

PENNICHUCK CORPORATION

BOARD OF DIRECTORS
MINUTES OF DECEMBER 18, 2020 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, December 18, 2020 at 8:00 a.m.

Due to the COVID-19 virus and in accordance with the state of emergency declared 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.

By roll call, the following Directors were present for the start of the meeting, constituting a quorum. Each director stated that they were alone.

Thomas J. Leonard, Chairman
David P. Bernier
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 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
Steven Greenwood, IT Director
Tara King, Revenue and Customer Operations Manager
John Boisvert, Chief Engineer
Christopher Countie, Director, Water Supply and Community Systems
Alan Brown, Distribution Manager
Daniel Wojcik, Director of Sales, PWSC

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 November 20, 2020 Board meeting, on motion duly made by J. Lustig and seconded by P. Stanley, all of the Directors then voting by roll call, it was unanimously

Resolved: that the minutes of the November 20, 2020 meeting of the Board of Directors are hereby approved.

Pumpage Report

G. Torres reviewed pumpage levels for the month of November. Pumpage of 254 million gallons was behind the budgeted amount of 275 million gallons.

Dividend to Shareholder

L. Goodhue indicated that management is recommending that the Board approve the payment of a quarterly dividend 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 J. Lustig, all of the Directors then voting by roll call, it was unanimously

Resolved: that a dividend in the amount of \$70,004.03 be paid to the sole shareholder of record, the City of Nashua, New Hampshire, on January 4, 2021.

Preliminary 2021 Capital Budget, 2022-2023 Capital Expenditure Plans

G. Torres presented a revised preliminary 2021 Capital Expenditure Budget, including 2022-2023 capital expenditure plans, updated from the preliminary budget reviewed at the November Board meeting. He reviewed the special projects slated for 2021 and reviewed the breakout of how projects will be funded. The preliminary 2021 consolidated capital budget is estimated at \$15.7 million. G. Torres indicated that a final 2021 capital expenditure budget will be presented to the Board for approval at the January 2021 Board meeting.

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

Resolved: that the preliminary 2021 Capital Budget and 2022 and 2023 Capital Expenditure Plans, as presented at this meeting, are hereby approved.

Preliminary 2021 Operating Budget

G. Torres presented the preliminary 2021 Operating Budget. He reviewed the budgeted statements of income for PWW, PEU, PAC and PWSC, and reviewed the supporting breakdown of expenses for each company. There was a discussion relating to the increase in pension costs and the discount rate. L. Goodhue discussed the possibility of adopting an LDI strategy for the pension plan investments which would help mitigate some of the volatility in pension costs. L. Goodhue said that the management fee allocation between the entities is not included in the preliminary operating budget, but will be included in the final operating budget. The final 2021 operating budget will be presented to the Board at the January 2021 Board meeting.

Report of the Compensation and Benefits Committee

S. Genest, Chairman of the Compensation and Benefits Committee, reported on the Committee's December 15 meeting. He said that the Committee was given a presentation on Workers' Compensation claims and that the number of claims filed in 2020 were down from the previous two years (7 claims in 2020 compared to 18 claims in 2018 and 23 claims in 2019). D. Ware presented to the Committee a review of safety efforts. S. Genest said that the Company has made good progress in the areas of safety. The Committee was also provided with a review of the HR Dashboard data, which data is used as a business tool for planning purposes.

Report of the Nominating and Governance Committee

E. Dunn, Chairman of the Nominating and Governance Committee, reported on the Committee's December 7 meeting. The Committee performed its annual review of the Committee's charter and the Corporate Governance Principles and had no changes. The Committee also reviewed the form of Board survey, which survey has been sent to the Board members for completion. E. Dunn said that the Committee was provided with a review from Mary DeRoche on the Company's system to educate employees on the Corporate Code of Conduct, and the procedures to monitor and enforce the Code. The Committee also performed their annual review of the Corporate Code of Conduct, and E. Dunn discussed the changes to the Code that the Committee is recommending that the Board approve.

Amendment to the Corporate Code of Conduct

The Board noted the changes recommended by the Nominating and Governance Committee to the Corporate Code of Conduct.

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

Resolved: that at the recommendation of the Nominating and Governance Committee, the Board of Directors hereby amends the Corporate Code of Conduct as follows:

- (1) Section 5. Financial Strength and Integrity. In the first paragraph of Section 5, (i) delete the first sentence "We are in business to create value for our shareholder.", and (ii) delete the word "investor" in the second sentence and replace it with the word "shareholder."

- (2) Section 11. Gifts, Meals, Services and Entertainment. Delete the sentence “If the gift consists of perishable goods, these goods should be donated to a charitable organization.” in paragraph 3.

2020 Major Accomplishments

L. Goodhue reviewed the Company’s major accomplishments in 2020:

- 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
- Continued “roll-out” of the Asset Management System, including enhancements and features added to the DPAC and GIS applications
- Completion of the PWW 2018 test year rate case, including implementation and approval of MOEF in rate structure
- Filing of the PEU 2019 test year rate case, including request for further rate structure modifications
- Filing of the PAC 2019 test year rate case, including request for rate structure modifications
- Successful filing of annual QCPAC filings for PEU and PWW, for 2019 Capex. Awaiting final orders on both.
- Successful completion of annual Internal Control Review, with no significant deficiencies identified
- Ongoing replacement of aging infrastructure in City of Nashua, coupled with sewer replacements by the City
- Comprehensive work completed in support of City’s aggressive paving plan
- Rebuild of 2nd pump at the Merrimack River Intake, and improvements to station for installation of 3rd pump by year-end
- Completion of conversion of Company’s WAM system from Synergen to CityWorks; to go online as of 1/1/2021
- 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
- Comprehensive response to COVID-19 pandemic, including but not limited to:
 - Response and actions needed to facilitate “work from home” for vast majority of non-field staff
 - Creation of daily questionnaire/auto notification to insure compliancy with Company requirements as well as State/CDC guidelines
 - Ongoing monitoring, testing and communication to and for employees
 - Expedited roll-out of Social Media platform for communication to customers
 - 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 2020, with equivalent or elevated levels of coverage

- Migration of Click Mobile from Oracle to Microsoft SQL server for both cost and efficiency in meeting Company needs
- Work performed by cross-functional Steering Committee in updating and enhancing the usage of the emPerform performance appraisal application, initially installed and used in 2019
- Continued progress on inventory control policies and operating procedures
- Continued focus on system and applications integration Company-wide
- Completion of build-out and response to PFOA affected areas Litchfield Phase 2
- Procured the necessary funding in support of Capital Projects for identified projects for the three regulated utilities, including:
 - Completed \$7.5M Bond Offering in April for PWW, to refinance and repay FALOC borrowings for 2019 Capex
 - Completed \$800K term loan closing for PEU to refinance and repay FALOC borrowings for 2019 Capex
 - Procurement of \$2.5M PPP loan for COVID-19 protective measures
 - Completed \$73.6M Taxable Bond refinance in September, including advance refunding of 2014A, 2015A and 2015B bonds, and procurement of \$4.7M to refill PWW MOERR RSF, and advance payoff of AULI N/P at \$2.4M
 - 3-year renewal of PEU \$3M FALOC for 3 years
 - Renewal and extension of PWW FALOC, increased from \$10M to \$12M thru June 2023 (awaiting final NHPUC Order to close by 12/31/2020)
 - Procurement of 5-year Plan of Financing for PWW to issue bonds for 2021-2025 for Capex needs. Awaiting Order from NHPUC to complete this; Order anticipated in early 2021.
- Renewal and extension of Penn Corp W/C LoC at \$4M thru June 2022
- 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
- Completion of the construction and occupancy of new corporate headquarters in Nashua
- Vacancy of tenancy at old headquarters in Merrimack to be completed by 12/31/2020
- Preparations and designs in place to replace the Kessler Farm Tank in 2021
- Filing for partial surrender of Windham Franchise area to Town of Salem, in support of regional water main project funded by the DWGTF
- Refiling with NHPUC of modified plan for tank and interconnection main in Londonderry in support of the Woodmont Commons project, as well as current infrastructure for PEU in that town

2021 Major Goals

L. Goodhue reviewed the Company's major goals for 2021:

- Complete PEU Rate Case for test year 2019, including request for rate structure modification relating to MOEF rate structure element and reprioritization of usage of DSRR 0.1 funds
- Complete PAC Rate Case for test year 2019, including request for rate structure modifications consistent with PWW and PEU

- File annual PWW and PEU QCPAC cases
- 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 Company-wide Customer Security Program, to the benefit and safety of customers and employees
- 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
- Research and install potential enhancements or upgrade to Macola ES application
- Complete design of enhancements needed for Bowers and Supply Pond Dams, in preparation of projects to be completed in 2020/2021/2022
- Complete Bond issuance reimbursement financing in April for PWW 2020 Capex
- Complete CoBank term loan financing in Q2/Q3 for PEU 2020 Capex reimbursement/refinance
- Obtain NHPUC approval for new multi-year approval of bond financing for PWW Capex for next 5 years (*anticipated in Feb 2021*)
- Continued participation in multiple educational outreach efforts within the Company's customer coverage radius
- Continued focus on system and applications integration Company-wide, 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
- Evaluate and implement Customer Communication System to allow for texting and email notifications to customers
- Installation of Solar field to augment long-term power needs and rates
- Continual enhancement and review of cybersecurity needs, risks and tools
- Continued monitoring and response to COVID-19 pandemic, including but not limited to:
 - Timing of possible resumption of "normal" operating activities
 - Ongoing monitoring and protection of customers and employees served
 - Continued monitoring and response to financial impact on the Company of the pandemic

Business Updates and Comments from CEO

- Bond Underwriters - L. Goodhue reported on his discussions with the PUC Staff relative to the Company moving to Hilltop Securities for bond underwriting purposes. The PUC Staff indicated that an RFP was not necessary, but they requested that the Company place a letter on file with the PUC stating the basis for moving to Hilltop Securities.

New Headquarters - L. Goodhue reported that on January 6 he and Rob Parsons will be giving a private tour of the new headquarters to Mayor Donchess. In response to a question posed by the Board, L. Goodhue said that the Company has no plans to fence in the transformer and generator outside of the facility.

Solar Field – L. Goodhue reported that a PILOT agreement with the City of Nashua has been signed. In response to a question posed by the Board, D. Ware said that the solar field will be accessed from Manchester Street and that the Company is also looking at a possible entrance off Concord Street near the water tank.

Other Business

Charitable Contributions – The Board was presented with a summary of charitable contributions made by Pennichuck Water Service Corporation in 2020.

Move to Non-Public Session

J. McGrath moved that the Board enter into non-public session to discuss (i) the promotion or compensation of an employee pursuant to RSA 91-A:3, II(a), (ii) matters which, if discussed in public, would likely affect adversely the reputation of a person, pursuant to RSA 91-A:3, II(c), (iii) the acquisition, sale or lease of real or personal property, pursuant to RSA 91-A:3, II(d), (iv) matters relating to preparation for and carrying out of emergency functions pursuant to RSA 91-A:3, II(i), and (v) confidential or financial information pursuant to RSA 91-A:3, II(j). E. Dunn 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. Flegal, S. Genest,
T. Leonard, J. Lustig, J. McGrath, D. Novotny, P. Stanley
Nay:

Motion was carried to enter into non-public session at 10:09 a.m.

Reconvene in Public Session

The non-public session ended at 10:20 a.m. and the Board reconvened in public session.

Matters Addressed in Non-Public Session

At the non-public session, the following occurred:

- (1) The Board was given a report from the Chairman of the Nominating and Governance Committee regarding governance matters the Committee considered at its meeting on December 15, including discussions relating to the structure of the current Board and assessments of Directors up for re-election in 2021.
- (2) There was a presentation on staffing requirements for 2021, including a discussion on replacements for anticipated retirements.
- (3) The Board discussed whether to unseal certain non-public minutes of the Ad Hoc Building Committee and the Pennichuck Corporation Board of Directors, as recommended by the Nominating and Governance Committee. The Board agreed to unseal certain minutes and to redact/unseal other minutes. The redactions were consistent with the Board's past practices and policies to protect contract negotiations and business dealings, and to protect personnel issues. The Board agreed to vote on the matter in public session.

Unsealing of Certain Non-Public Minutes

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

Resolved: that based on the recommendation of the Nominating and Governance Committee, the Board of Directors hereby approves the following:

- (a) to unseal in their entirety the minutes of the Ad Hoc Building Committee's February 22, 2013, July 11, 2013, August 15, 2013, April 4, 2016, April 12, 2017 and June 22, 2018 non-public sessions;
- (b) to unseal in their entirety the minutes of the Pennichuck Corporation Board of Directors' March 23, 2012, January 23, 2015, May 29, 2015, June 26, 2015, September 25, 2015, April 22, 2016, August 26, 2016, and February 24, 2017 non-public sessions; and
- (c) to unseal the minutes of the Pennichuck Corporation Board of Directors' March 27, 2015, April 24, 2015, August 28, 2015, September 22, 2017 and October 27, 2017 non-public sessions, except for those items that the Board has agreed to be redacted from release.

There being no further business to come before the Board, the meeting was adjourned at 10:25 a.m.

/s/ Suzanne L. Ansara
Suzanne L. Ansara
Corporate Secretary