

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF JANUARY 19, 2015 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Monday, January 19, 2015 at 4:33 p.m. at the Company’s offices at 25 Manchester Street, Merrimack, New Hampshire.

The following persons were in attendance for all or a portion of the meeting:

Committee Members: James McMahon, Chairman
James P. Dore
Paul A. Indeglia

Pennichuck Corporation: Thomas J. Leonard, Chairman of the Board
Jay N. Lustig, Director
John L. Patenaude, Chief Executive Officer
Donald L. Ware, Chief Operating Officer
Larry D. Goodhue, Chief Financial Officer
George Torres, Accounting Manager
Carol Ann Howe, Director of Regulatory Affairs,
Treasury and Business Services

Written materials relating to items listed in the Agenda were provided to the Committee members for their review prior to the meeting.

Appointment of Acting Secretary

On motion duly made by J. McMahon and seconded by P. Indeglia, all of the Committee members then voting, it was unanimously

Resolved: that John Patenaude be appointed Acting Secretary for the meeting.

Approval of Minutes

The Chairman inquired whether there were any comments with respect to the draft minutes of the December 8, 2014 Committee meeting. There being none, on motion duly made by P. Indeglia and seconded by J. Dore, all of the Committee members then voting, it was unanimously

Resolved: that the minutes of the December 8, 2014 meeting of the Audit, Finance and Risk Committee are hereby approved.

The Chairman inquired whether there were any comments with respect to the draft minutes of the Committee's December 8, 2014 non-public session. There being none, on motion duly made by P. Indeglia and seconded by J. Dore, all of the Committee members then voting, it was unanimously

Resolved: that the minutes of the December 8, 2014 non-public session of the Audit, Finance and Risk Committee are hereby approved.

SRF Loans – PEU, PAC, PWW

L. Goodhue discussed the projects to be funded by the State's Drinking Water Revolving Loan Fund Program. Projects to be funded include replacement of water mains at Locke Lake in Barnstead, NH (PEU), the addition of water mains in Pittsfield, NH (PAC) and the interconnection between the Merrimack River main and the Water Treatment Plant (PWW).

L. Goodhue indicated that the projects were included in the 2015 Capital Budget approved by the Board at the November 21, 2014 meeting. A discussion ensued.

On motion duly made by P. Indeglia and seconded by J. Dore, all of the Committee members then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee of the Board of Directors hereby recommends to the Board of Directors of Pennichuck East Utility, Inc. (the "Company") and Pennichuck Corporation, the borrowing by the Company and the guarantee by Pennichuck Corporation of up to \$400,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the replacement of water mains at Locke Lake in Center Barnstead, New Hampshire, pursuant to a Loan Agreement between the Company and the State under the State's Drinking Water Revolving Loan Fund program.

On motion duly made by P. Indeglia and seconded by J. Dore, all of the Committee members then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee of the Board of Directors hereby recommends to the Board of Directors of Pittsfield Aqueduct Company, Inc. (the "Company") and Pennichuck Corporation, the borrowing by the Company and the guarantee by Pennichuck Corporation of up to \$165,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the addition of water mains in the town of Pittsfield, New Hampshire, pursuant to a Loan Agreement between the Company and the State under the State's Drinking Water Revolving Loan Fund program.

On motion duly made by P. Indeglia and seconded by J. Dore, all of the Committee members then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee of the Board of Directors hereby recommends to the Board of Directors of Pennichuck Water Works, Inc. (the “Company”) and Pennichuck Corporation, the borrowing by the Company and the guarantee by Pennichuck Corporation of up to \$3,500,000 in principal amount from the State of New Hampshire (the “State”), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the interconnection from the Merrimack River main in Merrimack, New Hampshire to the Company’s water treatment plant in Nashua, New Hampshire, pursuant to a Loan Agreement between the Company and the State under the State’s Drinking Water Revolving Loan Fund program.

Bond Financing

L. Goodhue discussed the 2015 bond financing for Pennichuck Water Works. The financing for up to \$30 million will provide the ability to refinance existing bonds that have balloon payments, the defeasance of Treasury bonds and potentially the financing of a distribution and operations building. L. Goodhue indicated that the plan was to file an application with the New Hampshire Business Finance Authority for up to \$30 million once the full Board has approved the financing. A discussion ensued.

On motion duly made by P. Indeglia and seconded by J. Dore, all of the Committee members then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee of the Board of Directors hereby recommends to the Board of Directors of Pennichuck Water Works, Inc., to authorize management to proceed with the following process and approvals required to complete the refinance of the remaining tax-exempt bonds on the predecessor indentures from 2005, including the formal defeasance/retirement of the B-1 bonds fully refunded and held in treasury at BNY Mellon:

- (1) obtain New Hampshire Business Finance Authority (NHBFA) approval to issue tax-exempt bonds sufficient to fund up to \$30,000,000;
- (2) file a financing petition with the New Hampshire Public Utilities Commission to seek approval to complete the refinancing activity;
- (3) file a shareholder approval request with the City of Nashua to seek approval to complete the refinancing activity;

- (4) file a joint approval request with the NHBFA to the State of New Hampshire Governor and Council, approving the funding of the tax-exempt bonds through the NHBFA; and
- (5) complete the entire bond issuance and documentation process with the investment bankers and respective counsels.

Insurance Renewal

L. Goodhue reviewed the 2015 insurance premiums for property and casualty insurance. The total increase was 5.9% over the prior year premiums, mainly driven by increases in commercial auto and general liability premiums. L. Goodhue also indicated that the Company is reviewing insuring risk related to cyber security.

The Committee requested that the management team prepare an enterprise risk assessment for a future Committee meeting.

Internal Controls Update

L. Goodhue indicated that C. Howe was preparing responses to questions raised by J. Dore. L. Goodhue indicated that C. Howe's job responsibilities include the testing of internal controls.

Water Infrastructure and Conservation Adjustment (WICA)

D. Ware presented information relative to the upcoming WICA filing with the New Hampshire Public Utilities Commission. The WICA surcharge related to 2014 qualifying projects is 1.11%. The cumulative WICA surcharge, if approved, will be 1.76%. D. Ware indicated that the filing will occur prior to January 30.

Emergency Preparedness

D. Ware discussed the emergency management plans for the Company. A discussion ensued.

J. Lustig left the meeting at 6:25 p.m. during the discussion on emergency preparedness.

Other Business

The Committee reviewed the summary of upcoming management presentations.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 6:53 p.m.

/s/ John L. Patenaude

John L. Patenaude
Acting Secretary