PENNICHUCK

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May 19, 2014

Mr. Larry Budreau, Acting Town Administrator
Town of Derry, Derry Municipal Center
14 Manning Street
Derry, NH 03038

Re: Rate Case – Pennichuck East Utility, Inc. (DW 13-126)

Dear Mr. Budreau:

Recently, Pennichuck East Utility, Inc. (PEU) entered into a rate case settlement agreement with the Staff of the New Hampshire Public Utilities Commission and the Office of the Consumer Advocate relative to permanent rates. The agreement is subject to acceptance by the Public Utilities Commission. A summary of the result of the settlement agreement is as follows:

> PEU requested a rate increase of 9.97% in the rate case filed on May 31, 2013. In addition, a step increase of 2.25% related to the 2013 asset additions was also requested. The parties to the rate case settlement agreement have agreed to a permanent rate case increase of 9.91% and a step increase of 1.62%. The prior rate increase for PEU in 2007 was 17.19% based on the 2006 test year. If approved by the Commission, the permanent rate increase will be effective July 1, 2013. The step increase will be effective as of the date of the Commission's Order.

The settlement agreement is posted on the PUC website (www.puc.state.nh.us) and on the Company's website (www.pennichuck.com under the "Company Reports" caption). If possible, we would appreciate your posting this letter on your Town website in order to inform customers being served by the Company.

The Commission will hold hearings relative to the rate filing and settlement agreement on May 20, 2014.

Please feel free to call me at 913-2301 if you need any further information.

Sincerely,

John L. Patenaude
Chief Executive Officer