

PENNICHUCK WATER SPECIAL COMMITTEE

JANUARY 9, 2023

A meeting of the Pennichuck Water Special Committee was held Monday, January 9, 2023, at 7:00 p.m. in the Aldermanic Chamber.

Let's start the meeting by taking a roll call attendance.

The roll call was taken with 3 members of the Board of Aldermen present: Alderman Patricia Klee, Alderman-at-Large Michael B. O'Brien, Sr., Alderman Richard A. Dowd

Alderman Thomas Lopez and Alderman-at-Large Melbourne Moran, Jr., were recorded absent.

Also in Attendance:

- Larry Goodhue, CEO, Pennichuck
- Don Ware, COO, Pennichuck
- Thomas J. Leonard, Director, Pennichuck Corporation
- George Torres, CFO
- John Boisvert, Chief Engineer
- Chris Countie, Director of Water Supply and Community Systems
- Carol Ann Howe, Assistant Treasurer and Corporate Secretary

PUBLIC COMMENT - None

COMMUNICATIONS

From: Larry D. Goodhue, Chief Executive Officer, Pennichuck Corporation
Re: Pennichuck Corporation Quarterly Report to the Sole Shareholder for the Quarter Ended June 30, 2022

From: Larry D. Goodhue, Chief Executive Officer, Pennichuck Corporation
Re: Request for Approval of Guaranty by Pennichuck Corporation of Loan to Pennichuck East Utility, Inc. from the Drinking Water and Groundwater Trust Fund

From: Larry D. Goodhue, Chief Executive Officer, Pennichuck Corporation
Re: Pennichuck Corporation Quarterly Report to the Sole Shareholder for the Quarter Ended September 30, 2022

There being no objection, Chairman Klee accepted the communications and placed them on file.

From: Thomas J. Leonard, Chairman, Pennichuck Corporation
Re: Special Meeting of the Sole Shareholder – January 27, 2023, Proxy Statement, and Proxy Card

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND THAT THE COMMITTEE ELECT RALPH JENKINS TO THE PENNICHUCK CORPORATION BOARD OF DIRECTORS AS A CLASS B DIRECTOR TO FILL THE VACANCY RESULTING FROM THE RESIGNATION OF JAMES DORE AND TO AUTHORIZE THE MAYOR TO TRANSMIT, BY PROXY CARD, THE VOTE OF THE SOLE SHAREHOLDERS TO THE BOARD OF DIRECTORS OF PENNICHUCK CORPORATION, BY ROLL CALL

ON THE QUESTION

Larry Goodhue, CEO, Pennichuck

So thank you, Chairman Klee. Larry Goodhue, CEO of Pennichuck. With me up here in the front is our Chairman of the Board of Directors Thomas J. Leonard; our Chief Operating Officer Donald Ware; and our CFO George Torres which I'll elucidate a little bit further as we described. Also in attendance with us tonight is our Director of Water Supply and Community Systems Chris Countie; and our Chief Engineer John Boisvert; and our Assistant Treasurer and Corporate Secretary Carol Ann Howe.

Chairman Klee

All welcome.

Larry Goodhue, CEO, Pennichuck

One of the reasons that we've got so many individuals in the room tonight is as a corporation, we're very, very focused on not only our current staffing but our staffing as we go through succession planning relative to roles within the company. Our Corporate Secretary of almost 11 years retired as of December 30th and as a part of that, a little bit of a reorganization has occurred. Carol Ann Howe has morphed from her predecessor role where she was the Director of Regulatory and Business Services as well as the Assistant Treasurer and so she's divested certain responsibilities but taking on others and is now our Assistant Treasurer and Corporate Secretary.

Myself over the last 10 years almost have been both the CEO, the CFO, and the Corporate Controller, and the Treasurer at different junctures. Through a process a year ago May - so May of 2021, Mr. Torres assumed my Treasurer role and I went down to the CEO and CFO roles. Effective as of January 1st, Mr. Torres has actually assumed the CFO role. So he is now the CFO, Treasurer, and Corporate Controller of the organization. I am now just the Chief Executive Officer of the Corporation. This is all a part of our succession planning that is ongoing. I will be retiring at the end of this year 2023 and part of this has been part of our plan going along, not just for me but for other individuals within the corporation that, you know, we understand that as a regulated utility, the business that we conduct must go on past the lifetime of any one of us because we've got a responsibility as a regulated utility to continue to service our customers into perpetuity.

Chairman Klee

Thank you very much. We're on the motion to elect Ralph Jenkins to the Pennichuck Corporation Board of Directors as a Class B Director to fill the vacancy. Did you want to speak to that?

Larry Goodhue, CEO, Pennichuck

I will defer to our Chairman to discuss that topic.

Chairman Klee

Thank you.

Thomas J. Leonard, Chairman

Thank you, Madam Chairman. So my name is Thomas J. Leonard. I go by Jay. We've been here before and I appreciate the opportunity again.

We have nominated through our process, we've gone through our Director process, and nominated Mr. Ralph Jenkins. We're very excited about it. One of the unusual things this time around is the timing. As I think you indicated in the introduction, we had a resignation on the Board. The particular skills that the individual had are relevant immediately. That being audit, accounting, and kind of general board experience. So we are in the - what we do in the early months of the year is we have a quite a bit of accounting auditing needs. First thing we do is do our year end accounting and the year end audit. Then the next thing we do is some bonding in the spring - usually April, end of March, beginning of April. Close the deals at the end of April and both of those require that expertise and skill. So we are asking you, the Committee and the full Board to authorize an immediate filling of the vacancy if you will. That's the purpose of coming in as kind of on an urgent basis here. Mr. Jenkins we're very excited about. He has terrific experience, and skills, and experience. He was a partner in Ernst and Young as an auditor, accountant. He worked on several teams that involve the businesses about our size or larger but certainly fantastic experience as an accountant and an auditor, but also fantastic and experience as a board member - a team member and someone who's used to working with a group and accomplishing specific goals. So we're very excited about Mr. Jenkins. He was unanimously nominated by our group. Everybody is equally as excited. So that's our present request.

Just as a kind of a footnote and additional information, the timing is a little bit odd in the sense that we actually have an annual meeting in May. We will be putting him forth as a re-election if you will in May. So this is really just for that short period but we think under the circumstances it's important.

Chairman Klee

Okay, very well. Does anybody have any questions?

A viva voce roll call was taken which resulted as follows:

Yea: Alderman O'Brien, Alderman Dowd, Alderman Klee 3

Nay: 0

MOTION CARRIED

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

R-22-079

Endorsers: Alderman Patricia Klee
Alderman-at-Large Melbourne Moran, Jr.
Alderman-at-Large Michael B. O'Brien, Sr.

APPROVING GUARANTY BY PENNICHUCK CORPORATION OF A LOAN TO PENNICHUCK EAST UTILITY, INC. FROM THE DRINKING WATER AND GROUNDWATER TRUST FUND

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Larry Goodhue, CEO, Pennichuck

Yes. On the last topic, just one thing. The reason we were meeting with you now is because the recommendation you'll put forward to the Board of Aldermen your meeting, I think, is tomorrow night because the special shareholder meeting is actually on the 27th for that individual be seated on our Board and immediately start functioning in that role starting that morning. So just wanted to let you know about the sensitivity of the timing.

Chairman Klee

I will make sure that that's clear tomorrow. Thank you.

Larry Goodhue, CEO, Pennichuck

Great, thank you.

As far as this current item that is before us on the agenda, we've actually come before this Committee previously to get you to approve the financing that is tied to this guaranty. So you already voted, made a recommendation, the Board of Aldermen actually approved the financing. We have approvals from everybody else but in going through the closing for this loan and grant in the legal review, what was understood in the term sheet from the Drinking Water Groundwater Trust Fund is it required a guarantee from the parent cooperation. So it's kind of a bells and suspenders type of thing but it's a specific thing that we needed to make sure that we have a Resolution approving the guaranty within the corporate group of this debt that is at the Pennichuck East Utility level is basically supported by the finances and the rates of that entity and is tied to capital that is owned by that entity. So this is kind of an add on to an approval already obtained for the acceptance of a grant and the closing of a loan for this particular project that is down in the Windham area for Pennichuck East Utility.

Chairman Klee

Okay. Before I ask if there are any questions just for the general public listening, I don't know how many are actually listening but for the general public that are listening, could you explain to them the guaranty because I think what some people are going to feel is that the city itself is on the hook but that's not the case.

Larry Goodhue, CEO, Pennichuck

No. So the City of Nashua is the sole shareholder of Pennichuck Corporation for the last 10 almost 11 years. The subsidiaries of Pennichuck Corporation are wholly owned by Pennichuck Corporation. So that guarantee is within the corporate group. It does not extended past that corporate veil. Pennichuck Corporation is a private corporation with a municipal shareholder. So that's very important to understand. There's a limit to that liability risk which is encapsulated with that group.

Chairman Klee

Thank you. I just wanted to make that clear. I know I've had you over the years and I'm not going to ask you to do it again to explain the whole process. The bottom line is just so the taxpayers understand is the city nor the taxpayers are on the hook if something is defaulted. It would be within the corporation of Pennichuck and it would be their entities within there that would completely liable for that.

Larry Goodhue, CEO, Pennichuck

Some of our other existing debt actually have guarantees within the confines of those are our working capital line of credit has a guarantee mechanism. Any loans that we have with CoBank, which is lends money for us for our Pennichuck East Utility has a guarantee situation within that confine. So it's all encapsulated within the corporate group.

Chairman Klee

Thank you very much. Are there any questions? Seeing none.

MOTION CARRIED

NEW BUSINESS – ORDINANCE - None

GENERAL DISCUSSION - None

PUBLIC COMMENT

Alderman O' Brien

I just want to comment, it's good to see that he's well. Welcome back to Alderman Dowd.

Chairman Klee

Yes, welcome back.

Alderman Dowd

Nice to be back.

Chairman Klee

And I just have one other comment. Thank you so much for coming out and you're always very patient explaining everything to us. I even appreciate the conversations that we have on the side. So you're always very helpful. I know we will be seeing you before September but you will be missed in September and I'm sure the Board will put somebody in your stead.

Larry Goodhue, CEO, Pennichuck

Well actually it's December. So if you see me in September, I still won't be done yet. It's at the end of the year.

Chairman Klee

Oh, it's December. I thought you said September 29th. Sorry.

Larry Goodhue, CEO, Pennichuck

December 29th.

Chairman Klee

December 29th.

Larry Goodhue, CEO, Pennichuck

The last day of the year 2023 will be my last day with Pennichuck.

Chairman Klee

Wow. You will be missed. We will abuse you until then.

Alderman Dowd

You have a meeting January 29th of this year?

Chairman Klee

The 27th he said.

Larry Goodhue, CEO, Pennichuck

The 27th and the annual meeting. I'm sorry not an annual meeting. It's a special shareholder meeting.

Chairman Klee

Okay.

Alderman Dowd

It's at your facility, right?

Larry Goodhue, CEO, Pennichuck

Yes. Our annual shareholder meeting will be the first Saturday in May. That proxy, a proxy card, and all those materials will be coming soon once we've kind of cleared year end closing and everything in a normal process that will be advanced to you. We'll come again, meet with you, and go over that. That's for the normal election day and or re-election of our Class B Directors and we've got a staggered Board - Class A, Class B, Class C such at three year terms are overlapping terms.

Chairman Klee

Thank you very much. Any other remarks?

REMARKS BY THE ALDERMEN - None

ADJOURNMENT

**MOTION BY ALDERMAN O'BRIEN TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 7:16 p.m.

Alderman-at-Large Michael B. O'Brien, Sr.
Committee Clerk, Pro Tem