

DW 03-072

**Tilton & Northfield Aqueduct Company, Inc.**

**Petition to Refinance and Issue Securities**

**Order Nisi Approving Petition**

**O R D E R N O. 24,169**

**May 9, 2003**

**I. PROCEDURAL HISTORY AND BACKGROUND**

Tilton & Northfield Aqueduct Company, Inc. (TNA or the Company) is a New Hampshire public water utility as defined in RSA 362:2 and 362:4 and serves approximately 926 customers in the communities of Tilton and Northfield, New Hampshire. On March 19, 2003, TNA filed a petition with the New Hampshire Public Utilities Commission (Commission), pursuant to RSA 369, requesting authorization to refinance an existing loan with the Bank of New Hampshire in the amount of \$3,990,000. TNA is seeking to reduce its present interest rate of 7.95 percent down to 6 percent and the maturity date is proposed to be ten years from the date of closing of the refinanced loan.

The Commission originally granted approval of this loan in *Tilton-Northfield Aqueduct Company, Inc.*, 80 NH PUC 673 (1995). The proceeds from the original loan with the Bank of New Hampshire funded a multi-year project under the Surface Water Treatment Rule of the Safe Drinking Water Act (SDWA) which was eventually completed in July 2000. The Commission subsequently opened Docket No. DF 96-210 in order to address

petitions filed by TNA seeking approval of additional borrowings on this loan in order to meet unforeseen contingencies.<sup>1</sup> On September 25, 1998, the Commission approved the present terms of this loan which included a five year term until September 2003 at a fixed rate of 7.95 percent based on a 30 year amortization. *Tilton & Northfield Aqueduct Company, Inc.*, 83 NH PUC 499 (1998).

The proposed refinancing includes a four year fixed interest rate based on the Four-year Federal Home Loan Bank of Boston (FHLBB) rate plus 275 basis points, which currently produces a rate of 6.00 percent. At the end of four years, the rate would automatically adjust to the then Four-year FHLBB rate plus 275 basis points unless renegotiated before that time. The Company stated in Data Responses submitted on April 7, 2003 that the original financing began with 360 monthly payments and after modification, there should be 306 monthly payments depending on the closing date.

The proposed terms also require the Company to pay an Interest Modification Fee equal to one-half of the interest differential between the rate of the original loan and the

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<sup>1</sup> See, *Tilton-Northfield Aqueduct Company*, 81 NH PUC 661 (1996); *Tilton-Northfield Aqueduct Company, Inc.*, 82 NH PUC 69 (1997); *Tilton-Northfield Aqueduct Company, Inc.*, 82 NH PUC 360 (1997). The Company also filed a petition with the Commission in DF 96-210 which sought authorization to increase customer rates in order to fund the cost of the financing. The Commission approved a rate increase in *Tilton & Northfield Aqueduct Company, Inc.*, 83 NH PUC 202 (1998), and upon a request for rehearing reaffirmed *Tilton & Northfield Aqueduct Company, Inc.*, 83 NH PUC 453 (1998).

rate of the refinanced loan determined from the closing date of the refinancing to the termination date of the original loan in September 2003. As of February 1, 2003, this was calculated at \$26,000. The Company estimates lender costs associated with refinancing not to exceed \$2,500. All other terms and conditions of the original loan would remain in effect for the refinancing.

In response to data requests propounded by Staff, the Company stated that the proposed modifications in the loan arrangement with Bank of New Hampshire would also reduce the Surface Water Treatment Rule Filtration Grant that it is currently receiving from the New Hampshire Department of Environmental Services (NHDES). This grant is designed to reimburse the Company for 30.00% of its eligible loan payments, including principal and interest. The Company indicated that the annual reduction in this grant as a result of the refinancing would be approximately \$10,575.

In support of its request for approval, TNA avers that the revenue deficiency it has incurred since its last rate adjustment is approximately equal to the projected interest savings resulting from this refinancing. Thus, the refinancing would enable the Company to postpone filing for a rate increase. The Company also asserts that the proposed refinancing is consistent with the public good.

On May 6, 2003, Staff filed a letter recommending the Commission approve the Petition. There were no intervenors in this docket.

## **II. COMMISSION ANALYSIS**

Pursuant to the provisions of RSA 369:1, public utilities engaged in business in this State may issue evidences 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." The New Hampshire Supreme Court has further provided that 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).

In the case at hand, the proposed loan will refinance a loan which funded the Company's multi-year project under the Surface Water Treatment Rule of the SDWA. The Commission previously found this use of the funds to be prudent. Thus, the remaining issue before us is how the refinancing may affect the overall cost of capital and rates charged to customers.

As is set forth above, the proposed loan carries a fixed interest rate for four years equal to the Four-year FHLBB rate plus 275 basis points, which currently results in a

rate of 6.00%. We find that this rate, as compared with the present interest rate of 7.95%, will serve to reduce the Company's overall cost of long-term debt, thereby ultimately reducing the cost of service to ratepayers. The Company has stated this refinancing will have no impact on present rates and in fact will postpone the need to request a rate increase.

Staff concurred with this assessment in their May 6, 2003 letter to the Commission.

Given these circumstances, we find that the terms and conditions of the loan are just and reasonable and the proposed use of the funds to be prudent and in the public good.

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

**ORDERED NISI**, that, pursuant to RSA 369:1-4, the proposed refinancing, upon the terms and conditions proposed in the Company's petition and as set forth in the accompanying letter of proposal from the Bank of New Hampshire dated January 9, 2003, and subject to the terms and conditions specified in this Order, is consistent with the public good; and it is

**FURTHER ORDERED**, that, pursuant to RSA 369:1-4, the Company is authorized to borrow an amount up to \$3,990,000 from the Bank of New Hampshire under the terms and conditions set forth under the letter of proposal from the Bank of New Hampshire dated January 9, 2003; 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 May 19, 2003 and to be documented by affidavit filed with this office on or before June 2, 2003; and it is

**FURTHER ORDERED**, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than May 27, 2003; and it is

**FURTHER ORDERED**, that any party interested in responding to such comments or request for hearing shall do so no later than June 2, 2003; and it is

**FURTHER ORDERED**, that this Order Nisi shall be effective June 6, 2003, 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 the Petitioner 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 ninth day of May, 2003.

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary