

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DW 13-_____

Petition of Pennichuck East Utility, Inc. for Authority to
Enter into State Revolving Loan Fund Financings of Water Main Improvements
In the Locke Lake and Avery Estates Water Systems

Pennichuck East Utility, Inc. (the “Company”), a corporation duly organized and existing under the laws of the State of New Hampshire and operating therein as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the “Commission”), hereby petitions the Commission for approval and authority under RSA 369:1-4 to enter into two new State Revolving Loan Fund long term loans and to issue promissory notes evidencing such loans. In support of its Petition, the Company respectfully represents as follows:

1. The Company 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 Corporation (“Pennichuck”) which, in turn, is wholly owned by the City of Nashua.

2. As detailed in the Pre-filed Direct Testimony of John J. Boisvert, Chief Engineer of Pennichuck, which is being submitted contemporaneously with this Petition and incorporated herein by reference, the Company is proposing a main replacement project in its Locke Lake system, which will replace approximately 6,800 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 the Company has repaired 56 leaks in the Locke Lake Water System, 23 of which were water main breaks, with the remaining 33 leaks occurring on the main-to-stop portion of a service. *See* Pre-filed Direct Testimony of John J. Boisvert at pp. 4-5.

3. Additionally, the Company is proposing to interconnect the Avery Water System with the Town of Hudson water system through a booster station and 2,400 LF of new water main. The purpose of this project is to replace the existing Avery Station, treatment and atmospheric tanks to correct water quality problems, a deteriorating building and rusting atmospheric tanks. *See id.* at pp. 7-8.

4. To fund the above described projects, the Company has applied to the New Hampshire Department of Environmental Services (“DES”) for two new State Revolving Loan Fund (“SRF”) long term loans: (i) a loan in the principal amount of \$400,000 to fund the cost of the second phase of replacing water main in the Dam Site Road portion of the Locke Lake water system; and (ii) a loan in the principal amount of \$450,000 to fund the Avery Estates water main interconnection with the Town of Hudson.

5. Attached to this Petition is the Pre-filed Direct Testimony of Larry D. Goodhue, the Company’s Chief Financial Officer, describing the proposed financings and the terms and purposes thereof. Mr. Goodhue’s testimony provides the estimated cost of the proposed financings and includes schedules showing the balance sheet and income statement of the Company, actual and proforma, to show the effects of the proposed financing. A schedule is also attached showing the capital structure of the Company, actual and proforma, to reflect the ratemaking treatment prescribed in Dockets DW 08-052 and DW 11-026 and the effects of the

proposed financings. Mr. Goodhue further explains that the SRF financing is in the public interest because it will allow the Company to complete the necessary capital additions described by Mr. Boisvert, 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 Larry D. Goodhue at p. 6.

6. The Company has adopted an approach to targeting its total investment per year to result in an investment per Locke Lake Customer that is approximately equal to the amount invested per non-Locke Lake customers in the remainder of the Company's service area. Replacing all the of the remaining water main at once would cost over \$6.6 million dollars and would have a significant impact on the water rates of all of the Company's customers. Given the 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 John J. Boisvert at pp. 5-6.

7. As also explained in Mr. Boisvert's testimony, the Company completed a detailed analysis of whether onsite treatment or one of the three interconnection options described in Mr. Boisvert's testimony provided the lowest life cycle cost for the Avery Water System. *See* Pre-filed Direct Testimony of John J. Boisvert at p. 8. As a result of the analysis, the Company selected the Hudson interconnection option as this option has the lowest life cycle cost. *Id.* at p. 8.

8. If PEU obtains authority from the Commission to borrow this \$850,000 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. 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.

9. PEU seeks the Commission's approval to borrow \$850,000 from the SRF in the form of two loans, as described in item 3 above, 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 2.72%. 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 loans' principal plus interest over a twenty-year period commencing six months after the project is substantially complete. *See* Pre-filed Direct Testimony of Larry D. Goodhue at p. 3.

10. The SRF financings have been approved by the Pennichuck's Board of Directors and are being submitted for approval by Pennichuck's sole shareholder, the City of Nashua. The Company will supplement this Petition with documentation showing such shareholder approval promptly upon receipt.

11. The Company avers that it is entitled to issue its promissory notes evidencing the financings 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 this Commission:

- (a) Pursuant to RSA 369:1, authorize the Company to borrow \$850,000 from the New Hampshire Drinking Water State Revolving Fund for the capital improvements described in this Petition;

- (b) Make a finding that the execution and delivery of Promissory Notes evidencing two new loans from the SRF in the aggregate principal amount of \$850,000 will be consistent with the public good, and approve and authorize the same;
- (c) Find that the use of the proceeds from the proposed financing and the amounts proposed to be spent by the Company for the capital improvements are prudent and consistent with the public interest;
- (d) Issue an Order Nisi authorizing the Company to borrow \$850,000 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) Take such further steps and make such other findings and orders as in its judgment may be expedient in the premises.

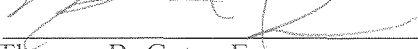
Respectfully submitted,

PENNICHUCK EAST UTILITY, INC.

By Its Attorneys

DEVINE, MILLIMET & BRANCH
PROFESSIONAL ASSOCIATION

Dated: April 29, 2013

By: 
Thomas B. Getz, Esq.
Kevin M. Baum, Esq.
111 Amherst Street
Manchester, NH 03101
Telephone (603) 669-1000

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Petition for Authority to Enter into Long Term Loans has been forwarded to the Office of Consumer Advocate via electronic mail.

Dated: April 29, 2013



Kevin M. Baum