

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF NOVEMBER 19, 2021 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, November 19, 2021 at 8:00 a.m. at the Company’s offices at 25 Walnut Street, Nashua, 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 for the start of the meeting, constituting a quorum:

Thomas J. Leonard, Chairman
David P. Bernier (via Microsoft Teams)
C. George Bower
James P. Dore
Elizabeth A. Dunn
H. Scott Flegal
Stephen D. Genest (via Microsoft Teams)
Jay N. Lustig (via Microsoft Teams)
Deborah Novotny
Preston J. Stanley, Jr.

D. Bernier, S. Genest and J. Lustig stated the reasons they could not attend the meeting in person, that they were alone and could hear the proceedings.

Attending all or a portion of the meeting from the Company were:

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 (via Microsoft Teams)
Steven Greenwood, IT Director
Tara King, Revenue and Customer Operations Manager (via Microsoft Teams)
John Boisvert, Chief Engineer
Alan Brown, Distribution Manager (via Microsoft Teams)
Daniel Wojcik, Director of Sales, PWSC (via Microsoft Teams)
Chris Countie, Director, Water Supply and Community Systems (via Microsoft Teams)
Lori Douglas, Accounting Manager

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 October 22, 2021 meeting of the Board of Directors, on motion duly made by E. Dunn and seconded by J. Dore, all of the Directors present then voting by roll call, it was unanimously

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

Financial Review

G. Torres presented a financial update through October 2021, reviewing the Company's unaudited consolidated income statement, balance sheet and cash flow statement. Pumpage for the month of October (336 million gallons) was above budget (326 million gallons).

Revenues of \$42.1 million were 1.6% above the prior year revenues and 3.7% below budget on a year-to-date basis. Operating expenses of \$35.1 million were 0.5% less than budget and 7.8% greater than the prior year expenses. Operating income was \$6.9 million compared to prior year operating income of \$8.8 million and budgeted operating income of \$8.4 million. Interest expense of \$11.8 million was 2.4% less than budget and 23.5% greater than the prior year expense. Pre-tax loss was \$4.6 million compared to a budgeted pre-tax loss of \$3.6 million and prior year pre-tax loss of \$0.6 million. Year-to-date net loss was \$4.1 million compared to a budgeted net loss of \$3.1 million and prior year net loss of \$0.4 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$14.5 million compared to \$15.7 million in the 2021 budget and the prior year amount of \$16.1 million.

G. Torres indicated that the Company is still waiting on forgiveness relative to the Paycheck Protection Program loan. A situation has arisen where the SBA has classified Pennichuck as a municipality. L. Goodhue drafted a letter of response to the SBA explaining why Pennichuck should not be considered as a municipality; the Company is awaiting a reply as to reconsideration based upon that being provided. If the problem persists, L. Goodhue indicated that he will notify Senator Shaheen's office for assistance.

Review of Preliminary 2022 Capital Budget and 2023-2024 Capital Expenditures Plans

G. Torres along with the management group presented a thorough review of the Company's preliminary capital budget for 2022 and the capital expenditure plans for years 2023 and 2024. Detailed capital budget worksheets by subsidiary and department were discussed and management answered a number of questions from the Board relating to certain projects.

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 November 18 meeting:

- The Committee met with representatives of Melanson, the Company's outside auditors, to review in detail the 2021 audit plan. Preliminary audit work has

begun. Fieldwork will begin in February and final financials are scheduled to be released on March 24. At the meeting, Melanson discussed the staffing changes that will take place for the audit. A new item on Requirements for Disclosure and Discussions will require that Melanson review certain financial information in the Company's Annual Report to Shareholder.

- The Committee was provided with a cybersecurity update. The 13 high vulnerabilities reported in 2018 have been rectified. IT continues to keep employees informed of any security issues through meetings and email. On-line compliance training courses are given to employees each year.
- There was a review of the audited 2020 pension plan financial statements and the 2020 savings plan financial statements, which were reported to be in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. With regard to the notes to the pension plan financial statements, there was a discussion verifying disclosure of benefit distribution options and additional language for calculation of benefits at retirement. A correction of disclosure language may be made in the 2020 report (subsequently agreed to be deferred into the 2021 report) and there will be additional disclosure in next year's report, to have a clearer definition of how calculations are done going forward.
- There was a review of the audited Schedule of Expenditures of Federal Awards. It was determined that the Company is in compliance with the internal controls over expenditures and no deficiencies around the loan program were found. The loans were all for PEU and related to Locke Lake projects.
- The Committee was presented with a status update on the 2021 internal controls review and testing plan, which is expected to be completed by year-end.
- The Committee reviewed its Charter and had no changes.

Report of the Nominating and Governance Committee

E. Dunn, Chairman of the Nominating and Governance Committee, gave a report on the Committee's November 9, 2021 meeting. She said that the Committee performed their annual review of the Committee Charter and Corporate Governance Principles, and had no changes. The Committee also reviewed the Annual Survey form from last year and agreed to use the same form again this year. Board members will be receiving the survey for completion in December. The Committee performed their annual review of the Company's Code of Conduct, and E. Dunn referred the Board to the resolution in the Agenda. She said that the Committee is recommending that the Code be amended to delete antiquated language in the Code.

After a brief discussion, on motion duly made by J. Dore and seconded by G. Bower, all of the Board members present 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 6. Avoiding Conflicts of Interest. In the fourth paragraph of Section 6, the last sentence “For the purposes of this paragraph, “spouse” also includes civil union partners.” is deleted.

Report of the Retirement Plans Investment Committee

L. Goodhue gave a report on the recent meetings of the Retirement Plans Investment Committee.

- The Committee met with Summit Financial on October 27, 2021 to discuss the transition of the pension plan’s investment portfolio from MassMutual to Prudential. The following changes to the pension plan investment portfolio were agreed to, with all other investments remaining the same:
 - replace MassMutual Guaranteed Fund with Prudential Guaranteed Fund
 - replace MassMutual Blue Chip Growth Fund with Large Cap Growth I Fund
 - replace MassMutual S&P 500 Index with Fidelity 500 Index.
- The Committee met with Summit Financial and Empower Retirement on November 8, 2021:
 - A meeting will be scheduled between the Committee and a member of Empower’s Cyber Security team to discuss Empower’s approach to protect and safeguard participant information. S. Greenwood will participate in the meeting.
 - The Committee agreed to use the forfeiture balance of approximately \$12,000 in the Savings Plan for the 2021 plan year to pay the fees for recent mailings to participants and to use the balance towards Company match contributions.
 - An Investment Policy Statement for the VEBA investments was approved.
 - The Committee agreed to add the Vanguard Inflation-Protected Securities fund to the Savings Plan investment portfolio in January 2022.
 - Summit reported that based on ARPA legislation and current interest rates, the Company’s minimum contribution requirement to the pension plan for 2022 is \$0. The issue was discussed at length and it was agreed that a \$0 contribution in 2022 would cause a detrimental impact in

funding for the next 4 years. The Committee and Summit agreed that the Company will make contributions to the pension plan for 2022 in April, July, and October in the fixed amount of \$125,000, with an additional \$125,000 contribution paid in January 2023. Beginning in 2023 and going forward, the Committee agreed to adopt level quarterly contributions to the pension plan in the amount of \$250,000.

Sale of Parking Lot in Merrimack

L. Goodhue indicated that the landlord for Pennichuck's former corporate office in Merrimack signed an option to purchase the adjacent parking lot back in 2019. The landlord is now exercising his option. The sale price is \$150,000.

After discussion, on motion duly made by E. Dunn and seconded by S. Flegal, all of the Directors present then voting by roll call, the following resolution was unanimously adopted:

Whereas, The Southwood Corporation entered into an Option to Purchase ("Option Agreement") with HCOP Merrimack, LLC ("HCOP") on August 9, 2019, which Option Agreement memorializes the terms upon which Southwood has agreed to sell and HCOP may purchase the Option Property defined in the Option Agreement;

Whereas, the Option Property was transferred to Pennichuck Corporation, the parent company of The Southwood Corporation, on December 23, 2019.

Whereas, HCOP Merrimack, LLC has decided to exercise its option under the Option Agreement.

Now, Therefore, be it hereby:

Resolved: that the Board of Directors of Pennichuck Corporation (the "Corporation") hereby approves the sale of the Option Property as defined in the August 9, 2019 Option to Purchase (identified as Map 2D, Lot 4-7, Merrimack, NH), to HCOP Merrimack, LLC, for a purchase price of \$150,000; and

Resolved: that Larry D. Goodhue, Chief Executive Officer of the Corporation and Donald L. Ware, Chief Operating Officer of the Corporation, are severally authorized and directed to take such actions and to execute and deliver such documents as either of them, in their sole discretion, may deem necessary, proper or advisable to effectuate the sale of said Option Property, the taking of any such actions and the execution and delivery of any such documents shall be conclusive evidence that the same are within the authority conferred by these resolutions.

Business Updates and Comments from the CEO

PEU Rate Case. L. Goodhue updated the Board on the pending rate case for PEU. He said that there is a settlement agreement in final stages with all parties in the case. The attorney for the Towns of Londonderry and Litchfield will need to receive authorization from the Towns at a public meeting to enter into the settlement agreement on their behalf, which should occur next week. The settlement agreement will be ready to file (slated for December 7) pending the closing of the CoBank loan scheduled for November 30, as those results and terms are elemental in the Agreement.

Merrimack Village District (MVD) – L. Goodhue reported that the Company received the emergency rate order for the Merrimack Village District. The Order approved the tariff for only six months, and indicated that for it to work retroactively a special contract should be entered into between Pennichuck and MVD. The parties' attorneys prepared a special contract which has been signed by Pennichuck and the MVD. A supplementary petition has been filed with the Commission for approval of that special contract, with a view towards receiving that approval in Q1 2022.

Lease Accounting. L. Goodhue reported that the Company has opened a docket with the PUC for approval of a modified accounting treatment of leases. He said that G. Torres is the Company's primary representative, providing testimony and schedules for the docket before the PUC, as his first docket acting in all of those capacities in a filing with the Commission.

NHDES / Manchester Water Works (MWW) / PFAS – L. Goodhue reported that he and Don Ware participated in a joint meeting with the NHDES and Manchester Water Works. The purpose of the meeting was to discuss southern regional water issues on the horizon. Pennichuck and MWW are the two largest water suppliers in the region. The new infrastructure bill, which will be bringing a substantial amount of money into NH for water related projects, was discussed. The overall intent of the meeting was how best to address water supply and contamination issues in the region, such that the NHDES can continue their overall evaluation in that regard.

L. Goodhue indicated that during the meeting, the DES mentioned that the EPA will be releasing a nationwide MCLG (maximum contamination level goal) relative to PFAS. D. Ware reported on a webinar that he participated in last week. He said that there has been pressure through Congress to establish an MCLG. The EPA yesterday came out with an MCLG of "0" (non-detect). The MCLG does not mean anything from a regulatory perspective since there is no associated regulation. MCLGs for contaminants sometime remain forever and no standard is ever established. D. Ware said that the MCLG of "0" was set because new research indicates that some PFAS contaminants are carcinogens and by federal regulations if it is a potential carcinogen, the maximum contaminant level always becomes "0" or non-detect. D. Ware indicated that the EPA could move very quickly to establish a nationwide standard (or MCL) for PFAS. He said that if the standard migrates down to "0", Pennichuck's current treatment process will be incapable of effectively treating for PFAS down to that compliancy level. Additional treatment would have to be installed at the treatment plant and in some remote stations. Hopefully, grants will be available under the monies coming into the State from the recently passed Infrastructure bill.

L. Goodhue indicated that the DES inquired as to any other issues the Company is interested in pursuing. He said that he asked the DES to consider taking on the cause that pavement should not be taxable to utilities, especially as it pertains to a regional water main that benefits more than one community. The issue is why should Pennichuck's customers have to pay in their rates for property taxes on something that the Company no longer owns (the pavement is owned by the State or the Town), and may not even be in the Town that they live in because it has a regional benefit.

A discussion ensued relating to these issues. The Company's current testing and monitoring for PFAS was discussed. The Board questioned if there was anything the Company could do to change its structure so that the Company could actually serve as a regional water supplier, since the current structure is so limiting. L. Goodhue said that the DES is willing to get behind Pennichuck to help free up money on a grant level basis versus a debt level basis. Also, the CIAC (federal) taxation exemption has been reinstated back to January 1 of 2021, which means if the Company did receive grant money, it would not have to pay federal income taxes on it. The NHDRA has not yet adopted the reinstatement of the exemption. L. Goodhue indicated that talks with the NHDES and MWW will be continuing.

COVID-19 – L. Goodhue reported that President Biden has issued a mandate relating to COVID-19. The mandate requires that employers of more than 100 employees must ensure that their workforce is fully vaccinated, or require any workers that are not vaccinated to produce a negative COVID test result on at least a weekly basis before coming to work (or within 7 days before returning to work), and requires paid time off for employees to get vaccinated. The mandate does not apply to remote employees or employees who work exclusively outside. All of these requirements have to be established by December 5 (30 days after the ETS was issued by OSHA) and would be enforceable by January 4, 2022 (60 days after the ETS). The mandate has been challenged by 29 States in Federal Court that it is unconstitutional. The 4th, 5th and 6th circuit courts have upheld a stay of the mandate, and as such, OSHA has put a stay of the ETS. Currently, the Company is requesting that every employee either provide proof of their vaccinations confidentially to HR no later than December 5, or indicate that they are not vaccinated, in order to be in compliance with the December 5 deadline should the ETS become effective. The Company is continuing its policy to not mandate that employees get vaccinated, and is seeking sources for testing, should that be needed.

Salisbury – L. Goodhue reported that the Town of Salisbury has decided to set up their own water district. The Salisbury contract with PWSC will be terminated as of its expiration date on June 30, 2022. Budgetary considerations are underway to accommodate this elemental change.

Union Contract – L. Goodhue reported that the union contract agreed upon last month was not ratified by the union members. Additional negotiations have since taken place, and the revised 3-year contract was then ratified. Health insurance for both union and non-union employees is increasing by 9.9% from last year. The employee contribution to the health insurance is increasing from 19% to 19.5% in 2022.

Manchester Water Works (MWW) - Chlorine

D. Ware reported that MWW has scheduled a conversion of the disinfectant chloramine used in its water treatment process to free chlorine to be effective in December through March 2022, to breakdown and destroy bio-film forming inside their system and adjoining systems. The Company

will be notifying up to 4,000 PWW and PEU customers who will be impacted by this conversion. MWW and Pennichuck will also be conducting selective flushing of the systems to move the water through more quickly to eliminate the mixing of the chlorinated water and the chloramine water, where taste and odor issues could occur.

2022 Board Meeting Schedule

The Board reviewed the 2022 Board meeting schedule and had no changes.

L. Goodhue, D. Ware, G. Torres, C. Howe, S. Greenwood, T. King, J. Boisvert, A. Brown, D. Wojcik, C. Countie, and L. Douglas left the meeting at 10:33 a.m.

Move to Non-Public Session

E. Dunn moved that the Board enter into non-public session to discuss matters, which if discussed in public, would likely affect adversely the reputation of a person pursuant to RSA 91-A:3, II(c). G. Bower 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, D. Novotny, P. Stanley
Nay:

Motion was carried to enter into non-public session at 10:34 a.m.

Reconvene in Public Session

The non-public session ended at 10:54 a.m. and the Board reconvened in public session.

E. Dunn moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(c). G. Bower 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, 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 10:56 a.m.

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