TAB 8

Testimony of John J. Boisvert

Puc 1604.02(a)(3)

STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

Docket No. DW 23-088

Pennichuck Water Works, Inc.
Pennichuck East Utility, Inc.
And
Pittsfield Aqueduct Company, Inc.
Consolidated Permanent Rate Proceeding

DIRECT TESTIMONY OF JOHN J. BOISVERT

November 21, 2023

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I. INTRODUCTION

Q. Please state your name and position with Pennichuck Water Works, Inc.; Pennichuck East Utility, Inc.; and Pittsfield Aqueduct Company, Inc. (together, the "Companies").

A, My name is John J. Boisvert. I am currently the Chief Engineer of Pennichuck Water Works, Inc. (the "Company" or "PWW") located at 25 Walnut Street in Nashua, New Hampshire. I have worked for the Company since February 1, 2006. On January 1, 2024, I will assume the role of Chief Executive Officer ("CEO") of Pennichuck Corporation (Penn Corp), and its subsidiaries, while retaining the role of Chief Engineer, following the retirement of current CEO, Mr. Larry D. Goodhue, on December 29, 2023. I am a licensed professional engineer in New Hampshire and Maine. Pennichuck East Utility, Inc. ("PEU") and Pittsfield Aqueduct Company, Inc. ("PAC") are subsidiaries of Pennichuck Corporation ("Pennichuck," "Penn Corp" or "Corporation") along with PWW.

Q. Please describe your educational background.

A. I have a Bachelor of Science degree and a Master of Science degree in Civil Engineering from the University of New Hampshire in Durham, New Hampshire. I also hold a Master's Degree in Environmental Law and Policy from Vermont Law School in South Royalton, Vermont.

Q. Please describe your professional background.

A. Prior to joining the Company, I served as a Team Leader for Weston & Sampson Engineers of Portsmouth, New Hampshire in their Water Practices Group from 2000 to 2006. Prior to Weston & Sampson I was employed by the Layne Christensen Company of Shawnee Mission, Kansas as Regional Manager for their Geosciences Division in Dracut, Massachusetts from 1994 to 2000. I completed graduate school in 1992 and was employed by Hoyle, Tanner, & Associates of Manchester, New Hampshire as a Project Engineer from 1992 to 1994. Prior to entering full time graduate programs at the University of New Hampshire and Vermont Law School I was employed by Civil Consultants of South Berwick, Maine as a Project Engineer from 1986 to 1989 and by Underwood Engineers of Portsmouth, New Hampshire as a project Engineer from 1985 to 1986.

In addition to my work and educational experiences, I have served on two statewide commissions created by the NH Legislature. These were the SB60 Water Sustainable Funding Commission and the New Hampshire Water Sustainable Funding Commission. I currently serve on the New Hampshire Water Council, representing drinking water interests. I am a member of the NH Water Works Association ("NHWWA") and the New England Water Works Association ("NEWWA"). In 2023, I recently completed the second of two three-year terms on the NEWWA Board of Directors serving as the NH State Director. This same year I was elected to be the Vice President of NEWWA.

Q. What are your responsibilities as Chief Engineer?

A. As Chief Engineer, I manage and oversee the Company's Engineering Department. I lead the Company's Asset Management program. I, as head of the Engineering

Department, am ultimately responsible for the planning, design, permitting, construction, and startup of major capital projects, including pipelines, reservoirs/dams, building structures, pumping facilities, treatment facilities, and groundwater supplies. The Engineering Department staff provides regular technical assistance to the Company's Water Supply Department, Distribution Department, Customer Service Department, and Senior Management.

Q. What will be your responsibilities as Chief Executive Officer of Penn Corp, and when will you assume that role?

A. When I assume the position Chief Executive Officer for Penn Corp, I will be responsible for the overall management of Penn Corp and its subsidiaries, including PWW. Upon assuming this role, I will report to the Board of Directors. I will work with the Chief Operating Officer, the Chief Financial Officer, Treasurer/Assistant Treasurer, Corporate Secretary, and the Director of Human Resources and the Director of Information Technology to: (1) implement short and long-term financial and operating strategies, (2) ensure the adequate funding of debt and expenses, (3) effectuate ongoing and consistent corporate governance and compliance, and (4) enable Penn Corp's utility subsidiaries to provide high quality water service at affordable rates, on a consistent basis in addition to my responsibilities as Chief Engineer.

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

A. Yes. I have provided written testimony before the Commission in my role as Chief Engineer. My testimony was in support of rate making (prior to the implementation of the PWW and PEU QCPAC), PWW/PEU QCPAC filings since their inception, numerous financing dockets, and other dockets relating to franchise expansion/modification, permits/licenses, and special contracts/agreements. In addition, as a member of the NHWWA Legislative Committee, I have had the opportunity to provide written and oral testimony regarding legislation relating to drinking water before NH House and NH Senate committees.

II. PURPOSE OF THIS TESTIMONY

Q. What is the purpose of your testimony?

A. The focus of my testimony will be to describe and provide insight into the Company's proposal to merge/consolidate the three regulated utilities, PWW, PEU, and PAC into the single surviving entity of PWW, going forward. My testimony will speak to the reasons for consolidation, the benefits of the consolidation to customers and for the Company, the regulatory efficiencies that will be achieved by the consolidation, and how the consolidation will ensure the long term financial/operation sustainability for the consolidated entity.

Q. Please identify the other witnesses in this case.

A. Mr. Donald Ware, Chief Operating Officer of Penn Corp and the subsidiaries and Allocated Cost of Service study (ACOS) expert Gregg Therrien.

Q. Please describe the service territories of PWW, PEU, and PAC for the record.

A. Exhibit JJB-1 provides a list of territories and communities currently served and the source(s) of their water supply for PWW, PEU, and PAC.

Q. Are any of these service territories contiguous, connected, or served by the same source of supply?

A Yes, the service areas in Nashua, Merrimack, Amherst, Hollis (all PWW), and Litchfield (PEU) are directly provided water from PWW's Water Treatment Facility located at 200 Concord Street (U.S. Route 3) in Nashua, and as such, share a common source of supply. There are other systems within PWW and PEU that receive water from the same source of supply, but they are not contiguous to each other. Parts of Londonderry and parts of Bedford for which the Company purchases water from Manchester Water Works are examples. Attachment A, Exhibit JJB-1 provides a table listing each water system or communities (identified by USEPA identification number and their source of supply).

Q. If they are contiguous or connected, are there any similarities in their source of supply for water provided to customers?

A. Yes, the contiguous service areas that are in Nashua, Merrimack, Amherst, Hollis (all PWW), and Litchfield (PEU), as discussed above, are directly sourced from the PWW's Water Treatment Facility located at 200 Concord Street (U.S. Route 3) in Nashua. As such, the source of water for these communities is not only similar, but the same in all aspects of raw water source of supply and manner of treatment.

Q. If they are not contiguous or connected, are there differences in the way they source water for customers? And is that just a manner of cost, or treatment and delivery?

A. Yes. Some systems in PWW, most systems in PEU, and PAC (Town of Pittsfield only) have independent sources of supply.

The source water for PAC is Berry Pond. Raw water from Berry Pond is treated at PAC's treatment facility on Catamount Road in Pittsfield, NH, then distributed to customers in that town via a transmission main under Catamount Road.

Many of the systems listed in Attachment A, Exhibit JJB – 1 are stand-alone systems and are served by groundwater wells. Raw water from these wells receives varying degrees of treatment, based upon the raw water quality in each well, before water is delivered to customers. Locke Lake (PEU) in Barnstead sources both surface water from Locke Lake overflow in Webster Stream, and groundwater drawn from seven wells in that system's footprint. Some systems listed in Exhibit JJB-1 are interconnected between the sister utilities of the Company, as well as other municipally owned public water systems. The legend of Exhibit JJB-1 explains this under the "Source of Supply" column. The ways in which systems source their water supply are based on cost, treatability, and distribution, as well source capacity and the geographic proximity and location of a given source to where water is needed for delivery to customers.

Q. How many customer accounts does each Company have?

A. As of the end of test year ("TY") 2022, the customer count (inclusive of GM, Private Fire, Municipal Fire, and Special Contract customers for each utility is 26,664 for PWW; 8,724 for PEU; and 649 for PAC.

Q. Are the infrastructure and water needs analogous in all communities served, as it relates to general metered customers, commercial and industrial customers, and/or as it pertains to private or municipal fire protection needs?

A. Yes, as it pertains to general metered customers. The demographics in the communities served by the Companies is similar in most respects within the franchise territories in the State.

No, as it pertains to private and municipal fire protection. The fire protection needs vary dramatically across the number of systems that the Companies own and how those costs are recovered (municipal v. private). The requirements for fire flows differ from community to community, and as such, the cost of infrastructure to meet these requirements can vary greatly, as to the infrastructure needed to provide for needed fire flows. This results in disparate financial results as it pertains to proper allocation of costs and revenues, based upon these capital investments. This is addressed in greater detail in the accompanying testimonies of Mr. Ware and Mr. Therrien.

Q. How long has PWW, PEU, and PAC been serving customers?

A. PWW has been in existence since 1852, PEU was organized in 1998, but many of the systems that make up PEU were in existence prior to that date (and were acquired from the systems previously owned by Consumers Water), and PAC was acquired by the Company in 1998.

III. HISTORY OF THE CITY OF NASHUA ACQUISITION

Q. Mr. Boisvert, before explaining the details of the rate case, would you please provide some history regarding the ownership of the Pennichuck Companies and how that history supports the Companies' requests?

A. The City of Nashua, New Hampshire (the "City") acquired the shares of Pennichuck Corporation on January 25, 2012[1] and became the sole shareholder of the Company. This transaction resolved a decade-long dispute between the City and Pennichuck Corporation over the rising cost of water service and control over important water services and watershed land.

While this dispute began in the early 2000s with the City's effort to purchase PWW's assets by eminent domain, it was ultimately resolved on a consensual basis following successful negotiations between a team of City representatives and representatives of PWW's parent, Pennichuck Corporation. The transaction enjoyed a broad range of public support from the City's residents, its elected leaders, State regulators, and the State Legislature. This broad public support included the enactment of special legislation by the State Legislature in 2010, unanimous approval of the transaction by the Mayor and Board of Aldermen in January 2011, and approval by the New Hampshire Public Utilities Commission in November 2011. The City's purchase of the shares of a previously for-profit, investor-owned corporation – which had been publicly traded on the NASDAQ stock exchange – represented a creative and unique transaction intended to provide lower

[1] See, *Joint Petition of City of Nashua and Pennichuck Corporation*, Docket No. DW 11-026, Order No. 25,292 (November 23, 2011) (Order approving acquisition).

water service costs over time than that provided by an investor owned utility ("IOU"), as a publicly-traded corporation, for customers located in Nashua and the other communities in New Hampshire served by the three Pennichuck Corporation regulated water utility subsidiaries, and to provide careful and stable public control over important watershed land and environmental interests.

The transaction was consummated in accordance with a corporate merger agreement executed on November 11, 2010, and closed on January 25, 2012, pursuant to which the City acquired all of the outstanding shares of Pennichuck Corporation for $29.00 per share or a total purchase price of $138 million. The City financed the costs of the transaction by issuing 30-year General Obligation Bonds in the total amount of $150.6 million. The proceeds of this bond issuance were provided to the New Pennichuck Corporation in the form of both a loan and an equity investment.

Today, the City continues to own all of the outstanding shares of Pennichuck Corporation and serves as the Sole Shareholder of the Corporation. Pennichuck Corporation itself is a holding company, whose principal assets are the shares of five corporate subsidiaries. Three of these subsidiaries are regulated public water utilities: Pennichuck Water Works, Inc.; Pennichuck East Utility, Inc.; and Pittsfield Aqueduct Company, Inc. The two remaining subsidiaries are unregulated: Pennichuck Water Service Corporation (which provides, or has provided for, the operations and management services for several other communities and independently-owned small water systems) and The Southwood Corporation ("TSC") that is in the process of being dissolved as it no longer owns various parcels of land in Merrimack, New Hampshire, all of which have been transferred back to either Pennichuck Corporation or PWW. Prior to the City's acquisition, a similar consolidation, with respect to rates occurred in 1998 (Docket No. DR 97-058) where several small stand-alone community water systems (all with individual rate structures) were consolidated into a common rate structure. This consolidation was pursued and ultimately approved in order to mitigate water rates that were becoming unaffordable and allowed these systems greater financial and operational stability going forward. The conditions leading to that completed consolidation, and the consolidation seeking approval in this current rate case are not unlike the primary underlying factors in Docket No. DR 97-058.

Q. Did the City's acquisition affect the way in which the Companies operate as utilities?

A. Yes. As vetted in prior case rate case and financing testimonies, the change in the ultimate ownership of PWW's parent, Pennichuck Corporation, from a publicly-traded IOU, to ownership by the City, has had important consequences for the operations of PWW, as well as PEU and PAC.

One of the most important consequences is that PWW (and PEU and PAC), after the City's acquisition of Penn Corp, no longer had direct or indirect access to the private equity markets as a method of financing its capital needs. As such, and as contemplated during the Commission's proceeding to approve the City's acquisition of Pennichuck Corporation in Docket No. DW 11-026, after the acquisition, PWW (and PEU and PAC) expected to finance its on-going capital needs entirely through the issuance of debt.

From a day-to-day operations perspective, little has changed. The Companies continued to serve the same customer territories, with the same staffing structure and overall staffing, in the same manner as existed prior to the acquisition. From a financial and financing perspective, the Companies have changed considerably. The Companies migrated from entities where capital projects and infrastructure replacements were funded by a combination of debt and equity (optimally at a 50/50 debt/equity basis), where shareholders were allowed a return on that equity in the form of a dividend funded by an allowed rate of return on rate base, resulting in a net operating profit. Following the acquisition, there is no longer an equity component to the Companies' financing of capital improvements. The Companies approved rate structures are based upon a cash flow model intended to cover the cost of operations, and thus no profits are generated, and all capital investments/reinvestments are funded solely with debt. Without additional revenue/profits above the cost to operate the Companies, as existed prior to the acquisition by the City, it was necessary to create this rate structure which allowed the Companies to generate sufficient cash to pay operating expenses, principle, interest, and related property taxes on existing and new debt, as well as pay the City Bond Fixed Revenue Requirement (CBFRR). In addition, it was critical for the Companies to have established funds and factors to buffer revenues and fluctuating/increasing operational costs in between rate cases including:

- the funding and establishment of a Rate Stabilization Fund (RSF), approved in Docket No. DW 11-026, and subsequently bifurcated into component RSF funds, CBFRR-RSF, Debt Service Revenue Requirement (DSRR)-1.0 RSF and the Materials Operating Expense Revenue Requirement (MOERR)-RSF;

-a CBFRR and associated RSF fund;

- a DSRR as a component of the Companies' allowed revenues;

- a DSRR-1.0 RSF;

- a OERR and its component parts: MOERR and Non-material Operating Expense Revenue Requirement ("NOERR")

- a MOERR-RSF;

- a Material Operating Expense Factor (MOEF) applied to the Companies' MOERR to ensure sufficient cash flow to cover expenses between rate cases; and

- the Qualified Capital Project Adjustment Charge" ("QCPAC") for PWW approved in DW 16-806 to replace the Water Infrastructure and Conservation Adjustment (WICA), and for PEU, approved in DW 17-128.

Q. Does reliance solely on debt to finance for operations have impacts on customers?

A. Yes. As testified to in prior dockets, access to debt funds is important as it relates to the ongoing capital structure of the Company and its ability to finance its operations and capital investments. Ongoing capital investment, as an element of essential stewardship of the utility on behalf of its customers, is essential. And, the ability to fund those investments on a debt-only basis is far less expensive than the debt/equity manner in which they were funded prior to the change in ownership that occurred in 2012. This has the result for customers of flattening the curve of rate increases going forward, as opposed to funding those investments with both debt and equity.

Q. Please explain further the overall impacts.

A. As was contemplated during the acquisition proceedings, one very positive result of this anticipated debt funding component for all capital projects, is that the weighted average cost of PWW's capital structure is significantly lower than it was prior to the City's acquisition. This lower cost of capital has had, and will continue to have, direct benefits for PWW's customers. The lower cost of capital is a direct result of PWW's transition from a traditional investor-owned utility debt/equity capital structure to the new, municipal-like capital structure which is solely debt-financed. Instead of financing approximately 50% of the Company's capital structure with a return on equity, which the Company was earning prior to 2012 at a post-tax rate of 9.75% (or approximately 16% pre-tax), PWW now funds 100% of its capital structure with debt, through the issuance of tax-exempt and taxable bonds, with an aggregate term of issuance of 30 years, or loans available from the State Revolving Loan Fund, or Drinking Water and Groundwater Trust Fund, at rates in the range of approximately 3.5% to 5%. The lower overall rates translate directly into reduced customer rates, both currently and on a going forward basis.

Q. Does reliance solely on debt to finance operations have negative or restrictive consequences for rate setting methods and procedures?

A. Yes. It exacerbates the impacts of regulatory lag and negatively affects traditional bank/lender coverage ratios. In the previous ownership structure, equity holders covered the impacts of regulatory lag (by reductions in return on equity and dividend distribution, thereupon), in that approved rates of return were never fully realized, as costs of operations traditionally rose above approved levels by the time new rates were approved. Additionally, lenders traditionally look for a profit generated from operations at levels above what are able to be generated from a debt-only funded company, without excess profits generated. As was contemplated in the acquisition Docket DW 11-026, the City's acquisition of Pennichuck Corporation, and the resulting need to finance utility operations with debt, required modifications to PWW's, PEU's, and PAC's ratemaking methods and procedures to accommodate the Companies' municipal-like debt only financing structure. Even though this low-cost municipal debt model is better in its overall cost of capital, it however, makes the Companies much more dependent on the direct relationship of cash flow generated from rates, as it relates to the ongoing repayment of debt in support of ongoing capital investments. Under the previous IOU structure, the allowed return on equity, allowed PWW, PEU, and PAC to generate extra cash to cover the repayment of debt obligations, provide adequate coverage of operating expenses, and allowed Pennichuck Corporation to satisfy dividend obligations to public-company shareholders. That IOU structure also allowed the Companies to seek debt for infrastructure replacements that could have interest only repayment structures, with balloon maturities, that could either be refinanced at maturity or repaid by issuing more equity into the marketplace. Post-acquisition, the Companies have lost this buffer to cash flows, and regulatory lag, because they have lost the ability to raise additional equity to repay balloon maturity obligations. Hence, the Companies have worked on an iterative process of seeking and gaining approval for the modifications to their approved revenue making structure, as addressed previously in this testimony, and, for example, in Docket No. DW 16-806, and further enhance in Docket No. DW 19-084 for PWW.

Q. Was this shift to debt and the resulting cash flow consequences discussed in prior dockets?

A. Yes. As indicated immediately above, this shift has been discussed extensively in prior dockets. The Commission's order approving the settlement agreement in the acquisition docket DW 11-026 expressly acknowledged this shift, as the Commission approved a "modified ratemaking structure" that had important differences from the traditional "equity-based" ratemaking method. This modified ratemaking structure recognized that for PWW for example, in its post-acquisition periods, it is much more important to set rates at levels that assure PWW's lenders that PWW will earn revenues sufficient to provide cash flow coverage for repayment of its debt obligations, and to satisfy on a continuing basis all associated debt covenant obligations associated with the debt used for infrastructure replacement and short-term working capital needs. In light of lender credit risk concerns as well as overall lender requirements, PWW has worked with, and successfully negotiated with its lenders, to put covenants in place on its issued bonded debt and loans and lines of credit, which are reflective of the cash flow needs of PWW, are less restrictive than traditionally available to companies as debtors, and has allowed PWW to continue to access the working capital line of credit it has as a resource through its parent (Pennichuck Corporation), as well as maintain an investment grade credit rating essential to accessing the bond markets for needed debt funding. These new covenants are aligned with PWW's new capital and rate structures and recognizes PWW's cash-flow based model, as well as PWW's need to seek recovery of: 1) cash outflows for necessary operating expenses and debt service on PWW's external debt for capital projects; and 2) the CBFRR obligation payable to the City of Nashua to fund the debt service on the bonds that were issued to purchase the parent company, as a necessary and requisite ongoing rate structure element, as approved in the acquisition docket, DW 11-026.

IV. OVERVIEW OF CONSOLIDATED RATE RELIEF

Q. Mr. Boisvert, can you please explain how the Companies came to explore the option of consolidating rates in this rate filing?

A. In accordance with the orders issued in DW 16-806, DW 20-156, and DW 20-153, which introduced and approved the requirement to file rate cases every three years, and as an elemental requirement related to the approval of the Material Operating Expense Factor ("MOEF") for PWW, PEU, and PAC, respectively, PEU and PAC are obligated to file individual rate cases in 2023, based on a 2022 TY. In the late spring of 2023, PWW's regulatory staff prepared the full suite of rate case schedules for PEU and PAC, in anticipation of filing those individual rate cases. The development of those schedules highlighted several significant challenges regarding the viability of PEU and PAC to continue to operate as standalone utilities. The primary challenges are:

1. PEU's proposed rates for the average single-family residential customer using 6.64 Hundred Cubic Feet (CCF) of water per month would result in a monthly bill of $106.28 or $1,275.38 per annum. The proposed rates would exceed the EPA's recommended affordability index for water rates; which specifies that the cost of

public water should not exceed 1% of Median Household income (New Hampshire's 2023 median household income is $88,235[2]; 1% of that income sets the "high bar" for affordable water rates at $882.35 per annum).

2. PEU does not have access to the bond markets, and therefore cannot issue tax-exempt or taxable bonds, for its debt capital needs. PEU only has access to long-term debt capital funding via: (a) loans through the NHDES's State Revolving Loan Fund (SRF), (b) loans or grants through Drinking Water and Groundwater Trust Fund (DWGTF), which are both highly competitive and limited sources of capital, or (c) via term loans from CoBank, ACB (which are annually entered into as repayment of annual short-term usage of the Fixed Asset Line of Credit with CoBank, in accordance with the approved QCPAC process).

About half of PEU's existing outstanding loans are with CoBank and those loans have terms of repayment of 20 to 25 years for those outstanding obligations. By merging PEU into PWW, capital projects in the communities currently served by PEU would now have access to funds via the Bond Markets, and the ability to issue Tax-exempt (or Taxable Bonds), with average terms of repayment of at least 30 years. Access to longer termed tax-exempt (or Taxable Bonds) would result in lower annual debt service (principal and interest payments) for PEU's current rate payers.

[2] Source, New Hampshire Employment Security:
https://www.nhes.nh.gov/elmi/products/vs/documents/vs-2022-ch2-income-wages.pdf

3. PAC has very limited access to capital. PAC is too small to access the bond markets, and too small for CoBank to provide financing. This leaves access to State Revolving Fund (SRF) and New Hampshire Drinking Water Trust Fund (DWGTF) grants/loans, as PAC's only sources of external debt funding. Even though these programs are highly competitive sources for funding, they are not available for all of PAC's annual capital project needs, as only selected eligible projects of a material nature have access to those loan funds. As such, the only source of ongoing funding for PAC's capital projects have been intercompany loans from Pennichuck Corporation. Intercompany loans can fund small capital expenditure but not larger capital improvements such as water main replacements, storage tank construction, or major treatment facility upgrades. The testimony of Mr. Ware provides several supporting financial examples of these benefits. Under a consolidated model, PAC will have access to external debt funding for its capital projects.

4. PEU and PAC have very few G-M commercial and industrial customers, in comparison to the customer mix of PWW. Thus, average commercial and industrial customer usage for PWW is considerably higher than in PEU or PAC. The higher level of industrial and commercial use, as a component of the overall aggregated and consolidated usage and revenues, will benefit current PEU and PAC customers. In addition, PWW will benefit from having a merged entity, with a larger aggregate customer base, and larger annual bond issuances (cost of borrowing is less with fixed

costs spread over a larger bond amount, and the ability to come to the market with a larger issuance, generates more investors interested in the issuance, driving the cost of the debt down).

Q. Why is consolidation being requested at this time?

A. As stated earlier, PEU and PAC are obligated to file individual rate cases in 2023 based on a 2022 TY. As described in greater detail in Mr. Ware's testimony, the operating and capital challenges faced by PEU and PAC as standalone utilities, and upon evaluation of the impact of merging PEU and PAC's franchise service areas and customers into PWW, the Companies deemed that a proposed merger would result in the most sustainable rate and operating structures for PEU and PAC without unduly burdening PWW's customers with a large amount of subsidization between the individual utilities. Additionally, it would result in Pennichuck maintaining a presence as a utility that serves its current franchise areas across the State, on an equal basis, not unlike other gas and electric utilities serving customers across New Hampshire.

Q. Would the proposed consolidation of PEU and PAC with PWW alleviate any of the negative consequences of the debt reliance you mentioned above?

A. No. The overall ownership structure of Penn Corp, and its ownership of its subsidiaries will remain as currently exists. As such, the merged entity would still rely solely on debt financing for capital expenses, and under the current conditions and covenant requirements that are in existence at this time.

Q. Would the proposed merger give better access to debt for all of the Pennichuck regulated utilities' needs?

A. Yes. The merged Company, PWW, 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 Pennichuck Corporation, with that same bank lender. But, as already indicated, the merger would 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.

Q. What are the factors or considerations that would be improved as it related to the access of debt for the entity after the proposed merger would be consummated?

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 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. 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, 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 as detailed in the testimony of Mr. Ware.

Q. How would the merger impact the short-term debt limits of the combined PWW?

A. Short term debt limits, primarily the FALOC at PWW, would need to be increased to incorporate the short term operational and capital needs for PEU and PAC once merged into PWW. The current FALOC for PWW expires on June 30, 2025, and the Company has already had discussions with its lender about this overall docket, and the implications on both its FALOC for PWW, and the WCLOC for Pennichuck Corporation. And, in those discussions, it has indicated it would be seeking approval by them, as well as the other key stakeholders, to any financing docket (the Company's Board of Directors, the City as ultimate shareholder, and the NHPUC), to increase the FALOC for PWW to a level needed for the consolidate entity that would replicate the legacy levels for the FALOC at PWW ($12 million) and the FALOC at CoBank for PEU ($3-4 million), or in the aggregate $15-16 million.

V. PROPOSED RATE RELIEF

Q. Mr. Boisvert, can you please provide an overview of the rate relief needed for PEU and PAC if each were to independently proceed with individual rate cases?

A. 2022 is a test year for both PEU and PAC. As the Companies prepared schedules in anticipation of filing the 2023 rate cases, the revenue requirement for PAC is fairly modest and consistent with past rate filings. More importantly, PAC is in need of a source for long term capital investment. PEU is a much different story. The revenue requirement for PEU generated average proposed rates for the average single-family residential customer using 6.64 CCF of water per month resulted in a monthly bill of $106.28 or $1,275.38 per annum in PEU. The testimony of Mr. Ware, and the referenced supporting schedules in Mr. Ware's testimony, provides details as to how these revenue requirements are derived, and the impact they would have on customers of PEU and PAC, if this consolidated rate case is not approved.

Q. Mr. Boisvert, please describe what that increase in revenue requirements for each company would look like to customers?

A. The revenue requirement seeking approval in this rate case would result in an overall increase of 9.95% for the merged utility. Conversely, for PEU, the revenue requirement on a stand-alone basis translates into an increase to general metered customers of 24.10% or $247.70 per year, resulting in annual water bill to the general metered average single family residential customer of $1,275.38.

For PAC, the revenue requirement on a stand-along basis would result in an increase to general metered customers of 3.40% or $23.76 per year, resulting in an annual water bill of $776.28.

If the consolidation of the utilities is approved, the rates approved in this case would apply to all the customers in the new consolidated utility, as further described below.

Q. What effective date do the Companies propose for the new rates?

A. The Companies seek approval in this case in the statutory Commission investigation timeframe, with the intention of garnering a Settlement Agreement for this docket in the fall of 2024, final rate approval before the end of 2024, and an effective date for the new merged PWW, and associated rates, as of January 1, 2025. The Companies are filing a petition for merger relatively contemporaneously with this rate case and in that merger petition, the Companies describe in more detail the merger of the corporate entities.

Q. Will that effective date be on a service rendered basis?

A. Yes. As has been the case in the most recent rate cases for PWW, PEU and PAC, the rate request is on a service rendered basis, as of the requested effective date of the January 1, 2025.

Q. Mr. Boisvert, if the merger is not approved by the Commission, will PEU and PAC need to file individual rate cases?

A. Yes. Those individual rate cases are in to be noticed to the Commission very soon and are in preparation for filing before the end of 2023. The Company will submit a request that each of those cases be prosecuted on an elongated procedural schedule, in order to give time to fully understand the anticipated progress for a successful outcome of this pending PWW, PEU, and PAC merger and the associated PWW rate case.

Q. Mr. Boisvert, would you please provide an overview of the consolidated rate relief sought by the three Companies in this rate filing?

A. The rate relief sought by the Company is as follows:

A revenue increase of 9.95% is being sought for the merged utilities over the sum of PWW, PEU and PAC's individual combined 2022 TY revenues adjusted to their five-year average revenues. The 2022 TY revenue requirement being sought is $55,233,521 (from all revenue sources exclusive of Other Operating Revenues) versus the combined 2022 actual revenues (adjusted for the 5-year trailing average from all revenue sources, exclusive of QCPACs and Other Operating Revenues) of PWW, PEU and PAC of $50,233,067, or a revenue deficiency of $5,000,454.

The fact that PEU's current revenues are based on TY 2019, its operating expenses have increased significantly from 2019 to the present. The shortfall in PEU's 2022 revenues, for this portion of its allowed revenues, when compared to its 2022 revenue requirement (per Exh A, 1604.06 Sch A) is $2,896,775.

The increase in PWW's revenue requirement from its customers, exclusive of the fixed contract charges provided from Special contacts, increased from the $39,122,488 based on the rates approved in DW22-032 (Based on a 2021 TY) and average Five-year sales to a revenue requirement of $42,028,403 (Based on a 2022 TY) or an increase of $2,905,915.

Q. Earlier in your testimony you reference Core and Non-Core customers. PWW is proposing a volumetric rate for Non-Core that is 20% higher than Core customers. What is the basis for this rate differential?

A. The differential lies primarily in the difference between the cost to produce water for Core and the cost to purchase and/or treat water in the water systems that serve Non-Core. As discussed earlier in my testimony, Core customers receive their water directly or indirectly from the Company's water treatment facility in Nashua. The Non-Core - Core customers in PWW and PEU, however, receive water that is either purchased from another water utility, treated groundwater from wells or a combination of purchased water and treated groundwater, and in the case of PAC a dedicated and autonomous treated surface water source. The cost of treated water leaving the Nashua treatment facility and delivered to Core customers is approximately $0.65 per CCF whereas the average cost of purchased or treated water for Non-Core PEU customers is $2.47 per CCF. This significant direct cost differential, on its own, is a basis for the two-tier rate structure.

Q. With respect to the merger, it appears that most current customers in PWW will be classified as Core while there are some that will be classified as Non-Core based on where/how their water is sourced. Could you please discuss the new volumetric rate each will experience?

A. Current PWW customers that are classified as Core will have an increase in their volumetric rate of 19.58% ($1.05 per CCF) while those that are classified as Non-Core PEU will experience an increase of 43.40% (1.92 per CCF) in their volumetric rate from their current rate.

Q. With respect to the merger, it appears that most current customers in PEU will be classified as Non-Core while there are some that will be classified as Core based on where/how their water is sourced. Could you please discuss the new volumetric rate each will experience?

A. Current PEU customers that are classified as Non-Core will have a decrease in their volumetric rate of 33.4% ($3.17 per CCF) while those that are classified as Core will experience a decrease of 44.5% ($4.23 per CCF) in their volumetric rate, from their current rate. The customers in PEU that will be classified as CC customers, are customers that are directly getting water from the Nashua treatment plant via the under-river main from Merrimack into Litchfield, and for which the special contract between PWW and PEU, which will be eliminated in the merger, is specifically related to.

Q. With respect to the merger, it appears that all PAC customers will be classified as Non-Core. Could you please discuss the new volumetric rate each will experience?

A. Current PAC customers will experience a 7.4% ($0.50 per CCF) decrease in their volumetric rate from their current rate.

Q. Is there an example where such a rate differential is practiced in New Hampshire?

A. Though not identical to what PWW is proposing, Manchester Water Works (MWW) maintains a tiered water rate with respect to general metered customers. MWW charges customers that reside outside of the City of Manchester nearly 1.15 times (15% more) than the customers within the City of Manchester. The details or reasoning of why MWW maintains such a structure was vetted by the Commission in MWW's exemption docket, DW 02-161.[3] By charging out of town customers no more than 15% above in City customers, MWW is not regulated as a public utility under NH law 362:4.

Q. What would be the impact to the general metered volumetric rate for Core and Non-Core customers without the additional 20% added to the bills the volumetric rate paid by Non-Core customers?

A. If a uniform general metered volumetric rate were to be used, the following would result

- PWW – 23.6% increase ($1.04 per CCF)
- PEU – 42.3% decrease (4.05 per CCF)
- PAC – 20.2% decrease ($1.38 per CCF)

[3] See, *Manchester Water Works*, Docket No. DW 02-161, Order No. 24,138 (March 14, 2003).

Q. In your opinion, is the two-tiered rate structure proposed in this case, with a 20% volumetric rate differential between Core and Non-Core customers, just and reasonable?

A. As the primary driver between the rates for Core and Non-Core is based almost solely on the differential in the cost of water being delivered to these two groups of customers, and the fact that the differential rate is solely a component of the volumetric rates (which are tied to actual consumption of delivered water), PWW feels that this two-rate structure is not only just and reasonable, but appropriately relates cost of water to the water rates for that portion of the bills to customers.

Q. Mr. Boisvert, please describe the North Country systems and why those systems are treated differently than PEU's other satellite systems?

A. The North Country Systems include the community water systems of Birch Hill in Conway, Sunrise Estates in Middleton, and Locke Lake Colony in Barnstead. These systems were acquired in 2006 from Consolidated Water Company, Inc. and Central Water Company, Inc., and incorporated into PAC (DW 05-132). In 2008 (DW 08-052) the assets of the North Country Systems were transferred from PAC and transferred as community water systems into PEU. The basis for those transfers was to aggregate the North Country Systems with similar water systems found in PEU, and include them into the larger customer base of PEU, in order to buffer the impact that necessary capital investments in the Birch Hill and Locke Lake would have had, were they were to remain with PAC. The conditions existent at that time, as it relates to these North Country Systems, is very much analogous to the situation existent currently for PEU, in that leaving them as systems in PAC, would have resulted in water rates above the fiscal constraints acceptable for a public water system. However, to lessen the level of subsidization on the existing PEU customers because of the inclusion of the North Country Systems into PEU, a North Country Capital Recovery Surcharge ("NCCRS") was established for each of: Birch Hill, Locke Lake, and Sunrise Estates. No other systems are singled out in this manner. The Company plans to eliminate the NCCRS and to have the DSRR components of allowed revenues in the merged utility to pay for these legacy capital investments. Currently the DSRR portion of PEU's allowed revenues is partially paid for via the NCCRS. As such, the Company believes that the elimination of the NCCRS in the merged utility's rates would be a component of the total merged DSRR portion of its allowed revenues, which will be shared by all PWW customers. This is consistent with a utility having a broad footprint within the State, where capital investments are made on a "needs basis" and will fluctuate between the communities served as time passes and investments are made.

Q. Mr. Boisvert, please describe how the North Country systems will be treated under the consolidated rate tariff.

A. The general metered customers in those community water systems will pay the volumetric rate and fixed charge at the same level as all other non-core customers. For this rate case, and as a basis for the requested rate structure, non-core customers are any customers that do not get their water directly or indirectly from the Company's water treatment plant in Nashua, NH. The existing NCRRS will be absorbed into the general metered water rates for the consolidated utility.

VI. COST OF SERVICE STUDY RECOMMENDATIONS

Q. Did the Companies conduct a cost of service study to assist in setting consolidated rates?

A. Yes, a Cost of Service Study ("COSS") and its results are to be presented in this case, along with the pertinent referenced testimony.

Q. Please summarize the recommendations from that cost of service study.

A. The recommendations from the Cost of Service Study is addressed in the testimony of both Mr. Ware and Mr. Therrien.

Q. Does the Company have past experience in consolidating customer rates?

A. Yes, in the Docket No. DR 97-058, PWW sought to consolidate rates among its Core Nashua system and portions of Amherst, Merrimack, Milford, Hollis, and Bedford, as well as ten (10) independent community systems serving portions of Epping, Derry, Bedford, Milford and Plaistow. The Commission approved the consolidation in Order No. 22,883 (March 25, 1998).

Q. Please discuss the format of the ratemaking schedules filed by PWW upon which the requested rate relief is based and describe any differences from how PWW would have filed the same schedules if it were to pursue a rate case on its own.

A. The schedules are the same as were approved in PWW, PEU, and PAC's most recent rate cases, however, the values in those schedules, now under PWW, are combined such that all funds from PWW, PEU, and PAC are reported in the same ratemaking revenue requirements: CBFRR, MOERR, NOERR, DSRR 1.0, DSRR 0.1, and MOEF. Further, the rate stabilization funds are also requested to be re-combined into PWW: CBFRR-

RSF; MOERR-RSF; and DSRR-RSF. PAC did not have a MOEF and thus, this is a new element to PAC as PAC's ratemaking structure is merged into PWW's.

VII. EFFECT ON COST SHARING ALLOCATION AGREEMENT

Q. Do PWW, PEU, and PAC share resources under a Cost Sharing Allocation Agreement?

A. Yes. This Agreement has been approved by the Commission in numerous rate cases, including PWW's most recent case, Docket No. DW 22-032.

Q. Please describe what those costs are and how they are shared.

A. There are designated costs that are borne at Pennichuck Corporation 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.

Q. How will the consolidation of PWW, PEU, and PAC affect those shared costs.

A. The Cost Sharing Allocation formulation will remain in full force and effect. The underlying metrics and attributes currently attributed to PEU and PAC in that computation, will be merged into the same metrics and attributes as PWW, and the resulting allocation of Penn Corp costs and PWW costs will then be allocated on that same multi-tier basis, based upon the pro-rata calculations that result.

Q. Do those schedules show the costs for staff for PWW, PEU, and PAC?

A. Yes, in that the cost of staffing is fully borne at PWW, and allocated in accordance with the Agreement and calculations in the tiers of the computations, either on an allocation basis, or in work orders performed for capital and maintenance activities.

Q. Please explain how use of employees may change as a result of the merger of PWW, PEU, and PAC.

A. There will be no change with respect to function as all of the Company's employees are currently employed and utilized by PWW and will remain employees of PWW going forward. And, the service of the assets and territories of the regulated utilities will remain "as is," with respect to the workforce completing those activities.

Q. Once merged, will the Companies still need the Cost Sharing Allocation Agreement?

A. Yes, as the Agreement will continue to define the relationship between Penn Corp, PWSC, TSC and PWW.

Q. When you mention capital improvements, are rate adjustments associated with capital improvements addressed in a separate proceeding than a rate case?

A. Yes. A QCPAC program exists for both PWW and PEU, whereby the Companies file a report of constructed and proposed capital improvements over a typical three-year forward-looking cycle, including the budget for year one, and a forecast or plan for years two and three. The cost for capital projects constructed, used and useful, during the immediately preceding year are included in a QCPAC surcharge, for which approval is sought in a docket filed in February of each year, and relief is needed back to the issuance date of the annual debt incurred for those prior year projects.

Q. Do all three companies have a QCPAC program?

A. No, only PWW and PEU have QCPAC programs. PAC does not have a QCPAC because it doesn't have the ability to separately access external debt for those capital improvements. Instead, capital improvements are funded out of limited intercompany loans or when/if PAC can qualify, SRF or DWGTF loans and grants when and if available. All three utilities, once merged, will fall under a single QCPAC.

VIII. TEMPORARY RATE RELIEF

Q. Will the Companies be seeking a temporary rate increase?

A. No.,

IX. RATEMAKING STRUCTURE UNDER CONSOLIDATION

Q. Does PWW propose any changes to the currently approved rate structure or methodology?

A. No. There is no request in this docket for any enhancements or changes in the currently approved rate structure. The Company will review this again, and if any modifications are deemed necessary, they will be pursued in the next filed rate case for PWW, for which if this case is successfully approved, will be for the TY 2025.

Q. Please explain the changes, if any, to the Debt Service Revenue Requirement (DSRR) of the allowed revenue component as a result of the merger.

A. As a result of the merger, the DSRR components of the rates being sought in this case, will be inclusive of all debt service requirement of PWW, PEU and PAC combined.

Q. Do you anticipate any changes to the Rate Stabilization Fund (RSF) balances because of adopting a consolidated rate tariff and merging PWW, PEU, and PAC?

A. No. The testimony of Mr. Ware details the impacts and changes that are anticipated under the consolidated entity of PWW. The aggregate imprest level of the RSF funds for PWW, will be at the level of $5 million, which is the aggregation of the individual RSF imprest values of all of the RSF funds at PWW, PEU and PAC. According to Mr. Ware's testimony PWW is projected to start 2024 with about $2,424,000 in its combined RSF accounts or about $1,500,000 below PWW's approved combined imprest value of $3,920,000. PEU is projected to start 2024 with about $a $224,300 deficit in its combined RSF accounts or about $1,204,000 below PEU's approved combined imprest value of $980,000. PAC is projected to start 2024 with about $112,000 in its combined RSF accounts or about $12,000 above PAC's approved combined imprest RSF value of $100,000.

If the merger of the Utilities is approved and 2024's volumetric sales reflect the five-year average projected merged PWW, PEU and PAC RSF deficit of about $3,500,000 at the end of 2024. The projected, combined RSF cash deficit should be able to be refilled with a combination of 0.1 DSRR revenues collected by PWW, PEU and PAC in 2023 and 2024, which are expected to be about $2,000,000 between the three utilities.

Q. Please describe how the existing RSF balances and related revenue requirements of PEU and PAC will be merged with PWW.

A. The imprest levels of the component RSF funds at PWW, PEU and PAC, will be aggregated together at their respective component levels (CBFRR-RSF, MOERR-RSF and DSRR-0.1 RSF). Likewise, the related revenue requirement "buckets" of the

CBFRR, OERR and DSRR revenues will be the aggregation of those combined components of allowed revenues.

Q. Will there be any need to change to PWW's MOEF as a result of acquiring PEU and PAC?

A. The MOEF at PWW, as it has been done in previous dockets for both PWW and PEU, is reevaluated with each rate case, as to the underlying components of allowed revenues, the current status of the RSF funds, and the historical trend of operating costs and inflationary and other expense increase factors. In Mr. Ware's testimony, he speaks directly to the level for which this case is requesting for the MOEF factor to be included in the requested rates in this case.

X. EXISTING SPECIAL CONTRACTS

Q. Please briefly list the various special contracts PWW currently has.

A. PWW currently has Commission approved special contracts with PEU, Anheuser-Busch, the Town of Milford, the Town of Hudson, the Merrimack Village District (MVD), and the Town of Tyngsborough, Massachusetts. As a result of this merger, the contracts for all of the entities other than PEU will proceed forward "as is" for the consolidated utility.

Q. Does PEU have any special contracts?

A. Yes, there is one special contract between PWW and PEU, whereby PEU purchases water from PWW for its customers on the east side of the Merrimack River in Litchfield. PEU has no other special contracts.

Q. What will happen to this special contract between PWW and PEU upon completion of the merger? And, are there any reconciliations and/or transition costs to a termination of that Agreement, should that occur?

A The existing PWW/PEU special contract recently approved by the Commission in DW 22-040 will no longer be necessary as customers in Litchfield will be treated as "Core" customers post-merger. Any further expansion of water supply directly from the PWW Core into the Towns of Londonderry, Windham and Pelham via the Litchfield system would classify those customers as Core customers as opposed to non-Core customers, as they would be provided water directly water from the Nashua water treatment plant.

Q. Does PAC have any special contracts?

A. No.

Q. Other than the Special Contract between PEU and PWW, how will the merger impact the other special contracts and the treatment of revenue from those special contracts?

A. All of the existing Special Contracts in PWW will remain in place following the merger.

XI. MERGER COSTS

Q. Please describe whether there will be any transaction costs for the proposed merger and if so, how they will be treated.

A. Yes. There will be certain legal costs associated with the completion of the merger, as well as the rate case costs in this docket.

Q. Will any merger costs be reflected in customer rates? If so, how?

A. Yes. They will be reflected in customer rates, not unlike typical rate case costs, which are audited and vetted by the DOE Staff, and subject to Commission approval.

XII. TAX TREATMENT

Q. Will combining the Companies and customers produce any favorable tax treatment because of the merger? Please explain.

A. There are not any anticipated tax treatment advantages that will be derived from this merger. PWW, as the combined utility, will now have the attribution of the value of corporate income taxes (Federal and State) that would have existed at the entity level of the three combined utilities. Likewise, PWW will still be subject to the same state and local property taxes that the three entities are currently subject to.

XIII. OTHER APPROVALS

Q. Consolidation of the customer rates and Company revenue requirements requires the merger of PWW, PEU, and PAC, is that correct?

A. Yes. The consolidation of rates is fully dependent upon the approval of this merger by the Commission.

Q. Does the City of Nashua need to approve any merger among PWW, PEU, and PAC?

A. Yes. Ultimately, upon receiving statutory approval from the Commission, the City of Nashua will also have to approve this combination of the subsidiaries of Penn Corp, which is fully owned by the City, as its sole shareholder. The Agreement for each subsidiary (PEU and PAC) will be conditioned upon the approval of the Commission. Upon issuance of an Order by the Commission approving the proposed mergers, the Pennichuck Corporation Board will then vote to approve the merger of each subsidiary with PWW. Pennichuck Corporation's sole shareholder, the City of Nashua will then vote to approve the transaction in accordance with its reserved powers under the Articles of Incorporation for Pennichuck Corporation. Upon approval of the Pennichuck Corporation Board and City of Nashua, the merger agreements will be executed by PEU and PAC respectively and the transaction will be closed.

Q. Where is that requirement found?

A. Restated Articles of Incorporation of Pennichuck Corporation, Reserved Powers - Article IX(4). This document was provided to the Commission in Docket No. DW 11-026 and is attached to this testimony as Attachment C, Exhibit JJB-3.

Q. Is the City of Nashua required to provide legal authority and consent for the merger filing?

A. No, the City does not have to provide authority or consent to pursue the approval of the merger with the Commission. However, Company staff have met with key City officials and staff to brief them on the Company's intent to file both the Rate Case and the Merger docket. As such, they are fully aware of this docketed filing, and what is being requested for approval. Any next required approval steps with the City will not be acted upon or given final approval, until such time that the Commission has ruled on this docket.

Q. Does Pennichuck Corporation's board of directors need to approve any merger among PWW, PEU, and PAC?

Yes. The Pennichuck, PWW, PEU and PAC Boards of Directors will have to formally resolve and approve the merger. Those Boards have already provided guidance in pursuing this merger, in anticipation of formal action that would be taken once an Order is received from the Commission approving the combination.

Q. Where is that requirement found?

A. Restated Articles of Incorporation of Pennichuck Corporation, Reserved Powers - Article IX(4) of the CORPORATE GOVERNANCE PRINCIPLES. See Attachment C, Exhibit JJB-3.

Q. Did the Company receive authority to prepare and submit the filing to garner NHPUC approval of the Merger from its Board?

A. A formal resolution is not required to prepare and file this docket with the Commission. However, consistent, and as stated above, the Pennichuck, PWW, PEU and PAC Boards of Directors have already provided authority and guidance to Management in pursuing this consolidated rate filing and merger approval, in anticipation of formal action that would be taken once an Order is received from the Commission approving the combination. This has been fully addressed and vetted with our Board, and the Board has given us approval to proceed with this filing at the NHPUC for both the consolidated rate case and the merger docket (to be filed).

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

A. The merger does not need approval from the lenders of the entities, but certain waivers and Agreements will need to be executed at the time of, or in preparation for, the completion of the merger. The Company has fully engaged all of the existing lenders, in lining up these requirements and needed actions, in preparation for when they will be needed, once the Commission approves the merger.

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

A. Yes. As indicated in the previous response, and in varying degrees, based upon the lender.

Q. If the merger is approved, will PWW, PEU, and PAC need to make filings with other State agencies such as the N.H. Secretary of State, and Department of Revenue? If so, please describe.

A. Yes. The merger will necessitate the dissolution of PEU and PAC, and any all regulatory or compliance filings that are required within the State in order to complete the merger in conformity with statutes.

XIV. NOTIFICATION OF RATE CASE

Q. Did the Company conduct any outreach with the Department of Energy or Office of Consumer Advocate prior to filing the consolidated tariff rate filing and merger petition?

A. Yes. The CEO, COO, and the CFO along with Company staff associated with the rate case, met with Department of Energy staff on September 26, 2023, then with the Office of Consumer Advocate later that day.

Q. Are PWW, PEU, and PAC regulated by the N.H. Department of Environmental Services?

A. Yes.

Q. Did the Companies inform the NHDES of the merger and solicit comments from NHDES? If so, what comments did NHDES have?

A. The Company has informally discussed the merger with several NHDES staff. Comments received generally support the merger. Once merged, there will be several actions that transfer ownership/management/operational responsibilities from PEU and PAC to PWW. This is primarily an administrative process.

Q. Did the Company conduct any outreach with the communities in the PWW, PEU, and PAC service areas? If so, please describe the outreach and when it occurred.

A. Yes, the Company met with representatives of a number of representative communities including the City of Nashua, Town of Londonderry, Town of Litchfield, Town of Bedford, and the Town of Pelham roughly between September 5, 2003, and October 15, 2023. Additionally, the Company did a direct mailing to the Town Managers, State Reps and State Senators for all communities served by PWW, PEU and PAC, during the week following the Notice of Intent filing with the Commission for this docket.

Q. Did the Company conduct any outreach to customers? If so, please describe.

As a part of this filing, PWW is preparing individual notices to all PWW, PEU, and PAC customers, which will be delivered in a direct mailing separate from the customer bills. Included with the notice will be a series of frequently asked questions (FAQ) to better assist our customers in their understanding of the merger and rate case.

Q. Has PWW trained its customer service staff to respond to customer inquiries considering the proposed merger and consolidated rate case? If so, please describe that training.

A. The Company is in the process of educating our customer service representatives and their supervisors regarding the details of the merger and consolidated rate case. This is to be done in conformity with the FAQs being sent to customers. Additionally, the customer service staff will be educated as to how and when to "elevate" questions within the Company, if they cannot properly and fully address a customer's questions or concerns. In addition, a special section of the Company's webpage will be dedicated to offering materials and information associated with the merger and the consolidated rate case.

XV. TWO-YEAR RATE CASE CYCLE FOR PENNICHUCKWATER WORKS, INC.

Q. If consolidated rates are approved for the Companies, when do the Companies propose that those rates be effective?

A. January 1, 2025.

Q. Mr. Boisvert, when was PWW's last rate case?

A. 2022 for TY 2021.

Q. January 1, 2025 is greater than two years from August 2022, would you agree?

A. Yes.

Q. Does PWW normally have a three- year rate case cycle?

A. Yes. However, RSA 378:7 sets forth the ability to make a filing within two years of the last rate case and grants the Commission discretion to review the filing.

Q. Being that the rate case completed in Docket No. DW 22-032 was filed less than 2 years ago (for test year 2021), what is the basis and need for this filing at this time?

A. Please see Mr. Ware's testimony for a discussion of the purpose filing a PWW rate case with a TY only one year later than that used in DW22-032.

Q. Please state the reasons why the Commission should consider this rate filing outside of that traditional three-year rate case cycle and/or less than 2 years from the last approved rate case petition.

A. Please see Mr. Wares testimony for the reasons for PWW filing this rate case with a 2022 TY when its last rate filing (DW22-032) was based on a 2021 TY.

XVI. BOND CREDIT RATING AGENCY'S PERSPECTIVE

Q. Please describe whether the Companies' bond credit rating may be impacted by the proposed consolidation.

A. It is not anticipated that PWW's credit rating will be impacted either positively or negatively. The basis for the Company's credit rating is its components of allowed revenues, its coverage of its debt service in the DSRR 1.0 and DSRR 0.1 components, its ability to prosecute rate cases and garner ongoing rate relief for actual incurred costs, and its legal franchise areas. All of these factors will remain relatively unchanged in the consolidation, and the factors that could result in a credit enhancement (the abilty to set rates on its own, the ability to lien or tax, etc) will never be available to the Company. As such, the Company anticipates the impacts to be at least neutral to the Company's bond credit rating and outlook.

Q. Please explain the relationship between rate relief and the Company's cash position.

A. As the Company is debt-only funded, and has a rate structure that is directly tied to full and adequate coverage of incurred costs, rates and rate relief for the Company is directly tied to its ability to maintain adequate cash to pay for operating expenses, pay debt service on outstanding debt obligations, and fund the monies paid to the City in the CBFRR portion of allowed revenues to service the bonds issued to acquire Penn Corp in 2012. Without adequate or timely rate relief, the Company would be deficient in paying for its operating costs, default on its debt obligation, and enter into a confiscatory situation for the Company, and its customers.

Q. How will the merger and consolidated tariff rates impact PWW's cash position after the merger?

A. It will be consistent as is it is before the merger. This merger is a consolidation of like entities, with respect to approved rates structures and components of allowed revenues, and as such, the aggregation of those values will be consistent with current cash flow elements and requirements.

XVII. JUST AND REASONABLE FINDING AND CONCLUSION

Q. Mr. Boisvert, do you believe that the rates resulting from the proposed merger are, and will be, just and reasonable?

A. Yes. The rates proposed are supported by the testimony of Mr. Ware and Mr. Therrien. As to the requirement of "just and reasonable" as is asserted in Mr. Ware's testimony and supported by the regulatory filing schedules, the basis for the components of the requested allowed revenues are factored upon just, reasonable and necessary operating expenses of the Company's in completing their fiduciary duty to their customers as regulated public water utilities in the State of NH. As to the requirement of "reasonable" rates, that is the basis for this entire docket filing. The merger filing and consolidation of rates is being pursued in this case to ensure that reasonable rates are offered to all customers of the consolidated utilities, now and into the future.

Q. Mr. Boisvert, do you believe that the requested rate relief are required to ensure that PWW continues to be able to provide safe and high-quality water service to its, PEU's, and PAC's customers?

A. Yes. As described earlier in this testimony and that of Mr. Ware, the proposed rate relief, and consolidation of PWW, PEU, and PAC will result in just and reasonable rates because:

(1) Rates in PEU will see a significant reduction to levels within USEPA guidelines for affordability. This will ensure user rates are just and reasonable and will ensure that the Company can adequately fund its financial requirements/obligations.

(2) 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.

(3) 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.

(4) 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.

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

(6) 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.

Q. Mr. Boisvert, does this conclude your testimony?

A. Yes, it does.