

## PENNICHUCK WATER SPECIAL COMMITTEE

JUNE 15, 2019

A meeting of the Pennichuck Water Special Committee was held Monday, June 15, 2020, at 7:01 p.m. remotely in accordance with Governor's Emergency Order #12 pursuant to Executive Order 2020-04.

### Chairman Laws

As Chairman of the Pennichuck Special Water Committee, I find that due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic and in accordance with the Governor's Emergency Order #12 pursuant to Executive Order 2020-04, this public body is authorized to meet electronically.

Please note that there is no physical location to observe and listen contemporaneously to this meeting, which was authorized pursuant to the Governor's Emergency Order. However, in accordance with the Emergency Order, I am confirming that we are:

#### ***a) Providing public access to the meeting by telephone, with additional access possibilities by video or other electronic means:***

We are utilizing Zoom through the City's IT Department for this electronic meeting. All members of the Pennichuck Special Water Committee have the ability to communicate contemporaneously during this meeting through this platform, and the public has access to contemporaneously listen in to this meeting through dialing the following number 1-978-990-5298 and using the password 273974. The Public may also view this meeting on Comcast Channel 16.

#### ***b) Providing public notice of the necessary information for accessing the meeting:***

We previously gave notice to the public of the necessary information for accessing the meeting, through public postings. Instructions have also been provided on the City of Nashua's website at [www.nashuanh.gov](http://www.nashuanh.gov) and publicly noticed at City Hall and Public Health Department.

#### ***c) Providing a mechanism for the public to alert the public body during the meeting if there are problems with access:***

If anybody has a problem accessing the meeting via phone or Channel 16, please call 603-821-2049 and they will help you connect.

#### ***d) Adjourning the meeting if the public is unable to access the meeting:***

In the event the public is unable to access the meeting via the methods mentioned above, the meeting will be adjourned and rescheduled. Please note that **all votes** that are taken during this meeting shall be done by **roll call vote**.

Let's start the meeting by taking a roll call attendance. **When each member states their presence, please also state whether there is anyone in the room with you during this meeting, which is required under the Right-To-Know Law.**

The roll call was taken with 5 members of the Board of Aldermen present: Alderman-at-Large Brandon Michael Laws, Alderman Skip Cleaver, Alderman Richard A. Dowd, Alderman-at-Large Lori Wilshire, and Alderman-at-Large Michael B. O'Brien, Sr.

Also in Attendance:                      Larry Goodhue, CEO, Pennichuck  
   Don Ware, COO, Pennichuck  
   Thomas J. Leonard, Director, Pennichuck Corporation  
   Alderman Patricia Klee

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Alderman O'Brien

Yes, Alderman O'Brien is present. I can hear the proceedings and I am alone.

Alderman Lori Wilshire

I'm here, I can hear you, I am home alone and I am social distancing.

Alderman Dowd

Yes, I can hear the proceedings, I am home alone, practicing social distancing in accordance with the Governor's Orders.

Alderman Cleaver

I am here, and I am alone. I can hear everybody and I am social distancing.

Chairman Laws

I am also here, I can hear you, and I am social distancing.

Alderman O'Brien

Mr. Chairman, all five voting members for the Pennichuck Board are present. Also in attendance is Larry Goodhue, CEO of Pennichuck Corporation; Thomas J. Leonard, Director of Pennichuck Corporation; and hopefully very shortly we will have Don Ware, COO of Pennichuck Corporation.

Alderman Laws

Thank you, Alderman O'Brien.

Larry Goodhue, CEO of Pennichuck Corporation

One other member from Pennichuck is also in attendance, Alderman O'Brien and that is George Perez our Public Controller.

Alderman O'Brien

OK thank you.

Alderman Klee

Mr. Chairman, I just wanted to say that I was here also. Alderman Klee.

Alderman O'Brien

OH I'm sorry, yes, Alderman Klee. Are there any other Aldermen that I did not call? Seeing none – thank you Alderman Klee.

COMMUNICATIONS - None

UNFINISHED BUSINESS – None

NEW BUSINESS - RESOLUTIONS

**R-20-039**

Endorsers: Alderman-at-Large Lori Wilshire  
Alderman-at-Large Michael B. O'Brien, Sr.  
Alderman-at-Large David C. Tencza  
Alderman Richard A. Dowd

**AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK WATER WORKS, INC. TO ISSUE TAXABLE BONDS OF UP TO \$75,000,000.00**

**MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE**

ON THE QUESTION

Chairman Laws

At this point, I'd ask Mr. Goodhue, if you'd like to give us a 30,000-foot explanation of what is going on here.

Larry Goodhue, Pennichuck CEO

Absolutely. This is a financing and a refinancing. It is mostly a refinancing. So when the City acquired the Corporation in January 2012, most of the debt external for PWW, for Pennichuck Water Works, was I am going to call it Bullet Maturity Debt or Interest Only Debt. All of our Bonds at that time were interest only with Bullet Maturity secured in the future. And there was also a note payable to American United Life Insurance, which was taken out in 1996, at that time for \$8 million dollars at 7.4% for 25 years. We had an annual sinking fund payment of \$400,000.00 a year. So if you did the math, from 1996, the \$400,000.00 of your principal being repaid, when it came due, it was scheduled to come due March 1<sup>st</sup> of next year, 2021. There are still \$2.4 million dollars as a cliff or a bullet due at that point in time.

So it needs to be refinanced on or before March 1<sup>st</sup>. That note, however, had what is called a "Make Whole Provision" in it that was quite onerous. We had actually looked at refinancing it almost 2 years ago when we had refinanced a bunch of the other external bond debt that had bullet maturities that we successfully refinanced in 2014 and 2015. But the "Make Whole Cost" was like \$1 million dollars, it was very onerous.

Well now as we are getting closer to March 1<sup>st</sup> of next year, that number skinnies up, because the Make Whole is based on time to maturity and a differential of putting money on deposit to satisfy that debt. The Make Whole if we refinance that, on or around September 1<sup>st</sup>, is under \$75,000.00. That's a big difference from \$1 million dollars, or \$1 million dollar plus. So number one, we wanted to find a way to refinance that on or before maturity. That \$2.4 million dollars is too small of an amount for us to go out and bond on its own. The bond markets won't accept us going to the markets, especially for taxable bonds because they can't be refinanced with tax exempt bonds on its own, it's way too small.

Additionally, we are in the middle of a rate case for PWW, the City has actually an intervener on the case. So Attorney Bolton has been in attendance at many of the meetings and he is aware of some of the nuances of the rate case. One of the nuances there is that we are seeking authority through the PUC to get a factor

included in our revenue factor, allow revenues called the Material Operating Expense Factor. What is that all about? When the City purchased the Company in January of 2012 an extra \$5 million dollars was bonded by the City in order to fund a rate stabilization fund to ensure that there was a cash backstop to pay external debt but most importantly to repay the City for the note payable to the City of \$120 million dollars for 30 years.

Those Rate Stabilization Funds were there to backstop rates. However as a regulated utility there is an element called Regulatory Lag that occurs. Our rates get established based on a test year and then as expenses increase in those years after the test year, it erodes our ability to fully cover expenses. That is why we promulgate a rate case. One of the things that has happened in the last three years, promulgating this rate case is we had a drought year, we had a number of very wet years, we had operating expenses. Long story short, we need this factor to be put in place to maintain our rate stabilization funds going forward and we are hopeful that is going to come about. But also, we wanted to look at one-time opportunity to permanently and completely refill the Rate Stabilization Funds in preparation for that factor, to keep that fully funded.

So how could we do that? In working with our Bond Underwriters, they propose that we look at some of our bond issuances that we issued in 2014 and 2015 to refinance those at this time at a lower interest rate and for an extended period of time. So we had some bonds that we issued in 2014 for a 30 period of time. There are some we issued in 2015 for a 30-year period of time and that's 30 years in the totality. There has been some payoff on those as they are fully amortizing. So what we are looking to do is, in essence, it's up to \$75 million, it is probably going to be closer to \$72 million but we are asking for authority up to \$75 million. How the bond markets work is you offer to sell bonds, there are others that offer to purchase them. And when they get issued what is called par or they get issued at premium or they get issued at a discount, it is all depending on who is willing to come up and buy your bonds and how they want that deal to be structured. So we wanted to make sure we had enough authority to facilitate the cash needed to complete the deal if they had to be issued at a premium or a discount relative to what their needs.

What we are looking to do is to refinance our 2014 Series A Bonds, our 2015 Series A Bonds; our 2015 Series B Bonds, refinance the amount during the AUIL Debt that is coming due on March 1<sup>st</sup> and bring in \$5.5 million dollars to permanently and complete the Rate Stabilization Funds and pay back the line of credit that was used to support those funds since the last rate case. So up to \$75 million as put into the letter, almost \$59 million dollars of it is really refinancing. About \$13 million dollars of it is for new money for the Rate Stabilization Funds and to fund what is called an "Escrow Deposit" because as we take out those '14 and '15 bonds, we are actually taking them out before their 10 year call date. So by Federal Statute, we have to put an escrow deposit in place in order to advance refund those bonds.

So this is really something that is being done to take care of something that is imminent, happening on March 1<sup>st</sup>, to take care of an immediate need for the Rate Stabilization Funds for our rate payers to make sure that we've got that backstop in place and to take advantage by aggregating these all together. Going to the market with \$70 million dollars' worth of bonds in the taxable bonds, will make sure we get a lot of interest from the bond markets. \$2 million you get no interest; \$70 million you do, and at the end of the day, it is very, very hopeful that Standard & Poor's is going to increase our credit rating as a result of this overall transaction.

We were downgraded from an A Plus Credit to an A Credit when we issued our bonds in April. because of liquidity concerns. This is going to take care of those liquidity concerns and they had a little sense this is coming and there's a good sense it is going to bring our rating back up to that A Plus. I don't know if it can go higher than that, we'd see; but an A Plus – any movement in that credit rating is worth about 35 basis points to the interest rates. That's a lot of money over 30 years for our rate payers to have to pay for. So this overall is being done for current needs, but also for future financial planning for the Corporation and its rate payers.

#### Alderman Laws

Thank you, Mr. Goodhue. That's a wonderful explanation. Do we have any questions from any members of the Committee? I'm not seeing any. Alderman O'Brien would you mind calling the roll?

Alderman O'Brien

Excuse me, Mr. Chairman, just helping the Clerk duties first, we were joined and we welcome Don Ware, COO of Pennichuck at 7:10. Thank you. And I will call the roll.

A viva voce roll call was taken which resulted as follows:

Yea: Alderman Cleaver, Alderman Dowd, Alderman Wilshire, Alderman O'Brien 5  
Alderman Laws

Nay: 0

**MOTION CARRIED**

**R-20-043**

- Endorsers: Alderman-at-Large Lori Wilshire
- Alderman-at-Large Michael B. O'Brien, Sr.
- Alderman Richard A. Dowd
- Alderman Patricia Klee
- Alderman-at-Large David C. Tencza
- Alderman Linda Harriott-Gathright
- Alderman Thomas Lopez
- Alderman Brandon Michael Laws

**AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK EAST UTILITY, INC. TO ENTER INTO A TERM LOAN AND RENEW A FIXED ASSET LINE OF CREDIT WITH COBANK, ACB**

**MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE**

ON THE QUESTION

Alderman Laws

Any discussion on this motion? Seeing none, Alderman O'Brien?

A viva voce roll call was taken which resulted as follows:

Yea: Alderman Cleaver, Alderman Dowd, Alderman Wilshire, Alderman O'Brien 5  
Alderman Laws

Nay: 0

**MOTION CARRIED**

NEW BUSINESS – ORDINANCE - None

REMARKS BY THE ALDERMEN

Alderman Laws

Mr. Goodhue?

Mr. Goodhue

If I could, just while I have you folks in attendance and we have this opportunity just to give you a little bit of a look

at the horizon and what we will be coming back to talk to you about again in the next couple of months. Number One – We will be reporting to you on the Core Operating Results for the Second Quarter ending June 30<sup>th</sup>, very soon, as well as I know another report is on its way to you, I think the March 31<sup>st</sup> results. We had already presented to you year end results in the past. We also will have a few other financing activities that we will be bringing before the Special Water Committee in the upcoming months. One of them is we have actually applied for authority through the New Hampshire Business Finance Authority, as well as opened a docket, we are going to be opening a docket with the PUC and seeking your approval for the next five years of our ability to issue tax exempt and taxable bonds into the markets for our capital projects for the years 2020 through 2024.

The bonds are being issued at the end of April of this year, was the reimbursed refinancing for 2019 projects and was the last bond issuance that we were able to do under the last multi-year approval that the City, the PUC, our Board, the BFA, Governor & Council had all approved for us back in 2018 I think it was. So we will be coming to you with that in the upcoming months. We need to have it in place before the end of this year, from you folks but also from the PUC to give us the ability to issue bonds next April for reimbursing our Fixed Asset Line of Credit at PWW for 2020 capital projects.

The other thing that will be coming your way, as we just did the vote for the renewal of the Fixed Asset Line of Credit for PEU with CoBank, we have a \$10 million dollar Fixed Asset Line of Credit that may actually be increasing to \$12 million dollars for PWW for annual capital projects at PWW. That line of credit was set to expire on August 31<sup>st</sup>. Because of COVID-19 and a bunch of other factors going on right now, we have worked with the bank and they have actually extended that to expire as of December 31<sup>st</sup> of this year, giving all of us enough time to get all of the approvals in place for the renewal and extension of that for multi-year renewal of that Fixed Asset Line of Credit. So we will be bringing that to you as well; as well as our Working Capital Line of Credit, which is the backstop line of credit at Pennichuck Corporation, the backstop working capital needs for the entire corporation and its subsidiaries. That actually expired last August, was extended to the middle of November, re-extended to March, re-extended to July and now has been re-extended once again to December. Once again, for a whole preponderance of reasons, we had a relationship manager at the Bank who left the Bank. COVID-19 happened, all the different things going on, so again, giving ample time to get a new multi-year working capital line of credit in place with either TD Bank or an alternate lender depending on who is going to win that engagement. We will be bringing those to you in the next couple of months but I just wanted to make you aware of those things so that you knew that they were on the horizon and what we would be doing in a holistic approach relative to our doing the fund working capital, fund capital projects on an interim basis, and then refinance them on a long-term repayment basis. So I just wanted to give you those highlights. I don't know if our Chairman Jay Leonard has any additional comments he might want to add at this juncture.

Thomas J. Leonard, Director, Pennichuck Corporation

Thank you for the summary there Larry and I think that sets it up pretty good. I think the only thing, I know we have some new members of the Committee. I always like to take a step backward in case you haven't heard of our kind of general financing plan. But generally the way we do it is we have what we call the Fixed Asset Line of Credit which is the way we pay for capital improvements during the course of a year. Then each year in the spring, we repay that from bonded money. And we do our bonding on five-year plans so that when we do a spring bond, it covers five years of capital expenses and then each spring we pay the previous year's (inaudible). So that is kind of the system for capital expenditures. I know some of you are familiar with that; some may not be.

And of course what Larry has just explained is how that will work going forward. And as I am sure you all know by now, we are totally funded by debt unlike probably any other company that you are aware of that I know of. So that makes it a little bit, we have a lot of financing efforts through the course of the year. My hat is tipped to Larry. Larry is an expert on financing and banking and investment banking kind of sense and we are grateful for that because he does a great job both explaining it but also getting it done. But thank you for the moment and certainly be well everybody.

Chairman Laws

Thank you, Mr. Leonard and thank you to Mr. Goodhue. I echo his sentiment that you are very good at explaining things, Mr. Goodhue and I really appreciate it. I am sure my colleagues do as well. Remarks from anybody else? Alderman Wilshire.

Alderman Wilshire

Thank you. I just had a question about your project, your facilities on Walnut Street. Have you been set back for construction because of COVID?

Mr. Goodhue

Thank you for the question Alderman Wilshire. That should have been part of my prepared remarks for you. We have not been set back. Things are on schedule, and actually progressing very nicely. I have only had the opportunity, unfortunately to go over to the site twice since this COVID happened. A couple of my people have been able to go by. We work, right now we are on every other week, our construction meetings we have got another one tomorrow. We have got a whole portfolio of pictures that the construction management team has been taking. But when I was over there last, probably four weeks ago, they had all the interior studding on the old courthouse part of the building all done.

The construction, if you go by the oval right now, my understanding is that all of the structural steel is going up and being erected for the addition. I think all the sheet-rocking, everything is done on the inside of the Courthouse Building. All of the plumbing and all of the electrical, we have been working very actively with them. Don Ware has actually taken the responsibility of actually spearheading the efforts relative to a system furniture quotation and a request for a proposal for a mover. So we are getting that lined up. We've got all these things that are running in parallel. But everything is coming along very nicely and we are right on schedule.

So the whole goal is that the facility is supposed to be, in essence, completed early October but fully completed including punch list items by the end of October and we are actually looking for quotes from movers to move us the end of the first week, early second week of November into the new facility. It is coming along very nicely. We are actually to the point of final decisions on which walls in the offices are the highlight wall versus the rest of the color. We are working on some special wall features, when we do an open house I think you are going to be really pleased with a couple of things that we are doing specifically in our boardroom, some things that we are doing with signage. We are working on our final selection for the signage on the outside of the building.

So I think it is going to be a pretty exciting reveal. We will have an open house with everybody, do a ribbon cutting and make a big deal out of getting into this new facility.

Alderman Wilshire

We are excited to have you back in town.

Mr. Goodhue

Yes.

Alderman Wilshire

Thank you for that, Larry.

Alderman Laws

Anyone else? Alderman Cleaver, did you have your hand up?

Alderman Cleaver

I did. My question was exactly the same. I might suggest that we rename the area the “Pennichuck Oval”.

Mr. Goodhue

That’s actually pretty good because one of my first concerns, Alderman Cleaver, was that they were going to seal off the cells in the basement of that building, because there are six detention cells down there. My concern was that one of my employees would go in there and get locked in there and we wouldn’t even know they are in there. That would be a really bad thing. So renaming the Oval would be not a bad thing.

Alderman Dowd

Just a couple things; can you give us a quick update on how you are doing with the infrastructure replacement and are you staying ahead of our paving? And the other question I have is all around the City there’s these round 8-inch Pennichuck things or openings that keep sinking in the road. And I am just wondering A – Why do they sink like that and B – Is there any way they can fix them.

Mr. Goodhue

So I will ask Mr. Ware to just give an update on the construction projects which are going along very nicely and specifically about those 8 inch – I don’t know if those gate valve boxes, Don? Or what those might be.

Don Ware, COO, Pennichuck

First of all let’s talk about projects. So Alderman Dowd, you are probably familiar with the fact that we did get slowed down on getting out of the gate with the Kessler Farm tank and as a result due to the length of the project we had to, we are referring that into next year because we need to start in almost early February to get done with the site work, demolition of the existing tank. So that project was deferred; we are actually going out to bid for it though in the next month, so that we have the contractor selected and already to go next February.

As a result we pulled certain projects that were in our 2021 Budget back into 2020 and all the projects that we have in terms of pipeline projects in our scope of work for Pennichuck Water Works are all either out to bid or ready to go out to bid. So that is a good thing. Interestingly enough though, bids have been coming in higher than in the past. So you know you would think that people wouldn’t be as busy, but construction never got shut down by the whole COVID-19 so again, not as many bidders and the bids are slightly higher, but we are making progress.

As far as the 8 inch and what you are talking about is the gate box tops. It would helpful if you could identify anytime you see one that has sunk. They have what are called pavement rings and they are meant to be stable and not sink. If they are it would be interesting to see, you know, of course we have to raise those with the paving work that goes on. So in advance of the paving, we get out there, we check, first of all to make sure that the gate box is about five feet long in two sections, is centered over the gate valve and that we can get a wrench on the gate valve to operate it. If everything is good, then we go ahead and the first thing we have to do is drop the gate box typically if there are going to mill the street, because they can’t mill through or over the gate box, so we drop it down. They mill it, then we raise it back up and they level the pavement. So again, they are designed, they have a ring on it that’s meant to make the top of the gate box, which is 26 inches long move with the pavement, during the winter when there is frost and move with the frost as the soils heave and what not. So if you see any, please give us the location and we will see, you know, what needs to be done . If they are new streets, I guess we would want to see how that is working. We have been, order to stay up with the work, we’ve been partnering with one of the City’s pavers who is actually adjusting the gates for us. Obviously, we are paying them to do that work. We also have a subcontractor who worked very well with us last year, we didn’t have any complaints working with one of the paving one of the groups that is paving. And then we have a couple of full couple of crews following around trying to stay up with the pavement. So we are staying up with it, and like I say, if you have specific locations

where gate boxes have gone down, please let us know so we can see what is going on, because they shouldn't.

Alderman Dowd

Ok, I see one and I know where there are a couple, I'll take a picture and send it to you.

Mr. Ware

That would be greatly appreciated, Alderman Dowd. If we don't know about something, we can't fix it and make it right, but once we know then we can go and take care of that. What is interesting is, you know, is it a few sporadic ones or was associated with a project where one contractor did all the work. And you know, didn't properly backfill, or tamp underneath what is called the ring of the gate box. So it would be interesting to see, if like I said, it's one here, one there, that happens. If they are all in a common area, again that helps us judge the quality of the work.

Chairman Laws

Thank you, Mr. Ware. Anything else, Alderman Dowd.

Alderman Dowd

No, that's it. Thanks.

Alderman Klee

Thank you so much, Chairman Laws. Mine are more comments and I would really like to thank Mr. Goodhue, Mr. Ware and Mr. Leonard. You've all done a great job explaining and you did at every meeting that I've in attendance to. And I can't tell you how much I appreciate that. It helps me when I have to speak to my constituents and I think it also opens up a great communication, you go the point of explaining every detail. And I know even in past meetings, topics come up with, "Why can't the City do this" you know, "we own Pennichuck" and you've gone a great job to explain the sole shareholder. You've got done a great job of explaining of what Mr. Ware just did with the gate boxes and so on. I can't tell you how much I truly appreciate that because sometimes just trying to ferret through, looking for this information ourselves. Or even if I have called you, it doesn't have to be in a venue such as this, it is extraordinary and thank you so much for taking the time to dig down to that detail. I really do appreciate it.

Mr. Goodhue

Alderman Klee, I truly appreciate that response. It is our goal to be as transparent as possible with you folks. And that's why I actually asked for time to just tell you a few things that you don't ask us about, because we want to make sure we are communicating to you. Just one thing that you might want to be aware of, again the City was granted limited intervenor status in the current rate case for PWW. So as a result, Attorney Bolton has been present in many of our technical sessions. As Members of the Committee at the City, I can't do this, but you can do this. It would be in your best interest sometime for each one of you to have a conversation with Attorney Bolton to get an insight into what he has learned about the dynamics that we face with the PUC as it pertains to the City of Nashua as a shareholder. And the topics that are of the greatest concern to the PUC are relative to our regulation, give service to all of our customers, not just in Nashua but in all of the communities that we serve in all of our regulating utilities. And I think that you would have a very interesting conversation with Attorney Bolton because his presence in those sessions has been very worthwhile. I think that he has gained a lot of knowledge that he has probably back to the Mayor and others relative to those sessions. And his input to the sessions have been very worthwhile as well, relative to the other parties in the case, hearing from him at the right junctures with certain pertinent information that he shared in a perspective from the City's point of view. So just thought I would offer that up to you, if you can get an opportunity, I think you would enjoy the conversation with Attorney Bolton and what he has learned.

Alderman Laws

We appreciate that, that's good advice.

POSSIBLE NON-PUBLIC SESSION - None

Chairman Laws

Before we adjourn, I'd just like to thank you again. You gentlemen make it much easier for us to do our job by being so thorough and giving such comprehensive explanations of things, not only that have happened and are happening, but also things that are yet to come. And I am sure we all appreciate it.

ADJOURNMENT

**MOTION BY ALDERMAN O'BRIEN TO ADJOURN BY ROLL CALL**

A viva voce roll call was taken to adjourn the Pennichuck Special Water Committee meeting which resulted as follows:

Yea: Alderman Cleaver, Alderman Dowd, Alderman Wilshire, Alderman O'Brien 5  
Alderman Laws

Nay: 0

**MOTION CARRIED**

The meeting was declared closed at 7:34 p.m.

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