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December 2, 2011

***Via Electronic Mail and Hand Delivery***

Debra A. Howland  
Executive Director and Secretary  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301



**Re: DW 11-108; Pennichuck East Utility, Inc. Petition for Authority to Issue Long Term Debt**

Dear Ms. Howland:

On behalf of Pennichuck East Utility, Inc. (“PEU” or the “Company”), I am writing to update the Commission on the status of the Company’s Liberty Tree SRF loan, which the Commission approved in Order No. 25,248 on July 7, 2011.

In Order No. 25,248, the Commission authorized PEU to borrow up to \$400,000 in long term debt from the State Revolving Loan Fund (“SRF”) to finance the replacement of the original 1973 pump station and associated water storage facilities serving PEU’s Liberty Tree water system in the Town of Raymond and to upgrade treatment facilities and an emergency generator. The Commission gave its approval of this long term debt on the condition that the final terms not be “substantially different” or “vary significantly” from those proposed in the Company’s petition and approved by the Commission. See Order No. 25,248 at 4. The SRF loan terms approved by the Commission are a 20-year loan term, 35% principal forgiveness and an interest rate expected to be no greater than 2.864%. See Order No. 25,248 at 2, 4.

The New Hampshire Department of Environmental Services (“DES”), which administers the SRF loan program, could not proceed with a closing on the loan transaction until now, and during the interim period the applicable interest rate has increased slightly, from 2.864% to 3.104%. The Company does not believe that this increase in the interest rate constitutes a substantial or significant change from the terms approved by the Commission. In particular the Company estimates that impact of this interest rate increase on future rates will be approximately 10.6¢ per year for the average residential customer. Nevertheless, PEU is providing this

NHPUC DEC02'11 PM 3:45

Debra A. Howland  
December 2, 2011  
Page 2

information in order to keep the Commission informed of the loan and believes that no further action by the Commission is required. The Commission staff has indicated that they concur with the Company's position that this change does not cause the final terms of the loan to vary significantly from those approved by the Commission.

Other than the increase in interest rate, the SRF loan terms approved by the Commission in Order No. 25,248 remain the same. The SRF loan amount is \$400,000, the loan term is 20 years and the principal forgiveness is 35% of the loan value (or approximately \$7,000 annually). As of the date of this letter, the planned closing date on the SRF loan is on or about December 16, 2011.

A Revised Exhibit TCL-2 is attached here, which provides the supporting calculation for the 10.6¢ change and updates the interest rate information provided in the original exhibit submitted with Thomas C. Leonard's written testimony. In particular, the Pro Forma Adjustments, Pro Forma December 31, 2010 and Interest Expense were updated to reflect the 3.104% interest. The 3.104% interest rate does not affect the remaining exhibits submitted with PEU's petition.

Thank you for your assistance. Please do not hesitate to call if you have any questions.

Sincerely,



Jinjue Pak

Enclosure

cc: Donald L. Ware  
Service List (electronic mail)