

PENNICHUCK CORPORATION  
BOARD OF DIRECTORS  
MINUTES OF DECEMBER 14, 2018 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, December 14, 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  
David P. Bernier, telephonically  
C. George Bower  
James P. Dore  
Stephen D. Genest  
Jay N. Lustig  
John D. McGrath  
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, HR Director  
Suzanne L. Ansara, Corporate Secretary  
Carol Ann Howe, Assistant Treasurer  
George Torres, Corporate Controller  
Bernard Rousseau, Vice President, PWSC  
Steven Greenwood, IT Director  
Tara King, Revenue and Customer Service Manager  
Alan Brown, Distribution Manager  
Chris Countie, Water Supply Manager  
John Boisvert, Chief Engineer

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

Approval of Minutes

The Chairman inquired whether there were any comments with respect to the draft minutes of the November 16, 2018 Board meeting. There being none, on motion duly made by S. Genest and seconded by G. Bower, all of the Directors present then voting, it was unanimously

Resolved: that the minutes of the November 16, 2018 meeting of the Board of Directors are hereby approved.

#### Capital Expenditures and Pumpage Review – November 2018

G. Torres reviewed the summary of capital expenditures and pumpage chart as of November 2018. Capital expenditures of \$9.5 million were below the budgeted amount of \$15.7 million. Pumpage for the month of November (250 million gallons) was below budget (265 million gallons).

Director Elizabeth Dunn joined the meeting at 8:05 a.m.

#### Dividend to Shareholder

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 J. Murphy and seconded by J. McGrath, all of the Directors 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 January 4, 2019.

#### Review of the 2019 Capital Budget and 2020 / 2021 CapEx Plans

G. Torres presented the 2019 Capital Expenditure Budget and 2020-2021 capital expenditure plans, updated from the preliminary budget reviewed at the November Board meeting. The 2019 consolidated capital budget consists of approximately \$2.4 million of carry-over projects from 2018 and approximately \$17.0 million for new projects, for a total 2019 capital budget of approximately \$19.5 million. Estimates for capital expenditures in 2020 and 2021 are approximately \$16.3 million and approximately \$12.7 million respectively. A discussion ensued.

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

Resolved: that the 2019 Capital Budget and the 2020 and 2021 Capital Expenditure Plans, as presented at this meeting, are hereby approved.

#### Presentation – Capital Projects Update

J. Boisvert presented an update on 2018 capital projects, including the Brady Avenue main replacement in Derry, Hillcrest Road main replacement in Litchfield, Woodmont Commons tank in Londonderry, the expansion project in Bedford due to PFOA contamination, main replacements in Nashua, and the PWW-PEU interconnection project. He also reviewed projects scheduled for 2019.

## Review of Preliminary 2019 Operating Budget

L. Goodhue and G. Torres presented a review of the supporting schedules to the Company's preliminary 2019 operating budget, copies of which were included in the written materials. A lengthy discussion ensued. A final 2019 operating budget will be presented to the Board at the January 2019 Board meeting.

## 2018 Major Accomplishments

L. Goodhue reviewed the Company's major accomplishments in 2018 which included, but were not limited to, the following:

- Maintained and improved existing relationships with the sole shareholder and municipalities served, including efforts related to ongoing changes in City leadership, as well as implications and communications related to rate case activities
- Completed the sale of several parcels of "excess" land
- Continued "roll-out" of the Asset Management System, including enhancements and features added to the DPaC and GIS applications
- Completion of the PEU 2016 test year rate case, with a desired outcome. Order received 10/4/18; effective as of 11/5/18
- Successful completion and approval of first QCPAC filing/order for PWW. Order received 10/29/18; effective as of 11/29/18
- Successful renewal of Company's insurance portfolio in December 2018, including slight reduction in premiums, with equivalent or elevated levels of coverage
- Successful completion of annual Internal Control Review, with no significant deficiencies identified
- Successful completion of Litchfield tax abatement arbitration settlement
- Ongoing replacement of aging infrastructure in City of Nashua, coupled with sewer replacements by the City
- Comprehensive work completed in support of City's aggressive paving plan
- Completed initial feasibility study of source water supply for Locke Lake CWS
- Procured the necessary funding in support of Capital Projects for identified projects for the three regulated utilities, including:
  - Implementation of new \$4M Penn Corp Working Capital Line of Credit
  - Implementation of Fixed Asset Lines of Credit for PWW (\$10M) and PEU (\$3M)
  - Procurement of SRF loan (\$2.4M), DWGTF loan (\$3.4M) and DWGTF grant (\$600K)
- Completed implementation and conversion to new Payroll Service Provider (Proliant) at beginning of Q2
- Successful completion and installation of the PWW-PEU Merrimack River Interconnection Main (used and useful in December)

- Secure multi-year extensions on several significant operating contracts for PWSC, as well as continued procurement of additional operating contracts, including major contract for Penacook-Boscawen (to replace income from Hudson contract renewal lost in 2018)
- Continued efforts related to training, mentoring and succession planning throughout the organization
- Direct and indirect participation in the NH Drinking Water and Groundwater Trust Fund
- Successful completion of annual fiscal audit, pension plan audit, initial 401(k) plan audit, and single audit for SRF financing program. All with unqualified opinions.
- Continued progress on inventory control policies and operating procedures
- Continued focus on system and applications integration companywide
- Completion of build-out and response to PFOA affected areas in Litchfield (phase 1; phase 2 slated for 2019), Amherst and phase 1 of Bedford
- Significant progress made with regard to discussions/efforts on the relocation of the Main Office facility (final decision to be made no later than June 2019, for move in June 2020 or June 2021)
- Implementation of new Record Retention Policy
- Worked with NH Legislature in response to the HB324 Study Commission on Utility taxation

### 2019 Major Goals

L. Goodhue reviewed the Company's major goals for 2019 which included, but were not limited to, the following:

- File PWW Rate Case for test year 2018, including request for rate structure modification relating to annual surcharge for inflationary increases in operating expenses
- File initial PEU QCPAC case
- Research and considerations of the effective usage of social media in customer relations and outreach
- Complete design and approval of Locke Lake overflow intake and treatment facilities upgrades
- Continued development and implementation of the Asset Management, GIS and DPaC modules, including criticality and vulnerability assessment to establish framework for 2020 Capex planning
- Continued roll-out and implementation of companywide Customer Security Program, to the benefit and safety of customers and employees
- Continued disposal of "excess" land portfolio, with additional lots to be placed on market by Q2
- Completion of CCL training for 1 additional Management Staff member

- Completion and ongoing response and action to PFOA contamination issues in Merrimack, Litchfield, Bedford and Amherst, in cooperation with the NHDES and other State agencies
- Continued training, mentoring and succession planning throughout the organization
- Consider potential upgrade to current Macola ES accounting application
- Complete replacement of Design of rebuild of the Bowers Dam, in preparation of project to be completed in 2020
- Carbon media in 4 of 12 Filter Bays in the Treatment Plant
- Work with NHDES in assessment and implementation of new State MCL's for 1,4 dioxane, arsenic, PFAS and lead testing in schools
- Complete Bond issuance reimbursement financing in April for PWW 2018 Capex
- Implementation of the new Revenue Recognition standard (ASU No. 2014-09), including new accounting methodology and reporting
- Continued participation in multiple educational outreach efforts within the Company's customer coverage radius
- Continued focus on system and applications integration companywide, in response to results of gap analysis done with ISO 27001 study
- Comprehensive review of Emergency Action Plan conducted during Internal Control Review process
- Finalize implementation of companywide Record Retention Policy
- Finalize and secure several new contracts for PWSC, including but not limited to Wellfleet and extension/renewals of Eastham and Rowley
- Complete HQ relocation analysis, including overall site planning, contractual requirements, and current lease termination/extension

### Other Business

Charitable Contributions – The Board noted the summary of 2018 charitable contributions made by Pennichuck Water Service Corporation, a copy of which was included in the written materials.

Management Presentations – The Board reviewed the list of upcoming management presentations and had no comments.

### Move to Non-Public Session

S. Genest moved that the Board enter into non-public session to (i) discuss confidential or financial information pursuant to RSA 91-A:3, II(j) and (ii) discuss real or personal property pursuant to RSA 91-A:3, II(d). P. Stanley seconded the motion.

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

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

Nay:

Motion was carried to enter into non-public session at 10:33 a.m.

Reconvene in Public Session

The non-public session ended at 11:58 a.m. and the Board reconvened in public session.

S. Genest moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(j) and RSA 91-A:3, II(d). P. Stanley seconded the motion. A roll call of the Directors was taken, which resulted as follows:

Yea: D. Bernier, G. Bower, J. Dore, E. Dunn, S. Genest, T. Leonard, J. Lustig,  
J. McGrath, 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 12:00 p.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara  
Corporate Secretary