

IR 20-089
**Pennichuck Water Works, Inc., Pennichuck East Utilities, Inc., Pittsfield Aqueduct
Company, Inc.**

Responses Reporting Period February 28, 2021
Filing Period March 30, 2021

Item # 1

Provide information regarding changes in payment behavior or patterns and account receivables levels since the declaration of the State of Emergency on March 13 and the Governor's Emergency Order #3 issued on March 17. Such information should be provided for each utility rate class.

Response:

Please see the attached file as it relates to this requested data.

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Item # 2

Provide the following data for each utility rate class:

- a) The number, and percentage, of customers who made partial or no payment in February 2020 and 2021.
- b) The number, and percentage, of customers who made partial or no payment in February 2020 and 2021 and did not have an outstanding balance during the prior six months.

Response:

- a) Files and data are attached with regards to this requested information for the period cited.
- b) The attached files include the analysis requested for this item for the period cited.

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Item # 3

Describe any programs or initiatives undertaken to assist customers specifically as a result of the COVID-19 pandemic, the State of Emergency, Emergency Order #3, and the related stay-at-home restrictions.

Response:

June:

No specific programs or initiatives have been undertaken, as it relates to payment delinquencies due to COVID-19, and no customers have contacted us at this juncture with regards to request extended payment plans at this time. They will be arranged on a customer by customer basis, as needed. With regards to customer safety, the Company has instituted a process as it relates to customer contact, to minimize physical contact with customers and/or entry into their residences or premises. A definition of essential versus non-essential duties has been established in conformity with the Company's pandemic response protocols, and as such, entry into customer premises is only done for emergency procedures. And, when needing to be done, is done with full PPE equipment and socially distancing protocols observed. All Company personnel that can work remotely from home, have done so since the beginning of March. Any field personnel that cannot perform their duties from home, have been working in an isolated and segregated manner in order to fully comply with the orders, while still performing necessary and essential duties.

July Update:

There have been no further changes.

August Update:

There have been no further changes.

September Update:

There have been no further changes.

October Update:

There have been no further changes.

November Update:

There have no further changes as it related to emergency orders in place for the State of NH. As some of our employees have to service systems in northeastern Massachusetts, we have had to adapt to changing orders for that State, including certain travel restrictions imposed during the second week of November.

December Update:

There have been no further changes since the last month.

January 2021 Update:

There have been no further changes since the last month. The Company continues with its ongoing communications to both its employees and customers, as it relates to the pandemic and its protocols thereupon.

February 2021 Update:

There have been no changes since the January update.

March 2021 Update:

There have been no specific changes since the February update. The Company has resumed its process of notifying customers of past due accounts, with a solicitation for them to contact the Company if payment arrangements need to be made.

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Item # 4

Provide a detailed description of customer outreach undertaken to date.

Response:

June:

As detailed in the presentation given in the hearing on June 17th, the Company has undertaken several outreach initiatives to alert customers to pandemic response protocols in place, including:

- An automated phone message to all customers for which we have phone numbers
- An update and message on our website about protocols
- An outreach and updates to customers using Facebook

July Update:

There have been no further changes.

August Update:

There have been no further changes.

September Update:

There have been no further changes.

October Update:

There have been no further changes.

November Update:

There have been no further changes.

December Update:

There have been no further changes.

January 2021 Update:

There have been no further changes.

February 2021 Update:

There have been no further changes.

March 2021 Update:

There have been no further changes.

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Item # 5

Describe the Utility's review and evaluation of best practices and successful initiatives undertaken in other states.

Response:

June:

Pennichuck has been attended in numerous local (City of Nashua, Granite State Rural Water) , regional (NEWWA) and national (AWWA and USEPA) webinars regarding how utilities are responding the COVID-19 pandemic. Pennichuck reviews the weekly updates from the NHDES regarding best practices for utility operations during COVID-19.

July Update:

Pennichuck continues to review the weekly updated form the NHDES regarding best practices for utility operations during COVID-19. Pennichuck has actively participated in the NHPUC's IR20-089 docket tech sessions over the past month.

August Update:

No changes since the July update.

September Update:

No changes since the August update.

October Update:

No changes since the September update.

November Update:

Pennichuck continues to review the weekly updated form the NHDES regarding best practices for utility operations during COVID-19. Pennichuck has continued to actively participate in the NHPUC's IR20-089 docket tech sessions.

December Update:

No changes since the November update.

January 2021 Update:

No changes since the December update.

February 2021 Update:

No changes since the January update.

March 2021 Update:

No changes since the February update.

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Item # 6

Describe whether the Utility has updated its sales forecasts in light of the pandemic and its effects on the economy.

Response:

June:

The Company has not updated its budget at this time, as the impact of COVID-19 to date on revenues of the Company, have not been material, especially in light of the fact that the summer watering season has started with a “dry” environment where residential consumption levels have been at or in excess of expected levels. As to forecasts that were provided to our credit rating agency for our most recent bond issuance, for a conservative outlook, we did temper our forecasted revenues for our Pennichuck Water Works, Inc. subsidiary by \$1.5 million, but that was done as much for the timing of getting our current rate case in pendency completed, as it was for the impacts of COVID-19.

July Update:

There have been no further updates or adjustments to revenue forecasts in July, based upon current consumption trends.

August Update:

Based upon consumption levels for the Summer due to the increasing drought conditions, no adjustments to the forecast for the year have been made, as the current trend is above planned levels and provides “cover” for possible erosion due to COVID-19.

September Update:

No changes over and above the previous month’s updates.

October Update:

No changes over and above the previous month’s updates.

November Update:

No changes over and above the previous month's updates for the current year's budget. The Company is currently in the preparation stages for its 2021 budgets, and as such, has taken any special concerns as it relates to COVID, into consideration for that budget process.

December Update:

No changes over and above the previous month's updates.

January 2021 Update:

No changes over and above the previous month's updates. The operations of the Company, and the potential cost of modification of operating activities and performance of duties have been included in the Company's approved 2021 operating budgets.

February 2021 Update:

No changes since the operations of the Company and the potential cost of modification of operating activities and performance of duties have been included in the Company's approved 2021 operating budgets in January.

March 2021 Update:

No changes to the information provided for the February 2021 update. The Company has begun tracking actual performance against the approved budget, with no significant variations cited thus far.

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Item # 7

Describe any operational changes the Utility is making or planning to make in response to the effects of the pandemic, including changes in budgets or personnel.

Response:

June:

We have not made any changes in budgets or personnel. In fact, the Company has been able to keep its entire workforce employed through this period of time. Operational changes have all been centered on the definition of essential versus non-essential operations activities, and due to that certain operational activities were temporarily deferred or altered. Examples of this is deferral of meter PTs in residences and facilities during this period of time, that alteration of timing of certain non-critical flushing activities from Spring of this year to the Fall, ceasing shut-offs for non-payment in compliancy with the emergency orders, and extending the period of time for which estimated billings would be issued to customers that have a “non report” meter in their residence (this is where the meter is continuing to measure water flows for consumption, but data is not being transmitted properly thru radio reads; typically a 1-2 month estimated read process would be observed as we are able to get into a residence to fix the radio read problem...this is now elongated to a period of 3-5 months of estimates, as we are not going into residences for this non-emergency purpose).

July Update:

The Company’s disconnection technician was vacated in February of 2020. The Company has not yet replaced that technician due to the fact that disconnections have not been occurring and are not anticipated to resume before year end.

August Update:

The Company is in the process of seeking to refill the disconnection technician position.

September Update:

No change since the August update.

October Update:

No change since the September update. The Company is in the process of preparing its 2021 budget at this time, to be approved in January. The impact of COVID-19, if determined and material, will be included in that budget.

November Update:

No change since the October update.

December Update:

No change since the November update.

January 2021 Update:

No changes over and above the previous month's updates. The operations of the Company, and the potential cost of modification of operating activities and performance of duties have been included in the Company's approved 2021 operating budgets. This is inclusive of the Company's ability to continue to fully maintain its workforce in support of providing necessary and ongoing services to its customers.

February 2021 Update:

The Company has replaced its disconnect technician. The Company plans to reinitiate disconnections in April. The potential cost of modification of operating activities and performance of duties have been included in the Company's approved 2021 operating budgets in January.

March 2021 Update:

No changes since the last monthly update.

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Item # 8

Describe any changes to capital projects and related planning budgets the Utility has made or is planning to make in response to the effects of the pandemic.

Response:

June:

The Company did have to defer one large capital project out of 2020 to 2021. That being the replacement of the Kessler Farm Tank in Nashua. The timing and delays associated with COVID-19 did not allow for that project to start early enough in the Spring to be completed during this year and be operational before winter started. As such, this project is now slated for a start in early 2021, and completion in the fall of 2021. In order to offset this deferral, several other projects for water main replacement and/or booster station upgrades, that were slated for 2021, have been moved forward into 2020, to rebalance the overall workload for capital projects for the two years, as a part of the Company's comprehensive an ongoing infrastructure replacement programs.

July Update:

There have been no further changes to the Company's 2020 capital projects or related planning budgets over the past month.

August Update:

There have been no further changes to the Company's 2020 capital projects or related planning budgets over the past month.

September Update:

There have been no further changes to the Company's 2020 capital projects or related planning budgets over the past month.

October Update:

There have been no further changes to the Company's 2020 capital projects or related planning budgets over the past month.

November Update:

There have been no further changes to the Company's 2020 capital projects or related planning budgets over the past month. The Company is in the process of defining its 2021 capital projects budget, and as such, has implemented any considerations deemed appropriate as it relates to COVID, in that planning process.

December Update:

There have been no further changes to the Company's 2020 capital projects or related planning budgets over the past month. The 2021 Capital budget has been preliminarily approved by the Company's Board of Directors, subject to final approval in January 2021.

January 2021 Update:

The 2021 Capital budget were fully and finally approved by the Company's Board of Directors at the January monthly Board of Directors meeting, including any impacts on proposed capital projects deferred from 2020, as they may have been impacted by prior or currently known factors from COVID-19.

February 2021 Update:

There have been no further changes to the Company's 2021 capital projects or related planning budgets since it was approved by the Board of Directors at the January meeting.

March 2021 Update:

No changes since the last monthly update.

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Item # 9

Describe any supply chain disruptions the Utility is experiencing or expects may occur and the effects of such supply chain disruptions.

Response:

June:

The Company has not experienced any supply chain disruptions, other than a temporary disruption in the ability to obtain some PPE supplies to maintain a full stock of those supplies (which has been fully rectified at this time). And, we have not been given any notice by key suppliers that a disruption in supply chain distribution is anticipated at this time. Please note that per information provided by the joint USEPA/AWWA webinar on June 10th that the Federal Government has deemed producers and suppliers of water treatment chemicals as essential businesses which has helped ensure that these businesses will remain open.

July Update:

The Company has not experienced any impacts on its supply chain in July, and as of this response has no further knowledge of anticipated disruptions or concerns.

August Update:

The Company has not experienced any impacts on its supply chain in August, and as of this response has no further knowledge of anticipated disruptions or concerns.

September Update:

The Company has not experienced any impacts on its supply chain in September, and as of this response has no further knowledge of anticipated disruptions or concerns.

October Update:

The Company has not experienced any impacts on its supply chain in October and as of this response has no further knowledge of anticipated disruptions or concerns.

November Update:

The Company has not experienced any impacts on its supply chain in November and as of this response has no further knowledge of anticipated disruptions or concerns.

December Update:

The Company has not experienced any impacts on its supply chain in December and as of this response has no further knowledge of anticipated disruptions or concerns.

January 2021 Update:

The Company has not experienced any impacts on its supply chain in January, to start the new fiscal and calendar year, and as of this response has no further knowledge of anticipated disruptions or concerns.

February 2021 Update:

The Company has not experienced any impacts on its supply chain in February and as of this response has no further knowledge of anticipated disruptions or concerns.

March 2021 Update:

The Company has not experienced any impacts on its supply chain in March and as of this response has no further knowledge of anticipated disruptions or concerns.

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Item # 10

Describe whether the Utility and/or its parent company has adequate access to capital or has been negatively affected in accessing the capital markets or has been downgraded by any credit rating services.

Response:

June:

The Company did experience a delay in its ability to issue its annual Tax-exempt bonds into the market in April. The bonds were originally slated to price and close in the April 2-9 timeframe, but due to disruption in the bond markets from COVID-19, the bonds did not actually price and close until April 29. However, when they did sell in late April, the monetary impact on the issued bonds was very minimal, in that the bonds issued at that time were issued at an all-in TIC (total interest cost) of 4.29%, up from the equivalent experienced for bonds issued in April 2019 at an all-in TIC of 4.22%. And the difference in those rates could be solely attributed to the fact that the Company was rated as an A+ credit in April 2019, but as an A credit in 2020 (all due to liquidity concerns for the Company itself, and for the markets in general). The Company has had ongoing discussions with its primary bank during this COVID-19 period, as it relates to ongoing negotiations relating to the extension and renewal of its line of credit facilities. And, as rate relief and another bond issuance is pending (Docket No. DW 20-089) the Company had concerns about liquidity resources to continue to remain financially viable during COVID, and as such, applied for and received a PPP loan, which has accomplished the needed backstop for the Company and its ability to fully employ its workforce, and continue to provide full services for its customers.

July Update:

The Company's current overall financial and capital levels have not materially changed during July.

On July 24, Pennichuck Water Works, Inc. received an Order from the NHPUC allowing it to proceed with a taxable bond financing/refinancing, to be consummated at the beginning of September, as well as an Order approving a modified rate structure for the Company. These are

key items which will contribute to the overall financial status of the Company, and the update to its bond credit rating will be issued and obtained in conjunction with the bond issuance, during the month of August.

August Update:

The Company's current overall financial and capital levels have not materially changed during August.

On August 25th, the Company completed the Sale of \$73.6 million of taxable bonds in conformity with an Order issued by the NHPUC in July, for which the closing on this transaction will occur on September 2nd. The overall results of the bond transaction were favorable and in conformity with overall expectations.

September Update:

No further updates over prior months.

October Update:

No further updates over prior months.

November Update:

No further updates over prior months.

December Update:

No further updates over prior months.

January 2021 Update:

No further updates over prior months. The Company does have concerns related to the completion of certain open dockets it has before the Commission that are directly tied to debt issuance activities completed in 2020 (Dockets DW 20-020 and DW 20-019), for which final rate structure surcharge adjustments are still pending, as well as an open docket approving its upcoming and succeeding years bond issuances. The implementation of the surcharge on the bonds issued in 2020 (under DW 20-020) and commercial debt in 2020 (under DW 20-019), as well as the ability to timely issue bonds in early 2021 (under Docket DW 20-157) are highly impactful on the Company's ability to maintain its current credit rating, and access to the necessary bond markets for which its largest utility (PWW), which it is fully dependent upon for the necessary replacement of infrastructure and capital projects, in conformity with regulations and requirements.

February 2021 Update:

The Company's concerns voiced in its January 2021 update above remain the same with the exception that the Company plans to issue the bonds required to pay for its 2020 capital improvements in March of 2021 using the authority to issue those bonds that was granted in NHPUC Order 26-101 in response to DW-17-183. The Company still needs the approval of future financings sought in DW20-157 but the criticality has been lowered due to its ability to issue the bonds to pay for its 2020 capital improvements under the earlier NHPUC approval as noted above.

March 2021 Update:

The Company's Pennichuck Water Works subsidiary received a credit rating update in the month of March, in preparation for its April 1 bond issuance. The credit rating was affirmed at the current level (S&P rating = "A") with an upgrade in its financial outlook from negative to stable.

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Item # 11

Describe incremental costs associated with the COVID-19 pandemic since the State of Emergency order, how the cost is calculated, cost to date, accounting treatment, impact on earnings, and proposed or planned rate treatment.

Response:

June:

Schedules are attached detailing the incremental costs for supplies associated with COVID-19, as well as the cost of labor to maintain a full workforce during this pandemic, in a “ready state” to respond to and complete essential services to our customers. At this juncture and based upon the overall impact and nature of these expenditures, even though these costs have been individually tracked in work orders, the Company contemplates they will be recorded as period expenses in 2020, and no deferred treatment will be sought or required. This is due to the overall nature of the expenditures, their magnitude, and the rate structure that exists for the regulated utility companies in our consolidated group. As an ROE component does not exist for our companies, allowed and earned revenues are earmarked for three distinct buckets of cash flow needs: the CBFRR, the DSRR and the OERR. And, as the labor costs described in the attached, are a part of the base wages that would normally be inclusive on the OERR portion of allowed revenues, no special treatment would be required. Outside of labor costs, the specific incremental costs spent to date on PPE and supplies is less than \$10k. As such, without an ROE component and based upon our rate structure, there is currently no adverse impact on earnings of any material nature due to COVID-19.

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July Update:

The Company has no updates to this response based upon activity during the month of July.

August Update:

The Company has no updates to this response based upon activity during the month of August.

September Update:

The Company has no updates to this response based upon activity during the month of September.

October Update:

The Company has no updates to this response based upon activity during the month of October.

November Update:

The Company has no updates to this response based upon activity during the month of November.

December Update:

The Company has no updates to this response based upon activity during the month of December.

January 2021 Update:

The Company has no updates to this response based upon activity during the month of January.

February 2021 Update:

The Company has no updates to this response based upon activity during the month of February.

March 2021 Update:

The Company has no updates to this response based upon activity during the month of March.