

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF NOVEMBER 22, 2019 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, November 22, 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 all or a portion of 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, 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
George Torres, Corporate Controller
Carol Ann Howe, Assistant Treasurer
Bernard Rousseau, Vice President-PWSC
Steven Greenwood, IT Director
John Boisvert, Chief Engineer
Alan Brown, Distribution Manager

D. Bernier and J. Lustig stated the reasons they were unable to attend the meeting in person, that they were 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 pursuant to RSA 91-A:3, II(a) and RSA 91-A:3, II(c). J. Dore 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,
D. Novotny, P. Stanley

Nay:

Motion was carried to enter into non-public session at 8:02 a.m. Present at the non-public session were the Directors, L. Goodhue, D. Ware, M. DeRoche and S. Ansara

Reconvene in Public Session

The non-public session ended at 8:42 a.m. and the Board reconvened in public session.

Present were the Directors, L. Goodhue, D. Ware, S. Ansara, G. Torres, C. Howe, B. Rousseau, S. Greenwood, J. Boisvert and A. Brown.

S. Genest moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(a) and RSA 91-A:3, II(c). J. Dore 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,
D. Novotny, P. Stanley

Nay:

Motion was carried to seal the minutes of the non-public session under RSA 91-A:3, II(a) and RSA 91-A:3, II(c).

Approval of Minutes

There being no comments on the draft minutes of the October 25, 2019 Board meeting and non-public session, on motion duly made by S. Genest and seconded by J. Dore, all of the Directors present then voting, it was unanimously

Resolved: that the minutes of the October 25, 2019 meeting of the Board of Directors are hereby approved.

Resolved: that the sealed minutes of the October 25, 2019 non-public session of the Board of Directors are hereby approved.

Financial Results

G. Torres reviewed the summary of capital expenditures and pumpage chart as of October 2019. Capital expenditures of \$14.5 million were below the budgeted amount of \$17.7 million. Pumpage for the month of October (310 million gallons) was slightly ahead of budget (305 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 October 31, 2019, the Company's revenues of \$37.9 million were 2.4% below the prior year revenues and 5.1% below budget on a year-to-date basis. Operating expenses of \$31.9 million were 0.8% below budget and 0.2% above the prior year expenses. Operating income was \$6.0 million compared to prior year operating income of \$7.0 million and budgeted operating income of \$7.7 million. Interest expense of \$9.3 million was 3.5% less than budget and 2.5% greater than the prior year expense. Pre-tax loss was \$3.2 million compared to a budgeted pre-tax loss of \$1.9 million and prior year pre-tax loss of \$2.0 million. Year-to-date net loss was \$3.3 million compared to a budgeted net loss of \$1.8 million and prior year net loss of \$2.0 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$13.1 million compared to \$14.7 million in the 2019 budget and the prior year amount of \$13.7 million.

Preliminary Capital Budget

G. Torres presented the Company's preliminary consolidated capital budget for 2020 and the capital expenditure plans for years 2021 and 2022. The 2020 preliminary capital budget of \$16.2 million includes \$2.7 million of carryover projects from 2019. Budget estimates for 2021 and 2022 are \$11.6 million and \$9.1 million respectively. G. Torres along with the management team reviewed the detailed capital budget worksheets by subsidiary and department for each year and answered questions from the Board relating to certain projects. Projects of note in the 2020 capital budget include the replacement of the Kessler Farm water tank, the Bowers spillway reconstruction, change out of carbon media filters 5 and 6, construction of an elevated storage tank in Londonderry, Locke Lake Surface Water treatment, and a rebuild of the Atkinson station. A final capital budget will be presented to the Board for approval at the December meeting.

Report of the Compensation and Benefits Committee

S. Genest, Chairman of the Compensation and Benefits Committee, reported on the Committee's November 18 meeting. The Committee was presented with a review on the performance of the Company's pension plan and 401(k) plan investments by Summit Financial. S. Genest indicated that the Company's Investment Committees for the Pension Plan and the 401(k) Plan will be meeting in the near future to review recommendations made by Summit Financial relative to the replacement of underperforming funds. The Committee approved the addition of an "in-plan conversion" (Super Roth) option to the 401(k) plan. The Committee also approved streamlining the process for in-plan withdrawals and loans by having MassMutual handle the entire process, without HR having to get involved.

After a brief discussion, on motion duly made by E. Dunn and seconded by J. Dore, all of the Directors present then voting, the following resolution was unanimously approved:

Whereas, Pennichuck Corporation (the "Company") maintains the Savings Plan for Employees of Pennichuck Corporation ("Plan") for the benefit of its eligible employees;

Whereas, the Company has decided to amend the Plan;

Whereas, the Board of Directors of the Company has reviewed and evaluated the proposed amendment to the Plan; and

Whereas, Section 14.01(b) of the Plan authorizes the Company to amend the selections under the Savings Plan for Employees of Pennichuck Corporation Adoption Agreement;

Now, Therefore, be it hereby:

Resolved: that the Board of Directors of the Company hereby approves the Amendment to Savings Plan for Employees of Pennichuck Corporation (the “Plan Amendment”), as presented at this meeting, to be effective on January 1, 2020, which Plan Amendment amends the Adoption Agreement to add In-Plan Roth Conversions.

Further

Resolved: that the Chief Executive Officer and the Chief Operating Officer of the Company, are severally authorized to execute the Plan Amendment and perform any other actions necessary to implement the adoption of the Plan Amendment.

Further

Resolved: that if the Plan Amendment modifies the provisions of the Summary Plan Description, Plan participants will receive a Summary of Material Modifications summarizing the changes under the Plan Amendment.

Report of the Audit, Finance and Risk Committee

J. Dore, Chairman of the Audit, Finance and Risk Committee, gave a report on the Committee’s November 19 meeting. He indicated that the Committee met with representatives of Melanson Heath to review in detail the 2019 audit plan. Preliminary audit work has already begun. Fieldwork will begin in February and final financials are scheduled to be released on March 25. There will be no changes in staffing at Melanson for the audit. The auditors reviewed the areas of focus for the audit, including internal controls. There was a discussion with the auditors relative to the new revenue recognition rules which will mainly affect the PWSC business. The Committee met with Melanson in executive session. There was nothing of any significance to report. J. Dore reported that the Committee reviewed the audited 2018 pension plan financial statements and the 2018 401(k) financial statements, which were found to be in compliance with the Department of Labor’s rules and regulations for Reporting and Disclosure under ERISA. The Committee reviewed the audited Schedule of Expenditures of Federal Awards. The audit was required because Pennichuck East Utility, Inc. expended more than \$750,000 of SRF loans in 2018. The Committee was presented with a status update on the 2019 internal controls review and testing plan, which is expected to be completed by year-end.

TD Bank – Working Capital Line of Credit

L. Goodhue indicated that management is seeking the Board’s approval to extend the expiration date of the \$4 million line of credit with TD Bank to March 31, 2020. The bank has requested that the Company provide a final budget for 2020 prior to making a decision on renewal of the line of credit.

On motion duly made by E. Dunn and seconded by D. Novotny, 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, to March 31, 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.

Business Updates and Comments from the CEO

Pennichuck Water Works, Inc. Rate Case - L. Goodhue reported on the progress of the PWW rate case. He said that there was a technical session last week that went well. The next step in the process is to go through rolling data requests, with a technical session scheduled in early January. L. Goodhue indicated that the technical session focused mainly on the cost of service study, which was requested by the Company for the rate case. A discussion ensued relative to the recommendations of the study, mainly to increase the rates for fire protection customer classes much higher than general metered classes. Fixed costs vs variable costs were also discussed.

Qualified Capital Project Adjustment Charge (QCPAC) Filings – L. Goodhue reported that the Company has begun billing PWW customers for the QCPAC surcharge. Recoupment is back to April 1. The Company is still waiting on an order from the PUC for the PEU QCPAC. It is anticipated that the PUC will not waive the 30 day comment period, so billing of PEU customers will not begin until at least sometime in January.

J. Lustig left the meeting at 10:25 a.m.

PUC – L. Goodhue reported that Diane Martin will soon be seated as a new Commissioner on the PUC. He indicated that he was hoping to meet with her prior to being seated but was denied because the Company is currently in the middle of a rate case before the PUC.

North Conway, NH Property – The sale of the last lot no longer used by PEU in North Conway closed on Wednesday.

Transfer of Southwood Corporation Property to Pennichuck Corporation – The Company’s attorney is finalizing the deeds in accordance with the Board’s comments. The project will be completed by year-end.

Solar Project – L. Goodhue reported that the leases for the solar project in Nashua have been signed. He indicated that there are two paper street lots that are not owned by Pennichuck, and management is continuing their efforts to acquire those lots.

D. Novotny left the meeting at 10:53 a.m.

Property Owned in Nashua. L. Goodhue indicated that management has decided to abandon its application to the City of Nashua to place its water utility property in current use. Pennichuck Water Works, as a regulated company, is subject to the state utility tax. Recent legislation has changed the method of valuing utility company assets for purposes of local property taxation. Will wait for the new legislation to be implemented.

Moody's – L. Goodhue indicated that he will be meeting with Moody's next week for an annual review. Moody rates the AULI debt which matures in April 2021.

Town of Windham – L. Goodhue updated the Board on continuing discussions with the Town of Windham. The Town has requested that Pennichuck put in writing whether it would be willing to turn over its franchise area in Windham to the Town. L. Goodhue indicated that he told the Town that a petition regarding the transfer of the franchise would have to be filed jointly with the PUC, and that the Town would have to pay any legal fees, and pay for any investments made by Pennichuck.

PFAS – L. Goodhue reported that there is nothing new to report regarding the lawsuit 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. He indicated that Pennichuck is continuing with its testing of its water systems in accordance with the new regulations.

L. Goodhue indicated that Saint Gobain has gone silent regarding the next Litchfield buildout. He reported that there are discussions going on in Merrimack regarding air quality and health effects of PFOA, which are leading to the time delays.

New Headquarters Update – Revisions to plans are being finalized. Northpoint has recently walked through Pennichuck's current office facility, to review the Company's furniture needs, and discussed with management color schemes for the interior of the new building. L. Goodhue indicated that the project is still on schedule. No work has yet been done on the site.

Move to Non-Public Session

S. Genest moved that the Board enter into non-public session pursuant to RSA 91-A:3, II(c).
G. Bower 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, P. Stanley
Nay:

Motion was carried to enter into non-public session at 11:10 a.m.

Reconvene in Public Session

The non-public session ended at 11:15 a.m. and the Board reconvened in public session.

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

Matter Discussed at the Non-Public Session

At the non-public session, the Chairman informed the Board that Director John Murphy has given his resignation effective November 20. There was a brief discussion relative to Board membership. It was agreed to schedule a meeting of the Nominating and Governance Committee within the next few weeks.

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

Resolved: that the resignation of John M. Murphy from the Pennichuck Corporation Board of Directors and its subsidiaries' Boards of Directors, is hereby accepted.

Other Business

The Board reviewed the draft schedule of 2020 Pennichuck Corporation Board meetings and had no changes. The schedule was approved.

There being no further business to come before the Board, the meeting was adjourned at 11:21 a.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary