

PENNICHUCK CORPORATION  
BOARD OF DIRECTORS  
MINUTES OF APRIL 24, 2020 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, April 24, 2020 at 8:05 a.m.

Due to the COVID-19 virus and in accordance with the emergency stay at home order imposed by Governor Sununu, the meeting was held electronically using the Microsoft Teams platform, for the safety of the Board Members and Pennichuck employees. Telephone access to the meeting was provided for members of the public.

Pursuant to Governor Sununu’s Emergency Order #12 dated March 23, 2020, the requirement under RSA 91-A:2, III(b) that a quorum be physically present at a meeting has been waived.

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  
C. George Bower  
James P. Dore  
Elizabeth A. Dunn  
Stephen D. Genest (8:09 a.m.)  
Jay N. Lustig  
John D. McGrath  
Deborah Novotny  
Preston J. Stanley, Jr.

Also 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, Human Resources Director  
Suzanne L. Ansara, Corporate Secretary  
George Torres, Corporate Controller  
Carol Ann Howe, Assistant Treasurer  
Steven Greenwood, IT Director  
Bernard Rousseau, Vice President, PWSC  
John Boisvert, Chief Engineer  
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 March 27, 2020 Board meeting and non-public session, on motion duly made by D. Bernier and seconded by E. Dunn, all of the Directors present then voting by roll call, it was unanimously

Resolved: that the minutes of the March 27, 2020 meeting of the Board of Directors are hereby approved.

Resolved: that the minutes of the March 27, 2020 non-public session of the Board of Directors are hereby approved.

Director Stephen Genest joined the meeting at 8:09 a.m.

## Quarterly Review of Preliminary Unaudited Financial Results (through March 2020)

G. Torres presented a quarterly review of the Company's unaudited consolidated financial results through March 2020 and a review of revenues/water usage. The Company's revenues of \$9.8 million were 3.6% above the prior year revenues and 2.2% below budget on a year-to-date basis. Operating expenses of \$9.3 million were 2.7% below budget and 2.8% above the prior year expenses. Operating income was \$0.50 million compared to prior year operating income of \$0.41 million and budgeted operating income of \$0.46 million. Interest expense of \$2.7 million was 6.5% less than budget and 0.4% greater than the prior year expense. Pre-tax loss was \$2.2 million compared to a budgeted pre-tax loss of \$2.5 million and prior year pre-tax loss of \$2.3 million. Year-to-date net loss was \$2.8 million compared to a budgeted net loss of \$2.0 million and prior year net loss of \$2.2 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$2.6 million compared to \$2.7 million in the 2020 budget and the prior year amount of \$2.5 million. Capital expenditures of \$0.74 million were below the budgeted amount of \$1.4 million. Pumpage for the month of March (264 million gallons) was below budget (281 million gallons). G. Torres commented on the Company's debt covenant schedule and cash flow statement, and reviewed the budget variance analysis and prior year variance analysis for each subsidiary. A discussion ensued.

## Working Capital Line of Credit

L. Goodhue indicated that although the Board gave prior authority for the Company to extend the expiration date of the working capital line of credit another 60-90 days, TD Bank offered and management agreed to extend the expiration date another 120 days. He said that he is asking the Board to affirm the 120-day extension.

On motion duly made by J. Lustig and seconded by D. Bernier, all of the Directors then voting by roll call, it was unanimously

Resolved: that the Board of Directors hereby affirms the 120-day extension of the expiration date of the Pennichuck Corporation \$4 Million Working Capital Line of Credit with TD Bank, to July 31, 2020.

## Bond Financing

L. Goodhue reported that the issuance of bonds for the 2019 capital expenditures was successfully completed yesterday. The entire portfolio was sold to 2 investors at an aggregate purchase price of approximately \$7.4 million. The all-in True Interest Cost (TIC) is 4.261869%, comprised of a 5.25% coupon rate for the taxable bonds and 4% coupon rate for the tax-exempt bonds. The taxable bonds are a three year term bond with annual sinking fund payments, and the tax-exempt bonds are two term bonds (one thru 2030 and the other thru 2050) with annual sinking fund payments. The entire structure is geared towards level debt service annually. He stated that he was happy with the result given the current economic environment, the COVID-19 virus, and the recent collapse of oil prices. He indicated that the Ziegler team was exceptional, and worked extremely hard for Pennichuck to get the deal done. The closing on the bonds is scheduled for April 29, 2020. The proceeds will be wired on the morning of April 30.

## Debt Restructuring Plan

L. Goodhue reported that a petition was filed with the PUC yesterday for the debt restructuring plan. He indicated that he will forward a copy of the petition and his testimony to each of the Board members. The plan, which was discussed in detail at the last Board meeting, will include the issuance of bonds to refinance the 2014A and 2015 A-B series bonds, the refinance of the note payable to American United Life Insurance, and \$5.5 million to replenish the RSF fund. The BFA application and a letter to the City of Nashua seeking approval of the debt restructuring plan are being prepared. L. Goodhue reported that Standard & Poor's has downgraded Pennichuck to A negative.

## Pennichuck Water Works - Rate Case

L. Goodhue updated the Board on the Pennichuck Water Works rate case. He reported that a technical session was held last week and a settlement agreement is being drafted. There is agreement basically in concept on the MOES and implementation of the cost of service study.

## Working Capital Line of Credit

The working capital line of credit is currently under a 120-day extension. A conference call with TD Bank is scheduled for next week. L. Goodhue indicated that he has a term sheet from another bank in the event TD Bank chooses not to renew. There was a discussion relative to the difficulties in changing banks, if the need should arise. L. Goodhue stated that it would be more difficult on the cash management side of things as another bank may not have the branch presence needed for the bank accounts.

## Fixed Asset Line of Credit (FALOC)

The PWW FALOC with TD Bank is due to expire at the end of August. The Company has a term sheet for renewal in hand. The hope is to close on renewal of the FALOC in the June/July time frame.

## CARES ACT – STIMULUS PLANS

There was a discussion relative to the stimulus plans being offered by the federal government under the CARES ACT.

FICA Deferral - L. Goodhue indicated that the Company has taken advantage of the FICA deferral, deferring the payment of the employer portion of FICA taxes, for cash flow. He indicated that it is the intention of the Company to pay off the deferred FICA taxes by the end of the year.

Paycheck Protection Program – There was a discussion relative to the Paycheck Protection Program. The Program authorizes forgivable loans to small businesses to pay their employees during the COVID-19 crises. L. Goodhue said that it is difficult for Pennichuck to apply for the loan because the Company would need to get approval from the Public Utilities Commission and the City of Nashua, which could take 2 months to complete. He indicated that Attorney Ardinger of Rath, Young & Pignatelli is working on this issue to see if there is a way to expedite approval through the PUC to take advantage of this program.

L. Goodhue said that the Company has had a loss of revenue and is prohibited from sending out collection notices to customers or from shutting them off for unpaid bills. The Company has approximately \$330,000 in delinquent payments at this time. The Company needs to remain viable in order to provide services to its customers. The only other option to access a loan through the Program may be through the Governor.

On motion duly made by D. Novotny and seconded by T. Leonard, all of the Directors then voting by roll call, 9 directors voting in favor and one director, P. Stanley, voting against, it was

Resolved: that the Board of Directors hereby authorizes the Chief Executive Officer of the Company to apply for funds and grants that become available due to the COVID-19 virus, to use for operations and payroll based upon needs related to the COVID-19 virus.

## COVID-19 Virus

L. Goodhue updated the Board regarding the Company's response to the COVID-19 virus and the CDC's recommendations for safe practices. He indicated that the majority of the Company's employees will continue to work from home. The Governor's order expires on May 4 and the Company will wait to make a decision based on what the Governor does at that time.

## Succession Plan

L. Goodhue reported that B. Rousseau will be starting his transition into retirement in 2 months.

## Capital Projects

L. Goodhue indicated that once the funds for the bond issuance are received, the Company will pay off the FALOC and begin using the FALOC for 2020 capital expenditures. J. Boisvert

reported that the Kessler Farm tank project has been put off until next year. Engineering is focusing on water main projects on Lake Street and some smaller streets in Nashua. The booster station project in PEU has been sent out to bid. C. Countie indicated that the last carbon media replacement filters will be installed the week of May 18.

Pennichuck East Utility, Inc.

L. Goodhue discussed management's intention to file a PEU rate case in the next month or two.

New Headquarters

L. Goodhue reported that the build out of the new headquarters is proceeding without disruption. The parking lot has been torn up, entire first floor has been built out, and work is starting on the second floor. The project is on track. L. Goodhue will be going on a walk thru of the building next Tuesday afternoon.

Solar Field

D. Ware updated the Board on the construction of a solar field on the paper street lots off Concord Street. He said that the attorney is working on straightening out some property issues that have arisen with the City. Also, management is still trying to purchase the two remaining paper street lots owned by others. The title search and survey work has been completed. A Land Lease Option Agreement has been entered into with New England Solar Garden Corp.

Annual Meeting

S. Ansara reported that the Annual Meeting of Sole Shareholder and Annual Meeting of the Board of Directors will be held on May 2, 2020 at 9:00 a.m. via Microsoft Teams Conferencing Platform and conference call for public access. She indicated that there will be no formal presentations this year. A signed proxy card has been received from the City of Nashua voting to elect the slate of directors.

The membership of the Board Committees was discussed. It was agreed that no changes will be made, except to appoint Scott Flegal to the Audit, Finance and Risk Committee.

There being no further business to come before the Board, the meeting was adjourned at 10:17 a.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara  
Corporate Secretary