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**Pennichuck East Utility Qualified Capital Project Adjustment Charge (QCPAC)
Customer Notice for February 2021 filing at the New Hampshire Public Utilities Commission**

Pennichuck East Utility, Inc.'s ("Pennichuck") primary goal is to provide exceptional service and delivery of quality water 24 hours a day, 365 days a year. We regularly evaluate the infrastructure of our systems to identify areas that require improvement. Pennichuck was granted approval by the New Hampshire Public Utilities Commission (PUC) in DW17-128 (Order #26,194) to implement a Qualified Capital Project Adjustment Charge (QCPAC). The QCPAC allows Pennichuck to bill a monthly surcharge based on a percentage of your monthly bill. The surcharge is directly linked to and based upon the costs of Pennichuck's ongoing investment in Qualified Capital Projects (QCPs) necessary to provide service to its customers, in compliance with State and Federal regulations, and to maintain its overall water supply and treatment infrastructure in a proactive and responsive manner.

The QCPAC surcharge allows Pennichuck to recover 1.10 times the annual principal and interest for the debt funds raised each year to pay for Pennichuck's QCP expenditures made on plant and equipment placed into service during the prior year, plus the incremental property taxes associated with the value of those QCPs. As a part of this annual process, Pennichuck's QCP expenditures are audited by the PUC for prudence and confirmation of actual expenditure levels.

Our customers benefit from the QCPAC program as it provides the necessary funding for Pennichuck to maintain a consistent plan for the replacement of aging infrastructure, increasing the reliability and quality of service provided to customers. The QCPAC program also results in smaller annual rate changes for customers by permitting Pennichuck to recover the costs associated with debt financing the replacement of aging infrastructure between rate cases, as well as the ability to continue to access lowest cost debt funding for these projects, based upon this QCPAC program.

As a part of this ongoing annual QCPAC process, Pennichuck filed a proposed three-year capital expenditure plan for 2021-2023 QCPs with the PUC on before February 11, 2021. The proposed 2021-2023 QCPs submitted will update the plan already on file with the PUC, as it relates to Pennichuck's 2020 through 2022 proposed QCP expenditures plan, which was previously filed with the PUC in February of 2020 as part of its DW 20-019 QCPAC filing. The surcharge requested in docket DW 20-019 are a subset of the new permanent rates being sought by Pennichuck in its rate case filing in Docket DW 20-156.

As a part of the February 2021 QCPAC filing, Pennichuck requested the PUC to allow it to bill for a QCPAC surcharge of 4.08% over and above the rates being sought in the Company's rate case filing in docket DW 20-156. The requested QCPAC surcharge will allow Pennichuck to recover the costs associated with debt financing the QCPs placed in service during 2020. The 4.08% QCPAC surcharge, if approved, will apply to all customer classes and charges for service rendered after June 30, 2021 and would be expected to go in effect near the end of 2021.

The requested QCPAC surcharge for 2020 QCPs, if approved in late 2021, would result in a QCPAC surcharge of about \$3.49 per month on the projected average single-family residential bill of \$85.40 sought in DW20-156, for a total average single family residential monthly bill of \$88.89. This notice amends the prior December 2020 customer notice to clarify that the QCPAC surcharge sought in the 2021 QCPAC filing includes bond funding initially included in the permanent rates sought in DW 20-156 but were subsequently removed from that matter. The overall result of these changes results, and the ensuing Revised Notice to Customers in conformity with the regulations of the NHPUC, in a change from the original notice on an average single family residential monthly bill of \$.02.

If you have any questions or concerns related to Pennichuck's February 2021 QCPAC filing, please contact Pennichuck Customer Service at 800-553-5191 or the New Hampshire Public Utilities Commission at 800-852-3793.



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The QCPAC surcharge allows Pennichuck to recover 1.10 times the annual principal and interest for the debt funds raised each year to pay for Pennichuck's QCP expenditures made on plant and equipment placed into service during the prior year, plus the incremental property taxes associated with the value of those QCPs. As a part of this annual process, Pennichuck's QCP expenditures are audited by the PUC for prudence and confirmation of actual expenditure levels.

Our customers benefit from the QCPAC program as it provides the necessary funding for Pennichuck to maintain a consistent plan for the replacement of aging infrastructure, increasing the reliability and quality of service provided to customers. The QCPAC program also results in smaller annual rate changes for customers by permitting Pennichuck to recover the costs associated with debt financing the replacement of aging infrastructure between rate cases, as well as the ability to continue to access lowest cost debt funding for these projects, based upon this QCPAC program.

As a part of this ongoing annual QCPAC process, Pennichuck ~~will be filing~~filed a proposed three-year capital expenditure plan for 2021-2023 QCPs with the PUC on ~~or before~~ February ~~15~~11, 2021. The proposed 2021-2023 QCPs submitted will update the plan already on file with the PUC, as it relates to Pennichuck's 2020 through 2022 proposed QCP expenditures plan, which was previously filed with the PUC in February of 2020 as part of its DW 20-019 QCPAC filing. The surcharge requested in docket DW 20-019 are a subset of the new permanent rates being sought by Pennichuck in its rate case filing in Docket DW 20-156.

As a part of this impending February 2021 QCPAC filing, Pennichuck will be requesting the PUC to allow it to bill for a QCPAC surcharge of ~~1.904.08~~1.94.08% over and above the rates being sought in the Company's rate case filing in docket DW 20-156. The requested QCPAC surcharge will allow Pennichuck to recover the costs associated with debt financing the QCPs placed in service during 2020. The ~~1.94.08~~1.94.08% QCPAC surcharge, if approved, will apply to all customer classes and charges for service rendered after June 30, 2021 and would be expected to go in effect near the end of 2021.

The requested QCPAC surcharge for 2020 QCPs, if approved in late 2021, would result in a QCPAC surcharge of about \$~~1.663.49~~1.663.49 per month on the projected average single-family residential bill of \$~~87.2585.40 sought in DW20-156~~87.2585.40 sought in DW20-156, for a total average singlefamily residential monthly bill of \$88.~~9189~~9189.

If you have any questions or concerns related to Pennichuck's February 2021 QCPAC filing, please contact Pennichuck Customer Service at 800-553-5191 or the New Hampshire Public Utilities Commission at 800-852-3793.