STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

January, 14, 2025 -- 9:02 a.m.
21 South Fruit Street
Suite 10
Concord, NH

RE: **DW 23-101**
PENNICHUCK EAST UTILITY, INC., PITTSFIELD AQUEDUCT COMPANY AND PENNICHUCK WATER WORKS, INC.:
Joint Petition for the Approval of a Consolidation of Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company with Pennichuck Water Works, Inc. *(Hearing)*

PRESENT: Chairman Daniel C. Goldner, *Presiding*
Commissioner W. Mark Dell'Orfano
Commissioner Pradip K. Chattopadhyay

APPEARANCES: **Reptg. Pennichuck East Utility, Inc., Pittsfield Aqueduct Company and Pennichuck Water Works, Inc.:**
James J. Steinkrauss, Esq. *(Rath...)*
Marcia A. Brown, Esq. *(NH Brown Law)*

Reptg. Town of Bedford:
Madeline J. Tatulis, Esq.

Reptg. Town of Londonderry:
Jennifer P. Lyon, Esq. *(Sheehan Phinney)*

Reptg. City of Nashua:
Steven A. Bolton, Esq.

Reptg. Town of Litchfield:
Christopher W. Perry, Esq.

Court Reporter: Nwamaka Dawson

APPEARANCES: ***(C o n t i n u e d)***

Reptg. Residential Ratepayers
Donald M. Kreis, Esq.
Office of Consumer Advocate

Reptg. New Hampshire Dept. of Energy:
Matthew C. Young, Esq.
Marie-Helene B. Bailinson, Esq.
Jayson Laflamme, Dir./Water Group

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P R O C E E D I N G S

THE BAILIFF: All rise.

CHAIRMAN GOLDNER: Be seated. Okay. Good morning. Chairman Dan Goldner, joined today by Commissioner Dell'Orfano and Commissioner Chattopadhyay. We're here this morning for a hearing in docket number DW 23-101. The authority to convene a hearing in this matter is provided in RSA 541-A, RSA 374, and RSA 378. We are considering testimony and evidence, as well as a settlement agreement concerning the merger of the Pennichuck companies and the rates charged to customers by the resulting Company.

The petition in this case, which was originally filed on December 15th, 2023, has a request to consolidate the Pennichuck companies. After a February 14th, 2024 pre-hearing conference, the Petitioners filed a motion to amend the petition to include simultaneous review of the proposed merger of the Pennichuck companies and a consolidated ratemaking structure. The motion to amend was granted on March 29th, 2024. Pursuant to the approved procedural schedule, the proposed settlement agreement and attachments were submitted by the parties on December 11th, 2024.

We'll get started today with appearances, beginning with the Petitioners.

MR. STEINKRAUSS: Good morning Chairman Goldner, Chairman Chattopadhyay, Chairman -- excuse me, Commissioner Chattopadhyay, Commissioner Dell'Orfano. My name is James Steinkrauss. I'm an attorney with Rath, Young, Pignatelli, representing Pennichuck Water Works, Inc. -- excuse me, Pennichuck East Utility and Pittsfield Aqueduct Company. I'm joined by my sister, attorney Marcia Brown, with New Hampshire Brown Law on behalf of the Petitioners, as well as John Boisvert, chief executive officer of Pennichuck Water Works; Don Ware, chief operating officer at Pennichuck Water Works Company. John -- excuse me, George Torres, chief financial officer and treasurer of Pennichuck Water Works Company. And Tara King, director of revenues and customer operations. All four will be offering testimony in this matter. Also joined by Chris Countie, director of operations; Julia Gagnon, financial analyst; and Jay Kerrigan, manager, regulatory affairs, who will -- is present but will not be offering testimony; all of which are employees of Pennichuck Water Works Company, Pennichuck Corporation, and subsidiaries. Thank you.

CHAIRMAN GOLDNER: Thank you.

The City of Nashua?

MR. BOLTON: Steven Bolton, City Corporation counsel for the City of Nashua -- appealed City of Nashua.

CHAIRMAN GOLDNER: Thank you.

The Town of Litchfield?

MR. PERRY: Christopher Perry. I'm with the municipal group on behalf of the Town of Litchfield, here we Kim Kleiner, the town administrator.

CHAIRMAN GOLDNER: Thank you.

The Town of Bedford?

MS. TATULIS: Madeline Tatulis, (indiscernible), Town of Bedford.

CHAIRMAN GOLDNER: Thank you.

The Town of Londonderry?

MS. LYON: Jennifer Lyon from Sheenan Phinney, for the Town of Londonderry.

CHAIRMAN GOLDNER: Thank you.

The Office of the Consumer Advocate?

MR. KREIS: Good morning, Mr. Chairman, Commissioners. I'm Donald Kreis, of the Consumer Advocate here today all by my lonesome.

CHAIRMAN GOLDNER: Thank you.

And the New Hampshire Department of Energy?

MR. YOUNG: Good morning, Mr. Chairman and Commissioners, Matthew Young, on behalf of the Department of Energy. With me today is cocounsel Mary-Helene Bailinson. And to my far left is Jayson Laflamme, who's the director of the water division.

CHAIRMAN GOLDNER: Very good. Okay. Are there any preliminary issues that need to be addressed before we swear in the witnesses? I assume that the parties don't need to make opening statements, but if so that can be allowed.

MS. BROWN: I just have some logistics on what the preference of the Commissioners are with respect to empaneling everybody. We have five witnesses total. Our preliminary thoughts and talking with Department of Energy is that Pennichuck would go first with its four witnesses up there, ample space, and followed by calling Jayson Laflamme to that group, leading them on the cross-examination. If you wish to have Jayson Laflamme up there also during our direct, it's at your pleasure. But I just thought I'd let you know that this is how we've -- we're going to do Pennichuck first, then DOE, and then have everybody open for cross.

CHAIRMAN GOLDNER: Thank you. Normally in a settlement, if the parties are amenable to it, we have all the witnesses sworn in at the same time, and then that way we just have to go around the room once. Because there's four chairs, I think, up there, maybe even three. And if Mr. Laflamme would like to stay seated where he is, that would be perfectly fine. And we can swear in the witnesses from someplace other than the witness box, if that would be acceptable to everyone.

MR. YOUNG: That's acceptable to the Department.

CHAIRMAN GOLDNER: Okay.

MS. BROWN: And the last thing is cognizant of the Commissioner's procedural order with respect to the City of Nashua, we do have Steven Bolton here. But we don't have direct for him. But he's certainly available either as a sworn-in witness or offer proof.

CHAIRMAN GOLDNER: Thank you. That's perfect. Thank you.

And thank you, Mr. Bolton, for being here today.

Okay. Very good. I think we have a plan. Let me just check my notes here. Okay. I think we're all set.

Pennichuck witnesses are invited to the box, Mr. Laflamme will stay seated, and we'll swear in the witnesses.

All right. Okay. I'll swear in the witnesses. Please answer, I do, one at a time. Beginning with Mr. Laflamme. Raise your right hand.

(WHEREUPON, JOHN J. BOISVERT, DONALD L. WARE, TARA C. KING, GEORGE TORRES, JAYSON P. LAFLAMME, STEVEN A. BOLTON were duly sworn and cautioned by the Chairman.)

CHAIRMAN GOLDNER: Thank you. The witnesses are available for direct.

MR. STEINKRAUSS: Thank you, Mr. Chairman.

DIRECT EXAMINATION

BY MR. STEINKRAUSS:

Q Mr. Boisvert.

A (Boisvert) Good morning.

Q Could you please state your full name?

A (Boisvert) It's John Boisvert, chief executive officer (audio interference).

Q Is your microphone on?

A (Boisvert) How's that?

Q We're good.

A (Boisvert) I'll start again.

Q Thank you.

A (Boisvert) It's John Boisvert. I'm the chief executive -- chief executive officer for Pennichuck and the subsidiaries.

Q Do you hold those positions with PW's affiliates?

A (Boisvert) Yes.

Q And Mr. Boisvert, could you please describe your responsibilities with Pennichuck Water Works?

A (Boisvert) It's general oversight of the entire operations of the Company from the financial side of it, from the operational side of it, revenue, customer operations, and the like. So I oversee and interact closely with the board of directors and to advance the mission of the Company, which is to provide safe drinking water.

Q And have you ever testified before the Commission on behalf of Pennichuck Water Works Company or its subsidiaries?

A (Boisvert) I have.

Q And was that prior testimony done in your capacity as CEO?

A (Boisvert) Yes.

Q Did you also previously offer testimony as the chief admin?

A (Boisvert) I did, yes.

Q And are you testifying today in those capacities?

A (Boisvert) I am.

BY MS. BROWN:

Q We've split our witnesses among our legal consultants. So I will start with Mr. Ware.

Can you please state your name for the record?

A (Ware) My name is Donald L. Ware.

Q And by whom are you employed?

A (Ware) Employed by Pennichuck Water Works.

Q And what position do you hold with Pennichuck?

A (Ware) I am the chief operating officer of Pennichuck Water Works.

Q As chief operating officer, can you please describe your responsibilities in that role?

A (Ware) Yes. I oversee and coordinate the work of the water supply, distribution, and customer service departments. And those are the departments that perform the day-to-day work that's necessary to maintain water service to our customers. I also work closely with our accounting department in regard to regulatory filings with the Commission, and the engineering department in terms of prioritizing the investment of Pennichuck's capital in the areas where it's most needed.

Q Thank you. And do you hold any professional licenses?

A (Ware) Yes, I'm a licensed professional engineer in New Hampshire, Massachusetts, and Maine. I'm also a licensed grade 4 water treatment plant and distribution operator in the same states.

Q Thank you. And should your testimony stray from being a fact witness to an expert witness, would some of your testimony today be within that area of expertise?

A (Ware) Yes.

Q Thank you.

BY MR. STEINKRAUSS:

Q Again, Jim Steinkrauss for the Petitioners.

Mr. Torres, could you please state your full name for the record?

A (Torres) George Torres.

Q And what position do you hold with Pennichuck Water Works?

A (Torres) I am the CFO and treasurer of PWW.
Q And you also hold those positions with the affiliates?
A (Torres) Yes, I do.
Q And what are those positions?
A (Torres) I am the chief financial officer and treasurer of (Indiscernible) Corp., PEU, Pittsfield -- excuse me, Pennichuck East Utilities, at Pittsfield Aqueduct, and Pennichuck Water Service itself.
Q Thank you. Could you please describe your responsibilities with Pennichuck Water Works?
A (Torres) Sure. My overall responsibilities, responsible for the financing, treasury, accounting, and budgeting functions of the Company. I also oversee all the issuance and repayment of debt as well as the quarterly and annual financial and regulatory reporting for those entities as well.
Q Thank you. And Mr. Torres, have you previously testified before the Commission on behalf of Pennichuck?
A (Torres) I have provided written testimony.
Q Was that prior written testimony offered as in your capacity as CFO, treasurer, or comptroller?
A (Torres) Yes, it was.
BY MS. BROWN:
Q And Ms. King, just so we can get your full name on the

record, please?

A (King) Tara King.

Q And by whom are you employed?

A (King) Pennichuck Water Works.

Q And what positions do you hold with Pennichuck?

A (King) I'm director of revenue and customer operations, but I'm currently transitioning to a role as director of program management.

Q Can you please describe your present responsibilities in that position?

A (King) To oversee the billing, collections, and customer service for the utilities.

Q How long have you been in this line of work that you're -- this field?

A (King) About 26 years.

Q Do you consider that to be your area of expertise?

A (King) Yes.

Q Thank you.

BY MR. STEINKRAUSS:

Q Again, Jim Steinkrauss for the Petitioners. Looking now at some of the exhibits.

Mr. Boisvert, with respect to Exhibits 1 and 2, which are the joint petition filed in March 2024 in this docket, are you familiar with those exhibits?

A (Boisvert) I am.

Q And Mr. Boisvert, are you familiar with your pre-filed direct testimony filed in support of the merger found in Bates 34 to 84 and the pre-marked Exhibits 1 and 2?

A (Boisvert) I am.

Q And did you prepare or participate in the preparation of the pre-filed direct testimony filed at dockets and this docket at Bates 34 to 84, and the pre-marked Exhibits 1 and 2?

A (Boisvert) I did.

Q Great. And are you aware of any changes or corrections that need to be made to your pre-filed direct testimony filed in the pre-marked Exhibits 1 and 2?

A (Boisvert) No.

Q Do you also offer supplemental direct testimony as pre-marked as Exhibit 3?

A (Boisvert) I did.

Q That supplements your prior testimony?

A (Boisvert) That's correct.

Q Okay. And Mr. Boisvert, do you adopt that direct pre-filed testimony as part of your testimony today?

A (Boisvert) I do.

Q Okay. Mr. Torres, are you familiar with pre-filed direct testimony found at Bates 136 to 169 pre-marked as Exhibits 1 and 2?

A (Torres) Yes, I am.

Q And did you prepare or participate in the preparation of your pre-trial direct testimony in those two exhibits?

A (Torres) Yes, I did.

Q And do you adopt the direct pre-filed testimony as part of your testimony today?

A (Torres) Yes, I do.

Q And Mr. Torres, are you aware of any changes or corrections that need to be made to your pre-filed direct testimony in pre-marked Exhibits 1 and 2?

A (Torres) No, I'm not.

Q Mr. Ware, are you familiar with Exhibits 1, the amended petition, and its confidential version, Exhibit 2?

A (Ware) Yes, I am.

Q And were Exhibits 1 and 2 prepared by you or under your direct control and supervision?

A (Ware) Yes, they were.

Q Great. And Mr. Ware, do you have any changes or corrections to make to Exhibits 1 or 2?

A (Ware) No, I do not.

Q Ms. King, are you familiar with Exhibit 1, the amended petition, and its confidential brief in Exhibit 2?

A (King) Yes.

Q Ms. King, were Exhibits 1 and 2 prepared by you or under your direct control and supervision?

A *[No verbal response.]*

Q Mr. Boisvert, did you prepare your direct testimony in support of the merger?

A (Boisvert) I did.

Q And does that testimony appear at page 35 of the exhibit?

A (Boisvert) It does.

Q Okay. Mr. Boisvert, did you also prepare a pre-filed direct testimony in support of consolidated rates?

A (Boisvert) I did.

Q And are you aware that that rate testimony appears in page 195?

A (Boisvert) I am.

Q Do you also adopt that testimony as part of your testimony today?

A (Boisvert) Yes.

Q Mr. Ware, did you prepare a pre-filed direct testimony in support of the merger?

A (Ware) Yes, I did.

Q And does that testimony appear on page 104 of Exhibit 1?

A (Ware) Yes.

Q Mr. Ware, did you also prepare a pre-filed direct testimony in support of the consolidated rates?

A (Ware) Yes, I did.

Q Thank you. And Mr. Ware, does the rate testimony appear at page 261 of Exhibit 1?

A (Ware) Yes, it does.

Q And Mr. Ware, do you also adopt that rate testimony as part of your testimony offered here today?

A (Ware) Yes.

Q Mr. Torres, did you prepare pre-filed direct testimony in support of the merger?

A (Torres) Yes, I did.

Q And does that testimony, if you were aware, appear at page 136 of Exhibit 1?

A (Torres) Yes, it does.

Q And do you adopt that testimony in Exhibit 1 as part of your testimony today?

A (Torres) Yes, I do.

Q Mr. Boisvert, are you aware or familiar with your pre-filed direct testimony -- supplemental testimony filed in the docket pre-marked as Exhibit 3, the public version, and Exhibit 4, the confidential version?

A (Boisvert) Yes.

Q And Mr. Boisvert, did you prepare or participate in preparation of the pre-filed supplemental direct testimony filed in docket pre-marked as Exhibit 3?

A (Boisvert) I did.

Q Mr. Boisvert, did you adopt the -- do you adopt that the supplemental testimony as part of your testimony today?

A (Boisvert) Yes.

Q Mr. Boisvert, are you aware of any changes or corrections that need to be made to that pre-filed supplemental testimony in Exhibit 3?

A (Boisvert) No.

Q Mr. Ware, did you prepare a supplemental pre-filed direct testimony for the filing in this proceeding?

A (Ware) Yes, I did.

Q And is that in Exhibit 3?

A (Ware) Yes.

Q And do you have any changes or corrections to make to that supplemental testimony?

A (Ware) No, I do not.

Q Mr. Ware, if you were asked those same questions today, would your answer be the same?

A (Ware) Yes.

Q And do you adopt that supplemental testimony as part of your testimony today?

A (Ware) Yes, I do.

Q And Mr. Ware, did you attach to your supplemental testimony as an updated cost of service study?

A (Ware) Yes, I did.

Q And is that cost of service study the same cost of service study that is attached to the settlement in Exhibits 5 and 6 as attachment M?

A (Ware) Yes.

Q Mr. Ware, was the cost of service study rerun after the final revenue department was agreed to among the parties?

A (Ware) Yes, it was.

Q Mr. Ware, who conducted the cost of service study?

A (Ware) The cost of service study was completed by Concentric Energy Advisors under the oversight of Mr. Greg Therrien.

Q And Mr. Ware, do you consider Mr. Therrien as an expert in the field of cost of service studies?

A (Ware) Yes, I do.

Q And Mr. Ware, when a cost of service study is conducted, what standards does it normally adhere to, if you know?

A (Ware) Yes, the cost of service study was performed using the allocated cost of service study based extra capacity methodology, which is recognized by the American Water Works Association. And all the cost of service studies the Company has done in previous rate cases or special contract proceedings, have it here and follow that same methodology.

Q So the cost of service study here does adhere to those standards?

A (Ware) Yes.

Q And Mr. Ware, did you work -- did you work closely with Mr. Therrien in preparation of the cost of service study?

A (Ware) Yes.

Q Moving on to Exhibits 5 and 6, the settlement agreement.

Mr. Boisvert, are you familiar with the terms of the settlement agreement that has been pre-marked as Exhibits 5 and 6?

A (Boisvert) I am.

Q And Mr. Torres, are you familiar with the terms of the settlement agreement that's been pre-marked as Exhibits 5 and 6?

A (Torres) I am.

Q Mr. Boisvert, are you aware of any changes or corrections that need to be made to the settlement agreement and attachments?

A (Boisvert) No.

Q Mr. Torres, are you aware of any changes or corrections that need to be made to the settlement agreement or attachments?

A (Torres) No, I'm not.

Q Mr. Boisvert, did you participate in negotiation and review of the settlement agreement and attachments?

A (Boisvert) I did.

Q Mr. Torres, did you participate in negotiations and review of the settlement agreement and attachments?

A (Torres) I did.

Q Mr. Ware, are you familiar with the content of the settlement agreements?

A (Ware) Yes, I am.

Q Mr. Ware, are there any changes or corrections that need to be made to the settlement agreement?

A (Ware) No, I don't have any questions, but I am aware that Tara King will be making formatting corrections to the tariffs, which are included in attachment K to the settlement agreement.

Q Thank you.

Ms. King, are you familiar with the content of the settlement agreement?

A (King) Yes.

Q And my understanding from Mr. Ware's testimony is that you'll be providing some changes or corrections to attachment K?

A (King) Correct.

Q Part of your testimony?

A (King) Correct.

BY MS. BROWN:

Q Marcia Brown for the Company. Mr. Ware, do you have attachment B, the data responses to the settlement agreement, in front of you?

A (Ware) Yes, I do.

Q And did the Company respond to -- that's an obvious question. The Company responded to a data request from the parties in this proceeding; is that correct?

A (Ware) Yes, that is correct.

Q And some of those relevant responses have been attached as attachment B to the settlement?

A (Ware) Yes, they are.

Q Thank you. Mr. Ware, did you personally respond to a number of those data requests?

A (Ware) Yes, I did.

Q And were those responses correct and accurate at the time that you provided them?

A (Ware) Yes, they were.

Q Do you have any changes or corrections that you are aware of that need to be made to any of those responses that you provided?

A (Ware) No, I do not.

Q Mr. Boisvert, if I can just turn to you too. Did you provide any responses in discovery in this proceeding?

A (Boisvert) I did.

Q Are some of those responses at attachment B?

A (Boisvert) Yes.

Q And were those responses accurate and correct at the time that you made them?

A (Boisvert) Yes.

Q And are you aware of any changes or corrections that need to be made to those responses?

A (Boisvert) No, I'm not.

Q Mr. Ware, I'd like to just have you have Exhibit A and AA. I'm sorry, exhibit -- attachment A and attachment AA to Exhibit 5 in front of you.

A (Ware) Yes, I have them in front of me.

Q Okay. Can you please describe for the record, what is attachment A?

A (Ware) Yes, attachment A is a consolidated version of the NHPUC 160406 schedules, which are the schedules that are used to derive the revenue requirement. This schedule details the key revenue and expense data that starting with a -- and it starts with the Company's initial filing and then adjusts the initial filing numbers to reflect changes to that data that were derived through discovery, through the discovery process, or agreed upon as part of the settlement agreement. The result of this schedule was the development of the settlement agreement revenue requirement for PWW.

Q And can you please describe for the record what attachment AA contains?

A (Ware) Yes. Attachment AA takes the revenue requirement that was derived in attachment A, and applies the cost of service study to that in order to derive the respective revenues that are collected from each customer class, and in particular, a focus on the impact of this recommended or settled-upon a rate case relative to the impact on single-family residential homes across each of the three existing utilities PWW, PU, and PAC, as well as developing, you know, the various revenue buckets or rate buckets that are there in particular for single-family residential customers that are impacted by the G-M fixed rate and by the G-M volumetric rate, which is proposed to be cured.

Q Thank you. With respect to attachment A and AA, can you please describe your involvement with the creation of them?

A (Ware) Yes. Attachment A was prepared by Jayson Laflamme. And from the rate schedules that are included in attachments C, D, and E, which are the 160406, 160408 schedules, and what's called the LW Exhibit 1. And then I created an attachment AA again in order to create a comparison of the merged -- the impact of the merged rates against standalone rates for the single-family residential customer.

Q Thank you. And you have no changes or corrections to those schedules, attachments A and AA; is that correct?

A (Ware) That is correct. I have no changes.

Q Okay. With respect to attachments C, D, and E to the settlement, can you please describe to the Commissioners what those comprise?

A (Ware) Yes. Attachment C is -- was used to develop the requested material operating expense factor associated with this filing. A little later on in this examination, I will discuss in a little further detail what the material operating expense factor is. But that particular attachment was used to develop the requested what we're going to term, MOEF, the first of many acronyms associated with this case.

Attachment D is a compilation of the NHPUC 160406 schedules, as -- and those are adjusted from the original filing to what's attached, which reflects adjustments to the initial 160406 schedules that resulted from this discovery process and settlement process.

And lastly, attachment E is the NHPUC 160408 schedules as agreed upon in the settlement agreement, and those were used to develop the debt service revenue requirement for the merged PWW, PU, and PAC utilities.

Q Thank you. Mr. Ware, are you aware of any changes in corrections that need to be made to attachments C, D, and E?

A (Ware) No, I am not.

Q And I think you alluded to this in response. But the attachments C, D, and E, those have changed since the March 8th, 2004 filing; is that correct?

A (Ware) That is correct.

Q And can you give us an example of how they changed?

A (Ware) Yes. So again, you have an initial filing. That filing, those schedules go through the discovery process. As part of the discovery process, which involves an audit of the Company's books by DOE staff and -- and other intervenors. It involves a complete review of the expenditures that the Company experiences where you'll find various things that need to be changed or modified slightly. And as a result of that discovery, the numbers within those schedules were fine-tuned, if you will, adjusted in order to create the final revenue requirement.

Q Thank you.

BY MR. STEINKRAUSS:

Q Attorney Steinkrauss for Petitioners. Moving to attachment F, to the settlement of the final audit report.

Mr. Torres, in addition to the data request propounded by the parties, did the Department of Energy conduct an audit of the Company?

A (Torres) Yes, it did.

Q And Mr. Torres, are you aware that there's a final audit report from the audit attached to the settlement agreement as attachment F?

A (Torres) Yes, I was.

Q And are you familiar with the audit report?

A (Torres) Yes, I am.

Q And does the final audit report contain responses from the Company?

A (Torres) Yes, it does.

Q And were the responses provided by the Company correct at the time that they were made?

A (Torres) Yes, they were.

Q And Mr. Torres, are you aware of any changes or corrections that need to be made to PWW's responses?

A (Torres) No, I'm not.

Q (Indiscernible).

A (Torres) No, I'm not.

Q Mr. Boisvert, with respect to attachment G to the settlement agreement pre-marked as Exhibit 5, the City of Nashua resolutions. Mr. Boisvert, are you familiar with the City of Nashua resolutions, R-24-100 and R-24-101 in attachment G to the settlement agreement pre-marked as Exhibit 5?

A (Boisvert) Yes, I am.

Q And Mr. Boisvert, did you attend the City of Nashua Board of Aldermen meeting on November 12th, 2024? That was the subject of the vote by the City of Nashua to approve resolutions R-24-100, and R-24-101 in attachment G to the settlement agreement pre-marked as Exhibit 5?

A (Boisvert) Yes, I was.

Q And Mr. Boisvert, do the City of Nashua resolutions, approving the merger and installing the rates and authorizing the City to execute the settlement in this matter, accurately reflect the documents included in attachment G as part of the settlement agreement pre-marked as Exhibit 5?

A (Boisvert) Yes, they do.

Q And Mr. Boisvert, are you aware of any changes or corrections that need to be made to the City of Nashua's resolutions included as attachment G to the settlement agreement pre-marked as Exhibit 5?

A (Boisvert) No.

Q Will go on to attachment H, which is the agreement and plan of merger for Pennichuck East Utility, Inc.

Mr. Boisvert, are you familiar with the agreement and plan of merger between Pennichuck East Utility and Pennichuck

Water Works, Inc., that is included as attachment H in the settlement pre-marked as Exhibit 5?

A (Boisvert) I am.

Q And are you aware of any changes or corrections to the agreement and plan of merger between Pennichuck East Utility and Pennichuck Water Works, included as attachment H?

A (Boisvert) No.

Q Mr. Boisvert, are you familiar with attachment I, which is the agreement and plan of merger between Pittsfield Aqueduct Company and Pennichuck Water Works?

A (Boisvert) Yes.

Q Are you familiar with the agreement?

A (Boisvert) Yes.

Q And are you aware of any changes or corrections to the agreement of merger between Pittsfield Aqueduct Company and Pennichuck Water Works, included as attachment I?

A (Boisvert) No.

Q Moving on to attachment J, which is the board of directors resolutions for Pennichuck Corp., Pennichuck Water Works, Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company. Mr. Boisvert, are you familiar with the corporate secretary certificates for Penn Corp., Pennichuck Water Works Inc., Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, which reflect the resolutions approved by the board of directors on October 4th, 2024, to approve the settlement and authorize the Company to execute the settlement in attachment J as part of the settlement that's pre-marked Exhibit 5?

A (Boisvert) I am.

Q And Mr. Boisvert, are you aware of any changes or corrections to those certificates in attachment J to the settlement?

A (Boisvert) I'm not.

BY MS. BROWN:

Q Ms. King, if we can run through some corrections for the record.

A (King) Yes.

Q Do you have a settlement agreement in front of you? And I suggest that you use it Exhibit 5, turn to page 3.

A (King) Yes.

Q And there a reference to attachment K. Do you see that?

A (King) Yes.

Q And are those the tariffs?

A (King) Yes.

Q Okay. Now, Ms. King, and I'll just ask a background question with respect to these tariffs. Were these tariffs created by you or under your direct supervision and control?

A (King) Yes.

Q I will ask the question of what changes would you like to bring to our attention, please? Thank you.

A (King) Just a few changes on the table of contents -- contents, and index. Which is page 2 or Bates page 1005. There was a missing reference for the new page 43-A and 44-A. Also, the header on that page should have been noted that it was first -- the first revised page 2, superseding original page 2. And then on page 6 of the tariffs, which is the marked up version page -- Bates page 1007. The header of the original page 6 that should have been changed to first revised page 6, superseding original page 6.

Q Thank you very much. Thank you very much for pointing out those corrections. And we apologize for not catching those before we filed this exhibit. Ms. King, when will these corrections be filed formally with the Commission?

A (King) Once the rates are approved, the Company is usually ordered to file clean copies of the tariff pages. And at that time, those corrections.

Q Okay. Thank you. And I just want to wrap up with attachments L and N to the settlement agreement with you, Ms. King. Are you familiar with both of those attachments?

A (King) Yes.

Q And what are those attachments?

A (King) Attachment L is the customer notes that -- subsequent customer notices that were filed in December. And attachment L (sic) is the commercial customer notice.

Q Thank you. I'll ask more questions about that later.

A (King) Okay.

Q Are you aware of any changes or corrections to those attachments?

A (King) No.

Q Thank you very much.

BY MR. STEINKRAUSS:

Q Jim Steinkrauss for the Petitioners. Mr. Boisvert, could you please provide the Commission with a brief overview of the current structure of the various companies?

A (Boisvert) The current structure has Penn Corp. at the top, which has five subsidiaries, three of which are regulated utilities. It's Pennichuck Water Works, which is the larger utility, Pennichuck East Utilities, and Pittsfield Aqueduct Company. It also has two other nonregulated entities. One is the Pennichuck Water Services Company, which provides contract operations for private water systems throughout the state.

And then the final subsidiary is the Southwood Corporation, which was a land holding entity which is basically hollow now. And at some point, I think we're getting close to closing that down, because it's no longer applicable to the business that we're in.

Q What about the role of Penn Corp.?

A (Boisvert) Penn Corp., as the -- as the holding company pretty much is the shareholder of all the subsidiaries and the share of the ownership or the shares of Penn Corporate held by the City of Nashua. So the trickle down is Nashua is the shareholder of the corporation, and then the subsidiary stocks are held with the corporation of Penn Corp.

Q And did the City of Nashua acquire the Penn Corp. shares in docket DW 11-026 by order 25-292, in 2001?

A (Boisvert) They did.

Q Great. And did that transaction resolve any ongoing disputes between the City and Penn Corp.?

A (Boisvert) It did, yes.

Q Right. And Mr. Boisvert, you did testify regarding the ways in which the City's acquisition affected how the companies operate its utilities. And your direct testimony is marked as Exhibit 1, and Bates 46 to 48 and 49 to 50. Can you please provide a summary of those impacts for the City's ownership of the companies?

A (Boisvert) Well, in the transition to the City's ownership went from an investor-owned utility to pretty much a private -- privately held single share of stock owned by the City of Nashua. We went from being a company that did our financing, especially for capital improvements, with an equity and a debt component. That equity component is no longer there. So all of our capital improvements are funded by debt. So that was a huge change.

Regard -- you know, with respect to the operating utilities, really nothing changed. We still have the same number of water systems at the time. We still operated those water systems. We, you know, provided critical infrastructure updates and all of those things we continue to operate very much the same. It was how we -- we financed those -- those activities. Of course, the -- the biggest difference that came out of 11-026 or --

Q So one of the key factors is that the Company no longer has access to equity; is that --

A (Boisvert) That's correct.

Q And how does the Company now finance its capital improvements?

A (Boisvert) It's -- it's yeah, we -- we -- it's all through bonding. What we do is -- is there's really three ways that we find capital improvements. There's through bonding that we receive through the New Hampshire Business Finance Authority, through access to markets that way. The other way is through when we're -- when we can qualify, we'll accept revolving -- state revolving loan bond monies, which are an advantage from the standpoint of cost and interest rates.

The other thing that -- the other one that's out there is the New Hampshire Drinking and Groundwater Trust Fund. When we can qualify and we have projects, we will -- we will look to those funds for financing. But at that point, there is no -- we don't have access to the private equity markets at that point.

Q And does the approved rate structure work on the Company's cash flow model intended to cover the cost of operations and no profits are generated?

A (Boisvert) That's correct.

Q And Mr. Boisvert, with the change from a for-profit to debt-funded utility, did that require a change in the rate structure in docket 11-086 -- sorry, 11-026?

A (Boisvert) It -- it did. And going forward, I think there are numerous other changes. Hence, I think it was a reference to acronyms that -- that will come up, but that will help stabilize our cash flow because we had to -- the bills came due. There wasn't that -- that profit that was there that we could buffer in between rate cases. So a number of things had to change as well as -- Mr. Torres can elaborate in more of the detail, but regarding things that need to be established for bank covenants in a number of other things that we have.

Q And with respect to some of those acronyms, perhaps we could run through a couple. So in those acronyms and subsequent rate changes were designed to cover the Company's operating expenses, principal and interest, related property taxes, and new debt; is that correct?

A (Boisvert) That's correct. Yes.

Q One of the other requirements is to cover the City's bond fixed revenue requirement, or CBFRR. Can you please briefly describe that?

A (Boisvert) What it is, the City of Nashua floated bonds and secured bonds to acquire the outstanding shares of Pennichuck Corp. And in the agreement that came through in the settlement and the order, we have a revenue requirement to pay the City back on an -- on a -- on a regular basis to cover that principal and interest of those -- those bonds. So we have that requirement in our rate structure.

Q Some of the other acronyms, I'll run through them quickly perhaps. Could you please describe the rate stabilization fund or RSF?

A (Boisvert) The rate -- the rate stabilization fund, if you think in between rate cases, you know, we're -- we have -- you set a revenue requirement. And as we go forward, you know, a number of things change throughout the course of that typically, a three-year period. You could have a wet year, dry years, revenue can go up, revenue can come down. And since we're a cash -- you know, we're based -- we live off cash flow and being able to pay our expenses as they come due, these funds help us stabilize. So when revenues are down, we are able to draw. Whenever revenues are up, we are able to replenish and -- and then reestablish as needed during, you know, specific rate cases.

Q How about the debt service revenue requirement or DSRR?

A (Boisvert) The -- the debt service, that -- that is to, you know, think about it, we are 100 percent, you know, debt funded. That is there to cover the, you know, the principal interest and the associate -- you know, whatever other associated expenses are with covering the cost of that debt.

Q Did the order in 11-026 subsequent rate cases also create -- I'm just going to run them off, material operating expense revenue requirement or MOERR; the nonmaterial operating expense revenue requirement, NOERR; the material expense operating factor, MOEF, (indiscernible). Were those as part of those subsequent rate structures to cover that?

A (Boisvert) And I will say that was a little bit before my involvement. But they -- they -- they were -- they were there and they've been there ever since I can remember.

Q Right. And in subsequent petitions, did the Company and Commission adopt a qualified capital project adjustment charge or QCPAC?

A (Boisvert) Yes.

Q And what's the purpose of the QCPAC?

A (Boisvert) That -- that is to pay for capital that goes to place on an annual basis. It is to cover the cost of principal and interest, as well as the associated property taxes associated with those expenses.

Q And Mr. Boisvert, does the reliance solely on debt to finance operations have impacts on customers?

A (Boisvert) It -- it does. In the fact that it's a -- it's a cheaper way to, you know, than an IOU with the profit, and you know, a debt and equity component. And in the end result, that is a much cheaper way to, you know, for our customers and less expensive for us to -- to finance capital improvements. So there is a -- there is a certain benefit that -- that's there.

Q And what's the purpose of the capital investments?

A (Boisvert) It's aging infrastructure, compliance with regulation. It's -- that's been kind of the -- the -- the lion's share of where we reinvest in our system. We have things that are in hundreds of years old, you know, 110, 120 years old. We're replacing those. A lot of other capital improvements, just, you know, repair and maintenance of our treatment facilities, pump facilities, and the like.

Q And do those capital investments support the Company's goal of providing safe and clean water?

A (Boisvert) Absolutely.

Q All right. And Mr. Boisvert, are there any other negative impacts as a result of the post-acquisition shift to debt-funded (indiscernible)?

A (Boisvert) There's -- and that's -- and the importance is, is to have the funds that are available because in between rate cases, if we didn't have these -- a lot of the -- the reserve funds available to us, you know, cash flows may not meet operating expenses at any one time. So it's -- it's really critical to have those to be able to -- especially when you have years when revenues are down, to be able to draw from those, to be able to keep, you know, paying the bills and then replenish them when times are -- are different.

Q Sure. And do the lenders, do they change the nature of how lenders look at the Company with respect to the traditional sort of lender coverage ratios and profits generated from operations?

A (Boisvert) Yes. And again, as far as details, Mr. Torres would be probably the best one to answer the real details there. But you know, typically, you know, we were able to -- to work with banks and have established covenants with, you know, these funds that ensure that and gives them -- gives their lenders insurance -- assurance that we're able to cover their -- their -- the debt that we incur on -- on a regular basis.

Q Well, in light of those lender changes, has the Company been able to secure debt capital in this new structure?

A (Boisvert) Yes, we have. Yeah.

Q Has it been successful with negotiating with lenders to secure those additional funds?

A (Boisvert) Yes, we have.

Q And does the Company also have a line of credit available from the parent company?

A (Boisvert) Yes.

Q And does Pennichuck East Utility and Pittsfield Aqueduct Company have access to bond markets for finance, capital investments, or refinancing debt obligations?

A (Boisvert) They don't.

Q And does PWW?

A (Boisvert) Yes.

Q And why is that?

A (Boisvert) It's a -- it's a matter of size. In order to enter the -- the bond markets, you need to be a certain mass, certain operands, and Pittsfield and Pennichuck East are just too small.

Q Sure. And would the merger of PEU and PAC into Pittsfield (sic) Water Works change the overall debt reliance of the three zones?

A (Boisvert) It will. It would allow Pennichuck East, you know, they find the combined entity will allow Pennichuck East and Pittsfield Aqueduct Company the access to the same capital that Pennichuck Water Works is.

Q Okay. But will change the overall structure of the debt reliance?

A (Boisvert) No, not at all.

Q Okay. And you mentioned the better access to debt, would it also provide those two companies with access to the bond markets?

A (Boisvert) Yes.

Q And is that a result of the larger company -- combined company?

A (Boisvert) That's correct. Yeah.

Q Okay. And are there any other benefits that PEU and PAC customers will be able to access bonded offerings?

A (Boisvert) Well, the -- the -- when you look at it, compared to where we're at now, the -- typically, we'll see bond rates that are much, you know, a lower, lower, lower interest rates and combined in larger you know, pooling, the capital that was -- is needed for Pittsfield and for Pittsfield (sic) East Utility, and then Pennichuck, we can actually go to market with larger bond amounts, which will improve the attractiveness. I mean, we're -- we're -- we do pretty well from a utility from New Hampshire, but we're still not the largest one out there putting forward bonds on an annual basis. So that'll be a big help.

Q With that larger company, would it also spread the cost of bond issuance to then cut down on debt issuance bonds?

A (Boisvert) Larger number of customers that -- yes, the Company achieve a certain economy of scale.

Q And finally at that point, would the merged entity also be able to better match debt on bonds to its assets that it's financing?

A (Boisvert) Yes. I mean, I think we're around somewhere around 40 years on -- from a life cycle of our assets. And the bond markets allow us for 30 years of -- compared to 20 or 25.

Q That's with existing Cobank?

A (Boisvert) Yeah, the Cobank. And even SRF or Drinking Water Groundwater Trust Fund level, too.

Q If the merger is approved, how would the corporate structure change?

A (Boisvert) The corporate structure, you'd have, you know, Penn Corp. would still be there at the top. All of the Pennichuck East and Pittsfield will be -- I guess the, for lack of a better term, dissolved into PWW as the one single regulated utility. And the Pennichuck Water Service Company and Southwood Corporation would still be there, of course, for the remaining life of Southwood Corporation.

Q And the City of Nashua would remain the sole shareholder of Penn Corp.?

A (Boisvert) That's correct.

Q Great. And would there be any changes to the governance structures of Penn Corp., and the surviving corporation of Pennichuck borrowers?

A (Boisvert) No, there won't.

Q Do you anticipate any changes to the bylaws?

A (Boisvert) Yes. There are a couple changes to the bylaws associated with those.

Q Would those add board member representatives for the City of Nashua, as part of the settlement with --

A (Boisvert) That's correct. Yes.

Q Great. And will the merger impact current management when Pennichuck Water Works combined Penn Corp.?

A (Boisvert) It won't.

Q Will there be any changes or reduction in officers as a result of the merger?

A (Boisvert) No. There won't.

Q Will there be any changes or reduction of employees of Pennichuck Water Works, Pennichuck East Utility, or Pittfield Aqueduct?

A (Boisvert) No, all of the -- no there won't. All of the employees are Pennichuck Water Works, and you know, do work with the other utilities, so they'll be the same.

Q Will the merger render the cost allocation agreement or money pool agreement unnecessary?

A (Boisvert) No.

Q Provide a quick explanation?

A (Boisvert) Oh, in the, you know, where -- is there is -- is that the (indiscernible) developed a while back. But it was a -- the way that we allocate the funds because all of the employees work for Pennichuck Water Works and they tied up the corporation. The -- by work orders and a formulatic -- formulaic application, the expenses and all associated with the East and Pittsfield Aqueduct Company, as well as the Services Corporation, you know, are allocated back up to the corporation based on that formula. That won't change. It's just that you'll have -- instead of having three regulated utilities, you just have one, and you still have the services corporation on the other side with Southwood. But Southwood, like I say, is on its way out.

Q Sure. Will the merger affect operations needed in the core system or satellite systems of Pennichuck Water Works, Pennichuck East Utility, or Pittsfield Aqueduct?

A (Boisvert) No, no, it won't.

Q Great. And will there be any reduction in managerial, financial, legal, or technical expertise of the merged company if the merger petition is approved?

A (Boisvert) There won't.

Q And is that also because they utilize the same employees and corporate governance structure?

A (Boisvert) Yes, we do. Yes.

Q And Mr. Boisvert, can you please describe some of the factors as to why the Company is seeking the merger and consolidated rates and stock?

A (Boisvert) Well, there's a number of them. Part of it is, you know, when we look at the -- the utilities, we have two smaller utilities, one with no -- absolutely no access to capital, which was Pittsfield Aqueduct Company, unless we were to qualify for a state revolving fund, which are competitive. And we haven't been successful in a few tries at that. So there's no, you know, we have a -- have a utility that needs -- ultimately will need, you know, improvements, need upgrades. We've talked about aging infrastructure, and compliance, and things. Will need access to capital, which it doesn't, it will now.

Pennichuck East Utility, so through Cobank we're paying for our capital improvements. This resulted in higher cost of -- of borrowing. We'll get less expensive borrowing under the -- under the merged entity. But really one of the main drivers -- drivers that kicked us off was affordability, affordability for our customers. So that we ensure that at a -- at a reasonableness and a reasonable cost, that we can provide the basic water needs of our customers.

And when we looked at it, if we were to continue alone as three separate utilities -- we had, there was a lot of necessary improvements in Pennichuck East Utility, which had to, you know, you know, everything from compliance to a number of different things that had to be done over the last decade or more. That, you know, drive, you know, will drive rates higher. You know, just the cost to purchase water is a lot of our systems. We have to purchase water. The cost of that purchase or other -- Manchester Water Works or other utilities, is significantly higher than it cost Pennichuck Water Works to produce water. Some of these are standalone systems that have a, you know, pretty, you know, complicated system of treatment because of the nature of them as standalone little satellite systems. So there's a -- there's a number of things that will gain from having this merger. And part of it is being as part of a larger utility, access to cheaper capital is going to be, you know, big for us. And plus, the rate structure that we're proposing really helps protect the basic uses of -- of citizens and keeps those costs as low as we possibly can.

Q Great. Thank you, Mr. Boisvert. We'll move on now to the City of Nashua approvals, section 3 of the settlement agreement pre-marked as Exhibit 5. Could you please turn to section 3 on page 9 of the settlement agreement, Exhibit 5.

A (Boisvert) Exhibit 5.

Q Yeah, section 3. That would be the first section right up front just on page 9.

A (Boisvert) And that's the larger document you gave me, Jim?

Q Yes, please.

A (Boisvert) Yes, page 9. Okay. Thank you.

Q First of all, could you please describe the requirement that the City of Nashua sole shareholder approve the merger, found in your pre-filed testimony, Bates 65 and 66 of pre-marked Exhibit 1?

A (Boisvert) The nature of the approval, I just want to make sure you're asking about that?

Q So the restated ordinance?

A (Boisvert) Right. Restate -- articles of incorporation require this -- the merger of this type to be approved by the sole shareholder, which is the City of Nashua.

Q Right. And Mr. Boisvert, do you know when the City of Nashua Board of Aldermen entered the first reading of the settlement resolution R-24-100 and the merger resolution R-24-101 incorporated as attachment G to the settlement agreement?

A (Boisvert) Yeah. It was October -- I believe it was October 8th.

Q Yes. And were those resolutions referred to the Pennichuck Water Special Committee for discussion?

A (Boisvert) They were. Yes.

Q And do you know the date that those were considered by them?

A (Boisvert) October 29th.

Q Great. And did you attend the public hearing before the Board of Aldermen on October 8th, 2024 and the Pennichuck Water Special Committee on October 29th, 2024?

A (Boisvert) I did, along with other members of the Pennichuck staff and also yourself, Jim Steinkrauss.

Q Thank you. Mr. Boisvert, did you provide testimony or responses to questions by the Pennichuck Water Special Committee at that meeting?

A (Boisvert) Yes, as well as other members of our team.

Q Great. What was the result of that hearing and deliberations before this Pennichuck Water Special Committee on October 29th?

A (Boisvert) The Special Water Committee voted to recommend approval to the full Board of Aldermen.

Q For both resolutions?

A (Boisvert) For both resolutions, yes.

Q And Mr. Boisvert, did you attend the public hearing before the City of Nashua Board of Aldermen on November 12th, 2024?

A (Boisvert) I did.

Q And what was the result of the deliberations by the Board of Aldermen on resolutions R-24-100 and R-24-101 on November 12th?

A (Boisvert) They were -- both of them were approved.

Q And Mr. Boisvert, the best of your knowledge, are resolutions R-24-100 and R-24-101 included as attachment G in the pre-marked Exhibit 5, the same resolutions approved by the City Board of Aldermen on November 12th?

A (Boisvert) Yes.

Q And Mr. Boisvert, have you had the opportunity to review and read the resolutions in attachment G of the settlement agreement?

A (Boisvert) Yes.
Q Could you briefly describe resolutions R-24-100 and R-24-101?
A (Boisvert) With specific to -- is there something specific?
Q Sure. Does resolution R-24-100 authorize the mayor as designee to execute the settlement agreement in this docket?
A (Boisvert) That's correct.
Q And does resolution R-24-101 authorize the mayor and/or his designee to approve the merger and take all necessary actions and steps to effectuate the closing of this transaction?
A (Boisvert) That's correct. Yes.
Q Mr. Boisvert, upon approval of the resolutions, are you aware that the City Board of Aldermen required any additional authorizations or vote to approve the settlement pre-marked as Exhibit 5 and to of this merger settlement agreement?
A (Boisvert) I don't believe they did.
Q Do you know whether or not the mayor or his designees are authorized to take all necessary steps to effectuate the merger?
A (Boisvert) From the resolutions, yes, they are.
Q Okay. Moving on to the merger terms, section 5, page

11 to 14 of that document. Can you please -- could you turn -- please describe the purpose of the agreements and plan of merger for PEU and PAC into Pennichuck Water Works included as attachments H and I to the settlement agreement?

A (Boisvert) What will happen is there's a file all of the approvals. We will engage, you know, we'll begin the process of -- of merging the Pennichuck East Utility and -- and Pittsfield Aqueduct Company into Pennichuck Water Works. Pennichuck Water Works will assume all of the debt, the liabilities, the assets, and all of that into one common regulated utility.

Q And will Penn Corp. continue to own all outstanding shares of Pennichuck Water Works and will Nashua continue to be the sole shareholder of Penn Corp.?

A (Boisvert) Yes.

Q And what additional relevant terms to it are there to affect the merger agreements?

A (Boisvert) With respect to?

Q The capital stock of PEU and PAC?

A (Boisvert) Yeah, all of that will be part of Penn Corp.

Q So it will be canceled?

A (Boisvert) Yeah.

Q But will Pennichuck Water Works' capital stock be held through? And will the bylaws of Pennichuck Water Works and the bylaws of the articles of incorporation of Penn Corp. be amended as a result of the merger?

A (Boisvert) Yes, they will be.

Q And can you please briefly describe how they will be amended?

A (Boisvert) The -- the largest change will be the addition of the two board members that are City employees, one by the mayor and one by the Board of Aldermen.

Q Right. Are there any other terms or conditions precedent to consummating the merger?

A (Boisvert) Not that I'm aware of.

Q Well, first, did the City of Nashua need to provide approval to the merger agreement?

A (Boisvert) They did, yes.

Q Okay.

A (Boisvert) If you're -- if you're asking me to remember anything --

Q No, no. (Indiscernible) I'm asking. My apologies.

Are you aware that the board of directors of Penn Corp., as well as the board of directors of Pennichuck Water Works, Pittsfield (sic) East Utility, Inc., and Pittsfield Aqueduct Company -- sorry, need to approve the mergers of (audio interference) both?

A (Boisvert) They have.

Q And do you know when they voted subsequent -- when did they initially vote to authorize this?

A (Boisvert) It was at the -- was it December? December 13th. Thank you.

Q Okay. Did they initially authorize the officers and directors to negotiate a settlement in October?

A (Boisvert) They -- they did, yes.

Q Great. And after filing the settlement, did the board subsequently vote to authorize the settlement agreement and merger?

A (Boisvert) That's just -- they did. Yes.

Q Do you know the date that that was done?

A (Boisvert) That was the -- that was at the December 13th, 2024 board meeting.

Q With respect to the conditions for the merger, does the merger requirement also require approval by the New Hampshire Public Utility Commission?

A (Boisvert) It does.

Q It does. And does it also require there to be no statute, rule, executive order, or any other bar to consummation of the merger?

A (Boisvert) Yes.

Q And upon approval of the settlement, final order by the Commission, are you aware that there's any other statute, rule, or regulation restricting the consummation?

A (Boisvert) There are not.

Q Are you aware that the settling parties agree and recommended that the Commission issue approvals and authorizations necessary to conclude the merger agreement and authorize Pennichuck Water Works to act as the merged entity going forward in section 5.1.1 on page 13 of the settlement agreement?

A (Boisvert) I am.

Q Okay. And do the settling parties agree and recommend that the Commission approve or authorize the surviving corporation to enter agreements with TD Bank, Cobank, and the State of New Hampshire pursuant to 369:1 through 4, to assume that debt obligations of the Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, section 5.1.1.6 of pages 13 and 14of the settlement agreement?

A (Boisvert) I do.

Q And do the settling parties agree and recommend that the Commission authorize the surviving corporation to include assumed debt for the 2024 capital expenses of PEU to be included in the express purpose authorized from the bonding from order 26459 in docket 20-157, and section 5.1.1.7 on page 14 of the settlement of the agreement?

A (Boisvert) Yes.

Q Do the settling parties agree and recommend that the Commission authorize PWW as the surviving corporation, to take any and all actions necessary and incidental to the concluding and effectuating the mergers and merger agreements in connection therewith, authorize Pennichuck Water Works to act as a merged entity going forward, assuming all rights and obligations of the PEU, PAC, including the assumption of any and all outstanding agreements of PEU and PAC, and not limited to all design, engineering, and construction agreements, interconnection agreements, escrow agreements, management agreements, and water supply agreements as found in section 5.1.1.8 on page 14 of the settlement agreement?

A (Boisvert) Yes.

Q And do the settling parties agree and recommended the Commission approve the assumption of any PEU and PAC's assets, including any real estate, or other property, and liabilities, including the short-term and long-term indebtedness associated with the respective assets by PWW in accordance with 369-A section 5.1.1.9 on page 14 of the settlement agreement?

A Yes.

Q Do the settling parties agree and recommend that the Commission find that the merger of PEU and PAC with and into PWW is consistent with the public interest and public good within the meaning of 374:30, 374:33, and RSA 378 for the reasons set forth in the agreement and as presented to the Commission in pre-filed testimony, discovery responses, schedules, exhibits, as set forth in section 5.1.1.10 on pages 14 and 15 of the settlement agreement?

A (Boisvert) Yes.

Q Could you please flip to section 5.2 on page 15, Mr. Boisvert?

Thank you. And Mr. Boisvert, did the Company and selling parties agree the mechanism for recovery of merger-related costs set forth in section 5.2.1 of the settlement agreement?

A (Boisvert) Yes.

Q And could you please briefly explain the mechanism for recovery of merger-related costs?

A (Boisvert) The merger-related costs will be -- will be taken up by the -- what's it, the DSSR (phonetic) 1.1 funds on an annual -- on an annual basis.

Q And would that be over a ten-year period?

A (Boisvert) Yes.

Q Okay. And do you know whether certain savings have been already pro-formed into the merged revenue requirement in attachment D, schedule 1 of attachment L?

A (Boisvert) Yes.

Q Okay. And did selling parties agree and recommend that PWW be allowed to create a deferred debit to the Company that will cover those approved merger-related costs over that ten-year period?

A (Boisvert) Yes.

Q And are you aware that they will not be collected on amortized expenses, including and revenue rate? Excuse me.

With respect to the annual recovery of funds over those ten years, will those be transferred to the Company's 1.1 DSSR bank account, will not be collected as amortized expenses in the next revenue rate?

A (Boisvert) Yes.

Q Okay. Can you please provide an estimate of the merger-related costs the Company has incurred or will incur?

A (Boisvert) Those -- those costs at this point in time, are capped at, I believe that the cost was $400,000.

Q Okay. Do you know whether or not, as of October 31st, 2024, that those transaction costs were $271,689.73?

A (Boisvert) That's correct.

Q Right. And do you know whether the Company provided supplemental responses to discovery with those estimated costs?

A (Boisvert) Yes, we have.

Q And Mr. Boisvert, does the Company estimate the merger-related savings will exceed the merger-related costs?

A (Boisvert) Yes.

Q And do you have an estimate of the Company's estimated annual savings as a result of the merger?

A About $121,000 a year.

Q And that result is due to avoided Commission regulatory filings for PEU, PEU and PAC rate cases, and a reduction in financing contingencies?

A (Boisvert) That's correct. Yes.

Q And Mr. Boisvert, would you please describe how the Company intends to provide the Commission with information regarding merger-related costs?

A (Boisvert) It's 90 days after the merged entity will be completely -- a filing that will outline all of those above.

Q Right. And will the settling parties have the opportunity to review those merger-related costs and provide recommendations to the Commission regarding approval of those expenses?

A (Boisvert) Yes.

Q Will the Company include calculations of its annual financing, savings, and regulatory savings as a result of the merger in subsequent rate cases filed in 2026 and 2029?

A (Boisvert) Yes.

Q Great. I'll turn it over to my sister.

BY MS. BROWN:

Q Marcia Brown for the Company. And I just want to follow up, Mr. Boisvert, when you mentioned that there was a supplemental data response providing the merger savings, that when I look at the settlement agreement, Exhibit 5, and I'm looking at the list of data responses, there's this one straggler here, 7-4. Can I presume that that is where the Commissioners needed to find the supplement -- the merger savings (audio interference)? Yes? Estimated merger savings, it's at that discovery response?

A (Boisvert) At that -- yes.

Q And you mentioned Southwood a couple of times, and I don't think we framed for the Commissioners, Pennichuck Corporation, the utility, Southwood, and Pennichuck Water Service. If you could just speak to that, please?

A (Boisvert) Yes. Southwood was a company that was -- as -- as it was described to me over -- over time was a land holding company that held a lot of the water shed land and was, for lack of a better term, the holder of those resources and utilized that in ways that we wouldn't necessarily use those now. So however, within just a few years back -- I think Mr. Ware will know that the timelines; I know that Mr. Ware was working on this -- a lot of those assets that are in

Southwood have been tied up in conservation easements now and also too and/or transferred to Pennichuck Water Works as the -- as the landowner. So the Southwood is an entity that doesn't have any assets anymore. It doesn't -- it's -- it's -- it's not doing the function anymore of what it was intended for way back before we became -- before, what was it, 11-026.

Q And then last follow-up question, when you mentioned you having access to a loan at certain interest rates, you didn't mention the interest rates. And I think it would be helpful for the record, just to have you compare, if PEU has access to bond debt, what kind of interest rate that we're looking at with that compared to what they have access to right now?

A (Boisvert) It's generally -- and again, I'll defer to Mr. Torres, but generally, we see somewhere between, you know, a couple of percentage points.

A (Torres) So if I can answer that question. Currently Cobank debt, which is commercial debt, a cooperative that has access to -- because of size of the Pennichuck East Utility, as previously mentioned by our CEO, doesn't have the critical mass to go out and achieve bond financing, so to speak. So Cobank, which is a cooperative that's willing to lend to Pennichuck East Utility, if we were to go out and get a 20-

year note currently, you're probably -- the most recent one we closed on was in excess of seven percent. Current bond rates, we had just spoke to our underwriter a few weeks ago. If we were to go to the bond market now, currently, at the current rates, you're probably looking at about five and a half percent. So it's approximately about 150 to 200 basis points less expensive to finance through a bond event.

Now, I do counter, it is a little bit more expensive -- or it's something more expensive to bond as opposed to close on a Cobank loan. But you're also achieving the -- more matching of the underlying assets with the debt themselves. The assets typically are in excess of 40 years. When you're financing that with a 20-year note, there is a discrepancy there. When you match up with a bond financing, you're typically getting 30 to 35 years. So there's a little bit more equivalency in that regard as well.

Q Perfect follow-up. Thank you for that explanation.

Mr. Ware, if I can start with you on settlement and start going through the revenue requirements, et cetera, the financial part. Do you have Exhibit 5 in front of you?

A (Ware) I do.

Q Okay. And can you turn to section 6.1? I believe that's near page 15. And to the heading -- you're there? Okay. Thank you.

And the heading, "no changes to PWW revenue requirement methodology". And I believe John Boisvert has already spoken to this, but can you explain what buckets of revenue requirement -- what's the methodology structure look like?

A (Ware) Yes, the -- as John mentioned, the rate structure has evolved from that of a traditional IOU, which is what Pennichuck Water Works and its subsidiary, and its other utilities were prior to the acquisition from the City, to the rate structure revenue requirement that it has right now. And the revenue requirement that is -- was established and is utilized for each of the three individual utilities at present and what is recommended for the consolidated utility consists of five components. Some of them are similar, which I'll describe to those that you would have with a traditional IOU, and some of them are vastly different.

So when you're looking at the revenue requirement for the utilities, the first revenue requirement is the generation of about $8.8 million in what we call the CBFRR, the City Bond Fixed Revenue Requirement. The City sold bonds in 2012, 150 million, $150.6 million worth of bonds to buy the shares of Pennichuck Corporation that were being publicly traded. They purchased all those shares for 150.6 million. They sold the bond, 30 years at 4.09 percent to pay for that acquisition.

And as part of PW 11-026, the Commission allowed in PWWs rates the recovery of that $8.8 million through rates. And that reflects the annual principal and interest payments that the City has to make. So that is the first revenue requirement.

That revenue requirement will exist until 2042, when the City bonds that were sold, are paid off. At that point, that revenue requirement goes away. But at present, that revenue requirement was part of the original revenue requirement that was allocated as part of the settlement agreement in the order in 11-026. Since that time frame, there have been a number of other changes to revenue requirements. But again, that's the first bucket, the CBFRR.

The second bucket is the recovery of what we term the material operating expenses of the utility: power, chemicals, labor, so on and so forth. Those costs associated with both a regulated, nonregulated, municipal, quasi-municipal; any water utility has those expenses. And so the second revenue bucket includes the recovery of those material operating expense -- expenses that occur during a test year.

So in this case, the formulation of the revenue requirement associated with this case, we have a 2022 test year. The expenses across all three utilities were evaluated -- for 2022, were evaluated and pro-formed through the discovery process, through the ratemaking process, to come up with the revenues necessary to cover those expenses. So that's the second bucket.

And important component of that is, is that the -- when you come up with those material operating expenses, those are based on a test year. As a utility without any equity, without any return on equity, when you get those revenues, by the time you get those typically 12 to 18 months after the test year, your expenses have gone up. And so through the process, in DW 19-184, there was what's called a MOEF, a material operating expense factor that was developed, that gets applied against the test year material operating expenses in order to ensure that the revenues that are collected are sufficient to cover the increasing cost of those material operating expenses over the three years between rate cases. And the design of that, which we'll go into a little later, is such that essentially, the first year out of a rate case, you're collecting more material operating expense revenues than you actually have expenses. The difference between the revenues and expenses, in a perfect world, goes up, and it goes into the rate stabilization fund that is underneath the material operating expenses.

The second year, operating expenses have gone up, but your revenues have not changed. And typically, in a perfect design, the operating expenses equal the operating revenues at that stage because you have that bump of the MOEF. The lag -- and so at that time, after that year, you still have an excess of funds over and above the allotted -- initial allotted amount in the RSF fund.

And the last year, though, as the next test year for the next rate case, your expenses have gone up further. Your revenues are still looking back through expenses three years ago. And typically, and the way we've seen it happen through the last few rate cases, is that the expenses are more than the revenues. And in order to cover that delta, money is withdrawn from the rate stabilization funds. And you know, the goal is at the end of each rate -- at the initiation of each rate case, that the underlying RSF funds, which totaled $5 million combined with the utilities, is at $5 million.

And so that second component, material operating expense revenue requirement, again, includes the material operating expense factor in order to provide the necessary revenues to cover three years of increasing expenses. And again, in a perfect world, if you could sell exactly what you assumed you were going to sell in terms of water, and your expenses went up exactly as you projected they might, then you end up essentially, with zero excess dollars in the RSF funds.

The third component of the ratemaking structure is what we call the nonmaterial operating expenses. Well, what are those? Those are outside services. Those are things like employee activities, public relations, memberships, employee training, and you know, one of the things when that -- when this structure was developed was that at the time the Commission now the DOE staff wanted to make sure that the Company was prudent in those expenses. Those are things that, you know, are, if you will, controllable. We can't control the cost of the power; the various power companies charge us at the rate that they do.

But you know, other areas, again, making sure that we have sufficient dollars to train our employees to maintain their licensure, involvement in, you know, seminars, learning experiences that help our employees, you know, understand best practices as far as operating the utilities, those fall into that nonmaterial operating expense bucket, that -- that third bucket. To give you an idea of magnitude, out of the $55 million-plus revenue requirement in this case, 600 and -- $568,000 is allocated in that area. There is no underlying RSF funds to that.

The fourth bucket is what we call the debt service requirement bucket. That bucket is set to capture the principal and interest associated with the outstanding bonds and loans the Company is in. It's a dollar for dollar collection of principal and interest payments that need to be made each year. And that is the principal and interest on any debt, on any bonds that are outstanding at the end of the test year. So that is a one-for-one relationship.

And that is probably the most -- the largest deviation from an investor owned. An investor owned doesn't get principal and interest. They get a return on investment for their capital improvements. And that return on investment comes in two forms. It comes in the form of capturing the interest expense associated with the debt-funded portion of capital improvements. And it captures the return on equity for the equity-funded parts of the capital improvements made by the utility. Remember, we are 100 percent debt financed. We have no equity. There is no return on equity.

So you know, in this case, if you look at a conventional IOU, if you're 100 percent debt, you're going to get 100 percent of the interest that got paid in the test year. Well, where do you get the principal? In an IOU, the surrogate for principal, the payment for principal on outstanding debt comes from depreciation expense. We do not get depreciation expense as part of our revenue requirements. An IOU gets depreciation expense. And as has been mentioned several times, the average life of PWW -- so all our regulated utilities, is just shy of 48 years. So you can imagine the cash mismatch if we had to pay principal with our depreciation expense. You get to collect that -- that depreciation expense over just shy of 48 years. But you have to pay off the loans and/or bonds over periods ranging from 20 to 35 years. And that was a major issue that had to be dealt with. And the DSRR component of the revenue structure was negotiated and became part of our rate structure in our 2016 rate filing for PWW.

So currently, again, that serves to pay -- that revenue requirement, serves to meet the Company's requirements to make its annual principal and interest payments. Yeah, dollar for dollar.

Now, Mr. Torres would tell you that banks aren't real excited about a utility that doesn't have any free cash flow and has no coverage. And so the 1.0 -- originally, the bank said we want a 25 percent coverage above and beyond your principal and interest requirements in your rates for us to loan you money. Ultimately, that was worked through and structured so that we currently have a component to our rate structure called the .1 DSRR. It's a ten percent over -- if our -- if our principal and interest payments are $10 million, it means we get a $1 million of additional cash in order to provide the coverage to meet the bank covenants that are required in order for us to issue bonds or enter into debt.

So an absolutely essential component of our revenue requirement, ah, free cash flow. What do we do with that? That .1 money is dedicated to three potential uses. Its first uses it's used to pay for studies or regulatory assets that we cannot bond for something that is not physically -- it's not a piece of plant equipment. And so you know, if we have an engineering study that's done, for instance, required by the EPA to look at vulnerability. And these kinds of studies come up all the time. That .1 money issues to pay -- the cash or -- the cash to pay for those studies because we can't bond for it. We're not going to -- those studies have lives that extend many years. And so instead of, you know, attempting to collect that through -- through rates on an amortization expense basis, it gets paid for with that .1 money.

The second use of that .1 money is that when you get to the end of a rate case and you look at this status of the rate stabilization funds, in a perfect world, their -- combined value is $5 million. In a less than perfect world, invariably we either have more than $5 million or less than $5 million in that fund.

If there's less than 5 million, because we've had a series of wet years or expenses have gone up greater than we projected, that .1 money is used to reestablish the level of the combined RSF funds from where it was to that $5 million threshold.

If, as was the case in DW 22-032, the RSF funds have -- have -- are more than the allocated amount, that money is actually returned to the ratepayer through a reduction in revenue requirement over the next three years. So the goal is -- is to maintain that level -- is to maintain those RSF -- the .1 money as a valuable component.

Okay. So what happens to the .1 money if you, you know, have paid for your studies. You don't need it to replenish the RSF, you've got this cash. What are you going to do with it? The remainder of that cash is used to fund our short-term capital improvements. Without that, we're floating 30-year bonds to pay for computers with lives of, you know, 3, 4, 5 years; paying for trucks with lives of, say, 10, 12 years. And so the goal of .1 money was to use any residual at the end of each year to pay for as much of the short-term capital as we can, so we're not bonding for that.

And so that .1 money is managed and cleaned out through that process so that there's no excess there. And the good news again, is if there's .1 money available to pay for our all in one rate capital, short life capital, which currently runs at about 2.1, $2.2 million a year, we can pay for part of that which means we're not bonding for that for 30 years. People 25 years from now aren't paying for five computers that are no longer in use. So that .1 is a very valuable component in terms of managing the Company's cash flow, in terms of meeting the bank covenants necessary to allow us to go into the bond markets. So that's the last of the components in the, you know, in our ratemaking structure.

So we have the City bond fixed revenue requirement, which in this case is about $8.8 million. We have the material operating expense revenue requirement with the MOEF factor, which in this rate case is just about $36 million. We have the nonmaterial operating expense revenue requirement, which is about $568,000 in this case. We have the principal and interest payments associated with utilities. And again, in this case, that's about $10,100,000. And then the .1 revenue requirement of about $1.1 million, bringing us to the total revenue requirement of this case, of just a little -- about $55,763,000 and change.

Q Thank you, Mr. Ware. I very much appreciate that detail, as I was going to just summarize by going and having the Commissioners look back at section 6.1.1 on page 16 of Exhibit 5, because we've got the CBFRR listed there. And I just want to ask Mr. Ware, I'm going to summarize here, when you mentioned the material operating expense revenue requirement, and the nonmaterial, those two are underneath the bucket of the operating expense revenue requirement, right?

A (Ware) That is correct.

Q And then you've got the RSF and the MOEF is kind of, like, a toggle of a buffer in lean years for the RSF and you've got the MOEF to build it up. And then if there's overage, it gets recycled back to the customers; is that accurate?

A (Ware) That is correct.

Q Okay. And thank you very much for the important distinctions on the debt, on what a 1.0 versus a .1 money is. Thank you very much.

With respect --

CHAIRMAN GOLDNER: Sorry, depending on the next steps, that would be roughly at the time for a break. Is now a natural time or are you going to wrap up shortly?

MS. BROWN: If I can ask just one other question, then I'm going to go into the schedules. So before we go into the schedules, it would be good for a break.

BY MS. BROWN:

Q Mr. Ware, the important revenue methodology you just described now is with Pennichuck Water, Pennichuck East, and PAC, correct?

A (Ware) That is correct.

Q Okay. So it makes for an easy merge since the revenue requirement buckets are about the same?

A (Ware) Yes.

Q Okay. Thank you.

MS. BROWN: Ready for break.

CHAIRMAN GOLDNER: Thank you. Let's take just ten minutes, returning at 20 of. Off the record.

(Recess at 10:29 a.m., recommencing at 10:43 a.m.)

THE BAILIFF: All rise.

CHAIRMAN GOLDNER: You can be seated. Okay. We'll resume with the direct examination for the movants.

MS. BROWN: Thank you. Marcia Brown with the Company.

RESUMED DIRECT EXAMINATION

BY MS. BROWN:

Q And Mr. Ware, I'm going to continue the examination using Exhibit 5 of the settlement agreement. And now moving on from section 6.1.1 on page 16 to now section 6.2, just to orient everybody. And I guess I'm moving on further than I thought. So with respect to 6.2.3 on page 17, Mr. Ware, the revenue requirement methodology pockets that you just listed prior to the break, they all appear in here, in this list -- in this table, I should say, right?

A (Ware) That is correct.

Q Okay. And this revenue requirement is for the consolidated Company; is that correct?

A (Ware) That is correct.

Q And the revenue requirement listed in 6.2.3, that is more specifically called out in attachment A; is that correct?

A (Ware) Yes.

Q And Mr. Ware, you said that attachment A was created by Jayson Laflamme?

A (Ware) Yes, it was.

Q Okay. I would like to turn to attachment C if you could, please?

A (Ware) Yes.

Q I'm going to pull up the attachment C here. And I would like to have you explain the state of the rate stabilization funds that you referred to before the break. And I believe attachment C allows us to walk through that; is that correct?

A (Ware) Actually, the status of the rate stabilization funds is found in the exhibit -- excuse me. It is found -- or would be found in attachment D, not C, which is the 16-0406 schedule, and more specifically in schedule A or schedule 1 attachment A, page 3 is where the calculation of the -- of the status of the RSF funds were at the end of 2023.

Q Okay. My mistake in not having the specific page reference.

COMMISSIONER CHATTOPADHYAY: It would help if you indicate the Bates page.

MR. WARE: Yeah, I can give you the Bates page for that.

BY MS. BROWN:

Q We're talking attachment D as in David?

A (Ware) Yes. Okay. So the Bates page associated with the calculation of the consolidated entities is Bates page 311. And that's a calculation, again, of the status of the RSF funds as of the end of 2023. The combined consolidated RSF, you know, fund at the end of 2023 was $4,268,715.

Q And that appears on the far right column?

A (Ware) That is correct.

Q And what is the imprest level supposed to be at?

A (Ware) The imprest level represents a level that was agreed to in DW 11-026 when the City acquired the utility and was no longer investor-owned, you recall that there was a return on investment with investor-owned. That return on investment also, in a -- in a private utility, includes a return on working capital. And a utility billing on a monthly basis typically gets 45 days of working capital.

And again, so the utility -- private utility, in theory, would have that working capital sitting off to the side, and as a result it would get a return on it. In the case of the City-acquired utility, we no longer had a return on investment. We no longer had a source of working capital.

So the City borrowed an additional $5 million at that time to set up the working capital component of the utility. And it's described when I went through the rate case mechanisms, the goal is to retain that working -- that level of $5 million.

Now, I will say that was $5 million in 2012, and that equated to 45 days of working capital at the time. Today, the $5 million equates to 35 days of working capital based on the current revenue requirement. So it's a little short, and that's why it's especially important that we maintain it at that $5 million. Because during each bond rating, Standard and Poor's, who rates the bonds, looks at our level of working capital or available cash. And Mr. Torres can talk to the fact that this is one of the areas that's concerned them in the past is that that RSF fund at the end of various years, especially years where we're in the middle -- between rate case filings, we've had a wet year and we've drawn down on that RSF account balance in order to cover the delta between revenues that are coming in and expenses. So very important that that be maintained at least at $5 million. And in this case, you know, as of the end of '23, we were about 721,000, $731,000 below the desired level of 5 million or approved level of 5 million that came out at 11-026.

Q Thank you, Mr. Ware. The term of the settlement is to merge the RSFs that are kept with PEU and PAC into PWW; is that correct?

A (Ware) That is correct. At present, PWW has an allowed RSF of $3,920,000. PEU has allowed RSF of $980,000 and Pittsfield Aqueduct Company has an allowed RSF $100,000.

Q And the terms concerning the merge levels of the rate stabilization funds appears that settlement agreement page 17, section 6.3; is that correct?

A (Ware) Yes.

Q Okay. Do you have any other further explanation? I was going to ask you to explain how the merged RSFs are shown on the exhibit. I believe you just did. Is that all we need to look at is this Bates page 311?

A (Ware) So you really need to look at the, you know, if you're trying to look at how the RSF balance was developed on page 311, it was developed by analyzing each of the independent utility RSFs, which are found on Bates pages 312, 313, and 314. Because the calculation of that RSF involves the analyzation of the revenues collected to cover material operating expenses against the actual material operating expenses. The revenue is collected to cover the 1.0 debt service requirement versus the actual expenses associated with that.

And then, you know, lastly, the revenues that were collected to cover the City bond fixed revenue requirement versus the actual expenses. That has to be done on a utility-utility basis as it currently exists, because we currently don't have, you know, a consolidated, say, expense structure or a consolidated -- so what was done is, is that we went back and we looked at the previous rate case, the last rate case that each of the utilities where the RSF fund was trued up to its allowed level within the utility.

So in the case of an Pennichuck East and Pittsfield Aqueduct, they had a 2019 test year. The RSFs were analyzed and trued up to the end of 2020 or 12 months after the test year. And that was the starting point where we analyzed year over year, the associated revenues and expenses, and the CBFRR bucket, the MOERR bucket and the 1.0 DSRR bucket. Compare those and see whether during each year we had the revenues were sufficient to cover the expenses, and if they were, that would allow the excess cash to flow up to the RSF fund. Or if they were short, the other way around, the funds were drawn down.

So you have to start at each rate case when -- at each rate case, those RSF funds are trued up to their allowed regulatory levels and then move forward. So again, the last rate case for PEU and PAC were associated with the 2019 test year. The last rate case associated with PWW was with a 2021 test year. So the Bates pages that are shown on pages 312, 313, and 314 bring forward the RSF accounts from the last rate case 12 months after the last rate case test year, when they were filled to their allowed levels, and then looks at the revenues coming forward to the end of '23 and the expenses to determine what the status of each of the utilities are of those various RSF accounts. And those were rolled up in totaled to come up with where things would be.

Q And Mr. Ware, the settling parties have agreed to transfer just over $700,000 to refill. And that appears on page 19 of the settlement agreement; is that correct?

A (Ware) That is correct.

Q Since you've been with Pennichuck for a while, there's this mechanism for refilling the RSFs. Can you put this in perspective of what has been done in the past to refill?

A (Ware) Yes.

Q Thank you.

A (Ware) So there are three ways that, you know, differences or deltas in the RSF funds have been dealt with in previous rate cases.

The first methodology was -- which was used in both PEU and PWW's rate cases that preceded the -- that were done in 20- -- was it 2015 test year and the 2016 test year were that because no material operating expense fund had existed, the RFSs in both cases were fully depleted and in fact were negative. We were borrowing money to cover our operating expenses because there was no money left in the RSF. The choice at that stage, the regulatory mechanism was that you would take how much you were short in the RSF, divide it by a factor of three, and add that to your revenue requirement with the goal that over the three succeeding years to the next rate case, you would collect those extra revenues to refill the RSF accounts.

At the time that we had the first opportunity and needed to refill these, I mean, they -- again, they were all negative. We were at a place where we were able to finance the refilling of those rate stabilization funds through long-term debt. How could we do that? Because what we were funding with long-term debt had sufficient remaining life that we could take on the additional debt in order to -- in PWW's case it was something over $5 million that we borrowed in order to get PWW up to its $3,920,000. We also borrowed in PEU, additional funds.

So we took long-term debt to pay for the shortage of cash to pay for operating expenses. That was the first mechanism, but that also became the driver for the consideration of how do we address this? Because we don't have a profit. We don't have a return on equity. We don't have depreciation on expense -- depreciation expense on equity-funded components to cover shortfalls in cash between rate cases. And so that was the genesis of the MOEF.

Because the RSF was established, again, as working, capital and to deal with variances in weather, as has been mentioned. And when you look at a typical -- this rate filing, if you look at the, you know, the variance in revenues, if we have a wet year versus an average year, after you net out the reduction in expenses associated with producing the water, we lose about $2.3 million. I say we -- we fall short about $2.3 million. The we, remember, is the customer in this case. We don't have a third-party, you know, shareholder who's looking for a profit, looking for a dividend, looking for a return on equity.

So when we fall short of cash, we ultimately end up collecting that from the ratepayer. And so you know, we're always trying to balance. What's the correct mechanism to ensure adequate cash flow? So again, early on before we had the MOEF, the RSFs over three years, they were meant to deal with weather variations, certainly could not deal with the increase in expenses that were occurring versus the base revenue line that was established on test year. So the MOEF was instituted.

And the good news is, is that that worked in the -- in DW 22-032, the first year that the MOEF had -- the first --

the test -- the first rate case after the MOEF had been approved in the previous rate case, the RSF funds, instead of being 3,920,000, were in the $4.7 million range. And as a result, we reduced the revenue requirement in DW 32 to return that RSF money that was over the allowed amount back to the customers over three years, by reducing the revenue of the fund. So the good news is that worked in that case.

Q So Mr. -- I'm sorry to interrupt, but I just want to -- if I can summarize what you just said. The reason for treating or refilling the RSFs through that loan was in consideration of the MOEF trying to keep up what it could absorb. You're looking at rate shocked customers, and so under that fact pattern, it made sense to finance it through loans?

A (Ware) So there was no MOEF --

Q Is that correct?

A (Ware) -- at that stage, which is why the -- when we refinanced with debt. And yes, had we gone in and collected the deficit of, you know, in excess of $5 million from PWW over three years, it would have created a significant rate shock. So we said, we're going to finance, but we can't have this continue to happen. The MOEF was instituted.

Now, the RSF funds have been much more stable, driven by weather patterns. And so -- and again, they're all still viewed as our source of working capital. So now if we have to refill those, there are two ratemaking reconciliation methods we have.

One is to use the .1 money. Remember I mentioned that the .1 money, which is free cash flow, it's use is, one, to pay for studies. But number two is to refill the RSF funds to their imprest level at the end of the 12 months after test year, if they were below where they should be. And that, in fact, is what we're proposing to do as a result in this rate case. We're short of -- the RSF funds are slightly below their allowed level, $731,000. We have enough .1 money in the .1 accounts to pay -- to take that and switch it from the right pocket, the .1 account, over to the RSF bank accounts, which are separate dedicated account, you know, and refill those. And that's what will be done.

The last mechanism, which is if we didn't have enough .1 money. And typically, you can't bond or refill; that was a unique circumstance. We look at the delta, in this case, the 731,000. We would divide that by three, which would be, you know, about 240,000 and change that would be added to the annual revenue requirement for the next three years in order to get you back to that desired 5 million. We don't have to do that in that case.

But again, ultimately, we want to -- want to keep that

RSF as close to $5 million as possible. It's the working capital, the bonding agencies we look to when they're looking at establishing our bond rating, certainly one of the components. And you know, we manage the .1 money accordingly. You know, if we have .1 money at the end of the year, we may use some of it for capital, but depending upon where we are in the rate structure, ratemaking mechanism, the years out from the last rate case and depending upon a number of other factors, we may reserve -- instead of taking all the .1 money, we may reserve part of that to make sure we have enough to refill the RSF fund to the next rate case as opposed to deploying it to capital.

Q Thank you.

Mr. Torres, I just want to follow up with you. Is this refill that we're talking about on page 19 of the settlement agreement, as simple as moving money from among bank accounts?

A (Torres) No.

Q Can you briefly explain?

A (Torres) So the -- the restricted -- restricted rate stabilization funds, those three funds, two of them have associated checking accounts. The RSFs themselves, in order to move money in and out of those imprest accounts, those are done via manual transfer. So once the reconciliation is done at the end of the year, determination is made on the levels required, whether if there's a funding needed to be made, whether it's out of a .1 or a borrowing to refill that rate stabilization fund. That's done via a transfer of electronically at the bank.

BY MR. STEINKRAUSS:

Q Mr. Torres, just following up on an issue Mr. Ware raised was could you maybe just expound on the concerns of the rating agencies with respect to the RSF funds?

A (Torres) Sure. So Standard and Poor's currently has us rated as a B stable entity. We will probably not see a rating higher than that for two reasons. One is, we do not have an ability to set our own rates. Our rates are set via the current ratemaking mechanism that we currently work under.

The second issue is, that Don had alluded to, is our capitalization. Typically, the rating agencies for a utility will look for a number of days of cash. An entity of our size, they're typically looking somewhere around three months minimum, if not longer. Many utilities are -- are carrying cash on their balance sheet in excess of six months. As Don had mentioned, we are currently at about 32 days. So given that, I don't see where -- now we're looking at maybe potential increase of that RSF at some point in the future. I don't see us exceeding the current rating levels that we're at now.

Q Also maintaining the RSF at its current levels would be necessary to maintain the Company's current rating?

A (Torres) Correct. Correct. Any negative impact on a rate stabilization fund will filter through the bond rating agency. And if there is a lowering of that rating, what you'll see is an increase in our borrowing costs because we become a bigger risk to investors. What that cost would be would be anybody's guess. But certainly, it would be above the -- the five and a half percent that we're looking at right now.

Q Thank you.

BY MS. BROWN:

Q Mr. Ware, I'm going to follow up with you on the QCPACs. And I don't have a particular section of the settlement to direct your attention to, but the -- I'm sorry, colleague is pointing out that we do, but I'm going to just ask you the question. For the qualified capital projects adjustment charge, is that reset to zero at each rate case?

A (Ware) Yes. So the QCPAC, which Ms. Brown referenced as the qualified capital project adjustment charge, is a surcharge on rates associated with the cost of carrying out annual capital improvements. And what are those costs? It's the cost of principal and interest on the bonds that are issued to pay for the capital, plus the property taxes associated with the capital that's employed. And so at a -- at each rate case, you have the last set of permanent rates that were established. And typically, you'll have three years' worth of surcharges that have occurred with capital employed for those three years between the last rate case filing and the current filing. Those surcharges are converted to a permanent rate and become part of the next approved rate case structure. So the surcharges that are allotted each year are eliminated as part of each rate case filing.

Q Thank you very much, and I'm sorry for my temporary memory lapse on page 19 having the QCPACs listed right there.

So as part of the settlement agreement, the settling parties have agreed to consolidate the QCPACs; is that correct?

A (Ware) Yes. So in February of 2024, both PWW and PEU filed for QCPACs, the surcharge on rates that were last granted, permanent rates that were last granted to cover the principal and interest associated with bonds and/or loans that would be entered into to pay for capital that was invested in 2023. But also to pay for the property taxes that began in June of 2024 associated with those capital improvements.

Typically, the QCPAC surcharges are awarded in the early to mid-fall of the year that they're applied for because we've sold the bonds to cover the previous year's capital improvements in April for PWW or entered into a loan, as the case was this year, with Cobank to pay for 2023 improvements in October. Once those bonds are sold, the loans are closed on, principal and interest begins. And so again, in our current revenue requirement from the last rate case, only the principal and interest on capital that's been invested and employed up to and including the test year is in that revenue requirement. So we have this void. The QCPAC is there to cover that void.

Well, as this case, you know, unfolded, we have these two filings. The decision was made that the QCPAC filings would be set aside and then revisited if the merger was -- was approved. Where the associated QCPAC -- again, the expenses on the April 2024 bond, the Cobank loan in October of 2024 would be captured on a surcharge to the rates that would be approved by the consolidated utility. So those two QCPAC filings are awaiting the final deposition of this merger.

Once the decision is made, if the merger is approved, they will be viewed, the investments, since they will now all be made at PWW, there no longer is a PEU or PWW or a PAC, will be looked at cumulatively, and their associated expenses will be compared against the approved revenue requirement to come up with a surcharge necessary on the approved revenues to allow us to recover, again, the principal and interest on the debt that was entered into to cover, again, 2023 capital expenditures plus to cover the property tax expenses associated with those investments.

Q Now, Mr. Ware, in the settlement agreement at section 6.5.4, there is a statement that the QCPAC is not going to be applied to the PAC customers after the merger. And can you please briefly explain why?

A (Ware) So the QCPAC expenditures made in 2023, one of the requirements in our tariff is that we notify customers of the filing of the potential impact on their bills. So PWW and PEU customers were notified in November of 2023 of the pending QCPAC filings that were made in February of '24. Pittsfield Aqueduct Company, because it has no source of capital and no access to -- to capital, has limited capital expenditures and does not have a QCPAC mechanism. Hence, those customers got no notification of the -- that they would experience a QCPAC. So since there was no notification during the settlement process, it was decided that this QCPAC associated with 2023 investments would not be applied to the PAC customers.

Going forward, for instance, we're now into the -- preparing for the next cycle of filings, they're going to occur, you know, before March 31st of this year for the 2024 capital investments. All our customers will be notified via bills in February. Again, when the presumption that the merger is going to be approved to say, okay, you know, if the merger is approved, you're going to be subject to a QCPAC and this is its impact on your rates. That will include the PAC customer. So if the merger happens, with the exception of the QCPAC that would be awarded for 2023 capital expenditures, all PWW customers who were formerly PEU and PAC customers will pay that. But there will be one year, because of no customer notification to the PAC customers, where they are not subject to that QCPAC surcharge.

Q So Mr. Ware, on page 20 of the settlement agreement, Exhibit 5, at paragraph 6.5.5, there is a reference to the two dockets I believe that you were referring to. That's DW 24-027 and then 24-029. Those are the two that you were referring that are kind of waiting in the wings?

A (Ware) Yes.

Q And combined projected increase is a 2.06 percent surcharge; is that right?

A (Ware) That is correct.

Q Okay. I would like to have you speak to the timeliness thing, because it's not directly in the settlement agreement. It was in our cover letter. Time is of the essence of getting an unappealable order; is that correct?

A (Ware) That is correct.

Q Can you explain briefly why?

A (Ware) Yes. So there are a number of reasons why each month -- again, if the merger was approved, each month's delay ends up costing the customer more money. So you know, what are those reasons?

You know, first of all, deal with the funding of PEU capital improvements. Once -- and if the merger is approved, PEU will no longer be able to finance through Cobank. So if the merger is approved, you know, say, some time in this year, the expenditures that Cobank -- that PEU made in 2024, about $3.3 million, can't be -- the short-term cash that was borrowed through its FALOC, fixed asset line of credit that the PEU has, can't be refunded with a loan through Cobank. So PWW will have -- that money would have to be repaid to a bond issued by PWW.

Right now, PWW has begun its cycle of preparing for its April 2025 bond issuance. That process has started. It takes a long time. You have to go through the development of a preliminary official statement. The S&P rating, and we need certainty on/or before March 1st that the merger is going to happen or not going to happen in order to assess what to do with the $3.3 million in PEU short-term debt.

If the merger is approved and we have an order in effect by March 1st, we can move forward with the combined bonding of the PWW and PEU in, you know, short-term debt that was incurred to pay for 2024 CapEx in April of this year.

If the merger is not approved, PEU's short-term debt will have to be extended for another year. Current, you know, cost of that $3.3 million is just shy of 7 percent, 6.89 percent. And so that adds another $200,000 of short-term debt that would have to be capitalized when we bond to pay off that FALOC, which will then be extinguished in PEU in April of 2026.

So we really -- the goal is hopefully, you know, and you know, it's been a process. It's been an important process. But we'd hoped to close on this merger in January 1st of this year. We're now at March 1st. Why is March 1st the desired critical? Because we want to avoid for our customers having to hold on to the short-term interest for PEU for an additional 12 months. So that's -- that's number one. That avoids $200,000 of capitalized interest -- to be exact, $225,720. And again, the current short-term rate for PEU is 6.84 percent. So that's number one.

Number two, based on where we are in the rate cycles, both PEU and PAC are currently losing money. When I say losing money, we look at a cash flow basis. So you can't look at it -- at a GAP income statement because it's got things like depreciation expense, which we don't have, and it has interest expense, but it doesn't have principal payments. So when we look at it from a cash flow basis, the combined utilities are losing about $200,000 a month based on the current rates, the last set of current rates for PEU go back to the DW 20-156 and 20-153 filings that were done for PAC and PEU. And the DW 22-032 filing that was done for PWW.

So test years 2019, 2021, as a result, we're at a point in that rate structure where we're experiencing negative cash flow. What does that mean? It means we're drawing down the RSF funds. The new rate structure will get us back to the point that we have positive cash flow for a period of time, and we'll be starting with a full RSF. But right now, each month, we're drawing that RSF further down. Which means the longer the order is delayed, the more money that we're going to have to take from the .1 account to get back to that $5 million combined RSF level. And so each month is critical. It's $200,000 more that will have to be refilled or funded by customer revenues at some point. And we could reach a point that we could fully depress or take more out of this RSF funds than we had in .1 cash available at the time.

So you know, again, we'd like to get the order as soon as possible to stop the negative cash flow, which results from revenues being less than expenses. Again, which relates to where we are in the rate cycle process.

Lastly, as part of the settlement, you'll note that the proposal is to make 2025 a test year for ratemaking purposes. Well, how can that be? It's 2025. Why are we asking for a test year? Remember that this rate case has a 2022 test year. So when you look at that three-year cycle, the next test year on that three year cycle for the consolidated utilities is 2025.

When we look at 2025, depending upon, you know, assuming the merger is approved, there will be a point in time where we had separate records for each of the utilities and then combined these records. We're going to have to put -- each year you get beyond, you have more pro formas that are necessary to deal with whether it's two months, three months, four months, ideally no more than two months operating as separate utilities and combined utilities. And it will make the rate case, again, more challenging for all the parties who are working for a common purpose, which is to develop, you know, a revenue requirement based on the 2025 test year for the consolidated utilities.

So again, from our perspective, getting an order earlier has a cash benefit to the customer from a reduction in having to carry PEU's short-term debt from a shortening of the time that the combined utilities are losing cash month over month. And -- and lastly, just from -- to make the next rate case filing simpler by eliminating the number of months that we have to pro forma from individual utility activity to consolidated utility activity when you look at the year as a whole.

Q Thank you, Mr. Ware.

And I thank the Commission for hearing the concerns.

Mr. Ware, I would like to move to attachment A to the settlement agreement, specifically to Bates page 11, which is the report of proposed rate change, and discuss the rate impacts of settlement agreement.

A (Ware) Yes.

Q If you have that in front of you. It's attachment A and Bates page 11. It's the charged and proposed rate change.

A (Ware) All right. I do have that before me now. Thank you.

Q Okay. And so on this report of proposed rate change, on the far right corner shows percentages, increases, and decreases; is that right?

A (Ware) Yes.

Q And so on the left, we've got, generally, the customer groups that are part of the tariff customer classes; is that correct?

A (Ware) Yes.

Q Okay. If you look further down on we've got Anheuser

Busch Milford contract.

COMMISSIONER CHATTOPADHYAY: Can I just stop you there again?

MS. BROWN: Yeah.

COMMISSIONER CHATTOPADHYAY: Can you give me the --

MS. BROWN: The Bates page again?

COMMISSIONER CHATTOPADHYAY: So you're looking at attachment A?

MS. BROWN: Oh, okay. I'm sorry.

COMMISSIONER CHATTOPADHYAY: Bates page --

MS. BROWN: 49 and then 11. Sorry.

Commissioner Chattopadhyay, are you good?

COMMISSIONER CHATTOPADHYAY: Yeah.

MS. BROWN: Okay. Sorry. My mistake in referencing two pages.

BY MS. BROWN:

Q On this merge report of proposed rate change, Mr. Ware, with respect to Anheuser Busch, Milford and Hudson, et cetera. These are the special contracts, correct?

A (Ware) That is correct.

Q And there is a reference that there's no increase. Do you see that?

A (Ware) Yes.

Q And can you explain why part of the special contract is an increase and part of the contract does not have an increase?

A (Ware) Yes. So each of the special contracts have two components to the revenues that are collected. One is a fixed charge that does not change until the next special contract, which is associated with the fact that that fixed amount is meant to cover that special customer's part of -- their share of covering the assets that they're using. So they're utilizing certain assets to get service. They're paying, whether they use any water or not, they're obligated to pay that -- in this case, their associated share of the principal and interest on 1.1 and the associated share of the City bond fixed revenue requirement for the assets that are being used to provide service.

So that doesn't change because unless there is a change in the specific asset associated with the treatment plant or something used to produce the water, that remains fixed, that, you know, regardless of how much water they use, zero or whatever, it's a much larger charge than the monthly, say, fixed meter charge.

By example, Anheuser Busch has a six-inch meter, you know, and if the only fixed charge Anheuser Busch had for those two is six-inch meters would be a little over $4,000 a year. Which you could see, their fixed charge is $356,622;

big difference. That's because we're treating them as a special customer. They only use certain assets in order to receive service. They have other opportunities to get water from elsewhere, but we want to retain them as a customer. So they pay for the assets that they need. They pay for them year in and year out, whether they take any water.

The second component, which is subject to an increase, is their volumetric charges.

Q Thank you, Mr. Ware. So with the attachment A and these reports of proposed rate changes, the settling parties have not only included this merged report of proposed rate change on Bates page 49, but have also included what the rates would have been on standalone bases for Pennichuck Water, Pennichuck East, and Pittsfield Aqueduct Company; is that correct?

A (Ware) Yes.

Q So if the Commissioners need to look at the just and reasonableness of the rates, they could turn to these respective reports of proposed rate changes to compare what's going on in the standalone and what is now the result of rates via merger; is that correct?

A (Ware) Yes. And the exhibit -- bear with me please. That, you know, we're referring -- where you can see that, in particular the rate comparison if the utilities stand -- stood alone, if the utilities were merged, there is a comparison at various usage levels for each of the utilities that would be found in attachment -- I'll give you the Bates page number as well. There would be -- is found in attachment AA and in particular on Bates page 83 and -- 83 and 84, you see a comparison of rates, current rates, rates as if they were based on a 2022 test year for each of the utilities as they stood alone, and rates under the proposed merger structure for single-family residential homes.

Q And I thank you for pointing out that record or that evidence in the record as I'm trying to move us through here. But should be, you know, just a reasonable assessment, we'd be looking at attachment AA, Bates 83. And then we've got other reports of proposed rate changes in attachment A, which would be at Bates 59, 69, and 79; is that correct?

A (Ware) Yes.

Q Okay. Thank you very much for that completeness.

Ms. King, can I turn to you on the specific tariff changes, please? And do you have a colored version of attachment K in front of you?

A (King) Yes.

Q Okay. Thank you. Do you also have the settlement agreement in front of you?

A (King) Yes.

Q I'd like to have you just describe the two types of customer classes that are being added in this section 6.7.1 of the settlement agreement, page 21. And what are the two, if you could you please describe them?

A (King) So we have the G-M mixed use volumetric and the G-M multi-family volumetric. The mixed use volumetric is basically referring to a single meter custom -- commercial property with residential units as well. And the multi-family volumetric is a single meter feeding multiple residential dwelling units at the same address. And those have been added in order to accommodate tier rating and the discretionary residential service.

COMMISSIONER CHATTOPADHYAY: Can I ask you to get a little bit closer to the mic, please?

MS. KING: Yes. Is that better?

COMMISSIONER CHATTOPADHYAY: Yes, I think so.

MS. BROWN: Thank you.

BY MS. BROWN:

Q Now Ms. King, can we turn to the actual tariff page, which is page 43, and I say that's the tariff page, but it's actually the exhibits, its Bates page 1,008?

A (King) Yes.

Q And when you mentioned the tiers, those are the -- at the bottom of the page, those are the tiers that you were talking about?

A (King) Correct.

Q Okay. And then when you're mentioning the two new groups, if we turn to tariff page 43-A, which is Bates page 1009 of Exhibit 5. Can you just point out where the two groups are?

A (King) Yes, so there are two break-outs of the volumetric tier rating. The first one being the volumetric for the multi-family residentials and the second being the mixed use custom.

Q Now, the tiers from tariff page 43 and then tariff page 43-A, they're all based on the same CCF range; is that correct?

A (King) That is correct.

Q Now, I notice on in the middle of page 43-A, a volumetric charge for G-M mixed use customer account, after the tier the CCF reference, there's a 1 and a plus sign. Can you please explain how that works?

A (King) So 1 would be for the commercial property or the commercial entities at that location. And then that'd be adding the residential numbers to that.

Q Okay. Thank you.

A (King) That represents the commercial.

Q Sorry to cut you off. Thank you.

If you could turn to page 44 and we can go over the changes here.

A (King) Yes.

Q This is on Bates page 1010 of Exhibit 5. And can you please explain the changes that are being made to this tariff sheet?

A (King) Other than just basic rate charge change for the hydrant, the charge for the municipal fire protection is being allocated per groups based off their fire flow requirements.

Q So if I could have you then turn to page 44-A, and you mentioned fire flow requirements. Does the fire flow requirements dictate which group they are in?

A (King) Right. Based off the fire flow requirements that are required by ISO and that determines which towns that you have those fire flows and therefore fall into each group.

Q Thank you for that. With respect to tariff page 45 which is Bates page 1012, Exhibit 5. Can you please explain the changes that are happening here?

A (King) This is strictly a rate change.

Q And there's no --

A (King) No rate design change on this page.

Q Thank you very much. And for the pages after this, there's a series of these 45-A, 47, 48, 49, 50, 51, 51-A, can you please explain what's going on with these new pages?

A (King) These are pages for fire protection that are billed to individual customers. They're currently in PEU that are transferring over to the PWW tier with the merger.

Q So you said that PEU had this setup for their fire protection before?

A (King) Correct.

Q So it's just porting that rate design into PWW; is that correct?

A (King) Correct.

Q Forgive me, Ms. King, but I have a feeling that I forgot to ask you if you had any other changes. But I think we covered the tariffs. Do you have anything else to add to explain the tariff changes?

A (King) Not at this time.

Q Okay. Mr. Ware, can I turn to you? Section 6.16 of the settlement agreement, which is Bates page 27, discusses the annual rate change for fire protection. Are you aware of that issue?

A (Ware) Yes.

Q Okay. And did Pennichuck Water Works complete its November annual fire protection adjustment in 2024 recently?

A (Ware) Yes.

Q Okay. And under the settlement, what's happening with this annual rate change?

A (Ware) So the annual rate change was the result of an order issued in DW 19-084, where there was a cost of service study that was developed that at the time indicated when you look at the required amount of revenues that needed to be collected from each customer group, we had been under-collecting from the municipal fire protection group and the private fire protection group; and it was a significant amount. So as part of that settlement, though, the parties agreed to retain gradualism in converting from, you know, the revenues that were collected from the G-M volumetric area that were going to be picked up by the municipal fire and private fire areas, said, we can't do this all in one case, it's too much. And so the agreement was that over a period of six years with two rate cases, that we would migrate, reduce the volumetric rates to a certain amount each year to reflect an increase in the fire protection rate of three percent per year.

So we are now -- 2024 was the fifth year of those -- that transition. As a result of this case though, and the next rate case for PWW, if it stood alone, would have been 2024 as a test year. There would have been another cost of service study done to -- to adjust where municipal fire should be relative to revenues from municipal fire; private fire should be relative to the G-M volumetric and fixed. But since we're not doing the standalone case and we have a cost of service study for the consolidated utilities that will set -- and based on the rates that we're -- that we're looking to have approved, will set the revenue requirements from each customer class at the appropriate level. There's no longer a need to continue with the adjustment to PWW's rates based on the cost of service study that was last performed in DW 19-084.

Q Thank you, Mr. Ware. Thank you for that. I'm going to skip ahead a little bit.

Ms. King, I just wanted to return to you about section 6.13 and the effective date and the bills rendered. If you can turn to that section in the settlement, thank you.

MS. BROWN: For the record, it's Bates page 26 of Exhibit 5.

BY MS. BROWN:

Q So the settling parties have agreed to an effective date. And what is that, Ms. King?

A (King) March 1st, 2025.

Q And that would be an effective date for the rate to be implemented?

A (King) Correct.

Q And is it on a bills rendered or service rendered basis?

A (King) Bills rendered.

Q And what is the difference between bills rendered and service rendered, just as a general concept?

A (King) Service rendered is looking at basically prorating the bill for based off the date of service, the date of effectiveness. Anything prior to that date would be at the old rate and anything going forward based on service dates. Bills rendered would be anything after a certain date, before a date, that the bills would be at the full rate.

Q Thank you. Ms. King, given your experience in customer service over the 26 years, can you please summarize what some of the challenges are you see from a customer's perspective if this rate change were to occur on each service rendered -- did you actually say bills rendered basis?

A (King) Service rendered can be really confusing for the customers. Just one, it's a calculation. You know, we try to provide all the different pieces on the bill for them to be able to calculate their own billing. And that can be very confusing to the customers instead of a straightforward, here's my rate, here's my usage, taking appropriation of the days. And sometimes it gets into a lot of confusion because that usage is prorated evenly throughout the days of the service period. It's not really when the usage was used, so that can lead to some confusion for the customers as well.

Q Thank you very much. Can I have you turn to page -- we have another follow-up question.

BY MR. STEINKRAUSS:

Q Ms. King, are you aware that section 6.13, that the settling parties have agreed to seek a waiver so that the rates can be implemented on bills rendered basis?

A (King) Yes.

Q Okay. And do you believe that they will not disrupt the orderly and efficient resolution of matters before the Commission if a waiver is granted?

A (King) Being bills rendered, no.

CHAIRMAN GOLDNER: Just as a quick time check, we will plan to take a break at noon.

MS. BROWN: Okay.

CHAIRMAN GOLDNER: Do you believe you will be finished with your questioning by then and then we would move to the Department after lunch, or would you need more time after lunch?

MS. BROWN: We need a little bit of time, not a whole lot after noon.

CHAIRMAN GOLDNER: Okay.

MS. BROWN: I'm trying not to speak fast for the poor stenographer trying to keep up with us. If that helps?

CHAIRMAN GOLDNER: Perfect. Let's go till noon. We're roughly -- and I'll just pause it there. We'll come back at 1 p.m. You can finish, it sounds like you might have another 10, 15, 20 minutes left. Then we'll move to the Department for direct of Mr. Laflamme. Then we'll move to friendly cross and the Commissioner questions.

MS. BROWN: Thank you for accommodating the additional time even though we didn't ask for it. It's just as things develop, this is a good education for getting from Mr. Ware before he retires. Sometime we're going to lose him.

BY MS. BROWN:

Q Ms. King, can I talk to you about the additional notice? This is it's Bates page 26 of Exhibit 5, and there's additional notice that the parties have agreed to. And can you please explain why this supplemental notice to the customers went out? I believe this was the December one you were talking about earlier?

A (King) Yes. I think this went out, supplemental notice when out in December, based off the fact that we've changed the rate to the tier or proposing a tiered rate, and to give customers sufficient notice of that change.

Q Yeah, because if the Commissioners were to go to attachment L of the settlement agreement, they're going to see a notice to Pennichuck -- or Pittsfield Aqueduct Company customers and then the series for PEU customers. And there's a series of PEU customer notices. Does that stem from the old North Country capital recovery surcharge --

A (King) Yes, it does.

Q -- that they incurred?

And for the record, the Bates pages for attachment L start at 1036 of Exhibit 5.

Now, Ms. King, there's also an attachment informing commercial customers -- that, I believe, is attachment N as in Nancy. Do you have that?

A (King) I do. Page 109.

Q Okay. Can you please explain what's the function of this additional notice?

A (King) This letter will be used after the order is received through successful -- to send out to commercial customers, making them aware of the new customer class of mixed use so that they can then apply with the Company in order to -- if they do see -- have residential units as well as the commercial meter.

Q And this is the tiered discussion that we had with the 1 and the plus number?

A (King) Correct.

Q Would be this?

A (King) Would be this exchange. Yeah.

Q Okay. Now, this attachment N says urgent, please read, at the top of it. How many customers will this be mailed out to?

A (King) It's about 1,700 commercial customers within the three utilities.

Q Okay. Thank you.

QUESTIONS BY COMMISSIONER DELL'ORFANO:

Q If I could just interrupt for a moment. I want to make sure I'm reading this correctly. The consumer account, there seems to be some sort of dash. Is that is supposed to be a negative sign or is that something else?

A (King) Sorry. What notice is that?

Q We're talking about Exhibit N on Bates page 1089, in the middle of the page, there's a small table. The first column reads, commercial account. The second column reads, mixed use account.

A (King) It's just a dash.

Q It's just dash. So that isn't supposed to imply a negative 145.08?

A (King) No, it's not.

Q Suggestion might be to remove that dash to make sure that folks don't confuse that. Thank you.

A (King) Thank you for pointing that out.

MS. BROWN: Appreciate the question from

Commissioner Dell'Orfano, for that point, while we were on that subject.

RESUMED DIRECT EXAMINATION

BY MS. BROWN:

Q And the only last question that I had was to have you explain the illustration, but I think Commissioner Dell'Orfano has brought that up. But the illustration between (indiscernible) account and mixed use account is just to show what savings could be under a hypothetical mixed usage situation; is that correct?

A (King) Yes.

Q Because the number of units would be (indiscernible), minimum usage (indiscernible) of usage to be billed at the lower rate (indiscernible).

BY MS. STEINKRAUSS:

Q Okay. Turning to Mr. Torres, I'd just like you to go through some of the rate approvals that are sought in the settlement agreement reached by the parties. So --

CHAIRMAN GOLDNER: Attorney Steinkrauss, can I see you get a little closer to the microphone, please? Thank you.

MR. STEINKRAUSS: Sorry, Chairman.

BY MR. STEINKRAUSS:

Q Turning to the rate approvals and findings that are sought in the -- Mr. Torres, turning to pages 28 and 29 of the (indiscernible) -- excuse me, Exhibit 5. Could you please state whether the settlement parties in section 6.19.2, settlement parties agree and recommend that the Commission authorize the surviving corporation to dividend the combined CBFRR, which is the City bond fixed revenue requirement, of the standalone subsidiaries of PWW, PEU, and PAC to the parent company, Penn Corp., to fund the annual acquisition bond obligations of the City of Nashua in the amount of $8,802,880?

A (Torres) Yes.

Q And based on your pre-filed testimony in Exhibit 1, Bates 136 to 169, exhibits, the settlement agreement, and recommendations of the settling parties, do you believe the Commission should authorize the surviving corporation to dividend the combined CBFRR to Penn Corp., to fund that annual acquisition bond obligation to the City of Nashua, as set forth in section 10.3.1 on page 34 of this?

A (Torres) Yes, I do.

Q Turning to section 6.192 and 10.32. Mr. Torres, the settling parties agree and recommend that the Commission reaffirm the approval of the express distributions from paid-in capital of the surviving corporation to the parent corp., Penn Corp., to fund the obligation of the City of Nashua to acquisition bonds in section 6.192. Excuse me, I just repeated that. You ask that they reaffirm that?

A (Torres) Yes.

Q Okay. And based on your pre-filed testimony in Bates 60 -- Exhibit 1, Bates 136 to 169, the exhibits, settlement agreement, recommendation of the parties is that the Commission reaffirm that approval for those express distributions from paid-in capital?

A (Torres) Yes.

Q Thank you. Turning to section 6.19.3 and 10.3.3 of the settlement agreement. Mr. Torres, did the selling parties agree and recommend that the Commission reaffirm the authorization for unaccompanied payments between Penn Corp. and the surviving corporation for allocation of federal and state income tax liabilities in accordance with the existing practices of Pennichuck Corporation and its current subsidiaries in section 6.138, page 29?

A (Torres) Yes.

Q Mr. Torres, based on your pre-filed testimony, Exhibit 1, Bates 136 to 69, exhibits, settlement, and recommendations of the settling parties, should the Commission reaffirm its authorization of (indiscernible) recovering payments between Penn Corp. and the surviving corporation for allocation of federal and state income liabilities in accordance with the existing practices of Penn Corp. in sections 10.3.3 on page 34 of the settlement agreement?

A (Torres) Yes.

Q Thank you. Turning to sections 6.19.4 and 10.3.4 of the settlement agreement, Mr. Torres, do settling parties agree and recommend that the Commission reaffirm the limitation of the surviving corporation to not pay dividends or distribute funds in any fiscal year through dividends or other distributions to Pennichuck Corporation or the City in excess of the applicable CBFRR in section 6.19.4 of page 29?

A (Torres) Yes.

Q Based on your pre-filed testimony, Exhibit 1, the exhibits, settlement and recommendations of settling parties, should the Commission reaffirm the limitation on the surviving corporation to not pay or distribute funds in any fiscal year to dividends or distributions to Pennichuck Corp. to the City of Nashua in excess of the applicable CBFRR amount in section 10.3.4 of the settlement agreement, page 34?

A (Torres) Yes.

Q Turning to section 10.2.8 and section 6.1.4, based on your pre-filed testimony, the exhibits, and settlement agreement and recommendations of settling parties, should the Commission approve the reconciliation of the rate stabilization fund as described in section 6.4.1 at page 18 to 19, and 10.2.8 at page 33 of the settlement agreement?

A (Torres) Yes.

Q Turning to section 10.2.9. Mr. Torres, could you please describe the proposed settlement adjustments to the rates stabilization fund for PWW and PEU, and PAC, to allow for the consolidation or combination thereof within the surviving corporation consisting of three RSF accounts?

A (Torres) Sure. So what we're proposing is a consolidation of the current rate stabilization funds, which are currently at three in each of the regulated utilities, for a total of nine down to three. So we're now streamlining those rate stabilization funds, such that the amounts held at each one for a combination of $5 million will be allocated amongst the CBFFR, the BSRR and the MOERR. So each one, for example, CBFRR, will total about $724,000. The MOERR rate stabilization fund will total just over $3.8 million. And then the BSRR rate stabilization fund will amount to $447,000. Again, obtaining that imprest level of $5 million set out in the exhibits.

Q Thank you. And Mr. Torres, based on your pre-filed testimony and the exhibits, the settlement agreement, and the recommendations of the settlement parties, do you believe the Commission should approve the adjustments to the rate stabilization funds, consolidate the three RSF accounts into the surviving corporation as set forth in section 10.2.9 on page 33 of the settlement agreement?

A (Torres) Yes.

Q Okay.

MR. STEINKRAUSS: All right. That might be a breaking point, Chairman.

CHAIRMAN GOLDNER: Okay. It's five of the hour. Let's return at 1 p.m. (Indiscernible) will finish with the Petitioners and then move to the Department. Thank you. Off the record.

(Recess at 11:53 a.m., recommencing at 1:00 p.m.)

THE BAILIFF: All rise.

CHAIRMAN GOLDNER: Okay. We'll resume the afternoon session with the Petitioners.

MR. STEINKRAUSS: Thank you, Chairman. Jim Steinkrauss for the Petitioners.

RESUMED DIRECT EXAMINATION

BY MR. STEINKRAUSS:

Q Mr. Torres, could you please explain the municipal asset -- excuse me, the municipal acquisition regulatory asset, or the MARA authorized in docket DW 11-026 that accounted for the actual acquisition costs to Pennichuck Corp. and subsidiaries for the City of Nashua, as set forth and described in your pre-filed direct testimony in Exhibit 1 and Bates page 149 and at 65?

A (Torres) Sure. So the MARA, also known as the municipal acquisition of regulatory asset, is basically the acquisition premium over the book value of the assets that were purchased by the City back in 11-026. It's also known as goodwill outside of the regulatory world. It has been -- it's considered an asset, it's amortized over the life of the bonds that were used to purchase the Corporation back in 2011. Those -- that note amortized until 2042. So the amortization of that MARA mirrors that. For ratemaking purposes, it is excluded from rates. However, it is covered through the CBFRR component, which also mirrors the amortization of that note. And obviously, that is needed in support of, you know, to support the overall financial status of the firm.

Q And Mr. Torres, through the merger of PEU and PAC into PWW, does the Company seek affirmation of the authority to continue those distributions from PWW capital account aggregated for the shares of CBFRR?

A (Torres) Yes, we do. So the Commission, pursuant to special legislation, had authorized each of the subsidiaries of PWW, PEU and Pittsfield, to be a dividends or distributions up through the parent corps their portion of the CBFRR in support of the CBFRR payment that's made to the City to reimburse them for the bonds that were purchased or that were used to purchase the Company back in 2011.

The MARA is treated as an equity related component and is subject to recovery only through the CBFRR. Through the merger of PWW, PEU, and Pittsfield, what we're asking is for a consolidation of those distributions through the PWW remaining subsidiary, up through the parent corp. PCP.

Q Thank you. In light of your testimony and pre-filed direct testimony, do you recommend the Commission affirm the authorization of the MARA for the surviving corporation as necessary?

A (Torres) Yes, I do.

Q Thank you. Moving to section 10.1.2. Did you previously submit pre-filed testimony requesting the Commission approve the assumption of debt obligations by PWW with TD Bank, Cobank, and the State of New Hampshire for PEU and PAC consistent with RSA 369:8 as requested in 10.1.2 at page 31 of the settlement agreement?

A (Torres) Yes.

Q And did you pre-filed direct testimony recommend the Commission to find the assumption of debt obligations by PEU and PAC -- excuse me, debt obligations of PEU and PAC by PWW would be in public good?

A (Torres) Yes, I did.

Q Mr. Torres, did you previously submit pre-filed direct testimony recommending that the Commission approve PWW to enter into agreements with TD Bank, Cobank, and the State of

New Hampshire for settlement of debt obligations of PEU and PAC, pursuant to RSA 369:1 through 4 as set forth in section 10.1.3 at page 31 and 10.3.5 at page 35 in the settlement agreement?

A (Torres) Yes, I did.

Q Okay. Mr. Torres, do the settling parties agree and recommend that the Commission authorize the surviving corporation to include assumed debt for capital expenses of PEU and PAC to be included in the express purposes authorized for bonding on order number 26459 dated March 2nd, 2021, and docket DW 20-157 as set forth in section 10.1.4 at page 31 of the settlement agreement?

A (Torres) Yes, I did.

Q Thank you. Mr. Torres, do you recommend the Commission authorize the surviving corporation to include assumed debt and the capital expenses of PEU and PAC to include in express purposes to authorize for the bonding order?

A (Torres) Yes, I do.

Q Mr. Torres, will the merger require the Company to amend its bond financing authority, granted in order 26495 dated March 2nd, 2021 and docket DW 20-157?

A (Torres) Yes, it will. The current TEFRA that PWW operates under that allows via the New Hampshire PFA to issue those bonds currently includes only the communities under the PWW, so that TEFRA needs to be amended for the inclusion of the communities that formerly operated under assistance of PEU and Pittsfield. So for all future bond issuances to be included under the PWW TEFRA were currently -- have filed an amended court. We're awaiting for review and approval through governance counsel for that final TEFRA to be approved.

Q Thank you.

Moving on to action, Mr. Boisvert. Do you have a copy of the settlement agreement?

A (Boisvert) I do.

Q Mr. Boisvert, let's turn to page 31 of the settlement agreement marked as Exhibit 5. Could you please briefly explain why the Commission should find the merger of PWW, PEU, and PAC is in the public interest and public good as it can approve the agreements and plans of merger attached as Exhibit H through I, in section 10.1 and 10.1.1 at page 31 of the settlement agreement?

A (Boisvert) There's several reasons, but some of the real key ones I think are -- are the -- the -- the ability of the merged entity to maintain affordable rates and to keep those -- those rates as low as we can and continue to fund the operations of business that provide safe, clean drinking water.

The other thing is a number of other things, as far as that goes. There's several of the systems that are in place now that aren't available to PAC and PEU that are going to be available to them now. The reduced cost of capital for bonding. One utility means one set of, you know, work order systems, not having to worry about where crews are working back and forth; it all comes under the same umbrella. So it does -- it does certainly help, you know, improve our efficiency from a -- from a standpoint of -- of tracking our, you know, our costs and all that.

But also too, there's -- we've talked about less -- our legal costs are lower, fewer rate cases, fewer utilities vary every, every three years, you know, again, you have one for each one of those. So we're down to one of those.

Finance and dockets will be reduced, albeit we will have to come in periodically for those. And if any project or any specific thing was associated with the SRF program or the Drinking Water and Groundwater Trust Fund that was specific to a project, we'd still have to come out of finance that there.

Right now, we have two QCPAC filings each year with PEU and -- and PWW, Pennichuck Water Works. Now we'll be down to one. And the time that it takes and the resources that put that together. So a lot of the real good things are maintained and it provides additional benefits to the -- those systems that really had no other way to go as far as the financing goes.

Q Thank you, Mr. Boisvert. Mr. Boisvert, will the capital improvement ratios for customer improve as a result of the merger?

A (Boisvert) Yeah, actually per customer, if you look at our total capitalization per customer, it's actually going to drop and it will continue -- if you -- you look at that with a larger customer base, it drops from where it is now for the majority of the customers. Primarily Pennichuck Water Works it does go up a little bit. Pittsfield Aqueduct Company, simply because, like we said, we haven't been able to invest in Pittsfield like we needed to. But remember, it's a very small utility. So relatively speaking, those capital improvements will be relatively small. But it does improve in the aggregate the -- the capitalization per customer.

Q Thank you, Mr. Boisvert. Looking at section 10.2, do you believe that the Commission should approve the customer rates affecting changes to volumetric rates of PWW special contracts identified in attachment A, section 4 of the settlement agreement as requested in section 10.2.2 at page 32?

A (Boisvert) I do.

Q And will the special contracts with PWW remain in place?

A (Boisvert) Yes, they will.

Q Section 10.2.3, in your opinion, are the proposed consolidated rates for the surviving corporation and rate design changes just and reasonable and in the public interest consistent with section 10.2.1, 10.2.3 at page 32 of the settlement agreement?

A (Boisvert) Yes, I believe they are. When we look at it, the cost, you know, the rates are allocated in support of -- of the basic use of our customers, but also too, the rate design is -- is -- is targeted to be able to place additional cost or at least the portion of the cost where some of the most stress is placed on our -- on our systems and help in that way. So yes, I do believe they are.

Q And could you summarize, will the proposed multi-tiered rate design improve affordability for the surviving PWW system?

A (Boisvert) Yes.

Q Will you please just basically give a quick summary of how that will work?

A (Boisvert) Well, the -- if we look at it, the merger itself brings in certain scales to it. But what we've been able to do is looking at our overall water usage and demands and the folks here, Ms. King and Mr. Ware, the numbers -- we went through all the numbers, but what it will do is basically create an opportunity so that added capital expenditures will remain -- remain more affordable, because we talked about that capitalization ratio for each customer.

But the other thing that's -- that's important too, with that larger customer base as part of it, they were -- the -- we were looking, you know, very hard at residential use and residential, you know, the mixed use, was to be able to keep those rates at, you know, we're -- certain -- certain parts of the population throughout our, you know, the merged entity, would have had trouble paying those rates. So this helps keep those at -- at a level that we can maintain affordability going forward.

Q And will the proposed rate changes affect the revenue requirement methodology?

A (Boisvert) The -- no.

Q And in light of your prior testimony and exhibits filed in the settlement agreement in this docket, do you believe the Commission should approve the consolidated rates and rate structures as requested in section 10.3 of the settlement agreement?

A (Boisvert) Yes, I do.

Q Mr. Boisvert, for the reasons discussed in the testimony, do you believe the Commission should authorize the recovery of merger-related costs up to the savings generated through deferred debit, allowing annual recovery expenses over a ten-year period from the Company's .1 PSR bank account, as set forth in sections 5.2 and section 10.2.10 at page 33 of the settlement agreement?

A (Boisvert) Yes, I do.

Q Mr. Boisvert, could you please briefly describe the planned detail or annual reports that the Company will provide, as outlined in section 10.3.8 at page 35 of the settlement agreement?

A (Boisvert) The -- and again, what we'll be able to do is produce now that we have information and data on the types and number of customers, whether they be single family, whether they be the mixed-use facilities, in the report in there, we'll be able to come back in on a regular basis and annually be able to report how those numbers actually looked. I mean, we in -- in all likelihood, we -- we -- we have a good handle on what our residential use is for single family at this point in time, but we still have a little bit of an unknown. So it's nice because we'll be able to come back, report, make adjustments as needed. And make sure we get to the proper place.

Q Mr. Boisvert, are you aware that the reporting would include items such as winter usage, summer usage, and annual usage for the total Company, as well as the communities of Amherst, Bedford, Litchfield, Londonderry, Merrimack, Nashua, and Pittsfield?

A (Boisvert) Yes, I do.

Q And will the Company also provide narrative reports beginning in 2025 through 2028 regarding the various rate customers?

A (Boisvert) We will.

Q Will the Company submit any reports regarding the potential rate design adjustments from its actual experience in implementing the consolidated rates and improved --

A (Boisvert) Yes. Yes, we will.

Q As addressed in your prior testimony and is requesting the Commission to allow the instant proposed rate design changes to supersede and modify the previously approved rate design in order 26425 as set forth in section 10.3.9, page 36 of the settlement agreement?

A (Boisvert) Yes.

Q Thank you.

MR. STEINKRAUSS: That's all we have. Thank you.

CHAIRMAN GOLDNER: Okay, we'll turn now to the Department of Energy and start with Attorney Young and Mr. Laflamme.

MR. YOUNG: Thank you, Mr. Chairman.

And thank you to the Company witnesses and Company counsel as well. I do believe due to the thoroughness of those questions, we'll be able to keep it relatively efficient.

DIRECT EXAMINATION

BY MR. YOUNG:

Q Mr. Laflamme, could you please state your full name for the record, please?

A Jayson P. Laflamme.

Q And by whom are you employed?

A I am employed by the New Hampshire Department of Energy.

Q And what is your position at the Department of Energy?

A I'm the director of the Water Group within the Regulatory Support Division.

Q And could you please describe your previous work experience relative to utility regulation?

A Yes. I -- I joined the Public Utilities Commission in 1997 as a utility examiner in the Commission's Audit Division. In 2001, I joined the Commission's Gas and Water Division as a utility analyst and was eventually promoted to the position of senior utility analyst. In 2018, I became the assistant director of the Gas and Water Division. And in July of 2021, my position was transferred to the newly created Department of

Energy. And in June of 2022, I was promoted to the position of director of the DOE's Water Group.

Q And what are your responsibilities as director of the Water Group?

A I directly supervise the water staff of the Regulatory Support Division, and primarily oversee the course of examination of the water and wastewater dockets that come before the Commission. I also directly examine select cases that come before the Commission, such as the one being heard today.

Q Have you previously testified before the Commission?

A Yes, I have.

Q Mr. Laflamme, could you please describe your involvement with this docket specifically?

A Yes. I examined the Company's filing in conjunction with the books and records previously on file with the Commission and the DOE regarding PWW, PEU, and PAC. I participated in the discovery process including formulating data requests, reviewing data responses; and I participated in technical sessions and settlement discussions. I also participated in the drafting of the settlement agreement that's being presented today.

Previously, I also materially participated in past dockets involving the Pennichuck companies, including DW 11-

026, which was the acquisition of Pennichuck Corporation by the City of Nashua. And I participated in subsequent rate cases and financing cases involving PWW, PEU, and PAC.

Q Thank you, Mr. Laflamme. I would like you to look now at that permanent rate settlement that you mentioned, which is marked for identification as Exhibits Number 5 and 6. Do you have that docket in front of you?

A Yes, I do.

Q Can you identify that document for the record?

A This is a settlement agreement reached by the parties in this proceeding regarding the merger of PEU and PAC with and into PWW and the subsequent resulting permanent consolidated rates for PWW.

Q And I believe, as you just mentioned, you did assist in the preparation of this document, correct?

A Yes, I did.

Q Do you wish to make any revisions or corrections to either of those exhibits?

A No, no, I do not.

Q And is the information contained in Exhibit 5 and 6 true and accurate to the best of your knowledge?

A Yes, it is.

Q Okay. So then turning to pages 14 and 15 of that settlement agreement. We'll look at Exhibit 5, specifically section 5.1.1.10. It does state -- I won't read the whole part, but it states that the settling parties agree and recommend that the Commission find the merger of PEU and PAC with and into PWW is consistent with the public interest and public good; is that correct?

A That is correct.

Q So Mr. Laflamme, from the Department's perspective, could you explain why the proposed merger of PEU and PAC into PWW are in the public good -- or in the public interest and public good?

A Yes. Since the acquisition of Pennichuck Corporation and the three regulated utilities by the City of Nashua in DW 11-026, the Department was becoming increasingly concerned regarding the magnitude and frequency of the approved rate increases experienced by PEU's customers.

Just to give an example of those rate increases, in DW 13-126, which was PEU's first rate case subsequent to the acquisition by the City of Nashua, the rate increase in that docket was 9.91 percent. PEU's next rate proceeding was DW 17-128 and in that, the -- the rate increase was 17.86 percent. And then in DW 20-156 which was PEU's last rate proceeding, it was 16.79 percent. Further, if PEE had come in for rates on a standalone basis using a 2022 test year, the -- the rate increase would have been 16.73 percent. And that is further shown on Bates page 61, and in the attachments to -- to the settlement agreement.

If this trend had continued, the Department felt that PEU's customer rates might eventually become untenable, which would have negative consequences for PEU's ratepayers, PEU itself, and potentially the other Pennichuck utilities, PWW and PAC.

Further, the Department also had concerns regarding the fact that certain capital projects necessary to maintain service quality and reliability in the PAC system were being delayed due to, one, that the water system -- the water system's inability to access low cost debt in order to finance those projects. And two, the potential rate impact on PAC customers if they were made to bear the cost of those projects on a standalone basis.

As such, the Department believes that the proposed merger of PEU and PAC with and into PWW has the potential of resolving those concerns. Specifically by placing PEU and PAC under the PWW umbrella and for the reasons identified by the Company in its testimony, the Department believes that more manageable customer rates -- rate increases can be achieved for all of the entities.

Q Thank you, Mr. Laflamme. I'm going to turn now to page 16 of the settlement, which is set out in section 6.1.1.

The section does state that the settling parties are proposing no changes to the revenue requirement methodology previously approved by the Commission for PWW, PEU, and PAC; is that correct?

A That is correct.

Q And earlier today Mr. Ware discussed the various buckets that do make up the revenue requirement. Section 6.2 of the settlement states that the settling parties are proposing an overall consolidated revenue requirement, which is based on a 2022 test year of $55,763,017; is that correct?

A That is correct.

Q The settlement also indicates that the derivation of this revenue requirement can be found in attachment A to the agreement, which is specifically the merged summary schedule and can be found on Bates 39 and 40; is that correct?

A Yes. That's correct.

Q And did you prepare this merge summary schedule in attachment A, Mr. Laflamme?

A Yes, I did.

Q So could you briefly walk us through calculation of the proposed revenue requirement contained in attachment A?

A Certainly. The summary schedule contained on Bates pages 39 and 40 provides a comparison of the calculation of permanent rates as originally proposed by the Company based on its filing, and that -- those can be seen in the left -- the left-hand column of numbers and -- and compare them to the calculation of the permanent rates being proposed in the settlement agreement, which is the right-hand column of numbers. Lines 1 to 20 of the summary schedule on Bates page 39 contains the three components of PWW -- PWW's ratemaking mechanism as previously approved by the Commission.

Specifically, these components are the City bond fixed revenue requirement, or CBFRR, of $8,802,880, which is shown on line 1. The operating expense revenue requirement, or OERR, of $35,845,383 is calculated on lines 2 through 13. And then finally, the debt service revenue requirement, or DSRR, of $11,114,754 is calculated on lines 14 through 60.

Together, these three components sum to the proposed revenue requirement of $55,763,017, as shown on lines 17 and 20. Turning to Bates page 40, lines 22 through 26 on Bates page 40 shows that when compared to the pro forma test year water revenues derived from base rates of $50,790,679 on line 25. The result is an increase in the revenues from base rates of $4,310,286, or 8.49 percent.

Q Thank you, Mr. Laflamme.

MR. YOUNG: I'll just note for the Commissioners at this point that the MOEF and RSF -- sorry, that is the material operating expense factor and the rate stabilization funds were discussed earlier in some detail. So I'm not going to have Mr. Laflamme go through that again now. But he is available for questioning for Commissioner questions on those topics.

BY MR. YOUNG:

Q So Mr. Laflamme, the proposed revenue requirement includes debt service and operating expenses such as property taxes, it's related to capital improvements placed in service from 2020 through 2022 in PWW and PEU; is that correct?

A That is correct.

Q And do you believe that the 2020 and 2022 plant investments reflected in the proposed revenue requirement are prudent, used, and useful?

A Yes. As indicated in section 6.5 of the settlement agreement, which is on page 19, PWW's 2022 plant investments were the subject of its qualified capital project adjustment charge or QCPAC filing in DW 23-015.

And PEU's 2020 through 2022 plant investments were the subject of its QCPAC filings in DW 21-022, DW 22-005, and DW 23-013, where a thorough review and audit of these plant investments was conducted. After which, the Commission issued orders in all of the dockets I just mentioned, finding that the proposed plant investments in each case were prudent, used, useful and approved the QCPAC revenues, which for purposes of the pro forma test here totaled $2,864,522 as seen on Bates page 40, line 27.

Q So then, concerning these previously approved QCPAC revenues you just mentioned, those revenues are incorporated into the proposed revenues in attachment A?

A Yes. And as a result, as shown on lines 26 through 28 of attachment A, our summary schedule on Bates page 40, the realized increase in water revenues will actually be after taking into account the -- the revenues already being collected through the QCPAC. The increase in water revenues will actually be $1,445,764 -- $764, or 2.69 percent, as shown on line 28.

Q And with regard to the respective 2024 QCPAC filings made by PWW and PEU, which were in dockets 24-027 and 24-029, did the companies and the DOE submit a consolidated settlement agreement to the Commission in anticipation of approval of the proposed merger and consolidated rates in this proceeding?

A Yeah. The -- on December 19th, 2024 the Company -- the Companies PWW, PEU, and the Department submitted a settlement agreement in docket numbers DW 24-027 and DW 24-029.

Q And what was the consolidated QCPAC proposed in those settlement agreements?

A The proposed QCPAC in that agreement was 2.06 percent.

This will be applied to the bills of current PWW customers and former PEU customers only, but not applied to the bills of former Pittsfield Aqueduct customers.

Q And I believe this next question was discussed earlier too. But will PAC customers always then be excluded from QCPAC?

A No. As Mr. Ware explained earlier, PAC customers are not being -- will not be assessed the 2024 QCPAC because of -- they weren't noticed regarding the QCPAC proceeding. But beginning in 2025, the QCPAC will be applied to all customers including those in the former Pittsfield Aqueduct Company.

Q So in the circumstance that either the proposed merger or the proposed consolidated rates are not approved in the instant proceeding, were there also separate standalone QCPACs proposed for PWW and PEU?

A Yes. For PWW a standalone QCPAC of 2.29 percent was proposed that would result in a cumulative QCPAC of 3.65 percent. And for PEU, a standalone QCPAC of 2.15 percent was proposed that would result in a cumulative QCPAC of 8.46 percent.

Q Thank you, Mr. Laflamme. Switching gears from the QCPAC to rate design changes, specifically in section 6.7 and those tariff changes in 6.8 to 6.12 of the settlement agreement. Could you please provide the Department's position on these proposals?

A Certainly. The Department agrees with the rate design presented in the settlement agreement, including the proposed tiered inclining block rate structure for the G-M volumetric, G-M multi-family volumetric, and the G-M mixed use volumetric rate classes.

The Department believes that in light of the proposed merger of the three entities, PWW, PEU, and PAC, the proposed rate design would result in just and reasonable rates for all customers, and mitigates to a great extent, the potential of excess subsidization by PWW customers of the former PEU and PAC customers.

Further, the customer -- the Department believes that the reporting requirements outlined in section 8.0 of the settlement agreement on pages 29 and 30 will allow for subsequent review of these proposed rate structures once implemented, and enable informed future adjustments to that proposed rate design where necessary.

Q And so if the Commission does issue an order approving the permanent rates as proposed in the settlement, is it your understanding that PWW will file annotated tariff pages that effectuate those approved permanent rates?

A Yes. And that typically occurs within 15 days of the date of the Commission's order.

Q Next I'll move to section 6.17 of the settlement agreement, which is pages 27 and 28. And there, I believe it indicates that settling parties at PWW should be authorized to recover its reasonable rate case expenses in this proceeding; is that correct?

A Yes.

Q And what is your understanding of how that process will take place, will occur?

A Within 30 days of the Commission's order on permanent rates in this proceeding, the Company will file its final rate case expense request pursuant to PUC 1905.02, along with supporting documentation. The Company's proposal would also include a proposed customer surcharge to recover those expenses. The other settling parties would have an opportunity to examine the Company's proposals and make recommendations of their own to the Commission. And based on the Company's filing, as well as the subsequent recommendations filed by the other settling parties, the Commission will issue its order regarding PWW's recovery of its rate case expenses. Upon receipt of that order, and typically within 15 days, PEU -- PWW, sorry, PWW would file a compliance tariff supplement regarding its recovery of rate case expenses in this case.

Q Thank you for that description. Jumping to section 7, page 29 of the settlement. This section is titled "resolution of audit issues". And I'm wondering if you can please describe the purpose of this section?

A During the -- during the proceeding, the DOE audit staff did an examination of the Company's books and records in conjunction with this rate proceeding. And various audit findings were made that are contained in the final audit report dated July 1st, 2024; and the copy of that audit report can be found in attachment F.

To the extent that the various audit findings impact the revenue requirement ultimately proposed in this proceeding, the DOE further examined each of those issues, mainly through the issuance of discovery requests. As a result, the settling parties except for the Town of Londonderry, agree that the issues identified by the DOE audit staff in its final report incorporated -- excuse me, into the proposed revenue requirement. The supporting discovery responses pertaining to the audit report can be found in attachment B and are identified as DOE 5-42, 6-1, 6-4, and 6-6.

Q And finally, sir, do you believe that the permanent rules imposed in the settlement agreement are just and reasonable and serve the public interest?

A Yes.

Q And why do you believe that?

A The DOE believes that the proposed revenue requirement will provide the funds necessary to enable the merged Company to meet its debt service and operating requirements.

The DOE also believes that the specific ratemaking mechanisms reflected in the proposed revenue requirements, such as the MOEF, are just and reasonable for both the Company and its customers; and will provide the necessary assurance to the creditors of the Company regarding the sufficiency of PWW's cash flow, liquidity, and solvency.

Lastly, while the DOE recognizes that the proposed 8.49 percent increase in base rate revenues being proposed in the settlement agreement is not insignificant, it nevertheless represents an equitable balancing of the interests between the utility and its ratepayers. Therefore, the DOE believes that the resulting rates are just and reasonable for both the Company and its customers, and serves the public interest.

Q So sum it up, Mr. Laflamme, do you recommend that the Commission approve the settlement agreement for the merger of PEU and PAC with and into PWW? And the resulting consolidated permanent rates? And that that approval will set just and reasonable rates for its customers?

A Yes.

Q And does that conclude your testimony, Mr. Laflamme?

A Yes, it does.

MR. YOUNG: No further questions, Mr. Chairman.

CHAIRMAN GOLDNER: Thank you. I will turn now to a friendly cross, beginning with the office of the Consumer Advocate, making all witnesses available.

MR. KREIS: Thank you, Mr. Chairman.

In light of the hour, I am going to be really, really, really fast. In fact, I think I only have one question. I don't really care who from the Company answers to, but I'm guessing this is a question for Mr. Ware because Mr. Ware has an encyclopedic brain.

CROSS-EXAMINATION

BY MR. KREIS:

Q So Mr. Ware -- and this really, really, is very friendly cross. When the Office of the Consumer Advocate first reviewed the Company's petition, there were concerns at the OCA about whether what the Company was proposing at that initial juncture was fair to all of the Company's residential ratepayers. Then later in the proceeding, we were dealing with questions that had to do with customers of -- people who live in apartment buildings, essentially. And so I wonder if I might just ask you, if you can, to talk briefly about how what is in the settlement agreement differs from what was in the Company's original proposal in ways that are good for the residential customer class that my office represents?

A (Ware) Okay. I will try to be equally as quick. So the original proposal established a two-tiered volumetric grid, but the tiering was based on customers who were connected to the Nashua treatment plant and then all other customers. And so all other rates were the same but the volumetric area, there was a proposal that there would be a volumetric rate for what were considered to be core customers, customers who got their water directly from the Nashua water treatment plant; and noncore customers, customers who got their water from someplace else -- their own wells, or purchased water.

And the differential between those two rates was 20 percent. So the rate -- the out-of-town customer was going to pay was 20 percent more than the rate, if you will, for the in-town or core customer. That was the initial proposal. At that stage, it was whether you were commercial, industrial, or residential, or multi-family, or mixed use. The volumetric rate was going to be the same regardless of how much water you used.

You know, upon review of that, with a focus on affordability, particular focus on affordability for what we'll call nondiscretionary uses. You know, discretionary use is being I want to water my lawn, I want to water my garden, those sorts of things, versus I need to take a shower, or flush the toilet, or water dishes, which are considered nondiscretionary. We reviewed where these were with a focus on how do we create a rate structure that benefits, again, the smallest, most susceptible customer. Which again, were the single-family residential, or multi-family residential who lived in apartment complexes or mixed-use buildings.

And we went out, and again, with help of the various parties to this settlement, we looked at rate structures that were out there. And one of the structures that has become more common across the United States is an inclined block rate structure. That inclined block rate structure, originally decades ago, started with the concept of promoting conservation. Today that inclined block rate structure is really focused on affordability for residential customers who use very little water. And the block increases from there, has a heavier impact on larger users, or you know, commercial, large commercial, or industrial users, or large residential users who want to put a lot of water on their lawns.

And so the structure that was reworked in order to ensure that the majority of, you know, basically, I think the final number was out of this rate case, that 83 percent of the residential customers, you know, across, you know, PWW in particular, using less than seven cubic feet of water. We're going to see a reduction in their water bill over what they would pay if they were on a standalone utility.

The remaining 16 percent are covered generally in that second tier. Those are people who -- that's usage when you go over seven cubic feet a month, that's usage that's beyond, again, normal consumption to do day-to-day -- again, nondiscretionary. Those people, again, were choosing to fill their pools -- nothing wrong with that, of course; or water their lawns, or do those sorts of things. And then the recovery of the additional revenues necessary to produce that water come, again, through people who are using water in the higher tiers or the discretionary usage areas.

And so that was the structure. The real focus became on, again, having rates that were affordable to the residential customer class that makes up the lion's share of the customer base in terms of numbers in the -- and across the three utilities.

Q Excellent. Thank you.

MR. KREIS: That's all I wanted to highlight for your consideration, Commissioners. So that's the only question I had.

CHAIRMAN GOLDNER: Thank you. I will move now to the -- let's move to the Town of Bedford.

MS. TATULIS: The Town of Bedford has no questions at this time.

CHAIRMAN GOLDNER: Thank you.

The Town of Litchfield?

MR. PERRY: Town of Litchfield has no questions. Thank you.

CHAIRMAN GOLDNER: Thank you.

The Town of Londonderry?

MS. LYON: Town of Londonderry has no questions.

CHAIRMAN GOLDNER: Thank you.

And the City of Nashua?

MR. BOLTON: No questions.

CHAIRMAN GOLDNER: Thank you.

So we'll move now to Commissioner questions and return for redirect to both the Department and the Commission.

Commissioner Dell'Orfano?

MR. DELL'ORFANO: Thank you, Mr. Chair. I just have a few questions. And I'm not exactly sure who at the Company to directed it to, but I feel like Mr. Ware or Mr. Torres might be the right folks.

QUESTIONS BY COMMISSIONER DELL'ORFANO:

Q So there's a lot of discussion or at least there's been some testimony around and discussion in the settlement agreement concerning the merger expenses and how those will be capped at $400,000. There's also a discussion about how it's going to be recovered, which is not clear to me. So I'm hoping, firstly, you can give me an idea of where the $400,000 cap came from. And secondly, how it's actually recovered if it's not recovered through rates?

A (Ware) All right, I'll take a first shot at that. So the -- as noted, I believe, in the testimony, I believe to date, there's has been about $271,000 of legal expenses and other expenses directly associated with merger.

In the Company, the lead legal firm on that is Rath. And Rath has stated that the -- first of all, they did work at a reduced rate throughout the merger, but also that they would cap any design recovery at $400,000, regardless of how much time. And there will be a fair amount of time, obviously, once we -- if we get approval in order to get all the final documentation together and file with the appropriate entities throughout the state. So that's where the cap came from.

Relative to recovery, again, because we are a cash business with no -- I mean, all our cash comes from ratepayers; it's that simple. But instead of -- historically, for instance, rate case expense gets recovered through a surcharge. It, you know, comes from the ratepayers -- separate line on your bill over a period of a year. In this case, rather than taking that, you know, $400,000 or something less and seeking a surcharge, which again, could have been, you know, fairly substantial, the Company proposed that there's a long-term value to this merger and that we would replace the cash that's been used.

So the cash that's been paid to date has come from someplace. Where it didn't come from? It came from the ratepayers. You know, generally where -- it's that money has been drawn out of our operating, you know, cash accounts. But ultimately, it's got to be drawn from a specific account. In this case, we're suggesting it come from the .1 cash. We have -- and George -- I think about $2.3 million of .1 cash across the three utilities right now. If we get a quick order, and you know, we look at things, believe that between truing up the RSF accounts to five million as well as, you know, taking the -- the -- the rest of the -- there will be a residual which will be able to use to pay for the merger expenses.

So that'll get booked though in over ten years. You know, you're going to have a regulatory asset that's going to have an amortization expense, but there's no return on the unamortized portion because we don't have a return on investment. And we will pro forma out the amortization expense associated with that regulatory asset, because we will have paid for it with money that's already been collected from the ratepayers and the .1 DSRR account.

We're seeking approval of that because that is not currently in this case. That would be specific to this particular case, an allowed use of the .1 DSRR funds. There are three. For this particular case, we would like to have the opportunity to add a fourth for this case only. Which is to pay for the approved, you know, subject to audit, merger expenses out of that .1 DSRR account.

All right. So I was a little low. It's about 2.5 million at this case. And currently, the run rate is about $1.2 million a year billed in that. And again, but for the last couple of years, as we've gone into this process, we purposely not utilize that cash towards capital improvements, knowing that there was a potential we were going to have to true up the RSF money.

Q Thank you for that response.

Okay. Next question switches gears just a little bit. I wanted to follow up on the Consumer Advocate's question regarding both mixed use residential as well apartment buildings that have one meter and a number of units.

What my question is around is if you compared the rate that you're proposing in this merger proceeding versus the rate that it would otherwise be without the merger, would you say that folks who are paying the bill, which is generally in those kinds of apartment buildings, the landlord, would you say that they would be paying more or less with or without the rate that's being proposed here?

A (Ware) In this case, the landlord will be paying less. So if you then what -- so right now, the landlord pays a fixed rate per CCM. If you look at what that rate would be for instance in PWW, it would be about $4.62 based on a 2022 test year; we're proposing a rate of $4.50.

Now, again, if there's 60 units in a building and each unit used five CCM per month, that's 300 units that would have all been at that 4.62. The allowance for those number of units that are -- that are in there, those -- those 60 units, they each get seven at the lowest tier. So they'd have 420 CCF is proposed at the $4.50, so that 300 CCF would be at 4.50 versus 4.62. So the goal, again, with the help of many parties, was to get at how we could ensure that the, you know, the apartment dweller, the residential user who does not own their -- their home got the full advantage of the lowest tier.

Q So if I'm understanding you correctly, the seven CCF is a per unit number in a multi-family building like that?

A Yes.

Q Okay. And the reason for the question is because just from anecdotal experience, a number of the three and four-family kinds of homes in cities like Nashua and Manchester, they do tend to run through a single meter. And you know, if you're allocating seven feet per unit, that makes it clearer to me how that impacts is going to -- because it was a little unclear from the testimony and the settlement agreement.

And then finally, I have a question about the 32 days of working capital. That seems really light. And so how do you deal with situations where you have a shock, a cost shock, and you need more than 32 days of working capital in order to meet expenses in the ordinary course?

A (Torres) So I'll answer your question the way I understand. So currently, it is Donald's testimony and mine we currently have about 32 days' worth of operating cash, give or take. It consists of an emergency expense that came up. Depending on that type of expense, there's certain avenues we could take. If it's a capital expense, we have the failout (phonetic) at our disposal for PWW. In that case, it's a $12 million facility to draw on. In the case of PEU, it's a $4 million facility.

Now, upon consummation of the proposed merger, those failouts would be combined under TD Bank for PWW. That will now become a $16 million facility. All the preexisting covenants under T and D (phonetic) will remain the same. It would just be an expanded facility.

If it was outside of capital expenditure, what the PWW would have is a small one -- PEU and Pittsfield also have as well as well as all of the other subsidiaries. There is a working capital line of credit at the parent. And it is a $4 million facility also under PCP. All of the five separate subsidiaries all have access to it. They have draws or intercompany transfers from the parent.

So in those two instances, you do have lines of credit available as well as operating cash that's available through all of the subsidiaries. Does that answer your question?

Q That answers my question. Thank you.

CHAIRMAN GOLDNER: Okay. We'll move to Commissioner Chattopadhyay.

COMMISSIONER CHATTOPADHYAY: I have only maybe two questions at most, but let's go one by one.

QUESTIONS BY COMMISSIONER CHATTOPADHYAY:

Q So this thing about savings from the merger, and then it somehow informs this calculation of $400,000. That, it's not very clear to me. How did you estimate that number?

A (Ware) Which number?

Q The 400,000.

A (Ware) The 400,000 was an estimate given to us by Rath. So Rath, as part of this process, we looked at the cost year to date, which were the $271,000. Rath looked at the work that was remaining, the amount of time they thought, and they came through so that we could put a number in the settlement agreement and say, no matter what happens, your costs are not going to exceed $400,000. So it will be someplace subject to audit when the merger is complete; we'll submit those merger expenses. If the total is more than 400,000 coming from Rath, they're going to cap that 400,000. If it's less, they're only going to get paid, you know, that amount. So say it's 362,000, that's -- and that's all approved and audited, that's what we would seek.

Q But is it possible that the savings is actually less than $400,000 and they have a bill telling you we need $400,000 because we worked on something? That's how I'm viewing what they're telling you.

A (Ware) So this is --

Q Is this correct? If I'm wrong in understanding?

A (Ware) So the savings we're talking about are savings in terms of revenue requirement, which is, you know, I think it's a different thing we're talking about there in that -- and again, we identified those are savings looking into the future by having reduced numbers of regulatory filings in my savings and reduced financing costs, principal and interest costs. You know, Rath for itself, this -- their final bill for the merger, they simply said we're capping at $400,000.

Q So yeah, I think I understand that point. My point is, this merger is happening, there is some savings that will be realized, and that savings has led -- that estimation has nothing to do with this calculation, that $400,000?

A (Ware) Correct.

Q And if you have a situation where the cost is $400,000, dollars, that's what they're bill is telling you, but the saving turns out to be, let's say, only $100,000.

A (Ware) Okay.

Q To me, you're really not sort of saying that you're going to be burdening the ratepayers only up to the savings. It's you're going beyond that, that's my point.

A (Ware) Well, so again, we did -- savings are not going to pay for the merger cost in one year. If I look at it, if we hit the 100,000 or we hit the 121,000, it takes three and a half years before you start to see a positive benefit.

But that will -- we're going to have a test, you know, test year 2025. We're going to start to see some of those savings, you know, as a result. And you know, over time, you know, you have 20 years of savings at 121,000, you've saved 1.2 million, having spent 400,000.

Q That is helpful. Thank you.

So just going to the -- I think it was either page 39 or 40 of the attachments, attachment A. So given what you had filed initially, there wasn't a whole lot of change, I'm assuming, based on what the audit found?

A (Ware) In terms of the revenue requirement?

Q Yes. I mean, when you said, its -- I think you were using some term there that signifies that it's only a pittance, something like that. It's not significant, it's minor.

A (Ware) I mean, the original filing, the filing schedules, if you look at Mr. Laflamme's scenario, and I -- we asked for -- we projected a revenue requirement -- trying to find the right schedule here. So we -- we projected 55,918,503.

Q Yeah.

A (Ware) The final number was 55,763,017. So that change was, again, through the discovery process finding -- getting to the final numbers.

Q I remember the term someone used was slightly modified, that was the term used?

A (Ware) Yes.

Q Okay. Again, I'm trying to conceptually understand something here. I previously worked as an analyst on probably the stock that's on the PWW rate cases. So when you say 2022 test year, I'm to understand, I remember there was some discussion about using five years' data. That was just limited to billing determinants?

A (Ware) Right. So --

Q Okay.

A (Ware) -- consumption patterns.

Q Okay. So it was indeed the 2022, the books?

A (Ware) Yes.

Q Okay. Question on the imprest level, okay? It was set at $5 million, has remained $5 million. The working capital, the needs based on the days calculation, it went from -- if I remember, you mentioned 45 days and now it's down to 32 days, correct?

A (Ware) Yes.

Q I know there are other changes happening, especially with the merger, but at some point that is a problem, right? As we keep going?

A (Torres) So as you noted, the $5 million imprest level was set back in 2011; so we're now 2025. So at some point, that imprest level we'll have to look at. Because obviously, if you were to fast forward to today's, you know, what the present value of future value of that $5 million is, you would certainly need to have more than that imprest level to remain to what we were back when this petition was contemplated.

Q So outside the settlement discussions, I mean, I am I'm conscious of the fact that when there is a settlement, sometimes you don't want to get into it and share information. But I'm just trying to get a sense of whether the issue of how over the years -- and of course, price level has gone up, right? Was it ever considered that the imprest level should be tied to some sort of inflation index?

A (Ware) So we certainly internally have had discussions, but you know, we've tried to change the rate process slowly. So we understand the impact of the changes to the rates. We're being -- especially being sensitive to the fact that, you know, our customers are really our -- our owners. So we want to make decisions that ultimately, you know, we can -- so one of the concerns -- but again, we didn't want to include it in this particular filing because it just -- you're adding one more thing for consideration is -- is, you know, our ability to, you know, have sufficient working capital to keep the bonding agency from dropping our rating and also, sufficient cash coverage to meet the various bank covenants that we have that allow us to bond for. But we did not bring them up as part of this case; wanted to get through this, get consolidated, and then have an opportunity -- and again, if you know how all the mechanisms are working, once we see those, you know, that may be a slight modification or request in a future rate case.

A (Torres) You have to kind of add a little bit to what you brought up bond covenants. Typically, the bond rating, or at least, someone like TD for a rate covenant, they typically look and see about 1.25. Given our current structure, when they came in and looked at us, there was no way we were going to be able to meet at 1.25 covenant. That's a 12-month rolling covenant of the revenues. And it takes your revenues and divide it amongst your principal and interest payments on a forward-looking basis. So they expect in any given month, a 1.25 percent multiple on top of whatever your -- your debt load is. We're currently at a 1.1 covenant. We're in exceedance of the 1.1. The 1.1 is a minimum. I mean, right now, I think the last covenant debts were about close to 1.2. But we've had to negotiate with our lenders, given our current constraints that we work under. You know, we have talked internally about at some point looking at the $5 million imprest level.

But there are other things that we've also looked at that we've implemented, such as the MOEF and some of these other things, that we can do outside of the typical three-year rate case cycle. Because in some instances where we're seeing significant increases on the production-related side and some of these treatment costs, even some of the PFAS regulations that are coming out, these are affecting the Company now, and we've had to address these now. Which is why some of these factors have been implemented. Now that they've been established, now we're going to circle back and look at these imprest levels of whether or not they're sufficient.

Q I'm going to go through some questions that internally our advisors had and get some clarity on some points. This one also jumped at me. So maybe because I haven't read everything. If you go to Bates page 1033, it's part of attachment K. I'll let you go there first.

So under the current rate it says two numbers there. So I'm assuming you're talking about two different kinds of hydrants? What's going on? It may be obvious somewhere else but --

A (King) No, thank you for pointing that out. It actually looks like a strikeout is missing. And then it's showing the current rate and then the new rate should be -- one of those should be struck out.

Q So this needs to be fixed?

A (King) I believe it should be -- sorry, I'm trying to jump back to the other --

A (Boisvert) That's what I'm looking at is the marked up sheet.

A (King) No, it's not marked up on the one either. So it looks like you missed the cross out. Probably if I'm thinking about it --

A (Boisvert) The 858 would be the one that's crossed out, right?

A (King) The 858 should be crossed out and it would be the (indiscernible).

Q Okay. So there --

A (King) It just didn't get it striked out.

Q These are the monthly charges have gone down and being picked up in the usage rates, correct?

A (Ware) Yes. The -- this was reduced because when we looked at fire protection required by ISO, this community only needs 500 gallons a minute. So you know, if you look at Nashua, needs 4,500 gallons a minute, but everybody had the same rate before. So relative to municipal fire protection rate is based on the ISO requirements. So the smaller communities -- and this is a very small community, is seeing a reduction based on cost of service in their -- what they're paying for fire protection.

Q Okay. Okay. So on attachment N, Bates page 1089, which relates to mixed use customer class. Pennichuck will then, based on a review of your property, establish the number of residential dwelling units that exist. So again, this is also something I want to understand.

First of all, how are you going to know how many units are there? They're going to let you know?

A (King) So --

Q The building owners?

A (King) Yeah. For the mixed use properties, the commercial with residential, we're looking for the commercial customers to contact us.

(Indiscernible), is that better?

To contact us, to basically have it assessed. And then they may say, okay, I've got a commercial unit with four residential units. We'll verify that to the different towns assessor sites if we can, but we also do a site visit in order to ensure that those are defined the correct way. And there are bathroom, there are kitchen and it's a separate locked entrance.

Q And that needs to be done properly. Otherwise, there's an incentive for them to say we have more units?

A (King) Correct. Yeah. And we would, you know, take what they -- the information we're provided, but it's going to need to be verified.

Q Okay.

A (King) Similar to what we've already done for the single -- the multi-family apartments where we've gone through a process of looking at town assessor's sites, sometimes apartment building websites to determine the number of dwelling units within each one of those multi-family accounts.

Q So in all of these cases, you have just one meter for the entire building?

A (King) Yes.

Q Okay. This is not an issue for buildings where you have one meter for every apartment?

A (King) Correct. And some, you know, depending on the circumstances, there are apartment buildings that have a meter for every unit. That would not fall under the scenario.

Q Okay. Another general question. So assume that the Commission approves the merger. What else does the City of Nashua need to do?

COMMISSIONER CHATTOPADHYAY: And I know there are somebody else want to chime in, that's fine too, as long as they needed to be sworn in. But just trying to understand. But if you know, that's good.

CHAIRMAN GOLDNER: If I can jump in, let's turn to Attorney Bolton and the City of Nashua for the answer on that.

MR. BOLTON: Yeah. The City of Nashua would have nothing left to do. It's been approved by the Board of Aldermen. The resolution was signed by the mayor. Nothing further, no further action by the City is necessary.

CHAIRMAN GOLDNER: Okay. So approval of the settlement by the Commission would result in implementation by Nashua? There's literally nothing left?

MR. BOLTON: Correct.

CHAIRMAN GOLDNER: Thank you.

MR. BOLTON: Changes to the bylaws of the Pennichuck Corporation will provide for the mayor, and the president of the Board of Aldermen, each to nominate a person to the board of directors of Pennichuck. So I suppose that's a remaining thing they would do.

CHAIRMAN GOLDNER: Thank you.

MR. BOLTON: But that would be it.

CHAIRMAN GOLDNER: Thank you, sir.

BY COMMISSIONER CHATTOPADHYAY:

Q As far as PAC is concerned, Pittsfield -- what I understood from the testimony and the discussions today, there hasn't been any capital expenditure incurred with PAC. Is that true, like, for many years now, or can you give me a sense of how things generally play out there?

A (Boisvert) There's been relatively little. Mostly the focus is on what we call run rate maintenance capital, fixing pumps and replacing things like that; maybe replacing a hydrant and those types of things that would be capitalized.

But large scale improvements, one of the things that has been cited by the New Hampshire DES is -- is that we -- we are lacking storage in the system and trying to build redundant storage in case there was a water main break, which has happened. We had a water main break about a year ago now that essentially left the town without water. If we had -- if that tank were built, we would have been able to keep the supply of water going. But we don't have the -- we don't have the access to capital to build that unless we were to get an SRF loan, we wouldn't be able to access capital to build that.

There are -- it's a system and -- and you know, it's been -- we've been able to manage it well. And when we acquired it, it was a relatively new treatment facility, but it's -- it's starting to show age where we need to do some reinvestment in it. And there's, you know, probably a bit of water main replacement that we have had to do, but we have we -- we have invested capital. One of my first projects back in 2006 was to -- to put a transmission main in from a reservoir down to the treatment plant. Again, one of the larger things that we've done in Pittsfield, but it's been a long time since we did that. We had SRF money to do that. So we -- it -- and again, it's small, it's about 634, 650 customers. We're talking a treatment facility that might do 300 gallons a minute or 150 gallons a minute on an average throughout the course of the year. So it's relatively small. So even though it's a very significant for that that system, it's in the grand scheme of things it's not -- these aren't the -- the larger capital items that we would be investing in.

Q So there hasn't been, at least since QCPAC was created, any line item or in QCPAC form --

A (Boisvert) PAC doesn't have QCPAC yet.

Q They don't have it? So I'm just trying to get a confirmation.

A (Boisvert) Right. Yeah. So we haven't -- we've -- we've been working really hard to maintain those systems that we've got. But you can only do that for so long. And so this will be a -- a benefit to those -- those residents.

Q But going forward, they will be paying for -- if the others typically have that QCPAC or capital investments, then they're going to be paying for it?

A (Boisvert) They will -- everybody -- it's -- it's -- the QCPAC will be common QCPAC, so whether we spend money in Pittsfield, or we spend it in Bedford, or we spend it in Nashua, it's all -- it's all -- the capital projects are all treated as one.

Q And in the bigger scheme of things, meaning how this rate case is presented, you think that's just and reasonable?

A (Boisvert) We do. Yes.

Q Please.

A (Ware) So as John mentioned, there is a couple of major capital improvements that need to be made in PAC. In my original testimony, there was a table that outlined capital investment by each utility for the number of customers. PAC, at the time, is the least investment per customer. But if we have to spend -- and it will be probably north of $2 million, John, to build in -- to put the storage in?

A (Boisvert) Less than that.

A (Ware) Okay.

A (Boisvert) It's --

A (Ware) You know, in -- PAC is going to, when the investments made between there and treatment, its level of investment per customer is going to go up. Could be if you kept the individual utilities, the highest, but we haven't been able to make those.

PEU actually has the least on a per customer basis when you take total capital improvements since it was acquired until the present per customer. PWW is next, PAC is the -- is -- is the lowest. So PAC, PEU, PWW. And you know, again, in PWW and in PEU you have multiple separate disparate systems where you make investment in one system. Everybody else helps with that in that particular utility. Same -- same thing will happen here. Ultimately, there's an ebb and flow to capital improvements. And you know, those -- depending upon where the ebb is and where the flow is, you're always going to have a certain amount of subsidization between customers.

Just one other quick example. In Nashua, you do a short street where there's three homes, that could cost us $400,000 to replace the main because the service restoration going into a main street. And work has to be done at night. It's over $100,000 a home. But they're part of that bigger system. So you don't go there and say, you particular street, you guys are going to each have to pick up $133,000 in capital investment.

So is it fair and equitable? We believe it's one utility ultimately run by one staff. We're going to have one common source of capital, and we're going to invest, you know, per the recommendations of the engineering department and various regulatory agencies, where, and when, and what we have to -- to maintain the level of service that's acceptable to all customers.

A (Torres) And just to further add, it's a reminder that Pittsfield is a standalone, has no outside access to capital. Currently, they only have one note. It's an SRF note for a Catamount Road project that was completed years ago. Outside of that, their only access is through an intercompany loan through Penn Corp. Once this merger -- this proposed merger is completed, as Don and John had alluded to, they will now have access via the annual bonding event at PWW for those proposed projects that we've talked about.

Q Just the last question. It's probably obvious, but I want to make sure I'm capturing it. As far as the merger cost is concerned, it's going to be spread out over ten years, right? So one year, let's say it's 40,000. That's going to be part of this 0.1. What is it -- DSSR, right?

A (Ware) So it will be taken from that --

Q Taken from that?

A (Ware) -- we're taking -- right, the 0.1.

Q Yeah, that's what I meant. Yeah. Okay. So confirm. Yeah. Thank you. That's all I have.

CHAIRMAN GOLDNER: So from a Pennichuck perspective, and this can be answered by counsel as well, what steps are left for any of the Pennichuck companies if the settlement is approved by the Commission? We talked about what Nashua needed, that's clear. What's the next step on the Pennichuck companies' side?

MR. STEINKRAUSS: Chairman, thank you.

So upon final order, the companies would -- and if the Board had voted already to authorize this, but (indiscernible) upon a final order, then the Company would execute the planned merger agreements. And then file those with the Secretary of State, amend those, file the bylaws as required. And then that's essentially it. Just close the docket to allow us to submit the closing documents to the lenders to effectuate the transfer of assets. But that is essentially all that will be left.

CHAIRMAN GOLDNER: Thank you.

So let's do this. First, my compliments to the parties and the Company for a thorough and thoughtful filing in this settlement. And the Commission will just take ten minutes, returning at 25 of to see if we need to polish off any Commissioner questions. We'll move into redirect and then to close. So off the record.

(Recess at 2:25 p.m., recommencing at 2:35 p.m.)

THE BAILIFF: All rise.

THE CLERK: Thank you, please be seated.

CHAIRMAN GOLDNER: Okay. We're back on the record, and we'll start with redirect and the Department.

MR. YOUNG: The Department has no redirect, Mr. Chairman.

CHAIRMAN GOLDNER: All right.

And the Petitioners?

MS. BROWN: Petitioners have no redirect.

CHAIRMAN GOLDNER: All right. Very good.

We can move to close. And why don't we start with the Department of Energy and Attorney Young?

MR. YOUNG: Thank you, Mr. Chairman, Commissioners. Department of Energy fully supports all aspects of the settlement agreement as filed, including the merger of the companies into one entity, the permanent rate revenue requirement for that entity, and the new rate structure that was described today, and explained in the settlement agreement. The DOE contends that the settlement agreement is just and reasonable and in the public interest as it is disposition of all the issues in this rate proceeding. It provides the Company with a clear path forward for the coming year.

The DOE would also like to emphasize that this is a global settlement with all the parties to this docket, which I think was not necessarily anticipated given how things started in this proceeding. This was a demanding process, I think, for all the parties. And I do and the Department does want to thank everybody for their participation. It was a collaborative effort throughout many technical sessions, emails, phone calls. So again, the Department just wants to thank everybody for their participation.

So in conclusion, the Department does recommend the approval of the settlement as filed, as it does provide just and reasonable rates that would promote the viability of the Company in its provision of safe and adequate water service. Thank you.

CHAIRMAN GOLDNER: Thank you. We'll turn now to the Office of the Consumer Advocate and Attorney Kreis.

MR. KREIS: Thank you, Mr. Chairman.

Much as Mr. Young just explained to you on behalf of the Department, on behalf of the State's residential utility customers and certainly the residential utility customers of the various Pennichuck companies, the Office of the Consumer Advocate believes that this settlement agreement is in the public interest and well worthy of your approval as it has been submitted to you.

And it has been a long, winding, and interesting road. I would say, having been around for a while, that in some respects what Pennichuck popped up and proposed more than a year ago resembled the -- the acquisition of the Connecticut Valley Electric Company by Public Service Company of New Hampshire. I think that dates back to the previous century. That was a troubled electric utility that really needed help that came in the form of the many essentially bailing out the few. Eversource, what was then Public Service Company of New Hampshire and the northeast utility subsidiary had way more customers than the Connecticut Valley Electric Company did. The Connecticut Valley Electric Company was in some trouble, and so all the PSC customers essentially came to the aid of a smaller group of customers in the Claremont area; they needed that help.

And there was a bit of that kind of dynamic here when you looked at the situation that Pennichuck East Utilities is in and was in, and then the situation that the other Pennichuck affiliates were in and are in.

There's a bit of a difference, though, in the sense that the size ratios are not the same. And the equities aren't the same. Here we have Pennichuck Water Works that represents primarily a customer base in one of the city's (sic) major cities, and then affiliates that represent folks in the outlying areas around those cities. Many of them, but not all of them, are more well off than those inner city customers.

So we thought about all of that, and we looked at what the Company initially proposed and said, we like this idea of consolidating the affiliates and adopting consolidated rates. But we think this needs a fix. And to the great credit of the Company and all of the other parties, everybody worked really hard to make the result of this docket achieve what the Companies need to achieve in a manner that is far more equitable and far more fair to all of this utility's customers, particularly, all of its residential customers.

So I want to single out the Company in particular for being responsive and creative in all of its dealings with us, and we had many discussions with the Company, both bilaterally and in conjunction with the other parties. And I also want to single out for praise and gratitude of the City of Nashua itself. I don't think I understood this case as well as I do now. And the difference for me was actually interacting with several members of the Board of Aldermen, with the Mayor of Nashua, and with its corporation counsel, who is here today. That really helped me to understand what residential customers inside the City of Nashua needed. What helped us get over to the finish line was some creative rate design around how to best serve the interests of people who live in multi-unit residential buildings in New Hampshire, particularly those that also have commercial units, or at least one commercial unit in them. So the City and the Company worked really well. I think we played a little bit of a constructive role in getting everybody to where this needs to be. I think the outcome is excellent and I strongly urge you to approve it as it has been submitted to you. Thank you.

CHAIRMAN GOLDNER: Thank you.

We'll turn now to the Town of Bedford.

MS. TATULIS: I think, as illustrated by the town's signature on the settlement, the town supports the merger and consolidated rates. And likewise, thanks all the parties for getting to this point.

CHAIRMAN GOLDNER: Thank you.

The Town of Litchfield?

MR. PERRY: The Town of Litchfield would echo the statements made by the Town of Bedford, by the Consumer

Advocate. Thank you to the Company and all the parties. The town strongly supports the agreement and encourages the Commission to adopt it.

CHAIRMAN GOLDNER: Thank you.

And the Town of Londonderry?

MS. LYON: The Town of Londonderry also supports the settlement agreement and urges the Commission adopts it. The Company identified affordability issues with PEU's rates, as well as structural issues that contribute to PEU's affordability problem. The Town of Londonderry certainly has a large number of residents who have expressed increasing concerns about those rates, and we believe that the settlement agreement is a just and reasonable way of improving those affordability issues. We urge the Commission to approve the settlement agreement. Thank you.

CHAIRMAN GOLDNER: Thank you.

And the City of Nashua?

MR. BOLTON: Thank you, Mr. Chairman. City of Nashua, for the reasons that you've heard here today and as expressed by those who spoke prior to me, likewise urges the adoption of the settlement by the Commission. Thank you.

CHAIRMAN GOLDNER: Thank you.

And finally, the Petitioners.

MS. BROWN: Good afternoon. I would be saying good morning, but thank you again for your time today, for a thorough presentation. There are a number of parties today that have come together in this settlement agreement, and the Company thanks their participation. In particular, if I can do a shout out again to OCA for taking a very strong lead in rate design, which is welcome, and also a strong lead by the Town of Londonderry, they had a cost of service expert so we can really drill down on rate design. Because really, once we got the rate design, the merger and the consolidation could -- I guess the rate design issue got out of the way so that those two elements could happen. So I just want to say a shout out to Londonderry and OCA for really helping us with the cost of service and rate design issues.

The Town of Bedford did not sponsor a witness, but I just want to give a reminder of the of the Town of Bedford's service. Pennichuck Water Works serves them. There are about 1,100 customers over the course of residential, I think there's a grocery store, and some town buildings that are served.

Litchfield is served by PEU, and there are about 2,500 customers in there, including residential and town offices. So these towns had a best interest because they themselves receive bills.

The Town of Londonderry has hydrants, several municipal buildings, 2,400 customers.

This proceeding with the merger and the consolidation of rates will result in a utility serving a combined 39,000 customers. And if I can do some record citations, that appears at attachment A, which is Exhibit 1, Bates, page 49.

There was discussion in Commissioner questions about response by the panel of investment per company -- per utility, rather. And I'd like to give the citation, that appears in Exhibit 1 and Bates page 131. That's an attachment to Donald Ware's testimony where he goes through the investment per customer, where he showed that PWW has the most, PEU has the next amount per customer, and PAC is last.

There was discussion about recovery of merger-related costs and our witness panel stated that that was a express request that we are asking for approval for that 01 (sic) DSRR monies to be spent in that way. And that appears in our section 10 of the settlement agreement at 10.2.10. So just wanted to direct your attention to that.

You heard a number of benefits from John Boisvert and Don Ware today on the benefits of the merger because we have to meet that public interest standard. But I also want to note that in John Boisvert's testimony at Exhibit 1, Bates page 59, he goes through and lists some of those and further benefits of the merger.

Mr. Ware's testimony at Exhibit 1, Bates, page 115. He also goes into a list of the benefits. And Mr. Torres does as well. The benefits of the availability of capital, especially to PAC and PEU, and the lower cost debt. He goes into an explanation at Exhibit 1 in his testimony that's located around Bates page 140.

Sorry to record build there, but I just thought it would be helpful to do that.

And you've heard particulars about the benefits of the rate design and the rate design changes. But I also want to point out for the rate case side of things, and where other parts of testimony support come from. I will direct you to Mr. Boisvert's testimony at Bates page 6. This is in his supplemental testimony, which is Exhibit 3 before you. And he goes into state that the multi-family rate group will be more protective of customer's nondiscretionary use and will result in residential customers with more discretionary use paying more than the customers with nondiscretionary use.

Also, at Bates page 8 of Exhibit 3 at lines 1 to 3, he also lists the benefit of this rate design to prevent rate shock. Because there will be more customers to spread the revenue requirement over, capital will be shared among more customers -- or capital investment will be shared, rather.

Also in Exhibit 3, at Bates page 13, Mr. Boisvert stated that the merger will improve funding opportunities for PAC and PEU, and will reduce debt service costs.

Mr. Ware's testimony in Exhibit 3 at Bates page 45, he also lists the benefit of access to capital.

And lastly, at Bates page 13, for Mr. Boisvert, also at Exhibit 3, lists the benefits of the affordability and sustainability concerns.

You have heard that all the corporate approvals at the municipal corporate level and at the Company level are either done or mostly done. You've heard that there's a little bit of cleanup for bylaws, et cetera.

Now, we attached the resolutions from the City of Nashua as attachment G to the settlement agreement, which is Exhibit 5. But we also, after the 4:30 deadline, sorry, snuck in Exhibit 8. And we would like you to consider Exhibit 8, which we didn't actually discuss today, but it is the certified copy of attachment G that the City provided. So I just wanted to alert you to that, that if you want the certified copy of attachment G, it appears at Exhibit 8.

You've heard testimony about the revenue requirement that appears in attachment A and the supporting doc and the other attachments that support that attachment A; those are the 160406 schedules and the 160408 schedules, which appear as attachments D and E. Also, in attachment B and C, B being the additional discovery, support the numbers that are in attachment A.

You've heard that there are no changes to the revenue requirement methodology. There's also no request for a temporary rate. So there's no temporary permanent recoupment. So that simplifies this rate case a little bit more.

I'd like to talk to you about the notice because the witness, Tara King, had brought out that there was supplemental notice that went out already. That supplemental notice to customers, which I think appears at attachment L, was already sent out because the parties felt it important to make sure that the customers were aware what the rate design change is, and that there was an opportunity to have a hearing today. So that's why those notices went out and those appeared attachment L.

Now, with respect to the request that we needed order soon, I greatly appreciate your indulgence on that request given the well-articulated reasons by John Boisvert and Donald Ware about burning through the cash in the debt service revenue requirement RSF fund to pay for the principal and interest, and the benefit that the PEU customer -- the PEU debt going from Cobank -- or I think it's Cobank right now, to bonding, which would be I think, the 250 basis points on average less would be a great benefit to wrap that in.

If you can't issue a decision by January 28th so that we can have the 30 days pass before the March 1st. I don't know exactly when the bonding is happening, but it's very important to have an unappealable order by March 1st. If you can't do that, that means that PEU debt can't be placed into a bond. It has to be serviced for another year until the next bond cycle. I think that came out that it has to sit for another year, but I want to just emphasize that point.

I will also offer -- this is kind of a long in the tooth comment. In the past, when I've seen the Commissioners faced with an urgency, I've seen oral orders followed by a written order. I've seen summary orders, followed by a more full, thorough record cited order. So if you can issue an order by January 28th, we would greatly appreciate that.

And so I would also like to point out, the parties have tried to help you with the order by taking all of the approvals that we need and put them in section 10. The only thing that's not in there is the waiver request, and that waiver request is in the bills rendered section somewhere in -- yeah, 613. So between 613 and the waiver request and 10, you should have all of the elements that we really need a decision on.

So with that, the Companies respectfully request that the Commission find that the merger is in the public interest; find that the rates that are produced from this revenue requirement are just and reasonable; and issue a decision by January 8th.

MR. STEINKRAUSS: Thank you. I simply add that -- I thank the Commission for its time and considering all the filings, petitions, between the Company and the parties to reach this end result. A special thanks to the Department and its staff for its dedicated hours of time going through this audit, discovery, piling through the massive amount of files and documents.

And finally, a thank you to all the parties, but specifically our sole shareholder, the City of Nashua. The time and effort expended by the Board of Aldermen, the Mayor, and Corporation Counsel, and other city staff to make sure this is thoroughly reviewed and brought to bear results. Thank you very much.

CHAIRMAN GOLDNER: Thank you.

I'm a little delinquent, but I'll release the witnesses. The witnesses are excused. I'd like to thank the witnesses for their testimony today. That was very helpful.

Is there any objection to striking identification on all exhibits submitted and accepting them into evidence as full exhibits?

MS. BROWN: None.

CHAIRMAN GOLDNER: Seeing none, we'll strike ID and enter all exhibits as full exhibits in the docket.

Is there anything else we need to cover today?

MR. KREIS: Yes, Mr. Chairman, just one thing briefly. I discovered during one of the breaks that Mr. Ware is contemplating retirement in the next few months, and I just wanted to single him out for an expression of gratitude. We've been working with Mr. Ware for many, many, many years, going back to the era in which the Pennichuck Corporation was an investor-owned utility. And I don't know anybody in the utility business who is as thorough, and thoughtful, and just totally reliable than he is. You know, some utility executives just never, ever tell you anything that isn't true. And he is one of them. And I think he has been a great public servant in his current guise and in his previous guises. And I just want to wish him and his family well as he transitions into the next phase of his life.

CHAIRMAN GOLDNER: Thank you, Attorney Kreis. There's no need to worry about that because we've rejected his petition, so that won't happen until maybe next year.

Well, thank everyone. We are adjourned.

(Proceedings concluded at 2:56 p.m.)

CERTIFICATE

I, Traci Fine, a court-approved proofreader, do hereby certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter, to the best of my professional skills and abilities.

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