

PENNICHUCK WATER SPECIAL COMMITTEE

SEPTEMBER 29, 2020

7:00 PM

To join Zoom:

<https://us02web.zoom.us/j/86382370863?pwd=azEwMjFCWXg2YURHSXFMSWI0aU9zZz09>

Meeting ID: 863 8237 0863

Password: 795707

To Join Zoom by telephone: 1-929-205-6099

Meeting ID: 863 8237 0863

Password: 795707

If there is a problem with the audio, please dial 603-821-2049 to advise.

ROLL CALL

PUBLIC COMMENT

COMMUNICATIONS

From: Larry D. Goodhue, CEO, Pennichuck Corporation

Re: Pennichuck Corporation Quarterly Report for Quarter Ended March 31, 2020

From: Larry D. Goodhue, CEO, Pennichuck Corporation

Re: Pennichuck Corporation Quarterly Report to the Sole Shareholder Quarter Ended June 30, 2020

UNFINISHED BUSINESS

NEW BUSINESS – RESOLUTIONS

R-20-073

Endorsers: Mayor Jim Donchess
Alderman Richard A. Dowd
Alderman Linda Harriott-Gathright
Alderman-at-Large Brandon Michael Laws
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Skip Cleaver
Alderman-at-Large Lori Wilshire

**AUTHORIZING THE MAYOR TO ENTER INTO PILOT AGREEMENT PURSUANT TO RSA 72:74
WITH PENNICHUCK WATER WORKS, INC.**

NEW BUSINESS – ORDINANCES

GENERAL DISCUSSION

PUBLIC COMMENT

REMARKS BY THE ALDERMEN

POSSIBLE NON-PUBLIC SESSION

ADJOURNMENT



Pennichuck Corporation

Quarterly Report to the

Sole Shareholder

(City of Nashua Board of Aldermen)

Quarter Ended March 31, 2020

Executive Summary

- Revenues for the first quarter of 2020 were 3.5% greater than the prior year (\$9.75 million versus \$9.42 million).
- Operating Income for the first quarter of 2020 was 31.6% higher than the prior year (\$0.50 million versus \$0.38 million) due to increased revenue levels for the regulated utilities year-over-year.
- Pre-Tax Loss for the first quarter of 2020 was 3.9% lower than the prior year loss (\$2.22 million versus \$2.31 million).
- Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) for the first quarter of 2020 were 6% higher than the prior year (\$2.64 million versus \$2.49 million).
- As expected, during the quarter, the Company paid approximately \$2.1 million to the City in principal, interest and dividends to fund the City Acquisition Debt.
- Capital expenditures for the first quarter of 2020 were \$0.75 million compared to \$0.67 million in the first quarter of 2019.
- The Annual Meeting of Sole Shareholder was held virtually via Microsoft Teams on Saturday, May 2, 2020.

We remain focused on the Company’s primary mission, in that we continue to provide clean water and excellent service to our customers and operate within the confines of the budgeted and planned levels of operating and capital expenditures.

Unaudited Financial Highlights

Financial highlights on a Generally Accepted Accounting Principles (“GAAP”) basis for the first quarter of 2020 as compared to the first quarter of 2019 are as follows:

	(000’s)	
	Quarter Ended March 31, 2020 (Unaudited)	Quarter Ended March 31, 2019 (Unaudited)
Revenues		
Regulated Utilities	\$ 9,035	\$ 8,783
Other	<u>717</u>	<u>645</u>
Total	\$ 9,752	\$ 9,428
Operating Expenses		
Regulated Utilities	\$ 8,572	\$ 8,413
Other	<u>684</u>	<u>640</u>
Total	\$ 9,256	\$ 9,053
Operating Income	\$ 496	\$ 375
Non-Operational Income (Expense)	9	17
Other Income	-	8
Net Interest Expense	<u>(2,722)</u>	<u>(2,711)</u>
Pre-Tax (Loss)	\$ (2,217)	\$ (2,311)
Income Tax Provision (Benefit)	<u>609</u>	<u>(93)</u>
Net (Loss)	\$ <u>(2,826)</u>	\$ <u>(2,218)</u>
Earnings Before Interest, Taxes, Depreciation and Amortization	\$ <u>2,638</u>	\$ <u>2,488</u>

Revenues from the water utility operations increased year-over-year approximately 2.9%. The increase is attributable to increased Jobbing Revenues from billable work in the Pennichuck Water Works and Pennichuck East Utility systems. Revenues from the unregulated water service business increased 11.2% from the prior year due to increases in their Unplanned Revenue activities.

Operating Expenses have increased approximately 2.2% year-over-year. The increase is attributable to increased transmission & distribution costs attributed to maintenance activities, as well as general administrative costs which include wage, health and retirement benefits. The variance in costs for the Service Company relate to contract service requirements and requests by

the contracted customers, as well as some variances related to unplanned maintenance activities for which there is revenue coverage.

Operating Income has increased year-over-year as a result of the revenue gains offset by the increased operating costs.

Interest Expense increased slightly year-over-year by 0.4% due to interest costs associated with the additional financed amounts for capital projects which have been incurred for ongoing infrastructure replacement, in conformity with the Company's key mission objectives.

The income tax provision in the current year reflects the tax treatment for the Municipal Acquisition Regulatory Asset (MARA), which is not deductible for tax purposes, and the inclusion of CIAC taxable income, due to the elimination of an exemption in the Tax Cuts and Jobs Act. Depending on year-to-date profitability levels, compared to the value of that non-deductible amount, this can impact the actual rate on earned amounts in a positive or negative manner, throughout the year. As of the end of the first quarter, the tax provision rate is -27.5% versus the statutory rate benefit of 27.08%.

The first quarter pre-tax loss for 2020 is lower than the pre-tax loss for 2019, for reasons as discussed in this quarterly report. Typically, the first quarter is the lowest quarter from a profitability perspective, as water usage is at the lowest level for the year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) is 6.0% higher than EBITDA for the same period last year due to the increased revenues year-over-year.

Balance Sheet

	(000's)	
	As of March 31, 2020 (Unaudited)	As of December 31, 2019 (Audited)
<u>Assets</u>		
Property, Plant & Equipment, Net	\$ <u>236,128</u>	\$ <u>237,182</u>
Current Assets:		
Cash	6,150	4,885
Restricted Cash	386	1,963
Restricted Cash – Bond Project Funds	-	3,426
Accounts Receivable	5,072	5,631
Inventory	639	648
Other Current Assets ^{Note 1}	<u>736</u>	<u>1,418</u>
Total Current Assets	<u>12,983</u>	<u>17,971</u>
Other Assets:		
Acquisition Premium	68,751	69,263
Other Assets	<u>13,623</u>	<u>13,727</u>
Total Other Assets	<u>82,374</u>	<u>82,990</u>
TOTAL ASSETS	\$ <u>331,485</u>	\$ <u>338,143</u>
<u>Shareholders' Equity and Liabilities</u>		
Shareholders' Equity	\$ <u>(257)</u>	\$ <u>2,739</u>
Bonds, Notes and Mortgages	<u>210,167</u>	<u>212,296</u>
Current Liabilities:		
Lines of Credit ^{Note 2}	10,859	9,283
Current Portion of Long-Term Debt	8,690	6,582
Other Current Liabilities ^{Notes 3 & 4}	<u>3,991</u>	<u>6,722</u>
Total Current Liabilities	<u>23,540</u>	<u>22,587</u>
Other Long-Term Liabilities:		
CIAC, net	54,657	54,770
Deferred Income Taxes	14,979	14,427
Accrued Pension Liability ^{Note 5}	12,992	12,971
Other Long-Term Liabilities	<u>15,407</u>	<u>18,353</u>
Total Other Long-Term Liabilities	<u>98,035</u>	<u>100,521</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	\$ <u>331,485</u>	\$ <u>338,143</u>

Notes to Balance Sheet

Note 1 (Other Current Assets) – At December 31, 2019, approximately \$992,000 of this balance was comprised of prepaid property taxes, which were expensed in the first quarter of 2020, relating to taxes paid in November and December of 2019 for the second half of the property tax year ended March 31, 2020. The balance of prepaid property taxes as of March 31, 2020 is \$0.

Note 2 (Lines of Credit) – At March 31, 2020, approximately \$8,234,000 of this balance was comprised of the borrowed balance against the Fixed Asset Lines of Credit. This balance has been significantly reduced since that date, and currently has a balance of \$1,787,000, due to the payoff of the PWW FALOC with the proceeds brought into the Company from the April 23, 2020 issuance of bonds by Pennichuck Water Works, Inc., as a reimbursement of capital expenditures funded during 2019.

Note 3 (Other Current Liabilities) – At March 31, 2020, approximately \$1,253,000 of this balance is comprised of accounts payable which relates to activities that were performed in the first quarter of 2020.

Note 4 (Other Current Liabilities) – At March 31, 2020, approximately \$789,000 of this balance is comprised of accrued interest. These interest costs are associated with the financed amounts for capital projects which have been incurred for ongoing infrastructure replacement, in conformity with the Company's key mission objectives.

Note 5 (Accrued Pension Liability) – During the first quarter of 2020, \$264,000 was contributed into the Pension Plan, while approximately \$183,500 in benefit payments were made to participants and approximately \$30,300 of investment income and appreciation was earned in the plan.

Unaudited Cash Flow Statement

Cash Flow on a GAAP basis for the first quarter of 2020 as compared to the first quarter of 2019 is as follows:

	(000's)	
	<u>March 31, 2020</u> (Unaudited)	<u>March 31, 2019</u> (Unaudited)
Operating Activities:		
Net Income (Loss)	\$ <u>(2,826)</u>	\$ <u>(2,218)</u>
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,134	2,097
Provision for Deferred Taxes	616	(86)
Other	(8)	(29)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	558	440
(Increase) Decrease in Inventory	9	(19)
(Increase) Decrease in Other Assets	840	1,102
Increase (Decrease) in Accounts Payable	(2,251)	(2,425)
Increase (Decrease) in Other Liabilities	<u>(399)</u>	<u>(629)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(1,327)</u>	<u>(1,729)</u>
Investing Activities:		
Purchases of Property, Plant & Equipment, including the Debt Component of AFUDC	(692)	(781)
(Increase) Decrease in Restricted Cash	-	-
Purchase of Marketable Securities	-	-
Proceeds from Sale of Property	-	23
Change in Deferred Land Costs and Interest in Real Estate Partnerships	<u>-</u>	<u>2</u>
Net Cash Provided by (Used in) Investing Activities	<u>(692)</u>	<u>(756)</u>
Financing Activities:		
Borrowings (Repayments) on Line of Credit	1,576	3,697
Payments on Long-term Debt	(3,584)	(3,142)
Contributions in Aid of Construction	2	2
Proceeds from Long-term Borrowings	358	34
Debt Issuance Costs	-	-
Dividends Paid	<u>(70)</u>	<u>(70)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(1,720)</u>	<u>521</u>
Increase (Decrease) in Cash and Cash Equivalents	(3,739)	(1,964)
Cash and Cash Equivalents at Beginning of Period	<u>10,274</u>	<u>8,340</u>
Cash and Cash Equivalents at End of Period	\$ <u><u>6,535</u></u>	\$ <u><u>6,376</u></u>

Financial information is available on the Company's website (www.Pennichuck.com) under the "Management and Financial Information" caption.

Capital Expenditures

Capital Expenditures in the first quarter of 2020 were \$0.75 million as compared to \$0.67 million in the first quarter of 2019. Major expenditures in the first quarter of 2020 included:

Merrimack River Intake	\$169,000
CMMS Replacement	\$61,000
SCADA Software Upgrade	\$43,000
Kessler Farm Tank Design	\$42,000
Locke Lake New Water Source	\$42,000
Meter Replacements	\$40,000

Financing

On May 6, 2020, the NHPUC issued Order No. 26,354 which permitted Pennichuck Water Works, Inc. to borrow up to \$2,563,662 from the federal Small Business Administration Paycheck Protection Program. This loan includes a 2-year maturity at an interest rate of 1 percent, which includes a provision in which a portion or all of the loan can be forgiven if all employees are kept on the payroll for eight weeks upon disbursement of the loan proceeds. The loan proceeds were disbursed by TD Bank, Inc., on behalf of the SBA on May 8, 2020.

Subsequent Events

On April 23, 2020, the Company's Pennichuck Water Works, Inc. subsidiary issued approximately \$7.5 million of tax-exempt and taxable bonds through the NH Business Finance Authority as reimbursement for its 2019 capital improvements in Pennichuck Water Work's water supply, distribution and support systems. The bond issuance was approved by the Pennichuck Board of Directors and the Sole Shareholder. This issuance had previously received NHPUC approval on Order No. 26,101, dated February 2, 2018, which authorized up to \$32.5 million in bonds via multiple issuances for the years 2018 – 2021.

Flushing of Mains

As in prior years, we have commenced the flushing of the water mains in critical areas of our systems. The process is conducted annually to flush impurities built up in the mains during the year. The flushing program is expected to be completed by mid-June.

Annual Meeting

The Annual Meeting of Sole Shareholder was held virtually via Microsoft Teams conference platform on Saturday, May 2, 2020. At the Annual Meeting, James P. Dore, Elizabeth A. Dunn, H. Scott Flegal and Deborah Novotny were elected to the Board of Directors for three-year terms.



Pennichuck Corporation

**Quarterly Report to the
Sole Shareholder
(City of Nashua Board of Aldermen)**

Quarter Ended June 30, 2020

Executive Summary

- Revenues for the second quarter of 2020 were 13.2% higher than the prior year (\$12.0 million for 2020 versus \$10.6 million for 2019). Revenues on a year-to-date basis were also 8.5% higher when compared to the prior year (\$21.7 million for the six months in 2020 versus \$20.0 million in 2019). Both are primarily due to increased consumption in 2020 versus 2019, as the regulated utilities were positively impacted by (1) weather related factors as the dry weather from late Spring has continued throughout the month of June and (2) increases in overall residential usage that have offset decreases in commercial/industrial consumption levels, which were impacted by N.H. Governor Sununu's Stay At Home Order for all non-essential residents earlier this year.
- Operating Income for the second quarter of 2020 was 200% higher than the prior year (\$2.4 million for 2020 versus \$0.8 million for 2019). Operating Income on a year-to-date basis is 163.6% higher than the prior year (\$2.9 million for 2020 versus \$1.1 million for 2019). Both of which are attributed to the increased revenue levels coupled with lower operating expenses, primarily driven by the Service Company, associated with decreased Unplanned Maintenance activities year-over-year.
- Pre-Tax Loss for the second quarter of 2020 was \$0.5 million versus the pre-tax loss of \$2.0 million for 2019. On a year-to-date basis, the pre-tax loss was \$2.7 million for 2020 versus \$4.3 million for 2019.
- Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) for the second quarter of 2020 was 55.2% higher than the prior year (\$4.5 million in 2020 versus \$2.9 million for 2019). On a year-to-date basis, EBITDA was 33.3% higher than the prior year (\$7.2 million for 2020 versus \$5.4 million for 2019).
- During the quarter, the Company paid \$2.1 million to the City in principal, interest and dividends to fund the City Acquisition Debt. Year-to-date, the Company has paid \$4.2 million to the City in principal, interest and dividends to fund the City Acquisition Debt.
- Capital expenditures for the second quarter of 2020 were \$2.2 million compared to \$1.9 million in the second quarter of 2019. On a year-to-date basis, capital expenditures for 2020 were \$3.0 million compared to \$2.5 million in 2019.

We remain focused on the Company’s primary mission, in that we continue to provide clean water and excellent service to our customers and operate within the confines of the budgeted and planned levels of operating and capital expenditures.

Unaudited Financial Highlights

Financial highlights on a Generally Accepted Accounting Principles (“GAAP”) basis for the second quarter of 2020 as compared to the second quarter of 2019, and the six months of 2020 as compared to the six months of 2019, are as follows:

	(000’s)			
	<u>Quarter Ended</u>		<u>Year-to-Date</u>	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues				
Regulated Utilities	\$ 11,275	\$ 9,764	\$ 20,310	\$ 18,547
Other	<u>683</u>	<u>842</u>	<u>1,400</u>	<u>1,487</u>
Total	\$ 11,958	\$ 10,606	\$ 21,710	\$ 20,034
Operating Expenses				
Regulated Utilities	\$ 8,982	\$ 9,087	\$ 17,554	\$ 17,500
Other	<u>589</u>	<u>747</u>	<u>1,273</u>	<u>1,387</u>
Total	\$ 9,571	\$ 9,834	\$ 18,827	\$ 18,887
Operating Income	\$ 2,387	\$ 772	\$ 2,883	\$ 1,147
Non-Operational Income (Expense)	(3)	(9)	6	16
Net Interest Expense	<u>(2,883)</u>	<u>(2,786)</u>	<u>(5,605)</u>	<u>(5,497)</u>
Pre-Tax Income (Loss)	\$ (499)	\$ (2,023)	\$ (2,716)	\$ (4,334)
Income Tax Benefit (Expense)	<u>(140)</u>	<u>91</u>	<u>(749)</u>	<u>184</u>
Net Income (Loss)	\$ <u>(639)</u>	\$ <u>(1,932)</u>	\$ <u>(3,465)</u>	\$ <u>(4,150)</u>
Earnings Before Interest, Taxes, Depreciation and Amortization	\$ <u>4,527</u>	\$ <u>2,871</u>	\$ <u>7,165</u>	\$ <u>5,359</u>

Revenues from water utility operations increased 15.3% in the quarter and 9.7% on a year-to-date basis, versus last year, as discussed in the “Executive Summary.” Revenues include actual billed amounts through and including the June billing cycles, plus an accrual of unbilled amounts through the end of the month (based upon trailing consumption patterns). Revenues from the unregulated water service business have decreased 19.0% in the second quarter as compared to the second quarter of last year, primarily due to lower revenues for Unplanned, Water-Tight and Backflow sales. On a year-to-date basis, the unregulated water service revenues are down by 6.7%, for the same reason.

Operating Expenses have decreased approximately 2.0% in the second quarter and 0.5% on a year-to-year basis. The decrease is mainly attributable to lower Unplanned Maintenance expenses in the Service Company, driven by the decrease in the overall Unplanned Revenue activity.

Operating Income has increased year-over-year as a result of the variations in revenue and operating expense levels recognized for the quarter and year-to-date.

Interest Expense increased in the second quarter by approximately 3.6% over the second quarter of last year; and, year-to-date versus last year by approximately 1.8%, resulting from the interest costs associated with the financed amounts for capital projects which have been incurred for ongoing infrastructure replacement, in conformity with the Company's key mission objectives.

The second quarter pre-tax loss and year-to-date pre-tax loss for 2020 are both lower than the pre-tax levels for 2019 due to the revenue and expense variations discussed above.

The income tax expense in the current year reflects the tax treatment for the Municipal Acquisition Regulatory Asset (MARA), which is not deductible for tax purposes, and the inclusion of CIAC taxable income, due to the elimination of an exemption in the Tax Cuts and Jobs Act. Depending on year-to-date profitability levels, compared to the value of that non-deductible amount, this can impact the actual rate on earned amounts in a positive or negative manner, throughout the year. As of the end of the second quarter, the tax expense rate is 27.6% versus the statutory rate benefit of 27.08%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) are higher than EBITDA for the same periods last year due to increased revenues, coupled with lower operating expense levels than 2019.

Balance Sheet

	(000's)	
	As of June 30, 2020 (Unaudited)	As of December 31, 2019 (Audited)
<u>Assets</u>		
Property, Plant & Equipment, Net	\$ <u>236,327</u>	\$ <u>237,182</u>
Current Assets:		
Cash	5,079	4,885
Restricted Cash	301	1,963
Restricted Cash – Bond Project Funds	6	3,426
Accounts Receivable	7,112	5,631
Inventory	652	648
Other Current Assets ^{Note 1}	<u>2,025</u>	<u>1,418</u>
Total Current Assets	<u>15,175</u>	<u>17,971</u>
Other Assets:		
Acquisition Premium	68,234	69,263
Other Assets	<u>13,533</u>	<u>13,727</u>
Total Other Assets	<u>81,767</u>	<u>82,990</u>
TOTAL ASSETS	\$ <u>333,269</u>	\$ <u>338,143</u>
<u>Shareholders' Equity and Liabilities</u>		
Shareholders' Equity	\$ <u>(968)</u>	\$ <u>2,739</u>
Bonds, Notes and Mortgages	<u>217,070</u>	<u>212,296</u>
Current Liabilities:		
Lines of Credit ^{Note 2}	4,679	9,283
Current Portion of Long-Term Debt	11,407	6,582
Other Current Liabilities ^{Notes 3 and 4}	<u>3,590</u>	<u>6,722</u>
Total Current Liabilities	<u>19,676</u>	<u>22,587</u>
Other Long-Term Liabilities:		
CIAC, net	54,375	54,770
Deferred Income Taxes	15,127	14,427
Accrued Pension Liability ^{Note 5}	12,573	12,971
Other Long-Term Liabilities	<u>15,416</u>	<u>18,353</u>
Total Other Long-Term Liabilities	<u>97,491</u>	<u>100,521</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	\$ <u>333,269</u>	\$ <u>338,143</u>

Notes to Balance Sheet

Note 1 (Other Current Assets) – At December 31, 2019, approximately \$992,460 of this balance was comprised of prepaid property taxes, which were expensed in the first quarter of 2020, relating to taxes paid in November and December of 2019 for the second half of the property tax year ended March 31, 2020. The balance of prepaid property taxes as of June 30, 2020 is \$1,051,734.

Note 2 (Lines of Credit) – At June 30, 2020, approximately \$2,304,000 of this balance was comprised of the corporate Working Capital Line of Credit which is periodically drawn upon in support of our operations. The remaining \$2,375,431 balance relates to Pennichuck Water Works, Inc. and Pennichuck East Utility, Inc. Fixed Asset Lines of Credit (FALOC), which are used to fund Construction Work in Progress on capital projects which will be refinanced into long-term debt obligations or bond indebtedness annually.

Note 3 (Other Current Liabilities) – At June 30, 2020, approximately \$1,464,000 of this balance is comprised of accounts payable which relates to activities that were performed in the second quarter of 2020.

Note 4 (Other Current Liabilities) – At June 30, 2020, approximately \$306,000 of this balance was comprised of accrued interest. These interest costs are associated with the financed amounts for support of corporate operations and capital projects which have been incurred for ongoing infrastructure replacement, in conformity with the Company’s key mission objectives.

Note 5 (Accrued Pension Liability) – During the six months of 2020, \$967,000 was contributed into the Pension Plan, while approximately \$394,000 in benefit payments were made to participants and approximately \$54,000 of investment income and appreciation was earned in the plan.

Unaudited Cash Flow Statement

Cash Flow on a GAAP basis for the second quarter of 2020 as compared to the second quarter of 2019, and the year-to-date 2020 versus 2019, are as follows:

	(000's)			
	Quarter Ended		Year-to-Date	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Operating Activities:				
Net Income (Loss)	\$ (639)	\$ (1,932)	\$ (3,465)	\$ (4,150)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	2,142	2,097	4,276	4,194
Provision for Deferred Taxes	147	(84)	763	(170)
Other	(9)	(13)	(17)	(42)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(2,039)	(1,066)	(1,481)	(626)
(Increase) Decrease in Inventory	(13)	(8)	(4)	11
(Increase) Decrease in Other Assets	(458)	(1,483)	382	(381)
Increase (Decrease) in Accounts Payable	219	1,799	(2,032)	(626)
Increase (Decrease) in Other Liabilities	<u>(1,630)</u>	<u>(622)</u>	<u>(2,029)</u>	<u>(1,251)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(2,280)</u>	<u>(1,312)</u>	<u>(3,607)</u>	<u>(3,041)</u>
Investing Activities:				
Purchases of Property, Plant & Equipment, including the Debt Component of AFUDC	(2,134)	(1,813)	(2,826)	(2,594)
Proceeds from Sale of Property, Plant & Equipment	-	-	-	23
(Increase) Decrease in Restricted Cash	-	-	-	-
Sale of Investment Securities	-	-	-	-
Change in Deferred Land Costs	<u>-</u>	<u>(31)</u>	<u>-</u>	<u>(29)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(2,134)</u>	<u>(1,844)</u>	<u>(2,826)</u>	<u>(2,600)</u>
Financing Activities:				
Borrowings (Repayments) on Lines of Credit	(6,179)	(4,024)	(4,603)	(327)
Payments on Long-term Debt	(1,297)	(992)	(4,883)	(4,134)
Contributions in Aid of Construction	17	17	19	19
Proceeds from Long-term Borrowings	10,794	9,056	11,152	9,090
Debt Issuance Costs	-	293	-	293
Dividends Paid	<u>(70)</u>	<u>(70)</u>	<u>(140)</u>	<u>(140)</u>
Net Cash Provided by (Used in) Financing Activities	<u>3,265</u>	<u>4,280</u>	<u>1,545</u>	<u>4,801</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,149)	1,124	(4,888)	(840)
Cash and Cash Equivalents at Beginning of Period	<u>6,535</u>	<u>6,376</u>	<u>10,274</u>	<u>8,340</u>
Cash and Cash Equivalents at End of Period	<u>\$ 5,386</u>	<u>\$ 7,500</u>	<u>\$ 5,386</u>	<u>\$ 7,500</u>

Financial information is available on the Company's website (www.Pennichuck.com).

Capital Expenditures

Capital Expenditures in the second quarter of 2020 were \$2.2 million as compared to \$1.9 million in the second quarter of 2019. Capital Expenditures for the year-to-date were \$3.0 million as compared to \$2.5 million in 2019.

Major expenditures in the first half of 2020 included:

Locke Lake Raw Water Pipeline	\$535,000
Carbon Media Replacement at Water Treatment Plant	\$495,000
Locke Lake Main Replacement	\$222,000
Merrimack River Intake	\$220,000
Locke Lake New Water Source	\$185,000
CMMS Replacement of Synergen/WAM Workorder System	\$126,000

Financing

On April 23, 2020, the Company’s Pennichuck Water Works, Inc. subsidiary issued approximately \$7.5 million of tax-exempt and taxable bonds through the NH Business Finance Authority as reimbursement for its 2019 capital improvements in Pennichuck Water Works’ water supply, distribution and support systems. The bond issuance was approved by the Pennichuck Board of Directors and the Sole Shareholder. This issuance had previously received NHPUC approval on Order No. 26,101, dated February 2, 2018, which authorized up to \$32.5 million in bonds via multiple issuances for the years 2018-2021.

On May 6, 2020, the NHPUC issued Order No. 26,354 which permitted Pennichuck Water Works, Inc. to borrow up to \$2,563,662 from the federal Small Business Administration Paycheck Protection Program. This loan includes a 2-year maturity at an interest rate of 1 percent, which includes a provision in which a portion or all of the loan can be forgiven if all employees are kept on the payroll for eight weeks upon disbursement of the loan proceeds. The loan proceeds were disbursed by TD Bank, Inc., on behalf of the SBA on May 8, 2020.

Subsequent Events

On August 26, 2020, the Company’s Pennichuck Water Works, Inc. subsidiary issued approximately \$73.6 million of taxable bonds through the NH Business Finance Authority to: (1) advance refund and refinance Pennichuck Water Works’ series 2014A, 2015A, and 2015B bonds, 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 MOERR RSF for PWW back to its authorized imprest value, and (4) to repay the line-of-credit for monies borrowed to bolster the MOERR RSF at PWW while awaiting rate relief from this bonding event and the current PWW Rate Case. The bond issuance was approved by the Pennichuck Board of Directors and the Sole Shareholder. This issuance had previously received NHPUC approval on Order No. 26,383 dated July 24, 2020, which authorized up to \$75.0 million in bonds.



RESOLUTION

**AUTHORIZING THE MAYOR TO ENTER INTO PILOT AGREEMENT PURSUANT
TO RSA 72:74 WITH PENNICHUCK WATER WORKS, INC.**

CITY OF NASHUA

In the Year Two Thousand and Twenty

RESOLVED by the Board of Aldermen of the City of Nashua that the Mayor is authorized to enter into the Pilot Agreement pursuant to RSA 72:74 with Pennichuck Water Works, Inc. in substantially the same form as the attached.

AGREEMENT PURSUANT TO RSA 72:74

This is an agreement between the City of Nashua (Nashua) a New Hampshire municipal corporation with its principal place of business at 229 Main Street, Nashua, New Hampshire and Pennichuck Water Works, Inc. (Pennichuck) a New Hampshire corporation and regulated utility.

The parties agree as follows:

1. Pennichuck shall install renewable electric generating facilities in the form of solar panels and related equipment on certain of its properties in northeast Nashua.
2. As to any such properties Pennichuck shall not be liable for municipal real estate taxes but shall instead make a payment in lieu of taxes (PILOT) each year in accordance with New Hampshire RSA 72:74. Said PILOT shall be equal to the value of the real estate comprising each separate parcel as of April 1 of each year less the value of the solar facilities and related equipment (Adjusted Value). multiplied by the tax rate determined by the New Hampshire Department of Revenue Administration for Nashua in said year.
3. The PILOT shall be paid in two installments each year, the first on or before July 1 in an amount of 50% of the total tax bill or PILOT for the previous year and the second on or before December first in an amount equal to the total due for that year less any payment made on account of the July obligation.
4. Interest on any late payment will be charged and shall accrue in the same manner and at the same rate as for municipal real estate taxes.
5. Pennichuck may in any year challenge Nashua's calculation of the Adjusted Value in the same manner and with the same filing deadlines as applicable to municipal real estate tax abatements.

6. The term of this agreement shall be five (5) years beginning with tax year 2021 and may be renewed for subsequent five (5) year periods by agreement of the parties.

Date: _____

City of Nashua

Pennichuck Water Works, Inc.

LEGISLATIVE YEAR 2020

RESOLUTION: R-20-073

PURPOSE: Authorizing the Mayor to enter Pilot Agreement pursuant to RSA 72:74 with Pennichuck Water Works, Inc.

ENDORSER(S): Mayor Jim Donchess

**COMMITTEE
ASSIGNMENT:** Pennichuck Special Water Committee

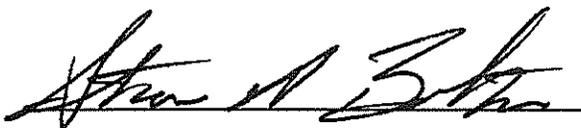
FISCAL NOTE: This resolution has no cash outlay by the City of Nashua but does impact property taxes for future taxes.

ANALYSIS

This resolution authorizes the Mayor to enter into Pilot Agreement pursuant to RSA 72:74 with Pennichuck Water Works, Inc.

Approved as to form: Office of Corporation Counsel

By:



Date:

