

**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 \$525,000 OF LONG TERM DEBT**

Pennichuck East Utility, Inc. (“PEU” or the “Company”) hereby petitions the Public Utilities Commission for authority, pursuant to RSA 369:1 and Puc 609.03, to issue up to \$525,000 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 retail water service to various service territories in New Hampshire, including the Locke Lake system located in Barnstead, New Hampshire.
2. As detailed in the Pre-filed Testimony of Donald L. Ware, which is being submitted contemporaneously with this Petition and incorporated herein by reference, PEU is proposing to undertake a main replacement project in its Locke Lake system, whereby it will replace approximately 8,500 LF of small diameter PVC water main. The purpose of this project is to replace certain pipe that does not meet current American Water Works Association standards and has a demonstrated leak level that exceeds acceptable levels for unaccounted for water. By way of example, over the past three years PEU repaired 57 leaks in the Locke Lake Water System, 23 of which were water main breaks with the remaining 34 leaks occurring on the main-to-stop portion of a service. *See* Pre-filed Direct Testimony of Donald L. Ware which accompanies this petition.

3. Given the availability of low cost funds through the New Hampshire Department of Environmental Services (“DES”) State Revolving Loan Fund (“SRF”), the Company submitted an application to DES for funds to be used for this project for which it received a favorable ranking. See Exhibit DW-1.

4. In his Pre-filed Direct Testimony which accompanies this petition, Mr. Leonard describes 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. See Pre-filed Direct Testimony of Thomas C. Leonard.

5. As explained in Mr. Ware’s testimony, the Company has adopted an approach to targeting its total investment per year, after principal forgiveness, to result in an investment per Locke Lake Customer that is approximately equal the amount invested per non Locke Lake customers in the remainder of PEU’s service area. The Company anticipates that the principal forgiveness on the proposed SRF loan will be 30%, or \$157,500 of the principal, leaving the Company’s investment in rate base for the proposed project at \$367,500. See Pre-filed Direct Testimony of Donald L. Ware.

6. Replacing all the of the remaining water main at once would cost over \$5 million dollars and would have a significant impact on the water rates of all PEU customers. Given the high level of rates in the Locke Lake system, the Company believes that replacing pipe over time is the most reasonable approach. See Pre-filed Direct Testimony of Donald L. Ware.

7. If PEU obtains authority from the Commission to borrow \$525,000 in SRF funds, 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 to the Company or its affiliates (and with which the Commission is familiar – *see e.g.*, Docket DW 10-330) and as described in the Company’s pre-filed testimony. After PEU and DES reach agreement on the terms and conditions of the loans, 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.

8. PEU seeks the Commission’s approval to borrow \$525,000 from the SRF, which will be repaid over a 20 year term with an interest rate based on the current rate available at the time the loan is actually closed. By way of example, the current interest rate on SRF borrowings is 3.1040%. Amounts advanced by DES to 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 repay the loan principal plus interest over a twenty-year period commencing six months after the project is substantially complete. *See* Pre-filed Direct Testimony of Thomas C. Leonard.

9. The borrowing proposed by PEU in this petition 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. *See* Pre-filed Testimony of Thomas C. Leonard. Further, the capital improvements being proposed and the anticipated cost of those capital improvements are reasonably necessary to provide such service to PEU’s customers. *See* Pre-filed Direct Testimony of Donald L. Ware.

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

Commission:

A. Pursuant to RSA 369:1, authorize PEU to borrow \$525,000 from the New Hampshire Drinking Water State Revolving Fund for the capital improvements described in this Petition;

B. Find that the issuance of one or more promissory notes and the execution and delivery of related documents by PEU 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 the capital improvements are prudent and consistent with the public interest;

D. Issue an Order Nisi authorizing PEU to borrow \$525,000 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

December 2, 2011

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Certificate of Service

I hereby certify that a copy of the foregoing Petition has been forwarded this 2nd day of December, 2011 to Meredith Hatfield, Esq., on behalf of the Office of the Consumer Advocate.


Patrick H. Taylor, Esq.