

**MERRIMACK VALLEY REGIONAL WATER DISTRICT  
MEETING MINUTES  
May 29, 2014  
BEDFORD TOWN OFFICE MEETING ROOM**

Present were: Ray Peeples (Litchfield), Jeff Gowan (Pelham), Lori Wilshire (Nashua), Chairman Marilyn Peterman (Amherst), Vice Chairman Tom Dolan (Londonderry), Jim Scanlon (Bedford), Chris Bandazian (Bedford) and Atty Steve Judge

Chairman Peterman opened the meeting @ 7 PM

**New Business:** Interviewing Candidates for Pennichuck Board of Directors position

Chairman Peterman said we are going to do the interviews in public session and we will start at one end of the table and go around the table and the time frame is about 20 minutes each asking questions. I see two candidates here and the first candidate is Paul Lessard.

Mr. Scanlon asked the Chairman, at this time we have a single candidate in the room and the door is closed?

Atty Steve no, the door is not closed, we are in public session and I believe we have another candidate in the room. What I would say for the record to both of the candidates that are here, there is a provision in the RTK law if there is something that, matters which are discussed in public likely with adversely affect the reputation of any person other than a member of the body. What the District has determined is to conduct this in public session, however if a question is asked which you think the answer might adversely affect your reputation, please let us know and we will consider whether to go into Non-Public session. We do not anticipate that that will happen. We do understand the fact that Paul you are first and George you are second and you get to hear what is asked first, but this has caused us to be creative with our questions, so there is no particular advantage to being second and since the third candidate is not here at all, there is no advantage to being third.

**FIRST CANDIDATE – Paul Lessard**

Mr. Peeples asked Mr. Lessard, the most important things to me is, “How do you view this resource and why did you end up being interested in water to begin with?” Mr. Lessard explained that he lives about ¼ mile from the treatment plant in Manchester, so I got interested with that and then I got a call from the Mayor’s office wanting me to go on the commission there and I got involved with the water treatment plant. The plant is really state of the art, it is about 15 years old now, but it continues to be state of the art. Water is very important and tap water is the most important thing that we have and if we don’t have tap water we are in big trouble. One of the gentlemen who was the Director at Water told me the worst thing in the world that would ever happen would be if we had no

water. Then the schools, nursing homes and hospitals would have to shut down. We need to protect the water shed. You can see from my resume with some of the things that I have been involved with in the short 5 ½ years that I have been there. I have only been Chairman for 3 ½ years. I am now termed out as your term is done after 6 years. This is a new rule which changed about 8 years ago. Water is very important. We have in this neck of the woods our demographics have not changed. We have not increased our population here for about 10 years and when that happens and that will happen at some point in the next 5-10 years if the economy turns around, we are going to need more water. Right now we have enough, but we are constantly looking at a second source from the Merrimack River. We are going to build a water treatment plant over there we have bought the land and we are starting to do the testing and we are working with DES right now to try to get that up and running as we need another source.

Right now, Manchester is using 18 million gallons a day and they actually go to 25 million in the summer. That is the max and that is in July and August and then it tapers back down again depending on the heat. In 2010 that was the hottest year and were up to 26 million gallons a day, but we didn't have to shut off sprinklers or pools we had enough water. Right now I have been there for 5 ½ years and is there a learning curve for water, yes there is a learning curve. It took a couple of years to figure out what we are doing here. I followed Chairman Lou D'Alessandro and he gave me some good training before he left. He was on that commission for quite a while. Chairman Peterman said he wore many hats.

Mr. Lessard said there are a lot of things involved in this business, like funding and anyone who is involved in the financial end of it, sometimes bonding is not the way to go. We just borrowed \$4 million dollars from the State at 2.7% and the rate is good. The big thing is there are no fees. When you bond, you pay a lot of money in fees and you don't realize what you pay in fees. If you look at the number the 2.7 is really good. There are all kinds of things that I have been involved, I am a real estate agent working out of Londonderry, I take care of my regular customers, and I am not pounding a beat and working 7 days a week. I have been doing this for 13 years and have a good group of customers so I have time. If I didn't have time, then I would not have been able to do what I did in Manchester. I set my own schedule so I am not tied into an office for 40-50 hours per week. I was for many years, but that stopped about 13 years ago. So I do have the time to jump in.

Jeff Gowan asked if you were ultimately appointed to the position and you observed as a member of the board of directors and you observed a troubling management issue of some kind, something that you thought was significant, what would be your approach in addressing that concern and including how would you correspond with this body? Mr. Lessard said I would address it immediately. I do not sit back. I am very pro-active in what I do. I don't know if any of you have talked to Dave, the Director at Water, but you do not sit on problems. We went through a major restructuring of staff about 2 ½ years ago at Water and we cut the payroll \$550,000 in five years there, the Asst. Director retired we didn't replace him and we took 3 chiefs and bumped them up a little bit and made them report directly to the director. The levels of management sometimes you do

not need them all. Water is very specific you have distribution, you have production and then you have the accounting end. The financial end is as important as anything. We have a great CFO. I just went through the budget last week with the staff and it is a 21 million dollar budget that we are going to okay on Monday and we went through line item by line item and made sure the guys have what they need. You are constantly doing maintenance on the plant, but we have tried to cut our expenses. It is hard very very hard. We have 21 million dollar budget and you have 16 million dollars in revenue coming in. So if you want to do infrastructure you have to bond or find money to do that. We have 25 year infrastructure plan right now which we put in, when I went there they were doing no infrastructure. They used to say that they had the best water at the cheapest rate and it is, but they were not doing any infrastructure. Now we are spending probably a million and a half a year and we are doing a combination of replacing pipe but also cleaning and relining, which gives you 50 years on the pipe before you have to replace it. This year we are doing a combination of both.

Ms. Wilshire said thank you for being here tonight. So prior to the 5 ½ years serving on the Manchester Water Works Board you had no other experience with a utility? Mr. Lessard replied no. Ms. Wilshire said, it sounds like you learned a lot. What is important to me is the make-up of the board and how you see yourself fitting in with that board. Say they decided they don't want to do any infrastructure, how do you work with a board. Like you said when you came in they were not doing any infrastructure. Mr. Lessard responded, I do not know any of the board members, but I would work directly with the Director if I had an issue off the table and talk to the Director about it.

Ms. Wilshire said if they were looking at saving money and not wanting to do infrastructure and it sounds like you have run into that, how do you address that? Mr. Lessard responded that you have to do infrastructure and if you don't do infrastructure eventually it catches up with you. That is what happened when I came in Manchester they were not doing it and what we did was we brought in a consultant in and came up with a 25-year plan. If you have a plan you can sell it to the aldermen, you can sell it to the finance people and the bonding people, but if you are not doing anything then that is not right. I do not know if they have an infrastructure plan, I don't know. I hope they do. This country is in big trouble infrastructure wise with bridges, highways and no one is doing anything because no one has any money. We borrowed 2 million from the State and the CFO called and said we have another 2 million. I thought it was all gone, but the city that was going to take it cannot afford to pay it back so now it is available again. There are all kinds of pockets of money out there, if you can find them. We are working with DES now and have them do some testing and they will pay for it. In spite of the State saying they do not have any money, there are pockets with money out there.

Mr. Dolan asked have you ever worked at Merchants Auto group. Mr. Paul Lessard said yes 17 years. We have two resumes here and one shows you in Manchester and one in Londonderry, which is more current. Mr. Lessard responded Manchester is more current.

Mr. Dolan asked can you tell me what was one of the more difficult issues that you faced while at the Manchester Water Works and how you worked through that problem and how would that perhaps pertain to this new assignment? Mr. Paul Lessard said infrastructure was definitely the biggest thing that has happened there, but second to that was the pilot program. I do not know if you are familiar with the pilot program, but it was payment in lieu of taxes that the legislature just passed last year. When I went there, one of the things I did is that I had the top 20 expenses on a spreadsheet for me for a 5 year period and I was just glaring at the real estate tax bill for the Water Works, for which they had to pay real estate taxes to the Town of Auburn because that is where the water shed land is and it was aggressive. What they did was they were charging us for scenic views on 50 x 100 lots that have \$500,000 homes on them and being in the real estate business I knew just enough to say, wait a minute we have a problem here. So we actually went to arbitration with them and we sat in a room with an Attorney and we started cutting the taxes from 850 to 650 and then we push the pilot program. We were going to sell the land to a non-profit. Sell the water shed land to a non-profit and at that point then Auburn would get zero in taxes. So we actually went out to bid and we had three groups interested and we did the interviews and talked to the non-profits and then in the mean time Auburn came to the table. We constructed a pilot program where over the next 5 years were 850 to start and will be down to 300 per year. It would have changed the character of the Town if we didn't own that land. We do a lot of things with them, we give them land, we help them and we do a lot of good things together, but not at 850 per year. That was part of the infrastructure, where we were going to find the money do the infrastructure and that was one of the places that was one of the biggest expenses. You cannot cut back on chemicals expenses. You need to buy whatever chemicals you need to treat the water. So we looked at all of the costs and that was where we came up with some money to do the infrastructure thing. That was interesting legislature that was passed and we were probably the first municipality to have a pilot program and it is a 5 year program and it is renewable. We just put it in place this year and we signed about six months ago. There were negotiations and we spent money about \$50K in legal fees, but it worked. Over the course of time to go from 850 to 300, we saved a half million dollars per year that we can put in the ground. I tell everyone at Water Works, you have to sell a lot of water to make half a million dollars profit.

Mr. Jim Scanlon, three questions, first one you were appointed by the Mayor which Mayor and why with no background in water? Mr. Paul Lessard said Mayor Guinta appointed me and I think he saw my management skills vs. water and he knew there were going to be some changes there. We talked about that when I talked to him and they needed management changes. The two guys that left since I have been there were there 43 years.

Mr. Scanlon said he saw your skills, so I am going to assume that you applied for the position? Mr. Paul Lessard said my name was given to the Mayor by an alderman in Town who knew me, so I didn't apply for it. I got a call from the Mayor's office saying come on down and bring your resume.

Mr. Scanlon asked you said after 2 ½ years you became the Chair of this group, correct? Mr. Lessard said correct. Mr. Scanlon asked how that happened were you elected by your colleagues. Mr. Lessard said 7 votes on the board and the Mayor is one of them.

Mr. Scanlon said you were asked about style of management and your answers keep coming back to the issues themselves which are important, but I am interested in the way you distinguish leadership of the board from management of issues, can you comment on that. I have heard a lot about the issues, and I think I came away with the impression of some of the things you did to manage the issues, but I didn't hear much about leadership of the board. How do you influence a board to a different course of action? Mr. Lessard said when I went there the board basically met once a month and since I have been Chairman, I set-up committees. I now have four committees that operate on a semi-monthly basis. We now have rules & regulations and those sorts of things. I set-up committees which was never done before. Plus we communicate. I talk to these people all the time and we e-mail all the time. Communication is a big thing. Thank God for cell phones and I phones and all that good stuff. I talk to everyone at least once a week, some people I talk to 2-3 times per week. Communication is a big thing.

Mr. Scanlon asked are you paid in the role as chair. Mr. Lessard said no, I am not paid. Mr. Scanlon responded you have been volunteering for 5 ½ years. Mr. Lessard said yes.

Chairman Peterman said Manchester Water Works is a function of the community correct? It is a public Manchester utility that serves Manchester and who else? Mr. Paul Lessard said surrounding Towns, Bedford, Derry and Hooksett. Chairman Peterman said are any of those Town's represented on the Board? Mr. Lessard said no. Chairman Peterman asked because? Mr. Lessard said they just have never been it has always been Manchester residents only. Chairman Peterman asked are you beholding to the tax payers. In other words you want to float a bond, the general public pays for the water? Mr. Lessard said no, Manchester Water Works pays for it. We are an enterprise fund. Back in 1880 the legislature passed a bill if you can believe this that separates us out. Totally separate books, totally separate operating statements. Chairman Peterman said so the users are the funding. Mr. Lessard said yes users are funding.

Chairman Peterman said you were appointed by the Mayor, the Mayor requested you to come down, are there any political situations? Is there anything where politics enters into the running of this Water Works would you say? Mr. Lessard said absolutely. Chairman Peterman asked for a little more explanation. Mr. Lessard said we will be switching aldermen in Manchester and the Mayor because that is who runs the City. They like to oversee it, but there is nothing that they can do financially because we have the budgetary process and we have control of the budget. Are there politics, of course there are. Chairman Peterman asked for an example. Mr. Lessard said outwardly there is not, but there is always the overwhelming thing that they question what you do. We have a Director who has the right to hire and fire and he is the boss. We have a very active board that really steers him in the right direction.

Chairman Peterman said what is the biggest challenge that you have encountered as a member of the Board of Directors on this Water Works Board? Mr. Lessard said the biggest thing was getting the infrastructure plan set in place. That was the first thing that I did. Not to have infrastructure was not the right thing at that point. They had the money, they can raise rates. Our rates are the lowest around. I don't know if you have looked at rates at all. Chairman Peterman replied I think some of us are aware of this after 10+ years being involved in water. Mr. Lessard said a combination of bonding and a combination of rate increases and our rate increases have been on track now for 3-4 years at 3 percent and 3 percent on an average household is \$20 a year.

Chairman Peterman said you said you set-up committees do you have a water resource committee? Mr. Lessard said no. Chairman Peterman asked do you have a water resource plan as you said something about a second source. Mr. Paul Lessard said unlike a lot of other utilities we have 4200 acres of land, we have a full-time forester, it is a big staff and there are professional people on there and we make \$150,000 a year timber harvesting under a management forester and that can continue on. Chairman Peterman asked does that all play into the budgetary process. Mr. Lessard said yes.

Mr. Paul Lessard said fees are very reasonable. The Commission is not in there banging people over the head with increases they are taking their small increases every year and try to cover their costs. Do they have problems, yes, like everyone else they have health insurance, retirement system and those things are starting to eat away. Chairman Peterman said they are public employees correct? Mr. Lessard said yes that is correct.

Mr. Jim Scanlon said you said you have a board of 7 and you have established 4 committees how big are each of those committees and what are they? Mr. Paul Lessard said each committee is 3 people some people are on two different committees. We have Finance Committee; Budget Committee is actually the whole board and the Mayor. The Administrative, Rules & Regulations Committee and another small committee Labor Relations.

Atty Judge said that he represents the North Conway Water Precinct which is older than Manchester and the commissioners there are elected by the water users, are any of the members of the board of Manchester elected by the water users? Mr. Lessard said appointed by the Mayor and confirmed by the Board of Mayor Alderman.

Atty Judge said you said one of the issues was infrastructure as you suggested a moment ago, Manchester Water Works is not just Manchester, and it is also Bedford and a number of other Towns. What percentage of infrastructure did you do in the Town's outside of Manchester? Mr. Lessard said the infrastructure in the outside Towns they do it themselves. Like Hooksett is doing their water main going up Rt 3, I don't know if you have seen it over the last year or two. If you get off Exit 9 and head north on Rt 3 the DW Highway has been torn up. They take care of their infrastructure, we just sell them water. Atty Judge asked does Manchester not own the distribution system in Bedford. Mr. Lessard said no. We own part of it to a certain point, but we do not have a lot here in Bedford. South River Road that is it, we would like to have more.

Mr. Gowan said to follow up to Atty Judge's question, you refer to infrastructure and I take that to mean keeping up with existing infrastructure, keeping it repaired, is expansion of the system other than the Merrimack Plant is expansion part of that infrastructure? Mr. Lessard said expansion is going to be in North Londonderry south of the airport the Pettingal Road that is where our expansion is going to be. We have two reservoirs and we are going to do away with the reservoirs that are the next plan to get ride of them and go to tanks. For two reasons on the south reservoirs in order to get to Pettingal Rd we cannot get the water down there gravity fed out of the reservoirs, we are better off with tanks now and everyone is using tanks now. We just had an emergency repair up by the ski area a \$400,000 dollars the liner and cover were gone we had an emergency repair situation because peak season is July and August and we had to have it done by June 30<sup>th</sup> so we are in the middle of doing that right now. Infrastructure is more than pipe.

Chairman Peterman said Paul thank you for applying and thank you for coming in and we will notify you when we have made a decision.

## **SECOND CANDIDATE – George Bower**

Chairman Peterman said we will proceed in the same fashion and I can start at the other end of the table and Steve can you begin.

Atty Steve Judge asked why you should be the representative for the District on the Pennichuck Corp. Mr. Bower said over the past 25 years, I have had countless experience both at the Federal, State and local level dealing with the design, implementation and processing of permits for regulatory facilities and also working with communities in developing regulations that cover everything from water resources to the types of plan developments that they do. I think what I would bring is a reasonable broad perspective to range of issues that exist in a setting like this where you have a public corporation providing a product to communities. With the type of work that I have done with communities and with the type of work professional as I work with industrial facilities taking them through the process of getting regulatory approvals and working with them on business development and it is bringing that kind of a broad kind of view of the issues that you have with the water supply issues, with the environmental issues that would serve the board well and the corporation with providing them with that kind of advice and assistance.

Mr. Jim Scanlon said you have a very extensive resume 10-12 pages, did you write that yourself. Mr. Bower said yes I did. Mr. Scanlon said in that resume and forgive me if I am wrong, but I came away with two impressions that you have very exhausted diverse experience as board members in various situations, but I also came away with the impression that your background was strongly in the academic area and less so on boards that have performed on the business, did I misread? Mr. Bower said it is probably about half and half. I did teach for 7 years at a college and after that I left and went into corporate environment and worked in management and after that entered into the consultant sphere and since that time I have been offering consulting services to

industrial facilities. My board experience is to stay involved in the community that I live in. The time that I spent on the Planning Bd which is a public body to the Road commission to serving on the School Bd, but I also serve on the Board of Directors which was a manufacture of high performance water treatment systems and then the one thing that I think is in the mid-range there was the amount of time that I have spent with the Amherst Land Trust. While that is a 501 (c) 3 and private non-profit corporation it functioned as a business. Back in the late 90's when I was asked if I would consider working with that organization in Town, one of the things that I looked at and the people who asked if I would like to work with them, I would be happy to do that, but my objective with that entity would be that it function as a business. So if you are familiar with the Amherst Land Trust today, it is in fact a nonprofit business and we compete with developers and we do it very successfully. We have a Board that that is composed of people from banking and finance background to legal background. It is the kind of group that you would pull together if what you want to do is business deals and we do business deals and we have no qualms about getting into the fray and making sure that we are doing what is in the best interest of the community as well as working with the land owner to acquire a piece of land and then make that piece of land for public use.

Mr. Scanlon said two easy questions, is it Dr. Bower or Mr. Bower. Mr. Bower said either, the academic side was a long time ago. Mr. Scanlon asked from a leadership and management skill point of view, having served on various boards, what has been your take a ways that you now characterize as part of your style in managing a board or influencing a board. Mr. Bower said the first is that you don't expect everyone to agree with what you said, and don't expect things to happen overnight. If there is a good plan or project it may take you several years to get through the process. You need to be willing to spend the time to develop the support. You need to make sure you have laid out to people a convincing case, as to why it is necessary, why it benefits them and also understand the negative side, because not every proposal has benefits for everyone, find out who the stakeholders are and find out who is going to be affected by it and continue to work with that process. If you see something that needs to be done, say quite a bit of my background, I have done catastrophic risk assessment for industrial facilities and you go in and talk to that facility and the managers about why these particular risks exist and here is what you can do to mitigate them and here is why it makes business sense, but here is the money that you need to start thinking about either putting aside now or spending now to mitigate those risks to benefit your business long term. That is a process that you have to make sure that they understand why does it benefit them, what are the risks, it is something that they can manage and control and is it something that is really in their best business interest. The thing that you learn as a consultant is that you give people advice, but they do not necessarily have to take it, but you make a strong case. I think that the kind of work that I have done and the kind of success that I have had speak to the fact that I have been able to identify for people what the risks are for their particular business and how you mitigate them and then they move forward. Mr. Scanlon said thank you Dr. George.

Mr. Dolan said looking over resume you have volunteering for the Town of Amherst for nearly 30 years now: Planning Bd, Road Commission, Master Plan, School Bd and most



current the Amherst Land Trust, can you tell me a little bit about what experiences in those situations you might be able to apply to the position you are interviewing for now? Mr. Bowers said one of the things that the selectmen were most interested in back in 1985 when I applied to be on the Planning Bd, was the technical and scientific background that I brought to the board and made those kind of skill sets available when plans would come in to not only represent the Town, but also represent the ordinances and laws and also the businesses. If there was one thing I learned is that there are three parties involved in that process and that your job on the Bd is to represent all of them. So when an applicant came in, despite the fact that I might not have liked their particular project, my job as a Bd member was to help them get through the process and to help them end up with a better project than what they came in with. Often times, if you have experience to apply to a particular proposal you make those recommendations to the applicant, sometimes they don't take it and that is fine, but that was a big piece. The other one is that I think it is important if you live in the community and you have a particular expertise that you can apply that you share that with the community. In particular mine has been looking forward, what are the kind of risks that the community has, what are the kind of things that the Town should be dealing with having been involved in that Master Planning process. Thinking about where the Town is going to have its water resources, how are we going to deal with those things? This is one of the things that happened back in 1987 there were some early reports that talked about the effects of climate change that were going to occur. One of the pieces that I found particularly interesting was that the evidence said, while we are still going to get about 55-60 inches of rain a year, we are going to get it in high frequency severe storm events. What that meant, was there would potential to be a lot more run off at one time because of these storm events, so we went back as part of the sub-division regulations and we changed the size of the storm event that a developer had a plan for or housing development had a plan for, so what we were not getting was flushing the pollutants off the site and that there was that kind of treatment occurring onsite. If you have that kind of background and you can apply it to your community then you should be doing that.

Mr. Dolan said it is apparent from your resume that community volunteering is important to you, but tell me why is that important to serve your community? Mr. Bower said it goes back to when I was in high school and there were people at that point in my life who volunteered and did things with me that took me from Central Pennsylvania a relatively poor farming area to work to excel in high school and to do the same thing in college and it was that type of ethic that was important and you give back to that. An interesting thing is I have a daughter who graduated 2 wks ago from Texas Tech with a Masters Degree in Sports Medicine and Athletic Training and she does the same thing, and I have a son next Friday who graduates with Master's Degree in Mechanical Engineering and MBA from MIT and he has been volunteering to teach English to Spanish speaking people because he speaks Spanish fluently. It is that type of responsibility you have if you are going to live in a community. I have been involved in raising hundreds and thousands of dollars to acquire land in Amherst and surrounding communities for public use. I like my community that is what it comes down to and I do more than just live in it.

Ms. Wilshire said you have an impressive laundry list of things that I find very interesting and the fact that you like to give back to the community. My same question is along the lines of your management style how do you see yourself fitting in with this Bd of Directors and if the other members of the board say they want to spend 5 million dollars this year on infrastructure and you don't see it that way, how do you influence their decision making? Mr. Bower said one of a board and one vote use your background to lay out your case as to why things should or should not be done. I think one of the benefits that I have is that I have the background in science and background in business side to be able to look at whether a proposal makes business sense, most of my work is in looking at alternative analysis and why this rather than this and helping businesses to understand that you have four different approaches and pluses and minus for each one and you lay those things down. As a board member that is your role. Every time someone was talking about a new product or new project how does the regulatory climate affect this. What is going out in the industrial world is there really a demand for this project, what are customers going to say and it is trying to get a handle on a broader scope of issues as opposed to fixating on one thing. If you can do that as a board member and you contribute and you constantly do it. If you can win 1/3 of the time you probably are doing very well.

Mr. Gowan said clearly this position represents this group of communities to the Pennichuck Bd, to the extent that you see issues that you think need to be tackled and perhaps to some degree directly to benefit one or more of the communities present, what would be your approach in dealing with the board that might be less inclined to go the way that might be beneficial to one or more of our communities and what would be the communication style with this board? Mr. Bower said it goes back to constantly laying out the cases as to why a particular need needs to be met. One of the unique aspects of this business relationship between Pennichuck and the communities is that in many cases the serve and product that Pennichuck is providing is a resource for that community. So whether you are doing ground water withdrawal or surface water, the company relies on those communities to be a partner. That is true when you think about the type of environmental that exists and it doesn't take much too really mess up the water source. So if there is not a good working relationship between Pennichuck and the server communities or members of the District then there is a problem. Part of what I like to do is to make sure that people understand the business relationship. There are too many stakeholders who rely on that product and that needs to be addressed. How do you communicate those again what are the plusses and minuses why is it important and why beneficial to the community. Communicate back to the board and this is what I do all the time with clients. I take them through this process and many times they say get us through the process, but I have to communicate along the way as part of my job. I think it is the more productive, the more I communicate the more I understand what they need and the better a job I can do.

Mr. Peebles said one of the things that the Charter lays out with the District as well as dealing with communities and it was weighed very highly and we spent countless hours laying out the need for a resource plan. How do you see the resource planning part of that against the need for infrastructure improvements, what kind of weight would you

place on making sure that the resource is here for years to come and we heard earlier tonight about the increasing water needs? My experience from planning is that we have never seen a letter from Pennichuck Water Works saying that they cannot supply water. We all know it is a finite resource, how would you approach that balance? Mr. Bower said there is no good handle on what future demand will be, or what impacts there will be on water supply. We know that there are certain aquifers and we know there are specific threats, but one of the pieces is if this element goes away how do you survive. If there was to be a major incident in one of the aquifers here and it was no longer available as a water supply what would happen and that is where the resource plan comes in, that is where the alternative analysis comes in and it is a critical feature. Is the water supply for the next 5 years okay probably? The economy is slowly turning around and we are starting see more development and more demand for water and what kind of projections are there for 10 years, 20 years, 30 years down the road and where is that water supply going to come from. Pennichuck has been around for almost 100 yrs and some of these communities have been around for 200+ years, what we are trying to do today is manage the resource so that 200 years from now it will be available. That is a tall order, but it something clearly that needs to get done and should be a high priority. On the infrastructure side, I don't know a lot about Pennichuck infrastructure and I don't know if anybody does, but there is a lot out there. The one piece that I clearly would like to see is real emphasis on reserve funds. This is something that the Towns have done over when we know we need to replace a piece of capital equipment and we deal with that now, so we don't have a \$600,000 dollar tax impact in one year, we do that by smart planning. So it doesn't matter whether it is a town or a corporation that type of planning and that type of reserve funding is something that needs to get addressed.

Chairman Peterman said another thing these District members have discussed while preparing the Charter many of us have very small group of users compared to the elephant in the room which is Nashua, so one thing we were really concerned about was customer service. We heard a lot over the years about some things that Pennichuck did or didn't do and we hear about other utilities how would you approach that as an important fact of being a Director of the Pennichuck Corp? Mr. Bower said it is critical. You have never seen an advertisement for my company and that is because the entire objective is to provide the level of service to my clients such that we never need to advertise and that they are our best advertisement and virtually all the work that we get comes through our existing client base and expanded through that base. In my dealing with product service, in the case of water supply it is absolutely essential product so the customer service has to be there. Customers shouldn't have to think about whether there is going to be a supply of water when they turn on the facet because there are a lot of users who absolutely cannot do without it and there is no other alternative for them when you think about the hospitals, schools and nursing homes, those types of users where water quality and/or supply are critical. It is really something that essential that the company has to have an orientation that it services a high priority they know what the product is, they know it is high quality and they know the delivery of it is high quality.

Atty Judge asked in your resume it indicates that you frequently serve as an expert in cases, my question is have you every served as an expert in a case involving a

municipality or governmental entity. Mr. Bower said yes. Atty Judge asked were you an expert for the entity? Mr. Bower said both, in both cases representing defendant and representing a plaintiff. Atty Judge asked were any of the entities a member of the District or the City of Nashua. Mr. Bower said no.

Chairman Peterman said thank you Dr. George.

### **THIRD CANDIDATE – Paul Philp**

Chairman Peterman said we do not have a lot of time, but we will let you answer the questions to the best of your ability. Ray we will start with you again.

Mr. Peebles said thank you for coming, this Water District was formed because we were concerned about the resource in the Southern NH area and the communities that Pennichuck Water serve, what brought you to water and how do you view that resource as a sustainable item? Mr. Philp said the economy of the USA is moving to energy independence, but probably the biggest issue that the country is going to have over the next 50 years is going to be water. Our population is growing and that grown has impact upon the aquifers that we have and the use and utilization of water and while we deal with climate change whatever that may be, the last few months in particular we have suffered a good amount of water and rain, but there are certain parts of the country that have serious problems. What brought me to water, I come from a slightly different view point I was intrigued by the organizational structure that you have relative to, you have a sole stakeholder in Nashua, however you have many individuals Amherst is a participant with Pennichuck, Bedford because I am a user of the water supply and I guess I come at it from the perspective that I was somewhat concerned when I saw the original process that took so long about Pennichuck being bought out by Nashua so I had some concerns. I am also a student of business structure and the structure here is it is very different and very unique and has a lot of unique challenges, so that was interesting to me. I am sure a lot of the people that you have spoken to come at it from the perspective of water, and I come at it more from the organization and how the organization will run. I have run a lot of different organizations and this one fascinates me.

Mr. Gowan said you talked about the type of organization it is and how it is set up presents some particularly interesting challenges, can you describe one of those challenges and how you might approach it? Mr. Philp said I think it is incumbent to the board to be articulate about ensuring that the smaller stakeholders in the utilization of the product have their voice heard. We have one giant stakeholder, Nashua who has put a lot of money forward and they have a significant say, but I don't think you can be in the position where the smaller Towns get lost there. It seems to have worked very well up until this point. I am sure there are a lot of challenges and they will continue, but I think the board needs to have representation on it and individuals who are willing to articulate a position so that those smaller stakeholders have a right as well.

Ms. Wilshire said she has been on the Board of Alderman in Nashua since the beginning of the whole Pennichuck thing including eminent domain and such and I too believe that

every community needs to have a voice at the table. It is a very unique and interesting organizational set-up, what do you bring to that set-up? Mr. Philp replied if you have had a chance to look at my resume, I have a broad experience in term and the two real strong suits that I bring to the table, maybe three. The first one is that my original background is financial so I bring a view that can look carefully where money is being spent, whether it is spent correctly or whether there is the need for sinking funds, you have assets to maintain over a long period of time, one would hopes that sinking funds are being created to make sure if you are having problems those can be addressed. The second thing that I bring to the table is that the companies I have run have been technical, software companies, data companies and I originated in insurance which will bring me to my third benefit that I can bring to the table. I have a chance to look at the strategic plan which was well written and the one thing that surprised me in it and I took both the plan itself and I looked at the technology plan and liked how it was connected and that was one thing you do not often see in organizations and that is why it was well done. I saw nowhere in their security and security is a major issue, I would think for the resource that you have that you are making available to everyone. After all we do live in a particularly difficult time. I didn't see it in the technology plan the word security. I didn't see it in the strategic plan. That may be by design and maybe that is something that they do not want to talk about in a public forum and that it is better to be talked about in executive session. The last thing that I think I bring to the table is. I have often come into organizations and I have been in the position many times that I have had to build an organization, close an organization or move an organization. The last two are not particularly delightful to do because they affect people unfortunately. The way that I used to come at that, and I mentioned that in my covering note to you. I take an approach called enterprise risk management which is you look at your organization very differently and you look at the organization at what can go wrong. What are the things you have to worry about and I believe most of the people are visual learners. I know that I am and I think 70% of the country is visual learners. I used to use a process called heat mapping. What you do is you take every department over a period of time and you identify with them what are the key issues that could really adversely affect the organization. For example it might be a key resource, which you have no back-up for. In this case, it may be security. It may be the security assets of the pumping stations. It may be things that I do not particularly understand because I am on the outside at the moment, but then you take that and work with all the depts., technology, production engineering and you build a map of your organization which tells you what are the key issues that the chief executive and the board has to be concerned about. You show them a heat map, but basically put things in red, green and orange and tell you which the things you should be focusing on are. Then as a board you can feedback, work with the management, as it is the managements responsibility not the board to achieve that and to make sure that those things are being approved, that you have a mitigation plan for high items that are red to resolve and the chief executive is focused on getting those things done. Those are the three things that I bring to the table. Business, Finance, Technology and the ability to look at the business from a slightly different perspective than the strategic plan.

Mr. Dolan said in the short time that you had the opportunity to evaluate our documentation and our mission and our history, what have you been able to thus far

assess in terms of an enterprise risk management perspective. What do you believe this organizations risks are and potential mitigations? Mr. Philp said bottom line I do not have enough information to answer your question, I can guess at certain things, I can tell you from looking at the strategic plan you have a decent organization in terms of people, they seem to be focused on right things. The things that I would be concerned about, which I didn't see the word security. We live in a vulnerable society and not that we need to have armed guards around pumping stations or anything like that, it was a concern to me that it just wasn't there. I didn't see the word jump out about the security of our water. I started because I looked at it from the technology plan and security and technology today it is a bad world and if you folks are not looking carefully at security constantly and making sure that you are secure from outside attacks, that is a severe vulnerability that you have. It is easy to mitigate. The other thing is that I didn't see a disaster recovery plan in the technology plan, which one would like to see. What happens if your technology does go down? What is the work around maybe this exists, I do not know enough about the organization and those are the questions I would ask about the organization to be sure that you are addressing those issues. It is not that it is Pennicuck Water every organization has these issues and it's the ones that start thinking about them and working on them and directing their attention to them. Unfortunately I have had the opportunity to sit in the CEO chair and it is the lonely chair in the world quite frankly. You are inundated with everything that goes on, on a day-to-day basis. 20% of your time should be thinking about your strategy, your organization, your succession plans and what are the risks I run in this organization. If you can get your organization to 10-15% you are probably doing 90% more than most companies today. Because most CEOs are dealing with the billing system doesn't work, or Mr. Philip on Willow brook didn't get any water today. So you respond that is the quadrant that we work on, those things that are urgent we tend to deal with them and they may not be that important to you as the CEO.

Mr. Dolan asked in this role as a member of the Board of Directors in your view, who do you work for, who do you report to and how do you manage your communication? Mr.. Philip said you work for the stakeholders and the stakeholders are multiple in this situation. There is a fiduciary responsibility to the City of Nashua so that the board doesn't do anything that is stupid or recommend anything that is not smart. You have the financial responsibility which again is sort of to everyone now that you have an ongoing company that is secure into the future and that is doing the right things. So to answer your question, you really don't report to anybody, but you have multiple stakeholders that you have to take in information from and be responsible to. Your boards are difficult things to define in terms of whom people are responsible to. I would say that you are responsible to the organization itself to ensure that the organization as an entity. That the organization is going to be an ongoing organization. You are responsible to ensure that the finances are correct, that is a key issue and certainly you are responsible to other Board members, as you are part of a team. I have done this several times being on boards that you have to stop what you are doing and think about the greater good of the board and how you interact with the people on the board. I don't know if I answered your question and I wasn't trying to dodge it, but it is difficult question to answer particularly in this situation.

Mr. Dolan what would be your communication strategy back to this Commission, to this piece of the entity. You have Pennichuck, but coming back to Merrimack Valley Water District? Mr. Philp certainly open, certainly you need to explain to me a little bit more about the relationship between Pennichuck and the Water District? Mr. Dolan said you will be our sole representative. Mr. Philp said this has changed from the original board, did you have a member on the board.

Chairman Peterman said we are allowed to have a member on the board, but we have not had a member on the board. Mr. Philp said it seems to me when I looked at the board the board was structured by, they seemed to be members drawn from the community by Nashua, is that fair. Chairman Peterman said yes basically yes they applied for positions and were interviewed and came from various communities. This entity was created and designed originally to own this company and that did not come about because of various laws and PUC findings. We still have a vested interest in what this company vise versa in their relations to our users as well as of course Nashua who has the bulk of the customers. Namely again not only through our users but our resources.

Mr. Philp said so how would I communicate back to this group. If I am your member on that board, then I have a strict responsibility to ensure that you know what is going on, what are the plans are for the board, what has happened in terms of the finances of the organizations and certainly as I said before what risk issues are there. You just threw me a curve because I thought this was the Board as I originally looked at the board. So if I am a little confused, please bear with me. Obviously I have a big responsibility to you guys reporting and making sure you understand exactly what is going on.

Mr. Scanlon said that was a great question and it gave you a perspective that you might not have had. You worked for AIG in 1970 and you declared your responsibility there primarily as VP Finance was a satellite division. Mr. Philp said yes NH Insurance and I closed it down and I left the organization. Mr. Scanlon said you were on NASTIC company. Mr. Philp said Syndicated Services they were sold to Talabo group which has since been sold and it has gone through multiple ownerships. I went on the board because of risk management issues and technology issues. They ended up writing off about \$5 million dollars which was a significant amount for a company that raised \$140 million dollars because they chose the wrong technology and it took about 2 ½ years to disengage from the technology they were on and put them on a new technology. Actually a very successful technology and part of the reason they were bought out was because of the technology that they had.

Mr. Scanlon asked do you currently do any investment work. Mr. Philp said I did for a while between working with a company called ANS which I was the president was, I work with bench capital guys in ANS because I bought 10 companies as CFO and I worked for a couple of years at two of them one in Boston and one in Minneapolis. They wanted me to start a company which we sold.

Mr. Scanlon said one final question and this deals with the differences between government and management, you are skilled on the government side of things, and can you talk about your management strengths? Mr. Philp said I had the opportunity to sit in a lot of different seats, particularly in AIG, but also the companies that I worked with as I followed through. My style I would like to determine it as a style because people who are in those department know more about what is going on in those departments than the management and getting to the right answer often is the 2<sup>nd</sup> or 3<sup>rd</sup> question to get the answers you want. The people inside the department are very skilled and many do not have the opportunity to show their skills. My style was to try to bring good people out. I am a firm believer that most organizations have 80% or 85% people are really good people and they are not going to change the organizations you have a few superstars who you need to encourage and give them models to work with and you have 4-5% of the bottom that you should encourage out, they are not performing and you are doing total disservice if they sit for that position for the rest of their lives. I have sat down with and let people go from an organization and they have said years later, it was the best thing that has ever happened. Unfortunately managers do not want to do that because it is painful it is painful for both sides.

Atty Judge said mine is very easy how do you pronounce your last name. Mr. Philp said no extra letters. Atty Judge asked were you part of the decision making process to move NH Insurance Company out of NH? Mr. Philp said no. Two minute story before I moved up here from Bermuda, I believe that AIG was going to move NH Insurance it was the personality of Karl Barton who saved that company and kept that here, we went through multiple Presidents after Karl retired and NH Insurance never fit into AIG. AIG was a broker organization and NH Insurance was an agency organization, so AIG never really understood them and they didn't know what made them tick and they tried to change them from afar. They decided the best thing to do was to merge it down to New York City. It was a difficult decision back in 1992 when we closed it down. I think that Greenberg tried many times and sent good people up here, and it didn't have to do to the people it had to do with the agency structure compared to the brokerage structure that AIG didn't understand.

Atty Judge said you made reference to a concern about not seeing the word security? Were you referring to the documents that created the Water District? Mr. Philp said I read the last few board meetings of Pennichuck and I read their strategic plan and technology plan and the word security did not appear to the best of my knowledge in any of those documents. My original concern came from the technology aspect of it that if I have someone running technology that doesn't have a focus on security I have a concern. It then transferred into the rest of the strategic plan and I know that the way the meetings occur they probably didn't want it in a document. So this was not in your documents until Tom Dolan mentioned it, I didn't understand the Merrimack Water District quite frankly.

Chairman Peterman said I am not going to ask a question, thank you for joining us this evening and we will let you know as soon as we make a decision.



Chairman Peterman said we heard from three very interesting qualified candidates and now it is up to this board to make a decision, so I would entertain any concerns or questions prior to making that decision.

Ms. Wilshire asked how many applicants. Mr. Scanlon said 16. Ms. Wilshire asked how they were rated. Chairman Peterman said we had a subcommittee, Ray, myself and Jim. We went through the applications, we had conference calls and these are the three top applicants. Rick also who didn't really serve on the committee he did have some input.

Mr. Scanlon said we are a board just of us right now no candidates are in the room. Whatever the observation is worth, I am not comfortable with a post analysis situation with any of the candidates remaining in the room.

Atty Judge said at this point we may have crossed into the area where this matter should be discussed in Non-public as two people are not going to get the position and that may be something that adversely affects their reputation and that is one of the reasons why we can go into non-public.

**MOTION made by Mr. Dolan to go into Non-Public per RSA 91-A:3 II ( c) to review interviews of three candidates for Pennichuck Board of Directors Position. Seconded by Mr. Peeples @ 8:32 PM**

Roll Call Vote: Yes Mr. Peeples, Yes Mr. Gowan, Yes Ms. Peterman, Yes Mr. Dolan, Yes Mr. Scanlon, No Ms. Wilshire

Present: Atty Steve Judge Topic: The candidates were discussed.

**MOTION made to appoint Mr. George Bower to represent the Merrimack Water District made by Mr. Dolan and Seconded by Mr. Scanlon. Vote taken – 4 yes, 1 no, 1 abstained.**

**MOTION made to come out of Non-Public made by Mr. Gowan, Seconded by Mr. Peeples. Vote taken – all in favor 6-0 @ 9:22 PM.**

### **TREASURER REPORT**

Chairman Peterman commented that we have paid back a total of 7 communities. Mr. Peeples reported that he met Rick Sawyer and co-signed the checks as Marilyn as you were out of Town and we needed two signatures on the checks.

Chairman Peterman reported so our expenses to date are \$92,170.80 and our debt is zero.

Ms. Wilshire asked what is the money here for, and where did it come from? Chairman Peterman said over the years different communities donated different amounts to allow us

to continue our work on the Charter and to get the District going. We gave back a portion of what the communities paid in, but not the total amount.

Ms. Wilshire responded that you voted to give back some of the money what is the reason for holding some money back? Chairman Peterman replied for any other unforeseen expense. Mr. Bandazian commented that we are not raising any new revenues. Chairman Peterman explained to add new revenue we would have to add new members. Ms. Wilshire asked are we actively recruiting. Mr. Dolan explained at one time we did have a traveling road show when we were trying to get communities to join and help form the District.

**MOTION made by Mr. Peeples to accept the Treasurer report. Seconded by Mr. Dolan. Vote taken - all in favor.**

**MINUTES – March 20, 2014**

**MOTION made by Mr. Peeples to approve the minutes as presented. Seconded by Mr. Dolan. Vote taken – all in favor.**

Adjourned 9:45 PM

Submitted by Jane O'Brien