



March 30, 2022

ANNUAL REPORT TO THE SOLE SHAREHOLDER

Dear Shareholder:

The Annual Meeting of Pennichuck Corporation (“Pennichuck” or the “Company”) will be held at 9:00 a.m. on Saturday, May 7, 2022, at the Company’s Distribution Facility, 16 Daniel Webster Highway, Merrimack, New Hampshire.

Background on the City’s Acquisition and Our Corporate Structure. The City’s acquisition of the shares of Pennichuck Corporation was completed on January 25, 2012. As part of the acquisition, the corporate structure of Pennichuck Corporation and its subsidiaries was retained. Under the structure, the City of Nashua is the sole shareholder of Pennichuck Corporation. Under the Company’s By-Laws, the City in its capacity as shareholder makes its decisions through actions by its Board of Aldermen, in accordance with the City’s Charter. No single person – the Mayor or any individual member of the Board of Aldermen – is him or herself a shareholder; rather, the entity of the City itself is the sole shareholder of Pennichuck Corporation represented by the Board of Aldermen and the Mayor.

Pennichuck continues to own five corporate subsidiaries, including three regulated utilities (Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc.), an unregulated service company (Pennichuck Water Service Corporation), and a shell company (The Southwood Corporation).

As unanimously approved by the City’s Board of Aldermen at the time of the acquisition, the corporate structure was retained for several reasons.

First, the City’s Mayor and Board of Aldermen desired to maintain some stability and continuity for all of the customers and employees of the Pennichuck companies. Retaining the existing corporate structure minimized the need for any radical changes to the utility companies and operations and encouraged support by all of the communities served by the utilities.

Second, retaining the corporate structure provided continuity for the regulatory and financial status of the companies and their respective businesses. The New Hampshire Public Utilities Commission continues to provide regulatory oversight for the utility companies, and banks, lenders and other contract parties continue to be able to rely on existing contracts and other rules with respect to financing and other operations.

Third, the Mayor and Board of Aldermen unanimously agreed to establish a corporate governance system for the purposes of managing Pennichuck Corporation. This corporate governance system relies upon well-established principles of corporate law, and is established pursuant to Pennichuck Corporation's Articles of Incorporation and By-Laws, as adopted by the City and the Company at the time of the acquisition pursuant to the Merger Agreement.

This well-known corporate governance model, which incorporates well-established principles regarding fiduciary obligations of board members, was structured to provide assurances to the City's rating agencies, potential lenders, the New Hampshire Public Utilities Commission and the many communities we serve that decisions are based on sound business and financial analysis, and in a manner that minimizes political considerations.

Operations, Communities and Customers. Our companies provide water service to a wide range of communities and customers.

Pennichuck Water Works, Inc. (hereinafter referred to in this report as Pennichuck Water Works) provides water service to approximately 29,000 customers in 11 communities which include Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Nashua, Newmarket, Plaistow and Salem.

Pennichuck East Utility, Inc. (hereinafter referred to in this report as Pennichuck East Utility) provides water service to approximately 8,600 customers in 19 communities which include Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare and Windham.

Pittsfield Aqueduct Company, Inc. (hereinafter referred to in this report as Pittsfield Aqueduct) provides water service to approximately 650 customers in Pittsfield.

Pennichuck Water Service Corporation (hereinafter referred to in this report as the Service Company) provides service in connection with the management of water operations services for 1 community; water operations, billing, collection and customer services for 3 communities; billing services for 4 communities; and water meter testing services, as well as contracted water services at various levels, for approximately 70 small independently owned water systems.

The Southwood Corporation previously owned various parcels of land in the Town of Merrimack, which were all transferred to ownership by Pennichuck Corporation as of the end of 2019. Southwood remains as a "corporate shell" at this time, in order to facilitate any actions which might arise from legacy contractual obligations.

The Company's mission is to be a premier supplier of water in New Hampshire by providing reliable, high quality and affordable water in sufficient quantities, and be New England's premier supplier of water related contract services by providing high quality solutions to meet our customers' needs.

Strategies supporting the corporate mission have been developed relative to our water resources, employees, financing, customer services and Company assets. These strategies are available on the Company's website, www.pennichuck.com, under the "Management and Financial Information" caption, and the sub-caption of "Strategic Plan."

The Company currently has 126 employees. The employees are committed to supporting the Company's mission. Each of our managers has goals and objectives to support the strategies supporting the mission. Pennichuck is an Equal Opportunity/Affirmative Action Employer. It is the policy of the Company to hire, train, promote, and otherwise provide terms and conditions of employment without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, ancestry, age, marital status, pregnancy, disability or veteran status. All employment and promotion decisions are based solely on valid requirements, in accordance with the principles of equal employment opportunity and affirmative action.

Financial Performance During the Last Year

	(\$ Millions)			
	4 th Quarter		Year-to-Date	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues	\$13.8	\$12.1	\$51.7	\$49.7
Operating Expenses	<u>(10.7)</u>	<u>(10.4)</u>	<u>(42.0)</u>	<u>(39.4)</u>
Operating Income	3.1	1.7	9.7	10.3
Interest Expense	(3.3)	(3.6)	(13.9)	(11.9)
Other Income	<u>0.0</u>	<u>0.1</u>	<u>0.3</u>	<u>0.1</u>
Pre-Tax Income (Loss)	<u>(0.2)</u>	<u>(1.8)</u>	<u>(3.9)</u>	<u>(1.5)</u>
Income Tax Provision (Benefit)	<u>0.2</u>	<u>0.8</u>	<u>(0.2)</u>	<u>0.5</u>
Net Income (Loss)	<u>(0.4)</u>	<u>(2.6)</u>	<u>(3.7)</u>	<u>(2.0)</u>
Dividends Paid to the Shareholder	0.1	0.1	0.3	0.3
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	5.4	4.0	18.9	19.1

- Consolidated revenues for the fourth quarter increased by \$1.7 million from \$12.1 million in 2020 to \$13.8 million in 2021. The increase is attributable to (1) \$2.3 million in additional recoupment revenues earned and recorded for Pennichuck Water Works in the fourth quarter, which resulted from the December 9, 2021 NHPUC issued Order No. 26,555. This order approved a QCPAC surcharge of 3.9%, which was effective for capital projects placed in service in 2019; and (2) on November 9, 2021, the NHPUC issued Order No. 26,544 approving a permanent rate increase of 5.45% for Pittsfield Aqueduct, becoming effective with services rendered back to December 17, 2020.
- Consolidated year-to-date revenues increased from \$49.7 million in 2020 to \$51.7 million in 2021, an increase of 4.0%. Revenues from the regulated utilities increased due to: (1) the additional \$2.3 million in recoupment revenues recorded for Pennichuck Water Works, resulting from the December 9, 2021 NHPUC order, as previously discussed; (2) the 5.45% permanent rate increase for Pittsfield Aqueduct, which was approved by the NHPUC on November 9, 2021, as previously discussed; and (3) the Service Company revenues which increased from the prior year due to increases in their Unplanned Revenues and Backflow Sales, as these activities returned to their historical pre-COVID-19 pandemic levels.

- Consolidated operating expenses increased by \$0.3 million for the fourth quarter of 2021, over the same quarter in 2020. The increase is related to a rise in direct operating costs associated with the rate increases in fuel, power and purification costs. The Company has also recognized increases in its employee benefit costs, including but not limited to, employee pension costs and healthcare premiums.
- Consolidated operating expenses increased by \$2.6 million, or 6.6%, for the full year, from 2020 to 2021, mainly due to the higher direct production costs, as well as labor and benefit costs, as previously discussed.
- Interest expense increased in 2021 when compared to 2020 due to interest costs associated with: (1) the additional financed amounts for capital projects which have been incurred for ongoing infrastructure replacement, in conformity with the Company's key mission objectives; (2) interest costs associated with a \$2.5 million Paycheck Protection Program Loan which was received on May 7, 2020 as part of the Coronavirus Aid, Relief and Economic Security Act; and (3) increased debt amortization costs associated with the write-off to maturity in 2014 and 2015 of escrow deposits required to facilitate the advanced refunding of existing debt, which resulted from the issuance of \$73.6 million of taxable bonds by Pennichuck Water Works on September 2, 2020.
- Pre-tax loss for the fourth quarter decreased to \$0.2 million in 2021 versus \$1.8 million in 2020, due to the increase in overall revenues as previously discussed.
- The pre-tax loss for the year increased from \$1.5 million in 2020 to \$3.9 million in 2021, or 160%. This was due to the \$2.0 million increase in interest expense coupled with operating expense increases, as discussed previously, which resulted in a higher pre-tax loss in 2021.
- Dividends paid to the sole shareholder in both 2021 and 2020 were consistent with, and were paid pursuant to, the CBFRR structure provided for in the New Hampshire Public Utilities Commission's Order approving the City's ownership of the Company.
- The Income Tax Provision in the current year reflects the tax accounting for the amortization of the Municipal Acquisition Regulatory Asset, which is not deductible for tax purposes, and as such, constitutes a permanent difference in the deductibility of those amortization expenses for tax purposes, as opposed to their inclusion in the GAAP based financial statements. The Income Tax Provision (Benefit) also reflects the taxation of CIAC as income for Regulated Water Utilities, due to the elimination of an exemption allowed prior to the passage of the *2017 Tax Cuts and Jobs Act* ("TCJA") which made broad and complex changes to the U.S. tax code. However, on November 27, 2019, the regulated utilities received NHPUC approval on the requested amendments to their tariffs which now allow for recovery of tax costs from developers and other CIAC contributors. This will now allow the regulated utilities to fully fund the associated tax liability, which resulted from the change in the 2017 federal tax law, for all CIAC contributions from independent third parties. On November 6, 2021, the CIAC tax exemption, for federal income taxes, was subsequently reinstated with passage of the federal infrastructure bill, but only for contributions made after December 31, 2020. A bill is in the process of receiving final approval in the State of NH,

that will reinstate the exemption from taxation of CIAC, for NHBPT taxes, if and when passed. Due to these two significant items, the year-to-date results reflect a tax provision of approximately 4.9% of pre-tax income for 2021, compared to the statutory tax rate expense of 27.08%.

- Earnings Before Interest, Taxes, Depreciation and Amortization increased in the fourth quarter from \$4.0 million in 2020 to \$5.4 million in 2021, or 35.0%, due to an increase in revenues as discussed previously, over-and-above any operating expense increases.
- Earnings Before Interest, Taxes, Depreciation and Amortization for 2021 decreased from 2020 by approximately \$0.2 million, or 1.0%, again due to increased operating expenses year-over-year, over-and-above any earned revenue increases.

Unaudited Cash Flow Statement

Cash Flow on a GAAP basis for the fourth quarter of 2021 as compared to the fourth quarter of 2020, and the year-to-date 2021 versus 2020, are as follows:

	(\$000's)			
	Quarter Ended		Year-to-Date	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Operating Activities:				
Net Income (Loss)	\$ (400)	\$ (2,577)	\$ (3,699)	\$ (1,984)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	2,275	2,223	8,843	8,637
Provision for Deferred Taxes	200	790	(161)	534
(Gain) on Disposition of Property	(345)	0	(345)	0
Other	235	(8)	(33)	(33)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(1,375)	(964)	(1,084)	(3,154)
(Increase) Decrease in Inventory	(59)	28	(135)	50
(Increase) Decrease in Other Assets	3,837	(3,686)	8,544	(2,441)
Increase (Decrease) in Accounts Payable	898	287	(521)	(550)
Increase (Decrease) in Other Liabilities	(2,509)	4,265	(2,206)	2,610
Net Cash Provided by (Used in) Operating Activities	<u>2,757</u>	<u>358</u>	<u>9,203</u>	<u>3,669</u>
Investing Activities:				
Purchases of Property, Plant & Equipment, including the Debt Component of AFUDC	(2,690)	(4,419)	(8,816)	(10,165)
(Increase) Decrease in Restricted Cash/Investments	0	0	0	0
Proceeds from Sale of Property	712	0	429	0
Change in Deferred Land Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided by (Used in) Investing Activities	<u>(1,978)</u>	<u>(4,419)</u>	<u>(8,387)</u>	<u>(10,165)</u>
Financing Activities:				
Borrowings (Repayments) on Line of Credit	1,055	218	1,128	(3,803)
Payments on Long-term Debt	(1,156)	(1,064)	(6,348)	(77,588)
Contributions in Aid of Construction	17	15	40	35
Proceeds from Long-term Borrowings	2,546	2,255	9,614	87,290
Debt Issuance Costs	0	0	0	0
Dividends Paid	<u>(69)</u>	<u>(70)</u>	<u>(279)</u>	<u>(280)</u>
Net Cash Provided by (Used in) Financing Activities	<u>2,393</u>	<u>1,354</u>	<u>4,155</u>	<u>5,654</u>
Increase (Decrease) in Cash and Cash Equivalents	3,172	(2,707)	4,971	(842)
Cash and Cash Equivalents at Beginning of Period	<u>11,231</u>	<u>12,139</u>	<u>9,432</u>	<u>10,274</u>
Cash and Cash Equivalents at End of Period	\$ <u>14,403</u>	\$ <u>9,432</u>	\$ <u>14,403</u>	\$ <u>9,432</u>

Unaudited Balance Sheet

(\$000's)

	As of December 31, 2021	As of December 31, 2020
<i>Assets</i>		
Property, Plant & Equipment, Net	\$ <u>245,197</u>	\$ <u>242,469</u>
Current Assets:		
Cash	1,493	310
Restricted Cash ^{Note 1}	12,656	8,885
Investments – Bond Project Funds	255	237
Accounts Receivable ^{Note 2}	9,869	8,785
Inventory	733	598
Other Current Assets ^{Note 3}	<u>1,431</u>	<u>1,797</u>
Total Current Assets	<u>26,437</u>	<u>20,612</u>
Other Assets:		
Acquisition Premium ^{Note 4}	65,082	67,202
Other Assets	<u>12,517</u>	<u>17,014</u>
Total Other Assets	<u>77,599</u>	<u>84,216</u>
TOTAL ASSETS	\$ <u>349,233</u>	\$ <u>347,297</u>
<i>Shareholders' Equity and Liabilities</i>		
Shareholders' Equity	\$ <u>(3,464)</u>	\$ <u>412</u>
Bonds, Notes and Mortgages ^{Note 5}	<u>233,265</u>	<u>226,912</u>
Current Liabilities:		
Lines of Credit	6,608	5,480
Current Portion of Long-Term Debt	6,607	6,020
Other Current Liabilities	<u>6,245</u>	<u>5,474</u>
Total Current Liabilities	<u>19,460</u>	<u>16,974</u>
Other Long-Term Liabilities:		
CIAC, net	57,302	56,536
Deferred Income Taxes	14,850	14,931
Accrued Pension Liability ^{Note 6}	12,159	15,424
Other Long-Term Liabilities	<u>15,661</u>	<u>16,108</u>
Total Other Long-Term Liabilities	<u>99,972</u>	<u>102,999</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	\$ <u>349,233</u>	\$ <u>347,297</u>

Notes to Balance Sheet

Note 1 (Restricted Cash) – At December 31, 2021, the balance of \$12.7 million represents an increase of \$3.8 million from the end of 2020, mainly due to the cash generated from the increased revenue levels year-over-year, as well as the approved changes in the allowed revenue structure for Pennichuck Water Works in its last filed rate case (and pending for Pennichuck East Utility in its currently approved rate case), which has a new structure element included (the MOEF - Material Operating Expense Factor) designed to reinforce the Company's ongoing cash flow position on an ongoing basis, and between permanent rate filings.

Note 2 (Accounts Receivable) – At December 31, 2021, the balance in Accounts Receivable increased approximately \$1.1 million from the year-end total at December 31, 2020 of \$8.8 million. This is attributed to: (1) revenue increases generated by the regulated utilities due to the increased consumption levels year-over-year; and (2) the additional \$2.3 million in recoupment revenues recorded for Pennichuck Water Works (which remain as unbilled receivables as of December 31, 2021), resulting from the December 9, 2021 NHPUC order as previously discussed.

Note 3 (Other Current Assets) – At December 31, 2021, approximately \$0.9 million of this balance is comprised of prepaid property taxes, which will be expensed in the first quarter of 2022, relating to taxes paid in November and December of 2021 for the second half of the property tax year ended March 31, 2021.

Note 4 (Acquisition Premium) – In accordance with GAAP, the Acquisition Premium is being written-off over the 30-year life of the principal of the City Acquisition Debt. This amortization will continue until the full value of this asset is written off in January 2042.

Note 5 (Bonds, Notes and Mortgages) – At December 31, 2021, the balance in Bonds, Notes and Mortgages increased approximately \$6.4 million from the year-end total at December 31, 2020 of \$226.9 million. This is attributed to the additional financed amounts for capital projects which have been incurred for ongoing infrastructure replacement, in conformity with the Company's key mission objectives.

Note 6 (Accrued Pension Liability) – During 2021, approximately \$1.1 million was contributed into the Pension Plan, while approximately \$0.8 million in benefit payments were made to participants, and approximately \$2.9 million of investment gains were recorded, attributed to changes in market values.

Capital Expenditures

Capital expenditures in the fourth quarter of 2021 were \$2.2 million compared to \$4.9 million in the fourth quarter of 2020. For the year 2021, capital expenditures were \$8.7 million as compared to \$10.7 million in 2020.

The major expenditures for 2021 were as follows:

Kessler Farm Tank Replacement	\$3,967,000
Coburn Woods Main Replacements	\$653,000
Merrimack River Pumping Station	\$270,000
Locke Lake Surface Water Treatment	\$253,000

Rate Cases

Pennichuck Water Works – On October 21, 2021, Pennichuck Water Works filed an emergency tariff sheet request for approval with the NHPUC. The Company's emergency tariff filing was on behalf of a single customer, the Merrimack Village District (MVD), and would allow this customer to purchase bulk water at Pennichuck Water Works' variable cost of production. The initial rate to be billed will be \$0.67 per cubic feet. This would allow MVD access to Pennichuck Water Works' bulk water supply in late 2021 and during 2022, while MVD's water supply systems are brought into compliance with water quality regulations for PFAS contaminants.

On November 12, 2021, the NHPUC issued Order No. 26,552, with an effective date of November 20, 2021, approving Pennichuck Water Works' request for an emergency tariff filing on behalf of a single customer, the MVD. This emergency tariff is on a temporary basis and must not exceed a term longer than six months from the effective date. In conjunction with this, Pennichuck Water Works also opened a docket under DW 21-134 for the approval of a special contract for these emergency rates, in order to bring those rates into full force and effect (preceding and succeeding the emergency rate tariff), upon approval, for the time period from which the emergency usage of this water was initiated on October 20, 2021, for a period not to exceed a termination date of December 31, 2022.

Pennichuck East Utility – On November 24, 2020, Pennichuck East Utility filed a request with the NHPUC for a rate increase of 21.05% over its current rates for the test year 2019, effective December 24, 2020, for which 15.0% of this increase request was related to a request for a temporary rate increase effective for services rendered on or after December 24, 2020. The 15.0% temporary rate increase would be inclusive of a 2.98% QCPAC surcharge which was approved on December 6, 2019 in Order No. 26,313 and a 1.97% QCPAC surcharge which is currently pending in DW 20-019. This temporary rate increase request was approved on August 16, 2021, with Order No. 26,508, at a rate of 14.03%.

On February 18, 2022, the NHPUC issued Order No. 26,586 approving a permanent rate increase of 16.79%, becoming effective with services rendered as of December 24, 2020 for its customers. The implementation of this permanent rate increase has not yet gone effective, as the Company is seeking final approval of its recoupment calculations for the rate increase, with the Commission.

Pittsfield Aqueduct – On November 16, 2020, Pittsfield Aqueduct filed a request with the NHPUC for a rate increase of 11.18% over its current rates for the test year 2019, effective

December 17, 2020. The overall rate increase is subject to the normal regulatory filing process with the NHPUC, as followed for all prior rate case filings, and as such, the final permanent rate increase granted will be effective retroactive back to the filing date.

On November 9, 2021, the NHPUC issued Order No. 26,544 approving a permanent rate increase of 5.45%, becoming effective with services rendered back to December 17, 2020.

Financing

On April 2, 2021, the Company's Pennichuck Water Works subsidiary issued approximately \$5.2 million of tax-exempt and taxable bonds through the NH Business Finance Authority as reimbursement for its 2020 capital improvements in Pennichuck Water Works' water supply, distribution and support systems. The bond issuance was approved by the Pennichuck Board of Directors and the Sole Shareholder. This issuance had previously received NHPUC approval on Order No. 26,101, dated February 2, 2018, which authorized up to \$32.5 million in bonds via multiple issuances for the years 2018-2021. This April 2021 bond issuance was the last annual issuance that will occur from this overall multi-year bonding approval.

On May 6, 2020, the NHPUC issued Order No. 26,354 which permitted Pennichuck Water Works to borrow up to \$2,563,662 from the federal Small Business Administration Paycheck Protection Program. This loan includes a 2-year maturity at an interest rate of 1 percent, which includes a provision in which a portion or all of the loan can be forgiven if all employees are kept on the payroll for eight weeks upon disbursement of the loan proceeds. The loan proceeds were disbursed by TD Bank, Inc., on behalf of the Small Business Administration on May 8, 2020. The PPP loan was approved by the Pennichuck Corporation Board of Directors and the Sole Shareholder.

On February 2, 2022, the Small Business Administration determined that the Company was ineligible for forgiveness of the \$2.5 million PPP loan which was established as part of the CARES Act. The PPP loan is payable over two years from the initial approval date of the loan, at an interest rate of 1%. Monthly payments on this obligation begin on February 18, 2022, with a final maturity date of May 7, 2022.

Qualified Capital Project Adjustment Charge (QCPAC)

On February 19, 2020, Pennichuck Water Works filed a petition with the NHPUC for a 3.83% QCPAC surcharge on all capital improvements completed and placed in service by Pennichuck Water Works in 2019. On December 9, 2021, the NHPUC issued Order No. 26,555 approving a QCPAC surcharge of 3.90% for capital projects placed in service in 2019. This order became effective with services rendered back to April 23, 2020 and allows for recovery in the form of a monthly recoupment surcharge, to be collected over a twelve-month period from the date of the order.

On February 11, 2021, Pennichuck Water Works filed a petition with the NHPUC for a 5.44% QCPAC surcharge (inclusive of the 3.83% filed for and approved in Order No. 26,555) on all capital improvements completed and placed in service by Pennichuck Water Works in 2020. The Commission has not issued an Order approving this requested surcharge. When the Commission issues the Order, the surcharge will become effective retroactively to customers on a "service rendered basis" back to April 1, 2021, which is the date for which Pennichuck Water Works' annual bond issuance associated with these capital investments and the QCPAC surcharge will be completed and funded. The Order will allow recoupment of the surcharge

from all its customers based on their actual bills incurred between April 1, 2021 and the final effective date of the Order.

On February 11, 2021, Pennichuck East Utility filed a petition with the NHPUC for a 4.08% surcharge on all capital improvements completed and placed in service by Pennichuck East Utility in 2020. The Commission has not issued an Order approving this requested surcharge. When the Commission issues the Order, the surcharge will become effective retroactively on a “service rendered basis” back to a date on or around September 28, 2021, consistent with the date for which Pennichuck East Utility completed its annual debt financing with CoBank, ACB, which is done each year to convert FALOC borrowings used to fund capital projects for the previous year, to a term loan with repayment terms of up to 25 years. The Order will allow recoupment of the surcharge from all its customers based on their actual bills incurred between this estimated September 28, 2021 date and the final effective date of the Order. The Company has filed a settlement agreement with the Commission for this docket, along with the NH Department of Energy Staff, which if approved would result in this recoupment being billed over a five-month period of time, once the Order goes effective.

Other Events

PFOA Contamination Issues

As has been disclosed in the past, during 2016, the Company was significantly involved in assisting the New Hampshire Department of Environmental Services (“NHDES”) in assessing and bringing remediation solutions to bear, in light of the PFOA contamination issues discovered in the towns surrounding the Saint-Gobain Performance Plastics (“SGPP”) site in north Merrimack. This included self-instituting comprehensive and regular testing of the Company’s water supplies and water systems, not only in the area adjacent to this site, but taking and processing at least two sets of tests at all water sources that the Company owns throughout the State. This was done in order to detect if any levels of contamination existed in the water sources, to aid the NHDES in completing their statewide assessment, and to allow the Company to respond with certainty to any of its customers as to any detectable levels. With regards to the water supply systems directly adjacent to or connected to the Merrimack Village District, the Company has been taking periodic regularly scheduled samples since this contamination site was disclosed in March of 2016. The results of these tests were that none of the Company’s water sources had detectable levels exceeding EPA lifetime advisory levels, or the State’s emergency and impending permanent standard detection levels.

Additionally, at the request of the NHDES, during 2016 and 2017 the Company was asked to enter into a contract with SGPP for the design of the expansion of public water to residents in the northern portion of Litchfield, where private wells had been contaminated, in some cases well above acceptable levels. Based upon the results of that design work, the Company was then contracted by SGPP to expand the public water system owned by the Company in Litchfield to approximately 400 property owners, including nearly 10 miles of new water mains and nearly 10 miles of new service lines. The cost of the design work and the expansion of the water system has and is being paid totally by SGPP and was contributed to the Company as Contributions in Aid of Construction (CIAC), as assets to be owned by the Company, the Town or DOT (for pavement restoration on town or State roads), or the residents (in the case of the service lines) going forward. Also, during 2018 the Company was asked by NHDES to contract for similar design services with SGPP for expansion of its public water system in southern

Bedford. This project was initiated in 2018, and was completed during 2019, bringing water to approximately 90 new customers in that community.

The Company was once again asked by the NHDES to design a further buildout for SGPP in Litchfield to bring public water to an additional 30 residences in Litchfield, due to this contamination site. SGPP entered into another contract with the Company for the expansion of the Company's water system in that area, construction of which was completed between 2019 and early 2020, and was fully paid for by SGPP, and included in CIAC assets at such time as that project was completed.

As of March 20, 2018, SGPP and NHDES entered into a Consent Decree. Under the Consent Decree, SGPP needed to fulfill their obligations by November 2019 on all of these identified activities, and/or request an extension of time to fulfill their obligations, due to circumstances outside of their control, including the availability of qualified contractors to complete the buildout of the public water system in the impacted areas.

A similar effort on behalf of Textiles Coated International, Inc. ("TCI") in the town of Amherst, due to PFOA contamination related to their previous existence as a manufacturer in that town, was also undertaken at the request of the NHDES. The Company was contracted to do design services for the expansion of the public water system in that area of Amherst, by TCI, and construction of the expansion of that part of the system began in 2017, and was fully completed in 2018. Once again, the entire cost of this project was borne by TCI, and has become part of the Company's owned infrastructure as CIAC assets.

The Company continues to work with the NHDES as it relates to PFAS issues that are continuing and expanding in southern NH. This includes situations that have evolved in municipal systems immediately adjacent to the Company's service areas, in the communities of Hudson and Merrimack, as well as communities for which the Company owns the public water franchise, such as Londonderry. The overall impact and build-out of the public water distribution system, how that will be constructed, who will ultimately own or supply water into those systems, and the overall cost and timing for those systems to be designed, bid and built, is yet to be determined.

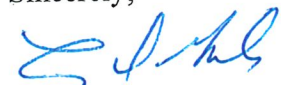
Company Goals – 2022

The Company's main goals for 2022 were/are as follows:

- Complete Pennichuck East Utility Rate Case for test year 2019, with new permanent rates expected late Q2 2022 (Order received in Q1 2022)
- File annual Pennichuck Water Works and Pennichuck East Utility QCPAC cases (filed in February 2022)
- File Pennichuck Water Works rate case (2021 test year)
- Complete Bond issuance reimbursement financing in April for Pennichuck Water Works 2021 Capex
- Complete CoBank term loan financing in Q2/Q3 for Pennichuck East Utility 2021 Capex reimbursement/refinance
- Seek additional funding sources (loans or grants) from NH DWGTF, SRF, or other, for planned capital projects

- Continued roll-out and implementation of company-wide Customer Security Program, to the benefit and safety of customers and employees
- Continued training, mentoring and succession planning throughout the organization, including impending retirements occurring in 2022 and 2023 for certain key roles
- Continue to promote customer education through newsletters and social media
- Complete upgrades to the Bowers Dam spillway, including replacement of the spillway gate and the construction of an auxiliary spillway
- Amend process monitoring in systems treating for the removal of manganese to ensure compliance with the proposed NHDES primary drinking water MCL
- Continue to collect and process all necessary compliance samples to ensure compliance with NHDES and EPA MCLs
- Work with external engineering consultants to evaluate improvements to the Water Treatment Plant to achieve optimal PFAS removal, chemical feed and storage, and improved monitoring at the plant
- Continued participation in multiple educational outreach efforts within the Company's customer coverage radius
- Continual enhancement and review of cybersecurity needs, risks and tools
- Comprehensive review of Emergency Action Plan conducted during Internal Control Review process
- Cityworks (CMMS application)
 - Refinement of Operational Insights assessment of the Nashua core, and extension of that assessment to other Pennichuck Water Works and Pennichuck East Utility CWS
 - Incorporation of vertical assets into Operational Insights
- Asset Management
 - Incorporate operations data (flows, pressure, water quality) into dashboards accessible by "point and click" in GIS
- Implementation of Source Water Protection Plans for Locke Lake and the Merrimack River
- Continued monitoring and response to COVID-19 pandemic, including but not limited to:
 - Timing of possible resumption of "full 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
 - Compliancy with OSHA ETS, if upheld and enforceable

Sincerely,



Larry D. Goodhue
Chief Executive Officer and
Chief Financial Officer