

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF SEPTEMBER 28, 2018 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, September 28, 2018 at 8:09 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 meeting, constituting a quorum:

Thomas J. Leonard, Chairman
David P. Bernier
C. George Bower
Elizabeth A. Dunn
Stephen D. Genest
Jay N. Lustig
John M. Murphy
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
Mary V. DeRoche, Human Resources Director
Suzanne L. Ansara, Corporate Secretary
George Torres, Corporate Controller
John Boisvert, Chief Engineer

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 August 24, 2018 Board meeting. There being none, on motion duly made by S. Genest and seconded by P. Stanley, all of the Directors present then voting, it was unanimously

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

Financial Results

G. Torres presented a review of the Company's unaudited consolidated financial results for the month ended August 2018 and a review of revenues/water usage. The Company's revenues of \$30.9 million were 12.1% above the prior year revenues and 0.2% below budget on a year-to-date basis. Operating expenses of \$25.4 million were 2.2% above budget and 8.5% above the prior year expenses. Operating income was \$5.5 million compared to prior year operating income of \$4.1 million and budgeted operating income of \$6.1 million. Interest expense of \$7.2 million was 2.4% less than budget and 0.4% greater than the prior year expense. Pre-tax loss was \$1.7 million compared to a budgeted pre-tax loss of \$1.3 million and prior year pre-tax loss of \$3.1 million. Year-to-date net loss was \$1.6 million compared to a budgeted net loss of \$1.3 million and prior year net loss of \$2.6 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$10.8 million compared to \$11.5 million in the 2018 budget and the prior year amount of \$9.3 million. Capital expenditures of \$5.7 million were below the budgeted amount of \$12.5 million. Pumpage for the month of August (455 million gallons) was below budget (478 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.

Discussions took place relating to cash flow, the timing of the river intake project, and the City of Nashua paving program which has caused a considerable amount of overtime for the Company's distribution crews.

Budget Schedule

G. Torres reviewed the 2019 budget schedule. He indicated that the capital budget will be presented to the Board at the November meeting and the operating budget at the December meeting.

Report of the Compensation and Benefits Committee

S. Genest, Chairman of the Compensation and Benefits Committee, reported on the Committee's September 13, 2018 meeting. The Committee reviewed a proposed amendment to the Company's 401(k) Plan to allow for automatic enrollment of new employees and is recommending that the Board approve the amendment. The Committee also reviewed 2019 premiums for the Company's healthcare plans, and was given a presentation on Workers' Compensation claims and Safety practices. S. Genest reported that there will be a 0% increase in medical premiums for 2019, a 3% increase in premiums for the dental plan, and a 4% increase in premiums for the vision plan. Both the dental and vision premiums are capped for 2 years. He also reported that the workers' compensation experience modification rate for 2019 is coming in at 0.62, which is excellent. A discussion ensued.

Resolution – 401(k) Plan Amendment – Automatic Enrollment

On motion duly made by S. Genest and seconded by J. Lustig, all of the Directors present then voting, the following resolutions were unanimously approved:

Whereas, Pennichuck Corporation (the “Company”) maintains the Savings Plan for Employees of Pennichuck Corporation (“Plan”), a qualified retirement plan, for the benefit of its eligible employees;

Whereas, the Company has decided to amend the Savings Plan for Employees of Pennichuck Corporation Adoption Agreement;

Whereas, Section 14.01(b) of the Plan authorizes the Company to amend the selections under the Adoption Agreement; and

Whereas, the Board of Directors of the Company has reviewed and evaluated the proposed amendments to the Plan.

Now, Therefore, be it hereby:

Resolved: that the Board of Directors of the Company hereby approves the Amendment to Savings Plan for Employees of Pennichuck Corporation (the “Plan Amendment”), as presented at this meeting, to be effective on January 1, 2019, which Plan Amendment amends the Adoption Agreement to add a 3% Automatic Enrollment provision.

Further

Resolved: that the Chief Executive Officer and the Chief Operating Officer of the Company, are severally authorized to execute the Plan Amendment and perform any other actions necessary to implement the Plan Amendment.

Further

Resolved: that if the Plan Amendment modifies the provisions of the Summary Plan Description, Plan participants will receive a Summary of Material Modifications summarizing the changes under the Plan Amendment.

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

Resolved: that the Amendment to the Administrative Services Agreement between Pennichuck Corporation and MassMutual relating to the Company’s Savings Plan for Employees of Pennichuck Corporation, adding automatic enrollment to the services provided by MassMutual under the Agreement, is hereby approved.

Report of the Nominating and Governance Committee

E. Dunn, Chairman of the Nominating and Governance Committee, reported on the Committee’s September 13, 2018 meeting. She referred the Board to the draft amendment to the Corporate

Code of Conduct relating to confidentiality set forth in the Agenda. She indicated that the Committee is recommending that the Board approve the amendment.

After discussion, on motion duly made by S. Genest and seconded by G. Bower, all of the Directors present then voting, it was unanimously

Resolved: that at the recommendation of the Nominating and Governance Committee, the Board of Directors hereby approves the amendment to Section 9 of the Corporate Code of Conduct relating to confidentiality, as presented at this meeting.

Guaranty of PEU SRF Loan – Locke Lake New Groundwater Source Project

L. Goodhue reported that the maximum interest rate for the SRF loan for the Locke Lake New Groundwater Source project has changed from 2.424% to 2.704%. He indicated that all the necessary approvals were not obtained in time to close on the loan prior to the expiration date of the interest rate. L. Goodhue indicated that management is recommending that the Board rescind the resolutions approved at the June 22, 2018 Board meeting and approve new resolutions setting forth the new interest rate.

Rescind Prior Resolutions

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

Resolved: that the resolutions adopted by the Board of Directors of Pennichuck Corporation on June 22, 2018, pursuant to which it approved the guaranty by Pennichuck Corporation of the borrowing by Pennichuck East Utility, Inc. of up to \$4,240,000 for a 30 year-term at an interest rate of 2.424% from the State of New Hampshire Drinking Water Revolving Loan Fund Program to fund the Locke Lake New Groundwater Source Project, are hereby rescinded.

Revised Resolutions

On motion duly made by S. Genest and seconded by D. Bernier, 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 2.704% 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.

Guaranty of PWW Trust Fund Loan – Core Water Main Replacement Project

L. Goodhue reported that the maximum interest rate for the Trust Fund loan for the Pennichuck Core Water Main Replacement project has changed from 2.424% to 2.704%. He indicated that all the necessary approvals were not obtained in time to close on the loan prior to the expiration date of the interest rate. L. Goodhue indicated that management is recommending that the Board rescind the resolutions approved at the June 22, 2018 Board meeting and approve new resolutions setting forth the new interest rate.

Rescind Prior Resolutions

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

Resolved: that the resolutions adopted by the Board of Directors of Pennichuck Corporation on June 22, 2018, pursuant to which it approved the guaranty by Pennichuck Corporation of the borrowing by Pennichuck Water Works, Inc. of up to \$3,375,000 for a 30 year-term at an interest rate of 2.424% from the New Hampshire Drinking Water and Groundwater Trust Fund to fund the Pennichuck Core Water Main Replacement project, are hereby rescinded.

Revised Resolutions

On motion duly made by S. Genest and seconded by J. Murphy, 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 2.704% 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.

Arsenic Standard – L. Goodhue reported that NH legislators are considering sharply lowering the level of arsenic allowed in drinking water. The current standard is 10 parts per billion. He indicated that the Company may be looking at substantial increases in operating expenses if the arsenic standard is lowered.

PFAS (Per- and Polyfluoroalkyl Substances) Standard. The NHDES is continuing their review of the standard for PFAS (which includes PFOS and PFOA). The current standard for PFAS in New Hampshire is 70 ppt. Management is monitoring the matter.

M. DeRoche and G. Torres left the meeting at 9:21 a.m.

Move to Non-Public Session

S. Genest moved that the Board enter into non-public session to (i) discuss matters, which if discussed in public, would likely affect adversely the reputation of a person pursuant to RSA 91-A:3, II(c), (ii) discuss the acquisition, sale or lease of real or personal property pursuant to RSA 91-A:3, II(d), and (iii) discuss confidential or financial information pursuant to RSA 91-A:3, II(j). P. Stanley seconded the motion.

A roll call of the Directors present was taken, which resulted as follows:

Yea: D. Bernier, G. Bower, E. Dunn, S. Genest, T. Leonard,
J. Lustig, J. Murphy, P. Stanley

Nay:

Motion was carried to enter into non-public session at 9:22 a.m.

Reconvene in Public Session

The non-public session ended at 11:48 a.m. and the Board reconvened in public session. Present were the Directors, L. Goodhue, D. Ware, S. Ansara, J. Boisvert and C. Countie.

E. Dunn moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(c), RSA 91-A:3, II(d) and RSA 91-A:3, II(j). G. Bower seconded the motion. A roll call of the Directors present was taken, which resulted as follows:

Yea: D. Bernier, G. Bower, E. Dunn, S. Genest, T. Leonard,
J. Lustig, J. Murphy, P. Stanley

Nay:

Motion was carried to seal the minutes of the non-public session.

There being no further business to come before the Board, the meeting was adjourned at 11:49 a.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary