

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF OCTOBER 25, 2019 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, October 25, 2019 at 8:20 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
James P. Dore
Elizabeth A. Dunn
Stephen D. Genest
Jay N. Lustig
John D. McGrath
John M. Murphy
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
Bernard Rousseau, Vice President-PWSC
Steven Greenwood, IT Director
John Boisvert, Chief Engineer
Alan Brown, Distribution Manager
Tara King, Revenue and Customer Operations Manager

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 September 27, 2019 Board meeting, on motion duly made by S. Genest and seconded by P. Stanley, all of the Directors then voting, it was unanimously

Resolved: that the minutes of the September 27, 2019 meeting of the Board of Directors are hereby approved.

Financial Results

G. Torres reviewed the summary of capital expenditures and pumpage chart as of September 2019. Capital expenditures of \$9.4 million were below the budgeted amount of \$15.2 million. Pumpage for the month of September (417 million gallons) was ahead of budget (411 million gallons). Projects of note include the Merrimack River intake, upgrade of the Northwest system, replacement of carbon filters at the Water Treatment Plant, and the installation of water mains on Lake Street in Nashua. G. Torres commented on the debt covenants schedule and reviewed the variances from budget and prior year results for each subsidiary.

At September 30, 2019, the Company's revenues of \$33.9 million were 1.9% below the prior year revenues and 3.3% below budget on a year-to-date basis. Operating expenses of \$28.8 million were 0.8% below budget and 0.4% above the prior year expenses. Operating income was \$5.1 million compared to prior year operating income of \$5.9 million and budgeted operating income of \$6.0 million. Interest expense of \$8.3 million was 3.5% 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 \$2.6 million and prior year pre-tax loss of \$2.2 million. Year-to-date net loss was \$3.3 million compared to a budgeted net loss of \$2.5 million and prior year net loss of \$2.1 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$11.5 million compared to \$12.3 million in the 2019 budget and the prior year amount of \$11.9 million.

Town of Hudson - L. Goodhue reported that the Company is in a billing dispute with the Town of Hudson. The Town has refused to pay the QCPAC surcharge claiming that it is not included in the Wholesale Water Supply Contract between the Town and Pennichuck Water Works, Inc. Technical sessions have been held with the PUC Staff. Submission deadlines and a hearing with the Commission have been scheduled.

2020 Budget – Global Goals and Objectives

G. Torres reviewed the global and specific considerations to be utilized in the 2020 budgeting process. He reported that 2020 premiums for health care are expected to increase by 7.5%. The employee contribution to health coverage will increase to 19% in 2020. No SRF financings or Trust Fund financings are anticipated for 2020 at this time. L. Goodhue indicated that a first review of the capital budget has been completed and a preliminary capital budget will be presented to the Board at the November meeting.

Dividend to Sole Shareholder

L. Goodhue indicated that management is recommending that the Board approve the payment of a quarterly dividend in the amount of \$69,748.09 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. McGrath and seconded by P. Stanley, all of the Directors then voting, it was unanimously

Resolved: that a dividend in the amount of \$69,748.09 be paid to the sole shareholder of record, the City of Nashua, New Hampshire, on November 2, 2019.

Business Updates and Comments from the CEO

Working Capital Line of Credit (LOC) – L. Goodhue indicated that he may be coming to the Board in November to approve another extension of the LOC to March or April 2020. He said that he met with representatives of TD Bank last week and discussed with the Bank about increasing the line from \$4 million to \$4.5-\$5 million.

Qualified Capital Project Adjustment Charge (QCPAC) Filings – L. Goodhue reported that the Company has received an Order from the PUC approving the QCPAC for Pennichuck Water Works, Inc. In its Order, the PUC also approved PWW's request to include the annual interest incurred on its fixed asset line of credit in its annual bond issuances beginning in 2020. The PUC delayed effectiveness of the Order for 30 days, so the Company cannot start billing until mid-November. The Company is still waiting for an Order from the PUC on the Pennichuck East Utility, Inc. QCPAC filing.

Pennichuck Water Works, Inc. Rate Case - L. Goodhue reported on the progress of the PWW rate case. He said that management is in the process of completing their responses to the data requests received from the PUC. The only intervenor is the City of Nashua and they have limited their scope of participation to their interest in the proposed rate increase for municipal fire protection. A technical session is scheduled for November 13. There was a discussion relating to the recent changes on the Public Utilities Commission.

Employee Recognition - L. Goodhue reported that an Employee Recognition Luncheon was held on Wednesday. Sixteen employees were recognized for their years of service. Rich Philbrook was recognized for 50 years of service with the Company.

PFAS – L. Goodhue reported that a lawsuit has been filed by the Town of Plymouth, 3M and others, against the NHDES seeking to enjoin the NHDES from implementing and enforcing the new standards for PFAS. Despite the lawsuit, the NHDES has informed the Company that it will still have to perform the required testing.

D. Ware reported that the Company's interconnection with the Merrimack Village District (MVD) has recently tested over 20 ppt. Water from the interconnection serves the Company's Cabot Preserve water system in Bedford. The Town will likely have a violation of the new standard and Pennichuck will need to notify

customers of the violation. A discussion ensued. It was agreed that the Company should notify its customers as soon as practicable. The Board advised management to contact the Company's environmental attorney to provide guidance.

D. Ware indicated that Pennichuck could construct a main extension to connect with Manchester Water Works to supply water to Cabot Preserve, but it would be costly and would take over a year to complete. The Town of Merrimack has been contract awarded to build a treatment plant by late next year. Continuing to receive water from the MVD would be the least cost alternative.

D. Ware indicated that approximately 70 homes on Smith Road in Bedford are on bottled water. St. Gobain has not said whether they will pay to have more pipeline installed. They do not believe they are the PRP in this area, claiming that the contamination is nearer to the landfill.

Town of Windham – L. Goodhue reported that management met with the Town of Windham to discuss the Town's options for running its water system. Management also coached them through the process of how to do an RFP.

Manchester Water Works (MWW) – L. Goodhue reported that management has reached out to MWW to see if they would be willing to share their testing results of the Merrimack River for PFAS. L. Goodhue indicated that they said they would and management will triangulate MWW's data against Pennichuck's once received.

New Headquarters Update – Contractor is working on obtaining final permits and specifications on slab for addition. No work has yet been done on the site.

PUC Orders/Commission - A discussion ensued relating to the timing of which Orders are being issued by the NHPUC on behalf of utility companies and what can be done strategically to improve that.

Move to Non-Public Session

S. Genest moved that the Board enter into non-public session to discuss the acquisition, sale or lease of real or personal property, pursuant to RSA 91-A:3, II(d) and to discuss matters relating to the preparation for and the carrying out of emergency functions pursuant to RSA 91-A:3, II(i). J. Murphy 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 10:12 a.m.

Reconvene in Public Session

The non-public session ended at 10:43 a.m. and the Board reconvened in public session.

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

E. Dunn moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(d) only. S. Genest 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 under RSA 91-A:3, II(d).

Other Matter Discussed at Non-Public Session

During the non-public session, there was a discussion relating to the America's Water Infrastructure Act (AWIA) which was signed into law on October 23, 2018. The law requires all community drinking water systems serving more than 3,300 customers to develop or update risk and resilience assessments and emergency response plans. Pennichuck's core system, Litchfield system and Londonderry system will be required to comply.

Report of the Nominating and Governance Committee

E. Dunn, Chairman of the Nominating and Governance Committee, gave a report on the Committee's meeting held on October 22, 2019. She reported that the Committee reviewed its Charter and the Corporate Governance Principles, and had no changes. The Committee also discussed the form of Board and Committee Evaluation. The Committee felt that completion of the evaluation form has become a "check-the-box" practice that does not necessarily help the Board to improve its effectiveness. E. Dunn said that she and Committee Member J. Lustig will meet in the near future to work on revising the evaluation form. The Committee also discussed the qualifications of the current Board members under the By-Laws and the current structure of the Board.

There being no further business to come before the Board, the meeting was adjourned at 10:59 a.m.

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