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NHPUC 23MAR'18PM2:57

March 23, 2018

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

Re: DW 17-183: Pennichuck Water Works, Inc.
Petition for Approvals of Bond Financing and Fixed Asset Line of Credit
Staff Recommendation for Approvals of Fixed Asset Line of Credit and Motion for Protective Treatment: **PUBLIC VERSION**

Dear Ms. Howland:

The purpose of this letter is to provide Staff's recommendation for Commission approval of Pennichuck Water Works, Inc.'s ("PWW" or "Company") request for a $10 million Fixed Asset Line of Credit ("FALOC") with TD Bank, NA ("TD Bank" or "Bank"). Staff is also recommending that the Commission approve PWW's Motion for Protective Order and Confidential Treatment ("Motion for Protective Treatment") which it submitted with its original filing. Finally, Staff's letter addresses a proposed Collateral Assignment Agreement between Pennichuck Corporation ("Penn Corp"), PWW's parent, and TD Bank relative to a $4 million Line of Credit that Penn Corp is currently negotiating. Following is a detailed narrative describing Staff's review and recommendations concerning these matters.

Procedural Background

On November 29, 2017, PWW submitted a petition pursuant to RSA 369:1-4, requesting authority to issue debt financing comprised of: 1) a $10 million FALOC with TD Bank, and 2) up to $32,500,000 in aggregate tax-exempt bonds and/or other taxable indebtedness ("Bond Financing"). The direct testimony of Larry D. Goodhue, PWW's Chief Executive Officer, accompanied the petition. PWW also submitted a Motion for Protective Order and Confidential Treatment, in accordance with N.H. Admin. Rule Puc 203.08, pertaining to Term Sheets and a Guarantee Agreement provided by TD Bank relative to both PWW's proposed FALOC as well as a proposed Line of Credit for Penn Corp, included as attachments to Mr. Goodhue's testimony. On December 11, 2017, the Office of the Consumer Advocate ("OCA") filed a letter of participation in this docket.

On January 10, 2018, PWW filed a Motion to Bifurcate Bond Financing and Fixed Asset Line of Credit Approvals ("Motion to Bifurcate"). In that motion, PWW explained that the Bond Financing component of its original petition was of a more time-sensitive nature than the FALOC component. Further, given the anticipated length of Staff's review relative to PWW's proposed FALOC and, by extension, Penn Corp's Line of Credit, and in light of the tight timeframe currently in place to receive a Commission decision relative to the Bond Financing, PWW requested that the Commission consider the two financing components separately and first review and issue an order regarding the Bond Financing. On January 11, 2018, Staff filed a recommendation in support of the Company's motion. On January 18, 2018, PWW's motion was approved by the Commission via a Secretarial Letter. On January 24, 2018, Staff filed a letter with the Commission recommending approval of PWW's proposed Bond Financing. In its letter, Staff also indicated that the OCA concurred with Staff's recommendation. On February 2, 2018, the Commission issued Order No. 26,101 granting approval for PWW's proposed $32.5 million Bond Financing. As such, this recommendation letter pertains only to the FALOC component of PWW's original filing, the Company's Motion for Protective Treatment, and Penn Corp's Line of Credit.

Under RSA 369:1, public utilities engaged in business in this state may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be "consistent with the public good." Analysis of the public good involves looking beyond the actual terms of the proposed financing to the use of the funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). "[C]ertain financing related circumstances are routine, calling for more limited Commission review of the purposes and impacts of the financing, while other requests may be at the opposite end of the spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing." *Lakes Region Water Company, Inc.*, Order No. 25,753 (January 13, 2015) at 4-5, citing *Public Service Company of NH*, Order No. 25,050, 94 NH PUC 691, 699 (2009). Considering the purposes of this financing and the fact that PWW is solely dependent on debt financing for its capital needs, Staff reviewed the instant filing as a routine financing.

On December 13, 2017, Staff propounded discovery to PWW based on its original filing, to which the Company provided responses on December 20 and 27, 2017. On January 20, 2018, PWW submitted a supplemental response to Staff Data Request 1-2. On February 20, 2018, a technical session via teleconference was conducted between the Company, Staff, and the OCA. At the conclusion of that technical session, further discovery was propounded by both Staff and the OCA to which the Company responded on February 21 and 22, 2018. On February 27, 2018, a second technical session via teleconference was conducted between the Company, Staff, and the OCA. A redacted copy of PWW's discovery responses to the Staff's and OCA's data requests is attached to this PUBLIC VERSION correspondence. (A copy of this letter, with the UNREDACTED CONFIDENTIAL material attached, will also be filed and provided to PWW and the OCA, separately.)

Fixed Asset Line of Credit ("FALOC")

According to Mr. Goodhue's testimony, the $10 million FALOC will be used exclusively to fund PWW's immediate cash flow needs relative to the capital projects it undertakes during a given calendar year. The FALOC will be repaid annually in its entirety through the issuance of tax-exempt bonds, taxable bonds, or bond anticipation notes (BANs) in conformity with the annual Qualified Capital Project Adjustment Charge ("QCPAC") mechanism which was approved in Commission Order No. 26,070 (November 7, 2017) in DW 16-806. Mr. Goodhue further states that the term of the proposed FALOC is initially established to be two years, and will be subject to an annual review by TD Bank in accordance with the Bank's customary business practices.

With regard to securitization, Mr. Goodhue's testimony states that the FALOC will have a first security interest in the accounts receivable and inventory of PWW, as well as a pledge of PWW's stock owned by Penn Corp. Further, the FALOC will be cross-defaulted with all debt obligations of PWW, as well as with Penn Corp's Line of Credit with TD Bank. Subsequently, however, on February 2, 2018, PWW filed a letter with the Commission containing a proposal made by TD Bank to modify the cross-default term. A copy of that letter is attached to this correspondence, and, in it, George Mandt, Vice President of TD Bank, is quoted as stating:

> " . . . *The modification would specify that the cross-default would in essence be a unilateral mechanism, such that a default on the FALOC would cause a default up to the Pennichuck Corporation* [Line of Credit], *but would not have a cross-default mechanism which would apply down from the other proposed debt facilities at Pennichuck Corporation and/or its other subsidiaries, into PWW, and therefore a default in any debt facility to be provided by TD Bank, outside PWW, would not trigger a default on the facility proposed to PWW . . .*"

Concerning other terms and conditions associated with the proposed FALOC, Mr. Goodhue states that the covenants associated with such will be equivalent to the covenants for bond financings contained in the Loan and Trust Agreement implemented at the time of PWW's

2014 and 2015 bond financings. Additionally, PWW also must maintain a Standard & Poor's ("S&P") bond rating of at least BBB+ in order to access the FALOC.[1]

Mr. Goodhue states that the interest rate associated with the FALOC will be equal to the 30-day LIBOR[2], plus 1.75%. PWW will also be subject to a Commitment Fee, due quarterly, equal to 0.25% per annum on the average unused portion of the FALOC. Finally, due at the time of closing and initial access to the FALOC, PWW will pay a one-time upfront Origination Fee of $25,000. In addition to the Origination Fee, PWW also estimates that it will incur approximately $15-30,000 in legal costs in order to secure this credit facility.

Mr. Goodhue's testimony explained that with regard to necessary approvals and consents, that Penn Corp's and PWW's Boards of Directors have provided preliminary approval for the proposed financings and has authorized management to pursue all steps necessary to complete the transaction.[3] PWW has also received approval from the City of Nashua ("City"), its sole shareholder, for the proposed financing transaction by vote of the City's Board of Alderman on December 12, 2017. A copy of the Board of Alderman's approved resolution is attached to this correspondence.

Staff has thoroughly reviewed and supports PWW's proposed FALOC financing as presented in its filing. Coupled with the procurement of the Bond Financing recently approved by the Commission in this docket, the proposed FALOC will further enable the Company to make necessary capital improvements under loan terms and financial covenants which are favorably aligned with PWW's current capital structure. The proposed financing also integrates well with the ratemaking structure recently approved by the Commission in Order No. 26,070, including implementation of the QCPAC process. Finally, Staff believes that the proposed use of the funds to provide short-term financing for PWW's annual capital projects is appropriate and consistent with the Company's duty to provide "reasonably safe and adequate and in all other respects just and reasonable" service to its customers. RSA 374:1.

Motion for Protective Order and Confidential Treatment

Included in PWW's original filing, is a Motion for Protective Order and Confidential Treatment pursuant to N.H. Admin. Rule Puc 203.08(a). The Company's motion specifically

[1] Mr. Goodhue's testimony states that at the time of its 2014 and 2015 Bond Financings, PWW was given a credit rating of "A" with a stable outlook. Subsequently, PWW's credit rating was enhanced to an "A+" with a stable outlook. Mr. Goodhue's testimony further states that as part of the Bond Financing process relative to the instant filing, PWW's credit rating will be reviewed again. Pursuant to Commission Order No. 26,070, any change resulting from that review will be communicated to the Commission upon receipt.
[2] Per https://www.bankrate.com/rates/interest-rates/1-month-libor.aspx, the 30-day LIBOR as of the date of this correspondence is 1.85%.
[3] See Attachment LDG-6 (Bates page 57) and Attachment LDG-7 (Bates page 58) of Mr. Goodhue's testimony.

pertains to copies of proposed Term Sheets and a Guarantee Agreement which were provided by TD Bank to the Company and included as attachments to Mr. Goodhue's testimony relative to the \$10 million FALOC for PWW[4] as well as a \$4 million Working Capital Line of Credit for Penn Corp.[5] These documents are deemed to be proposals by TD Bank and, therefore, have been explicitly identified as confidential by the Bank.

The Company states that it is seeking to exempt this information from public disclosure because it qualifies as "confidential, commercial, or financial information," and, as such, its request is consistent with and satisfies RSA 91-A:5, IV. The Company's motion explains that the proposed Term Sheets and Guarantee Agreement contain terms and conditions which remain subject to negotiation and have not been finalized. Further, TD Bank has provided this documentation to PWW with the specific request that it remain confidential. PWW argues, therefore, that it is in the public interest to allow for the negotiations between itself and TD Bank to occur in a manner that is consistent with the Bank's explicitly stated procedure and practice because an inability to do such may negatively impact PWW's ability to negotiate with potential lenders in the future.

Staff supports and recommends that the Commission grant PWW's Motion for Confidential Treatment. Staff agrees with the Company's concerns that disclosure of the terms and conditions contained in the Term Sheets and Guarantee Agreement supplied by TD Bank may cause harm to PWW's ability to effectively negotiate with lenders relative to future debt financings. Given PWW's current dependence on debt financing to fund virtually all of its capital improvement and working capital needs, such could have a detrimental impact not only on the Company but its customers, as well.

Pennichuck Corporation \$4 million Working Capital Line of Credit

As stated previously, PWW's proposed FALOC will be used to fund the Company's cash flow needs relative to financing its annual capital projects. Currently, financing for such is provided by Penn Corp via a \$10 million line of credit that it maintains with TD Bank. Penn Corp obtained its current line of credit on June 25, 2014 as a source of short-term capital financing for its subsidiaries' construction and operating needs. However, given the instant filing by PWW as well as a recent filing submitted by Pennichuck East Utility, Inc. ("PEU") [6], wherein both Companies are requesting Commission authorization to secure their own FALOC

[4] Attachment LDG – 5 of Mr. Goodhue's testimony (Bates pages 51-56).
[5] Attachment LDG – 8 of Mr. Goodhue's testimony (Bates pages 59-76).
[6] In DW 17-157, PEU submitted a petition to the Commission in accordance with RSA 369:1 which included a request for authority to enter into a 3-year, \$3 million Fixed Asset Line of Credit ("FALOC") with CoBank, ACB. On December 13, 2017, Staff filed a letter with the Commission recommending approval of PEU's petition.

facilities, Penn Corp is concurrently negotiating with TD Bank to replace and reduce its current $10 million line of credit with a $4 million Working Capital Line of Credit.

Mr. Goodhue's original testimony addresses the new Line of Credit being sought by Penn Corp and stated that this debt facility was to be secured, in part, by the stock, accounts receivable and inventory of its subsidiaries, including PWW. Mr. Goodhue's original testimony further stated that it was the Company's position that Commission approval for such a guarantee was not necessary at this time because "*TD Bank is expressly prohibited from perfecting any guarantee without approval from the Commission*" and "[t]*hus, unless and until such time as TD Bank seeks to perfect the guarantee, no action from the Commission is required.*"[7]

Subsequently, however, in its initial response to Staff Data Request 1-2 dated December 20, 2017, PWW indicated that the statement made in Mr. Goodhue's original testimony relative to the securitization of the $4 million Penn Corp Line of Credit by the stock, accounts receivable and inventory of its subsidiaries was in error. Specifically, the Company's response stated:

> " . . . *In putting together the exhibits and testimony for the testimony filed with the Petition, we inadvertently conflated a proposed loan that would be executed in 2018 and the 5th Amendment to Pennichuck Corporation's June 25, 2014 Revolving Loan Line of Credit Agreement. The $4 million line of credit that is referred to is still subject to further negotiation . . . while the 5th Amendment seeks guarantees from Pennichuck's subsidiaries, no security is being granted by the guarantee . . .*"

PWW's response also further reiterated the Company's original position with regard to Commission approval of the subsidiary guarantees proposed as part of the requirements for securing the Penn Corp Line of Credit.

Subsequent to discussions between the Company and Staff where Staff expressed reservations relative to the subsidiary guarantees proposed as part of the Penn Corp Line of Credit, PWW submitted a Supplemental Response to Staff Data Request 1-2 on January 20, 2018. In its Supplemental Response, the Company proposed, in the alternative, a collateral assignment of Penn Corp's rights under the Pennichuck Money Pool Agreement.[8] A confidential

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[7] See Pages 7 and 8 of Mr. Goodhue's testimony (Bates pages 18 – 19).

[8] The Pennichuck Money Pool Agreement was executed as of January 1, 2006 between the members of the Pennichuck consolidated group consisting of Penn Corp, PWW, PEU, Pittsfield Aqueduct Company ("PAC"), Pennichuck Water Service Corporation ("PWSC"), and The Southwood Corporation ("Southwood"). The purpose of the Money Pool Agreement is to provide a mechanism whereby excess cash in any of the respective companies is moved into a consolidated account where from also short-term loans are made to any of the companies which may be experiencing a temporary shortage of cash. A copy of the Pennichuck Money Pool Agreement is attached to this correspondence.

draft copy of the proposed Collateral Assignment Agreement is included in the Company's Supplemental Response to Staff Data Request 1-2.[9]

During subsequent conversations between PWW, Staff, and the OCA concerning the proposed collateral assignment of Penn Corp's rights under the Money Pool Agreement, the Company explained the consequences that such would have for Penn Corp and its subsidiaries relative to a potential default by Penn Corp under its Line of Credit:

> "*If Penn Corp defaults under the Line of Credit, the Bank will have the right to step into the shoes of Penn Corp with respect to Penn Corp's rights (but not obligations) under the Money Pool Agreement. In such a case, the Bank would then have the right to enforce the Money Pool Agreement and collect any amounts owing to Penn Corp under the Money Pool Agreement. The proposed collateral assignment is solely of Penn Corp's rights under the Money Pool Agreement and not of any bank account or other assets of Penn Corp or its subsidiaries.*" [10]

The Company also explained the impact that a Penn Corp default under the Line of Credit would have in terms of the Default provision (Section 2.4) that is contained in the Money Pool Agreement:

> ". . . *If Penn Corp were declared in default under Section 2.4 of the Money Pool Agreement, the other parties to the Money Pool Agreement, including PWW, would have a right to terminate the Money Pool Agreement as to Penn Corp and declare immediately due and payable all amounts owing by Penn Corp under the Money Pool Agreement. In such* [a] *case, it is likely that the other parties to the Money Pool Agreement, including PWW, would then have to secure their own sources of short-term working capital financing by, for example, entering into separate lines of credit with the Bank or one or more other financial institutions.*"[11]

Staff views the Company's proposal to replace the original subsidiary guarantees with the collateral assignment of Penn Corp's interest in the Pennichuck Money Pool as a constructive alternative towards balancing 1) the necessity of the regulated subsidiaries' access to required working capital for operations while mitigating the potential financial burden relative to such, and 2) satisfying the Bank's traditional security requirements. Therefore, given the present

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[9] As previously stated, a redacted copy of PWW's discovery responses to the Staff's and OCA's data requests is attached to this PUBLIC VERSION correspondence. (A copy of this letter, with the UNREDACTED CONFIDENTIAL material attached, will also be filed and provided to PWW and the OCA, separately.)
[10] See PWW's response to Staff Data Request 2-1, attached.
[11] See PWW's response to Staff Data Request 2-2, attached.

capitalization and regulatory framework under which PWW and the other regulated Pennichuck subsidiaries now operate, Staff recommends that the Commission accept the proposed Collateral Assignment Agreement between Penn Corp and TD Bank relative to the $4 million Line of Credit that Penn Corp is currently seeking to obtain.

On March 16, 2018, Staff provided a final draft of this correspondence to the OCA. As of the time of the filing of this correspondence, Staff had not received a response from the OCA regarding its position relative to the recommendations contained herein.

In its petition, PWW respectfully requested expeditious consideration by the Commission relative to the FALOC portion of its overall financing request. PWW explained that the timing for such is important as it and Penn Corp attempt to move to the new bifurcated Line of Credit structure. The importance of which relates to concerns about the current terms of expiration of Penn Corp's current $10 million Line of Credit as well as current covenant compliancy issues for that facility.

Thank you for your assistance with this matter. If you have any questions relative to the above issues, please do not hesitate to contact me.

Very truly yours,

Jayson P. Laflamme
Assistant Director, Gas-Water Division

Attachments

cc: Service List

Pennichuck Water Works, Inc.
DW 17-183
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 12/13/17
Request No. Staff 1-1

Date of Response: 12/28/17
Witness: Larry Goodhue

REQUEST:

Re: Page 7 (Bates 18), Lines 10-13:

a) Please provide further explanation with regard to why PWW is choosing to work with TD Securities (USA) LLC and TD Bank, NA relative to securing these financings.
b) Has the Company explored alternative options, either in the past or recently, in this regard? Please explain.

RESPONSE:

a. PWW is choosing to work with TD Securities (USA) LLC and TD Bank, NA relative to these financings for several reasons.
   1. As to the Fixed Asset Line of Credit (FALOC), PWW's management considered a number of factors relating to the options available to finance CWIP during each year, to be incorporated into the annual QCPAC filing process, and the annual repayment of those borrowings for used and useful projects to be financed long term with annual bonding issuances. Consideration was given to issuing Bond Anticipation Notes (BANs) during the year for CWIP, but because they cannot be issued in advance for the exact dollar amount for projects not yet completed, and that level of precision is required for PWW to be able to include the debt service on the final debt obligations into the QCPAC surcharge annually, the usage of those BANs proved to be a method that would not work in support of CWIP financing. Additionally, the cost of issuing BANs was going to be priced in line with the FALOC cost of interest, so there was no discernible economic advantage to using them. As to placing the FALOC with TD Bank, NA, PWW and its parent Company Pennichuck Corporation already has a relationship with TD Bank for Pennichuck Corporation's line of credit, and all of its commercial banking needs. As such, the overall direct and indirect costs of accessing a FALOC with them was the most advantageous option available to the Company, especially in light of PWW's need to have covenants tied to the FALOC that were no more onerous than exists with its existing tax-exempt bonds issued in 2014 and 2015. In addition, the management of Pennichuck Corporation spent nearly two years from 2012 to 2014, attempting to find a bank that would and could work

with the consolidated group of companies with regards to its overall borrowing and commercial banking needs (which was described in testimony and data request responses in support of the dockets under DW 14-130 and DW 15-196). Due to the unique capital structure of the Pennichuck Corporation (and PWW) as approved under DW 11-026, the Company could not find other commercial lenders that were willing and/or able to offer these services to the Company. Some entities were willing to offer only a parent company Line of Credit, but with covenants that could not be met under the Company's current revenue structure; some entities were interested in only offering commercial banking services (i.e. bank accounts and transaction processing), but were not interested in offering any debt funding; some entities refused to offer either, as PWW did not meet the basic overall criteria to be considered in either their commercial lending group or their municipal lending group. In light of that, continuing the relationship with TD Bank in this manner is the most prudent course for the Company, and they are able to offer competitive rates of borrowing, in addition to being able to meet our overall commercial banking and financing needs.

2. As to the issuance of tax-exempt bonds thru TD Securities (USA) LLC, this relationship was first established with the issuance of PWW's 2014 bonds and continued with its 2015 bond issuance. TD Securities offers the Company full access to the bond markets at market lending rates and fully understands the structure of Pennichuck Corporation and its subsidiaries. TD Securities understands PWW's financing needs and offers the most seamless manner for issuing this debt thru the NH Business Finance Authority in conformity with the Bond Indenture established for PWW with the 2014 bond issuance.

b. The Company did explore financing alternatives as described in part (a) of this response, and comprehensively explored any and all financing options in the years that ensued after the acquisition by the City and the establishment of the Company's capital structure under DW 11-026. Management still has contact in professional circles with other lenders that have worked with the Company when it was a publicly-traded entity. In conversations with these other institutions, it is apparent to management that those entities are unable to meet the financing needs of the Company under its current ownership and capital structure. With the passage of time and as lenders recognize the benefits of the new ratemaking methodology, there may be the potential for a larger pool of lenders from which it can obtain debt. However, some lenders have indicated that they will most likely never be able to offer debt funding options to the Company, as the Company will remain a "non-fit" for their lending consideration constraints, as a non-municipal entity but as a corporation with a municipal-like capital structure.

Pennichuck Water Works, Inc.
DW 17-183
Petition For Financing Approval – Staff Data Requests – Set 1

Date Request Received: 12/13/17 Date of Response: 12/28/17
Request No. Staff 1-2 Witness: Larry Goodhue

REQUEST:

Re: Page 7 (Bates 18), Line 14 through Page 8 (Bates 19), Line 7:

a) In light of the requirements contained in RSA 369:2, please reconcile such to the Company's assertion that no action is required by the Commission at this time with regards to Penn Corp's pending $4 million Line of Credit which is to be secured, in part, by the stock, accounts receivable and inventory of Penn Corp's subsidiaries, including PWW.

b) In light of RSA 369:2, what is the anticipated timeframe that a filing will be forthcoming seeking Commission approval for the surety guarantees required from the subsidiaries, i.e., PWW, PEU, and PAC, for Penn Corp's Line of Credit.

RESPONSE:

The response to Staff 1-2 and related exhibits were filed with the discovery service list on December 20, 2017.

Pennichuck Water Works, Inc.
DW 17-183
Petition For Financing Approval – Staff Data Requests – Set 1

Date Request Received: 12/13/17
Request No. Staff 1-3

Date of Response: 12/28/17
Witness: Larry Goodhue

REQUEST:

Re: Page 8 (Bates 19), Lines 14-20, Page 9 (Bates 20), Lines 19-23, and Page 12 (Bates 23), Line 21 through Page 13 (Bates 24), Line 2:

a) With regard to the described potential impact that the current tax legislation may have relative to the terms of the proposed financings, please provide any further updates relative to these matters which the Company may have become aware of subsequent to the date it made its initial filing.
b) If PAB's are no longer allowed to be issued due to the pending tax legislation, please clarify whether or not the Company would still be issuing the financings through the NHBFA, and if not, please describe the general process through which the financings would be issued.
c) If PAB's are no longer allowed to be issued due to the pending tax legislation, does the Company have an estimate with regard to the potential impact such may have relative to the magnitude of interest rate which may be obtained for both the proposed FALOC and bond financing? Please explain.

RESPONSE:

a. The tax reform bill that was signed into law by President Trump does not prevent the Company from issuing tax-exempt Private Activity Bonds into the markets. However, the new tax law repeals the ability to issue tax-exempt advance refunding bonds after December 31, 2017. This particular development is not of a concern to the Company, as it intends to issue tax-exempt bonds in a serialized issuance to simulate a fully amortizing bond repayment structure, with roughly equal annual principal and interest payments. As such, the Company would not be seeking to advance refund and/or refinance these obligations prior to full maturity. Because the new tax law did not repeal Private Activity Bonds, PWW anticipates it will issue tax-exempt bonds thru the NHBFA. The only reason it would not issue those thru the NHBFA is if the interest rates for taxable bonds are more favorable than tax-exempt bonds when we are ready to go to market.
b. The Company does not know what impact the current tax legislation will have on interest rates. The repeal of an advanced refunding option may impact the supply versus demand for tax-exempt bonds, which may impact rates, but the exact nature of that impact has not been reflected it the market at this time. This entire scenario will not impact the cost of funds on the FALOC, as that is not tied to the tax-exempt bond markets, and the tax

legislation does not appear to impact the base rate for that debt instrument, the LIBOR rates.

Pennichuck Water Works, Inc.
DW 17-183
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 12/13/17 Date of Response: 12/28/17
Request No. Staff 1-4 Witness: Larry Goodhue

REQUEST:

Re: Schedule LDG-1, Page 1 of 2 (Bates 33): It would appear that the pro forma adjustment for Debt Issuance Expenses, indicated in the amount of $2,555,000, should be reduced by the $110,750 pro forma Amortization of Debt Issuance Expenses. Such would ultimately result in a revised pro forma Debt Issuance Expense amount of $6,712,493 (currently $6,823,243) and a revised pro forma Total Asset amount of $308,463,140 (currently $308,573,889). Please comment.

RESPONSE:

The $110,750 of pro forma Amortization of Debt Issuance Expenses is not included as a reduction of the $2,555,000 amount as of the 12/31/2016 Pro Forma date, as that amortization would not begin to occur until after the issuance costs are incurred (i.e. during the 2017 year), and reflected on that pro forma balance sheet.

It is, however, reflected as a pro forma expense on the Income Statement included on LDG-2, in order to reflect the impact on net income from the financing transactions. This is the same presentation that has been submitted as it relates to previous dockets that included bond financing issuances for the Company, in DW 15-196 and DW 14-130.

Pennichuck Water Works, Inc.
DW 17-183
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 12/13/17	Date of Response: 12/28/17
Request No. Staff 1-5	Witness: Larry Goodhue

REQUEST:

Re: Schedule LDG-2 (Bates 35) and Schedule LDG-1, Page 2 of 2 (Bates 34): It appears that the total Net Income pro forma adjustment of $(1,881,110) indicated on Schedule LDG-2 (Bates 35) does not include the $110,750 pro forma Amortization of Debt Issuance Expenses. The inclusion of such would result in a total pro forma Net Income adjustment of $(1,991,860) as well as a revised pro forma Net Income amount of $(713,548). Such would also ultimately result in a revised pro forma Total Equity and Liabilities amount of $308,463,140 (currently $308,573,889) on Schedule LDG-1, Page 2 of 2 (Bates 34). Please comment.

RESPONSE:

The Company agrees that an error of omission occurred in the net income formulas included on LDG-2, and as a result, the amounts included on LDG-1 Page 2 for income and intercompany amounts did not account for the debt issuance expenses. This has been corrected in the revised set of LDG schedules included with the response to these Staff Data Requests. The revised pro forma Net Income amount differs by $1.00 from the amount in the Staff 1-5 to read $(713,547) on the attached revised LDG1, page 2.

Pennichuck Water Works, Inc.
DW 17-183
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 12/13/17 | Date of Response: 12/28/17
Request No. Staff 1-6 | Witness: Larry Goodhue

REQUEST:

Re: Schedule LDG-3 (Bates 37): Should not the pro forma elimination for Paid-in Capital be \$(119,364,233) as per the Settlement Agreement in DW 11-026 approved by Commission Order No. 25,292 (11/23/11). Please explain.

RESPONSE:

The Company agrees that the elimination amount for Paid-in Capital, in conformity with the Settlement Agreement in DW 11-026 should be \$(119,364,233), which has been corrected on the revised LDG schedules included with this set of responses.

Pennichuck Water Works, Inc.
DW 17-183
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 12/13/17 | Date of Response: 12/28/17
Request No. Staff 1-7 | Witness: Larry Goodhue

REQUEST:

Re: Schedule LDG-4:

a) Please provide a brief summation regarding the contents of the schedules identified as "Sensitivity Analysis" provided on Bates 38-42 and how they relate to Schedule LDG-4 as a whole.
b) Please provide a brief summation regarding the contents of the schedules identified as "P&L" provided on Bates 43-45 and how they relate to Schedule LDG-4 as a whole.

RESPONSE:

a. The Sensitivity Analysis tabs are utilized by the Company's investment bankers, TD Securities (USA) LLC, in preparing for the possible manners in which the bonds requested for approval in this filing can be issued. Additionally, this information is used to support questions that may arise in the review that the Company and the investment bankers will have with the rating agency for the bonds in January 2018. This tab includes information for these analytical purposes which may or may not pertain to the Company's bond issuance, but is a part of the overall analytical process that the investment bankers undergo in order to provide the Company with all possible manners of issuance for the bonds.
b. The contents of the data included on the "P&L" tab of LDG-4 is a proforma projection of revenues and expenses that is utilized by both the Company and investment bankers, as well as the rating agency, to project the Company's ability to meet its obligations into the future inclusive of the new issued debt, as well as forecasted Capital investments with 100% debt financing. This is done in order to also analyze the Company's ability to meet its existing bond covenants, first established with its bonds issued in 2014 under DW 14-130, which will also be applicable to this current bond issuance activity. This schedule is nearly identical to the same forecasted P&L schedules that were included in the dockets for DW 11-026, DW 14-130 and DW 15-196, with one fundamental difference. In those dockets the revenue forecast was based upon a "macro" revenue growth factor that

included annual rates of increase that were uniform in nature. The current schedule included a forecast of revenues based upon the approved modified rate methodology from DW 16-806. This was done to more accurately reflect the Company's anticipation of future revenue growth, for both management and investor banker analytical purposed, but also give the rating agencies more comfort as to the revenue forecast supported in the DW 16-806 rate order (which the Company feels may be accretive in its overall credit rating, once reviewed and issued by the rating agency).

Pennichuck Water Works, Inc.
DW 17-183
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 12/13/17 | Date of Response: 12/28/17
Request No. Staff 1-8 | Witness: Larry Goodhue

REQUEST:

Re: Schedule LDG-4: Please briefly describe each of the ratios/tests as well as their significance which are calculated at the bottom of the schedules identified as "Balance Sheet" provided on Bates 46-48, as follows:

a) Total Debt / Total Capital (< 65%)
b) It appears that starting in 2027, the ratio identified in (a) begins to exceed 65%, please explain the significance of such, if any.
c) Funded Debt / PP&E (< 60%)
d) It appears that starting in 2021, the ratio identified in (c) begins to consistently exceed 60%, please explain the significance of such, if any.
e) Deposited Cash / Long-Term ABT – EBITDA
f) Funded Debt / Cash + 60% * PP&E > 1.0
g) EBITDA / All Future Interest > 1.5x
h) ABT Test Results

RESPONSE:

The significance of all of these calculations are to review the forecasted revenue/income as well as key balance sheet items, as they pertain to normal debt issuance covenants and tests, as well as the covenants and tests currently in place for the Company's bonds. This is done to analyze future compliancy with existing covenants from the Company's 2014 and 2015 bond issuances, which are anticipated to be used for this current bond issuance as well, or identify whether an alteration is needed for this current issuance event. Additionally, many of the calculated amounts included continue to analyze bond structures as they existed prior to the 2014 bond issuance. These have been maintained to show the difference between the Company's historic covenant compliancy, versus its current requirements and income projections. These have also been maintained in this analysis for management's overall review of its consolidated financing needs as it pertains to its existing covenants on its line of credit at the Pennichuck Corporation level, which are being modified to "mirror" the covenants for PWW's bonds, as the line of credit covenants are not consistent with the income that can be derived by PWW and its sister subsidiaries in support of those consolidated tests.

a) The Total Debt/Total Capital ratio is calculated two-fold. Prior to 2005, and as would be reviewed by the rating agencies for a non-municipal set of covenant tests, this ratio would need to be less than 65%. However, under the Company's current bond indenture, the covenant requirement is anything less than 1x (or 100%). As the results are below 100% thru the forecast, it is forecasted to be within compliancy throughout the periods, with the existing requirements.

b) The model does reflect the ratio going above 65% in 2027, which is reflective of why the Company pursued the better covenant tests in the 2014 and 2015 bond issuances, as identified in the answer to (a) immediately above. This has been left in the analysis for the benefit of the rating agencies, in their overall analysis of PWW as an investor owned utility, but with a unique ownership structure and allowed revenue structure per DW 11-026 and as further modified in DW 16-806.

c) Again, this ratio calculation as presented is a two-fold explanation. Prior to 2005, and as would be reviewed by the rating agencies for a non-municipal set of covenant tests, this ratio would need to be less than 60%. However, under the Company's current bond indenture, the covenant requirement is anything less than 1x (or 100%). As the results are below 100% thru the forecast, it is compliancy with the existing requirements.

d) Please see the explanation immediately preceding for response (c).

e)-h) These are the calculated amounts as they pertain to the existing All Bonds Test on the bond indenture. It is a two-fold test, where both items in the calculation need to fail to fail the overall test. It is a forecast of financial coverage at any time in the future, for all issued or planned funded debt. As the forecast indicates, a YES in the test results for all future periods, it reflects compliancy throughout the forecast.

Pennichuck Water Works, Inc.
DW 17-183
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 12/13/17
Request No. Staff 1-9

Date of Response: 12/28/17
Witness: Larry Goodhue

REQUEST:

Re: Schedule LDG-4:

a) Please describe the purpose of the Cash Flow schedule provided on Bates 49.
b) Please briefly describe the Revenues schedule provided on Bates 50.

RESPONSE:

a. Once again, this schedule (the Cash Flow schedule provided on Bates 49) is used by the rating agencies when evaluating the Company in rating the bonds, and by the Company and the investment bankers, to insure that the forecasted revenues and income generate sufficient cash flow to not only pay for working capital needs, but is also sufficient to repay all debt obligations of the Company (as currently in place, or forecasted to be put in place for infrastructure replacement and capital expenditures into the future). The Pass/Fail flag indicates a positive cash balance at the end of each year, if the result is reflected as "Pass," which is the case for the forecast provided with this petition.
b. The revenue schedule provided on Bates 50 is a proforma projection of revenues in accordance with the modified rate methodology approved in DW 16-806, as already addressed it the response to Staff 1-7(b). This is done to provide the most accurate forecasted view of revenues for the Company, based upon the other underlying assumptions of the fixed CBFRR revenues, the DSRR 1.0 and 0.1 revenues based upon current and future debt service costs, and the OERR revenues based upon forecasted expenses as they grow at or above inflationary rates into the future.

Pennichuck Water Works, Inc.
BALANCE SHEET

Schedule LDG-1

ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2016

	Account Number	12/31/2016	Pro Forma Adjustments		Pro Forma 12/31/2016
PLANT ASSETS					
Plant in Service	301 to 348	199,392,255	30,000,000	(1)	229,392,255
Work in process	105	9,352,386	-		9,352,386
Utility Plant		208,744,642	30,000,000		238,744,642
Accumulated depreciation	108	52,074,803	696,600	(2)	52,771,403
Net Plant		156,669,838	29,303,400		185,973,238
Net Acquisition Adjustment	114 & 115	345,690	-		345,690
Total Net Utility Plant		156,324,148	29,303,400		185,627,548
CURRENT ASSETS					
Cash	131 & 133	6,000	-		6,000
Restricted Cash - RSF	131	6,529,758	-		6,529,758
Restricted Cash - 2014 Bond Project Fund	131	6,166,115			6,166,115
Restricted Cash - 2015 Bond Project Fund	131	1,401,957			1,401,957
Accounts receivable-billed, net	141 & 143	2,075,576	-		2,075,576
Accounts receivable-unbilled, net	173	1,428,413	-		1,428,413
Accounts receivable-other	142	-	-		-
Inventory	151	652,999	-		652,999
Prepaid expenses	162	18,370,140	-		18,370,140
Prepaid property taxes	163 & 236	-	-		-
Prepaid taxes	162.3	-	-		-
		36,630,957	-		36,630,957
OTHER ASSETS					
Debt issuance expenses	181	4,268,243	2,555,000		6,823,243
Acquisition Premium - MARA	186	70,239,405	-		70,239,405
Other & Deferred Charges	182,184,186	9,252,737	-		9,252,737
		83,760,384	2,555,000		86,315,384
TOTAL ASSETS		$ 276,715,489	$ 31,858,400		$ 308,573,889

Notes:
(1) To record the assets related to the New Debt.
(2) To record the impact of full year depreciation offset by the Cost of Removal

Pennichuck Water Works, Inc.
BALANCE SHEET

EQUITY AND LIABILITIES
For the Twelve Months Ended December 31, 2016

	Account Number	12/31/2016	Pro Forma Adjustments		Pro Forma 12/31/2016
STOCKHOLDERS' EQUITY					
Common stock	201	$ 30,000	$ -		$ 30,000
Paid in capital	211	$ 119,364,233	-		119,364,233
Comprehensive Income	219	-	-		-
Retained earnings	215	2,705,407	(1,991,860)	(2)	713,547
		122,099,640	(1,991,860)		120,107,780
LONG TERM DEBT					
Bonds, notes and mortgages	221	82,756,532	32,500,000	(1)	115,256,532
Intercompany advances	223	-	1,350,260	(3)	1,350,260
Other Long Term Debt	224	-	-		-
CURRENT LIABILITIES					
Accounts payable	231	2,274,592	-		2,274,592
Accrued property taxes	236	-	-		-
Accrued interest payable	237	1,678,308	-		1,678,308
Other accrued expenses	241	2,959,647.36	-		2,959,647
Income taxes payable	236	-	-		-
Customer deposits & other	235	145,472	-		145,472
		7,058,019	-		7,058,019
OTHER LIABILITIES AND DEFERRED CREDITS					
Deferred income taxes & liability	282	21,407,749	-		21,407,749
Customer advances	252	-	-		-
CIAC, net	271 & 272	27,624,808	-		27,624,808
Other deferred credits	241 to 255	15,768,741	-		15,768,741
		64,801,299			64,801,299
TOTAL EQUITY AND LIABILITIES		**$ 276,715,489**	**$ 31,858,400**		**$ 308,573,889**

Notes:
(1) To record the new Debt as follows:

Tax Exempt Bonds	$ 32,500,000
Taxable Bonds	
Total Bond Debt	$ 32,500,000

(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

For the Twelve Months Ended December 31, 2016

	Account Number	TWELVE MONTHS 12/31/16	PRO FORMA ADJUSTMENTS		PRO FORMA 12 MONTHS 12/31/16
Water Sales	460 to 462	$ 30,552,076	$ -		$ 30,552,076
Other Operating Revenue	471	370,484	-		370,484
Total Revenues		30,922,560	-		30,922,560
Production Expenses	601 to 652	4,705,567	-		4,705,567
Transmission & Distribution Expenses	660 to 678	1,802,912	-		1,802,912
Engineering Expenses	660	1,169,785	-		1,169,785
Customer Acct & Collection Exp	902 to 904	458,503	-		458,503
Administrative & General Expense	920 to 950	6,609,929	-		6,609,929
Inter Div Management Fee	930	(2,768,716)	-		(2,768,716)
Total Operating Expense		11,977,979	-		11,977,979
Dep Exp/Acq Adj Expense	403 & 406	5,081,647	696,600	(2)	5,778,247
Amortization Expense:CIAC	405	(650,826)	-		(650,826)
Amortization Expense	407	1,553,754	-		1,553,754
Gain on Debt Forgivness	414	(53,925)	-		(53,925)
Property Taxes	408.1	4,845,833	855,090	(2)	5,700,923
Income Tax	409 to 410	2,875,917	(1,295,580)	(4)	1,580,337
Total Operating Deductions		13,652,400	256,110		13,908,510
Net Operating Income		5,292,180	(256,110)		5,036,071
Other Income and Deductions		548,461	-		548,461
AFUDC		(358,276)			(358,276)
Interest Expenses		3,493,510	1,625,000	(1)	5,118,510
Debt Issuance Cost New/Amortization			110,750	(3)	110,750
Net Income		2,705,407	(1,991,860)		713,547

Notes:

1 - To record the change in interest expense associated with New Debt.

2 - To record the impact of assets on depreciation and property taxes.

3 - To record the amortization of new debt expense.

Supporting Calculations:

Interest Expense:

New debt	$ 32,500,000
Interest Rate	5%
Annual Interest	**$ 1,625,000**

Depreciation

Additions:

		Asset Cost			Total		Depreciation Rate	Depreciation Amount
Blended Depreciation Rate	$ -	$	27,000,000	$	27,000,000	**	2.58%	$ 696,600
Totals	$ -	$	27,000,000	$	27,000,000	-		$ 696,600

Retirements: - N/A

		Asset Cost			Total		Depreciation Rate	Depreciation Amount
Blended Depreciation Rate	$ -	$	-	$	-		2.58%	$ -
Totals	$ -	$	-	$	-	-		$ -
	$ -	$	27,000,000	$	27,000,000	-		

Pro Forma Depreciation $ 696,600

Debt issuance amortization	Costs	Amortization Rate	Amortization Amount
New tax exempt bond debt 2017-20	$ 2,500,000	3.33%	$ 83,250
New FALOC	$ 55,000	50.00%	$ 27,500
Totals	$ 2,555,000	**Amortization**	**$110,750**

Property Taxes

Town	$ 25.07	$ 25.07	Using Nashua rate for Calc of Proforma Tax
State of New Hampshire	$ 6.60	$ 6.60	
Total Tax Rate	$ 31.67	$ 31.67	
Pro Forma Property Taxes	$ -	$ 855,090	**$ 855,090**

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

Schedule LDG-3

For the Twelve Months Ended December 31, 2016

	Pro Forma 2016	Pro Forma Eliminations		Pro Forma 2016 with Eliminations	Component Ratio
Long-term Debt	115,256,532	-		115,256,532	**99.38%**
Intercompany Debt	$ -	-		-	**0.00%**
Common Equity:					
Common Stock	30,000	(30,000)	(1)	-	
Paid In Capital	119,364,233	(119,364,233)	(1)	-	
Comprehensive Income	-	-		-	
Retained Earnings	713,547			713,547	
Total Common Equity	120,107,780	(119,394,233)		713,547	**0.62%**
Total Capital	$ 235,364,312	$ (119,394,233)		$ 115,970,080	100.00%

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

DW 17-183
PENNICHUCK WATER WORKS, INC.
PETITION FOR FINANCING APPROVAL
STAFF DATA REQUESTS – SET 1

PARTIAL RESPONSE

Date Request Received: 12/13/17 | **Date of Response: 12/20/2017**
Request No. Staff 1-2 | **Witness: Larry D. Goodhue**

REQUEST: Page 7 (Bates 18), Line 14 through Page 8 (Bates 19), Line 7:

a) In light of the requirements contained in RSA 369:2, please reconcile such to the Company's assertion that no action is required by the Commission at this time with regards to Penn Corp's pending $4 million Line of Credit which is to be secured, in part, by the stock, accounts receivable and inventory of Penn Corp's subsidiaries, including PWW.
b) In light of RSA 369:2, what is the anticipated timeframe that a filing will be forthcoming seeking Commission approval for the surety guarantees required from the subsidiaries, ie, PWW, PEU, and PAC, for Penn Corp's Line of Credit.

RESPONSE:

(a) Attached with this response is draft amended prefiled testimony of Larry Goodhue and a revised Exhibit LDG-8. In putting together the exhibits and testimony for the testimony filed with the Petition, we inadvertently conflated a proposed loan that would be executed in 2018 and the 5th Amendment to Pennichuck Corporation's June 25, 2014 Revolving Loan Line of Credit Agreement. The $4 million line of credit that is referred to is still subject to further negotiation. As the corrected testimony reflects, while the 5th Amendment seeks guarantees from Pennichuck's subsidiaries, no security is being granted by the guarantee. Most importantly, the guarantees include a condition that states "Lender acknowledges that Guarantor is a regulated entity subject to the jurisdiction of the [NHPUC]. Before the guaranty that is the subject of this agreement is perfected, approval from NHPUC will be required. Guarantor cannot waive the jurisdiction of the NHPUC, nor can Guarantor determine in advance the outcome of any such proceeding before the NHPUC." Thus, in order for the guarantee to be effective, preapproval from the Commission would be required. Until such time as a petition is filed, the guarantee is not effective and cannot be perfected.

Mr. Goodhue's amended testimony will be filed with the Commission with a request for confidential treatment along with all of the exhibits, including the revised LDG-8, but the Company will wait to file the amended testimony pending any further requests regarding this draft amended testimony.

(b) As is described in the amended testimony, Pennichuck Corporation is currently in discussions with TD Bank about future loan agreements that may result in a new facility for Pennichuck Corporation and the subsidiaries. Should that future loan agreement require a pledge of assets, PWW and any other affected subsidiary would seek preapproval from the Commission with a finance petition. Currently, no surety guarantees are required for Pennichuck Corporation's line of credit.

STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Pennichuck Water Works, Inc.

Petition of Pennichuck Water Works, Inc. for Financing Approval

DW 17-183

DIRECT TESTIMONY OF LARRY D. GOODHUE

Amended December __, 2017

TABLE OF CONTENTS

I. INTRODUCTION

Q. Would you please state your name, address and position with Pennichuck Water Works, Inc.?

A. My name is Larry D. Goodhue. I am the Chief Executive Officer Pennichuck Water Works, Inc. (the "Company" or "PWW"). I have been employed with the Company since December, 2006. I also serve as Chief Executive Officer, Chief Financial Officer, and Treasurer of the Company's parent, Pennichuck Corporation ("Pennichuck"). I am a licensed Certified Public Accountant in New Hampshire; my license is currently in an inactive status.

Q. Please describe your educational background.

A. I have a Bachelor in Science degree in Business Administration with a major in Accounting from Merrimack College in North Andover, Massachusetts

Q. Please describe your professional background.

A. Prior to joining Pennichuck, I was the Vice President of Finance and Administration and previously the Controller with METRObility Optical Systems, Inc. from September, 2000 to June 2006. In my more recent role with METRObility, I was responsible for all financial, accounting, treasury and administration functions for a manufacturer of optical networking hardware and software. Prior to joining METRObility, I held various senior management and accounting positions in several companies.

Q. What are your responsibilities as Chief Executive Officer of the Company, and Chief Executive Officer, Chief Financial Officer and Treasurer of Pennichuck?

A. Including my primary responsibilities as Chief Executive Officer, with ultimate responsibility for all aspects of the Company, I am responsible for the overall financial management of the Company including financing, accounting, compliance and budgeting. My responsibilities include issuance and repayment of debt, as well as quarterly and annual financial and regulatory reporting and compliance. I work with the Chief Operating Officer of the Company to determine the lowest cost alternatives available to fund the capital requirements of the Company, which result from the Company's annual capital expenditures and its current debt maturities

Q. Have you previously testified before this or any other regulatory commission or governmental authority?

A. Yes. I have submitted written testimony in the following dockets before the New Hampshire Public Utilities Commission (the "Commission"):

- Financings for Pennichuck East Utility – DW 12-349, DW 13-017, DW 13-125, DW 14-020, DW 14-191, DW 14-282, DW 14-321, DW 15-044, 16-234, DW 17-055, and DW 17-157;
- Financings for Pennichuck Water Works, Inc. – DW 14-021, DW 14-130, DW 15-046, DW 15-196, and DW 16-236;
- Financings for Pittsfield Aqueduct Company, Inc. – DW 15-045, and DW 16-235; and
- Permanent and Temporary Rate Increase Proceedings for: Pennichuck Water Works, Inc. – DW 13-130 and DW 16-806; Pennichuck East Utility, Inc. – DW 13-126 and DW 17-128; and Pittsfield Aqueduct Company, Inc. – DW 13-128.

II. PURPOSE OF THIS TESTIMONY AND BACKGROUND OF THE PROPOSED FINANCINGS

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain PWW's request for approval and authority to (1) put a new $10 million Fixed Asset Line of Credit ("FALOC") in place with TD Bank, NA to provide for short-term financing of capital projects, which on an annual basis will be fully paid off and converted to long term debt in support of the Company's Qualified Capital Project Adjustment Charge (QCPAC) surcharge process, as approved in docket DW 16-806, and (2) to issue up to $32,500,000 in aggregate principal amount of tax-exempt bonds and/or financing for the purposes of funding:

(1) annual bond issuances to pay down the FALOC related to purchases, replacements and/or construction of all or nearly all of the capital project needs for the Company for the years 2017-2020 in the amount of approximately $30,000,000;

(2) aggregate costs of issuance for the years 2017-2020, including capitalized interest, in the approximate amount of $2,500,000

Q. Did you supervise the preparation of the Company's petition for authority to issue long term debt?

A. Yes.

Q. Does the Company have on file with the Commission a certification statement in its Annual Report with respect to its book, papers and records?

A. Yes.

Q. Mr. Goodhue, before explaining the details of the proposed financings, would you like to provide some history regarding the ownership of PWW and how that history supports this request for financing approval?

A. Yes. Currently, PWW is wholly-owned by Pennichuck, which is, in turn, wholly-owned by the City of Nashua, New Hampshire. The City of Nashua acquired its ownership of Pennichuck on January 25, 2012, pursuant to this Commission's Order No. 25,292 (November 23, 2011) (Approving Acquisition and Settlement Agreement). Prior to this acquisition by the City of Nashua, Pennichuck's shares were traded on a public stock exchange. This change in the ultimate ownership of PWW's parent, Pennichuck, from publicly-traded shareholder ownership to ownership by the City has had important consequences for the operation of PWW.

One of the consequences is that PWW, after the City's acquisition of Pennichuck, no longer has access to private equity markets as a method of financing its capital needs. As contemplated by deliberations during the Commission's proceeding to approve the City's acquisition of Pennichuck in DW 11-026, after the acquisition, PWW expected to finance its on-going capital needs entirely through the issuance of debt. One result of this anticipated debt financing is that the weighted average cost of PWW's capital is significantly lower than it was prior to the City's acquisition. This lower cost of capital has direct benefits for PWW's customers. Under the docket for DW 16-806, the Company provided support for its existing capital structure, for which approval was granted for a modified rate setting methodology in Order No. 26,070. This financing petition is directly related to the Company's current debt needs, as well as a structure that is in full support of that modified rate methodology.

Q. Mr. Goodhue, how did the 2014 and 2015 Bond financings improve PWW's capital structure consistent with this history of the City of Nashua's acquisition of Pennichuck?

A. The 2014 and 2015 Bond financings may be viewed as first and second steps in migrating PWW's capitalization to a format that was better aligned with the change in Pennichuck's ultimate ownership from private shareholders to the City of Nashua. These financings accomplished three favorable results. First, the new bonds were issued pursuant to loan documents that have financial covenants that are better aligned with the new ownership structure, and present less risk of future violations. Second. the financings refinanced prior bonds that were subject to "balloon" payments at maturity with bonds that are fully amortizing, so that PWW became less subject to risks that it might not be able to raise funds under uncertain future market conditions to meet the "balloon" payment obligations. Third, the financings took advantage of a favorable interest rate environment at the end of 2014 and 2015, thereby eliminating the risk that PWW might be required to accomplish the financings at later times when interest rates might be higher.

Additionally, as a result of the 2014 and 2015 financings, all seven series of tax-exempt bonds that were in existence as of the date that the City acquired Pennichuck Corporation were refinanced. These bond series were all "balloon" maturity bond issuances, with covenants that were established in support of PWW's then existing debt/equity funding model. The 2014 and 2015 refinancing activities allowed PWW to accomplish the following: (1) refinance the seven series of bonds with fully amortizing tax-exempt bonds, thereby effectively eliminating the previously identified future refinance and interest rate risk associated with those borrowed monies; and (2) allow these refinance amounts to have covenants which are much better aligned with PWW's current capital structure.

Q. How were the 2014 and 2015 financing transactions viewed by rating agencies?

A. As a part of the financing petition process pursued in 2014 and 2015, the credit rating agencies reviewed the financing transactions favorably, resulting in an increase in PWW's credit rating to an "A" rating with a stable outlook. Subsequently, the credit rating agencies have further enhance PWW's credit rating to an "A+" rating with a stable outlook.

Q. What impact do you feel that the modified rate methodology as approved under Order No. 26,070 will have on the Company's credit rating, and the long term prospects for the Company to access low cost debt for capital projects and infrastructure replacement needs?

A. The modified rate methodology approved under Order No. 26,070 is considered to be the next essential step in the overall recapitalization of the Company, with rates now based upon the manner in which the Company funds and pays for its obligations. Additionally, the order approved a structure that places Rate Stabilization Funds under each major component of the overall allowed revenue requirement. In initial discussions with the Company's Bond issuance advisors, these factors should be perceived as extremely positive by the credit rating agencies, and could very well result in an increase in the Company's credit rating associated with this financing request. The Company will be involved in the process with Standard and Poors in early January as it relates to the determination of the credit rating for the Bonds to be issued under this petition. Pursuant to Order No. 26,070, any change in the Company's credit rating will be communicated to the Commission upon receipt.

Q. Mr. Goodhue, has PWW sought the assistance of any investment advisor in connection with the development of the proposed financings?

A. Yes. PWW is working with representatives of TD Securities (USA) LLC to develop the structure and terms of the Bond financings contemplated in this petition. PWW expects that TD Securities (USA) LLC will become the underwriter in connection with the issuance of tax-exempt bonds, bond anticipation notes, or taxable bonds, through the New Hampshire Business Finance Authority, as contemplated by this proposal. Additionally, PWW has worked with both TD Securities (USA) LLC and TD Bank, NA to seek the best alternative to fund capital projects on a short-term basis during each calendar year, leading up to annual long-term debt issuance events. The culmination of those efforts is the proposed FALOC included in this petition.

Q. In addition to the proposed FALOC and Bonds, are there any other pending financial transactions that involve PWW?

A. Pennichuck Corporation, PWW's parent company, has executed a Term Sheet with TD Bank for a $4 million Working Capital Line of Credit, to replace its existing $10 million Line of Credit with TD Bank, NA. The loan is secured, in part, by the stock, accounts receivable and inventory of Pennichuck's subsidiaries, including PWW.

Q. Is Pennichuck Corporation's $4 million Working Capital Line of Credit included with PWW's financing petition being filed with your testimony?

A. No. On June 25, 2014, Pennichuck Corporation and TD Bank entered into a Revolving Loan Line of Credit Agreement that has been subsequently amended. As that loan agreement has been exclusively between Pennichuck Corporation and TD Bank, no approval has been sought from the Commission. Recently, Pennichuck Corporation and TD Bank have entered into an Amendment No. 5 to the June 25, 2014 Line of Credit Loan Agreement, attached as Exhibit LDG-8. Amendment No. 5 incorporates three primary changes: First, it extends the Expiration Date to February 28, 2018. Second it reduces the loan to $6 million. Third, it includes a condition that Pennichuck Corporation's subsidiaries execute guarantees for the Line of Credit in a form attached to the Amendment No. 5 which is also attached with Exhibit LDG-8. As is stated in the guarantee agreement, TD Bank is expressly prohibited from perfecting any guarantee without approval from the Commission. Specifically, the guarantee states "Lender acknowledges that Guarantor is a regulated entity subject to the jurisdiction of the [NHPUC]. Before the guaranty that is the subject of this agreement is perfected, approval from NHPUC will be required. Guarantor cannot waive the jurisdiction of the NHPUC, nor can Guarantor determine in advance the outcome of any such proceeding before the NHPUC." The guarantee agreements do not grant TD Bank a security interest nor do the guarantee agreements require PWW or any of the subsidiaries to pledge accounts receivable or inventory. The guarantee agreements only provide that, should TD Bank seek to make the guarantee effective, preapproval from the Commission would be required. Thus, unless and until such time as TD Bank seeks to perfect the guarantees, no action from the Commission is required. Pennichuck Corporation is currently in discussions with TD Bank about future loan agreements that may result in a new facility for Pennichuck Corporation and the subsidiaries. Should that future loan agreement require a pledge of assets, PWW and any other affected subsidiary would seek preapproval from the Commission with a finance petition.

I have had multiple conversations with George Mandt, Vice President and Senior Lender at TD Bank, as well as other TD Bank analysts and credit officers, regarding the guarantees. TD Bank understands that it currently has no security interest in the regulated subsidiaries' accounts receivable, inventory or any other asset of the subsidiaries. TD Bank further understands that the proposed guarantees will not create a security interest in the regulated subsidiaries' accounts receivable, inventory or any other assets of the subsidiaries. TD Bank also understands that the guarantees are not a recordable instrument and can take no action on the guarantees without an express order from the Commission. This is further evidenced by the language in the guarantee document that is referenced and quoted above, regarding the Commission's approval.

III. DESCRIPTION OF PROPOSED FINANCINGS

Q. Would you please briefly describe the financings contemplated by PWW's proposed financings?

A. The proposed financing is comprised of two components, exclusive of cost of issuance, as noted earlier:

(1) the issuance of new tax-exempt or taxable indebtedness of approximately $30,000,000 to finance capital projects for the years 2017-2020. Due to legislation that is currently being contemplated by the U.S. Congress, and its potential impact on Private Activity Bond ("PABs") issuances going forward, these may be replaced with Taxable Bonds, and/or phased in with Bond Anticipation Notes, depending on aggregate annual issuance sizes (as it relates to

market demand for small issuance amounts, and the relative cost of issuance based upon the overall size of an annual offering); and

(2) the implementation of a $10,000,000 Fixed Asset Line of Credit to fund capital projects as Construction Work in Progress (CWIP) during each calendar year, to be repaid and financed annually with long term bonds or debt for used and useful projects in conformity with the QCPAC program approved in Order No., 26,070.

These approximate principal amounts are exclusive of additional amounts that might require financing in connection with the Plan, including funding issuance costs, which will be discussed later in my testimony.

A. TAX-EXEMPT OR TAXABLE BONDS

Q. Mr. Goodhue, would you please describe the first component of the proposed financings in more detail?

A. The first component will be issued as tax-exempt bonds with a fixed interest rate, taxable bonds with a fixed interest rate, and/or bond anticipation notes with a fixed interest rate (the "Bonds" or "BANs"). The term of the Bonds will be no greater than 30 years, whereas if BANs are issued, they will be for a period of 12-15 months, when they can be aggregated with the next year's annual bond issuance for a period of 30 years. Repayment of the Bonds or BANs will be unsecured. Based on market conditions existing as of the date of this testimony, PWW believes that Bonds with terms and conditions similar to the Bonds could be currently issued at an interest rate of between 4.5% and 5.0% percent per annum. However, if PWW gets a credit rating enhancement as part of this Bond issuance process, an improvement in these rates could occur. Conversely, the impact of the tax reform legislation currently being pursued in the U.S.

Congress may have the opposite impact, should PABs no longer be allowed to be issued, forcing PWW and all other issuers of PABs to now issue Taxable Bonds in a marketplace that would be severely impacted by supply versus demand pressures on those debt instruments. As described below, PWW is providing as an exhibit to this testimony (LDG-4) a long-term financial projection thru 2049 (the full horizon for the repayment of 30 years bonds issued for 2019), based on a wide array of assumptions, which provides an assessment of the long-term impacts of the proposed borrowings. Among other assumptions, this model makes the conservative assumption that the Bonds will be issued at an interest rate of 5.0%. Of course, the actual financing structure, rates, terms and conditions, amount, redemption provisions and coupon rate of the Bonds would be determined at the time of issuance based on market conditions at that time. This forecast model also represents the estimated increases in allowed revenues pursuant to the modified rate methodology established in DW 16-806 under Order No. 26,070, as it relates to this financing, as well as the trend of financing future capital projects through 2049, exclusively with debt.

Q. What are the covenant requirements for this portion of the proposed financing transaction?

A. The new debt is to be issued under the loan and trust agreement which was adopted for the 2014 and 2015 tax-exempt bond financings. PWW intends to issue this new debt with the covenants set forth in that Loan and Trust agreement which were implemented to be best aligned with PWW's current capital structure and the now existing modified rate structure approved in Order No. 26,070.

Q. When does PWW intend to issue the Financing Bonds and complete this portion of the financing transaction?

A. PWW intends to issue the Financing Bonds on March 1, 2018, in conformity with the QCPAC process. However, due to the timing of the receipt of the order under Order No. 26,070, and the resulting delayed start on this financing petition based upon the approved structure from that order, if this petition is not approved within a rather tight timeframe, given the 30-day public comment period that follows the issuance of an Order NISI, and the completion of the final bond issuance processes that cannot occur until the order is received and fully perfected, this issuance date could slip to a date later in the month of March 2018.

B. FIXED ASSET LINE OF CREDIT

Q. Would you please describe the Fixed Asset Line of Credit component of the proposed financings in more detail?

A. This component, which will give PWW access to a $10 million Fixed Asset Line of Credit, will be used exclusively to fund the cash flow needs associated with capital projects during the calendar year, to be repaid in its entirety annually with the issuance of tax-exempt bonds, taxable bonds, or BANs in conformity with the annual QCPAC process for used and useful projects for each calendar year. The term of the FALOC is initially established to be two years, with an annual renewal review by the bank in accordance with the Bank's customary business practices. This FALOC will have a first security interest in the accounts receivable and inventory of PWW, as well as a pledge of PWW's stock (owned by Pennichuck Corporation), and will be cross-defaulted with all debt obligations of PWW, as well as the Line of Credit with TD Bank, NA at Pennichuck

Corporation, (which is being reset at a $4 million dollar cap for working capital purpose only, as compared to the current line of $10 million for working capital and CWIP funding purposes). This FALOC would have covenants equivalent to the covenants for the Bonds under the Loan and Trust Agreement (as discussed previously in this testimony), and would have an interest rate of 30-day LIBOR, plus 1.75%. Additionally, this FALOC will have a Commitment Fee equal to 0.25% per annum, due quarterly, for the average unused portion of the FALOC. A one-time upfront fee of $25,000 will be due upon closing and the initial access to the FALOC. A copy of the proposed Term Sheet for this FALOC is attached as Exhibit LDG-5.

Q. Will the FALOC be subject to the same financial covenants as the Bonds?

A. Yes. As indicated above. There is one additional covenant, however. PWW must maintain an S&P bond rating of at least BBB+ to access this FALOC.

C. OTHER ASPECTS OF THE PROPOSED FINANCINGS

Q. Please explain how the Bonds would be issued through the New Hampshire Business Finance Authority.

A. The Bonds would be issued and sold by the New Hampshire Business Finance Authority ("NHBFA"), subject to approval of the NHBFA, and the Governor and the Executive Council, if they are to be issued as Tax-exempt bonds under the Private Activity Bond rules, as currently exist under the IRS code. These bonds will be issued by NHBFA as one or more series under the 2014 Loan and Trust agreement entered into by the NHBFA, PWW and a trustee. All payments of principal and interest on these bonds would be limited obligations of the NHBFA and would be payable solely from payments made by PWW. These bonds would 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, would secure the payment of any obligation under the bonds. If, however, due to actions currently being contemplated by the U.S. Congress, PABs are no longer allowed under the U.S. tax code, the Company may elect or be forced to issue this debt as Taxable Bonds and/or BANs, which could be issued directly to the market for the Company by TD Securities (USA) LLC.

Q. Will this proposed financing require PWW to update its credit rating with the rating agencies?

A. Yes. PWW expects that it, with representatives of TD Securities, will meet with Standard and Poors ("S&P") to update PWW's current credit rating prior to the issuance of the proposed debt obligations. Arrangements are underway to meet with the S&P in early January for this purpose, with their rating to be issued in the correct timeframe preceding the issuance of the bonds to the market. This review by S&P must be conducted contemporaneously with the issuance of the bonds, and cannot be completed prior to that timeframe. This is an essential step in the process of issuing these financial instruments, and is to be completed in a parallel process with PWW seeking approval from the Commission for this portion of the financings.

Q. Will PWW be required to establish and maintain a Debt Service Reserve Fund to support the issuance of the proposed debt obligations?

A. PWW does not contemplate that a Debt Service Reserve Fund ("DSRF") will be required to support issuance of the Bonds. Based upon PWW's current credit rating, and the bond market's willingness to purchase its 2014 and 2015 bonds without a DSRF, PWW does not expect that a DSRF will be required for this financing activity. Additionally, the modified rate structure approved under DW 16-806 on Order No. 26,070, will further enhance PWW's cash flow certainty in support of the repayment of its debt obligations, coupled with the modified and bifurcated Rate Stabilization Fund structure approved in the order.

Q. What are the estimated issuance costs for debt obligations contemplated by the Bond portion of this Integrated Capital Finance Plan?

A. The estimated cost to issue the debt obligations for the Bond portion contemplated by the proposed financings will depend, in part, on the final structure of the proposed financings, including whether tax-exempt or taxable bonds will be issued. As of the time of this testimony, PWW expects that the customary costs of issuance, including legal and underwriting costs, will be approximately $1,200,000-$1,500,000 in the aggregate, over the three year issuance period; however, $2,500,000 has been conservatively reserved with the NHBFA for these costs, as a part of their overall preliminary approval, allowing for significant anomalies to these costs depending upon changes in the bond markets due to the current tax legislation being consider in Washington at this juncture. In the Exhibits attached to this testimony, the "worst case" scenario of $2.5 million in COI has been include in those proforma schedules (LDG-1 (balance sheet – assets, deferred charges, equity and liabilities), LDG-2 (operating income statement) and LDG-3 (capital structure for ratemaking purposes), whereas the Bond Forecast Model (LDG-4 referenced below) has the current anticipated COI of approximately $1.2 million included in that forecast.

As to the FALOC portion of this financing petition, in addition to the $25,000 one-time fee due and payable to TD Bank, NA at closing, the cost of issuance for this facility will be approximately $15-30,000 for legal costs paid by PWW, for both their own legal counsel, as well as the legal counsel of the Bank.

Q. **How does PWW intend to treat these new debt issuance costs for accounting purposes?**

A. PWW intends to amortize the issuance costs of the proposed financings on a straight-line basis over the terms of the newly-issued bonds, and the initial 2-year term of the FALOC. This amortization proposal is consistent with the methodology applied with respect to issuance costs in previous financings by PWW.

IV. REQUIRED APPROVALS AND CONSENTS

Q. **Mr. Goodhue, would you please identify any approvals and consents required to consummate the transactions contemplated by the proposed financings?**

A. In order to consummate the transactions contemplated by the proposed financings, the following approvals and consents are required: (1) the requested approvals and findings of this Commission required by RSA Chapter 369; (2) approval by the NHBFA and the Governor and Executive Council to issue tax-exempt bonds; (3) authorization by PWW's Board of Directors; (4) authorization by Pennichuck's Board of Directors; and (5) approval by the City of Nashua, in its capacity as Pennichuck's sole shareholder.

Q. **Please describe the status of these approvals as of the date of this testimony.**

A. PWW's and Pennichuck's Boards of Directors have already provided preliminary approval for the proposed financings under this petition, and has authorized management to pursue all steps necessary to complete the transactions. A copy of these approval actions are attached to my testimony as Exhibits LDG-6 and LDG-7. PWW's Board of Directors will also approve the final structure and terms of the proposed financings and the Bond Purchase Agreement, pursuant to which the proposed bonds will be issued, and other material documents and agreements when such documents are finalized.

PWW has provided a request for approval to the City of Nashua. This request was considered in the Board of Alderman's November 14, 2017 meeting, and remanded to the City's Special Water Committee for consideration. A meeting is scheduled for December 7, 2017 with the Special Water Committee to review this request, which if resolved for approval by the Committee on that date, will be sent back to the Board of Alderman for a vote of approval in their meeting on December 12, 2017. Upon receiving approval from the City of Nashua, acting in its capacity as sole shareholder, this will be provided to the Commission in support of this petition.

On April 20, 2017, PWW submitted its application to obtain preliminary approval by the NHBFA Board of Directors to issue tax-exempt bonds on behalf of PWW. PWW was informed that on May 15, 2017, the NHBFA Board of Directors granted this preliminary approval for the issuance of these tax-exempt bonds on behalf of PWW. PWW is providing a copy of the written verification of this approval to the Commission, as Exhibit LDG-9. The NHBFA has not actually reserved any portion of its bonding limit at this time, as it awaits the Company actually receiving authority to issue the bonds from the Commission, and is thereby able to make a firm commitment to purchase/issue the bonds thru the NHBFA. PWW expects the NHBFA Board of Directors will take final approval action with respect to the proposed plan sometime during the next few months, as a part of this overall approval process, and PWW will provide a copy of this action to the Commission as soon as it becomes available. Additionally, as a part of this process, if PWW is to issue tax-exempt bonds thru the NHBFA, the Company will go before

Governor and Council to gain approval for the NHBFA to release these funds for issuance.

Q. Mr. Goodhue, when would PWW expect to be able to consummate the transactions contemplated by the proposed financing?

A. As of the date of this testimony, PWW expects to obtain all necessary approvals and consents, and satisfy all other conditions to closing the proposed financing, to allow closing on the transactions prior to the end of 2017. PWW would expect to be able to close on the FALOC as soon as it can receive an Order NISI from the Commission (including its perfection at the end of the public comment period), but no later than January 31, 2018, if at all possible. With regards to the Bond financing portion of his petition, PWW anticipates issuing the Bonds or BANs on March 1, 2018.

Q. When does PWW need to receive the Commission's approval of the financings contemplated by the proposed financing?

A. For the reasons described in this testimony, including the desire to consummate the transactions as soon as possible, and in light of the timing for which this process could truly be engaged after receiving its order for DW 16-806, approving the rate methodology that undergirds these financial instruments, PWW respectfully requests that the Commission issue an Order NISI no later than December 31, 2017, with a public comment period of 30 days, or less, if at all possible. This timing is especially important as it relates to the FALOC portion of this petition, as the Company along with Pennichuck is working to transition from its current $10 million Line of Credit with TD Bank, NA (held at Pennichuck Corporation, for the benefit of all companies in the consolidated ownership group of Pennichuck), to the new bifurcated Line of Credit structure discussed earlier in this testimony. This is important due to concerns about current terms of expiration of the current $10 million Line of Credit, and current covenant compliancy issues for that facility (which will all be resolved upon the consummation of this transition). This is all aligned with the modified rate methodology under Order No. 26,070, but could not be pursued with the Bank, and the various approval entities identified above, until that order was issued.

V. DESCRIPTION OF ATTACHED SCHEDULES

Q. Please explain Schedule LDG-1, entitled "Balance Sheet for the Twelve Months Ended December 31, 2016".

A. Schedule LDG-1, pages 1 and 2, presents the actual financial position of the Company as of December 31, 2016 and the pro forma financial position reflecting certain adjustments pertaining to the proposed $30 million Bond financing, as well as, assuming the Line of Credit with $0 of utilization, based upon the anticipated future usage in support of the QCPAC, as further described in the next question response.

Q. Please explain the pro forma adjustments on Schedule LDG-1.

A. Schedule LDG-1, page 1, reflects the pro forma adjustments to record the capital assets related to the purchase, construction or replacement of capital projects in the amount of $30 million for the years 2017-2019, and to record a full year of depreciation and the adjustments required to reflect the Cost of Removal, of $3,000,000. This schedule also reflects the pro forma usage of the TD Bank FALOC with $0 borrowed on that facility, as this instrument will be used to finance CWIP on an annual going forward basis pursuant to the QCPAC, and will be subject to repayment of usage annually for fixed assets that have gone used and useful, and for which future annual financing petitions will be filed in support of the term debt needed to repay the line of credit each year. This schedule also reflects the income impact on retained earnings related to costs associated with the financings, as reflected on Schedule LDG-2. Schedule LDG-1, page 2, also records the use of intercompany funds to support some of the related expenses.

Q. Please explain Schedule LDG-2, entitled "Operating Income Statement for the Twelve Months Ended December 31, 2016".

A. Schedule LDG-2 presents the actual operating income statement of PWW for the year ending December 31, 2016, and the pro forma income statement reflecting adjustments pertaining to the proposed financing.

Q. Please explain the pro forma adjustments on Schedule LDG-2.

A. Schedule LDG-2 contains four adjustments to develop a pro forma income statement reflecting the proposed financings. The first adjustment records the estimated increase in interest expense resulting from the financings (including refinancing's). The calculation of the net interest adjustment is shown on page 2 of Schedule LDG-2. The second adjustment records the changes to depreciation and property taxes resulting from the Plan. The third adjustment records the incremental amortization expense from the costs of issuance for the financings. And lastly, the fourth adjustment records changes to income tax expense resulting from the additional interest expense and depreciation and amortization expense, assuming an effective combined federal and state income tax rate of 39.41%.

Q. Please explain Schedule LDG-3 entitled "Pro Forma Capital Structure for Ratemaking Purposes for the Twelve Months Ended December 31, 2016."

A. Schedule LDG-3 illustrates the Company's pro forma total capitalization as of December 31, 2016, which comprises common equity and long term debt, including the proposed TD Bank financing. Although this schedule is not necessary under the modified methodology authorized by Order No. 26,070, it is being provided out of an abundance of caution and to avoid delay in this first filing following approval of the modified methodology. PWW does not anticipate filing this schedule with future petitions.

Q. **Please explain the forecast data presented on Schedule LDG-4.**

A. Schedule LDG-4 sets forth a long-term financial projection of PWW over a 32-year period from 2017 to 2049, based on estimates and assumptions, and reflecting the effects of the financings contemplated by the proposed financings. The projection has three components: (1) a Cash Flow Component; (2) a Profit & Loss Component; and (3) a Balance Sheet Component. This projection has been used by PWW, working with TD Securities, to assess the impacts of the proposed borrowings. This projection demonstrates that, based on reasonable assumptions and projections regarding numerous variables including future revenues based upon the approved rate methodology from DW 16-806, inflationary forecast of operating expenses, interest costs, capital expenditures, and establishment of the new debt arrangements, that PWW will continue to be able to provide necessary water service at reasonable revenue requirements and with satisfactory financial performance measures following issuance of the debt obligations contemplated by this proposed financing petition. Specifically, with respect to interest rates, this projection makes the conservative assumption that the Financing Bonds would be issued at an interest rate of 5.0%. While PWW has made this assumption for purposes of this long-term financial projection, PWW notes that, based on current market conditions prevailing at the time of this testimony, bonds with terms and conditions similar to the Bonds could be issued at rates different from this assumption, given the uncertainties surrounding the current tax legislation changes being discussed in the U.S. Congress. Furthermore, this long-term projection demonstrates that the proposed financings are consistent with the assumptions supporting the approval by this Commission of the City of Nashua's acquisition of Pennichuck in DW 11-026 and Order No. 25.929, as well as the modified rate structure approved under DW 16-806 and Order No. 26,070.

VI. PUBLIC GOOD FINDING AND CONCLUSION

Q. Do you believe that the issuance of up to $32,500,000 in aggregate tax-exempt bonds, as well as the establishment of the $10 million FALOC, as contemplated by the proposed financings is consistent with the public good?

A. Yes. As described earlier in this testimony, the proposed financings are consistent with the public good because they will:

(1) allow for the issuance of tax-exempt or taxable bonds which have repayment terms and financial covenants that are aligned with the capital requirements of PWW as it is now ultimately owned by the City of Nashua, and supported by PWW's newly modified allowed revenue rate structure;

(2) finance necessary construction projects using long-term debt with favorable interest rates and maturities that are aligned with the useful lives of the funded capital assets, to the long term benefit of PWW's ratepayers; and

(3) generally improve the capitalization of PWW consistent with the assumptions underlying the Commission's Order No. 25,292 (Approving Acquisition and

Settlement Agreement) and without a material adverse impact on customer rates, based on reasonable projections.

Q. Mr. Goodhue, does this conclude your testimony?

A. Yes, it does.

AMENDMENT NO. 5 TO LOAN AGREEMENT

This Amendment No. 5 to Loan Agreement (this "Amendment") is made as of November ___, 2017 by and between Pennichuck Corporation, a New Hampshire corporation with an address of 25 Manchester Street, Merrimack, New Hampshire 03054 (the "Borrower"), and TD Bank, N.A., a national bank having an address of 200 State Street, Boston, Massachusetts 02109 (the "Lender").

RECITALS

A. Reference is hereby made to a certain Loan Agreement dated as of June 25, 2014 by and between the Borrower and Lender, as amended by Amendment No. 1 to Loan Agreement dated December 19, 2014, by Amendment No. 2 to Loan Agreement and Allonge to Revolving Note dated December 23, 2015, by Amendment No. 3 to Loan Agreement and Allonge to Revolving Note dated August 16, 2017 and by Amendment No. 4 to Loan Agreement dated September 12, 2017 (the "Loan Agreement"). The loan obligations of the Borrower to Lender are further evidenced by a certain Revolving Note dated as of June 25, 2014 by the Borrower to the order of Lender in the principal amount of up to $10,000,000.00 as amended by Amendment No. 2 to Loan Agreement and Allonge to Revolving Note dated December 23, 2015 and as amended and restated by an Amended and Restated Revolving Note in the principal amount of $6,000,000.00 dated the date hereof (as amended and restated, the "Revolving Note"). All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

B. The Borrower and the Lender have agreed: (i) to extend the Expiration Date of the Loan, (ii) to reduce the Revolving Loan Commitment from $10,000,000.00 to $6,000,000.00, (iii) to amend the Loan Agreement schedules to provide for an increase in bank loans to Borrower's Subsidiary, Pennichuck East Utility, Inc., and (iv) to suspend testing of certain financial covenants for the reporting period ending December 31, 2017.

C. The Lender is willing to agree to such amendments to the Loan Agreement, but only upon the additional terms and conditions set forth in this Amendment, including without limitation thereof, the agreement of Borrower's Subsidiaries to provide joint and several unlimited guarantees of the Obligations of the Borrower to the Lender.

AGREEMENT

In consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lender and the Loan Parties hereby agree as follows:

I. Amendments to Loan Agreement.

1. In order to extend the expiration date of the revolving line of credit facility, the definition of the term "Expiration Date" contained in Section 1 of the Loan Agreement is hereby deleted and replaced with the following new definition for such term:

"Expiration Date" means February 28, 2018."

2. In order to reduce the maximum amount of the revolving line of credit facility, the definition of the terms "Revolving Loan Commitment" and "Revolving Note" contained in Section 1 of the Loan Agreement are hereby deleted and replaced with the following new definitions for such terms:

"Revolving Loan Commitment" means Six Million and 00/100 U.S. Dollars ($6,000,000.00).

"Revolving Note" means a certain Amended and Restated Revolving Note of even date herewith by the Borrower payable to the order of the Lender in the principal amount of the Revolving Loan Commitment, as may be amended, modified, or extended from time to time."

3. In order to provide for an increase in the Indebtedness permitted to be incurred by Pennichuck East Utility, Inc., from $1,500,000.00 to $3,500,000.00, existing Schedule 6(c)(v) of the Loan Agreement is hereby deleted and replaced by the attached Schedule 6(c)(v), effective the date of this Amendment.

4. Sections 6(j) and 6(k) of the Loan Agreement are hereby modified to provide that neither the Debt Service Coverage Ratio covenant nor the Equity Capitalization Ratio covenant shall be tested for the trailing twelve-month period ending December 31, 2017. Quarterly testing of such financial covenant for the trailing twelve months ending on each quarter end shall re-commence effective with the quarter ended March 31, 2018.

II. Conditions. As a condition to the waiver granted and the other undertakings of the Lender pursuant to this Amendment, the Borrower shall at the time of execution of this Amendment:

(a) pay to the Lender an amendment fee in the amount of $7,500.00 which shall be deemed to be fully earned and non-refundable as of the date of execution of this Amendment;

(b) execute and deliver this Amendment, the Revolving Note and such other documents, instruments and agreements as the Lender shall require in connection with the amendments contemplated hereby;

(c) cause each of the Subsidiaries to execute and deliver to the Lender a Guaranty in the form of the Guarantees annexed hereto as Exhibits A-E.

(d) reimburse the Lender for its out of pocket costs in connection with this Amendment and the Modification Documents (as defined below), including reasonable legal fees and expenses incurred by the Lender; and

(e) deliver to the Lender any other documents reasonably requested by the Lender in form and substance reasonably satisfactory to the Lender. This Amendment together with any other additional documents executed herewith, together with this Amendment, shall be referred to herein as the "Modification Documents".

III. Representations and Warranties. The Borrower hereby represents and warrants that: (i) its representations and warranties set forth in the Loan Agreement are true in all material respects on and as of the date hereof as if made on such date (except to the extent that the same expressly relate to an earlier date or are affected by the consummation of transactions permitted hereby or by the Amendment); (ii) it is in compliance in all material respects with all of the terms and provisions set forth in the Loan Agreement on its part to be observed or performed; (iii) no Event of Default or Default Event has occurred and is continuing; (iv) since the date of the financial statements most recently provided to the Lender by the Borrower, there has occurred no material adverse change in the assets or liabilities or the financial or other condition of the Borrower; (v) it has full power to execute, deliver and perform its obligations under the Modification Documents and the execution, delivery and performance of the Modification Documents have been authorized and directed by the appropriate parties; (vi) the Modification Documents constitute the legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms; (vii) the execution, delivery and performance thereof will not violate any provision of any existing law or regulation applicable to the Borrower or its governing documents or of any order or decree of any court, arbitrator or governmental authority or of any contractual undertaking to which it is a party or by which it may be bound; and (viii) no consents, licenses, approvals or authorizations of, exemptions by or registrations or filings with, any governmental authority are required with respect to the Modification Documents.

IV. Miscellaneous.

1. If the Borrower fails to comply with all the terms and conditions of the Modification Documents, such failure shall constitute a default under this Amendment and an Event of Default under the Loan Agreement and other Loan Documents.

2. No other changes shall be made to the Loan Agreement, and the Borrower reaffirms its obligations under the Loan Documents (as amended hereby) in their entirety. This Amendment is not intended to extinguish or affect any of the debt evidenced by the Note or to otherwise modify any of the obligations under any of the Loan Documents, except as amended hereby. The Borrower hereby reaffirms that the Borrower remains indebted to the Lender without defense, counterclaim or offset and hereby releases the Lender from any and all claims or other causes of action which the Borrower may have against the Lender with respect to the Loans and the Loan Documents.

3. This Amendment shall be construed in accordance with the laws of the State of New Hampshire without regard to principles of conflicts of laws. If any provision hereof is in conflict with any statute or rule of law of the State of New Hampshire or any other statute or rule of law of any other applicable jurisdiction or is otherwise unenforceable, such provisions shall be deemed null and void only to the extent of such conflict or unenforceability and shall be deemed separate from and shall not invalidate any other provision of this Amendment.

4. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and no other parties shall be a beneficiary hereunder. Neither this Amendment nor any of the provisions hereof can be changed, waived, discharged or terminated except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

5. This Amendment may be signed in counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument. Signatures delivered by facsimile transmission shall have the same force and effect as original signatures delivered in person.

EXECUTED under seal as of the date first above written.

LENDER:

TD BANK, N.A.

____
Witness

By:______________________________
Name: George Mandt
Title: Vice President

BORROWER:

PENNICHUCK CORPORATION

____
Witness

By:______________________________
Name: Larry D. Goodhue
Title: Chief Financial Officer, Treasurer and Controller

[redacted]
REDACTED VERSION

GUARANTY

[redacted]

[redacted]
REDACTED VERSION

[redacted]

[redacted]

5. [redacted]

[redacted]

REDACTED VERSION

[redacted]

[redacted]

[redacted]

[redacted]

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EXHIBIT A
SUBSIDIARIES OF BORROWER

The Southwood Corporation
A New Hampshire corporation

Pennichuck Water Works, Inc.
A New Hampshire corporation

Pennichuck East Utility, Inc.
A New Hampshire corporation

Pittsfield Aqueduct Company, Inc.
A New Hampshire corporation

Pennichuck Water Service Corporation
A New Hampshire corporation

DW 17-183
PENNICHUCK WATER WORKS, INC.
PETITION FOR FINANCING APPROVAL
STAFF DATA REQUESTS – SET 1

SUPPLEMENTAL RESPONSE

Date Request Received: 12/13/17 | **Date of Response: 1/20/2018**
Request No. Staff 1-2 | **Witness: Larry D. Goodhue**

REQUEST: Page 7 (Bates 18), Line 14 through Page 8 (Bates 19), Line 7:

a) In light of the requirements contained in RSA 369:2, please reconcile such to the Company's assertion that no action is required by the Commission at this time with regards to Penn Corp's pending $4 million Line of Credit which is to be secured, in part, by the stock, accounts receivable and inventory of Penn Corp's subsidiaries, including PWW.
b) In light of RSA 369:2, what is the anticipated timeframe that a filing will be forthcoming seeking Commission approval for the surety guarantees required from the subsidiaries, ie, PWW, PEU, and PAC, for Penn Corp's Line of Credit.

FIRST SUPPLEMENTAL RESPONSE:

In December 2017, Pennichuck Corporation informed the lender that PWW has concluded the guarantee language for Penn Corp's $4 million Line of Credit was unlikely to meet Commission approval. PWW declined to execute the guarantee and Penn Corp paid the associated $5,000 assessment to obtain an extension on the existing line of credit to February 28, 2018.

Following its decision not to proceed with the guarantees requested by the lender, Pennichuck Corporation has explored other possible options to satisfy the lender's desire to have some more traditional security that can be provided within the regulatory framework under which PWW operates. This effort to obtain a new line of credit is being undertaken in order to create a path to a debt facility that does not contain the same covenants that are associated with the current line of credit.

In an effort to meet the lender's requirements and not impose a financial burden on PWW or the other regulated subsidiaries that would require regulatory approval, Penn Corp is interested in proposing a collateral assignment of the existing money pool agreement in substantially the same form of the draft agreement attached to this data request response. The existing money pool agreement was not the subject of a Commission Order, but was instead placed on file with the Commission pursuant to RSA 366:3. The proposed collateral assignment does not modify the agreement itself or commit the subsidiaries to any financial obligation. Collateral assignments of this nature are common in a traditional private equity funded utility and Pennichuck Corporation's unique ownership structure does not limit Pennichuck Corporation's ability to enter into such agreements any more than what would be required of an equity owner.

Nevertheless, in light of recent conversations with Staff and out of an abundance of caution, we are supplementing our response to Staff DR 1-2 in order to give Staff an opportunity to provide any feedback it may consider appropriate. In addition, PWW proposes to meet with Staff, the OCA and legal counsel to discuss this proposal to ensure that PWW, Staff and the OCA are comfortable that Pennichuck Corporation can proceed and present this agreement in its negotiations with the bank. Time, however, is of the essence and PWW proposes such a meeting as soon as practicable; the current line of credit is only under extension until February 28, 2018 at this time. Management continues to work with the bank in order to either: (1) further extend that line while agreeable terms for the new line can be arranged and approved, or (2) gain approval from the bank related to this proposed collateral assignment. Management will continue to explore all potential options that are agreeable to all parties involved, in order to secure the new line of credit.

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DW 17-183
PENNICHUCK WATER WORKS, INC.
PETITION FOR FINANCING APPROVAL
STAFF DATA REQUESTS – SET 2 (VERBAL REQUESTS)

Date Requests Received: 2/20/2018 | **Date of Response: 2/21/2018**
Witness: Larry D. Goodhue

This is in response to two questions asked by Staff on a conference call with Pennichuck Water Works, Inc. ("PWW") and its representatives on February 20, 2018. The questions arise in connection to the collateral assignment by Pennichuck Corporation's ("Penn Corp") of its interest in the Money Pool Agreement dated as of January 2, 2006, by and among Penn Corp, PWW, Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, Inc., Pennichuck Water Service Corporation and The Southwood Corporation (the "Money Pool Agreement"). The proposed collateral assignment was described in PWW's Supplemental Response to Staff 1-2 (1/20/2018).

The collateral assignment by Penn Corp of its rights under the Money Pool Agreement is proposed to be made by Penn Corp to T.D. Bank, N.A. (the "Bank") in connection with a $4 million working capital line of credit to be made by the Bank to Penn Corp (the "Line of Credit").

REQUEST 2-1:

1. What happens under the Money Pool Agreement if Penn Corp defaults under the Line of Credit?

RESPONSE:

If Penn Corp defaults under the Line of Credit, the Bank will have the right to step into the shoes of Penn Corp with respect to Penn Corp's rights (but not obligations) under the Money Pool Agreement. In such a case, the Bank would then have the right to enforce the Money Pool Agreement and collect any amounts owing to Penn Corp under the Money Pool Agreement. The proposed collateral assignment is solely of Penn Corp's rights under the Money Pool Agreement and not of any bank account or other assets of Penn Corp or its subsidiaries.

REQUEST 2-2

What is the effect of Section 2.4 of the Money Pool Agreement?

RESPONSE:

Section 2.4 of the Money Pool Agreement allows the parties to the Money Pool Agreement to declare any party to the Money Pool Agreement to be in default under the Money Pool Agreement if the defaulting party "shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it bankrupt or insolvent." This is a standard, but limited, default provision that is triggered only if the defaulting party is in financial distress and, essentially, either insolvent or bankrupt. It is not a cross-default provision that would create a default under the Money Pool Agreement if any party defaulted under any other agreement (e.g., a default by Penn Corp under the Line of Credit (other than as a result of the insolvency or bankruptcy of Penn Corp) would not create a default by Penn Corp under Section 2.4 of the Money Pool Agreement). If Penn Corp were declared in default under Section 2.4 of the Money Pool Agreement, the other parties to the Money Pool Agreement, including PWW, would have a right to terminate the Money Pool Agreement as to Penn Corp and declare immediately due and payable all amounts owing by Penn Corp under the Money Pool Agreement. In such as case, it is likely that the other parties to the Money Pool Agreement, including PWW, would then have to secure their own sources of short-term working capital financing by, for example, entering into separate lines of credit with the Bank or one or more other financial institutions.

DW 17-183
PENNICHUCK WATER WORKS, INC.
PETITION FOR FINANCING APPROVAL
OCA DATA REQUESTS – SET 1 (VERBAL REQUESTS)

Date Requests Received: 2/20/2018 **Date of Response: 2/22/2018**
Witness: Larry D. Goodhue

This is in response to three questions asked by the OCA on a conference call with Pennichuck Water Works, Inc. ("PWW") and its representatives on February 20, 2018. The questions arise in connection to the collateral assignment by Pennichuck Corporation's ("Penn Corp") of its interest in the Money Pool Agreement dated as of January 2, 2006, by and among Penn Corp, PWW, Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, Inc., Pennichuck Water Service Corporation and The Southwood Corporation (the "Money Pool Agreement"). The proposed collateral assignment was described in PWW's Supplemental Response to Staff 1-2 (1/20/2018).

REQUEST 1-1:

a. Are there any further default triggers under the $4MM line of credit other than an annual 30 day clean up?

b. If so, please outline all events that trigger a default under the proposed $4MM line of credit with proposed assignment of rights under the Money Pool Agreement.

RESPONSE:

1.a Yes.

1.b Although the $4MM Working Capital Line of Credit relates to the parent company and is not a part of the requested financing approval sought in Docket No. DW 17-183, a copy was provided for information because, at the time, the lender had requested a guarantee agreement with the regulated subsidiaries. Because the regulated subsidiaries have declined to execute any guarantee agreements, the $4MM Line of Credit will not be subject to a guarantee agreement on the part of the regulated subsidiaries. Nevertheless, and in the interest of keeping the Commission, Staff and the OCA informed, PWW has updated its filing to reflect proposed changes to Pennichuck Corporation's ("Penn Corp") $4MM Line of Credit. Along with Mr. Goodhue's testimony filed with the Petition in this docket, a copy of the $4MM Term

Sheet was attached to Mr. Goodhue's testimony as LDG-8 (bates page PWW0059) and a copy is also attached to this Response. Since that the Term Sheet attached was filed with the Petition, Pennichuck Corporation and the lender have continued to negotiate terms (including, for example, the elimination of the guarantees), but a new term sheet has not been generated. Nevertheless, all of the "triggers" as are stated in the Financial Covenants section of the Term Sheet are the same. They mirror our bond covenants at PWW, with the one exception that PWW must maintain a BBB+ credit rating. The Penn Corp line is also cross defaulted to any other facilities offered by TD bank to any of the companies (Penn Corp and PWW). For the avoidance of doubt, this would mean if PWW is in default on its FALOC, it would create a default with the $4MM line at Penn Corp, but a default on the $4MM line at Penn Corp would not create a default with FALOC at PWW. Other terms of the $4MM line are still being negotiated by Penn Corp and the lender pending feedback from Staff and the OCA regarding the proposed collateral assignment of the Money Pool Agreement.

REQUEST 1-2

What is the interest rate on the existing $10MM line vs the proposed $4MM line?

RESPONSE:

The interest rate on both lines is the same with an interest rate of 30-day LIBOR plus 1.75%.

REQUEST 1-3

Please provide a copy of the proposed $4MM line of credit agreement.

RESPONSE:

The $4MM line of credit agreement has not been drafted pending continued negotiations between Penn Corp and the lender and receipt of feedback from Staff and the OCA on the proposed collateral assignment. Thus, the last draft is the Term Sheet attached as LDG-8 filed with the Petition, a copy of which is also attached to this Response.

Pennichuck Corporation

The proposed terms and conditions summarized herein are provided for discussion purposes only. They do not constitute an offer, agreement, or commitment to lend and are confidential. The terms and conditions upon which TD Bank, N.A. ("TD" or the "Bank") might extend credit to Pennichuck Corporation (or the "Borrower") are subject to satisfactory review and completion of documentation, satisfactory completion of due diligence, approval by TD Bank Credit Authorities, and other such terms and conditions as may be determined by Bank and its counsel.

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RATH YOUNG PIGNATELLI

Richard W. Head
Of Counsel
rwh@rathlaw.com
603-410-4322
Please reply to: Concord Office

February 2, 2018

VIA HAND DELIVERY AND ELECTRONIC MAIL

Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

Re: DW 17-183; Pennichuck Water Works, Inc.
Petition of Pennichuck Water Works, Inc. for Financing Approval

Dear Ms. Howland:

I am writing to provide an update on Pennichuck Water Works, Inc.'s ("PWW") Petition for this docket. As was described in Mr. Goodhue's testimony, the term sheet for the Fixed Asset Line of Credit ("FALOC") that was filed with the Petition for approval would "have a first security interest in the accounts receivable and inventory of PWW, as well as a pledge of PWW's stock (owned by Pennichuck Corporation), and will be cross-defaulted with all debt obligations of PWW, as well as the Line of Credit with TD Bank, NA at Pennichuck Corporation...." *See* November 29, 2017 Petition, Bates PWW0022.

Since the filing of the Petition, PWW has been working with the lender to obtain more favorable terms with the FALOC. As a result of those discussions, TD Bank is proposing to modify the cross-default term:

> such that the cross-default language would only modify and clarify the requirements of the cross-default. The modification would specify that the cross-default would in essence be a unilateral mechanism, such that a default on the FALOC would cause a default up to the Pennichuck Corporation Revolver, but would not have a cross-default mechanism which would apply down from the other proposed debt facilities at Pennichuck Corporation and/or its other subsidiaries, into PWW, and therefore a default in any debt facility to be provided by TD Bank, outside PWW, would not trigger a default on the facility proposed to PWW.

See Attachment A, January 30, 2018 letter from George Mandt, Vice President of TD Bank to Larry Goodhue. In order to keep the Commission and service list apprised, , PWW is filing an original and six copies of this letter and the enclosure as supplemental information to the Petition filed on November 29, 2017. A copy will also be served on the service list for this Docket.

Please contact me if there are any questions about this filing.

Very truly yours,

Richard W. Head

Enclosure
Copy: Service List

ATTACHMENT A

TD Bank
America's Most Convenient Bank®
1700 District Avenue, 2nd Floor
Burlington, MA 01803

January 30, 2018

Larry D. Goodhue
Chief Executive Officer
Pennichuck Water
25 Manchester St.
Merrimack, New Hampshire 03054

Dear Larry,

Per our recent discussions, I am writing to outline a specific modification to TD Bank's Term Sheet to Pennichuck Water Works ("PWW"), for a $10 million Fixed Asset Line of Credit, dated 8-23-2017. The Term Sheet reflected the terms and conditions under which we would recommend approval to the Bank's Credit Authorities.

One of the terms that we identified was a cross-default between this proposed loan to PWW, with all other debt of PWW, as well as Pennichuck Corporation and its other subsidiaries, including the proposed $4 million Revolver to be made available to Pennichuck Corporation.

The Bank is proposing to modify this requirement such that the cross-default language would only modify and clarify the requirements of the cross-default. The modification would specify that the cross-default would in essence be a unilateral mechanism, such that a default on the FALOC would cause a default up to the Pennichuck Corporation Revolver, but would not have a cross-default mechanism which would apply down from the other proposed debt facilities at Pennichuck Corporation and/or its other subsidiaries, into PWW, and therefore a default in any debt facility to be provided by TD Bank, outside PWW, would not trigger a default on the facility proposed to PWW.

Please note that the Term Sheet remains for discussion purposes only at this point.

Best Regards,

George Mandt

Vice President

TD Bank

1700 District Avenue, Burlington, MA 01803

R-17-157

RESOLUTION

AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK WATER WORKS, INC. TO ISSUE BONDS AND ENTER INTO A FIXED ASSET LINE OF CREDIT WITH TD BANK, N.A.

CITY OF NASHUA

In the Year Two Thousand and Seventeen

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

WHEREAS, Article IX (3) of the Articles of Incorporation of Pennichuck and Article V §2 of the by-laws of Pennichuck require the approval of the sole shareholder (the City of Nashua) for Pennichuck to create, incur or assume any indebtedness for borrowed money or guarantee any such indebtedness on behalf of Pennichuck or its subsidiaries; and

WHEREAS, Pennichuck Water Works, Inc. ("PWW") is a regulated New Hampshire public water utility corporation providing retail water service to New Hampshire customers, and is a wholly owned subsidiary of Pennichuck Corporation, which, in turn, is wholly owned by the City of Nashua;

NOW, THEREFORE, BE IT RESOLVED by the Board of Aldermen of the City of Nashua that the City approves Pennichuck and PWW borrowing up to a total of $32,500,000 in an aggregate principal amount by issuing tax-exempt AMT bonds and/or other borrowings to raise proceeds for the following purposes: (1) to finance up to $30,000,000 of PWW's cost of constructing, reconstructing, and replacing infrastructure, equipment, vehicles and all other fixed assets of PWW for the years 2017 – 2109; and (2) to fund up to $2,500,000 of various costs of issuance of the new bonds, including transaction costs, capitalized interest, and, if necessary and appropriate, credit enhancements such as a debt service reserve fund or other credit measure as may be determined by PWW in response to prevailing market conditions.

AND FURTHER, BE IT RESOLVED by the Board of Aldermen of the City of Nashua that the City approves Pennichuck and PWW entering into a revolving fixed asset line of credit with TD Bank, N.A., allowing for annual borrowings of up to $10,000,000, pursuant to a security interest in PWW's accounts receivable and inventory, and pledge of the stock of PWW, for the purpose of providing advances to be used for interim capital projects funding.

LEGISLATIVE YEAR 2017

RESOLUTION: R-17-157

PURPOSE: Authorizing Pennichuck Corporation and Pennichuck Water Works, Inc. to issue bonds and enter into a fixed asset line of credit with TD Bank, N.A.

ENDORSERS: Alderman-at-Large Brian S. McCarthy

COMMITTEE ASSIGNMENT:

FISCAL NOTE: None.

ANALYSIS

This resolution approves the proposal by Pennichuck Corporation and Pennichuck Water Works to issue tax-exempt AMT and/or taxable bonds and to enter into a new revolving fixed asset line of credit with TD Bank, N.A. as 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: Dorothy Clarke

Date: November 13, 2017

MONEY POOL AGREEMENT

This Money Pool Agreement (the "Agreement") is made and entered into effective as of January 1, 2006 by and among Pennichuck Corporation ("Parent"), Pennichuck Water Service Corporation ("PWSC"), Pennichuck East Utility, Inc. ("PEU"), Pittsfield Aqueduct Company, Inc. ("PAC"), Pennichuck Water Works, Inc. ("PWW") and The Southwood Corporation ("Southwood"), each of which is a New Hampshire corporation (each a "Party" and, collectively, the "Parties").

WITNESSETH:

WHEREAS, the Parties desire to establish a money pool (the "Money Pool") to coordinate and provide for certain of their short-term cash and working capital requirements; and

WHEREAS, each of the Parties may from time to time have a need to borrow funds on a short-term basis, and each of the Parties may from time to time have funds available to loan on a short-term basis.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions contained herein, the Parties agree as follows:

Article 1
CONTRIBUTIONS AND BORROWINGS

1.1 Contributions to Money Pool.

Subject to applicable regulatory restrictions, if any, each Party will determine each day, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion, the amount of funds it has available for contribution to the Money Pool, and will contribute such funds to the Money Pool. The determination of whether a Party at any time has surplus funds to lend to the Money Pool or shall lend funds to the Money Pool will be made by such Party's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion.

Each Party may withdraw any of its funds at any time upon notice to the Parent as administrative agent of the Money Pool.

1.2 Rights to Borrow.

Subject to the provisions of Section 1.04(c) of this Agreement, short-term borrowing needs of the Parties will be met by funds in the Money Pool to the extent such funds are available. Each Party shall have the right to borrow funds on a short-term basis from the Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein and in any applicable regulations or orders of the New Hampshire Public Utilities Commission ("PUC"). Each Party may request loans from the Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties; provided, however, that the aggregate amount of all loans requested by any Party hereunder shall not exceed any borrowing limit set forth by applicable regulatory authorities, resolutions of such Party's Board of Directors, such Party's governing corporate documents, and agreements binding upon such Party.

1.3 Source of Funds.

1.3.1 Funds will be available through the Money Pool from the surplus funds in the treasuries of the Parties regardless of their source other than External Funds ("Internal Funds") and (2) proceeds from revolving loan or other short term bank borrowings by Parties ("External Funds"), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from each Party in such other order as the Parent, as administrator of the Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Money Pool.

1.3.2 Parties borrowing funds under this Agreement will be deemed to have borrowed pro rata from each Party lending funds under this Agreement in the proportion that the total amount loaned by such lending Party bears to the total amount then loaned through the Money Pool. On any day when more than one fund source (e.g., Internal Funds or External Funds), with different rates of interest, is used to fund loans through the Money Pool, each borrowing Party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Money Pool.

1.4 Authorization.

1.4.1 Each loan shall be authorized in writing by the lending Party's chief financial officer, treasurer, controller or comptroller or by a designee thereof.

1.4.2 The Parent, as administrator of the Money Pool, will provide, upon the request of any Party, periodic activity and cash accounting reports that include, among other things, reports of cash activity, the daily balance of loans outstanding and the calculation of interest charged.

1.4.3 All borrowings from the Money Pool shall be authorized by the borrowing Party's chief financial officer, treasurer, controller or comptroller or by a designee thereof. If the person providing such authorization is also authorized to provide the authorization referred to in Section 1.04(a), a single document providing such authorization shall be sufficient, unless otherwise required by law. No Party shall be required to effect a borrowing through the Money Pool if such Party determines that it can (and is authorized to) effect such borrowing at lower cost directly from banks or otherwise.

1.5 Interest.

The daily outstanding balance of all loans to any Party shall accrue Interest as follows:

1.5.1 If only Internal Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily balances shall be equal to the average of the interest rate applicable under the Parent's revolving loan or other short term credit facility during the month in which such balance was outstanding (the "Average Composite").

1.5.2 If only External Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily outstanding balance shall be the lender's cost for such External Funds or, if more than one Party has made available External Funds during the period such loan is outstanding, the applicable interest rate shall be a composite rate, equal to the weighted average of the costs incurred by the respective Parties providing such External Funds.

1.5.3 In cases where the daily outstanding balances of all loans outstanding at include both Internal Funds and External Funds, the interest rate applicable to the daily outstanding balances for the month shall be equal to the weighted average of the (i) cost of all Internal Funds contributed by Parties, as determined pursuant to Section 1.05(a) of this Agreement, and (ii) the cost of all such External Funds, as determined pursuant to Section 1.05(b) of this Agreement.

1.5.4 The interest rate applicable to loans made by a Party to the Money Pool under Section 1.01 of this Agreement shall be the Average Composite as determined pursuant to Section 1.05(a) of this Agreement.

1.6 Certain Costs.

The cost of compensating balances and fees paid to banks to maintain credit lines and accounts by Parties lending External Funds to the Money Pool as well as the interest expense incurred by the Parent for any External Funds that it is holding for the benefit of, but has not yet advanced to, any Party shall initially be paid by the Party maintaining such credit line or account. Such costs shall be charged to the Parties in accordance with the Cost Allocation and Services Agreement dated January 1, 2006, as it may be amended from time to time, except that any interest expense incurred by the Parent for any External Funds that it is holding for the benefit of an individual Party shall be charged entirely to that Party.

1.7 Repayment.

Each Party receiving a loan from the Money Pool hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty.

1.8 Form of Loans.

Loans from the Money Pool shall be made as open-account advances, pursuant to the terms of this Agreement. A separate promissory note will not be required for each individual transaction. Instead, a promissory note evidencing the terms of the transactions shall be signed by the Parties to the transaction. Any such note shall: (a) be dated as of the date of the initial borrowing; (b) mature on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing if a maturity date is specified; and (c) be repayable in whole at any time or in part from time to time, without premium or penalty.

Article 2
OPERATION OF MONEY POOL

2.1 Operation.

Operation of the Money Pool, including record keeping and coordination of loans, shall be carried out by the Parent under the authority of the appropriate officers of the Parties. The Parent shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. The Parent will administer the Money Pool on an "at cost" basis.

2.2 Investment of Surplus Funds in the Money Pool.

Funds not required for Money Pool loans (with the exception of funds required to satisfy any liquidity requirements of the Money Pool) shall be invested in accordance with the Parent's Short-Term Investment Policy Statement, as it may be amended from time to time.

2.3 Allocation of Interest Income and Investment Earnings.

The interest income and other investment income earned by the Money Pool on loans and investment of surplus funds will be allocated among the Parties in accordance with the proportion each Party's contribution of funds in the Money Pool bears to the total amount of funds in the Money Pool. Interest and other investment earnings will be computed on a daily basis and settled once per month.

2.4 Event of Default.

If any Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it bankrupt or insolvent, then the Parent, on behalf of the Money Pool and any other Party (if the Party failing to pay its debts is the Parent), may, by notice to the Party failing to pay its debts, terminate the Money Pool's commitment to such Party and/or declare the principal amount then outstanding of, and the accrued interest on, the loans and all other amounts payable to the Money Pool by the Party hereunder to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Party.

Article 3
MISCELLANEOUS

3.1 Term.

This Agreement shall be effective upon execution by all of the Parties and shall continue indefinitely unless and until terminated by any Party, in which event this Agreement shall terminate only with regard to the Party or Parties giving notice of termination.

3.2 Amendments.

This Agreement may be amended by the Parties at any time by execution of an instrument in writing signed on behalf of all Parties.

3.3 Legal Responsibility.

Nothing herein contained shall render any Party liable for the obligations of any other Party hereunder and the rights, obligations and liabilities of the Parties are several in accordance with their respective obligations, and not joint.

3.4 Rules for Implementation.

The Parties may develop a set of guidelines for implementing the provisions of this Agreement, provided that the guidelines are consistent with all of the provisions of this Agreement.

3.5 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party hereto as of the date first above written.

PENNICHUCK CORPORATION

By: William D. Patterson
Name: William D. Patterson
Title: VP

PENNICHUCK WATER SERVICE CORPORATION

By: William D. Patterson
Name: William D. Patterson
Title: VP

PENNICHUCK EAST UTILITY, INC.

By: William D. Patterson
Name: William D. Patterson
Title: VP

PITTSFIELD AQUEDUCT COMPANY, INC.

By: William D. Patterson
Name: William D. Patterson
Title: VP

PENNICHUCK WATER WORKS, INC.

By: William D. Patterson
Name: William D. Patterson
Title: VP

THE SOUTHWOOD CORPORATION

By: William D. Patterson
Name: William D. Patterson
Title: VP

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
alexander.speidel@puc.nh.gov
amanda.noonan@puc.nh.gov
brian.buckley@oca.nh.gov
carolann.howe@pennichuck.com
donald.ware@pennichuck.com
james.brennan@oca.nh.gov
jay.kerrigan@pennichuck.com
jayson.laflamme@puc.nh.gov
larry.goodhue@pennichuck.com
ocalitigation@oca.nh.gov
robyn.descoteau@puc.nh.gov
rwh@rathlaw.com
steve.frink@puc.nh.gov

Docket #: 17-183-1 Printed: March 23, 2018

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.**