

PENNICHUCK CORPORATION  
BOARD OF DIRECTORS  
MINUTES OF AUGUST 25, 2023 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, August 25, at 8:04 a.m. at the Company’s offices at 25 Walnut Street, Nashua, New Hampshire.

Written materials relating to items listed in the Agenda were provided to the Board members for their review prior to the meeting.

The following Directors were present for the start of the meeting, constituting a quorum:

C. George Bower, Chairman  
David P. Bernier  
Amymarie R. Corriveau  
Elizabeth A. Dunn  
H. Scott Flegal  
Stephen D. Genest  
Ralph Jenkins (via Microsoft Teams)  
Thomas J. Leonard III  
Jay N. Lustig  
John D. McGrath  
Deborah B. Novotny (via Microsoft Teams)  
Sarah Pillsbury

Ralph Jenkins and Deborah Novotny stated the reasons they could not attend the meeting in person, that they were alone, and could hear the proceedings.

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

Larry D. Goodhue, Chief Executive Officer  
Donald L. Ware, Chief Operating Officer  
George Torres, Chief Financial Officer, Treasurer and Corporate Controller  
Carol Ann Howe, Assistant Treasurer and Corporate Secretary  
Steven Greenwood, IT Director  
Tara King, Revenue and Customer Operations Director  
John Boisvert, Chief Engineer  
Chris J. Countie, Director, Water Supply and Community Systems  
Alan D. Brown, Manager, Distribution  
Lori Douglas, Assistant Controller

## Approval of Minutes

There being no comments on the draft minutes of the June 23, 2023 meeting of the Pennichuck Corporation Board of Directors are hereby approved on motion duly made by J. Leonard and seconded by J. McGrath all of the Directors then voting by roll call, it was unanimously

Resolved: that the minutes of the June 23, 2023 meeting of the Board of Directors are hereby approved.

## Financial Review – July 2023 – L. Douglas

L. Douglas presented a financial update through July 2023. Capital Expenditures year to date is approximately \$4.7 million compared to \$2.9 million prior year and \$3.9 million budget. Projects are ramping up – particularly related to Pennichuck Water Works. Specifically there were three large street main replacements. Pumpage in July is trending very low at 393 million gallons compared to 620 in prior year and under budget (535 million gallons). Total EBITA YTD at \$10.3 million is relatively flat to budget and lower than prior year (\$12.5 million) for an unfavorable variance of \$2.2 million. Prior year revenues are slightly inflated due to a one time recoupment from PEU. Other Income of \$575,000 is related to the net income from the sale of land on DSW Highway for \$791,000 which netted \$575,00 after transfer taxes, legal costs, etc. Interest expense of \$8.4 million was slightly under budget due to the patronage from PEU which is not budgeted.

Total assets are below expectations at \$343 million compared to budgeted \$355 million and \$345 million in prior year. This is primarily due to the pension valuation and changes due to the discount rate which also drove down the liabilities by over \$6 million in other assets. The discount rate has doubled from prior years of 2.5% to over 5%. Our debt is where we expected to be as we are still out of the line of credit and have been since May 2. G. Torres addressed a question that was posed by D. Novotny in the June Board meeting related to our cash accounts and the potential of keeping cash in interest bearing accounts as they are sweep accounts. G. Torres indicated we had addressed the issue with TD Bank and they are reviewing the options that may be available to us. We are flat to budget on our long-term debt and the increase over prior year is related to our bond issuance at slightly over \$6 million.

G. Torres and D. Ware discussed various factors that will potentially change the bottom line related to variations in weather as well as the PWW rate case settlement which will result in increased revenue of about \$1.2 million over a year. R. Jenkins inquired if we had any concerns related to our debt covenants and G. Torres indicated there were no concerns and we have enough of a buffer to meet requirements. R. Jenkins also asked about the investment options available to us. In response, L. Goodhue indicated we do have an investment policy statement which indicates what we are able to invest in. He also noted a significant portion of our cash is restricted and must be moved in compliance with our tariffs in which the money is moved weekly and monthly as well as daily sweeps. J. Lustig asked if we had minimum requirements in our reserve accounts and L. Goodhue clarified they are not reserve accounts but there are imprest levels required. D. Ware explained they are rate stabilization funds.

On the cash flow, we are lower than projections at \$13.8 versus a budgeted \$14.6 million and prior year of \$15.8 million. This is primarily due to decreased revenues. The effect of this will also be shown as a decrease in receivables. Shown in investing activities is the \$791,000 from the result of the land sale. We are fully compliant with all our covenants. There was a brief discussion of financial results in each of the regulated companies (PWW, PEU and PAC) as well as Pennichuck Water Service Company.

L. Douglas stated the next several pages of the presentation included a budget variance analysis at each of the companies indicating activity in significant expense accounts and asked if there were any questions she can address. There were none.

Questions were posed by the board asking what would happen if the revenue continues to be on a decline by the end of the year and also is if the wet weather trend continues into next year. Don addressed the board's concern indicating the RSF funds would be utilized and any revenue shortfalls will be addressed in the next rate case resulting in a refill of the Rate Stabilization Funds as well having the availability of the working capital line of credit.

G. Bower inquired as to whether the weather has impacted our project schedule and J. Boisvert indicated it had not. A. Corriveau asked if we can show a revenue forecast for the remainder of the year in order to help them understand the impact into future months of the revenue shortfall that has occurred. D. Ware indicated that is an item that we regularly address and that will be provided in next month's financial presentation.

#### Status of Pension and Savings Plan Investments – G. Torres

G. Torres presented a summary of the what was presented at the Retirement Plan Investment Committee (RPIC) meeting held on May 8, 2023 at the Corporate Office. These plans are managed by the RPIC and we meet with Empower twice a year to review results of the investment portfolios, etc. He indicated there was a Pension Benefit audit that was currently underway.

G. Torres started with a review of the Pension Asset Valuation as of 12/31/22 indicating the assets are broken up into 4 asset classes as follows: US Stocks (\$11.4 million); International Stocks (\$3 million); Stable Value (\$5.7 million) and International Bonds (\$3.6 million). HUB looks for a 60% {equity} and 40% {bonds} mix which is in compliance with our Investment Statement. He indicated our benefits are paid from the Stable Value Fund. Company contributions to the plan were \$863,000 in 2022 and we are targeting \$1,625,000 in 2023 which includes a \$500,000 elective contribution "gross-up" of 2022 contributions. L. Goodhue indicated the decision was made by the committee to super fund the accounts because the rates from the recent rate case allowed the cash for us to do this. We are a fully funded plan and the super funding of the plan puts us ahead of the game. Therefore, allowing us to stay fully funded when the rates drop and would have otherwise resulted in us being in a funded deficit. G. Torres also reviewed our Pension Funding Status indicating the Projected Benefit Obligation, the Accumulated Benefit Obligation and the discount rate utilized to compute the obligation. He also indicated that the Projected Benefit Obligation demonstrates what would be owed to plan participants if the plan was frozen at any point in time. This was presented for both years ending 12/31/21 and 12/31/22. The Projected Benefit Obligation dropped substantially this year by almost \$10 million due to the discount rate.

T. Leonard asked what amount of money we have in the Stable Value Fund versus the annual amount we need to pay out and inquired if more funds should be invested in a higher earning account. L. Goodhue indicated we would talk to HUB. Board members also inquired as to the International Stocks we are in which opened a discussion on how our Pension funds are managed, the investment strategies, etc.

G. Torres presented a slide detailing our Funding Actuarial Basis indicating the percentage of the Actuarial Value of Assets to the Liability under the Pension Protection Act and the Market Value of Assets to the Liability under the Pension Protection Act. Also presented was the dollar value of the Market Value and Actuarial Value of the Assets, Pension Protection Act (PPA) Funding Liability and the Effective Interest Rate (PPA). All presentative for comparative years – 1/1/2022 versus 1/1/2023. He indicated the plans are very well funded as a result of higher interest rates and increased funding due to cash availability per our rate structure as previously indicated.

G. Torres next provided an executive summary of the 401K Plan indicating the Defined Contribution Plan is based on employee contributions. The Company matches 100% of the first 3% of employee contributions. Average account balances for all participants are \$136,606. He indicated there is very good employee participation in the plan at 89% of eligible employees enrolled and an average contribution rate of 7.3%. Employees contributing over 10% of their income into the plan are at 19.5%.

#### Other Business

L. Goodhue reviewed the Presentation Schedule and pointed out the presentation that had been added for September on Workforce Development. He also indicated the Senate Bill 169 related to a river crossing interconnection from the West to the East side of the river for a PFAS contamination had passed and get into the budget with language that the impact of that funding will not have any negative impact on Pennichuck customers.

#### Business Updates and Comments from CEO

L. Goodhue touched on how the organization is revamping our training programs and there is now a dedicated person working on training programs in the Distribution Department which has resulted in more consistent training in that group. He also touched on the continuing challenges the organization faces is hiring personnel in certain areas of the organization.

#### Move to Non-Public Session

D. Bernier 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), and to discuss confidential information pursuant to RSA 91-A:3, II(j). J. McGrath seconded the motion.

A roll call of the Directors was taken, which resulted as follows:

Yea: D. Bernier, G. Bower, S. Genest, R. Jenkins, T. Leonard, S. Pillsbury,  
D. Novotny, E. Dunn, J. Lustig, A. Corriveau, S. Flegal, J. McGrath  
Nay:

Motion was carried to enter into non-public session at 9:45 a.m.

Reconvene in Public Session

The non-public session ended at 12:04 p.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(a) and matters which would likely affect adversely the reputation of a person pursuant to RSA 91-A:3, II(c) and to discuss financial or confidential information, pursuant to RSA 91-A:3, II (j). J. McGrath seconded the motion. A roll call of the Directors was taken, which resulted as follows:

Yea: D. Bernier, G. Bower, S. Genest, R. Jenkins, T. Leonard, S. Pillsbury,  
D. Novotny, E. Dunn, J. Lustig, A. Corriveau, S. Flegal, J. McGrath

Nay:

Motion was carried to seal the minutes of the non-public session.

There being no further business to come before the Board, the Chairman adjourned the meeting at 12:07 p.m.

*Carol Ann Howe*  
Carol Ann Howe, CPA  
Assistant Treasurer &  
Corporate Secretary