



March 24, 2023

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 6, 2023, 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 29,600 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 67 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 133 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 | |
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | \$11.6 | \$13.8 | \$55.6 | \$51.7 |
| Operating Expenses | (10.8) | (10.7) | (43.8) | (42.0) |
| Operating Income | 0.8 | 3.1 | 11.8 | 9.7 |
| Interest Expense | (3.6) | (3.3) | (14.1) | (13.9) |
| Other Income | 0.0 | 0.0 | 0.0 | 0.3 |
| Pre-Tax Income (Loss) | (2.8) | (0.2) | (2.3) | (3.9) |
| Income Tax Provision (Benefit) | (0.5) | 0.2 | (0.6) | (0.2) |
| Net Income (Loss) | (2.3) | (0.4) | (1.7) | (3.7) |
| Dividends Paid to the Shareholder | 0.1 | 0.1 | 0.3 | 0.3 |
| Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) | 2.4 | 5.4 | 20.1 | 18.9 |

- Consolidated revenues for the fourth quarter decreased by \$2.2 million from \$13.8 million in 2021 to \$11.6 million in 2022. The decrease is attributable to (1) \$2.3 million in additional recoupment revenues earned and recorded for Pennichuck Water Works in the fourth quarter of 2021, which resulted from the December 9, 2021 NHPUC issued Order No. 26,555. This Order approved a Qualified Capital Project Adjustment Charge (QCPAC) surcharge of 3.9%, which was effective for capital projects placed in service in 2019, and is therefore inclusive of accrued revenues earned back to April of 2020; 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, and the associated accrued revenues for that backwards looking period of time. The combination of these two Orders elevated the revenues in the fourth quarter of 2021, as opposed to the fourth quarter of 2022 being more representative of ongoing revenues for that period of the year.
- Consolidated year-to-date revenues increased from \$51.7 million in 2021 to \$55.6 million in 2022, an increase of 2.1%. Year-to-date revenues which were higher in comparison to prior year results are due to: (1) Increased consumption in 2022 versus 2021, particularly within our municipal contracts; (2) An approved QCPAC surcharge of 3.90% for capital projects placed in service in 2019 for the Company's Pennichuck Water Works subsidiary, for which an Order approving this surcharge was granted by the NHPUC on December 9, 2021. This increase was effective for services rendered back to April 23, 2020; (3) An approved overall rate increase of 5.45% for the Company's Pittsfield

Aqueduct subsidiary, which was Ordered and granted by the NHPUC on November 9, 2021. This increase was effective for services rendered as of December 17, 2020, which included \$36,000 of recoupment sales which were recorded in March 2022; (4) An approved overall rate increase of 16.79% for the Company's Pennichuck East Utility subsidiary which was Ordered and granted by the NHPUC on February 18, 2022. This increase was effective for services rendered as of December 24, 2020, which included \$936,000 of recoupment sales which were recorded in March 2022.

However, the Service Company's 2022 revenues were below 2021 comparative results, due to the non-renewal of its largest service contract by the Town of Salisbury, which expired on June 30, 2022. This decrease in overall revenues for the Service Company, however, was partially offset by increases in their Unplanned Revenues on other existing contracts, as these activities returned to their overall pre-pandemic levels.

- Consolidated operating expenses increased by \$0.1 million for the fourth quarter of 2022, over the same quarter in 2021. 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 general liability insurance premiums, employee benefit costs, including but not limited to, employee pension costs, and healthcare premiums.
- Consolidated operating expenses increased by \$1.8 million, or 4.3%, for the full year, for 2022 as compared to 2021, mainly due to the higher direct production costs, insurance premiums, as well as labor and benefit costs, as noted above.
- Interest expense increased in 2022 when compared to 2021 due to interest costs associated with the additional financed amounts for capital projects which have been incurred for ongoing infrastructure replacement, in conformity with the Company's key mission objectives.
- Pre-tax loss for the fourth quarter increased to \$2.8 million in 2022 versus \$0.2 million in 2021, due to the decrease in quarterly revenues as noted above.
- The pre-tax loss for the year decreased from \$3.9 million in 2021 to \$2.3 million in 2022, or 69.6%. This was due to the overall increase in revenues, which were partially offset by the increase in operating expenses, as noted above.
- Dividends paid to the sole shareholder in both 2022 and 2021 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. As such, the year-to-date results reflect a tax provision of approximately 25.6% of pre-tax income for 2022, compared to the statutory tax rate expense of 27.08%.

- Earnings Before Interest, Taxes, Depreciation and Amortization decreased in the fourth quarter from \$5.4 million in 2021 to \$2.4 million in 2022, or 125.0%, due to the decrease in quarterly revenues, in addition to operating expense increases, as noted above.
- Earnings Before Interest, Taxes, Depreciation and Amortization for the full year 2022 increased from 2021 by approximately \$1.2 million, or 6.3%, again due to increased revenues year-over-year, over-and-above any operating expense increases.

Unaudited Cash Flow Statement

Cash Flow on a GAAP basis for the fourth quarter of 2022 as compared to the fourth quarter of 2021, and the year-to-date 2022 versus 2021, are as follows:

| | (\$000's) | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Quarter Ended | | Year-to-Date | |
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Operating Activities: | | | | |
| Net Income (Loss) | \$ (2,320) | \$ (400) | \$ (1,703) | \$ (3,699) |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Depreciation and Amortization | 2,290 | 2,275 | 8,967 | 8,843 |
| Provision for Deferred Taxes | (378) | 200 | (557) | (161) |
| (Gain) on Disposition of Property | 0 | (345) | 0 | (345) |
| Other | (8) | 235 | (33) | (33) |
| Changes in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | 3,464 | (1,375) | 1,528 | (1,084) |
| (Increase) Decrease in Inventory | (141) | (59) | (258) | (135) |
| (Increase) Decrease in Other Assets | 7,661 | 3,837 | 10,804 | 8,544 |
| Increase (Decrease) in Accounts Payable | 851 | 898 | 864 | (521) |
| Increase (Decrease) in Other Liabilities | (7,051) | (2,509) | (8,376) | (2,206) |
| Net Cash Provided by (Used in) Operating Activities | <u>4,368</u> | <u>2,757</u> | <u>11,236</u> | <u>9,203</u> |
| Investing Activities: | | | | |
| Purchases of Property, Plant & Equipment, including the Debt Component of AFUDC | (3,797) | (2,690) | (8,653) | (8,816) |
| (Increase) Decrease in Restricted Cash/Investments | 0 | 0 | 0 | 0 |
| Proceeds from Sale of Property | 0 | 712 | 0 | 429 |
| 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>(3,797)</u> | <u>(1,978)</u> | <u>(8,653)</u> | <u>(8,387)</u> |
| Financing Activities: | | | | |
| Borrowings (Repayments) on Line of Credit | 1,151 | 1,055 | (363) | 1,128 |
| Payments on Long-term Debt | (1,262) | (1,156) | (9,475) | (6,348) |
| Contributions in Aid of Construction | 7 | 17 | 16 | 40 |
| Proceeds from Long-term Borrowings | 656 | 2,546 | 7,441 | 9,614 |
| Debt Issuance Costs | 0 | 0 | 0 | 0 |
| Dividends Paid | <u>(69)</u> | <u>(69)</u> | <u>(278)</u> | <u>(279)</u> |
| Net Cash Provided by (Used in) Financing Activities | <u>483</u> | <u>2,393</u> | <u>(2,659)</u> | <u>4,155</u> |
| Increase (Decrease) in Cash and Cash Equivalents | 1,054 | 3,172 | (76) | 4,971 |
| Cash and Cash Equivalents at Beginning of Period | <u>13,273</u> | <u>11,231</u> | <u>14,403</u> | <u>9,432</u> |
| Cash and Cash Equivalents at End of Period | \$ <u>14,327</u> | \$ <u>14,403</u> | \$ <u>14,327</u> | \$ <u>14,403</u> |

Unaudited Balance Sheet

(\$000's)

| | As of <u>December 31, 2022</u> | As of <u>December 31, 2021</u> |
|---|-----------------------------------|-----------------------------------|
| <i>Assets</i> | | |
| Property, Plant & Equipment, Net | \$ <u>247,062</u> | \$ <u>245,197</u> |
| Current Assets: | | |
| Cash | 3,138 | 1,493 |
| Restricted Cash ^{Note 1} | 10,970 | 12,656 |
| Investments – Bond Project Funds | 219 | 254 |
| Accounts Receivable ^{Note 2} | 8,341 | 9,869 |
| Inventory | 991 | 733 |
| Other Current Assets ^{Note 3} | <u>1,983</u> | <u>1,432</u> |
| Total Current Assets | <u>25,642</u> | <u>26,437</u> |
| Other Assets: | | |
| Acquisition Premium ^{Note 4} | 62,899 | 65,082 |
| Other Assets | <u>9,285</u> | <u>12,517</u> |
| Total Other Assets | <u>72,184</u> | <u>77,599</u> |
| TOTAL ASSETS | \$ <u>344,888</u> | \$ <u>349,233</u> |
| <i>Shareholders' Equity and Liabilities</i> | | |
| Shareholders' Equity | \$ <u>(5,277)</u> | \$ <u>(3,464)</u> |
| Bonds, Notes and Mortgages ^{Note 5} | <u>232,859</u> | <u>233,265</u> |
| Current Liabilities: | | |
| Lines of Credit | 6,246 | 6,608 |
| Current Portion of Long-Term Debt | 7,998 | 6,607 |
| Other Current Liabilities | <u>6,085</u> | <u>6,245</u> |
| Total Current Liabilities | <u>20,329</u> | <u>19,460</u> |
| Other Long-Term Liabilities: | | |
| CIAC, net | 57,306 | 57,302 |
| Deferred Income Taxes | 14,418 | 14,850 |
| Accrued Pension Liability ^{Note 6} | 6,177 | 12,159 |
| Other Long-Term Liabilities | <u>19,076</u> | <u>15,661</u> |
| Total Other Long-Term Liabilities | <u>96,977</u> | <u>99,972</u> |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | \$ <u>344,888</u> | \$ <u>349,233</u> |

Notes to Balance Sheet

Note 1 (Restricted Cash) – At December 31, 2022, the balance of \$11.0 million represents a decrease of \$1.7 million from the end of 2021, mainly due to: 1) a \$2.5M total repayment of a loan, over a four-month period from February – May 2022, from the SBA’s Paycheck Protection Program which was originally received by the Company on May 8, 2020; and 2) the variation in revenue and operating expense levels recognized for the year-to-date.

Note 2 (Accounts Receivable) – At December 31, 2022, the balance in Accounts Receivable decreased approximately \$1.6 million from the year-end total at December 31, 2021 of \$9.9 million. This is attributed to the additional \$2.3 million in recoupment revenues recorded in the prior year for Pennichuck Water Works (which was included in unbilled receivables as of December 31, 2021), resulting from the December 9, 2021 NHPUC order as noted above. These recoupment receivables began being billed and collected in 2022.

Note 3 (Other Current Assets) – At December 31, 2022, approximately \$1.1 million of this balance is comprised of prepaid property taxes, which will be expensed in the first quarter of 2023, relating to taxes paid in November and December of 2022 for the second half of the property tax year ended March 31, 2023.

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, 2022, the balance in Bonds, Notes and Mortgages decreased approximately \$0.4 million from the year-end total at December 31, 2021 of \$233.3 million. This is mainly attributed to the \$2.5M total repayment of the PPP loan, from the SBA’s Paycheck Protection Program which was originally received by the Company on May 8, 2020; partially offset by 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 2022, approximately \$0.9 million was contributed into the Pension Plan, while approximately \$0.9 million in benefit payments were made to participants, and approximately \$1.1 million of investment gains were recorded, attributed to changes in market values.

Capital Expenditures

Capital expenditures in the fourth quarter of 2022 were \$3.7 million compared to \$2.2 million in the fourth quarter of 2021. For the year 2022, capital expenditures were \$8.3 million as compared to \$8.7 million in 2021.

The major expenditures for 2022 were as follows:

| | |
|--|-------------|
| Carbon Filter Media Replacement – Pennichuck Water Works | \$1,433,000 |
| W&E Interconnect – Pennichuck East Utility | \$472,000 |
| Dudley St. Main Replacement – Pennichuck Water Works | \$270,000 |
| Chataqua Ave. Main Replacement – Pennichuck Water Works | \$267,000 |

Rate Cases

Pennichuck Water Works – On June 27, 2022, Pennichuck Water Works filed a request with the NHPUC for a rate increase of 13.06% over its current rates for the test year 2021. As the Company was denied temporary rates at current rates, this rate increase will be earned prospectively once new permanent rates are ordered and approved, as opposed to being effective back to the “order of notice” date to customers on August 1, 2022. The overall rate increase is subject to the normal regulatory filing process with the NHPUC. The 13.06% rate increase would be inclusive of a 3.90% QCPAC surcharge which was approved on December 9, 2021 in Order No. 26,555 and a 1.56% QCPAC surcharge which is currently pending in DW 21-023, as well as a 1.79% QCPAC surcharge for which approval is in pendency in Docket DW 22-006, all of which in the aggregate account for 7.25% of the overall requested increase. Final approval by the NHPUC on new permanent rates for Pennichuck Water Works is expected in the summer of 2023.

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. The overall rate increase, as requested, is subject to the normal regulatory filing process with the NHPUC. In accordance with the regulations in NH, and as temporary rates were granted at current rates, the final permanent rate increase granted is effective retroactive back to the “order of notice” date to customers. On February 18, 2022, the NHPUC issued Order No. 26,586 approving a permanent rate increase of 16.79%, in response to this request and filing, becoming effective with services rendered back to December 24, 2020.

Financing

Pennichuck Water Works – On April 26, 2022, the Company’s Pennichuck Water Works subsidiary issued approximately \$6.8 million of tax-exempt and taxable bonds through the NH Business Finance Authority as reimbursement for its 2021 capital improvements in Pennichuck Water Works’ water supply, distribution and support systems. The bond issuance was previously approved by the Pennichuck Board of Directors and the Sole Shareholder, as a part of a multi-year bond approval for the Company’s annual bond issuances. This issuance had also received NHPUC approval on Order No. 26,459, dated March 2, 2021, which authorized up to \$57.5 million in bonds via multiple issuances for the years 2021 – 2025. This offering was the first issuance of bonds as

approved by Governor and Council (in addition to the other noted approvals), as a TEFRA approval for annual bond issuances.

Pennichuck East Utility – Pennichuck East Utility is in the process of securing approvals needed to refinance its currently outstanding \$1.025 million balloon maturity note payable to CoBank, which matures on June 20, 2023. This proposed refinancing will replace the balloon maturity payment due in June 2023, with a new fully amortizing 10-year obligation for the remainder of the term of repayment of the debt, which in the aggregate will be 20 years, and less than the overall aggregate useful lives of those initially funded capital projects

Qualified Capital Project Adjustment Charge (QCPAC)

Pennichuck Water Works – On March 29, 2022, the NHPUC issued Order No. 26,598 approving a Pennichuck Water Works QCPAC surcharge of 1.56% for capital projects placed in service in 2020. This Order became effective with services rendered back to April 2, 2021 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 14, 2023, Pennichuck Water Works filed a petition with the NHPUC for a 1.37% surcharge on all capital improvements completed and placed in service by Pennichuck Water Works in 2022. The Commission has not issued an Order approving this requested surcharge. When the Commission issues the Order, the approved surcharge will become effective retroactively on a “services rendered” basis. The Order will allow recoupment of the surcharge from all its customers based on their actual bills incurred between the services rendered date and the final effective date of the Order. Final approval by the NHPUC on this QCPAC surcharge is expected to be received in late 2023.

Pennichuck East Utility – On April 8, 2022, the NHPUC issued Order No. 26,608 approving a Pennichuck East Utility QCPAC surcharge of 4.02% for capital projects placed in service in 2020. This Order became effective with services rendered back to September 29, 2021 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 January 27, 2023, the NHPUC issued Order Nisi No. 26,767 approving a Pennichuck East Utility QCPAC surcharge of 0.94% for capital projects placed in service in 2021. This Order became effective with services rendered back to October 18, 2022 and allowed for recovery in the form of a monthly recoupment surcharge, to be collected over a three-month period from the date of the Order.

On February 14, 2023, Pennichuck East Utility filed a petition with the NHPUC for a 1.36% surcharge on all capital improvements completed and placed in service by Pennichuck East Utility in 2022. The Commission has not issued an Order approving this requested surcharge. When the Commission issues the Order, the approved surcharge will become effective retroactively on a “services rendered” basis. The Order will allow recoupment of the surcharge from all its customers based on their actual bills incurred between the services rendered date and the final effective date of the Order. Final approval by the NHPUC on this QCPAC surcharge is expected to be received in late 2023.

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 then-existing 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. The Company is committed to its ongoing mission, however, in that existing customers would not be burdened with additional costs related to an expansion of the water systems for these impacted communities, as those costs of development would need to be borne by the ultimate owner of that build-out, or compensated to the Company for full coverage of those costs, in accordance with the Company's existing regulated tariffs.

As of March 14, 2023, the EPA released the results of its long-awaited study in establishing nationwide standards for PFAS chemicals. The Company is working internally, and with industry experts in fully understanding the impact of these new standards, and will continue its work in maintaining its systems within conformity of the new standards, which may require some additional capital projects to be entered into related to treatment ability, and/or an increase in normal treatment operating costs. The standard released by the EPA, reduces the standard for PFOA by 2/3, from the current State MCL of 12 ppt, to the EPA MCL of 4 ppt.

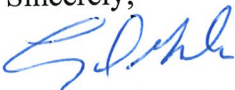
Company Goals – 2023

The Company's main goals for 2023 are as follows:

- Complete the Pennichuck Water Works Rate Case for test year 2021, with new permanent rates expected late Q2 2023
- File annual Pennichuck Water Works and Pennichuck East Utility QCPAC cases (filed in February 2023)
- File Pennichuck East Utility and Pittsfield Aqueduct rate cases (2022 test year)
- Complete Bond issuance reimbursement financing in April for Pennichuck Water Works 2022 Capex
- Complete CoBank term loan financing in Q2/Q3 for Pennichuck East Utility 2022 Capex reimbursement/refinance
- Renew and extend the Fixed Asset Lines of Credit for both Pennichuck Water Works (by June 2023) and Pennichuck East Utility (by September 2023)
- Seek additional funding sources (loans or grants) from the NH Drinking Water Groundwater Trust Fund, the NH State Revolving Fund Loan Program, or others, 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 2023 and 2024 for certain key roles
- Continue to promote customer education through newsletters and social media
- Initiate construction of Londonderry tank, transmission main and booster station for existing customers and buildout paid for by developer.
- Complete upgrades to the Bowers Dam spillway, including replacement of the spillway gate and the construction of an auxiliary spillway (deferred from 2022 due to supply chain disruption delays)
- 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
- Comprehensive focus on workforce recruitment to fill open positions and positions that will become open due to impending retirements
- Implementation and initial buildout of companywide LMS (Learning Management System) for ongoing training of all employees for job duties, safety and security
- Continued monitoring and response to COVID-19 pandemic, including but not limited to:
 - Ongoing monitoring and protection of customers and employees served
 - Maintenance of a hybrid working environment as needed and when practical

Sincerely,



Larry D. Goodhue
Chief Executive Officer