

**Pennichuck East Utility, Inc.**  
**Actual and Pro Forma Balance Sheet as of September 30, 2011**  
**Unaudited**  
**Reflecting the \$0.525 million Water Main Replacement and related SRF Loan**

	<u>Actual</u> <u>September 30, 2011</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Pro Forma</u> <u>September 30, 2011</u>
<b>Assets</b>			
Plant in Service	\$ 38,797,319	\$ 500,000	<sup>1</sup> \$ 39,297,319
Less: Accumulated Depreciation	(8,692,516)	(7,350)	<sup>2</sup> (8,699,866)
Net Plant	30,104,803	492,650	30,597,453
CWIP	258,466	-	258,466
Total Net Utility Plant	30,363,269	492,650	30,855,919
Current Assets	1,029,858	-	1,029,858
Other Assets and Deferred Charges	875,124	-	875,124
<b>Total Assets</b>	<b>\$ 32,268,251</b>	<b>\$ 492,650</b>	<b>\$ 32,760,901</b>
<b>Equity and Liabilities</b>			
Common Equity	\$ 6,726,311	\$ (22,563)	<sup>3</sup> \$ 6,703,748
Current Portion of Long-Term Debt	329,348		\$ 329,348
Other Current Liabilities	1,304,025		\$ 1,304,025
Advances from Associated Companies	2,036,837	14,791	<sup>3</sup> \$ 2,051,627
Long-Term Bonds	5,050,032	-	5,050,032
LTD--PCP Loan	1,723,150		
LTD--SRF Loans	3,102,499	525,000	<sup>1</sup> \$ 3,627,499
Deferred Income Taxes	3,413,467	-	\$ 3,413,467
Contributions in Aid of Construction, Net	8,437,286	-	\$ 8,437,286
Other Liabilities and Deferred Credits	145,296	-	145,296
<b>Total Equity and Liabilities</b>	<b>\$ 32,268,251</b>	<b>\$ 517,228</b>	<b>\$ 31,062,329</b>

**Notes:**

1 - To record the \$0.525 million of Water Main Replacement and related SRF Loan.

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

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

**Pennichuck East Utility, Inc.**  
**Actual and Pro Forma Income Statement for the Twelve Months Ended September 30, 2011**  
**Unaudited**  
**Reflecting the \$0.525 million Water Main Replacement and related SRF Loan**

	<u>Actual</u>	<u>Pro Forma</u>	<u>Pro Forma</u>
	<u>September 30, 2011</u>	<u>Adjustments</u>	<u>September 30, 2011</u>
Operating Revenues	\$ 4,818,415	\$ -	\$ 4,818,415
O&M Expenses	3,296,799	-	3,296,799
Depreciation & Amortization	528,544	7,350 <sup>2</sup>	535,894
Taxes Other Than Income	584,469	13,710 <sup>2</sup>	598,179
Income Taxes	8,694	(14,793) <sup>3</sup>	(6,099)
Total O&M Expenses	<u>4,418,506</u>	<u>6,267</u>	<u>4,424,773</u>
Net Operating Income	<u>399,909</u>	<u>(6,267)</u>	<u>393,642</u>
AFUDC	<u>-</u>	<u>-</u>	<u>-</u>
Other income (expense), net	<u>-</u>	<u>-</u>	<u>-</u>
Interest Income (Expense):	364		
Funded Debt	(271,112)	(16,296) <sup>1</sup>	(287,408)
Intercompany Debt	<u>(115,541)</u>	<u>-</u>	<u>(115,541)</u>
Total Interest Expense	<u>(386,654)</u>	<u>(16,296)</u>	<u>(402,950)</u>
Net income	<u>\$ 13,255</u>	<u>\$ (22,563)</u>	<u>\$ (9,307)</u>

**Notes:**

- 1 - To record the change in interest expense associated with refinancing.
- 2 - To record the impact of new and replaced water mains on depreciation and property taxes.
- 3 - To record the tax benefit (39.6%) resulting from additional expenses.

**Supporting Calculations:**

**Interest Expense:**

New SRF debt	\$ 525,000
Interest Rate	3.104%
Annual Interest	<u>\$ 16,296</u>

**Depreciation Expense:**

New Water Mains	\$ 525,000
Replaced Water Mains (Estimated)	<u>\$ (25,012)</u>
	\$ 499,988
Depreciation Rate	1.47%
Annual Depreciation	<u>\$ 7,350</u>

**Property Taxes:**

New Water Mains	\$ 525,000
Replaced Water Mains	<u>\$ (25,012)</u>
	\$ 499,988
Tax Rate Per \$1,000	
Barnstead	\$ 20.82
State	<u>\$ 6.60</u>
	<u>\$ 27.42</u>
Annual Property Taxes	<u>\$ 13,710</u>

**Replaced Water Mains (Estimated)**

- Retire 4,725 LF of 2" HDPE @ \$2.67 per foot.
- Retire 2,314 LF of 4" PVC @ \$3.26 per foot.
- Retire 53 services at \$91.56 each.

**Pennichuck East Utility, Inc.**  
**Actual and Pro Forma Statement of Capitalization as of September 30, 2011**  
**Unaudited**  
**Reflecting the \$0.525 million Water Main Replacement and related SRF Loan**

	<u>Actual</u> <u>September 30, 2011</u>		<u>Pro Forma</u> <u>Adjustments</u>		<u>Pro Forma</u> <u>September 30, 2011</u>	
<b>Common Equity:</b>						
Common Stock	\$ 100		\$ -		\$ 100	
Paid-in Capital	6,000,000		-		6,000,000	
Other Comprehensive Income	(492,140)				(492,140)	
Retained Earnings	<u>1,218,351</u>		<u>(22,563)</u>	1	<u>1,195,788</u>	
Total Common Equity	<u>6,726,311</u>	39.0%	<u>(22,563)</u>		<u>6,703,748</u>	37.8%
<b>Debt:</b>						
Current Portion of Long-Term Debt	329,348				329,348	
Advances from Associated Companies	2,036,837				2,036,837	
Long-Term Bonds	5,050,032		525,000	2	5,575,032	
LTD--SRF Loans	<u>3,102,499</u>				<u>3,102,499</u>	
Total Debt	<u>10,518,715</u>	61.0%	<u>525,000</u>		<u>11,043,715</u>	62.2%
Total Capitalization	<u>\$ 17,245,026</u>	<u>100.0%</u>	<u>\$ 502,437</u>		<u>\$ 17,747,464</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 \$0.525 million SRF loan.