



25 WALNUT STREET
PO BOX 428
NASHUA, NH 03061-0428

(603) 882-5191
FAX (603) 913-2305

WWW.PENNICHUCK.COM

October 12, 2021

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Sincerely,

Larry D. Goodhue
Chief Executive Officer and Chief Financial Officer
Pennichuck Corporation and Pennichuck East Utility, Inc.

From: Dwyer, John T <John.Dwyer@td.com>
Sent: Thursday, October 21, 2021 12:59 PM
To: Goodhue, Larry
Subject: [EXTERNAL] RE: status of approval on CoBank loan?

Hi Larry

I received approval yesterday afternoon. TD Bank received your written notice and approves PEU entering into a loan agreement with Co-Bank.

If you need additional information please let me know.

Thanks

John

John Dwyer | Senior Relationship Manager | Commercial Banking

TD Bank, America's Most Convenient Bank

200 State Street, Boston, MA 02109

Cell Phone: 617-678-7152

Email: John.Dwyer@TD.Com

Internal

From: Goodhue, Larry <larry.goodhue@PENNICHUCK.com>
Sent: Thursday, October 21, 2021 12:08 PM
To: Dwyer, John T <John.Dwyer@td.com>
Subject: status of approval on CoBank loan?

CAUTION: EXTERNAL MAIL. DO NOT CLICK ON LINKS OR OPEN ATTACHMENTS YOU DO NOT TRUST
ION : COURRIEL EXTERNE. NE CLIQUEZ PAS SUR DES LIENS ET N'OUVREZ PAS DE PIÈCES JOINTES AUXQUELS VOUS NE FAITES PAS COM

Hi John,

Do we have the approval as of yet? The Commission appears ready to issue an Order, but won't do so until we have that in hand. Please advise.



Larry D. Goodhue
Chief Executive Officer
Pennichuck Water
25 Walnut Street
PO Box 428
Nashua, NH 03061-0428
Ph: (603) 913-2312

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October 8, 2021

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

Re: Pennichuck East Utility, Inc. – Request for Approval of Term Loan with CoBank, ACB

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 East Utility, Inc. (“PEU”), to enter into a term loan with CoBank, ACB (“CoBank”).

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.”

Proposed Term Loan Borrowing from CoBank

PEU is a New Hampshire public utility corporation providing retail water service to approximately 8,565 customers in the New Hampshire towns of Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare and Windham. PEU is wholly-owned by Pennichuck which, in turn, is wholly-owned by the City.

PEU has entered into a Master Loan Agreement with CoBank dated as of February 9, 2010 (the “Master Loan Agreement”), which provides the framework for CoBank to make loans to PEU from time to time. A copy of the Master Loan Agreement is attached to this letter as Attachment A.

PEU requests the City’s approval for PEU to enter into a term loan with CoBank in an amount of up to \$2,550,000 with an amortization period of up to 25 years, with an interest rate to be determined based on market conditions (currently estimated at approximately 4.25% per annum). A copy of the CONFIDENTIAL term sheet for the term loan with CoBank is attached to this letter as Attachment B.

The proceeds from the CoBank loan will be used for “one time” use of debt funds to refill PEU’s Rate Stabilization Funds (“RSF funds”) to their imprest levels, in conjunction with the implementation of new rate structure elements in PEU’s current permanent rate proceeding before the NH Public Utilities Commission (Docket No. DW 20-156), including the implementation of a Material Operating Expense Factor (“MOEF”) in its allowed revenues which is designed to maintain the RSF funds at or near their imprest levels on a going forward basis.

The CoBank loan will be secured by (i) a security interest in PEU’s equity interest in CoBank (consisting of PEU’s \$212,825 earned equity investment in CoBank from patronage dividends received since 2010, and PEU’s right to receive future patronage dividends), and (ii) the unconditional guarantee of PEU’s obligations to CoBank by Pennichuck pursuant to the Guarantee of Payment (Continuing) dated as of February 9, 2010 between Pennichuck and CoBank (the “Guaranty Agreement”), a copy of which is attached to this letter as Attachment C.

The Lender – CoBank, ACB. CoBank is a government sponsored enterprise (“GSE”) owned by its customers, who consist of agricultural cooperatives, rural energy, communications and water companies and other businesses that serve rural America. As a GSE, CoBank issues its debt securities with the implicit full faith and credit of the United States Government and uses these low-cost funds to make loans to companies like PEU that meet its charter requirements. As a result of the implicit backing of the U.S. Government, CoBank’s borrowing costs are lower than commercial banks and financial institutions, and these lower costs are passed on to its borrowers. In addition to the lower rates, CoBank loans generally have fewer covenants or restrictions as compared to loans from commercial banks and other financial institutions.

Approval by Pennichuck and PEU. The CoBank loan and guaranty, have been approved by the Board of Directors of Pennichuck and PEU. Pennichuck recommends that the City authorize (i) PEU to enter into the loan with CoBank; and (ii) Pennichuck to guaranty the loan.

Lower Costs Are Good for Customers. Pennichuck and its Board of Directors have determined that the “one time” refilling of the RSF funds with this CoBank loan, will allow PEU to continue to provide safe, adequate and reliable water service to their customers on a cost-effective basis. The terms of the loan are very favorable compared to other alternatives and will result in lower financing costs and/or a better and more immediate “fix” than the cash flow implications from the timing of recovery and regulatory lag that would be available under those other options to refill the RSF funds, as may be available in the current rate case. These lower financing costs, as well as the rate stability that will be achieved with the new MOEF in PEU’s rate structure, will be passed on to customers.

Other Approvals. As a regulated public utility, PEU must obtain approval of the term loan from the New Hampshire Public Utilities Commission (“NHPUC”), which will approve the term loan if it finds the loan to be consistent with the public good. PEU has filed a petition for approval with the NHPUC contemporaneously with this notice to the City and expects the NHPUC to consider the petition promptly.

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 following actions:

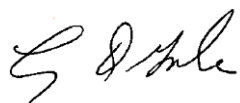
RESOLVED, that the City hereby approves the loan to Pennichuck East Utility, Inc. from CoBank, ACB, in an amount of up to \$2,550,000, with a 25-year amortization schedule; and

FURTHER RESOLVED, that the City hereby approves the guaranty by Pennichuck Corporation of the payment by Pennichuck East Utility, Inc. of the loan authorized in the prior resolution; and

FURTHER RESOLVED, that the City hereby authorizes Pennichuck Corporation and Pennichuck East Utility, Inc., their Boards of Directors, and their Officers, to take any and all actions required to obtain all necessary approvals with respect to the actions described in these resolutions and to execute and deliver such documents as are necessary to affect the CoBank loan, and the guaranty described in these resolutions.

Respectfully submitted,

PENNICHUCK CORPORATION



Larry D. Goodhue
Chief Executive Officer

cc. Mayor James Donchess

7:30 PM

Aldermanic Chamber and by Zoom

Join Zoom Meeting: <https://us02web.zoom.us/j/88222875781?pwd=N1YwMi9BL0R5QXM3Q0Y4Y3p1MUdYdz09>
Meeting ID: 882 2287 5781 Passcode: 172757

Join by phone: 1-929-205-6099
Meeting ID: 882 2287 5781 Passcode: 172757

If for some reason you have problems with connectivity, please contact us at (603) 589-3329 and someone will assist you. The public may also view the meeting via Channel 16.

1. PRESIDENT LORI WILSHIRE CALLS ASSEMBLY TO ORDER
2. PRAYER OFFERED BY CITY CLERK SUSAN K. LOVERING
3. PLEDGE TO THE FLAG LED BY ALDERMAN RICHARD A. DOWD
4. ROLL CALL
5. REMARKS BY THE MAYOR
6. RESPONSE TO REMARKS OF THE MAYOR
7. RECOGNITIONS
8. READING OF MINUTES OF PREVIOUS MEETINGS

Special Board of Aldermen.....	10/07/2021
Special Board of Aldermen.....	10/12/2021
Board of Aldermen.....	10/12/2021
Special Board of Aldermen.....	10/14/2021

9. COMMUNICATIONS REQUIRING ONLY PROCEDURAL ACTIONS AND WRITTEN REPORTS FROM LIAISONS

From: Lisa A. Fauteux, Director of Public Works
Re: Referrals from Board of Aldermen – R-21-165, R-21-166 and R-21-169

From: Dorothy Clarke, Esquire
Re: R-21-181 “Authorizing Pennichuck Corporation and Pennichuck East Utility, Inc. to enter into a loan with CoBank, ACB”

- 9(a). PERIOD FOR PUBLIC COMMENT RELATIVE TO ITEMS EXPECTED TO BE ACTED UPON THIS EVENING
- 9(b). COMMUNICATIONS REQUIRING FINAL APPROVAL

PETITIONS

NOMINATIONS, APPOINTMENTS AND ELECTIONS

REPORTS OF COMMITTEE

Work Study Group Relative to Police Commissioners.....	09/30/2021
Budget Review Committee	10/06/2021
Finance Committee.....	10/06/2021
Work Study Group Relative to Police Commissioners.....	10/07/2021

10. CONFIRMATION OF MAYOR’S APPOINTMENTS

UNFINISHED BUSINESS – RESOLUTIONS

R-21-177

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

RELATIVE TO THE SUPPLEMENTAL APPROPRIATION OF \$250,000 OF FY2021 ASSIGNED FUND BALANCE INTO FUND #6500 "PROPERTY & CASUALTY SELF INSURANCE FUND"

- Budget Review Committee with anticipated favorable recommendation

R-21-178

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

CHANGING THE USE OF FUNDS FOR A COMMUNITY DEVELOPMENT CAPITAL IMPROVEMENTS PROJECT FROM MASTER PLAN TO LAND USE CODE UPDATE

- Budget Review Committee with anticipated favorable recommendation

R-21-143

Endorsers: Mayor Jim Donchess
Alderman Thomas Lopez
Alderman-at-Large Brandon Michael Laws
Alderman-at-Large Shoshanna Kelly
Alderman Patricia Klee
Alderman Jan Schmidt

PROPOSING AN AMENDMENT TO THE CITY CHARTER RELATIVE TO THE MANNER OF APPOINTMENTS TO THE NASHUA BOARD OF POLICE COMMISSIONERS

- Tabled at Board of Aldermen August 10, 2021 meeting

UNFINISHED BUSINESS – ORDINANCES

NEW BUSINESS – RESOLUTIONS

R-21-179

Endorser: Mayor Jim Donchess

AUTHORIZING THE MAYOR TO ENTER INTO A FEDERAL AID PROGRAM PROJECT AGREEMENT WITH THE STATE OF NEW HAMPSHIRE FOR THE PURPOSE OF INSTALLING RECTANGULAR RAPID FLASHING BEACONS AND TO ACCEPT FOUR HUNDRED AND FIFTY-TWO THOUSAND DOLLARS (\$452,000.00) FOR THE PROJECT

R-21-180

Endorser: Alderman-at-Large David C. Tencza

APPROVING THE COST ITEMS OF A SIDEBAR (MEMORANDUM OF AGREEMENT) BETWEEN THE CITY OF NASHUA BOARD OF FIRE COMMISSIONERS AND THE NASHUA FIREFIGHTERS ASSOCIATION I.A.F.F. LOCAL 789 REGARDING MILITARY DUTY PAY

R-21-181

Endorser: Alderman-at-Large Lori Wilshire

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

NEW BUSINESS – ORDINANCES

O-21-072

Endorser: Mayor Jim Donchess

AUTHORIZING FREE HOLIDAY PARKING AT METERS IN ZONE III WHICH INCLUDES THE ELM STREET AND HIGH STREET PARKING GARAGES FROM DECEMBER 6, 2021 THROUGH JANUARY 1, 2022

PERIOD FOR GENERAL PUBLIC COMMENT

REMARKS BY THE MEMBERS OF THE BOARD OF ALDERMEN

Committee announcements:

ADJOURNMENT