



The State of New Hampshire  
**DEPARTMENT OF ENVIRONMENTAL SERVICES**



Thomas S. Burack, Commissioner

February 9, 2016

Larry Goodhue, Chief Executive Officer  
 Pennichuck Water Works  
 25 Manchester Street  
 Merrimack, NH 03054

Subject: 2015 Drinking Water State Revolving Loan Fund (DWSRF) Project Status

Dear Larry:

Based on information submitted by Pennichuck Water Works, the table below lists the current status of the 2015 DWSRF projects:

Public Water System	Project Description	Requested Amt.	Final Amount
Pennichuck Water Works	Distribution Main Replacement 2016	\$2,200,000	\$2,200,000
PEU-Locke Lake	Varney Rd. Area Water Main Phase 1	\$1,650,000	\$1,650,000
PEU-Gage Hill	Gage Hill Water Main Replacement	\$550,000	Declined funding
Pittsfield Aqueduct Company	Catamount Road Water Main Phase 2	\$605,000	Amendment to existing loan at 3.168%

The loan charge rates for those projects are listed in the chart below:

Term of Loan	Charge Rate (Effective 12/14/2015)
5 Years	0.77%
10 Years	1.54%
15 Years	2.31%
20 or 30* Years	2.464%

*\*Available to disadvantaged communities only*

Please be advised that the current interest rates will be effective until the date of the public hearing (August 2016), at which time they will be adjusted based on the prevailing market rate. We ask that you keep us informed of progress made toward seeking the authority to borrow. If you have any questions, please contact me at 271-7017 or [johnna.mckenna@des.nh.gov](mailto:johnna.mckenna@des.nh.gov).

Sincerely,

Johnna McKenna  
 Drinking Water and Groundwater Bureau

cc: John Boisvert, Pennichuck Water Works, Inc.

DES Web Site: [www.des.nh.gov](http://www.des.nh.gov)

P.O. Box 95, 29 Hazen Drive, Concord, New Hampshire 03302-0095

Telephone: (603) 271-2513 Fax: (603) 271-5171 TDD Access: Relay NH 1-800-735-2964



**PENNICHUCK**

Attachment B - Goodhue

25 MANCHESTER STREET  
PO BOX 1947  
MERRIMACK, NH 03054-1947

(603) 882-5191  
FAX (603) 913-2305

WWW.PENNICHUCK.COM

February 3, 2016

Mr. George Mandt, Vice President  
TD Bank, N.A.  
17 New England Executive Park, 2<sup>nd</sup> Floor  
Burlington, MA 01803

RE: Written notice per Section 6(c)(vi) of the Master Loan Agreement between Pennichuck Corporation (the "Company" or "Pennichuck") and TD Bank, N.A. (the "Bank")

Hi George,

Pursuant to section 6(c)(vi) of the Loan Agreement, dated June 25, 2014 (the "Agreement") I am supplying you with the requisite prior written notice of the Company's intent to secure term financing from the State Revolving Fund through the NHDES, for its wholly-owned Pennichuck Water Works, Inc. ("PWW"), Pennichuck East Utility, Inc. ("PEU"), and Pittsfield Aqueduct Company, Inc. ("PAC") subsidiaries. The amounts we will be securing financing for these entities are as follows: \$1,400,000 for PWW, \$1,650,000 for PEU and \$440,000 for PAC. In accordance, with this section of the Agreement, the Company or its subsidiaries are allowed to borrow funds under tax exempt or taxable bond financings or state revolving fund loans, without prior written consent from the Bank. In lieu of this consent requirement, the Company must provide 30 days prior written notice of the Company's intent to enter into said financing.

On January 22, 2016, Pennichuck's and PWW's, PEU's, and PAC's Boards of Directors passed a set of resolutions authorizing management to procure said financing on behalf of these subsidiaries. As such, the Company is currently preparing a set of financing petitions to be filed with the NH Public Utilities Commission, as well as a request for shareholder approval from the Company's sole shareholder, the City of Nashua. Pursuant to the Company and the three subsidiaries receiving these approvals, they will enter into these new debt obligations in the second quarter of 2016. This financing is being secured as the funding for: (1) the replacement of water mains located on Amherst Street in Nashua, NH (as well as three adjoining streets and intersections) for PWW, (2) the replacement of mains for phases 1 thru 3 of the Varney Road section of PEU's Locke Lake community water system, and (3) the construction of a new main as a supply on Catamount Street in the PAC water system. These projects are being pursued at this time for the following reasons: (1) in the case of PAC, the main is being constructed to complete a two-phased project in that system which will provide redundant critical supply to and from the water treatment plant in that community, and (2) the mains being replaced in PWW are pursuant to our long term infrastructure replacement program for that Company (and is being done at this time due to the City of Nashua's intent to repave the congested Amherst Street corridor this year, and the cost of not completing this main replacement in advance of that work by the City would result in highly elevated costs of completing this project in a future year), and (3) the mains being replaced in the PEU Locke Lake system are the last major phases of the multi-year main replacement project that has been ongoing for that entire community water system in Barnstead, NH.

Thank you for your time in reviewing and accepting this written notice, in conformity with the Agreement.

Sincerely,

A handwritten signature in blue ink, appearing to read "L. Goodhue".

Larry D. Goodhue  
Chief Executive Officer  
Pennichuck Corporation

**Pittsfield Aqueduct Company, Inc.**  
**BALANCE SHEET**  
**ASSETS AND DEFERRED CHARGES**  
**For the Twelve Months Ended December 31, 2015**

Schedule LDG-1  
Page 1 of 2

Pro Forma

12/31/2015

	Account Number	12/31/2015	Pro Forma Adjustments	Pro Forma 12/31/2015
<b><u>PLANT ASSETS</u></b>				
Plant in Service	301 to 348	4,404,694	440,000 (1)	4,844,694
Work in process	105	14,034	-	14,034
Utility Plant		4,418,727	440,000	4,858,727
Accumulated depreciation	108	1,217,398	6,908 (2)	1,224,306
Net Plant		3,201,329	433,092	3,634,421
Net Acquisition Adjustment	114 & 115	-	-	-
Total Net Utility Plant		3,201,329	433,092	3,634,421
<b><u>CURRENT ASSETS</u></b>				
Cash	131 & 133	900	-	900
Restricted Cash - RSF	131	-	-	-
Accounts receivable-billed, net	141 & 143	18,396	-	18,396
Accounts receivable-unbilled, net	173	78,021	-	78,021
Accounts receivable-other	142	-	-	-
Inventory	151	-	-	-
Prepaid expenses	162	194,393	-	194,393
Prepaid property taxes	163 & 236	-	-	-
Prepaid taxes	162.3	-	-	-
		291,710	-	291,710
<b><u>OTHER ASSETS</u></b>				
Debt issuance expenses	181	9,201	-	9,201
Acquisition Premium - MARA	186	1,319,220	-	1,319,220
Other & Deferred Charges	182,184,186	20,121	-	20,121
		1,348,542	-	1,348,542
<b>TOTAL ASSETS</b>		<b>\$ 4,841,581</b>	<b>\$ 433,092</b>	<b>\$ 5,274,673</b>

**Notes:**

(1) To record the assets related to the SRF Loans.

(2) To record the impact of full year depreciation offset by the Cost of Removal



**Pittsfield Aqueduct Company, Inc.**  
**OPERATING INCOME STATEMENT**  
**For the Twelve Months Ended December 31, 2015**

Schedule LDG-2  
Page 1 of 2

	Account Number	TWELVE MONTHS 12/31/15	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/15
Water Sales	460 to 462	\$ 756,638	\$ -	\$ 756,638
Other Operating Revenue	471	3,895	-	3,895
Total Revenues		760,533	-	760,533
Production Expenses	601 to 652	79,277	-	79,277
Transmission & Distribution Expenses	660 to 678	64,630	-	64,630
Engineering Expenses	660	-	-	-
Customer Acct & Collection Exp	902 to 904	13,846	-	13,846
Administrative & General Expense	920 to 950	31,900	-	31,900
Inter Div Management Fee	930	133,199	-	133,199
Total Operating Expense		322,852	-	322,852
Dep Exp/Acq Adj Expense	403 & 406	97,566	6,908 (2)	104,474
Amortization Expense:CIAC	405	(22,893)	-	(22,893)
Amortization Expense	407	35,380	-	35,380
Gain on Debt Forgiveness	414	-	-	-
Property Taxes	408.1	161,883	15,299 (2)	177,181
Income Tax	409 to 410	55,197	(14,317) (3)	40,880
Total Operating Deductions		649,984	7,889	657,874
Net Operating Income		110,548	(7,889)	102,659
Other Income and Deductions		(1,093)	-	(1,093)
Interest Expenses		57,098	13,939 (1)	71,037
Net Income		52,358	(21,829)	30,529

**Notes:**

- 1 - To record the change in interest expense associated with SRF financing.
- 2 - To record the impact of assets on depreciation and property taxes.
- 3 - To record the tax impact resulting from additional expenses.

**Pittsfield Aqueduct Company, Inc.**  
**OPERATING INCOME STATEMENT**  
For the Twelve Months Ended December 31, 2015

**Supporting Calculations:**

**Interest Expense:**

New SRF debt	\$ 440,000
Interest Rate	3.168%
<b>Annual Interest</b>	<b><u>\$ 13,939</u></b>

**Depreciation**

Additions:

	Asset Cost		Depreciation	
	Fairview Street	Total	Rate	Amount
Structures & Improvements	\$ -	\$ -	0.00%	\$ -
Transmission & Distribution Mains	\$ 440,000	\$ 440,000	1.57%	\$ 6,908
Power Generation Equipment	\$ -	\$ -	0.00%	\$ -
Pumping Equipment	\$ -	\$ -	0.00%	\$ -
Supply Main	\$ -	\$ -	0.00%	\$ -
<b>Totals</b>	<b><u>\$ 440,000</u></b>	<b><u>\$ 440,000</u></b>		<b><u>\$ 6,908</u></b>

Retirements: - N/A

	Asset Cost		Depreciation	
		Total	Rate	Amount
Structures & Improvements	\$ -	\$ -	0.00%	\$ -
Transmission & Distribution Mains	\$ -	\$ -	1.57%	\$ -
Power Generation Equipment	\$ -	\$ -	0.00%	\$ -
Pumping Equipment	\$ -	\$ -	0.00%	\$ -
Supply Main	\$ -	\$ -	0.00%	\$ -
<b>Totals</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		<b><u>\$ -</u></b>
<b>Net Additions</b>	<b><u>\$ 440,000</u></b>	<b><u>\$ 440,000</u></b>		

**Pro Forma Depreciation**

**\$ 6,908**

**Property Taxes**

	Pittsfield Rate
Town	\$ 28.17
State of New Hampshire	\$ 6.60
<b>Total Tax Rate</b>	<b>\$ 34.77</b>

**Pro Forma Property Taxes** \$ 15,299

**\$ 15,299**

**Pittsfield Aqueduct Company, Inc.**  
**Pro Forma Capital Structure for Ratemaking Purposes**  
**For the Twelve Months Ended December 31, 2015**

Schedule LDG-3

	<u>Pro Forma</u> <u>2015</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma 2015</u> <u>with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	440,000	-	440,000	90.05%
Intercompany Debt	\$ -	-	-	0.00%
<u>Common Equity:</u>				
Common Stock	100	(100) (1)	-	
Paid In Capital	2,224,208	(2,206,117) (1)	18,091	
Comprehensive Income	-	-	-	
Retained Earnings	30,529	-	30,529	
Total Common Equity	<u>2,254,837</u>	<u>(2,206,217)</u>	<u>48,620</u>	9.95%
Total Capital	<u>\$ 2,694,837</u>	<u>\$ (2,206,217)</u>	<u>\$ 488,620</u>	100.00%

**Notes:**

(1) Per Order 25,292 in DW 11-026, eliminate the MARA and related common equity:

MARA	1,443,498
Equity as of 1/25/12	826,112
Paid in Capital as of 1/25/12	<u>237,129</u>
	2,506,739
Less: Dividends Paid in Feb 2013	(68,574)
Dividends Paid in Mar 2014	(145,473)
Plus: Reclas RSF offset in Mar 2014	-
Dividends Paid in Mar 2015	<u>(86,576)</u>
	2,206,117