

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

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, July 24, 2020 at 8:00 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 the meeting, constituting a quorum:

Thomas J. Leonard, Chairman
C. George Bower
James P. Dore
Elizabeth A. Dunn
H. Scott Flegal
Stephen D. Genest
Jay N. Lustig
John D. McGrath
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, Human Resources Director
Suzanne L. Ansara, Corporate Secretary
George Torres, Corporate Controller and Treasurer
Carol Ann Howe, Assistant Treasurer
Bernard Rousseau, Vice President, Sales and Service
Steven Greenwood, IT Director
Tara King, Revenue and Customer Operations Manager
Christopher Countie, Director, Water Supply and Community Systems

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 June 26, 2020 Board meeting, on motion duly made by G. Bower and seconded by E. Dunn, all of the Directors present then voting by roll call, it was unanimously

Resolved: that the minutes of the June 26, 2020 meeting of the Board of Directors are hereby approved.

June 2020 Financial Report – Pumpage, Balance Sheet and Cash Flow

G. Torres reviewed pumpage levels for the month of June. Pumpage of 597 million gallons was above the budgeted amount of 478 million gallons. He also reviewed the Company's consolidated balance sheet and cash flow statement through the month of June.

Report of the Compensation and Benefits Committee

S. Genest, Chairman of the Compensation and Benefits Committee, gave a report on the Committee's July 20, 2020 meeting. He reported that the Committee met with the Investment Committee and discussed and made decisions on several topics relating to the pension plan, including (1) the restatement of the pension plan, (2) the possible annuitization of the golden certificates held in the pension plan, (3) possible movement to an LDI strategy, and (4) the adoption of new updated mortality tables.

Rescind Appointment of Pension Plan Administrators

L. Goodhue indicated that the Company's attorney has recommended that Pennichuck Corporation be the Administrator for the pension plan, and not named individuals, for liability purposes. Management is recommending that the Board rescind the appointments of the current Administrators of the pension plan.

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

Resolved: that the appointments of Larry Goodhue, Mary DeRoche, George Torres and Carol Ann Howe as Plan Administrators of the Pension Plan for Employees of Pennichuck Corporation, are hereby rescinded.

Pension Plan Restatement

L. Goodhue referred the Board to the draft restatement of the pension plan, a copy of which was included in the written materials to the Board. The IRS requires that the pension plan be restated

periodically to ensure that it reflects new laws and regulations and amendments. He said that the revised restated plan includes changes based on comments received from the Company's attorney, which comments were received after a draft of the restated plan was presented to the Board at the March 27 Board meeting. The changes have been reviewed by the Investment Committee, Summit Financial and the Compensation and Benefits Committee. S. Genest indicated that after discussions with the Investment Committee, the Compensation and Benefits Committee is recommending that the Board approve the restatement of the pension plan as presented at this meeting.

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

Resolved: that the resolutions adopted at the March 27, 2020 meeting of the Board of Directors approving the pension plan restatement are hereby rescinded.

On motion duly made by T. Leonard and seconded by J. Lustig, all of the Directors present then voting by roll call, the following resolutions were unanimously approved:

WHEREAS, Pennichuck Corporation (the "Employer") has maintained the Pension Plan for Employees of Pennichuck Corporation (the "Plan") since June 1, 1956 for the benefit of eligible employees; and

WHEREAS, the Employer is restating the above-referenced Plan to comply with the requirements of the Revenue Procedure 2015-36 and other applicable guidance.

NOW, THEREFORE, BE IT RESOLVED that the Employer hereby adopts the Pension Plan for Employees of Pennichuck Corporation as a complete restatement of the prior Plan, to be effective on January 1, 2020;

RESOLVED FURTHER that the Chief Executive Officer of the Employer is authorized to execute the restated Plan document and authorize the performance of any other actions necessary to implement the adoption of the Plan restatement. The Chief Executive Officer may designate any other authorized person to execute the restated Plan document and perform the necessary actions to adopt the restated Plan. The Employer will maintain a copy of the restated Plan, as approved by the Board of Directors, along with a copy of the prior Plan, in its files;

RESOLVED FURTHER that the Chairman of the Compensation and Benefits Committee is authorized to execute the restated Plan document on behalf of the Committee.

RESOLVED FURTHER that the Employer will act as Administrator of the Plan, and will be responsible for performing all actions necessary to carry out the administration of the Plan. The Employer may designate any other person or persons to perform the actions necessary to administer the Plan; and

RESOLVED FURTHER that Plan participants shall be provided with a summary of the Plan provisions within a reasonable period of time following the adoption of the restated Plan.

Pension Plan – Golden Certificates

L. Goodhue reported that the Investment Committee met with Summit Financial to discuss the possibility of annuitizing the golden certificates. The golden certificates were issued to certain individuals under the pension plan years ago. There are currently 12 individuals holding golden certificates, 10 retirees and 2 beneficiaries. The payment of benefits to those holding golden certificates are co-guaranteed by MassMutual. MassMutual has required that the full current value of the future benefits to be paid to those individuals with golden certificates be held in the pension plan's GIA (guaranteed) account. This requirement has limited the Company's ability to invest the money in other funds, to move to an LDI strategy, and to move the pension plan to another administrator, if it chose to do so.

L. Goodhue indicated that Summit Financial and the Investment Committee believe that it is a good time to move forward in annuitizing these golden certificates based on overall economic factors in the marketplace and in the economy. He then reviewed the analysis provided by Summit Financial, which was included in the written materials to the Board. A discussion ensued relative to the cost to the pension plan in annuitizing the certificates. The net annual impact to the pension plan would be approximately \$3,000 a year over several years. The Chairman indicated that the Compensation and Benefits Committee reviewed this issue carefully and agree with Summit and the Investment Committee that it is the appropriate time to annuitize the golden certificates.

On motion duly made by J. McGrath and seconded by E. Dunn, all of the Directors present then voting by roll call, except for D. Novotny who temporarily left the meeting, it was unanimously

Resolved: that the Board of Directors of Pennichuck Corporation (the "Company"), at the recommendation of the Investment Committee for the Pension Plan and the Compensation and Benefits Committee, hereby authorizes the Company to annuitize the "golden" certificates issued by MassMutual under the Pension Plan for Employees of Pennichuck Corporation to the individuals listed in the analysis provided by Summit Financial and presented at this meeting, for a buy-out price currently estimated to be \$1,104,898 (the actual amount to be determined and verified on the date for which the annuities are actually priced and purchased).

Solar Field Project Update

D. Ware updated the Board on the construction of the solar field. He reported that New England Solar Garden (NESG) has been working on obtaining site plan approval with the City's Planning Board. He said that the Conservation Committee has gotten involved and the site plan has been tabled. The Planning Board is looking for the Conservation Committee's input, and a site walk with the Conservation Committee is scheduled for next week. The concerns of the Conservation Committee relate to loss of habitat around the 8 acres of clear cut, tree cutting, and stormwater runoff. D. Ware said that the 8 acres is part of 350 acres that the New Hampshire Fish and Game had studied for endangered species and found no concerns. Relative to the tree cutting, this area

has been part of Pennichuck's tree farm plan for decades and has been logged continuously. He has forwarded a copy of the tree farm plan to the Conservation Committee. He said that there is no stormwater runoff from the site and there will not be after the solar panels are constructed. Hopefully, the site walk will satisfy the Conservation Committee's concerns and the matter can be on the Agenda for the Planning Board sometime in August.

D. Ware reported that there is another concern relating to the solar field. Solar fields are taxed under the statewide utility tax, so the actual value of the solar panels is taxed. If the cost of the panels are taxed at both the state and local level, the numbers won't work for this project. NESG has met with the City's Director of Economic Development, Tim Cummings, and the City's Energy Manager, to discuss whether the City will accept a payment in lieu of taxes (PILOT). Tim Cummings has indicated that after reviewing the financials, they cannot recommend a PILOT and the project should be subject to taxation. A discussion ensued as to the options available to management to try to push this project forward.

Taxable Bond Financing - Debt Restructuring

L. Goodhue reported that Ziegler had been looking into the possibility of attaching bond insurance to the issuance of the taxable bonds for the upcoming financing. An advantage of bond insurance is that the Company would go from an A or A+ credit rating to probably a AA credit rating, which would make the Company more attractive in the market, and would have a rate differential of 30-40 basis points. The bond insurance company had indicated that they would require the Company to enter into a 4-party agreement with the City of Nashua, the bond trustee and the bond insurance company, whereby the City would commit to not sell the Company or divest their ownership of the Company for the remainder of the time that the bonds with bond insurance attached would be outstanding. L. Goodhue indicated that he spoke to both the Mayor and City Counsel Steve Bolton, and they were both on board with getting this done. Unfortunately, the bond insurer's credit committee has indicated that they will not offer bond insurance to the Company because they are not comfortable with the ownership structure of Pennichuck Water Works.

L. Goodhue indicated that management is hopeful that the Company will receive an order from the PUC by this afternoon. A schedule has been developed relative to the issuance of the bonds. He said that if the order is received within the next several days, the pre-pricing call will be held on August 25, the pricing call on August 26, and the closing on September 1, and that a Pricing Committee will need to be formed. Board members J. Lustig, G. Bower, J. Dore, S. Flegal and P. Stanley agreed to serve on the Pricing Committee, and E. Dunn agreed to serve as an alternate.

PWW Rate Case

L. Goodhue updated the Board on the PWW rate case. Final hearings were held on July 1 and went very well. Both the PUC Staff and the OCA, as well as the City, have entered into a settlement agreement for the rate case and for the financing. Management is waiting on the Commissioners to issue a preliminary order basically approving the rate case's structure. A final order will be issued after the bond financing is complete. The rate increase will be based on what the bonds are issued at since that savings will be imbedded in the final rate increase.

CoBank Financing

L. Goodhue indicated that the Company is waiting on an order from the PUC for the CoBank financing.

QCPAC

L. Goodhue reported that the QCPAC filings for PWW and PEU are still in process. Management is awaiting final orders from the PUC so that the surcharges can be put in place in the rates with an elongated recoupment period (four months instead of one month) which was requested based on COVID-19.

Working Capital Line of Credit (WCLOC)

L. Goodhue updated the Board on his continuing discussions with TD Bank relative to the renewal of the WCLOC. The expiration date of the WCLOC has been extended to December 31. The Bank continues to push on bifurcating the line of credit, and moving some of it to Pennichuck Water Works. L. Goodhue said that this is problematic in that he is unsure whether the PUC would approve. L. Goodhue said that he has requested that the Bank provide in detail in writing what their issues are with the renewal. Copies of the Money Pool Agreement and Cost Sharing Agreement have been provided to the Bank, which agreements basically obligate the other subsidiaries to pay for their share of the use of assets of PWW. He said that he is not certain that the Bank has fully focused on this. L. Goodhue indicated that he recently heard from the Company's representative at TD Bank who indicated that the two agreements have been passed on to their attorney and that they will get back to him with the specific issues that need to be resolved and clarified. L. Goodhue said that if it comes to the point where TD Bank is not willing to renew the WCLOC, an offer from another bank to provide a WCLOC in the current structure of the Company is still on the table.

PFOA

L. Goodhue reported that agreements have been finalized relative to Phase 2 of St. Gobain's expansion of public water in Litchfield. The contracts will be put out to bid next week with construction beginning in the next few weeks. St. Gobain is paying for the expansion. St. Gobain will be paying the Company the gross-up tax for the CIAC they will be contributing to the Company.

Representative Kuster and Senator Shaheen are co-sponsoring a bill at the federal level seeking to reinstitute the exemption from CIAC taxation for water companies that was eliminated in the Tax Cut and Jobs Act.

New Headquarters

L. Goodhue updated the Board on the Company's new corporate headquarters. Construction is on track to be completed in October and for a move in the first week of November. The Company has selected a furniture vendor and mover. Quotes have been secured for appliances for both the kitchenette and the cafeteria. Final selection on signage has been made.

COVID-19 Virus

L. Goodhue said that the workforce continues to work remotely and will continue to do so through at least Labor Day and probably further. Management is making sure that the Company is staying in compliancy with state regulations and CDC guidelines.

Move to Non-Public Session

S. Genest moved that the Board enter into non-public session to discuss (i) the compensation of employees pursuant to RSA 91-A:3, II(a), and (ii) confidential or financial information pursuant to RSA 91-A:3, II(j). E. Dunn seconded the motion.

A roll call of the Directors present was taken, which resulted as follows:

Yea: G. Bower, J. Dore, E. Dunn, S. Flegal, S. Genest, T. Leonard,
J. Lustig, J. McGrath, D. Novotny, P. Stanley

Nay:

Motion was carried to enter into non-public session at 9:41a.m.

Reconvene in Public Session

The non-public session ended at 9:49 a.m. and the Board reconvened in public session.

At the non-public session, the following occurred:

- Approval of Non-Public Session Minutes. On a motion duly made by S. Genest and seconded by E. Dunn, the following resolution was adopted by the Board of Directors by roll call:

Resolved: that the sealed draft minutes of the June 26, 2020 non-public session of the Board of Directors are hereby approved.

- Pension Plan - Suspension of Benefits Notice. There was a discussion relating to a Suspension of Benefits Notice to be provided to employees turning age 65 who may elect to continue employment with the Company past their normal retirement date, which is the later of age 65 or five years after entering the pension plan.
- Pension Plan Mortality Tables. There was a discussion relating to the adoption of new mortality tables that were recently issued by the IRS for use in calculating benefits for individuals who choose an optional form of benefit (such as the 10-year certain or the 50%/75%/100% spousal forms). The adoption of the new mortality tables was recommended to the Board by the pension plan's Investment Committee and the Compensation and Benefits Committee.

On a motion duly made by E. Dunn and seconded by S. Genest, the following resolutions were adopted by the Board of Directors by roll call:

WHEREAS, Pennichuck Corporation (the “Employer”) has maintained the Pension Plan for Employees of Pennichuck Corporation (the “Plan”) since June 1, 1956 for the benefit of eligible employees, and the Plan document was amended and restated effective January 1, 2020; and

WHEREAS, the Employer has decided to amend Article 1.3 of the Plan to update the basis for Actuarial Equivalence.

NOW, THEREFORE, BE IT HEREBY:

RESOLVED: that the Amendment to the Pension Plan for Employees of Pennichuck Corporation (the “Amendment”), as presented at this meeting, is hereby approved and adopted, to be effective January 1, 2020.

FURTHER

RESOLVED: that the Chief Executive Officer of the Employer, or any other person duly authorized to represent the Employer, may execute the Amendment and perform any other actions necessary to implement the Amendment.

There being no further business to come before the Board, the meeting was adjourned at 9:50 a.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary