



## **RESOLUTION**

**AUTHORIZING THE MAYOR TO GIVE PRIOR WRITTEN CONSENT TO PENNICHUCK EAST UTILITY, INC.'S PROPOSAL TO BORROW UP TO \$400,000 FROM THE STATE REVOLVING LOAN FUND**

### ***CITY OF NASHUA***

*In the Year Two Thousand and Eleven*

***RESOLVED*** by the Board of Aldermen of the City of Nashua that

***WHEREAS*** on November 11, 2010 the city of Nashua and Pennichuck Corporation entered into an Agreement and Plan of Merger whereby the City will purchase all the outstanding stock of Pennichuck Corporation, and each of its subsidiaries, including Pennichuck East Utility, Inc., and

***WHEREAS*** § 5.01(b)(xiii) of that Merger Agreement provides that the City must give written approval for Pennichuck Corporation or any of its subsidiaries to incur any indebtedness prior to the closing of the stock purchase or termination of the Merger Agreement, and

***WHEREAS*** Pennichuck East Utility, Inc. (PEU) is proposing to borrow up to \$400,000 through the State Revolving Loan Fund, administered by the New Hampshire Department of Environmental Services, to fund capital improvements to replace and update the water supply facilities for its Liberty Tree community water system in Raymond, New Hampshire. PEU has filed the attached petition and pre-filed testimony for approval of that borrowing by the New Hampshire Public Utilities Commission, and

***WHEREAS*** that borrowing also requires the prior written consent of the City of Nashua under the terms of the Agreement and Plan of Merger,

***NOW THEREFORE, BE IT RESOLVED*** by the Board of Aldermen of the City of Nashua that the mayor is authorized to give written approval of PEU's proposal to borrow up to \$400,000 through the State Revolving Loan Fund.

**LEGISLATIVE YEAR 2011**

**RESOLUTION:** R-11-120

**PURPOSE:** Authorizing the mayor to give prior written consent to Pennichuck East Utility, Inc.'s proposal to borrow up to \$400,000 from the State Revolving Loan Fund

**ENDORSER(S):** Mayor Donnalee Lozeau

**COMMITTEE  
ASSIGNMENT:**

**FISCAL NOTE:** None

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**ANALYSIS**

This resolution authorizes the mayor to provide written approval of a proposal by Pennichuck east Utility, Inc. (PEU) to borrow up to \$400,000 from the State Revolving Loan Fund. This is a planned capital improvement on PEU's 2011 project list. PEU was just informed of the availability of this financing on May 16, 2011 and, in order to take advantage of its favorable terms, is hopeful that the city can provide its approval by early to mid June. Section 5.01(b)(xiii) of the Agreement and Plan of Merger between the city and Pennichuck Corporation requires that city approval for the borrowing.

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**Approved as to form:** Office of Corporation Counsel

**By:** 

**Date:** May 19, 2011

**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

**Re: Pennichuck East Utility, Inc.**

**2011 SRF Financing of Community Water Booster Station and Water Storage Tank**

**Replacement in the Liberty Tree Water System**

**DW 11-**

**DIRECT PRE-FILED TESTIMONY OF THOMAS C. LEONARD**

**May 18, 2011**

1 **Q. What is your name and what is your position with Pennichuck Water Works, Inc.?**

2 A. My name is Thomas C. Leonard. I am the Chief Financial Officer of Pennichuck East  
3 Utility, Inc. ("PEU" or the "Company"). I have been employed with the Company since  
4 July 2008. I am a licensed Certified Public Accountant in Massachusetts.

5 **Q. Please describe your educational background.**

6 A. I have a Bachelor in Business Administration--Accounting from the University of  
7 Wisconsin in Madison, Wisconsin.

8 **Q. Please describe your professional background.**

9 A. Prior to joining the Company, I was a Vice President with CRA International from June,  
10 2006 to May 2008 and before that a Managing Director with Huron Consulting Group  
11 from December 2002 to May 2006. My role at both organizations was to provide expert  
12 accounting and financial analysis and testimony in connection with investigations and  
13 disputes. Prior to joining Huron, I was the Head of the Audit Division in New England  
14 for Arthur Andersen LLP and served as Audit Partner for a wide range of clients  
15 including water, gas and electric utilities.

16 **Q. What are your responsibilities as Chief Financial Office of the Company?**

17 A. As Chief Financial Officer of the Company, I am responsible for the overall financial  
18 management of the Company including financing, accounting and budgeting. My  
19 responsibilities including issuance and repayment of debt, issuance of common or other  
20 forms of equity as well as quarterly and annual financial reporting. I work with the  
21 President of PEU to determine the lowest cost alternatives available to fund the annual  
22 capital additions of PEU.

1 **Q. Please provide the Commission with an explanation of the purpose of the financing**  
2 **proposed by the Company in its petition in this proceeding (the “Proposed**  
3 **Financing”).**

4 A. The purpose of the Proposed Financing is to fund a the cost to replace the existing  
5 atmospheric tanks, treatment system and pump house for the Liberty Tree community  
6 water system and the installation of an emergency generator, hereinafter referred to as the  
7 “Liberty Tree Upgrades”. The testimony of Donald L. Ware, included with the  
8 Company’s filing in this case provides the detail regarding the scope and need for the  
9 proposed project.

10 **Q. Please describe the overall financing plan for the capital improvements.**

11 A. The estimated cost to replace the existing atmospheric tank, pump house and treatment  
12 system in addition to the installation of an emergency generator is \$602,650. Of that  
13 amount, \$400,000 of the required funding for this project is anticipated to be provided by  
14 the proceeds of loan funds issued by the New Hampshire Department of Environmental  
15 Services (“NHDES”) through the State Revolving Loan Fund (the “Proposed  
16 Financing”). The remainder of the project cost will be funded from a mix of PEU’s  
17 internal cash flow from operations and/or advances to PEU from Pennichuck  
18 Corporation’s short term line of credit with the Bank of America. PEU is seeking  
19 approval in this docket is for borrowing up to \$400,000 from the State of New  
20 Hampshire Drinking Water State Revolving Loan Fund (“SRF”). The actual borrowing  
21 amount will be based on the actual costs of construction that the Company incurs. The  
22 use of the low cost funds from the SRF will lower the overall cost of the financing  
23 needed to complete the construction of the Liberty Tree Upgrades.

1 **Q. What are the terms of the proposed SRF financing?**

2 A. As the Commission is aware, the SRF provides public and private water systems the  
3 opportunity to borrow funds at below-market interest rates to fund the construction of  
4 qualified projects. Amounts advanced to PWW during construction will accrue interest  
5 at a rate of 1%, and the total accrued interest will be due upon substantial completion of  
6 the project. The terms of the SRF loans require repayment of the loan principal plus  
7 interest over a twenty-year period commencing six months after the project is  
8 substantially complete. The current interest rate on SRF borrowings is 2.864% although  
9 the actual rate will be based on the current rates available at the time the loan is actually  
10 closed. Copies of the loan documents will be submitted to the Commission once they  
11 have been finalized and executed. The loan is projected to come with 35% principal  
12 forgiveness based on the current water rates and Median Family Income for the Liberty  
13 Tree Water System.

14 **Q. What are the estimated issuance costs for these loans?**

15 A. The anticipated issuance costs total \$7,500, and relate primarily to legal costs which will  
16 be incurred to (i) review and revise the necessary loan documentation prepared by the  
17 State and (ii) obtain Commission approval of the loans. The issuance costs will be  
18 amortized over the twenty-year life of the SRF loans. The annual amortization expense  
19 of approximately \$375 associated with the issuance costs has not been considered in  
20 Schedules TLC-1 through 3 due to its immateriality with respect to the overall analysis  
21 and impact of this proposed financing.

22 **Q. Please explain Schedule TCL-1, entitled "Actual and Pro Forma Balance Sheet at**  
23 **December 31, 2010".**

1 A. Schedule TCL-1 presents the actual financial position of PEU as of December 31, 2010  
2 and the pro forma financial position reflecting certain adjustments pertaining to the  
3 Proposed Financing.

4 **Q. Please explain the pro forma adjustments on Schedule TCL-1.**

5 A. Schedule TCL-1 contains three pro forma adjustments. The first adjustment for \$602,650  
6 reflects the increase in PEU's Plant in Service for the construction project and the related  
7 funding sources. The second adjustment reflects the increase in accumulated  
8 depreciation associated with the depreciation expense on the Liberty Tree Upgrades  
9 during the first year. The third adjustment reflects the after-tax effect on retained  
10 earnings for the annual interest and property tax expense accrued during the first year, net  
11 of income tax expense, with a corresponding credit to accrued expenses payable.

12 **Q. Mr. Leonard, please explain Schedule TCL-2 entitled "Actual and Pro Forma  
13 Income Statement for the Twelve Months Ended December 31, 2010".**

14 A. Schedule TCL-2 presents the pro forma impact of this financing on PWW's income  
15 statement for the twelve month period ended December 31, 2010.

16 **Q. Please explain the pro forma adjustments on Schedule TCL-2.**

17 A. Schedule TCL-2 contains three adjustments. Adjustment one is to record the estimated  
18 first year's interest cost related to the new funding sources. Adjustment two is to record  
19 the estimated depreciation & property taxes on the new assets. The third adjustment is to  
20 record the after-tax effect of the additional pro forma expenses (interest, property tax and  
21 depreciation expense) resulting from the adjustments discussed above using an effective  
22 combined federal and state income tax rate of 39.6%.

1 **Q. Please explain Schedule TCL-3 entitled “Actual and Pro Forma Statement of**  
2 **Capitalization at December 31, 2010.”**

3 A. Schedule TCL-3 illustrates PEU’s actual total capitalization, as of December 31, 2010,  
4 which is comprised of common equity, funded debt and net inter-company advances.

5 **Q. Please explain the pro forma adjustments on Schedule TCL-3.**

6 A. Schedule TCL-3 contains three adjustments. The first pro forma adjustment reflects the  
7 after-tax decrease to retained earnings for the additional pro forma expenses related to the  
8 new funding sources. The second and third adjustments reflect the funding sources (SRF  
9 and internal) for the project.

10 **Q. Mr. Leonard, are there any covenants or restrictions contained in PEU’s other bond**  
11 **and note agreements which would be impacted by the issuance of debt under this**  
12 **proposed financing?**

13 A. Yes. PEU’s existing agreement with CoBank contains two covenants governing the  
14 issuance of new PEU debt. These covenants specify minimum interest coverage ratio and  
15 maximum amounts of debt in relation to total capitalization. PEU’s actual ratios, pro  
16 formed for the SRF loans contemplated herein, are comfortably within these covenants.

17 **Q. Has PEU’s Board of Directors formally voted to authorize the Proposed Financing?**

18 A. Yes. A Resolution authorizing the subject financing has been circulated among the  
19 Board of Directors for an authorization by consent. Once obtained, evidence of the  
20 required resolution will be provided as soon as possible for the NHPUC’s records.

21 **Q. Do you believe that the Proposed Financing is in the public interest?**

22 A. Yes, I do. The project being financed will enable PEU to continue to provide safe,  
23 adequate and reliable water service to PEU’s customers. For the reasons described in Mr.



1           Ware's direct testimony the Liberty Tree Upgrades project will provide the most cost  
2           effective solution toward correcting the aging infrastructure of the Liberty Tree system  
3           along with the addition of emergency back up power. The terms of the financing through  
4           SRF are very favorable, and will result in lower financing costs than would be available  
5           through all other current debt financing options including tax-exempt bonds issued  
6           through the New Hampshire Business Finance Authority.

7   **Q.   Is there anything else that you wish to add, Mr. Leonard?**

8   A.   Yes. I respectfully ask the Commission to issue an Order in this docket as soon as  
9           reasonably possible since the NHDES needs PEU to be authorized to enter into the loan  
10          agreement associated with the SRF funds by the end of July 2011 in order to meet the  
11          NHDES goal of disbursing the majority of its 2010 DWSRF funds by the end of 2011.

12 **Q.   Mr. Leonard, does this conclude your testimony?**

13 A.   Yes it does.

14

15

**Pennichuck East Utility, Inc.**  
**Actual and Pro Forma Balance Sheet as of December 31, 2010**  
**Unaudited**  
**Reflecting the \$0.4 million Liberty Tree Upgrades and related SRF Loan**

	<u>Actual</u> <u>December 31, 2010</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Pro Forma</u> <u>December 31, 2010</u>
<b>Assets</b>			
Plant in Service	\$ 37,804,039	\$ 602,650	<sup>1</sup> \$ 38,406,689
Less: Accumulated Depreciation	(7,955,958)	(9,922)	<sup>2</sup> (7,965,881)
Net Plant	<u>29,848,081</u>	<u>592,728</u>	<u>30,440,808</u>
CWIP	<u>100,679</u>	<u>-</u>	<u>100,679</u>
Total Net Utility Plant	29,948,759	592,728	30,541,487
Current Assets	1,115,511	-	1,115,511
Other Assets and Deferred Charges	<u>882,111</u>	<u>-</u>	<u>882,111</u>
<b>Total Assets</b>	<b><u>\$ 31,946,382</u></b>	<b><u>\$ 592,728</u></b>	<b><u>\$ 32,539,110</u></b>
<b>Equity and Liabilities</b>			
Common Equity	\$ 7,016,870	\$ (17,060)	<sup>3</sup> \$ 6,999,809
Current Portion of Long-Term Debt	322,806		\$ 322,806
Other Current Liabilities	922,427		\$ 922,427
Advances from Associated Companies	3,662,763	7,138	<sup>3</sup> \$ 3,872,551
		202,650	<sup>1</sup>
Long-Term Bonds	5,224,974	-	5,224,974
LTD--SRF Loans	3,158,970	400,000	<sup>1</sup> \$ 3,558,970
Deferred Income Taxes	3,185,110	-	\$ 3,185,110
Contributions in Aid of Construction, Net	8,299,996	-	\$ 8,299,996
Other Liabilities and Deferred Credits	<u>152,465</u>	<u>-</u>	<u>152,465</u>
<b>Total Equity and Liabilities</b>	<b><u>\$ 31,946,382</u></b>	<b><u>\$ 592,728</u></b>	<b><u>\$ 32,539,110</u></b>

**Notes:**

1 - To record the Liberty Tree Upgrades and the SRF and intercompany financing.

2 - To record the impact of full year depreciation. See Proforma P&L.

3 - To record the impact of additional net expenses on retained earnings and intercompany. See Proforma P&L.

**Pennichuck East Utility, Inc.**  
**Actual and Pro Forma Income Statement for the Twelve Months Ended December 31, 2010**  
**Unaudited**  
**Reflecting the \$0.4 million Liberty Tree Upgrades and related SRF Loan**

	Actual December 31, 2010	Pro Forma Adjustments	Pro Forma December 31, 2010
Operating Revenues	\$ 6,436,631	\$ -	\$ 6,436,631
O&M Expenses	4,037,844	-	4,037,844
Depreciation & Amortization	679,317	9,922 <sup>2</sup>	689,239
Taxes Other Than Income	652,297	6,867 <sup>2</sup>	659,164
Income Taxes	193,169	(11,185) <sup>3</sup>	181,984
Total O&M Expenses	<u>5,562,627</u>	<u>5,604</u>	<u>5,568,231</u>
Net Operating Income	<u>874,004</u>	<u>(5,604)</u>	<u>868,400</u>
AFUDC	-	-	-
Other income (expense), net	-	-	-
Interest Income (Expense):			
Funded Debt	(392,736)	(11,456) <sup>1</sup>	(404,192)
Intercompany Debt	(179,935)	-	(179,935)
Total Interest Expense	<u>(572,672)</u>	<u>(11,456)</u>	<u>(584,128)</u>
Net income	<u>\$ 301,333</u>	<u>\$ (17,060)</u>	<u>\$ 284,273</u>

**Notes:**

- 1 - To record the change in interest expense associated with refinancing.  
 2 - To record the impact of new and replaced booster stations & storage facilities on depreciation and property taxes.  
 3 - To record the tax benefit (39.6%) resulting from additional expenses.

**Supporting Calculations:**

**Interest Expense:**

New SRF debt	\$ 400,000
Interest Rate	2.864%
Annual Interest	<u>\$ 11,456</u>

**Property Taxes:**

New Booster Station & Storage Facilities	\$ 602,650
Retired Booster Station & Storage Fac	<u>\$ (300,000)<sup>4</sup></u>
	\$ 302,650

**Depreciation Expense:**

New Booster Station & Storage Facilities	\$ 602,650
Retired Booster Station & Storage Fac	<u>\$ (149,577)</u>
	\$ 453,073
Depreciation Rate	2.19%
Annual Depreciation	<u>\$ 9,922</u>

Tax Rate Per \$1,000

Raymond	\$ 16.09
State	<u>\$ 6.60</u>
	\$ 22.69

Annual Property Taxes

	<u>\$ 6,867</u>
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- 4 - To reflect the current property tax valuation on the existing Liberty Tree Booster Station which will be removed and no longer taxed.

**Pennichuck East Utility, Inc.**  
**Actual and Pro Forma Statement of Capitalization as of December 31, 2010**  
**Unaudited**  
**Reflecting the \$0.4 million Liberty Tree Upgrades and related SRF Loan**

	<u>Actual</u>		<u>Pro Forma</u>		<u>Pro Forma</u>	
	<u>December 31, 2010</u>		<u>Adjustments</u>		<u>December 31, 2010</u>	
<b><u>Common Equity:</u></b>						
Common Stock	\$ 100		\$ -		\$ 100	
Paid-in Capital	6,000,000		-		6,000,000	
Other Comprehensive Income	(188,326)		(17,060) <sup>1</sup>		(188,326)	
Retained Earnings	<u>1,205,096</u>		<u>(17,060)</u>		<u>1,188,036</u>	
Total Common Equity	<u>7,016,870</u>	36.2%	<u>(17,060)</u>		<u>6,999,809</u>	35.0%
<b><u>Debt:</u></b>						
Current Portion of Long-Term Debt	322,806				322,806	
Advances from Associated Companies	3,662,763		209,788 <sup>3</sup>		3,872,551	
Long-Term Bonds	5,224,974				5,224,974	
LTD--SRF Loans	<u>3,158,970</u>		<u>400,000</u> <sup>2</sup>		<u>3,558,970</u>	
Total Debt	<u>12,369,514</u>	63.8%	<u>609,788</u>		<u>12,979,302</u>	65.0%
Total Capitalization	<u>\$ 19,386,383</u>	<u>100.0%</u>	<u>\$ 592,728</u>		<u>\$ 19,979,111</u>	<u>100.0%</u>

**Notes:**

- 1 - To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.
- 2 - To record the issuance of the \$0.4 million SRF loan.
- 3 - To record an intercompany advance for the portion of the project not financed by the SRF loan.

**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

**Re: Pennichuck East Utility, Inc.**

**2011 SRF Financing of Community Water Booster Station and Water Storage  
Tank Replacement in the Liberty Tree Water System**

**DW 11-**

**DIRECT PRE-FILED TESTIMONY OF DONALD L. WARE**

**May 18, 2011**

1 **Professional and Educational Background**

2 **Q. What is your name and what is your position with Pennichuck Water Works,**  
3 **Inc.?**

4 **A. My name is Donald L. Ware. I am the President of Pennichuck East Utility, Inc. (the**  
5 **“Company”). I have worked for the Company since 1995. I am a licensed**  
6 **professional engineer in New Hampshire, Massachusetts and Maine.**

7 **Q. Please describe your educational background.**

8 **A. I have a Bachelor in Science degree in Civil Engineering from Bucknell University in**  
9 **Lewisburg, Pennsylvania and I completed all the required courses, with the exception**  
10 **of my thesis, for a Masters degree in Civil Engineering from the same institution. I**  
11 **have a Masters in Business Administration from the Whittemore Business School at**  
12 **the University of New Hampshire.**

13 **Q. Please describe your professional background.**

14 **A. Prior to joining Pennichuck, I served as the General Manager of the Augusta Water**  
15 **District in Augusta, Maine from 1986 to 1995. I served as the District’s engineer**  
16 **between 1982 and 1986. Prior to my engagement with the District, I served as a**  
17 **design engineer for the State of Maine Department of Transportation for six months**  
18 **and before that as a design engineer for Buchart-Horn Consulting Engineers from**  
19 **1979 to 1982.**

1 **Q. What are your responsibilities as President of the Company?**

2 A. As President, I am responsible for the overall operations of the Company, including  
3 water quality and supply, distribution, engineering and water system capital  
4 improvements. With regard to capital improvements overseen by the Company's  
5 Engineering Department, I work closely with the Department and the Company's  
6 Chief Engineer regarding project selection, project design, project management and  
7 construction management.

8 **Q. What is the purpose of your testimony?**

9 I will be describing the Company's project to replace the pump house, treatment  
10 facilities and water storage tanks in addition to adding an emergency generator in the  
11 Liberty Tree Water System located in Raymond, New Hampshire for which the  
12 Company seeks approval to finance with loan funds issued by the New Hampshire  
13 Department of Environmental Services (NHDES) through the State Revolving Loan  
14 Fund (SRF). Please see schedule DLW-1 for the NHDES final 2010 DWSRF project  
15 priority ratings which reflects the Liberty Tree Water System's eligibility.

16 **Q. What are the terms of the SRF loan?**

17 A. The SRF loan will be for \$400,000 for a term of 20 years with a level total payment  
18 and a maximum interest rate of 2.864%. Due to the current level of water rates in  
19 relation to Median Household Income in this community, the loan will have 35%  
20 principal forgiveness meaning that \$140,000 of the principle due will be forgiven  
21 over the life of the loan (\$7,000 per year).

1 **Q. Could you please describe why the Company believes it needs to replace**  
2 **community water booster station and the water storage tanks in the Liberty**  
3 **Tree Water System?**

4 A. The existing Liberty Tree community water system was built in 1973. The existing  
5 atmospheric tanks were installed at that time. The existing pump house was  
6 constructed of poured in place concrete and was built in 1986 to replace the original  
7 station. The walls and roof of the existing building are heavily spalled. The existing  
8 electrical conduit is heavily rusted. The existing hydropneumatic tank cast into the  
9 wall of the station and is in poor condition with heavy pitting on the exterior. The  
10 existing atmospheric tanks are buried outside the station and do not penetrate the  
11 station wall. The existing roof membrane is in need of replacement. The well water,  
12 which is high in hardness, iron and manganese is currently treated through a softening  
13 system which is marginal in its ability to treat the existing levels of hardness, iron and  
14 manganese. Given the levels of hardness, iron and manganese a dual treatment  
15 system consisting of a MTM system to remove iron and manganese followed by a  
16 softener is what is required to treat the well water at this location. The existing  
17 building is not large enough to house the addition of the MTM system. The existing  
18 pump house does not have emergency power and no provisions to hook up a portable  
19 emergency generator during a power outage.

20 **Q. What is the Company's estimate of the cost to replace the community water**  
21 **booster station and the water storage tanks in the Liberty Tree Water System?**



1 A. The Company estimates that the cost to replace the community water booster station  
2 and the water storage tanks in the Liberty Tree Water System will be approximately  
3 \$603,000 including a 20% contingency.

4 **Q. Has the Company looked at alternatives to the recommended onsite replacement**  
5 **of the existing treatment facilities?**

6 Yes, the Company looked at the potential of interconnecting the Liberty Tree  
7 community water system with the Town of Raymond Water System. There are two  
8 possible points on the Raymond system where this interconnection could be made;  
9 one at the intersection of Old Fremont Road and Batchelder Road and one at the  
10 intersection of Manchester Road and Old Scribner Road. The interconnection  
11 between the Liberty Tree Community Water System and Old Fremont at Batchelder  
12 Road intersection involves the installation of a meter pit and approximately 6,100 LF  
13 of water main through an area with a large amount of ledge. The estimated cost of  
14 the interconnection is approximately \$1,270,000 plus a purchased water cost of \$3.80  
15 per 1000 gallons of water. The interconnection between the Liberty Tree Community  
16 Water System and Manchester at Old Scribner Road intersection involves the  
17 installation of a meter pit and approximately 4800 LF of water main through an area  
18 with a large amount of ledge and a 400' sleeved crossing of Route 101 where it  
19 crosses under Manchester Road. The estimated cost of the interconnection is  
20 approximately \$1,049,000 plus a purchased water cost of \$3.80 per 1000 gallons of  
21 water. The Manchester Road interconnection has a substantially higher life cycle cost  
22 than the on site station rebuild which has an estimated capital cost of just over  
23 \$600,000. The estimated annual cost of the interconnection is \$16.33 per PEU

1 customer per year versus the estimated annual cost of the onsite rebuild of \$10.67/ per  
2 PEU customer per year. See Exhibit DLW-2 for this comparison.

3 **Q. When does the Company need approval of this financing request?**

4 A. The NHDES would like to finalize the loan documents associated with this loan by  
5 August 1, 2011. The NHDES cannot finalize the loan documents without the  
6 NHPUC approving the proposed financing for this project. The NHDES has  
7 indicated that it would like the Company to have NHPUC approval of the proposed  
8 financing by July 29, 2011 in order to have the approval completed prior to the  
9 finalization of the loan.

10 **Q. What is the timeline for this project?**

11 A. The list below provides an estimated timeline for the proposed Liberty Tree  
12 community water booster station and water storage tanks replacement project:

- 13 1. Company Board Resolution approving SRF loan –  
14 Authorization by Consent. Complete by June 15, 2011.
- 15 2. Complete Engineering Design for replacement booster station and  
16 water storage tanks – June 15, 2011.
- 17 3. NHDES approval of proposed design – July 1, 2011.
- 18 4. Bid replacement booster station and water storage tank  
19 replacement project – July 1, 2011.
- 20 5. NHPUC approval of Financing – July 29, 2011.
- 21 6. Sign SRF Loan Documents – August 1, 2011.
- 22 7. Open Bids for replacement booster station and water storage  
23 tank replacement project – August 1, 2011.

1           7.     Complete Company, NHDES bid review and award contract –  
2                     August 15, 2011.

3           8.     Contractor begin construction – September 12, 2011

4           9.     Project substantial completion – March 30, 2012.

5   **Q.    Does this complete your testimony?**

6   **A.    Yes.**

7

FTNAL DWSRF 2010 Project Priority Ranking - Oct 27, 2010

SFA ID	PMIS Name	Project Title	Population	\$ Request	Funds Avail	Estimated	Water Rate	Proposed Green Funding					TOTAL	
								WQ	TR	CAP	AFID	RANK		
			Total eligible projects received		Total funds requested									
			9500	\$ 1,000,000	\$ 2,349,315	\$ 824,795	\$ 793.36	2.69%	60	20	18	20	0	118
<b>GREEN INFRASTRUCTURE PROJECT FUNDING (GREEN HIGHLIGHT)</b>														
1	0231010	Belin Water Works	9500	\$ 1,000,000	\$ 1,000,000	\$ 450,000	\$ 793.36	2.69%	0	0	0	0	0	60
2	1241010	Keene Water Dept	25000	\$ 64,496	\$ 64,496	\$ 19,349	\$ 538.91	1.46%	0	0	18	0	12	30
3	0801010	Exeter Water Dept	11000	\$ 150,000	\$ 150,000	\$ 45,000	\$ 646.00	1.46%	0	0	14	0	12	26
4	1241010	Keene Water Dept	25000	\$ 240,000	\$ 240,000	\$ 72,000	\$ 538.91	1.46%	0	0	0	0	12	12
5	0801010	Exeter Water Dept	11000	\$ 794,819	\$ 794,819	\$ 238,446	\$ 646.00	1.46%	0	0	0	0	12	12
<b>GENERAL INFRASTRUCTURE PROJECT FUNDING (BLUE HIGHLIGHT) TOTAL</b>														
			198	\$ 2,562,623	\$ 2,562,623	\$ 824,795	\$ 793.36	2.69%	60	20	18	20	0	118
<b>GENERAL INFRASTRUCTURE PROJECT FUNDING (BLUE HIGHLIGHT)</b>														
1	1901010	Pittsburg Water Dept	480	\$ 500,000	\$ 500,000	\$ 225,000	\$ 850.00	3.06%	0	0	18	20	12	96
2	0930200	Greenville Essex Village District	70	\$ 273,500	\$ 273,500	\$ 82,050	\$ 503.00	1.44%	0	0	52	20	12	84
3	0803040	Exeter Beech Hill MHP	2612	\$ 1,171,000	\$ 1,171,000	\$ 468,400	\$ 92.94	2.06%	0	20	0	0	60	80
4	1221010	Jaffrey Water Dept	9500	\$ 3,000,000	\$ 3,000,000	\$ 1,350,000	\$ 798.36	2.69%	0	0	18	0	60	78
5	0231010	Belin Water Works	2500	\$ 223,075	\$ 223,075	\$ 89,230	\$ 709.49	2.11%	0	0	18	0	60	78
6	2351010	Tilton and Northfield Water District	3500	\$ 215,400	\$ 215,400	\$ 86,160	\$ 709.49	2.11%	0	0	18	0	60	78
7	2351010	Tilton and Northfield Water District	3500	\$ 215,400	\$ 215,400	\$ 86,160	\$ 709.49	2.11%	0	0	18	0	60	78
8	0142010	Barnstead, PEU Locke Lake	2083	\$ 300,000	\$ 300,000	\$ 120,000	\$ 1,150.00	2.42%	0	0	18	0	60	78
9	1451010	Madison Village Dist of Endwells	1050	\$ 1,500,000	\$ 1,500,000	\$ 415,000	\$ 0.95%	0.95%	0	20	36	20	0	76
10	0801010	Exeter Water Dept	11000	\$ 6,965,650	\$ 6,965,650	\$ 646,000	\$ 646.00	1.46%	36	0	18	0	12	66
11	1141020	Emerald Lake Village District	1300	\$ 2,400,000	\$ 2,400,000	\$ 530,000	\$ 530.00	1.66%	0	0	18	20	28	66
12	0851010	Franklin Water Dept	7000	\$ 3,030,000	\$ 3,030,000	\$ 680,000	\$ 680.00	1.96%	0	20	0	0	44	64
13	0803030	Exeter Rvs. Landing	580	\$ 300,000	\$ 300,000	\$ 503,000	\$ 503.00	1.44%	14	0	36	0	12	62
14	1972010	Raymond PEU Liberty Tree	183	\$ 400,000	\$ 400,000	\$ 947,000	\$ 947.00	1.94%	0	0	18	0	44	62
15	1241010	Keene Water Dept	25000	\$ 1,300,000	\$ 1,300,000	\$ 538.91	\$ 538.91	1.46%	30	0	18	0	12	60
16	2001010	Rochester Water Dept	20800	\$ 1,812,000	\$ 1,812,000	\$ 575,000	\$ 575.00	1.42%	0	0	18	30	12	60
17	111010	Hobron, Hillside Inn Condominiums	62	\$ 200,000	\$ 200,000	\$ 503,000	\$ 503.00	1.06%	0	0	35	20	0	55
18	0912010	Greenwich Crookshoo Mtn Rehab Center	1050	\$ 1,000,000	\$ 1,000,000	\$ 550,000	\$ 550.00	1.02%	0	20	14	20	0	54
19	2462040	Woburn Pilsbury Lake District	150	\$ 339,200	\$ 339,200	\$ 538.91	\$ 538.91	1.46%	26	0	14	0	12	52
20	1241010	Keene Water Dept	25000	\$ 550,000	\$ 550,000	\$ 500,000	\$ 500.00	1.39%	0	22	0	30	0	52
21	0512240	Conway Rockhouse Mountain	250	\$ 230,000	\$ 230,000	\$ 4,000,000	\$ 4,000,000	1.9%	0	18	16	0	12	48
22	0651010	Dover Water Dept	5000	\$ 2,450,000	\$ 2,450,000	\$ 548.13	\$ 548.13	1.35%	0	18	18	0	12	48
23	1731010	Newmarket Water Dept	2682	\$ 2,500,000	\$ 2,500,000	\$ 548.13	\$ 548.13	1.1%	36	0	0	0	12	46
24	1971010	Raymond Water Department	1937	\$ 2,500,000	\$ 2,500,000	\$ 561,000	\$ 561.00	1.56%	0	0	18	0	28	46
25	0511010	Conway Village Fire District	1937	\$ 1,500,000	\$ 1,500,000	\$ 1,100,000	\$ 1,100.00	1.56%	0	0	18	0	28	46
26	0511010	Conway Village Fire District	1937	\$ 1,500,000	\$ 1,500,000	\$ 1,100,000	\$ 1,100.00	1.56%	0	0	18	0	28	46
27	0511010	Conway Village Fire District	1937	\$ 1,500,000	\$ 1,500,000	\$ 1,100,000	\$ 1,100.00	1.56%	0	0	18	0	28	46
28	0841020	Francis NH Waterbill	475	\$ 707,500	\$ 707,500	\$ 707,500	\$ 707.50	1.35%	0	22	0	0	12	34
29	171010	Newmarket Water Dept	25000	\$ 2,500,000	\$ 2,500,000	\$ 250,000	\$ 250.00	1.46%	0	0	18	0	12	30
30	1241010	Keene Water Dept	25000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250.00	1.46%	0	0	18	0	12	30
31	1241010	Keene Water Dept	25000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250.00	1.46%	0	0	18	0	12	30
32	1241010	Keene Water Dept	25000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250.00	1.46%	0	0	18	0	12	30
33	1241010	Keene Water Dept	25000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250.00	1.46%	0	0	18	0	12	30
34	1241010	Keene Water Dept	25000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250.00	1.46%	0	0	18	0	12	30
35	1241010	Keene Water Dept	25000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250.00	1.46%	0	0	18	0	12	30
36	1241010	Keene Water Dept	25000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250.00	1.46%	0	0	18	0	12	30
37	1241010	Keene Water Dept	25000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250.00	1.46%	0	0	18	0	12	30
38	0691010	Durham UNH Water Supply	16000	\$ 902,000	\$ 902,000	\$ 902,000	\$ 902.00	1.42%	0	0	18	0	12	30
39	0691010	Durham UNH Water Supply	16000	\$ 902,000	\$ 902,000	\$ 902,000	\$ 902.00	1.42%	0	0	18	0	12	30
40	0691010	Durham UNH Water Supply	16000	\$ 902,000	\$ 902,000	\$ 902,000	\$ 902.00	1.42%	0	0	18	0	12	30
41	0801010	Exeter Water Dept	11000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500.00	1.46%	0	0	18	0	12	30
42	0801010	Exeter Water Dept	11000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500.00	1.46%	0	0	18	0	12	30
43	1531010	Merrimack Village District	25000	\$ 835,000	\$ 835,000	\$ 935,000	\$ 935.00	0.47%	28	0	0	0	0	28
44	2521010	Wilton Water Works	1665	\$ 2,750,000	\$ 2,750,000	\$ 1,668,000	\$ 1,668.00	0.53%	0	0	18	10	0	28
45	0651010	Dover Water Dept	25000	\$ 1,668,000	\$ 1,668,000	\$ 580,830	\$ 580.83	1.46%	0	0	14	0	12	26
46	1241010	Keene Water Dept	16000	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220.00	1.42%	0	0	14	0	12	26
47	0691010	Durham UNH Water Supply	7682	\$ 455,000	\$ 455,000	\$ 500,000	\$ 500.00	1.11%	0	20	0	0	0	20
48	0971010	Raymond Water Department	2650	\$ 1,678,000	\$ 1,678,000	\$ 600,689	\$ 600.69	0.87%	0	0	0	0	0	32
49	0112080	Alton Water Works	500	\$ 600,689	\$ 600,689	\$ 600,689	\$ 600.69	0.87%	0	0	0	0	0	32
50	2521010	Newmarket Village Water and Sewer Div	25000	\$ 2,099,000	\$ 2,099,000	\$ 2,099,000	\$ 2,099.00	0.73%	0	0	18	0	0	18
51	1661010	Merrimack Village District	25000	\$ 3,250,000	\$ 3,250,000	\$ 322,000	\$ 322.00	0.87%	0	0	18	0	0	18
52	1531010	Merrimack Village District	18000	\$ 2,099,000	\$ 2,099,000	\$ 322,000	\$ 322.00	0.87%	0	0	18	0	0	18
53	1531010	Merrimack Village District	18000	\$ 2,099,000	\$ 2,099,000	\$ 322,000	\$ 322.00	0.87%	0	0	18	0	0	18
54	2051010	Salem Water Dept	1665	\$ 795,000	\$ 795,000	\$ 795,000	\$ 795.00	0.53%	0	0	18	0	0	18
55	2521010	Wilton Water Works	1665	\$ 795,000	\$ 795,000	\$ 795,000	\$ 795.00	0.53%	0	0	18	0	0	18
56	0112080	Alton Water Works	2650	\$ 67,500	\$ 67,500	\$ 97,500	\$ 97.50	0.87%	0	0	14	0	0	14
57	1521010	Wilton Water Works	1665	\$ 420,000	\$ 420,000	\$ 420,000	\$ 420.00	0.53%	0	0	14	0	0	14

<b>Pennichuck East Utility, Inc</b>	
<b>Liberty Tree Upgrade</b>	
<b>Life Cycle Cost Analysis</b>	
<b>10-May-11</b>	
<b>On Site Storage and Treatment -</b>	
Well Electricity (5 HP )* -	\$ 1,494
Annual Well maintenance -	\$ 702
Annual Well Water Quality Sampling -	\$ 6,318
Treatment System Labor (3 hours per week)-	\$ 7,897
Booster Electricity (7.5 HP @ 10 Hrs/day) -	\$ 3,354
Misc. Electricity -	\$ 2,000
Treatment Chemicals -	\$ 4,503
Deprecation on Storage (40,000 gallons) @ 2% -	\$ 2,095
Deprecation on Zone Booster and treatment @ 2.5% -	\$ 11,718
Deprecation on Water Mains @ 1.33% -	\$ 388
Property Taxes -	\$ 6,867
Pretax ROI on Total Project -	25,625
Estimated Annual Operating Cost -	\$ 72,962
Estimated Annual Increase in PEU Bill -	10.67
<b>Purchased Water from the Raymond Water Department -</b>	
Purchased Water Cost -	\$ 36,051
Deprecation on Water Mains @ 1.33% -	\$ 13,958
Property Taxes -	\$ 17,005
Pretax ROI on Total Project -	\$ 44,624
Estimated Annual Operating Cost -	\$ 111,638
Estimated Annual Increase in PEU Bill -	16.33
<b>Model Data:</b>	
Average cost per KwHr -	\$ 0.146
PEU SRF Debt -	2.86%
PEU InterCompany Debt -	7.00%
PEU % Intercompany -	34%
PEU pretax ROI -	4.25%
Number of in PEU customers -	6836
*Based on (gpd/house)	361
Existing Liberty Tree Well production (gpm)-	49
Number of Homes @ Liberty Tree -	72
Town Mil Rate -	\$16.09
State Mil Rate -	\$6.6
Labor and Truck Rate per hour -	\$50.6
Purchased Water Cost from Raymond (per 748 gallons)-	\$ 2.84
On site Capex per Estimate-	\$ 602,648
Interconnection Capex per Estimate (Includes Raymond Entrance Fee) -	\$ 1,049,460
Raymond Entrance Fee (per gallon per day) -	\$ -
Raymond Entance Fee for Liberty Tree -	\$ -

<b>Liberty Tree CWS</b>					
<b>Interconnection Estimate with Milford Water Department</b>					
<b>5/2/2011</b>					
<b>Inventory</b>					
4,600	Ft	12" DI Pipe	\$ 23.49	\$ 108,054.00	
5	Ea	12" Mj DI Gate Valves	\$ 1,129.00	\$ 5,645.00	
1	Ea	12" Mj 45 Degree Elbow	\$ 375.00	\$ 375.00	
4	Ea	12" x 8" Mj DI Tee	\$ 400.00	\$ 1,600.00	
20	Ea	12" Mega Lugs	\$ 61.70	\$ 1,234.00	
3	Ea	8" Mj Plug	\$ 90.75	\$ 272.25	
260	Ft	8" CL52 DI CL Pipe	\$ 15.35	\$ 3,991.00	
3	Ea	8" Tyton Plug	\$ 50.85	\$ 23.99	
12	Ea	8" MEGA LUGS	\$ 31.52	\$ 378.24	
4	Ea	8" Gate Valve	\$ 572.00	\$ 2,288.00	
9	Ea	Thrust Block	\$ 25.00	\$ 225.00	
400	Ft	24" Steel Carrier Pipe	\$ 82.20	\$ 32,880.00	
40	ea	12" S.S spacers	\$ 600.00	\$ 24,000.00	
2	Ea	US Met 94 Hydrants	\$ 1,509.00	\$ 3,018.00	
2	Ea	12"x 6" DI MJ Tees	\$ 444.00	\$ 888.00	
16	Ft	6" CL52 DI CL Pipe	\$ 11.14	\$ 178.24	
6	Ea	6" Mega Lugs	\$ 22.40	\$ 134.40	
2	Ea	6" Gate Valve	\$ 359.13	\$ 718.26	
6	Ea	Gate Boxes	\$ 40.00	\$ 240.00	
4	Ea	1" Air Release Valves	\$ 178.83	\$ 715.32	
			<b>Sub Total</b>	<b>\$ 186,858.70</b>	
<b>LABOR, EQUIPMENT &amp; MATERIAL</b>					
27	Day	Large Crew - Pipework	\$ 3,900.00	\$ 105,300.00	
8	Day	Jacking Crew	\$ 12,000.00	\$ 96,000.00	
496	Ton	Road Restoration - Paving	\$ 80.00	\$ 39,644.44	
1865	CY	Road Restoration - Gravel, includes Crew	\$ 47.50	\$ 88,587.50	
35	Day	Traffic Control - 2 Flagger	\$ 52.00	\$ 1,820.00	
2646	CY	Bedding Sand	\$ 22.00	\$ 58,207.89	
22	CY	Driveways Pavement - 12	\$ 100.00	\$ 2,222.22	
204	CY	Loam & Seed, includes Crew	\$ 36.00	\$ 7,359.00	
2800	CY	Ledge	\$ 95.00	\$ 266,000.00	
4510	Ft	Engineering Design & Inspection	\$ 5.00	\$ 22,550.00	
4510	Ft	Survey		\$ 10,000.00	
			<b>Sub Total</b>	<b>\$ 687,691.06</b>	
			<b>Total</b>	<b>\$ 874,549.76</b>	
			<b>Contingencies</b>	<b>\$ 174,909.95</b>	@ 20%
			<b>Grand Total</b>	<b>\$ 1,049,459.71</b>	



<b>Pennichuck East Utility, Inc.</b>					
<b>Liberty Tree On Site Capex Estimates</b>					
<b>2-May-11</b>					
<b>On Site with Treatment</b>					
<b>Site Work:</b>					
Site Survey and Approvals -	\$	12,000			
Retaining Wall -	\$	7,304	332 SF	\$ 22.00	per SF
Chain Link Fence w/gate	\$	14,450	450 LF	\$ 30.00	per LF
Clearing & Grubbing -	\$	13,440	8400 SY	1.6	per SY
Driveway & Parking (Paving) -	\$	2,037	20 Ton	\$ 100.00	per CY
Driveway & Parking (Gravels) -	\$	2,419	51 CY	\$ 47.50	per CY
Set and Backfill Tanks -	\$	6,500	Includes Crane Rental		
Backfill Tanks (Materials only) -	\$	3,889	93 CY	\$ 42.00	per CY
Stone Base for Tanks -	\$	1,407	30 CY	\$ 47.50	per CY
<b>Utility Piping:</b>					
Water (Tanks to Building, Overflow, well) -	\$	6,500	Piping Old to New		
Propane Gas (2-1000 gallon Tank) -	\$	12,500	Purchase, set and pipe		
Landscaping -	\$	9,120	253 SY	\$ 36.00	SY
Underground Electric (Street to Building) -	\$	12,540	190 FT	\$ 66.00	
6" Discharge piping to existing system -	\$	5,280	110 FT	\$ 48.00	
<b>Building Structure:</b>					
Frost Wall, Walls, Roof, Doors, Slab -	\$	112,320	24'x36' Building @\$130/SF		
<b>Process:</b>					
Softening -	\$	22,500	Pressure Filters		
MTM - Iron and Manganese Removal -	\$	22,500	Pressure Filters		
Chem Feed - Chlorine, Corrosion Control -	\$	6,500	Chlorine & Phosphate		
Storage (40,000 Gallons) -	\$	68,000	Above Ground		
Backwash/Residuals/Snow Infiltration Basin -	\$	7,500	Stone Basin		
<b>Mechanical:</b>					
Piping -	\$	48,000			
Heating -	\$	1,500			
Booster Pumps (3@7.5 HP) -	\$	6,600			
<b>Electrical:</b>					
Electrical Installations, Inc. -	\$	52,000			
Generator -	\$	22,000			
<b>COR:</b>					
Demolition of Existing Station -	\$	23,400			
<b>Total Estimated Project Cost -</b>					
	\$	502,206			
Project Contingency -	\$	100,441	@	20%	
<b>Total Estimated Project Cost -</b>	\$	602,648			
<b>Booster Station costs -</b>					
	\$	468,708			
Water Main Costs -	\$	29,184			
Storage Costs -	\$	104,756			

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

RE: PENNICHUCK EAST UTILITY, INC.

DOCKET NO. DW 11-\_\_

**PETITION FOR AUTHORITY**  
**TO ISSUE UP TO \$400,000 OF LONG TERM DEBT**

Pennichuck East Utility, Inc. ("PEU" or the "Company") hereby petitions the New Hampshire Public Utilities Commission for authority, pursuant to RSA 369:1 and Puc 609.03, to issue up to \$400,000 in long-term debt. In support of its request, PEU states as follows:

1. PEU is a public utility authorized by this Commission to provide retail water service in approximately 18 communities, including in Raymond, New Hampshire.
2. PEU is proposing to undertake certain capital improvements to replace and update the water supply facilities for its Liberty Tree community water system in Raymond, New Hampshire. As described in the Pre-Filed Direct Testimony of Donald L. Ware, which accompanies this petition, the original pump house and storage tanks at Liberty Tree were installed in 1973. PEU is seeking approval from the Commission for financing improvements at the Liberty Tree system, which include the replacement of the existing pump house, existing storage tanks and existing treatment system. In addition to the replacement of the existing facilities, PEU will be installing an emergency generator in the new pump house.
3. The total cost of the proposed project is estimated at approximately \$602,650. In order to finance a portion of the funds required for the foregoing capital improvements, PEU has requested and obtained approval from the New Hampshire Department of Environmental Services ("DES") to borrow up to \$400,000 from the State Revolving Loan Fund ("SRF"). The



remainder of the funds necessary to complete the proposed station upgrade will come from the Company's internal funds.

4. Mr. Leonard describes in his Pre-filed Direct Testimony, which also accompanies this petition, the terms of the proposed financing, as well as the impact of the proposed financing on PEU's income statement. Mr. Leonard explains that the SRF financing is in the public interest because it will allow PEU to complete these capital additions and that the terms of the financing through SRF are very favorable, and will result in lower financing costs than would be available through all other current debt financing options.

5. If PEU obtains authority from the Commission to borrow up to \$400,000 from the SRF, DES will then prepare loan documents for the transaction. The loan documents will set forth the exact terms and conditions for borrowing the funds from the SRF, but are expected to be substantially the same as those in prior SRF loans with which the Commission has approved for the Company and its affiliates. *See, e.g.* Orders *see e.g.*, Docket DW 08-022, DW 10-105, and DW 10-330. After PEU and DES reach agreement on the terms and conditions of the loans<sup>1</sup>, the loan documents will be submitted to the Governor and Executive Council for their approval. PEU will provide the Commission with a copy of the loan agreements and other loan documents once they have been finalized and executed.

6. PEU is seeking the Commission's approval to borrow up to \$400,000 from the SRF, which will be repaid over a 20 year term, with interest at a rate not expected to exceed 2.864%. Under the proposed financing arrangement, DES will make disbursements to PEU based on invoices submitted by contractors engaged by PEU. Amounts advanced by DES to

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<sup>1</sup> The Company has been informed by DES that it will not be necessary for the Company to grant a security interest in any of its assets in association with this borrowing, and thus the Company is not seeking any such approval pursuant to RSA 369:2.

PEU during construction will bear interest at a rate of 1%, which will accrue through and be due upon substantial completion of the capital improvements. PEU will begin to amortize the loan principal approximately six months after substantial completion of the capital improvements, at which point the monthly payments begin with 1/240<sup>th</sup> of the total amount borrowed, plus accrued interest. In addition the proposed SRF loan will provide 35% principal forgiveness.

7. The borrowing being proposed by PEU is in the public interest and consistent with the public good because it will enhance PEU's ability to provide safe drinking water to its customers on a reliable basis at a reasonable cost. The capital improvements being proposed and the anticipated cost of those capital improvements are reasonably necessary to provide such service to PEU's customers.

8. Simultaneously with the filing of this Petition, PEU is submitting prefiled testimony of Thomas Leonard, PEU's Treasurer and Donald L. Ware, PEU's President, which is incorporated herein by reference.

WHEREFORE, Pennichuck East Utility, Inc. respectfully requests that the Commission:

A. Authorize PEU to borrow up to \$400,000 from the New Hampshire Drinking Water State Revolving Fund for the capital improvements described in this Petition and the pre-filed testimony of Mr. Ware and Mr. Leonard;

B. Find that PEU's issuance of one or more promissory notes and the execution and delivery of related documents including for purposes of consummating the aforesaid financing is consistent with the public good;

C. Find that the use of the proceeds from the proposed financing and the amounts proposed to be spent by PEU for such capital improvements are prudent and consistent with the public interest;

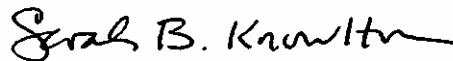
D. Issue an Order Nisi authorizing PEU to borrow up to \$400,000 from the New Hampshire Drinking Water State Revolving Fund in accordance with the terms and conditions set forth above and as otherwise provided by the New Hampshire Department of Environmental Services; and

E. Grant such other and further relief as may be just and reasonable.

Respectfully submitted,

PENNICHUCK EAST UTILITY, INC.  
By its Attorneys,

McLANE, GRAF, RAULERSON & MIDDLETON,  
PROFESSIONAL ASSOCIATION

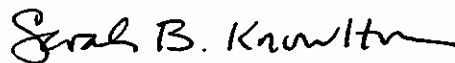


Date: May 18, 2011

By: \_\_\_\_\_  
Sarah B. Knowlton, Esq.  
100 Market Street, Suite 301  
P.O. Box 459  
Portsmouth, NH 03802-0459  
Telephone (603) 334-6928  
Email: sarah.knowlton@mclane.com

Certificate of Service

I hereby certify that a copy of the foregoing Petition has been forwarded this 18th day of May, 2011 to Meredith Hatfield, Esq., Consumer Advocate.



\_\_\_\_\_  
Sarah B. Knowlton

**RESOLUTION** R-11-120

**Authorizing the mavor to give**  
**prior written consent to**  
**Pennichuck East Utility, Inc.'s**  
**proposal to borrow up to \$400,000**  
**from the State Revolving Loan**  
**Fund**

**IN THE BOARD OF ALDERMEN**

1<sup>ST</sup> READING MAY 24, 2011

Referred to:  
PENNICHUCK SPECIAL WATER COMMITTEE

2<sup>nd</sup> Reading JUNE 14, 2011

3<sup>rd</sup> Reading \_\_\_\_\_

4<sup>th</sup> Reading \_\_\_\_\_

Other Action \_\_\_\_\_

Passed JUNE 14, 2011

Indefinitely Postponed \_\_\_\_\_

Defeated \_\_\_\_\_

Attest: [Signature]  
City Clerk

[Signature]  
President

Approved [Signature]  
Mayor's Signature

June 16, 2011  
Date

Endorsed by [Signature] MAYOR

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Vetoed: \_\_\_\_\_

Veto Sustained: \_\_\_\_\_

Veto Overridden: \_\_\_\_\_

Attest: \_\_\_\_\_  
City Clerk

\_\_\_\_\_  
President