

**DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REVENUE REQUIREMENT
MODIFIED RATE STRUCTURE**

CITY BOND FIXED REVENUE REQUIREMENT (CBFRR)

- 1) City Bond Fixed Revenue Requirement (CBFRR) - Modified Rate Structure

OPERATING EXPENSE REVENUE REQUIREMENT (OERR)

- 2) Total Pro-forma O & M Expenses (Att JPL-1: Sch 3-5YAvg / Sch 3-Step)
- 3) Pro-forma Property Tax Expense (Att JPL-1: Sch 3-5YAvg / Sch 3-Step)
- 4) Pro-forma Amortization Expense (Att JPL-1: Sch 3-5YAvg / Sch 3-Step)
- 5) Operating Expense Revenue Requirement [(2) + (3) + (4)]

DEBT SERVICE REVENUE REQUIREMENT (DSRR)

- 6) Pro-forma Annual Principal and Interest Payments (Att JPL-1: Sch 1C-Perm / Sch 1C-Step)
- 7) Debt Service Coverage Requirement
- 8) Debt Service Revenue Requirement [(6) x (7)]

TOTAL PROPOSED WATER REVENUES - MODIFIED RATE STRUCTURE

- 9) Total Proposed Water Revenues other than NCCRS - Modified Rate Structure [(1) + (5) + (8)]
- 10) Revised North Country Capital Recovery Surcharge (NCCRS) Revenue
- 11) Total Proposed Water Revenues - Modified Rate Structure [(9) + (10)]

CALCULATION OF PERCENT INCREASE (DECREASE) IN WATER REVENUES

- 12) Pro-forma Water Rev's not Subject to NCCRS and CBFRR (Att JPL-1: Sch 3-5YAvg / Sch 3-Step)
- 13) Add: Test Year NCCRS Revenue (Att JPL-1: Sch 3-Perm, Col 1)
- 14) Add: CBFRR - Original Rate Structure (Att JPL-1: Sch 3-Perm, Col 1)
- 15) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(12) + (13) + (14)]
- 16) Proposed Increase / (Decrease) in Revenue Requirement [(11) - (15)]
- 17) Proposed Percent Increase (Decrease) in Water Revenues [(16) ÷ (15)]

| 5-YEAR AVG PERMANENT RATES | 5-YEAR AVG PERM RATES w/ 2017 STEP ADJ |
|----------------------------------|--|
| \$ 926,309 | \$ 926,309 |
| \$ 4,825,357 | \$ 4,825,357 |
| 943,782 | 961,267 |
| 43,734 | 64,958 |
| \$ 5,812,873 | \$ 5,851,582 |
| \$ 1,308,278 | \$ 1,362,154 |
| x 1.1 | x 1.1 |
| \$ 1,439,106 | \$ 1,498,369 |
| \$ 8,178,288 | \$ 8,276,261 |
| 178,915 | 178,915 |
| \$ 8,357,203 | \$ 8,455,176 |
| \$ 5,975,153 | \$ 5,975,153 |
| 299,985 | 299,985 |
| 898,863 | 898,863 |
| \$ 7,174,001 | \$ 7,174,001 |
| \$ 1,183,202 | \$ 1,281,175 |
| 16.49% | 17.86% |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES
MODIFIED RATE STRUCTURE

| Rate or Class of Service | Effect of Proposed Change | Average Number Customers | 5-Year Avg Permanent Rate Revenues | Proposed Revenues - 5-Yr Avg Perm | Proposed Change | |
|-------------------------------|---------------------------------|--------------------------------|---|---|---------------------|---------------|
| | | | | | Amount | % Increase |
| G-M | Increase | 7,321 | \$ 5,933,005 | \$ 7,058,730 | \$ 1,125,725 | 18.97% |
| Private FP | Increase | 148 | 257,130 | 305,918 | 48,788 | 18.97% |
| FP - Hydrants | Increase | 4 | 628,340 | 747,561 | 119,221 | 18.97% |
| Windham Public Hydrant | Increase | 328 | 31,372 | 37,325 | 5,953 | 18.97% |
| Raymond Public Hydrant | Increase | 232 | 5,171 | 6,152 | 981 | 18.97% |
| Lee Public Hydrant | Increase | 34 | 3,581 | 4,260 | 679 | 18.97% |
| Exeter Public Hydrant | Increase | 52 | 4,656 | 5,539 | 883 | 18.97% |
| Birch Hill Public Hydrant | Increase | 214 | 9,211 | 10,959 | 1,748 | 18.97% |
| Bow Public Hydrant | Increase | 24 | 1,550 | 1,844 | 294 | 18.97% |
| NC Capital Recovery Surcharge | Decrease | | 299,985 | 178,915 | (121,070) | -40.36% |
| | | <u>8,357</u> | <u>\$ 7,174,001</u> | <u>\$ 8,357,203</u> | <u>\$ 1,183,202</u> | <u>16.49%</u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES and 2017 STEP ADJUSTMENT
MODIFIED RATE STRUCTURE

| Rate or Class of Service | Effect of Proposed Change | Average Number Customers | 5-Year Avg Permanent Rate Revenues | Proposed Rev's - 5-Yr Avg Perm Rts w/ Step | Proposed Change | |
|-------------------------------|---------------------------------|--------------------------------|---|---|---------------------|---------------|
| | | | | | Amount | % Increase |
| G-M | Increase | 7,321 | \$ 5,933,005 | \$ 7,143,291 | \$ 1,210,286 | 20.40% |
| Private FP | Increase | 148 | 257,130 | 309,582 | 52,452 | 20.40% |
| FP - Hydrants | Increase | 4 | 628,340 | 756,516 | 128,176 | 20.40% |
| Windham Public Hydrant | Increase | 328 | 31,372 | 37,772 | 6,400 | 20.40% |
| Raymond Public Hydrant | Increase | 232 | 5,171 | 6,226 | 1,055 | 20.40% |
| Lee Public Hydrant | Increase | 34 | 3,581 | 4,311 | 730 | 20.40% |
| Exeter Public Hydrant | Increase | 52 | 4,656 | 5,606 | 950 | 20.40% |
| Birch Hill Public Hydrant | Increase | 214 | 9,211 | 11,090 | 1,879 | 20.40% |
| Bow Public Hydrant | Increase | 24 | 1,550 | 1,866 | 316 | 20.40% |
| NC Capital Recovery Surcharge | Decrease | | 299,985 | 178,915 | (121,070) | -40.36% |
| | | <u>8,357</u> | <u>\$ 7,174,001</u> | <u>\$ 8,455,176</u> | <u>\$ 1,281,175</u> | <u>17.86%</u> |

Notes:

Pennichuck East Utility, Inc.
Request for Change in Rates
DW 17-128
Exhibit 3

Discussion of the of the Rate Stabilization Fund and associated Fixed Revenue Restricted
Cash accounts, as modified from the definition and guidance provided in DW 11-026

In DW 16-806 Pennichuck Water Works (“PWW”) proposed that the \$5,000,000 City Bond Fixed Revenue Requirement Rate Stabilization Fund (“CBFRR RSF”) maintained by PWW, which was established under the Original Rate Structure in DW 11-026, should be re-allocated amongst the three Pennichuck Corporation Utilities, PWW, Pennichuck East Utility, Inc (“PEU” or the “Company”) and Pittsfield Aqueduct Company (“PAC”) utilities such that PWW’s allocated share of the CBFRR RSF would be \$3,920,000, PEU’s allocated share of the CBFRR RSF would be \$980,000, with the remaining balance of \$100,000 of the CBFRR RSF being allocated to PAC.

The allocation of the \$5,000,000 CBFRR RSF between the three utilities is based on the revenue requirements established for each utility in DW13-126, DW13-128 and 13-130 divided by the total revenue requirement of all three utilities as established in those dockets. As part of this docket PEU proposes to bifurcate and allocate its share of the CBFRR RSF account of \$980,000 into three separate Rate Stabilization Funds or “buckets.” The purpose for splitting and allocating PEU’s share of the existing CBFRR RSF is to provide reserves which will ensure that during periods of reduced revenue (such as during period of wet weather resulting in decreased usage) and or increasing operating expenses that there will be sufficient cash to enable the Company to support its operations.

Under the new structure, PEU’s overall revenue requirement is proposed to consist of the following three components:

1. City Bond Fixed Revenue Requirement (CBFRR) as described in the Original Rate Structure.
2. Operating Expense Revenue Requirement (OERR) which is further composed of the following:
 - a. Material Operating Expense Revenue Requirement (MOERR).
 - b. Non-Material Operating Expense Revenue Requirement (NOERR).
3. Debt Service Revenue Requirement (DSRR) which is further composed of the following:
 - a. Debt Service Revenue Requirement - 1.0 (DSRR-1.0)
 - b. Debt Service Revenue Requirement - 0.1 (DSRR-0.1)

Attached as Appendix A to this Exhibit 3 are flowcharts describing these requirements and how funds flow to and from each account created for each component.

This new revenue allocation will establish the following reserve stabilization funds:

1. The first fund will remain with the same purpose as the RSF, which was put in place as authorized and described in DW 11-026, for PWW, with access to by PEU. This will be renamed as the CBFRR RSF, which is being created to ensure the Company's ability to meet its obligations under the promissory note to the City. This reserve fund will operate in the same manner as originally established and authorized in DW 11-026 and is proposed as an imprest sum of \$31,000.
2. The second fund will establish a Material Operating Expense Revenue Requirement RSF ("MOERR RSF"). This account will be funded with \$898,000 from the \$980,000 of the original CBFRR RSF funds allocated to PEU. It would serve to provide rate stabilization and cash flow coverage for operating expenses between permanent rate filings. The monies in this fund will only be used to provide cash flow for allowable expenses; defined as PEU's Operation and Maintenance Expenses (less those indicated in Appendix B attached to this Exhibit 3), Property Tax Expense and Amortization Expense.
3. The third fund will establish a Debt Service Revenue Requirement Rate Stabilization Fund ("DSRR-1.0 RSF"), consisting of a separate restricted cash account. This DSRR-1.0 RSF¹ would be established as a fund used to support the payments related to the principal and interest obligations for PEU, in existence as of the most recent rate case test year. The establishment of this DSRR-1.0 RSF bucket is to allow the collection of revenues sufficient to pay the principal and interest of PEU's debt and to satisfy the debt service coverage ratio requirements of PEU's financings and Pennichuck Corporation's covenant requirements of its working capital line of credit, which is used by Pennichuck Corporation and its subsidiaries as a "back stop" to short-term working capital needs. This account will be funded with \$51,000, from the original \$980,000 of the original CBFRR RSF funds allocated to PEU.

¹ A second DSRR component will be created that is equal to 10% of the pro forma debt service payments for the test year, and shall be referred to as the "DSRR-0.1." The establishment of the DSRR-1.0 relates to the use and replenishment of the DSRR-1.0 RSF. The intended purposes for the establishment of the DSRR-0.1 are 1) to allow for the collection of revenues sufficient to satisfy the debt service coverage ratio requirements of PEU's bond financings and Penn Corp's covenant requirements for its line of credit, which is used by Pennichuck Corporation and its subsidiaries as a "back stop" for short-term capital needs; and 2) to allow PEU to collect revenues over-and-above its actual debt service in order to comply with cash flow coverage requirements which are typical for such financings as well as to meet obligations on new debt incurred between rate filings. The DSRR-0.1 component does not have its own rate stabilization fund.

Methodologies and Procedures for PEU Rate Stabilization Funds

The following paragraphs present the methodologies and procedures that will apply to the establishment of the three Rate Stabilization Funds at PEU. The funds are described as follows:

1. **City Bond Fixed Revenue Requirement Rate Stabilization Fund (CBFRR RSF).**

This account will remain in the same structure as it had been as described in 16-806 for PWW, however, the amount in this RSF will be \$31,000. To facilitate accountability related to the CBFRR RSF, PEU will establish and maintain a separate restricted cash bank account (CBFRR Checking Account) which will consist of funds maintained for the CBFRR RSF. The purpose of the CBFRR RSF is to provide a cash reserve to be accessed or replenished based upon the amount in the CBFRR Checking Account. The CBFRR RSF may only be accessed if necessary to supplement the amount recorded in the CBFRR Checking Account for PEU to meet its portion of the monthly note payment obligation to the City and/or its quarterly standard dividend payment to the City, both as approved under DW 11-026 (i.e. if the monthly amount accrued to the CBFRR Checking Account is less than PEU's approved monthly CBFRR amount to the City). The cash amount will only be used for the payment of the CBFRR and will be reconciled monthly. Conversely, PEU will deposit additional funds in the CBFRR RSF Account when it accumulates cash in the CBFRR Checking Account in excess of the amount needed to meet its monthly and quarterly obligations to the City. At the time of each PEU rate case, the PEU CBFRR RSF Account will be subject to replenishment or reduction to an amount equal to the original balance of \$31,000. The replenishment or reduction amount will be reflected in PEU rates through a deferred debit or credit amortized over a three-year period.

2. **Material Operating Expense Revenue Requirement Rate Stabilization Fund (MOERR RSF).**

PEU will establish a MOERR RSF in the amount of \$898,000, initially funded via a transfer of funds in such amount from the original CBFRR RSF. This account will be used to fund cash flow needs related to allowable expenses (as defined above) which amount to costs of approximately 99.9% of the operating expenses of the Company, excluding interest expense. To facilitate accountability related to the MOERR RSF, PEU will establish and maintain a separate restricted cash bank account, known as the MOERR Checking Account. This fund will operate as an imprest fund from which funds could be drawn upon or deposited into on a monthly basis, based upon anomalies in the specified and covered operating expenses, as well as revenue fluctuations above or below levels. It would serve to provide rate stabilization and cash flow coverage for operating expenses between permanent rate filings. At the time of each PEU rate case, the MOERR RSF will be subject to replenishment or reduction to an amount equal to the original balance of \$898,000. The replenishment or reduction amount will be reflected in PEU rates through a deferred debit or credit amortized over a three-year period.

3. **Debt Service Revenue Requirement 1.0 Rate Stabilization Fund (DSRR-1.0 RSF).**
PEU will establish a DSRR-1.0 RSF in the amount of \$51,000, initially funded via a transfer of funds in such amount from the original CBFRR RSF. The DSRR-1.0 RSF will be used to ensure that, even in adverse revenue conditions such as wet weather, there will be a sufficient cash reserve available to enable PEU to pay the debt service obligations on its long-term debt. To facilitate accountability related to the DSRR-1.0 RSF, PEU will establish and maintain a separate restricted cash bank account, known as the DSRR-1.0 RSF Account. This fund will operate as an imprest fund from which funds could be drawn upon if needed based upon the cash flow requirements to meet principal and interest payment obligations on outstanding debt and in meeting its debt covenant requirements. It would serve to provide adequate cash flow coverage for debt servicing between permanent rate filings. At the time of each PEU rate case, the PEU DSRR-1.0 RSF will be subject to replenishment or reduction to an amount equal to the established original balance of \$51,000. The replenishment or reduction amount will be reflected in PEU rates through a deferred debit or credit amortized over a three-year period.
4. **CBFRR, DSRR-1.0, DSRR-0.1 and MOERR bank accounts.** PEU will establish three new restricted checking accounts in addition to the existing CBFRR Checking Account; the DSRR-1.0 Checking Account, the DSRR-0.1 Checking Account, and the MOERR Checking Account. These accounts will have funds transferred into them from the main operating cash account of PEU on a weekly basis, based upon weekly cash collections for billed water revenues, for their pro-rata shares of the overall allowed revenue requirement. This is a consistent methodology to the accepted methodology established for the CBFRR account in DW 11-026.

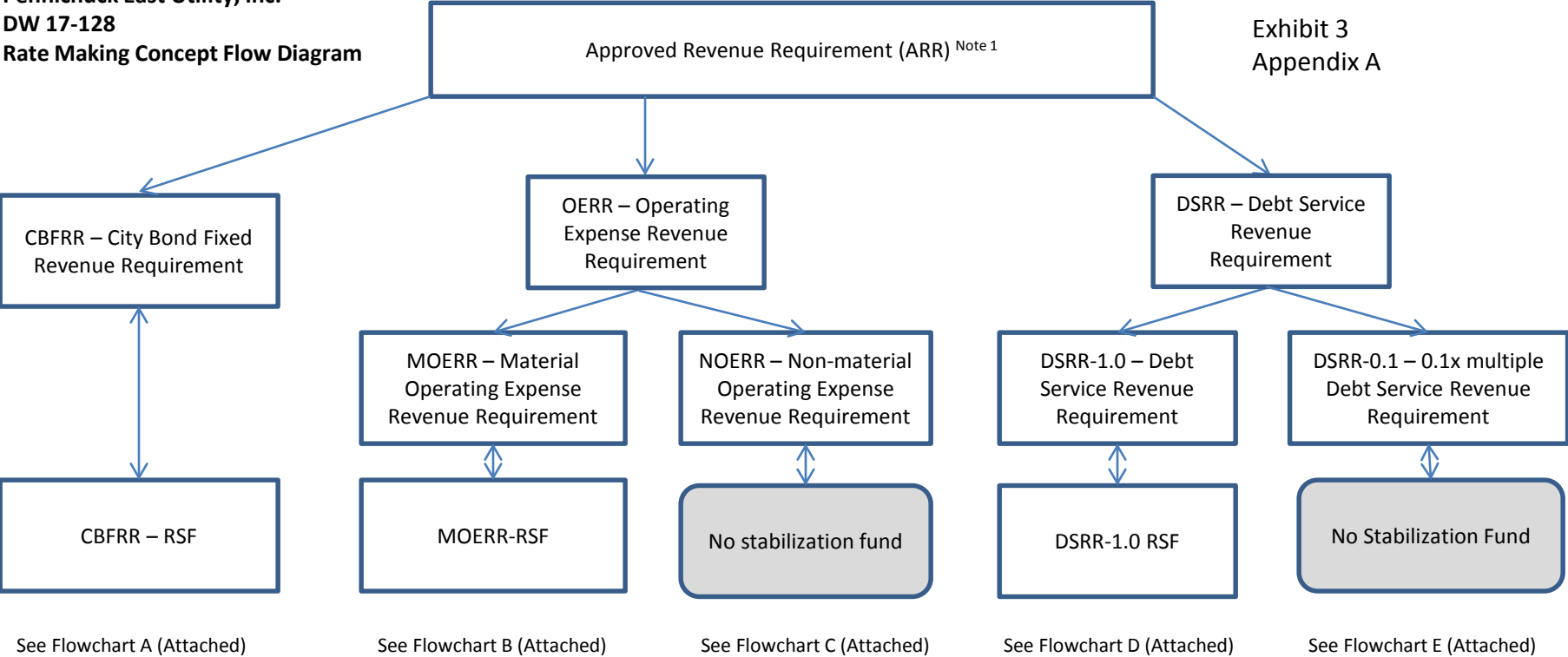
Roadmap for Usage, Replenishment and Accounting for the Rate Stabilization Funds and the Associated Revenue Requirement Components

1. **Funding of Stabilization Funds Based Upon Allocation of Revenue Requirement.** In conformity with the manner in which the RSF fund established under DW 11-026 is funded or utilized, each of the Rate Stabilization Fund Restricted Cash accounts described above (CBFRR RSF, DSRR-1.0 RSF, MOERR RSF) will have money transferred into them, or withdrawn from them on a monthly basis based upon the actual monthly revenue performance, compared to 1/12 of the annual allowed revenue from the most recent rate case for the Company. If in any month, the actual revenues earned are less than 1/12 of the annual allowed revenue requirement, the pro-rata share of the deficit applicable to each of the RSF accounts will be extracted from each of the RSF accounts and transferred to the Company's main operating accounting. Conversely, if in any month, the actual revenues earned are in excess of 1/12 of the annual allowed revenue

requirement, the pro-rata share of the excess applicable to each of the RSF accounts will be deposited into each of the RSF accounts from the Company's main operating account.

2. **Weekly deposits into the Revenue Requirement restricted checking accounts (CBFRR, DSRR-1.0, and DSRR-0.1, MOERR).** In conformity with the manner in which the CBFRR account methodology was established under DW 11-026, on a weekly basis, the pro-rata share of cash collections on total revenues for each of these revenue accounts will be transferred from the Company's main operating cash account, into each of the respective restricted checking accounts.
3. **Usage of funds in the Revenue Requirement restricted checking accounts (CBFRR, DSRR-1.0, DSRR-0.1, MOERR).**
 - a. As payments are due to the City of Nashua for the monthly note payment and/or the quarterly required dividend in support of the full CBFRR requirement, these payments will be made out of the CBFRR Checking Account, as established under DW 11-026. To the extent there are insufficient funds in the CBFRR Checking Account to make these payments; funds will be transferred into the CBFRR Checking Account from the Company's main operating account to fund these payments. To the extent that funds in the CBFRR Checking Account are in excess of the monthly payment need (and/or quarterly dividend need, in the month paid), the excess funds will be transferred back into the main operating account.
 - b. On a monthly basis, the actual Material Operating Expenses, as defined above, for that month will be compared to the monthly revenue requirement provided from the MOERR portion of the last allowed revenue requirement, from the most recent rate case. To the extent that the identified expenses under the MOERR, for the month, are in excess of the pro-rata revenue allowance for these expenses, money will be transferred out of the MOERR Checking Account to the main operating account. To the extent that the identified expenses under the MOERR, for the month, are less than the pro-rata revenue allowance for these expenses, money will be transferred to the MOERR Checking Account from the main operating account.
 - c. As payments are due to all other external debt holders of the Company on a monthly, quarterly, or semi-annual basis, these payments will be made out of the DSRR-1.0 Checking Account, consistent with the methodology for the CBFRR account under DW 11-026. To the extent there are insufficient funds in the DSRR-1.0 Checking Account to make these payments; funds will be transferred into the DSRR-1.0 Checking Account from the main operating account. And, to the extent that there are excess funds in the DSRR Checking Account, the excess funds will be transferred back to the Company's main operating account.

- i. The monthly payment funding obligation will be based upon, and equal to the following:
 1. The sum of all monthly debt service payment obligations in the aggregate;
 2. 1/3 of the sum of all quarterly debt service payment obligations in the aggregate for the quarter;
 3. And 1/12 of the sum of all semi-annual debt service obligations in the aggregate for the fiscal year.
 - d. The funds that accumulate in the DSRR-0.1 Checking Account will be considered on an annual basis, at the end of each fiscal year. The accumulated funds in this account as of the close of each year-end will be utilized as the funding source for capital expenditure needed in the first months of the succeeding year, leading up to an annual bonding or financing event in support of capital expenditures for that succeeding year.
4. **Accounting for the CBFRR, DSRR-1.0 and MOERR allocation amounts.** In conformity with the methodology established in DW 11-026 for the CBFRR account, monthly accounting will be prepared by the Company, to establish and calculate the actual revenue performance versus the allowed revenue levels, on a monthly basis. These calculations will be the basis for the transfer of cash into and out of the Rate Stabilization funds for each fiscal month end. At each successive rate case, the excess or deficit in the CBFRR RSF, DSRR-1.0 RSF, and MOERR RSF, will be refunded to or collected from ratepayers over the succeeding three years, in the form of a Deferred Credit or Deferred Debit on the books of the Company, as established in that successive rate case proceeding.
5. **Impact of Annual Step Increases for Incremental Debt Approved and Incurred between Rate Cases, under the Qualified Capital Project Adjustment Charge.** Upon approval of the annual Qualified Capital Project Adjustment Charge (“QCPAC”), the incremental revenues generated from this QCPAC at a 1.1x multiple of total incremental approved debt service, plus property taxes, will incrementally impact the deposit of funds, or withdrawal of funds from the DSRR-1.0, DSRR-0.1 and MOERR Checking Accounts, for their prospective shares of the total incremental debt service, the 0.1x multiple of debt service, and the amount collected for incremental property taxes. The balance of the accounting for these incremental amounts will be accounted for as an incremental amount to the processed described immediately above.



Note 1: Descriptions of each of these accounts can be found on the next page.

ACCOUNT DESCRIPTIONS

Approved Revenue Requirement: equals the annual revenue requirement established at the most recent rate case, adjusted annually on or about March 1st and “trued up” to the actual approved amounts as of the issuance of the QCPAC step increase order (the QCPAC shall become eligible for annual recoupment from the date for which bonded debt or other financing that is incurred with respect to the specific eligible projects is issued or consummated, anticipated to be approximately March 1 of each year). This ARR is divided amongst the component Revenue Requirement items, inclusive of the annual step increase allocated amounts, into the identified CBFRR, OERR and DSRR revenue “buckets.”

CBFRR RSF: Same as the former RSF as authorized and described in DW 11-026. Allows for the maintenance of stable water utility rates, while providing a mechanism to ensure the Company’s ability to meet its obligations under the promissory note to the City.

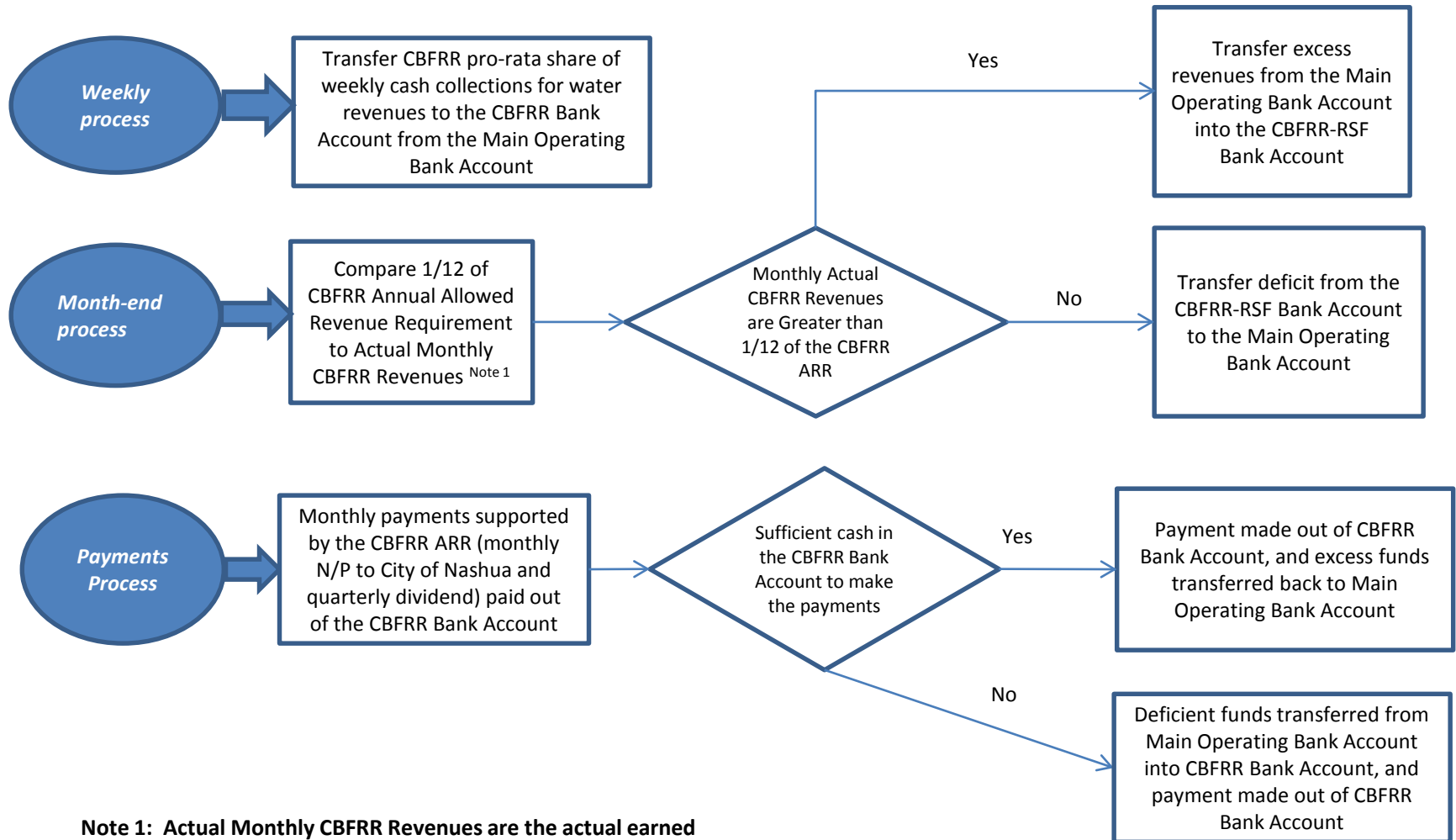
MOERR RSF: Funds used to provide cash flow for allowable expenses, defined as PEU’s Operation and Maintenance Expenses (less those in the NOERR), Property Tax Expense, and Amortization Expense.

NOERR: Funds expenses that are potentially imprudent expenditures within the context of a rate proceeding. The categorization of an expense item in the NOERR does not preclude PEU’s recovery of such in rates, as long as that expense item is found to be prudently incurred within the pro forma test year. They may not, however, be included in any use of or replenishment from the MOERR RSF.

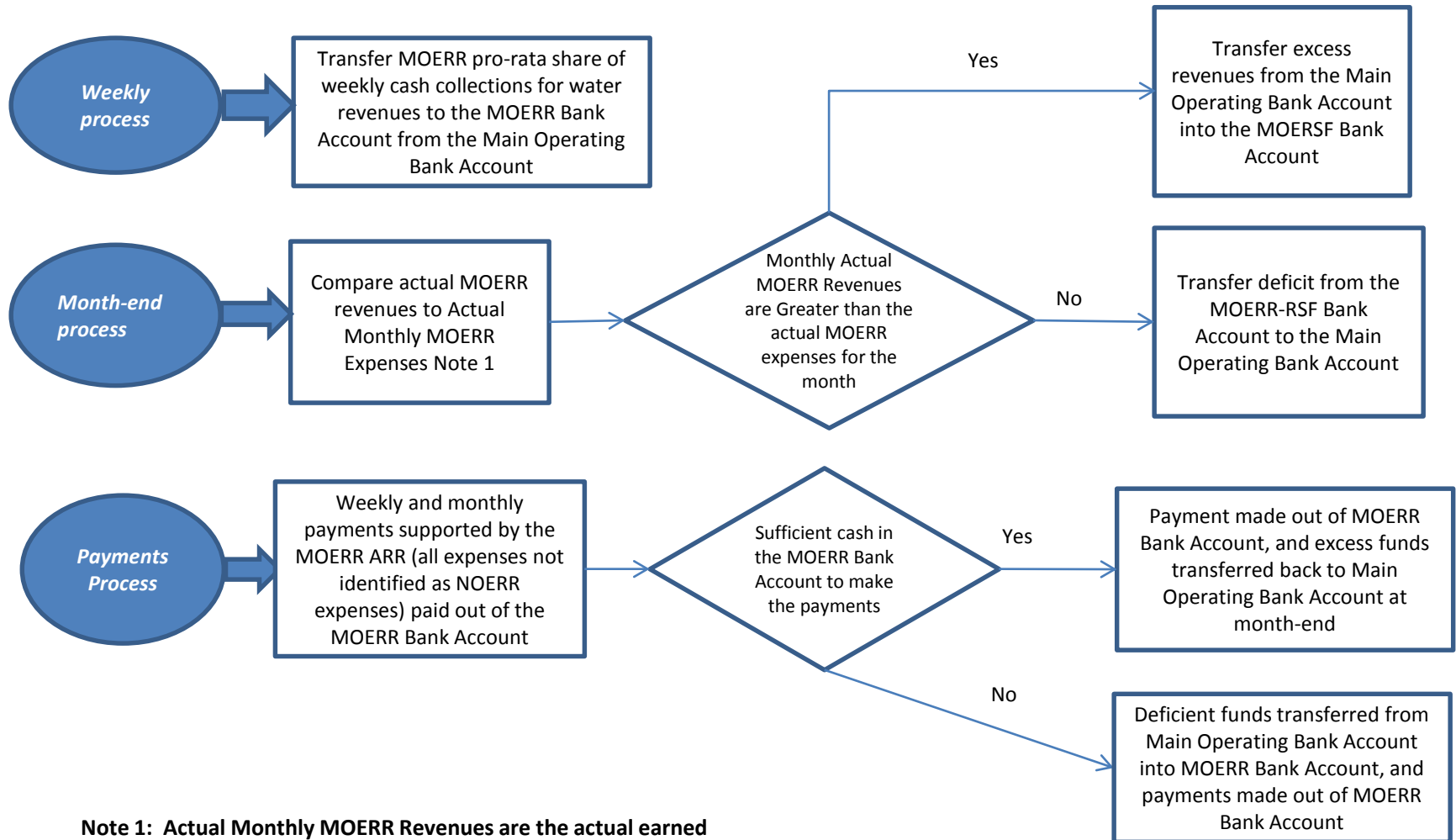
DSRR-1.0 RSF: Used to support the payments related to the principal and interest obligations for PEU, in existence as of the most recent rate case test year. The establishment of this DSRR-1.0 RSF bucket is to allow the collection of revenues sufficient to pay the principal and interest of PEU’s debt and to satisfy the debt service coverage ratio requirements of PEU’s bond financings and Pennichuck Corporation’s covenant requirements of its line of credit, which is used by Pennichuck Corporation and its subsidiaries as a “back stop” to short-term working capital needs.

DSRR-0.1: The intended purposes for the establishment of the DSRR-0.1 are 1) to allow for the collection of revenues sufficient to satisfy the debt service coverage ratio requirements of PEU’s bond financings and Pennichuck Corporation’s covenant requirements for its line of credit, which is used by Pennichuck Corporation and its subsidiaries as a “back stop” for short-term capital needs; and 2) to allow PEU to collect revenues over-and-above its actual debt service in order to comply with cash flow coverage requirements which are typical for such financings as well as to meet obligations on new debt incurred between rate filings as supported by the annual QCPAC surcharge.

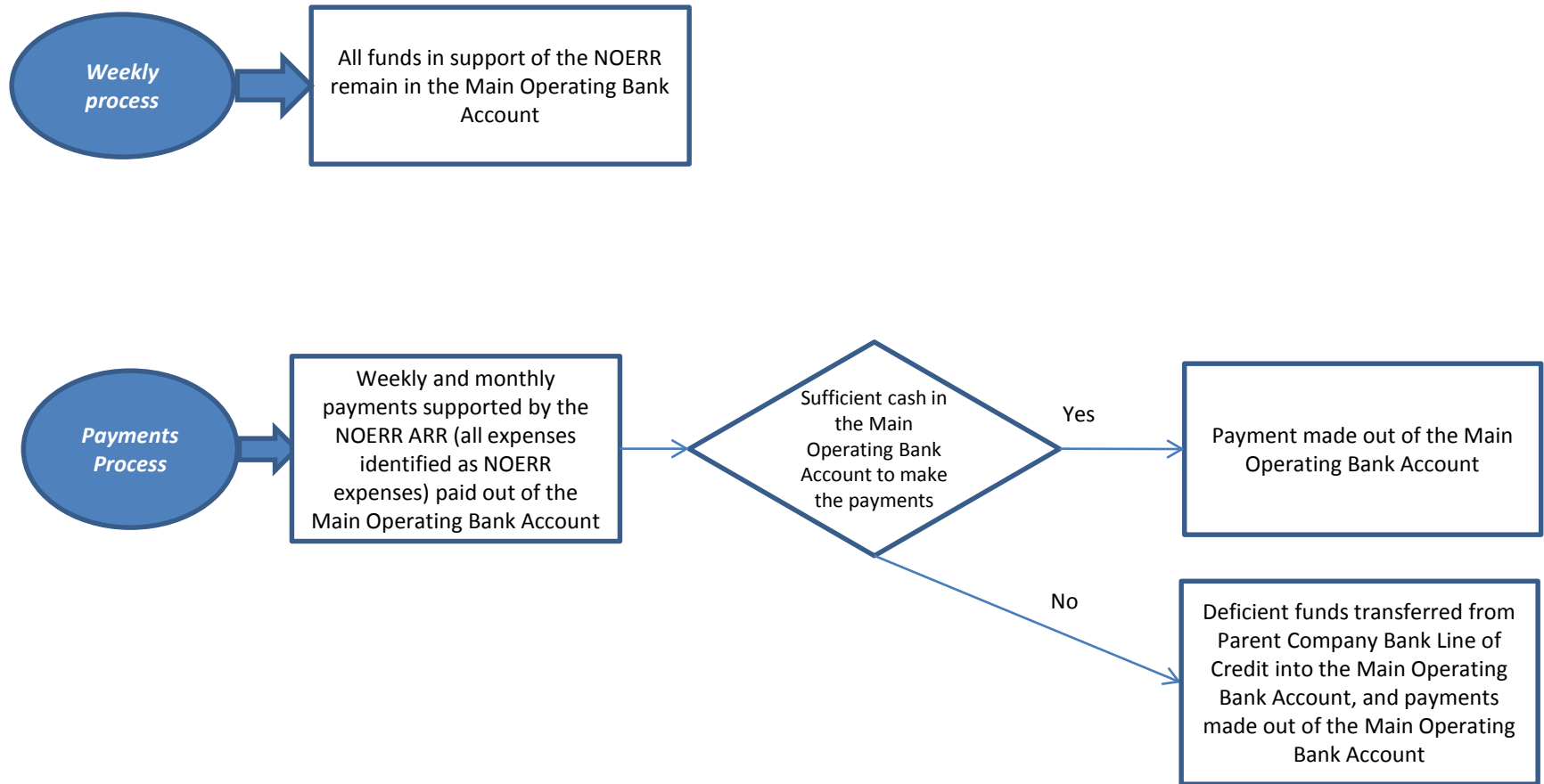
Pennichuck East Utility, Inc. - DW 17-128
Rate Making Concept Flow Diagram - Flowchart A



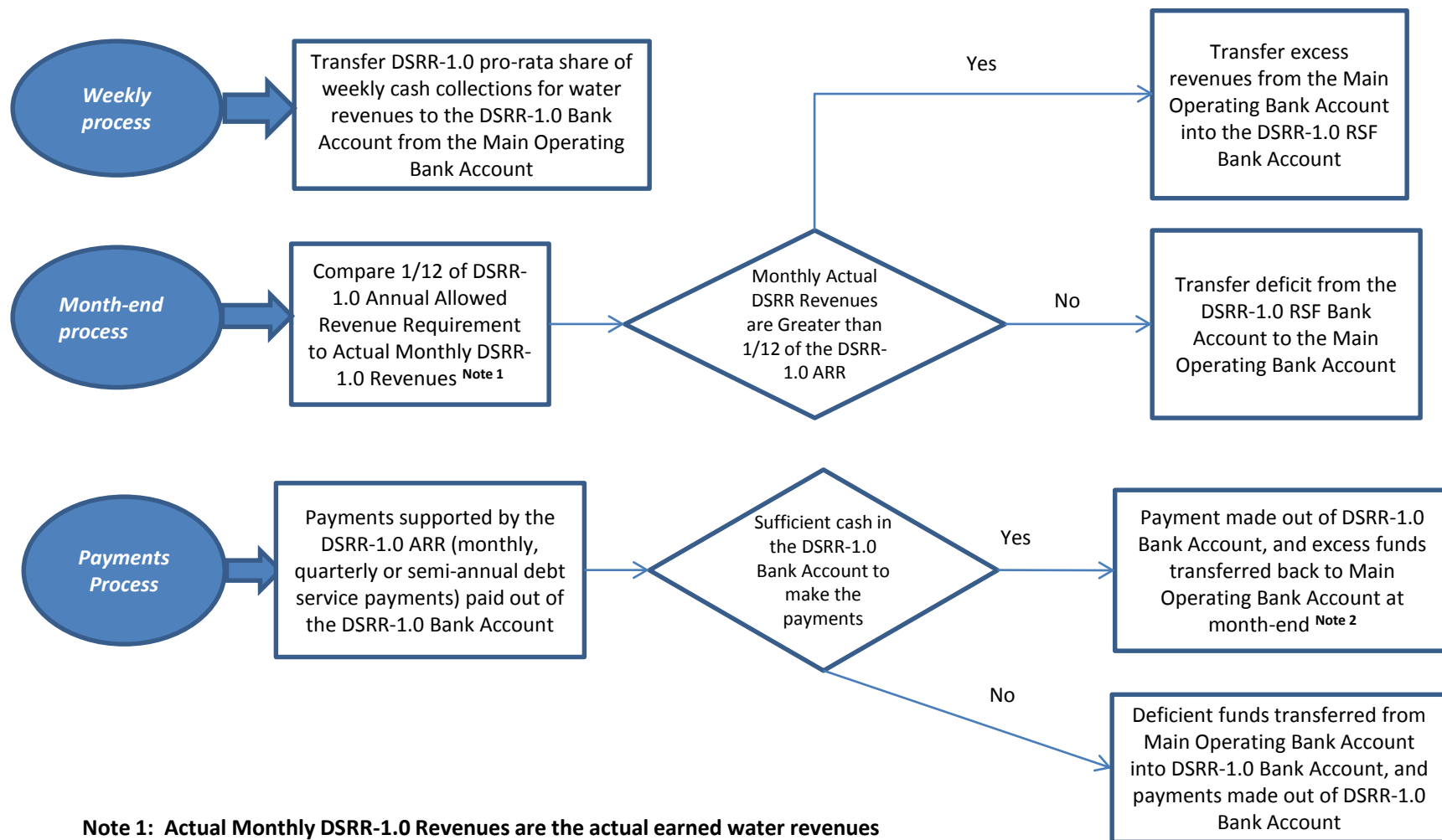
Pennichuck East Utility, Inc. - DW 17-128
Rate Making Concept Flow Diagram - Flowchart B



Pennichuck East Utility, Inc. - DW 17-128
Rate Making Concept Flow Diagram - Flowchart C



Pennichuck East Utility, Inc. - DW 17-128
Rate Making Concept Flow Diagram - Flowchart D

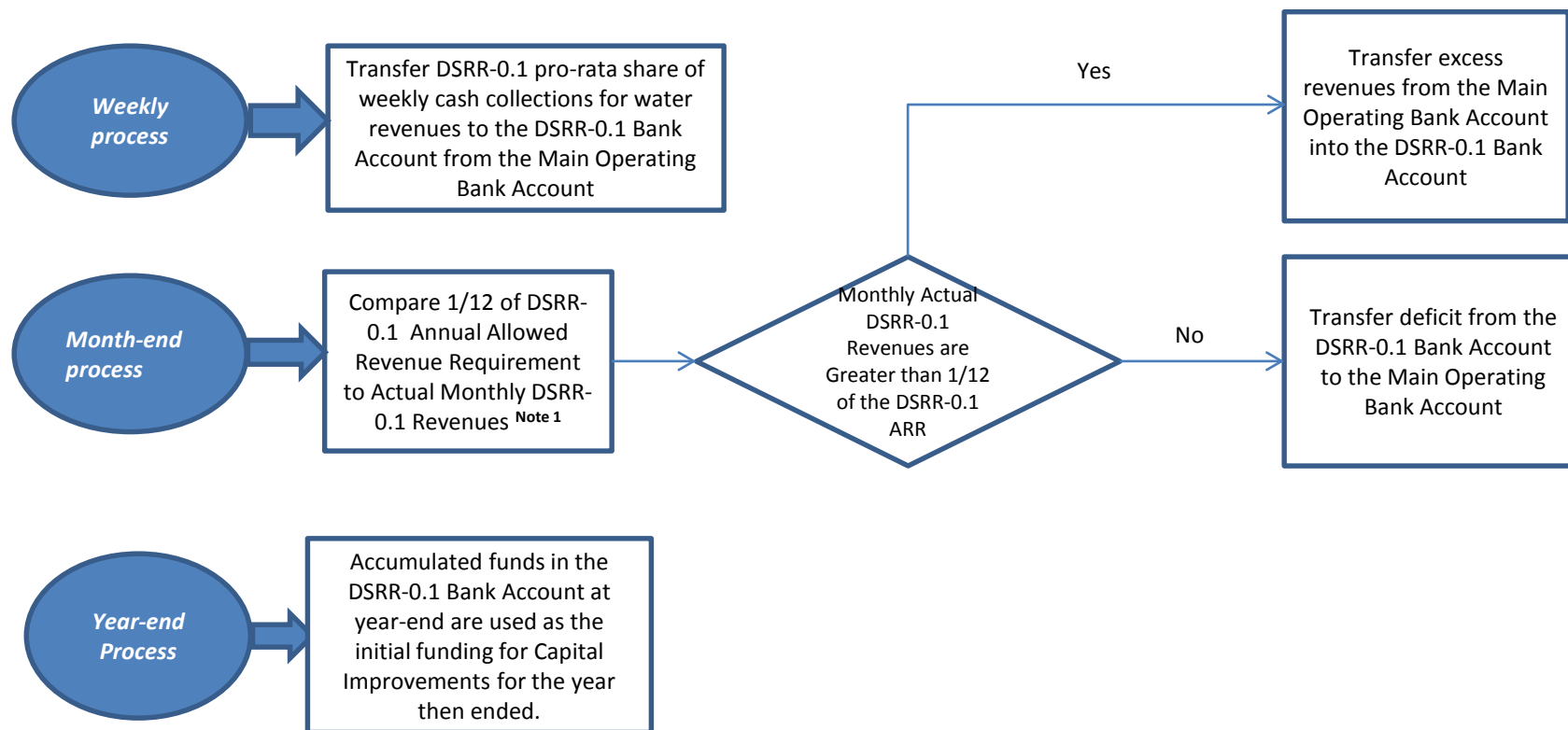


Note 1: Actual Monthly DSRR-1.0 Revenues are the actual earned water revenues in the month multiplied times the pro-rata percentage of revenues allocated to the DSRR-1.0, per the last rate case, inclusive of the annual step increase.

Note 2: Adequacy of funds in the DSRR-1.0 Bank Account each month will be determined as 100% of monthly payment obligations, 33 1/3% of quarterly payment obligations and 1/12 of the annual debt service for semi-annual payment obligations.

PEU0042

Pennichuck East Utility, Inc. - DW 17-128
Rate Making Concept Flow Diagram - Flowchart E



Note 1: Actual Monthly DSRR 0.1 Revenues are the actual earned water revenues in the month multiplied times the pro-rata percentage of revenues allocated to the DSRR-0.1, per the last rate case, inclusive of the annual step increase.

Pennichuck East Utilities, Inc.
Accounts Excluded From MOERR
DW 17-128

Exhibit 3
Appendix B

| | | January | February | March | April | May | June | July | August | September | October | November | December | Test Year 2016 Totals |
|--------|--------------------------|---------|----------|--------|----------|--------|--------|--------|--------|-----------|---------|----------|----------|--------------------------|
| 921002 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 921003 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 921004 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 923000 | OUTSIDE SERVICES | 8.00 | 8.00 | 8.00 | 16.00 | 8.00 | 16.00 | 8.00 | 287.00 | 2,567.42 | 8.00 | 8.00 | 16.00 | 2,958.42 |
| 926001 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 926500 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 926501 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 926502 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 926505 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 926600 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 926610 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 930100 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 930101 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| 930200 | PUBLIC RELATIONS | - | 23.28 | 120.05 | 1,885.30 | 694.90 | 477.58 | 404.55 | - | 1,382.45 | 179.03 | 177.01 | 2.33 | 5,346.48 |
| 930300 | MEALS | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 930410 | CHARITABLE CONTRIBUTIONS | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | | \$ 8,304.90 |

PEU0044

Pennichuck East Utility Inc
PRO FORMA Adjustments to Revenue Requirement
Calculation of PEU's share of City Bond Fixed Revenue Requirement

Exhibit 4

Revenue

- 1 To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.

| | | |
|--|----|----------------|
| Total City Bond | \$ | 150,570,000 |
| Bond Interest Rate | | 4.09% |
| Bond Period | | 30 yrs. |
| Total City Bond | \$ | 150,570,000 |
| Less Rate Stabilization fund | | \$5,000,000 |
| Amount of City Bond to be prorated between Utilities CBFRR | \$ | 145,570,000 |
| PEU Share of CBFRR | | 10.21% |
| PEU Prorata share | | \$14,864,176 |
| Add back PEU Pro Rata Share of Rate Stabilization Reserve | \$ | 980,000 |
| Total PEU Pro Rata Share for CBFRR/MARA | \$ | 15,844,176 |
| Bond Interest Rate | | 4.09% |
| Bond Period | | 30 yrs. |
| | \$ | 926,309 |

Notes:

(1) Pro Rata Calculation as follows:

| | | | |
|---|----|------------|---------|
| PWW & Southwood Equity (12/31/2011) (2) | \$ | 56,442,675 | 88.12% |
| PEU Equity (12/31/2011) | \$ | 6,540,063 | 10.21% |
| PAC Equity (12/31/2011) | \$ | 1,066,353 | 1.66% |
| | \$ | 64,049,091 | 100.00% |

5. Calculation of RSF Percentage based on Revenue requirements from DW13-126, 13-128 and 13-130

| | | |
|------------------------------------|--------------|-----------------------------------|
| RSF amount funded by City Bond - | \$ | 5,000,000 |
| PWW Revenue Requirement - | \$27,689,214 | per DW13-130 Settlement Agreement |
| PEU Revenue Requirement - | \$6,913,261 | per DW13-126 Settlement Agreement |
| PAC Revenue Requirement - | \$745,186 | per DW13-128 Settlement Agreement |
| PEU Share of RSF as a percentage - | 19.56% | |
| PEU Share of RSF in \$\$ - | \$ | 980,000 |

(2) Consists of Equity as of 12/31/2011 as follows:

| | | |
|-----------|----|-------------------|
| PWW | \$ | 54,395,626 |
| Southwood | \$ | 2,047,049 |
| Total | \$ | 56,442,675 |

Calculations are from DW11-026

PEU0045

| PEU Proforma Test Year 2017 with Step Increase | | | | | | | | | |
|--|--|------------|--|--|-------------------------------------|-------------------------------------|--|--|--|
| Proformed Revenue Requirement ¹ - \$ | | | | | | | | | |
| | | | | | | | | | |
| | | CBFRR | Material Operating Expense Revenue Requirement | Operating Expense Revenue Requirement ⁶ | 1.0 Debt Service Reveue Requirement | 0.1 Debt Service Reveue Requirement | | | |
| Revenue Requirement ² - | | \$ 926,309 | \$ 5,843,277 | \$ 8,305 | \$ 1,362,154 | \$ 136,215 | | | |
| Percentage of Revenues - | | 11.19% | 70.60% | 0.10% | 16.46% | 1.65% | | | |
| 3 Years coverage - | | \$ 60,974 | \$ 1,762,072 | \$ | \$ 98,630 | \$ - | | | |
| Requested Rate Stabilization Fund by Revenue Category ^{3,4} - | | \$ 60,000 | \$ 1,760,000 | No Stabilization Fund | \$ 100,000 | No Stabilization Fund | | | |
| Initial funding with available funds from PWW CBFRRR - | | \$ 31,000 | \$ 898,000 | | \$ 51,000 | | | | |
| Based on largest negative variance from five year ave of - | | 3.79% | | | | | | | |

Increase in Material Operating Expenses of 3.84% per year based on average increase of these expenses per year between 2012 and 2017. See Table below for calculation.

1,920,000.00 Recommended Yr end 2017 RSF totals
Requested RSF funds prorated to available of - \$ 980,000
RSF Shortfall - \$ 940,000

| Revenue Type | 2012 PEU Billed Revenue | 2013 PEU Billed Revenue | 2014 PEU Billed Revenue | 2015 PEU Billed Revenue | 2016 PEU Billed Revenue | Calculation of MOER RSF, based on increase in MOE's over the past 5 years | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---|-------------------------|
| Total Volumetric Charges (less Recoupment) | \$ 3,713,054 | \$ 3,645,136 | \$ 3,959,013 | \$ 4,191,292 | \$ 4,093,815 | Inflation | Revenue Shortfall |
| Total Capital Recover Surcharge (fixed) | \$ 300,353 | \$ 303,336 | \$ 296,146 | \$ 297,430 | \$ 299,985 | Yr 1 - | \$ 224,340 \$ 127,084 |
| Total Meter Charge (less recoupment - fixed) | \$ 1,515,095 | \$ 1,516,104 | \$ 1,616,793 | \$ 1,750,470 | \$ 2,114,832 | Yr 2 - | \$ 457,292 \$ 127,084 |
| Total Fire Protection - Public & Private (fixed) | \$ 775,061 | \$ 795,700 | \$ 861,603 | \$ 912,761 | \$ 931,801 | Yr 3 - | \$ 699,189 \$ 127,084 |
| Total Billed Revenue | \$ 6,303,563 | \$ 6,260,276 | \$ 6,733,555 | \$ 7,151,953 | \$ 7,440,433 | | \$ 1,380,821 \$ 381,251 |
| % of Revenues that are variable | 58.9% | 58.2% | 58.8% | 58.6% | 55.0% | | Totals - \$ 1,762,072 |
| % of Revenues that are fixed | 41.1% | 41.8% | 41.2% | 41.4% | 45.0% | | |
| Average percentage of revenues that were variable during the previous 5 years - | | | | | | | 57.9% |
| Expense Type | 2012 PEU Actual Variable Expenses | 2013 PEU Actual Variable Expenses | 2014 PEU Actual Variable Expenses | 2015 PEU Actual Variable Expenses | 2016 PEU Actual Variable Expenses | 2017 PEU Actual Variable Expenses | |
| Purchased Water | \$ 729,948 | \$ 755,773 | \$ 776,491 | \$ 959,966 | \$ 1,009,818 | \$ 952,865 | Staff 1-14 |
| Electric | \$ 249,663 | \$ 246,732 | \$ 258,186 | \$ 302,197 | \$ 279,236 | \$ 269,019 | |
| Chemicals | \$ 69,239 | \$ 81,379 | \$ 60,553 | \$ 32,816 | \$ 66,806 | \$ 79,231 | Staff 1-15 |
| Total Variable Costs | \$ 1,048,850 | \$ 1,083,884 | \$ 1,095,230 | \$ 1,294,979 | \$ 1,355,860 | \$ 1,301,115 | |
| Variable Expenses as a Percent of Total Revenues | 16.6% | 17.3% | 16.3% | 18.1% | 18.2% | | |
| | | 2012 Actual CCF's sold by PEU | 2013 Actual CCF's sold by PEU | 2014 Actual CCF's sold by PEU | 2015 Actual CCF's sold by PEU | 2016 Actual CCF's sold by PEU | |
| Annual Metered Sales (CCF) | | 642,264 | 625,305 | 637,076 | 691,344 | 728,141 | |
| Percentage Variance between Current and High Consumption Year | | -13.37% | -16.45% | -14.29% | -5.32% | 0.00% | |
| Average Consumption (CCF) over the past five years | | 648,997 | | | | | |
| Variance between current and 5 Yr Ave Consumption | | -1.05% | -3.79% | -1.87% | 6.13% | 10.87% | |
| Largest percentage reduction in volumetric sales at PEU of 3.79% over the past five years from the five year average of volumetric sales | | | | | | | |
| Results in a Revenue loss of | | \$ 155,111 | | | | | |
| Results in an Operating Expense reduction of | | \$ 51,372 | | | | | |
| Results in an Operating Income reduction of | | \$ 103,739 | | | | | |

Calculation of Annual Material Operating Expense Adjustment Percentage⁹

| | 2012 PEU Material Operating Expenses | 2013 PEU Material Operating Expenses | 2014 PEU Material Operating Expenses | 2015 PEU Material Operating Expenses | 2016 PEU Material Operating Expenses | 2017 PEU Material Operating Expenses | | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---------|--------|
| Production Expenses | \$ 1,677,338 | \$ 1,804,674 | \$ 1,731,187 | \$ 1,882,061 | \$ 1,991,779 | \$ 1,966,063 | 17.21% | 3.23% |
| Transmission & Distribution Expenses | \$ 629,086 | \$ 587,301 | \$ 637,867 | \$ 638,840 | \$ 616,944 | \$ 696,492 | 10.71% | 2.06% |
| Customer Acct & Collection Exp | \$ 158,702 | \$ 177,228 | \$ 165,160 | \$ 174,411 | \$ 184,106 | \$ 192,789 | 21.48% | 3.97% |
| Administrative & General Expense | \$ 267,841 | \$ 155,661 | \$ 154,381 | \$ 168,125 | \$ 155,295 | \$ 167,568 | -37.44% | -8.95% |
| Inter Div Management Fee | \$ 1,361,296 | \$ 1,392,229 | \$ 1,372,036 | \$ 1,394,072 | \$ 1,811,426 | \$ 2,098,399 | 54.15% | 9.04% |
| Amortization Expense | \$ 57,402 | \$ 53,389 | \$ 52,484 | \$ 49,270 | \$ 50,687 | \$ 58,618 | 2.12% | 0.42% |
| Property Taxes | \$ 848,403 | \$ 804,720 | \$ 922,129 | \$ 1,109,940 | \$ 1,051,160 | \$ 891,416 | 5.07% | 0.99% |
| Total Annual MOERR Expenses | \$ 5,000,068 | \$ 4,975,202 | \$ 5,035,245 | \$ 5,416,718 | \$ 5,861,396 | \$ 6,071,345 | | |
| Less change in variable expenses over prior year | \$ 1,048,850 | \$ 1,083,884 | \$ 1,095,230 | \$ 1,294,979 | \$ 1,355,860 | \$ 1,301,115 | | |
| Total Annual MOERR Expenses less variable expenses | \$ 3,951,218 | \$ 3,891,318 | \$ 3,940,015 | \$ 4,121,739 | \$ 4,505,536 | \$ 4,770,230 | | |
| Total Percentage Increase in Material Operating Expenses over the past five years - | | | | | | | 20.73% | |
| Average annual increase in Material Operating expenses over the past five years - | | | | | | | 3.84% | |

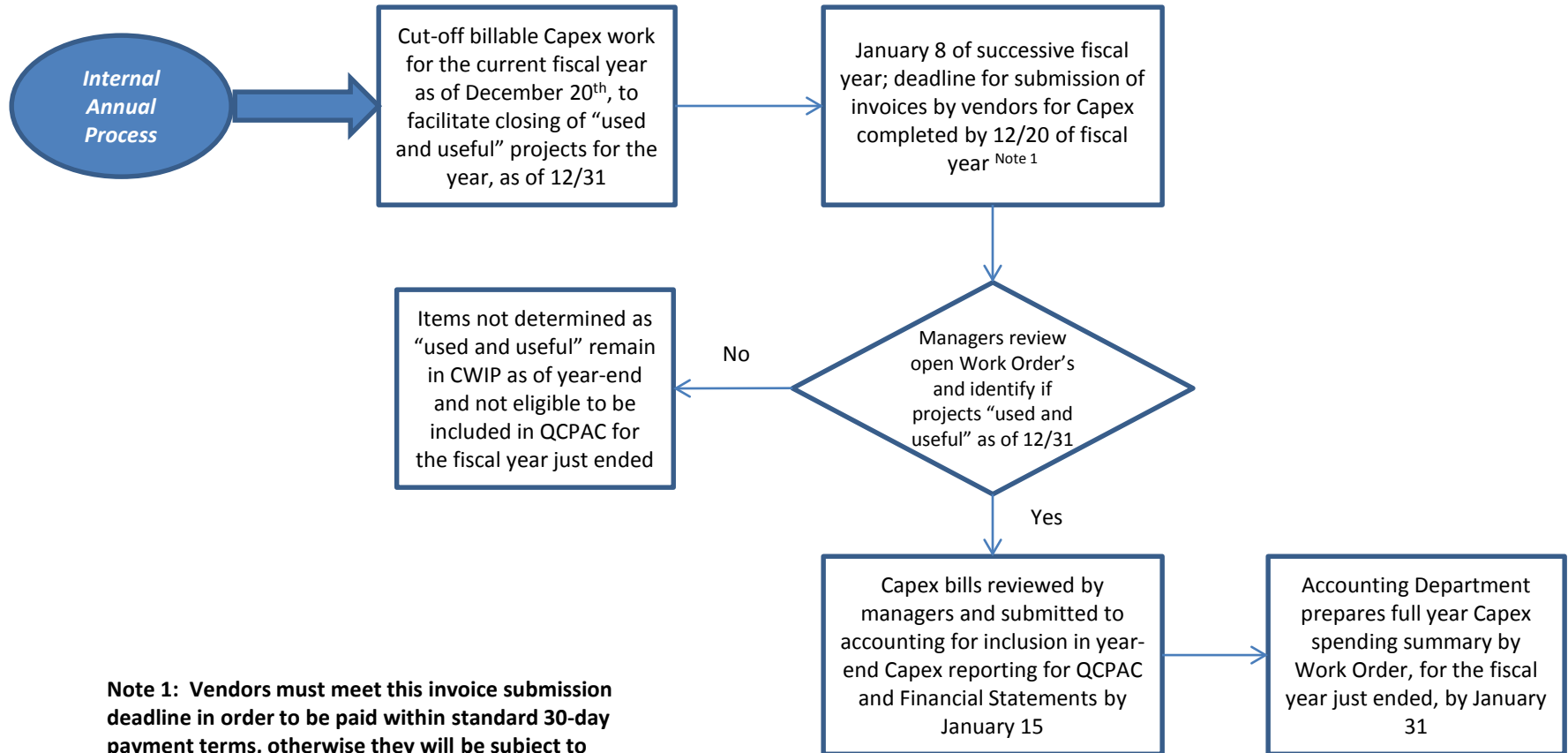
| PEU Proforma Test Year 2017 with Step Increase - 3 Bad Years ¹⁰ | | | | | | | | | |
|--|--|-----------|--|---|--------------------------------------|----------------------------|--|-----------------------------|--|
| | | Yr. 1 | | Yr. 2 | | Yr. 3 | | | |
| Proformed Revenue Requirement ¹ - \$ | | 8,276,261 | | Projected Bad Year impact on MOE Revenues - \$ | | (127,084) | | \$ (127,084) | |
| | | | | Bad Year Impact in Material Operating Expenses - \$ | | 292,164 | | \$ 598,936 \$ 921,047 | |
| | | | | Bad Year impact on MOE RSF - \$ | | (419,248) | | \$ (726,020) \$ (1,048,130) | |
| | | | | | | | | | |
| | | CBFRR | Material Operating Expense Revenue Requirement | Operating Expense Revenue Requirement ⁶ | P&I Revenue Requirement ¹ | 0.1 P&I Reveue Requirement | | | |
| Revenue Requirement ² - \$ | | 926,309 | \$ 5,843,277 | \$ 8,305 | \$ 1,362,154 | \$ 136,215 | | | |
| Percentage of Revenues - | | 11.19% | 70.60% | 0.10% | 16.46% | 1.65% | | | |
| 3 Years coverage - \$ | | 60,974 | \$ 1,762,072 | \$ | 98,630 | \$ - | | | |
| Requested Rate Stabilization Fund by Revenue Category ^{3,4} - \$ | | 60,000 | \$ 1,760,000 | No Stabilization Fund | \$ 100,000 | No Stabilization Fund | | | |
| Year 1 Ending RSF Account Balances - \$ | | 39,675 | \$ 1,340,752 | \$ | 70,112 | \$ 133,227 | | | |
| Year 2 Ending RSF Account Balances - \$ | | 19,351 | \$ 614,733 | \$ | 40,224 | \$ 266,453 | | | |
| Year 3 Ending RSF Account Balances - \$ | | (974) | \$ (433,398) | \$ | 10,336 | \$ 399,680 | | | |
| | | | | | | | \$ \$ required to top off RSF funds - \$ | | |
| | | | | | | | 1,944,355 | | |

| | | | | |
|---|-------|--------------------------|----|-----------|
| Increase in Material Operating Expenses @ | 3.84% | Total RSF funds @ Yr End | \$ | 1,920,000 |
|---|-------|--------------------------|----|-----------|

| PEU Proforma Test Year 2017 with Step Increase - 3 Nuetral Years ¹¹ | | | | | | | | | |
|--|--|-----------|--|---|--|-----------|--|---------------------------|--|
| | | Yr. 1 | | Yr. 2 | | Yr. 3 | | | |
| Proformed Revenue Requirement ¹ - \$ | | 8,276,261 | | Projected Nuetral Year impact on MOE Revenues - \$ | | - | | \$ - | |
| | | | | Nuetral Year impact in Material Operating Expenses - \$ | | 224,340 | | \$ 457,292 \$ 699,189 | |
| | | | | Nuetral Year impact on MOE RSF - \$ | | (224,340) | | \$ (457,292) \$ (699,189) | |
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| PEU Proforma Test Year 2017 with Step Increase - 3 Good Years ¹² | | | | | | | | | |
|---|--|-----------|--|---|--|----------------|--|-----------------------|--|
| | | | | Yr. 1 | | Yr. 2 | | Yr. 3 | |
| Proformed Revenue Requirement ¹ - \$ | | 8,276,261 | | Projected Good Year impact on MOE Revenues - | | \$ 207,270 \$ | | \$ 207,270 \$ 207,270 | |
| | | | | Good Year impact on Material Operating Expenses - | | -\$ 116,866 \$ | | 236,068 \$ 357,655 | |
| | | | | Good Year increase in MOERR RSF - | | -\$ 90,405 \$ | | (28,798) \$ (150,385) | |
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| PEU Proforma Test Year 2017 with Step Increase - Nuetral Year 1, Good Year 2, Bad Year 3 ^{10,11,12} | | | | | | | | | |
|--|--|-----------------|--|--|--|-------------|--|---------------------------|--|
| | | Yr. 1 (Nuetral) | | Yr. 2 (Good) | | Yr. 3 (Bad) | | | |
| Proformed Revenue Requirement ¹ - \$ | | 8,276,261 | | Projected MOERR Revenues - \$ | | - | | \$ 207,270 \$ (127,084) | |
| | | | | Good Year Increase in Material Operating Expenses - \$ | | 224,340 | | \$ 453,166 \$ 693,434 | |
| | | | | Good Year increase in MOERR RSF - \$ | | (224,340) | | \$ (245,896) \$ (820,518) | |
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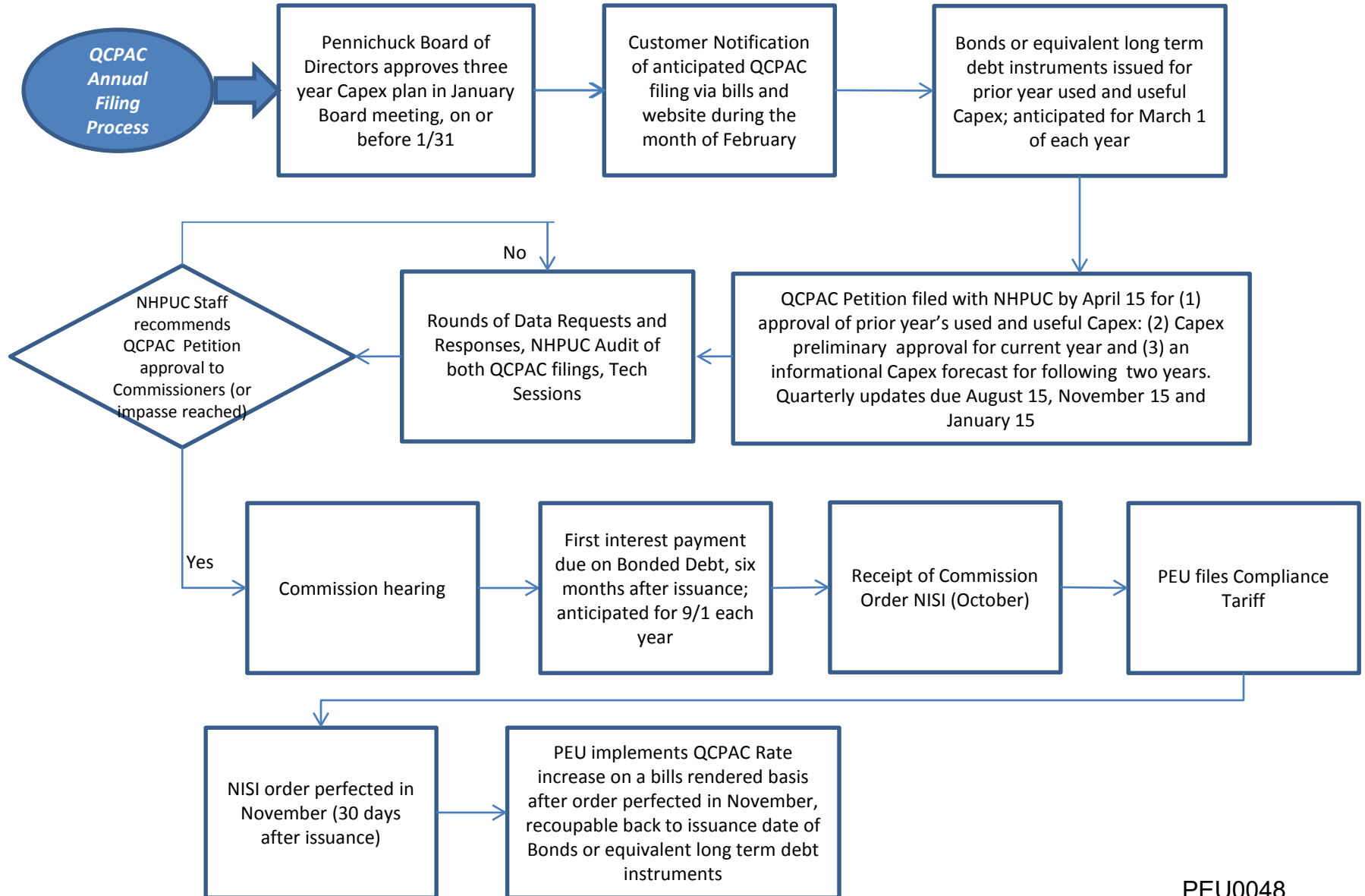


Note 1: Vendors must meet this invoice submission deadline in order to be paid within standard 30-day payment terms, otherwise they will be subject to delayed "penalty" payment terms. This requirement to be implemented in all vendor contracts going forward.

Note 2: No Capex projects/purchases allowed except for emergencies and/or essential carryover projects – 1/1-2/28 of successive fiscal year

Note 3: Submission of invoices by vendors for Capex completed by 12/20 of fiscal year, after January 8 of successive fiscal year, subject to delayed 60-day payment terms (as a facilitator to receive invoices timely for year-end QCPAC and Financial reporting purposes).

Pennichuck East Utilities, Inc.
DW 17-128
QCPAC Process Flow Diagram



**DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REVENUE REQUIREMENT
ORIGINAL RATE STRUCTURE**

| | TEST YEAR PERMANENT RATES | 5-YEAR AVG PERMANENT RATES | 5-YEAR AVG PERM RATES w/ 2017 STEP ADJ |
|---|--|---|---|
| <u>CALCULATION OF REVENUE REQUIREMENT OTHER THAN NCCRS and CBFRR</u> | | | |
| 1) Rate Base (Sch 2-Perm / Sch 2-5YAvg / Sch 2-Step) | \$ 9,828,521 | \$ 9,826,380 | \$ 11,591,357 |
| 2) Rate of Return (Sch 1A-Perm/5YAvg / Sch 1A-Step) | 3.92% | 3.92% | 3.97% |
| 3) Operating Income Requirement [(1) x (2)] | 385,015 | 384,931 | 459,963 |
| 4) Pro-forma Operating Income (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step) | 301,311 | 192,175 | 123,123 |
| 5) Revenue Deficiency (Surplus) Before Taxes [(3) - (4)] | 83,704 | 192,756 | 336,839 |
| 6) Divided by Tax Factor (Sch 1B) | + 60.59% | + 60.59% | + 60.59% |
| 7) Revenue Deficiency (Surplus) [(5) ÷ (6)] | 138,152 | 318,143 | 555,950 |
| 8) Pro-forma Water Rev's not Subject to NCCRS and CBFRR (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step) | 6,172,696 | 5,975,153 | 5,975,153 |
| 9) Total Water Revenues not Subject to NCCRS and CBFRR [(7) + (8)] | \$ 6,310,848 | \$ 6,293,296 | \$ 6,531,103 |

REVENUE REQUIREMENT ADJUSTED FOR TAX CHANGE EFFECT

| | | | |
|---|---------------------|---------------------|---------------------|
| 10) Unadjusted Revenue Deficiency (Surplus) [(7)] | 138,152 | 318,143 | 555,950 |
| 11) Tax Change Revenue Adjustment [(35)] | 159,658 | 159,704 | 118,433 |
| 12) Revenue Deficiency (Surplus) Adjusted for Tax Change [(10) + (11)] | 297,811 | 477,847 | 674,383 |
| 13) Pro-forma Water Rev's not Subject to NCCRS and CBFRR [(8)] | 6,172,696 | 5,975,153 | 5,975,153 |
| 14) Total Water Revenues not Subject to NCCRS and CBFRR Adjusted for Tax Change [(12) + (13)] | \$ 6,470,507 | \$ 6,453,000 | \$ 6,649,536 |

CALCULATION OF TOTAL PROPOSED WATER REVENUES (INCLUDING CBFRR)

| | | | |
|---|---------------------|---------------------|---------------------|
| 15) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(24)] | \$ 7,371,544 | \$ 7,174,001 | \$ 7,174,001 |
| 16) Revenue Deficiency (Surplus) Adjusted for Tax Change [(12)] | 297,811 | 477,847 | 674,383 |
| 17) Decrease in Annual NCCRS Revenue [(27)] | (121,070) | (121,070) | (121,070) |
| 18) Net Proposed Increase in Pro-forma Water Revenues [(15) + (16)] | 176,741 | 356,777 | 553,313 |
| 19) Total Proposed Water Revenues - Original Rate Structure [(15) + (18)] | \$ 7,548,285 | \$ 7,530,778 | \$ 7,727,314 |
| 20) Percent Increase (Decrease) in Water Revenues [(18) ÷ (15)] | 2.40% | 4.97% | 7.71% |

CALCULATION OF TEST YEAR PRO-FORMA WATER REVENUES

| | | | |
|---|---------------------|---------------------|---------------------|
| 21) Test Year Pro-forma Water Revenues not Subject to NCCRS and CBFRR [(8)] | \$ 6,172,696 | \$ 5,975,153 | \$ 5,975,153 |
| 22) Add: Test Year North Country Capital Recovery Surcharge Revenue (NCCRS) (Sch 3-Perm, Col 1) | 299,985 | 299,985 | 299,985 |
| 23) Add: Test Year City Bond Fixed Revenue Requirement Revenue (CBFRR) (Sch 3-Perm, Col 1) | 898,863 | 898,863 | 898,863 |
| 24) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(21) + (22) + (23)] | \$ 7,371,544 | \$ 7,174,001 | \$ 7,174,001 |

CALCULATION OF DECREASE IN NCCRS REVENUES

| | | | |
|--|---------------------|---------------------|---------------------|
| 25) Revised Annual NCCRS Revenue | \$ 178,915 | \$ 178,915 | \$ 178,915 |
| 26) Less: Test Year NCCRS Revenue [(22)] | (299,985) | (299,985) | (299,985) |
| 27) Decrease in Annual NCCRS Revenue [(25) - (26)] | \$ (121,070) | \$ (121,070) | \$ (121,070) |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REVENUE REQUIREMENT
ORIGINAL RATE STRUCTURE

| | TEST YEAR PERMANENT RATES | 5-YEAR AVG PERMANENT RATES | 5-YEAR AVG PERM RATES w/ 2017 STEP ADJ |
|--|---------------------------------|----------------------------------|--|
| <u>TAX CHANGE EFFECT - FERC METHODOLOGY</u> | | | |
| 28) Income Tax Expense prior to Gross-up (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step) | \$ (430,615) | \$ (501,661) | \$ (498,147) |
| 29) Income Tax Gross-up [(7) - (5)] | <u>54,449</u> | <u>125,386</u> | <u>219,111</u> |
| 30) Composite Income Tax Expense [(28) + (29)] | <u>(376,166)</u> | <u>(376,274)</u> | <u>(279,036)</u> |
| 31) 2018 Tax Rate Factor (Sch 1B) | 0.374400 | 0.374400 | 0.374400 |
| 32) 2017 Tax Rate Factor (Sch 1B) | ÷ <u>0.650492</u> | ÷ <u>0.650492</u> | ÷ <u>0.650492</u> |
| 33) 2018 Tax Rate Factor ÷ 2017 Tax Rate Factor [(31) ÷ (32)] | <u>0.575565</u> | <u>0.575565</u> | <u>0.575565</u> |
| 34) Adjusted Composite Income Tax Expense [(30) x (33)] | <u>(216,508)</u> | <u>(216,570)</u> | <u>(160,603)</u> |
| 35) Tax Change Revenue Adjustment [(34) - (30)] | <u>\$ 159,658</u> | <u>\$ 159,704</u> | <u>\$ 118,433</u> |

PEU0050

**DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REVENUE REQUIREMENT
MODIFIED RATE STRUCTURE**

| | TEST YEAR PERMANENT RATES | 5-YEAR AVG PERMANENT RATES | 5-YEAR AVG PERM RATES w/ 2017 STEP ADJ |
|--|---------------------------------|----------------------------------|--|
| <u>CITY BOND FIXED REVENUE REQUIREMENT (CBFRR)</u> | | | |
| 1) City Bond Fixed Revenue Requirement (CBFRR) - Modified Rate Structure | \$ 926,309 | \$ 926,309 | \$ 926,309 |
| <u>OPERATING EXPENSE REVENUE REQUIREMENT (OERR)</u> | | | |
| 2) Total Pro-forma O & M Expenses (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step) | \$ 4,842,718 | \$ 4,825,357 | \$ 4,825,357 |
| 3) Pro-forma Property Tax Expense (Sch 3-Perm) / (Sch 3-5YAvg) / (Sch 3-Step) | 943,782 | 943,782 | 961,267 |
| 4) Pro-forma Amortization Expense (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step) | 43,734 | 43,734 | 64,958 |
| 5) Operating Expense Revenue Requirement [(2) + (3) + (4)] | \$ 5,830,234 | \$ 5,812,873 | \$ 5,851,582 |
| <u>DEBT SERVICE REVENUE REQUIREMENT (DSRR)</u> | | | |
| 6) Pro-forma Annual Principal and Interest Payments (Sch 1C-Perm / Sch 1C-Step) | \$ 1,308,278 | \$ 1,308,278 | \$ 1,362,154 |
| 7) Debt Service Coverage Requirement | x 1.1 | x 1.1 | x 1.1 |
| 8) Debt Service Revenue Requirement [(6) x (7)] | \$ 1,439,106 | \$ 1,439,106 | \$ 1,498,369 |
| <u>TOTAL PROPOSED WATER REVENUES - MODIFIED RATE STRUCTURE</u> | | | |
| 9) Total Proposed Water Revenues other than NCCRS - Modified Rate Structure [(1) + (5) + (8)] | \$ 8,195,649 | \$ 8,178,288 | \$ 8,276,261 |
| 10) Revised North Country Capital Recovery Surcharge (NCCRS) Revenue | 178,915 | 178,915 | 178,915 |
| 11) Total Proposed Water Revenues - Modified Rate Structure [(9) + (10)] | \$ 8,374,564 | \$ 8,357,203 | \$ 8,455,176 |
| <u>CALCULATION OF PERCENT INCREASE (DECREASE) IN WATER REVENUES</u> | | | |
| 12) Pro-forma Water Rev's not Subject to NCCRS and CBFRR (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step) | \$ 6,172,696 | \$ 5,975,153 | \$ 5,975,153 |
| 13) Add: Test Year NCCRS Revenue (Sch 3-Perm, Col 1) | 299,985 | 299,985 | 299,985 |
| 14) Add: CBFRR - Original Rate Structure (Sch 3-Perm, Col 1) | 898,863 | 898,863 | 898,863 |
| 15) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(12) + (13) + (14)] | \$ 7,371,544 | \$ 7,174,001 | \$ 7,174,001 |
| 16) Proposed Increase / (Decrease) in Revenue Requirement [(11) - (15)] | \$ 1,003,020 | \$ 1,183,202 | \$ 1,281,175 |
| 17) Proposed Percent Increase (Decrease) in Water Revenues [(16) ÷ (15)] | 13.61% | 16.49% | 17.86% |

PEU0051

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COST OF CAPITAL - PERMANENT RATES

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|--------------------------------------|---|---|------------------------------|----------------------------------|-----------------------------|----------------------------|-------------------------------|--|
| | <u>Cost Rate per Co's Rate Filing</u> | <u>Balance per Co's Rate Filing</u> | <u>Co Adj's per DR's</u> | <u>Adjustments per Staff</u> | <u>Adjusted Balance</u> | <u>Component Ratio</u> | <u>Adjusted Cost Rate</u> | <u>Weighted Avg Cost [(6) x (7)]</u> |
| Long-Term Debt - 2016 (Schedule 1Ai) | 4.111% | \$ 16,658,944 | \$ (2,592,413) | \$ 741,904 | \$ 14,808,435 | 89.18% | 3.981% | 3.55% |
| Intercompany Debt (Schedule 1Ai) | 3.736% | 1,728,686 | 1,096,870 | (1,157,403) | 1,668,153 | 10.05% | 3.200% | 0.32% |
| Common Equity (Schedule 1Aii) | 5.630% | <u>257,790</u> | <u>(128,350)</u> | <u>-</u> | <u>129,440</u> | <u>0.78%</u> | 5.928% (a) | <u>0.05%</u> |
| Totals - Permanent Rates | | <u>\$ 18,645,420</u> | <u>\$ (1,623,893)</u> | <u>\$ (415,499)</u> | <u>\$ 16,606,028</u> | <u>100.00%</u> | | <u>3.92%</u> |

Notes:

| | |
|--|-----------------------|
| (a) Per Co's Response to Staff DR 1-67: | |
| Fed Reserve 30-Year Treasury Bond Rates: | Nov-16 2.860% |
| | Dec-16 3.110% |
| | Jan-17 3.020% |
| | Feb-17 3.030% |
| | Mar-17 3.080% |
| | Apr-17 2.940% |
| | May-17 2.960% |
| | Jun-17 2.800% |
| | Jul-17 2.880% |
| | Aug-17 2.800% |
| | Sep-17 2.780% |
| | Oct-17 <u>2.880%</u> |
| | Average <u>2.928%</u> |
| Additional Percentage per DW 11-026 Settlement | <u>3.000%</u> |
| Stipulated Return on Total Common Equity | <u><u>5.928%</u></u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COST OF CAPITAL - STEP ADJUSTMENT

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|--------------------------------------|---|---|------------------------------|----------------------------------|-----------------------------|----------------------------|-------------------------------|--|
| | <u>Cost Rate per Co's Rate Filing</u> | <u>Balance per Co's Rate Filing</u> | <u>Co Adj's per DR's</u> | <u>Adjustments per Staff</u> | <u>Adjusted Balance</u> | <u>Component Ratio</u> | <u>Adjusted Cost Rate</u> | <u>Weighted Avg Cost [(6) x (7)]</u> |
| Long-Term Debt - 2017 (Schedule 1Ai) | 4.111% | \$ 17,257,942 | \$ (2,841,333) | \$ 1,157,403 | \$ 15,574,012 | 89.65% | 4.034% | 3.62% |
| Intercompany Debt (Schedule 1Ai) | 3.736% | 1,728,686 | 1,096,870 | (1,157,403) | 1,668,153 | 9.60% | 3.200% | 0.31% |
| Common Equity (Schedule 1Aii) | 5.630% | <u>257,790</u> | <u>(128,350)</u> | <u>-</u> | <u>129,440</u> | <u>0.75%</u> | 5.928% (a) | <u>0.04%</u> |
| Totals - Step Adjustment | | <u>\$ 19,244,418</u> | <u>\$ (1,872,813)</u> | <u>\$ -</u> | <u>\$ 17,371,605</u> | <u>100.00%</u> | | <u>3.97%</u> |

Notes:

| | |
|--|-----------------------|
| (a) Per Co's Response to Staff DR 1-67: | |
| Fed Reserve 30-Year Treasury Bond Rates: | Nov-16 2.860% |
| | Dec-16 3.110% |
| | Jan-17 3.020% |
| | Feb-17 3.030% |
| | Mar-17 3.080% |
| | Apr-17 2.940% |
| | May-17 2.960% |
| | Jun-17 2.800% |
| | Jul-17 2.880% |
| | Aug-17 2.800% |
| | Sep-17 2.780% |
| | Oct-17 <u>2.880%</u> |
| | Average <u>2.928%</u> |
| Additional Percentage per DW 11-026 Settlement | <u>3.000%</u> |
| Stipulated Return on Total Common Equity | <u><u>5.928%</u></u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COST OF DEBT

| | | | | | | | LONG-TERM DEBT | LONG-TERM DEBT | | | | | ANNUAL INTEREST EXPENSE | | | | ANNUAL AMORTIZATION OF ISSUE COSTS | | | | ALL-IN ANNUAL COST | EFFECTIVE INTEREST RATE |
|---|-----------|------------|---|------|----------|----------|----------------|------------------------------|-------------------|-----------------|------------------|----------------------|-------------------------|-----------------|------------------|----------------------|------------------------------------|-----------------|------------------|------------|--------------------|-------------------------|
| Docket No. | Order No. | Order Date | Holder | Term | Maturity | Int Rate | AS OF 12/31/16 | Balance Per Co's Rate Filing | Co Adj's per DR's | Adj's per Staff | Adjusted Balance | Per Co's Rate Filing | Co Adj's per DR's | Adj's per Staff | Adjusted Balance | Per Co's Rate Filing | Co Adj's per DR's | Adj's per Staff | Adjusted Balance | | | |
| Long-Term Debt - 2016 | | | | | | | | | | | | | | | | | | | | | | |
| DW 09-134 | 25,041 | 11/09/09 | CoBank | 20 | 03/01/30 | 5.950% | \$ 3,331,796 | \$ 3,331,796 | | | \$ 3,331,796 | \$ 198,242 | | | \$ 198,242 | \$ 1,455 | | | \$ 1,455 | \$ 199,697 | 5.994% | |
| DW 02-021 | 23,922 | 02/22/02 | State of NH SRF: Green Hills | 20 | 01/01/25 | 3.728% | 182,618 | 182,618 | | | 182,618 | 6,808 | | | 6,808 | 6,854 | | | 6,854 | 13,662 | 7.481% | |
| DW 04-138 | 24,375 | 09/30/04 | State of NH SRF: Pelham Tank | 20 | 01/01/27 | 3.488% | 330,182 | 330,182 | | | 330,182 | 11,517 | | | 11,517 | 247 | | | 247 | 11,764 | 3.563% | |
| DW 08-022 | 24,844 | 04/04/08 | State of NH SRF: Maple Hills | 20 | 06/01/30 | 2.952% | 436,351 | 436,351 | | | 436,351 | 12,881 | | | 12,881 | 471 | | | 471 | 13,352 | 3.060% | |
| DW 07-010 | 24,739 | 04/13/07 | State of NH SRF: Birch Hill | 20 | 12/01/31 | 2.864% | 1,435,010 | 1,435,010 | (2,592,413) | (b)(c) | 1,157,403 | (1) | 41,099 | (41,099) | (b) | | 549 | (549) | (b) | - | N/A | |
| DW 07-010 | 24,739 | 04/13/07 | State of NH SRF: Locke Lake - 2007 | 20 | 05/01/30 | 2.952% | 199,933 | 199,933 | | | 199,933 | 5,902 | | | 5,902 | 90 | | | 90 | 5,992 | 2.997% | |
| DW 10-330 | 25,209 | 03/29/11 | State of NH SRF: Locke Lake - 2011 | 20 | 06/01/33 | 2.864% | 263,630 | 263,630 | | | 263,630 | 7,550 | | | 7,550 | 434 | | | 434 | 7,984 | 3.028% | |
| DW 11-108 | 25,248 | 07/07/11 | State of NH SRF: Liberty Tree | 20 | 04/01/35 | 3.104% | 377,874 | 377,874 | | | 377,874 | 11,729 | | | 11,729 | 531 | | | 531 | 12,260 | 3.244% | |
| DW 11-262 | 25,348 | 04/13/12 | State of NH SRF: Locke Lake - 2012 | 20 | 12/01/33 | 2.720% | 351,578 | 351,578 | | | 351,578 | 9,563 | | | 9,563 | 136 | | 531 | (4) | 667 | 10,230 | 2.910% |
| DW 13-017 | 25,480 | 03/27/13 | CoBank \$1.7M Loan (RX0848T4) | 10 | 06/20/23 | 3.620% | 1,505,183 | 1,505,182 | | | 1,505,182 | 54,489 | | | 54,489 | 1,663 | | | 1,663 | 56,152 | 3.713% | |
| DW 13-017 | 25,480 | 03/27/13 | CoBank \$925K Loan (RX0848T3) | 20 | 06/20/33 | 4.250% | 814,894 | 814,894 | | | 814,894 | 34,633 | | | 34,633 | 446 | | | 446 | 35,079 | 4.305% | |
| DW 13-125 | 25,541 | 07/09/13 | State of NH SRF: Locke Lake Dam Site - Phase 2 | 20 | 07/01/35 | 2.720% | 376,950 | 376,950 | | | 376,950 | 10,253 | | | 10,253 | - | | | - | 10,253 | 2.720% | |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: Winwood & Monroe - Phase 1 | 20 | 07/01/36 | 2.720% | 379,426 | 379,426 | | | 379,426 | 10,320 | | | 10,320 | 343 | | | 343 | 10,663 | 2.810% | |
| DW 15-044 | 25,773 | 04/03/15 | State of NH SRF: Winwood & Monroe - Phase 2 | 20 | 11/01/36 | 2.464% | 397,415 | 397,415 | | | 397,415 | 9,792 | | | 9,792 | 263 | | | 263 | 10,055 | 2.530% | |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: W&E Main Replacement | 20 | 08/01/36 | 2.616% | 1,005,196 | 1,005,196 | | | 1,005,196 | 26,296 | | | 26,296 | 672 | | | 672 | 26,968 | 2.683% | |
| DW 13-125 | 25,541 | 07/09/13 | State of NH SRF: Hickory & Avery | 20 | 04/01/36 | 2.720% | 410,771 | 410,771 | | | 410,771 | 11,173 | | | 11,173 | 119 | | | 119 | 11,292 | 2.749% | |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: Hardwood Treatment Station | 20 | 07/01/36 | 2.464% | 560,864 | 560,864 | | | 560,864 | 13,820 | | | 13,820 | 349 | | | 349 | 14,169 | 2.526% | |
| DW 14-262 | 25,746 | 12/30/14 | CoBank \$625K Loan | 25 | 03/06/40 | 4.900% | 602,072 | 602,072 | | | 602,072 | 29,502 | | | 29,502 | 1,635 | | | 1,635 | 31,137 | 5.172% | |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$1.25M Loan T6 (1st Tranche) | 25 | 11/01/41 | 4.200% | 1,250,000 | 1,250,000 | | | 1,250,000 | 52,500 | | | 52,500 | 278 | | | 278 | 52,778 | 4.222% | |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$950K Loan T6 (2nd Tranche) | 25 | 11/01/41 | 4.830% | 534,501 | 950,000 | (415,499) | (2) | 534,501 | 45,885 | | (20,069) | (2) | 25,816 | 211 | (92) | (2) | 119 | 25,935 | 4.852% |
| DW 16-234 | 25,890 | 04/29/16 | State of NH SRF: Locke Lake - Varney Road | 20 | 11/01/37 | 1.960% | 1,497,202 | 1,497,202 | | | 1,497,202 | 29,345 | | | 29,345 | 691 | | | 691 | 30,036 | 2.006% | |
| Total Long-Term Debt - 2016 | | | | | | | 16,243,446 | 16,658,944 | (2,592,413) | 741,904 | 14,808,435 | 633,299 | (41,099) | (20,069) | 572,131 | 17,437 | (549) | 439 | 17,327 | 589,458 | 3.981% | |
| Debt Associated with 2017 Capital Additions | | | | | | | | | | | | | | | | | | | | | | |
| DW 17-055 | 26,006 | 04/19/17 | State of NH SRF: Brady Ave (Derry) - 2017 | 30 | TBD | 1.960% | - | 190,000 | (190,000) | (d) | - | 3,724 | (3,724) | (d) | - | - | | | - | - | N/A | |
| DW 17-055 | 26,006 | 04/19/17 | State of NH SRF: Hillcrest Road (Litchfield) - 2017 | 20 | TBD | 1.960% | - | - | | | - | - | | | - | - | | | - | - | N/A | |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$950K Loan T6 (2nd Tranche) | 25 | 11/01/41 | 4.830% | 415,499 | | | 415,499 | 17,382 | 1,277 | (e) | 20,069 | (2) | 18,659 | - | 92 | (2) | 92 | 20,161 | 4.852% |
| DW 17-157 | 26,117 | 03/30/18 | CoBank - 2017 | 25 | 05/20/43 | 5.330% | - | 408,998 | (58,920) | (e) | 350,078 | | | | - | - | | | - | 18,659 | 5.330% | |
| Subtotal Long-Term Debt - 2017 | | | | | | | 415,499 | 598,998 | (248,920) | 415,499 | 765,577 | 21,106 | (2,447) | 20,069 | 38,728 | - | - | 92 | 92 | 38,820 | 5.071% | |
| Total Long-Term Debt - 2017 | | | | | | | 16,658,945 | 17,257,942 | (2,841,333) | 1,157,403 | 15,574,012 | 654,405 | (43,546) | - | 610,859 | 17,437 | (549) | 531 | 17,419 | 628,278 | 4.034% | |
| Intercompany Debt | | | | | | | | | | | | | | | | | | | | | | |
| DW 14-282 | 25,746 | 12/30/14 | Penn Corp: \$1.0M - 2015 (Refinanced) | 10 | 03/04/25 | 2.700% | 843,884 | | | - | - | 22,785 | (22,785) | (f) | - | - | | | - | - | N/A | |
| DW 13-017 | 25,480 | 03/27/13 | Penn Corp: \$3.0M - 2013 (\$1,276,850 PEU CapEx) (Refinanced) | 10 | 05/03/23 | 2.650% | 857,632 | | | - | - | 22,727 | (22,727) | (f) | - | - | | | - | - | N/A | |
| DW 13-017 | 25,480 | 03/27/13 | Penn Corp: \$3.0M - 2013 (\$1,723,150 NC CapEx) (Refinanced) | 10 | 05/03/23 | 2.650% | 1,157,403 | - | 1,157,403 | (c) | (1,157,403) | (1) | 30,671 | (30,671) | (f) | - | - | | | - | - | N/A |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp | | | 1.250% | 1,179,111 | 27,170 | (27,170) | (c) | - | - | | | - | - | | | - | - | N/A | |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Refired \$1.0M - 2015 | 30 | TBD | 3.200% | - | 843,884 | (16,547) | (c) | 827,337 | 27,004 | (530) | (3) | 26,474 | - | | | - | 26,474 | 3.200% | |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Refired \$3.0M - 2013 (\$1,276,850 PEU CapEx) | 30 | TBD | 3.200% | - | 857,632 | (16,816) | (c) | 840,816 | 27,444 | (538) | (3) | 26,906 | - | | | - | 26,906 | 3.200% | |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Refired \$3.0M - 2013 (\$1,723,150 NC CapEx) | 30 | TBD | 3.200% | - | - | | - | - | - | | - | - | - | | | - | - | N/A | |
| Total Intercompany Debt | | | | | | | 4,038,030 | 1,728,686 | 1,096,870 | (1,157,403) | 1,668,153 | 130,631 | (76,183) | (1,068) | 53,380 | - | - | - | - | 53,380 | 3.200% | |
| GRAND TOTAL DEBT | | | | | | | \$20,696,975 | \$18,986,628 | \$(1,744,463) | \$ - | \$17,242,165 | \$ 785,036 | \$(119,729) | \$(1,068) | \$ 664,239 | \$ 17,437 | \$(549) | \$ 531 | \$ 17,419 | \$ 681,658 | 3.953% | |

Notes:
(b): Per Co's Response to Staff DR 1-59
(c): Per Co's Response to Staff DR 2-10
(d): Per Co's Response to Staff DR 4-5
(e): Per Co's Response to Staff Tech 1-3
(f): Per Co's Response to Staff DR 1-60

Staff Adj's:
(1): To adjust Co's NCCRS Debt Elimination
(2): To adjust debt apportionment per Co's Response to Staff 4-6
(3): To adjust Interest Expense on Intercompany Loans
(4): Per Co's Response to Staff DR 2-12

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
PRO-FORMA COMMON EQUITY

| | <u>Year-end Balance</u> | <u>Co Adj's per Rate Filing</u> | <u>Co Adj's per DR's</u> | <u>Adjusted Balance per Co</u> | <u>Adj's Per Staff</u> | <u>Adjusted Pro-forma Balance</u> |
|----------------------------|-----------------------------|-------------------------------------|------------------------------|------------------------------------|----------------------------|---|
| Common Stock | \$ 100 | | \$ (100) (g) | \$ - | | \$ - |
| Other Paid-in Capital | 13,333,907 | (13,333,907) | | - | | - |
| Other Comprehensive Income | (272,012) | 529,702 | | 257,690 | | 257,690 |
| Retained Earnings | <u>(128,250)</u> | <u>128,250</u> | <u>(128,250) (g)</u> | <u>(128,250)</u> | | <u>(128,250)</u> |
| Total Common Equity | <u>\$ 12,933,745</u> | <u>\$ (12,675,955)</u> | <u>\$ (128,350)</u> | <u>\$ 129,440</u> | <u>\$ -</u> | <u>\$ 129,440</u> |

Notes:

(g): Per Company's Response to Staff DR 1-58

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
EFFECTIVE TAX FACTOR

| | <u>Per 2017</u> | <u>Per 2018</u> |
|---|------------------------|------------------------|
| Taxable Income | 100.00% | 100.00% |
| Less: NH Business Profits Tax Rate | <u>-8.20%</u> | <u>-7.90%</u> |
| Federal Taxable Income | 91.80% | 92.10% |
| Federal Income Tax Rate | x <u>34.00%</u> | x <u>21.00%</u> |
| Effective Federal Income Tax Rate | 31.21% | 19.34% |
| Add: NH Business Profits Tax Rate | <u>8.20%</u> | <u>7.90%</u> |
| Effective Tax Rate | <u><u>39.41%</u></u> | <u><u>27.24%</u></u> |
| Percent of Income Available if No Tax | 100.00% | 100.00% |
| Less: Effective Tax Rate | <u>-39.41%</u> | <u>-27.24%</u> |
| Percent Used as a Divisor in Determining the Revenue Requirement | <u><u>60.59%</u></u> | <u><u>72.76%</u></u> |
| Tax Multiplier (Effective Tax Rate ÷ Calculated Divisor) | <u><u>0.650492</u></u> | <u><u>0.374400</u></u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
PRO-FORMA PRINCIPAL & INTEREST PAYMENTS (2016) - PERMANENT RATES

| | | | | | | | 2016 ACTUAL PRINCIPAL PAYMENTS | | | | 2016 PRO-FORMA PRINCIPAL PAYMENT ADJUSTMENTS | | | | 2016 | |
|---|-----------|------------|--|------|----------|----------|--------------------------------|-------------------------|----------------------|--------------------|--|-------------------------|----------------------|--------------------|-----------------------|------------------------------------|
| Docket No. | Order No. | Order Date | Holder | Term | Maturity | Int Rate | TOTAL LONG-TERM DEBT | Per Co's Rate Filing | Co Adj's per DR's | Adj's per Staff | Adjusted Actual | Per Co's Rate Filing | Co Adj's per DR's | Adj's per Staff | Adjusted Pro-forma | PRO-FORMA PRINCIPAL PAYMENTS |
| Long-Term Debt - 2016 | | | | | | | | | | | | | | | | |
| DW 09-134 | 25,041 | 11/09/09 | CoBank | 20 | 03/01/30 | 5.950% | \$ 3,331,797 | \$ 190,985 | | | \$ 190,985 | \$ 7,220 | | | \$ 7,220 | \$ 198,205 |
| DW 02-021 | 23,922 | 02/22/02 | State of NH SRF: Green Hills | 20 | 01/01/25 | 3.728% | 182,618 | 17,325 | | | 17,325 | - | | | - | 17,325 |
| DW 04-138 | 24,375 | 09/30/04 | State of NH SRF: Pelham Tank | 20 | 01/01/27 | 3.488% | 330,182 | 27,126 | | | 27,126 | 961 | | | 961 | 28,087 |
| DW 08-022 | 24,844 | 04/04/08 | State of NH SRF: Maple Hills | 20 | 06/01/30 | 2.952% | 436,351 | 26,126 | | | 26,126 | 784 | | | 784 | 26,910 |
| DW 07-010 | 24,739 | 04/13/07 | State of NH SRF: Birch Hill | 20 | 12/01/31 | 2.864% | 1,435,010 | 76,044 | | | 76,044 | (76,044) | | | (76,044) | - |
| DW 07-010 | 24,739 | 04/13/07 | State of NH SRF: Locke Lake - 2007 | 20 | 05/01/30 | 2.952% | 199,933 | 12,001 | | | 12,001 | 128 | | | 128 | 12,129 |
| DW 10-330 | 25,209 | 03/29/11 | State of NH SRF: Locke Lake - 2011 | 20 | 06/01/33 | 2.864% | 263,630 | 4,790 | | | 4,790 | 533 | | | 533 | 5,323 |
| DW 11-108 | 25,248 | 07/07/11 | State of NH SRF: Liberty Tree | 20 | 04/01/35 | 3.104% | 377,874 | 5,869 | | | 5,869 | 696 | | | 696 | 6,565 |
| DW 11-262 | 25,348 | 04/13/12 | State of NH SRF: Locke Lake - 2012 | 20 | 12/01/33 | 2.720% | 351,578 | 16,151 | | | 16,151 | 445 | | | 445 | 16,596 |
| DW 13-017 | 25,480 | 03/27/13 | CoBank \$1.7M Loan (RX0848T4) | 10 | 06/20/23 | 3.620% | 1,505,183 | 65,067 | | | 65,067 | 2,590 | | | 2,590 | 67,657 |
| DW 13-017 | 25,480 | 03/27/13 | CoBank \$925K Loan (RX0848T3) | 20 | 06/20/33 | 4.250% | 814,894 | 33,113 | | | 33,113 | 1,558 | | | 1,558 | 34,671 |
| DW 13-125 | 25,541 | 07/09/13 | State of NH SRF: Locke Lake Dam Site - Phase 2 | 20 | 07/01/35 | 2.720% | 376,950 | 15,471 | | | 15,471 | 426 | | | 426 | 15,897 |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: Winwood & Monroe - Phase 1 | 20 | 07/01/36 | 2.720% | 379,426 | 7,328 | | | 7,328 | 7,630 | | | 7,630 | 14,958 |
| DW 15-044 | 25,773 | 04/03/15 | State of NH SRF: Winwood & Monroe - Phase 2 | 20 | 11/01/36 | 2.464% | 397,415 | 2,585 | | | 2,585 | 13,152 | | | 13,152 | 15,737 |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: W&E Main Replacement | 20 | 08/01/36 | 2.616% | 1,005,196 | 16,291 | | | 16,291 | 23,538 | | | 23,538 | 38,829 |
| DW 13-125 | 25,541 | 07/09/13 | State of NH SRF: Hickory & Avery | 20 | 04/01/36 | 2.720% | 410,771 | 12,195 | | | 12,195 | 4,441 | | | 4,441 | 16,636 |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: Hardwood Treatment Station | 20 | 07/01/36 | 2.464% | 560,864 | 11,136 | | | 11,136 | 11,552 | | | 11,552 | 22,688 |
| DW 14-282 | 25,746 | 12/30/14 | CoBank \$625K Loan | 25 | 03/06/40 | 4.900% | 602,072 | 13,370 | | | 13,370 | 766 | | | 766 | 14,136 |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$1.25M Loan T6 (1st Traunch) | 25 | 11/01/41 | 4.200% | 1,250,000 | - | | | - | 28,679 | | | 28,679 | 28,679 |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$950K Loan T6 (2nd Traunch) | 25 | 11/01/41 | 4.830% | 534,501 | - | | | - | 11,197 | | | 11,197 | 11,197 |
| DW 16-234 | 25,890 | 04/29/16 | State of NH SRF: Locke Lake - Varney Road | 20 | 11/01/37 | 1.960% | 1,497,202 | - | | | - | 62,060 | | | 62,060 | 62,060 |
| Total Long-Term Debt - 2016 | | | | | | | 16,243,447 | 552,973 | - | - | 552,973 | 102,312 | - | - | 102,312 | 655,285 |
| Debt Associated with 2017 Capital Additions | | | | | | | | | | | | | | | | |
| DW 17-055 | 26,006 | 04/19/17 | State of NH SRF: Brady Ave (Derry) - 2017 | 30 | TBD | 1.960% | - | - | | | - | | | | - | - |
| | | | State of NH SRF: Hillcrest Road (Litchfield) - 2017 | 20 | TBD | 1.960% | - | - | | | - | | | | - | - |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$950K Loan T6 (2nd Traunch) | 25 | 11/01/41 | 4.830% | 415,499 | - | | | - | | | | - | - |
| DW 17-157 | 26,117 | 03/30/18 | CoBank - 2017 | 25 | 05/20/43 | 5.330% | 350,078 | - | | | - | | | | - | - |
| Subtotal Long-Term Debt - 2017 | | | | | | | 765,577 | - | - | - | - | - | - | - | - | - |
| Total Long-Term Debt - 2017 | | | | | | | 17,009,024 | 552,973 | - | - | 552,973 | 102,312 | - | - | 102,312 | 655,285 |
| Intercompany Debt | | | | | | | | | | | | | | | | |
| DW 14-282 | 25,746 | 12/30/14 | Penn Corp: \$1.0M - 2015 (Refinanced: \$843,884) | 10 | 03/04/25 | 2.700% | - | 114,219 | | (23,905) (5) | 90,314 | (114,219) | | 23,905 (6) | (90,314) | - |
| DW 13-017 | 25,480 | 03/27/13 | Penn Corp: \$3.0M - 2013 (\$1,276,850 PEU CapEx) (Refinanced: \$857,632) | 10 | 05/03/23 | 2.650% | - | 145,490 | | (24,204) (5) | 121,286 | (145,490) | | 24,204 (6) | (121,286) | - |
| DW 13-017 | 25,480 | 03/27/13 | Penn Corp: \$3.0M - 2013 (\$1,723,150 NC CapEx) (Refinanced: \$1,157,403) | 10 | 05/03/23 | 2.650% | - | 165,672 | | (1,993) (5) | 163,679 | (165,672) | | (30,671) (h) | 32,664 (6) | (163,679) |
| | | | Penn Corp | | | 1.250% | 1,179,110 | - | | | - | | | | - | - |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Ref'd \$1.0M - 2015 | 30 | TBD | 3.200% | 843,884 | - | | | - | | | 17,165 | 17,165 | 17,165 |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Ref'd \$3.0M - 2013 (\$1,276,850 PEU CapEx) | 30 | TBD | 3.200% | 857,632 | - | | | - | | | 17,445 | 17,445 | 17,445 |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Ref'd \$3.0M - 2013 (\$1,723,150 NC CapEx) | 30 | TBD | 3.200% | 1,157,403 | - | | | - | | | | - | - |
| Total Intercompany Debt | | | | | | | 4,038,029 | 425,381 | - | (50,102) | 375,279 | (425,381) | (30,671) | 115,383 | (340,669) | 34,610 |
| GRAND TOTAL DEBT | | | | | | | \$21,047,053 | \$ 978,354 | \$ - | \$ (50,102) | \$ 928,252 | \$ (323,069) | \$ (30,671) | \$ 115,383 | \$ (238,357) | \$ 689,895 |

Notes:
(h): Per Co's Response to Staff Tech 1-3

Staff Adj's:
(5): To adjust 2016 actual principal and interest payments per Staff Audit Report.
(6): To reverse Staff Adjustment (5) in order to agree with pro-forma principal and interest payments.
(7): To adjust pro-forma interest payment to loan amortization schedule provided by Company.

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
PRO-FORMA PRINCIPAL & INTEREST PAYMENTS (2016) - PERMANENT RATES

| | | | | | | | 2016 ACTUAL INTEREST PAYMENTS | | | | 2016 PRO-FORMA INTEREST PAYMENT ADJUSTMENTS | | | | 2016 | 2016 | |
|---|-----------|------------|---|------|----------|----------|-------------------------------|-------------------------|----------------------|--------------------|---|-------------------------|----------------------|--------------------|-----------------------|-----------------------------------|--------------------------------|
| Docket No. | Order No. | Order Date | Holder | Term | Maturity | Int Rate | TOTAL LONG-TERM DEBT | Per Co's Rate Filing | Co Adj's per DR's | Adj's per Staff | Adjusted Actual | Per Co's Rate Filing | Co Adj's per DR's | Adj's per Staff | Adjusted Pro-forma | PRO-FORMA INTEREST PAYMENTS | PRO-FORMA P & I PAYMENTS |
| Long-Term Debt - 2016 | | | | | | | | | | | | | | | | | |
| DW 09-134 | 25,041 | 11/09/09 | CoBank | 20 | 03/01/30 | 5.950% | \$ 3,331,797 | \$ 208,210 | | \$ (633) (5) | \$ 207,577 | \$ (12,181) | | \$ 113 (7) | \$ (12,068) | \$ 195,509 | \$ 393,714 |
| DW 02-021 | 23,922 | 02/22/02 | State of NH SRF: Green Hills | 20 | 01/01/25 | 3.728% | 182,618 | 7,275 | | | 7,275 | (862) | | | (862) | 6,413 | 23,738 |
| DW 04-138 | 24,375 | 09/30/04 | State of NH SRF: Pelham Tank | 20 | 01/01/27 | 3.488% | 330,182 | 12,032 | | | 12,032 | (961) | | | (961) | 11,071 | 39,158 |
| DW 08-022 | 24,844 | 04/04/08 | State of NH SRF: Maple Hills | 20 | 06/01/30 | 2.952% | 436,351 | 13,301 | | | 13,301 | (782) | | | (782) | 12,519 | 39,429 |
| DW 07-010 | 24,739 | 04/13/07 | State of NH SRF: Birch Hill | 20 | 12/01/31 | 2.864% | 1,435,010 | 42,284 | | | 42,284 | (42,284) | | | (42,284) | - | - |
| DW 07-010 | 24,739 | 04/13/07 | State of NH SRF: Locke Lake - 2007 | 20 | 05/01/30 | 2.952% | 199,933 | 6,154 | | | 6,154 | (467) | | | (467) | 5,687 | 17,816 |
| DW 10-330 | 25,209 | 03/29/11 | State of NH SRF: Locke Lake - 2011 | 20 | 06/01/33 | 2.864% | 263,630 | 7,719 | | | 7,719 | (317) | | | (317) | 7,402 | 12,725 |
| DW 11-108 | 25,248 | 07/07/11 | State of NH SRF: Liberty Tree | 20 | 04/01/35 | 3.104% | 377,874 | 11,948 | | (3) (5) | 11,945 | (410) | | 3 (6) | (407) | 11,538 | 18,103 |
| DW 11-262 | 25,348 | 04/13/12 | State of NH SRF: Locke Lake - 2012 | 20 | 12/01/33 | 2.720% | 351,578 | 9,802 | | | 9,802 | (445) | | | (445) | 9,357 | 25,953 |
| DW 13-017 | 25,480 | 03/27/13 | CoBank \$1.7M Loan (RX0848T4) | 10 | 06/20/23 | 3.620% | 1,505,183 | 56,814 | | 11 (5) | 56,825 | (2,574) | | (11) (6) | (2,585) | 54,240 | 121,897 |
| DW 13-017 | 25,480 | 03/27/13 | CoBank \$925K Loan (RX0848T3) | 20 | 06/20/33 | 4.250% | 814,894 | 36,058 | | | 36,058 | (1,548) | | | (1,548) | 34,510 | 69,181 |
| DW 13-125 | 25,541 | 07/09/13 | State of NH SRF: Locke Lake Dam Site - Phase 2 | 20 | 07/01/35 | 2.720% | 376,950 | 10,482 | | | 10,482 | (426) | | | (426) | 10,056 | 25,953 |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: Winwood & Monroe - Phase 1 | 20 | 07/01/36 | 2.720% | 379,426 | 10,478 | | 7,310 (5) | 17,788 | (343) | | (7,310) (6) | (7,653) | 10,135 | 25,093 |
| DW 15-044 | 25,773 | 04/03/15 | State of NH SRF: Winwood & Monroe - Phase 2 | 20 | 11/01/36 | 2.464% | 397,415 | 11,137 | | | 11,137 | (1,522) | | | (1,522) | 9,615 | 25,352 |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: W&E Main Replacement | 20 | 08/01/36 | 2.616% | 1,005,196 | 38,530 | | | 38,530 | (12,709) | | | (12,709) | 25,821 | 65,500 |
| DW 13-125 | 25,541 | 07/09/13 | State of NH SRF: Hickory & Avery | 20 | 04/01/36 | 2.720% | 410,771 | 10,959 | | 100 (5) | 11,059 | (412) | | (100) (6) | (512) | 10,547 | 27,183 |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: Hardwood Treatment Station | 20 | 07/01/36 | 2.464% | 560,864 | 20,983 | | (5,720) (5) | 15,263 | (7,419) | | 5,720 (6) | (1,699) | 13,564 | 36,252 |
| DW 14-282 | 25,746 | 12/30/14 | CoBank \$625K Loan | 25 | 03/06/40 | 4.900% | 602,072 | 30,389 | | 4 (5) | 30,393 | (761) | | (4) (6) | (765) | 29,628 | 43,764 |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$1.25M Loan T6 (1st Traunch) | 25 | 11/01/41 | 4.200% | 1,250,000 | 24,450 | | | 24,450 | 28,281 | | | 28,281 | 52,731 | 81,410 |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$950K Loan T6 (2nd Traunch) | 25 | 11/01/41 | 4.830% | 534,501 | - | | | - | 25,091 | | | 25,091 | 25,091 | 36,288 |
| DW 16-234 | 25,890 | 04/29/16 | State of NH SRF: Locke Lake - Varney Road | 20 | 11/01/37 | 1.960% | 1,497,202 | - | | | - | 28,489 | | | 28,489 | 28,489 | 90,549 |
| Total Long-Term Debt - 2016 | | | | | | | 16,243,447 | 569,005 | - | 1,069 | 570,074 | (4,562) | - | (1,589) | (6,151) | 563,923 | 1,219,208 |
| Debt Associated with 2017 Capital Additions | | | | | | | | | | | | | | | | | |
| DW 17-055 | 26,006 | 04/19/17 | State of NH SRF: Brady Ave (Derry) - 2017 | 30 | TBD | 1.960% | - | - | | | - | | | | - | - | - |
| | | | State of NH SRF: Hillcrest Road (Litchfield) - 2017 | 20 | TBD | 1.960% | - | - | | | - | | | | - | - | - |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$950K Loan T6 (2nd Traunch) | 25 | 11/01/41 | 4.830% | 415,499 | - | | | - | | | | - | - | - |
| DW 17-157 | 26,117 | 03/30/18 | CoBank - 2017 | 25 | 05/20/43 | 5.330% | 350,078 | - | | | - | | | | - | - | - |
| Subtotal Long-Term Debt - 2017 | | | | | | | 765,577 | - | - | - | - | - | - | - | - | - | - |
| Total Long-Term Debt - 2017 | | | | | | | 17,009,024 | 569,005 | - | 1,069 | 570,074 | (4,562) | - | (1,589) | (6,151) | 563,923 | 1,219,208 |
| Intercompany Debt | | | | | | | | | | | | | | | | | |
| DW 14-282 | 25,746 | 12/30/14 | Penn Corp: \$1.0M - 2015 (Refinanced: \$843,884) | 10 | 03/04/25 | 2.700% | - | - | | 23,905 (5) | 23,905 | | | (23,905) (6) | (23,905) | - | - |
| DW 13-017 | 25,480 | 03/27/13 | Penn Corp: \$3.0M - 2013 (\$1,276,850 PEU CapEx) (Refinanced: \$857,632) | 10 | 05/03/23 | 2.650% | - | - | | 24,204 (5) | 24,204 | | | (24,204) (6) | (24,204) | - | - |
| DW 13-017 | 25,480 | 03/27/13 | Penn Corp: \$3.0M - 2013 (\$1,723,150 NC CapEx) (Refinanced: \$1,157,403) | 10 | 05/03/23 | 2.650% | - | 30,671 | | 1,993 (5) | 32,664 | (30,671) | 30,671 (h) | (32,664) (6) | (32,664) | - | - |
| | | | Penn Corp | | | 1.250% | 1,179,110 | - | | | - | | | | - | - | - |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Ref'd \$1.0M - 2015 | 30 | TBD | 3.200% | 843,884 | - | | | - | | | 27,010 | 27,010 | 27,010 | 44,175 |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Ref'd \$3.0M - 2013 (\$1,276,850 PEU CapEx) | 30 | TBD | 3.200% | 857,632 | - | | | - | | | 27,450 | 27,450 | 27,450 | 44,895 |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Ref'd \$3.0M - 2013 (\$1,723,150 NC CapEx) | 30 | TBD | 3.200% | 1,157,403 | - | | | - | | | | - | - | - |
| Total Intercompany Debt | | | | | | | 4,038,029 | 30,671 | - | 50,102 | 80,773 | (30,671) | 30,671 | (26,313) | (26,313) | 54,460 | 89,070 |
| GRAND TOTAL DEBT | | | | | | | \$21,047,053 | \$ 599,676 | \$ - | \$ 51,171 | \$ 650,847 | \$ (35,233) | \$ 30,671 | \$ (27,902) | \$ (32,464) | \$ 618,383 | \$ 1,308,278 |

Notes:
(h): Per Co's Response to Staff Tech 1-3

Staff Adj's:
(5): To adjust 2016 actual principal and interest payments per Staff Audit Report.
(6): To reverse Staff Adjustment (5) in order to agree with pro-forma principal and interest payments.
(7): To adjust pro-forma interest payment to loan amortization schedule provided by Company.

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
PRO-FORMA PRINCIPAL & INTEREST PAYMENTS (2017) - STEP ADJUSTMENT

| Docket No. | Order No. | Order Date | Holder | Term | Maturity | Int Rate | TOTAL LONG-TERM DEBT | 2016 PRO-FORMA PRINCIPAL PAYMENTS | 2017 PRO-FORMA PRINCIPAL PAYMENT ADJUSTMENTS | | | | 2017 PRO-FORMA PRINCIPAL PAYMENTS | 2016 PRO-FORMA INTEREST PAYMENTS | 2017 PRO-FORMA INTEREST PAYMENT ADJUSTMENTS | | | | 2017 PRO-FORMA INTEREST PAYMENTS | 2017 PRO-FORMA P & I PAYMENTS |
|---|-----------|------------|--|------|----------|----------|----------------------------|--|--|----------------------|--------------------|-----------------------|--|---|---|----------------------|--------------------|-----------------------|---|--|
| | | | | | | | | | Adjust's Per Co's Rate Filing | Co Adj's per DR's | Adj's per Staff | Adjusted Pro-forma | | | Per Co's Rate Filing | Co Adj's per DR's | Adj's per Staff | Adjusted Pro-forma | | |
| Long-Term Debt - 2016 | | | | | | | | | | | | | | | | | | | | |
| DW 09-134 | 25,041 | 11/09/09 | CoBank | 20 | 03/01/30 | 5.950% | \$ 3,331,797 | \$ 198,205 | | | | \$ - | \$ 198,205 | \$ 195,509 | | | | \$ - | \$ 195,509 | \$ 393,714 |
| DW 02-021 | 23,922 | 02/22/02 | State of NH SRF: Green Hills | 20 | 01/01/25 | 3.728% | 182,618 | 17,325 | | | | - | 17,325 | 6,413 | | | | - | 6,413 | 23,738 |
| DW 04-138 | 24,375 | 09/30/04 | State of NH SRF: Pelham Tank | 20 | 01/01/27 | 3.488% | 330,182 | 28,087 | | | | - | 28,087 | 11,071 | | | | - | 11,071 | 39,158 |
| DW 08-022 | 24,844 | 04/04/08 | State of NH SRF: Maple Hills | 20 | 06/01/30 | 2.952% | 436,351 | 26,910 | | | | - | 26,910 | 12,519 | | | | - | 12,519 | 39,429 |
| DW 07-010 | 24,739 | 04/13/07 | State of NH SRF: Birch Hill | 20 | 12/01/31 | 2.864% | 1,435,010 | - | | | | - | - | - | | | | - | - | - |
| DW 07-010 | 24,739 | 04/13/07 | State of NH SRF: Locke Lake - 2007 | 20 | 05/01/30 | 2.952% | 199,933 | 12,129 | | | | - | 12,129 | 5,687 | | | | - | 5,687 | 17,816 |
| DW 10-330 | 25,209 | 03/29/11 | State of NH SRF: Locke Lake - 2011 | 20 | 06/01/33 | 2.864% | 263,630 | 5,323 | | | | - | 5,323 | 7,402 | | | | - | 7,402 | 12,725 |
| DW 11-108 | 25,248 | 07/07/11 | State of NH SRF: Liberty Tree | 20 | 04/01/35 | 3.104% | 377,874 | 6,565 | | | | - | 6,565 | 11,538 | | | | - | 11,538 | 18,103 |
| DW 11-262 | 25,348 | 04/13/12 | State of NH SRF: Locke Lake - 2012 | 20 | 12/01/33 | 2.720% | 351,578 | 16,596 | | | | - | 16,596 | 9,357 | | | | - | 9,357 | 25,953 |
| DW 13-017 | 25,480 | 03/27/13 | CoBank \$1.7M Loan (RX0848T4) | 10 | 06/20/23 | 3.620% | 1,505,183 | 67,657 | | | | - | 67,657 | 54,240 | | | | - | 54,240 | 121,897 |
| DW 13-017 | 25,480 | 03/27/13 | CoBank \$925K Loan (RX0848T3) | 20 | 06/20/33 | 4.250% | 814,894 | 34,671 | | | | - | 34,671 | 34,510 | | | | - | 34,510 | 69,181 |
| DW 13-125 | 25,541 | 07/09/13 | State of NH SRF: Locke Lake Dam Site - Phase 2 | 20 | 07/01/35 | 2.720% | 376,950 | 15,897 | | | | - | 15,897 | 10,056 | | | | - | 10,056 | 25,953 |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: Winwood & Monroe - Phase 1 | 20 | 07/01/36 | 2.720% | 379,426 | 14,958 | | | | - | 14,958 | 10,135 | | | | - | 10,135 | 25,093 |
| DW 15-044 | 25,773 | 04/03/15 | State of NH SRF: Winwood & Monroe - Phase 2 | 20 | 11/01/36 | 2.464% | 397,415 | 15,737 | | | | - | 15,737 | 9,615 | | | | - | 9,615 | 25,352 |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: W&E Main Replacement | 20 | 08/01/36 | 2.616% | 1,005,196 | 39,829 | | | | - | 39,829 | 25,821 | | | | - | 25,821 | 65,650 |
| DW 13-125 | 25,541 | 07/09/13 | State of NH SRF: Hickory & Avery | 20 | 04/01/36 | 2.720% | 410,771 | 16,636 | | | | - | 16,636 | 10,547 | | | | - | 10,547 | 27,183 |
| DW 14-020 | 25,650 | 04/15/14 | State of NH SRF: Hardwood Treatment Station | 20 | 07/01/36 | 2.464% | 560,864 | 22,688 | | | | - | 22,688 | 13,564 | | | | - | 13,564 | 36,252 |
| DW 14-282 | 25,746 | 12/30/14 | CoBank \$625K Loan | 25 | 03/06/40 | 4.900% | 602,072 | 14,136 | | | | - | 14,136 | 29,628 | | | | - | 29,628 | 43,764 |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$1.25M Loan T6 (1st Traunch) | 25 | 11/01/41 | 4.200% | 1,250,000 | 28,679 | | | | - | 28,679 | 52,731 | | | | - | 52,731 | 81,410 |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$950K Loan T6 (2nd Traunch) | 25 | 11/01/41 | 4.830% | 534,501 | 11,197 | | | | - | 11,197 | 25,091 | | | | - | 25,091 | 36,288 |
| DW 16-234 | 25,890 | 04/29/16 | State of NH SRF: Locke Lake - Varney Road | 20 | 11/01/37 | 1.960% | 1,497,202 | 62,060 | | | | - | 62,060 | 28,489 | | | | - | 28,489 | 90,549 |
| Total Long-Term Debt - 2016 | | | | | | | 16,243,447 | 655,285 | - | - | - | - | 655,285 | 563,923 | - | - | - | - | 563,923 | 1,219,208 |
| Debt Associated with 2017 Capital Additions | | | | | | | | | | | | | | | | | | | | |
| DW 17-055 | 26,006 | 04/19/17 | State of NH SRF: Brady Ave (Derry) - 2017 | 30 | TBD | 1.960% | - | - | 4,067 | (4,067) (i) | | - | - | - | 3,682 | (3,682) (i) | | - | - | - |
| | | | State of NH SRF: Hillcrest Road (Litchfield) - 2017 | 20 | TBD | 1.960% | - | - | | | | - | - | - | | | | - | - | - |
| DW 16-234 | 25,890 | 04/29/16 | CoBank \$950K Loan T6 (2nd Traunch) | 25 | 11/01/41 | 4.830% | 415,499 | - | 8,704 | | | 8,704 | 8,704 | - | 19,505 | | | 19,505 | 19,505 | 28,209 |
| DW 17-157 | 26,117 | 03/30/18 | CoBank - 2017 | 25 | 05/20/43 | 5.330% | 350,078 | - | 9,495 | (2,487) (i) | | 7,008 | 7,008 | - | 17,382 | 1,277 (j) | | 18,659 | 18,659 | 25,667 |
| Subtotal Long-Term Debt - 2017 | | | | | | | 765,577 | - | 22,266 | (6,554) | - | 15,712 | 15,712 | - | 40,569 | (2,405) | - | 38,164 | 38,164 | 53,876 |
| Total Long-Term Debt - 2017 | | | | | | | 17,009,024 | 655,285 | 22,266 | (6,554) | - | 15,712 | 670,997 | 563,923 | 40,569 | (2,405) | - | 38,164 | 602,087 | 1,273,084 |
| Intercompany Debt | | | | | | | | | | | | | | | | | | | | |
| DW 14-282 | 25,746 | 12/30/14 | Penn Corp: \$1.0M - 2015 (Refinanced: \$843,884) | 10 | 03/04/25 | 2.700% | - | - | | | | - | - | - | | | | - | - | - |
| DW 13-017 | 25,480 | 03/27/13 | Penn Corp: \$3.0M - 2013 (\$1,276,850 PEU CapEx) (Refinanced: \$857,632) | 10 | 05/03/23 | 2.650% | - | - | | | | - | - | - | | | | - | - | - |
| DW 13-017 | 25,480 | 03/27/13 | Penn Corp: \$3.0M - 2013 (\$1,723,150 NC CapEx) (Refinanced: \$1,157,403) | 10 | 05/03/23 | 2.650% | - | - | | | | - | - | - | | | | - | - | - |
| | | | Penn Corp | | | 1.250% | 1,179,110 | - | | | | - | - | - | | | | - | - | - |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Ref'd \$1.0M - 2015 | 30 | TBD | 3.200% | 843,884 | 17,165 | | | | - | 17,165 | 27,010 | | | | - | 27,010 | 44,175 |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Ref'd \$3.0M - 2013 (\$1,276,850 PEU CapEx) | 30 | TBD | 3.200% | 857,632 | 17,445 | | | | - | 17,445 | 27,450 | | | | - | 27,450 | 44,895 |
| DW 17-157 | 26,117 | 03/30/18 | Penn Corp: Ref'd \$3.0M - 2013 (\$1,723,150 NC CapEx) | 30 | TBD | 3.200% | 1,157,403 | - | | | | - | - | - | | | | - | - | - |
| Total Intercompany Debt | | | | | | | 4,038,029 | 34,610 | - | - | - | - | 34,610 | 54,460 | - | - | - | - | 54,460 | 89,070 |
| GRAND TOTAL DEBT | | | | | | | \$21,047,053 | \$ 689,895 | \$ 22,266 | \$ (6,554) | \$ - | \$ 15,712 | \$ 705,607 | \$ 618,383 | \$ 40,569 | \$ (2,405) | \$ - | \$ 38,164 | \$ 656,547 | \$ 1,362,154 |

Notes:

(i): Per Co's Response to Staff 4-5

(j): Per Co's Response to Staff Tech 1-3

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
RATE BASE - PERMANENT RATES

| | Company Proposal (as revised per Co's Data Responses) | | | | | Staff Proposal | | |
|--|---|--|--|--|---|---|--|---|
| | (1) 13-Month Average (Per Company Filing - Sch 3) | (2) Co Proforma Adj's - Permanent Rates (Per Company Filing - Sch 3) | (3) Perm Rate Adj Revisions per Co Responses to DR's | (4) Adj Rate Base - Permanent Rates (Per Co's Revised Sch 3) | (5) Co Pro-forma Bal Ref (Sch 2A) | (6) Staff Adjustments (Sch's 2B) | (7) Staff Adjustment # (Sch's 2B) | (8) Adjusted Rate Base Per Staff |
| Plant in Service | \$ 50,698,303 | \$ (9,427,565) | \$ 61,724 | \$ 41,332,462 | i | | | \$ 41,332,462 |
| Accumulated Depreciation | (11,788,562) | 498,900 | (8,870) | (11,298,532) | ii | | | (11,298,532) |
| Acquisition Adjustment | (9,820,410) | | | (9,820,410) | | | | (9,820,410) |
| Accumulated Amortization Acq Adj | 3,932,034 | | | 3,932,034 | | | | 3,932,034 |
| Contributions in Aid of Construction | (12,767,645) | 14,096 | | (12,753,549) | iii | | | (12,753,549) |
| Accumulated Amortization of CIAC | 2,127,070 | (2,459) | | 2,124,611 | iv | | | 2,124,611 |
| Net Plant in Service | 22,380,790 | (8,917,028) | 52,854 | 13,516,616 | | - | | 13,516,616 |
| Rate Stabilization Fund | - | | 980,000 | 980,000 | v | (980,000) | 8 | - |
| Cash Working Capital | 581,226 | 13,537 | (1,880) | 592,883 | vi | | | 592,883 |
| Prepaid Expenses | 128,316 | | | 128,316 | | (23,328) | 9 - 10 | 104,988 |
| Unamortized Deferred Debits | 8,707,250 | (8,121,034) | (45,318) | 540,898 | vii | | | 540,898 |
| Customer Deposits | (131,757) | | | (131,757) | | | | (131,757) |
| Deferred Income Tax | (4,462,580) | | | (4,462,580) | | | | (4,462,580) |
| Deferred Credit - Gain on SRF Loans | - | (332,527) | | (332,527) | viii | | | (332,527) |
| NET RATE BASE - PERMANENT RATES | \$ 27,203,245 | \$ (17,357,052) | \$ 985,656 | \$ 10,831,849 | | \$ (1,003,328) | | \$ 9,828,521 |

PEU0060

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COMPANY PRO-FORMA RATE BASE ADJUSTMENT SUMMARY - PERMANENT RATES

Ref

| | | | |
|-----|---|-------------------|-------------------------------|
| i | <u>Plant in Service - Permanent Rates</u> | | |
| | 13-Month Average of Plant in Service per Sch 3 of Co's Original Filing | | <u>\$ 50,698,303</u> |
| | Plant in Service Adj IA - Permanent Rates per Sch 3, Att A of Co's Original Filing | | <u>\$ 1,304,371</u> |
| | Plant in Service Adj IB - Permanent Rates per Sch 3, Att A of Co's Original Filing | (87,599) | |
| | Adjustment per Co's response to Staff DR 1-57 | <u>62,151</u> → | (25,448) |
| | Plant in Service Adj IC - Permanent Rates per Sch 3, Att A of Co's Original Filing | (4,234,285) | |
| | Adjustment per Co's response to Staff DR 1-45 | <u>(426)</u> → | (4,234,711) |
| | Plant in Service Adj ID - Permanent Rates per Sch 3, Att A of Co's Original Filing | | <u>(6,410,053)</u> |
| | Net Pro-forma Plant in Service Adjustments - Permanent Rates per Company | | <u>(9,365,841)</u> |
| | Pro-forma Plant in Service - Permanent Rates per Company | | <u>\$ 41,332,462</u> |
| ii | <u>Accumulated Depreciation - Permanent Rates</u> | | |
| | 13-Month Average of Accumulated Depreciation per Sch 3 of Co's Original Filing | | <u>\$ (11,788,562)</u> |
| | Adjustment per Company's response to Staff Tech 1-3 | | (68) |
| | Accumulated Depreciation Adj IA - Permanent Rates per Sch 3, Att C of Co's Original Filing | \$ (46,144) | |
| | Adjustment per Company's response to Staff DR 1-54 | <u>23,072</u> → | (23,072) |
| | Accumulated Depreciation Adj IB - Permanent Rates per Sch 3, Att C of Co's Original Filing | 1,079,833 | |
| | Adjustment per Company's response to Staff DR 1-50 | <u>(57,640)</u> → | 1,022,193 |
| | Accumulated Depreciation Adj IC per Co's responses to Staff DR's 1-44 and 1-57 | | 25,448 |
| | Accumulated Depreciation: Loss Adj IA - Permanent Rates per Sch 3, Att C of Co's Original Filing | (463,240) | |
| | Adjustment per Company's response to Staff DR 1-50 | <u>235</u> → | (463,005) |
| | Accumulated Depreciation: COR Adj IA - Permanent Rates per Sch 3, Att C of Co's Original Filing | (71,549) | |
| | Adjustment per Company's response to Staff DR 1-50 | <u>83</u> → | (71,466) |
| | Net Pro-forma Accumulated Depreciation Adjustments - Permanent Rates per Company | | <u>490,030</u> |
| | Pro-forma Accumulated Depreciation - Permanent Rates per Company | | <u>\$ (11,298,532)</u> |
| iii | <u>Contributions in Aid of Construction (CIAC) - Permanent Rates</u> | | |
| | 13-Month Average of Contributions in Aid of Construction (CIAC) per Sch 3 of Co's Original Filing | | <u>\$ (12,767,645)</u> |
| | Contributions in Aid of Construction (CIAC) Adj IIA - Permanent Rates per Sch 3, Att E of Co's Original Filing | | <u>14,096</u> |
| | Net Pro-forma Contributions in Aid of Construction (CIAC) Adjustments - Permanent Rates per Company | | <u>14,096</u> |
| | Pro-forma Contributions in Aid of Construction (CIAC) - Permanent Rates per Company | | <u>\$ (12,753,549)</u> |
| iv | <u>Contributions in Aid of Construction (CIAC): Amortization - Permanent Rates</u> | | |
| | 13-Month Average of Contributions in Aid of Construction (CIAC): Amortization per Sch 3 of Co's Original Filing | | <u>\$ 2,127,070</u> |
| | Contributions in Aid of Construction (CIAC): Amortization Adj IIIA - Permanent Rates per Sch 3, Att E of Co's Original Filing | | <u>(2,459)</u> |
| | Net Pro-forma Contributions in Aid of Construction (CIAC): Amortization Adjustments - Permanent Rates per Company | | <u>(2,459)</u> |
| | Pro-forma Contributions in Aid of Construction (CIAC): Amortization - Permanent Rates per Company | | <u>\$ 2,124,611</u> |

PEU0061

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COMPANY PRO-FORMA RATE BASE ADJUSTMENT SUMMARY - PERMANENT RATES

Ref**v Rate Stabilization Fund - Permanent Rates**

| | |
|---|--------------------------|
| 13-Month Average of Rate Stabilization Fund per Sch 3 of Co's Original Filing | \$ - |
| Adjustment per Company's response to Staff Tech 1-3 | 980,000 |
| Net Pro-forma Rate Stabilization Fund Adjustments - Permanent Rates per Company | 980,000 |
| Pro-forma Rate Stabilization Fund - Permanent Rates per Company | <u>\$ 980,000</u> |

vi Cash Working Capital - Permanent Rates

| | |
|--|--------------------------|
| 13-Month Average of Cash Working Capital per Sch 3 of Co's Original Filing | \$ 581,226 |
| Adjustment per Company's response to Staff DR 1-51 | 1,402 |
| Cash Working Capital Adj IA - Permanent Rates per Sch 3, Att D of Co's Original Filing | 13,537 |
| Adjustment per Company's response to Staff Tech 1-3 | (3,282) → 10,255 |
| Net Pro-forma Cash Working Capital Adjustment - Permanent Rates per Company | 11,657 |
| Pro-forma Cash Working Capital - Permanent Rates per Company | <u>\$ 592,883</u> |

vii Unamortized Deferred Debits - Permanent Rates

| | |
|--|--------------------------|
| 13-Month Average of Unamortized Deferred Debits per Sch 3 of Co's Original Filing | \$ 8,707,250 |
| Unamortized Deferred Debit Adj IA - Permanent Rates per Sch 3, Att B of Co's Original Filing | \$ (4,140) |
| Unamortized Deferred Debit Adj IC - Permanent Rates per Sch 3, Att B of Co's Original Filing | \$ 45,317 |
| Adjustment per Company's response to Staff DR 3-4 | (45,317) → - |
| Unamortized Deferred Debit Adj ID - Permanent Rates per Sch 3, Att B of Co's Original Filing | \$ (8,092,677) |
| Unamortized Deferred Debit Adj IE - Permanent Rates per Sch 3, Att B of Co's Original Filing | \$ (69,535) |
| Net Pro-forma Unamortized Deferred Debit Adjustments - Permanent Rates per Company | (8,166,352) |
| Pro-forma Unamortized Deferred Debits - Permanent Rates per Company | <u>\$ 540,898</u> |

viii Deferred Credit - Gain on SRF Loans - Permanent Rates

| | |
|---|----------------------------|
| 13-Month Average of Deferred Credit - Gain on SRF Loans per Sch 3 of Co's Original Filing | \$ - |
| Deferred Credit - Gain on SRF Loans Adj IA - Permanent Rates per Sch 3, Att E of Co's Original Filing | \$ (332,527) |
| Net Pro-forma Deferred Credit - Gain on SRF Loans Adjustments - Permanent Rates per Company | (332,527) |
| Pro-forma Deferred Credit - Gain on SRF Loans - Permanent Rates per Company | <u>\$ (332,527)</u> |

PEU0062

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
STAFF PRO-FORMA RATE BASE ADJUSTMENTS - PERMANENT RATES

**Adj
No.**

RATE STABILIZATION FUND - PERMANENT RATES

| | | |
|---|--|--------------|
| 8 | To reclassify Co's Rates Stabilization Fund Pro-forma from Permanent Rates to Step Adjustment. | \$ (980,000) |
|---|--|--------------|

| | | |
|--|---|--------------|
| | Total Adjustments - Rate Stabilization Fund - Permanent Rates | \$ (980,000) |
|--|---|--------------|

PREPAID EXPENSES

| | | |
|---|---|-------------|
| 9 | To eliminate the 13-Mo Average of Prepaid O&M Expenses from Rate Base due to the inclusion of O&M Exp's in the calculation of the Cash Working Capital Rate Base Component. | \$ (24,134) |
|---|---|-------------|

| | | |
|----|--|-----|
| 10 | To eliminate the 13-Mo Average of the Clearing Account Balance from Rate Base. | 806 |
|----|--|-----|

| | | |
|--|---|-------------|
| | Total Adjustments - Unamortized Deferred Debits - Permanent Rates | \$ (23,328) |
|--|---|-------------|

| | | |
|--|--|-----------------------|
| | <u>NET RATE BASE ADJUSTMENTS PER STAFF - PERMANENT RATES</u> | <u>\$ (1,003,328)</u> |
|--|--|-----------------------|

PEU0063

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
OPERATING INCOME STATEMENT - PERMANENT RATES

| | Company Proposal (as revised per Co's Data Responses) | | | | | Staff Proposal | | | | |
|--|---|------------------|-------------------|--------------|-------|----------------|---------|--------------|------------|--------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| | Co Proforma Adj's - | Perm Rate Adj | Adj Oper Income - | Co | | | | | | |
| | Permanent Rates | Revisions per Co | Permanent Rates | Pro-forma | | | | | | |
| | (Per Company | Responses to | (Per Co's Revised | Bal Ref | | | | | | |
| | Filing - Sch 1) | DR's | Sch 1) | (Sch 3A) | | | | | | |
| | Test Year | | | | | | | | | |
| | Operating Income | | | | | | | | | |
| OPERATING REVENUES | | | | | | | | | | |
| Water Revenues: | | | | | | | | | | |
| Water Revenue other than NCCRS and CBFRR | \$ 6,172,696 | | | \$ 6,172,696 | | | | \$ 6,172,696 | \$ 138,152 | \$ 6,310,848 |
| Add: North Country Capital Recovery Surcharge (NCCRS) | 299,985 | (299,985) | | - | ix | | | - | - | - |
| Total Water Revenue other than CBFRR | 6,472,681 | (299,985) | - | 6,172,696 | | - | | 6,172,696 | 138,152 | 6,310,848 |
| City Bond Fixed Revenue Requirement (CBFRR) | 898,863 | (926,309) | | (27,446) | x | 27,446 | 11 | - | - | - |
| Water Sales for Resale | - | | | - | | | | - | - | - |
| Total Water Revenues | 7,371,544 | (1,226,294) | - | 6,145,250 | | 27,446 | | 6,172,696 | 138,152 | 6,310,848 |
| Other Operating Revenue | 39,407 | | | 39,407 | | | | 39,407 | | 39,407 |
| Total Operating Revenues | 7,410,951 | (1,226,294) | - | 6,184,657 | | 27,446 | | 6,212,103 | 138,152 | 6,350,255 |
| OPERATING EXPENSES | | | | | | | | | | |
| O & M Expenses: | | | | | | | | | | |
| Production Expense | 1,991,779 | (12,254) | 13,771 | 1,993,296 | xi | | | 1,993,296 | | 1,993,296 |
| Transmission and Distribution Expense | 616,944 | 11,265 | | 628,209 | xii | | | 628,209 | | 628,209 |
| Customer Account and Collection Expense | 184,106 | 310 | | 184,416 | xiii | | | 184,416 | | 184,416 |
| Administrative and General Expense | 155,295 | 7,881 | (5,839) | 157,337 | xiv | | | 157,337 | | 157,337 |
| Inter-Division Management Fee | 1,811,425 | 102,584 | (34,549) | 1,879,460 | xv | | | 1,879,460 | | 1,879,460 |
| Total O & M Expenses | 4,759,549 | 109,786 | (26,617) | 4,842,718 | | - | | 4,842,718 | - | 4,842,718 |
| Property Tax Expense | 1,051,160 | (58,924) | (22,218) | 970,018 | xvi | (26,236) | 12 | 943,782 | | 943,782 |
| Gain from Forgiveness of SRF Debt | (22,613) | | | (22,613) | | | | (22,613) | | (22,613) |
| Depreciation Expense | 1,250,948 | (228,330) | (18,838) | 1,003,780 | xvii | | | 1,003,780 | | 1,003,780 |
| Amortization of Acquisition Adjustment | (211,341) | | | (211,341) | | | | (211,341) | | (211,341) |
| Amortization - Contributions in Aid of Construction (CIAC) | (259,085) | 432 | | (258,653) | xviii | | | (258,653) | | (258,653) |
| Amortization Expense | 251,081 | (207,347) | | 43,734 | xix | | | 43,734 | | 43,734 |
| Total Operating Expenses | 6,819,699 | (384,383) | (67,673) | 6,367,643 | | (26,236) | | 6,341,407 | - | 6,341,407 |
| Net Operating Income | | | | | | | | | | |
| Before Income Tax | 591,252 | (841,911) | 67,673 | (182,986) | | 53,682 | | (129,304) | 138,152 | 8,849 |
| Income Tax Expense: | | | | | | | | | | |
| NH Business Profits Tax Expense | 10,154 | (85,469) | 5,549 | (69,766) | xx | (19,518) | 13 - 14 | (89,284) | 11,328 | (77,956) |
| Federal Income Tax Expense | 37,165 | (325,324) | 21,122 | (267,037) | xxi | (74,294) | 15 - 16 | (341,331) | 43,120 | (298,210) |
| Total Income Tax Expense | 47,319 | (410,793) | 26,671 | (336,803) | | (93,812) | | (430,615) | 54,449 | (376,166) |
| NET OPERATING INCOME - PERMANENT RATES | \$ 543,933 | \$ (431,118) | \$ 41,002 | \$ 153,817 | | \$ 147,494 | | \$ 301,311 | \$ 83,704 | \$ 385,015 |

PEU0064

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
OPERATING INCOME STATEMENT - PERMANENT RATES

| | |
|---|----------------------------|
| Revenue Requirement - Original Rate Structure: | |
| Water Revenue other than CBFRR and NCCRS | \$ 6,310,848 |
| Tax Change Revenue Adjustment | 159,658 |
| Revised North Country Capital Recovery Surcharge (NCCRS) | 178,915 |
| City Bond Fixed Revenue Requirement (CBFRR) | <u>898,863</u> |
| Total Revenue Requirement - Original Rate Structure | <u>\$ 7,548,285</u> |
| Revenue Requirement - Modified Rate Structure: | |
| City Bond Fixed Revenue Requirement (CBFRR): | <u>\$ 926,309</u> |
| Operating Expense Revenue Requirement (OERR): | |
| Total O & M Expenses | \$ 4,842,718 |
| Property Tax Expense | 943,782 |
| Amortization Expense | <u>43,734</u> |
| | <u>5,830,234</u> |
| Debt Service Revenue Requirement (DSRR): | |
| Debt Service Requirement (Sch 1C-Perm/5YAvg) | 1,308,278 |
| Debt Service Coverage Requirement x | <u>1.1</u> |
| | <u>1,439,106</u> |
| Total Revenue Requirement other than NCCRS - Modified Rate Structure | <u>\$ 8,195,649</u> |
| Revised North Country Capital Recovery Surcharge (NCCRS) | <u>178,915</u> |
| Total Proposed Revenue Requirement - Modified Rate Structure | <u>\$ 8,374,564</u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COMPANY PRO-FORMA OPERATING INCOME ADJUSTMENT SUMMARY - PERMANENT RATES

Ref

| | | | |
|------|--|-----------|------------------|
| ix | <u>North Country Capital Recovery Surcharge (NCCRS) - Permanent Rates</u> | | |
| | Test Year North Country Capital Recovery Surcharge (NCCRS) Revenue per Sch 1 of Co's Original Filing | \$ | 299,985 |
| | Water Sales Adj IB - Permanent Rates per Sch 1, Att A of Co's Original Filing | | (299,985) |
| | Total North Country Capital Recovery Surcharge (NCCRS) Revenue Adjustments - Permanent Rates per Company | | (299,985) |
| | Pro-forma North Country Capital Recovery Surcharge (NCCRS) Revenue - Permanent Rates per Company | \$ | - |
| x | <u>City Bond Fixed Revenue Requirement (CBFRR) Revenue - Permanent Rates</u> | | |
| | Test Year City Bond Fixed Revenue Requirement (CBFRR) Revenue per Sch 1 of Co's Original Filing | \$ | 898,863 |
| | Water Sales Adj IA - Permanent Rates per Sch 1, Att A of Co's Original Filing | | (926,309) |
| | Total Pro-forma CBFRR Revenue Adjustments - Permanent Rates per Company | | (926,309) |
| | Pro-forma Test Year City Bond Fixed Revenue Requirement (CBFRR) Revenue - Permanent Rates per Company | \$ | (27,446) |
| xi | <u>Production Expense - Permanent Rates</u> | | |
| | Test Year Production Expense per Sch 1 of Co's Original Filing | \$ | 1,991,779 |
| | Union Contract Adj IA - Permanent Rates per Sch 1, Att B, Pg 1 of Co's Original Filing | \$ | 2,489 |
| | Adjustment per Company's response to Staff DR 1-22 | 7,750 → | 10,239 |
| | Operating and Maintenance Expense Adj IIA - Permanent Rates per Sch 1, Att B, Pg 1 of Co's Original Filing | 17,538 | |
| | Adjustment per Company's responses to Staff DR's 2-3 and 3-2 | 4,710 → | 22,248 |
| | Operating and Maintenance Adj IIB - Permanent Rates per Sch 1, Att B, Pg 1 of Co's Original Filing | | (27,693) |
| | Operating and Maintenance Adj IID - Permanent Rates per Sch 1, Att B, Pg 1 of Co's Original Filing | | (4,589) |
| | Operating and Maintenance Adj IIF - Permanent Rates per Company's responses to Staff DR's 1-5, 1-26, and 2-1 | | 1,312 |
| | Net Pro-forma Production Expense Adjustments - Permanent Rates per Company | | 1,517 |
| | Pro-forma Production Expense - Permanent Rates per Company | \$ | 1,993,296 |
| xii | <u>Transmission and Distribution Expense - Permanent Rates</u> | | |
| | Test Year Transmission and Distribution Expense per Sch 1 of Co's Original Filing | \$ | 616,944 |
| | Union Contract Adj IA - Permanent Rates per Sch 1, Att B, Pg 2 of Co's Original Filing | | 11,265 |
| | Net Pro-forma Transmission and Distribution Expense Adjustments - Permanent Rates per Company | | 11,265 |
| | Pro-forma Transmission and Distribution Expense - Permanent Rates per Company | \$ | 628,209 |
| xiii | <u>Customer Account and Collection Expense - Permanent Rates</u> | | |
| | Test Year Customer Account and Collection Expense per Sch 1 of Co's Original Filing | \$ | 184,106 |
| | Customer Account and Collection Adj IVA - Permanent Rates per Sch 1, Att B, Pg 3 of Co's Original Filing | | 310 |
| | Pro-forma Customer Account and Collection Expense - Permanent Rates per Company | \$ | 184,416 |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COMPANY PRO-FORMA OPERATING INCOME ADJUSTMENT SUMMARY - PERMANENT RATES

Ref

| | | | |
|-----|--|-------------|---------------------|
| xiv | <u>Administrative and General Expense - Permanent Rates</u> | | |
| | Test Year Administrative and General Expense per Sch 1 of Co's Original Filing | | \$ 155,295 |
| | Insurance Adj IA - Permanent Rates per Sch 1, Att C, Pg 1 of Co's Original Filing | \$ 1,797 | |
| | Adjustment per Company's response to Staff DR 1-27 | (4,944) → | (3,147) |
| | Regulatory Commission Expense Adj IIA - Permanent Rates per Sch 1, Att C, Pg 1 of Co's Original Filing | 6,084 | |
| | Adjustment per Company's response to Staff DR 1-28 | 1,657 → | 7,741 |
| | Outside Services Expense Adj IIIA - Permanent Rates per Staff Audit Report | | (2,552) |
| | Net Pro-forma Administrative and General Expense Adjustments - Permanent Rates per Company | | 2,042 |
| | Pro-forma Administrative and General Expense - Permanent Rates per Company | | \$ 157,337 |
| xv | <u>Inter-Division Management Fee - Permanent Rates</u> | | |
| | Test Year Inter-Division Management Fee per Sch 1 of Co's Original Filing | | \$ 1,811,425 |
| | Management Fee Adj IA - Permanent Rates per Sch 1, Att C, Pg 2 of Co's Original Filing | | 48,614 |
| | Management Fee Adj ID - Permanent Rates per Sch 1, Att C, Pg 2 of Co's Original Filing | | 6,392 |
| | Management Fee Adj IF - Permanent Rates per Sch 1, Att C, Pg 2 of Co's Original Filing | 47,578 | |
| | Adjustment per Company's responses to Staff DR's 1-30 and 2-4 | (34,549) → | 13,029 |
| | Net Pro-forma Inter-Division Management Fee Adjustments - Permanent Rates per Company | | 68,035 |
| | Pro-forma Inter-Division Management Fee - Permanent Rates per Company | | \$ 1,879,460 |
| xvi | <u>Property Tax Expense - Permanent Rates</u> | | |
| | Test Year Property Tax Expense per Sch 1 of Co's Original Filing | | \$ 1,051,160 |
| | Property Tax Expense Adj IA - Permanent Rates per Sch 1, Att D of Co's Original Filing | \$ (67,079) | |
| | Adjustment per Company's response to Staff Tech 1-3 | 6,517 → | (60,562) |
| | Property Tax Expense Adj IB - Permanent Rates per Sch 1, Att D of Co's Original Filing | 64,904 | |
| | Adjustment per Company's response to Staff DR 1-32 | 2,011 → | 66,915 |
| | Property Tax Expense Adj IC - Permanent Rates per Sch 1, Att D of Co's Original Filing | (3,464) | |
| | Adjustment per Company's responses to Staff DR's 1-32, 1-33, and 1-40 | (124) → | (3,588) |
| | Property Tax Expense Adj ID - Permanent Rates per Sch 1, Att D of Co's Original Filing | | (48,871) |
| | Property Tax Expense Adj IE - Permanent Rates per Sch 1, Att D of Co's Original Filing | (4,413) | |
| | Adjustment per Company's response to Staff DR 1-34 | 363 → | (4,050) |
| | Property Tax Expense Adj IF - Permanent Rates per Company's response to Staff DR 2-6 | | (30,986) |
| | Net Pro-forma Property Tax Expense Adjustments - Permanent Rates per Company | | (81,142) |
| | Pro-forma Property Tax Expense - Permanent Rates per Company | | \$ 970,018 |

PEU0067

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COMPANY PRO-FORMA OPERATING INCOME ADJUSTMENT SUMMARY - PERMANENT RATES

| <u>Ref</u> | | | |
|------------|---|------------|---------------------|
| xvii | <u>Depreciation Expense - Permanent Rates</u> | | |
| | Test Year Depreciation Expense per Sch 1 of Co's Original Filing | | \$ 1,250,948 |
| | Depreciation Adj IA - Permanent Rates per Sch 1, Att E of Co's Original Filing | \$ 46,144 | |
| | Adjustment per Company's response to Staff DR 1-54 | (23,072) → | 23,072 |
| | Depreciation Adj IB - Permanent Rates per Sch 1, Att E of Co's Original Filing | | (2,638) |
| | Depreciation Adj IC - Permanent Rates per Sch 1, Att E of Co's Original Filing | | (151,981) |
| | Depreciation Adj ID - Permanent Rates per Sch 1, Att E of Co's Original Filing | (119,855) | |
| | Adjustment per Company's responses to Staff DR's 1-35 and 1-53 | 4,234 → | (115,621) |
| | Net Pro-forma Depreciation Expense Adjustments - Permanent Rates per Company | | (247,168) |
| | Pro-forma Depreciation Expense - Permanent Rates per Company | | \$ 1,003,780 |
| xviii | <u>Amortization - CIAC - Permanent Rates</u> | | |
| | Test Year Amortization - CIAC per Sch 1 of Co's Original Filing | | \$ (259,085) |
| | Amortization - CIAC Adj IIA - Permanent Rates per Sch 1, Att F of Co's Original Filing | | 432 |
| | Net Pro-forma Amortization - CIAC Adjustments - Permanent Rates Per Company | | 432 |
| | Pro-forma Amortization - CIAC - Permanent Rates per Company | | \$ (258,653) |
| xix | <u>Amortization Expense - Permanent Rates</u> | | |
| | Test Year Amortization Expense per Sch 1 of Co's Original Filing | | \$ 251,081 |
| | Amortization Adj IA - Permanent Rates per Sch 1, Att F of Co's Original Filing | | 4,140 |
| | Amortization Adj IB - Permanent Rates per Sch 1, Att F of Co's Original Filing | | (5,090) |
| | Amortization Adj IC - Permanent Rates per Sch 1, Att F of Co's Original Filing | | (200,394) |
| | Amortization Adj ID - Permanent Rates per Sch 1, Att F of Co's Original Filing | | (6,003) |
| | Net Pro-forma Amortization Expense Adjustments - Permanent Rates per Company | | (207,347) |
| | Pro-forma Amortization Expense - Permanent Rates per Company | | \$ 43,734 |
| xx | <u>NH Business Profits Tax Expense - Permanent Rates</u> | | |
| | NH Business Profits Tax Expense per Sch 1 of Co's Original Filing | | \$ 10,154 |
| | Income Tax Adj IA - Permanent Rates per Sch 1, Att G of Co's Original Filing | (85,469) | |
| | Adjustment per Company's response to Staff Tech 1-3 | 5,549 → | (79,920) |
| | Net Pro-forma NH Business Profits Tax Expense Adjustments - Permanent Rates per Company | | (79,920) |
| | Pro-forma NH Business Profits Tax Expense - Permanent Rates per Company | | \$ (69,766) |
| xxi | <u>Federal Income Tax Expense - Permanent Rates</u> | | |
| | Federal Income Tax Expense per Sch 1 of Co's Original Filing | | \$ 37,165 |
| | Income Tax Adj IA - Permanent Rates per Sch 1, Att G of Co's Original Filing | (325,324) | |
| | Adjustment per Company's response to Staff Tech 1-3 | 21,122 → | (304,202) |
| | Net Pro-forma Federal Income Tax Expense Adjustments - Permanent Rates per Company | | (304,202) |
| | Pro-forma Federal Income Tax Expense - Permanent Rates per Company | | \$ (267,037) |

PEU0068

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
STAFF PRO-FORMA OPERATING INCOME ADJUSTMENTS - PERMANENT RATES

Staff
Adj #

PRO-FORMA ADJUSTMENTS - OPERATING REVENUES - PERMANENT RATES:

CITY BOND FIXED REVENUE REQUIREMENT (CBFRR) - PERMANENT RATES

| | | |
|----|--|------------------|
| 11 | To eliminate difference between Test Year CBFRR Revenues and Co's CBFRR Pro-forma Adjustment | \$ 27,446 |
| | Total Adjustments - Water Revenue other than NCCRS and CBFRR - Permanent Rates | \$ 27,446 |
| | TOTAL OPERATING REVENUE ADJUSTMENTS PER STAFF - PERMANENT RATES | \$ 27,446 |

PRO-FORMA ADJUSTMENTS - OPERATING EXPENSES - PERMANENT RATES:

PROPERTY TAX EXPENSE - PERMANENT RATES

| | | |
|----|--|--------------------|
| 12 | To record Staff's Pro-forma Adjustment to Property Tax Expense. (Sch 6-Perm) | \$ (26,236) |
| | Total Adjustments - Property Tax Expense - Permanent Rates | \$ (26,236) |

NEW HAMPSHIRE BUSINESS PROFITS TAX (NHBPT) EXPENSE - PERMANENT RATES

| | | |
|----|---|--------------------|
| 13 | To record Staff's Pro-forma NHBPT Adjustment - Permanent Rates (Sch 3Bii-Perm) | \$ 4,402 |
| 14 | To record NHBPT Interest Synchronization Adjustment - Permanent Rates (Sch 3Bii-Perm) | (23,920) |
| | Total Adjustments - NHBPT Expense - Permanent Rates | \$ (19,518) |

FEDERAL INCOME TAX (FIT) EXPENSE - PERMANENT RATES

| | | |
|----|---|--------------------|
| 15 | To record Staff's Pro-forma Federal Income Tax Adjustment - Permanent Rates (Sch 3Bii-Perm) | \$ 16,755 |
| 16 | To record FIT Interest Synchronization Adjustment - Permanent Rates (Sch 3Bii-Perm) | (91,049) |
| | Total Adjustment - FIT Expense - Permanent Rates | \$ (74,294) |

NET OPERATING EXPENSE ADJUSTMENTS PER STAFF - PERMANENT RATES

\$ (120,048)

NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES

\$ 147,494

PEU0069

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
PRO-FORMA INCOME TAX EXPENSE - PERMANENT RATES

Operating Revenues - Permanent Rates:

| | |
|---|----------------------|
| Total pro-forma adjustments - Water Revenue other than NCCRS and CBFRR | \$ - |
| Total pro-forma adjustments - NCCRS Revenue | - |
| Total pro-forma adjustments - CBFRR Revenue | 27,446 |
| Total pro-forma adjustments - Water Sales for Resale | - |
| Total pro-forma adjustments - Other Operating Revenue | - |
| Total pro-forma adjust's b/f Income Tax Exp - Operating Revenues - Permanent Rates | <u>27,446</u> |

Operating Expenses - Permanent Rates:

| | |
|---|------------------------|
| Total pro-forma adjustments - Production Expense | - |
| Total pro-forma adjustments - Transmission and Distribution Expense | - |
| Total pro-forma adjustments - Customer Account and Collection Expense | - |
| Total pro-forma adjustments - Administrative & General Expense | - |
| Total pro-forma adjustments - Inter-Division Management Fee | - |
| Total pro-forma adjustments - Property Tax Expense | (26,236) |
| Total pro-forma adjustments - Gain from Forgiveness SRF Debt | - |
| Total pro-forma adjustments - Depreciation Expense | - |
| Total pro-forma adjustments - Amortization of Acquisition Adjustment | - |
| Total pro-forma adjustments - Amortization-CIAC | - |
| Total pro-forma adjustments - Amortization Expense | - |
| Net pro-forma adjust's b/f Income Tax Exp - Operating Expenses - Permanent Rates | <u>(26,236)</u> |

Net Operating Income Adj's per Staff subject to NHBPT - Permanent Rates 53,682

NH Business Profits Tax @ 8.20% - Permanent Rates 4,402

Net Operating Income Adj's per Staff subject to FIT - Permanent Rates 49,280

Federal Income Tax @ 34.00% - Permanent Rates 16,755

| | | | |
|---|-----------------|-----------------|--------------------|
| Interest Synchronization Adjustment - Permanent Rates: | NHBPT | FIT | |
| Adjustment | <u>(23,920)</u> | <u>(91,049)</u> | → <u>(114,969)</u> |

Net Pro-forma Operating Income Adjust's after Income Tax per Staff - Permanent Rates **\$ 147,494**

Interest Synchronization Adjustment

| | |
|---|---------------------|
| Net Pro-forma Rate Base - Permanent Rates | \$ 9,828,521 |
| Weighted Average Cost of Debt (Sch 1A-Perm/5YAvg) | <u>3.87%</u> |
| Synchronized Interest Expense - Permanent Rates | 380,473 |
| Less: Test Year Interest Expense | <u>(672,184)</u> |
| State Taxable Interest Expense Adjustment - Permanent Rates | \$ (291,711) |
| NHBPT @ 8.20% - Permanent Rates | <u>\$ (23,920)</u> |
| Federal Taxable Interest Expense Adjustment - Permanent Rates | (267,791) |
| FIT @ 34.00% - Permanent Rates | <u>\$ (91,049)</u> |
| Combined State/Federal Tax Adjustment - Permanent Rates | <u>\$ (176,742)</u> |

PEU0070

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REPORT OF PROPOSED RATE CHANGES - PERMANENT RATES
ORIGINAL RATE STRUCTURE

| Rate or Class of Service | Effect of Proposed Change | Average Number Customers | Present Permanent Rate Revenues | Calculated Revenues - Permanent | Change | |
|-------------------------------|---------------------------------|--------------------------------|--|---------------------------------------|-------------------|--------------|
| | | | | | Amount | % Increase |
| G-M | Increase | 7,321 | \$ 6,130,548 | \$ 6,388,729 | \$ 258,181 | 4.21% |
| Private FP | Increase | 148 | 257,130 | 267,959 | 10,829 | 4.21% |
| FP - Hydrants | Increase | 4 | 628,340 | 654,802 | 26,462 | 4.21% |
| Windham Public Hydrant | Increase | 328 | 31,372 | 32,693 | 1,321 | 4.21% |
| Raymond Public Hydrant | Increase | 232 | 5,171 | 5,389 | 218 | 4.21% |
| Lee Public Hydrant | Increase | 34 | 3,581 | 3,732 | 151 | 4.21% |
| Exeter Public Hydrant | Increase | 52 | 4,656 | 4,852 | 196 | 4.21% |
| Birch Hill Public Hydrant | Increase | 214 | 9,211 | 9,599 | 388 | 4.21% |
| Bow Public Hydrant | Increase | 24 | 1,550 | 1,615 | 65 | 4.21% |
| NC Capital Recovery Surcharge | Decrease | | 299,985 | 178,915 | (121,070) | -40.36% |
| | | <u>8,357</u> | <u>\$ 7,371,544</u> | <u>\$ 7,548,285</u> | <u>\$ 176,741</u> | <u>2.40%</u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REPORT OF PROPOSED RATE CHANGES - PERMANENT RATES
MODIFIED RATE STRUCTURE

| Rate or Class of Service | Effect of Proposed Change | Average Number Customers | Present Permanent Rate Revenues | Calculated Revenues - Permanent | Change | |
|-------------------------------|---------------------------------|--------------------------------|--|---------------------------------------|---------------------|---------------|
| | | | | | Amount | % Increase |
| G-M | Increase | 7,321 | \$ 6,130,548 | \$ 7,105,055 | \$ 974,507 | 15.90% |
| Private FP | Increase | 148 | 257,130 | 298,003 | 40,873 | 15.90% |
| FP - Hydrants | Increase | 4 | 628,340 | 728,220 | 99,880 | 15.90% |
| Windham Public Hydrant | Increase | 328 | 31,372 | 36,359 | 4,987 | 15.90% |
| Raymond Public Hydrant | Increase | 232 | 5,171 | 5,993 | 822 | 15.90% |
| Lee Public Hydrant | Increase | 34 | 3,581 | 4,150 | 569 | 15.90% |
| Exeter Public Hydrant | Increase | 52 | 4,656 | 5,396 | 740 | 15.90% |
| Birch Hill Public Hydrant | Increase | 214 | 9,211 | 10,675 | 1,464 | 15.90% |
| Bow Public Hydrant | Increase | 24 | 1,550 | 1,796 | 246 | 15.90% |
| NC Capital Recovery Surcharge | Decrease | | 299,985 | 178,915 | (121,070) | -40.36% |
| | | <u>8,357</u> | <u>\$ 7,371,544</u> | <u>\$ 8,374,564</u> | <u>\$ 1,003,020</u> | <u>13.61%</u> |

**DW 17-128
PENNICHUCK EAST UTILITIES, INC.
RATE BASE - 5-YEAR AVERAGE**

| | Company Proposal (as revised per Co's Data Responses) | | | | | Staff Proposal | | |
|---------------------------------------|--|---|---|---|---|---|--|---|
| | (1) Adj Rate Base - Permanent Rates (Per Co's Revised Sch 3) | (2) Co Proforma Adj's - 5-Year Average (Per Company Filing - Sch 3) | (3) 5-Year Avg Adj Revisions per Co Responses to DR's | (4) Adj Rate Base - 5-Yr Avg Perm Rates | (5) Co Pro-forma Bal Ref (Sch 2A) | (6) Staff Adjustments (Sch's 2B) | (7) Staff Adjustment # (Sch's 2B) | (8) Adjusted Rate Base Per Staff |
| Plant in Service | \$ 41,332,462 | | | \$ 41,332,462 | | | | \$ 41,332,462 |
| Accumulated Depreciation | (11,298,532) | | | (11,298,532) | | | | (11,298,532) |
| Acquisition Adjustment | (9,820,410) | | | (9,820,410) | | | | (9,820,410) |
| Accumulated Amortization Acq Adj | 3,932,034 | | | 3,932,034 | | | | 3,932,034 |
| Contributions in Aid of Construction | (12,753,549) | | | (12,753,549) | | | | (12,753,549) |
| Accumulated Amortization of CIAC | 2,124,611 | | | 2,124,611 | | | | 2,124,611 |
| Net Plant in Service | 13,516,616 | - | - | 13,516,616 | | - | | 13,516,616 |
| Rate Stabilization Fund | 980,000 | | | 980,000 | | (980,000) | 8 | - |
| Cash Working Capital | 592,883 | (2,123) | (18) | 590,742 | vi' | | | 590,742 |
| Prepaid Expenses | 128,316 | | | 128,316 | | (23,328) | 9 - 10 | 104,988 |
| Unamortized Deferred Debits | 540,898 | | | 540,898 | | | | 540,898 |
| Customer Deposits | (131,757) | | | (131,757) | | | | (131,757) |
| Deferred Income Tax | (4,462,580) | | | (4,462,580) | | | | (4,462,580) |
| Deferred Credit - Gain on SRF Loans | (332,527) | | | (332,527) | | | | (332,527) |
| NET RATE BASE - 5-YEAR AVERAGE | \$ 10,831,849 | \$ (2,123) | \$ (18) | \$ 10,829,708 | | \$ (1,003,328) | | \$ 9,826,380 |

PEU0073

DW 16-806
PENNICHUCK WATER WORKS, INC.
COMPANY PRO-FORMA RATE BASE ACCOUNT BALANCE SUMMARY - 5-YEAR AVERAGE

Ref

| | | | |
|-----|--|---------------|---------------------------------|
| vi' | <u>Cash Working Capital - 5-Year Average</u> | | |
| | Pro-forma Cash Working Capital - Permanent Rates per Company | | <u>\$ 592,883</u> |
| | Cash Working Capital Adj 1A - Permanent Rates per Sch 3, Att D of Co's Original Filing | (2,123) | |
| | Adjustment per Company's response to Staff Tech 1-3 | <u>(18)</u> → | <u>(2,141)</u> |
| | Net Pro-forma Cash Working Capital Adjustment - 5-Year Average per Company | | <u>(2,141)</u> |
| | Pro-forma Cash Working Capital - 5-Year Average per Company | | <u><u>\$ 590,742</u></u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
OPERATING INCOME STATEMENT - 5-YEAR AVERAGE

| | Company Proposal (as revised per Co's Data Responses) | | | | | Staff Proposal | | | | |
|---|--|---|--|---|---|---|--|---|---|---|
| | (1) Adj Oper Income - Permanent Rates (Per Co's Revised Sch 1) | (2) Co Proforma Adj's - 5-Year Average (Per Company Filing - Sch 1) | (3) Perm Rate Adj Revisions per Co Responses to DR's | (4) Adj Oper Income - 5-Yr Avg Perm Rates | (5) Co Pro-forma Bal Ref (Sch 3A) | (6) Staff Adjustments (Sch's 3B) | (7) Staff Adjustment # (Sch's 3B) | (8) Pro-forma Operating Income Per Staff | (9) Revenue Deficiency - Approved Methodology | (10) Revenue Requirement - Approved Methodology |
| OPERATING REVENUES | | | | | | | | | | |
| Water Revenues: | | | | | | | | | | |
| Water Revenue other than NCCRS and CBFRR | \$ 6,172,696 | \$ (197,543) | | \$ 5,975,153 | viii' | | | \$ 5,975,153 | \$ 318,143 | \$ 6,293,296 |
| Add: North Country Capital Recovery Surcharge (NCCRS) | - | | | - | | | | - | - | - |
| Total Water Revenue other than CBFRR | 6,172,696 | (197,543) | - | 5,975,153 | | | | 5,975,153 | 318,143 | 6,293,296 |
| City Bond Fixed Revenue Requirement (CBFRR) Revenue | (27,446) | | | (27,446) | | 27,446 | 11 | - | | - |
| Water Sales for Resale | - | | | - | | | | - | | - |
| Total Water Revenues | 6,145,250 | (197,543) | - | 5,947,707 | | 27,446 | | 5,975,153 | 318,143 | 6,293,296 |
| Other Operating Revenue | 39,407 | | | 39,407 | | | | 39,407 | | 39,407 |
| Total Operating Revenues | 6,184,657 | (197,543) | - | 5,987,114 | | 27,446 | | 6,014,560 | 318,143 | 6,332,703 |
| OPERATING EXPENSES | | | | | | | | | | |
| O & M Expenses: | | | | | | | | | | |
| Production Expense | 1,993,296 | (17,217) | (144) | 1,975,935 | xi' | | | 1,975,935 | | 1,975,935 |
| Transmission and Distribution Expense | 628,209 | | | 628,209 | | | | 628,209 | | 628,209 |
| Customer Account and Collection Expense | 184,416 | | | 184,416 | | | | 184,416 | | 184,416 |
| Administrative and General Expense | 157,337 | | | 157,337 | | | | 157,337 | | 157,337 |
| Inter-Division Management Fee | 1,879,460 | | | 1,879,460 | | | | 1,879,460 | | 1,879,460 |
| Total O & M Expenses | 4,842,718 | (17,217) | (144) | 4,825,357 | | - | | 4,825,357 | - | 4,825,357 |
| Property Tax Expense | 970,018 | | | 970,018 | | (26,236) | 12 | 943,782 | | 943,782 |
| Gain from Forgiveness of SRF Debt | (22,613) | | | (22,613) | | | | (22,613) | | (22,613) |
| Depreciation Expense | 1,003,780 | | | 1,003,780 | | | | 1,003,780 | | 1,003,780 |
| Amortization of Acquisition Adjustment | (211,341) | | | (211,341) | | | | (211,341) | | (211,341) |
| Amortization - CIAC | (258,653) | | | (258,653) | | | | (258,653) | | (258,653) |
| Amortization Expense | 43,734 | | | 43,734 | | | | 43,734 | | 43,734 |
| Total Operating Expenses | 6,367,643 | (17,217) | (144) | 6,350,282 | | (26,236) | | 6,324,046 | - | 6,324,046 |
| Net Operating Income | | | | | | | | | | |
| Before Income Tax | (182,986) | (180,326) | 144 | (363,168) | | 53,682 | | (309,486) | 318,143 | 8,657 |
| Income Tax Expense: | | | | | | | | | | |
| NH Business Profits Tax Expense | (69,766) | (14,787) | 12 | (84,541) | xx' | (19,525) | 13 - 14, 17 | (104,066) | 26,088 | (77,978) |
| Federal Income Tax Expense | (267,037) | (56,283) | 45 | (323,275) | xxi' | (74,319) | 15 - 16, 18 | (397,594) | 99,299 | (298,296) |
| Total Income Tax Expense | (336,803) | (71,070) | 57 | (407,816) | | (93,845) | | (501,661) | 125,386 | (376,274) |
| NET OPERATING INCOME - 5-YEAR AVERAGE | \$ 153,817 | \$ (109,256) | \$ 87 | \$ 44,648 | | \$ 147,527 | | \$ 192,175 | \$ 192,756 | \$ 384,931 |

PEU0075

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
OPERATING INCOME STATEMENT - 5-YEAR AVERAGE

| | | |
|---|-----------|-------------------------|
| <u>Revenue Requirement - Original Rate Structure:</u> | | |
| Water Revenue not Subject to CBFRR | \$ | 6,293,296 |
| Tax Change Revenue Adjustment | | 159,704 |
| Revised North Country Capital Recovery Surcharge (NCCRS) | | 178,915 |
| City Bond Fixed Revenue Requirement (CBFRR) | | <u>898,863</u> |
| Total Revenue Requirement - Original Rate Structure | \$ | <u>7,530,778</u> |
| <u>Proposed Revenue Requirement - Modified Rate Structure:</u> | | |
| City Bond Fixed Revenue Requirement (CBFRR): | \$ | <u>926,309</u> |
| Operating Expense Revenue Requirement (OERR): | | |
| Total O & M Expenses | \$ | 4,825,357 |
| Property Tax Expense | | 943,782 |
| Amortization Expense | | <u>43,734</u> |
| | | <u>5,812,873</u> |
| Debt Service Revenue Requirement (DSRR): | | |
| Debt Service Requirement (Sch 1C-Perm/5YAvg) | | 1,308,278 |
| Debt Service Coverage Requirement x | | <u>1.1</u> |
| | | <u>1,439,106</u> |
| Total Revenue Requirement other than NCCRS - Modified Rate Structure | \$ | <u>8,178,288</u> |
| Revised North Country Capital Recovery Surcharge (NCCRS) | | <u>178,915</u> |
| Total Proposed Revenue Requirement - Modified Rate Structure | \$ | <u>8,357,203</u> |

PEU0076

DW 16-806
PENNICHUCK WATER WORKS, INC.
COMPANY PRO-FORMA OPERATING INCOME ACCOUNT BALANCE SUMMARY - 5-YEAR AVERAGE

Ref

| | | | |
|-------|--|-------------|---------------------|
| viii' | <u>Water Revenue other than NCCRS and CBFRR - 5-Year Average</u> | | |
| | Pro-forma Water Revenue not Subject to CBFRR - Permanent Rates per Company | | \$ 6,172,696 |
| | Water Sales Adj - 5-Year Average per Sch 1, Att A of Co's Original Filing | | (197,543) |
| | Net Pro-forma Water Revenue other than CBFRR and NCCRS Adjustment - 5-Year Average per Company | | (197,543) |
| | Pro-forma Water Revenue other than NCCRS and CBFRR - 5-Year Average per Company | | \$ 5,975,153 |
| xi' | <u>Production Expense - 5-Year Average</u> | | |
| | Pro-forma Production Expense - Permanent Rates per Company | | \$ 1,993,296 |
| | Operating and Maintenance Adj C - 5-Year Average per Sch 1, Att B, Pg 1 of Co's Original Filing | \$ (17,332) | |
| | Adjustment per Company's responses to Staff DR's 2-3 and 3-2 | (85) → | (17,417) |
| | Operating and Maintenance Adj E - 5-Year Average per Sch 1, Att B, Pg 1 of Co's Original Filing | | 116 |
| | Operating and Maintenance Adj IIF - Permanent Rates per Company's responses to Staff DR's 1-5, 1-26, and 2-1 | | (60) |
| | Net Pro-forma Production Expense Adjustments - 5-Year Average per Company | | (17,361) |
| | Pro-forma Production Expense - 5-Year Average per Company | | \$ 1,975,935 |
| xx' | <u>NH Business Profits Tax Expense - 5-Year Average</u> | | |
| | Pro-forma NH Business Profits Tax Expense - Permanent Rates per Company | | \$ (69,766) |
| | Income Tax Adj IA - 5-Year Average per Sch 1, Att G of Co's Original Filing | (14,787) | |
| | Adjustment per Company's response to Staff Tech 1-3 | 12 → | (14,775) |
| | Net Pro-forma NH Business Profits Tax Expense Adjustments - 5-Year Average per Company | | (14,775) |
| | Pro-forma NH Business Profits Tax Expense - 5-Year Average | | \$ (84,541) |
| xxi' | <u>Federal Income Tax Expense - 5-Year Average</u> | | |
| | Pro-forma Federal Income Tax Expense - Permanent Rates per Company | | \$ (267,037) |
| | Income Tax Adj IA - 5-Year Average per Sch 1, Att G of Co's Original Filing | (56,283) | |
| | Adjustment per Company's response to Staff Tech 1-3 | 45 → | (56,238) |
| | Net Pro-forma Federal Income Tax Expense Adjustments - 5-Year Average per Company | | (56,238) |
| | Pro-forma Federal Income Tax Expense - 5-Year Average | | \$ (323,275) |

PEU0077

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
STAFF PRO-FORMA OPERATING INCOME ADJUSTMENTS - 5-YEAR AVERAGE

Adj
No.

PRO-FORMA ADJUSTMENTS - OPERATING REVENUES - 5-YEAR AVERAGE:

TOTAL OPERATING REVENUE ADJUSTMENTS PER STAFF - 5-YEAR AVERAGE **\$ -**

PRO-FORMA ADJUSTMENTS - OPERATING EXPENSES - 5-YEAR AVERAGE:

NEW HAMPSHIRE BUSINESS PROFITS TAX (NHBPT) EXPENSE - 5-YEAR AVERAGE

| | | | | |
|----|---|----|----------|---------------|
| 17 | To record NHBPT Interest Synchronization Adjustment - 5-Year Average | \$ | (23,927) | |
| | NHBPT Interest Synchronization Adjustment - 5-Year Average (Sch 3Bii-5YAvg) | | | |
| | Less: NHBPT Interest Synchronization Adjustment - Permanent Rates (Sch 3Bii-Perm) | | 23,920 | \$ (7) |

Total Adjustments - NHBPT Expense - Permanent Rates **\$ (7)**

FEDERAL INCOME TAX (FIT) EXPENSE - 5-YEAR AVERAGE

| | | | | |
|----|---|----|----------|----------------|
| 18 | To record FIT Interest Synchronization Adjustment - 5-Year Average | \$ | (91,075) | |
| | FIT Interest Synchronization Adjustment - 5-Year Average (Sch 3Bii-5YAvg) | | | |
| | Less: FIT Interest Synchronization Adjustment - Permanent Rates (Sch 3Bii-Perm) | | 91,049 | \$ (26) |

Total Adjustments - NHBPT Expense - Permanent Rates **\$ (26)**

TOTAL OPERATING EXPENSE ADJUSTMENTS PER STAFF - 5-YEAR AVERAGE **\$ (33)**

NET OPERATING INCOME ADJUSTMENTS PER STAFF - 5-YEAR AVERAGE **\$ 33**

NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES **147,494**

NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE **\$ 147,527**

PEU0078

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
PRO-FORMA INCOME TAX EXPENSE - 5-YEAR AVERAGE

Operating Revenues - 5-Year Average:

| | |
|--|----------------------|
| Total pro-forma adjustments - Water Revenue other than NCCRS and CBFRR | \$ - |
| Total pro-forma adjustments - NCCRS Revenue | - |
| Total pro-forma adjustments - CBFRR Revenue | 27,446 |
| Total pro-forma adjustments - Water Sales for Resale | - |
| Total pro-forma adjustments - Other Operating Revenue | - |
| Total pro-forma adjust's b/f Income Tax Exp - Operating Revenues - 5-Year Average | <u>27,446</u> |

Operating Expenses - 5-Year Average:

| | |
|--|------------------------|
| Total pro-forma adjustments - Production Expense | - |
| Total pro-forma adjustments - Transmission and Distribution Expense | - |
| Total pro-forma adjustments - Customer Account and Collection Expense | - |
| Total pro-forma adjustments - Administrative & General Expense | - |
| Total pro-forma adjustments - Inter-Division Management Fee | - |
| Total pro-forma adjustments - Property Tax Expense | (26,236) |
| Total pro-forma adjustments - Gain from Forgiveness SRF Debt | - |
| Total pro-forma adjustments - Depreciation Expense | - |
| Total pro-forma adjustments - Amortization of Acquisition Adjustment | - |
| Total pro-forma adjustments - Amortization-CIAC | - |
| Total pro-forma adjustments - Amortization Expense | - |
| Net pro-forma adjust's b/f Income Tax Exp - Operating Expenses - 5-Year Average | <u>(26,236)</u> |

Net Operating Income Adj's per Staff subject to NHBPT - 5-Year Average 53,682

NH Business Profits Tax @ 8.20% - 5-Year Average 4,402

Net Operating Income Adj's per Staff subject to FIT - 5-Year Average 49,280

Federal Income Tax @ 34.00% - 5-Year Average 16,755

| | | | |
|---|-----------------|-----------------|--------------------|
| Interest Synchronization Adjustments - 5-Year Average: | NHBPT | FIT | |
| Adjustment | <u>(23,927)</u> | <u>(91,075)</u> | → <u>(115,002)</u> |

Net Pro-forma Operating Income Adjust's after Income Tax per Staff - 5-Year Average **\$ 147,527**

Interest Synchronization and Tax Normalization Adjustment

| | |
|---|---------------------|
| Net Pro-forma Rate Base - 5-Year Average | \$ 9,826,380 |
| Weighted Average Cost of Debt (Sch 1A-Perm/5YAvg) | <u>3.87%</u> |
| Synchronized Interest Expense - 5-Year Average | 380,390 |
| Less: Test Year Interest Expense | (672,184) |
| State Taxable Interest Expense Adjustment - 5-Year Average | \$ (291,794) |
| NHBPT @ 8.20% - 5-Year Average | <u>\$ (23,927)</u> |
| Federal Taxable Interest Expense Adjustment - Permanent Rates | (267,867) |
| FIT @ 34.00% - 5-Year Average | <u>\$ (91,075)</u> |
| Combined State/Federal Tax Adjustment - 5-Year Average | <u>\$ (115,002)</u> |

PEU0079

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES
ORIGINAL RATE STRUCTURE

| Rate or Class of Service | Effect of Proposed Change | Average Number Customers | 5-Year Avg Permanent Rate Revenues | Calculated Revenues - 5-Yr Avg Perm | Change | |
|-------------------------------|---------------------------------|--------------------------------|---|---|-------------------|--------------|
| | | | | | Amount | % Increase |
| G-M | Increase | 7,321 | \$ 5,933,005 | \$ 6,345,437 | \$ 412,432 | 6.95% |
| Private FP | Increase | 148 | 257,130 | 275,004 | 17,874 | 6.95% |
| FP - Hydrants | Increase | 4 | 628,340 | 672,019 | 43,679 | 6.95% |
| Windham Public Hydrant | Increase | 328 | 31,372 | 33,553 | 2,181 | 6.95% |
| Raymond Public Hydrant | Increase | 232 | 5,171 | 5,530 | 359 | 6.95% |
| Lee Public Hydrant | Increase | 34 | 3,581 | 3,830 | 249 | 6.95% |
| Exeter Public Hydrant | Increase | 52 | 4,656 | 4,980 | 324 | 6.95% |
| Birch Hill Public Hydrant | Increase | 214 | 9,211 | 9,851 | 640 | 6.95% |
| Bow Public Hydrant | Increase | 24 | 1,550 | 1,658 | 108 | 6.95% |
| NC Capital Recovery Surcharge | Decrease | | 299,985 | 178,915 | (121,070) | -40.36% |
| | | <u>8,357</u> | <u>\$ 7,174,001</u> | <u>\$ 7,530,778</u> | <u>\$ 356,777</u> | <u>4.97%</u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES
MODIFIED RATE STRUCTURE

| Rate or Class of Service | Effect of Proposed Change | Average Number Customers | 5-Year Avg Permanent Rate Revenues | Proposed Revenues - 5-Yr Avg Perm | Proposed Change | |
|-------------------------------|---------------------------------|--------------------------------|---|---|---------------------|---------------|
| | | | | | Amount | % Increase |
| G-M | Increase | 7,321 | \$ 5,933,005 | \$ 7,058,730 | \$ 1,125,725 | 18.97% |
| Private FP | Increase | 148 | 257,130 | 305,918 | 48,788 | 18.97% |
| FP - Hydrants | Increase | 4 | 628,340 | 747,561 | 119,221 | 18.97% |
| Windham Public Hydrant | Increase | 328 | 31,372 | 37,325 | 5,953 | 18.97% |
| Raymond Public Hydrant | Increase | 232 | 5,171 | 6,152 | 981 | 18.97% |
| Lee Public Hydrant | Increase | 34 | 3,581 | 4,260 | 679 | 18.97% |
| Exeter Public Hydrant | Increase | 52 | 4,656 | 5,539 | 883 | 18.97% |
| Birch Hill Public Hydrant | Increase | 214 | 9,211 | 10,959 | 1,748 | 18.97% |
| Bow Public Hydrant | Increase | 24 | 1,550 | 1,844 | 294 | 18.97% |
| NC Capital Recovery Surcharge | Decrease | | 299,985 | 178,915 | (121,070) | -40.36% |
| | | <u>8,357</u> | <u>\$ 7,174,001</u> | <u>\$ 8,357,203</u> | <u>\$ 1,183,202</u> | <u>16.49%</u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
RATE BASE - STEP ADJUSTMENT

| | Company Proposal (as revised per Co's Data Responses) | | | | | Staff Proposal | | |
|--|--|---|--|---|---|---|--|---|
| | (1) Adj Rate Base - 5-Year Avg / Perm (Per Co's Revised Sch 3) | (2) Co Proforma Adj's - 2016 Step Increase (Per Company Filing - Sch 3) | (3) Perm Rate Adj Revisions per Co Responses to DR's | (4) Adj Rate Base - 2016 Step Increase (Per Co's Revised Sch 3) | (5) Co Pro-forma Bal Ref (Sch 2A) | (6) Staff Adjustments (Sch's 2B) | (7) Staff Adjustment # (Sch's 2B) | (8) Adjusted Rate Base Per Staff |
| Plant in Service | \$ 41,332,462 | \$ 864,497 | \$ 75,654 | \$ 42,272,613 | i" | \$ (363,106) | 19 - 21 | \$ 41,909,507 |
| Accumulated Depreciation | (11,298,532) | 79,445 | (5,463) | (11,224,550) | ii" | 84,333 | 22 - 25 | (11,140,217) |
| Acquisition Adjustment | (9,820,410) | | | (9,820,410) | | | | (9,820,410) |
| Accumulated Amortization Acq Adj | 3,932,034 | | | 3,932,034 | | | | 3,932,034 |
| Contributions in Aid of Construction | (12,753,549) | | | (12,753,549) | | | | (12,753,549) |
| Accumulated Amortization of CIAC | 2,124,611 | | | 2,124,611 | | | | 2,124,611 |
| Net Plant in Service | 13,516,616 | 943,942 | 70,191 | 14,530,749 | | (278,773) | | 14,251,976 |
| Rate Stabilization Fund | 980,000 | | | 980,000 | | - | 8, 26 | 980,000 |
| Cash Working Capital | 590,742 | | | 590,742 | | | | 590,742 |
| Prepaid Expenses | 128,316 | | | 128,316 | | (23,328) | 9 - 10 | 104,988 |
| Unamortized Deferred Debits | 540,898 | | | 540,898 | | 49,617 | 27 | 590,515 |
| Customer Deposits | (131,757) | | | (131,757) | | | | (131,757) |
| Deferred Income Tax | (4,462,580) | | | (4,462,580) | | | | (4,462,580) |
| Deferred Credit - Gain on SRF Loans | (332,527) | | | (332,527) | | | | (332,527) |
| NET RATE BASE - STEP ADJUSTMENT | \$ 10,829,708 | \$ 943,942 | \$ 70,191 | \$ 11,843,841 | | \$ (252,484) | | \$ 11,591,357 |

PEU0082

DW 16-806
PENNICHUCK WATER WORKS, INC.
COMPANY PRO-FORMA RATE BASE ACCOUNT BALANCE SUMMARY - STEP ADJUSTMENT

Ref

| | | | |
|-----|--|----------------|--------------------------------------|
| i" | <u>Plant in Service - Step Adjustment</u> | | |
| | Pro-forma Plant in Service - 5-Year Average per Company | | \$ 41,332,462 |
| | 2017 Plant Additions - Step Adjustment per Sch 3 - STEP Additions of Co's Original Filing | \$ 1,014,497 | |
| | Adjustment per Company's response to Staff Tech 1-3 | <u>(1,285)</u> | → 1,013,212 |
| | 2017 Plant Retirements - Step Adjustment per Sch 3, Att A - STEP Additions of Co's Original Filing | (150,000) | |
| | Adjustment per Company's response to Staff Tech 1-3 | <u>76,939</u> | → (73,061) |
| | Net Pro-forma Plant in Service Adjustments - Step Adjustment per Company | | <u>940,151</u> |
| | Pro-forma Plant in Service - Step Adjustment per Company | | <u><u>\$ 42,272,613</u></u> |
| ii" | <u>Accumulated Depreciation - Step Adjustment</u> | | |
| | Pro-forma Accumulated Depreciation - 5-Year Average per Company | | \$ (11,298,532) |
| | Accumulated Depreciation - Step Adjustment per Sch 3 - STEP Additions of Co's Original Filing | \$ (22,005) | |
| | Adjustment per Company's response to Staff Tech 1-3 | <u>(5,334)</u> | → (27,339) |
| | Cost of Removal - Step Adjustment per Sch 3 - STEP Additions of Company's Original Filing | 101,450 | |
| | Adjustment per Company's response to Staff Tech 1-3 | <u>(129)</u> | → 101,321 |
| | Net Pro-forma Accumulated Depreciation Adjustments - Step Adjustment per Company | | <u>73,982</u> |
| | Pro-forma Accumulated Depreciation - Step Adjustment per Company | | <u><u>\$ (11,224,550)</u></u> |

PEU0083

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
STAFF PRO-FORMA RATE BASE ADJUSTMENTS - STEP ADJUSTMENT

| <u>Adj No.</u> | | | |
|--|---|--|----------------------------|
| <u>PLANT IN SERVICE - STEP ADJUSTMENT</u> | | | |
| 19 | To adjust Co's pro-forma relative to Plant Retirements: Actual 2017 Plant Retirements per Co's 1604.06 Sch 3, Att A - STEP Retirements Less: 2017 Plant Retirements pro-forma per Co's 1604.06 Sch 3 - STEP Additions | \$ (111,974) (73,061) | (38,913) |
| 20 | To reduce Plant in Service by adjusted Cost of Removal (Sch 7-Step) | | (76,558) |
| 21 | To remove Brady Ave project from Step Addition projects per Co's response to Staff DR 4-6 | | (247,635) |
| Total Adjustments - Plant in Service - Step Adjustment | | | \$ (363,106) |
| <u>ACCUMULATED DEPRECIATION - STEP ADJUSTMENT</u> | | | |
| 22 | To adjust Co's pro-forma relative to Depreciation Expense: Adjusted Depreciation Expense on 2017 Plant Additions (Sch 7-Step) Less: Depreciation Expense on 2017 Plant Additions per Co's 1604.06 Sch 3 - STEP Additions | \$ (30,217) (30,727) | 510 |
| 23 | To eliminate Co's pro-forma relative to Depreciation Expense on 2017 Retirements per Co's 1604.06 Sch 3 - STEP Additions | | (3,388) |
| 24 | To reduce Accumulated Depreciation by actual 2017 Plant Retirements per Co's 1604.06 Sch 3, Att A - STEP Retirements | | 111,974 |
| 25 | To adjust Co's pro-forma relative to Accumulated Depreciation - Cost of Removal: Adjusted Accumulated Depreciation - Cost of Removal (Sch 7 - Step) Less: Accumulated Depreciation - Cost of Removal per Co's 1604.06 Sch 3, Att A - STEP Additions | 76,558 (101,321) | (24,763) |
| Total Adjustments - Accumulated Depreciation - Step Adjustment | | | \$ 84,333 |
| <u>RATE STABILIZATION FUND - STEP ADJUSTMENT</u> | | | |
| 26 | To reclassify Co's Rates Stabilization Fund Pro-forma from Permanent Rates to Step Adjustment (Sch 5-Step) | | \$ 980,000 |
| Total Adjustments - Rate Stabilization Fund - Step Adjustment | | | \$ 980,000 |
| <u>UNAMORTIZED DEFERRED DEBITS - STEP ADJUSTMENT</u> | | | |
| 27 | To record Deferred Debit relative to Property Tax Assessment Litigation per Co's response to Staff DR 2-6: Total Litigation Cost per Co's response to Staff DR 2-6 Write-off for the years 2015 and 2016 per Co's response to Staff DR 2-6 Balance of Deferred Debit @ 12/31/16 Annual Amortization (\$131,813 ÷ 5 years) Balance of Deferred Debit @ 12/31/17 Average Balance during 2017 Less: Average of Co's Recorded "Abatement" Deferred Debit per Co's 1604.06 Sch 2, Att C | \$ 131,813 (52,725) 79,088 (26,363) 52,725 65,907 (16,290) | 49,617 |
| Total Adjustments - Deferred Credit - RSF - Step Adjustment | | | \$ 49,617 |
| NET RATE BASE ADJUSTMENTS PER STAFF - STEP ADJUSTMENT | | | \$ 750,844 |
| NET RATE BASE ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE | | | (1,003,328) |
| <u>NET RATE BASE ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE / STEP ADJUSTMENT</u> | | | <u>\$ (252,484)</u> |

PEU0084

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
OPERATING INCOME STATEMENT - STEP ADJUSTMENT

| | Company Proposal (as revised per Co's Data Responses) | | | | | Staff Proposal | | | | |
|---|--|---|--|---|---|---|--|---|---|---|
| | (1) Adj Oper Income - 5-Yr Avg / Perm (Per Co's Revised Sch 1) | (2) Co Proforma Adj's - 2016 Step Increase (Per Company Filing - Sch 1) | (3) Perm Rate Adj Revisions per Co Responses to DR's | (4) Adj Oper Income - 2016 Step Increase (Per Co's Revised Sch 1) | (5) Co Pro-forma Bal Ref (Sch 3A) | (6) Staff Adjustments (Sch's 3B) | (7) Staff Adjustment # (Sch's 3B) | (8) Pro-forma Operating Income Per Staff | (9) Revenue Deficiency - Approved Methodology | (10) Revenue Requirement - Approved Methodology |
| OPERATING REVENUES | | | | | | | | | | |
| Water Revenues: | | | | | | | | | | |
| Water Revenue other than NCCRS and CBFRR | \$ 5,975,153 | | | \$ 5,975,153 | | | | \$ 5,975,153 | \$ 555,950 | \$ 6,531,103 |
| Add: North Country Capital Recovery Surcharge (NCCRS) | - | | | - | | | | - | - | - |
| Total Water Revenue other than CBFRR | 5,975,153 | - | - | 5,975,153 | | - | | 5,975,153 | 555,950 | 6,531,103 |
| City Bond Fixed Revenue Requirement (CBFRR) Revenue | (27,446) | | | (27,446) | | 27,446 | 11 | - | - | - |
| Water Sales for Resale | - | | | - | | | | - | - | - |
| Total Water Revenues | 5,947,707 | - | - | 5,947,707 | | 27,446 | | 5,975,153 | 555,950 | 6,531,103 |
| Other Operating Revenue | 39,407 | | | 39,407 | | | | 39,407 | | 39,407 |
| Total Operating Revenues | 5,987,114 | - | - | 5,987,114 | | 27,446 | | 6,014,560 | 555,950 | 6,570,510 |
| OPERATING EXPENSES | | | | | | | | | | |
| O & M Expenses: | | | | | | | | | | |
| Production Expense | 1,975,935 | | | 1,975,935 | | | | 1,975,935 | | 1,975,935 |
| Transmission and Distribution Expense | 628,209 | | | 628,209 | | | | 628,209 | | 628,209 |
| Customer Account and Collection Expense | 184,416 | | | 184,416 | | | | 184,416 | | 184,416 |
| Administrative and General Expense | 157,337 | | | 157,337 | | | | 157,337 | | 157,337 |
| Inter-Division Management Fee | 1,879,460 | | | 1,879,460 | | | | 1,879,460 | | 1,879,460 |
| Total O & M Expenses | 4,825,357 | - | - | 4,825,357 | | - | | 4,825,357 | - | 4,825,357 |
| Property Tax Expense | 970,018 | 16,220 | 8,185 | 994,423 | xvi" | (33,156) | 12, 28 - 29 | 961,267 | | 961,267 |
| Gain from Forgiveness of SRF Debt | (22,613) | | | (22,613) | | | | (22,613) | | (22,613) |
| Depreciation Expense | 1,003,780 | 22,005 | 5,334 | 1,031,119 | xvii" | (510) | 30 | 1,030,609 | | 1,030,609 |
| Amortization of Acquisition Adjustment | (211,341) | | | (211,341) | | | | (211,341) | | (211,341) |
| Amortization - CIAC | (258,653) | | | (258,653) | | | | (258,653) | | (258,653) |
| Amortization Expense | 43,734 | (5,139) | 26,363 | 64,958 | xix" | | | 64,958 | | 64,958 |
| Total Operating Expenses | 6,350,282 | 33,086 | 39,882 | 6,423,250 | | (33,666) | | 6,389,584 | - | 6,389,584 |
| Net Operating Income Before Income Tax | (363,168) | (33,086) | (39,882) | (436,136) | | 61,112 | | (375,024) | 555,950 | 180,927 |
| Income Tax Expense: | | | | | | | | | | |
| NH Business Profits Tax Expense | (84,541) | (2,713) | (3,270) | (90,524) | xx" | (12,811) | 13 - 14, 17, 31 - 32 | (103,335) | 45,588 | (57,747) |
| Federal Income Tax Expense | (323,275) | (10,327) | (12,448) | (346,050) | xxi" | (48,762) | 15 - 16, 18, 33 - 34 | (394,812) | 173,523 | (221,289) |
| Total Income Tax Expense | (407,816) | (13,040) | (15,718) | (436,574) | | (61,573) | | (498,147) | 219,111 | (279,036) |
| NET OPERATING INCOME - STEP ADJUSTMENT | \$ 44,648 | \$ (20,046) | \$ (24,164) | \$ 438 | | \$ 122,685 | | \$ 123,123 | \$ 336,839 | \$ 459,963 |

PEU0085

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
OPERATING INCOME STATEMENT - STEP ADJUSTMENT

| | | |
|--|-----------|-------------------------|
| Revenue Requirement - Original Rate Structure: | | |
| Water Revenue not Subject to CBFRR | \$ | 6,531,103 |
| Tax Change Revenue Adjustment | | 118,433 |
| Revised North Country Capital Recovery Surcharge (NCCRS) | \$ | 178,915 |
| City Bond Fixed Revenue Requirement (CBFRR) | | <u>898,863</u> |
| Total Revenue Requirement - Original Rate Structure | \$ | <u>7,727,314</u> |
| Proposed Revenue Requirement - Modified Rate Structure: | | |
| City Bond Fixed Revenue Requirement (CBFRR): | \$ | <u>926,309</u> |
| Operating Expense Revenue Requirement (OERR): | | |
| Total O & M Expenses | \$ | 4,825,357 |
| Property Tax Expense | | 961,267 |
| Amortization Expense | | <u>64,958</u> |
| | | <u>5,851,582</u> |
| Debt Service Revenue Requirement (DSRR): | | |
| Debt Service Requirement (Sch 1C-Step) | | 1,362,154 |
| Debt Service Coverage Requirement x | | <u>1.1</u> |
| | | <u>1,498,369</u> |
| Total Proposed Revenue Requirement - Modified Rate Structure | \$ | 8,276,261 |
| North Country Capital Recovery Surcharge (NCCRS) - Modified Rate Structure | | <u>178,915</u> |
| Total Proposed Revenue Requirement - Modified Rate Structure | \$ | <u>8,455,176</u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COMPANY PRO-FORMA OPERATING INCOME ACCOUNT BALANCE SUMMARY - STEP ADJUSTMENT

Ref

| | | | |
|--------------|---|------------|---------------------|
| xvi" | <u>Property Tax Expense - Step Adjustment</u> | | |
| | Pro-forma Property Tax Expense - 5-Year Average per Company | | \$ 970,018 |
| | Property Tax Expense - Step Adjustment on 2017 Plant Additions per Sch 3 - STEP Additions of Co's Original Filing | \$ 20,720 | |
| | Adjustment per Company's response to Staff Tech 1-3 | 5,938 → | 26,658 |
| | Property Tax Expense - Step Adjustment on 2016 Plant Retirements per Sch 3, Att A - STEP | (4,500) | |
| | Adjustment per Company's response to Staff Tech 1-3 | 2,247 → | (2,253) |
| | Net Pro-forma Property Tax Expense Adjustments - Step Adjustment per Company | | 24,405 |
| | Pro-forma Property Tax Expense - Step Adjustment per Company | | \$ 994,423 |
| xvii" | <u>Depreciation Expense - Step Adjustment</u> | | |
| | Pro-forma Depreciation Expense - 5-Year Average per Company | | \$ 1,003,780 |
| | Depreciation Expense - Step Adjustment on 2016 Plant Additions per Sch 3 - STEP Additions of Co's Original Filing | \$ 27,505 | |
| | Adjustment per Company's response to Staff Tech 1-3 | 3,222 → | 30,727 |
| | Depreciation Expense - Step Adjustment on 2016 Plant Retirements per Sch 3, Att A - STEP | (5,500) | |
| | Adjustment per Company's response to Staff Tech 1-3 | 2,112 → | (3,388) |
| | Net Pro-forma Depreciation Expense Adjustments - Step Adjustment per Company | | 27,339 |
| | Pro-forma Depreciation Expense - Step Adjustment per Company | | \$ 1,031,119 |
| xix' | <u>Amortization Expense - Step Adjustment</u> | | |
| | Pro-forma Amortization Expense - 5-Year Average per Company | | \$ 43,734 |
| | Amortization Adj IE - Step Adjustment per Sch 1, Att F of Co's Original Filing | | (5,139) |
| | Amortization Expense Adj IF - Step Adjustment per Co's response to Staff DR 2-6 | | 26,363 |
| | Net Pro-forma Amortization Expense Adjustments - Step Adjustment per Company | | 21,224 |
| | Pro-forma Amortization Expense - Step Adjustment per Company | | \$ 64,958 |
| xx' | <u>NH Business Profits Tax Expense - Step Adjustment</u> | | |
| | NH Business Profits Tax Expense - 5-Year Average | | \$ (84,541) |
| | Income Tax Adj IA - Step Adjustment per Sch 1, Att G of Co's Original Filing | (2,713) | |
| | Adjustment per Company's response to Staff Tech 1-3 | (3,270) → | (5,983) |
| | Net Pro-forma NH Business Profits Tax Expense Adjustments - Step Adjustment per Company | | (5,983) |
| | Pro-forma NH Business Profits Tax Expense - Step Adjustment | | \$ (90,524) |
| xxi' | <u>Federal Income Tax Expense - Step Adjustment</u> | | |
| | Federal Income Tax Expense - 5-Year Average | | \$ (323,275) |
| | Income Tax Adj IA - Step Adjustment per Sch 1, Att G of Co's Original Filing | (10,327) | |
| | Adjustment per Company's response to Staff Tech 1-3 | (12,448) → | (22,775) |
| | Net Pro-forma Federal Income Tax Expense Adjustments - Step Adjustment per Company | | (22,775) |
| | Pro-forma Federal Income Tax Expense - Step Adjustment | | \$ (346,050) |

PEU0087

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
STAFF PRO-FORMA OPERATING INCOME ADJUSTMENTS - STEP ADJUSTMENT

**Adj
No.**

PROPERTY TAX EXPENSE - STEP ADJUSTMENT

| | | | | |
|--|--|--|--|-------------------------|
| 28 | To adjust Property Tax Expense on 2017 Plant Additions: | | | |
| | Adjusted Property Tax Expense on 2017 Plant Additions (Sch 7-Step) | | | \$ 17,485 |
| | Less: Property Tax Expense on 2017 Plant Additions per Co's 1604.06 Sch 3 - STEP Additions | | | <u>(26,658)</u> (9,173) |
| 29 | To eliminate Co's pro-forma relative to Property Tax Expense on 2017 Plant Retirements per Co's 1604.06 Sch 3 - STEP Additions | | | <u>2,253</u> |
| Total Adjustments - Property Tax Expense - Step Adjustment | | | | \$ (6,920) |

DEPRECIATION EXPENSE - STEP ADJUSTMENT

| | | | | |
|----|--|--|-----------------|--------------|
| 30 | To adjust Depreciation Expense on 2017 Plant Additions: | | | |
| | Adjusted Depreciation Expense on 2017 Plant Additions (Sch 7-Step) | | \$ | 30,217 |
| | Less: Depreciation Expense on 2017 Plant Additions per Co's 1604.06 Sch 3 - STEP Additions | | <u>(30,727)</u> | <u>(510)</u> |
| | Total Adjustments - Depreciation Expense - Step Adjustment | | \$ | (510) |

NEW HAMPSHIRE BUSINESS PROFITS TAX (NHBPT) EXPENSE - STEP ADJUSTMENT

| | | | | | |
|---|---|--|----|----------------|-----------------|
| 31 | To record Staff's Pro-forma NHBPT Expense Adjustment: | | | | |
| | Staff's NHBPT Expense Adjustment - Step Adjustment (Sch 3Bii-Step) | | \$ | 5,011 | |
| | Less: Staff's NHBPT Expense Adjustment - 5-Year Average (Sch 3Bii-5YAvg) | | | <u>(4,402)</u> | 609 |
| 32 | To record NHBPT Interest Synchronization Adjustment - Step Adjustment: | | | | |
| | NHBPT Interest Synchronization Adjustment - Step Adjustment (Sch 3Bii-Step) | | \$ | (17,822) | |
| | Less: NHBPT Interest Synchronization Adjustment - 5-Year Average (Sch 3Bii-5YAvg) | | | <u>23,927</u> | <u>\$</u> 6,105 |
| Total Adjustments - NHBPT Expense - Step Adjustment | | | | \$ | 6,714 |

FEDERAL INCOME TAX (FIT) EXPENSE - STEP ADJUSTMENT

| | | | | |
|--|---|--|-----------------|------------------|
| 33 | To record Staff's Pro-forma FIT Expense Adjustment: | | | |
| | Staff's FIT Expense Adjustment - Step Adjustment (Sch 3Bii-Step) | | \$ | 19,074 |
| | Less: Staff's FIT Expense Adjustment - 5-Year Average (Sch 3Bii-5YAvg) | | <u>(16,755)</u> | 2,319 |
| 34 | To record FIT Interest Synchronization Adjustment - Step Adjustment: | | | |
| | FIT Interest Synchronization Adjustment - Step Adjustment (Sch 3Bii-Step) | | \$ | (67,837) |
| | Less: FIT Interest Synchronization Adjustment - 5-Year Average (Sch 3Bii-5YAvg) | | <u>91,075</u> | <u>\$ 23,238</u> |
| Total Adjustment - FIT Expense - Step Adjustment | | | | \$ 25,557 |

NET OPERATING INCOME ADJUSTMENTS PER STAFF - STEP ADJUSTMENT **\$ (24,841)**

NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE **147,527**

NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE / STEP ADJUSTMENT **\$ 122,685**

PEU0088

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
PRO-FORMA INCOME TAX EXPENSE - STEP ADJUSTMENT

Operating Revenues - Step Adjustment:

| | |
|---|----------------------|
| Total pro-forma adjustments - Water Revenue other than NCCRS and CBFRR | \$ - |
| Total pro-forma adjustments - NCCRS Revenue | - |
| Total pro-forma adjustments - CBFRR Revenue | 27,446 |
| Total pro-forma adjustments - Water Sales for Resale | - |
| Total pro-forma adjustments - Other Operating Revenue | - |
| Total pro-forma adjust's b/f Income Tax Exp - Operating Revenues - Step Adjustment | <u>27,446</u> |

Operating Expenses - Step Adjustment:

| | |
|---|------------------------|
| Total pro-forma adjustments - Production Expense | - |
| Total pro-forma adjustments - Transmission and Distribution Expense | - |
| Total pro-forma adjustments - Customer Account and Collection Expense | - |
| Total pro-forma adjustments - Administrative & General Expense | - |
| Total pro-forma adjustments - Inter-Division Management Fee | - |
| Total pro-forma adjustments - Property Tax Expense | (33,156) |
| Total pro-forma adjustments - Gain from Forgiveness SRF Debt | - |
| Total pro-forma adjustments - Depreciation Expense | (510) |
| Total pro-forma adjustments - Amortization of Acquisition Adjustment | - |
| Total pro-forma adjustments - Amortization-CIAC | - |
| Total pro-forma adjustments - Amortization Expense | - |
| Net pro-forma adjust's b/f Income Tax Exp - Operating Expenses - Step Adjustment | <u>(33,666)</u> |

Net Operating Income Adj's per Staff subject to NHBPT - Step Adjustment 61,112

NH Business Profits Tax @ 8.20% - Step Adjustment 5,011

Net Operating Income Adj's per Staff subject to FIT - Step Adjustment 56,101

Federal Income Tax @ 34.00% - Step Adjustment 19,074

Interest Synchronization Adjustments - Step Adjustment:

| | NHBPT | FIT | |
|------------|-----------------|-----------------|-------------------|
| Adjustment | <u>(17,822)</u> | <u>(67,837)</u> | → <u>(85,659)</u> |

Net Pro-forma Operating Income Adjust's after Income Tax per Staff - Step Adjustment **\$ 122,685**

Interest Synchronization Adjustment

| | |
|---|--------------------|
| Net Pro-forma Rate Base - Step Adjustment | \$ 11,591,357 |
| Weighted Average Cost of Debt (Sch 1A-Step) | <u>3.92%</u> |
| Synchronized Interest Expense - Step Adjustment | 454,842 |
| Less: Test Year Interest Expense | <u>(672,184)</u> |
| State Taxable Interest Expense Adjustment - Step Adjustment | \$ (217,342) |
| NHBPT @ 8.20% - Step Adjustment | <u>(17,822)</u> |
| Federal Taxable Interest Expense Adjustment - Step Adjustment | (199,520) |
| FIT @ 34.00% - Step Adjustment | <u>\$ (67,837)</u> |
| Combined State/Federal Tax Adjustment - Step Adjustment | <u>\$ (85,659)</u> |

PEU0089

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES w/ 2017 STEP ADJUSTMENT
ORIGINAL RATE STRUCTURE

| Rate or Class of Service | Effect of Proposed Change | Average Number Customers | 5-Year Avg Permanent Rate Revenues | Calculated Rev's - 5-Yr Avg Perm Rts w/ Step | Change | |
|-------------------------------|---------------------------------|--------------------------------|---|---|-------------------|--------------|
| | | | | | Amount | % Increase |
| G-M | Increase | 7,321 | \$ 5,933,005 | \$ 6,515,069 | \$ 582,064 | 9.81% |
| Private FP | Increase | 148 | 257,130 | 282,356 | 25,226 | 9.81% |
| FP - Hydrants | Increase | 4 | 628,340 | 689,984 | 61,644 | 9.81% |
| Windham Public Hydrant | Increase | 328 | 31,372 | 34,450 | 3,078 | 9.81% |
| Raymond Public Hydrant | Increase | 232 | 5,171 | 5,678 | 507 | 9.81% |
| Lee Public Hydrant | Increase | 34 | 3,581 | 3,932 | 351 | 9.81% |
| Exeter Public Hydrant | Increase | 52 | 4,656 | 5,113 | 457 | 9.81% |
| Birch Hill Public Hydrant | Increase | 214 | 9,211 | 10,115 | 904 | 9.81% |
| Bow Public Hydrant | Increase | 24 | 1,550 | 1,702 | 152 | 9.81% |
| NC Capital Recovery Surcharge | Decrease | | 299,985 | 178,915 | (121,070) | -40.36% |
| | | <u>8,357</u> | <u>\$ 7,174,001</u> | <u>\$ 7,727,314</u> | <u>\$ 553,313</u> | <u>7.71%</u> |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES w/ 2017 STEP ADJUSTMENT
MODIFIED RATE STRUCTURE

| Rate or Class of Service | Effect of Proposed Change | Average Number Customers | 5-Year Avg Permanent Rate Revenues | Proposed Rev's - 5-Yr Avg Perm Rts w/ Step | Proposed Change | |
|-------------------------------|---------------------------------|--------------------------------|---|---|---------------------|---------------|
| | | | | | Amount | % Increase |
| G-M | Increase | 7,321 | \$ 5,933,005 | \$ 7,143,291 | \$ 1,210,286 | 20.40% |
| Private FP | Increase | 148 | 257,130 | 309,582 | 52,452 | 20.40% |
| FP - Hydrants | Increase | 4 | 628,340 | 756,516 | 128,176 | 20.40% |
| Windham Public Hydrant | Increase | 328 | 31,372 | 37,772 | 6,400 | 20.40% |
| Raymond Public Hydrant | Increase | 232 | 5,171 | 6,226 | 1,055 | 20.40% |
| Lee Public Hydrant | Increase | 34 | 3,581 | 4,311 | 730 | 20.40% |
| Exeter Public Hydrant | Increase | 52 | 4,656 | 5,606 | 950 | 20.40% |
| Birch Hill Public Hydrant | Increase | 214 | 9,211 | 11,090 | 1,879 | 20.40% |
| Bow Public Hydrant | Increase | 24 | 1,550 | 1,866 | 316 | 20.40% |
| NC Capital Recovery Surcharge | Decrease | | 299,985 | 178,915 | (121,070) | -40.36% |
| | | <u>8,357</u> | <u>\$ 7,174,001</u> | <u>\$ 8,455,176</u> | <u>\$ 1,281,175</u> | <u>17.86%</u> |

Notes:

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
RATE STABILIZATION FUND (RSF) - STEP ADJUSTMENT

| | RSF before Interco Loans | Interco Loans | RSF |
|----------------|---|--------------------------|-------------------|
| 12/31/17 | \$ 980,000 | \$ - | \$ 980,000 |
| 01/31/18 | 980,000 | - | 980,000 |
| 02/28/18 | 980,000 | - | 980,000 |
| 03/31/18 | 980,000 | - | 980,000 |
| 04/30/18 | 980,000 | - | 980,000 |
| 05/31/18 | 980,000 | - | 980,000 |
| 06/30/18 | 980,000 | - | 980,000 |
| 07/31/18 | 980,000 | - | 980,000 |
| 08/31/18 | 980,000 | - | 980,000 |
| 09/30/18 | 980,000 | - | 980,000 |
| 10/31/18 | 980,000 | - | 980,000 |
| 11/30/18 | 980,000 | - | 980,000 |
| 12/31/18 | 980,000 | - | 980,000 |
| Average | \$ 980,000 | \$ - | \$ 980,000 |

Annual Amortization of RSF Credit - Step Adjustment:

| | | |
|-----------------------|-------------|-------|
| RSF @ 12/31/17 | \$ 980,000 | |
| Less: Initial RSF | (980,000) | |
| RSF Credit | \$ - | |
| Amortization Period ÷ | 3 | Years |
| Annual Amortization | <u>\$ -</u> | |

Deferred Credit - RSF - Step Adjustment:

| | |
|----------------|-------------|
| Month 1 | \$ - |
| Month 2 | - |
| Month 3 | - |
| Month 4 | - |
| Month 5 | - |
| Month 6 | - |
| Month 7 | - |
| Month 8 | - |
| Month 9 | - |
| Month 10 | - |
| Month 11 | - |
| Month 12 | - |
| Month 13 | - |
| Average | \$ - |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
ANALYSIS OF 2017 MUNICIPAL AND STATE REAL ESTATE TAX
AND CALCULATION OF PRO-FORMA PROPERTY TAX EXPENSE

| | | 2016 Tax | | | 2017 Tax | | | |
|---------------------|----------------|----------------|-------------------|--------------|----------------|--------------------|-----------------|---------------------|
| | | Actual Billed | | | Adjustments | | | Adjusted |
| | | Assessment | Rate | Tax | Assessment | Rate | Calculated | Tax |
| ATKINSON: | 000001-00023 | \$ 1,242 | \$ 59,100 | \$ 16.06 | \$ 949 | | | \$ 949 |
| BARNSTEAD: | 046-047 | 380 | 15,200 | 26.63 | 405 | | | 405 |
| | 014-008-001 | 89,230 | 3,162,520 | 26.63 | 84,218 | | | 84,218 |
| | 014-009 | 22 | 919 | 26.63 | 24 | | | 24 |
| | 048-001-00X | 312 | 12,500 | 26.63 | 333 | | | 333 |
| | | <u>89,944</u> | <u>3,191,139</u> | | <u>84,980</u> | | | <u>84,980</u> |
| BOW: | 28-3-43-B-UO | 2,936 | 360,500 | 25.58 | 9,222 | | | 9,222 |
| | 15-3-109-UO | 13,575 | 412,500 | 25.58 | 10,552 | | | 10,552 |
| | 44-2-134-UO | 3,413 | 46,000 | 25.58 | 1,177 | | | 1,177 |
| | | <u>19,924</u> | <u>819,000</u> | | <u>20,950</u> | | | <u>20,950</u> |
| CHESTER: | 017-102-000 | <u>414</u> | <u>19,200</u> | 23.41 | 449 | (2.36) | (45) | 404 (35) |
| CONWAY: | 232-140 | 987 | 55,300 | 18.55 | 1,026 | | | 1,026 |
| | 231-56 | 830 | 40,900 | 21.00 | 859 | (2.45) | (100) | 759 (35) |
| | 231-71 | 836 | 41,200 | 21.00 | 865 | (2.45) | (101) | 764 (35) |
| | 231-43 | 828 | - | - | - | | | - |
| | 997-002 | 20,734 | 1,091,000 | 18.55 | 20,238 | | | 20,238 |
| | 231-139.021 | 49 | - | - | - | | | - |
| | 231-139.031 | - | 2,500 | 20.25 | 51 | | | 51 |
| | | <u>24,264</u> | <u>1,230,900</u> | | <u>23,039</u> | | (201) | <u>22,837</u> |
| DERRY: | 09-015 | 12,239 | 492,900 | 26.63 | 13,126 | | | 13,126 |
| | 02-081 | 4,946 | 197,600 | 26.63 | 5,262 | | | 5,262 |
| | 01-002-036 | - | 184,200 | 26.63 | 4,905 | | | 4,905 |
| | 05-038-A | 1,316 | 83,700 | 26.63 | 2,229 | | | 2,229 |
| | | <u>18,501</u> | <u>958,400</u> | | <u>25,522</u> | | | <u>25,522</u> |
| EXETER: | 115-30 | <u>1,645</u> | <u>9,400</u> | 24.42 | <u>230</u> | | | <u>230</u> |
| HOOKSETT: | WATR-0001 | 4,877 | 205,000 | 24.07 | 4,934 | | | 4,934 |
| | 0005-0116-000W | 11,907 | 500,500 | 24.07 | 12,047 | | | 12,047 |
| | | <u>16,784</u> | <u>705,500</u> | | <u>16,981</u> | | | <u>16,981</u> |
| LEE: | 000036-000003 | <u>1,897</u> | <u>15,100</u> | 27.55 | <u>416</u> | | | <u>416</u> |
| LITCHFIELD: | 0016-0057 | 204,499 | 10,623,300 | 20.24 | 215,016 | (1,607,641) | (32,539) | 182,477 (36) |
| | 0011-0035 | 260 | 13,500 | 20.24 | 273 | (2,043) | (41) | 232 (36) |
| | | <u>204,759</u> | <u>10,636,800</u> | | <u>215,289</u> | <u>(1,609,684)</u> | <u>(32,580)</u> | <u>182,709</u> |
| LONDONDERRY: | 10-142-0 | 3,139 | 146,000 | 21.61 | 3,155 | (2.21) | (323) | 2,832 (35) |
| | 81-5-0 | 139,737 | 10,663,300 | 19.40 | 206,868 | | | 206,868 |
| | 7-108A-0 | 1,552 | 72,200 | 21.61 | 1,560 | (2.21) | (160) | 1,401 (35) |
| | 4-3-21 | 2,634 | 122,500 | 21.61 | 2,647 | (2.21) | (271) | 2,377 (35) |
| | 13-74-1A | 2,167 | 100,800 | 21.61 | 2,178 | (2.21) | (223) | 1,956 (35) |
| | | <u>149,229</u> | <u>11,104,800</u> | | <u>216,409</u> | | (976) | <u>215,433</u> |
| MIDDLETON: | 000003-00016 | 18,562 | 524,600 | 25.71 | 13,487 | | | 13,487 |
| | 000002-000013 | 1,020 | 27,600 | 25.71 | 710 | | | 710 |
| | | <u>19,582</u> | <u>552,200</u> | | <u>14,197</u> | | | <u>14,197</u> |

PEU0093

| 2016 Tax | | | 2017 Tax | | | | | | |
|--|---|--------------|---------------|-------|------------|----------------|--------|-------------|-------------|
| | | | Actual Billed | | | Adjustments | | | Adjusted |
| | | | Assessment | Rate | Tax | Assessment | Rate | Calculated | Tax |
| PELHAM: | 0-14-1 | 66,045 | 3,500,000 | 19.27 | 67,445 | | | | 67,445 |
| | 32-1-146-28 | 557 | 26,600 | 21.45 | 571 | | (2.18) | (58) | 513 |
| | 7-4-65 | 9,187 | 486,800 | 19.27 | 9,381 | | | | 9,381 |
| | 14-4-137-10-A | 843 | 44,700 | 19.27 | 861 | | | | 861 |
| | 7-4-26 | 1,757 | 93,100 | 19.27 | 1,794 | | | | 1,794 |
| | 13-4-139-22-A | 62,543 | 724,500 | 19.27 | 13,961 | | | | 13,961 |
| | | 140,932 | 4,875,700 | | 94,013 | | | (58) | 93,955 |
| PLAISTOW: | 99-08 | 4,673 | 230,400 | 21.79 | 5,020 | | | | 5,020 |
| RAYMOND: | 021-000-00B | 45,856 | 1,985,200 | 21.96 | 43,595 | | | | 43,595 |
| | 021-000-00A | 196 | 9,100 | 21.96 | 200 | | | | 200 |
| | 017-000-095 | 1,943 | 90,100 | 21.96 | 1,979 | | | | 1,979 |
| | 012-003-084 | 155 | 7,200 | 21.96 | 158 | | | | 158 |
| | 022-004-017 | 66 | - | - | - | | | | - |
| | | 48,216 | 2,091,600 | | 45,932 | | | | 45,932 |
| SANDOWN: | 07-007-01-0A | 2,098 | 54,300 | 28.23 | 1,533 | | | | 1,533 |
| TILTON: | 000U03-000037 | 11,798 | 565,600 | 21.62 | 12,228 | | | | 12,228 |
| WEARE: | 109-42 | 9,303 | 461,000 | 20.92 | 9,644 | | | | 9,644 |
| WINDHAM: | 22L-00300-02441 | 2,136 | 97,900 | 20.20 | 1,978 | | (2.35) | (230) | 1,748 |
| | 00F-00000-02489 | 74,211 | 2,440,200 | 17.85 | 43,558 | | | | 43,558 |
| | | 76,347 | 2,538,100 | | 45,535 | | | (230) | 45,305 |
| STATE OF NH: | | 190,034 | 21,902,400 | 6.60 | 144,556 | | | | 144,556 |
| TOTAL | | \$ 1,031,586 | \$ 62,020,639 | | \$ 977,872 | \$ (1,609,684) | | \$ (34,090) | \$ 943,782 |
| Less: Pro-forma Property Tax Expense per Co: | | | | | | | | | |
| | Test Year Property Tax Expense | | | | | | | (1,051,160) | |
| | Co's Test Year Pro-forma Adj's relative to Property Tax Expense | | | | | | | 81,142 | (970,018) |
| Staff Pro-forma Adjustment to Property Tax Expense | | | | | | | | | |
| | | | | | | | | | \$ (26,236) |

Calculation of Weighted Average Tax Rate:

| | Total Assessment | 2017 Tax Rate | Weighted Avg Tax Rate |
|-------------------------|-----------------------------|------------------|--------------------------|
| ATKINSON: | \$ 59,100 | \$ 16.06 | \$ 0.02 |
| BARNSTEAD: | 3,191,139 | 26.63 | 2.21 |
| BOW: | 819,000 | 25.58 | 0.54 |
| CHESTER: | 19,200 | 21.05 | 0.01 |
| CONWAY: | 1,230,900 | 18.55 | 0.59 |
| DERRY: | 958,400 | 26.63 | 0.66 |
| EXETER: | 9,400 | 24.42 | 0.01 |
| HOOKSETT: | 705,500 | 24.07 | 0.44 |
| LEE: | 15,100 | 27.55 | 0.01 |
| LITCHFIELD: | 9,027,116 | 20.24 | 4.74 |
| LONDONDERRY: | 11,104,800 | 19.40 | 5.59 |
| MIDDLETON: | 552,200 | 25.71 | 0.37 |
| PELHAM: | 4,875,700 | 19.27 | 2.44 |
| PLAISTOW: | 230,400 | 21.79 | 0.13 |
| RAYMOND: | 2,091,600 | 28.23 | 1.53 |
| SANDOWN: | 54,300 | 28.23 | 0.04 |
| TILTON: | 565,600 | 21.62 | 0.32 |
| WEARE: | 461,000 | 20.92 | 0.25 |
| WINDHAM: | <u>2,538,100</u> | <u>17.85</u> | <u>1.18</u> |
| TOTAL MUNICIPAL: | <u>38,508,555</u> | | <u>21.09</u> |
| STATE OF NH: | <u>21,902,400</u> | 6.60 | <u>6.60</u> |
| Total | <u>\$ 60,410,955</u> | | <u>\$ 27.69</u> |

Staff Adjustments:

(35) To eliminate state school rate.

(36) Per Co's response to Staff DR 2-6

PEU0094

Pennichuck East Utility, Inc.
Proposed 2017 Asset Acquisition Details
For the Twelve Months Ended December 31, 2017

Attachment JPL-1
Schedule 7
STEP Additions

| Project Name | Financing | Docket No. | NHPUC Order No. | Date of NHPUC Order | Estimated Project Cost | Used and Useful Date | Used and Useful? | Actual year end Project Costs | Estimated Invest \$\$ sought in Step Increase | Cost of Removal | Depreciable Cost | Depreciation | | Community | Taxable | Tax Rate (3) | Annual Tax Expense |
|--|-----------|----------------|--------------------|---------------------------|---------------------------|-------------------------|---------------------|----------------------------------|--|--------------------|---------------------|--------------|--------|-------------|----------------------|-----------------|-----------------------|
| | | | | | | | | | | | | Acct # | Rate | | | | |
| Stone Sled Station Upgrades (2017 carryover) | DW | 16-234 | 25,890 | 4/26/2016 | \$ 11,801 | May-17 | Yes | \$ 12,178 | \$ 12,178 | \$ (1,218) | \$ 10,960 | 320 | 7.19% | \$ (788) | Bow | Yes | \$ 32.18 \$ 367 |
| Stone Sled Station Upgrades | DW | 16-234 | 25,890 | 4/26/2016 | | May-17 | Yes | \$ 66,684 | \$ 66,684 | \$ (6,668) | \$ 60,016 | 320 | 7.19% | \$ (4,315) | Bow | Yes | \$ 32.18 \$ 2,007 |
| Litchfield Hydraulic Model - Asset Management | | | | | \$ - | Dec-17 | Yes | \$ 51,900 | \$ 51,900 | \$ (5,190) | \$ 46,710 | 347 | 12.50% | \$ (5,839) | Litchfield | Yes | \$ 26.84 \$ 1,236 |
| Locke Lake Varney Road Area | DW | 16-234 | 25,890 | 4/26/2016 | \$ 14,681 | | No | \$ 2,716 | \$ - | \$ - | \$ - | 331 | 1.47% | \$ - | Barnstead | Yes | \$ 33.23 \$ - |
| Hardwood New Source (2017 carryover) | DW | 16-234 | 25,890 | 4/26/2016 | \$ 112,949 | Aug-17 | Yes | \$ 112,949 | \$ 112,949 | \$ (11,295) | \$ 101,654 | 307 | 3.79% | \$ (3,853) | Windham | Yes | \$ 24.45 \$ 2,667 |
| Hardwood New Source (2016) | DW | 16-234 | 25,890 | 4/26/2016 | \$ 51,307 | Aug-17 | Yes | \$ 51,173 | \$ 51,173 | \$ (5,117) | \$ 46,056 | 307 | 3.79% | \$ (1,746) | Windham | Yes | \$ 24.45 \$ 1,209 |
| Braemar Woods Main Extension | CoBank | 2017 Financing | | | \$ 7,852 | | Yes | \$ 7,392 | \$ 7,392 | \$ (739) | \$ 6,653 | 331 | 1.47% | \$ (98) | Windham | Yes | \$ 24.45 \$ 178 |
| Pine Haven Land Acquisition | CoBank | 2017 Financing | | | \$ 98,500 | Oct-17 | Yes | \$ 95,290 | \$ 95,290 | \$ (9,529) | \$ 85,761 | 303 | 0.00% | \$ - | Londonderry | No ¹ | \$ 26.00 \$ - |
| Brady Avenue Water Main Replacement, Phase I | DW | 17-055 | 26,006 | 4/19/2017 | \$ 190,000 | Nov-17 | Yes | \$ 247,635 | \$ - | \$ - | \$ - | 331 | 1.47% | \$ - | Derry | Yes | \$ 33.23 \$ - |
| 2017 New Services - PEU | DW | 16-234 | 25,890 | 4/26/2016 | \$ 33,880 | 1/2017-12-2017 | Yes | \$ 76,749 | \$ 76,749 | \$ (7,675) | \$ 69,074 | 333 | 2.05% | \$ (1,416) | Varies ⁴ | Yes | \$ 27.69 \$ 2,086 |
| 2017 Renewed Services - PEU | DW | 16-234 | 25,890 | 4/26/2016 | \$ 14,204 | 1/2017-12-2017 | Yes | \$ 27,094 | \$ 27,094 | \$ (2,709) | \$ 24,384 | 333 | 2.05% | \$ (500) | Varies ⁴ | Yes | \$ 27.69 \$ 736 |
| 2017 Hydrant replacements - PEU | DW | 16-234 | 25,890 | 4/26/2016 | \$ 10,000 | | | \$ - | \$ - | \$ - | \$ - | 335 | 1.47% | \$ - | Varies ⁴ | Yes | \$ 27.69 \$ - |
| 2017 Gate Replacements - PEU | DW | 16-234 | 25,890 | 4/26/2016 | \$ 23,462 | 1/2017-12-2017 | Yes | \$ 538 | \$ 538 | \$ (54) | \$ 485 | 331 | 1.47% | \$ (7) | Varies ⁴ | Yes | \$ 27.69 \$ 15 |
| 2017 Meters 5/8"-6" - PEU | CoBank | 2017 Financing | | | \$ 163,713 | 1/2017-12-2017 | Yes | \$ 164,830 | \$ 164,830 | \$ (16,483) | \$ 148,347 | 334 | 4.20% | \$ (6,231) | Varies ⁴ | Yes | \$ 27.69 \$ 4,392 |
| PEU Share of Weinstein Well Improvement | DW | 16-234 | 25,890 | 4/26/2016 | \$ 55,000 | | No | \$ 38,324 | \$ - | \$ - | \$ - | 307 | 3.79% | \$ - | Varies ⁴ | Yes | \$ 27.69 \$ - |
| PEU Share of Weinstein Well Improvement | DW | 16-234 | 25,890 | 4/26/2016 | \$ - | | No | \$ 15,866 | \$ - | \$ - | \$ - | 307 | 3.79% | \$ - | Varies ⁴ | Yes | \$ 27.69 \$ - |
| PEU Share of Weinstein Well Improvement | DW | 16-234 | 25,890 | 4/26/2016 | \$ - | | No | \$ 6,105 | \$ - | \$ - | \$ - | 307 | 3.79% | \$ - | Varies ⁴ | Yes | \$ 27.69 \$ - |
| Booster/Well/Chemical Feed Pump Replacements - PEU | DW | 16-234 | 25,890 | 4/26/2016 | \$ 39,112 | 1/2017-12-2017 | Yes | \$ 56,471 | \$ 56,471 | \$ (5,647) | \$ 50,824 | 311 | 5.47% | \$ (2,780) | Varies ⁴ | Yes | \$ 27.69 \$ 1,487 |
| Shaker Heights - Install Water Softening System | DW | 16-234 | 25,890 | 4/26/2016 | \$ 10,000 | Nov-17 | Yes | \$ 16,012 | \$ 16,012 | \$ (1,601) | \$ 14,411 | 320 | 7.19% | \$ (1,036) | Chester | Yes | \$ 27.65 \$ 414 |
| Ministerial Heights - Install Radon Treatment | DW | 16-234 | 25,890 | 4/26/2016 | \$ 10,620 | Aug-17 | Yes | \$ 12,825 | \$ 12,825 | \$ (1,283) | \$ 11,543 | 320 | 7.19% | \$ (830) | Londonderry | Yes | \$ 26.00 \$ 312 |
| PEU well rehabilitation (4 locations) | DW | 16-234 | 25,890 | 4/26/2016 | \$ 15,000 | | No | \$ - | \$ - | \$ - | \$ - | 307 | 3.79% | \$ - | Varies ⁴ | Yes | \$ 27.69 \$ - |
| PEU-Hudson Wholesale Cellular Meter Readers ² | CoBank | 2017 Financing | | | \$ 7,800 | Dec-17 | Yes | \$ 3,494 | \$ 3,494 | \$ (349) | \$ 3,144 | 334 | 4.20% | \$ (132) | Varies ⁴ | Yes | \$ 27.69 \$ 93 |
| Merrimack River Crossing - PEU/PWW Interconnection | | | | | \$ - | | No | \$ 63,460 | \$ - | \$ - | \$ - | 331 | 1.47% | \$ - | Merrimack/Litchfield | Yes | \$ 27.51 \$ - |
| Merrimack River Crossing - PEU/PWW Interconnection (2017 carry-over) | | | | | \$ - | | No | \$ 357,619 | \$ - | \$ - | \$ - | 331 | 1.47% | \$ - | Merrimack/Litchfield | Yes | \$ 27.51 \$ - |
| Locke Lake Groundwater Exploration | | | | | \$ - | | No | \$ 13,556 | \$ - | \$ - | \$ - | 307 | 3.79% | \$ - | Barnstead | No ¹ | \$ 33.23 \$ - |
| WESCO pressure vessel replacement | DW | 16-234 | 25,890 | 4/26/2016 | \$ 15,000 | | Yes | \$ 9,996 | \$ 9,996 | \$ (1,000) | \$ 8,997 | 320 | 7.19% | \$ (647) | Hooksett | Yes | \$ 30.67 \$ 287 |
| Additional projected Capital Investment for the remainder of 2017 | CoBank | 2017 Financing | | | \$ 137,416 | | | \$ - | \$ - | \$ - | \$ - | 331 | 1.47% | \$ - | Varies ⁴ | Yes | \$ 27.69 \$ - |
| | | | | | \$ 1,022,297 | | | \$ 1,510,858 | \$ 765,577 | \$ (76,558) | \$ 689,019 | | | \$ (30,217) | | | \$ 17,485 |

| | | |
|--|--------------|---|
| Depreciation Expense on 2017 Plant Additions - | \$ 30,217 | |
| Less Depreciation Expense associated with projected 2017 Plant Retirements - | \$ (3,388) | Per Co's Sch 3 Attach A - Step Retire (Revised) |
| Net Increase in Depreciation Expense - | \$ 26,829 | |
| Total Projected Plant Additions in 2017 - | \$ 689,019 | |
| Less Total Projected Plant Retirements in 2017 - | \$ (111,974) | Per Co's Sch 3 Attach A - Step Retire (Revised) |
| Net Increase in Plant Additions in 2017 - | \$ 577,045 | |
| Depreciation on Plant Additions in 2017 - | \$ 30,217 | |
| Less Cost of Removal on Plant Additions in 2017 - | \$ (76,558) | |
| Less Total Projected Plant Retirements in 2017 - | \$ (111,974) | Per Co's Sch 3 Attach A - Step Retire (Revised) |
| Net Decrease in Accumulated Depreciation - | \$ (158,315) | |
| Local and State Property taxes on Total Projected Plant Additions in 2017 - | \$ 17,485 | |
| Cost of removal 10% \$ | 76,558 | |

| | |
|---|--------------|
| Total Used and Useful projects | \$ 765,577 |
| Remaining CoBank funds to be used on 2017 capital | \$ 415,499 |
| Funded with SRF funds | \$ - |
| CoBank Financing Amount | \$ 350,078 |
| Total of all projects | \$ 1,510,858 |
| Remaining CoBank funds to be used on 2017 capital | \$ 415,499 |
| Funded with SRF funds | \$ - |
| | \$ 1,095,359 |

- NOTES:
1. PEU already pays property tax on this land.
 2. Investment will reduce annual meter reading labor, benefits and truck expenses by about \$7,750 per year
 3. Local Tax Rate plus \$6.60 for State Utility Tax
 4. Average Local property Tax rate of \$21.09 plus \$6.60 for State Utility Tax (Sch 6-Perm)
 5. Cost of project was \$6,987.76, however, it is reduced by 50% as the Town of Hudson was billed for half of the project in the amount of \$3,493.88