

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF DECEMBER 20, 2019 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, December 20, 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:

John D. McGrath, Acting Chairman
David P. Bernier
C. George Bower
James P. Dore
Elizabeth A. Dunn
Stephen D. Genest
Jay N. Lustig
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
Tara King, Revenue and Customer Operations Manager
Christopher Countie, Director, Water Supply & Community Systems

S. Ansara recorded the minutes of the meeting. J. McGrath called the meeting to order.

Approval of Minutes

There being no comments on the draft minutes of the November 22, 2019 Board meeting, 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 minutes of the November 22, 2019 meeting of the Board of Directors are hereby approved.

Capital Expenditures and Pumpage Review

G. Torres reviewed the summary of capital expenditures and pumpage chart as of November 2019. Capital expenditures of \$15.1 million were below the budgeted amount of \$18.3 million. Pumpage for the month of November (261 million gallons) was slightly behind budget (265 million gallons).

Dividend to 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 S. Genest and seconded by E. Dunn, all of the Directors present 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 January 3, 2020.

Review of the 2020 Capital Budget and 2021 / 2022 CapEx Plans

G. Torres presented the 2020 Capital Expenditure Budget and 2021-2022 capital expenditure plans, updated from the preliminary budget reviewed at the November Board meeting. The 2020 consolidated capital budget consists of approximately \$2.97 million of carry-over projects from 2019 and approximately \$12.33 million for new projects, for a total 2020 capital budget of approximately \$15.30 million. Estimates for capital expenditures in 2021 and 2022 are approximately \$11.3 million and approximately \$9.7 million, respectively. Projects of note in 2020 include the Kessler Farm tank replacement (\$3.4 million), the new Londonderry tank at Woodmont Commons (\$1.5 million), the Locke Lake surface water intake, treatment and mains upgrade (\$1.9 million), and the Milford Booster Station rebuild (\$0.97 million).

Discussions took place regarding the new Londonderry tank, the Locke Lake project, the replacement of the WAM system software, and the Bowers Pond spillway reconstruction project slated for 2021, which is in response to Letters of Deficiency received from the NHDES.

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

Resolved: that the 2020 Capital Budget and 2021 and 2022 Capital Expenditure Plans, as presented at this meeting, are hereby approved.

Review of Preliminary 2020 Operating Budget

Supporting schedules to the Company's preliminary 2020 operating budget were presented to the Board. L. Goodhue indicated that The Southwood Corporation is not included in the operating budget as all land owned by Southwood is being transferred to Pennichuck Corporation by the end of the year. Southwood will then continue as a shell corporation. The management team answered questions from the Board relating to the breakdown of expenses included in the supporting schedules for PWW, PEU, PAC and PWSC. A final 2020 operating budget will be presented to the Board at the January 2020 Board meeting. G. Torres also presented a revenue analysis for 2020 and indicated that there will be revenue coverage for the increase in the 2020 budget.

Presentation - Disconnections

T. King gave a presentation on the process utilized for disconnecting customers who are past due on their bills, reviewed the number of disconnections in 2019, and reviewed the NHPUC rules relating to disconnections. There was a discussion relating to the collection fees charged to customers for turning water off and back on.

2019 Accomplishments

L. Goodhue reviewed the Company's major accomplishments in 2019:

- Maintained and improved existing relationships with the sole shareholder and municipalities served, including efforts related to ongoing changes in City leadership, as well as implications and communications related to rate case activities
- Completed the sale of several parcels of "excess" land, including the last remaining vacant lot in N. Conway, one lot in Derry, and one lot in Bedford (2 lots remain on the market at this time)
- Continued "roll-out" of the Asset Management System, including enhancements and features added to the Dpac and GIS applications
- Filing of the PWW 2018 test year rate case
- Successful completion and approval of first QCPAC filing/order for PEU. Order received 12/6/2019; effective as of 1/6/2020, approving a 2.98% QCPAC surcharge
- Successful completion and approval of 2019 QCPAC filing/order (for 2018 Capex) for PWW. Order received 10/9/2019; effective as of 11/9/2019, approving an overall QCPAC surcharge of 4.06%, inclusive of the 1.69% approved in 2018 (for a net QCPAC approval of an additional 2.37%).
- Successful completion of annual Internal Control Review, with no significant deficiencies identified
- Implementation of the new Revenue Recognition Standard (ASU No. 2014-09), as it pertains to major operating revenues for PWSC
- Ongoing replacement of aging infrastructure in City of Nashua, coupled with sewer replacements by the City

- Replacement and installation of water mains in the Northwest system in Nashua, in preparation for the Kessler Farm Tank replacement in 2020
- Comprehensive work completed in support of City's aggressive paving plan
- Installation of the new Deep River Intake in the Merrimack River (to be completed and used and useful by 12/31/2019)
- Entered into a new two-year contract for electric power (thru 11/2021)
- Obtained NH Job Funds Grant for employee training to be used in 2020
- Change out of 8 of the 12 carbon filter beds in the WTP, as a part of normal change outs and in response to new PFAS MCL
- Completed implementation and conversion to new performance management application (EmPerform), to begin being used in Q1 2020
- Secure multi-year extensions on several significant operating contracts for PWSC (Rowley and Eastham), as well as continued procurement of additional operating contracts (Wellfleet), and ongoing annual renewal of small operating contracts and service agreements
- Continued efforts related to training, mentoring and succession planning throughout the organization
- Direct and indirect participation in the NH Drinking Water and Groundwater Trust Fund
- Successful completion of annual fiscal audit, pension plan audit, initial 401(k) plan audit, and single audit for SRF financing program. All with unqualified opinions.
- Successful pending renewal of Company's insurance portfolio in December 2019, including a slight reduction in most of the coverage premiums, with equivalent or elevated levels of coverage
- Implementation of the "360 feed" for 401k plan between MassMutual and Proliant payroll systems, including 401k Auto Enrollment
- Continued progress on inventory control policies and operating procedures
- Continued focus on system and applications integration companywide
- Completion of build-out and response to PFOA affected areas in Bedford (Litchfield Phase 2 to be done in 2020)
- Completed RFP and analysis for selection of new Work Order Management application to replace current application (Synergen)
- Procured the necessary funding in support of Capital Projects for identified projects for the three regulated utilities, including:
 - Completed \$8.2M Bond Offering in April for PWW, to refinance and repay FALOC borrowings for 2018 Capex
 - Completed \$1.153M term loan closing for PEU to refinance and repay FALOC borrowings for 2018 Capex
 - Procurement of DWGTF loan (\$5.5M) for new Deep River Intake project

- Continued focus on Safety and Emergency Action Plans, including annual safety walkthroughs of the facilities, ongoing training of employees, internal audit of compliancy with EAP requirements, and monthly Safety Committee meetings
- Early termination of current HQ lease processed at end of September, with new lease negotiated and signed for occupancy of new HQ site in downtown Nashua on or after October 31, 2020.
- Successful completion of HECOP IV Land Swap, and transfer of Southwood land parcels to Pennichuck Corporation (to be completed by year-end) and termination of HECOP IV, LLC (process initiated; to be completed by Q1 2020, including State filing requirements and approval)
- Worked with NH Legislature in response to the HB700, altering the method of valuation for utility property in NH, at the local property tax level

2020 Major Goals

L. Goodhue reviewed the Company's major goals for 2020:

- File PEU Rate Case for test year 2019, including request for rate structure modification relating to MOES annual surcharge for inflationary increases in operating expenses, and possible merger of PAC into PEU
- Complete PWW 2018 test year rate case, with final rates expected in Q3/Q4 2020, inclusive of rate structure modifications requested
- File annual PWW and PEU QCPAC cases
- Begin implementation and usage of social media in customer relations and outreach
- Complete construction and installation of Locke Lake overflow intake and treatment facilities upgrades
- Continued development and implementation of the Asset Management, GIS and DPAC modules, including criticality and vulnerability assessment to establish framework for long-term Capex planning
- Continued roll-out and implementation of companywide Customer Security Program, to the benefit and safety of customers and employees
- Continued disposal of "excess" land portfolio outside the watershed
- Completion and ongoing response and action to PFOA contamination issues in Merrimack, Litchfield, Bedford and Amherst, in cooperation with the NHDES and other State agencies
- Implementation of the new PFAS MCL and Arsenic MCL, as governed by the NHDES
- Continued training, mentoring and succession planning throughout the organization, including impending retirements occurring in mid to late 2020 for certain key roles
- Complete design of enhancements needed for Bowers and Supply Pond Dams, in preparation of projects to be completed in 2020/2021
- Replace the carbon media in the remaining 4 of the 12 Filter Bays in the Treatment Plant
- Complete Bond issuance reimbursement financing in April for PWW 2019 Capex

- Complete CoBank term loan financing in May/June for PEU 2019 Capex reimbursement/refinance
- File for new multi-year approval of bond financing for PWW Capex for next 3-5 years (including Board, City and NHPUC approval); process to begin in Q1 2020
- Continued participation in multiple educational outreach efforts within the Company’s customer coverage radius
- Procure and install new WAM application, replacing existing Work Order Software application (Synergen), including re-establishment of inter-application links
- Continued focus on system and applications integration companywide, in response to results of gap analysis done with ISO 27001 study
- Comprehensive review of Emergency Action Plan conducted during Internal Control Review process
- Finalize and secure several new contracts for PWSC, including extension/renewals of existing contracts (Amesbury, Eastham and Wellfleet)
- Implementation of New Online Platform for customers
- Evaluate and implement Customer Communication System to allow for texting and email notifications to customers
- Research potential enhancements or upgrade to Macola ES application
- Installation of Solar field to augment long-term power needs and rates
- Continual enhancement and review of cybersecurity needs, risks and tools
- Complete HQ relocation to new downtown location, including:
 - Completion of construction of the site
 - Installation of IT infrastructure
 - Procurement of systems needed for new building
 - Culminating in the move to the new facility and vacancy of existing HQ in November/December of 2020

TD Bank – New Account

L. Goodhue referred the Board to the draft resolutions provided in the written materials. He indicated that the Company needs to open a new restricted CIAC cash account.

On motion duly made by J. Lustig and seconded by G. Bower, all of the Directors present then voting, it was unanimously

Resolved: that the Chief Executive Officer, the Chief Operating Officer, the Treasurer, and the Assistant Treasurer of Pennichuck Corporation (the “Corporation”) be, and they hereby are, authorized to open and/or maintain bank accounts in the name of the Corporation in TD Bank, N.A. for the deposit of funds of the Corporation, and that with respect to all such accounts: (1) all checks, drafts, notes, bills of exchange, acceptances, undertakings and other instruments or orders for payment, transfer, or withdrawal of money in the amount of Twenty

Five Thousand Dollars (\$25,000.00) or less for whatever purpose and to whomever payable shall bear the signature of any one of the individuals listed on Schedule A, and (2) all checks, drafts, notes, bills of exchange, acceptances, undertakings and other instruments for payment, transfer, or withdrawal of money in excess of Twenty Five Thousand Dollars (\$25,000.00) for whatever reason and to whomever payable shall require the signature of any two of the individuals listed on Schedule A; and that the Chief Executive Officer, Chief Operating Officer, Treasurer and Assistant Treasurer of the Corporation are authorized to establish and maintain cash management services for the bank accounts referenced above.

Further

Resolved: that pursuant to the above resolution, the designated officers of the Corporation are hereby authorized to open a Restricted Cash Account with TD Bank, N.A. (known as the Pennichuck Corporation CIAC Restricted Account), to be effective on December 23, 2019.

Further

Resolved: that the resolutions set forth on Schedule B relating to said Restricted Cash Account are hereby approved, subject to the restrictions set forth in the first resolution above.

Business Updates and Comments from the CEO

Pennichuck Water Works, Inc. Rate Case – L. Goodhue gave an update on the PWW rate case. He reported that management is in the midst of responding to a third round of data requests. A technical session is scheduled in early January. He indicated that a settlement agreement will hopefully be in place by May.

Transfer of Southwood Corporation Property to Pennichuck Corporation – The transfer of Southwood property to Pennichuck Corporation will be completed next week. The next step will be to file for current use with the Town of Merrimack. An agreement between Pennichuck Corporation and Pennichuck Water Works, Inc. for the payment of property taxes on the transferred property is being drafted by the Company's attorney.

HECOP IV, LLC – The dissolution of HECOP IV, LLC will be completed in the first quarter of 2020.

PFAS – L. Goodhue reported that the NH Court has awarded a stay in the lawsuit filed by the Town of Plymouth, 3M and others against the NHDES regarding the implementation of the new standards for PFAS. The Company is continuing to take samples. L. Goodhue indicated that Massachusetts has released new draft regulations to set the combined limit on 6 PFAS chemicals at 20 ppt and that the EPA is looking at adopting new standards.

L. Goodhue reported that one system, Harvest Village in Londonderry, which includes approximately 30 homes, recently tested at 37 ppt for PFOA. He indicated that management is looking at options. Sampling from 2 years ago was at around 10 ppt.

G. Bower asked what the Company is prepared to do 3-5 years down the road regarding PFAs. D. Ware stated that the carbon filters are proving 100% effective in removal down to non-detect on total PFAs compounds, and that the Company intends to change out the carbon filters more frequently.

Bonding – L. Goodhue indicated that management will be looking to the Board for approval of a multi-year bond in March. He said that an RFP has been sent to two firms for underwriting services. Responses are due by December 31, 2019.

Other Business

Charitable Contributions – The Board noted the summary of 2019 charitable contributions made by Pennichuck Water Service Corporation, a copy of which was included in the written materials.

Management Presentations – The Board reviewed the list of upcoming management presentations and had no comments.

Report of the Nominating and Governance Committee

E. Dunn, Chairman of the Nominating and Governance Committee, reported that at its recent meeting, the Committee adopted a new form of Board survey. The new survey will be forwarded to the Board today and responses will be due by January 10.

Move to Non-Public Session

G. Bower moved that the Board enter into non-public session pursuant to RSA 91-A:3, II(j). D. Bernier 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, J. Lustig,
J. McGrath, P. Stanley

Nay:

Motion was carried to enter into non-public session at 10:58 a.m.

Reconvene in Public Session

The non-public session ended at 11:31 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(j). 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, J. Lustig,
J. McGrath, P. Stanley

Nay:

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

There being no further business to come before the Board, the meeting was adjourned at 11:32 a.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary