

**STATE OF NEW HAMPSHIRE**  
**BEFORE THE**  
**PUBLIC UTILITIES COMMISSION**

**Petition of Pennichuck Water Works, Inc. for Financing Approval to renew and extend its  
Fixed Asset Line of Credit with TD Bank, NA**

**DW 23-\_\_\_**

**DIRECT PREFILED TESTIMONY OF GEORGE TORRES**

March 29, 2023

1 **Q. What is your name and what is your position with Pennichuck Water Works, Inc.?**

2 A. My name is George Torres and I am the Chief Financial Officer, Treasurer and Corporate  
3 Controller of Pennichuck Water Works, Inc. (the “Company” or “PWW”). I have been  
4 employed with the Company since February 2006, when I initially served as the  
5 Corporation’s Accounting Manager. In 2015, I assumed the role of Director of  
6 Accounting and Corporate Controller, and was named and appointed as Treasurer in May  
7 2020, in addition to those roles. I have assumed the role of Chief Financial Officer of the  
8 Company as of January 1, 2023. I also serve as the Chief Financial Officer, Treasurer  
9 and Corporate Controller of the Company’s parent, Pennichuck Corporation  
10 (“Pennichuck”).

11 **Q. Please describe your educational background.**

12 A. I have a Bachelor of Science degree in Business Administration with a major in  
13 Accounting from Montclair State University in Montclair, New Jersey.

14 **Q. Please describe your professional background.**

15 A. Prior to joining the Company, I held Controller and Senior Accountant positions for  
16 several subsidiaries for the global human resource company Vedior North America, now  
17 known as Randstad USA from October 2002 to February 2006. My duties included all  
18 financial, accounting, and reporting functions for the subsidiaries, as assigned. Prior to  
19 joining Vedior N.A., I held various senior accounting positions for several companies in  
20 the retail, energy services, and manufacturing sectors.

1 **Q. What are your responsibilities as Chief Financial Officer, Treasurer, and Corporate**  
2 **Controller of Pennichuck?**

3 A. I am responsible for the overall financial management of the Company including  
4 financing, treasury, accounting and budgeting functions. My responsibilities also include  
5 issuance and repayment of debt, as well as quarterly and annual financial and regulatory  
6 reporting and compliance. The performance of these responsibilities is on behalf of  
7 Pennichuck Corporation and all its subsidiaries. And, in this capacity, I work with both  
8 the CEO of the Company, and other members of the senior management team, in the  
9 performance of my duties.

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

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

- 14 • Modification of Accounting Treatment of Leases for Pennichuck Water Works, Inc. –  
15 Docket No. DW 21-137;
- 16 • Waiver/Increase of Short-term Debt Limit for Pittsfield Aqueduct Company, Inc. –  
17 Docket No. DW 22-075.
- 18 • Refinance of CoBank T4 Note for Pennichuck East Utility, Inc. –  
19 Docket No. DW 23-024

20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to explain PWW’s request for approval and authority to  
22 renew the Fixed Asset Line of Credit (“FALOC”) that is currently in place with TD  
23 Bank, NA, and set to expire on June 30, 2023. As previously approved and utilized under

1 Order No. 26,442 in Docket No. DW 20-157 (December 29, 2020), this line will continue  
2 to be used to provide for short-term financing of capital projects, which on an annual  
3 basis is fully “paid off/cleaned out” and converted to long-term debt, via annual tax-  
4 exempt and taxable bond issuances, in support of (and aligned with) the Company’s  
5 Qualified Capital Project Adjustment Charge (QCPAC) surcharge process, as approved  
6 in Order No. 26,070 (November 7, 2017) in docket DW 16-806.

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

9 **A.** Yes.

10 **Q. Before explaining the details of the proposed financing, would you like to provide**  
11 **some history regarding the ownership of PWW and how that history supports this**  
12 **request for financing approval?**

13 **A.** Yes. PWW is wholly owned by Pennichuck, which is, in turn, wholly owned by the City  
14 of Nashua, New Hampshire. The City of Nashua acquired its ownership of Pennichuck  
15 on January 25, 2012, pursuant to this Commission’s Order No. 25,292 (November 23,  
16 2011) (Approving Acquisition and Settlement Agreement) in Docket No. DW 11-026.  
17 Prior to this acquisition by the City of Nashua, Pennichuck’s shares were traded on a  
18 public stock exchange. This change in the ultimate ownership of PWW’s parent,  
19 Pennichuck, from publicly traded shareholder ownership to ownership by the City has  
20 had important consequences for the operation of PWW. One of the consequences is that  
21 PWW, after the City’s acquisition of Pennichuck, no longer has access to private equity  
22 markets as a method of financing its capital needs. As contemplated by deliberations  
23 during the Commission’s proceeding to approve the City’s acquisition of Pennichuck in

1 DW 11-026, after the acquisition, PWW expected to (and has since 2012) finance its on-  
2 going capital needs entirely through the issuance of debt.

3 **Q. Why is renewal of the Fixed Asset Line of Credit needed at this time, and what**  
4 **makes this a critical and timely approval being sought?**

5 A. It is vitally important to have PWW’s FALOC approved and in place, without  
6 interruption. As the current facility expires on June 30, 2023, it is vital that it can  
7 seamlessly transition to an already offered renewal and extension of this credit facility,  
8 available to immediately take its place. This is extremely important as this is the only  
9 mechanism, on a short-term basis, that the Company currently has at its disposal to fund  
10 its current year capital expenditures on an annual basis. Which is then subsequently paid-  
11 off in the following year’s bond offering, in support of the Company’s annual Qualified  
12 Capital Project Adjustment Charge (QCPAC) surcharge process.

13 It is also important to note that, if the renewal and extension is not approved timely, all  
14 amounts due on the existing line would become immediately due and payable to the  
15 bank, for which the Company would be hard-pressed to be able to fund out of its  
16 available cash resources. Additionally, it would cause the Company to immediately  
17 cease any Capex projects in process or committed to, along with any penalties associated  
18 with such an action.

19 **Q. Would you please describe the Fixed Asset Line of Credit in more detail?**

20 A. This Fixed Asset Line of Credit, since it was first established in May of 2018 (as  
21 approved in Order No. 26,101 in Docket No. DW 17-183 on February 2, 2018), has been:  
22 • used exclusively to fund the cash flow needs associated with capital projects during each  
23 calendar year,

- 1 • repaid in its entirety annually with the issuance of tax-exempt bonds, taxable bonds, or
- 2 BANA
- 3 • in conformity with the annual QCPAC process for used and useful projects for each
- 4 calendar year.

5 The term of the FALOC was initially established to be two years, with an annual renewal  
6 review by the bank in accordance with the Bank’s customary business practices. The second  
7 renewal and extension of this pre-existing FALOC, as requested in this Petition, has an  
8 expiration date of June 30, 2023. See Order No. 26,442 (December 29, 2020) in DW 20-  
9 157. It is important to note that all features and requirements of the FALOC, in this renewal  
10 and extension, are exactly as are in place with the existing and expiring line, with one  
11 exception. The underlying market interest rate has been converted from a 30-day LIBOR  
12 (London Inter Bank Offering Rate), to a SOFR (Secured Overnight Financing Rate), as  
13 LIBOR as a market rate ceased to be available globally as of February 28, 2023. SOFR has  
14 been selected nearly universally by lending institutions as the replacement rate for LIBOR,  
15 as it most closely mirrors both the magnitude and volatility of that replaced market rate.  
16 As is the case with the existing and expiring FALOC, this FALOC renewal and extension  
17 will have a first security interest in the accounts receivable and inventory of PWW, as well  
18 as a pledge of PWW’s stock (owned by Pennichuck Corporation), an assignment of the  
19 rights under the Money Pool Agreement and Cost Allocation Agreement, and will be cross-  
20 defaulted with all debt obligations of PWW, as well as the Working Capital Line of Credit  
21 with TD Bank, NA at Pennichuck Corporation, (which is a \$4 million dollar revolving line  
22 of credit for working capital purpose only). This FALOC renewal and extension has  
23 covenants equivalent to the covenants for the Company’s issued Bonds under the Loan and

1 Trust Agreement and would have an interest rate of 30-day SOFR, plus 1.75%, which is the  
2 same as the existing FALOC, other than the migration from LIBOR to SOFR. Additionally,  
3 this FALOC renewal will have a one-time upfront renewal fee of \$12,000 which will be due  
4 upon closing and the initial access to the renewed FALOC. A copy of the proposed Term  
5 Sheet for this FALOC is attached as Exhibit GT-5.

6 **Q. Will the FALOC be subject to the same financial covenants as your existing Bonds,**  
7 **and the expiring FALOC?**

8 A. Yes.

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

11 A. In addition to the \$12,000 one-time fee due and payable to TD Bank, NA at closing, the  
12 cost of issuance for this facility will be approximately **\$8,000-15,000** for legal costs paid by  
13 PWW, for both their own legal counsel, as well as the legal counsel of the Bank.

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

16 A. PWW intends to amortize the issuance costs of the proposed renewal on a straight-line  
17 basis over the 2-year term of the FALOC renewal and extension. This amortization  
18 proposal is consistent with the methodology applied with respect to issuance costs in  
19 previous financings by PWW.

20 **Q. Would you please identify any approvals and consents required to consummate the**  
21 **transactions contemplated by the proposed financings?**

22 A. In order to consummate the transactions contemplated by the proposed FALOC renewal the  
23 following approvals and consents are required: (1) the requested approvals and findings of

1 this Commission required by RSA Chapter 369; (2) authorization by PWW's Board of  
2 Directors; (3) authorization by Pennichuck Corporation's Board of Directors; and (4)  
3 approval by the City of Nashua, in its capacity as Pennichuck's sole shareholder.

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

5 A. PWW's and Pennichuck's Boards of Directors have already provided preliminary approval  
6 for the proposed FALOC renewal under this petition and has authorized management to  
7 pursue all steps necessary to complete the transaction. A copy of these approval actions are  
8 attached to my testimony as Exhibit GT-6, PWW Corporate Secretary Certificate and  
9 Exhibit GT-7, Pennichuck Corporation Corporate Secretary Certificate. PWW submitted a  
10 request for approval to the City of Nashua, and upon receiving that approval in its capacity  
11 as sole shareholder, this will be provided to the Commission in support of this petition. A  
12 copy of the Company's letter submitted to the City of Nashua is attached as Exhibit GT-7.

13 **Q. When would PWW expect to be able to consummate the transactions contemplated by**  
14 **the proposed renewal?**

15 A. As of the date of this testimony, PWW expects to obtain all necessary approvals and  
16 consents, and satisfy all other condition, to allow closing on the transaction prior to June  
17 30, 2023. PWW would expect to be able to close on the FALOC as soon as it can receive  
18 an Order *NISI* from the Commission (including its perfection at the end of the public  
19 comment period), but no later than the date of expiration of the existing FALOC on June  
20 30, 2023. In order to accomplish this, and given the timing to fully prepare, vet and review  
21 the loan documents for closing, the Company needs a perfected and effective Order from  
22 the Commission no later then June 15, 2023, in order to close upon this line renewal by the  
23 expiration date.



1 As such, the Company respectfully requests an Order *NISI* no later than May 15, 2023 (if  
2 the 30-day public comment period is being upheld), or an effective Order no later than June  
3 15, 2023 (without a public comment period requirement).

4 **Q. Do you believe that the renewal of the \$12 million FALOC, as contemplated by the**  
5 **proposed financings is consistent with the public good?**

6 A. Yes. The proposed FALOC renewal is consistent with the public good because it will  
7 allow for the short-term financing of necessary construction projects, which in-turn will  
8 then be replaced with long-term debt financing, with favorable interest rates and maturities  
9 that are aligned with the useful lives of the funded capital assets, to the long-term benefit of  
10 PWW’s ratepayers. Additionally, it facilitates the Company’s ongoing responsibilities to  
11 its customers to maintain its systems, fully comply with regulations set by the NHDES, and  
12 properly maintain and/or replace existing infrastructure to the ongoing and long-term  
13 benefit of its customers.

14 **Q. Please explain Schedules GT-1 entitled “Assets” and GT-2 entitled “Liabilities” for**  
15 **the Year-Ended December 31, 2022”.**

16 A. The renewal of the existing \$12 million FALOC, which was previously approved and  
17 utilized under Order No. 26,442 in Docket No. DW 20-157 (December 29, 2020), will  
18 continue to be used to provide for short-term financing of capital projects, which on an  
19 annual basis will be fully paid off and converted to long term debt in support of the  
20 Company’s Qualified Capital Project Adjustment Charge (QCPAC) process. As such, the  
21 pro forma impact of PWW’s FALOC renewal are reflected in the Company’s existing  
22 balance sheet for the twelve-month period ended December 31, 2022.

23 **Q. Please explain Schedules GT-2 entitled “Income Statement”**

1 A. Schedule GT-2 illustrates the Company’s pro forma impact on the Company’s Income  
2 Statement as of December 31, 2022.

3 **Q. Please explain Schedule GT-3 entitled “Proforma Capital Structure”**

4 A. Schedule GT-3 illustrates the Company’s pro forma impact on the Company’s existing  
5 Capital Structure as of December 31, 2022.

6 **Q. Please explain Schedule GT-4A entitled “Projected Rate Impact on Single Family  
7 Residential Home”**

8 A. Schedule GT-4A results in *no* pro forma impact on the average single-family residential  
9 home’s water bill from this renewal, as it pertains to the rates that were approved under  
10 Docket No. DW 19-084. This is due to the short-term nature of the facility, as the amounts  
11 borrowed under this line-of-credit is later re-termed into a long-term obligation, in the  
12 following year’s bonding event for the Company.

13 **Q. Please explain Schedule GT-4B entitled “Proforma Cost of Long-Term Debt”**

14 A. Schedule GT-4B illustrates the Company’s pro forma impact on the Company’s Weighted  
15 Average Cost of Long-Term Debt as of December 31, 2022.

16 **Q. Mr. Torres, does this conclude your testimony?**

17 A. Yes, it does.

18