

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF MARCH 21, 2023 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Tuesday, March 21, 2023, at 5:25 p.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 Committee Members for their review prior to the meeting.

The following Committee Members were present at the start of the meeting constituting a quorum:

C. George Bower, Chairman
Amymarie R. Corriveau
Ralph Jenkins
Thomas J. Leonard (via Microsoft Teams)
Deborah Novotny

T. Leonard stated the reason he could not attend the meeting in person, that he was alone, and could hear the proceedings.

Attending the meeting from the Company were:

Larry D. Goodhue, Chief Executive Officer
Donald L. Ware, Chief Operating Officer
George Torres, Chief Financial Officer, Treasurer and Corporate Controller
Carol Ann Howe, Assistant Treasurer and Corporate Secretary
Lori Douglas, Assistant Controller
Jay Kerrigan, Manager Regulatory Affairs, Internal Control and Business Services

Attending the meeting from Marcum LLP was Deborah Tarbox, Partner.

C. Howe recorded the minutes of the meeting.

Approval of Minutes

There being no comments on the draft minutes of the February 24, 2023 Committee meeting, on motion duly made by D. Novotny and seconded by A. Corriveau, all of the Committee Members then voting by roll call, it was unanimously

Resolved: that the minutes of the February 24, 2023 meeting of the Audit, Finance and Risk Committee are hereby approved.

Auditor's Report – Marcum

Ms. Tarbox reviewed the Independent Auditor's Report, a copy of which was provided to the Committee in the written materials. She said that Marcum has issued a clean, unmodified audit opinion that the 2022 consolidated financial statements present fairly, in all material respects, the financial position of Pennichuck Corporation and its Subsidiaries. She reviewed the governance letter and highlighted some significant items indicating many of the same items are in the Auditor's Report. She addressed the Auditors standards and responsibilities. She considers internal controls but does not rely on them. She spoke to our deadlines for the Audit Report delivery due to our annual bonding event and that they comply with all ethics related to independence. They did identify some significant risks which were identified prior to the Audit Report and reviewed with management. She pointed out that these were identified on page 2 of the Audit Report. She indicated that this is an item that is prevalent in any audit that it is conducted. It is so pervasive that it is unavoidable to indicate as a risk. The other area relates to our fixed assets which pertains to items not yet reviewed in rate cases. Additionally, our capitalization threshold is low which creates more risk. She briefly detailed the work they perform on the actuarial estimates prepared as well as the review they perform on the Actuarial firms used in order to rely on their estimates. She referred to page 4 of the Audit Report which detailed the estimates used by our firm. The highest exposures relate to revenue recognition. They did not identify any suspected fraud or encounter any difficulties. She thanked the members of the Company's accounting team for their responsiveness and cooperation during the audit. Ms. Tarbox reported that there were no disagreements with management during the audit, no material misstatements were detected, and no occurrences of fraud were identified. Ms. Tarbox referred to uncorrected misstatements and explained these are an accumulation of items they find during the audit which based on all of them, they do not materially misstate the financial statements. Management also asserts to the immateriality in their Representation Letter – they are referred to as uncorrected misstatements. She responded to questions from R. Jenkins related to these as they reviewed some of the specific misstatements identified. Also noted during the conversations was in the future it would be important that any misstatements or other should be brought to the attention of management prior to the finalization of the audit and presentation of the Audit Report.

2022 Audited Consolidated Financial Statements

The draft 2022 Audited Consolidated Financial Statements and related Notes were reviewed in detail by D. Tarbox, L. Goodhue, G. Torres and L. Douglas who also answered a number of questions posed by the Committee Members. R. Jenkins commented on the amount in the Net Deferred Tax Liability and this was reviewed and discussed with L. Goodhue, G. Torres and L. Douglas.

There was a discussion relative to what Marcum takes into consideration when determining if there is a risk of substantial doubt as to Pennichuck's ability to continue as a "going concern." R. Jenkins requested that management prepare a memo addressed to the Audit, Finance and Risk Committee each year setting forth the reasons there are no issues concerning Pennichuck's ability to continue as a "going concern." In response, L. Goodhue referred to the covenant compliance review performed, the required rate case filings on a 3-year rotation level, and the reviews completed by the Banks relating to the Company's FALOC renewal process.

L. Goodhue, G. Torres, L. Douglas and J. Kerrigan left the meeting at 6:24 p.m. and the Committee met with Ms. Tarbox in executive session to discuss the audit. D. Tarbox indicated that there were some delays in certain difficult areas, such as tax provision. She said that Marcum is suggesting that Pennichuck hire an external party to prepare its tax provision due to its complexity. D. Novotny asked that the tax expert at Marcum suggest 3 firms that could prepare the tax provision for Pennichuck.

R. Jenkins left the meeting at 6:30 p.m.

The executive session ended at 6:35 p.m. L. Goodhue, G. Torres, L. Douglas and J. Kerrigan rejoined the meeting and D. Tarbox left the meeting.

The Chairman called for a motion to approve the 2022 audited consolidated financial statements.

On motion duly made by D. Novotny and seconded by A. Corriveau, all of the Committee Members then voting by roll call, it was unanimously

Resolved: that the audited consolidated financial statements for the calendar year 2022, as presented at this meeting, are hereby approved and authorized for release.

Annual Report to Sole Shareholder

G. Torres reviewed the draft Annual Report to Sole Shareholder, a copy of which was included in the written materials to the Committee. He indicated that the Annual Report will be provided to the City along with the proxy material next week. He highlighted the areas of significance contained in the Report. L. Goodhue reminded the Committee of changes that had occurred in the prior year because of a change in Auditing Standards, we now submit the Annual Report separately from the Audited Financial Statements and there is no reference to the Audited Financial Statements in the Report and they are sent as two separate conveyances to the City. If they were to be sent together or if any reference was made in the Report to the Audited Financial Statements, then Marcum would need to audit the Annual Report to the Sole Shareholder. The Committee members posed a few questions which were addressed by L. Goodhue and G. Torres. They explained the process of submission of the Annual Report to the City annually and also how they are posted on the City website. The Committee had no further questions or changes to the Annual Report. L. Goodhue indicated there is no formal resolution and it was accepted by the Committee as presented.

Pennichuck East Utility (PEU) – Renewal of Fixed Asset Line of Credit (FALOC) with CoBank

L. Goodhue referred the Committee to the Term Sheet received from CoBank. He stated he is looking to renew PEU's FALOC with CoBank, ACB, which is due to expire in September 2023. The current FALOC is \$3 million but they are asking for an increase in the line due to the increased costs of supply chain disruption that occurred in the current year and that they may need the extra capacity to complete the funding for the Londonderry Tank and all other associated items. They will be requesting the same from the New Hampshire Public Utilities Commission (NHPUC). There is a chance that we may come back to the Committee to revise the approval to the \$3 million level if the NHPUC does not approve at the \$4 million level.

The FALOC is used to provide short term financing of PEU's capital projects. A brief discussion ensued and D. Novotny asked a few questions related to the loan and interest rates.

On motion duly made by A. Corriveau and seconded by T. Leonard, all of the Committee Members then voting by roll call, it was unanimously

Resolved: that the Audit, Finance and Risk Committee hereby recommends to the Board of Directors of Pennichuck Corporation and Pennichuck East Utility, Inc. (PEU), that PEU negotiate the renewal of its \$4 Million Fixed Asset Line of Credit with CoBank, ACB.

Annual Disclosure Report – A. Corriveau

G. Bower referred the Committee to A. Corriveau's response to the Annual Disclosure Report. He indicated that A. Corriveau disclosed that she is affiliated with CDM Smith, a company that is currently doing business with Pennichuck. There was a robust conversation among the Committee members and L. Goodhue and D. Ware related to the appropriate manner in which to document the disclosure on an annual basis. L. Goodhue had indicated that this had been vetted at the time A. Corriveau was being considered for the Pennichuck Board of Directors indicating that her disclosure on the form is being overly cautious in her disclosure and transparency and G. Bower confirmed that what is being disclosed on the form is appropriate. Also, T. Leonard indicated the Committee discussion and vetting of the disclosure as well as the Annual Disclosure included in the Corporate files is appropriate and this same due diligence will be conducted on an annual basis. The Committee discussed whether this would create a conflict of interest and agreed, based on the disclosure, there is no conflict of interest and A. Corriveau can continue to serve on the Board.

Emergency Plans

C. Howe referred the Committee to the chart showing the tasks completed in 2022 under the Standard Operating Procedures to the Company's Emergency Plans, a copy of which was included in the written materials. She reported that all required tasks were completed. She indicated that the 2023 annual review of the plans and appendices has begun.

Insurance Coverage Review

C. Howe presented a review of the Company's Property and Casualty insurance portfolio for 2023. She discussed the changes in premiums for each of the policies from the prior year also highlighting any significant events and or changes in each of the premium categories. She noted total premiums increased by approximately \$47,046 in 2023, mainly driven by increases in the general liability, workers' compensation, and property policies. C. Howe reported that the Company's worker's compensation experience modification rate increased to 1.37 for 2023, compared to a 1.14 rating in 2022. It was also reported that the Company has changed carriers for its cyber liability coverage, resulting in a savings of over \$11,000 in premiums. Company programs relating to workplace safety were discussed.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 7:32 p.m.

Carol Ann Howe
Carol Ann Howe
Assistant Treasurer and
Corporate Secretary