

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

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, January 24, 2020 at 8:06 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, 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
Deborah Novotny
Preston J. Stanley, Jr.

Attending 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
Chris Countie, Director, Water Supply and Community Systems
Bernard Rousseau, Vice President, PWSC
John Boisvert, Chief Engineer
Tara King, Revenue and Customer Operations Manager
Alan Brown, Distribution Manager
Dan Wojcik, Community Water System Supervisor

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 December 20, 2019 Board meeting, on a motion duly made by S. Genest and seconded by P. Stanley, all of the Directors then voting in favor except for T. Leonard who abstained, it was

Resolved: that the minutes of the December 20, 2019 meeting of the Board of Directors are hereby approved.

2020 Budget Assumptions and Pumpage Budget

G. Torres presented the 2020 budget assumptions utilized in preparing the 2020 Budget and indicated that they have not changed since he reviewed them in October. G. Torres presented the pumpage budget for 2020 (4.331 billion gallons).

Management answered questions from the Board relating to 401(k) plan and pension plan expenses referred to in the budget assumptions.

2020 Capital Expenditure Budget and 2021/2022 Capital Expenditure Plans

G. Torres presented a revised 2020 capital expenditure budget and 2021/2022 capital expenditure plans from that reviewed at the December Board meeting. Changes from the December draft budget include a \$1.07 million reduction for the Locke Lake project, an increase of \$0.65 million for mains and main replacements, and an increase of \$0.26 million for the Merrimack River deep water intake project.

The revised 2020 consolidated capital budget consists of approximately \$3.8 million of carry-over projects from 2019 and approximately \$11.2 million for new projects, for a total 2020 consolidated capital budget of approximately \$15.0 million. Estimates for planned capital expenditures in 2021 and 2022 are approximately \$11.8 million and \$9.7 million, respectively.

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

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

2020 Operating Budget

G. Torres presented a review of the Company's proposed 2020 operating budget, a copy of which was included in the written materials. Supporting schedules to the operating budget were reviewed at the December Board meeting. He discussed the 2020 Consolidated Budgeted Statement of Income. The proposed budget includes revenues of \$51.0 million, operating expenses of \$40.6 million, operating income of \$10.4 million, interest expense of \$11.8 million and a net loss of \$1.1 million. EBITDA is budgeted at \$19.3 million.

L. Goodhue briefed the Board on the potential impact of the PWW rate case on revenues. He indicated that he will discuss the PWW rate case in more detail later in the meeting.

G. Torres then commented on the Company's budgeted balance sheet and cash flow statement, and the budgeted statements of income for each subsidiary.

After discussion, on motion duly made by S. Genest and seconded by J. Lustig, all of the Directors then voting, it was unanimously

Resolved: that the 2020 Operating Budget, as presented at this meeting, is hereby approved.

AULI Note Payable

L. Goodhue reported that the Pennichuck Water Works corporate note payable with American United Life Insurance will mature in 2021. The note is the only existing Pennichuck Water Works debt with balloon payments. There is \$2.4 million outstanding on the note which will need to be refinanced. The current interest rate is 7.4%. He indicated that he hopes to refinance at a much lower interest rate which will be rate advantageous to the Company's customers.

Bond Financing

L. Goodhue reported that he has reviewed the responses to the Company's RFP for underwriting services for the bond financing, which was sent out in December. He referred the Board to his scoring of the responses received. He indicated that based on his evaluation of the responses he chose B. C. Ziegler and Company to perform the underwriting services for the bond financing. He discussed the primary drivers in making his decision. An engagement letter has been signed with Ziegler.

L. Goodhue reported that the pre-pricing call for the bond financing is scheduled for April 1 and the pricing call for April 2, and that a PWW Pricing Committee will need to be formed. Board members P. Stanley, J. Lustig, D. Novotny, T. Leonard and G. Bower agreed to serve on the Pricing Committee, and E. Dunn agreed to serve as an alternate.

Pennichuck Water Works, Inc. – Rate Case

L. Goodhue discussed the status of the PWW rate case with the NHPUC. He indicated that some concerns were raised in the most recent Technical Session as to how the requested MOES, as an annual surcharge, could be included in the rate structure. The PUC staff attorney raised concerns that granting it as an annual surcharge is not something he would deem that the Commissioners have the ability to legally approve, as when coupled with the rest of the existing rate structure, would result in the Company essentially promulgating a full rate case every year, without filing a case (and by statute, a full rate case can only be filed every 2 or more years, unless current rates require emergency consideration because they are confiscatory). In the Technical Session, a reformulation of the MOES was discussed for which the management team is working on drafting and submitting to the PUC staff and OCA for the case. This involves making sure that the Company's RSF accounts will be fully supported going forward for operating expense increases, irregardless of fluctuations in revenues from weather and consumption patterns.

L. Goodhue also mentioned to the Board that the current level of the RSF accounts is well below their imprest levels, and as such, he and the management team are working on a refinancing activity that would advance refund some of the Company's 2014 and 2015 bonds, advance refinance the existing AULI debt that matures on 3/1/2021, and borrow funds to initially replenish the RSF funds to their imprest levels, as the new MOES would be implemented and go into effect. He mentioned that it was important to bring the RSF accounts back up to the imprest levels for credit rating and cash flow protection purposes, as S&P had indicated in the past that the credit rating and outlook are highly dependent on these factors. The PUC attorney also raised concerns about the possible need to re-notice and re-file the rate case, which the management team will be meeting with its attorneys to counteract, as it feels its legal rights in keeping the case going "as is" is fully and legally justified.

Discussion on this topic ensued with the Board, with questions being raised and responded to regarding the timing of everything, whether or not temporary rates could be sought and granted, how complicated the rate structure was compared to several years ago, the timing to process rate cases, and if the Company had thought about other ways to bring equity into the Company.

Business Updates and Comments from the CEO

New Corporate Headquarters – L. Goodhue reported that work on the new corporate office is progressing and on schedule for a move in December. Demolition of the interior of the building is now taking place. Electrical, IT, and security needs are being reviewed.

Risk & Resiliency Assessment – L. Goodhue updated the Board on the status of the Company's risk & resiliency assessment required under the America's Water Infrastructure Act. He reported that a 2-day workshop was held on January 15 and 17. A risk and resiliency assessment certification must be filed by March 31 with the EPA, and an action plan filed 6 months later.

Southwood Corporation Land – L. Goodhue reported that the transfer of all land owned by Southwood Corporation to Pennichuck Corporation has been completed. The next step will be to file with the Town of Merrimack for current use.

HECOP IV, LLC – Dissolution is ongoing.

TD Bank – The \$4 million line of credit with TD Bank is due to expire on March 31, 2020. Management will be meeting with TD Bank in a couple of weeks to discuss renewal. The fixed asset line of credit for \$10 million will expire in August.

PFAS – L. Goodhue indicated that there is nothing new to report regarding the class action lawsuit against the NHDES relative to the new standards for PFAS that went into effect in October 2019. The last of the carbon filters will be changed in April.

PEU Rate Case – L. Goodhue indicated that he anticipates filing a rate case for Pennichuck East Utility, Inc. in late July.

CIAC – Senator Shaheen has introduced a bill to restore the tax exemption for water utilities, which was removed in the Tax Cuts and Jobs Act of 2017. Regardless of the outcome, a new tariff put in place for PWW, PEU and PAC last year will protect the Company from additional taxes.

Other Business

Management Presentations – There was a discussion relating to the management presentations list for 2020. S. Ansara indicated that presentations on the Strategic Plan and updated SWOT Analysis for each department were last given at an Audit, Finance & Risk Committee meeting in 2016. It was agreed that updated presentations on the Strategic Plan and SWOT will be given to the full Board in 2020 instead of the Audit, Finance & Risk Committee.

Non-Public Minutes for Unsealing – S. Ansara indicated that sealed non-public minutes of the Pennichuck Corporation Board should be reviewed for potential unsealing. It was agreed that the Nominating and Governance Committee will review the prior non-public minutes and make recommendations to the full Board.

Move to Non-Public Session

S. Genest moved that the Board enter into non-public session to (i) discuss matters which if discussed in public would likely affect adversely the reputation of a person, pursuant to RSA 91-A:3, II(c), and (ii) discuss confidential information pursuant to RSA 91-A:3, II(j). J. Lustig 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, D. Novotny, P. Stanley

Nay:

Motion was carried to enter into non-public session at 10:21 a.m.

Reconvene in Public Session

The non-public session ended at 12:02 p.m. and the Board reconvened in public session.

Present were the Board members and S. Ansara.

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

Nay:

Motion was carried to seal the minutes of the non-public session.

L. Goodhue rejoined the meeting at 12:03 p.m. and updated the Board on his recent discussion with Attorney Brown regarding the PWW rate case.

There being no further business to come before the Board, the meeting was adjourned at 12:06 p.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary