

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF FEBRUARY 22, 2024 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Thursday, February 22, 2024, at 4:35 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
Deborah B. Novotny
Ralph Jenkins (via Microsoft Teams)
H. Scott Flegal (via Microsoft Teams)

Attending the meeting from the Company were:

John J. Boisvert, Chief Executive Officer and Chief Engineer
George Torres, Chief Financial Officer and Treasurer
Lori Douglas, Corporate Controller
Carol Ann Howe, Assistant Treasurer and Corporate Secretary
Jay Kerrigan, Manager Regulatory Affairs, Internal Control and Business Services

C. Howe recorded the minutes of the meeting.

Approval of Minutes

There being no comments on the draft minutes of the November 16, 2023 Committee meeting, on motion duly made by D. Novotny and seconded by R. Jenkins, all of the Committee Members then voting by roll call, it was unanimously

Resolved: that the minutes of the November 16, 2024 meeting of the Audit, Finance and Risk Committee are hereby approved.

New Chair Discussion

G. Bower noted that because it had been decided by the Board of Directors that is best if the Chairman of the Board does not serve as Chair on any Committees, we would need to elect a new Chair for the Committee. Since all the Committee members were not present at the meeting, he determined the discussion should be tabled for the next meeting.

PWW Bond Financing – 2023 Capital Expenditures

G. Torres explained what the Committee had received with the materials that were sent to them prior to the meeting is related to an annual event that typically occurs in April of each year when we have a bond offering to pay off the Fixed Asset Line of Credit (FALOC) on Pennichuck Water Works, Inc. This year we have an amount of approximately \$9.3 million but we are looking for an approval for up to \$11 million dollars. This includes about \$10.6 million in bond proceeds for the payoff of the FALOC. There is also some coverage for approximately \$400,000 of bond issuance costs. He explained we may possibly go to market with a bond offering at a discount as opposed to a premium and the reasons behind this is that we want to make sure we receive enough money to pay off the FALOC and want to make sure all the bonds are sold. He noted that the difference in costs in issuing at a premium versus a discount is not significant. We also want to make sure we are offering a reasonable interest rate that will attract buyers. The resolution shown is stated at an amount higher than what is anticipated but in the event something in the market changes and we need more for the total costs of the bond offering, we have added some room for this scenario so we will not need to come back to the Committee for another vote. This resolution amount will provide for more than enough coverage if any market conditions change. He asked if the Committee had any questions. R. Jenkins inquired as to the balance in the FALOC that needed to be paid off and G. Torres provided response.

After discussion, on a motion duly made by D. Novotny and seconded by R. Jenkins, all of the Committee Members then voting by roll call, it was unanimously

Resolved: that the issuance of bonds needed to finance the 2023 capital expenditures of Pennichuck Water Works, Inc. (“PWW”), initially funded by the Fixed Asset Line of Credit or from working capital sources, and as described to the Audit, Finance and Risk Committee as a component of the \$57.5 million 2021-2025 Financing Plan approved by the Board of Directors of Pennichuck Corporation and PWW in 2020, and to consist of the entering into of the following credit facilities:

Taxable or Tax-exempt Bonds in one or more series in an aggregate amount not to exceed:	\$10,600,000
Taxable or Tax-exempt Bonds in one or more series or Bank Credit Facility to fund Bond Issuance Costs, not to exceed:	\$ 400,000
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Total 2024 Bond Issuance Plan not to exceed:	\$11,000,000

(the “2024 Bond Issuance Plan”), be and it is hereby favorably recommended for consideration and approval by the Board of Directors of Pennichuck Corporation and PWW.

Further

Resolved: that the officers of Pennichuck Corporation and PWW are severally authorized, empowered and directed to take such actions necessary to present the 2024 Bond Issuance Plan to the Board of Directors of Pennichuck and PWW, and to report the favorable recommendation of this Committee to each such Board.

PEU - CoBank Annual Term Loan Financing

G. Torres stated that management is seeking authorization for Pennichuck East Utility, Inc. (PEU) to enter into a 25-year term loan with CoBank in an amount up to \$2,200,000, to refinance and repay borrowings by PEU under its current Fixed Asset Line of Credit with CoBank. He noted that our Fixed Asset Line of Credit with CoBank does not have a clean out provision so it is not a pay-off of the line but a pay-down so we can still use the line once we pay it down if we choose to. We will close on the loan in the latter part of this year.

After discussion, on a motion duly made by R. Jenkins and seconded by S. Flegal, 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. that Pennichuck East Utility, Inc. be authorized to enter into a term loan with CoBank, ACB in an amount up to \$2,200,000 with an up to 25-year amortization schedule, for the purposes of financing 2023 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit during 2023, including interest accrued thereupon.

Review of Audit, Finance and Risk Committee Charter Change

C. Howe directed the Committee's attention to the materials distributed to them prior to the meeting. There were changes that were made to the Committee Charter based on the comments in the November 16, 2023 meeting. These edits were made to the Charter and the Committee is being asked to vote to adopt this change.

After no further comment, on motion duly made by D. Novotny and seconded by R. Jenkins, all of the Directors then voting by roll call, it was unanimously.

Resolved: that the Audit, Finance and Risk Committee accept the following changes made to the Committee Charter.

Section A. Purpose. Item (v) delete the wording "financing of the Company" and replace with "procurement and approval of financing for the company".

G. Bower indicated there was one further item that he wanted to address. Since the Audit, Finance and Risk Committee is charged with receiving the Auditors Report, the Committee should agree to accept the report. It was agreed that a resolution to accept the report will be added to the March meeting agenda. The same will be done with the Internal Control Report once that is presented to the Committee.

Emergency Plan – Completed Responsibilities

C. Howe referred the Committee to the chart showing the tasks completed in 2023 under the Standard Operating Procedures to the Company’s Emergency Plans, a copy of which was included in the written materials. She reported on the tasks that were required and the status of completion. She noted there was a review of the emergency drill procedures at the Operations and Water Treatment Plant facilities and as a result, those drills were put on hold in 2023 and will be completed in 2024. She also noted that the required annual safety training by all employees included areas related to “fire drills” including diagrams displaying exit routes.

There was discussion that ensued related to the fire drill process. D. Novotny asked questions as it related to our requirements for a fire drill and it was explained by J. Boisvert and C. Howe that we had reviewed this with our safety consultant and he had responded that it is not required per OSHA but if it stated in our plan, we will need to perform it. There was discussion on other options that can be considered to take the place of an actual drill such as our required safety training or a table-top exercise, etc. D. Novotny asked if we can make the changes to our Emergency Response Plan so the drills are not required and requested a timeline on when this would be addressed. J. Boisvert indicated it would be a topic at the next Safety Committee meeting to be held in April and we would consider the removal of this requirement.

G. Bower also noted that for the last three or four years he has been wanting to see table-top exercises related to the rest of our plan and he would like to see that put into action. Noting it is a very typical part of an Emergency Response Plan. J. Boisvert indicated when going through the Emergency Response Plan as part of our Risk and Resiliency review process, some of these items were addressed. He also noted there are procedures at each of the facilities on how various “incidents” should be handled. He stated he would speak with our Safety Consultant at our next meeting to understand what formats and practices are acceptable for table-top exercises. G. Bower indicated that templates are available on the EPA website for different types of facilities and industries.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 5:22 p.m.

Carol Ann Howe

Carol Ann Howe, CPA
Assistant Treasurer and Corporate Secretary