PENNICHUCK WATER SPECIAL COMMITTEE

SEPTEMBER 10, 2025

A meeting of the Pennichuck Water Special Committee was held Wednesday, September 10, 2025, at 7:03 p.m. in the Aldermanic Chamber.

Let's start the meeting by taking a roll call attendance.

The roll call was taken with 3 members of the Board of Aldermen present: Alderman Patricia Klee, Alderman Tyler Gouveia, Alderman-at-Large Lori Wilshire.

Alderman-at-Large Michael B. O'Brien, Sr., Alderman Ernest A. Jette, and Alderman-at-Large Melbourne Moran, Jr., were recorded absent.

Also in Attendance: John Boisvert, Chief Executive Officer
George Torres, Chief Financial Officer and Treasurer
Chris County, Chief Operating Officer

PUBLIC COMMENT - None

COMMUNICATIONS

From: John J. Boisvert, Chief Executive Officer
Re: Pennichuck Corporation Quarterly Report to the Sole Shareholder for the Quarter Ended March 31, 2025

From: John J. Boisvert, Chief Executive Officer
Re: Pennichuck Corporation Quarterly Report to the Sole Shareholder for the Quarter Ended June 30, 2025

From: Office of Corporation Counsel
Re: R-25-199 "Authorizing Pennichuck Water Works, Inc. to issue bonds in an amount not to exceed ninety-nine million dollars ($99,000,000)"

There being no objection, Chairman Klee accepted the communications and placed them on file.

Without objection, Chairman Klee suspended the rules to allow for a communication that was received after the agenda was prepared.

From: Office of Corporation Counsel
Re: R-25-209 "Authorizing Pennichuck Corporation and Pennichuck Water Works, Inc. to increase the loan from the State of New Hampshire PFAS Remediation Grant and Loan Fund"

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

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

R-25-199
Endorsers: Alderman-at-Large Lori Wilshire
Alderman Patricia Klee

AUTHORIZING PENNICHUCK WATER WORKS, INC. TO ISSUE BONDS IN AN AMOUNT NOT TO EXCEED NINETY-NINE MILLION DOLLARS ($99,000,000)

MOTION BY ALDERMAN GOUVEIA TO RECOMMEND FINAL PASSAGE
ON THE QUESTION

John Boisvert, Chief Executive Officer

John Boisvert. I'm the CEO of Pennichuck Water Works and with me tonight is George Torres our Chief Financial Officer and Chris County our Chief Operating Officer. I am going to turn this over to George from the standpoint of the shareholder reports or one of his primary responsibilities and the most knowledge as well as in detailed knowledge that can answer the questions. As well as the other items on the agenda tonight, too. Chris is here. Chris will be able to speak specifically to the increase in the PFAS remediation loan for our treatment plan upgrades. If there's any other questions, I'm sure all three of us can be able to answer them tonight.

George Torres, Chief Financial Officer and Treasurer

Good evening. Thank you for having us. Submitted for this Committee's review and subsequent approval and acceptance is the quarterly shareholder report through the end of June. Essentially, there are a few main takeaways when you review the report. While you do see through the first six months of the year, there is an increase in the revenues overall. Most of that is really because of a QCPAC order that was approved for 2023 capital expenditures that Pennichuck had proceeded with. That order was late. Should have been in the prior 2024 Fiscal Year but because of the docket schedule on the PUC and probably a little bit is of our fault because of the merger and consolidation that was put forth to the PUC that was subsequently approved, that docket was delayed. So we did get an approval of that docket in that order in March of this year.

So that essentially was the main driver of the increase you're seeing year over year. It was about a 4% increase in relation to it. Unfortunately, though, we also saw a very material increase in our operating expenses. That exceeded about 10% over year and that's really attributed to two main factors. One, as you would expect, we did see material increase in our overall GNA related expenses and those…

Chairman Klee

I'm sorry. You're using acronyms,

George Torres, Chief Financial Officer and Treasurer

Oh, sorry. General administrative. I was gonna - our general administrative expenses which relate to our health and benefits we did see material increases in those expenses. We're not immune to other entities and we did see sizable increases in those, but we also did see our purification expense increase as well. That really relates to a couple of things. One is because of the PFAS regulations as some of the stringent regs that have come out recently, we've had to modify the way we actually treat some of this water. In other words, we've had to increase some of the change outs of our filter media. Filter media that ordinarily, and Chris can speak to this, we wouldn't change out for a number of years are now being changed out on an annual basis.

Now why is that important? One - it's very expensive. Right now just in the filter media alone, we're budgeting about $2.1 million just for the filter media. Expenses that you wouldn't see maybe once every three years. Now you're seeing those on an annual basis. But more importantly, those expenses used to be capitalized. They're now because of switch over to an annual operating expense, they are now being reflected through the PNL. So now you're seeing not only that $2.1 million being changed out more frequently, it's also showing up on an annual basis on the financial. So that's really the main driver of those operating expenses and that's really reflected when you get down to the pre-tax loss all the way down to the decrease in EBITDA from operational perspective.

As you look further through the report when you look through the balance sheet, there's really not much material change there. You do see a drop from year end 2024 through June 30, 2025 and that's really relative to the decrease in our equity related to the loss that I just spoke of earlier.

And then finally when you get to our cash flow statement, the decrease in the cash flow from June 30th of last year through June 30th of this year is really relegated to two things. One is the increase in the loss that I spoke of earlier year over year but you're also seeing a timing issue related there. We did have some material expenditures related to the chemical feed project, which is a multi-year project. While we expected to be reimbursed much earlier than anticipated, we did not get reimbursement from DES till August of this year and that was a $1.8 million reimbursement. So that's also reflected in a decrease in cash there year over year. But overall, everything is as expected and I'm willing to turn it over to Chris or John for any specific questions.

Unidentified Speaker

Chris, if you could talk just a little bit about the carbon change out and in that process. That would be helpful.

Chris County, Chief Operating Officer

So are you all familiar with PFAS? Chris County, COO. PFAS chemicals are as we've probably all heard in the news lately are 4,000 or so chemicals that are produced and were produced by large corporations and starting in World War II. There were certain PFAS chemicals that are regulated as drinking water standards currently through the New Hampshire DES - Department of Environmental Services.

PFOA – perfluorooctanoic acid is the primary contaminant that we're concerned with and it's what has been, you know, problematic in Merrimack and we're detecting it in the Pennichuck brook system above the current state standard of 12 parts per trillion.

PFOS, which is another PFAS chemical, is also detected at levels above the current State standard. They are also going to be well above the proposed or currently - they're in the law for but they just haven't been - the timetable is ticking for the federal standard which will be reducing those to four parts per trillion.

So the method of treatment that we've chosen, and we're lucky to have it, is granular activated carbon in our filters. We had originally placed that material in our filters for taste and odor removal constituents that are in raw water. We've been using carbon at the treatment plant since the mid 90s and historically, we'd be replacing it at five to seven year intervals because that's where we would see breakthrough of those taste and odor compounds. PFAS is collected, is treated, and removed through the granular activated carbon but it has a much more shorter life span and its ability to absorb that material. Twelve to 18 months is what we're seeing. So that's why we've chosen to replace it on an annual basis, add it into our annual operating costs so that we can not only continue to maintain compliance with the State standard but it also allow us to be compliant with the federal standard that will be in effect right now in 2029 that will be officially become in law or we'll have to comply with it.

Alderman Gouveia

Thank you, Madam Chair. Just talking about PFAS and the PFAS numbers inside of the water. When we test our water before going into the filters are those PFAS numbers? Do we notice are they increasing, are they stagnant? Where do we stand right now and this would be before we filter obviously.

Unidentified Speaker

That's a great question, you know, because we've seen it in groundwater. In certain groundwater systems, we've actually seen an increase. Seems to be a plume if you will that's moving through groundwater. We see it seasonally increase because of dilution factor and so it seems to be in the base flow or the groundwater flow that supplies the ponds themselves. Then when we have higher levels of runoff, so you have a greater proportion of water that's coming from rain events and runoff, the levels will decrease because we're having more dilution. The river, the Merrimack River, which is another one of our primary supplies has been consistent around the two, to three, to four parts per trillion of PFOA. So that's why we also favor that source to extend the life of our carbon. We've seen levels of PFOA in the Pennichuck Brook ranging from 15 to as high as 30 parts per trillion.

Alderman Gouveia

Thank you.

Unidentified Speaker

Yep,

Chairman Klee

I have a question. I'm raising my hand. I haven't been doing this very long. I'm going on eight years here.

So the question I have is the water from the Merrimack as we're bringing it to you filters through the brooks, correct? No, it does not. Okay. I didn't think it did but then I had made that kind of comment before and someone corrected me afterwards and said when we pull the water from the river, we filter it through the brooks before it gets to you. So when I just heard you say that, I'm like okay so are we adding PFAS before it's getting to you. I was a little concerned by that.

Unidentified Speaker

So historically our river source, we began using the river in 1984.

Chairman Klee

Right.

Unidentified Speaker

Historically, it was conveyed into what's called “Bowers Pond”.

Chairman Klee

Right.

Unidentified Speaker

And that flowed through Bowers Pond, to Harris Pond, to our intake in 2000 and mid, 2010s, 2015s, and so forth. 2017, I think, is when it was completed. We connected it directly to the plant. So we have the ability to feed it in three locations now.

Chairman Klee

Okay.

Unidentified Speaker

We can allow the water to flow into the Bowers as historically it had, into the Harris Pond, or directly to the plant bypassing the pond system completely.

Chairman Klee

Okay.

Unidentified Speaker

Right now and under normal circumstances, we blend from the two sources.

Chairman Klee

Okay. So we don't - the fact that we're seeing this in the brook, we're not adding PFAS to the river water at least but we still have concerns about it being in the brook. I get that.

Unidentified Speaker

What we're trying to maintain the raw water at below the current State compliance level and then in essence, polishing it through the filters to get it to below detection limit, which is our goal.

Chairman Klee

Is there any other questions?

I have one more question for you and I won't raise my hand this time. I'm unreliable to call on myself. So this Resolution that we have in front of us at this moment asking for the borrowing up to $99 million, that is an increase of what we've done in the past?

Unidentified Speaker

Correct.

Chairman Klee

I don't remember ever seeing this number this high and that is because of all the things that you've stated, some of the issues that we've had with while the revenue - there was an increase in the revenue, there was a delay in things basically because of the merger and because of different items. Even you mentioned something about the $1.8 million reimbursement from DES was delayed and so on. So is this still going to be an annual thing? Next year you're going to have to come in and request something or…?

Unidentified Speaker

Hopefully not, no.

Chairman Klee

So this is an anomaly is what you’re saying.

Unidentified Speaker

It’s normal. It is normal.

Unidentified Speaker

It’s a five-year plan of financing so it covers five years.

Chairman Klee

So it’s part of the five year.

Unidentified Speaker

Five year, yes,

Unidentified Speaker

So the last time you would have seen something similar to this amount, although I will admit it was much lower than this, was back in 2020 because essentially, we have to put forth through the BFA a five year plan of financing. What that does is it gives them kind of a schedule of what potentially what we may be bonding for because they have a limited cap that they receive on an annual basis. They essentially provide bonding capacity for all entities in the State that require it. So we have to put forward for essentially a schedule what can you potentially expect from us over a five year period?

That last five year period expired with the last April issuance that we did last year, okay. So what you're seeing in front of you now is for the next five years. So while it is an increase over the prior five year plan, it's not an annual issuance. This should cover the five years for specifically our expected five year capital plan as well as potentially encompassing some refinancing of existing Co-Bank debt. That was assumed under PWW with the completed merger of the PEU and Pittsfield sisters’ utilities. PEU had at that time about $13.5 million dollars when they merged with PWW of debt that they accumulated through an entity called “Co-Bank. Essentially, they were the only entity that they were able to borrow from just because they didn't have the critical mass say a PWW does. That was essentially commercial paper. There was about, I believe, 15 loans issued over the years for PU and similar to PWW, there were loans issued to cover their capital expenditures on an annual basis. What PWW has the ability to bond annually, PEU did not. So they had to go through the private commercial market which is through Co-Bank.

Now why would we consider refinancing that debt? Well, number one when you look at that debt, the debt is 20 year debt where we could potentially bond for 30 and 35 years. Why is that important? Because a lot of the assets that undergird those notes exceed 20 years from a weighted average calculation. Many of those assets - well many of those loans on average, the weighted average life of those loans are just under 30 years. So essentially, you're paying off 30 year assets within, roughly speaking, within 20 years. Well if there's enough useful life in those assets, we could potentially return those under bonded debt scenario. That debt could be financed over 30 or 35 years.

Now why would you want to do that? Well number one if you have enough useful life in those assets, why not? My predecessor spoke of generational inequities before where essentially you have rate payers that are paid for assets that are no longer on the books, and then you have the converse where you have rate payers are not paid for assets that are still useful. So that kind of shares the cost in that regard. But just as important is you're able to potentially generate cash flow savings to our rate payers. When you look at the weighted average cost of the interest rates of those loans over the 20 years, it's about 5.29 is the weighted average cost. We just recently bonded an all-in rate of just over 6%. So even though it is slightly higher on a bonded rate percentage, when you extend that over 30 years, it actually equates to some material cash flow savings on an annual basis to our rate payers that would actually flow down through our rates. So that's something that we wanted to encompass in this five year plan of financing because ordinarily what you would have seen in any five year plan is just the capacity for us to do our five year capital. We looked at this as an opportunity to also include the potential re-file that Co-Bank to hopefully generate some additional savings for our rate payers.

Chairman Klee

So if I may. When we talked about the merger, one of the things that we talked about, and you kind of stepped on that, was that part of the merger was it allowed us to have better overall financing for those smaller loans, the Co-Bank loans, and so on. We could get a better rate. We could get better years, as you pointed out, and so on. So this $99 million kind of takes on the entire organization and we're not just looking at PWW anymore. In the past, we looked the bigger number we looked at with PWW. So now I'm looking at the entire picture and not the smaller one. So that is correct. So for the listening audience for those that are listening to this, this $99 million may be a shock but we're looking at a bigger corporation now, a bigger company than those that we used to have.

Unidentified Speaker

The prior five year plan was about 57 and a half. That was only for the historical PWW. This $99 million covers the new fully merged entity.

Chairman Klee

And again, this is borrowing up to a total – it doesn't mean that we're putting ourselves into debt for $99 million.

Unidentified Speaker

That's correct.

Chairman Klee

This is just giving you a not to exceed. It's giving you that wiggle room that you can now take that loan, renegotiate it, possibly not use Co-Bank, possibly use a different bank where you can get a better…

Unidentified Speaker

Well we cannot no longer use Co-Bank for the PEU communities because of the Co-Bank structure and…

Chairman Klee

Too big now.

Unidentified Speaker

Yeah.

Chairman Klee

I get that. I understand that. Now you have to use it but you can take what you have because the Co-Bank’s loans still exist, correct?

Unidentified Speaker

They do.

Chairman Klee

They didn't default. They forced you to pay them off but so they exist but you can now take them and renegotiate them with another bank is what I meant to say or with the bank you're using.

Unidentified Speaker

Well just to clarify. So that debt when everything was fully merged on the PWW, it was fully subordinated under PWW. So while those loans are still there, they're now under the PWW monitor. Those loans range anywhere from – now, again, this is for over a decade worth of loans. I think the lowest rate loan was about 3 ¼ percent, 3 ½ percent where the more recent loans were in excess of 7, okay, which is far above what we can bond for at the PWW level. So while, yeah, some of those loans were at really low rates but that's why I speak to the weighted average cost. When you combine all those and look at it from weighted average perspective, it's not that much different than what we could potentially bond for.

Unidentified Speaker

So this is - I just want to - and again just to be a little bit more about the larger number, it includes, you know, everything in PWW plus the added to the other entities. The 99 number includes also the refinance of existing debt that's already on the books. So that's why the number is much, much bigger than it would have been under normal circumstances.

Chairman Klee

I just want to make it clear for those that are listening to scrutinize to say why did this number go like almost three quarters higher than it was in the past so they can know that the company itself is twice as big.

Unidentified Speaker

The Co-Bank debt is like doing a refinance on your home.

Chairman Klee

So all the things you mentioned.

Alderman Gouveia

I have a question if I can?

Chairman Klee

Yes.

Alderman Gouveia

Thank you, Madam Chair. So I'm looking at the communication we received from our Corporation Counsel just kind of going over the breakdown of what that $99 million will go to. I look at point number two on there to fund up to $4.5 million for various cost to issuance the new bonds, including transaction cost, capital interest, and if necessary, any appropriate credit enhancement such as a debit service, reserve fund, or other credit measures as may be determined by PWW in response to prevailing market conditions. Can we just go over that? That number for whatever reason just kind of seems high to me for what it is. Yeah, the 4.5 and that's just me kind of eyeballing it and looking at it. It just kind of stood out. It seems a lot of money for the issuance of the bonds but.

Unidentified Speaker

So while that $4.5 million dollars may seem extraordinary, that is typically in line over a five year plan. While it is a little bit higher than what you would had seen under the prior five year, ordinarily any year when you go to market, it's pretty expensive to go to the bonding market. It runs in excess of $300,000 up to half a million depending on how much of an issuance. I will say, most of those costs are fixed. Okay. So generally whether you're, you know, selling at $12.5 million dollars at premium or you're selling at 14, the fixed costs are pretty much the same. Those are negotiated so we kind of know what we're going in.

The variability would be there's a piece that's based upon the offering size, which is paid to the underwriter. That could actually fluctuate on each issuance. But there's about $500,000 a year allocated just for the cost of issuance alone. Then you do have in there, I believe, included in that cost is a piece for associated with the retirement of the Co-Bank debt.

With that debt when you read through the documents, there are make whole provisions and breakage fees associated with it. So essentially what they're saying is, okay, you can retire this debt early but you still need to make us whole for the interest if you would have taken the full 20 years. Unfortunately, that's the price of doing business and then there's also a breakage fee. But even with that when you look at the metrics of that, it would still be more cost effective to bond that debt even with just to, you know, pay those fees as well. So that's essentially what you're looking at there.

Alderman Gouveia

If I can follow up?

Chairman Klee

Yes, by all means.

Alderman Gouveia

Yeah, okay, so if I'm hearing that 4.5 is really for lack of better terms just cost of bonding, cost of doing business.

Unidentified Speaker

Yeah.

Alderman Gouveia

Or 4.5, excuse me.

Chairman Klee

It's like 4.5…

Unidentified Speaker

And it's an up to number. So that doesn't mean that we're going to spend. What happens is when we go through this and put the schedules together as you know, we'll have to get (inaudible) board approval at both PCP and PWW. We'll have to get the city approval and we also have to put a petition that has to get approved at the PUC. The last thing we want to do is underestimate this and then we get into year three and we wind up we're exceeding on the cost of issuance. We have to then go back and get a new petition to put through, which is a several month process to do. So we put enough headroom. Do we expect to fully spend that $99 million? No but I have to leave enough headroom here that we don't have to come back and revisit this whole process again.

Chairman Klee

We do that a lot when we're doing our bonds and so on. We do the not to exceed so that we don't have to come back.

Unidentified Speaker

Correct. The lawyers make us make sure that we put that language in there so.

Chairman Klee

It's the last thing you want is when we're doing our contracts is have to come in with change orders.

Unidentified Speaker

Exactly.

Chairman Klee

We're used to that. That's why I refer to your “up to” as the “not to exceed”. Alderman Wilshire do you have any questions at all?

Alderman Wilshire

No, I'm good.

Chairman Klee

I know you got an inside view of all of this. Your questions get answered (inaudible).

Unidentified Speaker

She's probably rolling her eyes a little bit. Oh, we're talking about this again.

Alderman Wilshire

It's always interesting to hear you speak, George.

Chairman Klee

Is there anything you wanted to add to it at all or? I know the experts have it all. I really appreciate you speaking to this and giving us such clarity. I'm sorry I interrupted you before but sometimes we all use acronyms that we're familiar with but even me, I've heard a few of them but even sometimes when I hear the QCPAC and I'm like, okay.

Unidentified Speaker

Qualified capital…

Chairman Klee

Yeah, it took me a few minutes to get it because we use a lot of those terms even in other entities too. So I think at this point if there's no more questions, let's vote on it.

MOTION CARRIED

Without objection, Chairman Klee suspended the rules to allow for an additional Resolution that was received after the agenda was prepared.

R-25-209
Endorsers: Alderman-at-Large Lori Wilshire
Alderman Patricia Klee
AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK WATER WORKS, INC. TO INCREASE THE LOAN FROM THE STATE OF NEW HAMPSHIRE PFAS REMEDIATION GRANT AND LOAN FUND

MOTION BY ALDERMAN GOUVEIA TO RECOMMEND FINAL PASSAGE
ON THE QUESTION

Chairman Klee

And this one is the 209 one. This increases the loan to the $11,450,000 to a loan of up to $17,500,000. Is that correct?

Unidentified Speaker

Correct.

Chairman Klee

Okay. Again, the reason for the increase is because of the increased cost and so on?

Unidentified Speaker

Yeah, and I'll turn it over to Chris on that one.

Chris County, Chief Operating Officer

So this project was contemplated in 2023. We did a study to determine the need and from that study, there was an estimate that was created at that time. The estimate supposedly included, you know, strong contingencies for cost escalation and just a 30% contingency allowance in that project. We went through design in 2024 for early bidding in 2025 and when we opened the bids, they were all very close but unfortunately, they were well over the estimate that we felt was pretty conservative when we started the process of talking to folks at the PFAS remediation loan fund to secure the funds. We had closed on that loan document in '24 and so once we received the, you know, the bids, we knew that we had to amend that.

Fortunately, they have the funds available and they've given us the approval to go ahead and increase that amount. It includes a strong contingency. We hope we don't have to actually borrow that amount because there's a million dollar contingency allowance in that for unforeseen circumstances, change orders but it's important to note that the scope of the project itself never really changed. In fact, we scaled it back a little bit. We did some internal value engineering to see if we really needed to do some of the things that were proposed. We scaled down the size of the building but still, you know, was it was competitive bidding and that's just the market that we're seeing right now for construction projects.

Chairman Klee

Can I ask you to explain the $1 million contingency?

Chris County, Chief Operating Officer

So we were advised because we don't want to be in a position where we don't have enough funds to complete the project and so we were advised to ask for an additional million dollars by our engineer just for, again, for those unforeseen circumstances of ledge or something else that creeps up in the project that we have to take care of in order for it to be completed. But if we don't need it, we won't use it.

Chairman Klee

Alderman Dowd calls those the unknowns, unknowns.

Unidentified Speaker

And also, I think, the DES we're encouraging to say, hey, you know, look we're going to have to come back. Let's make sure you have enough in there so we don't have to go through the whole - because this will require Governor and Council approval as well. So a number of processes so they wanted to make sure and said we have it, put it there. If you need it, you use it. They would have to approve the use of those funds regardless anyway.

Chairman Klee

And I just have one quick question and then I believe Alderman Gouveia does too. This, again, is an up to loan. So it's sitting there in an account. It's kind of like a home equity loan type thing. It's just sitting there. You use it as you need it for this project and if you don't use it when the project's up with does that go back to the State?

Unidentified Speaker

It goes back to the (inaudible).

Chairman Klee

Okay.

Alderman Gouveia

Thank you. So this is a grant and loan fund. Is anything granted to us or is this all loan?

Unidentified Speaker

All loan.

Alderman Gouveia

And what are the terms of that loan?

George Torres, Chief Financial Officer and Treasurer

So essentially, it operates similar to any SRF loan that DES puts out. So it essentially works during the draw period which is the construction period. We can borrow against up to that $17.5 million dollars once approved at 1%. Then upon project completion, six months after the project, it then converts it into a term loan which I believe the rate on it now is projected to be about three and a half percent, I believe, somewhere. I could be wrong about that but it's about 3.58 I think.

Alderman Gouveia

In other terms much lower than any conventional financing.

George Torres, Chief Financial Officer and Treasurer

Yeah, and again if we could use DES money all day, we wouldn't have to bond. We wouldn't have to bond but unfortunately, DES does not have that capacity and we have to go the bond route. But yes, it's much less expensive. The cost of issuance on an SRF loan is maybe $10,000 to $15,000 and that's inclusive of the legal fees whereas as I spoke of earlier, bonding is several hundred thousand dollars.

Unidentified Speaker

And the nice part about this as George said, we use it as like a construction loan until you actually finish. Where this project is going to go over two years, you'd have to find something that would go use and useful this year. So we're taking this year's funds and you just kind of move it along and can worry about it and close at the end whereas if we had to use bond, we'd have to find parts of the project, we'd have to parse the project out in order to be able to make it what's called "used and useful" for it to be able to apply through the…

Unidentified Speaker

Through the QC process and then get revenues for it, right.

Chairman Klee

And for those listening, the SRF is the State Revolving Fund.

Unidentified Speaker

Correct.

Chairman Klee

Thank you.

MOTION CARRIED

NEW BUSINESS – ORDINANCE - None

GENERAL DISCUSSION

Alderman Gouveia

Just a question for the team here while you're here. How'd the merge go? Is it everything you planned it out to be? Was is smooth sailing?

Unidentified Speaker

We're still suffering from a little bit of a hangover effect. With that, and you know and I'll turn it over to John in a minute, but there's a lot that's been impressed upon us from the PUC and the regulators that in terms of reporting and follow up to see whether this merger was to the benefit of the rate payers. But yeah, there's a lot of internal, you know, dotting of the I's and crossing of the T's when you merge three separate utilities. It sounds a lot easier than it actually is but essentially, we've been reporting as a merge utility as of the beginning of March even though the order went effective January 28. It had a cure period so essentially, that order went to effect the first of March. The former utilities known as PU and Pittsfield are now encompassed under the PWW umbrella.

Unidentified Speaker

I think George's statement was good. You know, it's just working out the details now. We know we have to do reporting. Okay, what's the structure of the reporting now? What kind of information? How do we have to readjust the way we move data and information around? It's the normal kind of like the normal headaches and I can always tell when, you know, it's how the whole - how you make the sausage so to speak to be able to produce the result. I think sometimes when you see the heartburn it's because they're trying to figure that out. Because, you know, systems were designed for something and now we're changing them around. A lot of internal stuff.

I think it's been - when I look at the surrounding communities, I think there's a lot of people that still realize that it really never happened. You know, those involved like in Londonderry and Litchfield, you know, very, very much aware but for the most part, I think it was - we did get a few phone calls.

Unidentified Speaker

A few phone calls. I think it's important to note that unlike other mergers where you might have been able to consolidate the accounting, you know, or consolidate customer service from the two different companies. It wasn't like that. We're still doing the same amount of work. It still costs us the same. We're still seeing those price hikes, and power, and, you know, we'd always been able to take advantage of economies of scale even with the three separate entities.

Ultimately how it was proposed and why it was ultimately beneficial to the ratepayers is that cost. Lower cost of financing for capital, availability of capital for Pittsfield in particular which we had no ability other than intercompany loan to finance capital improvements up there which are which are needed. Also to eliminate the costs of rate cases that are promulgated on an annual basis. Prior to, we would do PWW, followed by PEU, followed by PAC in consecutive years. Now, we only have to do PWW every three years. So there's some savings there but it really was, you know, that's where the benefit will be in the long term and the lower cost of capital financing and, again, availability.

Chairman Klee

But, yeah, if I may? The savings that you suggested there, none of those have been realized yet because those are future. So the refinancing, the going into the PUC for those rate changes, and so on you haven't had to do that yet. So the rate payers aren't seeing that. The only thing the rate payers have seen is that change in the rates. So you had that lower rate. The ones that were paying the higher rate actually probably saw a big jump and people like in Nashua, the ones that used less, probably saw that drop and so on. The ones that use a lot probably saw an increase. Just for those that are listening that are saying, no mine went up. That's because they're probably using more watering this summer and so on because we had a drought.

Unidentified Speaker

So I'm a perfect example. I live on Edith Ave in Nashua and I have an irrigation system but my normal consumption during the winter time is 5 to 600 CCF per month. So my bill in that time period stayed level with what it had been before and that's what we had testified to in the proceedings. When I'm watering more this summer, I'm getting above 7 CCF. I'm now in the 11 range, so that 7 to 11 portion of my bill is now at that higher rate and so that's where the difference is in my bill.

Chairman Klee

And I saw the same thing in mine, so yeah.

Unidentified Speaker

But if I can just point one thing out. There has also outside of what a customer may see on their billed consumption, there's also savings from a capital perspective because this bond issuance that just occurred in April that encompassed all of the PEU capital, okay, which at a much lower rate than what they would have attained on their Co-Bank because that would have occurred. We would have closed out that Co-Bank debt right around in October that potentially could have exceeded probably 7% when we just bonded just over six. So there is tangible benefits occurring now just unfortunately, they'll have to wait to see to the next rate case that we file in order that to be picked up. So there is saving that's being garnered as we speak.

Chairman Klee

It's just that they're not seeing it in their pocketbooks. That's what I want for the people that are listening to hear that. So we're banking the savings. It just hasn't happened. Hopefully, it will happen. It doesn't mean things are going to go down and I want people to understand that. Things are not going to go down. They're just not going to go up as high as they might have if we hadn't done this and that's the point that people need to…

Unidentified Speaker

Yeah and I think the point is rate stability.

Chairman Klee

Yeah, right, exactly and that's a good thing to hear and so on. I apologize. I didn't mean to cut you off. Do you have another question?

Alderman Gouveia

Just more of a comment. So at the end of the day, the juice is still worth the squeeze.

Unidentified Speaker

Yeah, I like the analogy.

Chairman Klee

Yeah, it took a long time to get there. You guys did a lot of work on that and a lot of…

Unidentified Speaker

It was a team effort from everybody, you know, here at the city, and PUC, all the surrounding communities that were involved. It was a lot of work.

Chairman Klee

And I can't help. I have to comment. We when we had a meeting not so long ago and we had a lot of people testifying on a whole other subject here, there were a lot of people from Hollis that were here. Oddly enough, Hollis really has wells. There's only a very small portion of Hollis that is getting Pennichuck water. I think it's Pine Hill Road or something like that. There's the tiniest section of Hollis and the majority of people that were speaking were from Hollis. I think the entire street must have come out. But, yeah, I have a lot of friends in Hollis and they're like we don't do use Pennichuck. We have a well. We don't have any kind of municipal water. So I just want to make that clear that Litchfield, Merrimack they're a lot of the users as well as Nashua and so on. Not so much Hollis who were a lot of the speakers that were there. So anything that happens with Pennichuck does not affect the Town of Hollis.

Alderman Wilshire do you have anything you wanted to?

Alderman Wilshire

I don't. No, I'm good.

Chairman Klee

I do. I was going to wait for the Remarks by Alderman but I'm going to make it now. I want to thank you very much for when the upgrade to the system over by Webster and all of that to increase the pressure. Would have loved to seen the entire area. There's a little bit of pressure envy going on but I did hear…There's definitely pressure envy but I did - I even heard from Senator Rosenwald who saw a complete increase in her water pressure. I've heard from others that have said that they've seen a significant increase in their water pressure.

Unidentified Speaker

I'd like to think that the project, you know, went very well. I think it we were certainly sensitive to the neighborhoods. We tried to be as - I think I just heard of really one thing where there was like any start of the school year, and how busses get routed, and construction sites but I think we were able to work through that from what I could see.

Unidentified Speaker

I walked through the neighborhood last night and, you know, with the with the exception of the final pavement, it's pretty well cleaned up.

Chairman Klee

Yeah, no, you did a good job. Like I said, there are neighbors that are like why not me? But, you know, and I'm like well your water's coming from Rivier. Sorry but yours is coming from way down there. I got asked the same question why. I'm like I got the explanation in an email. Don't ask. I appreciated you indulging me in all of that I will.

I do have to say while I have seen a decrease in the manganese and so on, I have to clean out the filter on my water faucets more than I've ever had to before. They're bigger chunks now and all of a sudden my water stops but I've learned how to do that. I'm getting so proud of myself. I'm not seeing the brown water anymore. So thank you.

Unidentified Speaker

Those are those old mains that we continue to - that financing, long-term financing that you we just talked about, that's what that is all going into is to aging infrastructure, compliance with the rules, and regulations.

Unidentified Speaker

I think that in response to a lot of complaints or a lot of concerns that we had heard from you folks and your neighbors. We did that flushing last year that seemed to work out pretty well. Were going to do that again.

Chairman Klee

I appreciate it. Knock on wood, I hate to say this out loud because I'll go home and have a tub full of brown water but I have not seen quite as much brown water. Once in a while but not bad and I really appreciate that. A little bit more chunks and I have to clean out my faucets a little bit more but everything is - you guys are doing. Thank you very much. I appreciate that.

Unidentified Speaker

Pre-1888, 16 inch main. That is the main that used to go to the reservoir on top of Columbia.

Chairman Klee

I know, I know and we keep building, and building, and building. So thank you very much.

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN - None

ADJOURNMENT

MOTION BY ALDERMAN WILSHIRE TO ADJOURN
MOTION CARRIED

The meeting was declared closed at 7:49 p.m.

Alderman Tyler Gouveia
Committee Clerk

Steven A. Bolton
Corporation Counsel
BoltonS@nashuanh.gov

Celia K. Leonard
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MEMORANDUM

TO: Board of Aldermen

FROM: Office of Corporation Counsel

DATE: September 8, 2025

RE: R-25-209 "Authorizing Pennichuck Corporation and Pennichuck Water Works, Inc. to increase the loan from the State of New Hampshire PFAS Remediation Grant and Loan Fund"

Attached please find a letter from Pennichuck with supporting information for Resolution R-25-209 "Authorizing Pennichuck Corporation and Pennichuck Water Works, Inc. to increase the loan from the State of New Hampshire PFAS Remediation Grant and Loan Fund."

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September 4, 2025

Mr. Steven A. Bolton
Corporation Counsel
City of Nashua
229 Main Street
Nashua, NH 03060

Re: Pennichuck Water Works, Inc. – Request for Approval of Loan Amendment from the NHDES PFAS Remediation Grant and Loan Fund

Dear Attorney Bolton:

Introduction. As you know, the City of Nashua, New Hampshire (the "City") is the sole corporate shareholder of Pennichuck Corporation ("Pennichuck"). The City has been the sole shareholder since the acquisition of Pennichuck on January 25, 2012.

The purpose of this letter is to request that the City, acting in its capacity as sole shareholder, approve resolutions authorizing Pennichuck's regulated public water utility subsidiary, Pennichuck Water Works, Inc. ("PWW"), to borrow additional funds from the PFAS Remediation Grant and Loan Fund (the "PFAS Fund") and for Pennichuck to continue to guaranty such loan, as amended, such loan as previously approved by the City of Nashua on October 24, 2024.

Background. As part of the City's acquisition of Pennichuck, in accordance with special legislation enacted by the State Legislature, and as unanimously approved by the Mayor and Board of Aldermen on January 11, 2011, the corporate structure of Pennichuck and its utility subsidiaries was retained. This corporate structure was retained for several reasons. First, the Mayor and Board of Aldermen desired to maintain stability and continuity for customers and employees of the Pennichuck utilities and the communities they serve. Second, retaining the corporate structure provided continuity for the existing relationships with regulatory agencies and financial/banking partners. Third, the Mayor and Board of Aldermen unanimously agreed that the corporate structure would encourage business-smart decisions and rely upon well-established governance principles of corporate law, pursuant to Pennichuck's Articles of Incorporation and its by-laws.

Shareholder Approval of Borrowings Required. Under Article IX of Pennichuck's Articles of Incorporation, the City, acting in its capacity as Pennichuck's sole shareholder, must approve:

> "(3) any action to (A) create, incur or assume any indebtedness for borrowed money or guarantee any such indebtedness of any person, (B) issue or sell any debt securities or warrants or other rights to acquire any debt securities of the [Pennichuck] Corporation or any of its Subsidiaries, or (C) guarantee any debt securities of any person."

PWW Proposed Borrowing. Pennichuck requests the City's approval to increase the borrowing of PWW from a loan of up to $11,450,000 to a loan of up to $17,500,000 from the NHDES PFAS Remediation Grant and Loan Fund to fund the design and construction of a new Chemical Feed and Storage Improvement project at the Company's Nashua Water Treatment Facility. It will fund construction of a new building to accommodate additional bulk chemical storage, as well as replace existing and/or obsolete chemical feed and other miscellaneous equipment.

The Lender. The funds for this loan will be provided by the PFAS Remediation Grant and Loan Fund, administered by the New Hampshire Department of Environmental Services ("NHDES"). This PFAS Fund provides public and private water systems the opportunity to borrow funds on favorable terms at interest rates that are below commercial loan rates. It is available for remediation efforts related to address exceedances of PFAS standards in drinking water. Pennichuck has received confirmation from the NHDES that additional funding is available for this project, subject to final approval of the loan amendment from the NHDES Commissioner and NH Governor and Executive Council.

Terms of the Borrowings. The loan will have continue to have the same material favorable terms as agreed in the original borrowing, which will be reflected in a written Amendment to Loan Agreement and Allonge to Promissory Note issued by PWW, as required by the PFAS Fund. Amounts advanced pursuant to the loan during the construction period will accrue interest at a rate of 1% per annum, and the total accrued interest will be due upon substantial completion of the projects. The terms of the PFAS Fund loan will require repayment of the loan principal plus interest over a period not to exceed 20 years, commencing six months after the project is substantially complete. The interest rate on the existing loan of 3.5% per annum will remain unchanged with the amendment. The loan will continue to be unsecured. The corporate parent, Pennichuck, is required by NHDES to continue to provide an unsecured corporate guaranty of the repayment of the loan in accordance with the terms of a Guaranty Agreement, which will also be amended to reflect the increased principal loan amount.

New Hampshire Public Utilities Commission Approval Required. As a regulated public utility and as is the case with all debt issuances and credit facilities for the regulated subsidiary of Pennichuck Corporation, this proposed financing may not occur without the prior approval of the NHPUC, which will approve the loan amendment if it finds such amendment to be consistent with the public good. PWW intends to file a petition to request this approval in September 2025.

PWW will work with the NHPUC to set a schedule for considering this request that contemplates completing its review in order to allow PWW to consummate the proposed financing renewal, and to enable it to close upon the amendment to the PFAS Loan no later than January 30, 2026. A copy of this petition, once filed, will be available to the City and the public.

Approval by the Pennichuck and PWW Boards of Directors. The PWW Board of Directors has approved the proposed financing in concept, with the Pennichuck Board of Director and formal PWW Board of Director approval being sought and expected at its upcoming September 26, 2025 meeting. The Pennichuck and PWW Boards will also be required to approve the final terms and conditions of the proposed financing, near the time of the transaction closing.

Requested Approvals. For the reasons described above, Pennichuck respectfully requests that the City, acting in its capacity as sole shareholder of Pennichuck and pursuant to Article IX (3) of Pennichuck's Articles of Incorporation, authorize the actions described in the attached proposed resolution for consideration by the Board of Aldermen.

Respectfully submitted,

PENNICHUCK CORPORATION

By: *George Torres*

____

George Torres
Chief Financial Officer

cc: Mayor James Donchess
Dorothy Clarke, Deputy Corporation Counsel

R-25-209

RESOLUTION

AUTHORIZING PENNICHUCK CORPORATION AND PENNICHUCK WATER WORKS, INC. TO INCREASE THE LOAN FROM THE STATE OF NEW HAMPSHIRE PFAS REMEDIATION GRANT AND LOAN FUND

CITY OF NASHUA

In the Year Two Thousand and Twenty-Five

WHEREAS, the City of Nashua is the sole shareholder of Pennichuck Corporation and each of its subsidiaries;

WHEREAS, Article IX (3) of the Articles of Incorporation of Pennichuck Corporation and Article V §2 of the by-laws of Pennichuck Corporation require the approval of the sole shareholder (the City of Nashua) for Pennichuck to create, incur, assume, or guarantee any indebtedness for borrowed money, which includes contracting a loan on behalf of the Corporation; and

WHEREAS, Pennichuck Water Works, Inc. is a regulated New Hampshire public water utility corporation providing retail water service to New Hampshire customers, and is a wholly owned subsidiary of Pennichuck Corporation which, in turn, is wholly owned by the City of Nashua; and

WHEREAS, the City of Nashua previously passed Resolution R-24-105 ("Authorizing Pennichuck Corporation and Pennichuck Water Works, Inc. to borrow funds from the State of New Hampshire PFAS Remediation Grant and Loan Fund") on October 22, 2024.

NOW, THEREFORE, BE IT RESOLVED by the Board of Aldermen of the City of Nashua that the City approves an amendment to the loan referenced in R-24-105 to increase the borrowing by Pennichuck Water Works, Inc. from a loan of up to $11,450,000 to a loan of up to $17,500,000 from the State of New Hampshire pursuant to the PFAS Remediation Grant and Loan Fund to fund the design and construction of a new chemical feed and storage improvement project at Pennichuck Water Works' Nashua Water Treatment Facility, and the guaranty by Pennichuck Corporation of the payment and performance by Pennichuck Water Works, Inc. of said loan, as amended.

LEGISLATIVE YEAR 2025

RESOLUTION: R-25-209

PURPOSE: Authorizing Pennichuck Corporation and Pennichuck Water Works, Inc., to increase the loan from the State of New Hampshire PFAS Remediation Grant and Loan Fund

ENDORSERS: Alderman-at-Large Lori Wilshire
Alderman Patricia Klee

COMMITTEE ASSIGNMENT: Pennichuck Water Special Committee

FISCAL NOTE: None.

ANALYSIS

This resolution approves the proposal by Pennichuck Corporation and one of their regulated public water subsidiaries to borrow additional funds and guaranty the amended loan for such funds as described in the resolution. Article IX (3) of Pennichuck Corporation's Articles of Incorporation and Article V §2 of the Pennichuck Corporation's by-laws requires City approval for the borrowing and guaranty.

Approved as to form: **Office of Corporation Counsel**

By: Brantley Clarke

Date: 8 September 2025