

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF JUNE 22, 2018 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, June 22, 2018 at 8:00 a.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 Board members for their review prior to the meeting.

The following Directors were present for the start of the meeting, constituting a quorum:

Thomas J. Leonard, Chairman
C. George Bower
James P. Dore
Elizabeth A. Dunn
Stephen D. Genest
John D. McGrath
John M. Murphy, telephonically
Preston J. Stanley, Jr.

Also attending all or a portion of the meeting from the Company were:

Larry D. Goodhue, Chief Executive Officer
Donald L. Ware, Chief Operating Officer
Suzanne L. Ansara, Corporate Secretary
George Torres, Corporate Controller
Bernard Rousseau, Vice President, Sales and Service
John Boisvert, Chief Engineer
Lori Douglas, Accounting Supervisor

J. Murphy stated the reason he was unable to attend the meeting in person, that he was alone and could hear the proceedings.

S. Ansara recorded the minutes of the meeting. The Chairman called the meeting to order.

Approval of Minutes

The Chairman inquired whether there were any comments with respect to the draft minutes of the May 24, 2018 Board meeting, May 24, 2018 Non-Public Session, and May 24, 2018 Annual Meeting of Shareholder for the Company’s subsidiaries. There being none, on motion duly made by S. Genest and seconded by E. Dunn, all of the Directors present then voting, it was unanimously

Resolved: that the minutes of the May 24, 2018 meeting of the Board of Directors are hereby approved.

Resolved: that the sealed minutes of the May 24, 2018 non-public session of the Board of Directors are hereby approved.

Resolved: that the minutes of the May 24, 2018 Annual Meeting of Shareholder for the Company's subsidiaries are hereby approved.

Financial Results

G. Torres presented a review of the Company's unaudited consolidated financial results for the month ended May 2018 and a review of revenues/water usage. The Company's revenues of \$16.1 million were 8.9% above the prior year revenues and 1.9% below budget on a year-to-date basis. Operating expenses of \$15.5 million were 1.8% above budget and 8.4% above the prior year expenses. Operating income was \$0.7 million compared to prior year operating income of \$0.6 million and budgeted operating income of \$1.3 million. Interest expense of \$4.5 million was 3.3% less than budget and 0.2% less than the prior year expense. Pre-tax loss was \$3.8 million compared to a budgeted pre-tax loss of \$3.4 million and prior year pre-tax loss of \$3.9 million. Year-to-date net loss was \$2.5 million compared to a budgeted net loss of \$3.3 million and prior year net loss of \$3.0 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$4.0 million compared to \$4.6 million in the 2018 budget and the prior year amount of \$3.8 million. Capital expenditures of \$1.8 million were below the budgeted amount of \$4.7 million. Pumpage for the month of May (407 million gallons) was ahead of budget (367 million gallons). G. Torres commented on the Company's debt covenant schedule, and reviewed the variances from budget and prior year results for each subsidiary. A discussion ensued.

Director David Bernier joined the meeting at 8:07 a.m. during the financial review.

Dividend

L. Goodhue indicated that management is recommending that the Board approve the payment of a quarterly dividend in the amount of \$70,045.08 to the City of Nashua. The dividend will supplement the monthly interest and note payment made by the Company to the City of Nashua for the funding of the City's acquisition debt. On motion duly made by S. Genest and seconded by P. Stanley, all of the Directors present then voting, it was unanimously

Resolved: that a dividend in the amount of \$70,045.08 be paid to the sole shareholder of record, the City of Nashua, New Hampshire, on August 6, 2018.

Guaranty by Pennichuck Corporation - Trust Fund Loan to Pennichuck Water Works, Inc. (PWW) – Pennichuck Core Water Main Replacement Project

L. Goodhue indicated that management is seeking the Board's approval for Pennichuck Corporation to guaranty the loan to PWW under the New Hampshire Drinking Water and Groundwater Trust Fund to fund the Pennichuck Core Water Main Replacement project. The loan would be paid over a 30-year term at an interest rate not to exceed 2.424%. He indicated that the Board of PWW has already approved the loan at its May 24, 2018 Board meeting.

On motion duly made by S. Genest, and seconded by E. Dunn, all of the Directors present then voting, it was unanimously

Resolved: that the Board of Directors hereby approves the guaranty by Pennichuck Corporation (the “Company”) of the payment by Pennichuck Water Works, Inc. (“PWW”) of all of its obligations with respect to PWW’s borrowing of up to \$3,375,000 in principal amount from the New Hampshire Drinking Water and Groundwater Trust Fund (the “Trust Fund”), such amount to be paid over a 30-year term, level payment, with interest at a maximum rate of 2.424% and related costs, for the purpose of funding the Pennichuck Core Water Main Replacement project, pursuant to a Loan Agreement between PWW and the New Hampshire Department of Environmental Services.

Further
Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Guaranty agreement with respect to the Trust Fund loan described in the prior resolution (the “Trust Fund Loan”), with such terms as may be deemed necessary or advisable in the several judgment of the officers executing the Guaranty agreement.

Further
Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Guaranty from the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the Guaranty.

Further
Resolved: that Larry D. Goodhue, Donald L. Ware and Carol Ann Howe are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Guaranty and the Trust Fund Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

Guaranty by Pennichuck Corporation - SRF Loan to Pennichuck East Utility (PEU) – Locke Lake

L. Goodhue indicated that management is seeking the Board’s approval for Pennichuck Corporation to guaranty the loan to PEU under the State of New Hampshire’s Drinking Water Revolving Loan Fund Program (SRF) to fund the Locke Lake New Groundwater Source project. The loan would be paid over a 30-year term at an interest rate not to exceed 2.424%. He indicated that the Board of PEU has already approved the loan at its May 24, 2018 Board meeting.

On motion duly made by S. Genest, and seconded by E. Dunn, all of the Directors present then voting, it was unanimously

Resolved: that the Board of Directors hereby approves the guaranty by Pennichuck Corporation (the “Company”) of the payment by Pennichuck East Utility, Inc. (“PEU”) of all of its obligations with respect to PEU’s borrowing of up to \$4,240,000 in principal amount from the State of New Hampshire (the “State”), such amount to be paid over a 30-year term, level payment, with interest at a maximum rate of 2.424% and related costs, for the purpose of funding the Locke Lake New Groundwater Source Project, pursuant to a Loan Agreement between PEU and the State under the State’s Drinking Water Revolving Loan Fund program.

Further

Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Guaranty agreement with respect to the SRF loan described in the prior resolution (the “SRF Loan”), with such terms as may be deemed necessary or advisable in the several judgment of the officers executing the Guaranty agreement.

Further

Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Guaranty from the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the Guaranty.

Further

Resolved: that Larry D. Goodhue, Donald L. Ware and Carol Ann Howe are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Guaranty and the SRF Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

Business Comments and Updates from the CEO

PFAS – Federal Study. There was a discussion relative to the recently released federal study on the health risks posed by PFAS in drinking water. The study indicates far lower thresholds for health risk levels of PFAS in drinking water (inclusive of PFOA and PFOS), than the lifetime advisory level of 70 parts per trillion currently recommended by the Environmental Protection Agency.

Accounting Rules. L. Goodhue reported on a change in GAAP accounting rules regarding revenue recognition. He indicated that the change will have an impact on some of the contracts in the PWSC business. The change needs to be adopted by the end of 2019.

State Utility Tax. L. Goodhue reported that he has decided to no longer pursue a change to the state utility tax with respect to the taxation of pavement with the Department of Revenue, as the cost of pursuing this matter far outweighs the benefits, and indications are that the Company would not prevail on this matter.

PEU Rate Case. L. Goodhue updated the Board on the PEU rate case. On May 31, the NHPUC issued an order approving temporary rates. A settlement agreement for new permanent rates is in the process of being drafted.

Rate Structure. L. Goodhue reported on possible changes to the rate structure in the next PWW rate case. The changes would: (1) allow the Company to not have to borrow money to fully fund the Rate Stabilization Fund, (2) provide cash flow via an annual surcharge to pay for inflationary increases in certain major operating expenses, and (3) allow for a longer period of time between full rate cases.

QCPAC. The PWW 2017/2018 QCPAC process is ongoing. Data requests to be filed next week.

Woodmont Commons. Woodmont Commons is a private development project in the Town of Londonderry. L. Goodhue reported that a fire capacity analysis was performed and a larger water storage tank will be required than originally planned. The new water storage tank will be built on land owned by Pennichuck and the developer has agreed to pay for 51% of the cost of construction. The project is estimated to be completed in 2019. A PUC filing will be required. The project is in the capital budget for 2019.

Land Sales. L. Goodhue discussed the possible sale of land owned in Derry, North Conway and Amherst.

Other Business

The Board reviewed the list of upcoming management presentations and had no changes or comments.

There being no further business to come before the Board, the meeting was adjourned at 9:15 a.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary