

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF FEBRUARY 22, 2021 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Monday, February 22, 2021 at 4:30 p.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 Committee members for their review prior to the meeting.

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

James P. Dore, Chairman
C. George Bower
H. Scott Flegal
Thomas J. Leonard
Deborah Novotny

Attending the meeting from the Company were:

Elizabeth A. Dunn, Director
Larry D. Goodhue, Chief Executive Officer
Donald L. Ware, Chief Operating Officer
Suzanne L. Ansara, Corporate Secretary
George Torres, Corporate Controller and Treasurer
Carol Ann Howe, Assistant Treasurer

S. Ansara recorded the minutes of the meeting.

Approval of Minutes

There being no comments on the draft minutes of the November 17, 2020 Committee meeting and non-public session, on motion duly made by T. Leonard and seconded by S. Flegal, all of the Committee members then voting by roll call, it was unanimously

Resolved: that the minutes of the November 17, 2020 meeting of the Audit, Finance and Risk Committee are hereby approved.

Resolved: that the sealed minutes of the November 17, 2020 non-public session of the Audit, Finance and Risk Committee are hereby approved.

Pennichuck Water Works, Inc. - Bond Financing – 2020 Capital Expenditures

L. Goodhue reported that documents for the annual bond financing have been drafted and are being reviewed by the Company’s attorneys. He referred the Committee to copies of the draft documents included in the written materials. The aggregate principal amount of the taxable or tax-exempt bonds to be issued is \$6.1 million, which includes up to \$5.7 million to finance the 2020 capital projects of Pennichuck Water Works, and \$0.4 million to finance the costs of issuance. L. Goodhue explained that this financing will be a component of the financing plan approved by the Board in 2018 and/or a component of the financing plan approved by the Board in 2020. Closing is anticipated for April 2, and the FALOC with TD Bank can then be paid off well before the April 30 deadline.

After discussion, on motion duly made by T. Leonard and seconded by D. Novotny, all of the Committee Members then voting by roll call, it was unanimously

Resolved: that the issuance of bonds needed to finance the 2020 capital expenditures of Pennichuck Water Works, Inc. (“PWW”), initially funded by the Fixed Asset Line of Credit or from working capital sources, and as described to the Audit, Finance and Risk Committee as a component of the 2017-2020 Financing Plan approved by the Board of Directors of Pennichuck Corporation and PWW on February 23, 2018 and/or as a component of the 2020-2024 Financing Plan approved by the Board of Directors of Pennichuck Corporation and PWW on February 28, 2020 and approved in further detail by the Board of Directors of PWW on May 21, 2020, and to consist of the entering into of the following credit facilities:

Taxable or Tax-exempt Bonds in one or more Series in the aggregate amount of:	\$ 5,700,000
Taxable or Tax-exempt Bonds in one or more Series or Bank Credit Facility to fund Bond Issuance Costs – up to:	\$ 400,000
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Total 2021 Bond Issuance Plan:	\$ 6,100,000

the “2021 Bond Issuance Plan” be and it is hereby favorably recommended for consideration and approval by the Board of Directors of Pennichuck Corporation and PWW.

Further Resolved: that the officers of Pennichuck Corporation and PWW are severally authorized, empowered and directed to take such actions necessary to present the 2021 Bond Issuance Plan to the Board of Directors of Pennichuck and PWW, and to report the favorable recommendation of this Committee to each such Board.

Pennichuck East Utility, Inc. – CoBank Term Loan / Repay Fixed Asset Line of Credit (FALOC)

L. Goodhue stated that management is seeking authorization for Pennichuck East Utility, Inc. (PEU) to enter into a 25-year term loan with CoBank in an amount up to \$1,136,000, to refinance and repay borrowings by PEU under its \$3 Million FALOC with CoBank. He referred the Committee to the term sheet included in the written materials. The loan will be secured by an unconditional guarantee of PEU's obligations by Pennichuck Corporation. The interest rate will be determined based on market conditions at the time of closing. Approval of the loan will be required from the City of Nashua and the NHPUC. There was a discussion on the impact of the loan on PEU rates. L. Goodhue indicated that the Company's relationship with CoBank remains strong.

On motion duly made by G. Bower and seconded by T. Leonard, all of the Committee members then voting by roll call, it was unanimously

Resolved: that the Audit, Finance and Risk Committee hereby recommends to the Board of Directors of Pennichuck Corporation and Pennichuck East Utility, Inc. that Pennichuck East Utility, Inc. be authorized to enter into a term loan with CoBank, ACB in an amount up to \$1,136,000 with an up to 25-year amortization schedule.

Corporate Code of Conduct

E. Dunn reported that the Nominating and Governance Committee performed their annual review of the Corporate Code of Conduct in December. At that meeting, a question was raised concerning the options provided in the Code to which employees can send their concerns or complaints relating to ethical or legal misconduct or questionable accounting matters. A discussion ensued relating to the options provided in the Code and it was agreed that no changes were required.

Director Flegal – Conflict of Interest

T. Leonard reported that the Nominating and Governance Committee discussed at their meeting in December whether the fact that Scott Flegal is counsel to Melanson, the Company's outside auditors, would create a conflict of interest. He indicated that the Nominating and Governance Committee agreed that Director Flegal could continue as a member of the Audit, Finance and Risk Committee, but agreed that he should not participate in any discussions relating to the contract with Melanson or relating to bid proposals for audit services from other companies. The Nominating and Governance Committee also agreed that Director Flegal should abstain from voting on the approval of audited financials presented by Melanson. After discussion, the Committee agreed with the conclusions of the Nominating and Governance Committee. Director Flegal indicated that he would recuse himself from voting on any matters relating to Melanson.

Insurance Coverage Review

C. Howe presented a review of the Company's Property and Casualty insurance portfolio for 2021. She discussed the changes in premiums for each of the policies from the prior year. Total premiums increased by approximately \$45,000 in 2021, mainly driven by increases in the

commercial auto, umbrella and workers' compensation policies. C. Howe reported that the Company's worker's compensation experience modification rate increased to 0.90 for 2021, compared to a 0.67 rating in 2020, mainly due to one significant claim. There was a discussion relative to Company risks that are not insured. The Chairman requested that management obtain a list from USI, the Company's insurance broker, setting forth the risks that are not insurable or are so costly that insuring them would not be practicable.

Emergency Plans

S. Ansara referred the Committee to the chart showing the tasks completed in 2020, in accordance with the Standard Operating Procedures to the Company's Emergency Plans, a copy of which was included in the written materials. She reported that all required tasks were completed except for the following, due to the COVID-19 virus: (1) emergency procedures were not reviewed with employees and fire drills were not held; and (2) safety walkthroughs at the Manchester Street corporate office were not performed. She indicated that the 2021 annual review of the plans and appendices has begun and should be completed by the end of March.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 5:48 p.m.

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