

Aquarion Water Company of New Hampshire

Exhibit 1

Pro Forma Embedded Cost of Long Term Debt  
to Reflect Issuance of \$5,000,000 Bond

Issue	Issuance Date	Face Value	Financing Costs	Net Proceeds Ratio	Amount Outstanding	Coupon Rate	Annual Interest	Cost Rate	Annual Cost	Debt Weighting	Weighted Average Cost Rate
<b>As Authorized in DW 08-098 Aquarion Water Company of New Hampshire Settlement Agreement Order No. 25,019, Dated September 25, 2009</b>											
GM Bond 7.71% Series	Nov-93	3,000,000	55,296	98.2%	3,000,000	7.71%	231,300	7.85%	235,643	26.09%	2.05%
GM Bond 6.21% Series	Aug-05	5,900,000	200,891	96.6%	5,900,000	6.21%	366,390	6.43%	379,305	51.30%	3.30%
Intercompany Debt		2,600,000	-	100.0%	2,600,000	4.05%	105,300	4.05%	105,300	22.61%	0.92%
					<u>11,500,000</u>				<u>720,248</u>		<u>6.26%</u>
<b>As of December 31, 2011 per Books</b>											
GM Bond 7.71% Series	Nov-93	3,000,000	55,296	98.2%	3,000,000	7.71%	231,300	7.85%	235,643	26.09%	2.05%
GM Bond 6.21% Series	Aug-05	5,900,000	200,891	96.6%	5,900,000	6.21%	366,390	6.43%	379,305	51.30%	3.30%
Unsecured 4.62% Promissory Note	Mar-10	4,000,000	-	100.0%	4,000,000	4.62%	184,800	4.62%	184,800	28.78%	1.33%
					<u>12,900,000</u>				<u>799,748</u>		<u>6.68%</u>
<b>As of December 31, 2011 Pro forma</b>											
GM Bond 7.71% Series	Nov-93	3,000,000	55,296	98.2%	3,000,000	7.71%	231,300	7.85%	235,643	21.58%	1.70%
GM Bond 6.21% Series	Aug-05	5,900,000	200,891	96.6%	5,900,000	6.21%	366,390	6.43%	379,305	42.45%	2.73%
GM Bond 4.45% Series	Jun-12	5,000,000	70,500	98.6%	5,000,000	4.45%	222,500	4.51%	225,682	35.97%	1.62%
					<u>13,900,000</u>				<u>840,631</u>		<u>6.05%</u>

**Exhibit 2**

**Aquarion Water Company of New Hampshire**

**Estimated Costs  
to Reflect Issuance of \$5,000,000 Bond**

Origination Fee (25 basis points of Bond)	\$	12,500
CoBank Attorney Fees		30,000
Company Attorney Fees		<u>28,000</u>
Total Issuance Costs	\$	70,500

Exhibit 3

**Aquarion Water Company of New Hampshire  
Balance Sheet**

**Actual and Pro Forma to Reflect Issuance of  
\$5,000,000 Bond**

<b>Assets</b>	<b>December 31, 2011 Actual</b>	<b>Adjustments Debit</b>	<b>Credit</b>	<b>December 31, 2011 Pro Forma</b>	<b>Exhibit 5 JE Reference</b>
<b>Net Utility Plant</b>	\$ 26,534,084	\$ 1,000,000		\$ 27,534,084	(1)
Cash	16,636		70,500	(53,864)	(2)
Net Accounts Receivable	321,958			321,958	
Miscellaneous Receivables	34,016			34,016	
Notes from Associated Companies	100,000			100,000	
Accrued Revenues	445,063			445,063	
Materials and Supplies	133,351			133,351	
Prepayments	151,621			151,621	
<b>Total Current and Accrued Assets</b>	<b>1,202,645</b>	<b>-</b>	<b>70,500</b>	<b>1,132,145</b>	
Unamortized Debt Issuance Costs	173,742	70,500	7,050	237,192	(2) and (4)
Other Deferred Debits	2,719,798			2,719,798	
<b>Total Deferred Debits</b>	<b>2,893,540</b>	<b>70,500</b>	<b>7,050</b>	<b>2,956,990</b>	
<b>Total Assets</b>	<b>\$ 30,630,269</b>	<b>\$ 1,070,500</b>	<b>\$ 77,550</b>	<b>\$ 31,623,219</b>	

<b>Equity and Liabilities</b>	<b>December 31, 2011 Actual</b>	<b>Adjustments Debit</b>	<b>Credit</b>	<b>December 31, 2011 Pro Forma</b>	
Preferred Stock	\$ 2,300.00			\$ 2,300.00	
Common Stock	2,187,075			2,187,075	
Paid in Capital	3,557,940			3,557,940	
Contributed Capital	480,250			480,250	
Retained Earnings	2,837,736	26,613		2,811,123	(3) (4) and (5)
<b>Total Stockholder's Equity</b>	<b>9,065,301</b>	<b>26,613</b>	<b>-</b>	<b>9,038,688</b>	
<b>Long Term Debt</b>	<b>12,900,000</b>	<b>4,000,000</b>	<b>5,000,000</b>	<b>13,900,000</b>	
Short Term Debt	-			-	
Accounts Payable	1,752,235			1,752,235	
Accounts Payable to Associated Companies	9,125			9,125	
Accrued Bond Interest	233,538	-	37,700	271,238	(3)
Accrued Dividends	979			979	
Miscellaneous Current and Accrued Liabilities	1,511,012	18,137		1,492,875	(5)
<b>Total Current and Accrued Liabilities</b>	<b>3,506,889</b>	<b>18,137</b>	<b>37,700</b>	<b>3,526,452</b>	
Deferred Taxes	2,869,091			2,869,091	
Customer Advances	5,600			5,600	
<b>Total Deferred Credits</b>	<b>2,874,691</b>	<b>-</b>	<b>-</b>	<b>2,874,691</b>	
<b>Contributions in Aid of Construction, Net</b>	<b>2,283,388</b>	<b>-</b>	<b>-</b>	<b>2,283,388</b>	
<b>Total Equity &amp; Liabilities</b>	<b>\$ 30,630,269</b>	<b>\$ 4,044,750</b>	<b>\$ 5,037,700</b>	<b>\$ 31,623,219</b>	

**Aquarion Water Company of New Hampshire  
Statement of Income**

**Income Statement for the Twelve Months Ended December 31, 2011  
Actual and Pro Forma to Reflect Issuance of \$5,000,000 Bond**

	Twelve Months Ended December 31, 2011			Exhibit 5 JE Reference
	Actual	Adjustments DR (CR)	Pro Forma	
Operating Revenues	\$ 5,969,630		\$ 5,969,630	
Operating Expenses				
Operation & Maintenance	3,015,503		3,015,503	
Depreciation	932,339		932,339	
Amortization of Contribution in Aid of Construction	(32,502)		(32,502)	
Taxes other than Federal Income Taxes	584,916		584,916	
Income Taxes	324,241	(18,137)	306,104	(5)
Total Operating Expenses	4,824,497	(18,137)	4,806,360	
Utility Operating Income	1,145,133	18,137	1,163,270	
Total Other Income and Deductions	30,538		30,538	
Income Before Interest Charges	1,175,671	18,137	1,193,808	
Deductions from Income:				
Interest on Long-term Debt	782,490	37,700	820,190	(3)
Interest on Short-term Debt	1,168	-	1,168	
Amortization of Debt Issuance Costs	8,540	7,050	15,590	(4)
Other Interest Expense	-	-	-	
Total Interest Charges	792,198	44,750	836,948	
Net Income	\$ 383,473	(26,613)	\$ 356,860	
Interest Coverage	1.92		1.83	
(Income before interest and taxes divided by interest on long term debt)				

**Exhibit 5**

**Aquarion Water Company of New Hampshire**

**Journal Entries to Reflect the Issuance of \$5,000,000 Bond**

1	LONG TERM DEBT	4,000,000	
	CONSTRUCTION WORK IN PROGRESS	1,000,000	
	LONG TERM DEBT		5,000,000
	To record the issuance of \$5,000,000 Bond to refinance Note and finance capital expenditures		
2	DEBT ISSUANCE COST	70,500	
	CASH		70,500
	To record additional costs associated with the issuance of the new Bond (\$70,500)		
3	INTEREST EXPENSE	37,700	
	ACCRUED INTEREST PAYABLE		37,700
	To record additional interest expense on \$5,000,000 Bond		
	$\$5,000,000 \times 4.45\% =$	222,500	
	Less: $\$4,000,000 \times 4.62\%$ reflected in statements	(184,800)	
		<u>37,700</u>	
4	AMORTIZATION OF DEBT ISSUANCE COST	7,050	
	DEBT ISSUANCE COST		7,050
	To expense one tenth of expenses associated with the issuance of the Bond		
5	INCOME TAX PAYABLE	18,137	
	INCOME TAX EXPENSE		18,137
	To decrease the state and federal income taxes to reflect the increase in interest expense and amortization of debt issuance costs $(\$37,700 + \$7,050) \times 40.53\%$		

**Aquarion Water Company of New Hampshire**

**Statement of Capitalization, Actual and Pro Forma to Reflect Issuance of \$5,000,000 Bond**

	December 31, 2011		December 31, 2011	
	<u>Actual</u>	<u>Percent</u>	<u>Pro Forma</u>	<u>Percent</u>
LONG TERM DEBT	\$ 12,900,000	58.7%	\$ 13,900,000	60.6%
PREFERRED EQUITY	2,300	0.0%	2,300	0.0%
COMMON EQUITY	9,063,001	41.3%	9,036,388	39.4%
TOTAL CAPITALIZATION	<u>\$ 21,965,301</u>	100.0%	<u>\$ 22,938,688</u>	100.0%