

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES**

Application and Petition of Housatonic Water
Works Company pursuant to G.L. c. 165, § 2
and G.L. c. 164, § 14 for Approval and
Authorization to Incur Long Term Indebtedness

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D.P.U. 25-145

MONTHLY PROJECT REPORT

James J. Mercer does hereby depose and state as follows:

1. My name is James J. Mercer. I am Treasurer, Director, and Chief Financial Officer of Housatonic Water Works Company (“Company”).
2. Attachment A to this report is a detailed and updated schedule, as of September 29, 2026, for the manganese filtration project (“Project”) which the Company has undertaken as part of the settlement agreement approved by the Department of Public Utilities (“Department”) in D.P.U. 23-65.
3. Since the Company’s last report, the Company has completed the placement of the treatment vessels within the treatment building.
4. Due to the Company’s current financial condition and negative cash flow position, which has been exacerbated by a payment dispute with the Great Barrington Fire District for the cost of a temporary interconnection, the Company cannot draw upon its existing loan facilities to pay for the Project until its secured creditors have reasonable assurance that the Company will have sufficient revenues to recover all of the Project costs. See Attachment B (Letter to Stakeholders). Accordingly, the Project is currently on hold indefinitely until the

Company obtains rate relief through either a modification of the rate case settlement agreement or by filing a petition for an emergency rate increase.

5. As indicated in the Company's last report, the need to revise the Project design to incorporate equipment that complies with federal Build America, Buy America ("BABA") Act, Pub. L. No. 117-58, §§ 70901-52, domestic content requirements for manufactured products, which is a requirement for the Company to receive the MassDEP grants funded by the U.S. Environmental Protection Agency ("EPA") delayed the ordering and scheduling of delivery of certain equipment. The Company is seeking BABA waivers, which remain under negotiation. It should be noted that certain SCADA system equipment do not have available BABA-compliant substitutes. Accordingly, the Project cannot be completed without a waiver.

Signed under the pains and penalties of perjury as of this 30th day of September 2026.


James J. Mercer

ATTACHMENT A

Major Construction Milestones – Manganese Removal Project (2026)

September 29, 2026

Milestone	Status	Date
DPU financing approval	Completed	January
Treatment building contract awarded	Completed	January
Building Permit	Completed	February 2026
BABA compliance review and Non-Availability Waiver for SCADA and instrumentation components initiated***	Ongoing	March 2026
CoBank financing	Completed	April 2026
Additional DEP Grant (\$250,000)	Completed	April 2026
Phase 1: Site work, excavation, and underground utilities	Completed	March- June 2026
Phase 2: Site work, excavation, and underground utilities	Ongoing	Undetermined
Radiant floor heating, under-slab plumbing, and electrical conduits	Completed	May 2026
Greensand treatment vessels delivered	Completed	May 2026
Underground propane tank installed	Completed	May 2026
Foundation, footings, and concrete slab	Completed	May 2026
2 Variable Frequency Drive (VFD) high-service pumps delivered	Completed	June 2026
Treatment building structural steel erected	Completed	June 2026
Roof and exterior wall panels installed (building enclosed)	Completed	August 2026
Generator tie-in	Ongoing	Undetermined
National Grid New Service	Completed	August 2026
Start Interior build-out of treatment building	Ongoing	September 2026
Placement of treatment vessels within the building	Completed	September 2026
2 Variable Frequency Drive (VFD) high-service pumps installation	Completed	July 2026
Face piping for GSF Vessels delivered	Completed	September 2026
Process piping and mechanical equipment installation	On hold	Undetermined

Continue electrical wiring, SCADA, instrumentation assembly ***	On hold	Undetermined
Generator commissioning and utility transfer	On hold	Undetermined
System testing and operational commissioning	On hold	Undetermined
Project completion and operational readiness	On hold	Undetermined

***The Company and its engineers continue to seek BABA waivers for components of this project.

ATTACHMENT B

September 25, 2026

Womble Bond Dickinson (US) LLP

VIA ELECTRONIC MAIL

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**Re: Housatonic Water Works Company Financial Condition,
Impact on Current Capital Projects, and Need for Emergency
Rate Increase**

Dear Stakeholder:

On behalf of the Housatonic Water Works Company ("HWWC" or "Company"), I write to you as the key stakeholders to inform you of an impending fiscal crisis that is putting its ability to continue to provide service at risk. The Company has been experiencing negative cash flows for an extended period and cannot meet its current financial obligations or access credit as a result. Exacerbating the Company's financial situation, the Great Barrington Fire District (the "Fire District") has threatened to stop providing water to the Company next week unless the Company pays \$35,000.00 by Friday, September 25, 2026 (and then another \$35,000.00 in November and December). We were hopeful that the Fire District would accept a proposal that the Company made to start making partial payments prior to the Fire District's vote. Unfortunately, the Company does not have the means to pay the \$35,000.00 demanded and now



expects that the Fire District will terminate the water supply. That will cause a crisis to HWWC's over 850 customers in Great Barrington, Stockbridge and West Stockbridge.

In addition, the current financial crisis is forcing the Company to pause current progress on the manganese filtration project. To complete the project, as well as to ensure the continued delivery of adequate water distribution service to customers including funding to pay amounts owed to the Fire District, the Company will need a significant emergency rate increase simply to restore the Company to a positive cash flow position. In addition, the timetable of Town of Great Barrington's acquisition of the Company's assets needs to be accelerated. Set forth below is an inventory of the current issues facing the Company.

Slow Sand Filter Failure and Great Barrington Fire District Interconnection

In December 2025, after routine cleaning, one of the Company's slow sand filters experienced a severe, unexpected drop in flow, which the Company is currently working to fix. In the interim, the Massachusetts Department of Environmental Protection ("MassDEP") issued a Unilateral Administrative Order approving the emergency use of a temporary hydrant-to-hydrant interconnection with the Great Barrington Fire District. However, the District unilaterally began billing the Company at a rate approaching ten times its published residential rate, resulting in a \$100,000 bill, which the Company is unable to pay because of its negative cash flows. The original emergency order expired on June 24, 2026. Because the Company remained interconnected to the Great Barrington Fire District system (except for a temporary disconnection to perform a hydrant replacement) without a MassDEP order, MassDEP issued a subsequent Unilateral Administrative Order on September 15, 2026, and directed the Company to "make all necessary repairs and corrective actions to maintain adequate water quantity and water pressure," submit an alternative solution, or provide one gallon of bottled water per person per day for each of its customers.

HWWC does not have the resources with which to pay for the necessary repairs without a general increase in rates. Even if it did, repairs could not be completed that quickly. It has no ability to provide or pay for bottled water, and, even if it did, bottled water would not result in the required water pressure for fire protection. The only way HWWC's customers can be provided with water as needed is for the current interconnect to remain in place. The Fire District and HWWC made progress in negotiations, tentatively reaching terms of agreement on constructing a permanent interconnection, and we were under the impression that the Fire District intended to allow the temporary interconnection to remain and to address payment at a later date. This week, the Company was informed of the Fire District's continued intention to disconnect the water systems next week unless full payment is made. The Company offered to pay \$3,000.00 per month commencing immediately. The Fire District rejected this proposal.

Emergency Rate Increase

In order to bring the Company's finances to positive cash flows to cover its current obligations, including to pay for the amounts owed to the Fire District and to meet its loan covenants, the Company will need to increase its revenues significantly through an emergency rate petition. This increase would only cover its cash flow requirements under the DPU's emergency rate precedent and does not cover all aspects of the Company's full cost-of-service which would have to be addressed in a fully supported rate case. The Company is preparing an itemization of its current liabilities and cash flows for stakeholder review. A full rate case (or settlement) would ultimately follow the request for emergency rate relief.



Manganese Filtration Project

Under the Settlement Agreement between the Company and the Attorney General's Office in the Company's last rate case in D.P.U. 23-65, approved by the Department of Public Utilities ("DPU") on July 31, 2024, the Company agreed to defer recovery of a portion of its base revenue requirement, as well as the cost of the manganese filtration project, until after the project is in service and project costs have been reviewed by the DPU. The manganese filtration project is underway, and the Company has made significant progress, but the Company continues to carry the deferred revenue requirements and the significant costs of the project on its books without support in water rates. Unexpected delays in the construction schedule, initially caused in part by the Town of Great Barrington's appeal of the rate settlement order which prevented the Company from obtaining financing for the project, as well domestic content compliance obligations associated with federally funded grant funds supporting the manganese filtration project, have delayed the project and caused the Company to carry those costs much longer than expected at an unsustainable level.

The original cost estimates for the manganese treatment project also are no longer sufficient due to supply chain cost increases. These increases have been compounded by the federal Build America, Buy America ("BABA") Act domestic content requirements attached to the project grants awarded by MassDEP and funded by the U.S. Environmental Protection Agency. Our vendors and contractors have been unable to secure compliant equipment within the original project budget.¹ One of the more significant examples is the monitoring equipment required to operate the new treatment facility. The Company's engineering firm, Haley Ward, originally budgeted approximately \$50,000 for these upgrades. The cost of a BABA-compliant system is now approximately \$172,000. Certain SCADA system equipment required for the project have *no* BABA-compliant alternatives. The Company has asked the EPA for a BABA waiver, which is still under negotiation.

Even if the EPA granted a BABA waiver, as a result of the Company's financial condition and the known cost overruns, the Company cannot continue to draw upon its existing loan facilities to pay for the project without emergency rate relief because of the Company's financial condition and without reasonable assurance that it will recover at least the amount of the cost overrun to be able to repay its secured creditor. The ongoing assessment of the suspended penalties for failure to complete the project under the MassDEP administrative consent order further erodes the Company's cash flows and access to credit.

Longer-Term Rates

If the sale is not closed in the near term, the Company would require significant further rate increases beyond the interim emergency rate request to support general cost-of-service increases, as well as to remedy the slow sand filtration system, and to pay for the use of a permanent interconnection with the Great Barrington Fire District, which the Fire District would construct, own, maintain, and operate. The Company is open to reaching an agreement with stakeholders on future capital planning in the context of a settlement on a full rate case filing that will still be necessary after the emergency rate request.

¹ Under the Settlement Agreement, recovery of project cost overruns, *even if prudently incurred*, must be deferred until approved by the DPU in the next base distribution rate case.



Town of Great Barrington Purchase of the Company's Assets

Alternatively, by purchasing the Company's assets, the Town of Great Barrington can take immediate control of the direction of the necessary capital investments in the system and customer rates, likely at lower and more predictable financing costs. However, the DPU valuation case will likely take well over a year to complete. The Company remains open to negotiating an immediate sale of the Company's assets to the Town of Great Barrington without resorting to the valuation process before the DPU in docket D.P.U. 26-117. To move past the impasse reached in negotiations, the Company is open to structuring a transaction where the Town assumes the Company's indebtedness and pays nothing for the franchise, corporate property, and all the rights and privileges of the corporation. This is equal to the best possible result that the Town could achieve through the pending valuation proceeding under the terms of the Company's charter statute. A closing would need to occur by the end of the year and the leaders of Great Barrington need to ensure that any contemplated sale receives voter approval if a Town Meeting vote is required. The Company is committed to supporting the Select Board in providing the Town and its voters full transparency about the Company's assets, operational costs, capital needs, and likely future rates versus operation as a municipal water system.

Request for State Intervention

The Company requests assistance in maintaining its interconnection with the Fire District. To this end, the Company filed a request in response to the DEP Unilateral Administrative Order that seeks to maintain the interconnection on an emergency basis and a request that DEP use any authority it made have to prevent the threatened disconnection. The Company will also need support from MassDEP, the Attorney General's Office, and the Selectboards of Great Barrington, Stockbridge, and West Stockbridge in several key areas to resolve these financial and operational emergencies. The Company requests the support, or non-opposition by the Attorney General's Office and the Selectboards of Great Barrington, Stockbridge, and West Stockbridge for the Company's request to the DPU for an emergency rate increase. The Company will meet with all stakeholders to discuss the factors of the Company's financial condition underlying the need for such an interim increase.

Conclusion

The Company seeks to use any and all regulatory mechanisms available to avoid creating an emergency that may require further intervention by the Commonwealth under G.L. c. 25, § 4B, and to avoid the impending disconnection of the interconnection with the Fire District. In addition, the Company's current financial condition is grave and requires emergency action either through an immediate emergency rate increase or the immediate purchase of the Company's distribution assets. The Company is open to either solution. However, if neither alternative can be achieved, the Company's ability to continue to operate and to ensure that its customers continue to receive adequate water distribution service is at risk.



Please contact the undersigned so that we can make arrangements to discuss the foregoing matters.

Respectfully,

Womble Bond Dickinson (US) LLP

A handwritten signature in blue ink, appearing to read "Jed M. Nosal", with a long horizontal line extending to the right.

Jed M. Nosal
Partner

A handwritten signature in blue ink, appearing to read "Jesse S. Reyes", in a cursive style.

Jesse S. Reyes
Senior Counsel