



April 1, 2020

ANNUAL REPORT TO THE SOLE SHAREHOLDER

Dear Shareholder:

The Annual Meeting of Pennichuck Corporation will be held at 9:00 a.m. on Saturday, May 2, 2020 at Pennichuck's Distribution Facility, 16 Daniel Webster Highway, Merrimack, New Hampshire. Due to the ongoing COVID-19 response, as dictated by the State, Federal Government and the CDC, the format of the meeting may need to be altered as to physical presence of attendees, versus electronic or remote participation allowing for prudent social distancing.

Background on the City's Acquisition and Our Corporate Structure. The City's acquisition of the shares of Pennichuck Corporation was completed on January 25, 2012. As part of the acquisition, the corporate structure of Pennichuck Corporation and its subsidiaries was retained. Under the structure, the City of Nashua is the sole shareholder of Pennichuck Corporation. Under the Company's By-Laws, the City in its capacity as shareholder makes its decisions through actions by its Board of Aldermen, in accordance with the City's Charter. No single person – the Mayor or any individual member of the Board of Aldermen – is him or herself a shareholder; rather, the entity of the City itself is the sole shareholder of Pennichuck Corporation represented by the Board of Aldermen and the Mayor.

Pennichuck continues to own five corporate subsidiaries, including three regulated utilities (Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc.), an unregulated service company (Pennichuck Water Service Corporation), and a shell company (The Southwood Corporation).

As unanimously approved by the City's Board of Aldermen at the time of the acquisition, the corporate structure was retained for several reasons.

First, the City's Mayor and Board of Aldermen desired to maintain some stability and continuity for all of the customers and employees of the Pennichuck companies. Retaining the existing corporate structure minimized the need for any radical changes to the utility companies and operations and encouraged support by all of the communities served by the utilities.

Second, retaining the corporate structure provided continuity for the regulatory and financial status of the companies and their respective businesses. The New Hampshire Public Utilities Commission continues to provide regulatory oversight for the utility companies, and banks, lenders and other contract parties continue to be able to rely on existing contracts and other rules with respect to financing and other operations.

Third, the Mayor and Board of Aldermen unanimously agreed to establish a corporate governance system for the purposes of managing Pennichuck Corporation. This corporate governance system relies upon well-established principles of corporate law, and is established pursuant to Pennichuck Corporation's Articles of Incorporation and By-Laws, as adopted by the City and the Company at the time of the acquisition pursuant to the Merger Agreement.

This well-known corporate governance model, which incorporates well-established principles regarding fiduciary obligations of board members, was structured to provide assurances to the City's rating agencies, potential lenders, the New Hampshire Public Utilities Commission and the many communities we serve that decisions are based on sound business and financial analysis, and in a manner that minimizes political considerations.

Operations, Communities and Customers. Our companies provide water service to a wide range of communities and customers.

Pennichuck Water Works, Inc. provides water service to approximately 29,000 customers in 11 communities which include Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Nashua, Newmarket, Plaistow and Salem.

Pennichuck East Utility, Inc. provides water service to approximately 8,200 customers in 19 communities which include Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare and Windham.

Pittsfield Aqueduct Company, Inc. provides water service to approximately 640 customers in Pittsfield.

Pennichuck Water Service Corporation provides service in connection with the management of water operations services for 1 community; water operations, billing, collection and customer services for 3 communities; billing services for 4 communities; and water meter testing services, as well as contracted water services at various levels, for approximately 70 small independently owned water systems.

Until December of 2019, The Southwood Corporation owned various parcels of land in the Town of Merrimack. As of the end of 2019, all of those parcels of land have had their ownership transferred from Southwood to Pennichuck Corporation, and Southwood is being retained only as a "corporate shell" at this time.

The Company's mission is to be a premier supplier of water in New Hampshire by providing reliable, high quality and affordable water in sufficient quantities, and be New England's premier supplier of water related contract services by providing high quality solutions to meet our customers' needs.

Strategies supporting the corporate mission have been developed relative to our water resources, employees, financing, customer services and Company assets. These strategies are available on the Company's website, www.pennichuck.com, under the "Management and Financial Information" caption, and the sub-caption of "Strategic Plan."

The Company currently has 124 employees. The employees are committed to supporting the Company's mission. Each of our managers has goals and objectives to support the strategies supporting the mission. Pennichuck is an Equal Opportunity/Affirmative Action Employer. It is the policy of the Company to hire, train, promote, and otherwise provide terms and conditions of employment without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, ancestry, age, marital status, pregnancy, disability or veteran status. All employment and promotion decisions are based solely on valid requirements, in accordance with the principles of equal employment opportunity and affirmative action.

Financial Performance During the Last Year. The Company's audited consolidated financial statements for the year ended December 31, 2019 are attached to this report.

| | (\$ Millions) | | | |
|--|-------------------------|--------|--------------|--------|
| | 4 th Quarter | | Year-to-Date | |
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | \$10.6 | \$10.7 | \$44.5 | \$45.3 |
| Operating Expenses | (9.8) | (9.4) | (38.6) | (38.1) |
| Operating Income | 0.8 | 1.3 | 5.9 | 7.2 |
| Interest Expense | (2.8) | (2.8) | (11.1) | (10.9) |
| Other Income | 0.1 | - | 0.2 | - |
| Pre-Tax Income (Loss) | (1.9) | (1.5) | (5.0) | (3.7) |
| Income Tax Provision (Benefit) | 0.1 | 1.7 | 0.3 | 1.6 |
| Net Income (Loss) | (2.0) | (3.2) | (5.3) | (5.3) |
| Dividends Paid to the Shareholder | 0.1 | 0.1 | 0.3 | 0.3 |
| Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) | 3.2 | 3.5 | 14.7 | 15.4 |

- Consolidated revenues for the fourth quarter decreased slightly by \$0.1 million from \$10.7 million in 2018 to \$10.6 million in 2019. The decrease is primarily attributable to lower water usage for Pennichuck Water Works, Inc.
- Consolidated year-to-date revenues decreased from \$45.3 million in 2018 to \$44.5 million in 2019, a decrease of 1.8%. Revenues from the regulated utilities decreased primarily due to reduced consumption totals in the late Spring and early Summer, which were never fully recovered. The Service Company revenues decreased from prior year due to a reduction in their Unplanned Revenue activities, in addition to non-renewal of the Hudson contract in July of 2018, which also negatively impacted current versus prior year results.
- Consolidated operating expenses increased by \$0.4 million for the fourth quarter of 2019, over the same quarter in 2018. The increase is primarily related to labor related costs, inflationary increases, higher maintenance related costs, and higher depreciation costs associated with ongoing capital investments.
- Consolidated operating expenses increased by \$0.5 million, or 1.3%, for the full year, from 2018 to 2019, mainly due to higher maintenance related costs, production costs, increased depreciation costs, and labor related costs.

- Interest expense increased slightly in 2019 when compared to 2018 due to interest costs associated with the additional financed amounts for capital projects which have been incurred for ongoing infrastructure replacement, in conformity with the Company's key mission objectives.
- Pre-tax loss for the fourth quarter increased to \$1.9 million in 2019 versus \$1.5 million in 2018, due to the decrease in revenues which was coupled with increased operating expenses, primarily maintenance and production related, and depreciation costs, year-over-year.
- The pre-tax loss for the year increased from \$3.7 million in 2018 to \$5.0 million in 2019, or 26%, due to the \$0.8 million decrease in revenues discussed previously, in addition to the increased operating costs year-over-year, which resulted in the higher pre-tax loss in 2019.
- Dividends paid to the sole shareholder in both 2019 and 2018 were consistent with, and were paid pursuant to, the CBFRR structure provided for in the New Hampshire Public Utilities Commission's Order approving the City's ownership of the Company.
- The Income Tax Provision in the current year reflects the tax accounting for the amortization of the Municipal Acquisition Regulatory Asset, which is not deductible for tax purposes, and as such, constitutes a permanent difference in the deductibility of those amortization expenses for tax purposes, as opposed to their inclusion in the GAAP based financial statements. The Income Tax Provision (Benefit) also reflects the taxation of CIAC as income for Regulated Water Utilities, due to the elimination of an exemption allowed prior to the passage of the *2017 Tax Cuts and Jobs Act* ("TCJA") which made broad and complex changes to the U.S. tax code. However, on November 27, 2019, the regulated utilities received NHPUC approval on the requested amendments to their tariffs which now allow for recovery of tax costs from developers and other CIAC contributors. This now allows the regulated utilities to fully fund the associated tax liability, on a going forward basis, which resulted from the change in the 2017 federal tax law. Due to these two significant items, the year-to-date results reflect a tax provision of approximately -6.3% of pre-tax income for 2019, compared to the statutory tax rate expense of 27.08%.
- Earnings Before Interest, Taxes, Depreciation and Amortization decreased in the fourth quarter from \$3.5 million in 2018 to \$3.2 million in 2019, or 8.6%, due to a decrease in revenues as discussed previously, coupled with operating expense increases (excluding interest).
- Earnings Before Interest, Taxes, Depreciation and Amortization for 2019 decreased from 2018 by approximately \$0.7 million, or 4.5%, again due to lower revenues earned year-over-year, coupled with operating expense increases, excluding interest expense.

Unaudited Cash Flow Statement

Cash Flow on a GAAP basis for the fourth quarter of 2019 as compared to the fourth quarter of 2018, and the year-to-date 2019 versus 2018, are as follows:

| | (\$000's) | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Quarter Ended | | Year-to-Date | |
| | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Operating Activities: | | | | |
| Net Income (Loss) | \$ (2,010) | \$ (3,229) | \$ (5,337) | \$ (5,282) |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Depreciation and Amortization | 2,238 | 2,154 | 8,537 | 8,196 |
| Provision for Deferred Taxes | 67 | 1,316 | 341 | 1,206 |
| (Gain) on Disposition of Property | (61) | (115) | (150) | (115) |
| Other | 251 | (17) | 71 | (54) |
| Changes in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | 1,271 | 1,486 | 717 | (649) |
| (Increase) Decrease in Inventory | (56) | (20) | (37) | (7) |
| (Increase) Decrease in Other Assets | (3,839) | (951) | (3,019) | (206) |
| Increase (Decrease) in Accounts Payable | (3,407) | 3,513 | (1,836) | 3,817 |
| Increase (Decrease) in Other Liabilities | 4,457 | 1,458 | 3,859 | 1,110 |
| Net Cash Provided by (Used in) Operating Activities | (1,089) | 5,595 | 3,146 | 8,016 |
| Investing Activities: | | | | |
| Purchases of Property, Plant & Equipment, including the Debt Component of AFUDC | (7,503) | (6,571) | (16,843) | (13,790) |
| (Increase) Decrease in Restricted Cash/Investments | 0 | 0 | 0 | 0 |
| Proceeds from Sale of Property | 0 | 119 | 221 | 119 |
| Change in Deferred Land Costs | (80) | 0 | 0 | (19) |
| Net Cash Provided by (Used in) Investing Activities | (7,583) | (6,452) | (16,622) | (13,690) |
| Financing Activities: | | | | |
| Borrowings (Repayments) on Line of Credit | 3,864 | 2,168 | 2,656 | 1,052 |
| Payments on Long-term Debt | (968) | (886) | (6,034) | (5,614) |
| Contributions in Aid of Construction | 24 | 296 | 48 | 696 |
| Proceeds from Long-term Borrowings | 6,594 | 406 | 18,692 | 8,493 |
| Debt Issuance Costs | 0 | 5 | 327 | 431 |
| Dividends Paid | (69) | (70) | (279) | (280) |
| Net Cash Provided by (Used in) Financing Activities | 9,445 | 1,919 | 15,410 | 4,778 |
| Increase (Decrease) in Cash and Cash Equivalents | 773 | 1,062 | 1,934 | (896) |
| Cash and Cash Equivalents at Beginning of Period | 9,501 | 7,278 | 8,340 | 9,236 |
| Cash and Cash Equivalents at End of Period | \$ 10,274 | \$ 8,340 | \$ 10,274 | \$ 8,340 |

Balance Sheet

(\$000's)

| | As of December 31, 2019 (Audited) | As of December 31, 2018 (Audited) |
|--|---|---|
| <i>Assets</i> | | |
| Property, Plant & Equipment, Net | \$ <u>237,182</u> | \$ <u>221,860</u> |
| Current Assets: | | |
| Cash | 4,885 | 1,575 |
| Restricted Cash | 1,963 | 3,428 |
| Investments – Bond Project Funds | 3,426 | 3,337 |
| Accounts Receivable | 5,631 | 6,348 |
| Inventory | 648 | 611 |
| Other Current Assets ^{Note 1} | <u>1,418</u> | <u>1,631</u> |
| Total Current Assets | <u>17,971</u> | <u>16,930</u> |
| Other Assets: | | |
| Acquisition Premium ^{Note 2} | 69,263 | 71,268 |
| Other Assets | <u>13,727</u> | <u>13,075</u> |
| Total Other Assets | <u>82,990</u> | <u>84,343</u> |
| TOTAL ASSETS | \$ <u>338,143</u> | \$ <u>323,133</u> |
| <i>Shareholders' Equity and Liabilities</i> | | |
| Shareholders' Equity | \$ <u>2,739</u> | \$ <u>8,410</u> |
| Bonds, Notes and Mortgages | <u>212,296</u> | <u>200,225</u> |
| Current Liabilities: | | |
| Lines of Credit | 9,283 | 6,626 |
| Current Portion of Long-Term Debt | 6,582 | 6,019 |
| Other Current Liabilities | <u>6,722</u> | <u>8,388</u> |
| Total Current Liabilities | <u>22,587</u> | <u>21,033</u> |
| Other Long-Term Liabilities: | | |
| CIAC, net | 54,770 | 51,961 |
| Deferred Income Taxes | 14,427 | 14,110 |
| Accrued Pension Liability ^{Note 3} | 12,971 | 10,021 |
| Other Long-Term Liabilities | <u>18,353</u> | <u>17,373</u> |
| Total Other Long-Term Liabilities | <u>100,521</u> | <u>93,465</u> |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | \$ <u>338,143</u> | \$ <u>323,133</u> |

Notes to Balance Sheet

Note 1 (Other Current Assets) – At December 31, 2019, approximately \$1.0 million of this balance is comprised of prepaid property taxes, which will be expensed in the first quarter of 2020, relating to taxes paid in November and December of 2019 for the second half of the property tax year ended March 31, 2020.

Note 2 (Acquisition Premium) – In accordance with GAAP, the Acquisition Premium is being written-off over the 30-year life of the principal of the City Acquisition Debt.

Note 3 (Accrued Pension Liability) – During 2019, approximately \$1.2 million was contributed into the Pension Plan, while approximately \$0.7 million in benefit payments were made to participants, and approximately \$3.2 million of investment gains were recorded, attributed to changes in market values.

Capital Expenditures

Capital expenditures in the fourth quarter of 2019 were \$7.2 million compared to \$6.6 million in the fourth quarter of 2018. For the year 2019, capital expenditures were \$16.6 million as compared to \$13.6 million in 2018.

The major expenditures for 2019 were as follows:

| | |
|-------------------------------------|-------------|
| Merrimack River Intake | \$5,632,000 |
| Lake Street Main Replacements | \$1,609,000 |
| Deerwood Drive Main Replacements | \$1,373,000 |
| Carbon Filter Media Replacements | \$991,000 |
| Route 101A Main Replacements | \$568,000 |
| Manchester Street Main Improvements | \$525,000 |

Rate Case – Pennichuck Water Works, Inc.

On July 1, 2019, Pennichuck Water filed a request with the NHPUC for a rate increase of 11.91% over its current rates for the test year 2018, effective August 1, 2019. The proposed permanent rate increase includes a 2018 Qualified Capital Project Adjustment Charge (QCPAC) surcharge of 1.69%, a proposed 2019 QCPAC of 2.37%, and further modification to its ratemaking structure. The overall rate increase is subject to the normal regulatory filing process with the NHPUC, as followed for all prior rate case filings, and as such, the final permanent rate increase granted will be effective retroactive back to a regulatory approved date, with final approval by the NHPUC in the Fall of 2020.

The request for the overall permanent rate increase was based upon increased Pennichuck Water operating expenses since the last allowed rate increase in 2017 (for the 2015 test year), and to provide enough revenues to pay for investments made in plant and treatment systems to ensure its continued compliance with the Safe Drinking Water Act.

In addition to the requested rate increase, Pennichuck Water has proposed several modifications to its current ratemaking structure which are designed to provide adequate and timely cash coverage of operating expenses so that Pennichuck Water can avoid incurring additional debt.

The proposed modifications include:

- creating a Material Operating Expense Supplement (MOES), an expense factor on top of its material operating expenses to cover inflationary increases between rate filings;
- including the actual cost of Federal and State corporate income taxes in the Company's Operating Expense Revenue Requirement (OERR) component of allowed revenues;
- reprioritizing the use of 0.1 Debt Service Revenue Requirement (DSRR) funds;
- reallocating the value of the aggregate RSF; and
- changing the treatment of debt issuance costs for long-term debt, other than tax exempt and taxable bond issuances.

Qualified Capital Project Adjustment Charge (QCPAC)

On October 9, 2019, the NHPUC issued Nisi Order No. 26,298 approving a 4.06% surcharge on all capital improvements completed and placed in service by Pennichuck Water in 2018. This surcharge went into effect in October 2019 as a subset of Pennichuck Water's next allowed permanent rate case and is recoupable for bills rendered after April 4, 2019.

On December 6, 2019, the NHPUC issued Nisi Order No. 26,313 approving a 2.98% surcharge on all capital improvements completed and placed in service by Pennichuck East in 2018. This surcharge went into effect in December 2019 as a subset of Pennichuck East's next allowed permanent rate case and is recoupable for service rendered on or after July 22, 2019.

Financing

On February 12, 2019, Pennichuck East Utility, Inc. closed on a financing transaction with the New Hampshire Department of Environmental Services under the State of New Hampshire's Drinking Water Revolving Loan Fund Program in the amount of \$4,240,000 for a 30-year term. The loan will be used to finance the cost of the Locke Lake New Groundwater Source/Treatment/Main Replacement project in Barnstead, NH. The funds for this project will be drawn down during the 2019 and 2020 calendar years.

On February 12, 2019, Pennichuck Water Works, Inc. closed on a financing transaction with the New Hampshire Department of Environmental Services under the State of New Hampshire's Drinking Water and Groundwater Trust Fund in the amount of \$3,375,000 for a 30-year term. The loan has and will be used to finance the cost of the Pennichuck Core Water Main Replacement project, in the northwest portion of the system's distribution system in Nashua. The entire project is scheduled to be completed within 2019, or early 2020 for certain residual costs for the projects.

On April 4, 2019, the Company's Pennichuck Water Works, Inc. subsidiary issued approximately \$8.3 million of tax-exempt and taxable bonds through the NH Business Finance Authority as reimbursement for its 2018 capital improvements in PWW's water supply, distribution and support systems. The bond issuance was approved by the Pennichuck Board of Directors and the Sole Shareholder. This issuance had previously received NHPUC approval on Order No. 26,101, dated February 2, 2018, which authorized up to \$32.5 million in bonds via multiple issuances for the years 2018 – 2020.

On June 12, 2019, Pennichuck Water Works, Inc. closed on a financing transaction with the New Hampshire Department of Environmental Services under the State of New Hampshire's Drinking Water and Groundwater Trust Fund in the amount of \$5.5 million for a 30-year term. The loan was used to finance the design and construction of a new deep river intake in the Merrimack River, which will provide water to PWW's water treatment plant in Nashua. This project was completed and placed into service as of the end of 2019.

On July 22, 2019, the Company's Pennichuck East Utility, Inc. subsidiary closed on a term loan financing transaction with CoBank, ACB in the amount of \$1,153,000 for a term of 25 years. The loan proceeds were used to repay Fixed Asset Line of Credit monies borrowed during 2018 for capital projects for that year, which were placed in service by December 31, 2018.

Other Events

Southwood assumed 100% ownership of the previously joint investment in HECOP IV, LLC, for which it was previously a 50% owner, and subsequent to December 31, 2019, has begun the process of dissolving and liquidating this Limited Liability Corporation. This process is expected to be completed in the first quarter of 2020, which includes complying with New Hampshire state filing requirements and obtaining such approvals.

The Company is currently under a temporary extension of its \$4 million Working Capital Line of Credit facility with TD Bank, NA through March 31, 2020, pending a further temporary extension as it procures a multi-year renewal to be put in place during 2020. Repayment on this revolving line consists of monthly interest only payments with the outstanding principal balance paid at maturity. This facility is periodically drawn upon in support of the Company's overall operations.

PFOA Contamination Issues

During 2016, the Company was significantly involved in assisting the New Hampshire Department of Environmental Services ("NHDES") in assessing and bringing remediation solutions to bear, in light of the PFOA contamination issues discovered in the towns surrounding the Saint Gobain Performance Plastics ("SGPP") site in north Merrimack. This included self-instituting comprehensive and regular testing of the Company's water supplies and water systems, not only in the area adjacent to this site, but taking and processing at least two sets of tests at all water sources that the Company owns throughout the State. This was done in order to detect if any levels of contamination existed in the water sources, to aid the NHDES in completing their statewide assessment, and to allow the Company to respond with certainty to

any of its customers as to any detectable levels. With regards to the water supply systems directly adjacent to or connected to the Merrimack Village District, the Company has been taking weekly or monthly samples since this contamination site was disclosed in March of 2016. The results of these tests were that none of the Company's water sources had detectable levels exceeding EPA lifetime advisory levels, or the State's emergency and impending permanent standard detection levels.

Additionally, at the request of the NHDES, the Company was asked to enter into a contract with SGPP for the design of the expansion of public water to residents in the northern portion of Litchfield, where private wells had been contaminated, in some cases well above acceptable levels. Based upon the results of that design work, the Company was then contracted by SGPP to expand the public water system owned by the Company in Litchfield to approximately 400 property owners, including nearly 10 miles of new water mains and nearly 10 miles of new service lines. The cost of the design work and the expansion of the water system has and is being paid totally by SGPP and was contributed to the Company as Contributions in Aid of Construction (CIAC), as assets to be owned by the Company, the Town, or the residents (in the case of the service lines) going forward.

Additionally, during 2018 the Company was asked by NHDES to contract for similar design services with SGPP for expansion of its public water system in southern Bedford. This project was initiated in 2018, and was completed during 2019, bringing water to approximately 90 new customers in that community.

The Company was also asked by the NHDES to design a further buildout for SGPP in Litchfield to bring public water to an additional 30 residences in Litchfield, due to this contamination site. The Company is working with SGPP on another contract with the Company for the expansion of the Company's water system in that area, construction of which would expect to begin in the Summer of 2020, and would be fully paid for by SGPP, and included in CIAC assets at such time as those projects were completed. This contract will include a payment from SGPP for the now approved inclusion of the taxes due on the CIAC contributed for the project.

As of March 20, 2018, SGPP and NHDES entered into a Consent Decree, and as such, the Company is currently working with SGPP in the scheduling of these projects, including the construction management agreements tied to this activity. Under the Consent Decree, SGPP was to fulfill their obligations by November 2019 on all of these currently identified activities. The Company understands that SGPP has been involved with the NHDES as to the compliancy with this agreement, in light of delays in the process of bringing total remediation to impacted residents, and in light of the new proposed State standard for PFAS, which is currently being challenged in the court system.

A similar effort on behalf of Textiles Coated International, Inc. ("TCI") in the town of Amherst, due to PFOA contamination related to their previous existence as a manufacturer in that town, was also undertaken at the request of the NHDES. The Company was contracted to do design services for the expansion of the public water system in that area of Amherst, by TCI, and construction of the expansion of that part of the system began in 2017, and was fully completed in 2018. Once again, the entire cost of this project was borne by TCI, and has become part of the Company's owned infrastructure as CIAC assets.

Company Goals – 2020

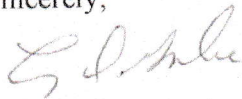
The Company's main goals for 2020 are as follows:

- 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
- 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 for PWW 2019 Capex
- Complete CoBank term loan financing in Q2 2020 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
- Maintain continuous service to customers during the nationwide and global response to the COVID-19 pandemic, in a manner that is safe and secure for customers and employees, while continuing to provide necessary services and water in compliancy with State and Federal guidelines and requirements.

Other detailed information is included in the Company's financial statements.

Sincerely,



Larry D. Goodhue
Chief Executive Officer,
Chief Financial Officer
and Treasurer