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PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

August 11, 2015

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

Re: DW 15-196: Pennichuck Water Works, Inc.
Petition for Financing Approval
Staff Recommendation for Approval

Dear Ms. Howland:

On May 29, 2015, Pennichuck Water Works, Inc. (PWW or the Company) filed a petition seeking authority, pursuant to RSA 369:1-4, for the issuance and sale of new tax-exempt bonds through the New Hampshire Business Finance Authority (NHBFA) in the aggregate principal amount of up to $25,500,000 (petition). The direct testimony of Larry D. Goodhue, PWW's Chief Financial Officer, accompanied the petition. PWW intends to use the proposed debt to: 1) refinance approximately $16,400,000 of currently-outstanding tax-exempt bonds, including roughly $200,000 of accrued interest; 2) finance construction of a new operations facility for an estimated amount of $7,000,000; 3) fund anticipated issuance costs of approximately $1,400,000, including capitalized interest; and, 4) fund a debt service reserve fund or other credit enhancement measure for approximately $700,000, if necessary, in response to prevailing market conditions. Additional information related to the original filing was provided in responses to Staff data requests, and copies of those responses are attached to this letter. After reviewing PWW's filing as well as the attached discovery, Staff recommends that the Commission approve PWW's request for financing approval.

With regard to the $16,400,000 refinancing component of the proposed new debt issuance, Mr. Goodhue's direct testimony states that this is a continuation of PWW's plan to transform its capitalization to a format that is better aligned with its current ownership structure. On January 25, 2012, the City of Nashua (the City or Nashua) acquired ownership of PWW's parent company, Pennichuck Corporation (Pennichuck), a then publically-traded company.[1] As a result of the change in its ownership from a publicly-traded company to that of the City, Pennichuck no longer has access to private equity investment markets as a means of financing the capital needs of its subsidiaries. Therefore, the expectation of the Company is that post-acquisition capitalization will be primarily in the form of debt.

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[1] PWW's ultimate acquisition by the City of Nashua was approved by Commission Order No. 25,292 (November 23, 2011) in Docket DW 11-026.

Additionally, the underlying characteristics of, as well as the requirements pertaining to, PWW's tax-exempt debt existing at the time of the acquisition creates a greater degree of risk for the Company relative to that debt. PWW categorized the types of risk as 1) covenant compliance risk, 2) refinance/liquidity risk, and 3) interest rate risk. Covenant compliance risk arises from the fact that PWW's pre-existing tax-exempt debt is subject to covenant requirements that were established for a publicly-traded investor-owned public utility rather than its current form of ownership by the City of Nashua. Refinancing/liquidity risk is related to the fact that PWW's pre-existing tax-exempt debt is subject to "balloon" repayment requirements. However, given the refinancing limitations imposed by its new ownership structure, PWW's ability to acquire replacement financing in order to satisfy these "balloon" repayment requirements can no longer be predicted with any certainty. Interest rate risk is related to the inherent uncertainty relative to the level of future interest rates.

In order to better align PWW's capitalization to a format that is more consistent with its present ownership structure as well as to mitigate the identified risks associated with the debt existing at the time of acquisition, the Company recently developed and initiated a financing transition plan. The first step in its plan occurred with its financing filed in 2014 which became the subject of Commission Docket DW 14-130.[2] Mr. Goodhue's testimony states that the new bonds resulting from the 2014 financing were issued pursuant to a loan and trust agreement containing financial covenants that are better aligned with PWW's new ownership and capitalization structure. Additionally, the new bonds effectively eliminated the "balloon" payments associated with the replaced debt in favor of bonds that are fully amortizing. Lastly, the new bonds were issued in the midst of a favorable interest rate environment resulting in an "all in" interest rate of approximately 4.16%. With regard to the 2014 financing, Standard and Poor's (S&P) issued an "A" rating with a stable outlook.

The $16,400,000 refinancing proposed in the instant filing will allow PWW to continue its debt transition process. Specifically, PWW proposes to refinance its three remaining tax-exempt bond series that were in existence at the time of its acquisition. Those bond issues were all originally issued during 2005 and consist of $12,125,000 of 2005 Series A revenue bonds with a fixed interest rate of 4.70%; $1,765,000 of Series 2005 A revenue bonds with a fixed interest rate of 4.70%; and, $2,310,000 of Series 2005 B bonds with a fixed interest rate of 4.60%. The Series 2005 B bonds mature in 2030 while the two revenue bond series mature in 2035. All three bond series are subject to balloon payment requirements at their respective maturities.

Even though the actual amount, term, rate, and other conditions associated with the refinancing bonds cannot be determined until the time of issuance, PWW is able to provide some assumptions for what it anticipates relative to the proposed refinancing debt. The bonds will be issued as fully amortizing tax-exempt debt with an anticipated term not greater than 30 years, but more likely ranging from 16 to 21 years, which matches the useful lives of the underlying

[2] Commission Order No. 25,734 (November 7, 2014) approved a financing for PWW in the amount of $54,500,000, which included a refinancing of approximately $23,375,000 in order to replace four of its seven outstanding tax-exempt bond issues.

financed assets. Repayment of the refinancing bonds will be unsecured and the interest rate will be fixed. Based upon current market conditions, PWW believes that bond issues containing similar terms and conditions as those anticipated for the refinancing bonds are presently being issued at interest rates ranging between 3.2% and 4.2%. However, the schedules included in Mr. Goodhue's testimony are based upon a more conservative interest rate estimate of 5.5%. PWW intends to issue the proposed refinancing bonds pursuant to the loan and trust agreement which was adopted for the 2014 financing, including the covenants contained therein. Due to the fact that the currently outstanding 2005 Series A bonds are subject to a ten-year holding period expiring on October 20, 2015, so as not to trigger the federal alternative minimum tax, PWW will not be issuing the refinancing bonds until after that date. Mr. Goodhue indicated in his testimony that the terms and conditions anticipated for the refinancing bonds will mitigate the covenant compliance risk, refinance/liquidity risk, and interest rate risk currently associated with the three bond issues that will be replaced.

With regard to the $7,000,000 construction component of the proposed debt, PWW explained that it is intending to replace its current operations facility located at 31 Will Street in Nashua with a new operations facility which will be constructed in the Town of Merrimack. Mr. Goodhue explained that a new operations facility is necessary primarily due to the 50-year age and lack of adequate space associated with its current facility. Specifically, there is presently a severe lack of storage space for the Company's inventory and vehicles making them susceptible to both damage and theft. The current facility also limits the Company's ability to test meters of various sizes and capacities. Further, the current building lacks appropriate facilities to support PWW's current mixed-gender workforce. Finally, the current facility lacks the proper office and room space in order to conduct meetings and other appropriate training for its employees. The Company states that all of these deficiencies will be resolved with the construction of its proposed new operations facility. In its response to Staff Data Request 1-1, PWW provided much greater detail with regard to the background and necessity of the new operations facility, which, pending financing approval, is intended to be constructed by the end of 2016.

As is the case with the refinancing bonds, the actual amount, term, rate, and other conditions associated with the construction bonds will not be determined until the time of issuance. However, PWW is anticipating that the bonds will be issued as fully amortizing tax-exempt debt with a term of 30 years, which closely coincides with the projected useful life of the new operations facility (31 years). Repayment of the construction bonds will be unsecured and the interest rate will be fixed. With regard to the anticipated interest rate, based upon current market conditions, PWW believes that bond issues containing similar terms and conditions as those anticipated for the construction bonds could be issued at present between interest rates of 4.0% and 5.0%. Similar to the refinancing bonds, the schedules included in Mr. Goodhue's testimony are based upon a more conservative interest rate estimate of 5.5%. PWW intends to issue the proposed constructions bonds pursuant to the same loan and trust agreement as the refinancing bonds. PWW also intends to issue the construction bonds concurrently with the refinancing bonds as soon as possible after October 20, 2015.

Both the refinancing bonds and the construction bonds will be issued and sold by the NHBFA, subject to approval by the NHBFA as well as the Governor and Executive Council.

Mr. Goodhue states that all payments of principal and interest will be limited obligations of the NHBFA and will be payable solely from payments made by PWW. The bonds will not be general obligations of the State of New Hampshire, and neither the general credit nor the taxing power of the State of New Hampshire or any subdivision thereof, including the NHBFA, will secure payment of any obligation under the bonds. According to PWW's response to Staff Data Request 2-2, the Company anticipated a meeting with S&P on July 28, 2015 relative to obtaining a credit rating for the proposed financing. However, it is expected that such rating will not be disclosed until late September.

Mr. Goodhue's testimony also indicated the possibility that a Debt Service Reserve Fund (DSRF) or other credit enhancement measure may be required to support the issuance of the refinancing bonds and the construction bonds. In its filing, PWW included $700,000 in the overall amount proposed for that possibility. However, based upon the credit rating of the 2014 bond issuance as well as the bond market's willingness to purchase those bonds without a DSRF, PWW currently does not anticipate that such a requirement relative to the 2015 bond issuance will be necessary. However, a final determination will not be made until nearer the time of issuance based upon the prevailing market conditions at that time. According to PWW's response to Staff Data Request 1-3, if the Company ultimately deems that a DSRF or other credit enhancement is found not to be necessary, the estimated amount for such of $700,000 will not be included in the final overall amount of the financing.

Mr. Goodhue's testimony also stated that the overall financing proposal includes a $1,400,000 estimate relative to the anticipated costs associated with the bond issuances, including legal and underwriting costs. PWW's response to Staff Data Request 1-4 provides a more precise breakdown of those anticipated costs. Mr. Goodhue's testimony further indicates that, consistent with past practice, PWW intends to amortize the issuance costs of the proposed financings on a straight-line basis over the respective terms of the newly-issued bonds.

With regard to PWW's obtaining the necessary approvals and consents in order to consummate the proposed financings, Mr. Goodhue states that on March 27, 2015, PWW's Board of Directors approved the issuance of the debt obligations and authorized management to pursue all steps necessary to complete the transactions. A copy of that approval is attached to Mr. Goodhue's testimony as Exhibit LDG-1. On May 12, 2015, the City, acting in its capacity as sole shareholder, also approved the proposed financing. A copy of that approval is also attached to Mr. Goodhue's testimony as Exhibit LDG-2. On May 18, 2015, the NHBFA Board of Directors granted preliminary approval for the issuance of the tax-exempt bonds on behalf of PWW. A copy of that approval was submitted by the Company in its response to Staff Data Request 1-6. Finally, in response to Staff Data Request 2-1, the Company stated that final approval by the NHBFA will be subject to approval by the State of New Hampshire Governor and Council at a meeting anticipated on August 5, 2015. Subsequent to its response, PWW notified Staff that in fact on August 5, the Governor and Council voted unanimously to approve the issuance of the bonds in 2015 through the NHBFA. The Company stated that it will supply the Commission with a copy of that approval upon receipt.

In order to benefit from the current environment of historically-low interest rates, PWW desires to consummate the financings as soon after October 20, 2015 as possible. In order for this to occur, PWW is respectfully requesting that the Commission issue an order approving the proposed financing by September 18, 2015. This will allow for the 30-day comment period to expire by October 18, 2015 should the Commission approve the proposed financing by Order *Nisi*.

Staff has thoroughly reviewed and supports the financing as presented by PWW. The procurement of the refinancing bonds is a continuation of PWW's efforts to transition its debt so that it more closely aligns with the Company's current ownership format and thus further reduces the various risk factors associated with its overall capitalization. Staff believes that the construction bonds will enable PWW to acquire the necessary funds, under very favorable terms and conditions, to finance the construction of a new operations facility that will improve its overall operating efficiency at the lowest possible cost to customers. PWW has demonstrated that the proposed use of the funds is appropriate and consistent with PWW's duty to provide "reasonably safe and adequate and in all other respects just and reasonable" service to its customers. RSA 374:1.

Staff has consulted with the Office of Consumer Advocate (OCA) prior to filing this recommendation.[3] The OCA takes no position. Thank you for your assistance in this matter. If there are any further questions or concerns relative to PWW's financing request, please do not hesitate to contact me.

Sincerely,

Jayson P. Laflamme
Utility Analyst, Gas-Water Division

Attachment: Discovery Responses

cc: Service List

[3] The OCA filed a letter on June 23, 2015 notifying the Commission that it will monitor pleadings and discovery in this docket.

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.

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Docket #: 15-196-1 Printed: August 11, 2015

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

Marcia A. Brown
Attorney-At-Law
mab@rathlaw.com
Please reply to: Concord Office

July 1, 2015

ELECTRONIC DELIVERY

Mark A. Naylor, Director
Gas & Water Division
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

**RE: Docket No. DW 15-196 Pennichuck Water Works Bond Refinancing
Responses to Discovery Requests**

Dear Mr. Naylor:

Enclosed please find our responses to Staff's recent discovery requests.

If you have any questions, please do not hesitate to contact me. My direct line is (603) 410-4348.

Very truly yours,

Marcia A. Brown

Marcia A. Brown

Enclosures: Pennichuck Discovery Responses to Staff Set 1

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-1	Witness: Donald L. Ware

RE: Direct Testimony of Larry D. Goodhue

REQUEST:

Re: Page 4 (Bates Page 6), Line 10 – Page 5 (Bates Page 7), Line 2: Please provide further information regarding the proposed $7,000,000 new construction relative to the following:

a) Please provide a brief narrative relative to the events which led to the Company's conclusion that it is necessary to construct a new operations facility.
b) Please provide more specific explanations relative to the following inadequacies that were cited with regard to the present operations facility:
   i. Inadequate space for the proper storage of inventories and vehicles.
   ii. Limitations related to the ability to provide for testing of meters of various sizes and capacities.
   iii. Lack of proper facilities for a mixed-gender workforce.
   iv. Does not meet the current requirements related to efficient operations.
c) Please provide more specific explanations relative to how the proposed new facility will rectify the inadequacies identified with regard to the present facility (See items i–iv under (b) above).
d) Please indicate the anticipated location of the proposed new operations facility.
e) Please indicate the anticipated start and end dates for construction of the proposed new operations facility.

RESPONSE:

The response to Staff 1-1 has been written by Donald Ware, Chief Operating Officer of PWW, as a supplement to the Pre-filed testimony of Larry D. Goodhue, due to the nature of the specific questions as they relate to operating facts, dynamics and activities.

a) The replacement of the Will Street Facility ("the facility") has been under consideration since the year 2000. Initial consideration for the facility replacement began when Pennichuck East Utilities (as "sister" subsidiary of PWW; both as wholly-owned subsidiaries of Pennichuck Corporation) acquired the Consumers New Hampshire water systems. The growth in the services provided out of the facility created by this acquisition, together with the growth that occurred in Pennichuck Water Works (PWW) since the construction of the facility in 1966 has caused the capacity of the facility to be exceeded. In 1966, when the facility was built, PWW provided service to 9,873 customers located exclusively in Nashua. The facility was then staffed with 13 male employees. At that time the facility was sufficiently sized so that all vehicles and inventory (with the exception of water mains) could be stored inside. By the year 2000, the facility was providing service to over 27,000 customers spread over 20 communities, with a staff comprised of 23 male and 4 female employees. PWW hired an architect who completed a facility analysis in 2001 and the Company was proceeding with initial site selection for the proposed facility when Pennichuck Corporation entered into negotiations to sell Pennichuck Corporation to Philadelphia Suburban Water Company (PSWC). During the negotiations PSWC requested that the Company put the design and siting of the new distribution facility on hold until the completion of the merger, as PSWC wanted to have input into the proposed new facility. After the PWSC deal was terminated, due to the initiation of the City of Nashua eminent domain proceedings, PWW put the siting and construction of the new distribution facility on hold again. The Pennichuck Corporation Board of Directors were concerned that if it lost the eminent domain case then Pennichuck' s shareholders might not fully recover PWW's investment in the new distribution facility in the price to be paid by the City of Nashua. The work on the siting and design of a new distribution facility was restarted in 2012, after the completion of the acquisition of Pennichuck Corporation by the City of Nashua, as the management team and the Pennichuck Corporation Board of Directors recognized that the existing facility was grossly undersized and not fully suitable for its current use and needs. At the time of the City's acquisition, the facility was providing service to over 50,000 customers (both regulated and non-regulated) in 30+ communities, with 35 employees. The siting process for the proposed new distribution facility and the financing thereof, has occurred over the past two years, bringing the Company to the current point in time.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15 | Date of Response: 7/2/15
Request No. Staff 1-1 (continued) | Witness: Donald L. Ware

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b) i) The existing facility had space for inside storage of 16 vehicles when it was constructed. At present, the existing facility can only house 7 vehicles inside with the remaining inside storage area being utilized for inventory storage. The majority of large inventory items (larger than 2" in size, including valves, fittings, and hydrants) are currently stored outside where they are subject to degradation from ultraviolet light, weather conditions and vandalism. The majority of the vehicles (31 of 38), together with tools and truck inventory are stored outside. Accessing vehicles stored outside in the winter requires substantial time to clean up the vehicles after each snow storm. The vehicles are also subject to vandalism and theft notwithstanding the fact that the vehicles are within a locked fence. Large inventory items must be dug out for use after each snow storm.

ii) The water service line into the facility is a 2" copper service. The flow rate into the facility, without significant pressure drops, is limited to about 40 gallons per minute (gpm) based on this line size. Testing of 1" through 2" meters requires flow rates between 40 gpm and 100 gpm. When testing meters of these sizes, in the Meter Test room in the facility, there is no water available to the remainder of the facility for sanitary purposes.

iii) There are currently 4 female employees employed at the facility. There are no lockers or shower facilities for the female employees. Only a single toilet and lavatory is available for use by the female employees. The 31 male employees who currently work out of the facility share locker, shower and toilet facilities designed to accommodate a maximum of 20 employees.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-1 (continued)	Witness: Donald L. Ware

iv) The current facility does not:

1. Have space for proper storage and control of inventory.
2. Have proper locker room and sanitary facilities for the existing workforce.
3. Have onsite parking for employees. Current employee parking is leased from an adjacent business.
4. Have sufficient indoor space to store vehicles and equipment where they wouldn't be covered with snow and/or subject to vandalism.
5. Have a room large enough to seat all employees for training and safety meetings.
6. Have adequate space to store meter inventory.
7. Have fire suppression.
8. Have work spaces for the foremen to plan out their work and complete their daily work order reports.
9. Have adequate lunch/break room facilities. The current facility can only seat about 12 employees comfortably.
10. Have a sufficiently sized water service to allow for the testing of large meters (1" through 2") while maintaining adequate water pressure to operate the building's sanitary facilities.
11. Have adequate insulation based on today's energy standards.

All of the above facility inadequacies result in operations that are far from efficient.

c) The new facility will be designed to alleviate the inadequacies detailed above by providing:

1. Indoor, controlled inventory storage for all inventories other than pipe.
2. Properly sized locker room and sanitary facilities for a mixed workforce.
3. For onsite parking for all employees.
4. A tempered vehicle storage area where vehicles can be housed out of the weather and protected from vandalism and theft.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-1 (continued)	Witness: Donald L. Ware

5. A multipurpose training and lunch room facility, sufficient to allow for the needs of 40 employees.
6. A meter shop sized to provide for both adequate storage of meters and water flows necessary to test meters in accordance with the NHPUC standards. The water service into the building will be sized to support flows high enough, with minimal pressure drop, to support simultaneous testing of large meters and use of the building's sanitary facilities.
7. Fire suppression facilities as required by current life/safety building codes.
8. Workspaces for foremen to plan and complete daily work activities.
9. A properly insulated building shell, meeting today's energy efficiency standards.

d) The new distribution facility will be located on Pennichuck-owned property in Merrimack, adjacent to the Water Treatment Plant (located at 200 Concord Street in Nashua) and the DW Highway.

e) The design and permitting of the building is expected to be completed by early November 2015. Bids for the Construction of the new facility are expected to be received by the end of January 2016, with a contractor being selected in February 2016. Actual building construction is expected to take place between late March 2016 and late December 2016.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15 Date of Response: 7/2/15
Request No. Staff 1-2 Witness: Larry D. Goodhue

RE: Direct Testimony of Larry D. Goodhue

REQUEST:

Re: Page 15 (Bates Page 17), Lines 21 – 23: Please indicate the approximate time frame for the anticipated meetings with various rating agencies for the purpose of updating PWW's credit rating relative to the proposed financings.

RESPONSE:

PWW plans to meet with Standard and Poors during the month of July. At this point, PWW plans on meeting only with Standard and Poors for the purpose of obtaining a rating on these bonds, based upon the process and rating obtained for the 2014 bond issuance. PWW anticipates receiving the rating for the bond offering under DW 15-196, approximately 4-6 weeks after the meeting.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-3	Witness: Larry D. Goodhue

RE: Direct Testimony of Larry D. Goodhue

REQUEST:

Re: Page 16 (Bates Page 18), Lines 5 – 12: If a DSRF, or other credit enhancement, is found not to be necessary to support issuance of the proposed financings, is it PWW's intention to reduce the overall amount of the financings by the estimated cost of the DSRF ($700,000)? If no, please explain.

RESPONSE:

Yes, if a DSRF or other credit enhancement is found not to be necessary, it is PWW's intention to decrease the proposed financing by this estimated amount.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-4	Witness: Larry D. Goodhue

RE: Direct Testimony of Larry D. Goodhue

REQUEST:

Re: Page 16 (Bates Page 18), Lines 15 – 21:

a) Please explain how the Company derived the estimated cost of issuance in the amount of $1,400,000.
b) Please itemize the $1,400,000 estimate between issuance costs, legal costs, underwriting costs, and other costs.
c) Please provide an approximation of costs which may be associated with any credit enhancements, such as a DSRF, should it be necessary in order to procure the proposed financings.

RESPONSE:

(a) PWW derived the estimated cost of issuance in conjunction with the bond underwriters and legal counsel for this financing. The estimate was derived using the best information known at the present time, related to the overall process that will be required to complete this financing, including estimates of actual hours expended to complete the process of obtaining regulatory approval, as well as, documenting and closing upon the issuance transaction.

(b) The $1,400,000 estimate consists of the following estimated amounts:

Underwriter's discount	$228,509
1 Year capitalized interest	692,540
BFA fees	53,663
Non-AMT refunding fees	20,193
Legal fees (Bond Counsel, Underwriter Counsel and Borrower's Counsel	315,000
Rating agency fees	51,500
Trustee fees	7,600
Escrow agent and verification agent fees	3,050
Internet roadshow	7,500
Preliminary Official Statement and Official Statement mailing	5,000
Miscellaneous and rounding	15,446

Date Request Received: 6/18/15 Date of Response: 7/2/15
Request No. Staff 1-4 (continued) Witness: Larry D. Goodhue

(c) The meeting with the Rating agency (which might indicate if a DSRF or other credit enhancements would be required with this financing in order to obtain a rating beneficial to PWW and its ratepayers) has not yet occurred, therefore, the specific nature and amount of these items cannot be determined at this time. The overall estimate of $700,000 was provided as an amount adequate to encompass these possibilities.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-5	Witness: Larry D. Goodhue

RE: Direct Testimony of Larry D. Goodhue

REQUEST:

Re: Page 18 (Bates Page 20), Line 21 – Page 19 (Bates Page 21), Line 2: If the Commission issues an order by 9/18/15 approving the proposed financings, what are the anticipated following events, as well as the estimated timeline thereof, to ultimately procure and consummate the financings?

RESPONSE:

If the Commission issues an order by 9/18/15, this should allow for the 30-day order NISI comment period to expire as of 10/18/15. The Board of Directors of PWW and its parent, Pennichuck Corporation, will convene a Pricing Committee meeting in conjunction with the bond underwriters, on or immediately after the October 18th expiration date, such that the underwriters can complete the final marketing and order taking process on the bonds. The goal is to complete the financing as soon as possible after the 10/20/2015 ten-year alternative minimum tax holding period. (See also line 19 of page 11 (Bates page 13) of Mr. Goodhue's testimony.) PWW intends to complete this financing as soon as possible after receiving regulatory approval, in order to procure the most favorable interest rates possible on this financing. The favorable interest rate will benefit the company and its ratepayers. PWW, the underwriters, and the representatives of legal counsel are currently working on the process needed to prepare the numerous documents necessary to complete the transaction in a timely manner.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-6	Witness: Larry D. Goodhue

RE: Direct Testimony of Larry D. Goodhue

REQUEST:

Re: Page 20 (Bates Page 22), Lines 5 – 9: Has PWW received a copy of the NHBFA Board of Directors preliminary approval dated 5/18/15? If yes, please provide a copy of this documentation.

RESPONSE:

We believe the item being referenced is lines 5 – 9 page 18 (Bates page 20). A copy of the signed approval document, dated May 27, 2015, was received by PWW on June 24, and is attached to this response.

B · F · A
NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY

May 27, 2015

Mr. Larry Goodhue
Pennichuck Water Works, Inc.
25 Manchester Street
Merrimack, NH 03054

Dear Mr. Goodhue:

This is to advise that at the meeting of May 18, 2015, the Directors of the Business Finance Authority ("BFA") considered your application dated April 15, 2015 requesting $25,500,000 in industrial development revenue bond financing for multiple projects in New Hampshire. The Directors approved and adopted a resolution to that effect and a copy is enclosed for your records.

Federal law imposes limits on: (a) the amount of bonds which may be issued in New Hampshire, (b) the total amount of tax-exempt bonds as to which any borrower and related persona may be beneficiary, and (c) the amount of bond proceeds which may be spent for land, as well as conditions on the expenditure of bond proceeds for existing buildings and equipment. The BFA's resolution does not constitute a determination of federal tax questions, nor does it constitute an allocation or assignment of priority to a particular borrower for purposes of the annual tax-exemption limit.

We will not actually reserve any portion of the bonding limit for the project until the company secures a commitment to purchase the bonds.

In the meantime, we strongly recommend you secure the services of registered bond counsel to determine compliance with Federal tax law. You should be aware the BFA will retain its own counsel for this project. We use Attorney Kris Moussette from Hinckley Allen, 28 State Street, Boston, MA 02109-1775.

Thank you for your application to the Business Finance Authority, and best wishes and success for your proposed project.

Sincerely,

Jack Donovan
Executive Director

2 PILLSBURY STREET, SUITE 201
CONCORD, NEW HAMPSHIRE 03301-4954
603-415-0190 • FAX: 603-415-0194

A RESOLUTION RELATING TO THE FINANCING AND REFINANCING OF WATER FACILITIES FOR PENNICHUCK WATER WORKS, INC. AT VARIOUS LOCATIONS IN THE STATE OF NEW HAMPSHIRE

WHEREAS, Pennichuck Water Works, Inc. (the "Borrower"*) has by submission of an Application for Official Intent dated April 15, 2015 notified the Authority of its desire to finance and refinance water supply and water distribution installations, upgrades, replacements and rehabilitations and related support systems at project sites located in Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Nashua, Newmarket, Plaistow and Salem, New Hampshire (including the projects attached as Exhibit A hereto) (collectively, the "Project") and requested the Authority to issue approximately $25,500,000 of its revenue bonds (the "Bonds") under RSA 162-I (the "Act") and loan the proceeds to the Borrower in order to finance and refinance costs of the Project to the extent it qualifies as an "exempt facility" within the meaning of Section 142(a) of the Internal Revenue Code of 1986.

IT IS HEREBY RESOLVED THAT:

<u>Section 1</u>. <u>Official Intent</u>. On the basis of the information and materials furnished by the Borrower, the Authority hereby declares its official intent to issue the Bonds as requested by the Borrower. The Authority also approves the Borrower's commencing the Project and making expenditures which may be reimbursed from Bond proceeds under the Act.

<u>Section 2</u>. <u>Not a Contract or an Allocation</u>. This resolution is a statement of official intent under the Act and Treas. Reg. § 1.150-2 and is not an allocation of the private activity bond limit under Section 146 of the Internal Revenue Code of 1986. Although the Authority reasonably expects to issue Bonds to finance and refinance costs of the Project, including the reimbursement of costs incurred prior to the issuance of the Bonds, the actual issuance of the Bonds and the reimbursement of prior expenditures is dependent upon further proceedings consistent with the Act, the satisfaction of requirements of federal and state law, the creditworthiness of the Borrower, and market conditions at the time the Bonds are issued.

<u>Section 3</u>. <u>Effective Date</u>. This resolution shall take effect upon its passage.

Passed: May 18, 2015

Attest: ______________________
Jack Donovan, Clerk

*This term also includes Pennichuck Water Works ("PWW") any person or entity which controls, or is controlled by, or is under common control with, the named borrower or PWW.

Exhibit A

- Will Street replacement facility – planning, design and construction
- Refunding of existing bonds that financed water supply and distribution projects throughout the Borrower's franchise area.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-7	Witness: Larry D. Goodhue

RE: Direct Testimony of Larry D. Goodhue

REQUEST:

Re: Schedule LDG-2 (Bates Page 30): The column entitled "Refinanced Debt Pro Forma" appears to foot to a net total amount of $(86,303) instead of the $(90,027) amount that is indicated; a difference of $3,724. Please explain. (The column "PRO FORMA 12 MONTHS 12/31/14" also appears to not foot correctly.)

RESPONSE:

PWW agrees the column entitled "Refinanced Debt Pro Forma" does not foot correctly. The total at the bottom of the column should read $(86,303); additionally after that is corrected, it still cross-footed to the PRO FORM 12 MONTHS 12/31/14 column, with a rounding error of $1. An updated and corrected version of the schedule is attached to this response.

Pennichuck Water Works, Inc.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2014

Schedule LDG-2

	Account Number	TWELVE MONTHS 12/31/14	New Debt and Assets Pro Forma	Refinanced Debt Pro Forma		PRO FORMA 12 MONTHS 12/31/14
Water Sales	460 to 462	$ 27,799,183	$ -			$ 27,799,183
Jobbing Net and Other Revenues	415, 416, 471	394,182	-			394,182
Total Revenues		28,193,365	-			28,193,365
Production Expenses	601 to 652	4,099,166	-			4,099,166
Transmission & Distribution Expenses	660 to 678	1,868,516	-			1,868,516
Engineering Expenses	660	964,081	-			964,081
Customer Acct & Collection Exp	902 to 904	442,290	-			442,290
Administrative & General Expense	920 to 950	5,785,972	-			5,785,972
Inter Div Management Fee	930	(2,055,908)	-			(2,055,908)
Total Operating Expense		11,104,117	-			11,104,117
Dep Exp/Acq Adj Expense	403 & 406	4,359,561	233,020	-	(2)	4,592,581
Amortization Expense-CIAC	405	(597,916)	-			(597,916)
Amortization Expense	407	1,502,551	-			1,502,551
Gain on Debt Forgiveness	414	(53,925)	-			(53,925)
Property Taxes	408.1	4,468,936	214,830	-	(2)	4,683,766
Income Tax	409 to 410	2,474,292	(404,755)	(56,607)	(3)	2,012,930
Total Operating Deductions		12,153,499	43,095	(56,607)		12,139,987
Net Operating Income		4,935,749	(43,095)	56,607		4,949,261
Other Income and Deductions	421, 426	17,218	-			17,218
Interest Expenses	427 to 429	2,813,959	500,500	142,910	(1)	3,457,369
Debt Issuance Costs (New)			73,500	-	(4)	73,500
Net Income		2,139,008	(617,095)	(86,303)		1,435,610

Notes:

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

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-8	Witness: Larry D. Goodhue

RE: Direct Testimony of Larry D. Goodhue

REQUEST:

Re: Schedule LDG-4 (Bates Pages 33 – 41):

a) Please provide the electronic version of this schedule.
b) Re: Profit Loss Component (Bates Pages 36 – 38):
   i. Please explain how the Debt Service Coverage ratios were calculated.
   ii. Is the Debt Service Coverage ratio tied to a specific covenant under the 2014 loan and trust agreement? Please explain.
   iii. Please explain the ratio described as, "ABT: 2015 Net Revs / Future MADS . . ." which is only provided for 2015 (Bates Page 36).
   iv. Is the ABT ratio tied to a specific covenant under the 2014 loan and trust agreement? Please explain.

RESPONSE:

(a) An electronic version of this schedule is being supplied as an attachment to this response.

(b)

i. The Debt Service Coverage ratio is calculated as the ratio of EBITDA in a year, divided by the Debt Service requirements in that year for the 2014 Bonds, PWW's SRF debt obligations and the debt service related to the new bonds being issued under this financing request.

ii. The ratio is tied to a specific covenant under the 2014 loan and trust agreement. One of the reasons for the refinancing completed in 2014 and being pursued with this petition, was the creation of a new bond indenture with covenants that are more aligned with PWW's current capital structure (as delineated in Mr. Goodhue's testimony). The resulting covenants are of the type most frequently associated with municipal bond indentures, reflective of an overall capital structure that is comprised solely of debt, versus the tradition debt/equity mix structure of a publicly-traded investor owned utility. This covenant is the result of this intentional activity.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15	Date of Response: 7/2/15
Request No. Staff 1-8 (continued)	Witness: Larry D. Goodhue

iii. The ABT: 2015 Net Revs/Future MADS ratio is another covenant that was created with the new bond indenture from the 2014 loan and trust agreement. This issuance test is a ratio of current year EBITDA divided by the Maximum Debt Service in any future year, as it relates to the items of long term debt addressed in (i), above.

iv. Same response as "ii," above.

CASH FLOW COMPONENT

Cash Flow	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Income	2,521,669	1,730,720	2,295,886	2,479,555	2,702,596	2,925,266	3,206,985	3,260,567	3,242,992
Depreciation and Amortization									
D&A PP&E (incl MARA)	5,475,509	5,631,145	6,123,631	6,263,454	6,348,906	6,410,541	6,480,876	6,639,272	6,832,563
Amortization of Deferred Debt Expense	281,553	289,787	289,787	275,135	227,331	232,245	228,400	226,950	229,500
TOTAL DEPRECIATION AND AMORTIZATION	5,757,062	5,920,932	6,413,418	6,538,589	6,576,237	6,642,786	6,709,276	6,866,222	7,062,063
NET CASH FLOWS FROM OPERATIONS	8,278,731	7,651,652	8,709,304	9,018,144	9,278,833	9,568,052	9,916,261	10,126,789	10,305,054
Changes in PP&E									
Purchases of PP&E	(18,960,000)	(13,672,980)	(6,770,000)	(7,315,807)	(7,535,281)	(7,761,340)	(7,994,180)	(8,234,006)	(8,481,026)
Proceeds from borrowings (net of draws from 2014/2015 project funds)	12,186,000	4,100,000	6,270,000	7,315,807	7,535,281	7,761,340	7,994,180	8,234,006	8,481,026
TOTAL CHANGES IN PP&E	(6,774,000)	(9,572,980)	(500,000)	-	-	-	-	-	-
Changes due to Financings									
Refunding Debt Issuance Costs	(486,000)								
Project Escrow Fund Releases - 2014 Bond Fund	13,258,000	3,588,980							
Funding of Project Escrow Fund - 2015 Bond Fund	(7,000,000)								
Project Escrow Fund Releases - 2015 Bond Fund	516,000	5,984,000	500,000						
DSRF Releases	-	-	-	-	-	-	-	-	-
Principal Payments	(701,024)	(2,520,210)	(2,765,063)	(2,944,717)	(3,155,634)	(3,388,138)	(5,632,981)	(3,484,251)	(3,760,612)
Return of Acquisition Premium		-	-	-	-	-	-	-	-
TOTAL PAYMENTS	5,586,976	7,052,770	(2,265,063)	(2,944,717)	(3,155,634)	(3,388,138)	(5,632,981)	(3,484,251)	(3,760,612)
CHANGE IN CASH BEFORE DISTRIBUTIONS	7,091,707	5,131,442	5,944,242	6,073,426	6,123,199	6,179,914	4,283,280	6,642,538	6,544,442
CBFRR Net of Return on Acquisition Premium	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)
Taxes Paid to Parent (Reduces Distribution)	1,653,971	1,135,185	1,505,879	1,626,348	1,772,641	1,918,692	2,103,472	2,138,617	2,127,089
NET DISTRIBUTIONS	(5,811,168)	(6,329,954)	(5,959,260)	(5,838,791)	(5,692,498)	(5,546,447)	(5,361,667)	(5,326,522)	(5,338,050)
CHANGE IN CASH AFTER DISTRIBUTIONS	1,280,539	(1,198,512)	(15,018)	234,635	430,701	633,467	(1,078,386)	1,316,016	1,206,392
BEGINNING CASH BALANCE	6,000	1,286,539	88,027	73,009	307,644	738,346	1,371,812	293,426	1,609,442
ENDING CASH BALANCE	1,286,539	88,027	73,009	307,644	738,346	1,371,812	293,426	1,609,442	2,815,834

Cash Flow	2024	2025	2026	2027	2028	2029	2030	2031
Net Income	3,241,380	3,230,406	3,192,675	3,164,292	3,141,114	3,138,746	3,177,802	3,157,410
Depreciation and Amortization								
D&A PP&E (incl MARA)	7,008,641	7,223,012	7,484,527	7,745,702	8,014,531	8,270,131	8,476,152	8,770,506
Amortization of Deferred Debt Expense	234,723	229,726	235,725	241,903	248,267	253,864	244,037	250,861
TOTAL DEPRECIATION AND AMORTIZATION	7,243,364	7,452,738	7,720,252	7,987,605	8,262,798	8,523,995	8,720,189	9,021,367
NET CASH FLOWS FROM OPERATIONS	10,484,743	10,683,144	10,912,926	11,151,897	11,403,912	11,660,741	11,897,991	12,178,777
Changes in PP&E								
Purchases of PP&E	(8,735,456)	(8,997,520)	(9,267,446)	(9,545,469)	(9,831,833)	(10,126,788)	(10,430,592)	(10,743,510)
Proceeds from borrowings (net of draws from 2014/2015 project funds)	8,735,456	8,997,520	9,267,446	9,545,469	9,831,833	10,126,788	10,430,592	10,743,510
TOTAL CHANGES IN PP&E	-	-	-	-	-	-	-	-
Changes due to Financings								
Refunding Debt Issuance Costs								
Project Escrow Fund Releases - 2014 Bond Fund								
Funding of Project Escrow Fund - 2015 Bond Fund								
Project Escrow Fund Releases - 2015 Bond Fund								
DSRF Releases	-	-	-	-	-	-	-	-
Principal Payments	(4,052,366)	(4,379,917)	(4,714,232)	(5,076,390)	(5,462,509)	(5,811,678)	(6,071,561)	(6,491,741)
Return of Acquisition Premium	-	-	-	-	-	-	-	-
TOTAL PAYMENTS	(4,052,366)	(4,379,917)	(4,714,232)	(5,076,390)	(5,462,509)	(5,811,678)	(6,071,561)	(6,491,741)
CHANGE IN CASH BEFORE DISTRIBUTIONS	6,432,378	6,303,227	6,198,695	6,075,507	5,941,403	5,849,063	5,826,430	5,687,036
CBFRR Net of Return on Acquisition Premium	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)
Taxes Paid to Parent (Reduces Distribution)	2,126,032	2,118,834	2,094,086	2,075,470	2,060,267	2,057,402	2,084,331	2,070,956
NET DISTRIBUTIONS	(5,339,107)	(5,346,305)	(5,371,053)	(5,389,669)	(5,404,872)	(5,407,737)	(5,380,808)	(5,394,183)
CHANGE IN CASH AFTER DISTRIBUTIONS	1,093,270	956,922	827,642	685,837	536,531	441,326	445,621	292,853
BEGINNING CASH BALANCE	2,815,834	3,909,104	4,866,026	5,693,668	6,379,505	6,916,036	7,357,361	7,802,983
ENDING CASH BALANCE	3,909,104	4,866,026	5,693,668	6,379,505	6,916,036	7,357,361	7,802,983	8,095,836

Cash Flow	2032	2033	2034	2035
Net Income	3,086,305	3,038,453	2,995,814	2,972,521
Depreciation and Amortization				
D&A PP&E (incl MARA)	9,102,517	9,453,641	9,816,575	10,194,568
Amortization of Deferred Debt Expense	257,530	264,501	271,442	253,427
TOTAL DEPRECIATION AND AMORTIZATION	9,360,047	9,718,142	10,088,017	10,447,995
NET CASH FLOWS FROM OPERATIONS	12,446,351	12,756,595	13,083,831	13,420,516
Changes in PP&E				
Purchases of PP&E	(11,065,815)	(11,397,789)	(11,739,723)	(12,091,915)
Proceeds from borrowings (net of draws from 2014/2015 project funds)	11,065,815	11,397,789	11,739,723	12,091,915
TOTAL CHANGES IN PP&E	-	-	-	-
Changes due to Financings				
Refunding Debt Issuance Costs				
Project Escrow Fund Releases - 2014 Bond Fund				
Funding of Project Escrow Fund - 2015 Bond Fund				
Project Escrow Fund Releases - 2015 Bond Fund				
DSRF Releases	-	-	-	-
Principal Payments	(6,598,892)	(7,004,069)	(7,497,984)	(7,935,253)
Return of Acquisition Premium	-	-	-	-
TOTAL PAYMENTS	(6,598,892)	(7,004,069)	(7,497,984)	(7,935,253)
CHANGE IN CASH BEFORE DISTRIBUTIONS	5,847,460	5,752,526	5,585,847	5,485,263
CBFRR Net of Return on Acquisition Premium	(7,465,139)	(7,465,139)	(7,465,139)	(7,465,139)
Taxes Paid to Parent (Reduces Distribution)	2,024,318	1,992,931	1,964,964	1,949,686
NET DISTRIBUTIONS	(5,440,821)	(5,472,208)	(5,500,175)	(5,515,453)
CHANGE IN CASH AFTER DISTRIBUTIONS	406,638	280,318	85,673	(30,190)
BEGINNING CASH BALANCE	8,095,836	8,502,474	8,782,792	8,868,465
ENDING CASH BALANCE	8,502,474	8,782,792	8,868,465	8,838,275

PROFIT LOSS COMPONENT

P&L	2015	2016	2017	2018	2019	2020	2021	2022
Revenues	28,812,615	30,449,172	32,340,826	33,488,926	34,677,783	35,908,844	37,183,608	38,206,157
Growth	*2.20%*	*5.68%*	*6.21%*	*3.55%*	*3.55%*	*3.55%*	*3.55%*	*2.75%*
Operating Expenses								
Direct Operating Expenses	7,944,818	8,183,163	8,428,657	8,681,517	8,941,963	9,210,222	9,486,528	9,771,124
Corporate Expenses	(1,919,860)	(1,977,456)	(2,036,779)	(2,097,883)	(2,160,819)	(2,225,644)	(2,292,413)	(2,361,186)
Administration	6,167,744	6,352,776	6,543,360	6,739,660	6,941,850	7,150,106	7,364,609	7,585,547
Taxes Other Than Income	4,695,998	5,082,417	5,155,633	5,240,807	5,329,452	5,423,478	5,523,958	5,631,154
TOTAL OPERATING EXPENSES	16,888,700	17,640,900	18,090,870	18,564,101	19,052,446	19,558,162	20,082,682	20,626,640
Other Income (Expense)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Gain from forgiveness on ARRA loans	53,925	53,925	53,925	53,925	53,925	53,925	53,925	53,925
EBITDA	**11,979,040**	**12,863,396**	**14,305,081**	**14,979,949**	**15,680,462**	**16,405,807**	**17,156,051**	**17,634,642**
Depreciation and Amortization								
PP&E D&A (incl MARA)	(5,475,509)	(5,631,145)	(6,123,631)	(6,263,454)	(6,348,906)	(6,410,541)	(6,480,876)	(6,639,272)
TOTAL DEPRECIATION AND AMORTIZATION	(5,475,509)	(5,631,145)	(6,123,631)	(6,263,454)	(6,348,906)	(6,410,541)	(6,480,876)	(6,639,272)
EBIT	6,503,531	7,232,251	8,181,450	8,716,495	9,331,556	9,995,266	10,675,175	10,995,370
Interest Expense	(2,463,209)	(4,076,559)	(4,089,898)	(4,335,458)	(4,628,988)	(4,919,064)	(5,136,318)	(5,369,236)
Interest Income (DSRF)	-	-	-	-	-	-	-	-
Amortization of Premium	416,872							
Amortization of Deferred Debt Expense	(281,553)	(289,787)	(289,787)	(275,135)	(227,331)	(232,245)	(228,400)	(226,950)
NET INTEREST EXPENSE	(2,327,890)	(4,366,346)	(4,379,685)	(4,610,593)	(4,856,319)	(5,151,308)	(5,364,718)	(5,596,187)
EBT	4,175,641	2,865,905	3,801,765	4,105,903	4,475,237	4,843,958	5,310,458	5,399,183
Taxes	1,653,971	1,135,185	1,505,879	1,626,348	1,772,641	1,918,692	2,103,472	2,138,617
EARNINGS / NET INCOME	2,521,669	1,730,720	2,295,886	2,479,555	2,702,596	2,925,266	3,206,985	3,260,567
Debt Service Coverage - New Indenture Bonds, SRF Loans	7.20	2.19	2.32	2.43	2.54	2.68	2.78	2.86
ABT: 2015 Net Revs / Future MADS - New Indenture Bonds, SRF Loai	1.94							

PROFIT LOSS COMPONENT

P&L	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	39,256,826	40,336,389	41,445,640	42,585,395	43,756,493	44,959,797	46,196,191	47,466,586
Growth	*2.75%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*
Operating Expenses								
Direct Operating Expenses	10,064,258	10,366,185	10,677,171	10,997,486	11,327,411	11,667,233	12,017,250	12,377,768
Corporate Expenses	(2,432,021)	(2,504,982)	(2,580,131)	(2,657,535)	(2,737,261)	(2,819,379)	(2,903,961)	(2,991,079)
Administration	7,813,114	8,047,507	8,288,932	8,537,600	8,793,728	9,057,540	9,329,266	9,609,144
Taxes Other Than Income	5,742,823	5,858,118	5,977,544	6,100,932	6,227,694	6,358,019	6,492,118	6,631,535
TOTAL OPERATING EXPENSES	21,188,174	21,766,828	22,363,516	22,978,484	23,611,571	24,263,413	24,934,674	25,627,367
Other Income (Expense)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Gain from forgiveness on ARRA loans	53,925	53,925	53,925	53,925	53,925	53,925	53,925	53,925
EBITDA	**18,123,778**	**18,624,686**	**19,137,248**	**19,662,036**	**20,200,047**	**20,751,509**	**21,316,642**	**21,894,344**
Depreciation and Amortization								
PP&E D&A (incl MARA)	(6,832,563)	(7,008,641)	(7,223,012)	(7,484,527)	(7,745,702)	(8,014,531)	(8,270,131)	(8,476,152)
TOTAL DEPRECIATION AND AMORTIZATION	(6,832,563)	(7,008,641)	(7,223,012)	(7,484,527)	(7,745,702)	(8,014,531)	(8,270,131)	(8,476,152)
EBIT	11,291,215	11,616,045	11,914,236	12,177,509	12,454,345	12,736,978	13,046,511	13,418,192
Interest Expense	(5,691,635)	(6,013,911)	(6,335,270)	(6,655,024)	(6,972,680)	(7,287,330)	(7,598,499)	(7,912,023)
Interest Income (DSRF)	-	-	-	-	-	-	-	-
Amortization of Premium								
Amortization of Deferred Debt Expense	(229,500)	(234,723)	(229,726)	(235,725)	(241,903)	(248,267)	(253,864)	(244,037)
NET INTEREST EXPENSE	(5,921,134)	(6,248,634)	(6,564,997)	(6,890,749)	(7,214,583)	(7,535,597)	(7,852,364)	(8,156,060)
EBT	5,370,080	5,367,411	5,349,239	5,286,761	5,239,762	5,201,381	5,194,148	5,262,132
Taxes	2,127,089	2,126,032	2,118,834	2,094,086	2,075,470	2,060,267	2,057,402	2,084,331
EARNINGS / NET INCOME	3,242,992	3,241,380	3,230,406	3,192,675	3,164,292	3,141,114	3,136,746	3,177,802
Debt Service Coverage - New Indenture Bonds, SRF Loans	2.95	3.03	3.11	3.19	3.28	3.37	3.49	3.69
ABT: 2015 Net Revs / Future MADS - New Indenture Bonds, SRF Loai								

PROFIT LOSS COMPONENT

P&L	2031	2032	2033	2034	2035
Revenues	48,771,917	50,113,145	51,491,257	52,907,266	54,362,216
Growth	*2.75%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*
Operating Expenses					
Direct Operating Expenses	12,749,101	13,131,574	13,525,521	13,931,286	14,349,225
Corporate Expenses	(3,080,812)	(3,173,236)	(3,268,433)	(3,366,486)	(3,467,481)
Administration	9,897,419	10,194,341	10,500,171	10,815,176	11,139,632
Taxes Other Than Income	6,777,863	6,928,917	7,084,107	7,243,450	7,406,992
TOTAL OPERATING EXPENSES	26,343,571	27,081,596	27,841,366	28,623,427	29,428,368
Other Income (Expense)	1,200	1,200	1,200	1,200	1,200
Gain from forgiveness on ARRA loans	53,925				
EBITDA	**22,483,472**	**23,032,749**	**23,651,091**	**24,285,040**	**24,935,048**
Depreciation and Amortization					
PP&E D&A (incl MARA)	(8,770,506)	(9,102,517)	(9,453,641)	(9,816,575)	(10,194,568)
TOTAL DEPRECIATION AND AMORTIZATION	(8,770,506)	(9,102,517)	(9,453,641)	(9,816,575)	(10,194,568)
EBIT	13,712,966	13,930,232	14,197,450	14,468,465	14,740,480
Interest Expense	(8,233,739)	(8,562,080)	(8,901,564)	(9,236,244)	(9,564,846)
Interest Income (DSRF)	-	-	-	-	-
Amortization of Premium					
Amortization of Deferred Debt Expense	(250,861)	(257,530)	(264,501)	(271,442)	(253,427)
NET INTEREST EXPENSE	(8,484,601)	(8,819,610)	(9,166,065)	(9,507,686)	(9,818,272)
EBT	5,228,365	5,110,623	5,031,385	4,960,779	4,922,207
Taxes	2,070,956	2,024,318	1,992,931	1,964,964	1,949,686
EARNINGS / NET INCOME	3,157,410	3,086,305	3,038,453	2,995,814	2,972,521
Debt Service Coverage - New Indenture Bonds, SRF Loans	3.80	4.14	4.30	4.42	4.62
ABT: 2015 Net Revs / Future MADS - New Indenture Bonds, SRF Loai					

Balance Sheet	2015	2016	2017	2018	2019
Cash	1,286,539	88,027	73,009	307,644	738,346
Escrow - 2014 Bond Project Fund	3,588,980	-	-		
Escrow - 2015 Bond Project Fund	6,484,000	500,000	-		
Other Current Assets	28,219,569	28,219,569	28,219,569	28,219,569	28,219,569
PP&E	148,826,669	157,782,119	159,706,065	162,065,236	164,595,487
Acquisition Premium	72,000,526	70,239,407	68,447,329	66,616,663	64,741,958
Unamortized Bond Issuance Costs	4,611,339	4,321,552	4,157,165	4,028,346	3,951,720
Deferred Assets	442,610	672,300	569,293	475,633	388,955
Debt Service Reserve Fund	-	-	-	-	-
Other Assets	7,970,549	7,970,549	7,970,549	7,970,549	7,970,549
TOTAL ASSETS	273,430,780	269,793,522	269,142,978	269,683,640	270,606,583
Other Current Liabilities	2,283,545	2,283,545	2,283,545	2,283,545	2,283,545
Long-Term Debt					
Senior Lien Bonds	-	-	-	-	-
Senior Lien Notes	4,400,000	4,000,000	3,600,000	3,200,000	2,800,000
Subordinate Lien Bonds	71,234,612	69,620,053	74,324,293	79,939,226	85,591,507
OID	(248,494)	(248,494)	(248,494)	(248,494)	(248,494)
SRF Loans	11,497,619	15,091,968	14,418,065	13,720,538	12,998,610
TOTAL LONG-TERM DEBT	86,883,737	88,463,527	92,093,864	96,611,270	101,141,623
Other Liabilities	33,464,177	33,464,177	33,464,177	33,464,177	33,464,177
CIAC	26,275,215	25,657,401	25,039,893	24,422,385	23,804,877
TOTAL LIABILITIES	148,906,674	149,868,650	152,881,479	156,781,377	160,694,222
Equity					
Historical Equity	-	-	-	-	-
Acquisition Equity	125,674,596	125,674,596	125,674,596	125,674,596	125,674,596
Retained Earnings	2,139,009	(1,150,489)	(5,749,723)	(9,413,097)	(12,772,333)
Current Year Earnings	2,521,669	1,730,720	2,295,886	2,479,555	2,702,596
Current Year Distributions	(5,811,168)	(6,329,954)	(5,959,260)	(5,838,791)	(5,692,498)
TOTAL EQUITY	124,524,107	119,924,873	116,261,499	112,902,263	109,912,361
TOTAL LIABILITIES AND EQUITY	273,430,780	269,793,523	269,142,978	269,683,640	270,606,583

2020	2021	2022	2023	2024	2025	2026	2027
1,371,812	293,426	1,609,442	2,815,834	3,909,104	4,866,026	5,693,668	6,379,505
28,219,569	28,219,569	28,219,569	28,219,569	28,219,569	28,219,569	28,219,569	28,219,569
167,335,050	170,292,795	173,386,602	176,584,911	179,905,414	183,341,112	186,869,858	190,497,708
62,815,584	60,834,488	58,793,656	56,687,856	54,511,855	52,260,422	49,925,925	47,505,313
3,874,702	3,806,186	3,743,916	3,684,036	3,624,023	3,574,247	3,523,871	3,472,877
309,251	229,967	156,858	97,945	65,431	42,292	20,481	3,072
-	-	-	-	-	-	-	-
7,970,549	7,970,549	7,970,549	7,970,549	7,970,549	7,970,549	7,970,549	7,970,549
271,896,517	**271,646,979**	**273,880,591**	**276,060,699**	**278,205,945**	**280,274,216**	**282,223,920**	**284,048,592**
2,283,545	2,283,545	2,283,545	2,283,545	2,283,545	2,283,545	2,283,545	2,283,545
-	-	-	-	-	-	-	-
2,400,000	-	-	-	-	-	-	-
91,267,071	96,961,337	102,659,179	108,354,877	114,047,080	119,708,757	125,342,148	130,928,716
(248,494)	(248,494)	(248,494)	(248,494)	(248,494)	(248,494)	(248,494)	(248,494)
12,251,475	11,478,291	10,694,885	9,889,221	9,054,818	8,190,695	7,295,866	6,369,287
105,670,052	108,191,135	113,105,569	117,995,603	122,853,404	127,650,957	132,389,520	137,049,509
33,464,177	33,464,177	33,464,177	33,464,177	33,464,177	33,464,177	33,464,177	33,464,177
23,187,563	22,571,624	21,956,757	21,341,890	20,727,063	20,113,680	19,503,200	18,893,261
164,605,337	**166,510,481**	**170,810,048**	**175,085,215**	**179,328,189**	**183,512,359**	**187,640,442**	**191,690,492**
-	-	-	-	-	-	-	-
125,674,596	125,674,596	125,674,596	125,674,596	125,674,596	125,674,596	125,674,596	125,674,596
(15,762,235)	(18,383,416)	(20,538,098)	(22,604,053)	(24,699,112)	(26,796,840)	(28,912,739)	(31,091,118)
2,925,266	3,206,985	3,260,567	3,242,992	3,241,380	3,230,406	3,192,675	3,164,292
(5,546,447)	(5,361,667)	(5,326,522)	(5,338,050)	(5,339,107)	(5,346,305)	(5,371,053)	(5,389,669)
107,291,180	**105,136,498**	**103,070,543**	**100,975,484**	**98,877,756**	**96,761,857**	**94,583,478**	**92,358,101**
271,896,517	**271,646,979**	**273,880,591**	**276,060,700**	**278,205,945**	**280,274,216**	**282,223,921**	**284,048,593**

2028	2029	2030	2031	2032	2033	2034	2035
6,916,036	7,357,361	7,802,983	8,095,836	8,502,474	8,782,792	8,868,465	8,838,275
28,219,569	28,219,569	28,219,569	28,219,569	28,219,569	28,219,569	28,219,569	28,219,569
194,231,449	198,126,233	202,239,023	206,489,520	210,855,388	215,336,276	219,932,867	224,647,827
44,981,579	42,350,801	39,610,361	36,752,848	33,775,209	30,667,634	27,424,453	24,038,037
3,421,247	3,369,919	3,334,493	3,298,502	3,262,289	3,225,744	3,189,096	3,177,508
1,459	429	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,970,549	7,970,549	7,970,549	7,970,549	7,970,549	7,970,549	7,970,549	7,970,549
285,741,887	**287,394,861**	**289,176,977**	**290,826,824**	**292,585,478**	**294,202,563**	**295,604,998**	**296,891,765**
2,283,545	2,283,545	2,283,545	2,283,545	2,283,545	2,283,545	2,283,545	2,283,545
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
136,454,084	141,907,985	147,269,194	152,530,460	157,918,744	163,186,623	168,329,017	173,329,551
(248,494)	(248,494)	(248,494)	(248,494)	(248,494)	(248,494)	(248,494)	(248,494)
5,409,879	4,473,624	3,680,058	2,885,431	2,185,386	1,539,183	873,322	271,288
141,615,469	146,133,115	150,700,758	155,167,397	159,855,636	164,477,312	168,953,846	173,352,346
33,464,177	33,464,177	33,464,177	33,464,177	33,464,177	33,464,177	33,464,177	33,464,177
18,284,353	17,690,672	17,108,153	16,526,134	15,953,065	15,382,229	14,812,491	14,243,689
195,647,544	**199,571,509**	**203,556,633**	**207,443,253**	**211,556,423**	**215,607,263**	**219,514,059**	**223,343,757**
-	-	-	-	-	-	-	-
125,674,596	125,674,596	125,674,596	125,674,596	125,674,596	125,674,596	125,674,596	125,674,596
(33,316,495)	(35,580,253)	(37,851,244)	(40,054,251)	(42,291,025)	(44,645,541)	(47,079,296)	(49,583,656)
3,141,114	3,136,746	3,177,802	3,157,410	3,086,305	3,038,453	2,995,814	2,972,521
(5,404,872)	(5,407,737)	(5,380,808)	(5,394,183)	(5,440,821)	(5,472,208)	(5,500,175)	(5,515,453)
90,094,343	**87,823,352**	**85,620,345**	**83,383,571**	**81,029,055**	**78,595,300**	**76,090,940**	**73,548,008**
285,741,887	**287,394,861**	**289,176,977**	**290,826,824**	**292,585,478**	**294,202,564**	**295,604,999**	**296,891,765**

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 1
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 6/18/15 — Date of Response: 7/2/15
Request No. Staff 1-9 — Witness: Larry D. Goodhue

RE: Direct Testimony of Larry D. Goodhue

REQUEST:

Does the company anticipate additional refinancing of long term debt in the coming years?

RESPONSE:

As indicated on lines 1-9 on page 8 (Bates page 10) of Mr. Goodhue's testimony, the only item of long term debt that PWW currently contemplates as being eligible for refinancing in the coming years, is the corporate note maturing in 2021. As indicated in this testimony, however, there are certain limitations associated with this existing debt obligation that might preclude PWW from being able to refinance this obligation.

Over time, and based upon future economic conditions, PWW could consider refinancing other long term debt obligations, but only if the overall economic impact on ratepayers would provide for favorable cash flow or cost implications.

RATH YOUNG PIGNATELLI

Marcia A. Brown
Attorney-At-Law
mab@rathlaw.com
Please reply to: Concord Office

July 22, 2015

ELECTRONIC DELIVERY

Mark A. Naylor, Director
Gas & Water Division
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

RE: Docket No. DW 15-196 Pennichuck Water Works Bond Refinancing Responses to Staff Set 2 Discovery Requests

Dear Mr. Naylor:

Enclosed please find Pennichuck Water Works, Inc.'s responses to Staff's Set 2 discovery requests.

If you have any questions, please do not hesitate to contact me. My direct line is (603) 410-4348.

Very truly yours,

Marcia A Brown

Marcia A. Brown

Enclosures: Pennichuck Responses to Staff Set 2

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 2
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 7/16/15	Date of Response: 7/22/15
Request No. Staff 2-1	Witness: Larry D. Goodhue

REQUEST:

Re: Direct Testimony of Larry D. Goodhue; Page 18 (Bates Page 20); Lines 9 – 12: Has the NHBFA Board of Directors yet taken any final approval action with regard to the proposed plan? If yes, please provide a copy of the documentation in support of such action, if available. If no, please indicate when such final approval action is anticipated to take place, if known.

RESPONSE: NHBFA final approval is subject to NH Governor & Council approval. The company is on the agenda for the August 5, 2015 meeting of the NH Governor & Council, to obtain the approval of funding to issue these bonds through the NHBFA. The company is hopeful that the approval will be voted upon on that day. The company will supply a copy of the documentation in support of the approval upon its receipt.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 2
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 7/16/15	Date of Response: 7/22/15
Request No. Staff 2-2	Witness: Larry D. Goodhue

REQUEST:

Re: Follow-up to PWW's response to Staff DR 1-2: Please provide any updates regarding PWW's anticipated July meeting with Standard and Poors.

RESPONSE: The company is scheduled to meet with Standard and Poors ("S&P") on July 28, to provide information and respond to inquiries by S&P related to obtaining a credit rating for this financing. The company expects to receive the rating from S&P within 2-3 weeks after the date of this meeting. As this rating is confidential until it is released with the Preliminary Official Statement ("POS") used to market the bonds by the investment bankers, the actual rating received will not be able to be disclosed until late September.

PENNICHUCK WATER WORKS
DW 15-196

Responses to Staff's Data Requests – Set 2
PETITION FOR APPROVAL OF FINANCING TRANSACTIONS

Date Request Received: 7/16/15	Date of Response: 7/22/15
Request No. Staff 2-3	Witness: Larry D. Goodhue

REQUEST:

Re: Follow-up to PWW's response to Staff DR 1-4(b): Please provide further clarification with regard to what is entailed by the "Internet roadshow" with an estimated cost of $7,500.

RESPONSE: The "internet roadshow" is the technological vehicle used to market the bonds to the prospective buyers. Upon distribution of the POS by the investment bankers, an invitation is given to prospective buyers to participate in an interactive presentation and conference call on the merits of the financing. This "internet roadshow" is conducted in lieu of an actual "roadshow" (whereby representatives of management and the investment banking firm would travel to several key locations to meet face to face with prospective bondholders). Due to the size and nature of this financing, the "internet roadshow" is more cost and time effective, and is the same process that was used by the company in the 2014 Integrated Capital Financing Plan offering. This "internet roadshow" is slated to be held within 2 weeks of receipt of a final NHPUC order authorizing this financing.