

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

Pittsfield Aqueduct Company, Inc.

**Petition for Authority to Enter into
Long Term Intercompany Loan with
Pennichuck Corporation**

DW 23-____

DIRECT PREFILED TESTIMONY OF GEORGE TORRES

June 12, 2023

1 **Q. What is your name and what is your position with Pittsfield Aqueduct Company,**
2 **Inc.?**

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

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

13 **A.** I have a Bachelor’s in Science degree in Business Administration with a major in
14 Accounting from Montclair State University in Montclair, New Jersey.

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

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

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

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A. I am responsible for the overall financial management of the Company including all 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 of its subsidiaries. In this capacity, I work with both the Chief Executive Officer (“CEO”) of the Company, and other members of the senior management team, in the performance of my duties.

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

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. – Docket No. DW 22-075.
- Refinance of CoBank T4 Note for Pennichuck East Utility, Inc. – Docket No. DW 23-024
- Renewal of FALOC for Pennichuck Water Works, Inc. – Docket No. DW 23-040
- CoBank Term Loan for Pennichuck East Utility, Inc. – Docket No. DW 23-046
- Renewal of FALOC for Pennichuck East Utility, Inc. – Docket No. DW 23-049

Q. What financing is being proposed by the Company in its petition in this proceeding (the “Proposed Financing”).

1 A. The Company is proposing to enter into a long-term intercompany loan in the amount of
2 \$94,401 with Pennichuck Corporation, allowing the Company to refinance and convert
3 \$94,401 of short-term intercompany payables into a long-term, fully-amortizing note
4 payable over thirty (30) years.

5 **Q. Did you supervise the preparation of the Company’s petition for authority to issue**
6 **long-term debt.**

7 A. Yes.

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

10 A. Yes.

11 **Q. Please describe the new loan from Pennichuck.**

12 A, The Company proposes to enter into a new long-term intercompany loan with
13 Pennichuck in the principal amount of \$94,401, replacing and refinancing \$94,401 of
14 short-term intercompany payables to Pennichuck, which were incurred pursuant to the
15 intercompany Money Pool Agreement dated as of January 1, 2006 (the “Money Pool
16 Agreement”), a copy of which has been filed with the Commission pursuant to RSA
17 366:3. The funds included in the short-term payables amounts due were utilized to
18 acquire used and useful capital assets from 2018 to 2022, that were needed by the
19 Company to continue to provide necessary water service to its customers. A list of the
20 assets funded with the short-term monies that the Company is now requesting to be
21 converted to a long-term debt obligation, is included as Exhibit GT-5. The new
22 intercompany loan from Pennichuck will be evidenced by an unsecured promissory note
23 from the Company and payable to Pennichuck in the principal amount of \$94,401,

1 providing for level monthly payments, an amortization period of 30 years, and an interest
2 rate of 6.7% per annum.

3 **Q. Please describe the benefits of the proposed financing with Pennichuck.**

4 A. The proposed debt would accomplish the following: (1) enabling the Company to re-term
5 its short term intercompany borrowings into a long-term debt obligation to better match it
6 to the original usage of the funds underlying the long-term capital investments it
7 currently has included in its books and records; and (2) reduce and properly recategorize
8 the level of the Company's short-term debt directly tied to those long-term capital assets,
9 and (3) to aid in reclassifying long-term funding currently included in the short term
10 balances that are currently above the 10% short-term debt limit of net fixed plant.

11 **Q. What are the estimated issuance costs for the loan?**

12 A. The anticipated issuance costs total approximately \$5,000 and relate to legal costs which
13 will be incurred to review and revise the necessary loan documentation and in obtaining
14 Commission approval of the loans. The issuance costs will be amortized over the
15 respective life of the loan. The annual amortization of \$167 per year has not been
16 reflected in Schedules GT-2 and GT-3, due to its immateriality with respect to the overall
17 analysis and impact of this proposed financing.

18 **Q. Please explain Schedule GT-1, entitled "Balance Sheet for the twelve months ended
19 December 31, 2022".**

20 A. Schedule GT-1 presents the actual financial position of the Company as of December 31,
21 2022 and the pro forma financial position reflecting certain adjustments pertaining to the
22 proposed long-term debt financing.

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

1 A. Schedule GT-1 reflects the pro forma adjustments related to the conversion of \$94,401 of
2 short-term intercompany debt to a \$94,401 long-term intercompany note payable.

3 **Q. Please explain Schedule GT-2 entitled “Operating Income Statement for the Twelve**
4 **Months Ended December 31, 2022”.**

5 A. As indicated above, the legal costs associated with the refinancing are not expected to be
6 significant, and as such, are not reflected in Schedule GT-2. Schedule GT-2 presents the
7 pro forma impact on the Company’s income statement for the twelve-month period ended
8 December 31, 2022, caused by the differential impact of the interest expense from
9 refinancing the debt from short term intercompany to long term debt.

10 **Q. Please explain how the interest rate of 6.7% was derived for the long-term**
11 **intercompany note payable of \$94,401 in Schedule GT-2.**

12 A. The Company determined that a rate of 6.7% would be appropriate, as it approximates
13 Pennichuck’s current cost of funds on its Working Capital Line of Credit, which is
14 Pennichuck’s only source of debt financing, and as a result, the eventual source of funds
15 to be lent to the Company through intercompany obligations.

16 **Q. Please explain what is included on the submitted exhibits GT-3, GT-4.**

17 A. These attached exhibits show the proforma impact of this proposed financing on the
18 Company’s Pro Forma Capital Structure (GT-3), and the net impact on the bills of a
19 Single-Family Residential Home, from the net impact of the interest from this refinancing
20 activity (GT-4).

21 **Q. What is the status of corporate approvals for the Proposed Financings?**

22 A. The conversion of the \$94,401 short-term debt into the new long-term loan was approved
23 by the Board of Directors of the Company and Pennichuck on May 21, 2023; copies of

1 the respective Board resolutions are attached hereto as Exhibit GT-6. No shareholder
2 approval is required with respect to intercompany loans.

3 **Q. Do you believe that the Proposed Financings will be consistent with the public good?**

4 A. Yes. This financing activity is appropriate and in the public good, as it properly matches
5 the long-term nature of the debt with the underlying long term assets, bringing proper
6 generational equity for these funds back in line with the financed assets. This borrowing,
7 in reducing the Company's short-term debt, will also provide a partial "cure" to the
8 Company's current short term debt limit compliance, providing the Company with the
9 needed flexibility to finance capital improvements going forward, in continuing to
10 provide safe, adequate and reliable water service to the Company's customers.

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

12 A. Yes, it does.