

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2020

PEU DW21 - __
Schedule LDG-1
Page 1 of 2

	Account Number	12/31/2020	Pro Forma Adjustments	Proforma 12/31/20
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	81,669,595	- (1)	81,669,595
Work in process	105	391,156	-	391,156
Utility Plant		82,060,751	-	82,060,751
Accumulated depreciation	108	16,404,405	10,014 (2)	16,414,419
Net Plant		65,656,346	(10,014)	65,646,332
Net Acquisition Adjustment	114 & 115	4,892,140	-	4,892,140
Total Net Utility Plant		60,764,206	(10,014)	60,754,192
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	676,883	-	676,883
Accounts receivable-billed, net	141 & 143	1,146,764	-	1,146,764
Accounts receivable-unbilled, net	173	614,852	-	614,852
Accounts receivable-other	142	-	-	-
Inventory	151	-	-	-
Prepaid expenses	162	9,340	-	9,340
Prepaid property taxes	163 & 236	213,672	-	213,672
Prepaid taxes	162.3	-	-	-
		2,661,511	-	2,661,511
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	227,062	-	227,062
Acquisition Premium - MARA	186	7,147,636	-	7,147,636
Other & Deferred Charges	182,184,186	820,158	-	820,158
		8,194,855	-	8,194,855
TOTAL ASSETS		\$ 71,620,572	\$ (10,014)	\$ 71,610,558

Notes:

(1) No adjustment needed to record the assets related to the CoBank Loan, as all of which were used and useful at 12/31/2020, and already included in the PPE amounts.

(2) To record the impact of full year depreciation, offset by the half-year depreciation already included on the Balance Sheet for 12/31/2020.

\$ 71,620,572.17 *check*

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
EQUITY AND LIABILITIES
For the Twelve Months Ended December 31, 2020

PEU DW21-__
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	Account Number	12/31/2020	Pro Forma Adjustments	Proforma 12/31/20
STOCKHOLDERS' EQUITY				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	\$ 10,917,251	-	\$ 10,917,251
Comprehensive Income	219	\$ (275,723)	-	\$ (275,723)
Retained earnings	215	\$ (2,517,638)	(60,622) (2)	\$ (2,578,259)
		8,123,990	(60,622)	8,063,369
LONG TERM DEBT				
Bonds, notes and mortgages	221	\$ 22,294,289	1,135,409 (1),(3)	23,429,698
Intercompany advances	223	9,547,734	50,608 (3)	9,598,342
Other Long Term Debt	224	\$ 459,539	-	459,539
CURRENT LIABILITIES				
Accounts payable	231	\$ 1,081,549	-	1,081,549
Accrued property taxes	236	\$ -	-	-
Accrued interest payable	237	\$ 35,409	-	35,409
Fixed Asset Line of Credit	232	\$ 306,270	(1,135,409) (1)	(829,138)
Other accrued expenses	241	\$ 428,972	-	428,972
Income taxes payable	236	\$ -	-	-
Customer deposits & other	235	\$ 95,814	-	95,814
		1,948,015	(1,135,409)	812,606
OTHER LIABILITIES AND DEFERRED CREDITS				
Deferred income taxes	282 & 283	\$ 5,887,764	-	5,887,764
Customer advances	252	\$ -	-	-
CIAC, net	271 & 272	\$ 23,359,240	-	23,359,240
Other long term liabilities		-	-	-
		29,247,005	-	29,247,005
TOTAL EQUITY AND LIABILITIES		\$ 71,620,572	\$ (10,014)	\$ 71,610,558

Notes:

(1) To record the CoBank Debt and Intercompany Loan as follows:

CoBank Loan \$ 1,135,409 **CoBank**

(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 and the impact of the intercompany loan refinance.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2020

PEU DW21-__
Schedule LDG-2
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	Account Number	Twelve Months 12/31/20	Pro Forma Adjustments	Pro Forma 12 Months 12/31/20
Water Sales	460 to 462	\$ 9,789,711	-	\$ 9,789,711
Other Operating Revenue	471	15,489	-	\$ 15,489
Total Revenues		9,805,200	-	9,805,200
Production Expenses	601 to 652	2,670,931	-	2,670,931
Transmission & Distribution Expenses	660 to 678	743,929	-	743,929
Customer Acct & Collection Exp	902 to 904	184,845	-	184,845
Administrative & General Expense	920 to 950	177,946	-	177,946
Inter Div Management Fee	930	2,481,134	-	2,481,134
Total Operating Expense		6,258,785	-	6,258,785
Dep Exp/Acq Adj Expense	403 & 406	1,788,380	10,014 (2)	1,798,394
Amortization Expense:CIAC	405	(835,087)	-	(835,087)
Amortization Expense	407	283,372	-	283,372
Gain on Debt Forgiveness	414	(24,708)	-	(24,708)
Property Taxes	408.1	1,186,363	24,865 (2)	1,211,228
Income Tax	409 to 410	738,337	(22,513) (3)	715,824
Total Operating Deductions		3,136,656	12,367	3,149,022
Net Operating Income		409,759	(12,367)	397,393
Other Income and Deductions		7,454	-	7,454
Interest Expenses		778,589	48,255 (1)	826,844
Net Income		(361,376)	(60,622)	(421,997)

Notes:

- 1 - To record the change in interest expense.
- 2 - To record the impact of assets on depreciation and property taxes.
- 3 - To record the tax impact resulting from additional expenses, at the statutory rate of 27.08%.

(361,375.83) *check*

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2020

PEU DW21-__
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Supporting Calculations:

Interest Expense:

	Amount	Rate	Interest
New CoBank Loan	\$ 1,135,409	4.250%	\$ 48,255
Totals	\$ 1,135,409		\$ 48,255

(1) The intercompany interest rate between PEU and Penn Corp as of May 14, 2020.

Depreciation

Additions:

	Asset Cost			Depreciation	
	Asset Totals	Cost of	Total	Rate	Amount
	Term Loan	Removal			
Blended Depreciation Rate	\$ 1,135,409	\$ 113,541	\$ 1,021,868	1.96%	\$ 20,029
Totals	\$ 1,135,409	\$ 113,541	\$ -		\$ 20,029

Net Additions \$ 1,135,409 \$ - \$ 1,021,868

Pro Forma Depreciation

\$ 20,029

<u>Property Taxes</u>	Combined Federal	
	And State Income Tax	
PEU Blended Town Tax Rate (1)	\$ 15.30	
Other		
State of New Hampshire	\$ 6.60	
Total Tax Rate	\$ 21.90	

Pro Forma Property Taxes \$ 24,865 1.0% \$ 249 **\$ 25,114**

(1) This rate is as included in the PEU QCPAC filing under Docket No. DW 20-019, for the CoBank financed and included assets.

Pennichuck East Utility, Inc.
2020 CoBank Financing
Projected Rate Impact on Single Family Residential Home

PEU DW21-__
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CoBank Loan Amount - \$ 1,135,409	(a)	
Loan Percentage - 4.25%		
Loan Term (in years) - 25		
Annual Principal & Interest on Loan - \$74,613	(b)	
Coverage Multiplier, under DW 16-806 - 1.1 x	(c)	
Revenue Requirement for P&I: [(b) x (c)] - \$82,074	(d)	
Property tax rate/\$1000 ^{Note 1} - \$ 21.90	(e)	
Projected Property Taxes: [(a)/1000 x (e)] - \$ 24,865	(f)	
Projected Revenue Requirement: [(d) + (f)] - \$106,939	(g)	
DW 17-128 Allowed Revenue Requirement - \$8,276,261	(h)	
Calculated QCPAC Surcharge: [(g)/(h)] - 1.29%	(i)	resulting from the proposed external CoBank financing
Current Monthly Single Family Residential Bill ^{Note 2} - \$ 74.54	(j)	
Monthly impact on Single Family Residential Bill of the external Financing: [(i) x (j)] - \$ 0.96		per month

Note 1 - combined blended local property taxes (\$15.30/1,000) and State Utility Tax (\$6.60/\$1,000)

Note 2 - From rates approved under DW 17-128, without subsequent QCPAC surcharges



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PENNICHUCK®

May 14, 2021

Mr. John Dwyer
Senior Relationship Manager
TD Bank, N.A.
200 State Street
Boston, MA 02109

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

Hi John,

Pursuant to section 6(c)(v) of the Loan Agreement, dated June 25, 2014 (the "Agreement") I am supplying you with the requisite written notice of the Company's intent to secure \$1,135,409 of term financing, as repayment of draws for 2019 Capital Projects funded from the \$3.0 million Fixed Asset Line of Credit ("FALOC"), from CoBank, ACB for its wholly-owned Pennichuck East Utility, Inc. subsidiary ("PEU"). In accordance, with this section of the Agreement, the Company is allowed to borrow up to \$1.5 million per annum from CoBank, ACB or equivalent lender, in order to provide for capital project financing for its Pennichuck East Utility, Inc. or Pittsfield Aqueduct Company, Inc. subsidiaries, 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, which is not set to close until late July or early August 2021.

Pennichuck's and PEU's boards of directors have voted upon resolutions authorizing management to procure said financings on behalf of PEU.

The Company is currently submitting 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 term debt obligation, in the third quarter of 2021.

As described above, the aggregate \$1,135,409 is comprised of the amount needed to reimburse and repay amounts drawdown on the FALOC with CoBank during 2020 and early 2021 for funds used for capital expenditures used and useful through the end of 2020, which was not otherwise funded from State Revolving Fund or NH Drinking Water and Groundwater Trust Funds loans or grants. This term loan, as a repayment to the FALOC, is the annual "clean out" or paydown of the FALOC with new term loans from CoBank, for assets financed and placed in service by December of the preceding year. This is consistent with the Company's



approved rate structure as approved by the NH Public Utilities Commission, in Order No. 26,179 (Docket DW 17-128).

I am requesting either written consent from the Bank for this borrowing, or a written response indicating that this letter suffices as prior written notice of borrowed amounts that do not exceed the \$1.5 million per annum borrowing limitation as specified in Section 6(c)(v) of the Master Loan Agreement.

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

Sincerely,

Larry D. Goodhue
Chief Executive Officer
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 (the "Corporation"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Corporation. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Corporation on February 26, 2021; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

WHEREAS, reference is made to that certain Master Loan Agreement, dated as of February 9, 2010, between Pennichuck East Utility, Inc. ("PEU"), as borrower, and CoBank, ACB ("CoBank"), as lender (the "MLA");

WHEREAS, in connection with and as part of the consideration for inducing CoBank to enter into the MLA, Pennichuck Corporation (the "Corporation") agreed to enter into that certain Guarantee of Payment (Continuing) in favor of CoBank; and by resolutions taken on January 27, 2010, the Board of Directors of the Corporation approved the Guaranty and all related transactions to any loans under the MLA, including the New Loan, as described below; and

WHEREAS, the Corporation finds it beneficial that PEU take out an additional loan under the terms and conditions of the MLA (such New Loan further described below), for the purposes of financing 2020 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit.

NOW, THEREFORE, be it hereby:

Resolved: to authorize and approve PEU to enter into a term loan (the "New Loan") to be advanced under and subject to the terms and conditions of the MLA and a new Promissory Note and Supplement thereto, as follows: up to One Million One Hundred Thirty Six Thousand Dollars and No Cents (\$1,136,000.00) with an up to 25 year amortization schedule; at a rate of interest based on one of two interest rate options: a weekly quoted variable rate option or a quoted fixed rate option, each of which would be determined at closing on the New Loan.

Further

Resolved: that the Chief Executive Officer, the Chief Operating Officer and the Treasurer of the Corporation are, and each of them hereby is, authorized to act as the Corporation's representative (either in its own capacity, or in the Corporation's capacity as the sole shareholder of PEU) for purposes of executing and administering the above-referenced New Loan and/or executing any other related documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or MLA.

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Further

Resolved: that the Chief Executive Officer, the Chief Operating Officer and the Treasurer of the Corporation are, and each of them hereby is, authorized to act as the Corporation's representative for purposes of executing and administering the above-referenced continuing corporate guarantee by the Corporation and/or executing any other related loan documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or the MLA.

In Witness Whereof, I have hereunto set my hand this 14th day of May, 2021.



Suzanne L. Ansara
Corporate Secretary

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. (the "Corporation"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Corporation. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Corporation on February 26, 2021; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

WHEREAS, reference is made to that certain Master Loan Agreement, dated as of February 9, 2010, between Pennichuck East Utility, Inc. (the "Corporation"), as borrower, and CoBank, ACB ("CoBank"), as lender (the "MLA");

WHEREAS, by resolutions taken on February 4, 2010, the directors of the Corporation approved the MLA and transactions related to loans dated February 9, 2010; and

WHEREAS, the Corporation finds it beneficial that the Corporation take out an additional loan under the terms and conditions of the MLA (such New Loan further described below), for the purposes of refinancing 2020 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit.

NOW, THEREFORE, be it hereby:

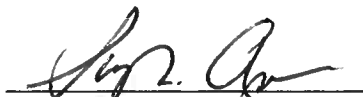
Resolved: to authorize and approve that the Corporation enter into a term loan (the "New Loan") to be advanced under and subject to the terms and conditions of the MLA and a new Promissory Note and Supplement thereto, as follows: up to One Million One Hundred Thirty Six Thousand Dollars and No Cents (\$1,136,000.00) with an up to 25 year amortization schedule.

Further

Resolved: to approve the other resolutions set forth in Exhibit A relating to said MLA and the New Loan, as proposed by CoBank and recommended by management, including without limitation that the Chief Executive Officer, the Chief Operating Officer, the Treasurer and the Assistant Treasurer of the Corporation are, and each is, authorized to act as the Corporation's representative for the purposes of executing and administering documents necessary to effecting the above-referenced loans subject to the MLA, and/or executing any other related documents, certificates and undertakings on behalf of the Corporation with respect to said New Loan.

2. Attached hereto as Attachment A is a true and complete copy of the Exhibit A referred to in the February 26, 2021 resolutions set forth in Section 1 above relating to the CoBank term loan.

In Witness Whereof, I have hereunto set my hand this 14th day of May, 2021.


Suzanne L. Ansara
Corporate Secretary

ATTACHMENT A

EXHIBIT A

**RESOLUTIONS OF THE BOARD OF DIRECTORS
ADOPTED ON FEBRUARY 26, 2021
of
PENNICHUCK EAST UTILITY, INC.**

WHEREAS, Pennichuck East Utility, Inc. ("Borrower"), under its articles of incorporation, bylaws, or other organizational documents has full power and authority to borrow money and to secure the same with its own property and property delivered to it for marketing or otherwise; and

WHEREAS, all prerequisite acts and proceedings preliminary to the adoption of these Resolutions have been taken and done in due and proper form, time and manner;

NOW, THEREFORE, BE IT RESOLVED, that the Chief Executive Officer, the Chief Operating Officer, the Treasurer and the Assistant Treasurer ("Officers") of the Borrower are jointly and severally authorized and empowered to obtain for and on behalf of the Borrower from time to time, from CoBank, ACB ("CoBank"), a loan or loans or other financial accommodations (including, without limitation, letters of credit, note purchase agreements and bankers acceptances) (collectively, a "Loan") under these Resolutions; and for such purposes: (1) to execute such application or applications (including exhibits, amendments and/or supplements thereto) as may be required for all borrowings; (2) to obligate the Borrower to pay such rate or rates of interest as the Officers so acting shall deem proper, and in connection therewith to purchase such interest rate risk management products as may be offered from time to time by CoBank; (3) to obligate the Borrower to make such investments in CoBank as required by CoBank and to obligate the Borrower to such other terms and conditions as the Officers so acting shall deem proper; (4) to execute and deliver to CoBank or its nominee all such written loan agreements, documents and instruments as may be required by CoBank in regard to or as evidence of any Loan made pursuant to the terms of this Resolution; (5) to pledge, grant a security interest or lien in, or assign property of the Borrower or property of others on which it is entitled to borrow, of any kind and in any amount as security for any or all obligations (past, present and/or future) of the Borrower to CoBank; (6) to execute and deliver to CoBank an Electronic Commerce Master Service Agreement, a separate Service Agreement for each different service requested by the Borrower, and such other agreements, addenda, documents or instruments as may be required by CoBank in the event that the Borrower elects to use CoBank's electronic banking system (the "System"); (7) to execute and deliver to CoBank any agreements, addenda, authorization forms and other documents or instruments as may be required by CoBank in the event that the Borrower elects to use any services or products related to the Loan that are offered by CoBank now or in the future, including without limitation an automated clearing house (ACH) service; (8) from time to time amend any such Loan; (9) to direct and delegate to designated employees of the Borrower the authority to direct, by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purpose, the disposition of the proceeds of any Loan authorized herein or any property of the Borrower at any time held by CoBank; and (10) to delegate to designated employees of the Borrower the authority to request by telephonic or written means or electronically, if the Borrower has agreed to use the System for such purpose, loan advances and/or other financial accommodations, and in connection therewith, to fix rates and agree to pay fees. In the absence of any direction or delegation authorized in (9) or (10) above, all existing directions and/or delegations shall remain in full force and effect and shall be applicable to any Loan authorized herein.

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(Exhibit A)

RESOLVED FURTHER, That each of the Officers are hereby jointly and severally authorized to: (1) establish a Cash Investment Services Account at CoBank; (2) make such investments therein as any Officer shall deem proper; (3) direct by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purposes, the disposition of the proceeds therein; (4) delegate to designated employees of the Borrower the authority set forth in (2) and (3) above; and (5) execute and deliver all documents and agreements necessary to carry out this authority.

RESOLVED FURTHER, That each of the Officers are hereby jointly and severally authorized and directed to do and/or cause to be done, from time to time, all things which may be necessary and/or proper for the carrying out of the terms of these Resolutions.

RESOLVED FURTHER, That all prior acts by the Officers or other employees or agents of the Borrower to accomplish the purposes of these Resolutions are hereby approved and ratified.

RESOLVED FURTHER, That any Officer of the Borrower is hereby authorized and directed to cast the ballot of the Borrower in any and all proceedings in which the Borrower is entitled to vote for the selection of a member of CoBank's board of directors or for any other purpose.

RESOLVED FURTHER, That these Resolutions shall remain in full force and effect until a certified copy of a duly adopted resolution effecting a revocation or amendment, as the case may be, shall have been received by CoBank. The authority hereby granted shall apply with equal force and effect to the successors in office of the Officers herein named.

RESOLVED FURTHER, That effective on the date when the Loan under these Resolutions becomes available, the following listed Resolutions are hereby revoked: N/A .

RESOLVED FURTHER, That the Secretary or any Assistant Secretary of the Borrower is hereby authorized and directed to certify to CoBank a copy of these Resolutions, the names and specimen signatures of the present Officers above referred to, and if and when any change is made in the personnel of any said Officers, the fact of such change and the name and specimen signatures of the new Officers. CoBank shall be entitled to rely on any such certification until a new certification is actually received by CoBank.