



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES

Thomas S. Burack, Commissioner



April 19, 2013

JOHN BOISVERT
PENNICHUCK WATER
25 MANCHESTER STREET
MERRIMACK NH 03054-1947

Subject: Drinking Water State Revolving Funds

Dear Mr. Boisvert:

The purpose of this letter is to inform you that funding is available from the Drinking Water State Revolving Loan Fund (DWSRF) program for projects submitted by Pennichuck Water for the FY 2012 DWSRF Project Priority List. The specific projects include a \$400,000 DWSRF loan for continuation of water main upgrade at Locke Lake in Barnstead, and a \$450,000 DWSRF loan for interconnection with Hudson Water or pump house upgrade for Avery Estates located in Londonderry.

Funding for these projects will be available until July 31, 2013 at which time the Department of Environmental Services (DES) will be transitioning to FY 2013 Project Priority List. If the authority to borrow and closing of the loans does not occur before July 31, funding for these projects will be in jeopardy.

The construction interest charge is 1% annually, and the current long term charge rate for a 20 year term loan is 2.72%. This rate will be effective until October 2013.

If you have any questions please contact me at 271-2948 or Richard.skarinka@des.nh.gov.

Sincerely,

Richard Skarinka, P.E.
Drinking Water and Groundwater Bureau

| PEU Hickory & Avery Interconnection Life Cycle Cost Analysis 22-Apr-13 | | Exhibit JJB 2 Page 1 of 2 |
|---|----|------------------------------|
| On Site Storage and Treatment - | | |
| Well Electricity (3 HP)* - | \$ | - |
| Annual Well maintenance - | \$ | 459 |
| Annual Well Water Quality Sampling - | \$ | 6,318 |
| Treatment System Labor (3 hours per week)- | \$ | 250 |
| Booster Electricity (5 HP @ 8 Hrs/day) - | \$ | - |
| Misc. Electricity - | \$ | - |
| Annual Arsenic | \$ | 5,000 |
| Treatment Chemicals - | \$ | 3,500 |
| Deprecation on Storage (9,000 gallons) @ 2% - | \$ | 1,840 |
| Deprecation on Zone Booster and treatment @ 2.5% - | \$ | 11,303 |
| Property Taxes - | \$ | 13,172 |
| Pretax ROI on Total Project - | | 54,640 |
| Estimated Annual Operating Cost - | \$ | 96,481 |
| Interconnection to Hudson | | |
| Purchased Water Cost - | \$ | 8,645 |
| Depreciation on Water Mains @ 1.33% - | \$ | 11,967 |
| Deprecation on Storage @ 2% - | \$ | - |
| Property Taxes - | \$ | 10,617 |
| Pretax ROI on Total Project - | \$ | 44,044 |
| Estimated Annual Operating Cost - | \$ | 75,274 |
| Model Data: | | |
| Average cost per KwHr - | \$ | - |
| PEU Debt - | | 2.72% |
| PEU Equity - | | 5.90% |
| PEU percent equity - | | 48% |
| PEU marginal tax rate - | | 60.39% |
| PEU pretax ROI - | | 9.79% |
| Number of in PEU customers - | | 6800 |
| *Based on (gpd/house) | | 150.0 |
| Existing Avery Well production (gpm)- | | 25 |
| Number of Homes @ Avery - | | 47 |
| Town Mil Rate - | | \$23.6 |
| Labor and Truck Rate per hour - | | \$52.1 |
| Purchased Water Cost from Hudson (per 748 gallons)- | \$ | 2.51 |
| On site Capex per Estimate- | \$ | 558,120 |
| Interconnection Capex per Estimate - | \$ | 449,888 |
| Contribution to PS | \$ | - |
| Hudson Entrance Fee for Avery - | \$ | - |

| PEU Londonderry Core to Avery Interconnection Life Cycle Cost Analysis 22-Apr-13 | | Exhibit JJB 2 Page 2 of 2 |
|---|----|------------------------------|
| On Site Storage and Treatment - | | |
| Well Electricity (3 HP)* - | \$ | - |
| Annual Well maintenance - | \$ | 459 |
| Annual Well Water Quality Sampling - | \$ | 6,318 |
| Treatment System Labor (3 hours per week)- | \$ | 250 |
| Booster Electricity (5 HP @ 8 Hrs/day) - | \$ | - |
| Misc. Electricity - | \$ | - |
| Annual Arsenic | \$ | 5,000 |
| Treatment Chemicals - | \$ | 3,500 |
| Deprecation on Storage (9,000 gallons) @ 2% - | \$ | 1,840 |
| Deprecation on Zone Booster and treatment @ 2.5% - | \$ | 11,303 |
| Property Taxes - | \$ | 13,172 |
| Pretax ROI on Total Project - | \$ | 54,640 |
| Estimated Annual Operating Cost - | \$ | 96,481 |
| Interconnection to the Londonderry Core | | |
| Purchased Water Cost - | \$ | 4,438 |
| Deprecation on Water Mains @ 1.33% - | \$ | 39,885 |
| Deprecation on Storage @ 2% - | \$ | - |
| Property Taxes - | \$ | 35,386 |
| Pretax ROI on Total Project - | \$ | 146,794 |
| Estimated Annual Operating Cost - | \$ | 226,503 |
| Model Data: | | |
| Average cost per KwHr - | \$ | - |
| PEU Debt - | | 2.72% |
| PEU Equity - | | 5.90% |
| PEU percent equity - | | 48% |
| PEU marginal tax rate - | | 60.39% |
| PEU pretax ROI - | | 9.79% |
| Number of in PEU customers - | | 6800 |
| *Based on (gpd/house) | | 150.0 |
| Existing Avery Well production (gpm)- | | 25 |
| Number of Homes @ Avery - | | 47 |
| Town Mil Rate - | | \$23.6 |
| Labor and Truck Rate per hour - | | \$52.1 |
| Purchased Water Cost from Manchester (per 748 gallons)- | \$ | 1.29 |
| On site Capex per Estimate- | \$ | 558,120 |
| Interconnection Capex per Estimate - | \$ | 1,499,426 |
| MSDC Fee for Avery (included in Capex) - | \$ | - |