

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION
PENNICHUCK EAST UTILITY, INC.

DW 16-__

**PETITION OF PENNICHUCK EAST UTILITIES, INC. FOR APPROVAL OF
FINANCINGS UNDER THE STATE REVOLVING LOAN FUND AND FROM
COBANK, ACB**

Pennichuck East Utility, Inc. (the Company or PEU), a corporation duly organized and existing under the laws of the State of New Hampshire and operating as a public utility subject to the jurisdiction of the New Hampshire Public Utilities Commission (the Commission), hereby requests approval under RSA 369:1 to borrow \$1,650,000 from the Drinking Water State Revolving Loan Fund (SRF), which was created under the federal 1996 Amendments to the Safe Drinking Water Act and is administered by the New Hampshire Department of Environmental Services (DES). PEU further requests approval under RSA 369:1 to borrow \$2,200,000 from CoBank, ACB (“CoBank”). In support of its Petition, the Company respectfully represents as follows:

PEU provides retail water service to approximately 7,100 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, Inc. (Pennichuck), which, in turn, is wholly owned by the City of Nashua.

As explained in the Prefiled Direct Testimony of John J. Boisvert, the proceeds of the financing from the SRF will be used to replace the main on Varney Road in the Locke Lake Water System in Barnstead, NH. The purpose of this project is to replace certain pipe that does not meet current American Water Works Association standards for water mains and to remedy main breaks and service leaks that exceed acceptable levels for unaccounted for water.

In his Prefiled Direct Testimony, Larry D. Goodhue, the Company's Chief Executive Officer, describes the terms and purposes of the proposed financing. He provides the estimated cost of the additional SRF and CoBank financing and includes schedules showing the balance sheet and income statement of the Company, actual and pro forma, to show the effects of the proposed financing. Mr. Goodhue's testimony provides the information required by N.H. Admin. Rule Puc 609.03 and Form F-4, and includes a schedule showing the capital structure of the Company, actual and pro forma, to reflect the ratemaking treatment prescribed in consolidated Dockets DW 08-052 and DW 09-051, and Docket DW 11-026, and the effects of the proposed financings. Mr. Goodhue further explains that the financings are consistent with the public good because (1) they will allow the Company to complete the necessary capital additions described by Mr. Boisvert, (2) the terms of the financing are favorable, and (3) they will result in lower financing costs than would be available through other current debt financing options.

If the Company obtains authority from the Commission to borrow from the SRF and CoBank, loan documents will be prepared for the transactions, setting forth the exact terms and conditions for borrowing the funds. The Company will provide the Commission with a copy of the loan documents once they have been finalized and executed.

To fund the above described projects, the Company has applied to DES for a new SRF long-term loan. The \$1,650,000 SRF loan will be repaid over 20 years, commencing six months after the project is substantially complete. The current interest rate on borrowings is 2.464% per annum. The loan will not be secured by any assets of the Company. PEU's corporate parent, Pennichuck, however, will provide an unsecured corporate guarantee for repayment of the loan.

The financing from the CoBank loan will be used to reimburse the Company for approximately \$1,100,000 of capital improvement projects completed in 2015 out of working internal capital funds. The remaining \$1,100,000 of the loan will be used to pre-fund capital projects planned for 2016 that are not eligible for funding by the SRF. The \$2,200,000 CoBank loan will be repaid over 25 years at a variable/fixed rate. The rate is currently estimated at 4.75% per annum.

The CoBank loan will be secured by (i) a security interest in the Company's equity interest in CoBank (consisting of the Company's \$69,779.80 equity investment in CoBank and the Company's right to receive patronage dividends) and (ii) the unconditional guarantee of the Company's obligations to CoBank by Pennichuck pursuant to the Guarantee of Payment, by Pennichuck in favor of CoBank dated as of February 9, 2010 (the "Guaranty"), a copy of which was also filed with the Commission in Docket DW 09-134.

The financings have been approved by the Company's and Pennichuck's Boards of Directors. The financing has been submitted for approval to Pennichuck's sole shareholder, the City of Nashua. The Company will promptly supplement this Petition with documentation showing the required approvals when available. Finally, the Company avers that it is entitled to issue a promissory note evidencing the financing described above, for the purposes set forth herein, and that the issuance of such notes will be consistent with the public good.

Issuance of long term debt under the terms provided by the SRF and by CoBank and use of the proceeds are consistent with the public good as contemplated by the New Hampshire Supreme Court's ruling in *Appeal of Easton*, 125 N.H. 205,211 (1984). Furthermore, this petition qualifies as a routine financing consistent with the Commission's decision *In re PSNH*, Order No. 25,050, 94 NH PUC 691,699 (2009) and in Docket DW 15-044, regarding PEU. See Order No. 25,773 (April 3, 2015).

By this Petition, the Company seeks this Commission's approval and authority under RSA 369:1-4 to enter into a new long term loan with SRF and a new loan with CoBank and to issue its promissory notes evidencing such loans. The Company also seeks this Commission's approval to grant a security interest in the Company's equity interest in CoBank as security for its obligations to CoBank.

WHEREFORE, the Company respectfully requests that the Commission:

- (a) Find that the proposed SRF financing in the amount of \$1,650,000 for the purpose set forth herein, and in the manner and on the terms described herein and in the prefiled testimony, is consistent with the public good;
- (b) Find that the execution and delivery of a Promissory Note and Supplement with CoBank evidencing a new loan from CoBank in the principal amount of \$2,200,000 will be consistent with the public good and approve and authorize the same;
- (c) Approve the granting by the Company to CoBank of a security interest in its equity interest in CoBank as security for its loan from CoBank;
- (d) Find that the use of the proceeds to fund the projects in the manner set forth in this petition and as described in the prefiled testimony is prudent and consistent with the public good;

(e) Authorize the Company to do all things, take all steps, and execute and deliver all documents necessary or desirable to implement and carry out the proposed financings; and

(f) Grant the requested approval of financing up to an aggregate principal amount of \$3,850,000 by an order *nisi* effective by the end of April 2016, and take such further steps and make such further findings and orders as in its judgment may be necessary and consistent with the above-stated request.

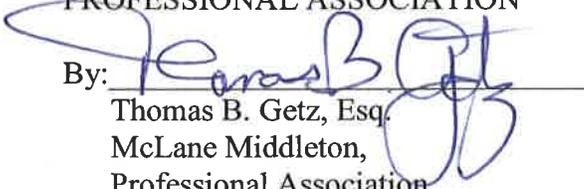
Respectfully submitted,

PENNICHUCK EAST UTILITIES, INC.

By Its Attorneys

MCLANE MIDDLETON,
PROFESSIONAL ASSOCIATION

Date: February 12, 2016

By: 

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