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October 19, 2023

Ms. Lynne Blaisdell
Town Administrator
Town of Sandown, P.O. Box 1756, 320 Main Street
Sandown, NH 03873

Re: Pennichuck Water Works, Inc. – Estimated Water Rate Increase

Dear Ms. Lynne Blaisdell:

On behalf of Pennichuck and its water utility companies, I wanted to make you aware that Pennichuck Water Works, Inc. (“PWW”) has filed a Notice of Intent (“NOI”) to file a rate case with the New Hampshire Public Utilities Commission (“PUC”) on October 13, 2023 (see notice attached). This NOI was filed by PWW in conjunction with Pennichuck East Utility, Inc. (“PEU”) and Pittsfield Aqueduct Company, Inc. (“PAC”). The Company is requesting the PUC approve an increase in PWW’s rates, to allow:

- PWW to collect sufficient revenues to pay for increases in the Company’s current operating expenses which have occurred over the past couple of years, due to inflation and other factors, and
- To approve the consolidation of the Companies three regulated utilities (PWW, PEU, and PAC) into one entity, with PWW being the surviving entity and owner of the franchise service areas of the utilities.
- This case will be based upon a test year of 2022; PWW last had an increase in its base (or permanent) rates for the test year of 2021.

The Company has received approval of recovery, for its investments in infrastructure over the past year via the Company’s annual Qualified Capital Project Adjustment Charge (“QCPAC”), which is a fundamental element of the Company’s rate structure, as a debt-only funded regulated water utility. The accumulated annual charge associated with the QCPAC since 2021, will be a component of the overall new permanent rates being sought, with the net impact of the requested

rate increase being the component of that increase over and above the amounts already included as a part of the annual QCPAC surcharges.

The filing of a rate case with the PUC involves the following steps:

- Notice of Intent to File Rate Schedules, which must state an estimate of the projected increase in rates. **This was filed on October 13, 2023.**
- A complete Rate Case filing, which includes the final proposed change and consolidation of rates, and all testimony, exhibits and schedules required under PUC rules and regulations. This must be filed no earlier than 30 days after the date of the NOI, and no later than 60 days after the date of the NOI. As such, the full rate case is to be filed on or after November 12, 2023, but before December 12, 2023. **It is the company's intention to file the case on or about November 15, 2023.**
- The PUC will open a docket for the Rate Case and issue an Order of Notice scheduling a prehearing conference to address timing and other procedural aspects. **We expect this prehearing conference to occur sometime in December 2023 or January 2024.**
- PWW's Rate Case will not include a request that the PUC allow a "temporary" rate increase during the pendency of the Rate Case. As such, the rate request being sought in this docket will be seeking approval of the consolidated structure and new rates on a prospective basis, going forward, once final approval is received. **It is the company's goal that the case be completed, and the consolidated structure and new rates be approved and effective as of January 1, 2025.**
- The PUC will approve a detailed procedural schedule for the docket, which will include discovery and testimony by Department of Energy ("DOE") Staff, the Office of Consumer Advocate, and any other parties which petition for and are approved as Intervenor to the case. **A final hearing on the requested consolidation and permanent rates is likely to be held in the Summer of 2024.**

PWW's NOI states its best current estimate as of the date of this notice filing, as to the amount of the base rate increase that PWW will ultimately seek approval for when it files the case in mid-November. As such, this noticed increase will be finalized and "trued up" within the next 30 days as PWW completes its full Rate Case filing documents, which will be filed in its entirety with the PUC in the timeframe specified above.

The current base rate increase set forth in the NOI is to increase the consolidated PWW, PEU and PAC base annual revenues by approximately \$7.0 million, which represents an aggregate increase in base rates of about 14.0%.

As will be carefully documented, supported and substantiated in PWW's full Rate Case filing, this increase is appropriate and reasonable for the following reasons:

- The underlying cost of PWW's operating expenses have increased since it's last approved rate increase in certain areas at higher than the rate of inflation.

- PWW's usage of certain operating costs have changed (upwards or downwards) based upon factors relating to the ongoing operation of the utility, as well as forces impacting that operation outside of the utility's ability to control, including the cost and requirements to treat water within existing and emerging drinking water standards.
- PWW invested and borrowed \$5.8 million in 2022 (since its last rate case). PEU and PAC have invested and borrowed \$7.9 million between 2020 and the end of 2022 (since their last rate cases) resulting in \$13.9 million in new capital projects or infrastructure replacement that is currently being recovered from PWW and PEU rate payers via a QCPAC surcharge. The QCPAC surcharge for that capital work will be eliminated as part of the proposed rate filing.
- The overall increase in rates and base annual revenues is inclusive of all of these factors, as well as the net overall impact of consolidating the three regulated utilities into one entity, in serving customers in the State of New Hampshire, in Pennichuck's currently authorized franchise areas, and includes the revenues needed to pay for necessary operating expenses, over and above what has already been authorized in the Company's annual Qualified Capital Project Adjustment Cost (QCPAC) surcharge filings.
- The impact on individual rate payers, based upon an average single family residential customer will be amongst the schedules included in the full rate case filing in November, and for which individual customer notices will be mailed directly to customers within weeks of the filing with the PUC. Based upon the overall consolidation and impacts of this filing, it is anticipated that the impact on an average single family residential customer, on a monthly dollar impact basis, will either be moderate, extremely low, or in many cases, favorable compared to current rates.

The requested rate increase is consistent with the City of Nashua's overall forward-looking plan when it acquired Pennichuck in January 2012. Because the City does not seek to charge a profit for Pennichuck's water utility service, and because the cost of operating PWW as a municipally owned, debt-only funded utility is lower than if Pennichuck were still privately-owned, the requested rate increase is lower than would be the case at this time, if the City had not acquired Pennichuck. The approval by the PUC of the consolidation of the regulated water utility entities into one entity is further needed to insure current financial stability and viability of the Company as a whole, but also to maintain the core mission of the Company in providing clean, safe water to all of the customers served by Pennichuck, regardless of town or community served, in a prudent, cost effective and reliable manner.

It is the intent of the Company to keep the communities we serve informed as we proceed through the regulatory processes. I would appreciate your sharing the information provided with your community's governing Board.

A copy of the Notice of Intent to File Rate Schedules is available on the Company's website (www.Pennichuck.com). In addition, once the docket has been opened at the PUC, you may follow the proceeding on the PUC website: <http://www.puc.state.nh.us>.

In addition, members of the Company staff are available to meet with you or the community's governing body to discuss:

- the rate filing process,
- the underlying aspects and considerations of the consolidation, and
- the estimated rate increases we will be filing for in the November filing that is pending.

Please reach out to me directly, should you wish to schedule a time and date to do this.

After nearly 10 years of City ownership of Pennichuck Corporation, the regulated water utility subsidiaries of PWW, PEU and PAC specifically, continue to provide high quality water service, with important and ongoing investments in safe and secure infrastructure, and with excellent customer service, at rates that are lower than they would have been under prior private ownership.

One of the key goals in this particular rate request filing, is the approval being sought which would provide for a consolidated water rate structure that is more uniform, and at levels that are sustainable for the long term, in serving all of Pennichuck's customers, in all 29 towns and communities served by the utility.

Please feel free to call me at 603-913-2312 if you need any further information or clarification, or to set up a time to meet on this topic, either in person, or virtually.

Sincerely,

A handwritten signature in blue ink, appearing to read "L. Goodhue".

Larry D. Goodhue
Chief Executive Officer