

**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 \$510,000 from the Drinking Water State Revolving Loan Fund (SRF), which was created under the federal 1996 Amendments to the Safe Drinking Water Act and is administered by the New Hampshire Department of Environmental Services (DES). This financing would supplement the \$550,000 SRF financing approved by the Commission in Docket No. DW 14-020, by Order No. 25,650 (April 15, 2014).

The Company recently became aware that additional SRF funds were currently available for the ongoing W&E water main replacement project in Windham. See Attachment A. As explained by John Boisvert, the Chief Engineer for Pennichuck Water Works, Inc., in his testimony in Docket DW No. 14-020, at p. 9, the W&E project was intended as a multi-phase project. DES has indicated that PEU may seek an amendment to the loan approved by the Governor and Executive Council (G&C) for the initial phase of the project on May 22, 2014. The Company intends to file such an amendment shortly.

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 in this proceeding, the proceeds of the financing will be used to complete the second phase of the water main replacement project for the W&E Community Water System (W&E) in Windham, New Hampshire. As noted above, financing for the initial phase of the project, which is currently under way, was addressed in Docket No. DW 14-020.

In his Prefiled Direct Testimony, Larry D. Goodhue, the Company's Chief Financial Officer, describes the terms and purposes of the proposed financing. Mr. Goodhue provides the estimated cost of the additional SRF financing 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 consistent with the public good because (1) they will allow the Company to complete the necessary capital additions described by Mr. Boisvert, (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 an additional \$510,000 from the SRF, loan documents will be prepared for the transaction, setting forth the exact terms and conditions for borrowing the funds. The Company will provide the Commission with a copy of the loan documents once they have been finalized and executed.

The \$510,000 loan will be repaid over 20 years, commencing six months after the project is substantially complete. The current interest rate on borrowings is 2.72% per annum, which will be offered as an amendment to the loan approved by G&C on May 22, 2014. The loan will not be secured by any assets of the Company. PEU's corporate parent, Pennichuck, Inc., however, will provide an unsecured corporate guarantee of the repayment of the loan.

The financings have been approved by the Company's and Pennichuck's Boards of Directors. The financing is being submitted for approval by Pennichuck's sole shareholder, the City of Nashua. 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 a promissory note evidencing the financing 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 the Commission:

- (a) Find that the proposed financing for the purpose 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 a principal amount of up to \$510,000 from the SRF for the capital improvements described in this Petition;
- (c) Find that the use of the proceeds to fund the capital projects 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 \$510,000 without a hearing by a final order issued in January 2016, 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.

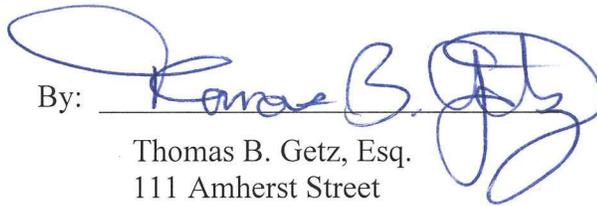
Respectfully submitted,

PENNICHUCK EAST UTILITY, INC.

By Its Attorneys

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