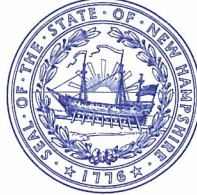


THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Amy L. Ignatius

COMMISSIONERS
Robert R. Scott
Martin P. Honigberg

EXECUTIVE DIRECTOR
Debra A. Howland



PUBLIC UTILITIES COMMISSION
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March 28, 2014

HPUC 28MAR14 11:42

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

RE: DW 14-021 Pennichuck Water Works, Inc.
Petition for Authority to Issue Long Term Debt
Staff Recommendation for Approval

Dear Ms. Howland:

On January 22, 2014, Pennichuck Water Works, Inc. (PWW) filed a petition with the Commission seeking authority to borrow a total of \$1,870,000 in long term debt, pursuant to RSA 369. PWW proposes to borrow these funds in two separate loans from the State Revolving Loan Fund (SRF) administered by the New Hampshire Department of Environmental Services (NHDES). Included with PWW's petition is the direct testimony of Larry D. Goodhue, Chief Financial Officer of PWW, and John J. Boisvert, Chief Engineer for PWW. The first loan, in the amount of \$1,540,000, is to be used to replace about 7,100 linear feet of water main in the company's Nashua core system. The second loan, in the amount of \$330,000, is to be used for an upgrade to the Timberline booster station, located in Nashua. On March 3, 2014, PWW filed supplemental testimony of Mr. Goodhue and Mr. Boisvert, revising the request for borrowing for water main replacement in Nashua to a total of \$2,640,000. Additional information related to the original filing and the revised request was provided in response to Staff and Office of Consumer Advocate (OCA) data requests, and those responses are attached to this letter¹. After review of the filing and the attached discovery, Staff recommends Commission approval of PWW's request by order *Nisi*.

PWW's main replacement work in Nashua is consistent with the company's projects included in its Water Infrastructure and Conservation Adjustment (WICA) program in Docket No. DW 13-358². The projects are listed on Exhibit JJB-2 attached to Mr. Boisvert's

¹ The OCA filed a notice of participation in this docket on February 21, 2014.

² On March 14, 2014, Staff filed a letter in that docket recommending approval of PWW's 2014 WICA projects. A Commission order is pending as of this date.

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DW 14-021 Pennichuck Water Works, Inc.
Petition for Approval of State Revolving Loan Funds
Staff Recommendation for Approval

supplemental testimony. According to the company, after it submitted its original filing in this docket, both the City of Nashua and the Town of Amherst became aware of the need to replace certain sections of sewer pipe, and the associated earth moving activities make accessible additional lengths of water main. PWW determined that it is cost efficient to advance the priority of the replacement of these sections in order to share the earth moving and paving costs with the municipalities. PWW immediately sought and was awarded additional SRF funds for this purpose. The total length of water main to be replaced is about 10,656 linear feet, an increase of 3,576 from the original proposal. The second loan of \$330,000 is to be used for upgrading the company's Timberline booster station. This station provides water service and fire protection to PWW's "Shakespeare" high service system in the southwest area of the Nashua core system. Originally built in 1968, the station was reconstructed in 1980, and a third larger pump was added in 1986. However, a number of components of the station have reached the end of their design life. The company is planning to replace the existing three pumps with three new equally sized pumps such that two can meet system demand with the third in redundant reserve capacity. An emergency generator will also be added to the station. The electrical controls and motor starters and controls will be upgraded. All of these upgrades will utilize the existing building except for the generator which will be located outside. Mr. Boisvert's testimony, and his responses to Staff data requests, provides more extensive detail on the upgrade of this station.

The two SRF loans will carry terms and conditions that the Commission is familiar with from prior SRF borrowings by regulated water utilities. The loans will be for a 20 year term, and at an interest rate based on the current rate available at the time the loan is closed; the current rate at the time of PWW's filing was 2.72%. The loans are not secured by a pledge of PWW assets, but PWW's corporate parent, Pennichuck Corporation, will provide an unsecured corporate guarantee of repayment. Amounts advanced under the loans by DES during construction will bear interest at a rate of 1%, and that accrued interest will be due and payable upon substantial completion of the associated capital improvements. Payments of principal and interest will begin six months after the projects are put into service.

PWW has indicated in its filing that, in the event the loan amounts for the two projects are not sufficient to completely fund the costs, the company is prepared to fund any remaining needs using a mix of PWW's internal cash flow and short term borrowings from Pennichuck Corporation. These SRF financings have been approved by the Board of Directors of PWW and the Board of Directors of Pennichuck Corporation. Evidence of those approvals is attached to the company's response to Staff data request 1-1. Authorization of the Nashua Board of Aldermen, required by Article VI of the by-laws of Pennichuck Corporation, was provided for the original borrowing level. That approval is also attached to Staff 1-1. Approval for the higher level has been requested, and the company anticipates that such approval will be provided by the end of April, 2014. See response to Staff data request 2-1.

Staff has thoroughly reviewed, and supports, the financings as presented by PWW. The procurement of SRF loans for these projects ensures that PWW will finance these needed improvements at the lowest possible cost to customers. PWW has demonstrated that the proposed use of the funds is appropriate. Staff recommends that, since the City of Nashua's

DW 14-021 Pennichuck Water Works, Inc.
Petition for Approval of State Revolving Loan Funds
Staff Recommendation for Approval

approval of the borrowing is not expected until the end of April, the Commission provide its approval of these loans subject to the City's final action by the Board of Alderman, and that evidence of such approval is provided to the Commission.

Staff has consulted with the OCA prior to filing this recommendation. The OCA authorized Staff to represent that it concurs with the Staff's recommendation and also recommends that, as a condition of approval, the Commission require the Company to file with the Commission and the parties its actual financing costs once these are known and final. The Company expressed willingness to provide this information in response to OCA 2-2.

If there are any questions regarding this matter, please let me know.

Sincerely,



Mark A. Naylor
Director, Gas & Water Division

Attachments – Discovery Responses
cc: Service List

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov
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wfa@rathlaw.com

Docket #: 14-021-1 Printed: March 28, 2014

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:

DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.

RATH YOUNG PIGNATELLI

William F. J. Ardinger, Esq.
Attorney at Law
wfa@rathlaw.com
Please reply to: Concord Office

March 3, 2014

VIA ELECTRONIC MAIL

Marcia A. Brown, Esq.
Staff Attorney
New Hampshire Public Utilities Commission
Walker Building
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

**Re: DW 14-021; Pennichuck Water Works, Inc.
Petition of Pennichuck Water Works, Inc. for Approval of Financings Under the
State Revolving Loan Fund For Water Main Improvements in the Nashua Core
Water System and Timberline Booster Station Upgrades
Staff Data Requests – Set 1**

Dear Attorney Brown:

Enclosed please find the responses of Pennichuck Water Works, Inc. ("PWW") to your February 20, 2014 Staff Data Requests, Set 1.

As discussed, today PWW filed with the Commission prefiled testimony that supplements testimony originally filed in the docket described above on January 22, 2014 (the "Supplemental Testimony"). The Supplemental Testimony reflects an increase in the principal amount borrowed to finance the cost of replacing water main in the Nashua Core Water System under the State Revolving Fund. PWW answered all data requests based on the information set forth in the original Petition filed in this docket, as supplemented by the Supplemental Testimony.

If you have any questions at all regarding the enclosed, please feel free to contact me.

Sincerely,



William F. J. Ardinger, Esq.

Enclosures
cc: Service List

National Impact. Uniquely New Hampshire.

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PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 2/20/14
Request No. Staff 1-1

Date of Response: 3/3/14
Witness: Larry D. Goodhue

REQUEST: Re: Petition para. 8: Please provide copies of the PWW and Pennichuck Corp. approvals, and the City approval when available.

RESPONSE: Please see attached copies of the PWW, Pennichuck Corp., and City approvals. The PWW and Pennichuck Corp. approvals, each dated February 28, 2014, reflect the authorization for the borrowing, including the additional borrowing described in the supplemental testimony filed in this docket as of the date of this response. The attached City approval does not yet reflect such additional borrowing, but PWW will provide a copy of the City's final approval as soon as it becomes available.

**PENNICHUCK WATER WORKS
DW 14-021**

**Pennichuck Water Works Inc's Responses to
Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF SRF LOANS**

Date Request Received: 2/20/14
Request No. Staff 1-2

Date of Response: 3/3/14
Witness: John J. Boisvert

REQUEST: Re: Boisvert testimony, p. 6, lines 12-15:

- a) Please indicate whether the existing and/or proposed pumps make use of soft-start, VFD or similar technologies.
- b) Does the company anticipate any significant savings in electrical, labor or other costs as a result of the station upgrade?

RESPONSE:

- a) The existing pumps use "across line starters". The new pumps will be started using soft-start technology (reduced voltage starters). This will reduce required electrical starting current which leads to a smaller generator and electrical components.
- b) The Company anticipates some savings in electrical costs as the existing pump is 80% efficient and the existing motor is 90% efficient resulting in the current wire to water efficiency being 72%. The new pumps will be 85% to 86% efficient and the new motors are 95% efficient resulting in a wire to water efficiency of 81.7% which will result in about 13.5% electrical savings associated with the station pumping costs. Pump surge control valves will be changed from a "Parco" type method of surge control to piloted globe valves making routine maintenance/adjustment of the valve more "operator friendly".

PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 2/20/14
Request No. Staff 1-3

Date of Response: 3/3/14
Witness: John J. Boisvert

REQUEST: Re: Boisvert testimony, p. 6, line 23 through p. 7, line 9:

- a) Please comment on the proposed generator in light of the company's response to Staff 2-23 in the DW 13-130 rate case, which indicates all stations 'where a loss of power would result in a total loss of water service' now have either a generator or a manual transfer switch with portable generation capability.
- b) Are there other remaining stations in a situation similar to Timberline's?

RESPONSE:

- a) Upon loss of power at the Timberline Station, every customer will still have water for a period of time. The volume of water stored in the Shakespeare Tanks can meet domestic demand and fire flow demand for one day. After one day, domestic demand will reduce fire storage below required levels. After two days, domestic demand and fire flow are no longer supported without power to the Timberline Station.
- b) Yes. The Northwest High Service area is similar to some degree. The Kessler Farm Tank (which is the primary storage for the Northwest High Service area) is served from Snow Station at our main treatment facility. The Snow Station Pumps are not tied to an emergency generator. Manual transfer switches are present at Snow Station to allow for a portable generator to be connected should a power loss extend for more than several days. The Kessler Farm Tank can be supplied by the Bon Terrain Well located in Amherst (about 0.8 million gallons per day). The Kessler Farm Tank, when paired with the supply from the Bon Terrain well can supply water to the Northwest High Service Area for between 4 and 5 days without compromising fire protection.

PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 2/20/14
Request No. Staff 1-4

Date of Response: 3/3/14
Witness: John J. Boisvert

REQUEST: Re: Exhibit JJB-1: Please indicate the status of the Pennichuck Water Works Snow Station Upgrade project.

RESPONSE:

The Snow Station Upgrade project is going forward but not as an SRF project. The Company needed to initiate work on Snow Station in 2013 due to deteriorating building and safety conditions. SRF funds cannot be applied retroactively so the Company withdrew the request for SRF funds for this project.

PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 2/20/14
Request No. Staff 1-5

Date of Response: 3/3/14
Witness: John J. Boisvert

REQUEST: Re: Exhibit JJB-2: The exhibit contains only a portion of the 2014 WICA replacements proposed in DW 13-358. In this regard please comment generally on:

- a) The basis for the current funding level of \$1,540,000 sought through the SRF program for this work.
- b) The company's efforts to obtain SRF funding for its Nashua core water main replacement work prior to the current petition.
- c) Whether the costs in the exhibit include service line replacements.

RESPONSE:

a) The funding will be for projects designed, bid, and constructed (started) in accordance with the requirements of the NHDES SRF. The Company will be replacing unlined cast iron water main in areas associated with and in close proximity to municipal utility and street projects. The types of projects that are contemplated generally match those that qualify under the Company's W.I.C.A.

b) Prior to the current round of SRF awards the Company would not have been able to qualify for SRF loans. NHDES policy was that the Company would have had to declare specific pipe replacements at the time of application. The SRF applications are due well in advance of the municipal budgets. The Company could never nail down projects with sufficient certainty to make them eligible for SRF loans. The Company, in the current round, was able to work with the NHDES to allow the Company to file applications declaring the general class of project including the type of pipe (unlined cast iron, asbestos cement), age of the pipe, and the municipally driven situations where replacement becomes necessary that can now qualify for SRF funding as opposed to a specific pipe on a specific street.

c) Yes, these estimates include costs for service line replacement and/or reconnection.

PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 2/20/14
Request No. Staff 1-6

Date of Response: 3/3/14
Witness: John J. Boisvert

REQUEST: Re: Schedule LDG-2, p. 2: Should the cost of Services be broken out separately from Mains for the Nashua Water Mains project?

RESPONSE:

At this stage (the planning stage) of the project the Company does not break out the costs associated with Mains and the costs associated with Services. The estimates at this point are determined based on recently completed projects of similar type work (pipe diameter, materials, location, special conditions, etc.). The Company based its estimates on the total cost of the project divided by the total length of main to come up with a linear foot estimate. In reviewing past projects, Services (work charged to account 333) range from 10% to 20% of the total project cost. If an estimate for services is necessary at this stage of the project, we would suggest 15% of the total estimate be assigned to Services. The work associated with Mains and the work associated with Services is assigned (booked) at the completion of the work based on bid prices.



PENNICHUCK

Staff 1-1

PENNICHUCK WATER WORKS, INC.

CORPORATE SECRETARY'S CERTIFICATE

I, Suzann L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Water Works, Inc., a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of Pennichuck Water Works, Inc. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of Pennichuck Water Works, Inc. on December 20, 2013; 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 Water Works, Inc. (the "Company") of up to \$1,540,000.00 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 water main replacement in the City of Nashua, 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 Board of Directors hereby approves the borrowing by the Company of up to \$330,000.00 in principal amount from 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 upgrade of the Timberline Booster Pump Station in the City of Nashua, 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 Agreements for each of the SRF Loans described in the previous two resolutions (the "SRF Loans"), with such terms, including the exhibits and schedules to such Loan Agreements, as may be deemed necessary or advisable in the several judgment of the officers executing the Loan Agreements.

- 2 -

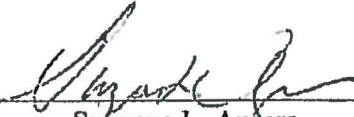
Further

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 Loans from the New Hampshire Public Utilities Commission, the New Hampshire Department of Environmental Services, the Governor and Executive Council, 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 Loans.

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 Loans 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 and the seal of Pennichuck Water Works, Inc. this 29th day of January, 2014.


Suzanne L. Ansara
Corporate Secretary



Staff 1-1

PENNICHUCK WATER WORKS, INC.

CORPORATE SECRETARY'S CERTIFICATE

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

1. The following resolutions were adopted by the Board of Directors of Pennichuck Water Works, Inc. on February 28, 2014; 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, by the resolutions set forth below, amends and restates its prior resolutions of December 20, 2013 pursuant to which it approved the borrowing by Pennichuck Water Works, Inc. (the "Company") in the aggregate principal amount of up to \$1,540,000.00 from the State of New Hampshire (the "State") to fund water main replacement costs for the Nashua Core Water System.

Further

Resolved: that the Board of Directors hereby approves the borrowing by the Company in the aggregate principal amount of up to \$2,640,000.00 from 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 water main replacement in the Nashua Core Water System, 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, 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 and the seal of Pennichuck Water Works, Inc. this 3rd day of March, 2014.


Suzanne L. Ansara
Corporate Secretary



PENNICHUCK

PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

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

1. The following resolutions were adopted by the Board of Directors of Pennichuck Corporation on December 20, 2013; 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 Water Works, Inc. ("PWW") of all of its obligations with respect to PWW's borrowing of up to \$1,540,000.00 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 water main replacement in the City of Nashua, 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 Board of Directors hereby approves the guaranty by the Company of the payment by PWW of all of its obligations with respect to PWW's borrowing of up to \$330,000.00 in principal amount from 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 upgrade of the Timberline Booster Pump Station in the City of Nashua, 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 Guaranty agreement with respect to each of the SRF loans described in the two prior resolutions (the "SRF Loans"), with such terms as may be deemed necessary or advisable in the several judgment of the officers executing the Guaranty agreement.

- 2 -

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 Guaranties and the SRF Loans 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.

2. The following resolutions were adopted by the Board of Directors of Pennichuck Corporation on December 20, 2013; 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 \$572,000.00 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 Harwood Pump Station in Windham, 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 Board of Directors hereby approves the guaranty by the Company of the payment by PEU of all of its obligations with respect to PEU's borrowing of up to \$400,000.00 in principal amount from 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 mains at Locke Lake in Center Barnstead, pursuant to a Loan Agreement between the Company and the State under the State's Drinking Water Revolving Loan Fund program.

- 3 -

Further

Resolved: that the Board of Directors hereby approves the guaranty by the Company of the payment by PEU of all of its obligations with respect to PEU's borrowing of up to \$550,000.00 in principal amount from 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 mains at W & E System in Windham, 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 Guaranty agreement with respect to each of the SRF loans described in the three prior resolutions (the "SRF Loans"), 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 Guaranties and the SRF Loans 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 and the seal of Pennichuck Corporation this 29th day of January, 2014.


Suzanne L. Ansara
Corporate Secretary



PENNICHUCK CORPORATION
CORPORATE SECRETARY'S CERTIFICATE

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

1. The following resolutions were adopted by the Board of Directors of Pennichuck Corporation on February 28, 2014; 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, by the resolutions set forth below, amends and restates its prior resolutions of December 20, 2013 pursuant to which it approved the guaranty by Pennichuck Corporation (the "Company") of the payment by Pennichuck Water Works, Inc. ("PWW") of all of its obligations with respect to PWW's borrowing in the aggregate principal amount of up to \$1,540,000.00 from the State of New Hampshire (the "State") to fund water main replacement costs for the Nashua Core Water System.

Further

Resolved: that the Board of Directors hereby approves the guaranty by the Company of the payment by PWW of all of its obligations with respect to PWW's borrowing in the aggregate principal amount of up to \$2,640,000.00 from 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 water main replacement in the Nashua Core Water System, 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 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.

- 2 -


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 and the seal of Pennichuck Corporation this 3rd day of March, 2014.


Suzanne L. Ansara
Corporate Secretary



RESOLUTION

**APPROVING THE PROPOSAL OF PENNICHUCK CORPORATION TO GIVE
PENNICHUCK WATER WORKS, INC. AND PENNICHUCK EAST UTILITY, INC.
AUTHORITY TO ENTER INTO LONG TERM LOANS FROM THE DRINKING
WATER STATE REVOLVING FUNDS**

CITY OF NASHUA

In the Year Two Thousand and Fourteen

WHEREAS, the City of Nashua is the sole shareholder of Pennichuck Corporation and each of its subsidiaries;

WHEREAS, Article IX (2) of the Articles of Incorporation of Pennichuck Corporation and Article V §2 of the by-laws of Pennichuck Corporation require the approval of the sole shareholder (the City of Nashua) for Pennichuck to create, incur or assume any indebtedness for borrowed money, which includes contracting a loan on behalf of the Corporation;

WHEREAS, Pennichuck Water Works, Inc. ("PWW") and Pennichuck East Utility, Inc. ("PEU"), are New Hampshire public utility corporations providing retail water service to New Hampshire customers, and are wholly owned by Pennichuck Corporation ("Pennichuck") which, in turn, is wholly owned by the City of Nashua;

WHEREAS, PWW is proposing to enter into two new long term loans: (i) a loan from the Drinking Water State Revolving Funds ("SRF") in the principal amount of up to \$1,540,000 to finance the cost of replacing approximately 7,080 linear feet of water main in the Nashua Core Water System, in Nashua and Amherst, N.H.; and, (ii) a second loan from the SRF in the principal amount of up to \$330,000 to finance the cost to upgrade the existing Timberline Booster Station in Nashua, by replacing three existing pumps with three new pumps to meet system demands on a consistent and peak usage basis;

WHEREAS, PEU is proposing to enter into three new long term loans: (i) a loan from the SRF in the principal amount of up to \$400,000 to finance the cost of replacing approximately 6,000 linear feet of water main in the Phase I of the Winwood/Monroe section of the Locke Lake Water System in Barnstead, N.H.; (ii) a second loan from SRF in the principal amount of \$550,000 to finance the cost of replacing approximately 8,500 linear feet of water main in that portion of the Hardwood Community Water System located in Windham, N.H.; and, (iii) a third loan from the SRF in the principal amount of up to \$572,000 to finance the cost of replacing the existing treatment/storage/pumping facility at the Hardwood Community Water System, known as the Hardwood Booster Station, located in Windham, N.H.

LEGISLATIVE YEAR 2014

Staff 1-1

RESOLUTION: R-14-006

PURPOSE: Approving the proposal of Pennichuck Corporation to give Pennichuck Water Works, Inc. and Pennichuck East Utility, Inc. authority to enter into long term loans from the Drinking Water State Revolving Funds

ENDORSERS: Alderman-At-Large Brian S. McCarthy

**COMMITTEE
ASSIGNMENT:**

FISCAL NOTE: None.

ANALYSIS

This resolution approves the proposals by Pennichuck Corporation and Pennichuck Water Works, Inc. to obtain two loans of up to \$1,540,000 and up to \$330,000 and Pennichuck Corporation and Pennichuck East Utility, Inc. to obtain three loans of up to \$400,000, up to \$550,000 and up to \$572,000 from the Drinking Water State Revolving Funds administered by the New Hampshire Department of Environmental Services for the purposes described in the resolution.

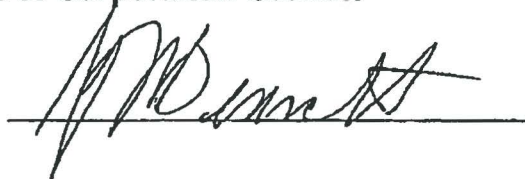
Pennichuck has provided additional information on the proposal to the Board of Aldermen.

Article IX (3) of Pennichuck Corporation's Articles of Incorporation and Article V §2 of the Pennichuck Corporation's by-laws requires City approval for the borrowing.

Approved as to form:

Office of Corporation Counsel

By:



Date: January 23, 2014

Staff 1-1

RESOLUTION R-14-006

Approving the proposal of
Pennichuck Corporation to give
Pennichuck Water Works, Inc. and
Pennichuck East Utility, Inc.
authority to enter into long term
loans from the Drinking Water
State Revolving Funds

Endorsed by

McCARTHY
MELIZZI-
GOLJA

MCGUINNESS

IN THE BOARD OF ALDERMEN

1ST READING JANUARY 28, 2014

Referred to:

PENNICHUCK WATER SPECIAL COMMITTEE

2nd Reading FEBRUARY 11, 2014

3rd Reading _____

4th Reading _____

Other Action _____

Passed FEBRUARY 11, 2014

Indefinitely Postponed _____

Defeated _____

Attest

Paul A. Bergeron
City Clerk

James E. Logan
Mayor's Signature

Approved

February 12, 2014
Date

Vetoed: _____

Veto Sustained: _____

Veto Overridden: _____

Attest: _____ City Clerk

President

RATH YOUNG PIGNATELLI

William F. J. Ardinger, Esq.
Attorney at Law
wfa@rathlaw.com
Please reply to: Concord Office

March 18, 2014

VIA ELECTRONIC MAIL

Marcia A. Brown, Esq.
Staff Attorney
New Hampshire Public Utilities Commission
Walker Building
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

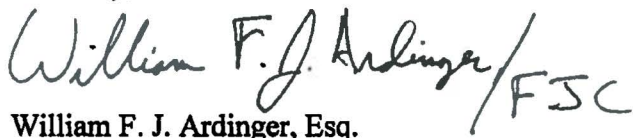
**Re: DW 14-021; Pennichuck Water Works, Inc.
Petition of Pennichuck Water Works, Inc. for Approval of Financings
Under the State Revolving Loan Fund For Water Main Improvements in
the Nashua Core Water System and Timberline Booster Station
Upgrades
Staff Data Requests – Set 2**

Dear Attorney Brown:

Enclosed please find the responses of Pennichuck Water Works, Inc. to your
March 13, 2014 Staff Data Requests, Set 2.

If you have any questions at all regarding the enclosed, please feel free to contact me.

Sincerely,


William F. J. Ardinger, Esq.

Enclosures

cc: Service List

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PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
Staff's Data Requests – Set 2
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 3/13/14
Request No. Staff 2-1

Date of Response: 3/18/14
Witness: John J. Boisvert

REQUEST: **Re: Response to Staff 1-1:** Please provide a copy of the updated City approval when available.

RESPONSE: City approvals are anticipated by the end of April 2014. The Company will provide a copy of the updated approval when available.

PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
Staff's Data Requests – Set 2
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 3/13/14
Request No. Staff 2-2

Date of Response: 3/18/14
Witness: John J. Boisvert

REQUEST: Re: Boisvert February 28 supplemental testimony, Exh. JJB-1: Is the "Buy-American" clause likely to significantly impact the cost of any of the five projects listed?

RESPONSE: The "Buy-American" clause will have an impact on project cost. However, the company anticipates that the increase will be minimal as there is competition at the manufacturer level with respect to iron pipe and fittings in the United States. The additional administration costs for compliance with this provision are minimal as well.

PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
Staff's Data Requests – Set 2
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 3/12/14
Request No. Staff 2-3

Date of Response: 3/18/14
Witness: John J. Boisvert

REQUEST: Re: Boisvert February 28 supplemental testimony, Exh. JJB-2: The revised project list still does not include all of the projects on the most recent 2014 WICA project list in DW 13-358, even though the revision dates are only a day apart. Is it safe to assume the revised SRF list is the result of further negotiations similar to those described in the response to Staff 1-5? Please explain.

RESPONSE: The 2014 WICA list includes five projects that were bid, awarded, and initiated in 2013. These projects are the following:

- Baldwin St. – Bridge/RR Crossing,
- Baldwin St.,
- Park St.,
- Court St., and
- Broad St.

These projects do not qualify for SRF financing because they are in progress and did not go through the SRF approval process. Only projects that will be designed, bid, and awarded in 2014 meet the SRF requirements and are included in Exh. JJB-2

RATH YOUNG PIGNATELLI

William F. J. Ardinger, Esq.
Attorney at Law
wfa@rathlaw.com
Please reply to: Concord Office

March 3, 2014

VIA ELECTRONIC MAIL

Rorie E.P. Hollenberg
Assistant Consumer Advocate
Office of the Consumer Advocate
21 S. Fruit Street, Suite 18
Concord, New Hampshire 03301

**Re: DW 14-021; Pennichuck Water Works, Inc.
Petition of Pennichuck Water Works, Inc. for Approval of Financings Under the
State Revolving Loan Fund For Water Main Improvements in the Nashua Core
Water System and Timberline Booster Station Upgrades
OCA Data Requests – Set 1**

Dear Attorney Hollenberg:

Enclosed please find the responses of Pennichuck Water Works, Inc. ("PWV") to your February 21, 2014 OCA Data Requests, Set 1.

Today PWV filed with the Commission prefiled testimony that supplements testimony originally filed in the docket described above on January 22, 2014 (the "Supplemental Testimony"). The Supplemental Testimony reflects an increase in the principal amount borrowed to finance the cost of replacing water main in the Nashua Core Water System under the State Revolving Fund. PWV answered all data requests based on the information set forth in the original Petition filed in this docket, as supplemented by the Supplemental Testimony.

If you have any questions at all regarding the enclosed, please feel free to contact me.

Sincerely,



William F. J. Ardinger, Esq.

Enclosures

cc: Service List

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**PENNICHUCK WATER WORKS
DW 14-021**

**Pennichuck Water Works Inc's Responses to
OCA's Data Requests – Set 1
PETITION FOR APPROVAL OF SRF LOANS**

**Date Request Received: 2/21/14
Request No. OCA 1-1**

**Date of Response: 3/3/14
Witness: Larry D. Goodhue**

REQUEST: Reference Goodhue Direct, p. 4, lines 3 through 10. Please provide additional information about the anticipated issuance costs totaling \$15,000 and provide supporting documentation.

RESPONSE: The amount is an estimate of issuance costs for legal services based on historical experience with similar financings.

**PENNICHUCK WATER WORKS
DW 14-021**

**Pennichuck Water Works Inc's Responses to
OCA's Data Requests – Set 1
PETITION FOR APPROVAL OF SRF LOANS**

**Date Request Received: 2/21/14
Request No. OCA 1-2**

**Date of Response: 3/3/14
Witness: Larry D. Goodhue**

REQUEST: Reference Goodhue Direct, p. 6, lines 1 through 14. Please provide documentation of the Company's prior written notice to the Bank and the Bank's accord concerning the receipt and sufficiency of the prior notice.

RESPONSE: Please see attached e-mail providing written notice to the Bank. The Bank does not respond unless there is an objection. The Company has not been notified of any objection.

Hoepper, Charles

From: Goodhue, Larry
Sent: Thursday, February 27, 2014 11:16 AM
To: 'Jeffrey Tatro (jeffrey.b.tatro@rbscitizens.com)'
Cc: Hoepper, Charles
Subject: RE: notice per agreement
Attachments: SRF Revised Funding PWW and PEU dtd 2-3-14 .pdf

Importance: High

Hello Jeff,

I am sending an update to my earlier email, with an addendum to the financing we are pursuing with the NHDES under the State Revolving Fund. We were given notification by the City of approximately \$1.1M in additional water main projects that we need to complete this year, related to sewer replacement projects that are occurring in the City. As you will notice by the attached document from the NHDES, the additional \$1.1M has been authorized as additional SRF money available and approved for the Company (see Nashua Core Replacement of \$2,640,000, formerly identified at an amount of \$1,540,000 in my earlier email below). We have a resolution before our Board of Directors for tomorrow's meeting to authorize the expansion of both the capital budget for 2014 and the financing being sought, to include this additional money. Pursuant to our Line of Credit Agreement (Item 6.4e) I am providing you with prior written notice of our intent to pursue and enter into this additional debt.

I am sending this email with a "read receipt" to confirm that you have in fact received this notification, but would appreciate a confirmation in writing, if you could do that.

Thanks,

Larry Goodhue
CFO
Pennichuck Corporation

From: Goodhue, Larry
Sent: Thursday, January 09, 2014 3:58 PM
To: Jeffrey Tatro (jeffrey.b.tatro@rbscitizens.com)
Cc: Hoepper, Charles
Subject: notice per agreement

Hi Jeff,

We have been given the opportunity to once again access funding from the NHDES under the State Revolving Fund. This time around, we have access to \$1,522,000 for three projects in our PEU Subsidiary and \$1,870,000 for two projects in our PWW subsidiary. All of the projects to be funded were included in our Board approved Capital Budget for 2014. As you will notice in the attached letter from the NHDES, these funds are available to us until June 2014 (please note, we are not pursuing the offered funding for the 5th and 6th projects listed on that letter; Gage Hill and Snow Station Upgrade). As such, we are expediting our Debt Filing Petition filing with the NHPUC (and shareholder approval with the Aldermanic Board of the City of Nashua) in order to meet that time frame. To that end, we plan to submit our approval filings with both of these entities during the next week; we have already been given approval by our Board to pursue this funding during their December 20, 2013 meeting. These new debt obligations have the standard SRF terms and conditions: 20-year fully amortizing repayment term; 1% interest accrued during construction; and currently a 2.72% interest rate on the full funds borrowed, post construction.

Pursuant to our Line of Credit agreement (Item 6.4 (e)) with RBS Citizens, I am providing you with prior written notice of our intent to pursue and enter into these new debt obligations. If I could receive a written affirmation from you by Monday of next week (that you received this advanced written notice), that would be optimal, as I want to attach that written affirmation with our filings with both the NHPUC and the City, which are slated to be filed in the middle of next week.

Thank you very much for your time in considering this, and I look forward to your response.

Sincerely,

Larry Goodhue
CFO
Pennichuck Corporation

RATH YOUNG PIGNATELLI

William F. J. Ardinger, Esq.
Attorney at Law
wfa@rathlaw.com
Please reply to: Concord Office

March 18, 2014

VIA ELECTRONIC MAIL

Rorie E.P. Hollenberg
Assistant Consumer Advocate
Office of the Consumer Advocate
21 S. Fruit Street, Suite 18
Concord, New Hampshire 03301

**Re: DW 14-021; Pennichuck Water Works, Inc.
Petition of Pennichuck Water Works, Inc. for Approval of Financings
Under the State Revolving Loan Fund For Water Main Improvements in
the Nashua Core Water System and Timberline Booster Station
Upgrades
OCA Data Requests – Set 2**

Dear Attorney Hollenberg:

Enclosed please find the responses of Pennichuck Water Works, Inc. to your
March 12, 2014 OCA Data Requests, Set 2.

If you have any questions at all regarding the enclosed, please feel free to contact me.

Sincerely,



William F. J. Ardinger, Esq.

Enclosures

cc: Service List

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PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
OCA's Data Requests – Set 2
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 3/12/14
Request No. OCA 2-1

Date of Response: 3/18/14
Witness: Larry D. Goodhue

REQUEST: Reference Company's Response to OCA 1-1. "[B]ased on historical experience with similar financings[,]" please provide a detailed breakdown of estimated issuance costs by task and estimated time. Please provide references to "similar financings."

RESPONSE: Based on historical SRF financing experience with the Company and an affiliated company, the Company estimated \$15,000 of financing costs based on \$8,900 for legal services, \$1,400 for publication notice(s) and \$4,700 as a contingency.

The historical SRF financings relate to two (2) PEU Locke Lake (Orders 25,209 and 25,348), PEU Liberty Tree (Order 25,248) and PWW Drew Woods (Order 25,114).

PENNICHUCK WATER WORKS
DW 14-021

Pennichuck Water Works Inc's Responses to
OCA's Data Requests – Set 2
PETITION FOR APPROVAL OF SRF LOANS

Date Request Received: 3/12/14
Request No. OCA 2-2

Date of Response: 3/18/14
Witness: Larry D. Goodhue

REQUEST: Reference Company's Response to OCA 1-1. Is the Company seeking approval to recover these estimated issuance costs without further information? If so, what will happen if the actual issuance costs are less-than or more-than the estimated costs? When will the Company know the actual issuance costs? Will the Company file specific detailed information about the actual issuance costs for Commission approval at that time? If not, why?

RESPONSE: Yes, other than the information provided in OCA 2-1. As indicated in OCA 2-1, the Company has been conservative in its estimate and provided a contingency. As noted in Mr. Goodhue's testimony on page 4, the impact of the expected issuance costs is immaterial on the proposed financing. The actual issuance costs will be known when an order is issued and required publications are performed. In historical SRF financings, the Company has not provided actual issuance costs. If requested, the Company will provide the final issuance costs associated with this petition. Please note that SRF financing is one of the most cost effective forms of financing in terms of interest rate and debt issuance costs.