

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 1

Date Request Received: 7/6/23
Request No. Department 1-1

Date of Response: 7/17/2023
Witness: George Torres/Larry Goodhue

REQUEST:

Re: Petition, Bates page 2, and Exhibit GT-5, Bates page 24

The Company proposes to convert \$94,401 of short-term debt into long-term debt, however, the assets installed from these funds range from 2018 to 2022, which is prior to the Company's most recent rate case, docketed as DW 20-153. Please explain further.

RESPONSE:

In the PUC's previous approval of Pittsfield Aqueduct Company, Inc.'s ("PAC" or "Company") petition for the refinancing of intercompany debt under Docket No. DW 18-033, Order No. 26,125 (April 30, 2018), the assets attributed to the \$409,150 of short-term intercompany debt that was converted to a long-term intercompany note were the assets procured through the end of the prior year or 2017. Therefore, in this petition under Docket No. DW 23-061, the Company has captured and submitted for your review, all of the PAC assets acquired since Docket No. DW 18-033 through the end of 2022. The Company utilized the additional \$94,401 of short-term debt during that period that it now seeks to convert an intercompany note, in support of this petition.

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 1

Date Request Received: 7/6/23
Request No. Department 1-2

Date of Response: 7/17/2023
Witness: George Torres/Larry Goodhue

REQUEST:

Re: Petition, Bates page 2, para. 2 and Bates page 4, para. 6

The Company indicated it is petitioning to enter into a long-term intercompany loan with Pennichuck Corp. However, it appears that the Company also references entering into a loan with CoBank. Please explain further, and address if the estimated issuance costs of \$5,000 is affected by this clarification.

RESPONSE:

The referencing of “CoBank” in the petition is a misstatement. We will work with our attorney to correct and clarify that in the petition filed in this docket, specifically by striking references to “CoBank” in Paragraph 6 of the Petition (Bates 004). The Company will file a revised paragraph 6 with the Commission, a copy is attached as DOE Exhibit 1-2.

To further clarify, the PAC petition was referring to the issuance costs related to the “conversion of the short-term intercompany payable to a long-term amortizable intercompany note.” Moreover, the estimated issuance costs of \$5,000 are *not* affected by the misstatement, as it represents a conservative projection of legal fees expected to be incurred with this type of transaction, to be amortized over the 30-year term of the note.

6. The anticipated issuance costs for the ~~CoBank~~ loan total less than \$5,000 relates primarily to legal costs which will be incurred to review and revise the necessary loan documentation and in obtaining Commission approval of the loans. See *Id.* at 4. The issuance costs will be amortized over the life of the ~~CoBank~~ loans. The annual amortization expense of \$167, associated with the issuance costs, has not been reflected in schedules attached in Exhibits GT-2 through 3 to Mr. Torres' testimony due to its immateriality with respect to the overall analysis and impact of this proposed financing. See *Id.* at 4.

7. In accordance with Puc 609.03 and Form F-4, Mr. Torres' testimony describes the estimated costs of the proposed financing, and includes the following attachments:

- Schedule GT-1, pages 1 and 2, presents the actual financial position of the Company as of December 31, 2021, and the pro forma financial position reflecting certain adjustments pertaining to the proposed long-term debt financing in the amount of \$94,401. Schedule GT-1, page 1, reflects the pro forma adjustments to the conversion of the \$94,401 of short-term intercompany debt to a \$94,401 long-term intercompany note.
- Schedule GT-1, page 2 reflects the income impact on retained earnings related to costs associated with the financing, as reflected on Schedule GT-2.
- Schedule GT-2, pages 1 and 2, presents the Company's Operating Income Statement for the Twelve Months Ended December 31, 2022. As indicated previously, the issuance costs associated with the financing are not expected to be significant and are not reflected in Schedule GT-2, page 1. Schedule GT-2, page 1, contains two pro forma adjustments. The first adjustment records the income tax effect of the additional pro forma interest expense, depreciation and property

6. The anticipated issuance costs for the loan total less than \$5,000 relates primarily to legal costs which will be incurred to review and revise the necessary loan documentation and in obtaining Commission approval of the loans. See *Id.* at 4. The issuance costs will be amortized over the life of the loans. The annual amortization expense of \$167, associated with the issuance costs, has not been reflected in schedules attached in Exhibits GT-2 through 3 to Mr. Torres' testimony due to its immateriality with respect to the overall analysis and impact of this proposed financing. See *Id.* at 4.

7. In accordance with Puc 609.03 and Form F-4, Mr. Torres' testimony describes the estimated costs of the proposed financing, and includes the following attachments:

- Schedule GT-1, pages 1 and 2, presents the actual financial position of the Company as of December 31, 2021, and the pro forma financial position reflecting certain adjustments pertaining to the proposed long-term debt financing in the amount of \$94,401. Schedule GT-1, page 1, reflects the pro forma adjustments to the conversion of the \$94,401 of short-term intercompany debt to a \$94,401 long-term intercompany note.
- Schedule GT-1, page 2 reflects the income impact on retained earnings related to costs associated with the financing, as reflected on Schedule GT-2.
- Schedule GT-2, pages 1 and 2, presents the Company's Operating Income Statement for the Twelve Months Ended December 31, 2022. As indicated previously, the issuance costs associated with the financing are not expected to be significant and are not reflected in Schedule GT-2, page 1. Schedule GT-2, page 1, contains two pro forma adjustments. The first adjustment records the income tax effect of the additional pro forma interest expense, depreciation and property

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 1

Date Request Received: 7/6/23
Request No. Department 1-3

Date of Response: 7/17/2023
Witness: George Torres/Larry Goodhue

REQUEST:

Re: Petition, Bates page 3, para. 3

Please explain further the levels of PAC's short-term debt as a percentage of net fixed plant relative to compliance with Admin Rule PUC 608.05, and how the proposed transaction will affect those levels covering the time period of January 1, 2023, through forecasted levels of December 31, 2023.

RESPONSE:

See attached Exhibit DR 1-3 - "PAC Short-term Debt Threshold Proforma 2023" schedule.

Pittsfield Aqueduct Company
Short-term Debt Threshold
January - December 2023

PAC Intercompany Loan Petition
Docket No. DW 23-61
Exhibit DR 1-3
7/17/2023
Page 1 of 1

Per Order DW 19-112 waiver of N.H. Code Admin Rules PUC 608.05
 Short-Term Debt Limit of up to 18% of companies' net fixed plant until June 30, 2023

PITTSFIELD AQUEDUCT												
NHPUC Short-term Debt Threshold Calculations												
	1/31/23	2/28/23	3/31/23	4/30/23	5/31/23	6/30/2023	7/31/2023	8/31/2023	9/30/23	10/31/23	11/30/23	12/31/23
Intercompany payables that are not long-term (1)	\$ 256,001	\$ 282,148	\$ 439,499	\$ 440,913	\$ 442,415	\$ 443,921	\$ 445,571	\$ 352,786	\$ 354,381	\$ 355,926	\$ 357,429	\$ 359,048
Bonds, Notes & Mortgages (currently payable)	32,145	31,162	32,314	32,398	32,483	32,568	32,653	32,739	32,826	32,911	32,997	33,083
	<u>288,146</u>	<u>313,310</u>	<u>471,812</u>	<u>473,311</u>	<u>474,898</u>	<u>476,488</u>	<u>478,224</u>	<u>385,525</u>	<u>387,206</u>	<u>388,837</u>	<u>390,426</u>	<u>392,131</u>
Plant in Service	4,679,933	4,679,491	4,686,283	4,729,513	4,743,743	4,747,973	4,754,203	4,764,433	4,770,663	4,774,893	4,781,013	4,781,013
Less: Accumulated Depreciation	(1,850,659)	(1,771,695)	(1,866,243)	(1,874,067)	(1,881,903)	(1,889,746)	(1,897,590)	(1,905,445)	(1,913,305)	(1,921,165)	(1,928,989)	(1,936,816)
Plus: CWIP	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Utility Plant	<u>\$ 2,829,274</u>	<u>\$ 2,907,796</u>	<u>\$ 2,820,040</u>	<u>\$ 2,855,446</u>	<u>\$ 2,861,840</u>	<u>\$ 2,858,227</u>	<u>\$ 2,856,613</u>	<u>\$ 2,858,988</u>	<u>\$ 2,857,358</u>	<u>\$ 2,853,728</u>	<u>\$ 2,852,024</u>	<u>\$ 2,844,197</u>
Percentage	<u>10.18%</u>	<u>10.77%</u>	<u>16.73%</u>	<u>16.58%</u>	<u>16.59%</u>	<u>16.67%</u>	<u>16.74%</u>	<u>13.48%</u>	<u>13.55%</u>	<u>13.63%</u>	<u>13.69%</u>	<u>13.79%</u>

(1) Reflects the reterming of the \$94,401 of intercompany debt starting in 8/31/23



INSIGHT MATTERS

James J. Steinkrauss
Attorney-at-Law
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(603) 410-4314
Please reply to: Concord Office

August 22, 2023

VIA ELECTRONIC MAIL

Suzanne G. Amidon, Staff Counsel (suzanne.g.amidon1@energy.nh.gov)
Department of Energy
21 South Fruit Street, Suite 10
Concord, NH

**Re: Petition of Pittsfield Aqueduct Company, Inc. for
Approval to Enter into a Long-Term Intercompany
Loan with Pennichuck Corporation
Docket DW 23-061**

Dear Attorney Amidon:

On August 18, 2023, Pittsfield Aqueduct Company, Inc. (“PAC” or “Company”) submitted a notice to the Department of Energy and Office of Consumer Advocacy regarding the Company’s short-term debt threshold. The letter included an attached, updated response to Department of Energy Discovery Request DR 1-3. The Company previously submitted its response to DR 1-3 on July 17, 2023. The attached, updated live Excel and PDF versions of the schedule includes forecasted debt through the end of 2023 and supplements the Company’s prior discovery response. This filing does not contain any confidential materials.

This filing is made electronically in accordance with the Secretarial Letter dated March 17, 2020. Please let me know if you have any questions or concerns. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Steinkrauss', is positioned above the printed name.

James J. Steinkrauss

Enc.

Cc: Discovery Docket (via electronic mail)

One Capital Plaza
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26 State Street
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Pittsfield Aqueduct Company
Short-term Debt Threshold
January - December 2023

PAC Intercompany Loan Petition
 Docket No. DW 23-61
 Exhibit DR 1-3
 7/17/2023, updated 8/17/2023
 Page 1 of 1

Per Order DW 19-112 waiver of N.H. Code Admin Rules PUC 608.05
 Short-Term Debt Limit of up to 18% of companies' net fixed plant until June 30, 2023

PITTSFIELD AQUEDUCT NHPUC Short-term Debt Threshold Calculations	Actuals						Forecast					
	1/31/23	2/28/23	3/31/23	4/30/23	5/31/23	6/30/2023	7/31/2023	8/31/2023	9/30/2023	10/31/23	11/30/23	12/31/23
Intercompany payables that are not long-term (1)	\$ 256,001	\$ 282,148	\$ 443,423	\$ 522,235	\$ 510,690	\$ 533,368	\$ 352,145 *	\$ 353,847	\$ 261,127 **	\$ 262,758	\$ 264,347	\$ 266,052
Bonds, Notes & Mortgages (currently payable)	32,145	31,162	32,315	32,399	32,484	32,569	32,653	32,739	32,826	32,911	32,997	33,083
	<u>288,146</u>	<u>313,310</u>	<u>475,738</u>	<u>554,634</u>	<u>543,174</u>	<u>565,937</u>	<u>384,797</u>	<u>386,586</u>	<u>293,953</u>	<u>295,669</u>	<u>297,344</u>	<u>299,136</u>
Plant in Service	4,679,933	4,679,491	4,679,933	4,679,665	4,680,379	4,680,583	4,754,203	4,764,433	4,770,663	4,774,893	4,781,013	4,781,013
Less: Accumulated Depreciation	(1,850,659)	(1,771,695)	(1,866,239)	(1,873,161)	(1,880,868)	(1,888,125)	(1,897,590)	(1,905,445)	(1,913,305)	(1,921,165)	(1,928,989)	(1,936,816)
Plus: CWIP	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Utility Plant	<u>\$ 2,829,274</u>	<u>\$ 2,907,796</u>	<u>\$ 2,813,694</u>	<u>\$ 2,806,503</u>	<u>\$ 2,799,511</u>	<u>\$ 2,792,458</u>	<u>\$ 2,856,613</u>	<u>\$ 2,858,988</u>	<u>\$ 2,857,358</u>	<u>\$ 2,853,728</u>	<u>\$ 2,852,024</u>	<u>\$ 2,844,197</u>
Percentage	10.18%	10.77%	16.91%	19.76%	19.40%	20.27%	13.47%	13.52%	10.29%	10.36%	10.43%	10.52%

* Reflects the payoff of \$182,959 of intercompany debt in July 2023

** Reflects reduction of short-term payables in September 2023 via:

- > usage of 0.1 funds totaling \$14,093 towards Berry Pond study expenditures
- > reterming \$80,308 related to 2018 - 2022 capital expenditures, into a 30-year long-term note with PCP

Total Short-Term Payable per Budget	476,488	478,224	479,926	481,607	483,238	484,827	486,532
Monthly Change per Budget	\$ 1,735	\$ 1,702	\$ 1,682	\$ 1,631	\$ 1,589	\$ 1,705	

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 1

Date Request Received: 7/6/23
Request No. Department 1-4

Date of Response: 7/17/2023
Witness: George Torres/Larry Goodhue

REQUEST:

Re: Schedule GT-2, page 2 of 2, Bates page 19

The Company indicates an estimated rate for the new intercompany loan of 6.7%. It appears the current intercompany loan is at 4.75%. Please confirm the rates, and explain further, any and all benefits of refinancing into a higher rate loan to the Company, and the Customers.

RESPONSE:

PAC's interest rate of 4.75% (currently 5.25% as of June 2023) on its short-term intercompany borrowings with Pennichuck Corp., is based upon the prevailing April 2023 Federal Discount Rate (for short-term investments and borrowings). This is the benchmark investment rate the Parent Company applies to all of its existing short-term loans with its subsidiaries, in conformity with the consistent recording of interest on short-term intercompany advances and borrowings under the approved Money Pool Agreement.

The requested intercompany loan rate of 6.7% was the cost of funds of the Parent's Working Capital Line of Credit at the time the petition was filed (currently this rate is 6.85% as of July 7, 2023). The Working Capital Line of Credit is Pennichuck Corp.'s only source of debt financing, and as a result, the only source of funds to be lent to PAC through intercompany obligations. Additionally, the 6.7% rate that is being requested, was used as a proxy for the cost of funds as a conservative estimate for PAC. In its current state (due to its size and overall profitability), PAC is unable to obtain long-term debt financing for capital projects on its own, other than for specific projects for which SRF or DWGTF loans might become available. As such, due to the unlikelihood it would be able to obtain any external financing on its own, or at market rates, the 6.7% rate based upon Penn Corp's rate for debt funds is the most conservative and best aligned current rate for this long-term intercompany loan.

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 1

Date Request Received: 7/6/23
Request No. Department 1-5

Date of Response: 7/17/2023
Witness: George Torres/Larry Goodhue

REQUEST:

Re: Schedule GT-3, Bates page 20

Regarding the Company's capitalization structure, please confirm, and briefly explain, the Company's lack of equity, and if the proposed additional long-term debt will have any deleterious impact to the Company's current capitalization structure.

RESPONSE:

Under the Company's current capital structure, as approved for PAC and its sister subsidiaries in Docket No. DW 11-026, the Company's allowed revenues are designed to cover operating costs dollar-for-dollar, and not generate profits of any significant manner that would create a generation of equity on its books. This loan will not have a deleterious impact on the Company's current capitalization structure, as that structure is aligned with a debt-only capital structure. In fact, converting these short-term intercompany amounts due to a long-term intercompany loan, gives better and correct alignment of those funds used to fund long-term capital assets for the Company, and will give coverage for the debt service of this loan in the DSRR portion of PAC's allowed revenues in its next filed rate case. The Company will include the debt service on this loan in Schedule 5 to the rate case filing schedules, as an element in computing the required revenues for the DSRR 1.0 and DSRR 0.1 portions of the Company's rates going forward. As it stands right now, the amounts owed under the short-term intercompany borrowing being converted have no allowed revenues tied to the repayment of those funds, even though the assets acquired with those funds have been in use for some time.

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 1

Date Request Received: 7/6/23
Request No. Department 1-6

Date of Response: 7/17/2023
Witness: George Torres/Larry Goodhue

REQUEST:

Re: Schedule GT-4 Projected Rate Impact, Bates page 21

When calculating the rate impact, and specifically, the amount of current intercompany interest of \$4,484, labeled as (f), please explain what amount, if any, of intercompany interest (short-term debt interest) is approved for inclusion in rates per the Company's last rate case, and please explain further how the Company chose to use the \$4,484 figure rather than a different figure in the projected rate impact calculation.

RESPONSE:

Understanding the question being posed here, the Schedule GT-4 is being corrected and replaced as an exhibit to this response. Please see the updated Schedule GT-4. As the debt service on short-term intercompany borrowings are not currently included in the Company's rates from its last rate case, the net impact should not be shown for impact on customer bills in its next filed rate case. Rather, as this loan will generate a revenue requirement under the DSRR portion of allowed revenues that doesn't currently exist, the impact on rate is as follows:

		2023 PAC Finance Petition	
Pittsfield Aqueduct Company, Inc.		DW 23-061	
Intercompany Financing		Schedule GT-4	
Projected Rate Impact on Single Family Residential Home			
Intercompany Loan Amount -	\$ 94,401	(a)	
Loan Percentage -	6.70%		
Loan Term (in years) -	30		
Annual Principal & Interest on Loan -	\$7,379	(b)	
Coverage Multiplier, under DW 20-153 -	1.1 x	(c)	
Revenue Requirement for P&I: [(b) x (c)] -	\$8,117	(d)	
Less: P&I from expiring loan obligation	\$0		
Coverage Multiplier, under DW 20-153 -	1.1		
Revenue Requirement for P&I: [(b) x (c)] -	\$0		
Net impact of P&I for new loan, as it relates to current rates	\$8,117	(e)	
Current impact of the intercompany interest on the short term intercompany payable			
Short-term intercompany payable amount	\$ 94,401		
loan percentage	0.00%		
intecompany interest	\$0	(f)	
Projected Net Revenue Requirement Impact: [(g)-(h)]	\$8,117	(g)	
DW 20-153 Allowed Revenue Requirement -	\$ 820,848	(h)	
Calculated Percentage Impact: [(g)/(h)] -	0.99%	(i)	
Current Monthly Single Family Residential Bill -	\$ 61.27	(j)	
Monthly impact on Single Family Residential Bill of the external Financing: [(i) x (j)] -	\$ 0.61		per month

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 1

Date Request Received: 7/6/23
Request No. Department 1-7

Date of Response: 7/17/2023
Witness: George Torres/Larry Goodhue

REQUEST:

If not discussed elsewhere, please briefly explain if the Company has any other sources of long-term debt funding.

RESPONSE:

The Company has no other sources of long-term debt funding unless a specific project is eligible and selected for SRF or DWGTF financing through the NHDES. Those are the only sources of external debt funding for the Company and are very rarely applicable. Those funds would be for large “one-off” capital projects, that arise from time to time. The vast majority of the Company’s capital project needs, which are “run rate” items for capital assets, the Company has no source of long-term funding other than intercompany monies from its parent. This has been vetted multiple times with external lenders, including regional and local commercial banks, CoBank (which serves as the primary lender for PEU, sister subsidiary to the Company), and Pennichuck’s primary external working capital lender (TD Bank). PAC does not possess the overall size (assets or revenues), credit profile, or profitability, that would allow any of these entities to lend to it for its capital needs.

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 2

Date Request Received: 8/1/2023
Request No. Department 2-1

Date of Response: 8/8/2023
Witness: George Torres

REQUEST:

Ref: DOE 1-6

As the result of one or more previous adjustments identified through previous discovery, the calculated impact to the monthly bill of an average residential customer has been amended from what was originally filed by the Company. As the result of any further adjustments resulting from the following discovery questions, please provide a further amended calculation of average residential customer bill impacts, with specific notations on what caused each change in the calculation, and if, and why, the Company believes the resulting amended bill impact would continue to be indiscernible.

RESPONSE:

As previously stated in DOE 1-6, the debt service on short-term intercompany borrowings is not currently included in the Pittsfield Aqueduct Company's ("PAC" or "Company") rates from its last rate case, as those amounts are not included in the calculation of any of the allowed revenue bucket components (OERR, DSRR or CBFRR), so the net impact should not have been shown for impact on customer bills, in the attachment originally filed in this docket. Rather, as this loan will be a component of revenue requirement under the DSRR portion of allowed revenues over and above what currently exists in rates, the impact on average customer bills is as follows, per the attached updated Schedule GT-4 (shown below and attached as a revised Exhibit DR 2-1). This is inclusive of the adjustment to the aggregate loan amount seeking approval, after removing three asset line items that were discovered to be for amounts paid for intangible assets, not L-T capital assets (totaling \$14,093 eliminated). The Company believes the proposed long-term financing will have no significant impact on rates for the average single-family household or deleterious effect on capitalization.

Pittsfield Aqueduct Company, Inc. Intercompany Financing				2023 PAC Finance Petition DW 23- Schedule GT-4
Projected Rate Impact on Single Family Residential Home				
Intercompany Loan Amount -	\$ 80,308		(a)	*
Loan Percentage -	6.70%			
Loan Term (in years) -	30			
Annual Principal & Interest on Loan -	\$6,278		(b)	
Coverage Multiplier, under DW 20-153 -	1.1 x		(c)	
Revenue Requirement for P&I: [(b) x (c)] -	\$6,906		(d)	
Less: P&I from expiring loan obligation	\$0			
Coverage Multiplier, under DW 20-153 -	1.1			
Revenue Requirement for P&I: [(b) x (c)] -	\$0			
Net impact of P&I for new loan, as it relates to current rates	\$6,906		(e)	
Current impact of the intercompany interest on the short term intercompany payable				
Short-term intercompany payable amount	\$ -			**
loan percentage	0.00%			
intercompany interest	\$0		(f)	
Projected Net Revenue Requirement Impact: [(g)-(h)]	\$6,906		(g)	
DW 20-153 Allowed Revenue Requirement -	\$ 820,848		(h)	
Calculated Percentage Impact: [(g)/(h)] -	0.84%		(i)	
Current Monthly Single Family Residential Bill -	\$ 61.27		(j)	
Monthly impact on Single Family Residential Bill of the external Financing: [(i) x (j)] -	\$ 0.51		per month	***
* Loan amount updated (originally \$94,401) to reflect removal of \$14,093 of costs associated with the Berry Pond Dam study, to be paid for with DSRR .01 funds.				
** \$94,401 removed from current impact calculation as they are not currently included in rates, from the previous PAC rate case.				
*** Revised from the previously submitted monthly impact total of the filing and DOE DR 1-6, resulting from the adjustments presented above.				

**2023 PAC Finance Petition
 DW 23-061
 Schedule GT-4
 Response DOE DR 2-1 - 8/8/23**

**Pittsfield Aqueduct Company, Inc.
 Intercompany Financing
 Projected Rate Impact on Single Family Residential Home**

Intercompany Loan Amount - \$	80,308	(a)	*
Loan Percentage -	6.70%		
Loan Term (in years) -	30		
Annual Principal & Interest on Loan -	\$6,278	(b)	
Coverage Multiplier, under DW 20-153 -	1.1 x	(c)	
Revenue Requirement for P&I: [(b) x (c)] -	\$6,906	(d)	
Less: P&I from expiring loan obligation	\$0		
Coverage Multiplier, under DW 20-153 -	1.1		
Revenue Requirement for P&I: [(b) x (c)] -	\$0		
Net impact of P&I for new loan, as it relates to current rates	\$6,906	(e)	
Current impact of the intercompany interest on the short term intercompany payable			
Short-term intercompany payable amount \$	-		**
loan percentage	0.00%		
intercompany interest	\$0	(f)	
Projected Net Revenue Requirement Impact: [(g)-(h)]	\$6,906	(g)	
DW 20-153 Allowed Revenue Requirement - \$	820,848	(h)	
Calculated Percentage Impact: [(g)/(h)] -	0.84%	(i)	
Current Monthly Single Family Residential Bill - \$	61.27	(j)	
Monthly impact on Single Family Residential Bill of the external Financing: [(i) x (j)] -	\$ 0.51		per month ***

* Loan amount updated (originally \$94,401) to reflect removal of \$14,093 of costs associated with the Berry Pond Dam study, to be paid for with DSRR .01 funds.

** \$94,401 removed from current impact calculation as they are not currently included in rates, from the previous PAC rate case.

*** Revised from the previously submitted monthly impact total of the filing and DOE DR 1-6, resulting from the adjustments presented above.

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 2

Date Request Received: 8/1/2023
Request No. Department 2-2

Date of Response: 8/8/2023
Witness: George Torres

REQUEST:

Ref: DOE 1-4

The Company indicated that the interest rate applied by Pennichuck Corporation to short-term borrowings, such as the balance of \$94,401, is based upon the prevailing Federal Discount Rate. Does the interest rate ultimately applied by Pennichuck Corporation have a minimum and/or maximum range upon which the established rate would not go below or above? Please explain.

RESPONSE:

Pursuant to the terms of the Money Pool Agreement dated January 1, 2006, a copy of which has been filed with the Commission pursuant to RSA 366:3, which is currently in effect for Pennichuck Corp. and its subsidiaries, there is no stated minimum nor maximum rate to be applied against any and all outstanding borrowings from the money pool. The Company, as well as its sister subsidiaries and parent in the Pennichuck consolidated group, have consistently applied the Federal Discount Rate as the effective rate for borrowings or advances for short-term intercompany payables, booked on a monthly basis.

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 2

Date Request Received: 8/1/2023
Request No. Department 2-3

Date of Response: 8/8/2023
Witness: George Torres

REQUEST:

Ref: DOE 1-4

Regarding the proposed interest rate on the long-term loan of 6.7%, please clarify if that proposed rate will be the final rate proposed by Pennichuck Corporation, or if that rate would be subject to change depending based on the prevailing interest rates at the time of loan issuance. Please explain.

RESPONSE:

The requested intercompany loan rate of 6.7% was the cost of funds of the Pennichuck Corp.'s Working Capital Line of Credit with T.D. Bank, N.A. at the time the petition was filed. At the time of the Company's response to this data request, the rate is now approximately 6.9%; however, the Company has elected to "lock" the rate at 6.7%, as of June 12, 2023, the date of filing this financing petition request with the Commission in Docket No. DW 23-061. The Pennichuck Corp.'s Working Capital Line of Credit borrowing rate is the best proxy for a market-based long-term rate for this intercompany loan, which is consistent with the rate used at the time of the filing.

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 2

Date Request Received: 8/1/2023
Request No. Department 2-4

Date of Response: 8/8/2023
Witness: George Torres

REQUEST:

Ref: DOE 1-4 & Testimony of Mr. Torres, Bates page 14, Line 10

The Company indicated that the proposed interest rate of 6.70% was determined based upon the cost of the funds of Pennichuck Corporation's working line of credit.

- a) Please provide additional explanation regarding whether the 6.70% interest rate of the working line of credit and the proposed long-term loan is derived based on a benchmark, as are the rates applied to short-term borrowings; and
- b) Given the limited financing options available, as explained by the Company, please provide the reason(s) that such a transaction is in the public's interest.

RESPONSE:

- a) The rate that TD Bank applies for Pennichuck Corp's Working Capital Line of Credit is based upon the Secured Overnight Financing Rate "SOFR" for the interest period covered plus 175 basis points, or 1.75%, which is applied against the unpaid principal balance of cash, borrowed against the revolver. Since the Working Capital Line of Credit is Pennichuck Corp.'s only source of external debt financing, and as a result the only source of funds to be lent to PAC through intercompany obligations, the 6.7% rate that is being requested was used as a proxy for the cost of funds, as a conservative rate for PAC. This rate is used as a conservative proxy since PAC is unable to obtain long-term debt financing for capital projects from other lenders on its own, other than for specific projects for which SRF or DWGTF loans might become available. If PAC were able to secure external debt financing on its own, other than from either SRF or DWGTF, it is almost certain that the rate would be well in excess of the 6.7% rate on this loan, especially given current market rates and conditions.
- b) The proposed inter-company loan is consistent with the public good as it:
 - a. Provides a partial cure to the Company's short-term debt limit compliance.
 - b. Matches the long-term nature of the assets financed to the long-term nature of the debt.

- c. Provides the Company with the flexibility to finance capital improvements that are necessary to provide PAC customers with safe, adequate, and reliable water service.

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 2

Date Request Received: 8/1/2023
Request No. Department 2-5

Date of Response: 8/8/2023
Witness: George Torres

REQUEST:

Please provide a draft copy of the intercompany loan note that will be drawn up between the Company and Pennichuck Corporation.

RESPONSE:

Please see the attached Exhibit DR 2-5 - "Draft 2023 - PAC Promissory Note (PAC capital investments)" as an example of the intercompany note between PAC and Pennichuck Corporation.

PROMISSORY NOTE

\$ 80,308.00

Nashua, New Hampshire
August x, 2023

FOR VALUE RECEIVED, PITTSFIELD AQUEDUCT COMPANY, INC., a New Hampshire corporation (the “Borrower”) promises to pay to the order of PENNICHUCK CORPORATION, a New Hampshire corporation (the “Holder”), at 25 Walnut Street, Nashua, New Hampshire 03061-0428, or such other place as the Holder may from time to time designate, the principal sum of EIGHTY THOUSAND THREE HUNDRED AND EIGHT DOLLARS (\$80,308.00), together with interest on the unpaid principal balance at the rate of six and seven tenths percent (6.70%) per annum, payable in lawful money of the United States as hereinafter required.

1. Interest on the outstanding principal balance shall be as follows:
 - 1.1 As stated above, this note shall bear interest at a fixed rate equal to six and seven tenths percent (6.70%) per annum.
 - 1.2 Interest shall be calculated on the basis of actual days elapsed over a 365-day year.
2. The Borrower shall pay the principal and interest on this Promissory Note (sometimes referred to as this “Note”) in the following manner:
 - 2.1 Principal and interest shall be payable over three hundred sixty (360) months in equal consecutive installments of \$518.21 payable on the first day of each month commencing October 1, 2023. Said installments shall be applied first to any interest then due, computed monthly on the unpaid principal balance, and the remainder to principal. The amortization schedule for this Note is attached hereto as Exhibit A.
 - 2.2 The Borrower may prepay without penalty any portion of the principal balance outstanding under this Note at any time; provided, however, that any such prepayment shall not relieve the Borrower of the obligation to make the next and any subsequent monthly payments hereunder until the entire principal balance and all accrued interest is paid in full.
3. Upon the occurrence of any of the following events of default (each, and “Event of Default”), all sums payable under this Note shall, at the option of the Holder, become immediately due and payable without further notice or demand:

- 3.1 Failure by the Borrower to make any payment of interest or principal on this Note, or any other sum payable hereunder, within ten (10) days of the date such payment is due.
 - 3.2 Default by the Borrower, not cured within any applicable cure period, under any other obligation of Borrower for borrowed monies.
 - 3.3 The dissolution or termination of existence of the Borrower, merger or consolidation of the Borrower with another entity such that the Borrower is not the surviving entity, or a sale or other transfer, whether by operation of law or otherwise, of all or any substantial portion of the assets of the Borrower not in the ordinary course of business.
 - 3.4 Borrower makes an assignment for the benefit of creditors, files a petition in bankruptcy, is subject to the entry of an order for relief against it, petitions or applies to any tribunal for a receiver or any trustee of any substantial part of its property; or Borrower commences any proceeding related to it under any reorganization, arrangement, readjustment of debt, dissolution or liquidation under any law or statute of any jurisdiction, whether now or hereafter in effect, or if there is commenced against Borrower any such proceeding and Borrower fails to file a proper answer thereto pursuant to Section 303(d) of the Bankruptcy Code (11 USC Section 303(d)) within ten (10) days of receipt of notice of said proceeding, which answer shall include a request that petitioning creditors post adequate bond under Section 303(e) (11 USC 303(e)) or if Borrower by any act indicates its consent to, approval of, or acquiescence in any such proceeding or the appointment of any receiver of, or trustee for Borrower or any substantial part of its property, or if Borrower suffers any such receivership or trusteeship to continue undischarged for a period of sixty (60) days, or upon the issuance of any attachment or execution against Borrower, or if any governmental agency or instrumentality shall seize, appropriate, condemn, occupy or interfere in any manner with any of Borrower's operation of, all or any substantial portion of its property, or if any security for the Note or any right of Borrower therein shall be subject to judicial process or condemnation or forfeiture proceedings, which is not dismissed within sixty (60) days, or if Borrower undertakes any assignment for the benefit of creditors, enters into a composition or engages or is engaged in any other action for the relief of debtors.
 - 3.5 A final and unappealable judgment for the payment of money in excess of One Hundred Thousand Dollars (\$100,000.00) shall be rendered against the Borrower and the same shall remain undischarged for a period of thirty (30) days, during which period execution shall not be effectively stayed.
4. In the event any payment required hereunder is delinquent for ten (10) days or more, the Holder may impose upon the Borrower a delinquency charge equal to five percent (5%) of the amount overdue. The entire outstanding principal balance hereof,

together with accrued interest, shall after the earlier of an Event of Default or maturity, whether by demand, acceleration or otherwise, bear interest as set forth in this Note plus an additional four percent (4%) per annum. The Borrower agrees to pay on demand all reasonable out-of-pocket costs of collection hereof, including reasonable attorney's fees.

5. Miscellaneous

- 5.1 No delay or omission on the part of the Holder in exercising any right, privilege or remedy shall impair such right, privilege or remedy or be construed as a waiver thereof of any other right, privilege or remedy. No waiver of any right, privilege or remedy or any amendment to this Note shall be effective unless made in writing and signed by the Holder. Under no circumstances shall an effective waiver or any right, privilege or remedy on any one occasion constitute or be construed as a waiver of such right, privilege or remedy on any future occasion. The acceptance by the Holder thereof of any payment after any Event of Default thereunder shall not operate to extend the time of payment of any amount then remaining unpaid hereunder or constitute a waiver of any rights of the Holder hereof under this Note.
- 5.2 All terms of this Note are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the Holder for the use or the forbearance of the indebtedness evidenced hereby exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof; provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Note shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of Borrower and Holder in the execution, delivery, and acceptance of this Note to contract in strict compliance with the law of the State of New Hampshire from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof at the time of the provision of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits permissible under applicable law, and if under or from circumstances whatsoever the Holder should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reductions of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision between the Borrower and the Holder as set forth in this Note.

- 5.3 All rights and remedies of the Holder, whether granted herein or otherwise, shall be cumulative and may be exercised singularly or concurrently.
- 5.4 The Borrower waives, to the fullest extent permitted by law, presentment, notice, protest and all other demands and notices and assent to any extension of the time of payment or any other indulgence.
- 5.5 This Note may not be amended, changed or modified in any respect without a subsequent written document having been executed by the Borrower and the Holder. This Note and all of the rights and obligations hereunder, including matters of construction, validity and performance shall be governed by the laws of the State of New Hampshire.

[Remainder of page intentionally blank ~ signature page follows.]

IN WITNESS WHEREOF, the Borrower, acting by and through its duly authorized officer, has executed this Promissory Note.

PITTSFIELD AQUEDUCT COMPANY, INC.

Witness

By: _____

Name: George Torres

Title: Chief Financial Officer

PENNICHUCK CORPORATION

Witness

By: _____

Name: Larry D. Goodhue

Title: Chief Executive Officer

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 2

Date Request Received: 8/1/2023
Request No. Department 2-6

Date of Response: 8/8/2023
Witness: George Torres

REQUEST:

Ref: Exhibit GT-5

- a) Please provide additional verification, and explanation, regarding the following three items included in the list of assets to be converted as part of the instant request:
 - i) 600-00000083 1820080 Berry Pond Dam Breach Analysis PAC DEFERRED
REG ASSETS 186287-6000-001 12/1/2020 12/1/2020 7.000000 \$5,880.00
\$5,880.00 SL
 - ii) 600-00000082 2004179 Berry Pond Dam Breach Analysis PAC DEFERRED
REG ASSETS 186287-6000-001 12/1/2020 12/1/2020 7.000000 \$4,930.00
\$4,930.00 SL
 - iii) 600-00000081 2005199 Berry Pond Treatment Evaluation PAC DEFERRED
REG ASSETS 186286-6000-001 12/1/2020 12/1/2020 5.000000 \$3,282.81
\$3,282.81 SL
- b) Please indicate and explain whether the three items indicated above in (a) should be funded in a different manner rather than the proposed long-term loan.

RESPONSE:

a) i) and ii) The Berry Pond Dam Breach Analysis was a study required by the New Hampshire Department of Environmental Services (NHDES) of the ability of the Berry Pond Dam spillway to pass 2.5x100 year storm (based on revised NHDES storm data) and the impact of a failure of the Berry Pond Dam on property located downstream. The Breach Analysis indicated that the Dam spillway could pass the required storm flows without failure and that there was no need to increase the capacity of the spillway. Since there was no construction required as a result of this study it was booked as a deferred asset.

a) iii) The Berry Pond Treatment Evaluation was completed to assess whether changes to the current treatment plant coagulation process could be made to enhance the removal of Total Organic Carbon (TOC), which is a source of Disinfection Byproducts (DBP's). The finished water DBP's are just below the current NHDES standards and have been increasing slightly over the years due to increased levels of TOC, likely associated with more intense rain events which create more erosion and discharge of sediment into Berry Pond. The current water treatment process has little flexibility to deal with the increased levels of TOC, other than possible changes

to the amount, location and type of coagulant that can be added. This study was a series of jar tests and analysis of the jar test results to assess whether the coagulation process could be enhanced to reduce the levels of TOC prior to chlorination. The test results did not support a recommendation to complete any capital improvements and as such the study was booked as a deferred asset.

b) The three items above were completed prior to the approval of the 0.1 Debt Service Retirement Revenues in PAC's rates which would be the source of funding for these assets in the future (assuming sufficient 0.1 DSRR funds existed to pay for the studies). As such the only way to pay for these deferred assets is to pay for them with debt and recover the associated principal and interest on the incurred debt via the 1.0 and 0.1 DSRR allowed in PAC's rates. If PAC was a regulated investor-owned utility, it would pay for these projects through a combination of amortization expense (over the defined life of the asset) and a return on rate base on the unamortized portion of the project expense. Since PAC's rates do not include a return on rate base, booking these assets as a deferred assets would generate the cash to pay for the cost of the assets over time but not the associated cost of that cash being borrowed over time.

DW 23-061
Pittsfield Aqueduct Company, Inc.
Request For Approval Of Financing
DOE Data Requests - Set 2

Date Request Received: 8/1/2023
 Request No. Department 2-7

Date of Response: 8/8/2023
 Witness: George Torres

REQUEST:

Ref: Schedule GT-1, Page 2 of 2 (Bates 017)

- a) Please further clarify and explain the specific borrowings that comprise each of the following amounts indicated on Schedule GT-1, Page 2 of 2 (Bates 017) . . .

Bonds, notes and mortgages	\$1,189,771
Intercompany Advances	309,408
Other Long Term Debt	<u>4,338</u>
Total	<u>\$1,503,517</u>

- b) Please reconcile each of the below line items as taken from Page 17, Schedule F-1 'Equity Capital and Liabilities', of the Company's 2022 Annual Report, to each of the three line items indicated above in (a) as taken from Schedule GT-1, Page 2 of 2:

Bonds (221)	\$ 152,151
Advances from Associated Companies (223)	1,069,682
Accounts Payable to Associated Companies (233)	<u>281,685</u>
Total	<u>\$1,503,518</u>

RESPONSE:

- a) The borrowings indicated on Schedule GT-1, page 2 of 2 (Bates 017) are broken down as follows:

Catamount Road – Long Term	\$ 147,813	
Intercompany Loan with PCP – Long Term	<u>1,041,959</u>	
Bonds, Notes & Mortgages		\$1,189,771
Intercompany Loan with PCP – Short Term	\$ 27,723	
Intercompany Advances	<u>281,685</u>	
Intercompany Advances		309,408
Catamount Road – Short Term	<u>\$ 4,338</u>	
Other Long-Term Debt		<u>4,338</u>
Total		<u>\$1,503,517</u>

b) The borrowings indicated on the Company’s “Equity Capital and Liabilities” section of the 2022 Annual Report are broken down as follows:

Catamount Road – Long & Short Term Bonds (221)	<u>\$ 152,151</u>	\$ 152,151
Interco. Loan w/ PCP-Long & Short Term Advances from Associated Companies (223)	<u>1,069,682</u>	1,069,682
Intercompany Advances A/P to Associated Companies (233)	<u>281,685</u>	<u>281,685</u>
Total		<u>\$1,503,518</u>

As such, these reconcile between the schedules as follows:

Bonds, notes and mortgages

	\$1,189,771	
Less: Catamount Rd – LT	<u>(147,813)</u>	(a)
Intercompany portion of this balance	<u>1,041,958</u>	(b)

As such:

Intercompany Advances	309,408
Plus: Intercompany portion of Bonds, Notes and Mortgages (b above)	<u>1,041,958</u>
<u>Total Intercompany Advances</u>	<u>1,351,366</u>

Equal to:

Advances from Associated Companies (223)	1,069,682
Accounts Payable to Associated Companies (233)	<u>281,685</u>
	<u>1,351,367</u>

And:

Other Long-Term Debt	4.338
Plus: Catamount Road – LT (a above)	<u>147,813</u>
Equal to Bonds (221)	<u>152,151</u>