

PENNICHUCK WATER SPECIAL COMMITTEE

MARCH 21, 2019

A meeting of the Pennichuck Water Special Committee was held Thursday, March 21, 2019, at 7:00 p.m. in the Aldermanic Chamber.

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

Members of Committee present: Alderman David C. Tencza, Vice Chair

Members not in Attendance: Alderman-at-Large Ben Clemons
Alderman Richard A. Dowd
Alderman Patricia Klee

Also in Attendance: Larry Goodhue, CEO, Pennichuck
Don Ware, COO, Pennichuck
Jay Lustig, Pennichuck Corporation Board of Directors

PUBLIC COMMENT – None

Chairman Wilshire

Why don't you bring your team up Larry, and we will start going through the Communications and Resolutions. So for the record is joining us is Larry Goodhue, Don Ware and Jay Lustig of Pennichuck Water.

Larry Goodhue, CEO, Pennichuck

So thank you very much, with us here tonight as you indicated, representing our Board of Directors is our Director Jay Lustig. To my right is our Chief Operating Officer Donald Ware and myself, Larry Goodhue CEO and CFO of the Corporation.

Chairman Wilshire

Ok, we are going to go through the communications one by one and if you have anyone who wants to discuss any of them, we will have that opportunity.

COMMUNICATIONS

From: Larry D. Goodhue, CEO, Pennichuck Corporation
Re: Pennichuck Corporation Quarterly Report for Quarter Ended June 30, 2018

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

From: Larry D. Goodhue, CEO, Pennichuck Corporation
Re: Pennichuck Corporation Quarterly Report for Quarter Ended September 30, 2018

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

From: Larry D. Goodhue, CEO, Pennichuck Corporation
Re: Request for Approval of Loan from the New Hampshire Drinking Water and Groundwater Trust Fund to Pennichuck Water Works, Inc.
• Referred to Cmte – 2/12/2019

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

From: Larry D. Goodhue, CEO, Pennichuck Corporation
Re: Pennichuck East Utility, Inc. – Request for Approval of Term Loan with CoBank, ACB
• Referred to Cmte – 3/12/2019

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

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

R-19-109

Endorsers: Alderman-at-Large Lori Wilshire
Alderman Jan Schmidt
Alderman-at-Large David C. Tencza
Alderwoman Mary Ann Melizzi-Golja
Alderwoman-at-Large Shoshanna Kelly
Alderman Patricia Klee
Alderman Linda Harriott-Gathright
Alderman-at-Large Michael B. O'Brien, Sr.

AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK WATER WORKS, INC. TO BORROW FUNDS FROM THE STATE OF NEW HAMPSHIRE DRINKING WATER AND GROUNDWATER TRUST FUND

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Chairman Wilshire

Gentlemen?

Mr. Goodhue

And I will go through that and if you will allow me, also with us tonight and in the audience is our Chief Engineer, John Boisvert and our Corporate Comptroller George Torez. Part of the process at the Corporation is focusing on long-term succession planning in the spirit of a corporation that needs to outlive every single employee. So this is an opportunity for them to get exposure to this as well as for the committee to get exposure to them. So John supports me directly in the financial side of the business and our Chief Engineer John Boisvert supports definitely on the Operation Side with Donald Ware our Chief Operating Officer.

Chairman Wilshire

Excellent thank you.

Mr. Goodhue

With regard to the Resolution, we were approved to borrow \$5.5 million dollars from the New Hampshire Drinking Water & Groundwater Trust Fund. That is the Trust Fund that was established out of the proceeds of the law suit that the State of New Hampshire prevailed with Exxon Mobile. It established nearly a \$200,000.00 million dollar trust fund relative to borrowings. This is actually the third time that we would be able to access money from that fund. Last year we actually were approved on a loan for our river crossing main as well as a grant for that as well as a loan for some work that is going to be done in the northwest corner of the system in Nashua this year for water main replacement.

This particular loan of \$5.5 million dollars is for the construction of a new deep water intake in the Merrimack River. The Corporation invested about \$3 to \$3.5 million dollars two years ago in installing a new 36 inch water main from our existing in bank intake at the Merrimack River and directly into our water treatment plants. They have a separated dual source of supply into our water treatment plant. Previously our main from that intake actually entered into the pond system and mixed with the water of the Pennichuck Brook Water System into the plant and this truly gave us a totally separate source of supply into the plant should we need it. The one disadvantage to the current in bank withdrawal is that it is a seasonal intake. During the winter months, due to ice, due to flows, due to sedimentation, we could use it, it is not truly effective and it is not truly reliable for us to be able to use that source 24/7, 365.

As such Mr. Boisvert, along with others have designed this intake that goes out to the middle of the river and comes off the bottom of the river. We have acquired all the permits that are needed with the Army Corp of Engineers and others relative to that. So this is the funding for that. And it is very, very instrumental and truly now completing the process of getting that permanent full-time, secondary source of supply into our water treatment plant which is the main source of supply and water into the City of Nashua and the community systems that are attached to that. The loan has a term without speaking out of turn so I don't misquote, I believe it is a 25 year repayment term with a maximum of a 3.38% interest rate. When I say "maximum of 3.38% interest rate" – when they issue those loans it is at the prevailing rate but once we complete the project and we actually go into what is called the allonge, that rate could be lower, it couldn't be higher.

Our Board of Directors both at Pennichuck Corp, Pennichuck Water Works and through those have already given our approval in the past. We filed the financing petition with the New Hampshire Public Utilities Commission. Actually just this afternoon, I received the letter that the PUC Staff has issued to the Commissioners recommending that the Commissioners authorize this financing pending the approval from our shareholder being granted. So just know that is the case. We are already in the process of going out to bid on this process, we have actually selected or looked at qualified contractors and we will be looking to do this project during the summer of this year and have it operational before the end of this year. So if there are any other questions that I can add to that.

Alderman O'Brien

Yes on the engineering of it itself, its location in the Merrimack; and the reason I ask that, we are spending some money on the other end trying to reutilize the Merrimack and investing into our boat ramp that you probably have also noticed and everything. So is it going to be removed from that general area where the public will have access and that's also in an area where sometimes our Police & Fire Dive Teams do have some drills.

Mr. Goodhue

It is directly in the river in front of where our existing intake is. So it is going right out from there just north of the Merrimack Waste Water Plant.

Alderman O'Brien

Very good.

MOTION CARRIED

R-19-119

Endorsers: Alderman-at-Large Lori Wilshire
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Linda Harriott-Gathright
Alderman Richard A. Dowd
Alderman Patricia Klee
Alderman Mary Ann Melizzi-Golja
Alderman-at-Large David C. Tencza

AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK EAST UTILITY, INC. TO ENTER INTO A TERM LOAN WITH COBANK, ACB

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Chairman Wilshire

Mr. Goodhue?

Mr. Goodhue

So this loan is if you recall perhaps in prior meetings during our last rate case for Pennichuck Water Works and the most recent rate case for PEU, Pennichuck East, we instituted what is called the QCPAC the Qualified Capital Project Adjustment Charge. We make our own acronyms and then we can't remember what they are. Basically what it is, is it is an annual surcharge that allows us to continue to fund all of our projects which are all debt funded on an annual basis. So as we complete projects through the year, we have what is called a FALOC a Fixed Asset Line of Credit; one at PWW and one at PEU where we actually can draw money from a line of credit, a specific line of credit just for capital projects during the year. And then once we complete the year, based on all those used and useful projects we then term those out annually.

We are in the process right now of actually issuing bonds PWW under the authority it was given last year for that activity for PWW. This loan is to term finance the capital projects funded through the FALOC during 2018 for Pennichuck East Utility for assets that were used and useful in 2018 and are a part of the QCPAC filing that we have already filed with the PUC relative to the annual surcharge that will be sought to be approved later this year and funded back to the effective date of when the debt is issued. And basically what it does is it gives us 110% of the principal and interest that is due on this incremental debt as well as the incremental property taxes. And what that does is it gives us the covenant coverage and the cash to actually pay the obligations for the debt that we are debt financing all of our assets. The difference being when we were in our prior ownership structure as a publicly traded company, you had a mix of debt and equity and that equity was far more expensive to rate payers, being about 16% versus debt that's at 3%, 4%, or 5% rate. So it is a much different dynamic for the rate payers and for the company as a path through.

So this loan is up to \$1.45 million dollar, we will not be drawing the entire \$1.45 million dollar, it is a number right about \$1,297,000.00 that is tied to those actual projects. We made sure that when we put this through first, we had enough head room to those borrowings. Again, this is a 25-year repayment, the interest rate is a floating rate until it locks in, based on current rates right now, it looks like it is going to be 4.1 or 4.2%. We already have our Board's approval to do this, we are looking for the shareholder approval and we are actually going to be filing the financing petition for this one with the PUC next week. And then are hoping to close on it sometime probably in the mid-May time-frame to reimburse, pay off that FALOC and then go through the process once again.

MOTION CARRIED

NEW BUSINESS – ORDINANCES – None

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN - None

POSSIBLE NON-PUBLIC SESSION - None

ADJOURNMENT

**MOTION BY ALDERMAN TENCZA TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 7:14 p.m.

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