

PENNICHUCK WATER SPECIAL COMMITTEE

OCTOBER 19, 2020

A meeting of the Pennichuck Water Special Committee was held Monday, October 19, 2020, at 7:00 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:

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

To access Zoom, please refer to the agenda or the City's website for the meeting link.

*To join by phone dial: 1-929-205-6099 Meeting ID: 852 7466 9076 and Passcode: 412838*

*The public may also view the meeting via Channel 16.*

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 Nashua Public Library.

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

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 4 members of the Board of Aldermen present: Alderman-at-Large Brandon Michael Laws, Alderman Richard A. Dowd, Alderman-at-Large Lori Wilshire, and Alderman-at-Large Michael B. O'Brien, Sr.; Alderman Skip Cleaver was recorded absent.

Also in Attendance:

Alderman Patricia Klee  
Alderman Linda Harriott-Gathright  
Larry Goodhue, CEO, Pennichuck  
Donald Ware, COO, Pennichuck  
Thomas J. Leonard, Director, Pennichuck Corporation  
George Torres, Corporate Controller  
John Boisvert, Chief Engineer

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ROLL CALL

Alderman O'Brien

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

Alderman Wilshire

Here, I am alone and I can hear everyone.

Alderman Dowd

Yes, I can hear everyone, I am alone and practicing social distancing in accordance with the Governor's Order.

Chairman Laws

I am here, I can hear you and I am alone.

Alderman O'Brien

Also, Mr. Chairman, also joining us this evening are Alderman Klee and Alderman Harriott-Gathright. Also, from Pennichuck Corporation is Larry Goodhue, CEO of Pennichuck, Don Ware, COO of Pennichuck, Thomas Leonard, Director of Pennichuck Corporation and George Torres.

Chairman Laws

Thank you very much for that. I would just like to make a quick note to everyone before you speak tonight, make sure that you identify yourself so that the person who is transcribing the meeting doesn't have any difficulty figuring who is speaking. So that being said, Communications?

COMMUNICATIONS - None

UNFINISHED BUSINESS – None

NEW BUSINESS - RESOLUTIONS

**R-20-078**

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

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

**MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE, BY ROLL CALL**

ON THE QUESTION

Chairman Laws

Mr. Goodhue, would you like to speak on this?

Larry Goodhue, CEO Pennichuck

Sure and just also for the record, George Torres is the Corporation Controller but also on the line from Pennichuck is John Boisvert, who is our Chief Engineer, just so you have that for the record. The request here for approval on the renewal of our line of credit, this is our working capital line of credit, which is maintained at the Pennichuck Corporation level which is the parent company of the consolidated group of companies. It is the company for which the City of Nashua is the sole shareholder and is the parent company of the five operating subsidiaries of the corporation.

We have a working capital line of credit which is available and accessible for usage by not just the parent, but by everyone of those subsidiary companies for working capital needs. So this is not for capital projects. Capital projects are funded through our fixed asset line of credit and the annual bonding or term debt events for the operating companies; most specifically Pennichuck Water Works and Pennichuck East Utility.

So this is a renewal of an existing line of credit that was put in place in 2017. Technically it expired on August 31<sup>st</sup> of 2019 but there was a change in our key relationship manager at the bank. And instead of going into a renewal at that time because they had some turmoil as far as staffing and stuff, they offered to us to extend it to November and then the extension went from November to March and then March to July and it is currently on extension through December of this year that was pending this actual renewal. So this renewal is based on a term sheet that was given to us by the bank with conditions and concerns at a level that are basically a renewal of our existing line of credit which is a \$4 million dollar line of credit. It will renew and extend this line of credit through June 30<sup>th</sup> of 2022 and provide for that working capital backstop for the Corporation and its subsidiaries in that entire time period.

Chairman Laws

Thank you. Any discussion from members of the Committee? Alright, will the Clerk please call the roll?

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

Yea: Alderman Dowd, Alderman Wilshire, Alderman O'Brien  
Alderman Laws 4

Nay: 0

**MOTION CARRIED****R-20-079**

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

**AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK WATER WORKS, INC. TO ISSUE BONDS AND RENEW ITS FIXED ASSET LINE OF CREDIT WITH TD BANK, N.A.**

Mr. Goodhue

This is Mr. Goodhue speaking once again to give you some background about that. As I mentioned a moment ago, our working capital line of credit is for working capital needs and then we fund our capital projects. So main installations, tank replacements, booster station upgrades, you know, all the various things, replacement

of our granular activated carbon in our water treatment plan. Those are all capital projects; buying trucks, buying different things that are needed relative to the capital infrastructure to distribute and service our customers, distribute water and service our customers. We fund those capital projects during their acquisition and construction each year with our fixed asset line of credit at Pennichuck Water Works. And then once a year we bond in the month of April to basically refinance the monies that were drawn on the fixed asset line of credit in the prior calendar year and then turn that debt into 30 year forward looking debt, principally tax exempt bonds. Some portion is usually taxable bonds as well based on the regulations as to how much of cost of issuance can be included in the tax-exempt bonds.

The bonding that we have done annually for the last three years were all subject to an overall approval that the City gave us, our Board gave us, the PUC gave us and the Governor and Counsel gave us and the Business Finance Authority of New Hampshire which was a \$32,500,000.00 facility for a period of three years. We issued our last set of bonds under that authority last April. This \$57,500,000.00 authority is the authority we are seeking for the coming five years. So it is to issue bonds in April of 2021, '22, '23, '24 and '25 for capital projects invested in '20 through '24.

Of that \$57.5 million dollars, it estimated that about \$1.75 million dollars of that will be for cost of issuance and approximately \$55.75 million dollars will be for actual capital projects slated and projected for those 5 years that I just described. Time (inaudible) with that is the fixed asset line of credit that we fund these projects in each year. Our fixed asset line of credit at PWW is currently a \$10 million-dollar fixed asset line of credit. It was set to expire this year and it has actually been extended to expire December 31<sup>st</sup> of this year. And we have gotten a term sheet from the bank not only to renew and extend that line of credit but to elevate the size of that line from a \$10 million dollar line of credit to a \$12 million dollar line of credit. The reason for that is, and if you go all the way back to, I like to refer to the docket, DW11026 which was a PUC docket, and it is the docket where the PUC approved the acquisition of Pennichuck Corporation by the City of Nashua.

At that time there was a forecast model put together by the investment bankers that worked with the City, forecasting for the next 30 years and showing that we will be investing \$8 to \$10 million dollars a year in capital over that 30 year period of time, but it would grow organically with inflation and the cost of putting those projects together over the 30 year term.

Well what are the reasons to enlarge the facility from \$10 to \$12 million dollars at this time is to give enough capacity for that growth in this juncture in that overall time frame. As well, the cost of borrowing on the fixed asset line of credit, that capitalized interest is bondable. So under our current authorization of \$10 million, only about \$9.5 million is actually available for projects because there's about a half a million dollars for capitalized interest. This \$12 million gives us now \$11.5 million dollars' worth of capacity roughly to do annual projects. And we can have some years where you may have a larger project that can push you over that \$9.5 million dollar cap.

For example, the Kessler Farm tank is being constructed next year. That project alone is in excess of \$3 million dollars. So if you have a year where you have a project of that magnitude coupled with all of our normal infrastructure, you can have a year where you are bumping right up against that ceiling, so we wanted to make sure that we had adequate provision. So this Resolution is about the renewal extension of the fixed asset line of credit and the capacity to do the annual bonding for the next five years in issuing those tax exempt bonds in support of our on-going infrastructure and capital projects program at the company.

#### Chairman Laws

Thank you. Just a point of order, I forgot to say that R-20-078 passed. So with that said, is there any discussion? Alderman Dowd.

#### Alderman Dowd

Did I miss it or do we have a motion to recommend final passage, I don't think I heard that.

Chairman Laws

We don't yet.

Alderman O'Brien

I'll make the motion for final passage of R-20-079.

**MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE, BY ROLL CALL.**

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

Yea: Alderman Dowd, Alderman Wilshire, Alderman O'Brien 4  
Alderman Laws

Nay: 0

**MOTION CARRIED**

TABLED IN COMMITTEE

**MOTION BY ALDERMAN O'BRIEN TO TAKE FROM THE TABLE R-20-073, BY ROLL CALL**

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

Yea: Alderman Dowd, Alderman Wilshire, Alderman O'Brien 4  
Alderman Laws

Nay: 0

**MOTION CARRIED**

**R-20-073**

- Endorsers: Mayor Jim Donchess
- Alderman Richard A. Dowd
- Alderman Linda Harriott-Gathright
- Alderman-at-Large Brandon Michael Laws
- Alderman-at-Large Michael B. O'Brien, Sr.
- Alderman Skip Cleaver
- Alderman-at-Large Lori Wilshire

**AUTHORIZING THE MAYOR TO ENTER INTO PILOT AGREEMENT PURSUANT TO RSA 72:74 WITH PENNICHUCK WATER WORKS, INC.**

**MOTION BY ALDERMAN O'BRIEN TO AMEND R-20-073 WITH THE REDLINE COPY THAT WAS PROVIDED TO US THIS AFTERNOON BY THE LEGAL DEPARTMENT, BY ROLL CALL**

ON THE QUESTION

Alderman O'Brien

And may I speak to my motion?

Chairman Laws

Absolutely.

Alderman O'Brien

Thank you, Mr. Chairman. This evening the Clerk received and I think everybody else that is on the Committee, the redline copy from Legal. It seems to be that our Corporation Counsel, and Mr. Goodhue, and the Pennichuck Corporation have come to an agreement and therefore R-20-073, as amended, is all set for passage. Thank you, Mr. Chairman.

Chairman Laws

Excellent. We discussed this at the previous meeting, but is there anything you'd like to add to this Mr. Goodhue, tell us what the amendments were?

Mr. Goodhue

Yes. So I spent some time between our Attorney and with Attorney Bolton going through the agreement. One of the things we wanted to make sure was that that Pilot Agreement that was being agreed upon between the parties was truly accomplishing what we needed to accomplish and to make sure to preserve the proper protections for a water utility relative to how our watershed protection lands would be taxed and how that solar equipment could be taxed.

So the redline versions specifically are defined to basically, I'm going to say parse out the solar equipment itself cannot be taxed as real property. You have the real property that they are being placed upon which is a lease arrangement between us and New England Solar Garden to continue to be taxed at the current regulations that exist in the State of New Hampshire.

During the last year and a half, House Bill 700 passed which basically re-defined how utility property is valued within the State of New Hampshire; most specifically with water. We actually had done some testifying up North because you've got certain requirements by the Department of Environmental Services that require for sanitary (inaudible) and protections for water and as such, even though that land can't be taxed under the current use meters there was language brought into that Bill that in essence values it equivalent to current use because it is undevelopable land. And we wanted to make sure that those provisions were properly reflected in this agreement which they were in the redline.

And then, because the financing for this is a 20 year financing, there is provision in the RSA in the State that if there is a financial dependency relative to an arrangement like this, such that it extends more than five years, the terminal pilot agreement can go past the statutory five years as long as its got a financial and economic impact tied to it. So that was another red line that we wanted to make sure was reflected in here and that it was identified to the proper statute at the State Level relative to that authority.

And so those were the basic changes that we wanted made because we needed it to be economically in tune with what is being done but also agreed upon between the parties; being the City, ourselves and now this New England Solar Garden so that this solar field can be installed and actually bring benefit not only to the company but through the company to our rate payers as far as a better source of energy and some cost savings that will be passed through to the rate payers because of it.

Chairman Laws

That's excellent, I am very excited about this and using clean energy to help the City out. I appreciate that very much.

Mr. Goodhue

And I will tell you that Mr. Ware, who is in here, deserves all the credit, he has actually done the heavy lifting on this from day 1. So just to let you know that.

Chairman Laws

I applaud you Mr. Ware, thank you. Thank you for your hard work. With that being said, are there any questions from the Committee members? Would the Clerk please call the roll?

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

Yea: Alderman Dowd, Alderman Wilshire, Alderman O'Brien 4  
Alderman Laws

Nay: 0

**MOTION CARRIED**

**MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE AS AMENDED, BY ROLL CALL.**

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

Yea: Alderman Dowd, Alderman Wilshire, Alderman O'Brien 4  
Alderman Laws

Nay: 0

**MOTION CARRIED AS AMENDED**

NEW BUSINESS – ORDINANCE - None

REMARKS BY THE ALDERMEN - None

POSSIBLE NON-PUBLIC SESSION - None

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 Dowd, Alderman Wilshire, Alderman O'Brien 4  
Alderman Laws

Nay: 0

**MOTION CARRIED**

The meeting was declared closed at 7:20 p.m.

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