

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Eleven Months Ended December 31, 2013

Schedule LDG-1
Page 1 of 2

	Account Number	12/31/2013	DW 14-020 Pro Forma Adjustments	Add'l Financing Pro Forma Adjustments	Pro Forma 12/31/2013
<u>PLANT ASSETS</u>					
Plant in Service	301 to 348	\$ 49,137,772	\$ 1,522,000	\$ 510,000 (1)	\$ 51,169,772
Work in process	105	771,630	-		771,630
Utility Plant		49,909,401	1,522,000	510,000	51,941,401
Accumulated depreciation	108	10,233,798	(10,555)	(7,497) (2)	10,215,746
Net Plant		39,675,604	1,532,555	517,497	41,725,655
Net Acquisition Adjustment	114 & 115	6,568,155	-		6,568,155
Total Net Utility Plant		33,107,449	1,532,555	517,497	35,157,500
<u>CURRENT ASSETS</u>					
Cash & Special Deposits	131 & 133	30,000	-		30,000
Accounts receivable-billed, net	141 & 143	397,799	-		397,799
Accounts receivable-unbilled, net	173	452,171	-		452,171
Accounts receivable-other	142	-	-		-
Inventory	151	28,521	-		28,521
Prepaid expenses	162	22,942	-		22,942
Prepaid property taxes	163 & 236	174,165	-		174,165
Prepaid taxes	162.3	-	-		-
		1,105,599	-	-	1,105,599
<u>OTHER ASSETS</u>					
Debt issuance expenses	181	184,410	-		184,410
Acquisition Premium - MARA	186	8,585,369	-		8,585,369
Other & Deferred Charges	182,184,186	675,838	-		675,838
		9,445,616	-	-	9,445,616
TOTAL ASSETS		\$ 43,658,664	\$ 1,532,555	\$ 517,497	\$ 45,708,716

Notes:

- (1) To record the assets related to the SRF Loans.
(2) To record the impact of full year depreciation offset by the Cost of Removal.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
EQUITY AND LIABILITIES
For the Eleven Months Ended December 31, 2013

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	Account Number	12/31/2013	DW 14-020 Pro Forma Adjustments	Add'l Financing Pro Forma Adjustments		Pro Forma 12/31/2013
STOCKHOLDERS' EQUITY						
Common stock	201	\$ 100	\$ -			\$ 100
Paid in capital	211	15,152,158	-			15,152,158
Comprehensive Income	219	(231,906)	-			(231,906)
Retained earnings	215	(137,658)	(52,764)	(21,455)	(2)	(211,877)
		14,782,694	(52,764)	(21,455)		14,708,475
LONG TERM DEBT						
Bonds, notes and mortgages	221	10,748,047	1,522,000	510,000	(1)	12,780,047
Intercompany advances	223	5,133,269	63,319	28,952	(3)	5,225,539
Other Long Term Debt	224	386,510	-			386,510
CURRENT LIABILITIES						
Accounts payable	231	-	-			-
Accrued property taxes	236	232,280	-			232,280
Accrued interest payable	237	-	-			-
Other accrued expenses	241	173,877	-			173,877
Income taxes payable	236	-	-			-
Customer deposits & other	235	-	-			-
		406,156	-	-		406,156
OTHER LIABILITIES AND DEFERRED CREDITS						
Deferred income taxes	282	3,843,600	-			3,843,600
Customer advances	252	-	-			-
CIAC, net	271 & 272	8,358,388	-			8,358,388
Other long term liabilities		-	-			-
		12,201,988	-	-		12,201,988
TOTAL EQUITY AND LIABILITIES		\$ 43,658,664	\$ 1,532,555	\$ 517,497		\$ 45,708,716

Notes:

(1) To record the SRF Debt as follows:

Locke Lake Water Main	\$	400,000		
W&E Water Main	\$	550,000	\$	510,000
Hardwood Pumping Facility	\$	572,000		
Total SRF Debt	\$	1,522,000	\$	510,000

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

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

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Eleven Months Ended December 31, 2013

Schedule LDG-2
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			DW 14-020	Add'l Financing	
	Account Number	ELEVEN MONTHS 12/31/13	PRO FORMA ADJUSTMENTS	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/13
Water Sales	460 to 462	\$ 6,310,853	\$ -	\$ -	\$ 6,310,853
Other Operating Revenue	471	43,124	-	-	43,124
Total Revenues		6,353,977	-	-	6,353,977
Production Expenses	601 to 652	1,804,674	-	-	1,804,674
Transmission & Distribution Expenses	660 to 678	587,301	-	-	587,301
Customer Acct & Collection Exp	902 to 904	177,228	-	-	177,228
Administrative & General Expense	920 to 950	155,661	-	-	155,661
Inter Div Management Fee	930	1,392,229	-	-	1,392,229
Total Operating Expense		4,117,093	-	-	4,117,093
Dep Exp/Acq Adj Expense	403 & 406	867,787	10,555	7,497 (2)	885,839
Amortization Expense:CIAC	405	(184,941)	-	-	(184,941)
Amortization Expense	407	323,989	-	-	323,989
Gain on Debt Forgiveness	414	(13,074)	-	-	(13,074)
Property Taxes	408.1	804,720	35,419	14,158 (2)	854,297
Income Tax	409 to 410	87,212	(34,608)	(14,072) (3)	38,532
Total Operating Deductions		1,885,694	11,366	7,583	1,904,642
Net Operating Income		351,190	(11,366)	(7,583)	332,242
Other Income and Deductions		13,854	-	-	13,854
Interest Expenses		502,702	41,398	13,872 (1)	557,973
Net Income		(137,658)	(52,764)	(21,455)	(211,877)

Notes:

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

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Eleven Months Ended December 31, 2013

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Supporting Calculations:

<u>Interest Expense:</u>	DW 14-020	Additional Financing	Total
New SRF debt	\$ 1,522,000	\$ 510,000	\$ 2,032,000
Interest Rate	2.72%	2.72%	2.72%
Annual Interest	\$ 41,398	\$ 13,872	\$ 55,270

Depreciation

Additions:

	Asset Cost				Total Depreciation		Additional W&E Depreciation	
	Barnstead Locke Lake	Windham W&E	Additional W&E	Windham Hardwood	Rate	Amount		
Structures & Improvements*	\$ -	\$ -		\$ 170,000	2.62%	\$ 4,454		
Transmission & Distribution Mains	\$ 400,000	\$ 550,000	\$ 510,000	\$ -	1.47%	\$ 21,462	\$	7,497.00
Supply Mains				\$ 12,000	1.57%	\$ 188		
Pumping Equipment	\$ -	\$ -		\$ 70,000	5.50%	\$ 3,850		
Treatment Equipment				\$ 180,000	7.33%	\$ 13,194		
Distribution Reservoirs				\$ 80,000	1.94%	\$ 1,552		
Communication Equipment				\$ 30,000	11.11%	\$ 3,333		
Totals	\$ 400,000	\$ 550,000	\$ 510,000	\$ 542,000		\$ 29,954	\$	7,497

* excludes Cost of Removal estimated at \$30 thousand

Retirements:

	Asset Cost				Depreciation			
	Barnstead Locke Lake	Windham W&E		Windham Hardwood	Rate	Amount		
Structures & Improvements	\$ -	\$ -		\$ 60,185	2.62%	\$ 1,577		
Transmission & Distribution Mains (1)	\$ 4,193	\$ 22,798	\$ -	\$ -	1.47%	\$ 397	\$	-
Pumping Equipment	\$ -	\$ -		\$ 38,599	5.50%	\$ 2,123		
Treatment Equipment	\$ -	\$ -		\$ 46,784	7.33%	\$ 3,429		
Communication Equipment	\$ -	\$ -		\$ 39,397	11.11%	\$ 4,377		
Totals	\$ 4,193	\$ 22,798	\$ -	\$ 184,965		\$ 11,903	\$	-
Net Additions	\$ 395,808	\$ 527,202	\$ 510,000	\$ 357,035				1,790,044

Pro Forma Depreciation

\$ 18,052 \$ 7,497

Property Taxes

Barnstead	\$ 20.87				
Windham		\$ 21.16	\$ 21.16	\$ 21.16	
State of New Hampshire	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60	
Total Tax Rate	\$ 27.47	\$ 27.76	\$ 27.76	\$ 27.76	
Pro Forma Property Taxes	\$ 10,873	\$ 14,635	\$ 14,158	\$ 9,911	\$ 49,577

Notes:

- (1) Upon subsequent review, all the retirements related to the W&E Project were included in the original filing (DW 14-020). Therefore, no additional retirements are reflected for the additional W&E capital of \$510,000.

Pennichuck East Utility, Inc.
Pro Forma Capital Structure for Ratemaking Purposes
For the Eleven Months Ended December 31, 2013

Schedule LDG-3

		DW 14-020	Add'l Financing		
	<u>Pro Forma</u> <u>2013</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma</u> <u>2013 with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	12,780,047	(1,656,770)	(1)	11,123,277	79.93%
Intercompany Debt	\$ 5,225,539	(2,519,005)	(1)	2,706,534	19.45%
<u>Common Equity:</u>					
Common Stock	100			100	
Paid In Capital	15,152,158	(15,152,158)	(2)	(0)	
Comprehensive Income	(231,906)	529,702	(2)	297,796	
Retained Earnings	<u>(211,877)</u>			<u>(211,877)</u>	
Total Common Equity	14,708,475			86,019	0.62%
Total Capital	<u>\$ 32,714,061</u>	<u>(18,798,230)</u>		<u>\$ 13,915,831</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>
	15,904,329
Less: Dividends Paid in Feb 2013	<u>(752,171)</u>
	15,152,158
Comprehensive Income as of 1/25/12	<u>(529,702)</u>



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September 30, 2014

Mr. George Mandt, Vice President
TD Bank, N.A.
17 New England Executive Park, 2nd Floor
Burlington, MA 01803

RE: Written notice per Section 6(c)(vi) of the Master Loan Agreement between Pennichuck Corporation (the "Company" or "Pennichuck") and TD Bank, N.A. (the "Bank")

Hi George,

Pursuant to section 6(c)(vi) of the Loan Agreement, dated June 25, 2014 (the "Agreement") I am supplying you with the requisite prior written notice of the Company's intent to secure \$510,000 of term financing from the State Revolving Fund through the NHDES, for its wholly-owned Pennichuck East Utility, Inc. subsidiary ("PEU"). In accordance, with this section of the Agreement, the Company or its subsidiaries are allowed to borrow funds under tax exempt or taxable bond financings or state revolving fund loans, without prior written consent from the Bank. In lieu of this consent requirement, the Company must provide 30 days prior written notice of the Company's intent to enter into said financing. On September 26, 2014, Pennichuck's and PEU's boards of directors passed a resolution authorizing management to procure said financing on behalf of PEU. As such, the Company is currently preparing a financing petition to be filed with the NH Public Utilities Commission, as well as a request for shareholder approval from the Company's sole shareholder, the City of Nashua. Pursuant to the Company and PEU receiving these approvals, PEU will enter into this new debt obligation in the fourth quarter of 2014. This financing is being secured as the funding for the second phase of the water main replacement project for our W&E community water system in Windham, NH, which will be constructed in 2015. The first phase has been funded by SRF loans closed earlier this year, prior to entering into the line of credit agreement with TD Bank, N.A. We are pursuing funding for this second phase at this time, as it enables the Company to obtain current year interest rates for this money, as an addendum to the original financed amount, and will save the Company approximately \$63,000 in doing the financing in this manner.

Thank you for your time in reviewing and accepting this written notice, in conformity with the Agreement.

Sincerely,

Larry D. Goodhue
CFO, Treasurer and Controller
Pennichuck Corporation



PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Corporation, a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of Pennichuck Corporation. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of Pennichuck Corporation on September 26, 2014; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

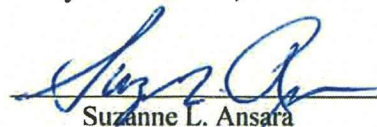
Resolved: that the Board of Directors hereby approves the guaranty by the Company of the payment by Pennichuck East Utility, Inc. (PEU) of all of its obligations with respect to PEU's borrowing of up to \$510,000.00 in principal amount from the State of New Hampshire ("State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the replacement of mains at W & E System in Windham, pursuant to a Loan Agreement between the Company and the State under the State's Drinking Water Revolving Loan Fund program.

Further
Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Guaranty agreement with respect to the SRF loan described in the prior resolution (the "SRF Loan"), with such terms as may be deemed necessary or advisable in the several judgment of the officers executing the Guaranty agreement.

Further
Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Guaranty from the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the Guaranty.

Further
Resolved: that John L. Patenaude, Donald L. Ware, and Larry D. Goodhue are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Guaranty and the SRF Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand this 14th day of November, 2014.


Suzanne L. Ansara
Corporate Secretary



PENNICHUCK

PENNICHUCK EAST UTILITY, INC.

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck East Utility, Inc., a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of Pennichuck East Utility, Inc. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of Pennichuck East Utility, Inc. on September 26, 2014; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

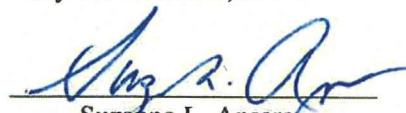
Resolved: that the Board of Directors hereby approves the borrowing by Pennichuck East Utility, Inc. of up to \$510,000.00 in principal amount from the State of New Hampshire ("State"), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the replacement of mains at W & E System in Windham, pursuant to a Loan Agreement between the Company and the State under the State's Drinking Water Revolving Loan Fund program.

Further Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Loan Agreement for the SRF loan described in the previous resolution (the "SRF Loan") with such terms, including the exhibits and schedules to such Loan Agreement, as may be deemed necessary or advisable in the several judgment of the officers executing the Loan Agreement.

Further Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the SRF Loan from the New Hampshire Public Utilities Commission, the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the SRF Loan.

Further Resolved: that John L. Patenaude, Donald L. Ware, and Larry D. Goodhue are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the SRF Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand this 14th day of November, 2014.


Suzanne L. Ansara
Corporate Secretary