

Presentation to the NHPUC with regards to IR 20-089

Pennichuck Water Works, Inc.
Pennichuck East Utility, Inc.
Pittsfield Aqueduct Company, Inc.

June 17, 2020

Customer/Employee Safeguards – Field Appointments

- Redefinition of essential versus non-essential customer appointments
 - Phased approach that adjusted as the pandemic progressed, and as the summer watering season approached.
 - Deferred all meter PTs initially. PTs for meters over 1.5” to be resumed in the coming weeks.
- Rescheduling and deferral of meter PTs, Backflow Testing, and No read out repairs (potentially longer estimations than normal; several months versus just 1 or 2 months)
- PPE requirements for customer appointments inside a residence
 - Face masks
 - Disposable gloves
 - Sanitation supplies
 - Social distancing from customers in their homes
 - Expediency of appointments (in and out as quickly as is possible)
- Proper disposal of PPE consumed supplies
- Sanitation of vehicle and equipment after appointments
- To date, no employees have tested positive for COVID-19
- Completed all necessary annual flushing in our Core system and certain necessary Community Water Systems (at night to provide for proper social distancing and isolation), to the benefit of water quality issues for customers.
- Non-Core system flushing activities deferred to the Fall 2020

Customer/Employee Safeguards – Main Office and Physical Facilities

- Employed pandemic protocols in advance of Governor’s stay at home orders
 - Phased in approach for each part of our operations, which were ratcheted up and adjusted as the pandemic progressed
- Closed the customer reception “front desk”
 - Payment “drop box” outside HQ facility still available for customers
 - Customer outreach was made to customers about our pandemic response protocols via phone call distribution “dial out,” website notification, Facebook outreach
- PPE provided to all employees
 - Personal hand sanitizers
 - Sanitizing wipe dispensers
 - Paper/Cloth masks and Bandanas
 - Thermal imaging thermometers
- All employees that can work from home have been since March 10. All customer service representatives are fully functioning from home and handling all customer inquiries with little to no interruptions
- Employees that must come into the office occasionally do so in an alternating daily basis and/or apply social distancing protocols and must complete CoVID-19 survey

Customer/Employee Safeguards – Main Office and Physical Facilities (cont'd)

- Regular sanitization of common surfaces
- Regular and periodic updates to all employees
- Daily chatrooms established for networking and communication
- Employed MS Teams for all meetings
- Withdrew any participation in conferences, events and large meetings
- Maintained fully employed workforce

Sales Forecasts

- Have applied sensitivity analysis to budgeted revenues for the current year
 - Used budgeted amounts ratcheted down by \$1.5 million for 2020 in most recent credit review assessment by S&P in mid-April
 - Sensitivity to compliancy with overall debt covenants tested
 - No permanent adjustments to budget or forecasts have been made as overall source of revenues is greatly weather dependent, which is unknown as to full impact as of this juncture
- YTD results for billed and accrued revenues on par with prior year
 - PWW up by 0.5%
 - PEU up by 5.6%
 - PAC up by 3.1%
- YTD results for billed and accrued revenues versus budget
 - PWW down by 2.7%
 - PEU up by 2.6%
 - PAC up by 0.3%

Sales Forecasts (cont'd)

- Pumpage patterns for April and May (compared to 2019)
 - PWW daily pumpage numbers – Core
 - Residential up by 12.5%
 - Commercial and Industrial down by 14.4%
 - Municipal down by 54%
 - Special Contracts down by 41%
 - Aggregate total daily pumpage down by 2.8%
 - PWW pumpage numbers – community systems
 - Up by 31%
 - PEU pumpage numbers – aggregate
 - Up by 7%
 - PAC pumpage numbers – aggregate
 - Up by 12%

Collection Concerns/Trends

- **All three Utilities in the Aggregate**

- Over 60 day aged balances represented 9.0% of total receivables or approximately \$193K for PWW as of 5/31/2019
- Over 60 day aged balances represented 8.8% of total receivables or approximately \$228K for PWW as of 12/31/2019
- Over 60 day aged balances represented 13.2% of total receivables or approximately \$435K for PWW as of 5/31/2020

- By Utility (over 60 as a percentage of total A/R

	<u>PWW</u>	<u>PEU</u>	<u>PAC</u>
● 5/31/2019	8.1%	10.2%	48.0%
● 12/31/2019	7.4%	13.1%	21.8%
● 5/31/2020	12.4%	16.0%	29.5%

Financing Concerns/Monitoring

- As a debt-only funded group of utilities, subject to restrictive covenants on its debt and a rate structure designed for recovery of cash flow required to operate and fund the entities, the Company has worked with its lenders actively during this period as it relates to those underlying debt instruments.
- Access to debt financing, either long term, or as a backstop to its short-term working capital needs are essential in the Company's overall operations and ability to serve its customers
- The Company also looked at the impact on its overall ability to remain financially viable and its ability to remain in compliance with all of its debt covenants, and as such, applied for and received a PPP loan, as approved by the Commission in Docket No. DW 20-064. Included in that approval is a requirement to report on the final results of usage of that PPP loan, as to its forgiven amounts, and the overall benefit to ratepayers, no later than October 1, 2020.

Financing Concerns/Monitoring (cont'd)

- Access to the debt markets was and continues to be something the Company is actively monitoring with its bond underwriters.
 - PWW's annual bond issuance in April was delayed by approximately 3 weeks due to impacts on the bond market, which caused the market to “fully pause” for a period of several weeks.
 - The Company continues to monitor the ability to issue bonds into the market and the rates being required, as it anticipates future bond issuances contemplated for the September 2020 and April 2021 timeframes.

Capital Projects

- Overall capital projects has not been materially impacted.
- One major project, the replacement of the Kessler Farm Tank in Nashua was deferred from 2020 to 2021
 - Project needed to be started in late February in order to be online by end of the construction season.
 - Due to disruption in the availability of contractors for that project and other key elements, this was not able to be accomplished.
- Several other key projects slated for 2021, were moved forward into 2020, to balance the projects workload between the years.

Lessons Learned

- Our primary concerns were and remain to be
 - Providing essential services to our customers
 - Maintaining compliancy with all Safe Water Drinking Act requirements for water quality, testing and supply
 - Ensuring the safety, health and well-being of our employees and customers
 - Maintaining our essential workforce throughout
 - Effectively communicating with all pertinent stakeholders
 - Customers
 - Employees
 - Lenders
 - Regulators
- We had made the current, proper and prudent investments into technology over the past several years to be fully prepared to respond to this new normal
- We had to be resilient to an ever-changing landscape as to
 - State emergency orders
 - Changing regulations
 - Disruption to the economy and its impact on our ability to issue bonds into the markets
 - The ability to communicate and give comfort to our lenders relating to our ability to continue to operate, fund operations, and remain in compliancy with loan requirements

Lessons Learned (cont'd)

- Alternate restocking procedures for essential materials and chemicals to avoid any problems with possible disruption in supply chains
 - Fully stocking chemical tanks and other necessary materials and supplies
 - Increased frequency to refill chemicals and necessary supplies
 - Goal to have 2-3 months advance supplies of necessary materials and supplies
- Alternate means to deploy our field staffs, including scheduling, home base activities, and isolated activities versus small group activities
- We need to accelerate the curve in opening up certain social media portals that were slated for 2020, but needed to be “fast tracked” in order to utilize them to communicate to customers in this environment
 - Enhanced communications via our website
 - Developing a Facebook presence to push information to customers
 - Automated calls to customers about our COVID-19 protocols
 - Requests for enhancements to contact information for our customers that had resisted giving that to us in the past
- Preparations for a “second wave” and the precautions being taken in resuming full normal processes and operating procedures
 - Led the curve into pandemic protocols
 - Plan to lag the curve coming out of pandemic protocols
 - An abundance of caution on behalf of customers and employees