

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF AUGUST 23, 2019 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, August 23, 2019 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 meeting, constituting a quorum:

Thomas J. Leonard, Chairman
David P. Bernier, telephonically
C. George Bower
James P. Dore
Elizabeth A. Dunn
Stephen D. Genest
Jay N. Lustig
John D. McGrath
John M. Murphy
Deborah Novotny
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
George Torres, Corporate Controller
Carol Ann Howe, Assistant Treasurer
Steven Greenwood, IT Director
Chris Countie, Director, Water Supply and Community Systems
John Boisvert, Chief Engineer
Tara King, Revenue and Customer Operations Manager

D. Bernier 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.

Move to Non-Public Session

S. Genest moved that the Board enter into non-public session to discuss confidential or financial information pursuant to RSA 91-A:3, II(j). J. McGrath 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, D. Novotny, P. Stanley

Nay:

Motion was carried to enter into non-public session at 8:01 a.m.

Reconvene in Public Session

The non-public session ended at 9:09 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). J. Lustig 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, D. Novotny, P. Stanley

Nay:

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

Approval of Minutes

There being no comments on the draft minutes of the June 28, 2019 Board meeting, on motion duly made by J. McGrath and seconded by S. Genest, all of the Directors then voting, it was unanimously

Resolved: that the minutes of the June 28, 2019 meeting of the Board of Directors are hereby approved.

There being no comments on the draft minutes of the June 22, 2018 meeting of the Ad Hoc Building Committee, on motion duly made by J. McGrath and seconded by S. Genest, all of the Directors then voting, it was unanimously

Resolved: that the minutes of the June 22, 2018 meeting of the Ad Hoc Building Committee are hereby approved.

Financial Results

G. Torres presented a review of the Company's unaudited consolidated financial results for the month ended July 31, 2019 and a review of revenues/water usage. The Company's revenues of \$24.8 million were 6.0% below the prior year revenues and 5.4% below budget on a year-to-date basis. Operating expenses of \$22.2 million were 0.8% below budget and 0.3% above the prior year expenses. Operating income was \$2.6 million compared to prior year operating income of \$4.2 million and budgeted operating income of \$3.8 million. Interest expense of \$6.5 million was 3.3% less than budget and 2.7% greater than the prior year expense. Pre-tax loss was \$3.8 million compared to a budgeted pre-tax loss of \$2.9 million and prior year pre-tax loss of \$2.0 million. Year-to-date net loss was \$3.9 million compared to a budgeted net loss of \$2.8 million and prior year net loss of \$1.6 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$7.5 million compared to \$8.7 million in the 2019 budget and the prior year amount of \$8.9 million. Capital expenditures of \$4.2 million were below the budgeted amount of \$11.4 million. Pumpage for the month of July (498 million gallons) was slightly ahead of budget (497 million gallons). G. Torres commented on the Company's consolidated balance sheet, cash flow statement, and debt covenant schedule, and on the income statements for each subsidiary, and reviewed the variances from budget and prior year results for each subsidiary. A discussion ensued.

J. Lustig left the meeting at 10:09 a.m.

Capital Projects Update

J. Boisvert gave a presentation on the status of 2019 capital projects for Pennichuck Water Works and Pennichuck East Utility. He reviewed the major projects underway and indicated that they are anticipated to be completed by December. He also reviewed projects that were budgeted for 2020 but have been moved to 2019.

J. Boisvert reported that management is looking for the Board's approval to increase the 2019 capital budget for both PWW and PEU. He indicated that the increase in funds for PWW relate to additional costs associated with the Merrimack River Intake project, the increased scope and bid amount for the Lake Street paving project, and paving costs for projects budgeted for 2020 that have been moved to 2019. The increase in funds for PEU relate to additional costs associated with the water main replacement in the Georgetown Area of Locke Lake, and the airstrip well raw water pipeline. For PEU, the increase in funds also relates to two new projects that were not budgeted in 2019: upgrades to the Weinstein/Dame Stations, and work to upgrade the Michells Way PRV Pit and to replace the Gilcrest Road PRV Pit, both in Londonderry. J. Boisvert referred the Board to the revised capital expenditure budget schedules for PWW and PEU, copies of which were included in the written materials to the Board. A discussion ensued.

Revised Capital Expenditure Budgets – PWW and PEU

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

Resolved: that the revised 2019 capital budget for Pennichuck Water Works, Inc., a copy of which was presented at this meeting, which increases the previously approved budget amount of \$14,978,170 to \$16,912,574, is hereby approved.

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

Resolved: that the revised 2019 capital budget for Pennichuck East Utility, Inc., a copy of which was presented at this meeting, which increases the previously approved budget amount of \$3,396,500 to \$3,774,285, is hereby approved.

CEO – Business Updates

Petitions Filed with PUC

L. Goodhue updated the Board on petitions filed with the PUC:

- Woodmont Commons – The PUC issued an Order on August 9 approving the proposed special contract between PEU and the developer of Woodmont Commons in Londonderry, to share in the cost of constructing a water storage tank. A condition of the Order requires PEU to file with the PUC a signed copy of the special contract within 15 days of the Order. Due to issues with the Zoning Board of Adjustment for the Town of Londonderry, the special contract has not yet been signed. PEU will be filing a petition with the PUC for an extension of time to file the signed contract.
- CIAC Taxation – PWW, PEU and PAC filed tariff revisions with the PUC in December 2018 to recover the tax liabilities associated with the receipt of contributions in the aid of construction (CIAC), because the 2017 Tax Cuts and Jobs Act removed the tax exclusion of CIAC received by regulated water companies. The Company is still waiting for an Order from the PUC.
- QCPAC - Petitions were filed in February for PWW and PEU seeking approval of a 2019 QCPAC surcharge to recover amounts borrowed for capital projects. An Order from the PUC is anticipated within the next 30-45 days.
- PEU Short Term Debt – PEU filed a petition with the PUC in June for a waiver of the 10% limitation on its short term debt and also requested that the waiver be issued on a permanent basis. Awaiting an order from the PUC.

PWW Rate Case

L. Goodhue gave an update on the PWW rate case filing. He reported that a frequently asked questions insertion regarding the rate case was recently mailed to all customers. He indicated that PWW is not seeking temporary rates in light of its QCPAC program. There is one intervenor in the rate case, the City of Nashua. A Prehearing Conference with the PUC has been scheduled for October 3, 2019 and a Technical Session will immediately follow.

Land Swap – Stabile

L. Goodhue reported that the land swap deal with John Stabile closed in July. Stabile will file the final tax return of HECOP IV. Once the tax return is filed, HECOP IV can then be dissolved and the property held by HECOP IV can be transferred from The Southwood Corporation to Pennichuck Corporation.

PFAS

L. Goodhue and C. Countie updated the Board on the testing for PFAS in the Company's watershed. New standards for PFAS in New Hampshire are going into effect on October 1, 2019. The standard for PFOA is changing from 70 ppt to 12 ppt and the standard for PFOS is changing from 70 ppt to 15 ppt. L. Goodhue indicated that all systems, other than the PWW core system, have been tested twice, and they have had no detections above the new standards. The PWW core system has been tested on a monthly basis and have shown levels above the new standards in the Pennichuck Brook supply. Testing of the Merrimack River supply have shown levels below the new standards. Going forward, beginning in the 4th quarter, all systems are required to be tested on a quarterly basis.

C. Countie reported that 4 carbon filter media were replaced in the spring and another 4 will be replaced this fall. In addition, 4 filters are planned to be replaced in the spring of 2020. Replacement of the carbon filters will be required more frequently in order to meet the new PFAS standards. He indicated that the Merrimack River will be the primary source of supply in order to preserve the life of the carbon filters. The Pennichuck Brook system will be used as the secondary source of supply to the plant.

The Board commended the management team on their efforts since the PFAS issue began in 2016.

The meeting was temporarily adjourned at 11:06 a.m. for a meeting of the Pennichuck Water Works, Inc. Board of Directors

The meeting reconvened at 12:04 p.m. All the Directors were present except for Jay Lustig.

Move to Non-Public Session

J. McGrath moved that the Board enter into non-public session for the following: RSA 91-A:3, II(a) – Compensation, RSA 91-A:3, II(b) – Hiring, RSA 91-A:3, II(c) – Reputation, RSA 91-A:3, II(d) – Property, RSA 91-A:3, II(e) – Claims, RSA 91-A:3, II(i) – Emergency Functions, and RSA 91-A:3, II(j) – Confidential/Financial Information.

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. McGrath, J. Murphy, D. Novotny, P. Stanley

Nay:

Motion was carried to enter into non-public session at 12:05 p.m.

Reconvene in Public Session

The non-public session ended at 12:36 p.m. and the Board reconvened in public session.

J. McGrath moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(d), except for the matter relating to the potential unsealing of prior non-public session minutes which will be included in the minutes of the public meeting. 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. McGrath, J. Murphy, D. Novotny, P. Stanley

Nay:

Motion was carried to seal the minutes.

Unsealing of Board Minutes

During the non-public session, one of the items considered was the potential unsealing of certain of the Board’s non-public session minutes.

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

Resolved: that based on the recommendation of the Communications Committee, the Board of Directors hereby approves the following:

- (a) to unseal in their entirety the sealed minutes of the Pennichuck Corporation Board of Director’s September 23, 2016, October 28, 2016, December 16, 2016, January 27, 2017, March 24, 2017, April 28, 2017, and August 25, 2017 non-public sessions; and

- (b) to unseal the highlighted sections of the sealed minutes of the Pennichuck Corporation Board of Director's May 26, 2016, June 24, 2016, November 18, 2016, February 24, 2017, May 25, 2017, June 23, 2017, September 22, 2017, October 27, 2017, November 17, 2017 and December 15, 2017 non-public sessions.

Other Business

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

L. Goodhue indicated that he will be scheduling a meeting with the Special Water Committee of the Board of Aldermen in the near future to review the recent Quarterly Report and to discuss the anticipated relocation of the corporate office.

There being no further business to come before the Board, the meeting was adjourned at 12:38 p.m.

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