

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2012

Schedule LDG-1
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	Account Number	12/31/2012	Pro Forma Adjustments	Pro Forma 12/31/2012
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	48,293,325	825,000 (1)	49,118,325
Work in process	105	427,611	-	427,611
Utility Plant		48,720,937	825,000	49,545,937
Accumulated depreciation	108	9,488,699	(12,137) (2)	9,476,561
Net Plant		39,232,238	837,137	40,069,376
Net Acquisition Adjustment	114 & 115	6,849,030	-	6,849,030
Total Net Utility Plant		32,383,208	837,137	33,220,345
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	30,000	-	30,000
Accounts receivable-billed, net	141 & 143	397,486	-	397,486
Accounts receivable-unbilled, net	173	401,594	-	401,594
Accounts receivable-other	142	-	-	-
Inventory	151	22,844	-	22,844
Prepaid expenses	162	15,791	-	15,791
Prepaid property taxes	163 & 236	141,200	-	141,200
Prepaid taxes	162.3	-	-	-
		1,008,915	-	1,008,915
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	165,300	-	165,300
Other & Deferred Charges	182,184,186	9,516,163	-	9,516,163
		9,681,463	-	9,681,463
TOTAL ASSETS		\$ 43,073,587	\$ 837,137	\$ 43,910,724

Notes:

(1) To record the assets related to the SRF Loans.

(2) To record the impact of full year depreciation offset by the Cost of Removal.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
EQUITY AND LIABILITIES
For the Twelve Months Ended December 31, 2012

Schedule LDG-1
Page 2 of 2

	Account Number	12/31/2012	Pro Forma Adjustments		Pro Forma 12/31/2012
STOCKHOLDERS' EQUITY					
Common stock	201	\$ 100	\$ -		\$ 100
Paid in capital	211	15,409,101	-		15,409,101
Retained earnings	215	71,787	(34,784)	(2)	37,003
		15,480,987	(34,784)		15,446,204
LONG TERM DEBT					
Bonds, notes and mortgages	221	7,978,791	850,000	(1)	8,828,791
Intercompany advances	223	6,359,294	21,921	(3)	6,381,215
Other Long Term Debt	224	825,380	-		825,380
CURRENT LIABILITIES					
Accounts payable	231	87,267	-		87,267
Accrued property taxes	236	-	-		-
Accrued interest payable	237	32,061	-		32,061
Other accrued expenses	241	207,662	-		207,662
Income taxes payable	236	-	-		-
Customer deposits & other	235	2,032	-		2,032
		329,022	-		329,022
OTHER LIABILITIES AND DEFERRED CREDITS					
Deferred income taxes	282	3,795,711	-		3,795,711
Customer advances	252	-	-		-
CIAC, net	271 & 272	8,304,402	-		8,304,402
Other long term liabilities		-	-		-
		12,100,112	-		12,100,112
TOTAL EQUITY AND LIABILITIES		\$ 43,073,587	\$ 837,138		\$ 43,910,724

Notes:

(1) To record the SRF Debt as follows:

State of NH SRF (Dam Site Road Phase 2)	\$	400,000
State of NH SRF (Avery Estates Interconnection)	\$	450,000
Total SRF Debt	\$	850,000

(2) To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.

(3) To record the use of funds through the intercompany debt

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2012

Schedule LDG-2

	Account Number	TWELVE MONTHS 12/31/12	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/12
Water Sales	460 to 462	\$ 6,235,171	\$ -	\$ 6,235,171
Other Operating Revenue	471	48,196	-	48,196
Total Revenues		6,283,366		6,283,366
Production Expenses	601 to 652	1,677,358		1,677,358
Transmission & Distribution Expenses	660 to 678	629,086		629,086
Customer Acct & Collection Exp	902 to 904	158,703		158,703
Administrative & General Expense	920 to 950	267,841		267,841
Inter Div Management Fee	930	1,363,904		1,363,904
Total Operating Expense		4,096,873		4,096,873
Dep Exp./Acq Adj Expense	403 & 406	859,784	(2,863) (2)	872,646
Amortization Expense:CIAC	405	(181,786)		(181,786)
Amortization Expense	407	166,007		166,007
Gain on Debt Forgiveness	414	(6,347)		(6,347)
Property Taxes	408.1	848,403	21,616 (2)	870,019
Income Tax	409 to 410	42,559	(22,815) (3)	19,744
Total Operating Deductions		1,728,620	11,664	1,740,283
Net Operating Income		457,874	(11,664)	446,211
Other Income and Deductions		(26,631)		(26,631)
Interest Expenses		459,998	23,120 (1)	483,118
Net Income		(28,755)	(24,754)	(63,509)

Notes:

- 1 - To record the change in interest expense associated with SRF financing
- 2 - To record the impact of assets on depreciation and property taxes
- 3 - To record the tax impact resulting from additional expenses.

Supporting Calculations:

Interest Expense:

New SRF debt	\$ 850,000
Interest Rate	2.72%
Annual Interest	\$ 23,120

Depreciation

	Asset Cost			Depreciation	
	Locke Lake	Avery Estates	Total	Rate	Amount
Structures & Improvements	\$ 10,000		\$ 10,000	2.62%	\$ 262
Transmission & Distribution Mains	\$ 273,000	\$ 425,000	\$ 698,000	1.47%	\$ 10,261
Services	\$ 117,000		\$ 117,000	2.00%	\$ 2,340
Cost of Removal		\$ 25,000	\$ 25,000		
Totals	\$ 400,000	\$ 450,000	\$ 850,000		\$ 12,863

Property Taxes

Barnstead	\$ 21.09	
Londonderry		\$ 18.20
State of New Hampshire	\$ 6.60	\$ 6.60
Total Tax Rate	\$ 27.69	\$ 24.80

Pro Forma Property Taxes \$ 11,076 \$ 10,540 \$ 21,616

* Property Tax for Avery Estates is calculated on cost of mains only (excludes Cost of Removal)

Pennichuck East Utility, Inc.
Pro Forma Capital Structure for Ratemaking Purposes
For the Twelve Months Ended December 31, 2012

Schedule LDG-3

	<u>Pro Forma</u> <u>2012</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma</u> <u>2012 with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	8,828,791	(1,732,287) (1)	7,096,505	64.81%
Intercompany Debt	\$ 6,359,294	(2,577,780) (1)	3,781,513	34.54%
<u>Common Equity:</u>				
Common Stock	100		100	
Paid In Capital	15,904,329	(15,904,329) (2)	(0)	
Comprehensive Income	(495,228)	529,702 (2)	34,474	
Retained Earnings	37,003		37,003	
Total Common Equity	<u>15,446,204</u>		<u>71,577</u>	0.65%
Total Capital	<u>\$ 30,634,288</u>		<u>\$ 10,949,595</u>	100.00%

Notes:

(1) Eliminate Capital Recovery Surcharge Related Assets with the offset to Long Term Debt and Intercompany Debt.

The Long Term Debt consists of the SRF Loan for the Birch Hill interconnection. The remainder is Intercompany Debt.

(2) Per Order 25,292 in DW 11-026, eliminate the MARA and related equity:

MARA	8,964,574
Equity as of 1/25/12	939,755
Paid in Capital as of 1/25/12	6,000,000
	<u>15,904,329</u>

Comprehensive Income as of 1/25/12	<u>(529,702)</u>
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