

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REVENUE REQUIREMENT - TEMPORARY RATES
CURRENT RATE STRUCTURE

| | 5-YEAR AVG PERMANENT RATES |
|---|---|
| <u>CALCULATION OF REVENUE REQUIREMENT OTHER THAN NCCRS and CBFRR</u> | |
| 1) Rate Base (Sch 2-5YAvg) | \$ 9,873,201 |
| 2) Rate of Return (Sch 1A-Perm) | 3.94% |
| 3) Operating Income Requirement [(1) x (2)] | 388,568 |
| 4) Pro-forma Operating Income (Sch 3-5YAvg) | (106,356) |
| 5) Revenue Deficiency (Surplus) Before Taxes [(3) - (4)] | 494,924 |
| 6) Divided by Tax Factor (Sch 1B) | 60.59% |
| 7) Revenue Deficiency (Surplus) [(5) ÷ (6)] | 816,868 |
| 8) Pro-forma Water Rev's not Subject to NCCRS and CBFRR (Sch 3-5YAvg) | 5,777,610 |
| 9) Total Water Revenues not Subject to NCCRS and CBFRR [(7) + (8)] | \$ 6,594,478 |
| <u>CALCULATION OF PERCENT INCREASE (DECREASE) IN WATER REVENUES</u> | |
| 10) Calculated Revenue Deficiency (Surplus) [(7)] | \$ 816,868 |
| 11) Reduction in NCCRS | (121,070) |
| 12) Net Increase in Total Revenue Requirement [(10) + (11)] | \$ 695,798 |
| 13) Test Year Pro-forma Water Revenues not Subject to NCCRS and CBFRR [(8)] | \$ 5,777,610 |
| 14) Add: North Country Capital Recovery Surcharge Revenue (NCCRS) | 299,985 |
| 15) Add: City Bond Fixed Revenue Requirement Revenue (CBFRR) | 898,863 |
| 16) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(13) + (14) + (15)] | \$ 6,976,458 |
| 17) Percent Increase (Decrease) in Water Revenues [(12) ÷ (16)] | 9.97% |
| <u>CALCULATION OF TOTAL PROPOSED WATER REVENUES (INCLUDING CBFRR)</u> | |
| 18) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(16)] | \$ 6,976,458 |
| 19) Add: Net Increase in Total Revenue Requirement [(12)] | 695,798 |
| 20) Total Water Revenues - Original Rate Structure [(18) + (19)] | \$ 7,672,256 |

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

| | <u>RATE</u> | <u>PRO-FORMA BALANCE</u> | <u>COMPONENT RATIO</u> | <u>WEIGHTED AVERAGE COST RATE</u> |
|-----------------------------|-------------|------------------------------|----------------------------|---|
| Long-Term Debt | 4.001% (a) | \$ 15,223,936 (b) | 89.26% | 3.57% |
| Intercompany Debt | 3.200% (c) | 1,701,516 (d) | 9.98% | 0.32% |
| Common Equity | 5.928% (e) | 129,440 (f) | 0.76% | 0.04% |
| TOTAL CAPITALIZATION | | <u>\$ 17,054,892</u> | <u>100.00%</u> | <u>3.94%</u> |

Notes:

(a) Per Sch 1Ai (Total Long-Term Debt - 2016)

(b) Per Sch 1Ai (Total Long-Term Debt - 2016)

(c) Per Sch 1Ai (Total Intercompany Debt)

(d) Per Sch 1Ai (Total Intercompany Debt)

(e) Co's Common Equity Rate was revised from
5.63% to 5.928%, as follows:

| | |
|--|---------------|
| 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 | 2.880% |
| Average | <u>2.928%</u> |
| Additional Percentage per DW 11-026 Settlement | <u>3.000%</u> |
| Stipulated Return on Total Common Equity | <u>5.928%</u> |

(f) Per Sch 1Aiii

| Holder | Term | Maturity | Int Rate | LONG-TERM | LONG-TERM DEBT | | | | ANNUAL INTEREST EXPENSE | | | | ANNUAL AMORTIZATION OF ISSUE COSTS | | | | ALL-IN ANNUAL COST | EFFECTIVE INTEREST RATE |
|--|------|----------|----------|---------------------|------------------------------|-------------------|-----------------|------------------|-------------------------|-------------------|-----------------|------------------|------------------------------------|-------------------|-----------------|------------------|--------------------|-------------------------|
| | | | | DEBT 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 | | | | | | | | | | | | | | | | | | |
| CoBank | 20 | 03/01/30 | 5.950% | \$ 3,331,797 | \$ 3,331,797 | | | \$ 3,331,797 | \$ 198,242 | | | \$ 198,242 | \$ 1,455 | | | \$ 1,455 | \$ 199,697 | 5.994% |
| 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% |
| 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% |
| 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% |
| State of NH SRF: Birch Hill | 20 | 12/01/31 | 2.864% | 1,435,010 | 1,435,010 | | (1,435,010) | - | 41,099 | | (41,099) | - | 549 | | (549) | - | - | N/A |
| 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% |
| 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% |
| State of NH SRF: Liberty Hill | 20 | 04/01/35 | 3.104% | 377,874 | 377,874 | | | 377,874 | 11,729 | | | 11,729 | 531 | | | 531 | 12,260 | 3.244% |
| State of NH SRF: Locke Lake - 2012 | 20 | 12/01/33 | 2.720% | 351,578 | 351,578 | | | 351,578 | 9,563 | | | 9,563 | 136 | | | 136 | 9,699 | 2.759% |
| CoBank \$1.7M Loan (RX0848T4) | 10 | 06/20/23 | 3.620% | 1,505,183 | 1,505,183 | | | 1,505,183 | 54,488 | | | 54,488 | 1,663 | | | 1,663 | 56,151 | 3.731% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| 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% |
| CoBank \$1.25M Loan T6 (1st Traunch) | 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% |
| CoBank \$950K Loan T6 (2nd Traunch) | 25 | 11/01/41 | 4.830% | 950,000 | 950,000 | | | 950,000 | 45,885 | | | 45,885 | 211 | | | 211 | 46,096 | 4.852% |
| 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 | | | | 16,658,946 | 16,658,946 | - | (1,435,010) | 15,223,936 | 633,298 | - | (41,099) | 592,199 | 17,437 | - | (549) | 16,888 | 609,087 | 4.001% |
| Debt Associated with 2017 Capital Additions | | | | | | | | | | | | | | | | | | |
| State of NH SRF: Brady Ave (Derry) - 2017 | 30 | TBD | 1.960% | - | 190,000 | | | 190,000 | 3,724 | | | 3,724 | - | | | - | 3,724 | 1.960% |
| State of NH SRF: Hillcrest Road (Litchfield) - 2017 | 20 | TBD | 1.960% | - | - | | | - | - | | | - | - | | | - | - | N/A |
| CoBank - 2017 | 25 | TBD | 4.250% | - | 408,998 | | | 408,998 | 17,382 | | | 17,382 | - | | | - | 17,382 | 4.250% |
| Subtotal Long-Term Debt - 2017 | | | | - | 598,998 | - | - | 598,998 | 21,106 | - | - | 21,106 | - | - | - | - | 21,106 | 3.524% |
| Total Long-Term Debt - 2017 | | | | 16,658,946 | 17,257,944 | - | (1,435,010) | 15,822,934 | 654,404 | - | (41,099) | 613,305 | 17,437 | - | (549) | 16,888 | 630,193 | 3.983% |
| Intercompany Debt | | | | | | | | | | | | | | | | | | |
| Penn Corp: \$1.0M - 2015 | 10 | 03/04/25 | 2.700% | 843,884 | | | | - | 22,785 | | (22,785) | - | - | | | - | - | N/A |
| Penn Corp: \$3.0M - 2013 (\$1,276,850 PEU CapEx) | 10 | 05/03/23 | 2.650% | 857,632 | | | | - | 22,727 | | (22,727) | - | - | | | - | - | N/A |
| Penn Corp: \$3.0M - 2013 (\$1,723,150 NC CapEx) | 10 | 05/03/23 | 2.650% | 1,157,403 | 1,157,403 | | (1,157,403) | - | 30,671 | | (30,671) | - | - | | | - | - | N/A |
| Penn Corp | | | 3.740% | 1,179,110 | - | | | - | - | | | - | - | | | - | - | N/A |
| Penn Corp: Ref'd \$1.0M - 2015 | 30 | TBD | 3.200% | - | 843,884 | | | 843,884 | 27,004 | | | 27,004 | - | | | - | 27,004 | 3.200% |
| Penn Corp: Ref'd \$3.0M - 2013 (\$1,276,850 PEU CapEx) | 30 | TBD | 3.200% | - | 857,632 | | | 857,632 | 27,444 | | | 27,444 | - | | | - | 27,444 | 3.200% |
| Penn Corp: Ref'd \$3.0M - 2013 (\$1,723,150 NC CapEx) | 30 | TBD | 3.200% | - | - | | - | - | - | | - | - | - | | | - | - | N/A |
| Total Intercompany Debt | | | | 4,038,029 | 2,858,919 | - | (1,157,403) | 1,701,516 | 130,631 | - | (76,183) | 54,448 | - | - | - | - | 54,448 | 3.200% |
| GRAND TOTAL DEBT | | | | \$20,696,975 | \$20,116,863 | \$ - | \$ (2,592,413) | \$17,524,450 | \$ 785,035 | \$ - | \$ (117,282) | \$ 667,753 | \$ 17,437 | \$ - | \$ (549) | \$ 16,888 | \$ 684,641 | 3.907% |

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
COMMON EQUITY - TEMPORARY RATES

| | Year-end Balance | Co Adj's per Rate Filing | Co Adj's per DR's | Staff Adj's | Adjusted Pro-forma Balance |
|----------------------------|-----------------------------|-------------------------------------|------------------------------|---------------------|---|
| Common Stock | \$ 100 | | | \$ (100) | \$ - |
| Other Paid-in Capital | 13,333,908 | (13,333,908) | | | - |
| Other Comprehensive Income | (272,012) | 529,702 | | | 257,690 |
| Retained Earnings | (128,250) | 128,250 | | (128,250) | (128,250) |
| Total Common Equity | \$ 12,933,746 | \$ (12,675,956) | \$ - | \$ (128,350) | \$ 129,440 |

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

| | |
|---|-----------------------|
| Taxable Income | 100.00% |
| Less: NH Business Profits Tax | <u>8.20%</u> |
| Federal Taxable Income | 91.80% |
| Federal Income Tax Rate | <u>34.00%</u> |
| Effective Federal Income Tax Rate | 31.21% |
| Add: NH Business Profits Tax | <u>8.20%</u> |
| Effective Tax Rate | <u><u>39.41%</u></u> |
| Percent of Income Available if No Tax | 100.00% |
| Effective Tax Rate | <u>39.41%</u> |
| Percent Used as a Divisor in Determining the Revenue Requirement | <u><u>60.59%</u></u> |
| Tax Multiplier | <u><u>0.65049</u></u> |

014

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
RATE BASE - 5-YEAR AVERAGE - TEMPORARY 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 - 5-Yr Avg Perm Rates (Per Company Filing - Sch 3) | (3) Revisions per Co Responses to DR's | (4) Adj Rate Base - 5-Yr Avg Perm Rates | (5) Staff Adjustments (Sch's 2B) | (6) Staff Adjustment # (Sch's 2B) |
| | | | | | | (7) Adjusted Rate Base Per Staff |
| Plant in Service | \$ 50,698,303 | \$ (9,427,566) | | \$ 41,270,737 | \$ (426) | 1 |
| Accumulated Depreciation | (11,788,562) | 498,900 | | (11,289,662) | 30,277 | 2 |
| Acquisition Adjustment | (9,820,410) | | | (9,820,410) | | |
| Accumulated Amortization Acq Adj | 3,932,034 | | | 3,932,034 | | |
| Contributions in Aid of Construction | (12,767,645) | 14,096 | | (12,753,549) | | |
| Accumulated Amortization of CIAC | 2,127,070 | (2,459) | | 2,124,611 | | |
| Net Plant in Service | 22,380,790 | (8,917,029) | - | 13,463,761 | 29,851 | |
| Rate Stabilization Fund | - | | | - | | |
| Cash Working Capital | 581,226 | 11,414 | | 592,640 | (719) | 3 |
| Materials and Supplies | - | | | - | | |
| Prepaid Expenses | 128,316 | | | 128,316 | | |
| Unamortized Deferred Debits | 8,707,250 | (8,121,034) | | 586,216 | | |
| Customer Advances | - | | | - | | |
| Customer Deposits | (131,757) | | | (131,757) | | |
| Deferred Income Tax | (4,462,580) | | | (4,462,580) | | |
| Deferred Tax Liability | - | | | - | | |
| Unamortized Investment Tax Credit | - | | | - | | |
| Other Deferred Credits | - | | | - | | |
| Deferred Credit - Rate Stabilization Fund (Net) | - | | | - | | |
| Deferred Credit - Gain on SRF Loans | - | (332,527) | | (332,527) | | |
| Unfunded FAS 106 and 158 Costs | - | | | - | | |
| NET RATE BASE - 5-YEAR AVERAGE | \$ 27,203,245 | \$ (17,359,176) | \$ - | \$ 9,844,069 | \$ 29,132 | \$ 9,873,201 |
| Staff Adjustments | | | | | | |
| 1: Per Co Response to Staff 1-45 | | | \$ (426) | | | |
| 2: Per Co Response to Staff 1-44 | | \$ 87,599 | | | | |
| Per Co Response to Staff 1-50 | | (57,322) → | 30,277 | | | |
| 3: Per Co Response to Staff 1-51 | | 1,343 | | | | |
| Staff O & M Exp Adj's | \$ (16,727) | | | | | |
| Cash Working Capital Factor | x 12.33% → | (2,062) → | (719) | | | |
| Total Rate Base Adjustments | | | \$ 29,132 | | | |

015

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

| | Company Proposal (as revised per Co's Data Responses) | | | | Staff Proposal | | | | |
|---|---|------------------|---------------------|--------------|----------------|------------------|--------------|---------------|--------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| | Co Proforma Adj's - | Perm Rate Adj | | | Staff | Staff | Pro-forma | Revenue | Revenue |
| Test Year | Permanent Rates | Revisions per Co | Adj Oper Income - | Adjustments | Adjustment # | Operating Income | Deficiency - | Requirement - | |
| Operating Income | (Per Company | Responses to | 5-Yr Avg Perm Rates | (Sch's 3B) | (Sch's 3B) | Per Staff | Approved | Approved | |
| | Filing - Sch 1) | DR's | | | | | Methodology | Methodology | |
| OPERATING REVENUES | | | | | | | | | |
| Water Revenues: | | | | | | | | | |
| Water Revenue other than NCCRS and CBFRR | \$ 6,172,696 | \$ (197,543) | | \$ 5,975,153 | \$ (197,543) | 4 | \$ 5,777,610 | \$ 816,868 | \$ 6,594,478 |
| Add: North Country Capital Recovery Surcharge (NCCRS) | 299,985 | (299,985) | | - | | | - | - | - |
| Total Water Revenue other than CBFRR | 6,472,681 | (497,528) | - | 5,975,153 | (197,543) | | 5,777,610 | 816,868 | 6,594,478 |
| City Bond Fixed Revenue Requirement (CBFRR) Revenue | 898,863 | (926,309) | | (27,446) | 27,446 | 5 | - | - | - |
| Water Sales for Resale | - | | | | | | - | - | - |
| Total Water Revenues | 7,371,544 | (1,423,837) | - | 5,947,707 | (170,097) | | 5,777,610 | 816,868 | 6,594,478 |
| Other Operating Revenue | 39,407 | | | 39,407 | | | 39,407 | | 39,407 |
| Total Operating Revenues | 7,410,951 | (1,423,837) | - | 5,987,114 | (170,097) | | 5,817,017 | 816,868 | 6,633,885 |
| OPERATING EXPENSES | | | | | | | | | |
| O & M Expenses: | | | | | | | | | |
| Production Expense | 1,991,779 | (29,471) | | 1,962,308 | (15,955) | 6 | 1,946,353 | | 1,946,353 |
| Transmission and Distribution Expense | 616,944 | 11,265 | | 628,209 | | | 628,209 | | 628,209 |
| Engineering Expense | - | | | - | | | - | | - |
| Customer Account and Collection Expense | 184,106 | 310 | | 184,416 | | | 184,416 | | 184,416 |
| Administrative and General Expense | 155,295 | 7,881 | | 163,176 | (772) | 7 | 162,404 | | 162,404 |
| Inter-Division Management Fee | 1,811,425 | 102,584 | | 1,914,009 | | | 1,914,009 | | 1,914,009 |
| Total O & M Expenses | 4,759,549 | 92,569 | - | 4,852,118 | (16,727) | | 4,835,391 | - | 4,835,391 |
| Property Tax Expense | 1,051,160 | (58,924) | | 992,236 | 46,884 | 8 | 1,039,120 | | 1,039,120 |
| Payroll Tax Expense | - | | | - | | | - | | - |
| Gain from Forgiveness of SRF Debt | (22,613) | | | (22,613) | | | (22,613) | | (22,613) |
| Depreciation Expense | 1,250,948 | (228,330) | | 1,022,618 | (18,838) | 9 | 1,003,780 | | 1,003,780 |
| Amortization of Acquisition Adjustment | (211,341) | | | (211,341) | | | (211,341) | | (211,341) |
| Amortization - CIAC | (259,085) | 431 | | (258,654) | | | (258,654) | | (258,654) |
| Amortization Expense | 251,081 | (207,347) | | 43,734 | | | 43,734 | | 43,734 |
| Total Operating Expenses | 6,819,699 | (401,601) | - | 6,418,098 | 11,319 | | 6,429,417 | - | 6,429,417 |
| Net Operating Income | | | | | | | | | |
| Before Income Tax | 591,252 | (1,022,236) | - | (430,984) | (181,416) | | (612,400) | 816,868 | 204,468 |
| Income Tax Expense: | | | | | | | | | |
| NH Business Profits Tax Expense | 10,154 | (100,256) | | (90,102) | (14,876) | 10 | (104,978) | 66,983 | (37,995) |
| Federal Income Tax Expense | 37,165 | (381,607) | | (344,442) | (56,624) | 11 | (401,066) | 254,961 | (146,105) |
| Total Income Tax Expense | 47,319 | (481,863) | - | (434,544) | (71,500) | | (506,044) | 321,944 | (184,100) |
| NET OPERATING INCOME - 5-YEAR AVERAGE | \$ 543,933 | \$ (540,373) | \$ - | \$ 3,560 | \$ (109,916) | | \$ (106,356) | \$ 494,924 | \$ 388,568 |

016

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

Staff Adjustments

| | | | |
|---|----|-------------------------|------------|
| 4: Additional Revenue Normalization Adj | \$ | (197,543) | |
| 5: Eliminate Δ in CBFRR | | 27,446 | |
| 6: Per Co Response to Staff 1-5 | \$ | 3,244 | |
| Per Co Response to Staff 1-22 | | (7,750) | |
| Additional Expense Normalization Adj's | | <u>20,461</u> | → 15,955 |
| 7: Per Co Response to Staff 1-27 | | 4,945 | |
| Per Co Response to Staff 1-28 | | (1,657) | |
| Per Co Response to Staff 1-30 | | <u>(2,516)</u> | → 772 |
| 8: Per Co Response to Staff 1-32 | | 983 | |
| Per Co Response to Staff 1-34 | | (363) | |
| Per Co Response to Staff 1-38 | | <u>(47,504)</u> | → (46,884) |
| 9: Per Co Response to Staff 1-35 | | (4,234) | |
| Per Co Response to Staff 1-54 | | <u>23,072</u> | → 18,838 |
| 10: NHBPT Tax Effect per Sch 3Bii-5YAvg | | 14,876 | |
| 11: FIT Tax Effect per Sch 3Bii-5YAvg | | <u>56,624</u> | |
| Total Operating Income Adjustments | \$ | <u><u>(109,916)</u></u> | |

016

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

Operating Revenues - 5-Year Average:

| | |
|--|-------------------------|
| Total pro-forma adjustments - Water Revenue other than NCCRS and CBFRR | \$ (197,543) |
| 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>(170,097)</u> |

Operating Expenses - 5-Year Average:

| | |
|--|----------------------|
| Total pro-forma adjustments - Production Expense | (15,955) |
| Total pro-forma adjustments - Transmission and Distribution Expense | - |
| Total pro-forma adjustments - Engineering Expense | - |
| Total pro-forma adjustments - Customer Account and Collection Expense | - |
| Total pro-forma adjustments - Administrative & General Expense | (772) |
| Total pro-forma adjustments - Inter-Division Management Fee | - |
| Total pro-forma adjustments - Property Tax Expense | 46,884 |
| Total pro-forma adjustments - Payroll Tax Expense | - |
| Total pro-forma adjustments - Gain from Forgiveness SRF Debt | - |
| Total pro-forma adjustments - Depreciation Expense | (18,838) |
| 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>11,319</u> |

Net Operating Income Adj's per Staff subject to NHBPT - 5-Year Average (181,416)

New Hampshire Business Profits Tax @ 8.20% (14,876)

Net Operating Income Adj's per Staff subject to FIT - 5-Year Average (166,540)

Federal Income Tax @ 34.00% (56,624)

Net Pro-forma Operating Income Adjust's after Income Tax per Staff - 5-Year Average **\$ (109,916)**

DW 17-128
PENNICHUCK EAST UTILITIES, INC.
REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE - TEMPORARY RATES
CURRENT 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 | \$ 5,735,461 | \$ 6,437,196 | \$ 701,735 | 12.24% |
| Private FP | Increase | 148 | 257,130 | 288,590 | 31,460 | 12.24% |
| FP - Hydrants | Increase | 4 | 628,340 | 705,218 | 76,878 | 12.24% |
| Windham Public Hydrant | Increase | 328 | 31,372 | 35,210 | 3,838 | 12.24% |
| Raymond Public Hydrant | Increase | 232 | 5,171 | 5,804 | 633 | 12.24% |
| Lee Public Hydrant | Increase | 34 | 3,581 | 4,019 | 438 | 12.24% |
| Exeter Public Hydrant | Increase | 52 | 4,656 | 5,226 | 570 | 12.24% |
| Birch Hill Public Hydrant | Increase | 214 | 9,211 | 10,338 | 1,127 | 12.24% |
| Bow Public Hydrant | Increase | 24 | 1,550 | 1,740 | 190 | 12.24% |
| Sub-total | | 8,357 | 6,676,472 | 7,493,340 | 816,868 | 12.24% |
| NC Capital Recovery Surcharge | Decrease | | 299,985 | 178,915 | (121,070) | -40.36% |
| | | <u>8,357</u> | <u>\$ 6,976,457</u> | <u>\$ 7,672,255</u> | <u>\$ 695,798</u> | <u>9.97%</u> |