

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF MARCH 21, 2018 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Wednesday, March 21, 2018 at 4:30 p.m. at the Company’s offices at 25 Manchester Street, Merrimack, New Hampshire.

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

The following persons were in attendance for the start of the meeting:

Committee Members:	James P. Dore, Chairman C. George Bower Thomas J. Leonard John M. Murphy
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 Lori Douglas, Accounting Supervisor
Melanson Heath:	Sheryl Burke Deborah Tarbox

S. Ansara recorded the minutes of the meeting.

Approval of Minutes

The Chairman inquired whether there were any comments with respect to the draft minutes of the February 22, 2018 Committee meeting. There being none, on motion duly made by J. Murphy and seconded by T. Leonard, all of the Committee members present then voting in favor, except for G. Bower who abstained, it was

Resolved: that the minutes of the February 22, 2018 meeting of the Audit, Finance and Risk Committee are hereby approved.

2017 Audited Consolidated Financial Statements / Independent Auditor's Report

The draft 2017 Audited Consolidated Financial Statements and related Notes were reviewed in detail. Discussions were held relating to deferred charges, the key assumptions used to value benefit obligations under the pension plan, changes in accounting principles, and covenant obligations.

Ms. Tarbox reviewed the Independent Auditor's Report from Melanson Heath, a draft copy of which was provided to the Committee in the written materials. She indicated that the audit of the Company's 2017 financial statements was completed in accordance with generally accepted auditing standards and that Melanson Heath will be issuing a clean, unmodified audit opinion that the financial statements present fairly the financial position of the Company. She thanked the members of the Company's finance team for their responsiveness and cooperation during the audit. Ms. Tarbox reported that there were no disagreements with management during the audit, and that no material deficiencies were detected, and no occurrences of fraud were identified. She reported that Melanson Heath tested the bond drawdowns and found the Company to be in compliance.

D. Tarbox indicated that Melanson Heath will be working with the Company's accounting department during the summer on changes to the tax provision model due to the new tax act.

L. Goodhue, D. Ware, S. Ansara, G. Torres, C. Howe, and L. Douglas left the meeting at 5:47 p.m. and the Committee met with Ms. Burke and Ms. Tarbox in executive session.

The executive session ended at 6:06 p.m. and L. Goodhue, S. Ansara, G. Torres and C. Howe rejoined the meeting.

The Chairman called for a motion to approve the 2017 audited consolidated financial statements.

On motion duly made by T. Leonard and seconded by J. Murphy, all of the Committee members present then voting, it was unanimously

Resolved: that the consolidated financial statements for the calendar year 2017, as presented at this meeting, are hereby approved.

S. Burke and D. Tarbox left the meeting at 6:08 p.m.

Annual Report to Sole Shareholder

L. Goodhue referred the Committee to the draft Annual Report to Sole Shareholder included in the written materials. He indicated that the Annual Report will be provided to the City along with the proxy material sometime during the week of March 26. The Committee members had no comments or changes to the Annual Report.

Internal Controls

C. Howe gave a presentation on the 2017 Internal Controls review and testing project. She reported that 138 controls were tested. Five control deficiencies were identified in the business areas of Accounting/Financial Reporting, Revenue/Accounts Receivable, and Information Technology. C. Howe indicated that none of the control deficiencies were significant and did not represent material weaknesses. She reviewed the recommendations identified for improvement. A discussion ensued. The Chairman stated that the testing showed that the appropriate controls are in place and effective. The Committee commended C. Howe for a job well done.

Contract with Melanson Heath

L. Goodhue indicated that the Company is in the final year of the audit services contract with Melanson Heath. He inquired whether the Committee would like to put out a Request for Proposal for audit services, and if so, for how many years. A discussion ensued. During the discussion, a number of concerns were noted if the Company was to consider changing auditors. Those concerns included the complexity of the new unique rate structure and the major transition in accounting it has caused, the PEU rate case and bond issuance currently in process, the limited number of companies responding to the last RFP which had little experience in regulatory or municipal compliance, and the cost to transition to a new auditor. Based on these concerns, the Committee directed management to obtain a 3-year proposal from Melanson Heath for audit services.

Other Business

The Committee reviewed the list of management presentations and had no comments.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 7:00 p.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary