

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF NOVEMBER 16, 2017 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Thursday, November 16, 2017 at 4:35 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 John D. McGrath John M. Murphy
Pennichuck Corporation:	Larry D. Goodhue, Chief Executive Officer Suzanne L. Ansara, Corporate Secretary George Torres, Corporate Controller Carol Ann Howe, Assistant Treasurer Lori Douglas, Accounting Supervisor Jay Kerrigan, Regulatory Financial Analyst
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 22, 2017 meeting and non-public session. There being none, on motion duly made by J. McGrath and seconded by J. Murphy, all of the Committee members present then voting, it was unanimously

Resolved: that the minutes of the August 22, 2017 meeting of the Audit, Finance and Risk Committee are hereby approved.

Resolved: that the sealed minutes of the August 22, 2017 non-public session of the Audit, Finance and Risk Committee are hereby approved.

Audit Plan for 2017

Ms. Tarbox led a discussion relating to the 2017 Audit Plan, a copy of which was included in the written materials to the Committee. Ms. Burke indicated that there will be no changes in staffing for the audit from last year. She reviewed the timing and scope of the audit work to be performed. Draft financial statements are expected to be available by March 16, 2018 and final audited financial statements released no later than March 23, 2018. A discussion ensued.

The Chairman noted that the 3-year agreement for audit services with Melanson will expire after the 2017 audit.

The Chairman indicated that he has reviewed the engagement letter for the 2017 audit and the engagement letter for the SRF loans and had no comments. The signed engagement letters were provided to Melanson Heath.

Review of Audited 2016 Defined Benefit Plan Financials (Pension Plan)

G. Torres led a review of the audited 2016 defined benefit plan financial statements and accompanying notes. D. Tarbox reviewed the Independent Auditors' Report. A discussion ensued. The pension plan had approximately \$15.3 million in assets invested at December 31, 2016.

Review of Audited 2016 Defined Contribution Plan Financials (401k Plan)

G. Torres led a review of the audited 2016 defined contribution plan financial statements and accompanying notes. D. Tarbox reviewed the Independent Auditors' Report. A discussion ensued. Ms. Tarbox said that this was the first year the Company was required to submit to an audit of the 401(k) plan and indicated that no material weaknesses or significant deficiencies were found. The 401(k) plan had approximately \$13.5 million in assets invested at December 31, 2016.

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

Internal Control Review Schedule / Update

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

Summit Financial

L. Goodhue reported that he was informed by Joe Bonasera, President of Summit Financial, that Summit Financial has been acquired by HUB International. Summit will maintain its individual status and will continue to act as a co-fiduciary of the Company's pension and 401(k) plans.

Committee Charter

There was a review of the Committee's Charter. After discussion, the Committee agreed to recommend to the Board of Directors that the Charter be revised as follows:

1. Revise paragraph A.(i) to read as follows: "the integrity of the Company's financial statements and internal controls."
2. Renumber paragraphs C.3. (ii) through (viii) to C.3.(iii) through (ix), and add the following new paragraph C.3.(ii): "(ii) to obtain at least annually a report on internal controls from the Assistant Treasurer and to consider any reports or communications (and management's responses thereto) submitted to the Committee by the Assistant Treasurer in performance of his or her duties in regard to internal controls documentation and testing;"
3. Add the following bullet at the end of paragraph C.3.(v):
 - to obtain from the Company's Chief Executive Officer and Chief Accounting Officer a certification of the adequacy of the Company's internal controls and an assessment of the effectiveness of internal control over financial reporting in conjunction with the external auditor's issuance of the Company's annual audited financial statements."
4. Revise paragraph C.3.(vii) to read as follows: "to discuss with the Company's legal counsel any significant legal, compliance or regulatory matters, brought to the attention of the Committee by either Company's management or legal counsel, that may have a material effect on the financial statements or the Company's business, financial statements or compliance policies, including material notices to or inquiries received from governmental agencies;"

Other Business

There was a discussion relative to topics to be presented by management at future Committee meetings. The Chairman requested that a review of non-insurable Company risks and a review of the completed responsibilities report relating to the Emergency Plan SOPs, be added for 2018.

There was a discussion regarding the significant changes to the membership of the City of Nashua's Board of Aldermen beginning in 2018.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 6:04 p.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary