

PENNICHUCK WATER SPECIAL COMMITTEE

OCTOBER 30, 2019

A meeting of the Pennichuck Water Special Committee was held Wednesday, October 30, 2019, at 6:30 p.m. in the Aldermanic Chamber.

Alderman-at-Large Lori Wilshire, Chair, presided.

Members of Committee present: Alderman David C. Tencza, Vice Chair
Alderman Richard A. Dowd
Alderman Patricia Klee

Members not in Attendance: Alderman-at-Large Ben Clemons

Also in Attendance: Larry Goodhue, CEO, Pennichuck
Don Ware, COO, Pennichuck
Thomas J. Leonard, Director, Pennichuck Corporation
Steve Genest, Director

PUBLIC COMMENT

COMMUNICATIONS

From: Larry D. Goodhue, CEO/CFO, Pennichuck Corporation
Re: Pennichuck Corporation Quarterly Report to the Sole Shareholder for the Quarter Ended June 30, 2019

There being no objection, Chairman Wilshire accepted the communication and placed it on file.

Chairman Wilshire

Did you want to discuss the Quarterly Report with us? We will ask you to come up and we will talk about the company's headquarter move. That saved you a whole 5 minutes. Welcome.

Larry Goodhue, CEO Pennichuck

So here tonight representing the Corporation are Chief Operating Officer Donald Ware; Chairman of the Board, Jay Leonard and myself, Larry Goodhue, CEO and CFO and Treasurer. Also in attendance with us in the gallery are members of our Board and Management Staff; so Steve Genest who is a member of the Board of Directors; John Boisvert who is Chief Engineer and George Torez who is our Corporate Controller and Chief Accounting Officer.

Chairman Wilshire

Thank you all for being here this evening.

Mr. Goodhue

Part of the reason for them attending is part of our long-term succession planning objectives at the company. It is to make sure we are training other individuals in activities that are necessary to the operation of the company and making sure that they have institutional knowledge on a personnel basis relative to what we do and why we do it.

Chairman Wilshire

Very wise, obviously very wise.

Mr. Goodhue

Thank you.

Chairman Wilshire

So who is going to take over the discussion on the move to Nashua? We are excited about this. You are still coming right?

Mr. Goodhue

It is coming. Jay do you want to say something up front?

Jay Leonard, Chairman of the Board – Pennichuck Water

I will only say that we are excited about it as well but Larry knows the details; my hat is off to Larry. He has been working very hard on this project over a year and a half probably. We are happy with how it has developed and come out. We feel very feel very confident, we can't just move, we have to be able to move in a way that will get approved by the PUC and it is not a simple, straight-forward process as a lot of business folks might expect. So we have worked hard at it and Larry has spent especially great amount of time on it. So let me have him answer whatever questions you may have but we are excited.

DISCUSSION

Move of Company's headquarters to Nashua

Mr. Goodhue

Yes and I am trying to think of the exact time, probably 2 weeks ago, maybe 3 weeks ago now we actually had a ground-breaking ceremony at the site. This move became official on basically October 1st. The company has current lease facilities at 25 Manchester Street in Merrimack, New Hampshire for which we are under a lease obligation through July 31st of 2022. But in our last extension of that lease we had agreed to an opt out, an early opt out that could happen two years prior to that, so July 31st, 2020 which gave us the opportunity to look at what long-term solutions might be available, specifically within the confines of downtown Nashua as was requested by the City for us to consider.

As I mentioned to the Mayor at that time, we would definitely look at all alternatives but it had to fit into all the requirements that we would need to meet regardless of where the headquarters would be found. It would have to meet our geographic constraints as far as access to all of our customers. We serve customers in 30 communities in the State. So it would have to have good access to a highway that would get us to those customers. And not for nothing, kudos to the City for getting the Broad Street Parkway completed. So I mean if you think about that one project, that made this site actually a very favorable site for us because the Broad Street parkway comes in within about a block and a half of that and our access to the highway to get to all of our customers and everything that we do for business, that became a positive in looking at that site.

It had to be something that could meet all the safety, security and space needs of the corporation so that was part of the evaluation. Lastly and probably most importantly it had to meet the economic factors that needed to be considered relative to the cost of occupying a new facility; not just now but for the long-term. Don Ware and

myself actually met with the owner of this facility in September of 2017, yes. So we had been looking at a number of sites in the City as possible locations. He invited us down to take a look at this building, we looked at it as being structurally sound. But we needed to assess it against our business needs.

The first thing we did was we gathered some plans of the building as far as its footprint and tried to lay our business operations over that footprint to see if it might work. The first answer was “No, it doesn’t” it was insufficient space. So I went back to him and I said, “Look it doesn’t work as is, what are your thoughts”. And he said, “Well what if I built an addition, can that work”. If we add to that space on this footprint, could that work? And so we looked at those alternatives and were able to come up with a footprint within the constraints of what he would look at as far as an addition that he could build that would work financially on his side, financially on our side relative to this process. This went back and forth many times, involving all the members of our management team looking at how our business flows, what our needs are, everything there. Then as we got along further was to look at, the overall economics of what might in the lease costs. I had given him some early bogies that he needed to meet.

Then one of the things that we had to look at is what was going to be the cost of property taxes relative to this facility too. So again, working with the City and having them look at what the assessed currently would be and what it would be, to get some information so I could use some hard data from them as to how the numbers all work; it finally came together. So the last part of it, leading up to the actual notice was a negotiating a favorable lease agreement. That lease agreement had to be a workable document prior to September 30th because that was the deadline for which I could give notice to our current landlord for the early termination which we had renegotiated to be December 31st of next year.

So at the end of the day, I was able to give notice on September 30th to our existing landlord; bind a new lease on October 1st. That new lease basically allows us to gain access to the space sometime after October 31st of next year, but no later than December 31st of next year. And then we will be under a lease that begins on 1/1/2021 for a period of 15 years with 3 possible 5 year extensions that could make it up to a 30 year lease term for this property. We are looking at a property that, again, meets all of our current needs and anticipated moderate growth needs over the next 15 to 30 years. It meets the safety and security requirements that we have for our employees and our customers in coming to the site and again had to meet the geographics of what would happen.

So the site is being reconstructed in its totality. The parking lot is being redone, there is going to be a new addition built on to the building that has covered parking for 17 spaces underneath offices. It is intended to look like it was always there and contiguous with the existing building. The existing building is being gutted and completely reconstructed to our floor plan needs for all of our operations relative to the business. So I’ve had ongoing discussions with the construction management firm which is North Point Construction over in Hudson and the landlord, relative to the plans, the designs. They are working on getting some final permits in place relative to the demolition and relative to actually pouring the foundation and the structural steel for the addition. They will do as much of that work that they can this year, prior to snow flying.

During the winter, they will spend the time inside the existing building, gutting and rebuilding that. Once the weather clears in the spring, we will continue the construction of the addition and building that all out; all towards the goal of having the building basically done the beginning of October with punch list items to be addressed in October of next year and us occupying the building sometime, hopefully, in early November. We will have some free rent period until December 31st because we are still obligated at our current lease until December 31st and we don’t have it doubling it up, we were able to negotiate that with them.

So all in all a very favorable outcome and we are looking forward to this completed space. We’ve got some images of the facility that we shared at the ground breaking and we will probably at some point in time put that on our web site so it is actually there for people to see. So if you’ve got any specific questions, I’d be happy to answer them but that kind of gives you a, I guess, a walk through the process.

Chairman Wilshire

So how many employees will occupy that building and that's enough parking?

Mr. Goodhue

Somewhere between 60 and 70 employees, yes.

Chairman Wilshire

That's enough parking with the parking you are going to have underneath?

Mr. Goodhue

There are 52 spaces on the site itself.

Chairman Wilshire

I'm sorry, how many?

Mr. Goodhue

52.

Chairman Wilshire

52, there's that many.

Mr. Goodhue

So long story short, there are some parking spaces that actually border the oval that we might use and/or certain members of the management team may elect to park half a block up in that open parking lot or in the parking garage at the top of the hill. Then if there are some developments from the City of doing anything with West Pearl Street and you square off that lot, maybe we can talk about some additional pavement on a little corner there that would give us everything we need on that lot. But we will leave that for a future discussion.

Chairman Wilshire

We will keep that in mind. Good to know. Questions for the Committee.

Alderman Tencza

So you will obviously have other operations elsewhere, this will just be corporate headquarters.

Mr. Goodhue

Yes.

Alderman Tencza

But you keep that 25 Manchester Street?

Mr. Goodhue

25 Manchester Street will be abandoned, this will be a headquarters move. Our other primary locations are our water treatment plant, which is on DW Highway, 200 Concord Street. It is in north Nashua right on the border of Merrimack. Our Operations Building at 16 DW Highway is I'm going to say in Ba-Ha Nashua, just across the Pennichuck Brook in very southern Merrimack and land that we own. We also have a water treatment plant facility in Pittsfield, NH, as far as I'm going to say our main owned facilities. We have booster stations in other facilities throughout our service territory.

Alderman Tencza

If I could just make a comment and thank everyone at Pennichuck for making this work and making this possible. The plans, I was at the Planning Board Meeting when the plans came through. I've always been concerned about that parcel of land on Walnut Street and what we could ever do with it to make it other than the District Court that was there now. The plans that are provided and the new facilities are really an amazing feat I would say to have something fit in that area that is going to look nice for that parcel of land which is right in the middle of an intersection. So it is amazing that this is working out and I think, like you said, it is showing other businesses coming and having a headquarters downtown Nashua is a good investment for your business, the people that work for you in downtown Nashua. So thank you for all the hard work that you put into making this happen.

Mr. Goodhue

I am going to say it is a collaborative effort, you know, I did take lead from the company perspective but every member of my senior management team was well-participated in this; the Board as well. We were checking progress all along the way. But I also would give some credit to the landowner and the developer, Rob Parsons. He had a very, very sincere desire to see us located there. When we first met with him, he actually had a lease agreement in his hand, he was ready to sign the next day with another concern, who was going to take occupancy in that building. And he said, "If you've got some interest, I will put this on ice because I want to talk to you". So I give him some credit, because every time we found an obstacle, he helped me find a way past the obstacle. So I think that is credit that is well-deserved for him as well.

Chairman Wilshire

Well kudos to everyone.

Alderman Klee

Thank you. And yes I also want to echo Alderman Tencza's remarks that the plans and everything and all the work that everybody has done has been amazing. I know when I got the tour of your first headquarters, the current headquarters, one of the things that you talked about that was extremely important was security and safety of the people there. When you are re-doing all of this, that is one of your first concerns. I am just speaking this for the public to hear this because I want them to understand that that has always been one of your concerns.

Mr. Goodhue

Absolutely it is. All considerations have been given to this facility to maximize anything that we can do to make sure we are providing for a safe environment for our employees and for our customers as they interface with us and we operate as the regulated water utility in this area.

Alderman Klee

Thank you very much.

Alderman Dowd

Just a question; are you going to have an office that people can walk into if they have questions about their water bill or water in general?

Mr. Goodhue

Yes.

Alderman Dowd

I think for some people it is pretty important because I think up to now they weren't quite sure where you were located but I think that would go a long way as far as communications with the public.

Mr. Goodhue

There is actually a designated room right off of our entry lobby that is specifically designated for private meetings with customers and our customer service group and/or other departments as needed. Again it is integral to access relative to our security. But a specific room is provided for that as well as a specific room, John Boisvert and his Engineering Team has to meet quite frequently with firms that come in on bid openings and bid proposals. So there are provisions there for them to come in and interface on project basis relative to those responsibilities as well.

Chairman Wilshire

Anyone else? Thank you gentlemen, we appreciate you coming this evening and updating the Committee and by virtue, this City.

Mr. Goodhue

I just wanted to give you perhaps a kind of an insight as to things that might be forthcoming in future meetings. Number One – we plan to meet with you quarterly to go over the quarterly results. Number Two – as you know, any time we have any financing that we have to do, we would need to come before this body. We will be doing an annual debt issuance for our Pennichuck East Utility sometime next spring, which we will be coming to you. We are also going to be preparing a Financing Approval with the PUC and before this Board for our next multi-year bonding authority for our funding capital for 2021, 2022, 2023. That'll be coming sometime in the spring. Nothing else specific at this juncture that I know of, other than we will have our Annual Shareholder Meeting the beginning of May as we do.

One thing I will tell you is that we are going to be moving the site and location of that to one of our facilities starting with this next year's meeting.

Chairman Wilshire

Very nice.

Alderman Dowd

And so Alderman Klee and I probably have a little interest in your 21 inch pipe project going on, on Tinker Road. How's that progressing?

Mr. Goodhue

I'll have Mr. Ware respond to that.

Donald Ware, Chief Operating Officer

Sure, it is just kind of the glorification of the uninvolved because I don't run the engineering department anymore, but John is sitting behind me and he can stab me in the back. But basically that project, as far as the pipe playing perspective, will be done – on the Tinker Road area, we will be activating the 24 inch line on Friday of this week. We will be then, then they will be disassembling the yellow mine, the temporary pipe that's up on top of the ground in that area. That will officially, again, be on line this coming Friday.

Chairman Dowd

Good, ok great.

Chairman Wilshire

How timely Alderman Dowd.

Alderman Klee

Actually I am glad that Alderman Dowd had brought that up. I don't mean to put any of you gentlemen in an uncomfortable situation but you probably have already been getting the e-mails and so on about wanting to have a bike lane or a path into that area. I know it does not belong to the City, I want that to be very clear, it belongs to Pennichuck and I think that's kind of a misunderstanding that the public has is "why isn't the City forcing Pennichuck to let us have a path through there". And if you are not prepared to answer that question I understand.

Mr. Goodhue

Actually that's the first I've heard of that Alderman Klee.

Alderman Klee

It is? I thought you had been on an e-mail with one of my constituents?

Mr. Goodhue

I don't recall that.

Alderman Klee

Yes that is one of the things that they had hoped for, where you had cleared on Manchester Street and even on to Tinker and so on. I have explained to them over and over again that it is not City land, it is Pennichuck land and they are not the same.

Alderman Dowd

So when constituents ask me about it, I said, "That fence is there for a reason, it is a public water area, so allowing people to walk a bike on your side of the fence is probably not going to happen". We are going to be, I talked to the Director of Public Works today, we are going to clean up the area between your fence and the street so it is more presented to the neighborhood. But you know, unless they dug it down and built a wall up to the fence, you can't put a bike lane in there.

Mr. Goodhue

And just know that all of that fencing is going to be replaced how soon Mr. Boisvert?

John Boisvert

Within the next month or month and a half.

Mr. Goodhue

Within the next month to month and a half, before winter, all of that fencing is being replaced. So even though much of it is still, I'm going to say rust-free and in good shape, it's a little bit bent and it needs to be replaced.

Chairman Dowd

That was all those trees you cut down that fell on it.

Mr. Goodhue

That does happen somehow.

Chairman Wilshire

Anything further from the Committee or from Pennichuck? OK thank you gentlemen for being here, all of you. We appreciate your time.

UNFINISHED BUSINESS – None

NEW BUSINESS – None

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN - None

POSSIBLE NON-PUBLIC SESSION - None

ADJOURNMENT

**MOTION BY ALDERMAN DOWD TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 6:51 p.m.

Alderman Patricia Klee
Committee Clerk