

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF FEBRUARY 19, 2019 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Tuesday, February 19, 2019 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 all or a portion of the meeting:

Committee Members:	James P. Dore, Chairman C. George Bower Thomas J. Leonard John D. McGrath 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

S. Ansara recorded the minutes of the meeting.

Approval of Minutes

There being no comments on the draft minutes of the November 15, 2018 Committee meeting, on motion duly made by T. Leonard and seconded by J. McGrath, all of the Committee members then voting in favor, except for G. Bower who abstained, it was

Resolved: that the minutes of the November 15, 2018 meeting of the Audit, Finance and Risk Committee are hereby approved.

Emergency Plans

S. Ansara reviewed the chart showing the tasks completed in 2018, in accordance with the Standard Operating Procedures to the Company’s Emergency Plans.

There was a review of proposed changes to the facility emergency action plans and appendices, including changes to the threat checklists and the fire prevention plans for each facility relating to quarterly safety walkthroughs.

D. Ware reported that the Company's Safety Committee meets monthly. The Safety Committee includes union and non-union representatives from the corporate office, the water treatment plant and the distribution facility. An outside consultant attends the monthly safety committee meetings, and is also a resource for training.

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

Resolved: that the recommended changes to the Company's emergency plans, as presented at this meeting, are hereby approved.

D. Ware reported that a fire drill was not held at the Pittsfield facility in 2018. He said that the facility is basically one large room, that there are only four employees at the facility, and that most of the time, there is only one or no employees present during the day. He indicated that emergency procedures are reviewed with the employees and that fire alarms have been installed. D. Ware is working on a revised emergency action plan for the Pittsfield facility.

D. Ware commented on the various Committees he participates on relating to emergency preparedness.

D. Ware reported that the America's Water Infrastructure Act (AWIA) was signed into law on October 23, 2018. The law requires community drinking water systems serving more than 3,300 people to develop or update risk assessments and emergency response plans. The EPA will release by August 1, 2019 guidance and tools for water systems to use to comply with the AWIA. Completion date is March 31, 2020. D. Ware indicated that Londonderry and Litchfield each have over 3,300 customers and will need to comply. Once D. Ware has a chance to review the guidance documents, he will assess whether it can be handled internally or if outside consultants will be needed.

Insurance Coverage Review

L. Goodhue and C. Howe presented a review of the Company's Property and Casualty insurance coverages and premiums for 2019. L. Goodhue indicated that the Company's insurance agent reviewed the portfolio from last year to ensure that the Company was adequately covered.

CoBank, ACB Term Loan – Pennichuck East Utility, Inc.

L. Goodhue indicated that management is seeking approval for Pennichuck East Utility, Inc. (PEU) to enter into a term loan with CoBank in an amount up to \$1,450,000, with an amortization period from 20 to 25 years. The interest rate will be determined based on market conditions. Proceeds from the loan will be used to refinance and repay up to approximately \$1,450,000 of Fixed Asset Line of Credit (FALOC) borrowings by PEU under its \$3 Million FALOC with CoBank. The loan will be secured by an unconditional guarantee of PEU's obligations by Pennichuck Corporation.

After discussion, on motion duly made by J. Murphy and seconded by J. McGrath, all of the Committee members then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee hereby recommends to the Board of Directors of Pennichuck Corporation and Pennichuck East Utility, Inc. that Pennichuck East Utility, Inc. enter into a term loan with CoBank, ACB in an amount up to \$1,450,000 with a 20-25 year amortization schedule.

Bond Financing – Pennichuck Water Works, Inc.

L. Goodhue reported that the documents for the bond financing have been drafted and are being reviewed by the Company’s attorneys. He referred the Committee to copies of the draft documents included in the written materials. The aggregate principal amount of the bonds to be issued is \$8.8 million, which includes \$8.3 million to finance Pennichuck Water Works’ capital projects for the year 2018, and \$0.5 million to finance the costs of issuance. L. Goodhue indicated that this financing is a component of the 2017-2020 Financing Plan approved in 2018. A discussion ensued.

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

Resolved: that the issuance of bonds needed to finance the 2018 capital expenditures of Pennichuck Water Works, Inc. (“PWW”), initially funded by the Fixed Asset Line of Credit or from working capital sources, and as described to the Audit, Finance and Risk Committee as a component of the 2017-2020 Financing Plan approved by the Board of Directors of Pennichuck Corporation and PWW on February 23, 2018, and to consist of the entering into of the following credit facilities:

Taxable or Tax-exempt Bonds in one or more Series in the aggregate amount of up to:	\$ 8,300,000
Taxable or Tax-exempt Bonds in one or more Series or Bank Credit Facility to fund Bond Issuance Costs – up to:	\$ <u>500,000</u>
Total usage of the amount approved under the 2017-2020 Financing Plan:	\$ 8,800,000

the “2019 Bond Issuance Plan” be and it is hereby favorably recommended for consideration and approval by the Board of Directors of Pennichuck Corporation and PWW.

Further

Resolved: that the officers of Pennichuck Corporation and PWW are severally authorized, empowered and directed to take such actions necessary to present the 2019 Bond Issuance Plan to the Board of Directors of Pennichuck and PWW, and to report the favorable recommendation of this Committee to each such Board.

Emergency Testing

The Committee asked that a discussion/workshop be added to the presentation list for a June or August Committee meeting to discuss emergency procedures with management.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 5:58 p.m.

/s/ Suzanne L. Ansara
Suzanne L. Ansara
Corporate Secretary