

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF SEPTEMBER 27, 2019 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, September 27, 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
C. George Bower, telephonically
James P. Dore
Elizabeth A. Dunn
Stephen D. Genest
Jay N. Lustig
John M. Murphy, telephonically
Deborah Novotny
Preston J. Stanley, Jr.

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
Lori Douglas, Accounting Manager
Bernard Rousseau, Vice President-PWSC
Steven Greenwood, IT Director
Chris Countie, Director, Water Supply and Community Systems
John Boisvert, Chief Engineer
Tara King, Revenue and Customer Operations Manager

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

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

S. Ansara recorded the minutes of the meeting.

The Chairman called the meeting to order.

Approval of Minutes

There being no comments on the draft minutes of the August 23, 2019 Board meeting, on motion duly made by J. Dore and seconded by P. Stanley, all of the Directors present then voting, it was unanimously

Resolved: that the minutes of the August 23, 2019 meeting of the Board of Directors are hereby approved.

Financial Results

L. Douglas reviewed the summary of capital expenditures and pumpage chart as of August 2019. Capital expenditures of \$4.7 million were below the budgeted amount of \$13.7 million. Pumpage for the month of August (477 million gallons) was slightly behind budget (478 million gallons). Projects of note include the Merrimack intake and the replacement of carbon filters. L. Douglas commented on the debt covenants schedule and reviewed the variances from budget and prior year results for each subsidiary.

At August 30, 2019, the Company's revenues of \$29.6 million were 4.2% below the prior year revenues and 2.1% below budget on a year-to-date basis. Operating expenses of \$25.4 million were 1.2% below budget and 0.1% above the prior year expenses. Operating income was \$4.2 million compared to prior year operating income of \$5.5 million and budgeted operating income of \$4.5 million. Interest expense of \$7.4 million was 3.4% less than budget and 2.5% greater than the prior year expense. Pre-tax loss was \$3.1 million compared to a budgeted pre-tax loss of \$3.2 million and prior year pre-tax loss of \$1.7 million. Year-to-date net loss was \$3.5 million compared to a budgeted net loss of \$3.1 million and prior year net loss of \$1.6 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$9.9 million compared to \$10.0 million in the 2019 budget and the prior year amount of \$10.8 million.

L. Goodhue reported that House Bill 700, relative to the valuation of utility company assets for local property taxation, did pass. There will be a 5-year phase in.

T. Leonard asked that management prepare a summary of legal fees paid over the past 2-3 years.

2020 Budget Schedule

L. Goodhue reviewed the budget schedule for 2020. The capital budget will be presented to the Board in November for review, and submitted to the Board in December for preliminary approval. The operating budget will be presented to the Board for review in December. Final approval of the capital and operating budgets will be at the January meeting. There was a discussion about the decline in consumption year-over-year relative to the preparation of the 2020 budget.

The Board questioned whether the Company is still using water from the Hudson wells. L. Goodhue indicated that the Company continues to draw water from Hudson for its 15% allotment out of those wells as it is the least expensive cost of water for that system. The interconnection was built because the Company needed more water than the wells could produce and helps to insure water quality in compliance with regulations.

TD Bank Line of Credit – Extension

L. Goodhue indicated that management is seeking the Board’s approval to extend the \$4 million line of credit with TD Bank, which is due to expire in November, to February 29, 2020. He reported that he has discussed with the bank about increasing the line of credit to \$4.5–\$5 million. The bank has requested that the Company provide forecasts prior to making a decision. L. Goodhue indicated that the 2020 budgets should be completed before providing the forecasts to the bank.

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 of Pennichuck Corporation (the “Company”) hereby consents to extending the expiration date of the Amended and Restated Loan Agreement and the Amended and Restated Revolving Note between the Company and TD Bank, N.A. dated April 27, 2018, from November 29, 2019 to February 29, 2020; and that Larry D. Goodhue, the Company’s Chief Executive Officer, is hereby authorized to execute any amendments to said Loan Agreement and Revolving Note on behalf of the Company to carry out the intent of this resolution.

CEO – Business Updates

CIAC Taxation – L. Goodhue reported that the Company’s attorneys recently filed modified tariff pages for PWW, PEU and PAC which reflect recommendations made by the PUC Staff. Now waiting on an order from the PUC.

Woodmont Commons / Londonderry – CIAC will be shared with the owners of Woodmont Commons as negotiated in a special contract approved by the PUC. J. Boisvert has been attending meetings of the Londonderry Zoning Board of Adjustment regarding a variance for the installation of a new water tank. There is a great deal of opposition from neighbors who do not want the tank in their neighborhood.

QCPAC – PUC Staff has given its recommendation. An order from the PUC is expected shortly. For PWW, the QCPAC surcharge will be recoupable to the bond issuance date. For PEU, the QCPAC surcharge will be recoupable to the date of the closing of the CoBank loan.

PEU Short Term Debt – L. Goodhue reported that a PUC Staff recommendation letter was received yesterday. The Staff is recommending a temporary short-term debt limit of 18 percent of net fixed plant to expire on June 30, 2023. The Staff is also recommending that the Commission deny the Company’s request for a permanent waiver. An order from the PUC is expected within the next 30 days.

Other Matters –

L. Goodhue reported that the management team is currently working on the following projects:

- completion of major construction projects including the Merrimack River Intake which should be pumping water by the end of December
- internal controls
- new potential contracts for PWSC
- replacement of the Synergen work management system; current system goes unsupported next year and would be costly to upgrade “as is”
- compliancy with new PFAS standards; carbon media change outs
- upgrades to the Company’s on-line payment system (Paymentus)
- training and implementation of a new performance management system
- PUC auditors are in-house this week; no issues identified so far.

Windham, NH - Southern New Hampshire Regional Water Project

B. Rousseau stated that he was recently approached by the Planning Director for the Town of Windham asking whether Pennichuck would be willing to run their water system if the Town took over ownership of their assets from Pennichuck or as a result of the Southern New Hampshire Regional Water (SNHRW) project. He reported that he told the Planning Director that Pennichuck would be willing to contract operate the Windham system subject to agreement on terms and pricing. Pennichuck currently holds the franchise for the entire Town of Windham and is obligated to serve the Town. Management is meeting with the Town in the next week to discuss alternatives with them.

PFAS

L. Goodhue stated that the first test results for PFAS under the new standard which went into effect on October 1, are due on December 1. The Pennichuck Brook has tested at 23 ppt. The raw water from the Merrimack River tested at below 10 ppt. He reported that the WTP is seeing good removal of the contaminants through the new carbon filters to a level of “non-detect.” The Merrimack River will be the primary source of supply going forward in order to preserve the life of the carbon filters, with the Pennichuck Brook system used as the secondary source of supply. L. Goodhue indicated that the cost of electricity to pump from the river is less than replacing the carbon filters on a more frequent basis. Testing for PFAS will continue on a monthly basis. There was a discussion relative to the quality of the Merrimack River water and the use of the Merrimack River over the Pennichuck Brook system.

L. Goodhue reported that new data from samples taken by Saint Gobain in and about their facility have shown growth patterns in PFOA contamination.

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) and to discuss the acquisition, sale or lease of real or personal property, pursuant to RSA 91-A:3, II(d). J. Dore seconded the motion.

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

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

Nay:

Motion was carried to enter into non-public session at 9:00 a.m.

Reconvene in Public Session

The non-public session ended at 10:48 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). J. Lustig seconded the motion. A roll call of the Directors was taken, which resulted as follows:

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

Nay:

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

Management Presentations

There was a discussion relative to the presentation on vulnerability which is planned for the October Board meeting. It was agreed that management will identify areas of high risk to review with the Board at a future meeting. A more thorough presentation on the high risk areas will then be scheduled for a meeting of the Audit, Finance and Risk Committee. A table top drill will also be scheduled for a future meeting.

The meeting was temporarily adjourned at 10:58 a.m. to hold a meeting of the Pennichuck Water Works, Inc. Board of Directors.

The meeting reconvened at 11:16 a.m.

Present were the Directors, L. Goodhue and S. Ansara.

S. Ansara reported that a meeting with the Special Water Committee of the Nashua Board of Aldermen has been scheduled for October 30. Topics to be discussed include a review of the 2nd Quarter Report to Shareholder, the Company's move of its corporate headquarters to Nashua, and the PWW rate case. Jay Leonard and Steve Genest will attend the meeting along with Larry Goodhue and Don Ware.

It was agreed to schedule a meeting of the Nominating and Governance Committee in October to discuss Board membership.

L. Goodhue discussed with the Board the Company's relationship with TD Securities based on the fiduciary responsibility of the CEO and Board to periodically consider other underwriters to work with, and in light of the fact that the Company's prime representative at TD Securities has left and the Boston office has been closed.

There being no further business to come before the Board, the meeting was adjourned at 11:45 a.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary