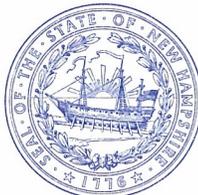


THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Amy L. Ignatius

COMMISSIONERS
Michael D. Harrington
Robert R. Scott

EXECUTIVE DIRECTOR
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

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FAX (603) 271-3878

Website:
www.puc.nh.gov

July 1, 2013

Debra A. Howland
Executive Director and Secretary
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

NHPUC JUL01'13 PM 3:50

RE: DW 13-125 Pennichuck East Utility, Inc.
Petition for Authority to Issue up to \$850,000 in Long Term Debt

Dear Ms. Howland:

On April 29, 2013, Pennichuck East Utility, Inc. (PEU) filed a petition with the Commission seeking authority to borrow up to \$850,000 in long term debt, pursuant to RSA 369. PEU proposes to borrow the \$850,000 as two loans from the State Revolving Loan Fund (SRF) administered by the New Hampshire Department of Environmental Services (NHDES). Included with PEU's petition was the direct testimony of Larry Goodhue, Chief Financial Officer of PEU and John Boisvert, Chief Engineer for Pennichuck Water Works which provides services for PEU. Additional information related to the filing was provided in response to Staff data requests and those responses are attached to this letter. After review of the filing and the attached discovery, Staff recommends Commission approval of PEU's request by order *Nisi*.

PEU seeks to borrow up to \$850,000 in order to finance two projects: 1) water main improvement in their Locke Lake system; and 2) a project to improve water quality in its Avery Estates water system. The Locke Lake project will replace approximately 6,800 linear feet (LF) of small diameter PVC water main that has demonstrated a high level of unaccounted-for water and leak repair occurrence over the past three years. The Avery Estates Water System project will interconnect the system with the Town of Hudson through a booster station and 2,400 LF of new water main to correct water quality problems, and to eliminate a deteriorating building and rusting atmospheric tanks.

The Locke Lake project, a continuation of an ongoing main replacement effort, is expected to cost \$400,000, with any overages coming from the company's internal funds. PEU plans to replace 6,800 linear feet (LF) of small diameter PVC water main within the Locke Lake system in Barnstead, NH. The mains in this system have a long history of continuous breakage. According to the Testimony of John Boisvert (page 4, lines 21-23), "Over the past three years (2010, 2011 and 2012) the Company has repaired 56 leaks in the Locke Lake Water System (23 have been water main breaks with the remaining 33 leaks occurring on the main to stop...)." Included as part of the main replacement, PEU will be replacing the main to stop portions of each service connection, and upgrading a single ¾" service feeding two homes to two 1" services to reduce system leaks. The project is expected to be completed in November 2013.

The Avery Estates Water System is projected to cost \$450,000, with any overages coming from the company's internal funds. The Avery Estates Water System services 47 customers in Londonderry, NH. PEU treats the water for hardness, arsenic, iron and manganese control, corrosion control, disinfection, sediment filtration and radon. The current treatment system is in need of replacement. PEU considered two options: an interconnection, and rebuilding onsite equipment. Analysis completed by PEU proved that an interconnection with the Town of Hudson has the lowest life cycle cost (Exhibit JJB-2). The Town of Hudson signed a Derry Road Water System Extension Agreement with PEU, dated 11/8/11, in which the Hudson Selectmen authorized PEU to extend the water main along 102 in Londonderry to provide water to Avery Estates¹.

PEU's proposed financing for both projects, as noted above, is through the SRF program with which the Commission is familiar. The loans will be on a 20-year term at an interest rate currently expected to be 2.72%, but will be based on the current rate available at the time the loan is actually closed. Based on the water rates and incomes in the communities served, there is no principal forgiveness associated with these loans. DES will make disbursements on the loan based on invoices submitted by contractors engaged by PEU. Interest will accrue at an annual rate of 1% during construction, and the total accrued interest will be due upon substantial completion of the project. Payments of principal and interest will begin six months thereafter. SRF funding is competitive and DES ranked the proposed Locke Lake project 21 and the Avery Estates Water System project 41 among the 63 proposals it evaluated.

Votes of the Boards of PEU and its parent, Pennichuck Corporation, authorizing the proposed borrowing were provided April 26, 2013. The Nashua Board of Aldermen approved the proposed borrowing on 6/11/13 and the Mayor of Nashua approved the proposal on 6/12/13. PEU provided to Staff a copy of a resolution passed by the City of Nashua Board of Alderman,

¹ Implementation of the interconnection option still depends on approval by the Town of Londonderry of a private development known as Hickory Woods. The Hickory Woods developer will be constructing a pumping station in Hudson and extending a 12 inch water main to serve Hickory Woods. PEU will interconnect at the end of this water main. In the event that Londonderry does not approve the Hickory Woods development, then PEU will use the SRF funds for a rebuild of its Avery Estates pump station. NHDES has also approved use of the SRF funds for this station rebuild if necessary.

authorizing PEU to enter into the two SRF loan agreements². The resolution is attached to this recommendation letter.

Staff has thoroughly reviewed, and supports, the proposal as presented by PEU. The procurement of an SRF loan for these projects ensures that PEU will finance these improvements at the lowest possible cost to customers. The projects will help address the ongoing service disruptions due to Locke Lake's inferior distribution system, and the aging treatment system issues at Avery Estates. As NHDES has approved use of the SRF funds for either option at Avery Estates, Staff therefore recommends approval of PEU's request for authority to borrow up to \$850,000 from the SRF to finance needed capital improvements at its Locke Lake and Avery Estates water systems.

If there are any questions regarding this matter, please let me know.

Sincerely,



Robyn J. Descoteau
Utility Analyst, Gas & Water Division

Attachment – Discovery Responses
City of Nashua Resolution, R-13-119

cc: Service List

² Article VI of the by-laws of Pennichuck require that its sole shareholder, the City of Nashua, must authorize any loan or other evidence of indebtedness prior to executing such agreement.

DEVINE
MILLIMET

ATTORNEYS AT LAW

May 16, 2013

KEVIN M. BAUM
603.669.1000
KBAUM@DEVINEMILLIMET.COM

VIA ELECTRONIC MAIL

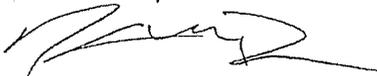
Marcia A. Brown, Esq.
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301

Re: DW 13-125; Pennichuck East Utility, Inc. – Petition for SRF Financing Approval
for Locke Lake and Avery Estates Water

Dear Attorney Brown:

Enclosed are responses by Pennichuck East Utility, Inc. to the data requests dated
May 8, 2013 by the Commission staff.

Very truly yours,



Kevin M. Baum

KMB:aec

Enclosures

cc via electronic mail:
Discovery Service List

DEVINE, MILLIMET
& BRANCH
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MANCHESTER, NH
CONCORD, NH

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 1
PETITION FOR SRF FINANCING APPROVAL FOR
LOCKE LAKE AND AVERY ESTATES WATER

Date Request Received: May 8, 2013
Request No. Staff 1-1

Date of Response: May 17, 2013
Witness: John J. Boisvert

REQUEST: Regarding Mr. Boisvert's testimony on the Hudson Interconnection option at pages 8-9:

- a) What is the current status of the Hickory Woods pump station and main?
- b) When would a go/no-go decision be made by PEU regarding that option?

RESPONSE:

- a) The pump station design is complete. The station design was submitted to the New Hampshire Department of Environmental Services (NHDES) for approval. NHDES has indicated that the design is complete and final approval will be granted once final water main drawings that incorporate town requirements are provided to the department. The Company is working closely with the Hickory Woods developer and their pipeline contractor to initiate construction as soon as all local and NHDES approvals are in place.
- b) A go/no-go decision whether or not to begin construction of the main from Hickory to Avery in 2013 will be made on or about September 10, 2013.

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 1
PETITION FOR SRF FINANCING APPROVAL FOR
LOCKE LAKE AND AVERY ESTATES WATER

Date Request Received: May 8, 2013
Request No. Staff 1-2

Date of Response: May 17, 2013
Witness: Larry D. Goodhue

REQUEST: Regarding Mr. Boisvert's testimony at page 9, lines 18-19, please provide the Board Resolution approving the proposed financings.

RESPONSE: Please see the attached Corporate Secretary's Certificate.

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 1
PETITION FOR SRF FINANCING APPROVAL FOR
LOCKE LAKE AND AVERY ESTATES WATER

Date Request Received: May 8, 2013
Request No. Staff 1-3

Date of Response: May 17, 2013
Witness: John J. Boisvert

REQUEST: Regarding Exhibit JJB 2:

- a) Please indicate why electricity costs were not included for the On Site option.
- b) Please explain the derivation of the 'Treatment System Labor' cost of \$250 for the On Site option.
- c) Please explain the derivation of the 'Depreciation on Water Mains' amounts for both interconnection options.

RESPONSE: Please see attached. Exhibit JJB 2 has been revised as follows:

- a) Electrical costs are now included.
- b) The cost arises from the need for the treatment system to have additional monitoring devices in place, including chlorine and pH plus chemical feed systems that require additional maintenance and attention. Additionally, operator time at the station would be increased.
- c) The formula used to compute "Depreciation on Water Mains" double counted the capital costs in error. A corrected calculation is attached as shown on the revised Exhibit JJB 2. The revisions in Exhibit JJB 2 further support the conclusion that the interconnection with Hudson as the most feasible option for Avery Estates.

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 1
PETITION FOR SRF FINANCING APPROVAL FOR
LOCKE LAKE AND AVERY ESTATES WATER

Date Request Received: May 8, 2013
Request No. Staff 1-4

Date of Response: May 17, 2013
Witness: Larry D. Goodhue

REQUEST: Regarding Schedule LDG-2:

- a) In the Depreciation section at the bottom, what does the \$10,000 of Structures and Improvements for the Locke Lake project relate to?
- b) While the cost of removal of the existing Avery pump station is indicated, retirements do not appear to be included for either project. Please explain or provide an updated attachment.

RESPONSE:

- a) The \$10,000 of Structures and Improvements for the Locke Lake project relates to land/topographic survey work. The survey is required to form the basis of drawings (plans) that depict the existing conditions where new water main construction is planned or is being designed.
- b) Please see the attached updated LDG-1, LDG-2 and LDG-3 schedules that reflect the asset retirements and their impact on the pro forma adjustments. Additionally, the schedule reflects the reclassification of \$10,000 in from Structures and Improvements to Transmission and Distribution Mains.

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 1
PETITION FOR SRF FINANCING APPROVAL FOR
LOCKE LAKE AND AVERY ESTATES WATER

Date Request Received: May 8, 2013
Request No. Staff 1-5

Date of Response: May 17, 2013
Witness: John J. Boisvert

REQUEST: Regarding the Avery Interconnection project:

- a) Has the company been in contact with the Town of Hudson regarding the plans for this project?
- b) If so, please provide documentation regarding the Town of Hudson's opinion regarding the project.

RESPONSE

- a) Yes, the company furnished preliminary review drawings to the Hudson Town Engineer, which were returned to the Company with Hudson's comments, additions, and modifications. These comments and proposed changes were incorporated into the final version and have been returned to the Town Engineer for final approval.
- b) We anticipate Hudson and Londonderry approval in the next two weeks. Documentation of Town approval will be forwarded to the Commission when it is received.

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 1
PETITION FOR SRF FINANCING APPROVAL FOR
LOCKE LAKE AND AVERY ESTATES WATER

Date Request Received: May 8, 2013
Request No. Staff 1-6

Date of Response: May 17, 2013
Witness: John J. Boisvert

REQUEST: Does the company have an agreement with the Hickory Woods developer for use of its facilities?

RESPONSE: Please see attached agreement with the Hickory Woods developer. Also attached is a copy of the standard main extension agreement provided to the developer. Upon receipt, a signed copy of the agreement will be forwarded to the Commission.

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 1
PETITION FOR SRF FINANCING APPROVAL FOR
LOCKE LAKE AND AVERY ESTATES WATER

Date Request Received: May 8, 2013
Request No. Staff 1-7

Date of Response: May 17, 2013
Witness: John J. Boisvert

REQUEST: Please describe the purchased water arrangement with Hudson, including where/how purchased water for the Avery system will be measured.

RESPONSE: A copy of the Company/Hudson purchased water agreement is attached. Please refer to paragraph 8 of the agreement. A metering station in the pipeline is included for billing purposes as required by Hudson. The metering station will be located inside Hudson just before the Hudson/Londonderry boundary.

PENNICHUCK EAST UTILITY
DW 13-125

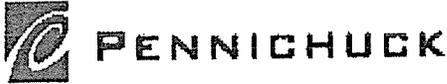
Pennichuck East Utility's Responses to
Staff's Data Requests – Set 1
PETITION FOR SRF FINANCING APPROVAL FOR
LOCKE LAKE AND AVERY ESTATES WATER

Date Request Received: May 8, 2013
Request No. Staff 1-8

Date of Response: May 17, 2013
Witness: John J. Boisvert

REQUEST: Regarding Mr. Boisvert's testimony regarding Locke Lake on pages 5-7:
Does the company intend to continue to replace water main at Locke Lake in future
years? Please explain.

RESPONSE: Yes, as the company works to reduce system leakage and minimize
operational costs, replacement of substandard pipe is the only option available. With
92,000 feet of this main in service, we anticipate annual construction contracts of
\$400,000 (5,000 to 8,000 feet per year) to continue until most, if not all, original piping is
replaced.



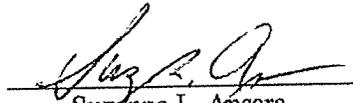
CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck East Utility, Inc. (the "Corporation"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Corporation. In that capacity, I do hereby further certify that:

1. The following resolution was adopted by the Board of Directors of Pennichuck East Utility, Inc. on April 26, 2013; and such resolution has not been altered, amended or repealed, and is in full force and effect, as of the date hereof:

Resolved: to authorize management to initiate the process to obtain the necessary approvals from the New Hampshire Public Utilities Commission, the City of Nashua Board of Aldermen (as sole shareholder), and RBS Citizens to enter into an agreement between Pennichuck East Utility, Inc. ("PEU") and the State of New Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which PEU will borrow up to Four Hundred Fifty Thousand Dollars (\$450,000.00) with a 20-year term, level payment, at the current SRF rate of interest (currently 2.72%) for the purpose of funding the Avery Woods Interconnection, and up to Four Hundred Thousand Dollars (\$400,000.00) with a 20-year term, level payment, at the current SRF rate of interest (currently 2.72%) for the purpose of funding the Locke Lake Dam Site Road Phase 2 Main Replacement; and that John L. Patenaude, Donald L. Ware, and Larry D. Goodhue are, and each of them acting alone hereby is, authorized to act as PEU's representative for purposes of executing and administering the above-referenced loan agreements and/or executing any other related documents, certificates, and undertakings on behalf of PEU, at such time after all requisite contract approvals have been received.

In Witness Whereof, I have hereunto set my hand this 14th day of May, 2013.


Suzanne L. Ansara
Corporate Secretary

PEU		SDR1-3
Hickory & Avery Interconnection		Exhibit JJB 2
Life Cycle Cost Analysis		Page 1 of 2
22-Apr-13		Revised
On Site Storage and Treatment -		
Station Electricity (\$ per year 2012) -	\$	3,673
Annual Well maintenance -	\$	486
Annual Well Water Quality Sampling -	\$	6,318
Treatment System Labor ([\$27.09/hr x 3 hour/wk x 52 wk/year x 1,8027 (direct OH)] + {156 hours of truck time x \$9.75 per hour})-	\$	9,214
Booster Electricity (5 HP @ 8 Hrs/day) Included Above -	\$	-
Misc. Electricity -	\$	-
Annual Arsenic	\$	5,000
Treatment Chemicals -	\$	3,500
Deprecation on Storage (9,000 gallons) @ 2% -	\$	1,840
Deprecation on Zone Booster and treatment @ 2.5% -	\$	11,303
Property Taxes -	\$	13,172
Pretax ROI on Total Project -		54,640
Estimated Annual Operating Cost -	\$	109,146
Purchased Water from the Hudson		
Purchased Water Cost -	\$	8,645
Depreciation on Water Mains @ 1.33% -	\$	5,983.51
Deprecation on Storage @ 2% -	\$	-
Property Taxes -	\$	10,617
Pretax ROI on Total Project -	\$	44,044
Estimated Annual Operating Cost -	\$	69,290
Model Data:		
Average cost per KwHr -	\$	-
PEU Debt -		2.72%
PEU Equity -		9.75%
PEU percent equity -		48%
PEU marginal tax rate -		60.39%
PEU pretax ROI -		9.79%
Number of in PEU customers -		6800
*Based on (gpd/house)		150.0
Existing Avery Well production (gpm)-		25
Number of Homes @ Avery -		47
Mil Rate (Londonderry at 17.0/1000 + State at 6.6/1000=23.6/1000) -		\$23.6
Labor and Truck Rate per hour -	\$	59.07
Purchased Water Cost from Hudson (per 748 gallons)-	\$	2.51
On site Capex per Estimate-	\$	558,120
Interconnection Capex per Estimate -	\$	449,888
Contribution to PS	\$	-
Hudson Entance Fee for Avery -	\$	-

PEU		SDR 1-3
Londonderry Core to Avery Interconnection		Exhibit JJB 2
Life Cycle Cost Analysis		Page 2 of 2
22-Apr-13		Revised
On Site Storage and Treatment -		
Station Electricity (\$ per year 2012)	\$	3,673
Annual Well maintenance -	\$	486
Annual Well Water Quality Sampling -	\$	6,318
Treatment System Labor ([\$27.09/hr x 3 hour/wk x 52 wk/year x 1.8027 (direct OH)] + {156 hours of truck time x \$9.75 per hour})-	\$	9,214
Booster Electricity (5 HP @ 8 Hrs/day) Included Above -	\$	-
Misc. Electricity -	\$	-
Annual Arsenic	\$	5,000
Treatment Chemicals -	\$	3,500
Depreciation on Storage (9,000 gallons) @ 2% -	\$	1,840
Depreciation on Zone Booster and treatment @ 2.5% -	\$	11,303
Property Taxes -	\$	13,172
Pretax ROI on Total Project -		54,640
Estimated Annual Operating Cost -	\$	109,146
Interconnection to the Londonderry Core		
Purchased Water Cost -	\$	4,438
Depreciation on Water Mains @ 1.33% -	\$	19,942.37
Depreciation on Storage @ 2% -	\$	-
Property Taxes -	\$	35,386
Pretax ROI on Total Project -	\$	146,794
Estimated Annual Operating Cost -	\$	206,561
Model Data:		
Average cost per KwHr -	\$	-
PEU Debt -		2.72%
PEU Equity -		9.75%
PEU percent equity -		48%
PEU marginal tax rate -		60.39%
PEU pretax ROI -		9.79%
Number of in PEU customers -		6800
*Based on (gpd/house)		150.0
Existing Avery Well production (gpm)-		25
Number of Homes @ Avery -		47
Mil Rate (Londonderry at 17.0/1000 + State at 6.6/1000=23.6/1000) -		\$23.6
Labor and Truck Rate per hour -	\$	59.07
Purchased Water Cost from Manchester (per 748 gallons)-	\$	1.29
On site Capex per Estimate-	\$	558,120
Interconnection Capex per Estimate -	\$	1,499,426
MSDC Fee for Avery (included in Capex) -	\$	-

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2012

SDR 1-4
Revised Schedule LDG-1
Page 1 of 2

	Account Number	12/31/2012	Pro Forma Adjustments	Pro Forma 12/31/2012
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	48,293,325	825,000 (1)	49,118,325
Work in process	105	427,611	-	427,611
Utility Plant		48,720,937	825,000	49,545,937
Accumulated depreciation	108	9,488,699	(1,974) (2)	9,486,724
Net Plant		39,232,238	826,974	40,059,213
Net Acquisition Adjustment	114 & 115	6,849,030	-	6,849,030
Total Net Utility Plant		32,383,208	826,974	33,210,183
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	30,000	-	30,000
Accounts receivable-billed, net	141 & 143	397,486	-	397,486
Accounts receivable-unbilled, net	173	401,594	-	401,594
Accounts receivable-other	142	-	-	-
Inventory	151	22,844	-	22,844
Prepaid expenses	162	15,791	-	15,791
Prepaid property taxes	163 & 236	141,200	-	141,200
Prepaid taxes	162.3	-	-	-
		1,008,915	-	1,008,915
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	165,300	-	165,300
Other & Deferred Charges	182,184,186	9,516,163	-	9,516,163
		9,681,463	-	9,681,463
TOTAL ASSETS		\$ 43,073,587	\$ 826,974	\$ 43,900,561

Notes:

(1) To record the assets related to the SRF Loans.

(2) To record the impact of full year depreciation offset by the Cost of Removal.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
EQUITY AND LIABILITIES
For the Twelve Months Ended December 31, 2012

SDR 1-4
Revised Schedule LDG-1
Page 2 of 2

	Account Number	12/31/2012	Pro Forma Adjustments		Pro Forma 12/31/2012
STOCKHOLDERS' EQUITY					
Common stock	201	\$ 100	\$ -		\$ 100
Paid in capital	211	15,409,101	-		15,409,101
Retained earnings	215	71,787	(25,004)	(2)	46,782
		15,480,987	(25,004)		15,455,983
LONG TERM DEBT					
Bonds, notes and mortgages	221	7,978,791	850,000	(1)	8,828,791
Intercompany advances	223	6,359,294	1,978	(3)	6,361,272
Other Long Term Debt	224	825,380	-		825,380
CURRENT LIABILITIES					
Accounts payable	231	87,267	-		87,267
Accrued property taxes	236	-	-		-
Accrued interest payable	237	32,061	-		32,061
Other accrued expenses	241	207,662	-		207,662
Income taxes payable	236	-	-		-
Customer deposits & other	235	2,032	-		2,032
		329,022	-		329,022
OTHER LIABILITIES AND DEFERRED CREDITS					
Deferred income taxes	282	3,795,711	-		3,795,711
Customer advances	252	-	-		-
CIAC, net	271 & 272	8,304,402	-		8,304,402
Other long term liabilities		-	-		-
		12,100,112	-		12,100,112
TOTAL EQUITY AND LIABILITIES		\$ 43,073,587	\$ 826,974		\$ 43,900,561

Notes:

(1) To record the SRF Debt as follows:

State of NH SRF (Dam Site Road Phase 2)	\$	400,000
State of NH SRF (Avery Estates Interconnection)	\$	450,000
Total SRF Debt	\$	850,000

(2) To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.

(3) To record the use of funds through the intercompany debt

PENNICHUCK EAST UTILITY, INC.
 OPERATING INCOME STATEMENT
 For the Twelve Months Ended December 31, 2012

SDR 1-4
 Revised Schedule LDG-2

	Account Number	TWELVE MONTHS 12/31/12	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/12
Water Sales	400 to 462	\$ 6,235,171	\$ -	\$ 6,235,171
Other Operating Revenue	471	48,196	-	48,196
Total Revenues		6,283,366	-	6,283,366
Production Expenses	601 to 652	1,677,338	-	1,677,338
Transmission & Distribution Expenses	660 to 678	629,086	-	629,086
Customer Acct & Collection Exp	902 to 904	158,703	-	158,703
Administrative & General Expense	920 to 950	267,841	-	267,841
Inter Div Management Fee	930	1,363,904	-	1,363,904
Total Operating Expense		4,096,873	-	4,096,873
Dep Exp/Acq Adj Expense	403 & 406	859,784	1,974 (2)	861,758
Amortization Expense-CIAC	405	(181,786)	-	(181,786)
Amortization Expense	407	166,007	-	166,007
Gain on Debt Forgiveness	414	(6,347)	-	(6,347)
Property Taxes	408,1	848,403	16,310 (2)	864,713
Income Tax	409 to 410	42,559	(16,400) (3)	26,159
Total Operating Deductions		1,728,620	1,884	1,730,504
Net Operating Income		457,874	(1,884)	455,990
Other Income and Deductions		(26,631)	-	(26,631)
Interest Expenses		459,998	23,120 (1)	483,118
Net Income		(28,755)	(25,004)	(53,759)

Notes:

- 1 - To record the change in interest expense associated with SRF financing.
- 2 - To record the impact of assets on depreciation and property taxes.
- 3 - To record the tax impact resulting from additional expenses.

Supporting Calculations:

Interest Expense:

New SRF debt	\$ 850,000
Interest Rate	2.72%
Annual Interest	\$ 23,120

Depreciation

Additions:

	Asset Cost			Depreciation	
	Locke Lake	Avery Estates	Total	Rate	Amount
Structures & Improvements	\$ -	\$ -	\$ -	2.62%	\$ -
Transmission & Distribution Mains	\$ 283,000	\$ 425,000	\$ 708,000	1.47%	\$ 10,408
Services	\$ 117,000	\$ -	\$ 117,000	2.00%	\$ 2,340
Cost of Removal	\$ -	\$ 25,000	\$ 25,000		
Totals	\$ 400,000	\$ 450,000	\$ 850,000		\$ 12,748

Retirements:

	Asset Cost			Depreciation	
	Locke Lake	Avery Estates	Total	Rate	Amount
Structures & Improvements	\$ -	\$ 71,847	\$ 71,847	2.62%	\$ 1,882
Wells	\$ -	\$ 48,958	\$ 48,958	3.79%	\$ 1,856
Pumping Equipment	\$ -	\$ 16,194	\$ 16,194	5.50%	\$ 891
Treatment Equipment	\$ -	\$ 79,734	\$ 79,734	7.33%	\$ 5,844
Storage	\$ -	\$ 1,235	\$ 1,235	1.94%	\$ 24
Transmission & Distribution Mains	\$ 18,784	\$ -	\$ 18,784	1.47%	\$ 276
Totals	\$ 18,784	\$ 217,968	\$ 236,752		\$ 10,773

Net Additions \$ 381,216 \$ 232,032 \$ 613,248

Pro Forma Depreciation

\$ 1,974

Property Taxes

Barnstead	\$ 21.09	
Londonderry	\$ 18.20	
State of New Hampshire	\$ 6.60	\$ 6.60
Total Tax Rate	\$ 27.69	\$ 24.80

Pro Forma Property Taxes \$ 10,556 \$ 5,754 \$ 16,310 *

* Property Tax for Avery Estates is calculated excluding Cost of Removal

Pennichuck East Utility, Inc.
Pro Forma Capital Structure for Ratemaking Purposes
For the Twelve Months Ended December 31, 2012

SDR 1-4
 Revised Schedule LDG-3

	<u>Pro Forma</u> <u>2012</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma</u> <u>2012 with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	8,828,791	(1,732,287) (1)	7,096,505	64.75%
Intercompany Debt	\$ 6,359,294	(2,577,780) (1)	3,781,513	34.50%
<u>Common Equity:</u>				
Common Stock	100		100	
Paid In Capital	15,904,329	(15,904,329) (2)	(0)	
Comprehensive Income	(495,228)	529,702 (2)	34,474	
Retained Earnings	<u>46,782</u>		<u>46,782</u>	
Total Common Equity	15,455,983		81,356	0.74%
 Total Capital	 <u>\$ 30,644,068</u>		 <u>\$ 10,959,374</u>	 100.00%

Notes:

(1) Eliminate Capital Recovery Surcharge Related Assets with the offset to Long Term Debt and Intercompany Debt.

The Long Term Debt consists of the SRF Loan for the Birch Hill interconnection. The remainder is Intercompany Debt.

(2) Per Order 25,292 in DW 11-026, eliminate the MARA and related equity:

MARA	8,964,574
Equity as of 1/25/12	939,755
Paid in Capital as of 1/25/12	<u>6,000,000</u>
	<u>15,904,329</u>

Comprehensive Income as of 1/25/12	<u>(529,702)</u>
------------------------------------	------------------

AGREEMENT

Whereas, Pennichuck East Utility, Inc. (hereinafter referred to as "Pennichuck"), with an address of 25 Manchester St, Merrimack, NH, and Hickory Woods, LLC (hereinafter referred to as "Hickory"), a New Hampshire limited liability company, with an address of 100 Andover Bypass, Suite 203, North Andover, MA 01845, have a common interest in constructing a water main and associated water booster station to provide public water from the Town of Hudson into the Town of Londonderry in order to provide water to the following locations:

- A. The entrance of Hickory's proposed development on a certain parcel of land on Route 102 in Londonderry, Rockingham County, New Hampshire, said parcel more particularly identified as Tax Map 2 Lot 27 on the Londonderry assessor's maps (herein after referred to as the "development")
- B. Pennichuck's existing Avery Estates community water system located at Burbank Road in Londonderry, New Hampshire.

Now therefore, the Parties agree as follows:

This Agreement is subject to the requirements set forth in an agreement between the Town of Hudson and Pennichuck (hereinafter referred to as the Hudson/Pennichuck Agreement) dated November 8, 2011, as provided in Attachment A to this Agreement.

1. Pennichuck will design, bid, award the construction contract and oversee the construction and inspect the water main project at no cost to Hickory and in accordance with paragraph 8. The design specs will be subject to a review and approval by Hickory before the bids are sent out.
2. Hickory will pay for 100% of the land surveys (included but not limited to boundary, topographic, right-of-way, easement, and wetland) necessary for water main and pumping station construction from the existing water main in Hudson to the entrance of the development.
3. Pennichuck will pay for 100% of the land surveys (included but not limited to boundary, topographic, right-of-way, easement, and wetland) necessary for water main construction from the entrance to the development to the connection with Avery Estates.
4. Pennichuck will either directly or indirectly, through the selected contractor, obtain all permits necessary to construct the water main project. The cost of any permits will be considered part of the cost of constructing the water main project. Permitting cost shall be apportioned based on the length of water main Hickory is responsible for and the length of main Pennichuck is responsible for.
5. Pennichuck will pay for 100% of the cost to construct the water main project from the entrance of the development to its Avery Estates water system.

6. Hickory will pay for 100% of the cost to construct the water main from its start point in Hudson on Route 102 up to the proposed pumping station, described in paragraph 13, then from the pumping station along Route 102 to the entrance to the Hickory Woods development.
7. Hickory will pay 100% of the meter station construction costs required by the Hudson and Pennichuck Agreement subject to reimbursements defined in Paragraph 14 below.
8. Hickory will provide a check to Pennichuck in the amount of \$15,000 (100% of Pennichuck's cost to engineer and design the proposed water main project) in order to initiate the water main project design. In the event that Hickory decides (upon the bid opening or for other factors) not to proceed with the project this money shall be retained by Pennichuck to cover its cost of designing and bidding this project. In the event that Hickory decides to proceed with the water main project the \$15,000 paid to Pennichuck will be a credit towards Hickory's share of the water main project. The water main design will be subject to review and approval by Hickory.
9. Pennichuck will have plans prepared for bid within 90 days of receiving a signed copy of this letter agreement along with the \$15,000 deposit referenced in paragraph 8 above. Pennichuck will work with Hickory to identify qualified contractors to bid the project. The project will be awarded to the lowest responsible bidder. Pennichuck's selection of the contractor or bidder to whom the contract will be awarded is subject to review and approval by Hickory.
10. Pennichuck will issue the notice of award and notice to proceed for the water main project within 5 days of Hickory issuing a check to Pennichuck in the amount of 50% of its share of the water main project once the bids have been opened (less the \$15,000 paid to Pennichuck in paragraph 8 above). The selected water main contractor will be given 90 calendar days from the issuance of the notice to proceed to reach substantial completion of the water main project (substantial completion meaning that the water main has been completely installed, pressure tested and passed a bacteria test and can be placed into service).
11. Hickory will provide a check for 25% of its share of the water main project within 30 days of Pennichuck receiving and transmitting (via email) to Hickory the first monthly pay requisition from the water main contractor for the construction of the water main project.
12. Hickory will provide a check for the remainder of its share of the water main project within 30 days of Pennichuck receiving and transmitting (via email) to Hickory the second monthly pay requisition from the water main contractor.
13. Pennichuck will design and construct a water booster station for the project as previously described that meets or exceeds Pennichuck's and Hudson's standards for a water booster station. Pennichuck will relinquish ownership, operation and maintenance of the water booster station to the Town of Hudson upon its completion and acceptance by Hudson. Pennichuck will assign to the Town of Hudson all warranties provided by the constructors of the water booster station.
 - 13.1 Hickory shall provide Pennichuck with an easement or parcel of property on which to construct the water booster station. The parcel shall meet all of the requirements of the Town of Hudson and State regulations. The parcel shall come with permanent legal

access and easements for piping to and from the station as well as other above and below ground utilities.

- 13.2 Hickory will provide a check to Pennichuck in the amount of \$10,000 (100% of Pennichuck's cost to engineer and design the proposed water booster station) in order to initiate the booster station project design. In the event that Hickory decides (upon the bid opening or for other factors) not to proceed with the project this money shall be retained by Pennichuck to cover its cost of designing and bidding the booster station project. In the event that Hickory decides to proceed with the booster station project the \$10,000 paid to Pennichuck will be a credit towards Hickory's share of the booster station project. The Pump Station design will be subject to review and approval by Hickory.
 - 13.3 Pennichuck will have plans prepared for bid within 120 days of receiving a signed copy of this letter agreement along with the \$10,000 deposit referenced in paragraph 13.2 above. Pennichuck will work with Hickory to identify qualified contractors to bid the project. The project will be awarded to the lowest responsible bidder.
 - 13.4 Pennichuck will issue the notice of award and notice to proceed for the booster station project within 5 days of Hickory issuing a check to Pennichuck in the amount of 50% of its' share of the booster station project once the bids have been opened (less the \$10,000 paid to Pennichuck in paragraph 13.2 above). The selected booster station contractor will be given 120 calendar days from the issuance of the notice to proceed to reach substantial completion of the booster station project (substantial completion meaning that the station has been constructed, tested, and approved by Hudson and can be placed into service).
 - 13.5 Hickory will provide a check for 25% of its share of the booster station project within 30 days of Pennichuck receiving and transmitting (via email) to Hickory the first monthly pay requisition from the booster station contractor for the construction of the booster station project.
 - 13.6 Hickory will provide a check for the remainder of its share of the booster station project within 30 days of Pennichuck receiving and transmitting (via email) to Hickory the second monthly pay requisition from the booster station contractor.
14. Pennichuck will establish a Pump Station Upgrade Fee for the pumping station. The Pump Station Upgrade Fee will include the pump station and the meter station identified in paragraph 7 above. The station cost shall be based on a fire flow and domestic flow pumping capacity not to exceed 1,000 gallons per minute (gpm). Costs to construct a pumping station in excess of 1,000 gpm shall be the responsibility of Hickory. The fee will be calculated by taking the total station cost divided by the total number of Londonderry and Hudson customers who will benefit from the project (47 existing Pennichuck customers, 94 Hickory Woods customers and 71 additional projected customers in Londonderry, and an additional 108 in Hudson, for a Total of 320). By example, if the total station cost were to equal \$500,000 the system upgrade fee would be set at \$1,562 per 5/8" equivalent meter.

- 14.1 The 94 Hickory Woods customers will not be required to pay the Pump Station Upgrade Fee.
 - 14.2 Pennichuck will contribute the Pump Station Upgrade Fee for each of its existing Avery Estates customers to the booster station after the contributions of Hickory in section 13.
 - 14.3 Pennichuck will collect the Pump station Upgrade Fee from new Londonderry customers served by this station and return the fee to Hickory for a period of ten (10) years upon completion of the project.
 - 14.4 The Pump Station Upgrade Fee shall not apply to Hudson Customers. Pennichuck will forward fees to Hickory collected by Hudson and paid to Pennichuck for new connections served by the project, in accordance with the Hudson/Pennichuck Agreement. Pennichuck will work with Hudson, in accordance with the Hudson and Pennichuck Agreement, to ensure that all fees are collected and forwarded to Hickory. It shall not be Pennichuck's responsibility to pay Hickory fees that Hudson is obligated to collect as part of the Hudson/Pennichuck Agreement that are not collected by Hudson or not conveyed by Hudson to Pennichuck. Pennichuck will pursue all available remedies if payments are not made by Hudson. Should Pennichuck fail to collect any of the fees due to Hickory, then Pennichuck agrees to assign to Hickory any and all of its rights to collect such fees.
 - 14.5 For each new customer served by the water main between the meter station identified in paragraph 7 to the entrance of the development within five (5) years from the time that the water main goes into service, Pennichuck will invest (make payment to Hickory) an amount equal to the estimated annual revenue from each such customer.
15. The completion date of the water main project will be the date that this project provides water to Avery Estates. This date will be acknowledged in writing by Pennichuck and Hickory.

This Agreement constitutes the agreement in whole between Pennichuck and Hickory regarding the construction of the above referenced water main project.

Miscellaneous provisions:

- a. This Agreement is the final and complete agreement between the Parties and shall not be changed or modified without a subsequent written agreement signed by all Parties.
- b. This Agreement replaces and supersedes any and all other agreements between the Parties which are executed contemporaneously or prior to the date of this Agreement. In case of any conflict between the terms of this Agreement and the terms of any other Agreement between the Parties that is contemporaneous with or prior to this Agreement, the terms of this Agreement are to supersede and control.
- c. In any action arising from this Agreement, and should Hickory prevail in such an action (whether as plaintiff or defendant), Hickory shall be entitled to recover its costs, reasonable attorneys' fees and disbursements and court costs from Pennichuck, whether or not such action is pursued to judgment.

- d. If any provision or provisions of this Agreement shall be held to be invalid, illegal, unenforceable or in conflict with the law of any jurisdiction, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. Invalidity or unenforceability of one or more provisions of this Agreement shall not affect any other provision of this Agreement.
- e. Any interpretation of this Agreement, or any litigation arising from this Agreement, shall be governed by the law of the State of New Hampshire.

I have read this Agreement and agree with the terms and conditions contained herein.

Agreed to and executed this _____ day of MAY 9/2012, 2012.

Pennichuck East Utility, Inc.,

By: Donald Ware
Donald Ware, President

Witness:

Signature: [Handwritten Signature]

Name (print): John J. Bosvert

Hickory Woods, LLC

By: [Handwritten Signature]
Anthony Mesiti, Manager

Witness:

Signature: [Handwritten Signature]

Name (print): John Kalantzakos



PENNICHUCK

PENNICHUCK EAST UTILITY, INC.

25 Manchester St.
Merrimack, N.H. 03054
(603)882-5191

MAIN EXTENSION AGREEMENT CONSTRUCTION BY CUSTOMER

By and Between:

Pennichuck East Utility, Inc. hereinafter referred to as "PENNICHUCK" with an address of 25 Manchester St Merrimack, NH. And Hickory Woods LLC with an address of 100 North Andover Road, Andover MA 01845 hereinafter referred to as the "CUSTOMER".

The CUSTOMER is present owner/developer of the property identified as
Hickory Woods
Route 102
Londonderry, NH

The CUSTOMER hereby petitions PENNICHUCK for an extension of PENNICHUCK'S facilities to supply domestic service to the above mentioned property. Therefore, for valuable consideration, the parties agree as follows:

1. The Project. The CUSTOMER shall furnish and install: Approximately **1,469 feet of CL51-12"DICL pipe** and other equipment and appurtenances all as describe in, and in accordance with the plan submitted by the CUSTOMER as approved by PENNICHUCK along West Road and as attached as Exhibit A (the "Project"). **The CUSTOMER agrees to supply PENNICHUCK with a copy of said plan on diskette in AutoCad format. In accordance with the Tariff, the size and type of the materials used in the Project shall be purchased by the CUSTOMER and approved by PENNICHUCK prior to commencing construction. Pennichuck will pay the difference in materials cost between 8" and 12" water main and fittings. Payment will be made by Pennichuck to the Developer upon acceptance of the water main and submission of a bill by the Developer for the cost of all 12" material and 3 quotes from suppliers for the cost of 8" material.**

1a. The Project. The CUSTOMER shall furnish and install: Approximately **1,875 feet of CL51-12"DICL pipe** and other equipment and appurtenances all as describe in, and in accordance with the plan submitted by

the CUSTOMER as approved by PENNICHUCK along Quarry Road and as attached as Exhibit A (the "Project"). The CUSTOMER agrees to supply PENNICHUCK with a copy of said plan on diskette in AutoCad format. In accordance with the Tariff, the size and type of the materials used in the Project shall be purchased by the CUSTOMER and approved by PENNICHUCK prior to commencing construction. **Pennichuck will pay the difference in materials cost between 8" and 12" water main and fittings. Payment will be made by Pennichuck to the Developer upon acceptance of the water main and submission of a bill by the Developer for the cost of all 12" material and 3 quotes from suppliers for the cost of 8" material.**

1b. The Project. The CUSTOMER shall furnish and install: Approximately 225 feet of CL51-12" DICL pipe and other equipment and appurtenances all as describe in, and in accordance with the plan submitted by the CUSTOMER as approved by PENNICHUCK along Pepper Hill Road and as attached as Exhibit A (the "Project"). The CUSTOMER agrees to supply PENNICHUCK with a copy of said plan on diskette in AutoCad format. In accordance with the Tariff, the size and type of the materials used in the Project shall be purchased by the CUSTOMER and approved by PENNICHUCK prior to commencing construction. **Pennichuck will pay the difference in materials cost between 8" and 12" water main and fittings. Payment will be made by Pennichuck to the Developer upon acceptance of the water main and submission of a bill by the Developer for the cost of all 12" material and 3 quotes from suppliers for the cost of 8" material.**

1c. The Project. The CUSTOMER shall furnish and install: Approximately 725 feet of CL51-12" DICL pipe and other equipment and appurtenances all as describe in, and in accordance with the plan submitted by the CUSTOMER as approved by PENNICHUCK along Black Hill Road and as attached as Exhibit A (the "Project"). The CUSTOMER agrees to supply PENNICHUCK with a copy of said plan on diskette in AutoCad format. In accordance with the Tariff, the size and type of the materials used in the Project shall be purchased by the CUSTOMER and approved by PENNICHUCK prior to commencing construction. **Pennichuck will pay the difference in materials cost between 8" and 12" water main and fittings. Payment will be made by Pennichuck to the Developer upon acceptance of the water main and submission of a bill by the Developer for the cost of all 12" material and 3 quotes from suppliers for the cost of 8" material.**

1d. The Project. The CUSTOMER shall furnish and install: Approximately **1,185 feet of CL51-12"DICL pipe** and other equipment and appurtenances all as describe in, and in accordance with the plan submitted by the CUSTOMER as approved by PENNICHUCK along Tavern Hill Road and as attached as Exhibit A (the "Project"). **The CUSTOMER agrees to supply PENNICHUCK with a copy of said plan on diskette in AutoCad format. In accordance with the Tariff, the size and type of the materials used in the Project shall be purchased by the CUSTOMER and approved by PENNICHUCK prior to commencing construction. Pennichuck will pay the difference in materials cost between 8" and 12" water main and fittings. Payment will be made by Pennichuck to the Developer upon acceptance of the water main and submission of a bill by the Developer for the cost of all 12" material and 3 quotes from suppliers for the cost of 8" material.**

1e. The Project. The CUSTOMER shall furnish and install: Approximately **1,146 feet of CL52-8"DICL pipe** and other equipment and appurtenances all as describe in, and in accordance with the plan submitted by the CUSTOMER as approved by PENNICHUCK along Black Hill Road and as attached as Exhibit A (the "Project"). Appurtenances and equipment shall include, but is not limited to, all the services, from main to end, all fittings, pressure reducing valve pit, valves, release valves, hydrants, valve boxes, service boxes, thrust blocks, backfill materials, road restoration materials and any other appurtenances and equipment required to install the proposed water main extension and services in accordance with PENNICHUCK'S specification.

The CUSTOMER agrees to supply PENNICHUCK with a copy of said plan on diskette in AutoCad format. In accordance with the Tariff, the size and type of the materials used in the Project shall be purchased by the CUSTOMER and approved by PENNICHUCK prior to commencing construction.

2. Project Within Highway or Street. Any portion of the Project which is installed within a proposed public highway or street and within the City/Town of Londonderry, NH. shall, upon acceptance by PENNICHUCK, be the property of PENNICHUCK to operate and maintain.

3. Project on Private Property. If any portion of the Project is to be constructed or installed on private property, **whether or not such private property may subsequently be accepted as a public highway**, PENNICHUCK shall require an easement from the property owner, free and clear of all encumbrances and in form satisfactory to PENNICHUCK conveying rights to operate, maintain, repair and replace the Project and rights of access thereto.

Pennichuck must be in receipt of the required easements prior to allowing service from the water main extension installed under this agreement.

4. Engineering, Inspection and As-Built Fee. In accordance with the Tariff, the CUSTOMER shall deposit **\$15,468** for engineering, inspection and As-Building of the Project. The deposit shall be made prior to the scheduled start of construction. The deposit shall be adjusted to the final engineering and inspection costs associated with the water main installation.

5. Compliance With Specifications and Standards. The Project will comply with the plan set forth in Exhibit A and the specifications and standards set forth in the Company's "Pennichuck Water Works, Inc., Technical Specifications for Main, Hydrant and Service Installations (Nashua, Merrimack & Litchfield N.H.)," and with the specifications and standards of PUC 606.01-02. PENNICHUCK shall be the final judge as to whether or not the Project complies and is acceptable.

6. Maintenance Bond. The CUSTOMER shall, with the completion of each phase of construction, post with PENNICHUCK a Maintenance Bond in the amount of \$5,000 to cover defects in materials and workmanship for a period of one (1) year after their installation.

7. PENNICHUCK Investment in Project. PENNICHUCK agrees to invest in the Project, by crediting or refunding to the CUSTOMER, as follows:

a. For each customer served by the Project within five (5) years from the time that service is commenced to the CUSTOMER by PENNICHUCK'S acceptance of the water main extension, PENNICHUCK will invest an amount equal to the estimated annual revenue from each such customer.

Indemnification by CUSTOMER. CUSTOMER agrees that all persons furnished by CUSTOMER who perform services in connection with the Project shall be considered CUSTOMER'S employees or agents and that the CUSTOMER shall be responsible for payment of all unemployment, social security and other payroll taxes including contributions from them when required by law.

The CUSTOMER hereby agrees to protect, defend, indemnify and hold PENNICHUCK and its employees, agents, officers and directors free and harmless from any and all claims of any kind including, but not limited to, judgments, penalties, interest, court costs, legal fees and any expenses incurred by PENNICHUCK arising in favor of any party, including employees of PENNICHUCK, involving claims, liens, debts, personal injuries, death or damages to property (including property of PENNICHUCK) occurring or in any

way incident to, in connection with or arising directly or indirectly out of, this Agreement or the Project.

The CUSTOMER agrees to investigate, handle, respond to, provide defense for and defend, any such claims, demands, or suits at CUSTOMER'S expense. The CUSTOMER also agrees to bear all other costs and expenses related thereto, even if the claim or claims alleged are groundless, false or fraudulent. This provision shall be effective without regard to whether such claims, demands, or suits are caused by or attributable, in whole or in part, to, the negligence of PENNICHUCK, its employees, agents, officers or directors.

10. Insurance Requirements. The CUSTOMER agrees to maintain in full force and effect:

- A. Comprehensive General Liability insurance written on occurrence form, including completed operations coverage, personal injury liability coverage, broad form property damage liability coverage and contractual liability coverage with respect to the Project and the agreements contained herein. The minimum limits of liability carried on such insurance for personal injury and property damage liability shall be \$5,000,000 each occurrence, and, where applicable, in the aggregate annual coverage of \$5,000,000.
- B. Automobile Liability insurance for owned, non-owned and hired vehicles. The minimum limit of liability carried on such insurance shall be \$1,000,000 each accident, combined single limit for bodily injury and property damage.
- C. Worker's Compensation insurance providing statutory coverage and including employer's liability insurance with limits of liability of at least \$500,000 for each accidental injury and, with respect to bodily injury by disease, \$500,000 each employee and \$500,000 per policy year.
- D. X, C, U, Hazards covering collapse of buildings, blasting and damage to underground property.

Insurance similar to that required of CUSTOMER shall be provided by or on behalf of all subcontractors to cover their operations performed under this agreement. CUSTOMER shall be held responsible for any modifications in these insurance requirements as they apply to subcontractors. CUSTOMER agrees to furnish certificates of the above mentioned insurance to PENNICHUCK within fourteen (14) days from the date of this Agreement and, with respect to the renewals of the current insurance policies, at least thirty (30) days in advance of each renewal date. Such certificates shall state that in the event of cancellation or material change, written notice shall be given to Pennichuck Water Works, Inc., 25 Manchester St, Merrimack, New Hampshire 03054 at least thirty (30) days in advance of such cancellation or change.

E. The CUSTOMER agrees that the CUSTOMER shall not claim that any insurance policies owned by PENNICHUCK provide excess coverage to CUSTOMER.

IN WITNESS WHEREOF, the parties hereto have set their hands on this _____ day of _____, 2013

PENNICHUCK WATER WORKS, INC.

Witness

By: _____
Pennichuck Water Works, Inc.

its _____

Witness

By: _____

Company Name

its _____

Wholesale Water Supply Contract

This Agreement is made effective as of the 12th day of July, 2005 by and between Pennichuck Water Works, Inc., a New Hampshire corporation with an address of 25 Manchester Street, Merrimack, New Hampshire 03054 ("Company") and the Town of Hudson, acting by and through its Board of Selectmen, with a principal place of business at 12 School Street, Hudson, New Hampshire, 03051 ("Town").

WHEREAS, the Company and the Town are parties to a Special Water Supply Contract dated June 10, 1991 ("First Agreement"), which was originally entered into by the Company and Southern New Hampshire Water Company, Inc. ("Southern") and was subsequently assigned by Southern to the Town; and

WHEREAS, the Company and the Town wish to terminate the First Agreement and enter into a new agreement under which the Company would continue to make water available to the Town for purchase at wholesale.

NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set forth below, the parties agree as follows:

1. Term. This Agreement shall be binding upon the parties upon execution by both the Town and the Company, but the terms hereof shall not take effect until any necessary approval of the New Hampshire Public Utilities Commission ("NHPUC") has been obtained. This Agreement shall remain in effect for an initial period of twenty (20) years ("Initial Term"), subject to extension of the term pursuant to Section 2 or termination pursuant to Section 2 or Section 10.

2. Renewal Terms. The term of this Agreement shall be automatically extended for an unlimited number of additional terms of five (5) years each (each a "Renewal Term") unless either party gives written notice to the other, at least three (3) years prior to the date on which the Initial Term or any Renewal Term expires, of its intention to terminate the Agreement at the expiration of the Initial Term or the then current Renewal Term, as the case may be.

3. Delivery Point and Metering. The water to be sold by the Company to the Town under this Agreement shall be delivered by the Company to the Town at the point of interconnection between the Town's water system and the Company's water system on the Nashua side of the Taylor Falls Bridge ("Interconnection Point"). The Company shall, at its own cost, install and maintain metering equipment ("Meter") on the West side of the Merrimack River at the westerly end of the Interconnection Point, which shall be used to measure the quantity of water taken by the Town on a monthly basis.

(a) The Meter shall be inspected and calibrated by the Company in accordance with the applicable regulations of the NHPUC. A copy of any inspection and calibration reports shall be available at the Company's principal office for examination by the Town during normal business hours on reasonable notice from the Town.

(b) The Town may have the accuracy of the Meter tested by an independent third party at the Town's expense at any time, but not more frequently than once each month, provided that the Town gives the Company at least seven (7) days advance written notice of its desire to test the Meter. The Company shall have the right to be present during any such test. If the Meter reads within the specifications established by the NHPUC, the cost of such test shall be borne by the Town. If Meter does not meet the specifications established by the NHPUC, the cost of the tests shall be paid by the Company, and the Company shall adjust its next bill to the Town accordingly.

(c) In the case of missing or inaccurate flow records due to a faulty Meter or other circumstances, the Company shall calculate the payments due from the Town using a reasonable estimate of the flow based on past records and other relevant data for a comparable period.

4. Town's Right to Further Connections to Expand Service. The Town shall have the right, at its sole expense, to construct and connect transmission mains, main pipe extensions, hydrant branches and service connections located within Hudson to the Interconnection Point, in accordance with all applicable industry engineering standards and practices, to supplement its current service and provide additional service within the Town, but not to provide water service outside of the Town.

5. Quantity of Water.

(a) Subject to the provisions of Section 5(b) and Section 6, the Town shall have the right to take up to, but not in excess of, two million gallons of water per day (2 MGD) at the Interconnection Point; provided, however, that water taken for fire fighting purposes and other declared emergencies shall not be counted toward such maximum quantity.

(b) At all times, the Town's peak draw at the Interconnection Point shall be limited to 1.5 times its average gallon per day usage (converted to gallons per minute). Average gallon per day usage is defined as the average daily use for those days when the interconnection was in use during the prior twelve month period. If the Company in its sole discretion determines (i) that its water supply is inadequate to serve the needs of the Town or (ii) that, due to circumstances beyond the Company's reasonable control, its water supply is impaired, the Company may, upon twenty-four hours notice to the Town, reduce the maximum volume that may be taken by the Town. The Company will promptly notify the Town when such circumstances cease to exist, and, thereupon, the rights of the Town to take water as set forth in this paragraph shall be restored. In exercising its discretion concerning a reduction in the amount of water thereafter to be taken by the Town, the Company shall afford at least as favorable treatment to the Town as to its other wholesale bulk customers, except insofar as its special contracts, existing on the date hereof, with such customers or the rules of the NHPUC require a different standard to be applied with respect to such customers. The Company will promptly employ its best efforts to cure such inadequacy or impairment, to the extent it is commercially reasonable to effect such a cure. The Town shall not be entitled to compel the Company to supply it with any specific quantity of water nor shall it be entitled to any damages as a result of the Company's determination that its supply is inadequate and/or impaired.

6. Increase in Quantity of Water. If the Town wishes to increase the maximum quantity of water that it is permitted to purchase under Section 5, it shall provide the Company with written notice sufficient for the Company to evaluate the capacity of its facilities to produce water to meet such increased demand in light of existing and reasonably anticipated additions to demand on the Company's own system. Such notice shall be given at least one year in advance of the desired implementation date of the increase. The Company shall respond to such a request within ninety (90) days, indicating whether it agrees to provide the additional supply. If the Company agrees to increase the maximum quantity of water that may be taken by the Town, the Company and the Town shall negotiate in good faith to determine the price of any such increase based on the cost of the incremental capacity. If despite such good faith negotiations, the parties are unable to agree on the cost of the incremental capacity, the Company shall not be required to increase the maximum quantity provided for in Section 5. Any increase in the maximum quantity of water to be purchased under this Agreement shall be reflected in an amendment to this Agreement, signed by the parties. Such amendment shall become effective upon execution and shall not require additional approval of the NHPUC.

7. Fees. The Town shall pay the Company the following amounts for the water supplied or to be supplied by the Company under this Agreement:

(a) Annual Demand Charge. The Town shall pay the Company an annual demand charge of Thirty Two Thousand Eight Hundred Dollars (\$32,800) (the "Demand Charge") payable to the Company in equal monthly installments. The Demand Charge shall be due and payable without regard to the amount of water actually taken by the Town or any volumetric charges for such purchases. The Demand Charge shall be adjusted from time to time to reflect changes in the levels of property tax and operating and maintenance expenses associated with the Taylor Falls pumping station and the pipeline connecting the pumping station to the Interconnection Point. Any such adjustment shall be effective upon written notice to the Town of the amount of the adjustment. The Town shall have the right to review the expenses used to calculate the demand charge.

(b) Volumetric Charge. In addition to the Demand Charge, the Town shall pay the Company \$1.116 per 100 cubic feet (748 gallons), the Company's production cost excluding administrative and general cost for all water taken by the Town (the "Volumetric Charge"). The Volumetric Charge shall be adjusted from time-to-time by the same percentage and effective as of the same dates as any adjustment in the rates paid by residential customers in Nashua pursuant to the Company's tariff on file with the NHPUC. If the Company no longer has a tariff for service to residential customers in Nashua, the parties shall negotiate in good faith to determine an appropriate reference point for adjustments to the Volumetric Charge.

(c) Invoices. The Company shall bill the Town on a monthly basis for water taken by the Town under this Agreement. Payment shall be due on presentation of each invoice and amounts unpaid after thirty (30) days shall be subject to one and one-half (1-1/2%) percent interest per month on the unpaid balance from the date of such invoice.

8. Use of Mains. The Town shall wheel water from the Company through the Town's transmission and distribution mains to service territories of the Company or its affiliates that are interconnected with the Town's water system, provided that the Company's right to transmit its water through the Town's system shall be contingent upon (i) the Town's having adequate capacity over and above such use to provide the Town with the water supply required under Section 5 above and (ii) such use not significantly reduce the pressure in the Town's distribution lines. For any water wheeled by the Town through its water system for the Company, the Company shall pay the Town the Volumetric Rate set forth in Section 7 plus twenty percent (20%) of the Volumetric Charge.

9. Assignment and Sale. The Town agrees that any water provided to it by the Company shall be used only to provide service to customers within the Town who are served by the Town's water system. No water shall be sold by the Town, either directly or indirectly, to any private or investor owned water utility, municipality, village district or individual doing business or residing outside of the Town for any purpose without the Company prior written consent.

10. Termination. In the event of a material breach of this Agreement by either party, this Agreement may be terminated by giving the breaching Party written notice of termination, which notice shall set forth with specificity the nature of the claimed breach by the other party. Any such termination shall not be effective until three (3) years from the date of such notice. In no event may this Agreement be terminated on less than three (3) years prior written notice, except as may be determined by order of the NHPUC or as provided in Section 11.

11. Acquisition by Municipality. If any governmental entity or group of governmental entities acquires properties, assets and/or facilities of the Company necessary for the Company to perform its obligations under this Agreement, the Company's obligations shall thereupon terminate.

12. Miscellaneous.

(a) Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration administered by the NHPUC, or its successor for resolution of the dispute.

(b) Severability. If any term or condition of this Agreement is found to be unenforceable, the remaining terms and conditions shall remain binding upon the parties as though said unenforceable provision were not contained herein.

(c) Amendments, Assignment, Governing Law. This Agreement may be amended upon the mutual agreement of the parties, subject to any required approval of the NHPUC. This Agreement may be assigned by the Company to a wholly owned subsidiary or an affiliate under common control with the Company without the prior consent of the Town. This Agreement shall be binding upon and inure to the benefit of the respective successors and legal representatives of the parties. This Agreement shall be governed by and construed under the laws of the State of New Hampshire.

(d) Notices. All notices, requests, demands and other communications given pursuant to this Agreement shall be in writing and shall be deemed to have been given if they are delivered by hand or by nationally recognized overnight courier or mailed by certified or registered mail with postage prepaid to the Town or the Company, as the case may be, at the address first noted above or to such other address as the receiving party may have given written notice to the other party.

(e) Action Necessary to Complete Transaction. The Town and the Company agree to execute and deliver all such other documents or instruments and take any action that may be reasonably required to effectuate the transactions contemplated by this Agreement.

(f) Headings. The headings in each section of this Agreement are for convenience of reference only, and do not form a part hereof and in no way modify or shall be used to interpret or construe the meaning of this Agreement.

(g) Integration. This Agreement constitutes the entire agreement and understanding between the parties regarding the subject matter hereof, and supersedes all prior understandings, agreements, statements and representation, whether written or oral, between or made by the parties. Upon taking effect, this Agreement shall supersede and terminate the First Agreement in its entirety.

[Signature Page to Follow]

DEVINE
MILLIMET

ATTORNEYS AT LAW

June 12, 2013

KEVIN M. BAUM
603.669.1000
KBAUM@DEVINEMILLIMET.COM

VIA ELECTRONIC MAIL

Marcia A. Brown, Esq.
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301

Re: DW 13-125; Pennichuck East Utility, Inc. – Petition for SRF Financing Approval
for Locke Lake and Avery Estates Water

Dear Attorney Brown:

Enclosed are responses by Pennichuck East Utility, Inc. to the second set of data requests dated June 5, 2013 by the Commission staff.

Very truly yours,



Kevin M. Baum

KMB:aec

Enclosures

cc via electronic mail:
Discovery Service List

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 2
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: June 5, 2013
Request No. Staff 2-1

Date of Response: June 12, 2013
Witness: John J. Boisvert

REQUEST: Please refer to the Company's Response to Staff Data Request 1-4: In revised Schedule LDG-2, the note at the very bottom of the schedule reads, "Property Tax for Avery Estates is calculated excluding Cost of Removal." Staff's recalculation of this schedule shows that the Property Tax for Avery Estates was calculated *including* the \$25,000 cost of removal.
($\$450,000 - 217,968 = \$232,032$; $\$232,032 / 1,000 = \232 ; $\$232 * 24.80 = \$5,754$).

- a) Please review Schedule LDG-2, submitting a revised schedule or explanation.

RESPONSE: Please see revised schedules

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 2
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: June 5, 2013
Request No. Staff 2-2

Date of Response: June 12, 2013
Witness: John J. Boisvert

REQUEST: Follow-up to Staff Data Request 1-6, the Hickory Hill Agreement:

- a) Please provide a copy of the Hudson/Pennichuck agreement dated November 8, 2011, as referenced on page 1 of 5 of the Hickory Hill agreement.
- b) Please explain why JJB-2 does not appear to include a cost estimate for (1) paragraph 14.2 which states that PEU will contribute a Pump Station Upgrade Fee for each Avery customer or (2) paragraph 14.5 which states that PEU will make contributions for future customers who connect to the main between Hickory and Avery.

RESPONSE:

- a) A copy of the Hudson/Pennichuck agreement is attached.
- b) The Pump Station Upgrade Fee (\$70,000) is included as a capital cost in JJB-2. Contributions for future customers, represents the normal one times annual revenue contribution for new customers that connect to the developer installed section of main in Londonderry. These contributions are independent of the Company interconnecting the Avery Estates CWS with the Hickory Woods water main.

PENNICHUCK EAST UTILITY
DW 13-125

Pennichuck East Utility's Responses to
Staff's Data Requests – Set 2
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: June 5, 2013
Request No. Staff 2-3

Date of Response: June 12, 2013
Witness: John J. Boisvert

REQUEST: Please explain why Exhibit JJB-2 uses a 1.33% depreciation rate for mains on the full \$450,000 Avery interconnection cost while Schedule LDG-2 uses a 1.47% rate on the \$425,000 main-only cost.

RESPONSE: EXHIBIT JJB-2 (attached) has been corrected to use the depreciation rate of 1.47% consistent with LDG-2. The change in the depreciate rate does not change the conclusion of the analysis.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2012

SDR 2-1
Revised Schedule LDG-1
Page 1 of 2

	Account Number	12/31/2012	Pro Forma Adjustments	Pro Forma 12/31/2012
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	48,293,325	825,000 (1)	49,118,325
Work in process	105	427,611	-	427,611
Utility Plant		48,720,937	825,000	49,545,937
Accumulated depreciation	108	9,488,699	(1,974) (2)	9,486,724
Net Plant		39,232,238	826,974	40,059,213
Net Acquisition Adjustment	114 & 115	6,849,030	-	6,849,030
Total Net Utility Plant		32,383,208	826,974	33,210,183
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	30,000	-	30,000
Accounts receivable-billed, net	141 & 143	397,486	-	397,486
Accounts receivable-unbilled, net	173	401,594	-	401,594
Accounts receivable-other	142	-	-	-
Inventory	151	22,844	-	22,844
Prepaid expenses	162	15,791	-	15,791
Prepaid property taxes	163 & 236	141,200	-	141,200
Prepaid taxes	162.3	-	-	-
		1,008,915	-	1,008,915
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	165,300	-	165,300
Other & Deferred Charges	182,184,186	9,516,163	-	9,516,163
		9,681,463	-	9,681,463
TOTAL ASSETS		\$ 43,073,587	\$ 826,974	\$ 43,900,561

Notes:

(1) To record the assets related to the SRF Loans.

(2) To record the impact of full year depreciation offset by the Cost of Removal.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
EQUITY AND LIABILITIES
For the Twelve Months Ended December 31, 2012

SDR 2-1
Revised Schedule LDG-1
Page 2 of 2

	Account Number	12/31/2012	Pro Forma Adjustments		Pro Forma 12/31/2012
STOCKHOLDERS' EQUITY					
Common stock	201	\$ 100	\$ -		\$ 100
Paid in capital	211	15,409,101	-		15,409,101
Retained earnings	215	71,787	(24,630)	(2)	47,157
		15,480,987	(24,630)		15,456,358
LONG TERM DEBT					
Bonds, notes and mortgages	221	7,978,791	850,000	(1)	8,828,791
Intercompany advances	223	6,359,294	1,603	(3)	6,360,897
Other Long Term Debt	224	825,380	-		825,380
CURRENT LIABILITIES					
Accounts payable	231	87,267	-		87,267
Accrued property taxes	236	-	-		-
Accrued interest payable	237	32,061	-		32,061
Other accrued expenses	241	207,662	-		207,662
Income taxes payable	236	-	-		-
Customer deposits & other	235	2,032	-		2,032
		329,022	-		329,022
OTHER LIABILITIES AND DEFERRED CREDITS					
Deferred income taxes	282	3,795,711	-		3,795,711
Customer advances	252	-	-		-
CIAC, net	271 & 272	8,304,402	-		8,304,402
Other long term liabilities		-	-		-
		12,100,112	-		12,100,112
TOTAL EQUITY AND LIABILITIES		\$ 43,073,587	\$ 826,974		\$ 43,900,560

Notes:

(1) To record the SRF Debt as follows:

State of NH SRF (Dam Site Road Phase 2)	\$	400,000
State of NH SRF (Avery Estates Interconnection)	\$	450,000
Total SRF Debt	\$	850,000

(2) To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.

(3) To record the use of funds through the intercompany debt

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2012

SDR 2-1
Revised Schedule LDG-2

	Account Number	TWELVE MONTHS 12/31/12	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/12
Water Sales	160 to 162	\$ 6,235,171	\$ -	\$ 6,235,171
Other Operating Revenue	471	48,196	-	48,196
Total Revenues		6,283,366	-	6,283,366
Production Expenses	601 to 652	1,677,338	-	1,677,338
Transmission & Distribution Expenses	660 to 678	629,086	-	629,086
Customer Acct & Collection Exp	902 to 904	158,703	-	158,703
Administrative & General Expense	920 to 950	267,841	-	267,841
Inter Div Management Fee	930	1,363,904	-	1,363,904
Total Operating Expense		4,096,873	-	4,096,873
Dep Exp/ Acq Adj Expense	403 & 406	859,784	1,974 (2)	861,758
Amortization Expense, C.I.A.C.	405	(181,786)	-	(181,786)
Amortization Expense	407	166,007	-	166,007
Gain on Debt Forgiveness	414	(6,347)	-	(6,347)
Property Taxes	408 1	848,403	15,690 (2)	864,093
Income Tax	409 to 410	42,539	(16,133) (3)	26,404
Total Operating Deductions		1,728,620	1,510	1,730,129
Net Operating Income		457,874	(1,510)	456,364
Other Income and Deductions		(26,631)	-	(26,631)
Interest Expenses		459,998	23,120 (1)	483,118
Net Income		(28,753)	(24,630)	(53,383)

Notes:

- 1 - To record the change in interest expense associated with SRF financing
- 2 - To record the impact of assets on depreciation and property taxes.
- 3 - To record the tax impact resulting from additional expenses

Supporting Calculations:

Interest Expense:

New SRF debt	\$ 850,000
Interest Rate	2.72%
Annual Interest	\$ 23,120

Depreciation

Additions:

	Asset Cost			Depreciation	
	Locke Lake	Avery Estates	Total	Rate	Amount
Structures & Improvements	\$ -	\$ -	\$ -	2.62%	\$ -
Transmission & Distribution Mains	\$ 283,000	\$ 425,000	\$ 708,000	1.47%	\$ 10,408
Services	\$ 117,000	\$ -	\$ 117,000	2.00%	\$ 2,340
Cost of Removal	\$ -	\$ 25,000	\$ 25,000	-	\$ -
Totals	\$ 400,000	\$ 450,000	\$ 850,000		\$ 12,748

Retirements:

	Asset Cost			Depreciation	
	Locke Lake	Avery Estates	Total	Rate	Amount
Structures & Improvements	\$ -	\$ 71,847	\$ 71,847	2.62%	\$ 1,882
Wells	\$ -	\$ 48,958	\$ 48,958	3.79%	\$ 1,856
Pumping Equipment	\$ -	\$ 16,194	\$ 16,194	5.50%	\$ 891
Treatment Equipment	\$ -	\$ 79,734	\$ 79,734	7.33%	\$ 5,844
Storage	\$ -	\$ 1,235	\$ 1,235	1.94%	\$ 24
Transmission & Distribution Mains	\$ 18,784	\$ -	\$ 18,784	1.47%	\$ 275
Totals	\$ 18,784	\$ 217,968	\$ 236,752		\$ 10,773

Net Additions \$ 381,216 \$ 232,032 \$ 613,248

Pro Forma Depreciation

\$ 1,974

Property Taxes

Barnstead	\$ 21.09
Londonderry	\$ 18.20
State of New Hampshire	\$ 6.60
Total Tax Rate	\$ 24.80

Pro Forma Property Taxes \$ 10,556 \$ 5,134 \$ 15,690 *

* Property Tax for Avery Estates is calculated excluding Cost of Removal

Pennichuck East Utility, Inc.
 Pro Forma Capital Structure for Ratemaking Purposes
 For the Twelve Months Ended December 31, 2012

SDR 2-1
 Revised Schedule LDG-3

	<u>Pro Forma</u> <u>2012</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma</u> <u>2012 with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	8,828,791	(1,732,287) (1)	7,096,505	64.75%
Intercompany Debt	\$ 6,359,294	(2,577,780) (1)	3,781,513	34.50%
<u>Common Equity:</u>				
Common Stock	100		100	
Paid In Capital	15,904,329	(15,904,329) (2)	(0)	
Comprehensive Income	(495,228)	529,702 (2)	34,474	
Retained Earnings	<u>47,157</u>		<u>47,157</u>	
Total Common Equity	15,456,358		81,731	0.75%
Total Capital	<u>\$ 30,644,442</u>		<u>\$ 10,959,749</u>	100.00%

Notes:

(1) Eliminate Capital Recovery Surcharge Related Assets with the offset to Long Term Debt and Intercompany Debt.

The Long Term Debt consists of the SRF Loan for the Birch Hill interconnection. The remainder is Intercompany Debt.

(2) Per Order 25,292 in DW 11-026, eliminate the MARA and related equity:

MARA	8,964,574
Equity as of 1/25/12	939,755
Paid in Capital as of 1/25/12	<u>6,000,000</u>
	<u>15,904,329</u>

Comprehensive Income as of 1/25/12	<u>(529,702)</u>
------------------------------------	------------------

AGREEMENT

(Derry Road Water System Extension)

THIS AGREEMENT is made this 8th day of November, 2011, by and between Pennichuck East Utility Inc. ("Pennichuck", hereinafter), a New Hampshire corporation with an address of 25 Manchester Street, Merrimack, New Hampshire 03045 its successors and assigns and the Town of Hudson, a municipal corporation of Hillsborough County, New Hampshire with offices at 12 School Street, Hudson, New Hampshire 03051 ("Hudson", hereinafter)

Recitals

- 1.01 Pennichuck proposes to provide water service to Hickory Woods, LLC ("Hickory Woods", hereinafter), a New Hampshire limited liability company with an address of 100 Andover Bypass, Suite 300, North Andover, Massachusetts 01845, which has an option agreement to purchase a certain parcel of land on Route 102 in Londonderry, Rockingham County, New Hampshire, said parcel more particularly identified as Tax Map 2 Lot 35 on the Londonderry assessor's maps (the "Property", hereinafter). Hickory Woods is in the process of designing and permitting an elderly housing community on the above referenced parcel. Pennichuck also proposes to extend water main further east along Route 102 to Burbank Road in Londonderry to replace an aging water supply and treatment system for its 47 residential customers at its Avery Estates community water system.
- 1.02 Presently, Hudson's water system is located on Route 102 and is approximately 4,500 feet distant from the Property which Hickory Woods holds an option to purchase. Pennichuck's distribution system for Avery Estates is an additional 4,800 feet further east of the Property.
- 1.03 Pennichuck desires to extend Hudson's water system up to the Town of Londonderry town boundary by installing a new water main along Derry Road to the Londonderry municipal boundary and, then continuing in Londonderry, to the above referenced properties in Londonderry for the purpose of providing municipal water to the proposed development and to its Avery Estates community water system.
- 1.04 In order to provide adequate water pressure to the Londonderry properties, Pennichuck must install a pumping station at a location that is mutually agreed to between Hudson and Pennichuck. In addition, in order to meter the water to be provided by Hudson to Pennichuck, pursuant and subject to paragraph 8 of a certain Wholesale Water Supply Contract between Hudson and Pennichuck dated July 12, 2005, Pennichuck shall install a meter pit at the Londonderry Hudson boundary solely at Pennichuck's cost.

- 1.05 The scope of this agreement shall be limited to the water line extension within the Town of Hudson.

Agreement to do Work

- 2.01 The parties agree that the recitals set forth above are true, accurate and complete.
- 2.02 Pennichuck agrees that the following work shall be undertaken and completed at its expense upon receipt of all permits and approvals as specified herein(the "work");
- 2.02.1 The installation of a 12 inch water main extending from the existing 16" line on Derry Road thence along Derry Road in a northeasterly direction to the town line of the Town of Hudson and Town of Londonderry.
- 2.02.2 The installation of a water booster/ pumping station within an existing easement held by Hudson within Tax Map 109 Lot 6 (sometimes referred to as "White Hen pantry" or "Village Shoppes") or within any other suitable property that Hudson may own/ or has rights that have been acquired through easements or other lawful means, or any other location that Pennichuck may purchase, via fee simple or by easement and which is mutually agreeable to the Hudson Engineer and Pennichuck.
- 2.02.3 Pennichuck shall undertake all necessary work within Derry Road and/ or any adjacent property upon which Pennichuck has secured acceptable easements to install the pumping station, water main, gate valves and service lines along with gates and fire hydrants. This work shall include, but is not limited to, reclaiming pavement with trenching and installation of the water main and service lines. This work shall also include associated loaming and seeding on or adjacent to the work area. The scope of work and limits of construction shall be approved by the Engineer for the Town of Hudson prior to the commencement of construction by Pennichuck. All work shall be undertaken in coordination with and approval of the Town of Hudson Engineer. All such work shall be approved as to quality and workmanship by the Highway Department and the Town of Hudson Engineer.
- 2.02.4 Pennichuck shall secure an approval from the NH Department of Transportation ("NH DOT") to undertake all necessary work within the Route 102 right of way and obtain necessary permits from any other municipal or state agencies having jurisdiction over this project.
- 2.02.5 Pennichuck shall install a meter pit at the Londonderry Hudson boundary solely at Pennichuck's cost.
- 2.02.5 Hudson agrees that Pennichuck may assign the obligation to perform the water main installation, pump station and meter pit construction to Hickory Woods, provided Hickory Woods provides to Hudson the necessary letter of credit or performance bond to secure the completion of the work.

Reimbursements by the Hudson of Hudson

3.01 Hudson shall reimburse Pennichuck for any hookup into the water main constructed by Pennichuck in Hudson through an assessment/ hook-up fee payable to Pennichuck as follows:

- | | |
|-----------------------------|---|
| For any residential hookup: | a minimum of \$ 2,300 per hookup
(or any higher amount*) |
| For non-residential hookup: | a minimum of \$15,000 per hookup
(or any higher amount*) |

** in the event the Hudson increases its
hookup fee above the minimum amounts*

- 3.02 The above reimbursements shall be due and payable according to the above referenced schedule for any hookup to the water system constructed by Pennichuck in Hudson for a period of 10 years from the date the system is in operation.
- 3.03 A hookup to any lot shown on the Hudson assessors maps as of the date of this agreement shall be considered a new hookup even in the event that two lots share one connection to the Hudson water main.
- 3.04 Hudson shall promptly notify and reimburse Pennichuck for any hookup into the water main.

Other Provisions

- 4.01 The Hudson shall provide, at its own expense, the police detail that will be necessary for construction activities along Route 102.
- 4.02 Hudson shall pay all applicable fees and inspection costs related to the Work.

Certain Fees/Bonding

- 5.01 Prior to the commencement of Work, Hudson (through its Board of Selectmen) and Pennichuck shall establish mutually acceptable amounts for the bonding of the Work.
- 5.02 Prior to the commencement of Work, Pennichuck shall provide Hudson with a bond, letter of credit or combination thereof to constitute the bonding security to cover the work to be constructed and completed by Pennichuck.

General

- 6.01 This Agreement is contingent upon Pennichuck and/or Hickory Woods receiving all necessary permits and approvals from the Town of Londonderry and the State of New Hampshire for the proposed project in the Town of Londonderry.
- 6.02 This Agreement is also contingent upon Pennichuck executing similar agreements agreeable to the Town of Londonderry to construct the water main required to service the proposed project of Hickory Woods and the extension for Avery Estates.
- 6.02 This Agreement is also contingent upon Pennichuck and Hickory Woods executing an agreement based on mutually agreeable terms and condition for the design, permitting, and construction of the Project.
- 6.03 Hudson represents to Pennichuck that its Board of Selectmen are duly authorized to approve this Agreement on behalf on the Town of Hudson and that the executed agreement is a binding agreement between the Hudson and Pennichuck.
- 6.04 This Agreement is a complete and accurate statement of the agreement between the Parties and any and all prior agreements, representations or understandings, either oral or written by and between the parties with respect to this subject matter are hereby expressly superseded and this Agreement constitutes the entire agreement of the parties with respect to the matters contained herein.
- 6.05 This Agreement shall be governed by and construed in accordance with the law of the State of New Hampshire.

IN WITNESS WHEREOF, the Hudson and the Pennichuck have caused this Agreement to be duly executed by their respective representatives the date first set forth above.

PENNICHUCK EAST UTILITY, INC.

[Signature]
Witness

By: Donald L. Ware
Name: Donald L. Ware
Title: President

TOWN OF HUDSON BOARD OF
SELECTMEN

[Signature]
Witness

By: Shawn Joseph
Its: _____
Duly Authorized Selectmen

[Signature]
Witness

By: [Signature]
Its: _____
Duly Authorized Selectmen

[Signature]
Witness

By: Benjamin Palau
Its: _____
Duly Authorized Selectmen

[Signature]
Witness

By: [Signature]
Its: _____
Duly Authorized Selectmen

Witness

By: _____
Its: _____
Duly Authorized Selectmen

PEU Hickory & Avery Interconnection Life Cycle Cost Analysis 22-Apr-13		SDR 2-3 Exhibit JJB 2 Page 1 of 2 Revised
On Site Storage and Treatment -		
Station Electricity (\$ per year 2012) -	\$	3,673
Annual Well maintenance -	\$	486
Annual Well Water Quality Sampling -	\$	6,318
Treatment System Labor (3 hour/wk)	\$	9,214
Booster Electricity (5 HP @ 8 Hrs/day) Included Above -	\$	-
Misc. Electricity -	\$	-
Annual Arsenic	\$	5,000
Treatment Chemicals -	\$	3,500
Deprecation on Storage (9,000 gallons) @ 2% -	\$	1,840
Depreciation on Zone Booster and treatment @ 2.5% -	\$	11,303
Property Taxes -	\$	13,172
Pretax ROI on Total Project -		54,640
Estimated Annual Operating Cost -	\$	109,146
Purchased Water from the Hudson		
Purchased Water Cost -	\$	8,645
Depreciation on Water Mains @ 1.47% -	\$	6,613
Deprecation on Storage @ 2% -	\$	-
Property Taxes -	\$	10,617
Pretax ROI on Total Project -	\$	44,044
Estimated Annual Operating Cost -	\$	69,920
Model Data:		
Average cost per KwHr -	\$	-
PEU Debt -		2.72%
PEU Equity -		9.75%
PEU percent equity -		48%
PEU marginal tax rate -		60.39%
PEU pretax ROI -		9.79%
Number of in PEU customers -		6800
*Based on (gpd/house)		150.0
Existing Avery Well production (gpm)-		25
Number of Homes @ Avery -		47
Mil Rate (Londonderry at 17.0/1000 + State at 6.6/1000=23.6/1000) -		\$23.6
Labor and Truck Rate per hour -	\$	59.07
Purchased Water Cost from Hudson (per 748 gallons)-	\$	2.51
On site Capex per Estimate-	\$	558,120
Interconnection Capex per Estimate -	\$	449,888
Contribution to PS	\$	-
Hudson Entance Fee for Avery -	\$	-

PEU Londonderry Core to Avery Interconnection Life Cycle Cost Analysis 22-Apr-13		SDR 2-3 Exhibit JJB 2 Page 2 of 2 Revised
On Site Storage and Treatment -		
Station Electricity (\$ per year 2012)	\$	3,673
Annual Well maintenance -	\$	486
Annual Well Water Quality Sampling -	\$	6,318
Treatment System Labor (3 hour/wk)-	\$	9,214
Booster Electricity (5 HP @ 8 Hrs/day) Included Above -	\$	-
Misc. Electricity -	\$	-
Annual Arsenic	\$	5,000
Treatment Chemicals -	\$	3,500
Deprecation on Storage (9,000 gallons) @ 2% -	\$	1,840
Depreciation on Zone Booster and treatment @ 2.5% -	\$	11,303
Property Taxes -	\$	13,172
Pretax ROI on Total Project -	\$	54,640
Estimated Annual Operating Cost -	\$	109,146
Interconnection to the Londonderry Core		
Purchased Water Cost -	\$	4,438
Depreciation on Water Mains @ 1.47% -	\$	22,042
Deprecation on Storage @ 2% -	\$	-
Property Taxes -	\$	35,386
Pretax ROI on Total Project -	\$	146,794
Estimated Annual Operating Cost -	\$	208,660
Model Data:		
Average cost per KwHr -	\$	-
PEU Debt -		2.72%
PEU Equity -		9.75%
PEU percent equity -		48%
PEU marginal tax rate -		60.39%
PEUpretax ROI -		9.79%
Number of in PEU customers -		6800
*Based on (gpd/house)		150.0
Existing Avery Well production (gpm)-		25
Number of Homes @ Avery -		47
Mil Rate (Londonderry at 17.0/1000 + State at 6.6/1000=23.6/1000) -		\$23.6
Labor and Truck Rate per hour -	\$	59.07
Purchased Water Cost from Manchester (per 748 gallons)-	\$	1.29
On site Capex per Estimate-	\$	558,120
Interconnection Capex per Estimate -	\$	1,499,426
MSDC Fee for Avery (included in Capex) -	\$	-

June 18, 2013

THOMAS B. GETZ
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Debra A. Howland
Executive Director & Secretary
NH Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301

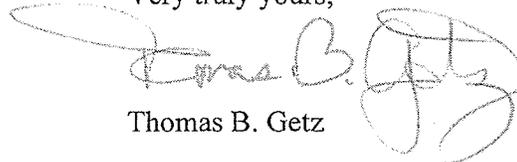
Re: DW 13-125, Pennichuck East Utility, Inc.
Petition for Financing of Water Main Improvements
Locke Lake and Avery Estates Water Systems

Dear Ms. Howland:

In the testimony filed by Pennichuck East Utility, Inc.'s (PEU) Chief Financial Officer, Larry D. Goodhue, on April 29, 2013, in the above-captioned proceeding, Mr. Goodhue indicated at p. 6 that Drinking Water State Revolving Loan Fund (SRF) financings had been approved by the Company's Board of Directors and submitted for approval to the City of Nashua, Pennichuck Corporation's sole shareholder. He also indicated that documentation of shareholder approval would be provided to the Commission when available. Accordingly, please find attached a copy of the Resolution by the City of Nashua approving PEU entering into two SRF loans administered by the New Hampshire Department of Environmental Services in the amounts of \$400,000 and \$450,000 for Locke Lake and Avery Estates respectively.

An original and six copies of this cover letter and Resolution are provided and an electronic version has been sent to the service list. Please advise if there are any questions concerning this filing.

Very truly yours,



Thomas B. Getz

Enclosure
cc via electronic mail:
Service List



RESOLUTION

APPROVING THE PROPOSAL OF PENNICHUCK CORPORATION TO GIVE PENNICHUCK EAST UTILITY, INC. AUTHORITY TO ENTER INTO LONG TERM LOANS FROM THE DRINKING WATER STATE REVOLVING FUNDS

CITY OF NASHUA

In the Year Two Thousand and Thirteen

WHEREAS, the City of Nashua is the sole shareholder of Pennichuck Corporation and each of its subsidiaries;

WHEREAS, Article IX (2) of the Articles of Incorporation of Pennichuck Corporation and Article V §2 of the by-laws of Pennichuck Corporation require the approval of the sole shareholder (the City of Nashua) for Pennichuck to create, incur or assume any indebtedness for borrowed money, which includes contracting a loan on behalf of the Corporation;

WHEREAS, Pennichuck East Utility, Inc. ("PEU"), is a New Hampshire public utility corporation providing retail water service to approximately 6,800 New Hampshire customers, and is wholly owned by Pennichuck Corporation ("Pennichuck") which, in turn, is wholly owned by the City of Nashua;

WHEREAS, PEU is proposing to enter into two new long term loans: (i) a loan from the Drinking Water State Revolving Funds ("SRF") in the principal amount of \$400,000 to finance a water main upgrade project in the Locke Lake Water System, known as Dam Site Road Phase 2, replacing 6,800 feet of substandard main in that portion of the Locke Lake system, as a part of a long term main replacement project for the entire system; and (ii) a second loan from SRF in the principal amount of \$450,000 to finance an interconnection between the Avery Estates community water system in Londonderry, New Hampshire, with a new source of supply from the Hudson water system;

NOW, THEREFORE, BE IT RESOLVED by the Board of Aldermen of the City of Nashua that the City approves Pennichuck and PEU's proposal for two loans from through the Drinking Water State Revolving Loan Fund, administered by the New Hampshire Department of Environmental Services in the principal amounts of \$400,000 and \$450,000.

PASSED BY THE BOARD OF ALDERMEN – JUNE 11, 2013
APPROVED BY THE MAYOR – JUNE 12, 2013
ATTEST: PATRICIA PIECUCH, DEPUTY CITY CLERK