



The State of New Hampshire  
**DEPARTMENT OF ENVIRONMENTAL SERVICES**

Thomas S. Burack, Commissioner



January 28, 2015

Larry Goodhue, Chief Financial Officer  
 Pennichuck Water Works  
 25 Manchester Street  
 Merrimack, NH 03054

Subject: 2014 Drinking Water State Revolving Loan Fund (DWSRF) Project Status

Dear Larry:

Based on information submitted by Pennichuck Water Works, the table below lists the current status of the 2014 DWSRF projects:

Public Water System	Project Description	Proje	Final Amount
Pennichuck Water Works	Distribution Main Replacement 2015	\$3,400,000	Declined funding
Pennichuck Water Works	Raw Water Transmission Main	\$5,500,000	\$3,500,000
PEU-Locke Lake	Winwood/Monroe Water Main Phase 2	\$400,000	\$400,000
PEU-Gage Hill	Gage Hill Water Main Replacement	\$550,000	Declined funding
PEU-Farmstead	Farmstead CWS Derry Interconnection	\$165,000	Declined funding
PEU-W&E	Water Main Replacement Phase 2	\$450,000	Amendment to existing loan at 2.72%
Pittsfield Aqueduct Company	Catamount Road Water Main Phase 1	\$165,000	\$165,000

The loan charge rates for those projects are listed in the chart below:

Term of Loan	Charge Rate (Effective 10/01/14 - 09/30/15)
5 Years	0.9900%
10 Years	1.9800%
15 Years	2.9700%
20 Years	3.1680%

Please be advised that the current interest rates will be effective until October 2015, at which time they will be adjusted based on the prevailing market rate. We ask that you keep us informed of progress made toward seeking the authority to borrow. If you have any questions, please contact me at 271-7017 or [johnna.mckenna@des.nh.gov](mailto:johnna.mckenna@des.nh.gov).

Sincerely,

Johnna McKenna  
 Drinking Water and Groundwater Bureau

cc: John Boisvert, Pennichuck Water Works, Inc.

**Pittsfield Aqueduct Company, Inc.**  
**BALANCE SHEET**  
**ASSETS AND DEFERRED CHARGES**  
**For the Eleven Months Ended November 30, 2014**

Schedule LDG-1  
Page 1 of 2

Pro Forma

	Account Number	11/30/2014	Pro Forma Adjustments	Pro Forma 11/30/2014
<b><u>PLANT ASSETS</u></b>				
Plant in Service	301 to 348	4,387,399	165,000 (1)	4,552,399
Work in process	105	1,448	-	1,448
Utility Plant		4,388,847	165,000	4,553,847
Accumulated depreciation	108	1,119,611	2,591 (2)	1,122,202
Net Plant		3,269,236	162,410	3,431,645
Net Acquisition Adjustment	114 & 115	-	-	-
Total Net Utility Plant		3,269,236	162,410	3,431,645
<b><u>CURRENT ASSETS</u></b>				
Cash	131 & 133	900	-	900
Restricted Cash - RSF	131	-	-	-
Accounts receivable-billed, net	141 & 143	30,072	-	30,072
Accounts receivable-unbilled, net	173	98,528	-	98,528
Accounts receivable-other	142	-	-	-
Inventory	151	6,701	-	6,701
Prepaid expenses	162	7,670	-	7,670
Prepaid property taxes	163 & 236	-	-	-
Prepaid taxes	162.3	-	-	-
		143,872	-	143,872
<b><u>OTHER ASSETS</u></b>				
Debt issuance expenses	181	-	-	-
Acquisition Premium - MARA	186	1,353,637	-	1,353,637
Other & Deferred Charges	182,184,186	36,400	-	36,400
		1,390,037	-	1,390,037
<b>TOTAL ASSETS</b>		<b>\$ 4,803,145</b>	<b>\$ 162,410</b>	<b>\$ 4,965,554</b>

**Notes:**

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

(2) To record the impact of full year depreciation

Pittsfield Aqueduct Company, Inc.  
**BALANCE SHEET**  
**EQUITY AND LIABILITIES**  
For the Eleven Months Ended November 30, 2014

Schedule LDG-1  
Page 2 of 2

	Account Number	11/30/2014	Pro Forma Adjustments	Pro Forma 11/30/2014
<b>STOCKHOLDERS' EQUITY</b>				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	2,292,692	-	2,292,692
Comprehensive Income	219	-	-	-
Retained earnings	215	7,234	(8,077)	(844)
		<u>2,300,026</u>	<u>(8,077)</u>	<u>2,291,949</u>
<b>LONG TERM DEBT</b>				
Bonds, notes and mortgages	221	-	165,000	165,000
Intercompany advances	223	1,156,779	5,487	1,162,265
Other Long Term Debt	224	-	-	-
<b>CURRENT LIABILITIES</b>				
Accounts payable	231	1,596	-	1,596
Accrued property taxes	236	18,014	-	18,014
Accrued interest payable	237	-	-	-
Other accrued expenses	241	-	-	-
Income taxes payable	236	-	-	-
Customer deposits & other	235	-	-	-
		<u>19,610</u>	<u>-</u>	<u>19,610</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>				
Deferred income taxes & liability	282	559,142	-	559,142
Customer advances	252	-	-	-
CIAC, net	271 & 272	767,589	-	767,589
Other deferred credits	241 to 255	-	-	-
		<u>1,326,731</u>	<u>-</u>	<u>1,326,731</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>\$ 4,803,145</b></u>	<u><b>\$ 162,410</b></u>	<u><b>\$ 4,965,554</b></u>

Notes:

(1) To record the SRF Debt as follows:

Fairview Street                      \$ 165,000

Total SRF Debt                      \$ 165,000

(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



**Pittsfield Aqueduct Company, Inc.**  
**OPERATING INCOME STATEMENT**  
For the Eleven Months Ended November 30, 2014

Schedule LDG-2  
Page 1 of 2

	Account Number	ELEVEN MONTHS 11/30/14	PRO FORMA ADJUSTMENTS	PRO FORMA 11 MONTHS 11/30/14
Water Sales	460 to 462	\$ 704,016	\$ -	\$ 704,016
Other Operating Revenue	471	3,947	-	3,947
Total Revenues		707,963	-	707,963
Production Expenses	601 to 652	91,199	-	91,199
Transmission & Distribution Expenses	660 to 678	57,884	-	57,884
Engineering Expenses	660	-	-	-
Customer Acct & Collection Exp	902 to 904	16,716	-	16,716
Administrative & General Expense	920 to 950	38,961	-	38,961
Inter Div Management Fee	930	135,039	-	135,039
Total Operating Expense		339,799	-	339,799
Dep Exp/Acq Adj Expense	403 & 406	94,590	2,591 (2)	97,181
Amortization Expense:CIAC	405	(20,985)	-	(20,985)
Amortization Expense	407	33,623	-	33,623
Gain on Debt Forgiveness	414	-	-	-
Property Taxes	408.1	107,871	5,557 (2)	113,428
Income Tax	409 to 410	51,143	(5,298) (3)	45,845
Total Operating Deductions		606,042	2,850	269,092
Net Operating Income		101,922	(2,850)	99,072
Other Income and Deductions		-	-	-
Interest Expenses		52,749	5,227 (1)	57,976
Net Income		49,173	(8,077)	41,096

**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.

Pittsfield Aqueduct Company, Inc.  
**OPERATING INCOME STATEMENT**  
For the Eleven Months Ended November 30, 2014

Schedule LDG-2  
Page 2 of 2

**Supporting Calculations:**

**Interest Expense:**

New SRF debt	\$ 165,000
Interest Rate	3.168%
<b>Annual Interest</b>	<b>\$ 5,227</b>

**Depreciation**

**Additions:**

	Asset Cost		Depreciation	
	Fairview Street	Total	Rate	Amount
Structures & Improvements	\$ -	\$ -	0.00%	\$ -
Transmission & Distribution Mains	\$ 165,000	\$ 165,000	1.57%	\$ 2,591
Power Generation Equipment	\$ -	\$ -	0.00%	\$ -
Pumping Equipment	\$ -	\$ -	0.00%	\$ -
Supply Main	\$ -	\$ -	0.00%	\$ -
<b>Totals</b>	<b>\$ 165,000</b>	<b>\$ 165,000</b>		<b>\$ 2,591</b>

**Retirements: - N/A**

	Asset Cost		Depreciation	
		Total	Rate	Amount
Structures & Improvements	\$ -	\$ -	0.00%	\$ -
Transmission & Distribution Mains	\$ -	\$ -	1.57%	\$ -
Power Generation Equipment	\$ -	\$ -	0.00%	\$ -
Pumping Equipment	\$ -	\$ -	0.00%	\$ -
Supply Main	\$ -	\$ -	0.00%	\$ -
<b>Totals</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>

<b>Net Additions</b>	<b>\$ 165,000</b>	<b>\$ 165,000</b>
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**Pro Forma Depreciation**

**\$ 2,591**

**Property Taxes**

	Pittsfield
Town	\$ 27.08
State of New Hampshire	\$ 6.60
<b>Total Tax Rate</b>	<b>\$ 33.68</b>

<b>Pro Forma Property Taxes</b>	<b>\$ 5,557</b>	<b>\$ 5,557</b>
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**Pittsfield Aqueduct Company, Inc.**  
**Pro Forma Capital Structure for Ratemaking Purposes**  
**For the Eleven Months Ended November 30, 2014**

Schedule LDG-3

	<u>Pro Forma</u> <u>2014</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma 2014</u> <u>with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	165,000	-	165,000	100.51%
Intercompany Debt	\$ -	-	-	0.00%
<u>Common Equity:</u>				
Common Stock	100	(100) (1)	-	
Paid In Capital	2,292,692	(2,292,692) (1)	(0)	
Comprehensive Income	-	-	-	
Retained Earnings	(844)		(844)	
Total Common Equity	2,291,949		(844)	-0.51%
Total Capital	\$ 2,456,949	\$ -	\$ 164,156	100.00%

**Notes:**

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

MARA	1,443,498
Equity as of 1/25/12	826,112
Paid in Capital as of 1/25/12	237,129
	2,506,739
Less: Dividends Paid in Feb 2013	(68,574)
Dividends Paid in Mar 2014	(145,473)
Plus: Reclas RSF offset in Mar 2014	-
	2,292,692



25 MANCHESTER STREET  
PO Box 1947  
MERRIMACK, NH 03054-1947  
(603) 882-5191  
FAX (603) 913-2305  
WWW.PENNICHUCK.COM

January 26, 2015

Mr. George Mandt, Vice President  
TD Bank, N.A.  
17 New England Executive Park, 2<sup>nd</sup> Floor  
Burlington, MA 01803

RE: Written notice per Section 6(c)(vi) of the Master Loan Agreement between Pennichuck Corporation (the "Company" or "Pennichuck") and TD Bank, N.A. (the "Bank")

Hi George,

Pursuant to section 6(c)(vi) of the Loan Agreement, dated June 25, 2014 (the "Agreement") I am supplying you with the requisite prior written notice of the Company's intent to secure term financing from the State Revolving Fund through the NHDES, for its wholly-owned Pennichuck Water Works, Inc. ("PWW"), Pennichuck East Utility, Inc. ("PEU"), and Pittsfield Aqueduct Company, Inc. ("PAC") subsidiaries. The amounts we will be securing financing for these entities are as follows: \$3,500,000 for PWW, \$400,000 for PEU and \$165,000 for PAC. In accordance, with this section of the Agreement, the Company or its subsidiaries are allowed to borrow funds under tax exempt or taxable bond financings or state revolving fund loans, without prior written consent from the Bank. In lieu of this consent requirement, the Company must provide 30 days prior written notice of the Company's intent to enter into said financing.

On January 23, 2015, Pennichuck's and PWW's, PEU's, and PAC's Boards of Directors passed a set of resolutions authorizing management to procure said financing on behalf of these subsidiaries. As such, the Company is currently preparing a set of financing petitions to be filed with the NH Public Utilities Commission, as well as a request for shareholder approval from the Company's sole shareholder, the City of Nashua. Pursuant to the Company and the three subsidiaries receiving these approvals, they will enter into these new debt obligations in the second quarter of 2015. This financing is being secured as the funding for: the construction of an interconnection main from the Merrimack River to the Water Treatment Plant for PWW, the replacement of mains in the 2<sup>nd</sup> phase of the Windwood Monroe section of PEU's Locke Lake community water system, and the construction of a new main as a supply on Fairview Street in the PAC water system. These projects are being pursued at this time for two reasons: in the case of PWW and PAC, the mains are being constructed to provide redundant critical supply to and from the water treatment plants in each of those companies, and the mains being replaced in the PEU Locke Lake





**PENNICHUCK**

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system are part of the multi-year main replacement project that is ongoing for that entire community water system in Barnstead, NH.

Thank you for your time in reviewing and accepting this written notice, in conformity with the Agreement.

Sincerely,

Larry D. Goodhue  
CFO, Treasurer and Controller  
Pennichuck Corporation





**PENNICHUCK CORPORATION**

**CORPORATE SECRETARY'S CERTIFICATE**

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

1. The following resolutions were adopted by the Board of Directors of the Company on January 23, 2015; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

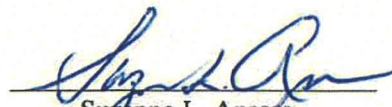
Resolved: that the Board of Directors hereby approves the guaranty by Pennichuck Corporation (the "Company") of the payment by Pittsfield Aqueduct Company, Inc. ("PAC") of all of its obligations with respect to PAC's borrowing of up to \$165,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the addition of water mains in the town of Pittsfield, New Hampshire, pursuant to a Loan Agreement between PAC and the State under the State's Drinking Water Revolving Loan Fund program.

Further  
Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Guaranty agreement with respect to the SRF loan described in the prior resolution (the "SRF Loan"), with such terms as may be deemed necessary or advisable in the several judgment of the officers executing the Guaranty agreement.

Further  
Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Guaranty from the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the Guaranty.

Further  
Resolved: that John L. Patenaude, Donald L. Ware, and Larry D. Goodhue are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Guaranty and the SRF Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand this 28<sup>th</sup> day of January, 2015.

  
Suzanne L. Ansara  
Corporate Secretary



**PENNICHUCK**

**PITTSFIELD AQUEDUCT COMPANY, INC.**

**CORPORATE SECRETARY'S CERTIFICATE**

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

1. The following resolutions were adopted by the Board of Directors of the Company on January 23, 2015; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

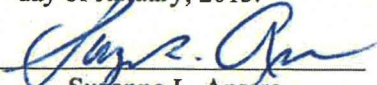
Resolved: that the Board of Directors hereby approves the borrowing by Pittsfield Aqueduct Company, Inc. (the "Company") of up to \$165,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the addition of water mains in the town of Pittsfield, New Hampshire, pursuant to a Loan Agreement between the Company and the State under the State's Drinking Water Revolving Loan Fund program.

Further  
Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Loan Agreement for the SRF loan described in the previous resolution (the "SRF Loan") with such terms, including the exhibits and schedules to such Loan Agreement, as may be deemed necessary or advisable in the several judgment of the officers executing the Loan Agreement.

Further  
Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the SRF Loan from the New Hampshire Public Utilities Commission, the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the SRF Loan.

Further  
Resolved: that John L. Patenaude, Donald L. Ware, and Larry D. Goodhue are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the SRF Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand this 28<sup>th</sup> day of January, 2015.

  
Suzanne L. Ansara  
Corporate Secretary