 10 percent of its net fixed plant to 18 percent until June 30, 2023, at which time the Company will re-evaluate its debt levels and file jointly with PEU a petition for both companies to be more efficient and minimize legal expenses.

¹ Again, we note that Order No. 25,820 granted a waiver of Puc 201.05 and approved a short-term debt limit of 18 percent for PEU and PAC; however, Order No. 25,820 expired on June 30, 2019. See, also, Petition at ¶13.

On February 7, 2023, DOE filed a position statement concurring with PAC's request for a waiver of Puc 608.05 and approval of the requested increase of the short-term debt limit from 10 percent of net fixed-plant cap to 18 percent. Based on its review of the Company's filing, two rounds of discovery, and a meeting with the Company in a technical session, DOE determined that PAC's request to temporarily increase its short-term debt limit to 18 percent is in the public interest, consistent with past waivers granted to PEU, and would not disrupt the efficient and orderly resolution of matters before the Commission. DOE further concurred with the Company's proposal to continue its monthly short-term debt reporting through its annual reports to the Commission, and its notification in writing to DOE and the OCA, as approved for PAC and PEU in Order No. 25,820 (September 29, 2015) in Docket DW 15-288.

DOE concluded that the Company's petition, as submitted and supported by subsequent discovery, meets the requirements for a waiver under Puc 201.05. Accordingly, DOE recommended approval of the PAC's request for a temporary waiver of the short-term debt limit of Puc 608.05 and an increase in that limit to 18 percent of net fixed plant for effect until June 30, 2023.

II. COMMISSION ANALYSIS

The Commission may waive a rule if it finds that the requested waiver is in the public interest and will not disrupt the orderly and efficient resolution of matters before the Commission. *See* N.H. Code Admin. Rules Puc 201.05(a). A decision to waive the debt limit set forth in Puc 608.05 is further guided by RSA 369:7, II, which requires the Commission to consider, among other factors, "the size, circumstances, and other characteristics of each utility, the aggregate term of the renewals of such

notes, bonds and other evidences of indebtedness” when establishing the amount of indebtedness, including short-term notes, bonds, and other indebtedness”.

The Commission finds the requested waiver pursuant to Puc 201.05(a) and the requested temporary increase in the short-term debt cap established in Puc 608.05 to 18 percent of PAC’s net fixed plant until June 30, 2023, to be consistent with similar waivers of debt limits that we have approved for the Pennichuck companies, including PAC, since their acquisition by the City of Nashua. Unlike privately owned utilities, the Pennichuck companies rely on debt to finance capital investments. According to PAC, it currently has a limited number of long-term debt funding options, including potential eligibility for funding through the NH Department of Environmental Services (NHDES), as PAC is of insufficient size and financial strength to qualify for term loans with commercial bank lenders. Accordingly, the balance of long-term capital project funding for PAC, over and above potential NHDES funding, comes from short-term working capital advances from Pennichuck, which may be converted into long-term intercompany loans with Commission approval. PAC stated that the use of debt can result in lower costs to customers, although it may limit options for financing capital investments. *See, e.g.*, Testimony of Georges Torres at Bates Pages 18-19. As a result, the Pennichuck companies have turned to short-term debt in the past as a temporary measure to bridge gaps in the need for and opportunities to secure long-term financing.

Based on the record, including DOE’s analysis and recommendation, we find the requested waiver pursuant to Puc 201.05 of the 10 percent limit set forth in Puc 608.05 to be in the public interest and will not disrupt the orderly and efficient resolution of matters before the Commission. We therefore approve PAC’s request for waiver of Puc 608.05 and an increase of the short-term debt limit to 18 percent of

PAC's net fixed plant until June 30, 2023. However, we encourage PAC to consider options to minimize potential fiscal impacts on customers, such as: (1) effectively reinvesting in long-term capital projects and infrastructure at debt funding rates rather than debt-to-equity rates to lower overall costs to ratepayers; (2) pursuing long-term reimbursement financing in support of capital projects, to permit the pursuit of favorable borrowing rates, such as those associated with NHDES's loan programs; and (3) stabilizing revenue levels by focusing on annual revenue levels, without concern of exceeding the 10 percent short-term debt limit requirement to the extent possible in each fiscal year.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, the request of Pittsfield Aqueduct Company, Inc. for a limited waiver of Puc 608.05 until June 30, 2023, is **GRANTED**; and it is

FURTHER ORDERED, that the request of Pittsfield Aqueduct Company, Inc., for approval of a temporary increase in its short-term debt limit to 18 percent until June 30, 2023 is **GRANTED**; and it is

FURTHER ORDERED, that Pittsfield Aqueduct Company, Inc. file written notice to the NH Department of Energy and the Office of the Consumer Advocate in any month during which the Company's short-term debt exceeds 18 percent during the period of the waiver and increased debt limit; and it is


FURTHER ORDERED, that the Petitioner shall cause a copy of this order to be published on its website and once in a newspaper of circulation in the portion of the state where operations are conducted, such publication to be no later than May 19, 2023, and to be documented by affidavit filed with this office on or before May 22, 2023; and it is

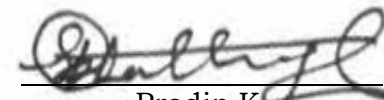
FURTHER ORDERED, that all persons interested in responding to this order be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than May 24, 2023, for the Commission's consideration; and it is

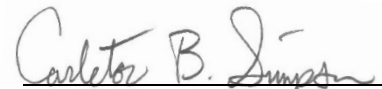
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than May 26, 2023; and it is

FURTHER ORDERED, that this order shall be effective May 30, 2023, 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.

By order of the Public Utilities Commission of New Hampshire this sixteenth day of May, 2023.


Daniel C. Goldner
Chairman


Pradip K.
Chattopadhyay
Commissioner


Carleton B. Simpson
Commissioner

Service List - Docket Related

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