

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

RE: PENNICHUCK WATER WORKS, INC.

DOCKET NO. DW 09-____

PETITION FOR AUTHORITY
TO ISSUE UP TO \$1,848,000 OF LONG TERM DEBT

Pennichuck Water Works, Inc. ("PWW" or the "Company") hereby petitions the Public Utilities Commission for authority, pursuant to RSA 369:1 and Puc 609.03, to issue up to \$1,848,000 in long-term debt, and in support of its request states as follows:

1. PWW is a New Hampshire corporation, authorized by this Commission to provide water service to customers in various communities in Southern New Hampshire.
2. As described in the pre-filed direct testimony of Donald L. Ware, which accompanies this petition, PWW is currently undertaking certain capital improvements to its facilities for which it seeks this financing approval. Specifically, the Company will be making improvements to the Ashley Commons community water system in Milford, the Nashua Core water system, and the Glenridge community water system in Derry. The improvements include the interconnection of the Ashley Commons community water system with the Town of Milford water system to provide a new source of water supply for the Ashley Commons system, the replacement/rehabilitation of 8,203 lineal feet of unlined cast iron water main in the French Hill area of Nashua and the replacement of a failing 20,000 gallon steel atmospheric tank located at the Glenridge system.

3. The total cost of the proposed projects is estimated to be \$1,848,000. In order to finance a portion of the funds required for the foregoing capital improvements, PWW has requested and obtained approval from the New Hampshire Department of Environmental Services ("DES") to borrow up to \$1,848,000 via the American Recovery and Reinvestment Plan (ARRP) of 2009 through the State Revolving Loan Fund ("SRF") administered by DES.

4. If PWW obtains authority from the Commission to borrow up to \$1,848,000 from the SRF ARRP 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 for which the Company (or its affiliates) have received Commission approval. *See e.g.*, Orders 24,818 and 24,844. The Company's preliminary understanding of the terms of the loan is that it would be for \$1,848,000 from the SRF, which will be repaid over a 20 year term, with interest at a rate not expected to exceed 4.208% and with 50% of the principal being forgiven. Under the proposed financing arrangement, DES will make disbursements to PWW based on invoices submitted by contractors engaged by PWW. Amounts advanced by DES to PWW during construction will bear interest at a rate of 1%, which will accrue through and be due upon substantial completion of the capital improvements. PWW will begin to amortize the loan principal approximately six months after substantial completion of the capital improvements, at which point the monthly payments begin with $1/240^{\text{th}}$ of the total amount borrowed, plus accrued interest less 50% of the principal owed each month. *See* pre-filed direct testimony of Thomas C. Leonard submitted in support of this petition. Mr. Leonard's testimony also addresses the filing requirements of Puc 609.03.

5. After PWW 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.

PWW will provide the Commission with a copy of the loan agreements and other loan documents once they have been finalized. The availability of the ARRP funds is highly time sensitive; it is the Company's understanding, based on discussions with the NHDES, that the Company must have approval from the Commission for this proposed financing so that it can close by April 30, 2009. The Company would provide the Commission copies of the executed loan documents shortly after the loan closing, assuming Commission approval for the financing is granted.

6. The borrowing being proposed by PWW is in the public interest and consistent with the public good because it will enhance PWW's ability to provide safe drinking water to its customers on a reliable basis at a reasonable cost. The capital improvements being proposed and the anticipated cost of those capital improvements are reasonably necessary to provide such service to PWW's customers.

7. Simultaneously with the filing of this Petition, PWW is submitting prefiled testimony of Thomas C. Leonard, PWW's Treasurer, and Donald L. Ware, PWW's President, which is incorporated herein by reference.

WHEREFORE, Pennichuck Water Works, Inc. respectfully requests that the Commission:

A. Authorize PWW to borrow up to \$1,848,000 from the New Hampshire Drinking Water State Revolving Fund for the capital improvements described in this Petition and the pre-filed testimony of Donald L. Ware;

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

D. Issue a final Order by April 30, 2009 authorizing PWV to borrow up to \$1,848,000 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 WATER WORKS, INC.

By its Attorneys,

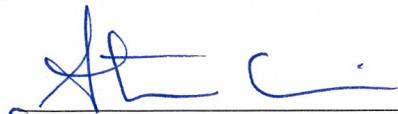
McLANE, GRAF, RAULERSON & MIDDLETON,
PROFESSIONAL ASSOCIATION

Date: March 31, 2009

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Certificate of Service

I hereby certify that a copy of the foregoing Petition has been forwarded this 31st day of March, 2009 to Meredith Hatfield, Esq. of the Office of the Consumer Advocate.


for Sarah B. Knowlton