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Nashua now owns Pennichuck Corp. after decade of talks and fights

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NASHUA – Ten years in the making, the city's historic purchase of Pennichuck Corp. and its water utilities was finalized by a phone call Wednesday morning.

At 9:35 a.m., bond underwriters who helped the city finance the \$200 million acquisition of Pennichuck informed Mayor Donnalee Lozeau the deal was complete.

By owning Pennichuck, the city can protect the local watershed for future generations while controlling costs, including the water bills of 34,000 customers that are predicted to decrease in several years, city officials said.

The watershed sees about 50 inches of rain each year, Alderman-at-Large Brian McCarthy told a crowd of more than 100 people at a City Hall ceremony hosted by Lozeau.

No matter how many people and businesses set root in this community, yearly precipitation probably won't change, and thus the need to take control of Pennichuck, McCarthy said. "It's not a commodity. It's a resource," he said.

Since the 1980s, Pennichuck sold as many as 1,000 acres in the watershed area of Nashua and Merrimack for commercial development. Losing that land never sat well with McCarthy and many residents, but a phone call last decade to then-Mayor Bernie Streeter caused even greater concern.

As Streeter shopped at Market Basket, he got a cell phone call from a city employee who "had a mole inside Pennichuck," he recalled at Wednesday's ceremony.

The mole revealed that Philadelphia Suburban Corp., which had French controlling interests, was set to buy Pennichuck, Streeter said. The future of the watershed seemed at even greater risk, he said.

Officials and residents from Nashua and surrounding towns rolled into action.

Barbara Pressly, who is now an alderman-at-large, formed a group that raised awareness and pushed the idea of forming a regional water group that would acquire Pennichuck.

In 2003, voters gave the city permission to buy Pennichuck, and Nashua made a \$121 million offer that the company refused. The next year, Streeter asked state regulators for permission for Nashua to take Pennichuck by eminent domain. The company sued.

For the next several years, court actions and Public Utilities Commission hearings were the battlegrounds for Pennichuck and Nashua. But in 2009, with Lozeau now in office, the sides started negotiating with less acrimony, and late the next year agreed to acquisition terms.

Lozeau welcomed Pressly, Streeter and McCarthy to talk at the ceremony and thanked them, as

well as recognizing the efforts of dozens of residents, city employees, elected officials, lawyers and others.

Pressly brought signs from the 2003 referendum campaign that read: "Keep our water supply local." She hosted a party afterward at Martha's Exchange restaurant.

The town of Merrimack had objected, until recently, to Nashua buying Pennichuck and controlling the region's water supply. Several Merrimack town councilors attended the acquisition ceremony and later spoke of wanting to work with the city, receiving a nod from Lozeau.

With the transaction finally complete, the city paid \$29 a share for Pennichuck stock, a total of \$137.8 million for about 4.7 million shares.

As part of its 2010 merger agreement with the company, the city also will pay \$2.2 million for severance packages for outgoing Pennichuck executives, \$5.3 million in legal and other fees, \$5 million for a water rate stabilization fund and \$1.8 million in bond issuance costs.

The city also assumes \$60 million in Pennichuck debt, bringing the sticker price to more than \$200 million. Aldermen approved borrowing as much as \$220 million to finance the transaction, and the city could later bond the debt.

With that Wednesday morning phone call, \$152 million in general obligation bonds had been officially sold by J.P. Morgan at a 4.09 percent interest rate, Lozeau said.

It previously was thought that the city would sell bonds at a 6.5 percent rate, but the recession played a large part in reducing interest rates and has saved the city as much as \$80 million, she said.

If the city had continued on the path of eminent domain, it would have been able to only purchase the assets of Pennichuck Water Works and would have had to hire a whole new staff to run the utility, Lozeau said.

Settling with Pennichuck allowed Nashua to buy, for about \$40 million less, all of Pennichuck's assets and keep its workforce in place, Lozeau said. Those assets include three water utilities and two regulated corporations, including Southwood Corp., the parent company's real estate subsidiary.

Southwood's land deals shaped the local landscape: Southwood Corporate Park, the Marriott Hotel and other businesses off Somerset Parkway, Westwood Corporate Park off Amherst Street, and thousands of houses and condominiums in developments such as Brinton's Landing, Harris Preserve and Bowers Pond.

In Nashua, the last Pennichuck-owned untouched developable piece of land recently has generated controversy.

In one of its last real estate deals before signing the merger agreement with Nashua, Pennichuck sold property off Concord Street to a developer who has city permission to build 85 units of elderly housing, a possibility that has angered more than a hundred residents who worry about potential damage to the watershed.

Aldermen allowed the \$2.2 million land deal when they voted for purchasing Pennichuck, and the city must honor the sale. But Lozeau has been negotiating with the developer. She, aldermen and the Conservation Commission met in a non-public session Tuesday night to discuss steps the city could take to preserve the land.

The fact that the city set out to stop Pennichuck from selling its developable land, and now the last remaining parcel in Nashua is in the hands of a developer is still a sour note for many people in the city.

But with the purchase of the company, the city will save property in Merrimack from being sold, and in the past, Nashua bought land for conservation from Pennichuck, including two parcels off

Amherst Street.

At the ceremony, Lozeau handed new Pennichuck CEO John Patenaude, who will run the company on an interim basis, an actual key to a Pennichuck door.

Last month, aldermen approved the appointment of nine people to a Pennichuck board of directors. Lozeau will serve as a board member for two years and one to three other seats could be filled at a later time.

The board's first meeting is scheduled for Friday morning. State regulators will continue to set water rates.

The city will have its work cut out for itself as it now assumes control of a major company, but the many residents and officials who supported the purchase wouldn't have it any other way.

"I am confident that our team can deliver on our city's ultimate goal established 10 years ago: control of our water supply and watershed lands so that the city can preserve and protect this essential public resource now and for generations to come," Lozeau said.

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