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State of New Hampshire

DEPARTMENT OF SAFETY
JAMES H. HAYES BLDG. 33 HAZEN DR.
CONCORD, N.H. 03305
(603) 271-2791

EDDIE EDWARDS
ASSISTANT COMMISSIONER

STEVEN R. LAVOIE
ASSISTANT COMMISSIONER

ROBERT L. QUINN
COMMISSIONER

April 15, 2024

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the Department of Safety, Division of Homeland Security and Emergency Management (HSEM) to enter into a grant agreement with Pennichuck Water Works (VC#155870-B001), Nashua, NH 03061, in the amount of \$791,575.99 to rehabilitate the Bowers Pond Dam. Effective upon Governor and Council approval through September 12, 2025. 100% Federal Funds.

Funding is contingent on Governor and Executive Council approval of an accept and expend request for \$796,347.00 included on this agenda. The accept and expend request was approved by Fiscal Committee at the April 19, 2024 meeting.

02-23-23-236010-56300000 - Dept. of Safety - HSEM - HHPD
072-500574 Grants to Local Gov't - Federal
Activity Code: 23HHPD 2022

SFY 2024
\$791,575.99

EXPLANATION

The purpose of this grant is for Pennichuck Water Works to rehabilitate the Bowers Pond Dam to meet NH Department of Environmental Services (DES) Dam Bureau requirements through site work for a concrete cut-off wall, concrete access road, the installation of a new Articulated Concrete Block (ACB) auxiliary spillway within the existing structure, design, installation, maintenance, and removal of a temporary structural cofferdam, installation of new slide gate systems, installation of erosion and sedimentation control measures, and replacement of existing downstream stoplogs.

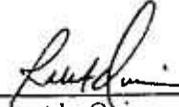
The grant listed above is funded by the High Hazard Potential Dams (HHPD) grant program, which was awarded to the Department of Safety, HSEM from the Federal Emergency Management Agency (FEMA). The HHPD grant program provides funding to sub-recipients for cost-effective hazard mitigation activities that complement a comprehensive mitigation program. FEMA provides HHPD funds to states that, in turn, provide sub-grants or contracts for a variety of mitigation activities, such as project scoping and the implementation of projects identified through the evaluation of high-hazard potential dams.

HHPD is 65% Federally funded by FEMA with a 35% match requirement supplied by the sub-recipient. The sub-recipient acknowledges their match obligation as part of Exhibits B and C to their grant agreement.

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
April 15, 2024
Page 2 of 2

There are no General Funds required with this request. In the event that HHPD funds are no longer available, General Funds and/or Highway Funds will not be requested to support this program.

Respectfully submitted,

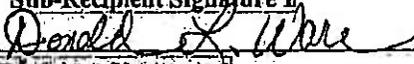
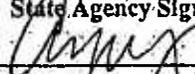
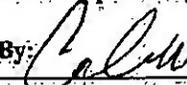


Robert L. Quinn
Commissioner of Safety

GRANT AGREEMENT

The State of New Hampshire and the Subrecipient hereby
Mutually agree as follows:
GENERAL PROVISIONS

1. IDENTIFICATION AND DEFINITIONS

1.1. State Agency Name NH Department of Safety, Homeland Security and Emergency Management		1.2. State Agency Address 33 Hazen Drive Concord, NH 03305	
1.3. Sub-Recipient Name Pennichuck Water Works, INC. (155870-B001)		1.4. Sub-Recipient Address 25 Walnut Street, Nashua, NH 03061	
1.5. Sub-Recipient Tel. # 800-553-5191	1.6. Account Number AU #56300000	1.7. Completion Date September 12, 2025	1.8. Grant Limitation \$791,575.99
1.9. Grant Officer for State Agency Virginia Clasby, State Hazard Mitigation Officer		1.10. State Agency Telephone Number (603) 223-4310	
"By signing this form we certify that we have complied with any public meeting requirement for acceptance of this grant, including if applicable RSA 31:95-b."			
1.11. Sub-Recipient Signature 1 		1.12. Name & Title of Sub-Recipient Signor 1 DONALD L. WARE, CEO	
Sub-Recipient Signature 2 		Name & Title of Sub-Recipient Signor 2 GEORGE TORRES, CFO	
Sub-Recipient Signature 3		Name & Title of Sub-Recipient Signor 3	
1.13. State Agency Signature(s) By:  On: 4/15/24		1.14. Name & Title of State Agency Signor(s) Amy Newbury, Director of Administration	
1.15. Approval by the N.H. Department of Administration, Division of Personnel (if applicable) By: _____ Director, On: 1/1			
1.16. Approval by Attorney General (Form, Substance and Execution) (if G & C approval required) By:  Assistant Attorney General, On: 04/17/24			
1.17. Approval by Governor and Council (if applicable) By: _____ On: 1/1			

2. SERVICES TO BE PERFORMED. The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly

described in the attached EXHIBIT B which is incorporated herein by reference ("Services").

Subrecipient Initials: 1.)  2.)  3.) _____ Date: 12/15/2023

3. EFFECTIVE DATE/COMPLETION OF SERVICES.

3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, if applicable, this Agreement, and all obligations of the parties hereunder, shall become effective on the date the Governor and Executive Council approve this Agreement as indicated in block 1.17, unless no such approval is required, in which case the Agreement shall become effective on the date the Agreement is signed by the State Agency as shown in block 1.13 ("Effective Date").

3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed. Contractor must complete all Services by the Completion Date specified in block 1.7.

4. CONDITIONAL NATURE OF AGREEMENT.

Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds affected by any state or federal legislative or executive action that reduces, eliminates or otherwise modifies the appropriation or availability of funding for this Agreement and the Scope for Services provided in EXHIBIT B, in whole or in part. In no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to reduce or terminate the Services under this Agreement immediately upon giving the Contractor notice of such reduction or termination. The State shall not be required to transfer funds from any other account or source to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

5. CONTRACT PRICE/PRICE LIMITATION/ PAYMENT.

5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT C which is incorporated herein by reference.

5.2 The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete compensation to the Contractor for the Services. The State shall have no liability to the Contractor other than the contract price.

5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.

5.4 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no

event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8.

6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/ EQUAL EMPLOYMENT OPPORTUNITY.

6.1 In connection with the performance of the Services, the Contractor shall comply with all applicable statutes, laws, regulations, and orders of federal, state, county or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal employment opportunity laws. In addition, if this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all federal executive orders, rules, regulations and statutes, and with any rules, regulations and guidelines as the State or the United States issue to implement these regulations. The Contractor shall also comply with all applicable intellectual property laws.

6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of race, color, religion, creed, age, sex, handicap, sexual orientation, or national origin and will take affirmative action to prevent such discrimination.

6.3 The Contractor agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with all rules, regulations and orders, and the covenants, terms and conditions of this Agreement.

7. PERSONNEL.

7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.

7.2 Unless otherwise authorized in writing, during the term of this Agreement, and for a period of six (6) months after the Completion Date in block 1.7, the Contractor shall not hire, and shall not permit any subcontractor or other person, firm or corporation with whom it is engaged in a combined effort to perform the Services to hire, any person who is a State employee or official, who is materially involved in the procurement, administration or performance of this Agreement. This provision shall survive termination of this Agreement.

7.3 The Contracting Officer specified in block 1.9, or his or her successor, shall be the State's representative. In the event of any dispute concerning the interpretation of this Agreement, the Contracting Officer's decision shall be final for the State.

8. EVENT OF DEFAULT/REMEDIES.

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):

- 8.1.1 failure to perform the Services satisfactorily or on schedule;
- 8.1.2 failure to submit any report required hereunder; and/or
- 8.1.3 failure to perform any other covenant, term or condition of this Agreement.

Subrecipient Initials: 1.) OPW 2.) BJ

3.) Date 12/15/2023

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely cured, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;

8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;

8.2.3 give the Contractor a written notice specifying the Event of Default and set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or

8.2.4 give the Contractor a written notice specifying the Event of Default, treat the Agreement as breached, terminate the Agreement and pursue any of its remedies at law or in equity, or both.

8.3. No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event of Default, or any subsequent Event of Default. No express failure to enforce any Event of Default shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other Event of Default on the part of the Contractor.

9. TERMINATION.

9.1 Notwithstanding paragraph 8, the State may, at its sole discretion, terminate the Agreement for any reason, in whole or in part, by thirty (30) days written notice to the Contractor that the State is exercising its option to terminate the Agreement.

9.2 In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall, at the State's discretion, deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination Report shall be identical to those of any Final Report described in the attached EXHIBIT B. In addition, at the State's discretion, the Contractor shall, within 15 days of notice of early termination, develop and submit to the State a Transition Plan for services under the Agreement.

10. DATA/ACCESS/CONFIDENTIALITY/PRESERVATION.

10.1 As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes,

Subrecipient Initials: 1.) AW 2.) lf

letters, memoranda, papers, and documents, all whether finished or unfinished.

10.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

10.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

11. **CONTRACTOR'S RELATION TO THE STATE.** In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

12. ASSIGNMENT/DELEGATION/SUBCONTRACTS.

12.1 The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written notice, which shall be provided to the State at least fifteen (15) days prior to the assignment, and a written consent of the State. For purposes of this paragraph, a Change of Control shall constitute assignment. "Change of Control" means (a) merger, consolidation, or a transaction or series of related transactions in which a third party, together with its affiliates, becomes the direct or indirect owner of fifty percent (50%) or more of the voting shares or similar equity interests, or combined voting power of the Contractor, or (b) the sale of all or substantially all of the assets of the Contractor.

12.2 None of the Services shall be subcontracted by the Contractor without prior written notice and consent of the State. The State is entitled to copies of all subcontracts and assignment agreements and shall not be bound by any provisions contained in a subcontract or an assignment agreement to which it is not a party.

13. **INDEMNIFICATION.** Unless otherwise exempted by law, the Contractor shall indemnify and hold harmless the State, its officers and employees, from and against any and all claims, liabilities and costs for any personal injury or property damages, patent or copyright infringement, or other claims asserted against the State, its officers or employees, which arise out of (or which may be claimed to arise out of) the acts or omission of the Contractor, or subcontractors, including but not limited to the negligence, reckless or intentional conduct. The State shall not be liable for any costs incurred by the Contractor arising under this paragraph 13. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

14. INSURANCE.

14.1 The Contractor shall, at its sole expense, obtain and continuously maintain in force, and shall require any

3.) _____ Date 12/15/2023

subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 commercial general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate or excess; and

14.1.2 special cause of loss coverage form covering all property subject to subparagraph 10.2 herein, in an amount not less than 80% of the whole replacement value of the property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than ten (10) days prior to the expiration date of each insurance policy. The certificate(s) of insurance and any renewals thereof shall be attached and are incorporated herein by reference.

15. WORKERS' COMPENSATION.

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A ("*Workers' Compensation*").

15.2 To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. The Contractor shall furnish the Contracting Officer identified in block 1.9, or his or her successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

16. **NOTICE.** Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

17. **AMENDMENT.** This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire unless no such approval is required under the circumstances pursuant to State law, rule or policy.

Subrecipient Initials: 1.) 2.)

18. **CHOICE OF LAW AND FORUM.** This Agreement shall be governed, interpreted and construed in accordance with the laws of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assigns. The wording used in this Agreement is the wording chosen by the parties to express their mutual intent, and no rule of construction shall be applied against or in favor of any party. Any actions arising out of this Agreement shall be brought and maintained in New Hampshire Superior Court which shall have exclusive jurisdiction thereof.

19. **CONFLICTING TERMS.** In the event of a conflict between the terms of this P-37 form (as modified in EXHIBIT A) and/or attachments and amendment thereof, the terms of the P-37 (as modified in EXHIBIT A) shall control.

20. **THIRD PARTIES.** The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

21. **HEADINGS.** The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

22. **SPECIAL PROVISIONS.** Additional or modifying provisions set forth in the attached EXHIBIT A are incorporated herein by reference.

23. **SEVERABILITY.** In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

24. **ENTIRE AGREEMENT.** This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire agreement and understanding between the parties, and supersedes all prior agreements and understandings with respect to the subject matter hereof.

3.)

Date: 12/15/2023

EXHIBIT A

Special Provisions

1. This grant agreement may be terminated upon thirty (30) days written notice by either party.
2. Any funds advanced to "the Subrecipient" must be returned to "the State" if the grant agreement is terminated for any reason other than completion of the project.
3. Any funds advanced to "the Subrecipient" must be expended within thirty (30) days of receiving the advanced funds.
4. "The Subrecipient" agrees to have an audit conducted in compliance with OMB Circular 2 CFR 200, if applicable. If a compliance audit is not required, at the end of each audit period "the Subrecipient" will certify in writing that they have not expended the amount of federal funds that would require a compliance audit (\$750,000). If required, they will forward for review and clearance a copy of the completed audit(s) to "the State".

Additionally, "the Subrecipient" has or will notify their auditor of the above requirements prior to performance of the audit. "The Subrecipient" will also ensure that, if required, the entire grant period will be covered by a compliance audit, which in some cases will mean more than one audit must be submitted. "The Subrecipient" will advise the auditor to cite specifically that the audit was done in accordance with OMB Circular 2 CFR 200. "The Subrecipient" will also ensure that all records concerning this grant will be kept on file for a minimum of three (3) years from the end of this audit period.

Subrecipient Initials: 1.) AMW

2.) HA

3.)

Date: 12/15/2023

Page 5 of 7

EXHIBIT B

Scope of Services

1. The Department of Safety, Division of Homeland Security and Emergency Management (hereinafter referred to as "the State") is awarding Pennichuck East Utility (hereinafter referred to as "the Subrecipient") \$791,575.99 to rehabilitate the Bowers Pond Dam.
2. "The Subrecipient" agrees that the project grant period ends on September 12, 2025 and that a final performance and expenditure report will be sent to "the State" by October 12, 2025.
3. "The Subrecipient" agrees to comply with all applicable federal and state laws, rules, regulations, and requirements.
4. "The Subrecipient" shall maintain financial records, supporting documents, and all other pertinent records for a period of three (3) years from the grant period end date. In these records, "the Grantee" shall maintain documentation of the 35% cost share required by this grant.
5.
 - 1.) Site work for concrete cut-off wall, concrete access road, etc. and for installation of a new Articulated Concrete Block (ACB) auxiliary spillway within the existing dam structure to meet the NHDES Dam Bureau requirement for the dam to pass 2.5 times the 100-year flood elevation plus 1.0 foot of additional freeboard. The 120-foot-wide auxiliary spillway would have a crest elevation of 179.4 feet.
 - 2.) Design, installation, maintenance, and removal of a temporary structural cofferdam for the demolition of the existing /former concrete intake structure and stoplog/bulkhead cofferdam at the upstream end of the four spillway water bays for the installation of two new slide gates, and the replacement in-kind of two existing downstream stoplog bays.

The construction of the concrete cutoff wall would require temporary lowering of Bowers Pond to at least 2-feet below the bottom of the cutoff wall to eliminate seepage and reduce potential instability of the excavation. The structural cofferdam for the removal of the existing/former concrete intake would be designed and constructed to resist hydrostatic pressure to within one foot below the top of the earthen embankment and would be designed and stamped by a licensed Engineer.

Additional work to be completed includes:

- 3.) Removal and disposal of the existing aluminum cover plates located above the downstream wood stoplogs,
- 4.) Removal and disposal of wood stoplogs and galvanized steel stanchions located at the downstream wood stoplog slots in the two interior spillway bays,
- 5.) Removal, disposal, and replacement of the existing stoplogs and galvanized steel stanchions in the two exterior bays,
- 6.) Fabrication and installation of two (2) stainless steel, double leaf, weir and slide gate systems to be installed in the downstream stoplog slots of the middle two (2) water bays including all gate accessories, and support frames.
- 7.) Installation of erosion and sedimentation control measures including dewatering, pumping, and

Subrecipient Initials: 1.) *MMJ* 2.) *AT* 3.)

Date: 12/15/2023

water control during construction.

8.) Removal of existing, former concrete intake structure located on the upstream and left side (looking downstream) of the spillway.

9.) Installation of rip rap on the downstream and right-side slope of the spillway.

10.) Installation of a 6-foot-high chain link fence and gate.

Subrecipient Initials: 1.) BMW

2.) AF

3.)

Date: 12/15/2023

Page 7 of 7

EXHIBIT C

Grant Amount and Payment Schedule

1. GRANT AMOUNT

	Sub-Applicant	Grant	
	Share	(Federal Share)	Cost Totals
Project Cost	\$426,233.24	\$ 791,575.99	\$ 1,217,809.23
Project Cost is 75% Federal Funds, 25% Applicant Share			
Awarding Agency: Federal Emergency Management Agency (FEMA)			
Award Title & #: High Hazard Potential Dams (HHPD) EMW-2022-GR-00151			
Catalog of Federal Domestic Assistance (CFDA) Number: 97.041			
Applicant's Unique Entity Identifier (UEI): EG96EAL1Q9B8			

2. PAYMENT SCHEDULE

- a. "The Subrecipient" agrees the total payment by "the State" under this grant agreement shall be up to \$791,575.99.
- b. "The Subrecipient" shall submit invoices to "the State" with supporting documentation, i.e., copies of purchase orders, vendor invoices, and/or cancelled checks. Upon review and approval of the invoices and supporting match documentation, "the State" will forward the funds to "the Subrecipient". "The Subrecipient" shall expend the grant funds within thirty (30) days and provide proof of this to "the State" within forty-five (45) days.
- c. "The State" shall reimburse up to \$791,575.99 to "the Subrecipient" upon "the State" receiving a reimbursement request with match documentation and appropriate backup documentation (i.e., copies of invoices, copies of canceled checks, and/or copies of accounting statements).
- d. Upon contract approval, allowable match may be incurred for this project from the start of the federal period of performance of this grant, September 11, 2022, to the identified completion date (block 1.7).

Subrecipient Initials: 1.) RCW 2.) GF 3.) _____

Date: 12/15/2023

State of New Hampshire

Department of State

CERTIFICATE

I, David M. Scanlan, Secretary of State of the State of New Hampshire, do hereby certify that PENNICHUCK WATER WORKS, INC. is a New Hampshire Profit Corporation registered to transact business in New Hampshire on January 17, 1983. I further certify that all fees and documents required by the Secretary of State's office have been received and is in good standing as far as this office is concerned.

Business ID: 59614

Certificate Number: 0006669797



IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 16th day of April A.D. 2024.

A handwritten signature in black ink, appearing to read "David M. Scanlan".

David M. Scanlan
Secretary of State

PENNICHUCK WATER WORKS, INC.

CORPORATE SECRETARY'S CERTIFICATE

I, Carol Ann Howe, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Water Works, Inc. (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Company on December 15, 2023; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

Resolved: that the Board of Directors, in a majority vote, accept the terms of the Hazard Mitigation Grant Program as presented in the amount of \$791,575.99 to be used for the rehabilitation of the Bowers Pond Dam. Furthermore, the Board of Directors acknowledges the total estimated cost for this project is \$2,250,000 and that Pennichuck Water Works will be responsible for paying for the estimated balance of \$1,458,424.01 necessary to fully fund the completion of the rehabilitation of the Bowers.

Further

Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the aforementioned High Hazard Potential Dam (HHPD) Grant Agreement with the State of NH Division of Homeland Security and Emergency Management (NH HESM).

Further

Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the SRF Loan from the New Hampshire Public Utilities Commission, the New Hampshire Department of Environmental Services, the Governor and Executive Council; and the City of Nashua in its capacity as the sole shareholder of Pennichuck Corporation (the Company's parent corporation), and any other authority determined by such officers relating to the aforementioned HHPD Grant.

Further

Resolved: that George Torres and Donald L. Ware are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the NH HESM HHPD Grant and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to

be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

2. I further attest that George Torres and Donald L. Ware were granted the authority prior to the day the HHPD Grant Agreement was signed and that authority had not been amended or repealed as of the day the Grant Agreement was signed.

In witness whereof, I have hereunto set my hand as Corporate Secretary of Pennichuck Water Works, Inc. this 19th day of December, 2023.



Carol Ann Howe
Corporate Secretary





PENNICHUCK®

PENNICHUCK CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2022 and 2021

(With Independent Auditor's Report Thereon)

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Balance Sheets	4
Consolidated Statements of Income (Loss)	6
Consolidated Statements of Comprehensive Income (Loss)	7
Consolidated Statement of Changes in Stockholder's Equity (Deficit) Current Year	8
Consolidated Statement of Changes in Stockholder's Equity Prior Year	9
Consolidated Statements of Cash Flows	10
Notes to the Consolidated Financial Statements	12



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholder
Pennichuck Corporation and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Pennichuck Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income (loss), comprehensive income (loss), changes in stockholder's equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Pennichuck Corporation and Subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United State of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Pennichuck Corporation and Subsidiaries, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennichuck Corporation and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

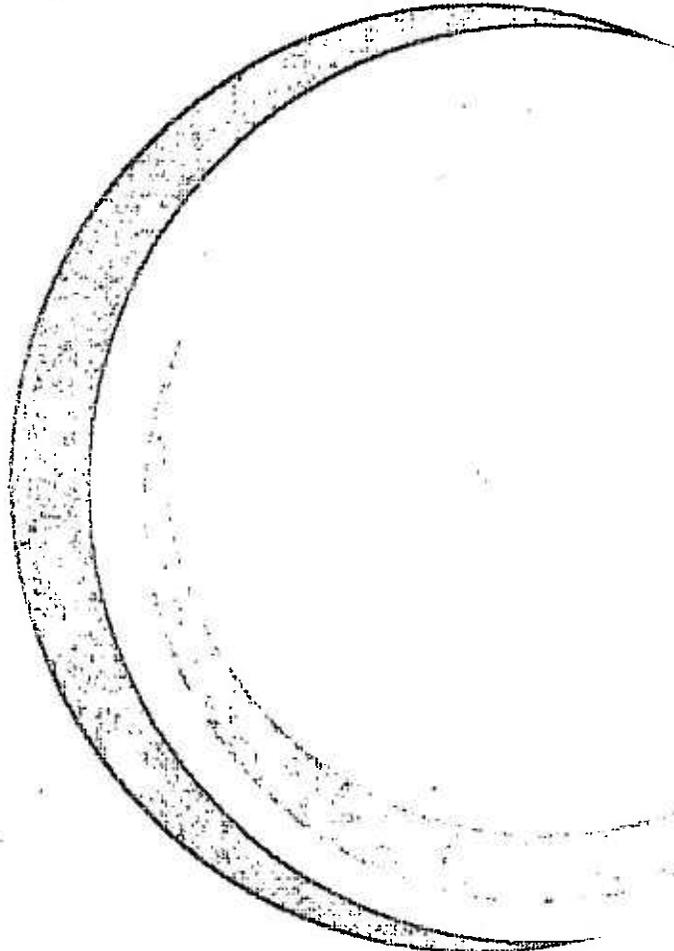
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pennichuck Corporation and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennichuck Corporation and Subsidiaries' ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Melanson

Merrimack, New Hampshire
March 21, 2023



PENNICHUCK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets
As of December 31, 2022 and 2021
(in thousands, except share data)

	<u>2022</u>	<u>2021</u>
ASSETS		
Property, Plant and Equipment, net	\$ <u>247,062</u>	\$ <u>245,197</u>
Current Assets:		
Cash and cash equivalents	3,138	1,493
Restricted cash - RSFs and Restricted Accounts	10,837	11,619
Restricted cash - CIAC	134	1,037
Restricted cash - Bond Project Funds	219	255
Accounts receivable - billed, net	5,048	3,576
Accounts receivable - unbilled, net	3,277	6,277
Accounts receivable - other	16	16
Inventory	991	733
Prepaid expenses	908	506
Prepaid property taxes	1,064	925
Deferred and refundable income taxes	<u>11</u>	<u>-</u>
Total Current Assets	<u>25,643</u>	<u>26,437</u>
Other Assets:		
Right-of-use asset	5,101	-
Deferred charges and other assets	4,184	12,516
Acquisition premium, net	<u>62,899</u>	<u>65,082</u>
Total Other Assets	<u>72,184</u>	<u>77,598</u>
TOTAL ASSETS	\$ <u>344,889</u>	\$ <u>349,232</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets - Continued
As of December 31, 2022 and 2021
(in thousands, except share data)

	<u>2022</u>	<u>2021</u>
STOCKHOLDER'S EQUITY (DEFICIT) AND LIABILITIES		
Stockholder's Equity (Deficit):		
Common stock; \$0.01 par value; 1,000 shares authorized, issued and outstanding	\$ -	\$ -
Additional paid in capital	30,561	30,561
Accumulated deficit	(36,363)	(34,381)
Accumulated other comprehensive income	<u>524</u>	<u>356</u>
Total Stockholder's Equity (Deficit)	<u>(5,278)</u>	<u>(3,464)</u>
Long-Term Debt, Less Current Portion and Unamortized Debt Issuance Costs	<u>229,303</u>	<u>227,063</u>
Current Liabilities:		
Lines of credit	6,246	6,608
Current portion of long-term debt	7,999	9,149
Current portion of operating lease liability	285	-
Accounts payable	3,258	2,452
Accrued property taxes	-	142
Deferred revenue	69	67
Accrued interest payable	1,389	1,341
Other accrued expenses	278	559
Accrued wages and payroll withholding	438	387
Customer deposits and other	<u>654</u>	<u>1,298</u>
Total Current Liabilities	<u>20,616</u>	<u>22,003</u>
Other Liabilities and Deferred Credits:		
Deferred income taxes	14,418	14,850
Accrued pension liability	6,177	12,159
Unamortized debt premium	3,556	3,660
Deferred investment tax credits	338	371
Regulatory liability	9,894	9,906
Accrued post-retirement benefits	3,401	4,748
Customer advances	84	84
Contributions in aid of construction, net	57,306	57,302
Derivative instrument	10	290
Long-term operating lease liability, net of current portion	4,816	-
Other long-term liabilities	<u>248</u>	<u>260</u>
Total Other Liabilities and Deferred Credits	<u>100,248</u>	<u>103,630</u>
TOTAL STOCKHOLDER'S EQUITY (DEFICIT) AND LIABILITIES	<u>\$ 344,889</u>	<u>\$ 349,232</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income (Loss)
For the Years Ended December 31, 2022 and 2021
(in thousands)

	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ <u>56,081</u>	\$ <u>52,004</u>
Operating Expenses:		
Operations and maintenance	29,003	26,707
Depreciation and amortization	8,856	8,751
Taxes other than income taxes	<u>6,399</u>	<u>6,872</u>
Total Operating Expenses	<u>44,258</u>	<u>42,330</u>
Operating Income	11,823	9,674
Interest Expense	(14,114)	(13,902)
Other, Net	<u>-</u>	<u>340</u>
Loss Before Provision for Income Taxes	(2,291)	(3,888)
(Provision) Benefit for Income Taxes	<u>587</u>	<u>189</u>
Net Loss	<u>\$ (1,704)</u>	<u>\$ (3,699)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2022 and 2021
(in thousands)

	<u>2022</u>	<u>2021</u>
Net Loss	\$ (1,704)	\$ (3,699)
Other Comprehensive Income (Loss):		
Unrealized gain (loss) on derivatives	206	72
Reclassification of net income (loss) realized in net loss	73	(68)
Income tax provision relating to other comprehensive income (loss)	<u>(111)</u>	<u>98</u>
Other Comprehensive Income (Loss)	<u>168</u>	<u>102</u>
Comprehensive Loss	<u>\$ (1,536)</u>	<u>\$ (3,597)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholder's Equity (Deficit)

For the Year Ended December 31, 2022
(in thousands, except per share data)

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance as of January 1, 2022	1,000	\$ -	\$ 30,561	\$ (34,381)	\$ 356	\$ (3,464)
Common dividends declared	-	-		(278)	-	(278)
Net loss	-	-		(1,704)	-	(1,704)
Other comprehensive income:						
Unrealized gain on derivatives, net of taxes of \$82	-	-		-	124	124
Reclassification of net income realized in net loss, net of taxes of \$29	-	-		-	44	44
Balance as of December 31, 2022	<u>1,000</u>	<u>\$ -</u>	<u>\$ 30,561</u>	<u>\$ (36,363)</u>	<u>\$ 524</u>	<u>\$ (5,278)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2021
(in thousands, except per share data)

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance as of January 1, 2021	1,000	\$ -	\$ 30,561	\$ (30,403)	\$ 254	\$ 412
Common dividends declared	-	-	-	(279)	-	(279)
Net loss	-	-	-	(3,699)	-	(3,699)
Other comprehensive income:						
Unrealized loss on derivatives, net of taxes of \$(63)	-	-	-	-	43	43
Reclassification of net income realized in net loss, net of taxes of \$27	-	-	-	-	59	59
Balance as of December 31, 2021	<u>1,000</u>	<u>\$ -</u>	<u>\$ 30,561</u>	<u>\$ (34,381)</u>	<u>\$ 356</u>	<u>\$ (3,464)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(in thousands)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Net Loss	\$ (1,704)	\$ (3,699)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	8,967	8,843
Amortization of deferred investment tax credits	(33)	(33)
Provision for deferred income taxes	(557)	(161)
Gain on disposition of property	-	(345)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable billed, unbilled and other	1,528	(1,084)
(Increase) decrease in inventory	(258)	(135)
(Increase) decrease in prepaid expenses	(541)	365
(Increase) decrease in refundable income taxes	(11)	-
(Increase) decrease in deferred charges and other assets	11,344	8,179
Increase (decrease) in accounts payable and deferred revenue	865	(521)
Increase (decrease) in accrued property taxes	(145)	145
Increase (decrease) in accrued interest payable	48	37
Increase (decrease) in other	<u>(8,268)</u>	<u>(2,387)</u>
Net cash provided by operating activities	<u>11,235</u>	<u>9,204</u>
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment including debt component of allowance for funds used during construction	(8,653)	(8,816)
Proceeds from sale of property	-	429
Net cash used for investing activities	<u>(8,653)</u>	<u>(8,387)</u>

(continued)

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows - Continued
For the Years Ended December 31, 2022 and 2021
(in thousands)

	2022	2021
Cash Flows From Financing Activities:		
Borrowings (payments) on lines of credit, net	\$ (362)	\$ 1,128
Payments on long-term debt	(9,152)	(6,046)
Contributions in aid of construction	16	40
Proceeds from long-term borrowings	7,441	9,614
Debt issuance costs	(323)	(302)
Dividends paid	(278)	(279)
Net cash provided by (used for) financing activities	(2,658)	4,155
Increase (Decrease) in cash, cash equivalents, and restricted cash	(76)	4,972
Cash, cash equivalents, and restricted cash at beginning of period	14,404	9,432
Cash, cash equivalents, and restricted cash at end of period	\$ 14,328	\$ 14,404

**Supplemental Disclosure of Cash Flow and Non-cash Items
For the Years Ended December 31, 2022 and 2021 (in thousands)**

	2022	2021
Cash paid during the period for:		
Interest	\$ 11,114	\$ 10,907
Income taxes	151	105
Non-cash items:		
Contributions in aid of construction	1,381	2,093
Forgiveness of debt	112	89

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Pennichuck Corporation ("the Company," "we," or "our") is a holding company headquartered in Nashua, New Hampshire with five wholly owned operating subsidiaries: Pennichuck Water Works, Inc., ("Pennichuck Water") Pennichuck East Utility, Inc., ("Pennichuck East") and Pittsfield Aqueduct Company, Inc. ("PAC") (collectively referred to as the Company's "utility subsidiaries"), which are involved in regulated water supply and distribution to customers in New Hampshire; Pennichuck Water Service Corporation ("Service Corporation") which conducts non-regulated water-related services; and The Southwood Corporation ("Southwood") which has historically owned several parcels of undeveloped land.

The Company's utility subsidiaries are engaged principally in the collection, storage, treatment and distribution of potable water to approximately 39,000 customers throughout the State of New Hampshire. The utility subsidiaries, which are regulated by the New Hampshire Public Utilities Commission (the "NHPUC"), are subject to the provisions of Accounting Standards Codification ("ASC") Topic 980 "Regulated Operations."

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant and Equipment

Property, plant and equipment, which includes principally the water utility assets of the Company's utility subsidiaries, is recorded at cost plus an allowance for funds used during construction on major, long-term projects and includes property funded with contributions in aid of construction.

Maintenance, repairs and minor improvements are charged to expense as incurred. Improvements which significantly increase the value of property, plant and equipment are capitalized.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash, money market funds and other short-term liquid investments with original maturities of three months or less.

Restricted Cash – RSF

This restricted cash balance consists of funds maintained for the Rate Stabilization Funds ("RSF"), which was initially established in conformity with the requirements of NHPUC Order No. 25,292, as explained more fully in Note 14 of these consolidated financial statements. The RSF is a set of imprest funds of \$5 million in the aggregate, which is subject to funding above or below the imprest fund balance, reflecting actual revenue and/or expense performance as it relates to prescribed revenue and specific expense levels supported by the RSF. The excess or deficient amount (versus the \$5 million imprest balances) is subject to return or collection to rate payers over the succeeding three-year period of time, as of the rate order issued with the next promulgated rate case filing. On November 7, 2017, the NHPUC approved and issued Order No. 26,070 which established new rates for Pennichuck Water. In addition, the rate order then authorized the reallocation of the initial and existing \$5,000,000 RSF among the Company's utility subsidiaries. Such that, Pennichuck Water's allocated share of the RSF funds would now be \$3,920,000, with the remaining balance of \$1,080,000 to be allocated between Pennichuck East and PAC. Rate order No. 26,179, under docket DW 17-128 then allocated \$980,000 of the \$1,080,000 to Pennichuck East with the remaining \$100,000 to PAC (for which the approval to allocate these funds to PAC was approved in November 2021 with rate order No. 26,544, in docket DW 20-153). The purpose for splitting and allocating the original RSF funds amongst the regulated subsidiary companies was to provide additional reserves at the individual entity level, which would aid in ensuring sufficient capital reserve funds are available to each entity Company, to support its operations. For the years ended December 31, 2022 and 2021, the aggregated balances in the RSFs and restricted cash accounts were approximately \$10.8 million and \$11.6 million, respectively.

Restricted Cash – CIAC

This restricted cash balance consists of funds maintained for the income tax impact from Contributions in Aid of Construction (“CIAC”), which was established in conformity with the NHPUC approval provided to the Company’s regulated utilities on November 27, 2019. This amendment to the Company’s tariffs allows for the recovery from developers and other CIAC contributors, the tax costs needed to fully fund the associated tax liability created from the elimination of an exemption whereby CIAC to water utilities was exempt from taxation, was eliminated with the passage of the Tax Cuts and Jobs Act of 2017 (“the TCJA”). The Infrastructure Investment and Jobs act of 2021 retroactively made CIAC non-taxable for federal tax, reversing the effect federally of the TCJA, whereas the taxation of CIAC for NH Business Profits Taxes remained in effect. Subsequently, in April 2022, legislation was passed in New Hampshire to reinstate the non-taxability of water utility CIAC for Business Profits Taxes. As such, the Company was able to cease collection of these taxes for both Federal and State purposes, after effective dates that the exemptions were reinstated. For the years ended December 31, 2022 and 2021, the balances in this restricted cash account were approximately \$134,000 and \$1.0 million, respectively. In accordance with the amended tariffs, these funds are the first used to pay for income tax liability payments incurred by the Company, when and if actually incurred.

Restricted Cash – Bond Project Funds

This restricted cash balance consists of funds remaining from the issuance or funding of semiannual debt service requirements of the Series 2014, 2019, 2020, 2021 and 2022 tax-exempt bonds (the “Bonds”) in December of 2014, April of 2019, April and August of 2020, and April 2021 and April 2022, respectively. The proceeds from those bond issuance transactions are maintained in separate restricted cash accounts, with Trustee oversight, and are subject to withdrawal as a reimbursement of eligible capital project expenditures for the years 2014 through 2022, as defined by the indenture and issuance documents associated with each offering. The restricted cash accounts are also used as a “conduit” for the transfer of money from operating cash to restricted cash, allowing the Trustee to make the required payments to bondholders for principal and interest due semi-annually.

As of December 31, 2021, the funds in these restricted cash accounts totaled approximately \$255,000. During 2022, approximately \$258,000 was withdrawn from the restricted cash accounts to make the principal and interest payments for the Bonds, on January 1, July 1 and October 1. In December 2022, approximately \$222,000 was transferred into these restricted cash accounts from the Company’s operating cash accounts, to provide the funds needed to make the net principal and interest payments due on January 1, 2023 for the Bonds. As of December 31, 2022, the funds in these restricted cash accounts totaled approximately \$219,000.

Concentration of Credit Risks

Financial instruments that subject the Company to credit risk consist primarily of cash (including cash equivalents and restricted cash) and accounts receivable. Cash balances are invested in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2022 and 2021, the Company had approximately \$14,000,000 and \$14,500,000 in excess of FDIC insured limits, respectively. Our accounts receivable balances primarily represent amounts due from the residential, commercial and industrial customers of our regulated water utility operations, as well as receivables from our Service Corporation customers.

Accounts Receivable – Billed, Net

Water utility accounts receivable (regulated) are recorded at invoiced amounts.

Non-regulated accounts receivable are recorded based upon contracted prices when the Company obtains an unconditional right to payment under the terms of the contract.

The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable and is determined based on historical write-off experience and the aging of account balances. We review the allowance for doubtful accounts quarterly. Account balances are written off against the allowance when it is probable the receivable will not be recovered.

Accounts Receivable – Unbilled, Net

We read our customer meters on a monthly basis and record revenues based on meter reading results. Information from the last meter reading date is used to estimate the value of unbilled revenues through the end of the accounting period. Estimates of water utility revenues for water delivered to customers but not yet billed are accrued at the end of each accounting period. Actual results could differ from those estimates.

Inventory

Inventory is stated at the lower of cost or net realizable value, cost being determined using the average cost method which approximates the first-in, first-out (FIFO) method.

Deferred Charges and Other Assets

Deferred charges include certain regulatory assets and other assets. Regulatory assets are amortized over the periods they are recovered through NHPUC-authorized water rates. The Company's utility subsidiaries have recorded certain regulatory assets in cases where the NHPUC has permitted, or is expected to permit, recovery of these costs over future periods. Currently, the regulatory assets are being amortized over periods ranging from 2 to 25 years.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs are amortized over the original term of the related bonds and notes. The Company's utility subsidiaries have recorded unamortized debt issuance costs in cases where the NHPUC has permitted, or is expected to permit, recovery of these costs over future periods. The debt issuance costs are being amortized over the original lives of the associated debt.

Contributions in Aid of Construction

Under construction contracts with real estate developers and others, the Company's utility subsidiaries may receive non-refundable grants or advances for the cost of installing new water mains or other capital assets. These grants or advances are recorded as CIAC. The Company's utility subsidiaries also record to plant and CIAC the fair market value of developer installed mains and any excess of fair market value over the cost of community water systems purchased from developers. CIAC are amortized over the life of the related properties.

Paycheck Protection Program Loan

The Company accounted for its Paycheck Protection Program (PPP) loan in accordance with the guidelines established by the Financial Accounting Standards Board (FASB) ASC 470, "Debt". The guidance required the Company to account for the proceeds from the PPP loan as debt and apply interest considering the ten-month interest payment deferral allowed for the loan. The Company elected to report the PPP loan as long-term debt until forgiveness was received or denied.

Revenue Recognition – Regulated Entities

Standard charges for water utility services to customers are recorded as revenue, based upon meter readings and contract service, as services are provided. The majority of the Company's water revenues are based on rates approved by the NHPUC. Estimates of unbilled service revenues are recorded in the period the services are provided. Provision is made in the consolidated financial statements for estimated uncollectible accounts.

Revenue Recognition – Non-Regulated Entities

The Company derives its non-regulated revenues primarily from water management services which include contract operations and maintenance, and water testing and billing services to municipalities and small, privately owned community water systems. Revenue is measured based on consideration specified in contracts with customers. The Company recognizes revenue when it satisfies performance obligations under the terms of the contract which generally occurs with the transfer of control of the services to the customer. Revenues from unplanned additional work are based upon time and materials incurred in connection with activities not specifically identified in the contract, or for which work levels exceed contracted amounts.

Revenues from real estate operations, other than undistributed earnings or losses from equity method joint ventures, are recorded upon completion of a sale of real property. The Company's real estate holdings outside of the Company's utility subsidiaries are comprised primarily of undeveloped land.

The Company does not have any significant financing components as payment is received at or shortly after the point of sale.

Contract Combination

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, which is mainly because the Company provides a significant service of integrating a complex set of tasks and components into a single project or capability.

For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using management's best estimate of the standalone selling price of each distinct good or service in the contract. In cases where the Company does not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which management forecasts the Company's expected costs of satisfying a performance obligation and then adds an appropriate margin for that distinct good or service.

Performance Obligations

For performance obligations related to operations, planned maintenance, and water testing and billing services, control transfers to the customer over time as the services are provided. These services are sold primarily to municipalities or small, privately owned community water systems. The majority of the Company's unplanned maintenance contracts are billed on a time and materials basis and revenue is recognized over time as the services are performed. The majority of the Company's operations, planned maintenance, and water testing and billing contracts are billed on a fixed price basis. For fixed price contracts, the Company measures its progress towards complete satisfaction of the performance obligation using a time-based measure. This method is used because management considers time elapsed to be the best available measure of progress on contracts.

Contract Estimates and Modifications

Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment.

As a significant change in one or more of these estimates could affect the profitability of the Company's contracts, management reviews and updates the Company's contract-related estimates regularly through a Company-wide project review process in which management reviews the progress and execution of the Company's performance obligations and the estimate at completion. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, and the related changes in estimates of revenues and costs. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, among other variables.

The Company recognizes adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, the Company recognizes the total loss in the period it is identified.

Variable Consideration

Variable consideration is estimated at the most likely amount to which the Company is expected to be entitled. Any variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based largely on assessments of legal enforceability, the Company's performance, and all information (historical, current, and forecasted) that is reasonably available to management.

Variable consideration is allocated entirely to a performance obligation or to a distinct good or service within a performance obligation if it relates specifically to efforts to satisfy the performance obligation or transfer the distinct good or service, and the allocation depicts the amount of consideration the Company expects to be entitled.

Significant Judgments

The Company recognizes contract revenue for financial reporting purposes over time. Progress toward completion of the Company's contracts is measured using a time-based criterion for each contract and requires significant judgment. This method is used because management considers time-elapsed to be the best available measure of progress on contracts.

Contract Assets and Liabilities

Billing practices are governed by the contract terms of each project based upon achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized using a time-elapsed method of revenue recognition. Contract assets include unbilled amounts typically resulting from revenue under long-term contracts when the time-elapsed method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not unconditional. Contract liabilities consist of deferred revenue.

Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The Company classifies deferred revenue as current or noncurrent based on the timing of when revenue is expected to be recognized. The current portion of deferred revenue is included in current liabilities in the Consolidated Balance Sheets.

Practical Expedients

The Company generally expenses pre-contract costs when incurred because the amortization period would have been one year or less.

Leases

The Company is the lessee in several noncancellable operating leases, for corporate office space and other office equipment. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The Company generally does not have access to the rate implicit in the lease, and therefore the Company utilizes its incremental borrowing rate as the discount rate for real estate and the risk-free rate as the discount rate for office equipment at the lease commencement date for all classes of underlying assets. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for operating lease payments is recognized on a straight-line basis over the lease term. Lease cost for finance lease payments is recognized on a straight-line basis over the lease term for the ROU asset amortization plus interest expense for the period.

The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease cost associated with short-term leases on a straight-line basis over the lease term. The Company made an accounting policy election by class of underlying asset, for office equipment, to account for each separate lease component of a contract and its associated non-lease components (lessor-provided maintenance) as a single lease component.

Income Taxes

Income taxes are recorded using the accrual method and the provision for federal and state income taxes is based on income reported in the consolidated financial statements, adjusted for items not recognized for income tax purposes. Provisions for deferred income taxes are recognized for accelerated depreciation and other temporary differences. A valuation allowance is provided to offset any net deferred tax assets if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Investment tax credits previously realized for income tax purposes are amortized for financial statement purposes over the life of the property, giving rise to the credit.

Adoption of New Accounting Standards

Effective January 1, 2022, the Company adopted FASB ASC 842, *Leases*. The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The Company elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, the Company will not recognize right-of-use assets or lease liabilities on the consolidated balance sheet. The Company generally does not have access to the rate implicit in the lease, and therefore the Company utilizes its incremental borrowing for real estate and the risk-free rate for office equipment as the discount rate.

Adoption of ASC 842 resulted in the recognition of ROU assets of \$5,400,762 and operating lease liabilities of \$5,400,762 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the Company's historical accounting treatment. Adoption of ASC 842 did not have a material impact on the Company's results of operations and cash flows. See Note 7.

See *Summary of Significant Accounting Policies, Leases*, above for further discussion of the effects of adopting ASC 842 on our significant accounting policies.

2. Property, Plant and Equipment

The components of property, plant and equipment as of December 31, 2022 and 2021 were as follows:

(in thousands)	<u>2022</u>	<u>2021</u>	Useful Lives (in years)
Utility Property:			
Land and land rights	\$ 5,963	\$ 5,956	-
Source of supply	73,535	74,318	3 - 70
Pumping and purification	32,901	32,374	7 - 64
Transmission and distribution, including services, meters and hydrants	206,375	202,139	15 - 91
General and other equipment	17,626	17,017	7 - 75
Intangible plant	790	790	20
Construction work in progress	<u>1,234</u>	<u>376</u>	
Total utility property	338,424	332,970	
Total non-utility property	<u>5</u>	<u>5</u>	5 - 10
Total property, plant and equipment	338,429	332,975	
Less accumulated depreciation	<u>(91,367)</u>	<u>(87,778)</u>	
Property, Plant and Equipment, net	<u>\$ 247,062</u>	<u>\$ 245,197</u>	

The provision for depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 91 years. The weighted average composite depreciation rate was 2.42% and 2.44% in 2022 and 2021, respectively.

3. Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

(in thousands)	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,138	\$ 1,493
Restricted cash - RSFs and Restricted Accounts	10,837	11,619
Restricted cash - CIAC	134	1,037
Restricted cash - Bond Project Funds	<u>219</u>	<u>255</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 14,328</u>	<u>\$ 14,404</u>

Amounts included in restricted cash represent those required to be set aside as outlined in Note 1.

4. Accounts Receivable

Accounts receivable consisted of the following at December 31, 2022 and 2021:

(in thousands)	<u>2022</u>	<u>2021</u>
Accounts receivable - billed	\$ 5,118	\$ 3,663
Less allowance for doubtful accounts	<u>(70)</u>	<u>(87)</u>
Accounts receivable - billed, net	<u>\$ 5,048</u>	<u>\$ 3,576</u>
Accounts receivable - unbilled	\$ 3,277	\$ 6,277
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Accounts receivable - unbilled, net	<u>\$ 3,277</u>	<u>\$ 6,277</u>

5. Deferred Charges and Other Assets

Deferred charges and other assets as of December 31, 2022 and 2021 consisted of the following:

(in thousands)	<u>2022</u>	<u>2021</u>	<u>Recovery Period (in years)</u>
Regulatory assets:			
Source development charges	\$ 908	\$ 1,016	5 - 25
Miscellaneous studies	1,031	1,099	2 - 25
Unrecovered pension and post-retirement benefits expense	<u>1,379</u>	<u>9,560</u>	(1)
Total regulatory assets	3,318	11,675	
Supplemental executive retirement plan asset	<u>866</u>	<u>841</u>	
Total deferred charges and other assets	<u>\$ 4,184</u>	<u>\$ 12,516</u>	

⁽¹⁾ We expect to recover these amounts consistent with the anticipated expense recognition of these assets.

6. Post-Retirement Benefit Plans

Pension Plan and Other Post-Retirement Benefits

The Company has a non-contributory, defined benefit pension plan (the "DB Plan") that covers substantially all employees. The benefits are based on years of service and participant compensation levels. The Company's funding policy is to contribute annual amounts that meet the requirements for funding under the U.S. Department of Labor's Pension Protection Act. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

Post-retirement medical benefits are provided for eligible retired employees through one of two plans (collectively referred to as our "OPEB Plans"). For employees who retire on or after the normal retirement age of 65, benefits are provided through a post-retirement plan (the "Post-65 Plan"). For eligible non-union employees who retire prior to their normal retirement age and who have met certain age and service requirements, benefits are provided through a post-employment medical plan (the "Post-employment Plan"). Future benefits under the Post-65 Plan increase annually based on the actual percentage of wage and salary increases earned from the plan inception date to the normal retirement date. The benefits under the Post-employment Plan allow for the continuity of medical benefits coverage at group rates from the employee's retirement date until the employee becomes eligible for Medicare, which are fully funded by the retiree. The liability related to the Post-65 Plan will be funded from the general assets of our Company.

Upon retirement, if a qualifying employee elects to receive medical benefits under our Post-65 Plan, we pay up to a maximum monthly benefit of \$393 based on years of service.

The following table sets forth information regarding our DB Plan and our OPEB Plans as of December 31, 2022, and for the year then ended:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Projected benefit obligations	\$ 29,787	\$ 3,878
Employer contribution	863	11
Benefits paid, excluding expenses	(862)	(91)
Fair value of plan assets	23,610	524
Accumulated benefit obligation	27,616	-
Funded status	(6,177)	(3,401)
Net periodic benefit cost	1,310	368
Amount of the funded status recognized in the Consolidated Balance Sheet consisted of:		
Current liability	-	-
Non-current liability	<u>(6,177)</u>	<u>(3,401)</u>
Total	<u>\$ (6,177)</u>	<u>\$ (3,401)</u>

The following table sets forth information regarding our DB Plan and our OPEB Plans as of December 31, 2021 and for the year then ended:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Projected benefit obligations	\$ 39,455	\$ 5,443
Employer contribution	1,144	11
Benefits paid, excluding expenses	(839)	(85)
Fair value of plan assets	27,296	695
Accumulated benefit obligation	35,558	-
Funded status	(12,159)	(4,748)
Net periodic benefit cost	1,950	415
Amount of the funded status recognized in the Consolidated Balance Sheet consisted of:		
Current liability	-	-
Non-current liability	<u>(12,159)</u>	<u>(4,748)</u>
Total	<u>\$ (12,159)</u>	<u>\$ (4,748)</u>

The components of net periodic benefit cost other than the service cost component are included in the line item operations and maintenance in the consolidated statements of income (loss), as the amounts are immaterial to these consolidated financial statements.

Changes in plan assets and benefit obligations recognized in regulatory assets, for the year ended December 31, 2022, were as follows:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Regulatory asset balance, beginning of period	\$ 8,454	\$ 1,106
Net actuarial gain incurred during the period	(6,099)	(1,730)
Prior service cost incurred during the period	-	16
Recognized net actuarial gain	<u>(330)</u>	<u>(38)</u>
Regulatory asset balance, end of period	<u>\$ 2,025</u>	<u>\$ (646)</u>

Changes in plan assets and benefit obligations recognized in regulatory assets, for the year ended December 31, 2021, were as follows:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Regulatory asset balance, beginning of period	\$ 12,525	\$ 1,672
Net actuarial gain incurred during the period	(3,420)	(510)
Prior service cost incurred during the period	-	16
Recognized net actuarial gain	<u>(651)</u>	<u>(72)</u>
Regulatory asset balance, end of period	<u>\$ 8,454</u>	<u>\$ 1,106</u>

Amounts recognized in regulatory assets for the DB and OPEB Plans that have not yet been recognized as components of net periodic benefit cost of the following as of December 31, 2022:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Net actuarial (gain) loss	\$ 2,025	\$ (563)
Prior service cost	<u>-</u>	<u>(83)</u>
Regulatory asset	<u>\$ 2,025</u>	<u>\$ (646)</u>

Amounts recognized in regulatory assets for the DB and OPEB Plans that have not yet been recognized as components of net periodic benefit cost of the following as of December 31, 2021:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Net actuarial loss	\$ 8,454	\$ 1,205
Prior service cost	<u>-</u>	<u>(99)</u>
Regulatory asset	<u>\$ 8,454</u>	<u>\$ 1,106</u>

The key assumptions used to value benefit obligations and calculate net periodic benefit cost for our DB and OPEB Plans include the following:

	<u>2022</u>	<u>2021</u>
Discount rate for net periodic benefit cost, beginning of year	2.74%	2.39%
Discount rate for benefit obligations, end of year ^(a)	4.98%	2.74%
Expected return on plan assets for the period (net of investment expenses)	7.00%	7.00%
Rate of compensation increase, beginning of year	3.00%	3.00%
Healthcare cost trend rate (applicable only to OPEB Plans)	5.00%	5.50%

^(a) An increase or decrease in the discount rate of 0.5% would result in a change in the funded status as of December 31, 2022, for the DB Plan and the OPEB Plans of approximately \$2.0 million and \$291 thousand, respectively.

The estimated net actuarial loss for our DB Plan that will be amortized in 2023 from the regulatory assets into net periodic benefit costs is \$2,025. The estimated net actuarial gain and prior service cost for our OPEB Plans that will be amortized in 2023 from the regulatory assets into net periodic benefit costs is \$646.

In establishing its investment policy, the Company has considered the fact that the DB Plan is a major retirement vehicle for its employees and the basic goal underlying the establishment of the policy is to provide that the assets of the DB Plan are invested in accordance with the asset allocation range targets to achieve our expected return on DB Plan assets. The Company's investment strategy applies to its OPEB Plans as well as the DB Plan. The expected long-term rate of return on DB Plan and OPEB Plan assets is based on the Plans' expected asset allocation, expected returns on various classes of Plan assets, as well as historical returns.

The assets of our Post-65 Plan are held in two separate Voluntary Employee Beneficiary Association ("VEBA") trusts. The VEBA plan assets are maintained in directed trust accounts at a commercial bank.

The investment strategy for the Company's DB Plan and OPEB Plans utilizes several different asset classes with varying risk/return characteristics. The following table indicates the asset allocation percentages of the fair value of the DB Plan and OPEB Plans' assets for each major type of plan asset as of December 31, 2022, as well as the targeted allocation range:

	<u>DB Plan</u>		<u>OPEB Plans</u>	
		<u>Asset Allocation Range</u>		<u>Asset Allocation Range</u>
Equities	61%	30% - 100%	71%	30% - 100%
Fixed income	15%	20% - 70%	16%	0% - 50%
Cash and cash equivalents	<u>24%</u>	0% - 15%	<u>13%</u>	0% - 15%
Total	<u>100%</u>		<u>100%</u>	

The following table indicates the asset allocation percentages of the fair value of the DB Plan and OPEB Plans' assets for each major type of plan asset as of December 31, 2021, as well as the targeted allocation range:

	<u>DB Plan</u>		<u>OPEB Plans</u>	
		<u>Asset Allocation Range</u>		<u>Asset Allocation Range</u>
Equities	61%	30% - 100%	74%	30% - 100%
Fixed income	15%	20% - 70%	17%	0% - 50%
Cash and cash equivalents	<u>24%</u>	0% - 15%	<u>9%</u>	0% - 15%
Total	<u>100%</u>		<u>100%</u>	

Management uses its best judgment in estimating the fair value of its financial instruments. However, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts that we could realize in a sales transaction for these instruments. The estimated fair value amounts have been measured as of year-end and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates.

Investments in common stock and mutual funds are stated at fair value by reference to quoted market prices. Money market funds are valued utilizing the net asset value per unit based on the fair value of the underlying assets as determined by the directed trustee.

The DB Plan also holds assets under an immediate participation guarantee group annuity contract with a life insurance company. The assets under the contract are invested in pooled separate accounts and in a general investment account. The pooled separate accounts are valued based on net asset value (NAV) per unit of participation in the fund. The NAV is used as a practical expedient to estimate fair values. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than that reported at NAV. These accounts have no unfunded commitments or significant redemption restrictions at year-end. The value of these units is determined by the trustee based on the current market values of the underlying assets of the pooled separate accounts. Therefore, the value of the pooled separate accounts is deemed to be at estimated fair value.

The general investment account is not actively traded, and significant other observable inputs are not available. The fair value of the general investment account is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan's management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

A fair value hierarchy which prioritizes the inputs to valuation methods is used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The fair value of DB Plan and OPEB Plan assets by levels within the fair value hierarchy used as of December 31, 2022 was as follows:

(in thousands)	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
DB Plan:				
Guaranteed Interest Accounts	\$ 5,668	\$ -	\$ -	\$ 5,668
Total Assets in the Fair Value Hierarchy	5,668	-	-	5,668
Investments measured at net asset value ^(a)	<u>17,942</u>	<u>-</u>	<u>-</u>	<u>-</u>
DB Plan Investments, at Fair Value	<u>23,610</u>	<u>-</u>	<u>-</u>	<u>5,668</u>
OPEB Plans:				
Common stocks	276	276	-	-
Mutual funds	96	96	-	-
Fixed income funds	85	85	-	-
Money market funds	<u>67</u>	<u>-</u>	<u>67</u>	<u>-</u>
Total Assets in the Fair Value Hierarchy	524	457	67	-
Investments measured at net asset value ^(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPEB Plans Investments, at Fair Value	<u>524</u>	<u>457</u>	<u>67</u>	<u>-</u>
Totals	<u>\$ 24,134</u>	<u>\$ 457</u>	<u>\$ 67</u>	<u>\$ 5,668</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of assets available for benefits of the Plans.

The fair value of DB Plan and OPEB Plan assets by levels within the fair value hierarchy used as of December 31, 2021 was as follows:

(in thousands)	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
DB Plan:				
Guaranteed Interest Accounts	\$ 6,642	\$ -	\$ -	\$ 6,642
Total Assets in the Fair Value Hierarchy	6,642	-	-	6,642
Investments measured at net asset value ^(a)	<u>20,654</u>	<u>-</u>	<u>-</u>	<u>-</u>
DB Plan Investments, at Fair Value	<u>27,296</u>	<u>-</u>	<u>-</u>	<u>6,642</u>
OPEB Plans:				
Common stocks	373	373	-	-
Mutual funds	138	138	-	-
Fixed income funds	120	120	-	-
Money market funds	<u>63</u>	<u>-</u>	<u>63</u>	<u>-</u>
Total Assets in the Fair Value Hierarchy	694	631	63	-
Investments measured at net asset value ^(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPEB Plans Investments, at Fair Value	<u>694</u>	<u>631</u>	<u>63</u>	<u>-</u>
Totals	<u>\$ 27,990</u>	<u>\$ 631</u>	<u>\$ 63</u>	<u>\$ 6,642</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of assets available for benefits of the Plans.

Level 1: Based on quoted prices in active markets for identical assets.

Level 2: Based on significant observable inputs.

Level 3: Based on significant unobservable inputs.

The following table summarizes investments at fair value based on NAV per share as of December 31, 2022 and 2021, respectively:

(in thousands)	<u>Fair Value</u>
December 31, 2022	
Pooled Separate Accounts:	
Equities	\$ 14,377
Fixed Income	<u>3,565</u>
Total Pooled Separate Accounts	<u>\$ 17,942</u>
December 31, 2021	
Pooled Separate Accounts:	
Equities	\$ 16,648
Fixed Income	<u>4,006</u>
Total Pooled Separate Accounts	<u>\$ 20,654</u>

The following table presents a period-end reconciliation of DB Plan assets measured and recorded at fair value on a recurring basis, using significant unobservable inputs (Level 3):

(in thousands)	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 6,642	\$ 5,731
Plan transfers	(381)	202
Contributions	216	599
Benefits paid	(874)	-
Return on plan assets (net of investment expenses)	<u>65</u>	<u>110</u>
Balance, end of year	<u>\$ 5,668</u>	<u>\$ 6,642</u>

In order to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974, applicable to defined benefit pension plans, the Company anticipates it will contribute approximately \$0.75 million to the DB Plan in 2023.

The following maximum benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
2023	\$ 1,225	\$ 115
2024	1,401	129
2025	1,521	140
2026	1,589	151
2027	1,736	169
2028 and thereafter	<u>10,429</u>	<u>1,060</u>
Total	<u>\$ 17,901</u>	<u>\$ 1,764</u>

Because the Company is subject to regulation in the state in which it operates, we are required to maintain our accounts in accordance with the regulatory authority's rules and regulations. In those instances, we follow the guidance of ASC Topic 980 ("Regulated Operations"). Based on prior regulatory practice, we recorded underfunded DB Plan and OPEB Plan obligations as a regulatory asset, and we expect to recover those costs in rates charged to customers.

Defined Contribution Plan

In addition to the defined benefit plan, the Company provides and maintains a defined contribution plan covering substantially all employees. Under this plan, the Company matches 100% of the first 3% of each participating employee's eligible compensation contributed to the plan. The matching employer's contributions, recorded as operating expenses, were approximately \$311,000 and \$294,000 for the years ended December 31, 2022 and 2021, respectively.

7. Leases

The Company leases its corporate office facilities and office equipment for various terms under long-term, noncancelable operating lease agreements. The leases expire at various dates through 2025 and provide for renewal options ranging from 3 months to 5 years. The exercise of these renewal options is at the sole discretion of the Company, and only lease options that the Company believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties.

Operating lease costs were approximately \$383,000 during the year ended December 31, 2022. These costs are primarily related to long-term operating leases but may also include immaterial amounts for variable lease payments and short-term leases with terms greater than 30 days.

During the year ended December 31, 2022, the Company had the following cash and non-cash activities related to leases:

(in thousands)

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$	383
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Non-cash investing and financing activities:

ROU assets obtained in exchange

for lease liabilities:

Operating leases	\$	5401
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Weighted average lease term and discount rate as of December 31, 2022 were as follows:

Weighted average remaining lease term	9.88
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Weighted average discount rate	5.00%
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Maturities of lease liabilities under noncancellable operating leases as of December 31, 2022, are as follows for the years ending December 31:

(in thousands)	
2023	\$ 380
2024	380
2025	380
2026	380
2027	380
Thereafter	<u>8,729</u>
Total lease payments	10,629
Less imputed interest	<u>(5,528)</u>
Present value of lease liability	\$ <u>5,101</u>

Rent expense, as previously defined under FASB ASC 840, for all operating leases was \$385,300 for the year ended December 31, 2021.

8. Financial Measurement and Fair Value of Financial Instruments

Management uses its best judgment in estimating the fair value of its financial instruments. However, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts that we could realize in a sales transaction for these instruments. The estimated fair value amounts have been measured as of the period end and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates.

A fair value hierarchy is used, which prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1: Based on quoted prices in active markets for identical assets.

Level 2: Based on significant observable inputs.

Level 3: Based on significant unobservable inputs.

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For assets and liabilities measured at fair value on a recurring basis, the fair value measurement by levels within the fair value hierarchy used as of December 31, 2022 and 2021 were as follows:

(in thousands)	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	\$ <u>(10)</u>	\$ <u>-</u>	\$ <u>(10)</u>	\$ <u>-</u>

(in thousands)	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	\$ <u>(290)</u>	\$ <u>-</u>	\$ <u>(290)</u>	\$ <u>-</u>

The carrying value of certain financial instruments included in the accompanying Consolidated Balance Sheets, along with the related fair value, as of December 31, 2022 and 2021 was as follows:

(in thousands)	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Interest rate swap liability	\$ <u>(10)</u>	\$ <u>(10)</u>	\$ <u>(290)</u>	\$ <u>(290)</u>

The fair market value of the interest rate swap represents the estimated cost to terminate this agreement as of December 31, 2022 and 2021 based upon the then-current interest rates and the related credit risk.

The carrying values of our cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their fair values because of their short-term maturity dates. The carrying value of CIAC approximates its fair value because it is expected that this is the amount that will be recovered in future rates. The carrying values of lines of credit and long-term debt approximate fair value, as interest rates approximate market rates.

9. Revenue from Contracts with Customers – Non-Regulated Entities

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Disaggregation of Revenue

For the years ended December 31, 2022 and 2021, revenue recognized for goods and services transferred over time totaled \$2,857,868 and \$3,339,069, respectively.

For the year ended December 31, 2022, approximately 48% of revenues were from large-contract customers, 31% of revenues were from small contract customers (con-ops), and 21% of revenues were from residential maintenance and other customers. For the year ended December 31, 2021, approximately 58% of revenues were from large-contract customers, 25% of revenues were from small contract customers (con-ops), and 17% of revenues were from residential maintenance and other customers. In addition, substantially all of the Company's contracts were service-related type contracts.

10. Income Taxes

The components of the federal and state income tax provision (benefit) as of December 31, 2022 and 2021 were as follows:

(in thousands)	<u>2022</u>	<u>2021</u>
Federal	\$ (391)	\$ (151)
State	(163)	(5)
Amortization of investment tax credits	<u>(33)</u>	<u>(33)</u>
Total	<u>\$ (587)</u>	<u>\$ (189)</u>
Current	\$ -	\$ (127)
Deferred	<u>(587)</u>	<u>(62)</u>
Total	<u>\$ (587)</u>	<u>\$ (189)</u>

The following is a reconciliation between the statutory federal income tax rate and the effective income tax rate for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Statutory federal rate	21.0 %	21.0 %
State tax rate, net of federal benefits	6.1	6.1
Permanent differences	(2.9)	(23.0)
Amortization of investment tax credits	<u>1.4</u>	<u>0.9</u>
Effective tax rate	<u>25.6 %</u>	<u>5.0 %</u>

The temporary items that give rise to the net deferred tax liability as of December 31, 2022 and 2021 were as follows:

(in thousands)	<u>2022</u>	<u>2021</u>
Liabilities:		
Property-related, net	\$ 23,668	\$ 23,417
Other	<u>922</u>	<u>740</u>
Total liabilities	<u>24,590</u>	<u>24,157</u>
Assets:		
Pension accrued liability	2,043	1,817
Net operating loss carryforward	7,105	6,331
Alternative minimum tax credit	476	476
NH Business Enterprise Tax credits	967	1,103
Other	<u>548</u>	<u>682</u>
	11,139	10,409
Less valuation allowance	<u>(967)</u>	<u>(1,102)</u>
Total assets	<u>10,172</u>	<u>9,307</u>
Net deferred income tax liability	<u>\$ 14,418</u>	<u>\$ 14,850</u>

The Company has accumulated federal net operating losses. The federal tax benefit of the cumulative net operating losses is approximately \$5.3 million, begins to expire in 2033, and is included in deferred income taxes in the Consolidated Balance Sheet as of December 31, 2022. Approximately 75% of the net operating losses are 100% available to be applied to taxable income in future years and are not subject to the TCJA as they were generated prior to the 2018 tax year. The enactment of the TCJA now limits the net operating loss shelter to 80% of taxable income, for post-2017 tax year losses. The TCJA also provides for net operating losses to be carried forward indefinitely instead of limited to 20 years, as is the case for pre-2018 losses; however, carrybacks of these losses are no longer permitted. Approximately 25% of the net operating losses were generated in 2019 through 2021 and therefore are subject to the 80% limitation.

The Company has accumulated New Hampshire net operating losses. The New Hampshire tax benefit of the cumulative net operating loss is approximately \$1.8 million which begins to expire in 2023 and is included in deferred income taxes in the Consolidated Balance Sheet as of December 31, 2022.

As of December 31, 2022 and 2021, it is estimated that approximately \$476,000 and \$476,000, respectively, of cumulative federal alternative minimum tax credits may be carried forward indefinitely as a credit against our regular tax liability.

As of December 31, 2022 and 2021, the Company had New Hampshire Business Enterprise Tax ("NHBET") credits of approximately \$967,000 and \$1,100,000, respectively. NHBET credits begin to expire in 2023. It is anticipated that these NHBET credits will not be fully utilized before they expire; therefore, a valuation allowance has been recorded related to these credits. The valuation allowance decreased by approximately \$135,000 and \$146,000 in the years ended December 31, 2022 and 2021, respectively.

Investment tax credits resulting from utility plant additions are deferred and amortized. The unamortized investment tax credits are being amortized through the year 2033.

The Company had a regulatory liability related to income taxes of approximately \$9,894,000 and \$9,906,000 as of December 31, 2022 and 2021, respectively. This represents the estimated future reduction in revenues associated with deferred taxes which were collected at rates higher than the currently enacted rates and the amortization of deferred investment tax credits.

A review of the portfolio of uncertain tax positions was performed. In this regard, an uncertain tax position represents the expected treatment of a tax position taken in a filed tax return, or as planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. As a result of this review, it was determined that the Company had no material uncertain tax positions, and tax planning strategies will be used, if required and when possible, to avoid the expiration of any future net operating loss and/or tax credits.

The Company's practice is to recognize interest and/or penalties related to income tax matters in "Other, Net" in the Consolidated Statements of Income. We incurred no interest in 2022 and 2021. We incurred no penalties during the years ended December 31, 2022 and 2021.

11. Long-Term Debt

Long-term debt as of December 31, 2022 and 2021 consisted of the following:

(in thousands)	2022	
	Principal	Unamortized Debt Issuance Costs
Unsecured note payable to City of Nashua, 5.75%, due 12/25/2041	\$ 96,937	\$ -
Unsecured Business Finance Authority:		
Revenue Bonds (Series 2014B), 4.50%, due January 1, 2045	4,615	96
Revenue Bonds (Series 2018A), interest rates from 4.375% to 5.00%, due April 1, 2048	4,460	226
Revenue Bonds (Series 2018B), 4.33%, due April 1, 2028	705	37
Revenue Bonds (Series 2019A), interest rates from 2.19% to 4.15%, due April 1, 2049	7,805	258
Revenue Bonds (Series 2020A), interest rates from 3.15% to 4%, due April 1, 2050	7,000	265
Revenue Bonds (Series 2020B), 5.25%, due April 1, 2023	125	1
Revenue Bonds (Series 2020C), interest rates from 1.25% to 4.02%, due September 1, 2055 (3)	71,195	5,018
Revenue Bonds (Series 2021A), interest rates from 4% to 5%, due April 1, 2051	4,985	234
Revenue Bonds (Series 2021B), 1.05%, due April 1, 2024	85	-
Revenue Bonds (Series 2022A), interest rate 4 to 5%, due April 1, 2052	6,695	262
Revenue Bonds (Series 2022B), 3.63%, due April 1, 2025	90	-
Unsecured notes payable to bank, floating-rate, due March 1, 2030	2,030	9
Unsecured notes payable to bank, 3.62%, due June 20, 2023	1,060	1
Unsecured notes payable to bank, 4.20%, due December 20, 2041	1,058	5
Unsecured notes payable to bank, 4.83%, due December 20, 2041	815	4
Unsecured notes payable to bank, 4.25%, due June 20, 2033	583	5
Unsecured notes payable to bank, 4.90%, due March 6, 2040	506	28
Unsecured notes payable to bank, 5.33%, due June 20, 2043	316	9
Unsecured notes payable to bank, 4.38%, due September 20, 2044	1,063	14
Unsecured notes payable to bank, 3.98%, due January 1, 2046	761	12
Unsecured notes payable to bank, 4.18%, due October 20, 2046	1,105	10
Unsecured notes payable to bank, 4.25%, due December 20, 2046	2,489	13
Unsecured notes payable to bank, 7.16%, due October 1, 2047	654	6
Unsecured New Hampshire State Revolving Fund ("SRF") notes (1)	21,269	157
Unsecured New Hampshire Drinking Water & Groundwater Trust Fund ("DWGTF") notes (2)	8,337	20
Unamortized debt issuance costs for defeased obligations, allowed by regulation	-	2,751
Total	246,743	\$ 9,441
Less current portion	(7,999)	
Less unamortized debt issuance costs	(9,441)	
Total long-term debt, less current portion and unamortized debt issuance costs	\$ 229,303	

(1) SRF notes are due through 2051 at interest rates ranging from 1% to 3.8%. These notes are payable in 120 to 360 consecutive monthly installments of principal and interest. The 1% rate applies to construction projects still in process until the earlier of (i) the date of substantial completion of the improvements, or (ii) various dates specified in the note (such earlier date being the interest rate change date). Commencing on the interest rate change date, the interest rate changes to the lower of (i) the rate as stated in the note or (ii) 80% of the established 11 General Obligations Bond Index published during the specified time period before the interest rate change date.

(2) DWGTF notes are due through 2051 at interest rates ranging from 2.7% to 3.4%. These notes are payable in 360 consecutive monthly installments of principle and interest. The 1% rate applies to construction projects still in process until the earlier of (i) the date of substantial completion of the improvements or (ii) June 1, 2020 as specified in the note (such earlier date being the interest rate change date). Commencing on the interest rate change date, the interest rate change to the rate as stated in the note.

(3) Revenue Bonds (2020C) proceeds were partially used to advance refund the 2014A, 2015A and 2015B bonds with maturity dates of January 1, 2045, January 1, 2046, and January 1, 2031, respectively. The advance refunding proceeds are held in escrow until their future call dates of December 2023 and December 2024, to then be used to facilitate retirement of the bonds. Of the remaining \$5,018 of Unamortized Debt Issuance Costs as of December 31, 2020 generated by the September 2nd issuance, \$3,713 are directly tied the advance refunding and will fully-amortize on a straight-line basis until their respective call dates.

(in thousands)	2021	
	Principal	Unamortized Debt Issuance Costs
Unsecured note payable to City of Nashua, 5.75%, due 12/25/2041	\$ 99,632	\$ -
Unsecured Business Finance Authority:		
Revenue Bonds (Series 2014B), 4.50%, due January 1, 2045	4,725	101
Revenue Bonds (Series 2018A), interest rates from 4.375% to 5.00%, due April 1, 2048	4,460	235
Revenue Bonds (Series 2018B), 4.33%, due April 1, 2028	805	44
Revenue Bonds (Series 2019A), interest rates from 2.19% to 4.15%, due April 1, 2049	7,945	267
Revenue Bonds (Series 2020A), interest rates from 3.15% to 4%, due April 1, 2050	7,000	275
Revenue Bonds (Series 2020B), 5.25%, due April 1, 2023	255	7
Revenue Bonds (Series 2020C), interest rates from 1.25% to 4.02%, due September 1, 2055 (3)	72,420	7,836
Revenue Bonds (Series 2021A), interest rates from 4% to 5%, due April 1, 2051	5,065	240
Revenue Bonds (Series 2021B), 1.05%, due April 1, 2024	125	5
Unsecured notes payable to bank, floating-rate, due March 1, 2030	2,267	10
Unsecured notes payable to bank, 3.62%, due June 20, 2023	1,141	2
Unsecured notes payable to bank, 4.20%, due December 20, 2041	1,094	4
Unsecured notes payable to bank, 4.83%, due December 20, 2041	840	5
Unsecured notes payable to bank, 4.25%, due June 20, 2033	626	5
Unsecured notes payable to bank, 4.90%, due March 6, 2040	524	30
Unsecured notes payable to bank, 5.33%, due June 20, 2043	324	10
Unsecured notes payable to bank, 4.38%, due September 20, 2044	1,091	15
Unsecured notes payable to bank, 3.98%, due January 1, 2046	781	12
Unsecured notes payable to bank, 4.18%, due October 20, 2046	1,131	11
Unsecured notes payable to bank, 4.25%, due December 20, 2046	2,547	12
Unsecured New Hampshire State Revolving Fund ("SRF") notes (1)	22,592	152
Unsecured New Hampshire Drinking Water & Groundwater Trust Fund ("DWGTF") notes (2)	8,520	10
Paycheck Protection Program Loan, 1.00%, due May 7, 2022	2,544	2
Unamortized debt issuance costs for defeased obligations, allowed by regulation		2,952
Total	248,454	\$ 12,242
Less current portion	(9,149)	
Less unamortized debt issuance costs	(12,242)	
Total long-term debt, less current portion and unamortized debt issuance costs	\$ 227,063	

(1) SRF notes are due through 2051 at interest rates ranging from 1% to 3.8%. These notes are payable in 120 to 240 consecutive monthly installments of principal and interest. The 1% rate applies to construction projects still in process until the earlier of (i) the date of substantial completion of the improvements, or (ii) various dates specified in the note (such earlier date being the interest rate change date). Commencing on the interest rate change date, the interest rate changes to the lower of (i) the rate as stated in the note or (ii) 80% of the established 11 General Obligations Bond Index published during the specified time period before the interest rate change date.

(2) DWGTF notes are due through 2050 at interest rates ranging from 2.7% to 3.4%. These notes are payable in 360 consecutive monthly installments of principal and interest. The 1% rate applies to construction projects still in process until the earlier of (i) the date of substantial completion of the improvements or (ii) June 1, 2020 as specified in the note (such earlier date being the interest rate change date). Commencing on the interest rate change date, the interest rate change to the rate as stated in the note.

(3) Revenue Bonds (2020C) proceeds were partially used to advance refund the 2014A, 2015A and 2015B bonds with maturity dates of January 1, 2045, January 1, 2046, and January 1, 2031, respectively. The advance refunding proceeds are held in escrow until their future call dates of December 2023 and December 2024, to then be used to facilitate retirement of the bonds. Of the remaining \$7,836 of Unamortized Debt Issuance Costs as of December 31, 2020 generated by the September 2nd Issuance, \$6,491 are directly tied the advance refunding and will fully-amortize on a straight-line basis until their respective call dates.

The aggregate principal payment requirements subsequent to December 31, 2022 are as follows:

(in thousands)	<u>Amount</u>
2023	\$ 7,999
2024	7,231
2025	7,500
2026	7,796
2027	8,086
2028 and thereafter	<u>208,131</u>
Total	<u>\$ 246,743</u>

Several of Pennichuck Water's loan agreements contain a covenant that prevents Pennichuck Water from declaring dividends if Pennichuck Water does not maintain a minimum net worth of \$4.5 million. As of December 31, 2022 and 2021, Pennichuck Water's net worth was \$92.0 million and \$97.8 million, respectively.

The 2014B, 2018A, 2018B, 2019A, 2020A, 2020B, 2020C, 2021A, 2021B, 2022A and 2022B bonds were issued under a new bond indenture and loan and trust agreement, established with the issuance of the 2014 Series Bonds, which contains certain covenant obligations upon Pennichuck Water, which are as follows:

Debt to Capital Covenant - Pennichuck Water cannot create, issue, incur, assume or guarantee any short-term debt if (1) the sum of the short-term debt plus its funded debt ("Debt") shall exceed 85% of the sum of its short-term debt, funded debt and capital stock plus surplus accounts ("Capital"), unless the short-term debt issued in excess of the 85% is subordinated to the Series 2014 bonds. Thereby, the ratio of Debt to Capital must be equal to or less than 1.0. As of December 31, 2022 and 2021, Pennichuck Water has a Debt to Capital Coverage ratio of 0.7 and 0.7, respectively.

All Bonds Test - Additionally, Pennichuck Water cannot create, issue, incur, assume or guarantee any new funded debt, if the total outstanding funded debt ("Total Funded Debt") will exceed the sum of MARA (as defined in Note 14 of these consolidated financial statements) and 85% of its Net Capital Properties ("MARA and Capital Properties"), and unless net revenues or EBITDA (earnings before interest, taxes, depreciation and amortization) shall equal or exceed for at least 12 consecutive months out of the 15 months preceding the issuance of the new funded debt by 1.1 times the maximum amount for which Pennichuck Water will be obligated to pay in any future year ("Max Amount Due"), as a result of the new funded debt being incurred. Thereby, the ratio of Total Funded Debt to MARA and Capital Properties must be equal to or less than 1.0; as of December 31, 2022 and 2021, this coverage ratio was 0.6 and 0.6, respectively. Also, the ratio of EBITDA to the Max Amount Due must be equal to or greater than 1.1; as of December 31, 2022 and 2021, this ratio was 1.9 and 2.3, respectively.

Rate Covenant Test - If during any fiscal year, the EBITDA of Pennichuck Water shall not equal at least 1.1 times all amounts paid or required to be paid during that year ("Amounts Paid"), then the Company shall undertake reasonable efforts to initiate a rate-making proceeding with the NHPUC, to rectify this coverage requirement in the succeeding fiscal years. Thereby, the ratio of EBITDA to Amounts Paid must be equal to or greater than 1.1; as of December 31, 2022 and 2021, the Rate Covenant coverage ratio was 1.75 and 2.19, respectively.

Pennichuck East's loan agreement for its unsecured notes payable to a bank of \$12.4 million and \$12.4 million at December 31, 2022 and 2021, respectively, contains a minimum debt service coverage ratio requirement of 1.10. At December 31, 2022 and 2021, this ratio was 1.41 and 1.47, respectively.

On September 2, 2020, Pennichuck Water issued approximately \$73.6 million of taxable bonds through the New Hampshire Business Finance Authority to: (1) advance refund and refinance Pennichuck Water's series 2014A, 2015A, and 2015B bonds; (2) early retire an AULI bank loan set to mature on March 1, 2021 with a "bullet" maturity due at that date; (3) complete the replenishment of the Material Operating Expense Revenue Requirement (MOERR) RSF for Pennichuck Water back to nearly its authorized imprest value; and (4) repay Pennichuck Water's Fixed Asset Line of Credit (FALOC) for monies borrowed while awaiting rate relief from this bonding event and the Pennichuck Water rate case approved by NHPUC Order No. 26,425. The bond issuance was approved by the Company's Board of Directors and the Sole Stockholder. This issuance received NHPUC approval in Order No. 26,383 dated July 24, 2020, which authorized up to \$75.0 million in bonds.

On October 29, 2021, the NHPUC issued NISI Order No. 26,538, with an effective date of November 30, 2021, approving Pennichuck East Utility's request to borrow \$2,546,632 from CoBank, ACB for a 25-year term. This financing was used to fund a "one time" refill and replenishment of the Company's Material Operating Expense Revenue Requirement (MOERR) RSF, as well as repay intercompany debt incurred to support the Company as it waited for final permanent rate relief, and the reestablishment of its RSF funds. On November 30, 2021, Pennichuck East Utility closed on this term loan financing transaction with CoBank, ACB in the amount of \$2,546,632 for a term of 25 years at an interest rate of 4.25%.

As of December 31, 2022 and 2021, the Company had a \$2.0 million and \$2.3 million, respectively, interest rate swap which qualifies as a derivative. This financial derivative is designated as a cash flow hedge. This financial instrument is used to mitigate interest rate risk associated with our outstanding \$2.0 million loan which has a floating interest rate based on the three-month London Interbank Offered Rate ("LIBOR") plus 1.88% as of December 31, 2022. The combined effect of the LIBOR-based borrowing formula and the swap produces an "all-in fixed borrowing cost" equal to 5.95%. The fair value of the financial derivative, as of December 31, 2022 and 2021, included in our Consolidated Balance Sheets under "Other Liabilities and Deferred Credits" as "Derivative instrument" was \$10,000 and \$290,000, respectively. Changes in the fair value of this derivative were deferred in accumulated other comprehensive income.

As of March 31, 2023, the LIBOR rate will cease to be available as a market-based rate for debt instruments. As of that date, all of the debt instruments outstanding and forward-looking will be based upon the Secured Overnight Financing Rate ("SOFR") to replace the LIBOR rate. Instead of a calculated rate of LIBOR plus 1.88%, the new rate will be SOFR plus 1.85%. The Swap agreement will be repriced as of that date, as well, to reflect a new rate based upon SOFR that will allow for a net borrowing cost equal to or less than the existing 5.95% "all in fixed borrowing cost."

Swap settlements are recorded in the consolidated statements of income (loss) with the hedged item as interest expense. During the years ended December 31, 2022 and 2021, \$73,000 income and \$68,000 loss, respectively, was reclassified pre-tax from accumulated other comprehensive income (loss) to interest expense as a result of swap settlements. The Company expects to reclassify approximately \$(11,000), pre-tax, from accumulated other comprehensive income to interest expense as a result of swap settlements, over the next twelve months.

Paycheck Protection Program Loan

On May 7, 2020, the Company received loan proceeds in the amount of approximately \$2,543,600 under the Small Business Administration (SBA) PPP. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020, provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business.

Any unforgiven portion of the PPP loan is payable over two years, from the date of the initial approval of the loan, at an interest rate of 1%, with deferral of payments for the first ten months. Early in 2022, the Company's application for forgiveness was denied and as of December 31, 2021 the PPP loan has been reclassified to current portion of long-term debt with a maturity date of May 7, 2022.

12. Lines of Credit

The Company's existing Working Capital Line of Credit (WCLOC) was renewed and extended to expire on June 30, 2024. Pennichuck Water's \$12 million Fixed Asset Line of Credit (PWW FALOC) expires on June 30, 2023, with PWW currently in negotiation on a renewal and extension of this multi-year facility. Pennichuck East's \$3 million Fixed Asset Line of Credit (PEU FALOC) is set to expire on September 30, 2023, with PEU currently in negotiation on a renewal and extension of this multi-year facility. The two Fixed Asset Lines of Credit (FALOC and PEU FALOC) are used to fund construction work in progress on capital projects, which are refinanced into long-term term loan obligations or issued bond indebtedness, annually.

Short-term borrowing activity under the Company's WCLOC for the years ended December 31, 2022 and 2021 was:

(in thousands)	<u>2022</u>	<u>2021</u>
Established line as of December 31,	\$ 4,000	\$ 4,000
Maximum amount outstanding during period	2,236	2,312
Average amount outstanding during period	785	942
Amount outstanding as of December 31,	785	-
Weighted average interest rate during period	3.42%	1.88%
Interest rate as of December 31,	6.07%	1.84%

Short-term borrowing activity under Pennichuck Water's FALOC for the years ended December 31, 2022 and 2021 was:

(in thousands)	<u>2022</u>	<u>2021</u>
Established line as of December 31,	\$ 12,000	\$ 12,000
Maximum amount outstanding during period	7,138	5,851
Average amount outstanding during period	3,552	3,775
Amount outstanding as of December 31,	4,628	5,851
Weighted average interest rate during period	3.07%	1.88%
Interest rate as of December 31,	5.81%	1.84%

Short-term borrowing activity under Pennichuck East's FALOC for the years ended December 31, 2022 and 2021 was:

(in thousands)	2022	2021
Established line as of December 31,	\$ 3,000	\$ 3,000
Maximum amount outstanding during period	833	1,171
Average amount outstanding during period	678	909
Amount outstanding as of December 31,	833	757
Weighted average interest rate during period	3.01%	2.13%
Interest rate as of December 31,	6.46%	2.09%

The Company's revolving credit loan facilities with TD Bank contain certain covenant obligations upon Pennichuck Water, which are as follows:

Debt to Capital Covenant - Pennichuck Water cannot create, issue, incur, assume or guarantee any short-term debt if (1) the sum of the short-term debt plus its funded debt ("Debt") shall exceed 85% of the sum of its short-term debt, funded debt and capital stock plus surplus accounts ("Capital"), unless the short-term debt issued in excess of the 85% is subordinated to the loan facility. Thereby, the ratio of Debt to Capital must be equal to or less than 1.0. As of December 31, 2022 and 2021, Pennichuck Water has a Debt to Capital Coverage ratio of 0.7 and 0.7, respectively.

All Bonds Test - Additionally, Pennichuck Water cannot create, issue, incur, assume or guarantee any new funded debt, if the total outstanding funded debt ("Total Funded Debt") will exceed the sum of MARA (as defined in Note 14 of these consolidated financial statements) and 85% of its Net Capital Properties ("MARA and Capital Properties"), and unless net revenues or EBITDA (earnings before interest, taxes, depreciation and amortization) shall equal or exceed for at least 12 consecutive months out of the 15 months preceding the issuance of the new funded debt by 1.1 times the maximum amount for which Pennichuck Water will be obligated to pay in any future year ("Max Amount Due"), as a result of the new funded debt being incurred. Thereby, the ratio of Total Funded Debt to MARA and Capital Properties must be equal to or less than 1.0; as of December 31, 2022 and 2021, this coverage ratio was 0.6 and 0.6, respectively. Also, the ratio of EBITDA to the Max Amount Due must be equal to or greater than 1.1; as of December 31, 2022 and 2021 this ratio was 1.9 and 2.3, respectively.

Rate Covenant Test - If during any fiscal year, the EBITDA of Pennichuck Water shall not equal at least 1.1 times all amounts paid or required to be paid during that year ("Amounts Paid"), then the Company shall undertake reasonable efforts to initiate a rate-making proceeding with the NHPUC, to rectify this coverage requirement in the succeeding fiscal years. Thereby, the ratio of EBITDA to Amounts Paid must be equal to or greater than 1.1; as of December 31, 2022 and 2021, the Rate Covenant coverage ratio was 1.75 and 2.19, respectively.

13. Accumulated Other Comprehensive Income

The following table presents changes in accumulated other comprehensive income by component for the years ended December 31, 2022 and 2021:

(in thousands)	<u>Interest Rate Contract</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 356	\$ 254
Other comprehensive income before reclassifications	124	43
Amounts reclassified from accumulated other comprehensive income	<u>44</u>	<u>59</u>
Net current period other comprehensive income	<u>168</u>	<u>102</u>
Ending balance	<u>\$ 524</u>	<u>\$ 356</u>

The following table presents reclassifications out of accumulated other comprehensive income for the years ended December 31, 2022 and 2021:

<u>Details about Accumulated Other Comprehensive Income Components</u>	<u>Amounts Reclassified from Accumulated Other Comprehensive Income</u>		<u>Affected Line Item in the Statement Where Net Income is Presented</u>
	<u>2022</u>	<u>2021</u>	
(in thousands)			
Gain on cash flow hedges:			
Interest rate contracts	\$ 73	\$ 98	Interest expense
	<u>(29)</u>	<u>(39)</u>	Tax expense
Amounts reclassified from accumulated other comprehensive income	<u>\$ 44</u>	<u>\$ 59</u>	Net of tax

14. Transaction with the City of Nashua

On January 25, 2012, in full settlement of an ongoing Eminent Domain lawsuit filed by the City of Nashua ("City") and with the approval of the NHPUC, the City acquired all of the outstanding shares of the Company and, thereby, indirect acquisition of its regulated subsidiaries. The total amount of the acquisition was \$150.6 million ("Acquisition Price") of which \$138.4 million was for the purchase of the outstanding shares, \$5.0 million for the establishment of a Rate Stabilization Fund, \$2.6 million for legal and due diligence costs, \$2.3 million for severance costs, \$1.3 million for underwriting fees, and \$1.0 million for bond discount and issue costs. The entire purchase of \$150.6 million was funded by General Obligation Bonds ("Bonds") issued by the City of Nashua. The Company is not a party to the Bonds and has not guaranteed nor is obligated in any manner for the repayment of the Bonds. The Company remains an independent corporation with an independent Board of Directors, with the City of Nashua as its sole stockholder.

Pennichuck Water, Pennichuck East, PAC, Service Corporation, and Southwood will continue as subsidiaries of Pennichuck Corporation and Pennichuck Water, Pennichuck East and PAC will continue as regulated companies under the jurisdiction of the NHPUC. The terms of the merger and the requisite accounting and rate-setting mechanisms were agreed to in the NHPUC Order No. 25,292 ("PUC Order") dated November 23, 2011.

Transactions with Related Party – City of Nashua

The Company issued a promissory note to the City of Nashua in the amount of approximately \$120 million to be repaid over a thirty (30) year period with monthly payments of approximately \$707,000, including interest at 5.75%. The Company recorded an additional amount of approximately \$30.6 million as contributed capital. The remaining outstanding balance of the note payable to the City at December 31, 2022 and 2021 was approximately \$96.9 million and \$99.6 million, respectively, as disclosed in Note 11 to these consolidated financial statements. During 2022 and 2021, dividends of approximately \$278,000 and \$279,000, respectively, were declared and paid to the City. The dividends paid to the City during 2022 comprised approximately \$278,000 of regular quarterly dividends declared and paid; and no special dividend was declared or paid in 2022. The dividends paid to the City during 2021 comprised approximately \$279,000 of regular quarterly dividends declared and paid; and no special dividend was declared or paid in 2021.

Additional ongoing transactions occur in the normal course of business, between the Company and the City, related to municipal water usage, fire protection and sewer billing support services, and property taxes related to real property owned by the Company within the City of Nashua. For the years ended December 31, 2022 and 2021, respectively, approximately \$3.9 million and \$3.9 million were paid to the Company by the City for municipal water consumption, fire protection charges, and sewer billing support services. Conversely, the Company paid property taxes to the City of Nashua of approximately \$2.3 million for the year ended December 31, 2022, and approximately \$2.3 million for the year ended December 31, 2021.

Rate Stabilization Fund – Restricted Cash

As a part of the acquisition, the Company agreed to contribute \$5,000,000 of the proceeds from the settlement transaction to Pennichuck Water, which was used to establish an RSF, allowing for the maintenance of stable water utility rates and providing a mechanism to ensure the Company’s continued ability to meet its obligations under the promissory note to the City, in the event of adverse revenue developments. Restricted cash consists of amounts set aside in the RSF account and is adjusted monthly as required in the NHPUC Order, as discussed in Note 1 of these consolidated financial statements.

Municipal Acquisition Regulatory Asset (“MARA”)

Pursuant to the NHPUC Order, the Company established a new Regulatory asset (MARA) which represents the amount that the Acquisition Price exceeded the net book assets of the Company’s regulated subsidiaries (Pennichuck Water, Pennichuck East, and PAC) at December 31, 2011. The initial amount of the MARA was approximately \$89 million for the regulated companies, offset by a non-regulated amount of approximately \$4.8 million. The MARA is to be amortized over a thirty (30) year period in the same manner as the repayment of debt service for the City’s acquisition bonds. The balance in the MARA at December 31, 2022 was approximately \$66.6 million, reduced by the non-regulated credit of approximately \$3.7 million.

Aggregate amortization expense for the years ended December 31, 2022 and 2021 totaled approximately \$2,183,000 and \$2,119,000, respectively.

The following table represents the total estimated amortization of MARA:

(in thousands)	Estimated Amortization Expense
2023	\$ 2,253
2024	2,328
2025	2,409
2026	2,498
2027	2,590
2026 and thereafter	<u>50,821</u>
Total	<u>\$ 62,899</u>

15. Segment Reporting

For the years ended December 31, 2022 and 2021, and as of those dates, the following financial results were generated by the segments of the Company:

(in thousands)	2022	2021
<u>Operating Revenues:</u>		
Pennichuck Water	\$ 39,837	\$ 38,024
Pennichuck East	12,504	9,818
Pittsfield Aqueduct	869	810
Subtotal Regulated Segment	53,210	48,652
Service Corporation	2,858	3,339
Other	13	13
Total Operating Revenues	\$ 56,081	\$ 52,004
<u>Depreciation and Amortization Expense:</u>		
Pennichuck Water	\$ 7,610	\$ 7,520
Pennichuck East	1,259	1,238
Pittsfield Aqueduct	114	116
Subtotal Regulated Segment	8,983	8,874
Service Corporation	-	-
Other	(127)	(123)
Total Depreciation and Amortization Expense	\$ 8,856	\$ 8,751
<u>Operating Income:</u>		
Pennichuck Water	\$ 8,848	\$ 8,346
Pennichuck East	2,640	988
Pittsfield Aqueduct	125	71
Subtotal Regulated Segment	11,613	9,405
Service Corporation	159	251
Other	51	18
Total Operating Income	\$ 11,823	\$ 9,674
<u>Interest Expense:</u>		
Pennichuck Water	\$ 7,071	\$ 7,193
Pennichuck East	928	765
Pittsfield Aqueduct	45	40
Subtotal Regulated Segment	8,044	7,998
Service Corporation	5	1
Other	6,065	5,903
Total Interest Expense	\$ 14,114	\$ 13,902

(continued)

(continued)

(in thousands)	<u>2022</u>	<u>2021</u>
<u>Income Taxes Provision (Benefit):</u>		
Pennichuck Water	\$ 1,029	\$ 1,192
Pennichuck East	641	185
Pittsfield Aqueduct	<u>33</u>	<u>20</u>
Subtotal Regulated Segment	<u>1,703</u>	<u>1,397</u>
Service Corporation	46	77
Other	<u>(2,336)</u>	<u>(1,663)</u>
Total Income Taxes Provision (Benefit)	<u>\$ (587)</u>	<u>\$ (189)</u>
<u>Net Income (Loss):</u>		
Pennichuck Water	\$ 749	\$ 198
Pennichuck East	1,071	38
Pittsfield Aqueduct	<u>48</u>	<u>13</u>
Subtotal Regulated Segment	<u>1,868</u>	<u>249</u>
Service Corporation	106	173
Other	<u>(3,678)</u>	<u>(4,121)</u>
Total Net Income (Loss)	<u>\$ (1,704)</u>	<u>\$ (3,699)</u>
<u>Total Net Assets:</u>		
Pennichuck Water	\$ 294,446	\$ 298,304
Pennichuck East	65,852	65,183
Pittsfield Aqueduct	<u>2,815</u>	<u>2,912</u>
Subtotal Regulated Segment	<u>363,113</u>	<u>366,399</u>
Service Corporation	(5)	151
Other	<u>(18,219)</u>	<u>(17,318)</u>
Total Net Assets	<u>\$ 344,889</u>	<u>\$ 349,232</u>
<u>Total Liabilities:</u>		
Pennichuck Water	\$ 202,465	\$ 200,536
Pennichuck East	57,278	57,107
Pittsfield Aqueduct	<u>1,352</u>	<u>1,370</u>
Subtotal Regulated Segment	<u>261,095</u>	<u>259,013</u>
Service Corporation	(48)	43
Other	<u>89,120</u>	<u>93,640</u>
Total Liabilities	<u>\$ 350,167</u>	<u>\$ 352,696</u>

(continued)

(continued)

(in thousands)	<u>2022</u>	<u>2021</u>
<u>Total Long-Term Debt (less current portion and unamortized debt insurance costs):</u>		
Pennichuck Water	\$ 112,648	\$ 105,875
Pennichuck East	22,465	24,124
Pittsfield Aqueduct	<u>129</u>	<u>132</u>
Subtotal Regulated Segment	<u>135,242</u>	<u>130,131</u>
Service Corporation		
Other	<u>94,061</u>	<u>96,932</u>
Total Long-Term Debt	<u>\$ 229,303</u>	<u>\$ 227,063</u>

16. Rate Cases

Pennichuck Water-Emergency Special Water Contract

On October 21, 2021, Pennichuck Water filed an emergency tariff sheet request for approval with the NHPUC. The Company's emergency tariff filing was on behalf of a single customer, the Merrimack Village District (MVD), which would allow this customer to purchase bulk water at Pennichuck Water's variable cost of production. The initial rate to be billed was determined to be \$0.67 per cubic feet. This emergency tariff would allow MVD access to Pennichuck Water's bulk water supply in late 2021 and throughout 2022, while MVD's water supply systems were brought into compliance with water quality regulations for per- and polyfluoralkyl (PFAS) contaminants, with the installation of treatment facilities on their existing wells.

On November 12, 2021, the NHPUC issued Order No. 26,552, with an effective date of November 20, 2021, approving Pennichuck Water's request for an emergency tariff filing on behalf of a single customer, the MVD. This emergency tariff was granted on a temporary basis and must not exceed a term longer than six months from the effective date.

In conjunction with this, Pennichuck Water also opened a docket under DW 21-134 for the approval of a special contract for these emergency rates, in order to bring those rates into full force and effect (preceding and succeeding the emergency rate tariff), upon approval, for the time period from which the emergency usage of this water was initiated on October 20, 2021, for a period not to exceed a termination date of December 31, 2022. On March 25, 2022, the NHPUC issued Order No. 26,597, approving this special contract with the MVD from October 1, 2021, until December 31, 2022.

Pennichuck Water-Increase in Permanent Rates

On June 27, 2022, Pennichuck Water filed a request with the NHPUC for a rate increase of 13.06% over its current rates for the test year 2021. As the Company's financial performance in the 2021 test year did not support the approval of temporary rates, it was denied temporary rates at current rates, which would have provided permanent rate relief back to the "order of notice" date for the case on August 1, 2022. As such, this rate increase will be earned prospectively once ordered and approved. The overall rate increase is subject to the normal regulatory filing process with the NHPUC. The 13.06% rate increase would be inclusive of a 3.90% Qualified Capital Project Adjustment Charge (QCPAC) surcharge which was approved on December 9, 2021 in Order No. 26,555 and a 1.56% QCPAC surcharge which was approved on March 29, 2022 in Order No. 26,598, as well as a 1.80% QCPAC surcharge which was approved on October 11, 2022 in Order No. 26,697, all of which in the aggregate account for 7.26% of the overall requested increase. Final approval by the NHPUC on new permanent rates for PWV is expected in the summer of 2023.

Pennichuck East-Increase in Permanent Rates

On November 24, 2020, Pennichuck East filed a request with the NHPUC for a rate increase of 21.05% over its current rates for the test year 2019, effective December 24, 2020, for which 15.00% of this increase was related to a request for a temporary rate increase effective for services rendered on or after December 24, 2020. The temporary rate increase was subject to approval by the Commission which is separate and distinct from the final rate increase approval, as the Commission's final determination on the permanent rate increase request is processed to completion. The 15.00% temporary rate increase would be inclusive of a 2.98% QCPAC surcharge which was approved on December 6, 2019 in Order No. 26,313 and a 1.97% QCPAC surcharge which is currently pending in DW 20-019.

On August 16, 2021, the NHPUC issued Order No. 26,508 approving temporary rates at 14.03% effective on a service rendered basis as of December 24, 2020. The temporary rate increase was inclusive of a QCPAC surcharge of 2.98% which was approved in 2019 within order No. 26,313.

In addition to the rate increase requested, Pennichuck East requested certain modifications to its ratemaking structure which were similarly approved for Pennichuck Water on July 24, 2020 by NHPUC Order No. 26,383. These modifications included:

- creating a Material Operating Expense Factor (MOEF), an expense factor on top of its material operating expenses to cover inflationary increases between rate filings, as a component of that portion of its allowed revenues in determining permanent rates;
- inclusion of actual NHBET cash payments in its revenue requirement calculation;
- reprioritizing the use of Debt Service Revenue Requirement (DSRR) 0.1 funds;
- recovery of State Revolving Loan Fund and Drinking Water Groundwater Trust Fund debt issuance costs; and

- re-establishment of imprest levels of the components of the RSF account and the retention of a previously approved reconciliation mechanism.

On February 18, 2022, the NHPUC issued Order No. 26,586 approving an overall permanent rate increase of 16.79%, which became effective with services rendered back to December 24, 2020. In addition, the Order approved the requested modifications to its ratemaking structure.

Pennichuck Water-Qualified Capital Project Adjustment Charge

On February 11, 2021, Pennichuck Water filed a petition with the NHPUC for a 1.50% QCPAC surcharge on all capital improvements completed and placed in service by Pennichuck Water in 2020.

On March 29, 2022, the NHPUC issued Order No. 26,598 approving a QCPAC surcharge of 1.56% for capital projects placed in service in 2020. This order became effective with services rendered back to April 2, 2021 and allows for recovery in the form of a monthly recoupment surcharge, to be collected over a twelve-month period from the date of the order.

On February 14, 2022, Pennichuck Water filed a petition with the NHPUC for a 1.75% QCPAC surcharge on all capital improvements completed and placed in service by Pennichuck Water in 2021.

On October 11, 2022, the NHPUC issued Order No. 26,697 approving a QCPAC surcharge of 1.8% for capital projects placed in service in 2021. This order became effective with services rendered back to April 26, 2022 and allowed for recovery in the form of a monthly recoupment surcharge, to be collected over a three-month period from the date of the order.

Pennichuck East-Qualified Capital Project Adjustment Charge

On February 11, 2021, Pennichuck East filed a petition with the NHPUC for a 4.28% surcharge on all capital improvements completed and placed in service by Pennichuck East in 2020.

On April 8, 2022, the NHPUC issued Order No. 26,608 approving a QCPAC surcharge of 4.02% for capital projects placed in service in 2020. This order became effective with services rendered back to September 29, 2021 and allowed for recovery in the form of a monthly recoupment surcharge, to be collected over a five-month period from the date of the order.

On February 10, 2022, Pennichuck East filed a petition with the NHPUC for a 0.84% surcharge on all capital improvements completed and placed in service by Pennichuck East in 2021.

The Commission has not issued an Order approving this requested surcharge. When the Commission issues the Order the surcharge will become effective retroactively on services rendered basis back to October 18, 2022. The Order will allow recoupment of the surcharge from all its customers based on their actual bills incurred between October 18, 2022 and the final effective date of the Order. Final approval by the NHPUC on this QCPAC surcharge is expected to be received in early 2023 (see Subsequent Events Note 18).

17. COVID-19 Pandemic Impact

In March 2020, the World Health Organization (“WHO”) recognized COVID-19 as a global pandemic and the President of the United States of America declared the COVID-19 outbreak in the United States a national emergency. This prompted many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary business closures, and wide-sweeping quarantines and stay-at-home orders.

During the COVID-19 pandemic, the Company’s services have generally been considered essential in nature and have not been materially interrupted. As the situation continues to evolve, management is closely monitoring the impact of the COVID-19 pandemic on all aspects of the Company’s business, including how it impacts customers, subcontractors, suppliers, vendors, and employees, in addition to how the COVID-19 pandemic impacts the Company’s ability to provide services to customers. We believe the ultimate impact of the COVID-19 pandemic on operating results, cash flows and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of our control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact our business.

18. Subsequent Events

The Company has evaluated the events and transactions that have occurred through March 21, 2023, the date that these consolidated financial statements were available for issuance.

Pennichuck East Utility Financing

Pennichuck East Utility filed a petition with the PUC to refinance its currently outstanding \$1.25 million balloon maturity note payable to CoBank, which matures on June 20, 2023. This proposed refinancing will replace the balloon maturity payment due in June 2023, with a new fully amortizing 10-year obligation for the remainder of the term of repayment of the debt, which in the aggregate will be 26 years, and less than the overall aggregate useful lives of those initially funded capital projects.

Pennichuck Water-Qualified Capital Project Adjustment Charge

On February 14, 2023, Pennichuck Water filed a petition with the NHPUC for a 1.37% surcharge on all capital improvements completed and placed in service by Pennichuck Water in 2022. The Commission has not issued an Order approving this requested surcharge. When the Commission issues the Order the approved surcharge will become effective retroactively on a services rendered basis. The Order will allow recoupment of the surcharge from all its customers based on their actual bills incurred between the services rendered date and the final effective date of the Order. Final approval by the NHPUC on this QCPAC surcharge is expected to be received in late 2023.

Pennichuck East-Qualified Capital Project Adjustment Charge

On January 27, 2023, the NHPUC issued Order Nisi No. 26,767 approving a QCPAC surcharge of 0.94% for capital projects placed in service in 2021. This order became effective with services rendered back to October 18, 2022 and allowed for recovery in the form of a monthly recoupment surcharge, to be collected over a three-month period from the date of the order.

On February 14, 2023, Pennichuck East filed a petition with the NHPUC for a 1.36% surcharge on all capital improvements completed and placed in service by Pennichuck East in 2022. The Commission has not issued an Order approving this requested surcharge. When the Commission issues the order, the approved surcharge will become effective retroactively on a services rendered basis. The Order will allow recoupment of the surcharge from all its customers based on their actual bills incurred between the services rendered date and the final effective date of the Order. Final approval by the NHPUC on this QCPAC surcharge is expected to be received in late 2023.

U.S. Department of Homeland Security
Washington, D.C. 20472

Jennifer Harper
NH Dept. of Safety, Div. of Homeland Security & Emergency Management
33 Hazen Drive
Concord, NH 03305 - 0011

Re: Grant No. EMW-2022-GR-00151

Dear Jennifer Harper:

Congratulations, on behalf of the Department of Homeland Security, your application for financial assistance submitted under the Fiscal Year (FY) 2022 High Hazard Potential Dams (HHPD) Rehabilitation Grant has been approved in the amount of \$791,575.99. As a condition of this award, you are required to contribute a cost match in the amount of \$426,233.24 of non-Federal funds, or 35.00 percent of the total approved project costs of \$1,217,809.23.

Before you request and receive any of the Federal funds awarded to you, you must establish acceptance of the award. By accepting this award, you acknowledge that the terms of the following documents are incorporated into the terms of your award:

- Agreement Articles (attached to this Award Letter)
- Obligating Document (attached to this Award Letter)
- FY 2022 High Hazard Potential Dams (HHPD) Rehabilitation Grant Notice of Funding Opportunity.

Please make sure you read, understand, and maintain a copy of these documents in your official file for this award.

In order to establish acceptance of the award and its terms, please follow these instructions:

Step 1: Please log in to the ND Grants system at <https://portal.fema.gov>.

Step 2: After logging in, you will see the Home page with a Pending Tasks menu. Click on the Pending Tasks menu, select the Application sub-menu, and then click the link for "Award Offer Review" tasks. This link will navigate you to Award Packages that are pending review.

Step 3: Click the Review Award Package icon (wrench) to review the Award Package and accept or decline the award. Please save or print the Award Package for your records.

System for Award Management (SAM): Grant recipients are to keep all of their information up to date in SAM, in particular, your organization's name, address, Unique Entity Identifier (UEI) number, EIN and banking information. Please ensure that the UEI number used in SAM is the same one used to apply for all FEMA awards. Future payments will be contingent on the information provided in the SAM; therefore, it is imperative that the information is correct. The System for Award Management is located at <http://www.sam.gov>.

If you have any questions or have updated your information in SAM, please let your Grants Management Specialist (GMS) know as soon as possible. This will help us to make the necessary updates and avoid any interruptions in the payment process.

PAUL FRANCIS FORD Regional Administrator

U.S. Department of Homeland Security
Washington, D.C. 20472

AGREEMENT ARTICLES
High Hazard Potential Dams (HHPD) Rehabilitation Grant

GRANTEE: NH Dept. of Safety, Div. of Homeland
Security & Emergency Management
PROGRAM: High Hazard Potential Dams (HHPD)
Rehabilitation Grant
AGREEMENT NUMBER: EMW-2022-GR-00151-S01

TABLE OF CONTENTS

Article I	DHS Standard Terms and Conditions Generally
Article II	Assurances, Administrative Requirements, Cost Principles, Representations and Certifications
Article III	General Acknowledgements and Assurances
Article IV	Acknowledgement of Federal Funding from DHS
Article V	Activities Conducted Abroad
Article VI	Age Discrimination Act of 1975
Article VII	Americans with Disabilities Act of 1990
Article VIII	Best Practices for Collection and Use of Personally Identifiable Information
Article IX	Civil Rights Act of 1964 - Title VI
Article X	Civil Rights Act of 1968
Article XI	Copyright
Article XII	Debarment and Suspension
Article XIII	Drug-Free Workplace Regulations
Article XIV	Duplication of Benefits
Article XV	Education Amendments of 1972 (Equal Opportunity in Education Act) - Title IX

Article XVI	Energy Policy and Conservation Act
Article XVII	False Claims Act and Program Fraud Civil Remedies
Article XVIII	Federal Debt Status
Article XIX	Federal Leadership on Reducing Text Messaging while Driving
Article XX	Fly America Act of 1974
Article XXI	Hotel and Motel Fire Safety Act of 1990
Article XXII	John S. McCain National Defense Authorization Act of Fiscal Year 2019
Article XXIII	Limited English Proficiency (Civil Rights Act of 1964 - Title VI)
Article XXIV	Lobbying Prohibitions
Article XXV	National Environmental Policy Act
Article XXVI	Nondiscrimination in Matters Pertaining to Faith-Based Organizations
Article XXVII	Non-Supplanting Requirement
Article XXVIII	Notice of Funding Opportunity Requirements
Article XXIX	Patents and Intellectual Property Rights
Article XXX	Procurement of Recovered Materials
Article XXXI	Rehabilitation Act of 1973
Article XXXII	Reporting of Matters Related to Recipient Integrity and Performance
Article XXXIII	Reporting Subawards and Executive Compensation
Article XXXIV	Required Use of American Iron, Steel, Manufactured Products, and Construction Materials
Article XXXV	SAFECOM
Article XXXVI	Terrorist Financing
Article XXXVII	Trafficking Victims Protection Act of 2000 (TVPA)

Article XXXVIII	Universal Identifier and System of Award Management
Article XXXIX	USA PATRIOT Act of 2001
Article XL	Use of DHS Seal, Logo and Flags
Article XLI	Whistleblower Protection Act
Article XLII	Applicability of DHS Standard Terms and Conditions to Tribes
Article XLIII	Acceptance of Post Award Changes
Article XLIV	Disposition of Equipment Acquired Under the Federal Award
Article XLV	Prior Approval for Modification of Approved Budget
Article XLVI	Environmental Planning and Historic Preservation (EHP) Review
Article XLVII	Indirect Cost Rate
Article XLVIII	Eligible High Hazard Potential Dam Documentation
Article XLIX	Performance Goal
Article L	Infrastructure Investment and Jobs Act Funded Projects
Article LI	Mitigation Plan Extraordinary Circumstances Requirement
Article LII	Pass-Through to Subrecipients
Article LIII	Revision of Budget & Clarification of Scope of Work Package
Article LIV	Mitigation Plan Extraordinary Circumstances

Article I - DHS Standard Terms and Conditions Generally

The Fiscal Year (FY) 2022 DHS Standard Terms and Conditions apply to all new federal financial assistance awards funded in FY 2022. These terms and conditions flow down to subrecipients unless an award term or condition specifically indicates otherwise. The United States has the right to seek judicial enforcement of these obligations.

All legislation and digital resources are referenced with no digital links. The FY 2022 DHS Standard Terms and Conditions will be housed on dhs.gov at www.dhs.gov/publication/fy15-dhs-standard-terms-and-conditions.

Article II - Assurances, Administrative Requirements, Cost Principles, Representations and Certifications

I. DHS financial assistance recipients must complete either the Office of Management and Budget (OMB) Standard Form 424B Assurances - Non-Construction Programs, or OMB Standard Form 424D Assurances - Construction Programs, as applicable. Certain assurances in these documents may not be applicable to your program, and the DHS financial assistance office (DHS FAO) may require applicants to certify additional assurances. Applicants are required to fill out the assurances as instructed by the awarding agency.

II. DHS financial assistance recipients are required to follow the applicable provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards located at Title 2, Code of Federal Regulations (C.F.R.) Part 200 and adopted by DHS at 2 C.F.R. Part 3002.

III. By accepting this agreement, recipients, and their executives, as defined in 2 C.F.R. section 170.315, certify that their policies are in accordance with OMB's guidance located at 2 C.F.R. Part 200, all applicable federal laws, and relevant Executive guidance.

Article III - General Acknowledgements and Assurances

All recipients, subrecipients, successors, transferees, and assignees must acknowledge and agree to comply with applicable provisions governing DHS access to records, accounts, documents, information, facilities, and staff.

I. Recipients must cooperate with any DHS compliance reviews or compliance investigations conducted by DHS.

II. Recipients must give DHS access to examine and copy records, accounts, and other documents and sources of information related to the federal financial assistance award and permit access to facilities or personnel.

III. Recipients must submit timely, complete, and accurate reports to the appropriate DHS officials and maintain appropriate backup documentation to support the reports.

IV. Recipients must comply with all other special reporting, data collection, and evaluation requirements, as prescribed by law, or detailed in program guidance.

V. Recipients (as defined in 2 C.F.R. Part 200 and including recipients acting as pass-through entities) of federal financial assistance from DHS or one of its awarding component agencies must complete the DHS Civil Rights Evaluation Tool within thirty (30) days of receipt of the Notice of Award for the first award under which this term applies. Recipients of multiple awards of DHS financial assistance should only submit one completed tool for their organization, not per award. After the initial submission, recipients are required to complete the tool once every two (2) years if they have an active award, not every time an award is made. Recipients should submit the completed tool, including supporting materials, to CivilRightsEvaluation@hq.dhs.gov. This tool clarifies the civil rights obligations and related reporting requirements contained in the DHS Standard Terms and Conditions. Subrecipients are not required to complete and submit this tool to DHS. The evaluation tool can be found at <https://www.dhs.gov/publication/dhs-civil-rights-evaluation-tool>.

The DHS Office for Civil Rights and Civil Liberties will consider, in its discretion, granting an extension if the recipient identifies steps and a timeline for completing the tool. Recipients should request extensions by emailing the request to CivilRightsEvaluation@hq.dhs.gov prior to expiration of the 30-day deadline.

Article IV - Acknowledgement of Federal Funding from DHS

Recipients must acknowledge their use of federal funding when issuing statements, press releases, requests for proposal, bid invitations, and other documents describing projects or programs funded in whole or in part with federal funds.

Article V - Activities Conducted Abroad

Recipients must ensure that project activities performed outside the United States are coordinated as necessary with appropriate government authorities and that appropriate licenses, permits, or approvals are obtained.

Article VI - Age Discrimination Act of 1975

Recipients must comply with the requirements of the Age Discrimination Act of 1975, Public Law 94-135 (1975) (codified as amended at Title 42, U.S. Code, section 6101 et seq.), which prohibits discrimination on the basis of age in any program or activity receiving federal financial assistance.

Article VII - Americans with Disabilities Act of 1990

Recipients must comply with the requirements of Titles I, II, and III of the Americans with Disabilities Act, Pub. L. 101-336 (1990) (codified as amended at 42 U.S.C. sections 12101 - 12213), which prohibits recipients from discriminating on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities.

Article VIII - Best Practices for Collection and Use of Personally Identifiable Information

Recipients who collect personally identifiable information (PII) are required to have a publicly available privacy policy that describes standards on the usage and maintenance of the PII they collect. DHS defines PII as any information that permits the identity of an individual to be directly or indirectly inferred, including any information that is linked or linkable to that individual. Recipients may also find the DHS Privacy Impact Assessments: Privacy Guidance and Privacy Template as useful resources respectively.

Article IX - Civil Rights Act of 1964 - Title VI

Recipients must comply with the requirements of Title VI of the Civil Rights Act of 1964 (codified as amended at 42 U.S.C. section 2000d et seq.), which provides that no person in the United States will, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. DHS implementing regulations for the Act are found at 6 C.F.R. Part 21 and 44 C.F.R. Part 7.

Article X - Civil Rights Act of 1968

Recipients must comply with Title VIII of the Civil Rights Act of 1968, Pub. L. 90-284, as amended through Pub. L. 113-4, which prohibits recipients from discriminating in the sale, rental, financing, and advertising of dwellings, or in the provision of services in connection therewith, on the basis of race, color, national origin, religion, disability, familial status, and sex (see 42 U.S.C. section 3601 et seq.), as implemented by the U.S. Department of Housing and Urban Development at 24 C.F.R. Part 100. The prohibition on disability discrimination includes the requirement that new multifamily housing with four or more dwelling units - i.e., the public and common use areas and individual apartment units (all units in buildings with elevators and ground-floor units in buildings without elevators) - be designed and constructed with certain accessible features. (See 24 C.F.R. Part 100, Subpart D.)

Article XI - Copyright

Recipients must affix the applicable copyright notices of 17 U.S.C. sections 401 or 402 and an acknowledgement of U.S. Government sponsorship (including the award number) to any work first-produced under federal financial assistance awards.

Article XII - Debarment and Suspension

Recipients are subject to the non-procurement debarment and suspension regulations implementing Executive Orders (E.O.) 12549 and 12689, which are at 2 C.F.R. Part 180 as adopted by DHS at 2 C.F.R. Part 3002. These regulations restrict federal financial assistance awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

Article XIII - Drug-Free Workplace Regulations

Recipients must comply with drug-free workplace requirements in Subpart B (or Subpart C, if the recipient is an individual) of 2 C.F.R. Part 3001, which adopts the Government-wide implementation (2 C.F.R. Part 182) of Sec. 5152-5158 of the Drug-Free Workplace Act of 1988 (41 U.S.C. sections 8101-8106).

Article XIV - Duplication of Benefits

Any cost allocable to a particular federal financial assistance award provided for in 2 C.F.R. Part 200, Subpart E may not be charged to other federal financial assistance awards to overcome fund deficiencies; to avoid restrictions imposed by federal statutes, regulations, or federal financial assistance award terms and conditions; or for other reasons. However, these prohibitions would not preclude recipients from shifting costs that are allowable under two or more awards in accordance with existing federal statutes, regulations, or the federal financial assistance award terms and conditions.

Article XV - Education Amendments of 1972 (Equal Opportunity in Education Act) - Title IX

Recipients must comply with the requirements of Title IX of the Education Amendments of 1972, Pub. L. 92-318 (1972) (codified as amended at 20 U.S.C. section 1681 et seq.), which provide that no person in the United States will, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any educational program or activity receiving federal financial assistance. DHS implementing regulations are codified at 6 C.F.R. Part 17 and 44 C.F.R. Part 19.

Article XVI - Energy Policy and Conservation Act

Recipients must comply with the requirements of the Energy Policy and Conservation Act, Pub. L. 94- 163 (1975) (codified as amended at 42 U.S.C. section 6201 et seq.), which contain policies relating to energy efficiency that are defined in the state energy conservation plan issued in compliance with this Act.

Article XVII - False Claims Act and Program Fraud Civil Remedies

Recipients must comply with the requirements of the False Claims Act, 31 U.S.C. sections 3729- 3733, which prohibit the submission of false or fraudulent claims for payment to the Federal Government. (See 31 U.S.C. sections 3801-3812, which details the administrative remedies for false claims and statements made.)

Article XVIII - Federal Debt Status

All recipients are required to be non-delinquent in their repayment of any federal debt. Examples of relevant debt include delinquent payroll and other taxes, audit disallowances, and benefit overpayments. (See OMB Circular A-129.)

Article XIX - Federal Leadership on Reducing Text Messaging while Driving

Recipients are encouraged to adopt and enforce policies that ban text messaging while driving as described in E.O. 13513, including conducting initiatives described in Section 3(a) of the Order when on official government business or when performing any work for or on behalf of the Federal Government.

Article XX - Fly America Act of 1974

Recipients must comply with Preference for U.S. Flag Air Carriers (air carriers holding certificates under 49 U.S.C.) for international air transportation of people and property to the extent that such service is available, in accordance with the International Air Transportation Fair Competitive Practices Act of 1974, 49 U.S.C. section 40118, and the interpretative guidelines issued by the Comptroller General of the United States in the March 31, 1981, amendment to Comptroller General Decision B-138942.

Article XXI - Hotel and Motel Fire Safety Act of 1990

Recipients must ensure that all conference, meeting, convention, or training space funded in whole or in part with federal funds complies with the fire prevention and control guidelines of Section 6 of the Hotel and Motel Fire Safety Act of 1990, 15 U.S.C. section 2225a.

Article XXII - John S. McCain National Defense Authorization Act of Fiscal Year 2019

Recipients, subrecipients, and their contractors and subcontractors are subject to the prohibitions described in section 889 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019, Pub. L. No. 115-232 (2018) and 2 C.F.R. sections 200.216, 200.327, 200.471, and Appendix II to 2 C.F.R. Part 200. Beginning August 13, 2020, the statute - as it applies to DHS recipients, subrecipients, and their contractors and subcontractors - prohibits obligating or expending federal award funds on certain telecommunications and video surveillance products and contracting with certain entities for national security reasons.

Article XXIII - Limited English Proficiency (Civil Rights Act of 1964 - Title VI)

Recipients must comply with Title VI of the Civil Rights Act of 1964, (42 U.S.C. section 2000d et seq.) prohibition against discrimination on the basis of national origin, which requires that recipients of federal financial assistance take reasonable steps to provide meaningful access to persons with limited English proficiency (LEP) to their programs and services. For additional assistance and information regarding language access obligations, please refer to the DHS Recipient Guidance: <https://www.dhs.gov/guidance-published-help-department-supported-organizations-provide-meaningful-access-people-limited> and additional resources on <http://www.lep.gov>.

Article XXIV - Lobbying Prohibitions

Recipients must comply with 31 U.S.C. section 1352, which provides that none of the funds provided under a federal financial assistance award may be expended by the recipient to pay any person to influence, or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any federal action related to a federal award or contract, including any extension, continuation, renewal, amendment, or modification.

Article XXV - National Environmental Policy Act

Recipients must comply with the requirements of the National Environmental Policy Act of 1969, (NEPA) Pub. L. 91-190 (1970) (codified as amended at 42 U.S.C. section 4321 et seq.) and the Council on Environmental Quality (CEQ) Regulations for Implementing the Procedural Provisions of NEPA, which require recipients to use all practicable means within their authority, and consistent with other essential considerations of national policy, to create and maintain conditions under which people and nature can exist in productive harmony and fulfill the social, economic, and other needs of present and future generations of Americans.

Article XXVI - Nondiscrimination in Matters Pertaining to Faith-Based Organizations

It is DHS policy to ensure the equal treatment of faith-based organizations in social service programs administered or supported by DHS or its component agencies, enabling those organizations to participate in providing important social services to beneficiaries. Recipients must comply with the equal treatment policies and requirements contained in 6 C.F.R. Part 19 and other applicable statutes, regulations, and guidance governing the participations of faith-based organizations in individual DHS programs.

Article XXVII - Non-Supplanting Requirement

Recipients receiving federal financial assistance awards made under programs that prohibit supplanting by law must ensure that federal funds do not replace (supplant) funds that have been budgeted for the same purpose through non-federal sources.

Article XXVIII - Notice of Funding Opportunity Requirements

All the instructions, guidance, limitations, and other conditions set forth in the Notice of Funding Opportunity (NOFO) for this program are incorporated here by reference in the award terms and conditions. All recipients must comply with any such requirements set forth in the program NOFO.

Article XXIX - Patents and Intellectual Property Rights

Recipients are subject to the Bayh-Dole Act, 35 U.S.C. section 200 et seq, unless otherwise provided by law. Recipients are subject to the specific requirements governing the development, reporting, and disposition of rights to inventions and patents resulting from federal financial assistance awards located at 37 C.F.R. Part 401 and the standard patent rights clause located at 37 C.F.R. section 401.14.

Article XXX - Procurement of Recovered Materials

States, political subdivisions of states, and their contractors must comply with Section 6002 of the Solid Waste Disposal Act, Pub. L. 89-272 (1965), (codified as amended by the Resource Conservation and Recovery Act, 42 U.S.C. section 6962.) The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 C.F.R. Part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition.

Article XXXI - Rehabilitation Act of 1973

Recipients must comply with the requirements of Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (1973) (codified as amended at 29 U.S.C. section 794), which provides that no otherwise qualified handicapped individuals in the United States will, solely by reason of the handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

Article XXXII - Reporting of Matters Related to Recipient Integrity and Performance

General Reporting Requirements:

If the total value of any currently active grants, cooperative agreements, and procurement contracts from all federal awarding agencies exceeds \$10,000,000 for any period of time during the period of performance of this federal award, then the recipients must comply with the requirements set forth in the government-wide Award Term and Condition for Recipient Integrity and Performance Matters located at 2 C.F.R. Part 200, Appendix XII, the full text of which is incorporated here by reference in the award terms and conditions.

Article XXXIII - Reporting Subawards and Executive Compensation

Reporting of first tier subawards:

Recipients are required to comply with the requirements set forth in the government-wide award term on Reporting Subawards and Executive Compensation located at 2 C.F.R. Part 170, Appendix A, the full text of which is incorporated here by reference in the award terms and conditions.

Article XXXIV - Required Use of American Iron, Steel, Manufactured Products, and Construction Materials

Recipients and subrecipients must comply with the Build America, Buy America Act (BABAA), which was enacted as part of the Infrastructure Investment and Jobs Act Sections 70901-70927, Pub. L. No. 117-58 (2021); and Executive Order 14005, Ensuring the Future is Made in All of America by All of America's Workers. See also Office of Management and Budget (OMB), Memorandum M-22-11, Initial Implementation Guidance on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure.

Recipients and subrecipients of federal financial assistance programs for infrastructure are hereby notified that none of the funds provided under this award may be used for a project for infrastructure unless:

- (1) all iron and steel used in the project are produced in the United States--this means all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States;
- (2) all manufactured products used in the project are produced in the United States--this means the manufactured product was manufactured in the United States; and the cost of the components of the manufactured product that are mined, produced, or manufactured in the United States is greater than 55 percent of the total cost of all components of the manufactured product, unless another standard for determining the minimum amount of domestic content of the manufactured product has been established under applicable law or regulation; and
- (3) all construction materials are manufactured in the United States--this means that all manufacturing processes for the construction material occurred in the United States.

The Buy America preference only applies to articles, materials, and supplies that are consumed in, incorporated into, or affixed to an infrastructure project. As such, it does not apply to tools, equipment, and supplies, such as temporary scaffolding, brought to the construction site and removed at or before the completion of the infrastructure project. Nor does a Buy America preference apply to equipment and furnishings, such as movable chairs, desks, and portable computer equipment, that are used at or within the finished infrastructure project, but are not an integral part of the structure or permanently affixed to the infrastructure project.

Waivers

When necessary, recipients may apply for, and the agency may grant, a waiver from these requirements.

(a) When the federal agency has made a determination that one of the following exceptions applies, the awarding official may waive the application of the domestic content procurement preference in any case in which the agency determines that:

- (1) applying the domestic content procurement preference would be inconsistent with the public interest;
- (2) the types of iron, steel, manufactured products, or construction materials are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or
- (3) the inclusion of iron, steel, manufactured products, or construction materials produced in the United States will increase the cost of the overall project by more than 25 percent.

A request to waive the application of the domestic content procurement preference must be in writing. The agency will provide instructions on the format, contents, and supporting materials required for any waiver request. Waiver requests are subject to public comment periods of no less than 15 days and must be reviewed by the OMB Made in America Office.

There may be instances where an award qualifies, in whole or in part, for an existing waiver described. For awards by the Federal Emergency Management Agency (FEMA), existing waivers are available and the waiver process is described at ["Buy America" Preference in FEMA Financial Assistance Programs for Infrastructure | FEMA.gov](#). For awards by other DHS components, please contact the applicable DHS FAO.

To see whether a particular DHS federal financial assistance program is considered an infrastructure program and thus required to include a Buy America preference, please either contact the applicable DHS FAO, or for FEMA awards, please see [Programs and Definitions: Build America, Buy America Act | FEMA.gov](#).

Article XXXV - SAFECOM

Recipients receiving federal financial assistance awards made under programs that provide emergency communication equipment and its related activities must comply with the SAFECOM Guidance for Emergency Communication Grants, including provisions on technical standards that ensure and enhance interoperable communications.

Article XXXVI - Terrorist Financing

Recipients must comply with E.O. 13224 and U.S. laws that prohibit transactions with, and the provisions of resources and support to, individuals and organizations associated with terrorism. Recipients are legally responsible to ensure compliance with the Order and laws.

Article XXXVII - Trafficking Victims Protection Act of 2000 (TVPA)

Trafficking in Persons:

Recipients must comply with the requirements of the government-wide financial assistance award term which implements Section 106 (g) of the Trafficking Victims Protection Act of 2000 (TVPA), codified as amended at 22 U.S.C. section 7104. The award term is located at 2 C.F.R. section 175.15, the full text of which is incorporated here by reference.

Article XXXVIII - Universal Identifier and System of Award Management

Requirements for System for Award Management and Unique Entity Identifier Recipients are required to comply with the requirements set forth in the government-wide financial assistance award term regarding the System for Award Management and Universal Identifier Requirements located at 2 C.F.R. Part 25, Appendix A, the full text of which is incorporated here by reference.

Article XXXIX - USA PATRIOT Act of 2001

Recipients must comply with requirements of Section 817 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), which amends 18 U.S.C. sections 175-175c.

Article XL - Use of DHS Seal, Logo and Flags

Recipients must obtain permission from their DHS FAO prior to using the DHS seal(s), logos, crests or reproductions of flags or likenesses of DHS agency officials, including use of the United States Coast Guard seal, logo, crests or reproductions of flags or likenesses of Coast Guard officials.

Article XLI - Whistleblower Protection Act

Recipients must comply with the statutory requirements for whistleblower protections (if applicable) at 10 U.S.C section 2409, 41 U.S.C. section 4712, and 10 U.S.C. section 2324, 41 U.S.C. sections 4304 and 4310.

Article XLII - Applicability of DHS Standard Terms and Conditions to Tribes

The DHS Standard Terms and Conditions are a restatement of general requirements imposed upon recipients and flow down to subrecipients as a matter of law, regulation, or executive order. If the requirement does not apply to Indian tribes or there is a federal law or regulation exempting its application to Indian tribes, then the acceptance by Tribes of, or acquiescence to, DHS Standard Terms and Conditions does not change or alter its inapplicability to an Indian tribe. The execution of grant documents is not intended to change, alter, amend, or impose additional liability or responsibility upon the Tribe where it does not already exist.

Article XLIII - Acceptance of Post Award Changes

In the event FEMA determines that changes are necessary to the award document after an award has been made, including changes to period of performance or terms and conditions, recipients will be notified of the changes in writing. Once notification has been made, any subsequent request for funds will indicate recipient acceptance of the changes to the award. Please call the FEMA/GMD Call Center at (866) 927-5646 or via e-mail to ASK-GMD@fema.dhs.gov if you have any questions.

Article XLIV - Disposition of Equipment Acquired Under the Federal Award

For purposes of original or replacement equipment acquired under this award by a non-state recipient or non-state subrecipients, when that equipment is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, you must request instructions from FEMA to make proper disposition of the equipment pursuant to 2 C.F.R. section 200.313. State recipients and state subrecipients must follow the disposition requirements in accordance with state laws and procedures.

Article XLV - Prior Approval for Modification of Approved Budget

Before making any change to the FEMA approved budget for this award, you must request prior written approval from FEMA where required by 2 C.F.R. section 200.308.

For purposes of non-construction projects, FEMA is utilizing its discretion to impose an additional restriction under 2 C.F.R. section 200.308(f) regarding the transfer of funds among direct cost categories, programs, functions, or activities. Therefore, for awards with an approved budget where the federal share is greater than the simplified acquisition threshold (currently \$250,000), you may not transfer funds among direct cost categories, programs, functions, or activities without prior written approval from FEMA where the cumulative amount of such transfers exceeds or is expected to exceed ten percent (10%) of the total budget FEMA last approved.

For purposes of awards that support both construction and non-construction work, FEMA is utilizing its discretion under 2 C.F.R. section 200.308(h)(5) to require the recipient to obtain prior written approval from FEMA before making any fund or budget transfers between the two types of work.

You must report any deviations from your FEMA approved budget in the first Federal Financial Report (SF-425) you submit following any budget deviation, regardless of whether the budget deviation requires prior written approval.

Article XLVI - Environmental Planning and Historic Preservation (EHP) Review

DHS/FEMA funded activities that may require an Environmental Planning and Historic Preservation (EHP) review are subject to the FEMA EHP review process. This review does not address all federal, state, and local requirements. Acceptance of federal funding requires the recipient to comply with all federal, state, and local laws.

DHS/FEMA is required to consider the potential impacts to natural and cultural resources of all projects funded by DHS/FEMA grant funds, through its EHP review process, as mandated by the National Environmental Policy Act; National Historic Preservation Act of 1966, as amended; National Flood Insurance Program regulations; and any other applicable laws and executive orders. In order to initiate EHP review of your project(s), you must submit a detailed project description along with supporting documentation. The EHP review process must be completed before funds are released to carry out the proposed project; otherwise, DHS/FEMA may not be able to fund the project due to noncompliance with EHP laws, executive orders, regulations, and policies.

If ground disturbing activities occur during construction, applicant will monitor ground disturbance, and if any potential archeological resources are discovered the applicant will immediately cease work in that area and notify the pass-through entity, if applicable, and DHS/FEMA.

Article XLVII - Indirect Cost Rate

2 C.F.R. section 200.211(b)(15) requires the terms of the award to include the indirect cost rate for the federal award. If applicable, the indirect cost rate for this award is stated in the budget documents or other materials approved by FEMA and included in the award file.

Article XLVIII - Eligible High Hazard Potential Dam Documentation

The SAA must submit a list of all eligible high hazard potential dams in their state with the application. The SAA must submit official assurance statement (signed by the State Dam Safety Officer or Governor's Authorized Representative) that all dams included on the list of eligible high hazard potential dams are regulated by the state dam safety program and meet the HHPD criteria for eligible high hazard potential dams (Source: 33 USC-467(4)(A)).

Article XLIX - Performance Goal

The objective of the FY2022 HHPD grant is to provide financial assistance for repair, removal, or rehabilitation of eligible high hazard potential dams. Based on the review of your application, FEMA has verified that the claimed costs are consistent with the stated program objective. By accepting this award, you certify that the total Federal award amount comports to the total of all allowable costs incurred by the recipient during FY2022, in keeping with program objective. FEMA will further assess the recipient's performance against the program objectives during the quarterly reporting cycles and the award closeout process outlined in the Performance Measures section of the FY2022 HHPD grant Notice of Funding Opportunity.

Article L - Infrastructure Investment and Jobs Act Funded Projects

Recipients of awards using Infrastructure Investment and Jobs Act funding are required to report during quarterly reporting cycles the project award details and description, subaward project level location data, and the project status and progress toward achieving dam risk reduction project outcomes.

Article LI - Mitigation Plan Extraordinary Circumstances Requirement

If FEMA has granted an extension to the FEMA-approved state and/or local mitigation plan requirement based on a justification for extraordinary circumstances, a mitigation plan that includes all dam risks must be approved by FEMA within twelve (12) months of the award for recipients and within twelve (12) months of the date FEMA approves the applicants workplan for subrecipients.

Article LII - Pass-Through to Subrecipients

Awards made to the SAA for HHPD carry additional pass-through requirements. Pass-through is defined as an obligation on the part of the SAA to make funds available to eligible subrecipients. All pass-through entities must comply with Section 2 C.F.R. 200.332 Requirements for pass-through entities.

Article LIII - Revision of Budget & Clarification of Scope of Work Package

Within 90 days of the notice of award, the State Authorized Agency must submit a budget revision or Scope of Work clarification package to FEMA for approval that describes the budget and project scope for all work proposed, including identification of all subrecipients, in accordance with 2 C.F.R. ? 200.308. The grant award is based on the recipient's Program Work Plan (Scope of Work package) and applicant eligibility for an allocation under this program, and while it provides the overall scope of work for the award, this award package does not provide the details for subrecipient scopes of work. Budget amounts over each recipient's allocation cannot be funded, and budget amounts short of the allocation may require FEMA recovering the difference between the allocation and budget amount. Subrecipient scopes of work must align with the overall award scope of work.

Article LIV - Mitigation Plan Extraordinary Circumstances

FEMA has placed a funding hold on this award, and \$<total amount on hold> is on hold in the FEMA financial systems. The recipient is prohibited from obligating, expending, or drawing down the funds associated with the following projects/ investments. This funding hold applies for the award that has an approved local or tribal hazard mitigation plan where the non-state owned dam is located but where that plan does not include all dam risks. This is a corrective action to the original term of the award, which allows up to 12 months after the date FEMA approves the subrecipients workplan to meet the local or tribal mitigation plan requirement as described in the FY22 NOFO and meet the requirements in the Local Mitigation Planning Policy Guide (FP-206-21-0002, April 19, 2022) applicable to meeting the HHPD requirements. There must be an approved local or tribal mitigation plan where the dam is located at the time the subrecipient workplan is submitted to FEMA for review and at the time of FEMA approval.

If a recipient fails to comply with the terms and conditions of a federal award, FEMA may terminate the award in whole or in part. If the noncompliance can be corrected, FEMA may first attempt to direct the recipient to correct the noncompliance.

In the event the noncompliance is not able to be corrected by imposing additional conditions or the recipient or subrecipient refuses to correct the matter, FEMA might take other remedies allowed under 2 C.F.R. ? 200.339. These remedies include actions to disallow costs, recover funds, wholly or partly suspend or terminate the award, initiate suspension and debarment proceedings, withhold further federal awards, or take other remedies that may be legally available. For further information on termination due to noncompliance, see the section on Termination Provisions in the NOFO.

To release the funding hold, FEMA will approve the subrecipient workplan once FEMA verifies the jurisdiction where the dam is located has an approved mitigation plan. To ensure the term and condition of having an approved mitigation plan that includes all dam risks with 12 months of the subrecipient workplan approval, the recipient must submit the mitigation plan approval letter for the jurisdiction where the dam is located to avoid corrective actions or award termination.

If you believe this funding hold was placed in error, please contact the relevant Program Analyst or Grants Management Specialist.

BUDGET COST CATEGORIES

Personnel

\$0.00

Fringe Benefits	\$0.00
Travel	\$0.00
Equipment	\$0.00
Supplies	\$0.00
Contractual	\$0.00
Construction	\$0.00
Indirect Charges	\$0.00
Other	\$1,217,809.23

New Hampshire Department of Safety,
Division of Homeland Security & Emergency Management
FY22 High Hazard Potential Dams Rehabilitation Grant
EMW-2022-GR-00151

Title of Agreement Article: Funding Hold: Additional Information Required

FEMA has placed a funding hold on this award, and the full award amount of \$791,576.00 is on hold in the FEMA financial systems. The recipient is prohibited from obligating, expending, or drawing down the funds.

To release the funding hold the New Hampshire Department of Safety, Division of Homeland Security & Emergency Management must provide a detailed cost breakdown and justification for each of the projects. FEMA will rescind the funding hold upon its review and approval of the detailed cost breakdown and justification.

If you believe this funding hold was placed in error, please contact the relevant Grants Management Specialist.

Title of Agreement Article: Rescission of Article LIV (Mitigation Plan Extraordinary Circumstances)

Article LIV (Mitigation Plan Extraordinary Circumstances) was included in this award package in error. This particular Article does not apply to this award.

Obligating Document for Award/Amendment						
1a. AGREEMENT NO. EMW-2022-GR-00151-S01	2. AMENDMENT NO. ***	3. RECIPIENT NO. N/A	4. TYPE OF ACTION AWARD	5. CONTROL NO. WX04970N2022T , WX04970N2022T		
6. RECIPIENT NAME AND ADDRESS NH Dept. of Safety, Div. of Homeland Security & Emergency Management 33 Hazen Drive Concord, NH, 03305 - 0011	7. ISSUING FEMA OFFICE AND ADDRESS FEMA-GPD 400 C Street, SW, 3rd floor Washington, DC 20472-3645 POC: 866-927-5646		8. PAYMENT OFFICE AND ADDRESS FEMA Finance Center 430 Market Street Winchester, VA 22603			
9. NAME OF RECIPIENT PROJECT OFFICER Brian Eaton	PHONE NO. 6032278724	10. NAME OF FEMA PROJECT COORDINATOR Central Scheduling and Information Desk Phone: 800-368-6498 Email: Askcsid@dhs.gov				
11. EFFECTIVE DATE OF THIS ACTION 09/27/2022	12. METHOD OF PAYMENT PARS	13. ASSISTANCE ARRANGEMENT Cost Reimbursement	14. PERFORMANCE PERIOD From: 09/15/2022 To: 09/14/2025 Budget Period 09/15/2022 09/14/2025			
15. DESCRIPTION OF ACTION a. (Indicate funding data for awards or financial changes)						
PROGRAM NAME ACRONYM	CFDA NO.	ACCOUNTING DATA (ACCS CODE) XXXX-XXX-XXXXXX- XXXXX-XXXX-XXXX-X	PRIOR TOTAL AWARD	AMOUNT AWARDED THIS ACTION + OR (-)	CURRENT TOTAL AWARD	CUMULATIVE NON- FEDERAL COMMITMENT
High Hazard Potential Dams (HHPD) Rehabilitation Grant	97.041	2022-FA-GO01-F400-0370-4101-D	\$0.00	\$791,575.99	\$791,575.99	See Totals
High Hazard Potential Dams (HHPD) Rehabilitation Grant	97.041	2022-IF-NE01-F440-0370-4101-D	\$0.00	\$0.00	\$0.00	See Totals
			\$0.00	\$791,575.99	\$791,575.99	\$426,233.24
b. To describe changes other than funding data or financial changes, attach schedule and check here. N/A						
16 a. FOR NON-DISASTER PROGRAMS: RECIPIENT IS REQUIRED TO SIGN AND RETURN THREE (3) COPIES OF THIS DOCUMENT TO FEMA (See Block 7 for address) High Hazard Potential Dams (HHPD) Rehabilitation Grant recipients are not required to sign and return copies of this document. However, recipients should print and keep a copy of this document for their records. 16b. FOR DISASTER PROGRAMS: RECIPIENT IS NOT REQUIRED TO SIGN This assistance is subject to terms and conditions attached to this award notice or by incorporated reference in program legislation cited above.						
17. RECIPIENT SIGNATORY OFFICIAL (Name and Title) Matthew Hotchkiss,					DATE Tue Oct 04 17:48:10 UTC 2022	
18. FEMA SIGNATORY OFFICIAL (Name and Title)					DATE	

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