

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 21-061**

**AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.  
o/b/o ABENAKI WATER COMPANY**

**Petition to Approve New Hampshire Drinking Water and Groundwater Trust Fund  
Financing for Rosebrook Pressure Reduction Project**

**Order *Nisi* Approving Financing**

**ORDER NO. 26,816**

**May 12, 2023**

In this order the Commission approves on a *nisi* basis Aquarion's request on behalf of Abenaki Water Company to receive a financing in the amount of \$2,520,000 for a 25-year term at 3.17 percent interest and a \$280,000 grant from the Drinking Water and Ground Water Trust Fund administered by the NH Department of Environmental Services (DES). The funds will be used to remediate certain water system treatment deficiencies identified by DES.

**I. PROCEDURAL HISTORY**

Abenaki Water Company filed a petition to approve New Hampshire Drinking Water and Ground Water Trust Fund (DWGTF) financing for the Rosebrook water system pressure reduction project on March 22, 2021. At that time, the cost of the project to address water pressure issues on the Rosebrook system was subject to final bids and a final application with the DES. The preliminary estimate of costs was \$2.9 million.

On April 30, 2021 Aquarion Water Company of New Hampshire (Aquarion or the Company) petitioned the Commission for approval of its acquisition of Abenaki

Water Company. See Docket No. DW 21-090. The Commission issued Order No. 26,549 approving the acquisition of Abenaki by Aquarion on November 12, 2021.

On January 31, 2023, Aquarion, on behalf of Abenaki Water company, filed an updated petition in this docket for the Commission's review and approval of the DWGTF financing of Phase 1 of the Rosebrook pressure reduction project. The petition requests that the Commission, pursuant to RSA 369:1 and 369:4, authorize Abenaki to receive financing in the amount of a \$2,520,000 for a 25-year term at 3.17 percent interest and a \$280,000 grant from the DWGTF administered by the DES.

The updated petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2021/21-061.html>.

## **II. POSITIONS OF THE PARTIES**

### **A. AQUARION**

Abenaki's Rosebrook system has experienced long-standing pressure issues as described in the original petition filed by Abenaki in this docket. To address the safety concerns with the Rosebrook system created by pressure and other issues, the DES issued a Letter of Deficiency (LOD) on December 1, 2020, which it amended on October 20, 2021. In response to the LOD, Abenaki secured the funding at issue in this docket from the DWGTF. Abenaki filed the original petition on March 22, 2021 for Commission approval to use of the funding to finance the work required to resolve the issues of the Rosebrook system identified by DES.

On April 30, 2021, Aquarion filed a petition for Commission approval to acquire Abenaki. See Docket No. DW 21- 090. On August 20, 2021, Abenaki filed an update

with the Commission indicating that it was working with Aquarion to resolve the LOD, but that the design and the cost of the engineering solution for the Rosebrook project was more complex than originally anticipated and would require an extended timeline. The Commission approved Aquarion's acquisition of Abenaki on November 12, 2021. See Order No. 26,549.

Aquarion filed an updated petition for the DWGTF financing on January 31, 2023. The updated petition provided that as a result of the complexity of the water system problems, the project was structured in two phases. Phase 1 is the work that will be financed by the funding at issue in this docket. Phase 1 will address treatment deficiencies identified in the LOD and will improve the reliability of treatment and provide protection for the environmental and operations staff. Phase 1 will also address a significant pressure risk at the treatment facility. On January 30, 2023, DES issued a letter to Aquarion approving the final design plans for the Wellfield Improvements (Phase 1).

Aquarion, after review and analysis by two separate expert consultants, has been provided a range for a final cost estimate of \$3,041,000 - \$3,311,670 for Phase 1 only. The work required to address additional system pressure issues identified in the LOD and in the settlement approved by Order No. 26,549 will take place in Phase 2, which has not yet been approved by DES. Phase 2 will not be funded by the financing at issue in this docket.

Aquarion acknowledged that the proposed financing may not be considered routine because it is not a regularly occurring circumstance, and it may have a discernable impact on rates. Nonetheless, Aquarion argued that these factors are outweighed by the fact that there is a single, dedicated, state-mandated purpose for

which the funding will be used: to resolve health and safety issues. Further, the financing will allow for Abenaki to fulfill its RSA 374:1 duty to provide safe, adequate, and reliable water service to its customers, at the lowest reasonable cost.

## **B. DOE**

On May 2, 2023 the DOE utility analyst Robyn Descoteau (DOE) filed a technical statement with the Commission. DOE recommended approval of Abenaki's receipt of funds from DWGTF. DOE pointed out that as of December 31, 2022, Abenaki's calculated debt-to-equity ratio was heavily weighted towards equity, or 14.55 percent debt to 85.45 percent equity. Following the proposed debt financing, the debt-to-equity ratio will be reversed and weighted more heavily towards debt, or 72.42 percent debt to 27.58 percent equity. In response to DOE 1-4, the Company discussed its projected heavily weighted debt position after the financing. Aquarion stated, "[t]he Company's parent, Eversource Energy, plans to make capital contributions into the Company to help finance the project with an appropriate capital structure. In addition, the cost of the indebtedness...is most likely to be provided at very favorable financing rates."

According to DOE, the anticipated impact of this loan on the Company's annual revenue requirement would be an increase of \$258,235, or 77.47%. In its response to DOE 1-5, Aquarion presented the impact of this financing on an average single-family residential customer based on the following assumptions: (1) applying currently authorized rates; (2) evenly distributing the impact of the Phase 1 investment on Abenaki's revenue requirement; and (3) using an average annual residential consumption of 15,500 gallons. Based on those assumptions, Aquarion projects that

the net impact of the proposed financing on average single-family residential rates will be an increase of \$214.73 per year, or \$17.89 per month.

In its technical statement DOE stated that the purpose of the loan, to fund Phase 1 of the Rosebrook pressure reduction project, is an appropriate use of funds. Despite the fact that the proposed financing will cause Abenaki's debt-to-equity ratio to be heavily weighted towards debt, the financing will be provided at a favorable interest rate, resulting in anticipated long-term savings.

Further, even though the projected net impact of the proposed financing on average single-family residential bills of \$17.89 per month is not insignificant, the actual impact will be explored in greater detail during Abenaki's next rate proceeding. Abenaki's Rosebrook water system is a relatively small water system with 407 customers. As a result, the cost of financing cannot be distributed over as many customers as larger water utilities, thereby resulting in a higher impact on customer rates. During Abenaki's next rate proceeding, the actual costs and benefits of this project will be reviewed and distributed appropriately amongst the customer classes.

The projected impacts on the Company's capital structure and rates are further mitigated substantially, given that the anticipated results of Phase 1, as well as Phase 2 to follow, will be a safer and more reliable water distribution system for all customers. The Rosebrook pressure reduction project will improve operator safety and treatment reliability at the Wellfield Treatment Plant while maintaining the delicate balance between the water pressures needed to satisfy the Omni properties and those of residential customers.

The DOE believes the proposed Phase 1 project and estimated costs appear to be appropriate. As such, the DOE recommends the Commission approve Aquarion's

request on behalf of Abenaki for authorization to receive financing from the DWGTF in the amount of a \$2,520,000 25-year loan and a \$280,000 grant directly related to Phase 1 of the Rosebrook Pressure Reduction Project.

### **III. COMMISSION ANALYSIS**

RSA 369:1 states that a utility may, “with the approval of the commission but not otherwise, issue and sell ... notes and other evidences of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes.” The Commission must conduct a “hearing or investigation as it may deem proper,” then authorize the financing “if in its judgment the issue of such securities upon the terms proposed is consistent with the public good.” RSA 369:4.

The Commission reviews the amount to be financed, the reasonableness of the terms and conditions, the proposed use of proceeds, and the effect on rates. *Appeal of Easton*, 125 NH 205, 211 (1984) (*Easton*). The rigor of an *Easton* inquiry varies depending on the circumstances of the request. As the Commission has noted in prior financing decisions, “certain financing related circumstances are routine, calling for more limited Commission review of the purposes and impacts of the financing, while other requests may be at the opposite end of the spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing.” *Public Service Company of New Hampshire*, Order No. 25,050 at 14 (December 8, 2009). We engage in a more limited review for routine financing requests. *Id.* at 13-14. A routine request is one that will have no discernible “impact on rates or deleterious effect on capitalization, [and] in which the funds are to enable numerous investments appropriate in the ordinary course of utility operations.” *Id.* at 13.

The financing will be used to correct some of the water treatment and water system deficiencies described in the DES LOD. As noted by Staff, the remediation of the treatment facility for its drinking water supply allows Aquarion to fulfill its RSA 374:1 duty to provide safe, adequate, and reliable water service to its customers. We recognize that the 25-year term of the proposed financing at the 3.17 percent interest rate will be beneficial to customers, however, the borrowing leaves Aquarion with a debt-to-equity ratio that is heavily weighted toward debt.<sup>1</sup> We encourage Aquarion to make appropriate equity contributions in the future to alleviate the capital structure issues.

We find that the potential increase in revenue requirement and rates as a result of this borrowing are concerning. Nonetheless, we note that those impacts are not immediate and will be reviewed in Aquarion's next rate case. In a future rate case, the Commission will review rate design to ensure that costs are borne by the beneficiaries of those costs.

The immediate impacts on capital structure and potential future impacts on rates are not consistent with a typical routine financing. In a non-routine financing request, we would normally conduct a more extensive review of the proposal. In this case, however, the water system deficiencies have been dealt with in a prior Commission investigation and report, IR 21-024 and in the order approving the Aquarion acquisition of Abenaki, Order No. 26,549 in docket DW 21-090. Both dockets identified the serious safety and water service quality problems in the Rosebrook system and required the parties to correct the problems. As a result, in this

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<sup>1</sup> We note that Abenaki has a well-capitalized parent, Eversource, which is capable of supporting the water company in the event of financial stress.

case the Commission need not undertake additional “exploration of the intended uses and impacts of the proposed financing.” *Public Service Company of New Hampshire*, Order No. 25,050 at 14 (December 8, 2009). The record supports the need for immediate remediation of these long-standing deficiencies. DES has approved the design of the improvements to be made in Phase 1. Further, DOE has given its thorough analysis and full support of this financing. We therefore find that the financing is consistent with the public good, pursuant to RSA 369:1 and RSA 369:4, and we approve the proposed financing request.

We will, however, require Aquarion to do everything within its ability to secure principal forgiveness if it becomes available at any time throughout the term of this financing. Our approval of Aquarion’s financing does not limit or preclude the Commission from reviewing in a future case, directly or indirectly, the prudence, use, and usefulness of any specific project financed by the borrowed funds. RSA 378:28. The Commission retains the authority under RSA 374:4 to be kept informed of Aquarion’s use of the financing, separate and apart from any review under RSA 378:28.

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

**ORDERED NISI**, that subject to the effective date below, Aquarion’s proposed financing of \$2,520,000 for a 25-year term at 3.17 percent interest and a \$280,000 grant from the Drinking Water and Ground Water Trust Fund is APPROVED and that it is

**FURTHER ORDERED**, that Aquarion shall cause a copy of this order to be published on its website, such publication to be no later than May, 16, 2023, and to be documented by affidavit filed with this office on or before May 31, 2023; and it is



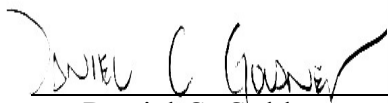
**FURTHER ORDERED**, that all persons interested in responding to this order be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than May 22, 2023, for the Commission's consideration; and it is

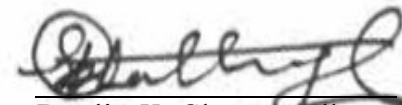
**FURTHER ORDERED**, that any party interested in responding to such comments or request for hearing shall do so no later than May 30, 2023; and it is

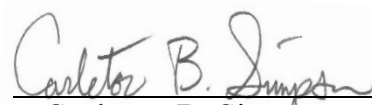
**FURTHER ORDERED**, that this order shall be effective June 1, 2023, unless the Petitioner fails to satisfy the publication obligation as set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

**FURTHER ORDERED**, that Aquarion shall file a with the Commission within five business days of closing on this loan a written description of the final terms and amount of the borrowing.

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

  
Daniel C. Goldner  
Chairman

  
Pradip K. Chattopadhyay  
Commissioner

  
Carleton B. Simpson  
Commissioner

## Service List - Docket Related

Docket#: 21-061

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