STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

Docket No. DW 23-xxx

Pennichuck Water Works, Inc., Pennichuck East Utility, Inc.,
and Pittsfield Aqueduct Company
Merger Proceeding

SUPPLEMENTAL DIRECT TESTIMONY OF GEORGE TORRES

December 15, 2023

I. <u>INTRODUCTIONINFORMATION</u>

Q. Please state your name, address and position with Pennichuck Water Works, Inc., as well as its corporate Parent, Pennichuck Corporation?

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

Q. Please describe your educational background.

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

Q. Please describe your professional background.

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

Q. What are your responsibilities with the Company?

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

Q. Have you testified previously before the New Hampshire Public Utilities Commission (NHPUC or Commission)?

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

- Modification of Accounting Treatment of Leases for Pennichuck Water Works, Inc. – Docket No. DW 21-137.
- Waiver/Increase of Short-term Debt Limit for Pittsfield Aqueduct Company, Inc. ("PAC") – Docket No. DW 22-075.
- Refinance of CoBank T4 Note for Pennichuck East Utility, Inc. ("PEU") – Docket No. DW 23-024
- Petition for Renewal of PWW FALOC - Docket No. DW 23-040 .
- Petition for Renewal of PEU FALOC – Docket No. DW 23-049

- Petition for PAC Restructure of ST Debt to LT – Docket No. DW 23-061

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain the financial implications for the newly consolidated PWW, if it is approved to merge with its sister subsidiaries PEU and PAC, with PWW as the surviving entity.

Q. What role have you played in the effort of PWW to merge with PEU and PAC?

A. My role as CFO & Treasurer in the effort to merge PWW with its sister subsidiaries PEU and PAC has been to address the four phases of the merger which include 1) participating in the initial planning, 2) execution of the merger itself from a financial perspective, 3) post-merger compliance related to financial, regulatory and external stakeholder requirements, and 4) managing the financial ongoing and strategic directions on the newly merged PWW moving forward.

Q. Please provide an overview of summary of your testimony?

A. An overview of my testimony will focus on the financial impact of the proposed consolidation of the three regulated utilities, PWW, PEU and PAC into the surviving entity of PWW. My testimony will speak to the savings, to the benefit of the merger to its customers, the credit rating impact, and the overall transactional impact for the consolidated entity moving forward.

III. <u>MERGER SAVINGS</u>

Q. Please describe how the combined Company and debt funded capital improvements for all three subsidiaries will impact the revenue requirements of the single merged company?

A. Immediately, there will be no change to the CBFRR and DSRR component of the consolidated Utilities revenue requirements, of the aggregated allowed revenues, as it relates to any outstanding debt obligations. However, future debt obligations would see a benefit, as the water systems that have been serviced by PEU and PAC will now have access to the debt instruments (tax-exempt and taxable bond issuances) that were only available to PWW's water systems, and at potentially a lower cost of financing with longer terms of repayment. This would apply to any project that the Company is unable to access SRF or DWGTF funding for, as those funds typically carry even lower interest rates and cost of issuance, albeit a shorter term to repayment generally.

Q. In summary, do you expect future capital improvements to have lower cost of debt associated with them, either as it pertains to cost of interest, access to debt funds, tenor of repayment, and/or cost of issuance

A. Yes. As explained above, the communities that were serviced by PEU and PAC now would have access to the source of debt funding that were only available to PWW, and at potentially a lower cost of financing. This would apply to any project that was unable to access SRF or DWGTF funding, as those funds typically carry lower interest rates and cost of issuance. As to debt funding currently available to PEU, its primary source of debt funding are loans from CoBank, which typically have interest rates higher than PWW's bond coupon rates, and have a shorter term to maturity; as such, the annual debt service for those legacy PEU loans are higher than they would be if those funds were able to be obtained through bond issuances. As to PAC, it currently has no source of external debt funding other than the possibility of select projects being approved for SRF or DWGTF funding, and as such, there is an inherent benefit for that community, in having access to debt funding through a merged entity, and bond interest rates, and terms to maturity.

Q. Please describe how the combined PWW, and additional assumed debt obligations of the three companies, will impact the capitalization of the PWW?

A. The consolidation of PEU and PAC into PWW will have no impact on the capitalization of PWW, as the dedicated PEU and PAC RSF's that support those existing debt obligations will be merged into the newly consolidated PWW. Which will continue to be available to service that existing debt. After the acquisition of Penn Corp was consummated (as approved in Docket No. DW 11-026), all of the Pennichuck companies, including PWW, PEU and PAC, fund all of their operations and capital needs solely with debt. As such, as this is a merger of like entities as subsidiaries in the corporate structure, with identical ownership structures, nearly identical rate structures, and a unified service profile, the capitalization of PWW will be analogous to what currently exists, but with the attributes of PEU and PAC merged into that surviving entity.

Q. Has the Company done its due diligence on the impact of the Merger on its existing and outstanding debt obligations? Please explain the measures and processes that have been undertaken to ensure the Merger will not have a negative impact on those currently outstanding obligations.

A. The Company has submitted all of its outstanding debt obligations for legal review with its outside counsel, and no impediment has been identified. The Company has also had conversations and meeting with the NHDES (for the outstanding SRF and DWGTF loans), PWW's principal lender TD Bank (for its Fixed Asset Line of Credit and Working Capital Line of Credit instruments), and PEU's principal lender CoBank (with regards to outstanding loans with that institution at PEU), regarding its existing debt obligations for any potential negative consequences or preventative clauses to the merger, with none being identified. There are some administrative hurdles that will need to be completed as a component of completing the merger, once approved by the NHPUC, the Company's Board of Directors, and Penn Corp's shareholder (the City of Nashua), but all of those have been identified and are being worked on simultaneous with this docket being pursued.

Q. Please explain why the conversion of outstanding debt obligations at PEU and PAC to PWW in the Merger, is a favorable economic impact, as opposed to refinancing those obligations upon completion of the Merger.

A. Any currently outstanding SRF or DWGTF obligations of PEU and PAC generally have lower interest rates and cost of issuance than what would be available if they were to be refinanced by PWW, as a requirement of this merger, as those debts would be limited in the term of the refinancing available, and could only be refinanced with taxable bonds or bank term loans, and the initial loans were not qualified as tax-exempt issues. So, refinancing these obligations post-merger would not have a favorable economic impact on annual debt service, as current taxable bond rates or private lender interest rates would be much higher.

However, any PEU or PAC debt outside of SRF, DWGTF, and intercompany debt could potentially be refinanced post-merger, as private lender interest rates, such as CoBank, are generally higher than current bond interest rates. However, this would need to be pursued post-merger, as any actions on that would need to be executed for the merged entity, and would only be pursued if the annual debt service from refinancing those existing obligations proved to be a positive economic benefit to ratepayers, given limitations on term to repayment, and what interest rates should be available at that time. For the merged surviving entity, tax-exempt or taxable bond financing, for all three utilities, would now be available through the New Hampshire Business Finance Authority for terms up to 35 years. This form of debt is the least costly debt available (other than debt currently available from the NHDES, as SRF or DWGTF loans and grants), and it has the longest available term, up to 35 years versus between the 20 and 30 year maximum terms for NHDES debt, or 20-to-25-year loans from CoBank for PEU.

IV. CREDIT RATINGS

Q. Please provide an overview of the types of Long-term debt PWW, PEU, and PAC have.

A. As of the most current year-to-date results as of October 31, 2023, PWW, PEU and PAC total debt can be broken down by the following:

PWW

Type	Int. Rate %	Total O/S Balances
Bonds	1.1% - 5.3%	$111.8M
SRF	2.5% - 3.0%	$8.3M
DWGTF	2.7% - 3.4%	$8.2M

PEU

Type	Int. Rate %	Total O/S Balances
CoBank	3.6% - 7.3%	$12.7M
SRF	1.3% - 3.5%	$12.0M
Intercompany	3.2%	$2.5M
DWGTF	1.6%	$0.5M

PAC

Type	Int. Rate %	Total O/S Balances
SRF	3.2%	$0.1M
Intercompany	3.2%	$1.0M

Q. Please describe which Companies have a credit rating.

A. PWW is the only subsidiary that has a credit rating as bond ratings are required to issue bonds in the markets. PEU and PAC do not have bond issuance capacity or authority. PWW's current bond rating as issued by Standard and Poors is "A", with a Stable outlook.

Q. Do you expect the merger to impact the credit rating for PWW and if so, please describe how the proposed merger will impact the rating by the applicable rating agency?

A. In consultation with PWW's bond underwriters, the consolidation of PEU and PAC into PWW should not have an impact on PWW's credit rating. This is primarily because this is a merger of like entities, with a uniform allowed revenue structure, and capital structure, and as such, all attributes in support of the Company's underlying credit worthiness will be unchanged from the merger.

Q. Has PWW's credit ratings changed since approval of the rates in PWW's last two rate cases, DW 19-084 and DW 22-032?

With PWW's approval of rates in DW 19-084, the $73,630,000 taxable bond issuance which closed on September 2, 2020, was floated with an "A" rating with a negative outlook by S&P. This is the same rating the Company was given for its April 2020 tax-exempt and taxable bond issuance, and was not yet given full credit for the results of taxable bond issuance in refinancing certain outstanding bond issuances, and refilling the MOERR RSF account, allowing for the establishment of the MOEF in the Company's rate structure, as approved in the July 24, 2020 Order under Docket No. 19-084, or giving credit for the full value of permanent rates being granted under that docket. The rationale given by S&P in that April 2020 credit rating issuance was that although those factors were positive for the Company's overall credit rating, the final rates had not yet gone into effect, and thus they could not be fully weighted in the rating. One benefit of the Commission's order and approval of the revised revenue requirement methodology; however, was that S&P indicated that without these positive items being put in place, the Company's rating would have decreased, like it has for many Companies, due to current overall market concerns and uncertainty due to COVID-19, and its impact on the worldwide economy.

With PWW's approval of rates in DW 22-032, the $6,088,857 bond issuance which closed on April 26, 2023, was floated with an "A" rating with a stable outlook by S&P. The stable outlook reflects S&P's view that the Commission will continue to set rates to generate sufficient revenues for PWW's operations and support its ongoing capital expenditure costs.

V. OTHER APPROVALS AND RATINGS

Q. Does the merger need approvals from any of PWW, PEU, and PAC's lenders? If so, please describe.

A. No. However, it will require lender consent, and certain legal documentation be completed, for the transference of PEU's and PAC's respective debt instruments over to PWW.

Q. Does the Merger require the consent of its current lenders, TD Bank, NA, CoBank, ACB, and the State of New Hampshire?

A. Yes.

VI. MERGER TRANSACTIONS

Q. Please summarize your understanding of the proposed terms of the merger transaction.

A. This is a merger of like entities, as sister subsidiaries under the Pennichuck corporate group. As such, there are true synergies between the entities to be merged, and provide benefits overall to Pennichuck customers, by aggregating the utilities together in serving its customers. The benefits of the proposed merger as discussed in the Direct Testimony of John Boisvert at 12-13.

Q. Please describe the corporate structure of the merged company.

A. Upon completion of the proposed merger, the three regulatory subsidiaries under the Pennichuck Corp parent would be reduced to one. Therefore, leaving one regulated subsidiary in PWW, and two unregulated subsidiaries in Pennichuck Water Service, and The Southwood Corporation, which are not subject to the merger, under the new corporate structure. Please refer to the testimony of John Boisvert, as he fully describes this, and has provided exhibits to clarify the structure before and after the proposed merger.

Q. Please summarize your understanding of the financial structure of PWW following completion of the merger?

A. The overall financial structure of the surviving merged entity of PWW would remain the same; however, the combined annual capital expenditures and reinvestments of the merged entity will result in larger annual bond offerings, for example. This will allow the Company to go to the bond market with larger offerings that would likely be more attractive to investors and could likely result in lower cost of debt, as more competition for the issued bonds tends to drive the coupon rates on those bonds to lower levels. Also, a portion of the debt issuance costs for each annual bond issuance is a combination of certain fixed costs and certain variable costs of issuance. With the fixed cost portion of the bond issuance being spread over a larger offing, the overall cost of bond financing will be lower, on a per debt unit basis. Additionally, the merged entity would now have access to bonds with an aggregate 30-year maturity, as opposed to loans from CoBank (for PEU) and SRF or DWGTF (for both PEU and PAC) with only 20 to 25 years terms of repayment. This would result in a term of debt repayment that better matches the lives of the funded Company assets (generational equity in rates), while lowering the annual debt service cost to the company.

Q. Will the merger impact the ability of PWW to pay the City for its debt service on bonds used to acquire Pennichuck Corporation and its subsidiaries?

A. If the merger is approved along with the Consolidate Rates as submitted, it would not impact PWW's ability to continue to meet its debt service obligation to the city. In fact, it would help to ensure its viability by providing financial security and stability via water rates that are tenable, in conformity with the affordability index as defined by the US EPA (as described in the testimony of Donald Ware), and uniform going forward. While also giving communities, which were formerly serviced by PEU and PAC, access to bonded debt financing for their future and ongoing capital needs, which is only available to PWW currently.

Ultimately, this would allow the former PEU and PAC communities to continue to fund their portions of the CBFRR to the Parent, without any subsidy or additional financial burden upon PWW.

Q. Will the merger impact the allocation of the City Bond Fixed Revenue Requirement ("CBFRR") allocated among PWW, PEU, and PAC, as approved in DW 11-026?

A. Yes. The current CBFRR allocation between the three regulated entities of PWW, PEU, and PAC, would be combined to a single allocation, equal to the sum of the amount of the three entities obligation, prior to consolidation.

Q. Will the rates and amendments to the rate structures sought in the consolidated rate case in Docket DW 23-088 provide adequate coverage for PWW to pay the combined allocation of the CBFRR?

A. Yes**.**

Q. Please explain the Municipal Acquisition Regulatory Asset ("MARA") authorized in DW 11-026 that accounted for the actual acquisition costs of Pennichuck Corp. and the subsidiaries by the City of Nashua?

A. The Municipal Acquisition Regulatory Asset (MARA) is the acquisition premium over the book value of the underlying assets, that resulted from the acquisition of Penn Corp by the City of Nashua, as approved in Docket No. DW 11-026. It has been and will continue to be recovered as an asset that is depreciated over time, until January 2042, based on the amortization of the principal of the bonds that were issued by the City in its acquisition. It has no specific ratemaking treatment as it is already included in the CBFRR. The MARA must be maintained as approved in the DW 11-026 docket, until it is fully amortized in 2042, in support of the overall financial status of the Company, as approved in that acquisition docket.

Q. Please explain the purpose of the MARA?

A. The Commission authorized, pursuant to the Special Legislation and RSA Chapter 38, the payment by each of PWW, PEU and PAC to Pennichuck of distributions from each utility's paid-in-capital account for the purpose of enabling the City, acting through Pennichuck and its subsidiaries, to satisfy the City's obligations under the City Acquisition Bond. The MARA is treated as an Equity-Related Item that is removed from the traditional ratemaking process and is subject to recovery only through the CBFRR.

Through merger of PEU and PAC with PWW, the Company seeks affirmation of the authority to continue distributions from the PWW paid-in-capital account aggregated for the PEU and PAC shares of the CBFRR.

Q. Do you have an opinion on how the future revenue requirements of the combined Company would compare to the revenue requirements of the separate PWW, PEU, and PAC?

A. Yes. As previously discussed in my testimony, because of the ability to now fully fund all of its project needs with lower cost of capital bonded debt, a streamlining of all the existing Rate Stabilization Funds into the merged entity, and with the consolidation of all future rate, QCPAC, and financing filings, it would bring more predictability and stability to future revenue requirements, than it would as stand-alone entities. As a rule, this merger should bring more reasonable and ratable rate increases every three years, for the surviving PWW.

Q. What factors of the proposed merger will either positively or negatively impact the revenue requirements of the combined Company?

A. None. As in delineated in the schedules in support of the Consolidated Rate Case filing in Docket No. DW 23-088, the underlying costs in support of the allowed revenue buckets that currently exist for PWW, PEU and PAC are merely being combined into a consolidated revenue requirement.

Q. What is your understanding of the short-term and long-term anticipated rate impacts to PWW, PEU, and PAC customers if the merger transaction is completed?

A. As previously discussed in my testimony, the proposed merger would bring more predictability and stability to future revenue requirements, than it would as stand-alone entities. Therefore, bringing more predictability and stability to any potential rate impact to the consumer. This is achieved due to the larger aggregate sharing of revenue coverage for necessary and prudent operating expenses, favorable overall cash flow requirements to service current and future debt, and the consolidation of customers across all communities served as residential, commercial and industrial customer classes.

VII. MERGER BENEFITS TO CUSTOMERS

Q. Will the combined Company provide advantages to PWW, PEU and PAC customers rather than remaining separate utilities?

A. Yes. These advantages are as described earlier in this testimony.

Q. Will the proposed merger provide the combined Company relief from administrative, legal, and regulatory costs incurred currently by the three companies?

A. Yes. The merger will streamline the overall number of regulatory filings required, reduce the number of financing dockets to be filed each year, and consolidate many activities at the Companies that are now tracked individually for each company. All of which will reduce administrative, legal and regulatory costs going forward.

Q. Will the combined Company have better access to debt facilities than the independent PWW, PEU, and PAC?

A. As explained earlier in my testimony, the communities that were serviced by PEU and PAC now would have access to the bonded debt instruments that are currently only available in PWW, due to its much larger size, and at potentially a lower cost of financing. Additionally, the merged entity would now have access to bonds with an aggregate 30-year maturity, as opposed to loans from CoBank (for PEU) and SRF or DWGTF (for both PEU and PAC) with only 20 to 25 years terms of repayment, to a term of debt repayment that better matches the lives of the funded Company assets, while lowering the annual debt service cost to the company. This would apply to any project that was unable to access SRF or DWGTF funding as an alternative, as those funds typically carry lower interest rates and cost of issuance than bonded debt.

Q. What is the projected interest rate impact of the debt facilities offered to the combined Company, as opposed to the independent PWW, PEU, and PAC?

A. Fixed Asset Line of Credit (FALOC)

PEU's FALOC interest rate as charged by its current lender CoBank, is at 7.50% as of December 11, 2023. PWW's current FALOC interest rate is 7.07%, which is 5.7% lower than PEU's FALOC rate.

PAC has no access to a FALOC due to its limited size, so all of its capital needs are serviced with SRF, DWGTF, or with more expensive short-term intercompany borrowings. So, the proposed combination with PWW and PEU would allow PAC to access short-term borrowings from third-party lending with its more attractive lending rates.

Bonded debt vs. CoBank (External Lender)

PEU's most current FALOC payoff loan (T15) which closed in August 2023, carries an interest rate of 7.26%. This compares to PWW's effective rate of 5.0% on its most recent bond offering which closed in April 2023, which is 31.1% lower than PEU's CoBank loan.

Again, PAC has no access to bonded debt or external lending due to its limited size, so all of its capital needs are serviced with SRF, DWGTF, or with more expensive short-term intercompany borrowings. So the proposed combination with PWW and PEU would allow PAC to access the bond market and third-party lending with its more attractive lending rates.

Q. On what date do the Companies propose the consolidated tariff rates to be effective?

A. January 1, 2025.

Q. Will the proposed merger and combined Company allow for continued provision of safe and high-quality water service to all customers?

A. Yes. Nothing in the manner in which the Pennichuck regulated utilities would change as to its ability to maintain Safe Drinking Water Act compliance, as well as ongoing customer service, and maintenance of its water treatment, storage and distribution assets.

Q. Will the proposed merger result in any changes to the managerial, financial, legal, or technical expertise of the utilities?

A. None are anticipated.

VII. DEBT BENEFITS OF MERGED COMPANY

Q. Please list the general bond and debt obligations of PWW?

A. Please see attached Exhibit GT-1 – Consolidated Debt of PWW, PEU and PAC 2023-2025, and see also the response in Credit Rating section of my testimony above.

Q. Please list the general bond and debt obligations of PEU?

A. Please see attached Exhibit GT-1 – Consolidated Debt of PWW, PEU and PAC 2023-2025, and see also the response in Credit Rating section of my testimony above.

Q. Please list the debt obligations of PAC?

A. Please see attached Exhibit GT-1 – Consolidated Debt of PWW, PEU and PAC 2023-2025, and see also the response in Credit Rating section of my testimony above.

Q. Upon merger, the assets and associated debt from PEU and PAC will transfer to PWW, is that correct?

A. Yes. All assets, liabilities and debt obligations of both PEU and PAC would be assumed under the new combined regulated entity under PWW, with the same financing and repayment terms currently in place.

Q. What will be the total debt obligations and projected annual debt service of the combined Company?

A. Please see attached Exhibit GT-1 – Consolidated Debt of PWW, PEU and PAC 2023-2025.

Q. What impact will the merger have on the existing PWW obligations with TD Bank?

A. None. The Company has already had conversations with the bank as to the impact of the proposed merger.

Q. Has PWW sought the consent of TD Bank for the merger? Please describe the consequences of the merger with PEU and PAC on the TD Bank debt obligations.

A. Yes. No impact to PWW's current debt obligations with the proposed consolidation.

Q. What impact will the merger have on the existing PEU obligations with CoBank?

A. There will be no changes to existing interest rates or repayment terms in currently existing PEU debt obligations, upon completion of the consolidation as vetted with previous conversations with CoBank representatives. Discussions have already been conducted between CoBank, TD Bank and the Company, as to documentation that will need to be completed upon the consummation of the merger, in order for the banks' rights to be fully protected on any already existing and issued debt.

Q. Has PEU sought the consent of CoBank for the merger? Please describe the consequences of the merger with PWW on the existing PEU CoBank debt obligations.

A. Yes, consent has been sought with CoBank, in addition to certain waivers and agreements that will need to be executed at the time of, or in preparation for, the completion of the merger, once it is approved by the Commission. And as previously discussed, there will be no changes to existing terms on all existing CoBank debt as part of the consolidation, as confirmed with CoBank representatives.

Q. What impact will the merger have on the existing PAC obligations for short-term and long-term intercompany notes?

A. Upon completion of the consolidation between PWW, PEU and PAC, all intercompany debt, payables, and intercompany receivables are eliminated or transferred, to prevent their inclusion in the newly merged PWW, or properly account for the assumption of those obligations by PWW on behalf of PEU or PAC. This is done to remove all internal financial activities within the group, or transfer obligations between PAC or PEU and Penn Corp, to PWW.

Q. Will the merger result in any changes to the Money Pool Agreement dated January 1, 2006, a copy of which is on file with the Commission pursuant to RSA 366:3?

A. No, the Agreement will continue to define the relationship between Penn Corp, PWSC, TSC and PWW. There are designated costs that are borne at Penn Corp and allocated on a consistent and formulaic basis to each of the Corporation's subsidiaries. Likewise, as all personnel, fleet, and equipment assets are the property of, or work for, PWW, designated costs that are borne at PWW, are allocated on a consistent and formulaic basis to each of the other subsidiaries in the corporate group. The underlying metrics currently applicable to PEU and PAC in that allocation will now be attributed to PWW.

Q. What impact will the merger have on the existing intercompany debt and payables between Penn Corp., PWW, PEU and PAC?

A. As discussed previously, upon completion of the consolidation between PWW, PEU and PAC, all intercompany debt, payables, and intercompany receivables are eliminated or transferred, to prevent their inclusion in the newly merged PWW, or properly account for the assumption of those obligations by PWW on behalf of PEU or PAC. This is done to remove all internal financial activities within the group, or transfer obligations between PAC or PEU and Penn Corp, to PWW.

Q. Will any resulting changes in the Money Pool Agreement or treatment of intercompany debt impact PWW's ability to seek outside debt financing from either TD Bank or other lenders?

A. No. The ongoing consistent application of the Money Pool Agreement going forward will insure that the approved revenue requirements of the merged entity will fully support existing and future debt financing.

Q. What impact will the merger have on the existing CWSRF and DWSRF obligations of PWW, PEU, and PAC?

A. None, as all existing CWSRF and DWSRF for PEU and PAC, will port over to PWW with no change to their existing financing or repayment terms.

Q. What general obligation bonds does the Companies have?

A. The Company only issues private-activity bonds, due to its ownership structure as a non-municipality. Please see attached Exhibit GT-1, for the listing of its currently outstanding bonds.

Q. How will the merger of PWW, PEU, and PAC affect the marketability of PWW's future issued bonds?

A. The combined annual capital expenditures and reinvestments of the merged entity will result in larger annual bond offerings. This will allow the Company to go to the bond market with larger offerings that likely would be more attractive to investors and could or would likely result in lower cost of debt, as more competition for the issued bonds tends to drive the coupon rates on those bonds to lower levels.

Q. Given the size of PAC and its revenue requirements, does PAC have access to outside debt facilities other than SRF funding and inter-company payables and loans?

A. No, it does not.

Q. Given the size of PEU and its revenue requirements, does PEU have access to lenders other than CoBank, ACB?

A. No, it does not, other than SRF or DWGTF loans or grants for certain eligible and qualified projects.

Q. Will the combined Company need to adjust, extend or modify the Fixed Asset Line of Credit ("FALOC") with TD Bank, NA?

A. Yes. PWW will be negotiating with TD Bank for an increase of its current FALOC facility, upon the timeframe for the renewal and extension of the FALOC in mid- 2025, to account for the merged entity's future capital needs. This would require a new

FALOC in the $15 – 16 million range, that would encompass PWW's current $12 million facility and PEU's current $4 million facility.

Q. Will the combined Company have access to adequate debt to finance capital investments for the combined PWW, PEU, and PAC systems?

A. Yes. The merged Company would have access to the bond markets, SRF and DWGTF loans and grants, as well as continuing to be credit worthy to lenders offering terms for the currently existing Fixed Asset Line of Credit ("FALOC") existent at PWW with a bank lender, and the Working Capital Line of Credit ("WCLOC") existent at Penn Corp, with that same bank lender. The merger would also create better "critical mass" in two areas important in accessing the bond markets: (1) greater overall aggregate revenues in support of debt repayments, and (2) favorable ability to access the bond markets for debt funding. This will also allow the Company to go to the bond market with larger offerings that would likely be more attractive to investors and could or would likely result in lower cost of debt, as more competition for the issued bonds tends to drive the coupon rates on those bonds to lower levels. Additionally, the merged entity would now have access to bonds with an aggregate 30-year maturity, as opposed to loans from CoBank (for PEU) and SRF or DWGTF (for both PEU and PAC) with only 20 to 25 years terms of repayment, to a term of debt repayment that better matches the lives of the funded Company assets (generational equity in rates), while lowering the annual debt service cost to the company.

Q. How will the merger with PWW impact the existing FALOC facility maintained by PEU with CoBank, ACB?

A. At the completion of the merger with PWW, PEU's existing $4 million FALOC facility would no longer be available. However, PWW's existing $12 million facility with TD Bank would be requested to be increased to $15 - $16 million, as described above, to provide the expected funds to support the addition of PEU's ongoing capital needs. As the current FALOC for PWW expires on June 30, 2025, the Company has already had discussions with TD Bank about the implications of the merger and the need to increase the FALOC capacity, to now account for those additional needs.

Q. Will PWW and PEU file their respective petitions for Qualified Capital Project Adjustment Charge ("QCPAC") filing in February 2024 for those capital projects financed, completed, used and useful by the end of December 2023?

A. Yes.

Q. How will the merger of PWW and PEU impact the QCPAC mechanism going forward?

A. With the merger of PWW and PEU, the annual QCPAC filings of both subsidiaries would be replaced with one single annual filing for PWW.

Q. How will the combined Company fund capital investments going forward for the water system?

A. To the extent the combined entity can continue to obtain available SRF or DWGTF funds, those would be the preferred options due to their lower interest rates and related cost-of-issuance. Beyond that, the combined entity would continue to leverage PWW's enhanced FALOC facility to fund its current capex needs, which is then ultimately replaced the following year with the company's annual reimbursement bond issuance.

Q. Will the merger of PWW and PEU result in amendments to the budgets for anticipated 2024 and 2025 capital investments? How will the combined Company prioritize those capital investments?

A. No budget changes will be required in 2024, as both PWW and PEU will continue to operate independently of one another, with separate capital needs and priorities. For 2025 and beyond, all capital needs for the regulated entities will now be combined, assessed, and prioritized under a the single PWW regulated utility.

Q. Will those capital investments result in the continued provision of safe and high-quality water service to all customers?

A. Yes. Nothing will change in the Company's overall mission of providing clean, safe drinking water to customers, and pursuing an ongoing plan of necessary infrastructure and treatment replacement.

Q. Do you have an opinion on whether the proposed rate relief requested in the consolidated tariff provides for adequate debt service coverage for the debt covenants for all outstanding debt obligations of the combined Company?

A. Yes, as those factors, as well as others, are considered and accounted for when calculating and requesting the necessary rate relief.

Q. Will the merger of PWW with PEU and PAC result in any revenue deficiencies?

A. No. The basis for the proposed revenue requirement is included in the Consolidated Rate Filing.

Q. Will the merger impact the treatment or reserve fund obligations for payment of the City Bond Fixed Revenue Requirement ("CBFRR")?

A. No. The aggregate CBFRR requirement for the post-merger PWW, will be exactly the same as the aggregate of the individual CBFRR requirement for PEU, PAC and PWW.

Q. How will the existing RSF requirements and balances of PEU and PAC be allocated with the combined Company?

A. The RSF requirements and balances of both PEU and PAC will be consolidated into a single RSF, within PWW.

Q. Describe the net effect of the merger on the Rate Stabilization Fund ("RSF") and how the RSF allocation will affect the rate relief sought by the Company?

A. The impact of the merger on RSF accounts and their allocation amongst the regulated utilities, will result in a single set of RSF accounts under PWW. This will have no monetary impact to the overall rate relief being sought in the consolidated rate case.

Q. Will the merger require the Company to amend its bond financing authority granted by Order No. 26,459 in Docket No. DW 20-157? ($57.5 million aggregate 2021 – 2025)

A. Yes. As the Company's TEFRA authority to issue tax-exempt bonds that was approved in Order No. 26,459, needs to be amended to include the communities in the respective franchise areas that were formerly serviced by PEU and PAC. This process is already underway with the NHBFA and will then be approved by NH Governor Council, to ensure full coverage for bonds to be issued for the merged entity.

Q. Will the merger have the effect of reducing the overall short-term debt ratio of the combined PWW to ten percent (10%) or less?

A. Yes. Both PAC and PEU have recently petitioned the Commission for an increase and waiver of the short-term debt limit of 10% to account for necessary borrowings to finance capital improvements to their respective systems since their only access to capital is through debt since the acquisition by the City eliminated access to equity markets. The Commission approved the petition for debt limit waiver and increase by Order No. 26,895 (October 17, 2023) in Docket No. 23-066. The majority of short-term debt for both PEU and PAC are intercompany payables, so upon conclusion of the merger those intercompany balances between the regulated entities will be consolidated and/or eliminated. Leaving only PWW's short-term debt remaining which currently stands at 4.78% as of October 31, 2023.

IX. PUBLIC GOOD AND FINANCING REQUESTED

Q. Do you believe the proposed consolidated rate filing relief, factor modifications to the rate making structure (established in DW 11-026, modified in DW 16-806, DW 19-084 and DW 22-032) sought in DW 23-088 and merger with PEU and PAC will result in just and reasonable rates for PWW, PEU, and PAC customers?

A. Yes. Please refer to the testimonies of John Boisvert and Don Ware for a comprehensive discussion on this.

Q. Please explain why the Commission should find that the merger and consolidation of PWW, PEU, and PAC is fair, reasonable, and serves the public good consistent with RSA 374:30 and RSA 374:33?

A. As the three utilities seeking to merge in this docket are all common subsidiaries of the Pennichuck corporate group, provide services to customers only in the State NH, have a unified purposed, allowed revenue rate structure, and share the resources of manpower and fleet assets of PWW currently, the overall mission of providing fair and reasonable rates for water supplied to customers, in not only upheld by this merger, but enhance for all of the factors cited in this testimony and that of Mr. Boisvert and Mr. Ware.

Q. Please explain why the Commission should find that the merger of PWW, PEU, and PAC is in the public interest?

A. The merger of PWW, PEU, and PAC is in the public interest because the consolidation is because of the following:

(1) It will enable PWW to provide adequate cash flows in support of ongoing infrastructure replacements to the benefit of its ratepayers, as fully debt funded projects.

(2) The same Rate Stabilization Funds will continue to exist for the merged entity. These will continue to normalize revenues between rate cases, to the benefit of the Company's ratepayers, allowing for increased rate stability.

(3) Because the larger merged entity will likely go to market with larger bond issuances in any given year, PWW may have the ability to access debt at more favorable rates, and at a lower cost of issuance per unit of debt, to the benefit of its ratepayers over time; PEU and PAC as they exist today do not have this ability, thus this benefit will be felt by all ratepayers.

(4) The merged entity of PWW will be able to maintain ongoing compliance with all of its debt covenants; and

(5) The merged entity of PWW will maintain operations in an efficient and effective manner for its ratepayers, as there will be fewer overall rate case filings, only one QCPAC filing each year, fewer financing dockets, and a reduced burden with respect to managing funds transferring between the existing three utilities and Penn Corp.

(6) Will ensure that rates for all of its customers remain affordable based on EPA's affordability criteria.

Q. Please explain why the Commission should approve the terms of the Merger Agreement and Plan of Merger?

A. For the reasons explained in my earlier testimony, which is ultimately in the public's best interest. And, as there are no adverse impacts of the merger, in the utility's ability to continue to serve its customers in the manner required.

Q. Please explain why the Commission should authorize the consolidation of the City Bond Fixed Revenue Requirement, currently in existence and approved at all of the Pennichuck Regulated Utility company, to PWW upon approval of the merger?

A. To remain consistent with all other RSF accounts, which will be consolidated into one single regulated utility. And, as approved in Docket No. DW 11-026 as an underlying and absolutely critical factor in the City's ability to continue to service the bonds issued to acquire Penn Corp in 2012. Absent the approval of the consolidation of the individual CBFRR requirements for PWW, PEU and PAC into the surviving entity, the Company will not and cannot consummate this merger, and would not garner approval from its shareholder.

Q. Should the Commission approve adjustments to the PWW Rate Stabilization Fund allocation and methodologies to account for the merger of the three subsidiaries?

A. Yes. The consolidation of the component RSF accounts of each of the three companies must be aggregated into the merged PWW, in order to properly reinforce the rate structure needed to properly provide cash flows needed to operate the utility, and to maintain proper covenant compliance with issued debt, and to maintain its investment grade credit rating, all to the benefit of ratepayers and other stakeholders.

Q. As was essential in the Order granted by the Commission in Docket No. DW 11-026, should the Commission affirm the approval of the MARA for PWW, as modified, consistent with the findings in DW 11-026 that it is treated as an Equity-Related Item that is removed from the traditional ratemaking process and is subject to recovery only through the CBFRR?

A. **Yes.** The Commission should reaffirm this approval as a necessary element in the Company's approved rate structure.

Q. As was essential in the Order granted by the Commission in Docket No. DW 11-026, should the Commission expressly approve distributions from paid-in-capital from PWW to enable the City, acting through Pennichuck Corp. to satisfy the City's obligations under the City Acquisition Bonds?

A. Yes. The Commission should reaffirm this approval as a necessary element in the Company's approved rate structure.

Q. As was essential in the Order granted by the Commission in Docket No. DW 11-026, should the Commission authorize intercompany payments between Penn. Corp. and PWW for allocation of federal and state income tax liability in accordance with existing practice of Pennichuck and its subsidiaries?

A. Yes. The Commission should reaffirm this approval as a necessary element in the Company's approved rate structure.

Q. As was essential in the Order granted by the Commission in Docket No. DW 11-026, should the Commission affirm the limitation on PWW to not pay or distribute funds in any fiscal year through dividends or other distributions to Pennichuck in excess of the applicable CBFRR amount?

A. Yes. The Commission should reaffirm this approval as a necessary element in the Company's approved rate structure.

Q. Should the Commission approve PWW to enter into agreements with TD Bank, CoBank and the State of New Hampshire pursuant to RSA 369:1-4 to assume the debt obligations of PEU and PAC?

A. Yes. The approval from the Commission should specifically approve and authorize this.

Q. Should the Commission find the assumption of debt obligations by PWW will be consistent with the public good?

A. Yes. The Commission should find the assumption of debt obligations by PWW to be consistent with the public good, for all of the elements supported in the testimony in this docket, by all members of the Company.

Q. Please explain why the Commission should approve the adjustments to the rate making structure proposed in the Merger Agreement, consistent with the rate structure sought in the consolidated rate filing in DW 23-088.

A. The adjustments to the rate making structure proposed in the Merger Agreement should be approved, as they will help to ensure that reasonable and fair rates are offered to the customers of the consolidated utilities. And, such that the allowed and approved revenues will allow the Company to adequately cover its cash flow requirements for necessary and prudent operating expenses, and full service of its existing and future debt obligations.

Q. Should the Commission find that the reasonable projections of consolidated rates sought in DW 23-088 are in the public interest as they are slated to be to lower over time compared to a range of rates projected to result under the structure of separate subsidiaries?

A. Yes. The overall intent of this merger filing and the associated Consolidated Rate case are being pursued for this very reason.

Q. When does the Company hope to receive Commission approval for the proposed merger petition?

A. December 1, 2024, with an effective date of January 1, 2025, to allow reporting of the new merged entity on day one of its new fiscal year.

Q. When does the Company intend for the merger to be effective, and the consolidation of the Utilities into PWW to in place?

A. As stated in my prior response, the merger should be effective January 1, 2025, to allow reporting of the new merged entity on day one of its new fiscal year.

Q. When does the Company hope to receive Commission approval on the consolidated rate case of PWW, PEU, and PAC?

A. By the end of November 2024 or December 1, 2024.

Q. Does this conclude your testimony?

A. Yes.