

Pennichuck East Utility, Inc.
Actual and Pro Forma Balance Sheet as of December 31, 2010
Unaudited
Reflecting the \$0.4 million Liberty Tree Upgrades and related SRF Loan

	<u>Actual</u> <u>December 31, 2010</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Pro Forma</u> <u>December 31, 2010</u>
Assets			
Plant in Service	\$ 37,804,039	\$ 602,650	¹ \$ 38,406,689
Less: Accumulated Depreciation	(7,955,958)	(9,922)	² (7,965,881)
Net Plant	<u>29,848,081</u>	<u>592,728</u>	<u>30,440,808</u>
CWIP	<u>100,679</u>	<u>-</u>	<u>100,679</u>
Total Net Utility Plant	29,948,759	592,728	30,541,487
Current Assets	1,115,511	-	1,115,511
Other Assets and Deferred Charges	<u>882,111</u>	<u>-</u>	<u>882,111</u>
Total Assets	<u>\$ 31,946,382</u>	<u>\$ 592,728</u>	<u>\$ 32,539,110</u>
Equity and Liabilities			
Common Equity	\$ 7,016,870	\$ (17,060)	³ \$ 6,999,809
Current Portion of Long-Term Debt	322,806		\$ 322,806
Other Current Liabilities	922,427		\$ 922,427
Advances from Associated Companies	3,662,763	7,138	³ \$ 3,872,551
		202,650	¹
Long-Term Bonds	5,224,974	-	5,224,974
LTD--SRF Loans	3,158,970	400,000	¹ \$ 3,558,970
Deferred Income Taxes	3,185,110	-	\$ 3,185,110
Contributions in Aid of Construction, Net	8,299,996	-	\$ 8,299,996
Other Liabilities and Deferred Credits	<u>152,465</u>	<u>-</u>	<u>152,465</u>
Total Equity and Liabilities	<u>\$ 31,946,382</u>	<u>\$ 592,728</u>	<u>\$ 32,539,110</u>
	-	-	-

Notes:

1 - To record the Liberty Tree Upgrades and the SRF and intercompany financing.

2 - To record the impact of full year depreciation. See Proforma P&L.

3 - To record the impact of additional net expenses on retained earnings and intercompany. See Proforma P&L.

Pennichuck East Utility, Inc.
Actual and Pro Forma Income Statement for the Twelve Months Ended December 31, 2010
Unaudited
Reflecting the \$0.4 million Liberty Tree Upgrades and related SRF Loan

	<u>Actual</u> <u>December 31, 2010</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Pro Forma</u> <u>December 31, 2010</u>
Operating Revenues	\$ 6,436,631	\$ -	\$ 6,436,631
O&M Expenses	4,037,844	-	4,037,844
Depreciation & Amortization	679,317	9,922 ²	689,239
Taxes Other Than Income	652,297	6,867 ²	659,164
Income Taxes	193,169	(11,185) ³	181,984
Total O&M Expenses	<u>5,562,627</u>	<u>5,604</u>	<u>5,568,231</u>
Net Operating Income	<u>874,004</u>	<u>(5,604)</u>	<u>868,400</u>
AFUDC	<u>-</u>	<u>-</u>	<u>-</u>
Other income (expense), net	<u>-</u>	<u>-</u>	<u>-</u>
Interest Income (Expense):			
Funded Debt	(392,736)	(11,456) ¹	(404,192)
Intercompany Debt	<u>(179,935)</u>	<u>-</u>	<u>(179,935)</u>
Total Interest Expense	<u>(572,672)</u>	<u>(11,456)</u>	<u>(584,128)</u>
Net income	<u>\$ 301,333</u>	<u>\$ (17,060)</u>	<u>\$ 284,273</u>

Notes:

1 - To record the change in interest expense associated with refinancing.

2 - To record the impact of new and replaced booster stations & storage facilities on depreciation and property taxes.

3 - To record the tax benefit (39.6%) resulting from additional expenses.

Supporting Calculations:

Interest Expense:

New SRF debt	\$ 400,000
Interest Rate	2.864%
Annual Interest	<u>\$ 11,456</u>

Property Taxes:

New Booster Station & Storage Facilities	\$ 602,650
Retired Booster Station & Storage Fac	\$ (300,000) ⁴
	<u>\$ 302,650</u>

Depreciation Expense:

New Booster Station & Storage Facilities	\$ 602,650
Retired Booster Station & Storage Fac	\$ (149,577)
	<u>\$ 453,073</u>
Depreciation Rate	2.19%
Annual Depreciation	<u>\$ 9,922</u>

Tax Rate Per \$1,000

Raymond	\$ 16.09
State	<u>\$ 6.60</u>
	<u>\$ 22.69</u>
Annual Property Taxes	<u>\$ 6,867</u>

4 - To reflect the current property tax valuation on the existing Liberty Tree Booster Station which will be removed and no longer taxed.

Pennichuck East Utility, Inc.
Actual and Pro Forma Statement of Capitalization as of December 31, 2010
Unaudited
Reflecting the \$0.4 million Liberty Tree Upgrades and related SRF Loan

	<u>Actual</u> <u>December 31, 2010</u>		<u>Pro Forma</u> <u>Adjustments</u>		<u>Pro Forma</u> <u>December 31, 2010</u>	
<u>Common Equity:</u>						
Common Stock	\$ 100		\$ -		\$ 100	
Paid-in Capital	6,000,000		-		6,000,000	
Other Comprehensive Income	(188,326)				(188,326)	
Retained Earnings	1,205,096		(17,060)	1	1,188,036	
Total Common Equity	<u>7,016,870</u>	36.2%	<u>(17,060)</u>		<u>6,999,809</u>	35.0%
<u>Debt:</u>						
Current Portion of Long-Term Debt	322,806				322,806	
Advances from Associated Companies	3,662,763		209,788	3	3,872,551	
Long-Term Bonds	5,224,974				5,224,974	
LTD--SRF Loans	3,158,970		400,000	2	3,558,970	
Total Debt	<u>12,369,514</u>	63.8%	<u>609,788</u>		<u>12,979,302</u>	65.0%
Total Capitalization	<u>\$ 19,386,383</u>	<u>100.0%</u>	<u>\$ 592,728</u>		<u>\$ 19,979,111</u>	<u>100.0%</u>

Notes:

- 1 - To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.
- 2 - To record the issuance of the \$0.4 million SRF loan.
- 3 - To record an intercompany advance for the portion of the project not financed by the SRF loan.