

PENNICHUCK CORPORATION

BOARD OF DIRECTORS
MINUTES OF FEBRUARY 23, 2024 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, February 23, 2024 at 8:38 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 their review prior to the meeting.

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

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

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

John J. Boisvert, Chief Executive Officer and Chief Engineer
Donald L. Ware, Chief Operating Officer
Mary V. DeRoche, Human Resources Director
George Torres, Chief Financial Officer and Treasurer
Carol Ann Howe, Assistant Treasurer and Corporate Secretary
Steven Greenwood, IT Director
Tara King, Revenue and Customer Operations Director
Christopher J. Countie, Director of Operations
Alan D. Brown, Manager, Distribution
Lori Douglas, Corporate Controller
Jay Kerrigan, Manager, Regulatory Affairs, Internal Control and Business Services

C. Howe recorded the minutes of the meeting.

The Chairman called the meeting to order.

Approval of Minutes

There being no comments on the draft minutes of the January 26, 2024 meeting of the Pennichuck Corporation Board of Directors, on motion duly made by J. Lustig and seconded by E. Dunn, all of the Directors then voting by roll call, it was unanimously

Resolved: that the draft minutes of the January 26, 2024 meeting of the Board of Directors are hereby approved.

Financial Review

L. Douglas provided a financial review of the unaudited results and usage through December 31, 2023. She emphasized the results being shown are still unaudited.

Pumpage ended year about 10% under budget and 20% in comparison to prior year due to a very wet summer. She noted they are flat in the fourth quarter of the year. Year to date Earnings Before Interest and Taxes is \$18.2 million which is equal to budget of \$18 million and 12.6% under prior year due to decreased revenue resulting from the wet summer. Operating expenses are also down mainly due to varied production costs such as power, chemicals, water etc. which are tied to the decrease in revenue. Interest expense ended year at \$14.6 million which is about \$300,000 less than budget due to incoming patronage from CoBank which is received each year and an unbudgeted number.

On the Balance Sheet side, we ended the year with about \$251 million in plant and equipment which was about \$3.5 million under budget \$4.5 million above prior year. Looking at the Total Liabilities and Equity section, our Long Term Debt is at \$236.7 million at the end of the year which just about flat with budget but about \$4 million higher than prior year. We were out of the line of credit at the end of the year and continue to remain so. Our required commitment is to be out of the line for the 30 days at some point during the year, which we have met and continue to be.

On the Cash Flow, we had \$10.9 million in Total Cash and Cash Equivalents which is under budget by almost \$7.8 million and \$3.5 million to prior year which is again attributed to the decreases in revenue. L. Douglas noted we are in compliance with all our covenants. Capital expenditures at the end of the year were \$11.4 million compared to a budget of \$15.9 million. G. Torres provided some comments summing up the year noting overall in light of it being a lower revenue year due to a wet summer season, the company still fared well. We were able to end with reduced expenses in helping to offset the lower revenue by almost 50% with a significant reduction seen in lower production costs including lower power purification costs.

PWW Bond Financing for 2023 Capital Expenditures

G. Torres indicated this relates to the bonding that was approved in the Pennichuck Water Works, Inc.

There being no further comments, the Pennichuck Corporation Board of Directors, on motion duly made by D. Novotny and seconded by J. McGrath, all of the Directors then voting by roll call, it was unanimously

Resolved: that the financing plan for the financing of the capital expenditures of Pennichuck Water Works, Inc. (“PWW”) for 2023, as described to this Board, such plan 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
Total 2024 Financing Plan not to exceed:	<u>\$11,000,000</u>

(the “2024 Financing Plan”), be and it is hereby approved.

Further

Resolved: that the officers of Pennichuck Corporation (the “Company”) and PWW are hereby authorized, empowered and directed to take any and all actions to develop and effect the borrowings contemplated by the 2024 Financing Plan, including taking any and all actions to obtain all necessary approvals and consents for the borrowings contemplated by such Plan from the City of Nashua in its capacity as the sole shareholder of the Company, the New Hampshire Public Utilities Commission, and any other person from which approval or consent may be required related to such borrowings as determined by such officers.

Further

Resolved: that the officers of the Company and PWW are directed to finalize the terms of the 2024 Financing Plan, including preparation of loan and trust agreements, credit facility agreements, bond purchase agreements, official statements, petitions and such other documents that are necessary to affect the 2024 Financing Plan.

Further

Resolved: that any actions taken by the officers of the Company prior to the date of the foregoing resolutions adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed, approved and adopted as actions of the Company.

CoBank Loan – Pennichuck East Utility, Inc.

G. Torres indicated this relates to CoBank Loan that was approved in Pennichuck East Utility, Inc.

There being no further comments, the Pennichuck Corporation Board of Directors, on motion duly made by J. McGrath and seconded by D. Novotny, all of the Directors then voting by roll call, it was unanimously

WHEREAS, reference is made to that certain Master Loan Agreement, dated as of February 9, 2010, between Pennichuck East Utility, Inc. (“PEU”), as borrower, and CoBank, ACB (“CoBank”), as lender (the “Original MLA”);

WHEREAS, in connection with and as part of the consideration for inducing CoBank to enter into the MLA, Pennichuck Corporation (the “Corporation”) agreed to enter into that certain Guarantee of Payment (Continuing) in favor of CoBank; and by resolutions taken on January 27, 2010, the Board of Directors of the Corporation approved the Guaranty and all related transactions to any loans under the Original MLA, including the New Loan, as described below;

WHEREAS, PEU and CoBank entered into a First Amendment to the Original MLA as of April 25, 2018 to amend a certain debt service coverage ratio required of PEU (the “First Amendment”);

WHEREAS, PEU and CoBank entered into a Second Amendment to the Original MLA as of July 22, 2019 to amend annual financial statement obligations of PEU and the Corporation, to apply a debt service coverage ratio to the Corporation and amend certain related definitions, and to eliminate a total debt to total capitalization ratio (the “Second Amendment”); and

WHEREAS, the Corporation finds it beneficial that PEU take out an additional loan under the terms and conditions of the Original MLA, as amended by the First Amendment and the Second Amendment (the “MLA”) (such New Loan further described below), 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.

NOW, THEREFORE, be it hereby:

Resolved: to authorize and approve PEU to enter into a term loan (the “New Loan”) to be advanced under and subject to the terms and conditions of the MLA and a new Promissory Note and Supplement thereto, as follows: up to Two Million, Two Hundred Thousand Dollars and No Cents (\$2,200,000.00) with an up to 25 year amortization schedule; at a rate of interest based on one of two interest rate options: a weekly quoted variable rate option or a quoted fixed rate option, each of which would be determined at closing on the New Loan.

Further

Resolved: that the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Treasurer and the Assistant Treasurer of the Corporation are, and each of them hereby is, authorized to act as the Corporation's representative (either in its own capacity, or in the Corporation's capacity as the sole shareholder of PEU) for purposes of executing and administering the above-referenced New Loan and/or executing any other related documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or MLA.

Further

Resolved: that the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Treasurer and the Assistant Treasurer of the Corporation are, and each of them hereby is, authorized to act as the Corporation's representative for purposes of executing and administering the above-referenced continuing corporate guarantee by the Corporation and/or executing any other related loan documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or the MLA.

Further

Resolved: that the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Treasurer and the Assistant Treasurer of the Corporation are, and each of them hereby is, authorized and directed to take any and all actions to obtain all necessary approvals for the guarantee from the City of Nashua (in its capacity as the sole shareholder of Pennichuck Corporation), and any other authority determined, as a requirement, by such officers.

Report of the Nominating and Governance Committee Meeting

E. Dunn indicated we have been busy interviewing the Board of Director candidates and we have five individuals up for nomination. She noted we were having a Board Committee meeting directly after the close of this meeting and all Board members are welcomed to attend. She also stated, if any Board members had comments to offer on any of the nominees, to speak with someone on the Committee. In closing, she asked if the board surveys had been submitted and it was indicated that all but two had been received.

2024 Annual Meeting of Sole Shareholder

J. Boisvert specified this was the resolution to vote on the time and place of the Annual Meeting of the Sole Shareholder.

There being no further comments, the Pennichuck Corporation Board of Directors, on motion duly made by J. McGrath and seconded by S. McGrath, all of the Directors then voting by roll call, it was unanimously

Resolved: that the Pennichuck Corporation 2024 Annual Meeting of Sole Shareholder be held on Saturday, May 4, 2024, at 9:00 a.m., at the Pennichuck Distribution Facility at 16 Daniel Webster Highway in Merrimack, NH.

Business Updates and Comments from Chief Executive Officer

J. Boisvert noted several items of activity within the organization including the forward progress on recruitment of a Human Resources Director that is being made with the assistance of M. DeRoche. We have filed our annual QCPAC filings for prior year's capital projects for Pennichuck Water Works, Inc. and Pennichuck East Utility, Inc. There has been some activity in the capital projects area and we are waiting to see what will be coming in the area of water mains and in Londonderry, projects related to the transmission and water main and booster station. We are still waiting for new Environmental Protection Agency (EPA) PFAS standards. In response to this, G. Bower asked if it is a proposed standard and J. Boisvert is. S. Genest asked if we had money in the capital budget to account for upgrades that will be needed to adjust to standards. In response, C. Countie stated we budgeted for the equipment. G. Bower asked where we are with our levels at this time and C. Countie provided input citing our current levels, estimated amount of systems that may be impacted and potential plans for resolution. He indicated there will be several decisions to be made and considered in relation to system upgrades, timing, adopting new technologies and disposal issues. There was some discussion between management and board members on waste water disposal and the uncertainty of future standards and requirements. D. Ware indicated we should have an acceptable amount of time to adapt as needed and S. Pillsbury also provided input on the discussion and timelines to adoption that may be anticipated. S. Genest asked about our dam projects and there was some discussion related to this subject. T. Leonard commented on the proactiveness of the organization related to these environmental issues and J. Boisvert noted the EPA has asked to look at what we are doing as it related to these areas.

Other Business

G. Bower highlighted the 2024 Management Presentation Schedule and J. Boisvert noted the schedule will be a topic for ongoing review.

Move to Non-Public Session

E. Dunn moved that the Board enter into non-public session to discuss financial or confidential information pursuant to RSA 91-A:3, II(j). D. Novotny seconded the motion.

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

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

Nay:

Motion was carried to enter into non-public session at 9:21 a.m.

Reconvene in Public Session

The non-public session ended at 9:59 a.m. and the Board reconvened in public session.

J. Lustig moved that the Board seal the minutes of the non-public session under RSA 91-A:3 II(j) to discuss financial or confidential information. S. Genest seconded the motion. A roll call of the Directors was taken, which resulted as follows:

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

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

Prior to concluding the meeting, G. Bower addressed an issue related to satisfying quorum requirements. He requested E. Dunn to have the Nominating and Governance Committee review the quorum requirements as stated in the Bylaws so we can understand what it states. He also noted the election of a new Chair in the Audit, Finance and Risk Committee is still being addressed.

There being no further business to come before the Board, the Chairman adjourned the meeting at 11:10 a.m.

Carol Ann Howe

Carol Ann Howe, CPA
Assistant Treasurer &
Corporate Secretary