

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

RE: PENNICHUCK EAST UTILITY, INC.—MAPLE HILLS/SRF FINANCING

DOCKET NO. DW 08-____

PETITION FOR AUTHORITY TO ISSUE UP TO \$595,000 OF LONG TERM DEBT

Pennichuck East Utility, Inc. ("PEU" or the "Company") hereby petitions the Public Utilities Commission for authority, pursuant to RSA Ch. 369, to issue up to \$595,000 in long-term debt, and in support of its request states as follows:

1. PEU is a New Hampshire corporation, authorized by this Commission to provide water service to customers in various communities in Southern New Hampshire.

2. PEU provides service to a community water system in a subdivision in Derry known as Maple Hills ("MHCWS") that serves 182 single-family homes. The MHCWS was constructed by a developer in 1969 and was later acquired by Southern New Hampshire Water Company ("Southern"). PEU acquired MHCWS from Southern in 1998.

3. On an average year-round basis, each home at MHCWS uses approximately 201 gallons per day. All water flowing to these 182 homes is provided by two wells, with a combined sixty-four gallon-per-minute capacity. Water pumped from the wells is treated for iron, manganese, sulfides and radon and then is discharged into four atmospheric tanks. The water is then pumped into two hydropneumatic tanks. These tanks are thirty-eight years old and are nearing the end of their useful life. A failure to replace the tanks could result in tank failure and a loss of supply. To remedy this situation, PEU has analyzed two different options. The first

option is to replace all equipment at the site, including the atmospheric storage, the hydropneumatic tanks, and the existing packed tower treatment system. This option would also require adding treatment for iron and manganese, constructing a new community water station to house the treatment and pumps, and installing a new emergency generator. The second option is to construct an interconnection with, and purchase water from, the Town of Derry Water Department. As stated in the attached testimony of Mr. Ware, PEU has selected the second option, interconnection to the Town of Derry, because it is more cost-effective.

4. In particular, the project proposed by PEU includes the cost to construct an interconnection to the Town of Derry Water Department, and the cost to construct a small booster station with emergency power.

5. In order to assist in the financing of this proposed project, PEU has requested and obtained approval from the New Hampshire Department of Environmental Services ("DES") to borrow \$520,000 from the State Revolving Loan Fund ("SRF") administered by DES. PEU has also requested that DES approve an increased loan amount of \$595,000. The loan would be for a term of twenty years and bear interest at an annual rate currently estimated not to exceed 3.488%.

6. If the Company obtains authority from the Commission to borrow funds 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 is familiar. The Company will provide the Commission with a copy of the loan agreements and other loan documents once they have been finalized.

7. Under the proposed financing arrangement, DES will make disbursements to the Company based on invoices submitted by contractors engaged by the Company. DES will assess

interest at a rate of 1% on all disbursements under the loan through the date when the project is substantially completed. Repayment of principal on the DES loan is expected to commence six months after substantial completion of the project.

8. The borrowing being proposed by the Company is in the public interest and consistent with the public good because it will enhance the Company's ability to provide safe, adequate, and reliable drinking water to its customers at a reasonable cost. Additionally, the terms of the financing through the DWSRF are extremely favorable and will result in lower financing costs than would be available through all other current debt financing options. Furthermore, the project being proposed and the anticipated cost of those projects are reasonably necessary to provide such service to the Company's customers.

9. Simultaneous with the filing of this Petition, the Company is submitting prefiled testimony of William D. Patterson, the Treasurer and Chief Financial Officer of Pennichuck Corporation, the parent company of PEU, and Donald L. Ware, President of PEU which are incorporated herein by reference.

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

A. Authorize the Company to borrow up to \$595,000 from the New Hampshire Drinking Water State Revolving Fund for the project described in this Petition;

B. Find that the issuance of one or more promissory notes and the execution and delivery of related documents by the Company 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 the Company for such projects are prudent and consistent with the public interest;

D. Issue an Order Nisi authorizing the Company to borrow up to \$595,000 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

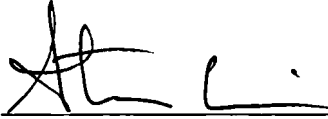
E. Grant such other and further relief as may be just and reasonable.

Respectfully submitted,

Pennichuck East Utility, Inc.

By its Attorneys,
McLANE, GRAF, RAULERSON & MIDDLETON,
PROFESSIONAL ASSOCIATION

Date: February 15, 2008

By: _____

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Certificate of Service

I hereby certify that a copy of the foregoing Petition has been forwarded this 15th day of February, 2008 to Meredith A. Hatfield, Esq., on behalf of the Office of the Consumer Advocate.

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Steven V. Camerino