



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES

Thomas S. Burack, Commissioner



January 28, 2015

Larry Goodhue, Chief Financial Officer
 Pennichuck Water Works
 25 Manchester Street
 Merrimack, NH 03054

Subject: 2014 Drinking Water State Revolving Loan Fund (DWSRF) Project Status

Dear Larry:

Based on information submitted by Pennichuck Water Works, the table below lists the current status of the 2014 DWSRF projects:

Public Water System	Project Description	Proje	Final Amount
Pennichuck Water Works	Distribution Main Replacement 2015	\$3,400,000	Declined funding
Pennichuck Water Works	Raw Water Transmission Main	\$5,500,000	\$3,500,000
PEU-Locke Lake	Winwood/Monroe Water Main Phase 2	\$400,000	\$400,000
PEU-Gage Hill	Gage Hill Water Main Replacement	\$550,000	Declined funding
PEU-Farmstead	Farmstead CWS Derry Interconnection	\$165,000	Declined funding
PEU-W&E	Water Main Replacement Phase 2	\$450,000	Amendment to existing loan at 2.72%
Pittsfield Aqueduct Company	Catamount Road Water Main Phase 1	\$165,000	\$165,000

The loan charge rates for those projects are listed in the chart below:

Term of Loan	Charge Rate (Effective 10/01/14 - 09/30/15)
5 Years	0.9900%
10 Years	1.9800%
15 Years	2.9700%
20 Years	3.1680%

Please be advised that the current interest rates will be effective until October 2015, at which time they will be adjusted based on the prevailing market rate. We ask that you keep us informed of progress made toward seeking the authority to borrow. If you have any questions, please contact me at 271-7017 or johnna.mckenna@des.nh.gov.

Sincerely,

Johnna McKenna
 Drinking Water and Groundwater Bureau

cc: John Boisvert, Pennichuck Water Works, Inc.

Pennichuck Water Works, Inc.
BALANCE SHEET

Schedule LDG-1

ASSETS AND DEFERRED CHARGES
For the Eleven Months Ended November 30, 2014

Page 1 of 2

	Account Number	11/30/2014	Pro Forma Adjustments	Pro Forma 11/30/2014
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	178,094,120	3,500,000 (1)	181,594,120
Work in process	105	2,284,834	-	2,284,834
Utility Plant		180,378,954	3,500,000	183,878,954
Accumulated depreciation	108	45,975,095	38,500 (2)	46,013,595
Net Plant		134,403,860	3,461,500	137,865,360
Net Acquisition Adjustment	114 & 115	401,994	-	401,994
Total Net Utility Plant		134,001,866	3,461,500	137,463,366
<u>CURRENT ASSETS</u>				
Cash	131 & 133	6,000	-	6,000
Restricted Cash - RSF	131	5,340,597	-	5,340,597
Accounts receivable-billed, net	141 & 143	2,089,292	-	2,089,292
Accounts receivable-unbilled, net	173	1,489,677	-	1,489,677
Accounts receivable-other	142	-	-	-
Inventory	151	784,814	-	784,814
Prepaid expenses	162	446,398	-	446,398
Prepaid property taxes	163 & 236	113,816	-	113,816
Prepaid taxes	162.3	-	-	-
		10,270,594	-	10,270,594
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	3,537,542	-	3,537,542
Acquisition Premium - MARA	186	73,878,935	-	73,878,935
Other & Deferred Charges	182,184,186	4,913,479	-	4,913,479
		82,329,956	-	82,329,956
TOTAL ASSETS		\$ 226,602,416	\$ 3,461,500	\$ 230,063,916

Notes:

- (1) To record the assets related to the SRF Loans.
(2) To record the impact of full year depreciation.

Pennichuck Water Works, Inc.
BALANCE SHEET

Schedule LDG-1

EQUITY AND LIABILITIES
For the Eleven Months Ended November 30, 2014

Page 2 of 2

	Account Number	11/30/2014	Pro Forma Adjustments		Pro Forma 11/30/2014
STOCKHOLDERS' EQUITY					
Common stock	201	\$ 30,000	\$ -		\$ 30,000
Paid in capital	211	125,644,596	-		125,644,596
Comprehensive Income	219	-	-		-
Retained earnings	215	2,113,776	(150,703)	(2)	1,963,072
		127,788,372	(150,703)		127,637,669
LONG TERM DEBT					
Bonds, notes and mortgages	221	50,917,972	3,500,000	(1)	54,417,972
Intercompany advances	223	(9,371,485)	112,203	(3)	(9,259,282)
Other Long Term Debt	224	-	-		-
CURRENT LIABILITIES					
Accounts payable	231	422,330	-		422,330
Accrued property taxes	236	-	-		-
Accrued interest payable	237	468,987	-		468,987
Other accrued expenses	241	1,430,181	-		1,430,181
Income taxes payable	236	-	-		-
Customer deposits & other	235	206,958	-		206,958
		2,528,457	-		2,528,457
OTHER LIABILITIES AND DEFERRED CREDITS					
Deferred income taxes & liability	282	19,522,777	-		19,522,777
Customer advances	252	-	-		-
CIAC, net	271 & 272	26,530,831	-		26,530,831
Other deferred credits	241 to 255	8,685,492	-		8,685,492
		54,739,100	-		54,739,100
TOTAL EQUITY AND LIABILITIES		\$ 226,602,416	\$ 3,461,500		\$ 230,063,916

Notes:

(1) To record the SRF Debt as follows:

Nashua Water Mains	\$ -
Merrimack Raw Water Main	\$ 3,500,000
Total SRF Debt	\$ 3,500,000

(2) To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.

(3) To record the use of funds through the intercompany debt

Pennichuck Water Works, Inc.
OPERATING INCOME STATEMENT

Schedule LDG-2

For the Eleven Months Ended November 30, 2014

Page 1 of 2

	Account Number	ELEVEN MONTHS 11/30/14	PRO FORMA ADJUSTMENTS	PRO FORMA 11 MONTHS 11/30/14
Water Sales	460 to 462	\$ 24,233,287	\$ -	\$ 24,233,287
Other Operating Revenue	471	290,707	-	290,707
Total Revenues		24,523,994	-	24,523,994
Production Expenses	601 to 652	3,488,427	-	3,488,427
Transmission & Distribution Expenses	660 to 678	1,563,624	-	1,563,624
Engineering Expenses	660	805,227	-	805,227
Customer Acct & Collection Exp	902 to 904	371,494	-	371,494
Administrative & General Expense	920 to 950	5,006,412	-	5,006,412
Inter Div Management Fee	930	(1,703,964)	-	(1,703,964)
Total Operating Expense		9,531,220	-	9,531,220
Dep Exp/Acq Adj Expense	403 & 406	3,585,984	38,500 (2)	3,624,484
Amortization Expense:CLAC	405	(491,654)	-	(491,654)
Amortization Expense	407	1,246,977	-	1,246,977
Gain on Debt Forgivness	414	(44,937)	-	(44,937)
Property Taxes	408.1	3,605,196	100,170 (2)	3,705,366
Income Tax	409 to 410	2,450,345	(98,847) (3)	2,351,499
Total Operating Deductions		10,351,911	39,823	10,391,734
Net Operating Income		4,640,863	(39,823)	4,601,039
Other Income and Deductions		-	-	-
Interest Expenses		2,274,625	110,880 (1)	2,385,505
Net Income		2,366,238	(150,703)	2,215,534

Notes:

- 1 - To record the change in interest expense associated with SRF financing.
- 2 - To record the impact of assets on depreciation and property taxes.
- 3 - To record the tax impact resulting from additional expenses.

Pennichuck Water Works, Inc.
OPERATING INCOME STATEMENT

Schedule LDG-2

For the Eleven Months Ended November 30, 2014

Page 2 of 2

Supporting Calculations:

Interest Expense:

New SRF debt	\$ 3,500,000
Interest Rate	3.168%
Annual Interest	\$ 110,880

Depreciation

Additions:

	Asset Cost			Depreciation	
	Merrimack		Total	Rate	Amount
	Raw Water Main				
Structures & Improvements	\$ -	\$ -	\$ -	2.62%	\$ -
Transmission & Distribution Mains	\$ -	\$ -	\$ -	1.60%	\$ -
Power Generation Equipment	\$ -	\$ -	\$ -	4.50%	\$ -
Pumping Equipment	\$ -	\$ -	\$ -	5.50%	\$ -
Supply Main	\$ -	\$ 3,500,000	\$ 3,500,000	1.10%	\$ 38,500
Totals	\$ -	\$ 3,500,000	\$ 3,500,000		\$ 38,500

Retirements: - N/A

	Asset Cost			Depreciation	
	Merrimack		Total	Rate	Amount
	Raw Water Main				
Structures & Improvements	\$ -	\$ -	\$ -	2.62%	\$ -
Transmission & Distribution Mains	\$ -	\$ -	\$ -	1.60%	\$ -
Power Generation Equipment	\$ -	\$ -	\$ -	4.50%	\$ -
Pumping Equipment	\$ -	\$ -	\$ -	5.50%	\$ -
Supply Main	\$ -	\$ -	\$ -	1.10%	\$ -
Totals	\$ -	\$ -	\$ -		\$ -
**	\$ -	\$ 3,500,000	\$ 3,500,000		\$ -

Pro Forma Depreciation

\$ 38,500

Property Taxes

Town	\$ 22.02	\$ 22.02	Using Merrimack rate for Calc of Proforma Tax
State of New Hampshire	\$ 6.60	\$ 6.60	
Total Tax Rate	\$ 28.62	\$ 28.62	

Pro Forma Property Taxes \$ - \$ 100,170 **\$ 100,170**

**There is an issue on handling of Amortization of acquisition premium. In the ROI P&L in the consolidated folder - it excludes amortiz from the calc.but on the spreadsheets for the Financing petitions - the calculation included it. It also excludes it from the calculation in the PAC ROI worksheet. In the PEU ROI it includes it in the calculation.

Pennichuck Water Works, Inc.
Pro Forma Capital Structure for Ratemaking Purposes

Schedule LDG-3

For the Eleven Months Ended November 30, 2014

	<u>Pro Forma</u> <u>2014</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma 2014</u> <u>with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	54,417,972	-	54,417,972	96.52%
Intercompany Debt	\$ -	-	-	0.00%
<u>Common Equity:</u>				
Common Stock	30,000	(30,000) (1)	-	
Paid In Capital	125,644,596	(125,644,596) (1)	0	
Comprehensive Income	-	-	-	
Retained Earnings	<u>1,963,072</u>	-	<u>1,963,072</u>	
Total Common Equity	127,637,669	-	1,963,073	3.48%
Total Capital	<u>\$ 182,055,641</u>	-	<u>\$ 56,381,045</u>	100.00%

Notes:

(1) Per Order 25,292 in DW 11-026, eliminate the MARA and related common equity:

MARA	78,783,384
Equity as of 1/25/12	9,863,910
Paid in Capital as of 1/25/12	<u>39,011,140</u>
	127,658,434
Less: Dividends Paid in Feb 2013	(3,587,772)
Dividends Paid in Mar 2014	(3,426,066)
Plus: Reclas RSF offset in Mar 2014	<u>5,000,000</u>
	<u>125,644,596</u>



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January 26, 2015

Mr. George Mandt, Vice President
TD Bank, N.A.
17 New England Executive Park, 2nd Floor
Burlington, MA 01803

RE: Written notice per Section 6(c)(vi) of the Master Loan Agreement between Pennichuck Corporation (the "Company" or "Pennichuck") and TD Bank, N.A. (the "Bank")

Hi George,

Pursuant to section 6(c)(vi) of the Loan Agreement, dated June 25, 2014 (the "Agreement") I am supplying you with the requisite prior written notice of the Company's intent to secure term financing from the State Revolving Fund through the NHDES, for its wholly-owned Pennichuck Water Works, Inc. ("PWW"), Pennichuck East Utility, Inc. ("PEU"), and Pittsfield Aqueduct Company, Inc. ("PAC") subsidiaries. The amounts we will be securing financing for these entities are as follows: \$3,500,000 for PWW, \$400,000 for PEU and \$165,000 for PAC. In accordance, with this section of the Agreement, the Company or its subsidiaries are allowed to borrow funds under tax exempt or taxable bond financings or state revolving fund loans, without prior written consent from the Bank. In lieu of this consent requirement, the Company must provide 30 days prior written notice of the Company's intent to enter into said financing.

On January 23, 2015, Pennichuck's and PWW's, PEU's, and PAC's Boards of Directors passed a set of resolutions authorizing management to procure said financing on behalf of these subsidiaries. As such, the Company is currently preparing a set of financing petitions to be filed with the NH Public Utilities Commission, as well as a request for shareholder approval from the Company's sole shareholder, the City of Nashua. Pursuant to the Company and the three subsidiaries receiving these approvals, they will enter into these new debt obligations in the second quarter of 2015. This financing is being secured as the funding for: the construction of an interconnection main from the Merrimack River to the Water Treatment Plant for PWW, the replacement of mains in the 2nd phase of the Windwood Monroe section of PEU's Locke Lake community water system, and the construction of a new main as a supply on Fairview Street in the PAC water system. These projects are being pursued at this time for two reasons: in the case of PWW and PAC, the mains are being constructed to provide redundant critical supply to and from the water treatment plants in each of those companies, and the mains being replaced in the PEU Locke Lake



PENNICHUCK

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system are part of the multi-year main replacement project that is ongoing for that entire community water system in Barnstead, NH.

Thank you for your time in reviewing and accepting this written notice, in conformity with the Agreement.

Sincerely,

Larry D. Goodhue
CFO, Treasurer and Controller
Pennichuck Corporation



PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

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

1. The following resolutions were adopted by the Board of Directors of the Company on January 23, 2015; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

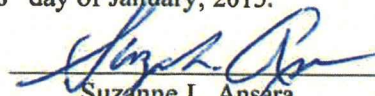
Resolved: that the Board of Directors hereby approves the guaranty by Pennichuck Corporation (the "Company") of the payment by Pennichuck Water Works, Inc. ("PWW") of all of its obligations with respect to PWW's borrowing of up to \$3,500,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the interconnection from the Merrimack River main in Merrimack, New Hampshire to PWW's water treatment plant in Nashua, New Hampshire, pursuant to a Loan Agreement between PWW 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.

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 this 28th day of January, 2015.


 Suzanne L. Ansara
 Corporate Secretary



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. (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Company on January 23, 2015; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

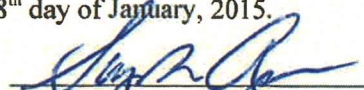
Resolved: that the Board of Directors hereby approves the borrowing by Pennichuck Water Works, Inc. (the "Company") of up to \$3,500,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the interconnection from the Merrimack River main in Merrimack, New Hampshire to the Company's water treatment plant in Nashua, New Hampshire, 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, 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 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 this 28th day of January, 2015.


Suzanne L. Ansara
Corporate Secretary