

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

**Petition of Pennichuck Water Works, Inc. for Financing Approval Under the State PFAS  
Remediation Fund for Nashua WTP Chemical Feed and Storage Enhancements Project**

**DW 24-\_\_\_**

**DIRECT PREFILED TESTIMONY OF GEORGE TORRES**

July 3, 2024

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

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

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

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

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

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

1 **Q. What are your responsibilities as Chief Financial Officer & Treasurer of**  
2 **Pennichuck?**

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

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

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

- 14 • Modification of Accounting Treatment of Leases for Pennichuck Water Works, Inc. –  
15 Docket No. DW 21-137;
- 16 • Waiver/Increase of Short-term Debt Limit for Pittsfield Aqueduct Company, Inc. –  
17 Docket No. DW 22-075;
- 18 • Refinance of CoBank T4 Note for Pennichuck East Utility, Inc. –  
19 Docket No. DW 23-024;
- 20 • CoBank Term Loan for Pennichuck East Utility, Inc. –  
21 Docket No. DW 23-046;
- 22 • Renewal of TD Bank Fixed Asset Line of Credit for Pennichuck Water Works, Inc. –

- 1 • Docket No. DW 23-040;Renewal of CoBank Fixed Asset Line of Credit for Pennichuck  
2 East Utility, Inc. –
- 3 Docket No. DW 23-049;
- 4 • Intercompany Loan for Pittsfield Aqueduct Utility, Inc. –
- 5 Docket No. DW 23-061
- 6 • Joint Petition of Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company for  
7 Waiver and Increase to the Short-Term Debt Limit –
- 8 Docket No. DW 23-066
- 9 • Joint Petition of Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., and  
10 Pittsfield Aqueduct Company for Approval of Consolidation –
- 11 Docket No. DW 23-101
- 12 • CoBank Term Loan for Pennichuck East Utility, Inc. –
- 13 Docket No. DW 24-064

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

15 A. The purpose of my testimony is to explain PWW’s request for approval and authority  
16 to accept a New Hampshire Department of Environmental Services (NHDES) twenty  
17 (20) year term PFAS Remediation Loan up to eleven million four hundred fifty  
18 thousand dollars (\$11,450,000), to fund the design and construction of a new  
19 Chemical Feed and Storage Improvement project at the Company’s Nashua Water  
20 Treatment Facility (“WTF”), as fully described in the pre-filed, direct testimony of  
21 Chris Countie, Director of Operations.

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

3 **A.** Yes.

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

7 **A.** Yes. PWW is wholly owned by Pennichuck, which is, in turn, wholly owned by the City  
8 of Nashua, New Hampshire. The City of Nashua acquired its ownership of Pennichuck  
9 on January 25, 2012, pursuant to this Commission's Order No. 25,292 (November 23,  
10 2011) (Approving Acquisition and Settlement Agreement) in Docket No. DW 11-026.  
11 Prior to this acquisition by the City of Nashua, Pennichuck's shares were traded on a  
12 public stock exchange. This change in the ultimate ownership of PWW's parent,  
13 Pennichuck, from publicly traded shareholder ownership to ownership by the City has  
14 had important consequences for the operation of PWW. One of the consequences is that  
15 PWW, after the City's acquisition of Pennichuck, no longer has access to private equity  
16 markets as a method of financing its capital needs. As contemplated by deliberations  
17 during the Commission's proceeding to approve the City's acquisition of Pennichuck in  
18 DW 11-026, after the acquisition, PWW expected to (and has since 2012) finance its on-  
19 going capital needs entirely through the issuance of debt. The requested financing in this  
20 petition would provide necessary funds for needed capital upgrades as discussed below.

21 **Q. Please provide an explanation of the purpose of the proposed financing through the**  
22 **NHDES.**

1 A. As more fully described in the pre-filed, direct testimony of Chris Countie, the purpose of  
2 the financing from NHDES is to fund the cost of a new building to accommodate  
3 additional bulk chemical storage at the WTF for ferric chloride, the primary coagulant  
4 chemical used in the treatment process and primary bulk storage for sodium hypochlorite,  
5 the primary disinfectant. The proposed upgrade will also replace existing chemical feed  
6 equipment, obsolete programmable logic controllers, and other miscellaneous related  
7 chemical feed systems to improve operations and treatment at the WTF. As indicated  
8 above, the testimony of the Company's Director of Operations, Chris Countie, included  
9 with the Company's petition, provides additional details regarding the scope and need for  
10 the proposed project.

11 **Q. Would you please describe the NHDES PFAS Remediation Grant and Loan Fund in**  
12 **more detail?**

13 A. The Per- and Polyfluoroalkyl ("PFAS") Substances Remediation Grant and Loan Fund  
14 administered by NHDES provides for low-interest grants and loans for repayment with  
15 terms up to twenty (20) years, to communities, municipalities, and public water systems  
16 to address exceedances of PFAS standards in drinking water and for remediation efforts  
17 initiated after September 30, 2019. The use of PFAS Remediation Grant and Loan  
18 funding will lower the overall cost of financing for projects under this program, when  
19 compared to other forms of financing such as commercial lending or bond funding, when  
20 accounting for the associated lower interest rate and issuance costs. Additionally, PWW  
21 will not require access to all of the approved and available loan funds under this type of  
22 financing, because the Company will only finance the amounts necessary to pay for  
23 ongoing construction costs at a 1.0% interest rate.

1 Q. **What are the terms of the proposed NHDES financing?**

2 A. The NHDES provides public and private water systems, as well as municipalities, the  
3 opportunity to borrow funds to fund the construction of qualified projects at interest rates  
4 that are typically lower than market rates of commercial financing. The following terms  
5 of financing will be available for these loans: (1) amounts advanced to PWW during  
6 construction will accrue at an interest rate of one percent (1%) per annum, and the total  
7 accrued interest will be due upon substantial completion of the projects; and 2) the terms  
8 of the loan requires repayment of the loan principal plus interest over a twenty (20) year  
9 period commencing six months after the project is substantially complete. The current  
10 stipulated interest rate for this borrowing is 3.50% per annum. The loan will be  
11 unsecured, and the Company's parent company, Pennichuck Corp. will provide an  
12 unsecured corporate guarantee for the repayment of the loan. The Company will  
13 supplement its petition to provide the Commission with the PFAS Remediation Loan  
14 documents once the documents are finalized and executed.

15 Q. **What are the estimated issuance costs for debt obligations incurred under the PFAS  
16 Grant and Loan Fund?**

17 A. The anticipated cost of issuance will be approximately **\$8,000-15,000** for legal costs paid  
18 by PWW, for (1) review and revision of the necessary loan documentation prepared by  
19 NHDES, and (2) to obtain Commission approval of the loan. The issuance costs will be  
20 amortized over the life of the loan. The estimated annual amortization expense of \$750  
21 associated with these issuance costs, has not been reflected in Schedules GT-2 through 3,  
22 due to the immateriality of these anticipated costs with respect to the overall analysis and  
23 impact of the proposed financing.

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

3 A. In order to consummate the transactions contemplated by the proposed PFAS Remediation  
4 Loan, the following approvals and consents are required: (1) the requested approvals and  
5 findings of this Commission required by RSA Chapter 369; (2) authorization by PWW's  
6 Board of Directors; (3) authorization by Pennichuck Corporation's Board of Directors; and  
7 (4) approval by the City of Nashua, in its capacity as Pennichuck's sole shareholder.

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

9 A. On May 4, 2024, PWW's and Pennichuck's Boards of Directors authorized the Company  
10 to seek the proposed PFAS Remediation Loan under this petition and authorized  
11 management to pursue all steps necessary to complete the transaction. A copy of these  
12 approval actions are attached to my testimony as Exhibit GT-6xx, PWW Corporate  
13 Secretary Certificate and Exhibit GT-7xx, Pennichuck Corporation Corporate Secretary  
14 Certificate. Pursuant to Section 6(c)(vi) of the Loan Agreement with T.D. Bank, NA, the  
15 Company may borrow either tax-exempt or taxable bonds or state revolving fund loans  
16 without prior consent but with thirty (30) days advance notice. On June 20, 2024, the  
17 Company submitted a letter to TD Bank NA to provide the thirty (30) days advanced notice  
18 of intent to enter into the PFAS Remediation Loan. A copy of the letter to TD Bank, NA is  
19 attached as Exhibit GT-5, and the Company will supplement the Petition once a  
20 confirmation and response from TD Bank is received. On June 20, 2024, PWW also  
21 submitted a request for approval for the PFAS Remediation Loan to the City of Nashua,  
22 and upon receiving that approval in its capacity as sole shareholder, this will be provided to



1 the Commission in support of this petition. A copy of the Company’s letter submitted to the  
2 City of Nashua is attached as Exhibit GT-8xx.

3 **Q. When would PWW expect to be able to consummate the transactions contemplated by**  
4 **the proposed PFAS Remediation Loan?**

5 A. As of the date of this testimony, PWW expects to obtain all necessary approvals and  
6 consents, and satisfy all other conditions, to allow closing on the transaction by November  
7 30, 2024. PWW would expect to be able to close with NHDES on this loan as soon as it  
8 can receive an Order *NISI* from the Commission (including its perfection at the end of the  
9 public comment period) In order to accomplish this, and given the timing to fully prepare,  
10 vet and review the loan documents for closing, the Company respectfully requests a  
11 perfected and effective Order from the Commission no later than October 30, 2024.

12 **Q. Do you believe that the PFAS Remediation Loan, as contemplated by the proposed**  
13 **financings is consistent with the public good?**

14 A. Yes. The project being financed through the proposed PFAS Remediation Loan is  
15 consistent with the public good because it would enable PWW to upgrade the WTF to  
16 continue to provide safe, adequate, reliable water service to its customers, at the most cost-  
17 effective means as further described in Mr. Countie’s direct testimony. Additionally, the  
18 terms of the financing through the NHDES, are very favorable when compared to other  
19 alternatives such as commercial loans or bonds, and therefore should result in lower  
20 financing costs than would be available through all other current debt financing options.

21 **Q. Please explain Schedules GT-1 entitled “Balance Sheet for Twelve Months Ended**  
22 **December 31, 2023”.**

1 A. Schedule GT-1, pages 1 and 2, presents the actual financial position of the Company as of  
2 December 31, 2023, and the pro forma financial position reflecting certain adjustments  
3 pertaining to the proposed PFAS Remediation Loan at \$11,450,000 term loan financing.  
4 Schedule GT-1, page 1, reflects the pro forma adjustments to record the net assets related to  
5 the capital projects funded by the PFAS Remediation Loan, and to record the net amount  
6 needed to record a full year of depreciation (as an adjustment to the half-year convention  
7 already booked for the assets as of 12/31/2023); there are no amounts reflected to adjust  
8 Plant Assets for the up to \$11,450,000 cost of the net assets or to reflect the Cost of  
9 Removal, of \$371,152, as the actual amounts for these entries and projects have already  
10 been included in the 12/31/2023 financial statements for these used and useful assets as of  
11 year-end. Schedule GT-1, page 1, also records the use of funds to support some of the  
12 related expenses.

13 **Q. Please explain the pro forma adjustments on Schedule GT-1.**

14 A. Schedule GT-1, page 2 (Asset Line of Credit funds), establishes the total PFAS  
15 Remediation Loan of up to \$11,450,000 that are anticipated to be funded out of the  
16 Company's working capital and intercompany borrowings from Pennichuck in the amount  
17 of \$558,875. This schedule also reflects the income impact on retained earnings related to  
18 costs associated with the financing, as reflected on Schedule GT-2.

19 **Q. Mr. Torres, please explain Schedule GT-2 entitled "Operating Income for the Twelve  
20 Months Ended December 31, 2023".**

21 A. Schedule GT-2, pages 1 and 2, presents the Company's Operating Income Statement for  
22 the Twelve Months Ended December 31, 2023. As indicated previously, the issuance costs  
23 associated with the financing are not expected to be significant or material and are not

1 reflected in Schedule GT-2, page 1. Schedule GT-2, page 1, contains three pro forma  
2 adjustments. The first adjustment records the estimated increase in interest expense related  
3 to additional debt raised at interest rates of 3.50% per annum. The second adjustment  
4 records the estimated depreciation and property taxes on the new assets. The third  
5 adjustment records the income tax effect of the additional pro forma interest expense,  
6 depreciation and property tax expenses, using an effective combined federal and state  
7 income tax rate of 27.00%.

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

9 A. Schedule GT-3 illustrates the Company’s pro forma impact on the Company’s existing  
10 Capital Structure as of December 31, 2023. Schedule GT-3 is consistent with the Statement  
11 of Capitalization Ratios filed as Exhibit 5 to the Form F-4 pursuant to PUC Rule  
12 609.03(b)(6).

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

15 A. Schedule GT-4A illustrates the Company’s pro forma impact from this financing on the  
16 average single-family residential home’s water bill, as it pertains to the rates that were  
17 approved under Docket No. DW 22-032. **Please explain Schedule GT-4B entitled**

18 **“Proforma Cost of Long-Term Debt”**

19 A. Schedule GT-4B illustrates the Company’s pro forma impact on the Company’s Weighted  
20 Average Cost of Long-Term Debt as of December 31, 2023. This schedule is consistent  
21 with Exhibit 6 of Form F-4 pursuant to PUC Rule 609.03(b)(7).

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

23 A. Yes, it does.