

PENNICHUCK CORPORATION

BOARD OF DIRECTORS
MINUTES OF FEBRUARY 25, 2022 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, February 25, 2022 at 8:15 a.m. The meeting was held virtually using the Microsoft Teams platform.

Due to the spread of the COVID-19 virus and the OMICRON variant, the Board of Directors agreed at their December 17, 2021 Board meeting, that for the safety and health of the Board Members and Company employees, meetings of the Board and Board Committees would be held virtually until further notice. Telephone access to the meeting was provided for members of the public and any Board members who were unable to connect through Microsoft Teams.

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 Board Members were present at the start of the meeting, constituting a quorum. Each Board Member stated that they were alone and could hear the proceedings.

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

Attending the meeting from the Company were:

Larry D. Goodhue, Chief Executive Officer
Donald L. Ware, Chief Operating Officer
Mary DeRoche, HR Director
Suzanne L. Ansara, Corporate Secretary
George Torres, Corporate Controller and Treasurer
Carol Ann Howe, Assistant Treasurer
Steve Greenwood, IT Director
Tara King, Revenue and Customer Operations Manager
John Boisvert, Chief Engineer
Chris 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 January 28, 2022 Board meeting, on motion duly made by S. Genest and seconded by E. Dunn, all of the Directors present then voting by roll call, it was unanimously

Resolved: that the minutes of the January 28, 2022 meeting of the Board of Directors are hereby approved.

Pumpage / Preliminary Unaudited December Financial Results

G. Torres presented a financial update through December 31, 2021. Pumpage for 2021 was 4.2 billion gallons. Capital expenditures of \$8.7 million were below the budgeted amount of \$14.9 million.

He reviewed the Company's unaudited consolidated income statement, balance sheet, cash flow statement and debt covenants report through December 31, 2021. Revenues of \$52.0 million were 3.8% above the prior year revenues and 1.5% above budget on a year-to-date basis. Operating expenses of \$42.3 million were 0.8% above budget and 6.4% above the prior year expenses. Operating income was \$9.7 million compared to prior year operating income of \$10.4 million and budgeted operating income of \$9.3 million. Interest expense of \$13.9 million was 4.1% less than budget and 16.9% greater than the prior year expense. Pre-tax loss was \$3.9 million compared to a budgeted pre-tax loss of \$5.2 million and prior year pre-tax loss of \$1.5 million. Year-to-date net loss was \$3.7 million compared to a budgeted net loss of \$4.4 million and prior year net loss of \$2.0 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$18.9 million compared to \$18.0 million in the 2021 budget and the prior year amount of \$19.1 million.

Bond Financing – Pennichuck Water Works, Inc.

L. Goodhue referred the Board to the resolutions in the Agenda relating to the Company's plans to finance the 2021 capital expenditure needs of Pennichuck Water Works, Inc. through the issuance of bonds, which was discussed at the January 28 Board meeting. The financing will be a component of the \$57.5 million 5-year plan of financing which was approved in 2021. The schedule for meetings of the Pricing Committee was discussed. The closing is scheduled for April 26.

After a brief discussion, on motion duly made by D. Bernier and seconded by S. Genest, all of the Directors present then voting by roll call, it was unanimously

Resolved: that the financing plan for the financing of the capital expenditures of Pennichuck Water Works, Inc. (“PWW”) for 2021, 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 an aggregate amount not to exceed:	\$ 6,800,000
Taxable or Tax-exempt Bonds in one or more series OR Bank Credit Facility to fund Bond Issuance Costs, not to exceed:	\$ 200,000
Total 2022 Financing Plan not to exceed:	\$ <u>7,000,000</u>

(the “2022 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 2022 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 2022 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 2022 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.

CoBank Loan – Pennichuck East Utility, Inc.

L. Goodhue indicated that management is seeking approval for Pennichuck East Utility to enter into a term loan with CoBank, ACB in an amount up to \$700,000, with an amortization period of up to 25 years. The interest rate will be determined based on market conditions. The proceeds from the loan will be used to refinance 2021 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit. The loan will be secured by an unconditional guarantee of Pennichuck East Utility’s obligations by Pennichuck Corporation.

After discussion, on a motion duly made by E. Dunn and seconded by J. Dore, all of the Directors present then voting by roll call, the following resolutions were unanimously 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 2021 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit during 2021, including interest accrued thereupon.

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 Seven Hundred Thousand Dollars and No Cents (\$700,000.00) 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 Financial Officer, the Chief Operating Officer, the Treasurer and the Assistant 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 Financial Officer, the Chief Operating Officer, the Treasurer and the Assistant 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.

Further

Resolved: that the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Treasurer and the Assistant Treasurer of the Corporation are, and each of them hereby is, authorized and directed to take any and all actions to obtain all necessary approvals for the guarantee from the City of Nashua (in its capacity as the sole shareholder of Pennichuck Corporation), and any other authority determined, as a requirement, by such officers.

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, 2022 meeting. She reported that the Committee held public interviews with two Board candidates, Amymarie Corriveau and Sarah Pillsbury. Attending the interviews were the Committee members, Director Jim Dore and Director John McGrath, and from the City of Nashua, Alderman Patricia Klee.

E. Dunn indicated that the Committee is recommending that the Board of Directors vote to nominate Amymarie Corriveau as a Class A director and Sarah Pillsbury as a Class C director, for election to the Board at the 2022 Annual Meeting of Sole Shareholder.

E. Dunn reported that the Committee, at its January 24 meeting, assessed the performance of the directors up for re-election to the Board, namely: George Bower, Jay Lustig, John McGrath and Preston Stanley, and that the Committee is recommending that the Board vote to nominate them for election to the Board at the 2022 Annual Meeting of Sole Shareholder.

E. Dunn indicated that the number of directors would need to be increased from eleven to thirteen.

J. Lustig left the meeting during the report of the Nominating and Governance Committee, and was not present to vote on the following resolution.

After a discussion, on motion duly made by J. Dore and seconded by D. Bernier, all of the Directors present then voting by roll call, it was unanimously

Resolved: that the number of directors of the Pennichuck Corporation Board of Directors be increased from eleven to thirteen, and that:

- (a) C. George Bower, Amymarie R. Corriveau, Jay N. Lustig, John D. McGrath and Preston J. Stanley, Jr., are hereby nominated for election to the Board of Directors of Pennichuck Corporation at the 2022 Annual Meeting of Sole Shareholder, as Class A Directors, each for a three-year term, and until their successors are elected and qualified; and
- (b) that Sarah Pillsbury is hereby nominated for election to the Board of Directors of Pennichuck Corporation at the 2022 Annual Meeting of Sole Shareholder, as a Class C Director, for a two-year term, and until her successor is elected and qualified.

2022 Annual Meeting of Sole Shareholder

There was a discussion relating to the setting of the date, time and place of the 2022 Annual Meeting of Sole Shareholder.

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

Resolved: that the 2022 Annual Meeting of Sole Shareholder be held on Saturday, May 7, 2022 at 9:00 a.m., at the Company's Distribution Facility, 16 Daniel Webster Highway, Merrimack, NH, subject to details to be considered at the Board's March 25 meeting.

Business Updates and Comments from CEO and Management

Pennichuck East Utility, Inc. Rate Case – L. Goodhue reported that last Friday management received an order from the NHPUC approving a permanent rate increase of 16.79% for Pennichuck East Utility, which is inclusive of the 14.03% temporary rate order received last fall. The order allows for recoupment of rates back to December 2020.

Pennichuck Water Works, Inc. Rate Case – L. Goodhue said that management is preparing a petition to file a rate case for Pennichuck Water Works, which is expected to be filed within the next 2 months.

Bonds – Arbitrage Calculation – L. Goodhue informed the Board that the Company is required to have an arbitrage calculation completed by an independent party for the bonds until they are paid off.

CIAC – NHDES – L. Goodhue reported that although the federal government reinstated the CIAC tax exemption for water utilities under the infrastructure bill, the State of NH has not done so. He said that the NHDES is taking a lead role in working with the Commissioner at the DRA and with Senator Morse to bring a bill before the legislature to reinstate the CIAC tax exemption at the State level.

PPP Loan – L. Goodhue reported that the Company's Paycheck Protection Program (PPP) loan has been denied for forgiveness by the Small Business Administration (SBA). There was a discussion as to the reasoning behind the SBA's decision. L. Goodhue reported that the first loan payment was made by the Company last week, and the next three payments will be made at the end of the 3rd week of March, April and May, at which time the PPP loan will be fully paid off.

J. Lustig rejoined the meeting at 9:00 am.

CoBank / TD Bank – L. Goodhue reported that he and G. Torres met with representatives at CoBank, ACB last week, and will be meeting with representatives of TD Bank next week. The purpose of the meetings is to provide the banks with the Company's year-end results, updates relating to the PEU rate case, and the 2022 budget.

Cybersecurity – L. Goodhue reported that he met with Chris Countie and Jason Lozzi in IT to discuss cybersecurity as it pertains to Russia and Ukraine, reviewed the Company’s protocols and the Company’s ability to protect the utility from some type of hack. He said that the Company is constantly reviewing and upgrading its protections relative to the hardening of our systems relative to cyber protections.

Hiring Trends – M. DeRoche discussed the current difficulty in hiring new employees. She said that this is one of the most difficult hiring markets she has encountered in the course of her career, and that she expects it to continue for quite some time.

Woodmont Commons, Londonderry – J. Boisvert updated the Board on the Woodmont Commons project in Londonderry. The project will include a tank, transmission mains and a booster station. Construction is expected to begin this year, and stretched into next year. He said that he has heard from contractors regarding delays in receiving materials. For example, pipe, which usually takes 4-6 weeks, is now taking 10-20 weeks for delivery. He will be meeting with the town planner in Londonderry to discuss what information needs to be provided to the planning board for the tank and the booster station.

PFOA – Southern NH – J. Boisvert said that the DES is still evaluating how best to address water supply and contamination issues in the region. They are looking at source capacity between Pennichuck and Manchester Water Works for future needs to address PFAS and related issues. Studies are in process. The Company has provided a significant amount of information to the DES and is engaged in the process.

Dams – C. Countie reported that he hasn’t received a lead time on the spillway gates, which are apparently about 30 weeks out. He said that he is looking at whether or not to split the project up, and get the work done on the emergency spillway this year. Hopefully, the gates will be received and ready to complete the project in 2023.

COVID-19 – L. Goodhue indicated that no changes have been made to COVID-19 protocols since instituted in December due to the OMICRON variant. Employees are mostly working from home. He said that he and M. DeRoche will be reviewing the protocols in the next couple of weeks to see how things are trending, and whether to modify the protocols.

G. Bower discussed what he is seeing in the workplace and what is happening in public meetings at this time. He said that it appears that things are improving. He said that it is important to have good ventilation in meeting rooms to protect people who have substantial risk factors. His recommendation is to wait approximately two to three weeks before deciding whether to remove any limitations. He said that employees should continue to test themselves if they are feeling ill, even if some of the limitations are lifted.

Director J. Lustig, L. Goodhue, D. Ware, M. DeRoche, G. Torres, C. Howe, S. Greenwood, C. Countie, J. Boisvert, T. King, A. Brown and D. Wojcik left the meeting at 9:35 a.m.

Move to Non-Public Session

S. Genest 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). 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. Genest, T. Leonard,
D. Novotny, P. Stanley
Nay:

Motion was carried to enter into non-public session at 9:36 a.m.

Reconvene in Public Session

The non-public session ended at 10:07 a.m. and the Board reconvened in public session.

S. Genest moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(c). 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. Genest, T. Leonard,
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 10:08 a.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary