

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

**PENNICHUCK EAST UTILITY, INC.  
DW 14-**

**PETITION FOR AUTHORITY TO ISSUE LONG TERM DEBT**

Pennichuck East Utility, Inc. (the Company or PEU), a corporation duly organized and existing under the laws of the State of New Hampshire and operating as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the Commission), hereby requests approval under RSA 369:1 to borrow (1) \$625,000 from CoBank, ACB (CoBank) to fund 2014 capital projects not funded by State Revolving Fund loans and (2) \$1 million from its parent, Pennichuck Corporation (Pennichuck), to convert short term intercompany debt into a long term note payable.

PEU is a New Hampshire public utility corporation providing retail water service to approximately 6,950 customers in the towns of Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare, and Windham located in New Hampshire. PEU is wholly owned by Pennichuck, which, in turn, is wholly owned by the City of Nashua.

As explained in the Prefiled Direct Testimony of John J. Boisvert, Chief Engineer of Pennichuck, the proceeds of the CoBank financing will be applied to a number of Regulatory Compliance Capital Projects, Maintenance Capital Projects, and Nonrecurring Capital Projects. The Regulatory Compliance Capital Projects ensure compliance with Federal and State drinking water laws and regulations and include arsenic treatment at the Locke Lake Airstrip well, installation of disinfection and filtration equipment, and exchange of lead free meters. The Maintenance Capital Projects repair or replace aging infrastructure and include chemical feed

pumps, SCADA equipment, arsenic treatment piping modifications, storage tank painting, well redevelopment, hydrant replacements, and valve replacements. The Nonrecurring Capital Projects are otherwise necessary for the functioning of the Company and include an upgraded North Country operation building, demolition of abandoned stations, and water main upsizing.

In his Prefiled Direct Testimony, Larry D. Goodhue, the Company's Chief Financial Officer, describes the terms and purposes of the proposed CoBank financing as well as the terms and purpose of the long term note payable to Pennichuck. Mr. Goodhue provides the estimated cost of the proposed financings and includes schedules showing the balance sheet and income statement of the Company, actual and proforma, to show the effects of the proposed financing. Mr. Goodhue's testimony provides the information required by N.H. Admin. Rule Puc 609.03 and Form F-4, and includes a schedule showing the capital structure of the Company, actual and proforma, to reflect the ratemaking treatment prescribed in consolidated Dockets DW 08-052 and DW 09-051, and Docket DW 11-026, and the effects of the proposed financings. Mr. Goodhue further explains that the financings are in the public interest because (1) they will allow the Company to complete the necessary capital additions described by Mr. Boisvert and reduce its short term indebtedness, (2) the terms of the financing are favorable, and (3) they will result in lower financing costs than would be available through other current debt financing options.

If the Company obtains authority from the Commission to borrow \$625,000 through the CoBank loan, loan documents will be prepared for the transactions. The loan documents will set forth the exact terms and conditions for borrowing the funds, which will be consistent with the Master Loan Agreement filed in Docket No. DW 09-134. If the Company obtains authority from the Commission to borrow \$1 million from Pennichuck, the loan will be evidenced by an unsecured promissory note. The Company will provide the Commission with a copy of the loan documents once they have been finalized and executed.

The \$625,000 loan from CoBank will be repaid over 25 years with interest at a rate based on the current rate available at the time the loan is actually closed. The current interest rate on CoBank borrowings is 5.25% per annum. The loan will be secured by an interest in the Company's equity interest in CoBank and the Company's Guarantee of Payment, which was also filed in Docket No. DW 09-134. Repayment of the loan will be supported by an unsecured guarantee of the Company's corporate parent, Pennichuck Corporation. The \$1 million loan from Pennichuck will be repaid over 10 years with interest at a rate of 2.70% per annum. The loan will be subordinate to the CoBank loan.

The financings have been approved by the Company's and Pennichuck's Boards of Directors. The CoBank financing is being submitted for approval by Pennichuck's sole shareholder, the City of Nashua. Intercompany loans, however, do not require shareholder approval. The Company will supplement this Petition with documentation showing the required shareholder approval promptly upon receipt. Finally, the Company avers that it is entitled to issue promissory notes evidencing the financings described above, for the purposes set forth herein, and that the issuance of such notes will be consistent with the public good.

WHEREFORE, the Company respectfully requests that this Commission:

- (a) Find that the proposed financings through CoBank and Pennichuck for the purposes set forth herein and in the manner and on the terms described herein and in the prefiled testimony are consistent with the public good;
- (b) Pursuant to RSA 369:1, approve and authorize the Company to borrow (1) a principal amount of up to \$625,000 from CoBank for the capital improvements described in this Petition and (2) a principal amount up to \$1 million from Pennichuck to convert short term debt to long term debt;

(c) Find that the use of the proceeds to fund the capital projects and convert short term debt to long term debt in the manner set forth in this petition and as described in the prefiled testimony is prudent and consistent with the public good;

(d) Authorize the Company to do all things, take all steps, and execute and deliver all documents necessary or desirable to implement and carry out the proposed financings; and

(e) Grant the requested authorizations to issue long term debt up to a principal amount of \$625,000 from CoBank and \$1 million from Pennichuck without a hearing, by an Order Nisi to be issued by December 15, 2014, and take such further steps and make such further findings and orders as in its judgment may be necessary and consistent with the above-stated request.

Respectfully submitted,

PENNICHUCK EAST UTILITY, INC.

By Its Attorneys

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