

Pennichuck East Utility, Inc.
DW 24-064

Request For Approval Of Financing
Responses to DOE Data Requests – Set 1

Date Request Received: 5/9/24
Request No. Energy 1-1

Date of Response: 5/21/2024
Witness: George Torres

REQUEST: Please provide a narrative describing how the requested financing with CoBank would change when and if the PWW/PEU/PAC consolidation (DW 23-101) is approved.

RESPONSE:

This requested PEU financing would have no changes to its structure, interest rate, or term, if and when a consolidation under DW 23-101 is approved. Upon the effective date of the merger, after an order by the NHPUC to approve a merger of the three regulated utilities, this PEU term loan would transfer to the newly merged PWW utility, with its pre-existing repayment terms intact. Additionally, PEU will no longer have access to any new CoBank financings, under the current lending restrictions that CoBank operates under. In response to the pending merger petition, PWW is working with its main lender, TD Bank, NA, to therefore increase its existing Fixed Asset Line of Credit (FALOC) from its current \$12,000,000 to \$16,000,000. An increase in the PWW FALOC capacity, subject to NHPUC approval, would then be inclusive of additional capital project investments needed for the PEU system. Approval of the merger and consolidation into the PWW FALOC, will eliminate the need for both the existing \$4M CoBank FALOC and annual CoBank term loans, which PEU uses to replace the prior year short-term borrowings through the FALOC, with a long-term loan with a 25-year term.

The merger approval would ultimately benefit the customers of the former PEU communities, as the capital needs for the former PEU system will then have access to more advantageous bond financing, as part of the larger PWW. PWW's bond financing typically carries lower interest rates with longer repayment terms (30 or 35 years), thereby reducing debt costs for long-term capital investments.

Pennichuck East Utility, Inc.
DW 24-064

Request For Approval Of Financing
Responses to DOE Data Requests – Set 1

Date Request Received: 5/9/24
Request No. Energy 1-2

Date of Response: 5/21/2024
Witness: George Torres
Supplemental Response: 5/24/2024

REQUEST: Re: Bates page 6, paragraph 10 and Bates pages 44-46

Please provide a copy of The City of Nashua's approval of resolutions authorizing Pennichuck East Utilities, Inc. to enter into a term loan with CoBank, ACB.

RESPONSE:

The City of Nashua Board of Alderman approved Resolution 24-024 authorizing PEU to enter into the term loan with CoBank, ACB on March 26, 2024. A copy of the approved resolution is attached hereto as Attachment DOE DR 1-2.

SUPPLEMENTAL RESPONSE:

The Company hereby submits a revised Exhibit GT-9, attached to this supplemental response, which was the March 1, 2024 written notice submitted to Attorney Steve Bolton at the City of Nashua for approval of the term loan CoBank, ACB. The original Exhibit GT-9 had an incorrect date of April 17, 2024, which was due to conversion of a Word version of the document that changed the date.

R-24-024



RESOLUTION

AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK EAST UTILITY, INC. TO ENTER INTO A TERM LOAN WITH COBANK, ACB

CITY OF NASHUA

In the Year Two Thousand and Twenty-Four

WHEREAS, the City of Nashua is the sole shareholder of Pennichuck Corporation (“Pennichuck”) and each of its subsidiaries;

WHEREAS, Article IX (3) of the Articles of Incorporation of Pennichuck and Article V §2 of the by-laws of Pennichuck require the approval of the sole shareholder (the City of Nashua) for Pennichuck to create, incur, assume, or guarantee any indebtedness for borrowed money, which includes contracting a loan on behalf of Pennichuck or its subsidiaries; and

WHEREAS, Pennichuck East Utility, Inc. is a regulated New Hampshire public water utility, and is a wholly owned subsidiary of Pennichuck which, in turn, is wholly owned by the City of Nashua.

NOW, THEREFORE, BE IT RESOLVED by the Board of Aldermen of the City of Nashua that the City approves (1) the loan to Pennichuck East Utility, Inc. from CoBank, ACB, in an amount of up to \$2,100,000, with a 25-year amortization schedule, and (2) the guaranty by Pennichuck Corporation of the payment by Pennichuck East Utility, Inc. of said loan.

LEGISLATIVE YEAR 2024

RESOLUTION: R-24-024

PURPOSE: Authorizing Pennichuck Corporation and Pennichuck East Utility, Inc. to enter into a term loan with CoBank, ACB

ENDORSERS: Alderman Patricia Klee

COMMITTEE Pennichuck Water Special Committee
ASSIGNMENT:

FISCAL NOTE: None.

ANALYSIS

This resolution approves the proposal by Pennichuck Corporation and one of their regulated public water subsidiaries to enter into a loan as described in the resolution.

The Legal Department has forwarded additional information provided by Pennichuck on the proposal to the Board of Aldermen.

Article IX (3) of Pennichuck Corporation's Articles of Incorporation and Article V §2 of the Pennichuck Corporation's by-laws requires City approval for the borrowing.

Approved as to form: Office of Corporation Counsel

By: Donna Clarke

Date: 4 March 2024

2024 PEU CoBank Loan Petition
Docket No. DW 24-064
Attachment DOE DR 1-2
Revised Exhibit GT-9
Page 1 of 4



25 WALNUT STREET
PO BOX 428
NASHUA, NH 03061-0428

(603) 882-5191
FAX (603) 913-2305
WWW.PENNICHUCK.COM

Via Email

March 1, 2024

Mr. Steven A. Bolton
Corporation Counsel
City of Nashua
229 Main Street
Nashua, NH 03060

Re: Pennichuck East Utility, Inc. – Request for Approval of Term Loan with CoBank, ACB

Dear Attorney Bolton:

Introduction. As you know, the City of Nashua, New Hampshire (the “City”) is the sole corporate shareholder of Pennichuck Corporation (“Pennichuck”). The City has been the sole shareholder since the acquisition of Pennichuck on January 25, 2012.

The purpose of this letter is to request that the City, acting in its capacity as sole shareholder, approve resolutions authorizing Pennichuck’s regulated public water utility subsidiary, Pennichuck East Utility, Inc. (“PEU”), to enter into a term loan with CoBank, ACB (“CoBank”).

Background. As part of the City’s acquisition of Pennichuck, in accordance with special legislation enacted by the State Legislature, and as unanimously approved by the Mayor and Board of Aldermen on January 11, 2011, the corporate structure of Pennichuck and its utility subsidiaries was retained. This corporate structure was retained for several reasons. First, the Mayor and Board of Aldermen desired to maintain stability and continuity for customers and employees of the Pennichuck utilities and the communities they serve. Second, retaining the corporate structure provided continuity for the existing relationships with regulatory agencies and financial/banking partners. Third, the Mayor and Board of Aldermen unanimously agreed that the corporate structure would encourage business-smart decisions and rely upon well-established governance principles of corporate law, pursuant to Pennichuck’s Articles of Incorporation and its by-laws.

Shareholder Approval of Borrowings Required. Under Article IX of Pennichuck’s Articles of Incorporation, the City, acting in its capacity as Pennichuck’s sole shareholder, must approve:

- “(3) any action to (A) create, incur or assume any indebtedness for borrowed money or guarantee any such indebtedness of any person, (B) issue or sell

- 2 -

any debt securities or warrants or other rights to acquire any debt securities of the [Pennichuck] Corporation or any of its Subsidiaries, or (C) guarantee any debt securities of any person.”

Proposed Term Loan Borrowing from CoBank

PEU is a New Hampshire public utility corporation providing retail water service to approximately 9,038 customers in the New Hampshire towns of Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare and Windham. PEU is wholly-owned by Pennichuck which, in turn, is wholly-owned by the City.

PEU has entered into a Master Loan Agreement with CoBank dated as of February 9, 2010 (the “Master Loan Agreement”), which provides the framework for CoBank to make loans to PEU from time to time. A copy of the Master Loan Agreement is attached to this letter as Attachment A.

PEU requests the City’s approval for PEU to enter into a term loan with CoBank in an amount of up to \$2,100,000 with an amortization period of up to 25 years, with an interest rate to be determined based on market conditions (currently estimated at approximately 7.15% per annum). A copy of the CONFIDENTIAL term sheet for the term loan with CoBank is attached to this letter as Attachment B-1.

The proceeds from the CoBank loan will be used to refinance and repay up to approximately \$2,100,000 of Fixed Asset Line of Credit (“FALOC”) borrowings by PEU, under its \$4 million FALOC with CoBank, which was used to fund capital improvements to the PEU water system infrastructure during 2023, which were not funded by State of New Hampshire Drinking Water Revolving Loan Fund (SRF) or NH Drinking Water and Groundwater debt or grants.

The FALOC with CoBank was approved by the Company’s Board of Directors, the NH Public Utilities Commission (“NHPUC”), and the City of Nashua as shareholder, in March of 2018 (in NHPUC Order No. 26,117; Docket PWC 17-157), to provide for capital improvements financing during each calendar year, with subsequent annual refinancing and repayment of amounts borrowed with term loans, consistent with the Company’s allowed rate structure with the NHPUC, under Order No. 26,179 (Docket DW 17-128). This facility was renewed and extended thru June 30, 2023 during 2020, then extended again thru September 30, 2026 in 2023, with all of the required approvals, and as included in NHPUC Docket No. DW 23-049, and Order No. 26,869.

The CoBank loan will be secured by (i) a security interest in PEU’s equity interest in CoBank (consisting of PEU’s \$287,202 earned equity investment in CoBank from patronage dividends received since 2010, and PEU’s right to receive future patronage dividends), and (ii) the unconditional guarantee of PEU’s obligations to CoBank by Pennichuck pursuant to the Guarantee of Payment (Continuing) dated as of February 9, 2010 between Pennichuck and CoBank (the “Guaranty Agreement”), a copy of which is attached to this letter as Attachment C.

- 3 -

The Lender – CoBank, ACB. CoBank is a government sponsored enterprise (“GSE”) owned by its customers, who consist of agricultural cooperatives, rural energy, communications and water companies and other businesses that serve rural America. As a GSE, CoBank issues its debt securities with the implicit full faith and credit of the United States Government and uses these low-cost funds to make loans to companies like PEU that meet its charter requirements. As a result of the implicit backing of the U.S. Government, CoBank’s borrowing costs are lower than commercial banks and financial institutions, and these lower costs are passed on to its borrowers. In addition to the lower rates, CoBank loans generally have fewer covenants or restrictions as compared to loans from commercial banks and other financial institutions.

Approval by Pennichuck and PEU. The CoBank loan and guaranty, have been approved by the Board of Directors of Pennichuck and PEU.

Pennichuck recommends that the City authorize (i) PEU to enter into the loan with CoBank; and (ii) Pennichuck to guaranty the loan.

Lower Costs Are Good for Customers. Pennichuck and its Board of Directors have determined that the capital projects to be refinanced by the CoBank loan, will allow PEU to continue to provide safe, adequate and reliable water service to their customers on a cost-effective basis. The terms of the loan are very favorable compared to other alternatives and will result in lower financing costs than would be available under other debt options. These lower financing costs will be passed on to customers.

Other Approvals. As a regulated public utility, PEU must obtain approval of the term loan from the New Hampshire Public Utilities Commission (“NHPUC”), which will approve the term loan and FALOC renewal if it finds the loan to be consistent with the public good. PEU is filing a petition for approval with the NHPUC contemporaneously with this notice to the City and expects the NHPUC to consider the petition promptly.

Requested Approvals. For the reasons described above, Pennichuck respectfully requests that the City, acting in its capacity as sole shareholder of Pennichuck and pursuant to Article IX(3) of Pennichuck’s Articles of Incorporation, authorize the following actions:

RESOLVED, that the City hereby approves the loan to Pennichuck East Utility, Inc. from CoBank, ACB, in an amount of up to \$2,100,000, with a 25-year amortization schedule; and

FURTHER RESOLVED, that the City hereby approves the guaranty by Pennichuck Corporation of the payment by Pennichuck East Utility, Inc. of the loan authorized in the prior resolution; and

FURTHER RESOLVED, that the City hereby authorizes Pennichuck Corporation and Pennichuck East Utility, Inc., their Boards of Directors, and their Officers, to take any and all actions required to obtain all necessary approvals with respect to the actions described in these resolutions and to execute and deliver such documents as are necessary to affect the CoBank loan, and the guaranty described in these resolutions.

- 4 -

Respectfully submitted,

PENNICHUCK CORPORATION

By: 
George Torres
Chief Financial Officer and Treasurer

cc: Mayor James Donchess, Dorothy Clarke, Deputy Corp. Counsel

Pennichuck East Utility, Inc.
DW 24-064

Request For Approval Of Financing
Responses to DOE Data Requests – Set 1

Date Request Received: 5/9/24
Request No. Energy 1-3

Date of Response: 5/21/2024
Supplemental Response: 5/23/2024
Witness: George Torres

REQUEST: Re: Bates pages 6-7, paragraph 11 and Bates pages 36-37

Please provide a copy of the email sent to Mr. John Dwyer at TD Bank or TD Bank's acknowledgement of receipt.

RESPONSE:

Please see the email from George Torres to John Dwyer dated April 17, 2024 including the letter providing notice to TD Bank, NA attached hereto as Attachment DOE DR 1-3. The Company has not yet received either a confirmation or response from TD Bank to this email.

SUPPLEMENTAL RESPONSE:

Please see the email from Mr. John Dwyer of TD Bank, NA to George Torres dated May 23, 2024 acknowledging receipt of the notice and approval of the CoBank term loan. A copy is attached as Attachment DOE DR 1-3 Supplement.

2024 PEU CoBank Loan Petition
Docket No. DW 24-064
Attachment DOE DR 1-3
Page 1 of 3

From: Torres, George <george.torres@pennichuck.com>
Sent: Wednesday, April 17, 2024 12:58 PM
To: Dwyer, John T (he/him/his)
Cc: Sugarman, Marshall C; Kerrigan, Jay
Subject: Written Notice to TD Bank for new CoBank debt
Attachments: Written Notice to TD Bank related to the CoBank \$2.1MK new debt.docx

John,

Please accept the attached notice of new debt financing with CoBank, for which we need a response to file with the NHPUC on a docket being prepared for approval.

Let me know if you need anything else as part of this process.

Thanks.

GT



George Torres
Chief Financial Officer and Treasurer
Pennichuck Water
25 Walnut St.
Nashua, NH 03061-0428
Direct: (603) 913 - 2315
Main: (800) 553-5191
Email: george.torres@pennichuck.com

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April 17, 2024

Mr. John Dwyer
Senior Relationship Manager
TD Bank, N.A.
200 State Street
Boston, MA 02109

RE: Written notice per Section 6(c)(v) of the Master Loan Agreement between Pennichuck Corporation (the “Company” or “Pennichuck”) and TD Bank, N.A. (the “Bank”)

Hi John,

Pursuant to section 6(c)(v) of the Loan Agreement, dated June 25, 2014 (the “Agreement”) I am supplying you with the requisite written notice of the Company’s intent to secure \$2,068,544 of term financing, as repayment of draws for 2023 Capital Projects funded from the \$4.0 million Fixed Asset Line of Credit (“FALOC”), from CoBank, ACB for its wholly-owned Pennichuck East Utility, Inc. subsidiary (“PEU”). In accordance, with this section of the Agreement, the Company is allowed to borrow up to \$1.5 million per annum from CoBank, ACB or equivalent lender, in order to provide for capital project financing for its Pennichuck East Utility, Inc. or Pittsfield Aqueduct Company, Inc. subsidiaries, without prior written consent from the Bank. In lieu of this consent requirement, the Company must provide 30 days prior written notice of the Company’s intent to enter into said financing, which is not set to close until late July or early August 2023.

Pennichuck’s and PEU’s boards of directors have voted upon resolutions authorizing management to procure said financings on behalf of PEU.

The Company is currently submitting a financing petition to be filed with the NH Public Utilities Commission, as well as a request for shareholder approval has been requested from the Company’s sole shareholder, the City of Nashua. Pursuant to the Company and PEU receiving these approvals, PEU will enter into this new term debt obligation, in the third quarter of 2024.

As described above, the aggregate \$2,068,544 is comprised of the amount needed to reimburse and repay amounts drawdown on the FALOC with CoBank during 2023 and early 2024 for funds used for capital expenditures used and useful through the end of 2023, which was not otherwise funded from State Revolving Fund or NH Drinking Water and Groundwater Trust Funds loans or grants. This term loan, as a repayment to the FALOC, is the annual “clean out” or paydown of the FALOC with new term loans from CoBank, for assets financed and placed in service by December of the preceding year. This is consistent with the Company’s



PENNICHUCK®

2024 PEU CoBank Loan Petition
Docket No. DW 24-064
Attachment DOE DR 1-3
Page 3 of 3

approved rate structure as approved by the NH Public Utilities Commission, in Orders No. 26,179 (Docket DW 17-128) and No. 26,586 (Docket No. DW 20-156).

I am requesting either written consent from the Bank for this borrowing, or a written response indicating that this letter suffices as prior written notice of borrowed amounts that do not exceed the \$1.5 million per annum borrowing limitation as specified in Section 6(c)(v) of the Master Loan Agreement.

Thank you for your time in reviewing and accepting this written notice, in conformity with the Agreement.

Sincerely,

/s/George Torres

George Torres
Chief Financial Officer
Pennichuck Corporation

From: Dwyer, John T (he/him/his) <John.Dwyer@td.com>
Sent: Thursday, May 23, 2024 10:55 AM
To: Torres, George
Cc: Sugarman, Marshall C (he/him/his); Kerrigan, Jay; Carter, Ryan M; Lombardi, Tristan
Subject: [EXTERNAL] RE: Written Notice to TD Bank for new CoBank debt
Attachments: Written Notice to TD Bank related to the CoBank \$2.1MK new debt.docx

Importance: High

Hi George

I apologize for the delayed response. Please accept this email as approval from TD Bank for this borrowing from Co-Bank relating to PEU's capital project financing.

If you have any questions, please let me know.

Thanks

John

John Dwyer | Senior Relationship Manager | Commercial Banking

TD Bank, America's Most Convenient Bank

200 State Street, Boston, MA 02109

Cell Phone: 617-678-7152

Email: John.Dwyer@TD.Com

Internal

From: Torres, George <george.torres@pennichuck.com>
Sent: Wednesday, April 17, 2024 12:58 PM
To: Dwyer, John T (he/him/his) <John.Dwyer@td.com>
Cc: Sugarman, Marshall C (he/him/his) <Marshall.Sugarman@td.com>; Kerrigan, Jay <jay.kerrigan@pennichuck.com>
Subject: Written Notice to TD Bank for new CoBank debt

CAUTION: EXTERNAL MAIL. DO NOT CLICK ON LINKS OR OPEN ATTACHMENTS YOU DO NOT TRUST
ATTENTION : COURRIEL EXTERNE. NE CLIQUEZ PAS SUR DES LIENS ET N'OUVREZ PAS DE PIÈCES JOINTES AUXQUELS VOUS NE FAITES PAS
CONFIANCE

John,

Please accept the attached notice of new debt financing with CoBank, for which we need a response to file with the NHPUC on a docket being prepared for approval.

Let me know if you need anything else as part of this process.

Thanks.

GT



George Torres
Chief Financial Officer and Treasurer
Pennichuck Water
25 Walnut St.
Nashua, NH 03061-0428
Direct: (603) 913 - 2315
Main: (800) 553-5191
Email: george.torres@pennichuck.com

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Pennichuck East Utility, Inc.
DW 24-064

Request For Approval Of Financing
Responses to DOE Data Requests – Set 2

Date Request Received: 5/31/24
Request No. Energy 2-1

Date of Response: 6/06/2024
Witness: George Torres

REQUEST:

Re: Schedule GT-1, page 25 and PEU 2023 Annual Report, Schedule F-28, page 44.

Amounts reported in Schedule GT-1 of the Company's filing do not reconcile with amounts reported in PEU's 2023 Annual Report (Schedule F-28). Please reconcile and explain the following variances, and, if necessary, please amend all affected filing schedules:

	<u>Filing GT-1</u>	<u>Ann'l Rpt.(F-28)</u>	<u>Variance</u>
Acquisition Premium – MARA	\$7,689,503	\$6,450,376	\$1,239,127
Other & Deferred Charges	(236,775)	1,002,352	(1,239,127)
	<u>\$7,452,728</u>	<u>\$7,452,728</u>	<u>\$ 0</u>

RESPONSE:

The Company provides Exhibit DR 2-1 which reconciles and explains the variances noted in the Department's request. Specifically, the Acquisition Premium – Mara originally included Deferred Charges of \$1,002,352 and Unamortized Debt Expenses of \$236,775 per GT-1 under "Other Assets." The Company also provides an amended GT-1 schedule.

Deferred charges, as noted above and on Exhibit DR 2-1 was originally included in the Acquisition Premium – MARA. The Unamortized Debt Expenses of (\$236,775.00) was not included due to an incorrect link in the GT-1 schedule. As stated above, the revised and amended GT-1 schedule is provided with this response.

Pennichuck East Utility
DW 24-064
Exhibit DOE DR 2-1
6/5/2024

	<u>Per GT-1 (Financials)</u>	<u>Per Annual Report (F-28)</u>	<u>Variance</u>	
Acquisition Premium- MARA	7,689,503.00	6,450,376.00	1,239,127.00	Originally inclusive of Deferred Charges (\$1,002,352) and Unamortized Debt Expense (\$236,775) per GT-1 under "Other Assets". Revised GT-1 schedule.
Deferred Charges		1,002,352.00	(1,002,352.00)	Originally included in Acquisition Premium-Mara. Revised GT-1 schedule.
Unamortized Debt Expense	(236,775.00)	-	(236,775.00)	Incorrect link which prompted a revised GT-1 schedule.
Total	<u>7,452,728.00</u>	<u>7,452,728.00</u>	<u>-</u>	

Pennichuck East Utility, Inc.
DW 24-064

Request For Approval Of Financing
Responses to DOE Data Requests – Set 2

Date Request Received: 5/31/24
Request No. Energy 2-2

Date of Response: 6/06/2024
Witness: George Torres

REQUEST:

Re: Schedule GT-1, page 26 and PEU 2023 Annual Report, Schedule F-35 page 51 and Schedule F-37, page 53.

Amounts reported in Schedule GT-1 of the Company's filing do not reconcile with amounts reported in PEU's 2023 Annual Report (Schedules F-35 and F-37). Please reconcile and explain the following variances, and, if necessary, please amend all affected filing schedules:

	<u>Filing GT-1</u>	<u>Ann'l Rpt.</u>	<u>Variance</u>
Bonds, notes and mortgages	\$25,960,962	\$24,909,888(F-35)	\$1,051,074
Intercompany advances	6,689,202	6,620,204(F-37)	68,998
Current portion of LTD	1,391,628	2,511,700(F-35)	(1,120,072)
	<u>\$34,041,792</u>	<u>\$34,041,792</u>	<u>\$ 0</u>

RESPONSE:

The Company provides Exhibit DR 2-2 which reconciles and explains the variances noted in the Department's request. Specifically, Bond, Notes, and mortgages on GT-1 includes Intercompany Notes. Intercompany Advances includes the current portion of Advances from Companies. The Current portion of Long-Term Debt per the financials includes Bonds and Notes from the Annual Report (F-35) and Advances from Associated.

Pennichuck East Utility
DW 24-064
Exhibit DOE 2-2
6/5/2024

	<u>Per GT-4B</u>	<u>Per Annual Report (F-35)</u>	<u>Variance</u>	
Bonds Notes and mortgages	25,960,962.00	24,909,888.00	1,051,074.00	<i>Total per GT 1 includes Intercompany Notes (223)</i>
Intercompany Advances (233)	6,689,202.00	6,620,204.00	68,998.00	<i>Total per GT 1 includes the current portion of Advances from Companies (223)</i>
Current portion of LTD	1,391,628.00	-	1,391,628.00	<i>Current portion of LT Debt per financials, included in Bonds Notes in annual report (F-35)</i>
Advances from Associated Companies (223)		2,511,700.00	(2,511,700.00)	<i>Advances from Associated (223)</i>
	<u>34,041,792.00</u>	<u>34,041,792.00</u>	<u>-</u>	

Pennichuck East Utility, Inc.
DW 24-064

Request For Approval Of Financing
Responses to DOE Data Requests – Set 1

Date Request Received: 5/31/24
Request No. Energy 2-3

Date of Response: 6/06/2024
Witness: George Torres

REQUEST:

Re: Schedule GT-4B, page 31 and PEU 2023 Annual Report, Schedule F-35, page 51.

Amounts reported in Schedule GT-4B of the Company's filing do not reconcile with amounts reported in PEU's 2023 Annual Report (Schedule F-35). Please reconcile and explain the following variances, and, if necessary, please amend all affected filing schedules:

Filing GT-4B	\$25,943,344	
Ann'l Rpt. (F-35) – Total Account 221	-	\$24,909,888
Ann'l Rpt. (F-35) – Total Account 223	-	2,511,700
	<u>\$25,943,344</u>	<u>\$27,421,588</u>

Variance: Filing GT-4B vs. Ann'l Rpt. (F-35): (\$1,478,244)

Note:

Following is the DOE's reconciliation of the above variance. Please comment.

	<u>Filing</u>	<u>Ann'l Rpt. (F-35)</u>	<u>Variance</u> <u>Filing vs. F-35</u>
2023 CoBank T15 loan	\$744,775	\$742,110	\$2,665
DWGTF W&E-Salem	Not included	493,500	(493,500)
CoBank T14 loan	Not included	987,409	<u>(987,409)</u>
			<u>(\$1,478,244)</u>

RESPONSE:

The Company provides Exhibit DOE DR 2-3 providing a summary of the adjustments to GT-4B to reconcile the differences noted in the Department's request. Specifically, the Total Account 221 for the Drinking Water Trust Fund (DWTF) amount of \$493,500 was not initially included in Schedule GT-4B, an amount of \$987,409 for CoBank Loan T14 was not included in GT-4B, CoBank Loan T15 per GT-4B was used to finance the petition instead of the general ledger and adjusted by (\$774,775), and finally the correct T15 balance for CoBank Loan per the financials as of 12/31/23 including the first principal payment in the amount of \$742,110. As stated in the response to DOE DR 2-1 above, the Company provides an updated Schedules GT 1-4 with this response.

Pennichuck East Utility
DW 24-064
Exhibit DOE DR 2-3
6/5/2024

	<u>Per GT-4B</u>	<u>Per Annual Report (F-35)</u>	<u>Variance</u>	
Total Account 221	25,943,344.00	24,909,888.00	1,033,456.00	
Total Account 223		2,511,700.00	(2,511,700.00)	
	<u>25,943,344.00</u>	<u>27,421,588.00</u>	<u>(1,478,244.00)</u>	See Breakout Below
<u>Total Account 221</u>				
DWTF			493,500.00	Was not included in GT 4B
CoBank T14			987,409.00	Was not included in GT 4B
CoBank T15 - per GT 4B			(744,775.00)	Used finance petition amount instead of GL
CoBank T15 - per financials			<u>742,110.00</u>	Correct T15 Balance as of 12/31/23; includes first principal payment
Total Variance reconciliation			<u>1,478,244.00</u>	

Pennichuck East Utility, Inc.
DW 24-064

Request For Approval Of Financing
Responses to DOE Data Requests – Set 3

Date Request Received: 6/12/2024
Request No. Energy 3-1

Date of Response: 6/14/2024
Witness: George Torres

REQUEST: DW 24-064, Direct Prefiled Testimony of George Torres, Page 3 (Bates 13), Lines 5-10; and DW 24-029, Supplemental Direct Testimony of Donald L. Ware (April 8, 2024), Page 7 (Bates 76), Lines 17-19: Mr. Torres' testimony in the instant docket, DW 24-064, indicates that PEU is seeking to borrow an amount of \$2,068,544 relative to capital improvements made by the Company in 2023. However, in PEU's 2024 Supplemental QCPAC filing in DW 24-029 submitted on April 8, 2024, Mr. Ware indicates that PEU is projecting to borrow \$1,890,931 towards 2023 capital improvements, a difference of \$177,613. (See also Supplemental Exhibit DLW-1, Page 2, Cell K250, of Mr. Ware's testimony.) This amount appears to be related to a 1.25 MG Tank in Londonderry, where the Company indicates, "Project deferred until 2024. Project held up by permitting. Permitting has been approved and project out to bid. CWIP to become used and useful in 2024 and captured in 2024 QCPAC filing." (See Supplemental Exhibit DLW-1, Page 2, Line 180, of Mr. Ware's testimony.)

- a) Please confirm the projected amount of the CoBank loan that PEU is currently seeking financing approval for from the Commission, i.e., \$2,068,544 or \$1,890,931.
- b) If PEU is currently projecting to borrow an amount of \$1,890,931 from CoBank, please amend any and all pertinent schedules included in the Company's filing in DW 24-064, so as to reflect this change.

RESPONSE:

- a) The Company is currently seeking financing approval from the Commission for a term loan with CoBank in the amount of \$1,890,931. Please see the attached, revised Exhibits GT 1-4 PEU Pro Forma Schedule for your review.
- b) Please see the attached Exhibits GT 1-4 PEU Pro Forma Schedules updated to reflect the correct loan authorization amount sought in this petition.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2023
Revised 6/14/2024 in DR Set 3

2024 PEU Financing Petition
DW 24-064
Schedule GT-1
Page 1 of 2

	Account Number	12/31/2023	Pro Forma Adjustments	Proforma 12/31/23
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	86,478,367	- (1)	86,478,367
Work in process	105	678,584	-	678,584
Utility Plant		87,156,952	-	87,156,952
Accumulated depreciation	108	20,197,276	34,547 (2)	20,231,823
Net Plant		66,959,676	(34,547)	66,925,129
Net Acquisition Adjustment	114 & 115	4,297,946	-	4,297,946
Total Net Utility Plant		62,661,731	(34,547)	62,627,183
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	2,351,235	(126,695) (3)	2,224,540
Accounts receivable-billed, net	141 & 143	2,096,043	-	2,096,043
Accounts receivable-unbilled, net	173	717,929	-	717,929
Accounts receivable-other	142	-	-	-
Inventory	151	-	-	-
Prepaid expenses	162	8,993	-	8,993
Prepaid property taxes	163 & 236	227,423	-	227,423
Prepaid taxes	162.3	-	-	-
		5,401,623	(126,695)	5,274,928
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	236,775	-	236,775
Acquisition Premium - MARA	186	6,450,376	-	6,450,376
Other & Deferred Charges	182,184,186	1,002,352	-	1,002,352
		7,689,503	-	7,689,503
TOTAL ASSETS		\$ 75,752,857	\$ (161,242)	\$ 75,591,615

Notes:

- (1) No adjustment needed to record the assets related to the CoBank Loan, as all of which were used and useful at 12/31/2023, and already included in the PPE amounts.
- (2) To record the impact of full year depreciation, offset by the half-year depreciation already included on the Balance Sheet for 12/31/2023.
- (3) To record the use of funds to support the related expenses

PENNICHUCK EAST UTILITY, INC.

BALANCE SHEET

EQUITY AND LIABILITIES

For the Twelve Months Ended December 31, 2023

Revised 6/14/2024 in DR Set 3

2024 PEU Financing Petition

DW 24-064

Schedule GT-1

Page 2 of 2

	Account Number	12/31/2023	Pro Forma Adjustments	Proforma 12/31/23
STOCKHOLDERS' EQUITY				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	\$ 9,702,710	-	\$ 9,702,710
Comprehensive Income	219	\$ (16,237)	-	\$ (16,237)
Retained earnings	215	\$ (1,286,744)	(161,242)	\$ (1,447,987)
		8,399,829	(161,242)	8,238,586
LONG TERM DEBT				
Bonds, notes and mortgages	221	\$ 25,960,962	1,890,931	27,851,893
Intercompany advances	223	6,689,202	-	6,689,202
Other Long Term Debt	224	\$ 27,061	-	27,061
CURRENT LIABILITIES				
Current portion of Long Term Debt		1,391,628	-	1,391,628
Accounts payable	231	\$ 823,915	-	823,915
Accrued property taxes	236	\$ -	-	-
Accrued interest payable	237	\$ 12,197	-	12,197
Fixed Asset Line of Credit	232	\$ 971,707	(1,890,931)	(919,224)
Other accrued expenses	241	\$ 287,904	-	287,904
Income taxes payable	236	\$ -	-	-
Customer deposits & other	235	\$ 341,169	-	341,169
		3,828,520	(1,890,931)	1,937,589
OTHER LIABILITIES AND DEFERRED CREDITS				
Deferred income taxes	282 & 283	\$ 7,060,611	-	7,060,611
Customer advances	252	\$ -	-	-
CIAC, net	271 & 272	\$ 23,786,673		23,786,673
Other long term liabilities		-	-	-
		30,847,284	-	30,847,284
TOTAL EQUITY AND LIABILITIES		\$ 75,752,857	\$ (161,242)	\$ 75,591,615

Notes:

(1) To record payoff of FALOC and converted to LTD.	CoBank Loan	\$ 1,890,931
	FALOC	\$ 1,890,931
		\$ -

(2) To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2023
Revised 6/14/2024 in DR Set 3

2024 PEU Financing Petition
DW 24-064
Schedule GT-2
Page 1 of 2

	Account Number	Twelve Months 12/31/23	Pro Forma Adjustments		Pro Forma 12 Months 12/31/23
Water Sales	460 to 462	\$ 11,015,741	-		\$ 11,015,741
Other Operating Revenue	471	35,030	-		\$ 35,030
Total Revenues		11,050,771	-		11,050,771
Production Expenses	601 to 652	2,819,826	-		2,819,826
Transmission & Distribution Expenses	660 to 678	781,679	-		781,679
Customer Acct & Collection Exp	902 to 904	200,274	-		200,274
Administrative & General Expense	920 to 950	269,103	-		269,103
Inter Div Management Fee	930	2,986,744	-		2,986,744
Total Operating Expense		7,057,625	-		7,057,625
Dep Exp/Acq Adj Expense	403 & 406	1,564,120	34,547 (2)		1,598,668
Amortization Expense:CIAC	405	(530,862)	-		(530,862)
Amortization Expense	407	310,523	-		310,523
Gain on Debt Forgiveness	414	(47,448)	-		(47,448)
Property Taxes	408.1	1,279,124	44,513 (2)		1,323,636
Income Tax	409 to 410	69,406	(59,638) (3)		9,768
Total Operating Deductions		2,644,862	19,422		2,664,285
Net Operating Income		1,348,283	(19,422)		1,328,861
Other Income and Deductions		-	-		-
Interest Expenses		1,226,073	141,820 (1)		1,367,893
Net Income		122,210	(161,242)		(39,032)

Notes:
1 - To record the change in interest expense.
2 - To record the impact of assets on depreciation and property taxes.
3 - To record the tax impact resulting from additional expenses, at the statutory rate of 27.00%.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2023
Revised 6/14/2024 in DR Set 3

2024 PEU Financing Petition
DW 24-064
Schedule GT-2
Page 2 of 2

Supporting Calculations:

Interest Expense:	Amount	Rate	Interest
New CoBank Loan	\$ 1,890,931	7.500%	\$ 141,820
Totals	\$ 1,890,931		\$ 141,820

<u>Depreciation</u>	N/A				
<u>Additions:</u>					
	Asset Cost				Depreciation
	Asset Totals	Cost of	Total		Rate Amount
	Term Loan	Removal			
	\$ 1,890,931	\$ 189,093	\$ 1,701,838		2.03% \$ 34,547
Totals	\$ 1,890,931	\$ 189,093	\$ -	\$ 1,701,838	\$ 34,547
Net Additions	\$ 1,890,931		\$ -	\$ 1,701,838	
Pro Forma Depreciation					\$ 34,547
<u>Property Taxes</u>	Combined Local And State Property Tax				
PEU Blended Town Tax Rate	\$ 16.94	(1)			
Other					
State of New Hampshire	\$ 6.60				
Total Tax Rate	\$ 23.54				
Pro Forma Property Taxes	\$ 44,513	1.0%	\$ 445	\$ 44,958	

Notes
(1) This rate is as included in the PEU QCPAC filing under Docket No. DW 24-029, for the CoBank financed and included assets.

Pennichuck East Utility, Inc.
Pro Forma Capital Structure for Ratemaking Purposes
For the Twelve Months Ended December 31, 2023

2024 PEU Financing Petition
DW 24-064
Schedule GT-3
Statement of Capitalization Ratios
PUC 609.03(b)(6) - Form F-4, Exhibit 5
Revised 6/14/2024 in DR Set 3

	Pro Forma 2023	Pro Forma Eliminations		Pro Forma 2023 with Eliminations	Component Ratio
Long-term Debt	27,851,893	1,890,931	(1)	29,742,824	83.79%
Intercompany Debt	\$ 6,689,202	-		6,689,202	18.84%
Common Equity:					
Common Stock	100	(100)		-	
Paid In Capital	9,702,710	(9,702,710)	(2)	-	
Comprehensive Income	(16,237)	529,702	(2)	513,465	
Retained Earnings	(1,447,987)			(1,447,987)	
Total Common Equity	8,238,586			(934,521)	-2.63%
Total Capital	\$ 42,779,681	(7,282,177)		\$ 35,497,505	100.00%

Notes:

- (1) The Long Term Debt consists of FALOC conversion to long-term CoBank note.
(2) Per Order 25,292 in DW 11-026, eliminate the MARA and related equity, and adjust comprehensive income as follows:

Comprehensive Income as of 1/25/12 (529,702)

2024 PEU Financing Petition
DW 24-064

Schedule GT-4A
Revised 6/14/2024 in DR Set 3

Pennichuck East Utility, Inc.
Projected Rate Impact on Single Family Residential Home

CoBank Loan Amount -	\$ 1,890,931	(a)
Loan Percentage -	7.50%	
Loan Term (in years) -	25	
Annual Principal & Interest on Loan -	\$169,637	(b)
Coverage Multiplier, under DW 20-156 -	1.1 x	(c)
Revenue Requirement for P&I: [(b) x (c)] -	\$186,600	(d)
Property tax rate/\$1000 ^{Note 1} -	\$ 23.54	(e)
Projected Property Taxes: [(a)/1000 x (e)] -	\$ 44,513	(f)
Projected Revenue Requirement: [(d) + (f)] -	\$231,113	(g)
DW 20-156 Allowed Revenue Requirement -	\$ 10,130,530	(h)
Calculated QCPAC Surcharge: [(g)/(h)] -	2.28%	(i)
Current Monthly Single Family Residential Bill ^{Note 2} -	\$ 84.31	(j)
Monthly impact on Single Family Residential Bill of the external Financing: [(i) x (j)] -	\$ 1.92	per month

Note 1 - combined blended local property taxes (\$17.54/1,000) and State Utility Tax (\$6.60/\$1,000)
Note 2 - From rates approved under DW 20-156, without subsequent QCPAC surcharges

Pennichuck East Utility, Inc.
Statement of Weighted Average Cost of Long-Term Debt
For the Twelve Months Ended December 31, 2023
Revised 6/14/2024 in DR Set 3

2023 PEU Financing Petition
DW 24-064
Schedule GT-4B
PUC 609.03(b)(7) - Form F-4, Exhibit 6

Holder	Term	Maturity	Coupon Rate	Outstanding Balance as of 12/31/23	New Debt Added in 2024	Annual Interest	Annual Amortization Issue Costs	All In Annual Cost	Effective Rate
CoBank \$1.7M Loan (RX0848T4)	20	03/01/30	5.950%	1,785,685	-	106,248	1,276	107,524	6.02%
State of NH SRF (Green Hills)	20	01/01/25	3.728%	20,749	-	774	6,854	7,628	36.76%
State of NH SRF (Pelham Tank)	20	01/01/27	3.488%	111,383	-	3,885	247	4,132	3.71%
State of NH SRF (Maple Hills)	20	06/01/30	2.952%	230,211	-	6,796	483	7,279	3.16%
State of NH SRF (Birch Hill)	20	12/01/31	2.864%	837,191	-	23,977	549	24,526	2.93%
State of NH SRF (Locke Lake - 2007)	20	05/01/30	2.952%	87,451	-	2,582	90	2,671	3.05%
State of NH SRF (Locke Lake - 2011)	20	06/01/33	2.864%	172,266	-	4,934	-	4,934	2.86%
State of NH SRF (Liberty Tree) (9)	20	04/01/35	3.104%	267,044	-	8,289	531	8,820	3.30%
State of NH SRF (Locke Lake - 2012)	20	12/1/2033	2.720%	225,356	-	6,130	1,057	7,187	3.19%
CoBank \$1.7M Loan (RX0848T4)	10	06/20/23	3.620%	-	-	-	816	816	-
CoBank \$925k Loan (RX0848T3)	20	06/20/33	4.250%	537,847	-	22,859	443	23,301	4.33%
SRF Loan - Locke Lake Dam Site Phase 2	20	07/01/35	2.720%	256,042	-	6,964	-	6,964	2.72%
SRF Loan - Locke Lake-Winwood & Monroe-Phase I	20	07/01/36	2.720%	265,655	-	7,226	343	7,569	2.85%
SRF Loan - Locke Lake-Winwood & Monroe-Phase II	20	11/01/36	2.464%	278,678	-	6,867	263	7,129	2.56%
SRF Loan - W&E Main Replacement	20	08/01/36	2.616%	703,245	-	18,397	672	19,069	2.71%
SRF Loan - Hickory & Avery	20	04/01/36	2.616%	284,649	-	7,446	119	7,565	2.66%
SRF Loan - Hardwood Treatment Station	20	07/01/36	2.464%	389,672	-	9,602	349	9,951	2.55%
CoBank 625K Loan	25	03/06/40	4.900%	486,776	-	23,852	1,635	25,487	5.24%
CoBank 1.25M Loan T6(1st tranche)	25	11/01/41	4.200%	1,021,278	-	42,894	489	43,383	4.25%
CoBank 950K Loan T6(2nd tranche)	25	11/01/41	4.830%	788,062	-	38,063	211	38,275	4.86%
SRF Loan - Locke Lake Varney Road	20	11/01/37	1.960%	1,090,613	-	21,376	691	22,067	2.02%
Intercompany 2018 PEU - \$1,701,516	30	05/01/48	3.200%	1,494,865	-	47,836	-	47,836	3.20%
Intercompany 2018 PEU (North Country)- \$1,157,403	30	05/01/48	3.200%	1,016,835	-	32,539	-	32,539	3.20%
SRF Loan 2017 - Brady Ave (Derry)	30	06/01/49	1.960%	506,955	-	9,936	151	10,087	1.99%
SRF Loan 2017 Hillcrest Road (Litchfield)	20	08/01/39	1.960%	197,335	-	3,868	-	3,868	1.96%
Co-Bank	25	05/20/43	5.330%	306,973	-	16,362	402	16,764	5.46%
Merrimack River Crossing SRF	20	09/01/39	1.960%	1,956,660	-	38,351	953	39,303	2.01%
Locke Lake Georgetown Main Replacement	30	10/01/51	2.704%	1,209,348	-	32,701	34	32,735	2.71%
Locke Lake Airstrip Well	30	10/01/51	1.296%	616,013	-	7,984	18	8,001	1.30%
Locke Lake Surface Water Treatment	30	10/01/51	1.296%	2,130,024	-	27,605	61	27,666	1.30%
CoBank 1.153M Loan T9	25	06/01/44	4.380%	1,032,724	-	45,233	652	45,885	4.44%
2020 CoBank 800K Loan	25	11/23/45	3.980%	740,932	-	29,489	509	29,998	4.05%
2021 CoBank 1.13M Loan	25	10/24/46	4.180%	1,077,394	-	45,035	423	45,458	4.22%
2021 CoBank Loan to refill RSF	25	11/24/46	4.250%	2,428,050	-	103,192	541	103,733	4.27%
2022 CoBank T13 Loan	25	10/01/47	7.160%	644,609	-	46,154	250	46,404	7.20%
CoBank T14 Loan	10	06/01/33	6.230%	987,409	-	61,516	100	61,616	6.24%
DWTF - W&E-SALEM INTERCONN	25	12/31/49	1.570%	493,500	-	7,748	-	7,748	1.57%
CoBank T15 Loan	25	09/01/48	7.260%	742,110	-	53,877	-	53,877	7.26%
New CoBank Loan	25	TBD	7.500%	-	1,890,931	141,820	-	141,820	7.50%
TOTAL				27,421,588	1,890,931	1,120,403	21,213	1,141,616	4.16%

Notes: