

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF NOVEMBER 16, 2016 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Wednesday, November 16, 2016 at 4:30 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 P. Dore, Chairman Paul A. Indeglia Thomas J. Leonard John D. McGrath
Pennichuck Corporation:	Larry D. Goodhue, Chief Executive Officer Donald L. Ware, Chief Operating Officer Suzanne L. Ansara, Corporate Secretary George Torres, Corporate Controller Carol Ann Howe, Assistant Treasurer Steven Greenwood, IT Director
Melanson Heath:	Sheryl Burke Deborah Tarbox

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

Approval of Minutes

The Chairman inquired whether there were any comments with respect to the draft minutes of the August 25, 2016 Committee meeting and non-public session. There being none, on motion duly made by J. McGrath and seconded by P. Indeglia, all of the Committee members then voting, it was unanimously

Resolved: that the minutes of the August 25, 2016 meeting of the Audit, Finance and Risk Committee are hereby approved.

Resolved: that the sealed minutes of the August 25, 2016 non-public session of the Audit, Finance and Risk Committee are hereby approved.

Audit Plan for 2016

Ms. Burke led a discussion relating to the 2016 Audit Plan, a copy of which was included in the written materials to the Committee. Ms. Burke indicated that the client service team for the upcoming year-end audit would include herself, Deborah Tarbox, and Matt Sawyer. She reviewed the timing and scope of the audit work to be performed. Fieldwork will begin on February 6 and will last for 2 weeks. Draft financial statements are expected to be available by

March 17, 2017 and final audited financial statements released no later than March 24, 2017. There was a discussion relating to deferred taxes. Ms. Burke stated that the Company's finance group is using the template provided by Melanson Heath, which is working out very well. There was a discussion relative to debt covenants. Ms. Burke indicated that Melanson Heath reviews the Company's schedule of debt covenants to confirm the calculations and relies on a certification from the escrow agent that the funds are used for what they were intended.

Ms. Burke left the meeting at 5:00 p.m.

Review of Audited 2015 Defined Benefit Plan Financials

Ms. Tarbox reviewed the Independent Auditors' Report relating to the pension plan financial statements. She indicated that Melanson Heath does not audit statements from MassMutual, the plan trustee, but relies on a certification received from MassMutual relative to the plan's investments. There was a review of the 2015 pension plan financial statements, accompanying notes and supplemental schedule, a copy of which was included in the written materials to the Committee. The pension plan had approximately \$14.2 million in assets invested at December 31, 2015. The Company contributed approximately \$906,000 to the pension plan in 2015.

Ms. Tarbox left the meeting at 5:33 p.m.

ISO 27001 – Information Security Management

S. Greenwood indicated that the Company is looking at the redevelopment of its IT policies and procedures to be fully ISO 27001 compliant. ISO 27001 is an international standard which provides the methodology for the implementation of an information security management system. S. Greenwood reported that the cost for pre-certification would be between \$41,000 to \$49,000. Certification would cost an additional \$13,000 every 3 years. L. Goodhue indicated that the risk of cyber-related attacks is an area of concern and management is recommending that the Company pursue pre-certification. After discussion, the Committee gave their consent to management to proceed with implementation of ISO 27001 up to pre-certification level.

T. Leonard left the meeting at 5:54 p.m.

Internal Control Review Schedule / Update

C. Howe presented a status update on the financial internal control review and testing project. She indicated that the testing, which was delayed due to the preparation of the PWW rate case, will be completed by December 31. She discussed the controls that will be tested. A discussion ensued.

Review of Committee Charter

There was a review of the Committee's Charter. After a brief discussion, the Committee agreed that the Charter was adequate for its purposes and no changes were necessary.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 6:12 p.m.

/s/ Suzanne L. Ansara
Suzanne L. Ansara
Corporate Secretary