



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES

Thomas S. Burack, Commissioner



January 28, 2015

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

Subject: 2014 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 2014 DWSRF projects:

Public Water System	Project Description	Proje	Final Amount
Pennichuck Water Works	Distribution Main Replacement 2015	\$3,400,000	Declined funding
Pennichuck Water Works	Raw Water Transmission Main	\$5,500,000	\$3,500,000
PEU-Locke Lake	Winwood/Monroe Water Main Phase 2	\$400,000	\$400,000
PEU-Gage Hill	Gage Hill Water Main Replacement	\$550,000	Declined funding
PEU-Farmstead	Farmstead CWS Derry Interconnection	\$165,000	Declined funding
PEU-W&E	Water Main Replacement Phase 2	\$450,000	Amendment to existing loan at 2.72%
Pittsfield Aqueduct Company	Catamount Road Water Main Phase 1	\$165,000	\$165,000

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

Term of Loan	Charge Rate (Effective 10/01/14 - 09/30/15)
5 Years	0.9900%
10 Years	1.9800%
15 Years	2.9700%
20 Years	3.1680%

Please be advised that the current interest rates will be effective until October 2015, 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.

Sincerely,

Johnna McKenna
 Drinking Water and Groundwater Bureau

cc: John Boisvert, Pennichuck Water Works, Inc.

DES Web Site: 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 EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Eleven Months Ended November 30, 2014

Schedule LDG-1
Page 1 of 2

	Account Number	11/30/2014	Pro Forma Adjustments	Pro Forma 11/30/2014
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	50,669,065	400,000 (1)	51,069,065
Work in process	105	999,403	-	999,403
Utility Plant		51,668,469	400,000	52,068,469
Accumulated depreciation	108	11,018,288	5,145 (2)	11,023,433
Net Plant		40,650,181	394,855	41,045,036
Net Acquisition Adjustment	114 & 115	6,322,201	-	6,322,201
Total Net Utility Plant		34,327,979	394,855	34,722,835
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	39,170	-	39,170
Accounts receivable-billed, net	141 & 143	499,599	-	499,599
Accounts receivable-unbilled, net	173	638,118	-	638,118
Accounts receivable-other	142	-	-	-
Inventory	151	26,174	-	26,174
Prepaid expenses	162	23,733	-	23,733
Prepaid property taxes	163 & 236	115,191	-	115,191
Prepaid taxes	162.3	-	-	-
		1,341,985	-	1,341,985
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	193,990	-	193,990
Acquisition Premium - MARA	186	8,406,508	-	8,406,508
Other & Deferred Charges	182,184,186	662,312	-	662,312
		9,262,810	-	9,262,810
TOTAL ASSETS		\$ 44,932,775	\$ 394,855	\$ 45,327,630

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.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
EQUITY AND LIABILITIES
For the Eleven Months Ended November 30, 2014

Schedule LDG-1
Page 2 of 2

	Account Number	11/30/2014	Pro Forma Adjustments		Pro Forma 11/30/2014
STOCKHOLDERS' EQUITY					
Common stock	201	\$ 100	\$ -		\$ 100
Paid in capital	211	14,340,507	-		14,340,507
Comprehensive Income	219	(364,118)	-		(364,118)
Retained earnings	215	188,026	(16,728)	(2)	171,298
		14,164,515	(16,728)		14,147,787
LONG TERM DEBT					
Bonds, notes and mortgages	221	10,932,986	400,000	(1)	11,332,986
Intercompany advances	223	6,444,577	11,583	(3)	6,456,160
Other Long Term Debt	224	606,864	-		606,864
CURRENT LIABILITIES					
Accounts payable	231	232,964	-		232,964
Accrued property taxes	236	124,473	-		124,473
Accrued interest payable	237	47,325	-		47,325
Other accrued expenses	241	177,386	-		177,386
Income taxes payable	236	-	-		-
Customer deposits & other	235	7	-		7
		582,154	-		582,154
OTHER LIABILITIES AND DEFERRED CREDITS					
Deferred income taxes	282	3,883,970	-		3,883,970
Customer advances	252	-	-		-
CIAC, net	271 & 272	8,317,709	-		8,317,709
Other long term liabilities		-	-		-
		12,201,679	-		12,201,679
TOTAL EQUITY AND LIABILITIES		\$ 44,932,775	\$ 394,855		\$ 45,327,630

Notes:

(1) To record the SRF Debt as follows:

Locke Lake Water Main	\$ 400,000
Total SRF Debt	\$ 400,000

(2) To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.

(3) To record the use of funds through the intercompany debt

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Eleven Months Ended November 30, 2014

Schedule LDG-2
Page 1 of 2

	Account Number	ELEVEN MONTHS 11/30/14	PRO FORMA ADJUSTMENTS	PRO FORMA 11 MONTHS 11/30/14
Water Sales	460 to 462	\$ 6,441,244	\$ -	\$ 6,441,244
Other Operating Revenue	471	41,615	-	41,615
Total Revenues		6,482,860	-	6,482,860
Production Expenses	601 to 652	1,566,699	-	1,566,699
Transmission & Distribution Expenses	660 to 678	560,257	-	560,257
Customer Acct & Collection Exp	902 to 904	159,070	-	159,070
Administrative & General Expense	920 to 950	140,134	-	140,134
Inter Div Management Fee	930	1,256,034	-	1,256,034
Total Operating Expense		3,682,194	-	3,682,194
Dep Exp/Acq Adj Expense	403 & 406	810,222	5,145 (2)	815,367
Amortization Expense:CIAC	405	(176,386)	-	(176,386)
Amortization Expense	407	227,215	-	227,215
Gain on Debt Forgiveness	414	(14,285)	-	(14,285)
Property Taxes	408.1	857,936	9,883 (2)	867,819
Income Tax	409 to 410	330,933	(10,972) (3)	319,961
Total Operating Deductions		2,035,635	4,056	2,039,691
Net Operating Income		765,031	(4,056)	760,975
Other Income and Deductions		7,411	-	7,411
Interest Expenses		446,758	12,672 (1)	459,430
Net Income		325,684	(16,728)	308,956

Notes:

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

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Eleven Months Ended November 30, 2014

Schedule LDG-2
Page 2 of 2

Supporting Calculations:

<u>Interest Expense:</u>	Amount	Rate	Interest
New SRF debt	\$ 400,000	3.168%	\$ 12,672

Annual Interest \$ 12,672

Depreciation

<u>Additions:</u>	Asset Cost		Total	Depreciation	
	Locke Lake Winwood and Monroe			Rate	Amount
Structures & Improvements			\$ -	2.62%	\$ -
Transmission & Distribution Mains*	\$ 360,000		\$ 360,000	1.47%	\$ 5,292
Wells & Springs			\$ -	3.79%	\$ -
Pumping Equipment			\$ -	5.50%	\$ -
Treatment Equipment			\$ -	7.33%	\$ -
Distribution Reservoirs			\$ -	1.94%	\$ -
Communication Equipment			\$ -	11.11%	\$ -
Services			\$ -	2.05%	\$ -
Meters			\$ -	4.20%	\$ -
Hydrants			\$ -	1.47%	\$ -
Totals	\$ 360,000	\$ -	\$ 360,000		<u>\$ 5,292</u>

* excludes Cost of Removal estimated at \$40 thousand

<u>Retirements:</u>	Asset Cost		Total	Depreciation	
				Rate	Amount
Structures & Improvements	\$ -		\$ -	2.62%	\$ -
Transmission & Distribution Mains	\$ 10,021		\$ 10,021	1.47%	\$ 147
Wells & Springs	\$ -		\$ -	3.79%	\$ -
Pumping Equipment	\$ -		\$ -	5.50%	\$ -
Treatment Equipment	\$ -		\$ -	7.33%	\$ -
Distribution Reservoirs	\$ -		\$ -	1.94%	\$ -
Communication Equipment	\$ -		\$ -	11.11%	\$ -
Services	\$ -		\$ -	2.05%	\$ -
Meters	\$ -		\$ -	4.20%	\$ -
Hydrants	\$ -		\$ -	1.47%	\$ -
Totals	\$ 10,021	\$ -	\$ 10,021		<u>\$ 147</u>

Net Additions \$ 349,979 \$ - \$ - \$ 349,979

Pro Forma Depreciation \$ 5,145

Property Taxes

Barnstead	\$ 21.64
Other	
State of New Hampshire	\$ 6.60
Total Tax Rate	\$ 28.24

Pro Forma Property Taxes \$ 9,883 \$ 9,883

Pennichuck East Utility, Inc.
Pro Forma Capital Structure for Ratemaking Purposes
For the Eleven Months Ended November 30, 2014

Schedule LDG-3

	<u>Pro Forma</u> <u>2014</u>	<u>Pro Forma</u> <u>Eliminations</u>		<u>Pro Forma</u> <u>2014 with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	11,332,986	(1,591,017)	(1)	9,741,969	68.96%
Intercompany Debt	\$ 6,456,160	(2,407,454)	(1)	4,048,705	28.66%
<u>Common Equity:</u>					
Common Stock	100	(100)		-	
Paid In Capital	14,340,507	(14,340,507)	(2)	(0)	
Comprehensive Income	(364,118)	529,702	(2)	165,584	
Retained Earnings	<u>171,298</u>			<u>171,298</u>	
Total Common Equity	14,147,787			336,882	2.38%
Total Capital	<u>\$ 31,936,933</u>	<u>(17,809,377)</u>		<u>\$ 14,127,556</u>	100.00%

Notes:

(1) Eliminate Capital Recovery Surcharge Related Assets with the offset to Long Term Debt and Intercompany Debt.

The Long Term Debt consists of the SRF Loan for the Birch Hill interconnection. The remainder is Intercompany Debt.

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

MARA	8,964,574
Equity as of 1/25/12	939,755
Paid in Capital as of 1/25/12	<u>6,000,000</u>
	15,904,329
Less: Dividends Paid in Feb 2013	(752,171)
Dividends Paid in Mar 2014	<u>(811,651)</u>
	14,340,507
Comprehensive Income as of 1/25/12	<u>(529,702)</u>



25 MANCHESTER STREET
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(603) 882-5191
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WWW.PENNICHUCK.COM

January 26, 2015

Mr. George Mandt, Vice President
TD Bank, N.A.
17 New England Executive Park, 2nd 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: \$3,500,000 for PWW, \$400,000 for PEU and \$165,000 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 23, 2015, 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 2015. This financing is being secured as the funding for: the construction of an interconnection main from the Merrimack River to the Water Treatment Plant for PWW, the replacement of mains in the 2nd phase of the Windwood Monroe section of PEU's Locke Lake community water system, and the construction of a new main as a supply on Fairview Street in the PAC water system. These projects are being pursued at this time for two reasons: in the case of PWW and PAC, the mains are being constructed to provide redundant critical supply to and from the water treatment plants in each of those companies, and the mains being replaced in the PEU Locke Lake



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system are part of the multi-year main replacement project that is 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
CFO, Treasurer and Controller
Pennichuck Corporation



PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Corporation (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Company on January 23, 2015; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

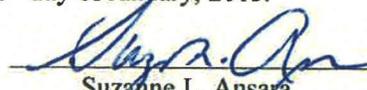
Resolved: that the Board of Directors hereby approves the guaranty by Pennichuck Corporation (the "Company") of the payment by Pennichuck East Utility, Inc. ("PEU") of all of its obligations with respect to PEU's borrowing of up to \$400,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the replacement of water mains at Locke Lake in Center Barnstead, New Hampshire, pursuant to a Loan Agreement between PEU and the State under the State's Drinking Water Revolving Loan Fund program.

Further Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Guaranty agreement with respect to the SRF loan described in the prior resolution (the "SRF Loan"), with such terms as may be deemed necessary or advisable in the several judgment of the officers executing the Guaranty agreement.

Further Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Guaranty from the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the Guaranty.

Further Resolved: that John L. Patenaude, Donald L. Ware, and Larry D. Goodhue are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Guaranty and the SRF Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand this 28th day of January, 2015.


Suzanne L. Ansara
Corporate Secretary



PENNICHUCK

PENNICHUCK EAST UTILITY, INC.

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck East Utility, Inc. (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Company on January 23, 2015; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

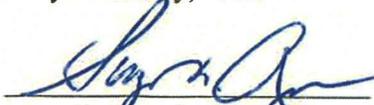
Resolved: that the Board of Directors hereby approves the borrowing by Pennichuck East Utility, Inc. (the "Company") of up to \$400,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the replacement of water mains at Locke Lake in Center Barnstead, New Hampshire, pursuant to a Loan Agreement between the Company and the State under the State's Drinking Water Revolving Loan Fund program.

Further Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Loan Agreement for the SRF loan described in the previous resolution (the "SRF Loan") with such terms, including the exhibits and schedules to such Loan Agreement, as may be deemed necessary or advisable in the several judgment of the officers executing the Loan Agreement.

Further Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the SRF Loan from the New Hampshire Public Utilities Commission, the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the SRF Loan.

Further Resolved: that John L. Patenaude, Donald L. Ware, and Larry D. Goodhue are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the SRF Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand this 28th day of January, 2015.


Suzanne L. Ansara
Corporate Secretary