

PENNICHUCK CORPORATION

BOARD OF DIRECTORS
MINUTES OF FEBRUARY 26, 2021 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, February 26, 2021 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
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
Tara King, Revenue and Customer Operations Manager
Steven Greenwood, IT Director
John Boisvert, Chief Engineer
Chris Countie, Director, Water Supply and Community Systems
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 January 22, 2021 and February 11, 2021 Board meetings, on a motion duly made by J. Lustig and seconded by P. Stanley, all of the Directors present then voting by roll call, it was unanimously

Resolved: that the minutes of the January 22, 2021 meeting of the Board of Directors are hereby approved.

Resolved: that the minutes of the February 11, 2021 Special Meeting of the Board of Directors are hereby approved.

Pumpage / Preliminary Unaudited December Financial Results

G. Torres reviewed pumpage levels through December 31, 2020. Total pumpage for 2020 was 4.4 billion gallons, over 10% higher than in 2019.

He reviewed the Company's unaudited consolidated income statement, balance sheet and cash flow statement through December 31, 2020. Revenues of \$50.1 million were 11.9% above the prior year revenues and 1.8% below budget on a year-to-date basis. Operating expenses of \$39.7 million were 1.8% below budget and 2.2% above the prior year expenses. Operating income was \$10.4 million compared to prior year operating income of \$6.0 million and budgeted operating income of \$10.5 million. Interest expense of \$11.9 million was 0.6% greater than budget and 6.5% greater than the prior year expense. Pre-tax loss was \$1.5 million compared to a budgeted pre-tax loss of \$1.3 million and prior year pre-tax loss of \$5.0 million. Year-to-date net loss was \$2.0 million compared to a budgeted net loss of \$1.1 million and prior year net loss of \$5.3 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$19.1 million compared to \$19.3 million in the 2020 budget and the prior year amount of \$14.7 million.

Report of the Audit, Finance and Risk Committee

J. Dore, Chairman of the Audit, Finance and Risk Committee, gave a report on the Committee's February 22, 2021 meeting. He reported that the Committee reviewed and discussed the 2021 bond financing plan for 2020 capital expenditures and resolved to favorably recommend to the Pennichuck Corporation and PWW Boards that they consider and approve the financing plan. The Committee reviewed the annual CoBank term loan financing and resolved to favorably recommend that the Pennichuck Corporation and Pennichuck East Utility Boards consider and approve PEU entering into a term loan with CoBank in the amount of \$1,136,000 with a 25-year amortization schedule. The Committee next reviewed and discussed the Company's Corporate Code of Conduct. The discussion centered around the methods for employees, officers and directors to report any concerns they may have relating to ethical or legal misconduct or questionable accounting matters. The Committee's opinion was that the current reporting structure in the Code of Conduct is appropriate and that though the existence of several options for reporting concerns may lead to confusion on the complainant's

side, that it was important to provide the options so that the complainant may choose the option most comfortable to them. The Committee was lead through a review and discussion of the Company’s property and casualty insurance coverages. There was no change in carriers from 2020, and Travelers remains as the main insurance provider. Insurance premiums increased approximately \$45,000 from 2020, mainly driven by increases in the commercial auto, umbrella and workers’ compensation policies. The workers’ compensation experience modification rate increased to 0.90 for 2021 compared to a 0.67 rating in 2020, mainly due to one significant claim. The Committee reviewed the chart of tasks required to be completed in 2020 under the Standard Operating Procedures to the Company’s Emergency Plans. During 2020, all requirements were met, except for emergency drills and review of emergency procedures with employees, and safety walk-throughs of the main office facility, due to COVID-19. The Committee accepted the report and did not raise any objections to the COVID-19 related non-compliance action items.

Bond Financing

L. Goodhue referred the Board to the draft documents relating to the annual bond financing, copies of which were 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. He reported that he met with Standard and Poor’s on Tuesday. Pricing Committee meetings to price the bonds have been scheduled for March 29 and March 30. The Audit, Finance and Risk Committee has reviewed and is recommending approval.

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

Resolved: that the financing plan for the financing of the capital expenditures of Pennichuck Water Works, Inc. (“PWW”) for 2020, as recommended by the Audit, Finance and Risk Committee and as described to this Board, such plan 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
Total 2021 Financing Plan:	\$ <u>6,100,000</u>

(the “2021 Financing Plan”), be and it is hereby approved.

Further

Resolved: that the officers of Pennichuck Corporation (the “Company”) and PWW are hereby authorized, empowered and directed to take any and all actions to develop and effect the borrowings contemplated by the 2021 Financing Plan, including taking any and all actions to obtain all necessary approvals and consents for the borrowings contemplated by such Plan from the City of Nashua in its capacity as the sole shareholder of the Company, the New Hampshire Public Utilities Commission, and any other person from which approval or consent may be required related to such borrowings as determined by such officers.

Further

Resolved: that the officers of the Company and PWW are directed to finalize the terms of the 2021 Financing Plan, including preparation of loan and trust agreements, credit facility agreements, bond purchase agreements, official statements, petitions and such other documents that are necessary to effect the 2021 Financing Plan.

Further

Resolved: that any actions taken by the officers of the Company prior to the date of the foregoing resolutions adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed, approved and adopted as actions of the Company.

Pennichuck East Utility, Inc. (PEU) - Annual CoBank Financing

L. Goodhue stated that management is seeking approval for Pennichuck East Utility, Inc. to enter into a 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. 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. He referred the Committee to the term sheet included in the written materials. 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. The Audit, Finance and Risk Committee has reviewed and is recommending approval.

On motion duly made by E. Dunn and seconded by G. Bower, all the Directors present then voting by roll call, the following resolutions were approved:

WHEREAS, reference is made to that certain Master Loan Agreement, dated as of February 9, 2010, between Pennichuck East Utility, Inc. (“PEU”), as borrower, and CoBank, ACB (“CoBank”), as lender (the “MLA”);

WHEREAS, in connection with and as part of the consideration for inducing CoBank to enter into the MLA, Pennichuck Corporation (the “Corporation”) agreed to enter into that certain Guarantee of Payment (Continuing) in favor of CoBank; and by resolutions taken on January 27, 2010, the Board of Directors of the Corporation approved the Guaranty and all related transactions to any loans under the MLA, including the New Loan, as described below; and

WHEREAS, the Corporation finds it beneficial that PEU take out an additional loan under the terms and conditions of the MLA (such New Loan further described below), for the purposes of financing 2020 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit.

NOW, THEREFORE, be it hereby:

Resolved: to authorize and approve PEU to enter into a term loan (the “New Loan”) to be advanced under and subject to the terms and conditions of the MLA and a new Promissory Note and Supplement thereto, as follows: up to One Million One Hundred Thirty Six Thousand Dollars and No Cents (\$1,136,000.00) with an up to 25 year amortization schedule; at a rate of interest based on one of two interest rate options: a weekly quoted variable rate option or a quoted fixed rate option, each of which would be determined at closing on the New Loan.

Further

Resolved: that the Chief Executive Officer, the Chief Operating Officer and the Treasurer of the Corporation are, and each of them hereby is, authorized to act as the Corporation’s representative (either in its own capacity, or in the Corporation’s capacity as the sole shareholder of PEU) for purposes of executing and administering the above-referenced New Loan and/or executing any other related documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or MLA.

Further

Resolved: that the Chief Executive Officer, the Chief Operating Officer and the Treasurer of the Corporation are, and each of them hereby is, authorized to act as the Corporation’s representative for purposes of executing and administering the above-referenced continuing corporate guarantee by the Corporation and/or executing any other related loan documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or the MLA.

Report of the Nominating and Governance Committee

E. Dunn, Chairman of the Nominating and Governance Committee, gave a report on the Committee’s February 17, 2021 meeting. She reported that the Committee reviewed the results of the annual survey which the Board will discuss in non-public session today. Also, in preparation for the annual shareholder meeting, the Committee assessed the performance of the three directors who are up for re-election to the Board in 2021. Based on their assessment, the Committee is recommending that the Board nominate Stephen Genest, David Bernier and Thomas Leonard for election as Directors at the 2021 Annual Meeting of Sole Shareholder.

Director Nominees for Annual Shareholder Meeting

The Chairman inquired whether there were any comments regarding the nominees recommended by the Nominating and Governance Committee for election to the Board at the 2021 Annual Meeting of Sole Shareholder. There being none, on motion duly made by E. Dunn and seconded by J. Lustig, all of the Directors present then voting by roll call, it was unanimously

Resolved: that David P. Bernier, Stephen D. Genest and Thomas J. Leonard are hereby nominated for election to the Board of Directors of Pennichuck Corporation at the 2021 Annual Meeting of Sole Shareholder, as Class C Directors, each for a three-year term, and until their successors are elected and qualified.

2021 Annual Meeting of Sole Shareholder

L. Goodhue indicated that due to the fact that restrictions are still in place in New Hampshire with respect to COVID-19, and that the Company's protocols restrict the number of individuals allowed in the office building, he is recommending that the 2021 Annual Meeting of Sole Shareholder be held virtually, as was last year. After discussion, it was agreed that for the safety of the Company's Directors and employees, the meeting be held virtually.

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

Resolved: that the 2021 Annual Meeting of Sole Shareholder be held on Saturday, May 8, 2021 at 9:00 a.m., virtually via Microsoft Teams and teleconference.

Business Updates and Comments from Management

COVID-19 – L. Goodhue reported that the Company's protocols relating to COVID-19 remain in place at this time. He reported that a State of the Waterworks presentation was given recently to all employees virtually, discussing the Company's accomplishments in 2020 and reviewing Company protocols related to COVID-19. A "new hire" roundtable was held last month via Microsoft Teams. Attending the roundtable were employees hired within the past year along with L. Goodhue and M. DeRoche.

PUC Activities – L. Goodhue reported that the Company is still waiting on orders from the PUC for the PWW and PEU QCPAC filings from last year. He said that the PUC has been very slow in issuing orders for all utility companies. A Commissioner resigned last year and that position is still vacant. Another Commissioner, Kate Bailey, who represents the engineering seat on the Commission, has indicated that she will be retiring once the vacancy has been filled.

PFOA – L. Goodhue updated the Board on the project in Londonderry to provide water to up to 2,400 customers impacted by PFOA contamination. He indicated that the contamination could cause another major buildup of public water in Londonderry, and how it will happen remains to be seen. Pennichuck owns the franchise area for the Town of Londonderry. There is no direct source of water in Londonderry, so any build-up would have to be by an interconnection of water down from Manchester. He indicated that the Town of Londonderry may be pursuing taking over their own water system, but would have to pay the Company what the City of Nashua paid for it when acquiring the Company plus any additional investments made to the system to date. He indicated that he expects the matter to evolve over the next 12 months.

L. Goodhue said that the results of the Company's testing of its own systems are well within the current standards.

Kessler Farm Tank – J. Boisvert reported on the progress of the replacement of the Kessler Farm Tank. He said that the project is on schedule and that the demolition process has begun. The existing tank was removed from service on March 1. The replacement concrete tank is scheduled to be online in December. A meeting was held two weeks ago with the Kessler Farm Association Board and other members of the association that chose to attend. The meeting was very positive, and the members were helpful with suggestions that might improve traffic flow during heavy construction days. The Company has created a project site page on its website for customers to refer to, setting forth a timeline of the project, and updates on construction as the project progresses. The Company is in the process of reaching out to those customers whose condos are in close proximity to the tank to do pre-construction surveys.

Director David Bernier joined the meeting at 8:50 a.m. during the CEO updates.

Southern Regional Water Project – D. Ware updated the Board on the progress of the Southern Regional Water project. He said that the physical construction of the pipeline and improvements going through parts of Derry to Windham through Salem over through Atkinson is complete, with the exception of the connection from Atkinson to Plaistow and a pumping station, both of which are under construction. Water is flowing from Manchester Water Works through Derry down through Windham into Salem and into Atkinson. Manchester now has the ability to deliver over a million gallons of water a day to these towns. Phase 2 construction is progressing which will give Manchester the ability to deliver up to 3 million gallons a day. The Company is currently working on a franchise transfer of the area directly adjacent to Route 28 to the Town of Salem. The Company filed a petition to transfer the franchise a year and a half ago. The PUC Staff was ready to issue a recommendation late last fall and had a series of questions for the Town of Salem in November, but the Town of Salem has not yet responded to them. The Town of Salem and Town of Windham have not yet entered into an inter-municipal agreement where the two communities agree on how customers in Windham are going to be

treated by Salem. The Town of Plaistow is preparing to connect later this year and convert their fire system to a domestic system using water coming through this pipeline.

Move to Non-Public Session

J. McGrath moved that the Board enter into non-public session to (i) consider matters relating to the preparation for and carrying out of emergency functions pursuant to RSA 91-A:3, II(i), and (ii) discuss financial or confidential information pursuant to 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. Flegal, S. Genest, T. Leonard,
J. Lustig, J. McGrath, D. Novotny, P. Stanley
Nay:

Motion was carried to enter into non-public session at 9:10 a.m.

Reconvene in Public Session

The non-public session ended at 11:12 a.m. and the Board reconvened in public session. Present were the Directors and S. Ansara.

S. Genest moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(i) and RSA 91-A:3, II(j). D. Bernier 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 seal the minutes of the non-public session.

There being no further business to come before the Board, the meeting was adjourned at 11:13 a.m.

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