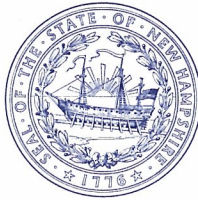


THE STATE OF NEW HAMPSHIRE

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Thomas B. Getz

COMMISSIONERS
Clifton C. Below
Amy L. Ignatius

EXECUTIVE DIRECTOR
AND SECRETARY
Debra A. Howland



PUBLIC UTILITIES COMMISSION

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Concord, N.H. 03301-2429

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TDD Access: Relay NH
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May 10, 2010



Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: DW 10-105, Pennichuck Water Works, Inc.
Petition for Authority to Issue up to \$1,600,000 of Long-Term Debt

Dear Ms. Howland:

On April 14, 2010, Pennichuck Water Works, Inc. (PWW) filed a petition with the Commission seeking authority pursuant to RSA 369 to issue long term debt in an amount up to \$1,600,000. Accompanying the petition was the pre-filed testimony of Donald L. Ware, President of PWW, and Thomas C. Leonard, Chief Financial Officer of PWW. Staff has reviewed the petition and recommends that the Commission approve PWW's request through the issuance of an order *nisi*.

The funds that PWW is seeking authority to borrow are from the State Revolving Loan Fund (SRF) administered by the New Hampshire Department of Environmental Services (NHDES). PWW is seeking to use the proceeds of this borrowing to undertake certain capital improvements relative to its Drew Woods community water system located in Derry, New Hampshire. These improvements include the interconnection of the Drew Woods system with the Town of Derry's water system so as to provide a supplemental water source for the Drew Woods system. According to Mr. Ware's pre-filed testimony, this additional source of supply is necessary because of a decrease in recent years in the capacity of the existing wells which currently serve Drew Woods. In order to make delivery of water possible from the Town of Derry's water system to the Drew Woods system, PWW is proposing to make certain upgrades to the Town of Derry's Pond Road Water Booster Station.¹ PWW's estimated cost for these proposed projects is \$1,218,000, however PWW is seeking approval of an approximate additional

¹ In Order No. 24,957 issued on April 16, 2009 in DW 09-063, Re: Pennichuck Water Works, Inc., the Commission approved a similar arrangement between PWW and the Town of Milford whereby public funds were utilized to make necessary improvements to Milford's municipal water system for the purpose of constructing an interconnection between it and PWW's Ashley Commons water system.

\$400,000 over and above this amount so that additional low cost funds would be available should the actual project costs be more than anticipated.

According to Mr. Ware's pre-filed testimony, PWW will retain ownership of a meter pit as well as the upgrades made to its Drew Woods Booster Station along with a small amount of interconnecting piping. However, the majority of the water main that is to be constructed will be owned, operated and maintained by the Town of Derry. Subject to Commission approval, the proportionate cost of the construction turned over to the Town of Derry will be recorded by PWW as a cost to obtain water rights. PWW also anticipates entering into a purchased water contract with the Town of Derry whereby it will be treated as a retail multi-family customer by the Derry Water Department. A copy of the interconnection agreement between PWW and the Town of Derry is attached as Exhibit DW-02 to the pre-filed testimony of Mr. Ware.

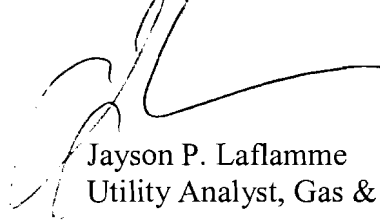
The loan documents that PWW anticipates to enter into will set forth the exact terms and conditions of the loan, but are expected to be substantially similar to previous SRF financings approved by the Commission. It is expected that the loan will be repaid over a 20-year term at an interest rate not anticipated to exceed 2.952%. As with prior SRF loans, NHDES will make disbursements of funds based on invoices submitted by the contractors engaged by PWW. The interest on those advances will accrue interest at a rate of 1.00% which will be due upon substantial completion of the capital improvements. Approximately six months after completion of the project, monthly payments consisting of 1/240th of the total amount borrowed plus accrued interest at the anticipated rate will commence.

As indicated in the pre-filed testimony of Mr. Leonard, the impact of the proposed financing on PWW's balance sheet is expected to be minimal. In addition, the anticipated terms of the proposed financing are extremely favorable to both PWW and its customers. As part of its review of the petition, Staff submitted discovery requests to PWW. The responses to those discovery requests received from PWW are attached to this correspondence. In addition, PWW's Board of Directors has authorized PWW to enter into the loan agreements with DES for the purpose of implementing the capital improvements described in its petition. A copy of this authorization has also been attached to this correspondence.

As previously stated, Staff recommends the Commission approve PWW's request for financing authority in this docket through the issuance of an order *nisi*. Staff believes that PWW has adequately demonstrated its need to undertake this interconnection project and concurs with the capital improvements being proposed. Further, Staff believes that the terms of the proposed financing are extremely favorable which will ultimately benefit the ratepayers.

If you have any questions with regard to this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Laflamme', with a long horizontal flourish extending to the right.

Jayson P. Laflamme
Utility Analyst, Gas & Water Division

Attachment: Discovery
 PWW Board Approval of Financing

cc: Service List



McLane, Graf,
Raulerson & Middleton
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April 23, 2010

Via Electronic Mail and U.S. Mail

Mark A. Naylor, Director – Gas & Water Division
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Re: **DE 10-105; Pennichuck Water Works, Inc.
Petition for Authority to Issue up to \$1,600,000 of Long-Term Debt**

Dear Mr. Naylor:

Enclosed please find Pennichuck Water Works, Inc.'s responses to the Staff's First Set of Data Requests in connection with the above-referenced docket.

Thank you for your assistance with this matter. Please do not hesitate to call if you have any questions.

Very truly yours,

Sarah B. Knowlton

SBK/sms

Enclosures

cc: PUC Librarian (by electronic mail)
Marcia A. B. Thunberg, Esq. (by electronic mail)
Service List (by electronic mail)
Thomas C. Leonard
Donald J. Ware

PENNICHUCK WATER WORKS, INC.
DW 10-105

Pennichuck Water Works, Inc.'s Responses to
Staff's Data Requests – Set 1
Petition for Authority to Issue Up To \$1,600,000
Of Long-Term Debt

Date Request Received: April 20, 2010
Request No. Staff 1-1

Date of Response: April 23, 2010
Witness: Thomas C. Leonard

REQUEST: Reference Page 4; Lines 7-11 of the Direct Pre-filed Testimony of Thomas C. Leonard: Reference is made to Adjustments 2 and 3 supposedly reflected on Schedule TCL-1. However, Schedule TCL-1 does not appear to contain these adjustments. Please explain and/or provide a revised Schedule TCL-1.

RESPONSE: Attached is a revised Schedule TCL-1 containing Adjustments 2 and 3.

Pennichuck Water Works, Inc.
Actual and Pro Forma Balance Sheet as of December 31, 2008
Unaudited
Reflecting the Issuance of \$1,218,000 SRF Loan

	<u>Actual December 31, 2008</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma December 31, 2008</u>
Assets			
Plant in Service	\$ 143,364,838	\$ 1,218,000 ¹	\$ 144,582,838
Less: Accumulated Depreciation	(30,558,698)	-	(30,558,698)
Net Plant	<u>112,806,140</u>	<u>1,218,000</u>	<u>114,024,140</u>
CWIP	<u>6,711,159</u>	<u>-</u>	<u>6,711,159</u>
Total Net Utility Plant	119,517,299	1,218,000	120,735,299
Current Assets	16,084,180	-	16,084,180
Other Assets and Deferred Charges	<u>11,196,394</u>	<u>-</u>	<u>11,196,394</u>
Total Assets	<u>\$ 146,797,873</u>	<u>\$ 1,218,000</u>	<u>\$ 148,015,873</u>
 Equity and Liabilities			
Common Equity	\$ 42,159,767	\$ (21,717) ² (33,673) ³	\$ 42,104,377
Current Portion of Long Term Debt	660,478	-	660,478
Other Current Liabilities	3,307,016	-	3,307,016
Long-Term Debt	55,874,504	1,218,000 ¹	57,092,504
Other Liabilities and Deferred Credits	<u>44,796,108</u>	33,673 ³ \$ 21,717 ²	<u>44,851,498</u>
Total Equity and Liabilities	<u>\$ 146,797,873</u>	<u>\$ 1,218,000</u>	<u>\$ 148,015,873</u>

Notes:

1 - To record the issuance of a \$1,218,000 SRF loan to fund the Drew Woods Interconnection

2 - To record the annual interest expense (net of tax at 39.6%) to retained earnings with a corresponding credit to accrued liabilities.

3 - To record the estimated additional cost of water from Derry (net of tax at 39.6%) with a corresponding credit to accrued liabilities.

PENNICHUCK WATER WORKS, INC.
DW 10-105

Pennichuck Water Works, Inc.'s Responses to
Staff's Data Requests – Set 1
Petition for Authority to Issue Up To \$1,600,000
Of Long-Term Debt

Date Request Received: April 20, 2010
Request No. Staff 1-2

Date of Response: April 23, 2010
Witness: Thomas C. Leonard

REQUEST: Reference Schedule TLC-2 attached to the Direct Pre-filed Testimony of Thomas C. Leonard: Please provide the respective supporting computations for Adjustment 3 in the amounts of \$4,046 for depreciation and \$4,656 for taxes.

RESPONSE: In Mr. Ware's testimony, of the \$1,218,000 estimated project costs, the Company anticipates booking about \$82,000 to Account 331.4 and \$64,000 to Account 311.2. The depreciation is calculated by multiplying the \$82,000 by a composite rate of 1.5% for mains (331) and by multiplying \$64,000 by a rate of 4.4% for pumping equipment (311.2). The depreciation rates utilized are from DW 06-073. The property taxes are calculated by taking the total of \$82,000 of mains and \$64,000 of pumping equipment and multiplying by the local Derry tax rate of \$25.29 and the state tax rate of \$6.60 (per \$1,000 of asset value). The rates are based on the Company's December 2009 property tax bills.

PENNICHUCK WATER WORKS, INC.
DW 10-105

Pennichuck Water Works, Inc.'s Responses to
Staff's Data Requests – Set 1
Petition for Authority to Issue Up To \$1,600,000
Of Long-Term Debt

Date Request Received: April 20, 2010
Request No. Staff 1-3

Date of Response: April 23, 2010
Witness: Donald L. Ware

REQUEST: Please provide a final, signed copy of the Derry Interconnection Agreement, and of a company Board Resolution authorizing the borrowing, when available.

RESPONSE: The Board resolution authorizing the borrowing will be voted at the Board's May 5, 2010 Board meeting. The Secretary's certificate verifying the vote for the resolution will be submitted to the Commission within one week of the Board vote. A signed copy of the Derry Interconnection agreement is attached to this response.

East Derry Municipal Water Extension Community Water System Interconnection Agreement

April 21, 2010

AGREEMENT made and entered into this 21st day of April 2010
("Agreement"), by and between Pennichuck Water Works (PWW), and the Town of Derry, New
Hampshire, a municipal association duly established and existing under New Hampshire Revised Statutes
Annotated ("RSA") Chapter 31 (Derry).

Recitals:

1. Pennichuck Water Works (PWW) owns and operates three community water systems within their franchise area of the Town of Derry known as Drew Woods (PWS No. 0612150), Hubbard Hill (PWS No. 0612020), and Redfield Estates (PWS No. 0612080) consisting of 524 existing residential water service connections providing water to an estimated 1310 Derry residents on Hampstead Road, Adams Pond Road, Pond View Dr., Rain Pond Place, Wright Road, Marcell Ct., Judith Ln., Rachel Ct., Donovan Dr., Olsen Rd., Drew Woods Dr., Pine Bluff, Village Brook Ln., Belle Brook Ln., Colony Brook Ln., Dubeau Dr., Hunter Dr., Remington Ct., Gardners Way., Ballard Rd., Brier Ln., Cyril Rd., Warner Hill Road., Floyd Rd., Hubbard Hill Rd. Redfield Circle, Quincy Drive, Jewell Lane, and Hubbard Ct., as shown on the attached Map.
2. The Drew Woods, Hubbard Hill and Redfield Estates water systems are interconnected with a common distribution system and bedrock wells as the source of supply which have experienced seasonal water supply shortages.
3. The Town of Derry owns and operates the Meadowbrook Community Water System (PWS No., 0612120) which abuts the PWW systems and consists of 59 residential water service connections which provides water to an estimated 145 Derry residents on Adams pond Rd., Meadowbrook Rd., Berge Ln., Coventry Ln., Belmont Terrace, and Blake Farm Road as shown on the attached Map.
4. The Meadowbrook System has also experienced seasonal water supply shortages as well as arsenic, iron and manganese issues.
5. The Town of Derry owns and operates a municipal public water system (Public Water System ID No. 0611010) whose source of supply is Manchester Water Works by Wholesale Water Agreement and which is located at East Derry and Pond Roads approximately 6,500 feet west of the Derry and PWW Community water Systems.
6. PWW desires to extend the Derry municipal core water system for the purpose of interconnecting its Drew Woods, Hubbard Hill and Redfield Estates water systems and purchase from Derry certain volumes of water as a single retail customer to supplement their existing bedrock well

supply.

7. Derry also desires to extend its municipal core water system for the purpose of interconnecting its Meadowbrook CWS.
8. PWW and Derry have determined to enter into this Agreement to establish the conditions for the extension of the Derry municipal core water system and the supply of water to PWW.

NOW THEREFORE, the parties hereto, each binding itself, its respective representatives, successors and assigns agree as follows:

This Agreement may be referred to as the East Derry Municipal Water Extension Community Water System Interconnection Agreement.

Terms:

I Water Main Design and Construction

1. Any and all connections between the Derry Water System and PWW's Drew Woods, Hubbard Hill and Redfield Estates Water Systems including but not limited to water main extension along East Derry/Hampstead Road and Adams Pond Road, metering vault and metering devices shall be subject to review and approval of the Town of Derry and shall be constructed in accordance with the Town of Derry Water Main Specifications. The Cost of all construction undertaken to construct, modify or upgrade the connection to the Derry Water System including the purchasing of metering devices and appurtenances shall be paid by PWW and Derry as specified herein.
2. PWW will complete the design of all required improvements for the entire project including survey and ledge probes at its expense. PWW will administer the construction including permitting, bid, and inspection. The following project scope is intended to provide a general layout and description of the water main extension and a basis for bid development. Minor field changes in design and construction consistent with the general project scope, including but not limited to service connections, hydrant installations, main laterals may be made upon mutual agreement between the Derry Department of Public Works and PWW staff provided such changes do not exceed 10% of the Project bid or exceed, as to expenditures required of Derry, budgeted funds for the Derry portion of the Project.
 - a. The water main will be installed along the northerly side of East Derry Road within the existing sidewalk and along the northerly side of Hampstead Road and shall be 12 inch diameter CL52 ductile iron.
 - b. Hydrant assemblies including 12x6 wyes, 6 inch resilient wedge gate valves (open left) and 6 inch CL52 DI lateral to the property lines as designated by the Town and American Darling B-84B hydrant (plugged) will be installed at the intersections of Old Chester Road; Young Road; Hampstead Road (vic. No. 74), Hampstead Road (vic. across from No. 95); Hampstead Road (vic No. 108); Senter Cove Road; and Adams Pond Road;
 - c. A 20 foot 12 inch CL52 DI stub shall be left at Adams Pond Road for future

extension along Hampstead Road.

- d. In-line resilient wedge 12 inch gate valves (open left) will be installed within the intersections of Old Chester Road, Young Road, Senter Cove Road and Adams Pond Road.
- e. 18 one inch type K copper services will be installed from the main to the property lines for all existing homes on the north side of East Derry Road/Hampstead Road. (No.'s 64, 66 East Derry Road; 2 Old Chester; No.'s 68,70,76,78, 80, 82, 84, 86, 90, 92, 94, 96, 108, Hampstead Road; No.'s 124, 126 Hampstead Road), and ten (10) one inch type k copper services to the property lines for existing homes at No.'s 2, 4, 6, 8, 10, 12, 14, 16, 18, and 22 Adams Pond Road).
- f. Improvements shall be made to the existing Pond Road Booster Station as required to accommodate the main extension contemplated herein.

II Water Purchase Volume: PWW may use its Derry Core system interconnection as a supplemental source to their well supply. PWW will use chlorination treatment at their source supply wells. The PWW finished well supply source shall at all times comply with NHDES and EPA primary drinking water quality standards. In the event PWW fails to meet primary drinking water quality standards Derry reserves the right to suspend service following reasonable notice to PWW or to require PWW to install approved cross-connection control devices at PWW's interconnection to the Derry system. PWW maximum average daily flow shall not exceed 200,000 gallons per day demand from the Derry system. Maximum average daily flow will be calculated by taking the total monthly metered consumption in any 60 day period and dividing that amount by 60.

PWW agrees to a minimum annual average purchase volume of 12.78 million gallons (35,000 gals/day). This amount is inclusive of the minimum base allocation of 500 cft/living unit/quarter (7.839 million gals/yr) and calculated by adding all purchased water from January 1 to December 31. Should PWW's purchased water volume be less than 12.78 million gals for any calendar year, Derry shall invoice and PWW shall pay the difference.

III Metering: PWW will install a water tight metering vault in the vicinity of the Wright Road and Adams Pond Road intersection. The location shall be approved by the Town. The vault shall have a 3 inch Badger Turbo meter and corresponding Orion pit transponder per Derry specifications. PWW shall provide Derry reasonable access to the meter as necessary for inspection and testing. PWW may retain its storage and booster station facilities.

IV Infrastructure ownership: Upon completion of the water main extension and its acceptance and approval by the Town of Derry's engineers, PWW will convey all new water mains and appurtenances within the public right of way along East Derry Road/Hampstead and Adams Pond Road up to within 10 feet of the proposed metering pit described in Section III. PWW will retain their current franchise areas and service customers. Derry will service any new customers outside PWW's existing franchise along East Derry Road/ Hampstead Road and Adams Pond Road. In accordance with existing PUC order Derry has the first right of refusal to service any new customers outside PWW's existing franchise area.

V Payments by PWW

1. MSDC charges & other Town fees: PWW will use existing Derry MSDC credits. Derry Hook-up fees will be charged based on meter size. (Current cost 3 inch =\$10,062.00); Meter purchase will be at Derry's cost plus 5% administrative fee. Derry will assist PWW in inspections at no additional costs.
2. Purchased water: Derry will bill PWW quarterly the same retail rates as Derry's other multifamily retail customers (i.e. as of 3/10/2010 \$22.88 per quarter per living unit to include the first 500 cft of usage plus \$2.47 per 100 cubic feet of usage over the initial 500 cft).
3. PWW shall pay to Derry 90% of costs required to upgrade the Pond Road Water Booster Station the scope of which is to supply and install a second 40 hp pump large enough to meet the anticipated peak summer demands of the existing East Derry customer base.
4. PWW shall be responsible for an amount equal to 90% of the project costs that would be incidental to an 8" main extension from the Town's existing main at East Derry Road to the proposed metering pit location at Adams Pond Road and Wright Road not to include any service connections, hydrant assemblies, or main laterals specified by Derry.
5. PWW will pay to Derry following completion of the work and within 30 days of invoice costs associated with the Pond Road Booster Station upgrade, such work to be performed by Derry.

VI Payments by Derry

1. Derry will pay to PWW an amount equal to 10% of the project costs that would be incidental to an 8" main extension from the Town's existing main at East Derry Road to the proposed metering pit location at Adams Pond Road and Wright Road not to include any service connections, hydrant assemblies, or main laterals specified by Derry.
2. Derry shall pay to PWW costs associated with upsizing the water main extension from 8 inch to 12 inch based on the following unit pricing:
 - a. Supply and install 12 inch DI CL52 Main along East Derry/Hampstead Rd: \$11.60/ft
 - b. Supply and Install 12 inch Gate Valves: \$623/ea
 - c. Supply and install 12 inch in lieu of 8 inch DI Bends:
 - 11° = \$315/ea
 - 22° = \$327/ea
 - 45° = \$282/ea

90° = \$296/ea

- d. Supply and Install 12 x 12 DI Tee in lieu of 8 x 8: \$405/ea
- e. Supply and install 12 x 6 DI reducer in lieu of 8 x 6: \$ 325.00

The above costs are based on the difference in catalog pricing listed in the EJP reference Manual Seventh Edition.

- 3. Derry shall pay to PWW 100% of all costs based on unit pricing of the successful bidder and actual quantities measured in the field for supplying and installing hydrant assemblies including tee, gate valve, pipe lateral and hydrant at locations specified by Derry.
- 4. Derry shall pay to PWW 100% of all costs based on unit pricing of the successful bidder and actual quantities measured in the field for supplying and installing service connections including corporation, service pipe, curb valves, rods and boxes at locations specified by Derry.
- 5. Derry shall pay to PWW 100% of all costs based on unit pricing of the successful bidder and actual quantities measured in the field for supplying and installing a 12 DI main lateral for future extension along Hampstead Road at Adams Pond Road to include tee and gate valve.
- 6. Derry shall pay to PWW 100% of all costs based on unit pricing of the successful bidder and actual quantities measured in the field for supplying and installing an interconnection to the Derry Meadowbrook water system along Adams Pond Road including tee, main gate valve, reducer and other fittings as necessary.

VII Pavement and Trench Restoration

- 1. PWW shall be responsible for performing and completing pavement, trench and sidewalk restoration along East Derry Road per Derry specifications. Sidewalk restoration to include 6 inches of crushed gravel, 2 inches of ¾ inch binder and 1 inch of 3/8 inch top machine paved. Costs for this work shall be apportioned as specified in V.4 and VI.1 above.
- 2. PWW shall be responsible for performing and completing all pavement, trench, and road restoration along Hampstead Road per NHDOT specifications.
- 3. Derry shall be responsible for any extra costs associated with pavement, trench and road restoration associated with hydrant and service connection installations including ledge excavation incident thereto and private property repairs. All such cost items to be approved by Derry prior to commencement of work.
- 4. PWW shall be responsible for execution and payment of the full depth/width reclamation of Adams Pond Road from Hampstead Road to Wright Road. Such work to be performed and completed by PWW. PWW shall be responsible for the maintenance of the water main trench including any settlement or private driveway repairs required because of damage during the water main installation. Derry shall be responsible for the cost of fine grading, compaction,

and base/finished pavement of Adams Pond Road.

VIII General

1. This Agreement applies to the interconnection of the Drew Woods, Hubbard Hill and Redfield Estates Community Water Systems only. PWW may add additional customers within these existing franchise areas upon notification to the Town. Any additional interconnections proposed by PWW must be approved by Derry. 4
2. In the event that PWW exceeds its maximum daily demand as defined in para. II above, Derry may assess to PWW additional Merrimack River Source Development charges based on the additional demand in accordance with the Derry Water Use Ordinance.
3. PWW agrees to abide by the Code of the Town of Derry Chapter 156, and any subsequent amendments thereto, as a water customer and to ensure all customers within the Drew Woods, Hubbard Hill and Redfield Estates and other customers as may be added with the approval of the Town abide by the Code of the Town of Derry including the maintenance of an approved cross-connection control program.
4. Upon completion and acceptance of the work, PWW shall provide to Derry one set of record reproducible drawings (mylars) and an electronic copy of the pipeline.
5. During the term of construction, PWW shall procure and maintain such public liability and property damage insurance as shall protect Derry and PWW for claims for damages for personal injury, including accidental death, and for property damage in a form and amount acceptable to the Town. Such insurance shall cover all work and operations performed by PWW, its agents, servants, employees or licensees. Derry shall be named as an additional insured in all such liability and property damage insurance policies and shall be provided a copy of the policy of insurance which policies shall not be cancelled nor terminated without 30 days prior notice to Derry, except that upon completion of the work, PWW may terminate said insurance without permission of Derry.
6. This Agreement is subject to approved funding by the Town of Derry Council.

IX Terms of Payment:

1. Derry and PW will jointly review all payment requisitions submitted by the Contractor for this project. Upon mutual acceptance and approval, Derry shall make payment for its share of approved costs payable to PWW under the same terms and conditions of the Bid.
2. PWW shall complete a water service application to the Town of Derry for approval, such application to include payment of the required Hook-up fee and meter purchase cost prior to commencement of any work.
3. PWW will pay to Derry following completion of the work and within 30 days of invoice costs associated with the Pond Road Booster Station upgrade, such work to be performed by Derry.:
4. Derry will issue to PWW a quarterly bill for usage for which PW shall make payment in

accordance with the Code of the Town of Derry Chapter 156. The bill shall be inclusive of all metering points.

X Severability:

If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than to those to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

Governing Law:

This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire. The benefits and burdens of this Agreement shall be inure to and be binding upon the respective legal successors to the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates set forth below, but effective as of the date written above in multiple counterparts each of which shall be deemed an original this 21st day of April 2010.

PENNICHUCK WATER WORKS

TOWN OF DERRY

By its Councilors acting as Water Commissioners:

By: Donald L. Ware

By: [Signature]
Brad Benson, Council Chairman

By: [Signature]
Kevin Coyte

By: [Signature]
Janet Fairbanks

By: [Signature]
Brian Chirichello

By: [Signature]
David Milz

By: [Signature]
New Wetherben

By: [Signature]
Joel Olbricht

PENNICHUCK WATER WORKS, INC.
DW 10-105

Pennichuck Water Works, Inc.'s Responses to
Staff's Data Requests – Set 1
Petition for Authority to Issue Up To \$1,600,000
Of Long-Term Debt

Date Request Received: April 20, 2010
Request No. Staff 1-4

Date of Response: April 23, 2010
Witness: Donald L. Ware

REQUEST: Has future growth within the company's franchise been factored into the proposed agreement? Please explain.

RESPONSE: Yes. The agreement allows the Company to take up to 350 gallons per minute (maximum instantaneous rate allowed through a 3" turbo meter) and up to 200,000 gallons per day (gpd) (maximum average day over the highest 60 day period in any year). This provides the Company with the ability to produce a maximum day flow of 584,000 gallons (based on 350 gpm for 24 hours plus a well production of 80,000 gallons per day) which exceeds the current maximum day of record for the Drew Woods system of 369,680 gpd by 58%. This also provides the Company with the ability to produce a maximum average 60 day flow of 280,000 gpd (based on 200,000 gpd from Derry plus a well production of 80,000 gallons per day) which exceeds the current maximum 60 day record flow of 181,750 gallons for the Drew Woods system (July, August 2005) by 54%. The Company negotiated the maximum allowable purchase amounts with the Town through the Derry interconnection without having to incur the Town passing through the MSDC charge from Manchester. The additional amount of flow available will provide the Company with sufficient flow to meet all or the majority of future demands within its franchise area in Derry. The Company hired Promised Land Survey to identify the potential build out scenario for the developable land surrounding the Drew Woods water system and it was determined that average potential build out of this area would result in an additional 266 homes which is about 51% more homes than are currently serviced from Drew Woods.



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May 7, 2010

Via Hand-Delivery and Electronic Mail

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Re: **DE 10-105; Pennichuck Water Works, Inc.
Petition for Authority to Issue up to \$1,600,000 of Long-Term Debt**

Dear Ms. Howland:

In follow up to Pennichuck Water Works, Inc.'s initial filing in this docket, I enclose seven copies of a Secretary's Certificate of the Board of Pennichuck Water Works, Inc. regarding the Board's vote approving the financing that is the subject of this docket.

Thank you for your assistance with this matter. Please do not hesitate to call if you have any questions.

Very truly yours,

Sarah B. Knowlton

SBK/sms

Enclosures

cc: PUC Librarian (by electronic mail)
Meredith Hatfield, Esq.
Thomas C. Leonard
Donald J. Ware

PENNICHUCK WATER WORKS, INC.

SECRETARY'S CERTIFICATE

I, Roland E. Olivier, being duly elected Secretary of PENNICHUCK WATER WORKS, INC. ("PWW"), a corporation organized under the laws of the State of New Hampshire, do hereby certify that the following is a true and correct copy of resolutions duly adopted by the Board of Directors of PWW at a Meeting of the Board of Directors on May 5, 2010, and that such resolutions are in conformity with the Articles of Incorporation and the By-laws of PWW (as amended to date) and have not been rescinded or modified, and are in full force and effect, as of the date hereof:

VOTED: To authorize and approve an agreement between Pennichuck Water Works, Inc. ("PWW") and the State of New Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which PWW will borrow up to One Million, Six Hundred Thousand Dollars (\$1,600,000) at the current SRF rate of interest (currently 2.952%), of funding for constructing an interconnection between the Town of Derry Water System and the Drew Woods Community Water System. The interconnection shall consist of construction approximately 8,775 lineal feet of 8"/12" water main, and making improvements to the Town of Derry's Pond Road Booster Station in Derry, New Hampshire.

VOTED: That John J. Boisvert, Donald L. Ware and Thomas C. Leonard are, and each of them hereby is, authorized to act as Pennichuck Water Works, Inc.'s representative for purposes of executing and administering the above referenced loan agreement and/or executing any other related documents, certificates, and undertakings on behalf of PWW.

IN WITNESS WHEREOF, I have hereunto executed this certificate as of the date set forth below.


Roland Oliver, Secretary

Dated: May 7, 2010

SARAH KNOWLTON
MCLANE GRAF RAULERSON & MIDD
PO BOX 459
PORTSMOUTH NH 03801

Docket #: 10-105 Printed: May 07, 2010

**FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:**
DEBRA A HOWLAND
EXEC DIRECTOR & SECRETARY
NHPUC
21 SOUTH FRUIT STREET, SUITE 10
CONCORD NH 03301-2429

PURSUANT TO N.H. ADMIN RULE 203.09 (d), FILE DISCOVERY

DIRECTLY WITH THE FOLLOWING STAFF

RATHER THAN WITH THE EXECUTIVE DIRECTOR

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21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429

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Upon request, Staff may waive receipt of some of its multiple copies of bulk materials filed as data responses. Staff cannot waive other parties' right to receive bulk materials.

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