

PENNICHUCK WATER SPECIAL COMMITTEE

JUNE 14, 2022

A meeting of the Pennichuck Water Special Committee was held Tuesday, June 14, 2022, at 6:30 p.m. in the Aldermanic Chamber and via Zoom which meeting link can be found on the agenda and on the city's website.

Let's start the meeting by taking a roll call attendance. If you are participating by Zoom, please state whether there is anyone in the room with you during this meeting and your reason for not participating in person, which is required under the Right-To-Know Law.

ROLL CALL

The roll call was taken with 5 members of the Board of Aldermen present: Alderman Patricia Klee, Alderman-at-Large Michael B. O'Brien, Sr., Alderman Richard A. Dowd, Alderman Thomas Lopez, and Alderman-at-Large Melbourne Moran, Jr. (arrived at 6:45 p.m.)

Also in Attendance:

Alderman John Cathey
Alderman Derek Thibeault
Celia Leonard, Deputy Corporation Counsel
Larry Goodhue, CEO, Pennichuck
Don Ware, COO, Pennichuck
Thomas J. Leonard, Director, Pennichuck Corporation
John Boisvert
George Torres, Corporate Controller and Treasurer

PUBLIC COMMENT - None

COMMUNICATIONS

From: Larry D. Goodhue, Chief Executive Officer of Pennichuck Corporation
Re: Pennichuck Corporation – Request for Approval to Renew and Extend its Line of Credit with TD Bank, N.A.

From: Larry D. Goodhue, Chief Executive Officer of Pennichuck Corporation
Re: Request for Approval of Loans from the New Hampshire State Revolving Fund to Pennichuck Water Works, Inc. – AMENDED from May 24, 2022 Letter

There being no objection, Chairman Klee accepted the communications and placed them on file.

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

R-22-036

Endorsers: Alderman Patricia Klee
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Richard A. Dowd
Alderman-at-Large Melbourne Moran, Jr.
Alderman Derek Thibeault
Alderman-at-Large Lori Wilshire

AUTHORIZING PENNICHUCK CORPORATION TO RENEW AND EXTEND ITS LINE OF CREDIT WITH TD BANK, N.A.

Chairman Klee

Mr. Goodhue would you like to speak to that?

Larry Goodhue, CEO Pennichuck Corp.

The Corporation has three different lines of credit for specific purposes. This particular one is our working capital line of credit. So it is there as a safety valve to back stop the cash flow operations the Corporation's operating expenses as may be needed during the calendar year. It has a requirement to be cleaned out or paid down to zero for at least 30 consecutive days in each calendar year. It is a \$4 million line of credit. The other two I referred to are fixed asset line of credit specifically geared towards project construction at Pennichuck Water Works and Pennichuck East Utilities - subsidiaries of Pennichuck Corporation.

This line of credit has a two-year term. It is set to expire on June 30th of this year after the completion of its initial two years. We are seeking approval to extend and renew it at its same value and all other attributes for an additional two years - out to June 30, 2024. The reason for the timing for which this happens is that you are dealing with a commercial lender and that commercial lender has to be comfortable about our financial performance. Our audited financial statements are not completed and issued until the end of March of each year. Once those are presented to them, then they can take that information, understand where we are, financial status is, create a term sheet for the renewal of this line of credit, go through their credit approval process, and as you can imagine the last 60 days since March 31st have gone by like Buzz Lightyear. So this is not a delayed situation. This is actually the normal process which is a fairly constrained timeframe relative to that renewal and extension. So again, this line of credit is in all aspects the new term, the value, all of the underlying covenants and requirements are identical to the line of credit that has been in existence at that level for the last two years. It was actually at a higher level prior to that. We'd actually reduced it down as we made some changes in the overall financial structure of the company, including the other fixed asset lines of credit and the other debt that we issue to provide for monies to do capital projects and infrastructure replacements. This loan is with TD Bank, NA, who is our primary commercial lender and commercial banking institution.

If there's any questions I can answer on that, I'd be happy to do so.

Chairman Klee

I know I just wanted to because I'm going to need to have to do an oral report for this for the next meeting at the Board of Aldermen which is at 7:30. Could you just explain you said something about it "needs to be cleaned out for 30 days?"

Larry Goodhue, CEO Pennichuck Corp.

Yes. So what happens with many working capital line of credits is that they have this annual clean out and what that does is it forces a corporation not to live on a line of credit. You'd have it there as a backstop. So if a corporation did not have the ability to clean it out and pay it to zero, it would say that they're financially not viable because they living on - almost like living on your credit card solely at your home. You don't want to do that, do you? And so as a corporation, that's a requirement and so that happens with any one of these working capital line of credits. There is usually an annual clean out that really shows that you are a financially, viable, and responsible entity, and you're using it for its designated purpose which is a backstop or a safety valve in times where cash flow may be lower.

As a water company, our lower revenue months start in about October and go through about March. Then April to September as people are starting to turn on their sprinklers and use water on a different level, we make the ponderance of our revenues in the summer months. So you can imagine we might need to use the line of credit in the first few months of the year. As revenues are going, you're paying it down and then in the fall, you might be utilizing it a little bit so it's cyclical and that is what it's there for.

Chairman Klee

I did jump the gun a little bit Mr. Clerk and did not have you read the motion. Could you read the motion and then we can ask the questions?

**MOTION BY ALDERMAN LOPEZ TO RECOMMEND APPROVAL AND AUTHORIZE PENNICHUCK CORPORATION TO RENEW AND EXTEND ITS LINE OF CREDIT WITH TD B ANK
MOTION CARRIED**

Chairman Klee

Are there any questions for Mr. Goodhue or any of his?

Chairman Klee

Alderman Cathey?

Alderman Cathey

Thank you Madam Chair. You said the loan term was two years?

Larry Goodhue, CEO Pennichuck Corp.

It's two. It's a two year term but you use it daily. It's paid up or borrowed on a daily basis. It's a line of credit.

Alderman Cathey

I understand that. The reason I asked was there's an annual clean out. If you were paying it all back in one year, why does it need to be two years? Not that I have a problem with that, I'm just curious.

Larry Goodhue, CEO Pennichuck Corp.

The bank won't extend past that because, again, they want to have the opportunity to do a full credit review of this credit. Once they do the review and they give us the line of credit, their credit team is not evaluating our compliancy unless we violate the financial covenants of that. So they don't want to extend their credit past that two year period of time because they're now - their faith in lending to us needs to be reviewed periodically. We've asked for a longer term. The bank is only willing to go as far as two years on that before you have to renew and re-establish it.

Alderman Cathey

May I follow up? Let me try to target my question a little bit differently. If you have a two year loan term that means the bank is giving you two years to pay it off?

Larry Goodhue, CEO Pennichuck Corp.

No. Two years to utilize it.

Alderman Cathey

To utilize it. Okay. That what it means. Thank you. I appreciate it.

Larry Goodhue, CEO Pennichuck Corp.

Again, it's a line of credit it's not a term loan. If you had a home equity line of credit for your house, that means you could borrow and pay it off and it's got a fixed period and if you haven't paid it off at the end of that term, you have to pay it off 100%.

Alderman Cathey

Right.

Larry Goodhue, CEO Pennichuck Corp.

Where as opposed to a home equity loan versus a line of credit, they give you a fixed sum of money. You have an amortization schedule. You've got a monthly payment that you must pay for that whole term. That's a loan. A line is it's flexible. Our line of credit, we're borrowing and paying down on a daily basis. Depending what our cash is, money gets swept out of our bank accounts to pay it down or loaned out of that to be put into our bank accounts.

Alderman Cathey

Oh that makes a lot of sense. Thank you. I appreciate it.

Chairman Klee

Are there any other questions?

MOTION CARRIED

R-22-039

Endorser: Alderman Patricia Klee

AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK WATER WORKS, INC. TO BORROW FUNDS FROM THE STATE OF NEW HAMPSHIRE REVOLVING LOAN FUND

MOTION BY ALDERMAN LOPEZ TO RECOMMEND APPROVAL

Chairman Klee

Mr. Goodhue?

Larry Goodhue, CEO Pennichuck Corp.

Yes and I'll take the lead on this and if there's some questions specific to the projects, others within the room - Mr. Ware or Mr. Boisvert can answer your questions.

This is for two loans offered, and approved, and eligible from the State Revolving Loan Fund and as administered by New Hampshire Department of Environmental Services. One is for \$300,000 and that is for our community water system in Twin Ridge, which is in Plaistow, NH. The other is for \$240,000 for our community water system in Sweet Hill in Plaistow, NH. Both of these are specific to interconnection projects for those community water systems. They're a part of the 11 communities that are served by Pennichuck Water Works, including Nashua and 10 other communities throughout Southern NH. So these loans are very favorable interest rates and with a 20 year term of repayment. They are, again, specifically for - depending on which system - either an interconnection and a decommissioning of some wells and/or an interconnection and the enhancement of a booster station to supplement existing wells depending on which community water system we're talking about.

The reason for this project or these projects are relative to either capacity issues where there isn't sufficient water capacity to meet all of the demands of the customers within that system, and/or the wells have been reduced in their ability to produce water, and/or the quality of the water has degraded to the point where this interconnection is a much more favorable situation. These have come to bear at this time because of the development of the Southern NH Regional Water System that was funded by the Drinking Water/Ground Water Trust Fund where water comes down from Manchester, through Derry, Windham, into Salem, Atkinson, Plaistow. As a result, these two projects will be an interconnection to that system as is being installed and developed in the Town of Plaistow, NH.

Chairman Klee

Okay. Let the record show that Alderman Melbourne Moran is in attendance as of 6:45 p.m.

Thank you Mr. Goodhue. Any other questions? Alderman Dowd?

Alderman Dowd

So you said you are willing to take questions on other things. I just have a couple and one is, is the solar farm operational at this point?

Larry Goodhue, CEO Pennichuck Corp.

So I'm going to defer to Mr. Ware our Chief Operating Officer who's had primary responsibility for that to answer that question Mr. Dowd.

Don Ware, COO Pennichuck

Yes. As of I think two weeks ago, it was activated and brought online and tied into the Eversource distribution system in that area.

Alderman Dowd

You may have already done this but if you haven't, we are closing the entire Pennichuck School site for the entire summer until school starts again because of all the construction. New access to the road is inside the fence. So if you need access afterhours, on the weekends, I'm sure you know Mike the Harvey Manager and just arrange, get a phone number, or something so you can get in if you need to.

Don Ware, COO Pennichuck

Sounds great. Thank you.

Alderman Dowd

The intersection will be worked on over the next month, month and a half. So I think that will work out.

The other thing is we're toying with the idea of renaming Old Harris Road. Do you have any objection to us calling it "Solar Way"?

Don Ware, COO Pennichuck

Sounds like a sunny name.

Alderman Dowd

I don't know that for use, but that is one suggestion. I know you want it named after yourself.

Alderman O'Brien

I thought it was going to be the Dowd/O'Brien Highway.

Alderman Dowd

No.

Larry Goodhue, CEO Pennichuck Corp.

I will say at least from my perspective as a corporation, we're agnostic as to what you want to rename it Alderman Dowd.

Alderman Dowd

That's all I had.

Chairman Klee

Any other questions or comments? Alderman Cathey?

Alderman Cathey

Thank you Madam Chair. What is the interest rate if I may ask?

Larry Goodhue, CEO Pennichuck Corp.

It all depends on when these loans can close. Right now, it's less than 2% but chances are we won't get full approval because it's not only this approval we need but we will need approval from the NH Public Utilities Commission. It's highly likely we're not going to get that. So the interest rate is probably going to bump up close to 2.5%, but let me tell you the difference in that interest rate on an annual basis is about \$6,000 per year. So it's not a lot of money thank goodness okay. Chances are we would love to get to that 1.57% but the loans would have to close before July 31st of this year, which we know we're not going to get the approval from the PUC in that timeframe. So chances are, it's going to be at

that 2.5%. The bad news is, its \$6,000 extra a year. The good news is, its \$6,000 actual year compared to overall revenues is a fairly immaterial number.

Alderman Cathey

Well 2.5 is better than 5, so we'll take it.

Larry Goodhue, CEO Pennichuck Corp.

Exactly. The other advantage to these loans, and we will take these loans whenever we can, but they're only for certain eligible projects. One of the reasons is it's not just the interest rate but the cost to close on these loans is very, very immaterial. We can close on these loans. The total cost of legal and everything for somewhere between \$5,000 and \$10,000 which is a drop in the bucket compared to other financing sources. So again, every time we can take advantage of one of these opportunities, we will because that's beneficial to getting the projects done at the lowest possible cost for ratepayers.

Alderman Cathey

Thank you.

Chairman Klee

Are there any other questions? So that, again, because I'm going to have to do an oral report on these. These two loans - one is for the \$300,000 for the community water supply system and it was Plaistow, but I don't know...?

Larry Goodhue, CEO Pennichuck Corp.

Twin Ridge.

Chairman Klee

Okay. I just wanted to make sure I got that right. And the other one is \$240,000 for Sweet Hill?

Larry Goodhue, CEO Pennichuck Corp.

Sweet Hill, yes.

Chairman Klee

Okay, got that one right. And this overall you said a part of the 11 communities which also includes Nashua?

Larry Goodhue, CEO Pennichuck Corp.

Correct, yes.

Chairman Klee

But these particular things, this is just for water supply. Does that water supply in fact – does Nashua use that water supply?

Larry Goodhue, CEO Pennichuck Corp.

No, it does not. No.

Chairman Klee

No, okay. I just wanted to make sure.

Larry Goodhue, CEO Pennichuck Corp.

Within Pennichuck Corporation, we serve part or all of 30 different communities within this State. Nashua being probably the highest concentration. Not 100% of Nashua residents are on public water either but that is the closest we get to 100% and then we've got some communities that are very marginal relative to their overall population throughout the State.

Chairman Klee

And this is also a 20 year loan. The expectation is 2%, 2.5%, it could be better if PUC kind of moved a little faster.

Larry Goodhue, CEO Pennichuck Corp.

As I was quoting, I would quote that it's going to be in the 2.5%. That rate will actually get set in July by Governor and Council but indications are now it's going to be at that level.

Chairman Klee

At the 2%?

Larry Goodhue, CEO Pennichuck Corp.

2 ½%. Don't be too optimistic. We'd love to but.

Chairman Klee

The other rate isn't really on the table because of having to meet with the PUC. When would they be meeting next?

Larry Goodhue, CEO Pennichuck Corp.

Well chances are what we're hearing based on – there's a whole process that you go through in these dockets. Chances are we're not going to get approval on this from them until September.

Chairman Klee

Okay. But you can still get the Governor and Council approval prior to then?

Larry Goodhue, CEO Pennichuck Corp.

Well once the PUC approval comes, then it will go before Governor and Council and that can happen within a matter of a couple of weeks. You get on the docket and they meet twice a month. So as long as you're on the docket, you can get before them and get that approval. Once that approval is in-hand, its in-hand and you're free to go.

Chairman Klee

Are there any other questions?

MOTION CARRIED

NEW BUSINESS – ORDINANCE - None

GENERAL DISCUSSION - None

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN - None

ADJOURNMENT

**MOTION BY ALDERMAN O'BRIEN TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 6:53 p.m.

Alderman Michael B. O'Brien, Sr.
Committee Clerk