

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF SEPTEMBER 22, 2023 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, September 22, 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
Ralph Jenkins
Thomas J. Leonard III
Jay N. Lustig
John D. McGrath
Deborah B. Novotny

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
Mary DeRoche,
Lori Douglas, Assistant Controller
Jay Kerrigan, Manager Regulatory Affairs, Internal Control and Business Services
Alicia Dufresne Surette, Supervisor Corporate Communications
Tara Gosselin, HR Generalist
Casey Harding, Engineer
Hannah Marshall, Engineer
Mike Judkins, Construction/Maintenance Coordinator II
Lauren Moylan, Corporate Trainer
Jason Whitcomb, Training Coordinator

C. Howe recorded minutes of the meeting.

Approval of Minutes

There being no comments on the draft minutes of the August 25, 2023 meeting of the Pennichuck Corporation Board of Directors are hereby approved on motion duly made by D. McGrath and seconded by J. McGrath all of the Directors then voting by roll call, it was unanimously

Resolved: that the minutes of the August 25, 2023 meeting of the Board of Directors are hereby approved.

Workforce Development

M. DeRoche gave a presentation on Pennichuck's Workforce Development Effort. She indicated the presentation would focus on where we are today, the condition of the State economy and its effect on the labor pool, what the company is doing in terms of the Workforce Steering Committee as well as other avenues. She also indicated that members of the Workforce Steering Committee are in attendance at the meeting today and she would be introducing each of them at the conclusion of her presentation. She first presented a chart indicating the make-up of our current work force showing that it is an aging workforce, indicating the number of employees approaching Medicare eligibility within the next five to ten years. She also spoke of a conference she attended which presented statistics indicating the trend of a GIG economy and showing the increased number of people doing gaming, grub hub, and other non-professional jobs. This was particularly prevalent with the male gender. The lack of affordable childcare is also contributing to increasing numbers of woman who are not able to enter and/or reenter the workforce. Our population is not growing consistent with those passing away and the population is aging and the birth level is not growing at the same level. Diversity is also a key factor and trying to accomplish a diverse workforce is difficult with a less than 8% diverse population in N.H. Other factors contributing to the difficulty of hiring in today's environment is the talent pool is lessening along with other large businesses coming to, or expanding their presence, in New Hampshire including a casino, Stonyfield Yogurt's new and expanded facility, the new Target distribution facility, etc. The professional and college graduate pool is moving to Massachusetts. She did indicate the positive news is the trend is moving in a direction where we are seeing more applicants. She indicated the water industry is not well known and training in the industry is not prevalent and is significantly behind others. On the positive side, we are considered an employer of choice in this industry because of the diversity of our business (water treatment plant, many booster stations, etc.). Also, that we offer a competitive benefit package and are considered a "green" company. M. DeRoche also indicated that we employ some of the "rock stars" in the industry within our top management team and they are very involved in the water business which creates positive exposure for our company. Our evolving retirements are providing more opportunities than in the past for career growth in our work force.

M. DeRoche then went on to discuss various areas of outreach that our organization is involved in. This would include - presentations and poster contests within the schools, tours of the treatment facility partnered with Xplorations (ALC Stem Program) to develop educational tools focused on increased awareness of the importance of water as well as career awareness fairs for seventh and eighth graders. In the High Schools, we have New Hampshire construction days, career awareness fairs, job shadowing in the fields of IT and Environmental Engineering/ Science. We have also operated Coop and Intern programs for several years within many of our departments. Additionally, we attend college career fairs which are well participated in and we

have staff in the Engineer Department who are actively involved with the alumni at their schools and continue to network with those groups. There is also strong participation by several members of our work force in the Young Professionals in NEWWA and NHWWA. Human Resources is also involved in many outside programs are continuing to establish strong networks with New Hampshire agencies. We also continue to grow our Social Media presence. We are associated with Work for Water, a committee of NEWWA which is focused on developing awareness and talent pipelines for the drinking and clean water industries. We have hired a consultant to focus on how to increase educational outreach and public awareness regarding opportunities within the industry. Our employees are involved in outside diversity programs. We are continuing to grow our Training and Development programs and are focused on using external resources that are available to bring in house for training opportunities. We also take advantage of external grant resources through WorkInvestNH – Job Training Grants and we have added a dedicated trainer for use company-wide, as well as two additional trainers within specific departments. We have been establishing several external partnerships – NAWIC-Women in Construction, I Build NH – NH & VT, Division of Community Based Military Programs (Veterans), ALC of Greater Nashua, CTE Advisory Committees, NH State Resources (ELO). Attending the Board Meeting were many members of the Workforce Development Committee. M. DeRoche introduced each member and provided them an opportunity to explain their role in the company as well as their participation in activities on the Committee.

At 9:10 a.m. members of the Workforce Steering Committee in attendance (A. Dufresne/ Surette, T. Gosselin, C. Harding, H. Marshall, M. Judkins, L. Moylan) left the meeting.

Financial Review – August 2023

L. Douglas presented a financial update through August 2023. Capital Expenditures year to date are approximately \$6.1 million compared to \$3.4 million prior year and \$8.5 million budget. Pumpage for the month of August was low at 390 million gallons compared to 603 in prior year and under our budget of 516 million gallons due to a continued wet summer season. Total EBITA year to date at \$12.4 million is relatively flat to budget of \$12.6 million and lower than prior year of \$15.6 million. Revenues are \$35 million compared to prior year of \$39 million (which were slightly inflated on a “normalized” basis, due to a one time recoupment earned for PEU in 2022 from its completed 2020 test year rate case). Operating income of \$5.8 million versus budget of \$6.6 million and prior year of \$9.7 million. Operating expenses of \$29.4 million are almost flat with prior year of \$29.6 million. Other Income of \$568,000 is primarily related to the net income from the sale of land on DW 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 \$342 million compared to budgeted \$358 million and \$345 million in prior year. This is largely due to the year-end 2022 pension valuation (as a component of Other Assets), primarily driven by changes due to the increase in the discount rate which also drove down the liabilities by a corresponding \$6 million. The discount rate has doubled from prior years of 2.5% to over 5%, as bond interest rates have risen due to outside economic forces and decisions by the Federal Reserve to continue to raise interest rates.

Total PP&E is \$248 million versus a budget of \$250 million and prior year of \$247 million. Total Liabilities and Other Equity are \$342 million compared to budget of \$358 million and prior year of \$345 million. She also explained that we were into the Working Capital line of credit for a short period of time, but are currently out of it as of the date of this meeting. Cash and Cash

Equivalent were at \$13 million as of August 31, compared to a budget of \$16 million and prior year of \$12 million.

Revenue Projections

D. Ware presented the schedule of revenue projections that was prepared for the Board. He indicated the information was prepared by using August YTD actuals and an analysis of budgeted amounts for the remainder of the year. Revenues were projected for September through December 2023 using pumpage. The actuals for September to date were used in projections for September and October as September usage is realized in October billings. Starting in November we anticipate to be close to budgeted levels, since summertime usage has stopped. He also indicated that cash is an important focus. D. Ware turned to an explanation of the Rate Stabilization Fund (RSF) balances and how they will be affected. Coming into 2023, there were overfilled above their imprest levels, based on 2022 and prior revenue levels. At the end of 2022, our year end balance in the RSF was \$6.5m. We expect to see a significant drop in the RSF balances to approximately \$3 million by this year-end, due to lower revenues in 2023 from the abnormally wet summer. This will result in an RSF shortfall of almost \$2M as compared to our RSF imprest level of \$5 million. D. Ware continued to explain how different variables, including weather conditions, etc. may affect the projections of future year activity. Our balances could increase next year, if we were to have another dry summer, like what occurred in 2022, or would decrease further if we had another wet summer like 2023. D. Ware also pointed out we do have the \$4 million working line of capital, if needed. He explained for rate case filings, we obtained approval in our rate structure several years ago, the ability to use trailing five-year averages for revenue and certain direct expenses, rather than a single test year. R. Jenkins addressed a question related to cash balances sufficient to pay debt. L. Douglas explained that our debt payments are made from the Debt Service Revenue Requirement bank accounts, not the operating bank accounts; those operating cash accounts are used for the payment of operating expenses. L. Goodhue also indicated the Debt Service Revenue Requirement (DSRR) is reset at every rate case to account for the increase in debt each year, with an "over cover" factor. D. Ware also explained we have the QCPAC filings each year which increase the allowed revenues for the increased debt service for capital projects completed for the most recent completed calendar year. There was significant discussion based on questions posed by Board members and responses by D. Ware and L. Goodhue.

Ralph Jenkins left the meeting at 9:40 a.m.

2024 Budget Summary Schedule

L. Douglas presented a summary schedule for the 2024 Budget cycle including the timing of the capital and operating budgets.

Move to Non-Public Session

D. Novotny 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, 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 9:53 a.m.

Reconvene in Public Session

The non-public session ended at 10:56 a.m. and the Board reconvened in public session.

J. McGrath 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). T. Leonard 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 10:57 a.m.

Carol Ann Howe

Carol Ann Howe, CPA
Assistant Treasurer &
Corporate Secretary