



SPECIAL CONTRACT

CONTRACT NO. NHPUC 2011-1

PENNICHUCK WATER WORKS, INC.

WITH

ANHEUSER-BUSCH, INC.

Date of Execution: May 20, 2011

Effective Date: Date of final order in DW 10-091

Date of Termination: Ten Years After Effective Date Unless Terminated Sooner Pursuant to Terms Herein

Authorized by Docket No. DW 10-___ NHPUC Order No. _____ Dated _____

STATEMENT OF THE SPECIAL CIRCUMSTANCES
RENDERING DEPARTURE FROM GENERAL SCHEDULES
JUST AND CONSISTENT WITH THE PUBLIC INTEREST

1. The service to be rendered under this Fourth Contract consists of the furnishing of water service to Anheuser-Busch Incorporated, located at 221 Daniel Webster Highway, Merrimack, New Hampshire at a price that insures the revenues from Anheuser-Busch will pay its appropriate share of Pennichuck's administrative and general costs, of the expenses associated with the fixed assets that provide water service to Anheuser-Busch and to pay the variable costs to serve Anheuser-Busch based on Pennichuck's 2010 Cost of Service Study along with the associated amendments to the Cost of Service Study regarding service to Anheuser-Busch, while providing Anheuser-Busch a volumetric rate lower than the tariffed rate in order to retain Anheuser-Busch as a customer.
2. Consistent with prior special contracts in effect between Anheuser-Busch and Pennichuck, this Fourth Contract has been designed to meet the specific needs of Anheuser-Busch while at the same time providing benefits for Pennichuck and its customers. This Fourth Contract reduces the risk of Pennichuck's losing the Anheuser-Busch water take, which currently is approximately 8.3% of Pennichuck's average daily volume. Retention of this customer in turn will help hold down rates for Pennichuck's other customers.
3. Because of the high volume of Pennichuck's total revenues that are accounted for by Anheuser-Busch, Pennichuck requires protection from sudden reductions in Anheuser-Busch's usage. The Minimum Daily Usage provision, ten year term and early termination provisions of the Fourth Contract provide this necessary protection.

FOURTH CONTRACT FOR WATER SERVICE BETWEEN
ANHEUSER-BUSCH, INCORPORATED
AND
PENNICHUCK WATER WORKS, INC.

Agreement made as of this 20th day of May 2011 by and between Anheuser-Busch Incorporated, a Missouri corporation having a place of business in Merrimack, New Hampshire and a mailing address of 221 Daniel Webster Highway, P.O. Box 610, Merrimack New Hampshire 03054-0610 (hereinafter referred to as "AB") and Pennichuck Water Works, Inc. a New Hampshire Corporation with its principal place of business at 25 Manchester Street, Merrimack New Hampshire 03054 (hereinafter referred to as "PWW").

WHEREAS, PWW is engaged in business as a public utility in the City of Nashua and in a limited area in the Town of Merrimack, among other places, in gathering and distributing water to the public; and

WHEREAS, AB owns and operates a brewery in the Town of Merrimack on the Daniel Webster Highway at a point about 2.4 miles north of the boundary line between the Town of Merrimack and the City of Nashua ("AB's Premises") to which PWW has supplied water since 1970 pursuant to a Contract for Water Service between AB and PWW dated March 3, 1969 (the "First Contract"), another contract between AB and PWW dated July 1, 1995 (the "Second Contract"), and another contract between AB and PWW dated October 5, 2004 (the "Third Contract"); and

WHEREAS, pursuant to the First Contract, AB compensated PWW for the installation of (i) a 24-inch water main running from its water treatment plant in the City of Nashua northerly along the Daniel Webster Highway to a point opposite the westerly boundary line of AB's Premises in Merrimack, New Hampshire, (ii) a water service connection of 20-inch size running from said 24-inch pipeline to and through the westerly property line of AB to a meter vault, and (iii) metering and associated equipment, all for the purpose of enabling PWW to supply water to AB; and

WHEREAS, PWW filed a revised Cost of Service Study pursuant to Paragraph 3 of the Third Contract on May 7, 2010 prompting AB to invoke early termination provisions under Section 5 of the Third Contract on June 30, 2010; and

WHEREAS, PWW has entered into an Agreement and Plan of Merger ("Merger Agreement") with the City of Nashua, New Hampshire (the "City") whereby the City will purchase all the outstanding stock of PWW's parent company, Pennichuck Corporation, and will own and operate what is now PWW's water system, and whereas § 5.01(b)(xii) of the Merger Agreement provides that the City must approve any material contract entered into by PWW prior to the closing of the stock purchase, and whereas PWW affirmatively represents that the City has approved this Fourth Contract; and

WHEREAS, AB desires that PWW continue to provide water service to AB's Premises and PWW desires to continue to provide such service upon the terms and conditions set forth in this Fourth Contract.

NOW, THEREFORE, AB and PWW for and in consideration of the mutual covenants and agreements hereinafter set forth do hereby agree as follows:

1. Firm Supply of Water; Minimum Pressure. PWW agrees that during the Term (as defined in Paragraph 2 below) of this Fourth Contract it will maintain facilities capable of delivering water to AB continuously at the rate of 1.0 million gallons per day. PWW agrees to provide a continuous, regular and uninterrupted supply of water, subject to interruptions by reasons of acts of God, accident, strike, legal process, State or Federal law, regulation, order or directive or other causes beyond its control. PWW agrees to maintain a water pressure under normal operating conditions of approximately 70 psig at its meter installation on AB's Premises, but it is understood that sudden increases in consumption either by AB or others, equipment failures, or other causes beyond the reasonable control of PWW may temporarily result in pressures of less than 70 psig. PWW shall not be liable for damages to AB by reason of inadequate pressure or volume or failure to provide water for any cause whatever except to the extent such damages to AB occur by reason of inadequate pressure or volume or failure to provide water resulting directly from intentional or grossly negligent conduct of PWW or violations with PWW's knowledge and failure to take reasonable corrective action of any safety-related or health-related statutes or regulations by PWW in providing water service to AB.

2. Term. The Term of this Fourth Contract shall be ten (10) years commencing on the date of its approval by the New Hampshire Public Utilities Commission ("the Commission") (said date, the "Effective Date") which approval the parties intend shall take place as a part of the PWW rate case filed May 7, 2010 (hereinafter, "DW 10-91") and noticed to PWW's customers June 16, 2010, unless earlier terminated in accordance with Paragraph 6 of this Fourth Contract (as ultimately determined, the "Term"). Irrespective of the timing of a Commission decision in DW 10-91, in no case shall the Term of this Fourth Contract extend beyond June 30, 2021. For the purposes of this Fourth Contract, the first Annual Period shall consist of the first twelve (12) monthly billing periods immediately following the Effective Date. Each subsequent Annual Period shall consist of the subsequent twelve (12) monthly billing periods.

3. Rate. PWW shall invoice AB monthly for all water taken by it, and for other charges, pursuant to the terms of this Fourth Contract. Under DW 10-91, the Commission has granted to PWW a temporary rate increase of 10.8% effective for bills rendered on and after October 8, 2010. Furthermore, the permanent rate order under DW 10-91 will become effective for services rendered on and after June 16, 2010. The parties acknowledge that any difference between the temporary rate increase that has been granted and the permanent rates ultimately approved by the Commission for purposes of

this Fourth Contract will be reconciled upon the approval of such permanent rate increase pursuant to NH RSA 378:29.

4. For the purposes of this Fourth Contract, AB shall be billed on a monthly basis with the bill consisting of three charges (as set forth in this Paragraph 4 below): a Monthly Meter Charge, a Base Monthly Fixed Fee and a Monthly Volumetric Charge ("Monthly Volumetric Charge"). In addition to the AB monthly bill, AB shall be billed on an annual basis an Annual Volume Shortfall charge if applicable. The three charges associated with the AB monthly bill shall be calculated as follows:

a. The AB Monthly Meter Charge shall be equal to the standard General Metered monthly customer charge for a six inch meter approved by the Commission in the PWW tariff for each of AB's 6" water meters during the Term of the Fourth Contract ("Monthly Meter Charge"). The AB Monthly Meter Charge may only be adjusted by the same percentage and at the same time as any future change in the meter charge for all PWW 6" water meters, as adjudicated by the Commission. In the event that PWW requests the Commission to increase or otherwise increases the Monthly Meter Charge above \$1830 per meter per month, AB shall have the right to terminate this Fourth Contract as provided for in Paragraph 6.

b. The Base Monthly Fixed Fee will be \$30,952.54 per month ("Base Monthly Fixed Fee"). PWW may only adjust the Base Monthly Fixed Fee in the event a new cost of service allocation study is obtained by PWW (a "Cost of Service Study") and approved by the Commission in direct response to a regulatory change by the United States Environmental Protection Agency and/or the New Hampshire Department of Environmental Services which requires a material investment in, or upgrade to, the material water supply facilities that serve AB including, for example, one or more of PWW's Nashua water treatment plant, the Pennichuck Brook Dams and the Fifield Tanks. The Base Monthly Fixed Fee shall only be adjusted to the extent that the material upgrade required by the regulatory change as adjudicated by the Commission is directly attributable to AB's cost of service.

c.. The parties intend the initial Volumetric Rate for purposes of calculating the Monthly Volumetric Charge to be \$0.9568 per 100 cubic feet (subject to the actual initial determination of the Volumetric Rate by the Commission, the "Volumetric Rate"). Said actual initial Volumetric Rate will be the permanent rate set by the Commission for AB as part of DW 10-91. Thereafter, the Volumetric Rate may only be adjusted by the same percentage and at the same time as any future change in the volumetric rates for general metered service, as adjudicated by the Commission, which PWW charges to its core system customers in the City and the Town of Merrimack. In the event that PWW requests the Commission to increase or otherwise increases the Volumetric Rate above \$1.50 per 100 cubic feet, AB shall have the right to terminate this Fourth Contract as provided for in Paragraph 6.

The Monthly Volumetric Charge shall be calculated by multiplying the Volumetric Rate then in effect by AB's actual monthly water usage in 100 cubic feet.

d. In the event that the total volume of water actually taken by AB within any Annual Period ("Actual Annual Usage") during the Term of this Fourth Contract is less than the Minimum Annual Usage (as defined below) for such Annual Period, AB shall within 30 days after receipt from PWW of an invoice, pay to PWW an amount equal to the difference between the Minimum Annual Usage and the Actual Annual Usage for such Annual Period, multiplied by the applicable Volumetric Rate as determined under Paragraph 4(c) (said amount, the "Annual Volume Shortfall Charge").

The Minimum Daily Usage shall be 86,900 cubic feet and will remain unchanged during the Term of the Fourth Contract ("Minimum Daily Usage"). The Minimum Annual Usage ("Minimum Annual Usage") shall be calculated by multiplying the Minimum Daily Usage of 86,900 cubic feet by the number of days within the Annual Period.

5. Maximum Water Take. Pursuant to Paragraph 1 above, PWW has agreed that during the Term of this Fourth Contract it will maintain facilities capable of delivering water continuously at the rate of 1.0 million gallons per day. In no instance, and under no conditions, shall the quantity of water taken under this Fourth Contract during any 24-hour period exceed 1.5 million gallons, nor shall the quantity of such water taken under this Fourth Contract during any one-hour period, multiplied by 24, exceed 2.0 million gallons ("Maximum Water Take Limits").

6. Early Termination. During the Term of this Fourth Contract, AB shall have the ongoing right, for any reason or for no reason, to terminate this Fourth Contract, provided that it gives PWW at least twenty-four (24) months advance notice (the "Notice Period").

Notwithstanding the foregoing, if at any time during the Term of this Fourth Contract PWW requests the Commission to increase or otherwise increases either the Monthly Meter Charge above \$1830 per meter per month or the Volumetric Rate above \$1.50 per 100 cubic feet as discussed in Paragraph 4, AB shall have the right, but not the obligation, to terminate this Fourth Contract upon giving twelve (12) months prior written notice to PWW; provided that AB gives such notice within ninety (90) days following the earlier to occur of the increase request or the actual increase.

If an early termination causes the last Annual Period before the early Termination Date (as defined herein below) to end before the full twelve (12) months of that Annual Period ("Final Partial Annual Period"), the Minimum Annual Usage for the Final Partial Annual Period shall be 86,900 cubic feet per day times the number of days within the Final Partial Annual Period.

The effective date of the early termination of this Fourth Contract pursuant to this Paragraph 6 shall be defined as the "Termination Date". Termination of this Fourth Contract under any of the conditions set forth in this Paragraph 6 shall result in AB being

billed for all usage after the Termination Date at the rates then in effect, from time to time, for General Metered customers or the non-regulated equivalent thereof.

7. Definitions. Where the words "day," "daily," or "24 hours" are used in this Fourth Contract, they shall refer to the 24-hour period between the daily meter readings.

8. Exceptions for Emergencies. In the event of a fire, a main break, or any other catastrophe requiring an emergency supply of water, the Maximum Water Take Limits in Paragraph 5 may be exceeded for up to five days, contingent upon prompt notice to PWW that the emergency exists."

9. AB Indemnification. AB agrees to indemnify, defend and hold PWW harmless from and against any and all claims, injuries, judgments, damages, liabilities, losses, costs and expenses, including, without limitation, reasonable attorneys' fees, and court costs (including those incurred at the trial and appellate levels) (hereinafter "claims") to the extent such claims arise solely out of AB's negligence or willful misconduct.

10. PWW Indemnification. PWW agrees to indemnify, defend and hold AB harmless from and against any and all claims, injuries, judgments, damages, liabilities, losses, costs and expenses, including, without limitation, reasonable attorneys' fees, and court costs (including those incurred at the trial and appellate levels) (hereinafter "claims") to the extent such claims arise solely out of PWW's negligence or willful misconduct.

11. Books and Records. During the Term hereof and for a period of at least two years thereafter, PWW shall maintain such books and records (collectively "Records") as are necessary to substantiate that PWW is in compliance with this Fourth Contract, including that (i) all representations and warranties made by PWW in this Fourth Contract are true and correct in all respects, (ii) all invoices and other charges submitted to AB for payment were valid and proper, and (iii) no payments have been made, directly or indirectly, by or on behalf of PWW to or for the benefit of any AB employee or agent who may reasonably be expected to influence either AB's decision to enter into this Fourth Contract or the amount to be paid by AB pursuant hereto. (As used herein, "payments" shall include money, property, services, and all other forms of consideration.) All Records that are accounting records shall be maintained in accordance with generally accepted accounting principles consistently applied. AB and its representatives shall have the right at any time during normal business hours, and upon reasonable notice, to examine the Records, make copies and take extracts therefrom and discuss the Records with PWW's officers, employees and independent public accountants as AB deems reasonably necessary.

12. Regulatory Approval. PWW agrees that, upon reaching general agreement with AB as to the form and content of this Fourth Contract, it shall file the same with the Commission and request the required approval. PWW agrees to use all commercially reasonable efforts to secure the regulatory approval of this Fourth Contract by the

Commission. PWW shall not, however, be liable to AB for any damages, direct or indirect, resulting from its failure to obtain said approval. The performance by the parties of their obligations under this Fourth Contract is subject to the condition that PWW shall obtain from the Commission approval of this Fourth Contract as required by law. The parties recognize that this Fourth Contract is not binding or enforceable without regulatory approval by the Commission.

13. Methods of Treatment of Water. The parties recognize that the existing water treatment facilities and methods of treatment by PWW result in water suitable for use by AB. PWW agrees to give AB at least 60 days written notice of any contemplated change in its treatment of water which would significantly change its chemical composition or otherwise adversely affect to a material extent the suitability of said water for use by AB. At the request of AB, the parties will confer with respect to any such contemplated change, and subject to its obligations under then-existing applicable law and regulations, PWW will use its best efforts not to institute a change which, to the best of its knowledge, would have an adverse effect to a material extent upon the suitability of water for use by AB.

14. Acquisition by Third Party. In the event any third party or group of third parties acquires the properties, assets and/or facilities of PWW necessary for PWW to perform its obligations under this Fourth Contract, or otherwise gains ownership and/or control of PWW's business operations, PWW's obligations hereunder shall be assumed in full by the acquiring third party.

15. Entire Agreement. Effective as of the Effective Date of this Fourth Contract, the Third Contract between the parties shall be terminated and this instrument shall constitute the entire agreement between the parties and is executed by each without reliance upon any representations made by either to the other during the course of the negotiations with respect thereto; provided, however, that the parties understand and agree that, except to the extent it is inconsistent with this Fourth Contract, the terms of PWW's tariff on file with the Commission shall govern the parties' relationship.

16. Successors and Assigns. Each party covenants and agrees that the benefits and burdens of this Fourth Contract shall be binding upon the successors and assigns of each including any successor in title to all or substantially all of the properties of each.

17. Notices. Except as otherwise provided herein, all notices hereunder shall be in writing and shall be deemed to have been duly given for all purposes (i) when delivered in person, or (ii) three days after the date on which deposited in the United States mail, by registered or certified mail, return receipt requested, postage prepaid, or (iii) one day after the same is delivered to an express courier service guaranteeing overnight delivery, or (iv) when sent by telecopy transmission if receipt is confirmed and a copy is sent by regular first class mail, postage prepaid, in each case directed to the party to receive the same (which, in the case of PWW, is the President and in the case of AB is the General Manager) at its address stated above or at such other address as may be substituted by notice given as herein provided.

18. Amendment. This Fourth Contract may be amended only by written agreement by and between AB and PWW and, if required by applicable law or regulation, only if approved by the Commission. If AB desires to extend the Term of this Fourth Contract, it shall give notice thereof to PWW not later than October 1, 2020. If PWW is willing to consider such an extension, the parties shall then discuss the terms and conditions thereof and if agreement is reached with respect to such terms and conditions, such agreement shall be evidenced in writing and, if required by applicable law or regulation, shall be submitted to the Commission for its approval.

19. Applicable Law. The parties agree that this Fourth Contract shall be governed by the laws of the State of New Hampshire, without regard to its conflict of laws provisions.

20. Headings. The headings in each paragraph of this Fourth Contract are for convenience of reference only, and do not form a part hereof and in no way modify or shall be used to interpret or construe the meaning of this Fourth Contract.

IN WITNESS WHEREOF the parties have caused their corporate names to be subscribed by a duly authorized officer.

PENNICHUCK WATER WORKS, INC.

By: Donald L. Ware
Name: Donald L. Ware
Title: President, duly authorized

ANHEUSER-BUSCH, INCORPORATED

By: _____
Name: Steven Spinner
Title: Director – Energy & Utilities Procurement, duly authorized

18. Amendment. This Fourth Contract may be amended only by written agreement by and between AB and PWW and, if required by applicable law or regulation, only if approved by the Commission. If AB desires to extend the Term of this Fourth Contract, it shall give notice thereof to PWW not later than October 1, 2020. If PWW is willing to consider such an extension, the parties shall then discuss the terms and conditions thereof and if agreement is reached with respect to such terms and conditions, such agreement shall be evidenced in writing and, if required by applicable law or regulation, shall be submitted to the Commission for its approval.

19. Applicable Law. The parties agree that this Fourth Contract shall be governed by the laws of the State of New Hampshire, without regard to its conflict of laws provisions.

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Name: Steven Spinner
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