



PENNICHUCK

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AUG 21 2017

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August 17, 2017

SELECTMEN'S OFFICE  
TOWN OF SANDOWN NH

Ms. Lynne Blaisdell, Town Administrator  
Town of Sandown  
P.O. Box 1756  
320 Main Street  
Sandown, NH 03873

Re: Pennichuck East Utility, Inc. – Estimated Water Rate Increase

Dear Ms. Blaisdell:

On behalf of Pennichuck and its water utility companies, I wanted to make you aware that Pennichuck East Utility (“PEU”) has filed a Notice of Intent (“NOI”) to file a rate case with the New Hampshire Public Utilities Commission (“PUC”) on August 16, 2017. This rate case will request the PUC to approve an increase in PEU’s rates, to allow PEU to collect sufficient revenues to pay for the costs of the Company’s current operating expenses and investment in infrastructure over the past several years. PEU has not had a full rate increase in its base (or permanent) rates since 2014, which was based upon 2012 test year operating costs, even though during that time PEU has invested approximately \$7.5 million in improvements to its water utility assets and has experienced material increases in its operating expenses, some at well above inflationary rates.

The PUC’s rate case process involves the following steps:

- Notice of Intent to File Rate Schedules, which must state an estimate of the projected increase in rates. Filed on August 16, 2017.
- A complete Rate Case filing, which includes the final proposed change in rates and all testimony, exhibits and schedules required under PUC rules and regulations. This must be filed no earlier than 30 days of the date of the NOI, on or after September 18, 2017.
- The PUC will open a docket for the Rate Case and issue an Order of Notice scheduling a prehearing conference to address timing and other procedural aspects. We expect this prehearing conference to occur sometime in October 2017.
- PEU’s Rate Case will include a request that the PUC allow a “temporary” rate increase, which will allow PEU to charge higher rates during the pendency of the Rate Case. We expect hearings on PEU’s temporary rate request will be held before the end of 2017.

- The PUC will approve a detailed procedural schedule for the docket, which will include discovery and testimony by PUC Staff, the Office of Consumer Advocate, and any other parties approved by the Commission as intervenors. A hearing on permanent rates is likely to be held in the Spring or Summer of 2018.

PEU's NOI states its best current estimate as of the date of this filing as to the amount of the base rate increase that PEU will ultimately seek. This requested increase will be finalized within the next 30 days as PEU completes its full Rate Case filing.

The current base rate increase set forth in the NOI is to increase PEU's base annual revenues by approximately \$1.6 million, which represents an increase in base rates of 22.97%. As will be carefully documented by PEU's full Rate Case filing, this increase is appropriate and reasonable for the following reasons: PEU has not had an increase in base rates since 2014 (based upon a 2012 test year); PEU's operating expenses have increased annually during that period, in some cases at higher than the rate of inflation; and PEU has borrowed and invested over \$7.5 million in new capital assets since the beginning of 2013 to serve its customers, and a rate increase is necessary so that it can pay the debt service attributable to these new capital investments.

The following table provides an illustration of the impact on an average residential customer:

Average Monthly Residential Bill

Current	Under New Rate
\$62.68	\$77.08

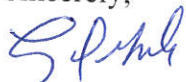
It is the intent of the Company to keep the communities we serve informed as we proceed through the regulatory process. I would appreciate your sharing the information provided with your community's governing Board.

A copy of the Notice of Intent to File Rate Schedules will be available via a link on the Company's website ([www.Pennichuck.com](http://www.Pennichuck.com)). If possible, we would appreciate your posting this letter on your Town website in order to inform customers being served by the Company. In addition, once the docket has been opened at the PUC, you may follow the proceeding on the PUC website: <http://www.puc.state.nh.us>.

Members of the Company's staff are available to meet with you or the community's governing body to discuss the rate filing process and the estimated rate increases.

Please feel free to call me at 603-913-2312 if you need any further information or clarification.

Sincerely,



Larry D. Goodhue  
Chief Executive Officer