

**Pennichuck East Utility, Inc.**  
**Overall Rate of Return**  
**For the Twelve Months Ended December 31, 2012**

Schedule 1

<u>Capital Component</u>	<u>Pro Forma Test Year</u>	<u>Component Ratio</u>	<u>Component Cost Rate</u>	<u>Weighted Average Cost Rate</u>
Long-term Debt	6,246,505	61.64%	4.64%	2.86%
Intercompany Debt	3,781,513	37.31%	2.52% (1)	0.94%
Preferred Stock	-	0.00%	0.00%	0.00%
Common Equity	<u>106,360</u>	<u>1.05%</u>	5.90% (2)	<u>0.06%</u>
<b>Overall Rate of Return</b>	<b><u>\$ 10,134,378</u></b>	<b><u>100.00%</u></b>		<b><u>3.86%</u></b>

**Notes:**

(1) The interest reflected is the effective interest rates for 2012 per Schedule F-35 of the Annual Report.

(2) The return on equity based on Order 25,292 in DW 11-026 is as follows:

Average 2012 30 year Treasury bonds	2.90%
Plus 3.0%	3.00%
Total	<u>5.90%</u>

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

Schedule 2

	<u>Test Year</u>	<u>Pro Forma Adjustments</u>		<u>Pro Forma Test Year</u>	<u>Component Ratio</u>
Long-term Debt	7,978,791	(1,732,287) (1)		6,246,505	61.64%
Intercompany Debt	\$ 6,359,294	(2,577,780) (1)		3,781,513	37.31%
<u>Common Equity:</u>					
Common Stock	100			100	
Paid In Capital	15,904,329	(15,904,329) (2)		(0)	
Comprehensive Income	(495,228)	529,702 (2)		34,474	
Retained Earnings	71,787			71,787	
Total Common Equity	<u>15,480,987</u>			<u>106,360</u>	1.05%
Total Capital	<u>\$ 29,819,072</u>			<u>\$ 10,134,378</u>	100.00%

**Notes:**

- (1) Eliminate Capital Recovery Surcharge Related Assets with the offset to Long Term Debt and Intercompany Debt.  
 The Long Term Debt consists of the SRF Loan for the Birch Hill interconnection. The remainder is Intercompany Debt.  
 (2) Per Order 25,292 in DW 11-026, eliminate the MARA and related equity:

MARA	8,964,574
Equity as of 1/25/12	939,755
Paid in Capital as of 1/25/12	<u>6,000,000</u>
	<u>15,904,329</u>
Comprehensive Income as of 1/25/12	<u>(529,702)</u>

**Pennichuck East Utility, Inc.**  
**Historical Capital Structure**  
**For the Twelve Months Ended December 31, 2008 - 2012**

Schedule 3

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Bonds	4,057,544	5,173,568	5,383,936	1,075,000	5,660,000
Other LTD	3,921,247	3,248,970	3,322,814	3,239,106	1,108,527
Long-term Debt	<u>\$ 7,978,791</u>	<u>\$ 8,422,538</u>	<u>\$ 8,706,750</u>	<u>\$ 4,314,106</u>	<u>\$ 6,768,527</u>
Intercompany Debt	6,359,294	4,179,078	3,661,815	8,188,698	23,911
Common Equity:					
Common Stock	100	100	100	100	100
Paid In Capital	15,904,329	6,000,000	6,000,000	6,000,000	4,000,000
Comprehensive Income	(495,228)	(500,333)	(188,326)	-	(110,875)
Retained Earnings	71,787	1,040,297	1,205,096	915,322	2,648,795
Total Common Equity	<u>\$ 15,480,987</u>	<u>\$ 6,540,063</u>	<u>\$ 7,016,870</u>	<u>\$ 6,915,422</u>	<u>\$ 6,538,021</u>
Total Capital	<u>\$ 29,819,072</u>	<u>\$ 19,141,679</u>	<u>\$ 19,385,435</u>	<u>\$ 19,418,226</u>	<u>\$ 13,330,458</u>

**Notes:**

(1) Prior to 2009, the equity and long term debt, including the intercompany accounts, were reconciled and balanced at the entity/consolidated level (Pittsfield and North Country combined). Therefore, the split out of debt/equity in 2008 by 001 (Pittsfield) and 002 (North Country) sub accounts do not necessarily create an amount of assets equal to the amount of equity/liabilities at the sub account level.

**Pennichuck East Utility, Inc.  
Historical Capitalization Ratios  
For the Twelve Months Ended December 31, 2008 - 2012**

**Schedule 4**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Long-term Debt	26.76%	44.00%	44.91%	22.22%	50.77%
Total Common Equity	51.92%	34.17%	36.20%	35.61%	49.05%
Intercompany Debt	<u>21.33%</u>	<u>21.83%</u>	<u>18.89%</u>	<u>42.17%</u>	<u>0.18%</u>
Total Capital	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**Pennichuck East Utility, Inc.**  
**Weighted Average Cost of Long-Term Debt**  
**For the Twelve Months Ended December 31, 2012**

Schedule 5

Holder	Term	Maturity	Rate	Outstanding Balance	Annual Interest (2)	Annual Amortization	All In Annual Cost	Effective Rate
Business Finance Authority of NH (Series 2005D) (1) CoBank	20		4.500%	-	-	7,214	7,214	-
State of NH SRF (Green Hills)	20	02/28/30	5.950%	4,057,854	241,442	1,455	242,897	5.99%
State of NH SRF (Pelham Tank)	20	01/01/25	3.728%	276,558	10,310	-	10,310	3.7%
State of NH SRF (Maple Hills)	20	01/01/27	3.488%	435,240	15,181	247	15,428	3.54%
State of NH SRF (Birch Hill)	20	05/01/30	2.952%	538,349	15,892	471	16,363	3.04%
State of NH SRF (Locke Lake - 2007)	20	03/01/30	2.864%	1,732,287	49,613	549	50,162	2.90%
State of NH SRF (Locke Lake - 2011)	20	04/01/30	2.952%	263,022	7,764	90	7,854	2.99%
State of NH SRF (Liberty Tree) (3)	20	06/01/33	2.864%	300,000	8,592	-	8,592	2.86%
State of NH SRF (Locke Lake - 2012) (3)	20	TBD	3.104%	12,524	389	-	389	3.10%
		TBD	3.104%	362,958	11,266	-	11,266	3.10%
				<b>\$ 7,978,791</b>	<b>\$ 360,450</b>	<b>\$ 10,026</b>	<b>\$ 370,476</b>	<b>4.64%</b>

**Notes:**

- (1) The debt issuance costs and amortization reflected is from retired debt (April 2012).
- (2) The annual interest expense is calculated based on the outstanding balance at year end multiplied by the stated interest rate.  
The calculated interest expense will differ from interest expense recorded in the test year due to loan repayments made during the year.
- (3) The interest rates reflected are expected interest rates per Order 25,248 (DW 11-108) for Liberty Tree and Order 25,348 (DW 11-262) for Locke Lake.

Pennichuck East Utility, Inc.  
 Short-Term and Long-Term Intercompany Debt  
 For the Thirteen Months Ended December 31, 2012

Schedule 6

	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	13 Month Average
INTERCO PAY/REC PEU/PCP	(18,652,989.90)	(18,790,940.74)	(19,121,589.08)	(19,426,946.88)	(18,774,400.08)	(18,389,470.81)	(18,671,940.43)	(18,850,875.59)	(19,201,848.32)	(18,845,883.53)	(19,582,811.50)	(19,417,174.38)	4,636,143.65	
INTERCO PAY/REC PEU/TSC	(478.00)	(478.30)	(478.60)	(478.90)	(479.20)	(479.50)	(479.82)	(480.22)	(480.62)	(480.92)	(481.22)	(481.52)	-	
INTERCO PAY/REC PEU/PWS	154,746.86	154,643.58	154,940.36	154,987.18	154,994.77	155,091.64	155,188.57	155,285.56	155,382.61	155,453.73	155,550.89	155,646.11	-	
INTERCO PAY/REC PEU/PAC	5,217,331.95	5,223,605.80	5,232,114.67	5,240,481.21	5,248,844.92	5,254,805.48	5,262,339.84	5,270,527.04	5,279,253.32	5,286,581.31	5,284,442.06	5,302,381.99	-	
INTERCO PAY/REC PEU/PWW	15,737,317.36	15,966,925.83	16,285,415.08	16,557,691.07	16,840,347.24	17,074,905.72	17,295,418.55	17,558,678.28	17,786,452.74	18,012,985.04	18,200,587.73	18,440,499.25	-	
<b>Intercompany Short Term Debt</b>	<b>2,455,928</b>	<b>2,553,956</b>	<b>2,550,402</b>	<b>2,525,714</b>	<b>3,487,308</b>	<b>4,094,853</b>	<b>4,040,526</b>	<b>4,133,135</b>	<b>4,018,762</b>	<b>4,608,656</b>	<b>4,067,288</b>	<b>4,480,873</b>	<b>4,636,144</b>	<b>3.61</b>
INTERCO ADV-PCP PROM NOTE 5/18	1,723,150	1,723,150	1,723,150	1,723,150	1,723,150	1,723,150	1,723,150	1,723,150	1,723,150	1,723,150	1,723,150	1,723,150	1,723,150	
<b>Intercompany Long Term Debt</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	<b>1,723,150</b>	
<b>Total Intercompany Debt</b>	<b>4,179,078</b>	<b>4,277,106</b>	<b>4,273,552</b>	<b>4,248,864</b>	<b>5,180,458</b>	<b>5,818,003</b>	<b>5,763,676</b>	<b>5,856,285</b>	<b>5,741,912</b>	<b>6,331,806</b>	<b>5,790,438</b>	<b>6,204,023</b>	<b>6,359,294</b>	

**Pennichuck East Utility, Inc.  
Weighted Average Cost of Preferred Stock  
For the Twelve Months Ended December 31, 2012**

**Schedule 7**

<b>Security</b>	<b>Term</b>	<b>Maturity</b>	<b>Rate</b>	<b>Outstanding Balance</b>	<b>Annual Dividends</b>	<b>Annual Amortization</b>	<b>All In Annual Cost</b>	<b>Effective Rate</b>
-----------------	-------------	-----------------	-------------	--------------------------------	-----------------------------	--------------------------------	-------------------------------	---------------------------

**NOT APPLICABLE**

**Pennichuck East Utility, Inc.**  
**Return on Common Equity**  
**For the Twelve Months Ended December 31, 2012**

Schedule 8

Source: Yahoo Finance

Date	Open	High	Low	Close
1/2/2013	3.04	3.12		
12/3/2012	2.83	3.04	3.03	3.11
11/1/2012	2.88	2.96	2.74	2.95
10/1/2012	2.81	3.01	2.7	2.79
9/4/2012	2.68	3.28	2.8	2.85
8/1/2012	2.58	2.98	2.66	2.83
7/2/2012	2.74	2.75	2.51	2.68
6/1/2012	2.6	2.83	2.45	2.58
5/1/2012	3.12	3.17	2.51	2.76
4/2/2012	3.33	3.41	2.59	2.67
3/1/2012	3.15	3.49	3.06	3.11
2/1/2012	2.95	3.24	3.06	3.35
1/3/2012	2.98	3.18	2.94	3.09
			2.88	2.93

30 year Treasury bonds

Average 2.90

Plus 3.00

Cost of Equity 5.90%

Notes:

(1) Per DW 11-026 Order 25,292 page 29