

**PENNICHUCK EAST UTILITY, INC. AND
PITTSFIELD AQUEDUCT COMPANY, INC.
DW 23-066**

**Joint Petition for Waiver and Increase to The Short- Term Debt Limit
Responses to DOE Data Requests – Set 1**

Date Request Received: 7/11/2023
Request No. DOE 1-1

Date of Response: 7/24/2023
Witness: Larry D. Goodhue

REQUEST: Ref: PUC Order No. 26,823 at 8 and Instant Petition, Bates page 8

In the referenced Order, the PUC encouraged PAC to consider options to minimize potential fiscal impacts on customers, such as:

- a. effectively reinvesting in long-term capital projects and infrastructure at debt funding rates rather than debt-to-equity rates to lower overall costs to ratepayers;
- b. pursuing long-term reimbursement financing in support of capital projects, to permit the pursuit of favorable borrowing rates, such as those associated with NHDES's loan programs; and
- c. stabilizing revenue levels by focusing on annual revenue levels, without concern of exceeding the 10 percent short-term debt limit requirement to the extent possible in each fiscal year.

Please explain PAC's present and planned actions with regard to each of the above.

RESPONSE:

- a. The Company does reinvest in long-term capital projects and infrastructure at debt funding rates, when and if monies are available. Unfortunately, Pittsfield Aqueduct Company ("Company" or "PAC") does not have a source of debt funding that is available to it as an entity, other than select projects that may become eligible for either SRF or DWGTF loans or grants (for which the Company does take advantage of, when and if a project is eligible and selected to receive such funding). Unfortunately, the preponderance of projects undertaken by PAC for long-term capital assets are "run rate" projects that do not qualify for monies from these funding sources. Since PAC has no other source of long-term debt monies, it must rely upon intercompany borrowings from its parent to fund those prudent needs (i.e. valve replacements, hydrant replacements, treatment

media, etc.), as they occur, as essential replacement projects at that time in order to continue to serve its customers.

- b. PAC does pursue these alternative sources of funding from the NHDES, for projects that do qualify for those funds. Unfortunately, those projects are rare for PAC, and as such, those funds from the NHDES are not readily available for its capital needs.
- c. PAC does not pursue projects at or above allowed revenue levels as a rule, but instead incurs long-term capital project costs that are necessary, prudent, and time sensitive in order to maintain the system in delivering water to its customers. Unlike its sister subsidiaries (PWW and PEU) ongoing main replacement work for the PAC system does not occur on a regular or routine basis. This is evidenced by the fairly normal and consistent levels of its earned revenues, ability to maintain slightly profitable, and the fact that a QCPAC program has not been requested to be put in place for this Company.

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Joint Petition for Waiver and Increase to The Short- Term Debt Limit
Responses to DOE Data Requests – Set 1

Date Request Received: 7/11/2023
Request No. DOE 1-2

Date of Response: 7/24/2023
Witness: Larry D. Goodhue

REQUEST: Ref: Testimony of Mr. Torres, Bates page 18, 19, and 20

In Mr. Torres' testimony, he discusses various aspects of the capital structures of the two Companies. For each Company, please list by general category, and express as a percentage on an annual basis, that which comprises short-term debt.

RESPONSE:

Please see the attached Exhibit DR 1-2a (PAC) and DR 1-2b PEU Capital Structures to see the percentages for the period from 2019-2022.