

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DW 09-____

Verified Joint Petition of Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc. for Approval of the Transfer of Assets and Franchise Rights and Assumption of Long Term Indebtedness

NOW COMES Pennichuck East Utility, Inc. ("PEU") and Pittsfield Aqueduct Company, Inc. ("PAC")(collectively, the "Petitioners"), pursuant to RSA 369:1, RSA 374:22, 26 and 30 and RSA 378, and file this petition requesting that the New Hampshire Public Utilities Commission (the Commission) approve the transfer of the assets of PAC that are used to serve customers in Locke Lake, Birch Hill and Sunrise Estates to PEU as well as the franchise to serve those systems. In addition, PEU seeks Commission authority to assume certain long term debt of PAC associated with those assets. In support of this Petition, PEU and PAC state as follows:

1. PEU and PAC are New Hampshire corporations with their principal place of business at 25 Manchester Street, Merrimack, New Hampshire. Both PEU and PAC are public utilities as defined in RSA 362:2. PEU provides water service to approximately 5,486 customers in 15 municipalities in Southern and Central New Hampshire. PAC provides water service to 648 customers in the Town of Pittsfield and 209 customers in North Conway (Birch Hill), 80 in Middleton (Sunrise Estates), and 836 in Center Barnstead (Locke Lake). Both PEU and PAC are wholly owned subsidiaries of Pennichuck Corporation, which also owns Pennichuck Water Works, Inc.

2. On March 24, 2006, the Commission approved PAC's acquisition of the Birch Hill and Sunrise Estates systems from Consolidated Water Company, Inc. and the Locke Lake

system from Central Water Company, Inc. *See* Order No. 24,606. Since the acquisition of those systems, PAC has made substantial capital improvements to those systems. Specifically, PAC has invested the following to bring the systems into compliance with regulatory requirements:

Locke Lake: PAC has invested over \$2.2 million to construct 250,000 gallons of atmospheric storage; to complete the construction of a water booster station and a water treatment system for the removal of arsenic, iron and manganese; to install 14 new main line isolation gate valves; to install sample stations and system flushing valves; to install new water main to create system looping; to install 483 radio meter readers; to replace 11 water services; to replace 6 failed well and booster pumps; and to replace 117 stopped/failed water meters.

Sunrise Estates: PAC has invested over \$104,000 to replace all three well pumps; to install 2 flushing units; to install 79 meters (of which 8 were in meter pits); to replace poor quality pipe and fittings in the main booster station; and construct an entrance to this pumping station to eliminate the confined space designation for this station.

Birch Hill: PAC has invested over \$1.7 million to complete a 4,995 foot interconnection with the North Conway Water Precinct; to replace over 4,500 of 2" undersized water main within the Birch Hill development; to replace 42 services; and to install 209 meters (of which 28 were in meter pits). PAC financed these improvements, in part, through an intercompany note with its parent and State Revolving Loan Funds. *See* Orders 24,739 and 24,818.

3. On May 2, 2008, PAC filed with the Commission a request to increase its rates. This proposal would result in an increase of 44.01% for Pittsfield customers and a 311.91% increase for North Country customers, which are located in Locke Lake, Birch Hill and Sunrise

Estates. The significant rate increase for the North Country customers is driven nearly entirely by the substantial capital improvements described above. On December 31, 2008, the Commission approved temporary rates for PAC, granting a 40% increase in rates for Pittsfield customers, and an increase for North Country customers that results in average annual residential bills that are 25% over the allowed Pittsfield rates. Order 24,929 at 14.

4. Given the significant impact of the proposed rates on North Country customers, PAC has determined that it can provide service to customers in a more cost effective manner if the assets used to serve the North Country customers are transferred to PEU. As part of the transfer of the PAC North Country assets, PAC is also seeking to transfer the debt associated with those assets to PEU.

5. Contemporaneous with this Verified Petition, the Company is filing modified rate schedules with the Commission that if approved, would establish rates for North Country customers within PEU.¹ The Company's rate proposal is predicated upon the transfer of the North Country assets to PEU. As described in the Company's modified rate filing, existing PEU customers would not experience any difference in their rates at the time the acquisition is approved, though will experience an impact in any future rate filing made by PEU. The Petitioners believe that the transfer is in the public interest because it will result in lower rates for the North Country customers and will provide longer term rate stability for them.

6. By this Petition, PEU seeks authority (i) pursuant to RSA 374:30 to obtain the PAC assets used to serve North Country customers and also pursuant to RSA 374:22 and 26 to obtain the franchise to serve those customers; (ii) pursuant to RSA Chapter 378, to provide

¹ The Joint Petitioners are also filing this same day a Motion to Consolidate DW 08-052 with the docket opened by the Commission for this petition.

service to the customers in PAC's North Country franchise territory under the terms and conditions of PEU's current tariff on file with the Commission, as modified by the Company's proposed filing; and, (iii) pursuant to RSA 369:1, assume the long term debt currently held by PAC associated with the North Country assets. *See* Joint Testimony of Donald L. Ware and Bonalyn J. Hartley in Support of Permanent Rates in DW 08-052.

7. PEU has the requisite technical, managerial, and financial expertise to acquire and operate PAC's North Country assets. PEU and PAC both provide services to their customers through employees of PWW, whose time is allocated pursuant to a Cost Allocation and Services Agreement on file with the Commission. Thus, the employees who currently provide services to the North Country customers will remain unchanged, as will the level of service provided.

WHEREFORE, PEU and PAC respectfully request that this Commission grant the following relief:

A. Determine pursuant to RSA Chapters 374 and 378 that the proposed transfer of PAC's North Country assets and franchise to PEU is in the public good;

B. Approve the assumption of PAC's long term indebtedness associated with the North Country assets by PEU in accordance with RSA 369:1;

C. Approve the above-described transaction as filed in accordance with RSA Chapters 374 and 378; and

D. Make such other findings and enter such other and further orders as the Commission may deem just and reasonable and consistent with the public interest.

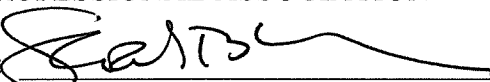
Respectfully submitted,

Pennichuck East Utility, Inc.
Pittsfield Aqueduct Company, Inc.

By Their Attorneys,

McLANE, GRAF, RAULERSON & MIDDLETON,
PROFESSIONAL ASSOCIATION


Date: March 13, 2009

By: 

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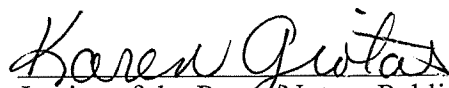
I, Donald L. Ware, President of Pittsfield Aqueduct Company, Inc. and Pennichuck East Utility, Inc., being first duly sworn, hereby depose and say that I have read the foregoing Verified Petition, and the facts alleged therein are true to the best of my knowledge and belief.

Dated: *March 12, 2009*


Donald L. Ware

STATE OF NEW HAMPSHIRE
COUNTY OF HILLSBOROUGH

Sworn to and subscribed before me this 12 day of March 2009.

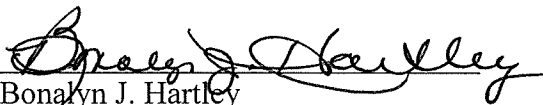

Justice of the Peace/Notary Public

My Commission Expires:

KAREN GIOTAS
Notary Public - New Hampshire
My Commission Expires December 12, 2011


I, Bonalyn J. Hartley, Vice President of Administration of Pittsfield Aqueduct Company, Inc. and Pennichuck East Utility, Inc., being first duly sworn, hereby depose and say that I have read the foregoing Verified Petition, and the facts alleged therein are true to the best of my knowledge and belief.

Dated: March 12, 2009


Bonalyn J. Hartley

STATE OF NEW HAMPSHIRE
COUNTY OF HILLSBOROUGH

Sworn to and subscribed before me this 12 day of March 2009.



Justice of the Peace/Notary Public

My Commission Expires:

KAREN GIOTAS
Notary Public - New Hampshire
My Commission Expires December 12, 2011

Certificate of Service

I hereby certify that on this 13th day of March, 2009, a copy of this Verified Petition has been forwarded by electronic mail to the Office of Consumer Advocate and parties of record in DW 08-052.


Sarah B. Knowlton