

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

RE: PENNICHUCK EAST UTILITY, INC.

DOCKET NO. DW 11-____

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

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

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

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

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

5. If PEU obtains authority from the Commission to borrow up to \$400,000 from the SRF, DES will then prepare loan documents for the transaction. The loan documents will set forth the exact terms and conditions for borrowing the funds from the SRF, but are expected to be substantially the same as those in prior SRF loans with which the Commission has approved for the Company and its affiliates. *See, e.g.* Orders *see e.g.*, Docket DW 08-022, DW 10-105, and DW 10-330. After PEU and DES reach agreement on the terms and conditions of the loans¹, the loan documents will be submitted to the Governor and Executive Council for their approval. PEU will provide the Commission with a copy of the loan agreements and other loan documents once they have been finalized and executed.

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

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

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

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

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

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

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

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

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

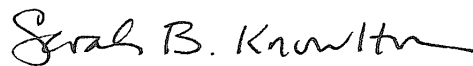
D. Issue an Order Nisi authorizing PEU to borrow up to \$400,000 from the New Hampshire Drinking Water State Revolving Fund in accordance with the terms and conditions set forth above and as otherwise provided by the New Hampshire Department of Environmental Services; and

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

Respectfully submitted,

PENNICHUCK EAST UTILITY, INC.
By its Attorneys,

McLANE, GRAF, RAULERSON & MIDDLETON,
PROFESSIONAL ASSOCIATION



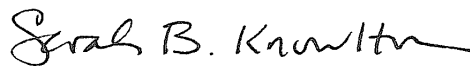
Date: May 18, 2011

By: _____

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Certificate of Service

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



Sarah B. Knowlton