

**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
REVENUE REQUIREMENT  
MODIFIED RATE STRUCTURE**

	<b>5-YEAR AVG PERMANENT RATES</b>	<b>5-YEAR AVG PERM RATES w/ 2017 STEP ADJ</b>
<b><u>CITY BOND FIXED REVENUE REQUIREMENT (CBFRR)</u></b>		
1) City Bond Fixed Revenue Requirement (CBFRR) - Modified Rate Structure	\$ 926,309	\$ 926,309
<b><u>OPERATING EXPENSE REVENUE REQUIREMENT (OERR)</u></b>		
2) Total Pro-forma O & M Expenses (Att JPL-1: Sch 3-5YAvg / Sch 3-Step)	\$ 4,825,357	\$ 4,825,357
3) Pro-forma Property Tax Expense (Att JPL-1: Sch 3-5YAvg / Sch 3-Step)	943,782	961,267
4) Pro-forma Amortization Expense (Att JPL-1: Sch 3-5YAvg / Sch 3-Step)	43,734	64,958
5) Operating Expense Revenue Requirement [(2) + (3) + (4)]	<b>\$ 5,812,873</b>	<b>\$ 5,851,582</b>
<b><u>DEBT SERVICE REVENUE REQUIREMENT (DSRR)</u></b>		
6) Pro-forma Annual Principal and Interest Payments (Att JPL-1: Sch 1C-Perm / Sch 1C-Step)	\$ 1,308,278	\$ 1,362,154
7) Debt Service Coverage Requirement	x 1.1	x 1.1
8) Debt Service Revenue Requirement [(6) x (7)]	<b>\$ 1,439,106</b>	<b>\$ 1,498,369</b>
<b><u>TOTAL PROPOSED WATER REVENUES - MODIFIED RATE STRUCTURE</u></b>		
9) Total Proposed Water Revenues other than NCCRS - Modified Rate Structure [(1) + (5) + (8)]	<b>\$ 8,178,288</b>	<b>\$ 8,276,261</b>
10) Revised North Country Capital Recovery Surcharge (NCCRS) Revenue	178,915	178,915
11) Total Proposed Water Revenues - Modified Rate Structure [(9) + (10)]	<b>\$ 8,357,203</b>	<b>\$ 8,455,176</b>
<b><u>CALCULATION OF PERCENT INCREASE (DECREASE) IN WATER REVENUES</u></b>		
12) Pro-forma Water Rev's not Subject to NCCRS and CBFRR (Att JPL-1: Sch 3-5YAvg / Sch 3-Step)	\$ 5,975,153	\$ 5,975,153
13) Add: Test Year NCCRS Revenue (Att JPL-1: Sch 3-Perm, Col 1)	299,985	299,985
14) Add: CBFRR - Original Rate Structure (Att JPL-1: Sch 3-Perm, Col 1)	898,863	898,863
15) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(12) + (13) + (14)]	\$ 7,174,001	\$ 7,174,001
16) Proposed Increase / (Decrease) in Revenue Requirement [(11) - (15)]	<b>\$ 1,183,202</b>	<b>\$ 1,281,175</b>
17) Proposed Percent Increase (Decrease) in Water Revenues [(16) ÷ (15)]	<b>16.49%</b>	<b>17.86%</b>

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES**  
**MODIFIED RATE STRUCTURE**

Rate or Class of Service	Effect of Proposed Change	Average Number Customers	5-Year Avg Permanent Rate Revenues	Proposed Revenues - 5-Yr Avg Perm	Proposed Change	
					Amount	% Increase
G-M	Increase	7,321	\$ 5,933,005	\$ 7,058,730	\$ 1,125,725	18.97%
Private FP	Increase	148	257,130	305,918	48,788	18.97%
FP - Hydrants	Increase	4	628,340	747,561	119,221	18.97%
Windham Public Hydrant	Increase	328	31,372	37,325	5,953	18.97%
Raymond Public Hydrant	Increase	232	5,171	6,152	981	18.97%
Lee Public Hydrant	Increase	34	3,581	4,260	679	18.97%
Exeter Public Hydrant	Increase	52	4,656	5,539	883	18.97%
Birch Hill Public Hydrant	Increase	214	9,211	10,959	1,748	18.97%
Bow Public Hydrant	Increase	24	1,550	1,844	294	18.97%
NC Capital Recovery Surcharge	Decrease		299,985	178,915	(121,070)	-40.36%
		<u>8,357</u>	<u>\$ 7,174,001</u>	<u>\$ 8,357,203</u>	<u>\$ 1,183,202</u>	<u>16.49%</u>

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES and 2017 STEP ADJUSTMENT**  
**MODIFIED RATE STRUCTURE**

Rate or Class of Service	Effect of Proposed Change	Average Number Customers	5-Year Avg Permanent Rate Revenues	Proposed Rev's - 5-Yr Avg Perm Rts w/ Step	Proposed Change	
					Amount	% Increase
G-M	Increase	7,321	\$ 5,933,005	\$ 7,143,291	\$ 1,210,286	20.40%
Private FP	Increase	148	257,130	309,582	52,452	20.40%
FP - Hydrants	Increase	4	628,340	756,516	128,176	20.40%
Windham Public Hydrant	Increase	328	31,372	37,772	6,400	20.40%
Raymond Public Hydrant	Increase	232	5,171	6,226	1,055	20.40%
Lee Public Hydrant	Increase	34	3,581	4,311	730	20.40%
Exeter Public Hydrant	Increase	52	4,656	5,606	950	20.40%
Birch Hill Public Hydrant	Increase	214	9,211	11,090	1,879	20.40%
Bow Public Hydrant	Increase	24	1,550	1,866	316	20.40%
NC Capital Recovery Surcharge	Decrease		299,985	178,915	(121,070)	-40.36%
		<u>8,357</u>	<u>\$ 7,174,001</u>	<u>\$ 8,455,176</u>	<u>\$ 1,281,175</u>	<u>17.86%</u>

**Notes:**

**Pennichuck East Utility, Inc.  
Request for Change in Rates  
DW 17-128  
Exhibit 3**

**Discussion of the of the Rate Stabilization Fund and associated Fixed Revenue Restricted  
Cash accounts, as modified from the definition and guidance provided in DW 11-026**

In DW 16-806 Pennichuck Water Works (“PWW”) proposed that the \$5,000,000 City Bond Fixed Revenue Requirement Rate Stabilization Fund (“CBFRR RSF”) maintained by PWW, which was established under the Original Rate Structure in DW 11-026, should be re-allocated amongst the three Pennichuck Corporation Utilities, PWW, Pennichuck East Utility, Inc (“PEU” or the “Company”) and Pittsfield Aqueduct Company (“PAC”) utilities such that PWW’s allocated share of the CBFRR RSF would be \$3,920,000, PEU’s allocated share of the CBFRR RSF would be \$980,000, with the remaining balance of \$100,000 of the CBFRR RSF being allocated to PAC.

The allocation of the \$5,000,000 CBFRR RSF between the three utilities is based on the revenue requirements established for each utility in DW13-126, DW13-128 and 13-130 divided by the total revenue requirement of all three utilities as established in those dockets. As part of this docket PEU proposes to bifurcate and allocate its share of the CBFRR RSF account of \$980,000 into three separate Rate Stabilization Funds or “buckets.” The purpose for splitting and allocating PEU’s share of the existing CBFRR RSF is to provide reserves which will ensure that during periods of reduced revenue (such as during period of wet weather resulting in decreased usage) and or increasing operating expenses that there will be sufficient cash to enable the Company to support its operations.

Under the new structure, PEU’s overall revenue requirement is proposed to consist of the following three components:

1. City Bond Fixed Revenue Requirement (CBFRR) as described in the Original Rate Structure.
2. Operating Expense Revenue Requirement (OERR) which is further composed of the following:
  - a. Material Operating Expense Revenue Requirement (MOERR).
  - b. Non-Material Operating Expense Revenue Requirement (NOERR).
3. Debt Service Revenue Requirement (DSRR) which is further composed of the following:
  - a. Debt Service Revenue Requirement - 1.0 (DSRR-1.0)
  - b. Debt Service Revenue Requirement - 0.1 (DSRR-0.1)

Attached as Appendix A to this Exhibit 3 are flowcharts describing these requirements and how funds flow to and from each account created for each component.

This new revenue allocation will establish the following reserve stabilization funds:

1. The first fund will remain with the same purpose as the RSF, which was put in place as authorized and described in DW 11-026, for PWW, with access to by PEU. This will be renamed as the CBFRR RSF, which is being created to ensure the Company's ability to meet its obligations under the promissory note to the City. This reserve fund will operate in the same manner as originally established and authorized in DW 11-026 and is proposed as an imprest sum of \$31,000.
2. The second fund will establish a Material Operating Expense Revenue Requirement RSF ("MOERR RSF"). This account will be funded with \$898,000 from the \$980,000 of the original CBFRR RSF funds allocated to PEU. It would serve to provide rate stabilization and cash flow coverage for operating expenses between permanent rate filings. The monies in this fund will only be used to provide cash flow for allowable expenses; defined as PEU's Operation and Maintenance Expenses (less those indicated in Appendix B attached to this Exhibit 3), Property Tax Expense and Amortization Expense.
3. The third fund will establish a Debt Service Revenue Requirement Rate Stabilization Fund ("DSRR-1.0 RSF"), consisting of a separate restricted cash account. This DSRR-1.0 RSF<sup>1</sup> would be established as a fund used to support the payments related to the principal and interest obligations for PEU, in existence as of the most recent rate case test year. The establishment of this DSRR-1.0 RSF bucket is to allow the collection of revenues sufficient to pay the principal and interest of PEU's debt and to satisfy the debt service coverage ratio requirements of PEU's financings and Pennichuck Corporation's covenant requirements of its working capital line of credit, which is used by Pennichuck Corporation and its subsidiaries as a "back stop" to short-term working capital needs. This account will be funded with \$51,000, from the original \$980,000 of the original CBFRR RSF funds allocated to PEU.

---

<sup>1</sup> A second DSRR component will be created that is equal to 10% of the pro forma debt service payments for the test year, and shall be referred to as the "DSRR-0.1." The establishment of the DSRR-1.0 relates to the use and replenishment of the DSRR-1.0 RSF. The intended purposes for the establishment of the DSRR-0.1 are 1) to allow for the collection of revenues sufficient to satisfy the debt service coverage ratio requirements of PEU's bond financings and Penn Corp's covenant requirements for its line of credit, which is used by Pennichuck Corporation and its subsidiaries as a "back stop" for short-term capital needs; and 2) to allow PEU to collect revenues over-and-above its actual debt service in order to comply with cash flow coverage requirements which are typical for such financings as well as to meet obligations on new debt incurred between rate filings. The DSRR-0.1 component does not have its own rate stabilization fund.

## **Methodologies and Procedures for PEU Rate Stabilization Funds**

The following paragraphs present the methodologies and procedures that will apply to the establishment of the three Rate Stabilization Funds at PEU. The funds are described as follows:

1. **City Bond Fixed Revenue Requirement Rate Stabilization Fund (CBFRR RSF).**

This account will remain in the same structure as it had been as described in 16-806 for PWW, however, the amount in this RSF will be \$31,000. To facilitate accountability related to the CBFRR RSF, PEU will establish and maintain a separate restricted cash bank account (CBFRR Checking Account) which will consist of funds maintained for the CBFRR RSF. The purpose of the CBFRR RSF is to provide a cash reserve to be accessed or replenished based upon the amount in the CBFRR Checking Account. The CBFRR RSF may only be accessed if necessary to supplement the amount recorded in the CBFRR Checking Account for PEU to meet its portion of the monthly note payment obligation to the City and/or its quarterly standard dividend payment to the City, both as approved under DW 11-026 (i.e. if the monthly amount accrued to the CBFRR Checking Account is less than PEU's approved monthly CBFRR amount to the City). The cash amount will only be used for the payment of the CBFRR and will be reconciled monthly. Conversely, PEU will deposit additional funds in the CBFRR RSF Account when it accumulates cash in the CBFRR Checking Account in excess of the amount needed to meet its monthly and quarterly obligations to the City. At the time of each PEU rate case, the PEU CBFRR RSF Account will be subject to replenishment or reduction to an amount equal to the original balance of \$31,000. The replenishment or reduction amount will be reflected in PEU rates through a deferred debit or credit amortized over a three-year period.

2. **Material Operating Expense Revenue Requirement Rate Stabilization Fund**

**(MOERR RSF).** PEU will establish a MOERR RSF in the amount of \$898,000, initially funded via a transfer of funds in such amount from the original CBFRR RSF. This account will be used to fund cash flow needs related to allowable expenses (as defined above) which amount to costs of approximately 99.9% of the operating expenses of the Company, excluding interest expense. To facilitate accountability related to the MOERR RSF, PEU will establish and maintain a separate restricted cash bank account, known as the MOERR Checking Account. This fund will operate as an imprest fund from which funds could be drawn upon or deposited into on a monthly basis, based upon anomalies in the specified and covered operating expenses, as well as revenue fluctuations above or below levels. It would serve to provide rate stabilization and cash flow coverage for operating expenses between permanent rate filings. At the time of each PEU rate case, the MOERR RSF will be subject to replenishment or reduction to an amount equal to the original balance of \$898,000. The replenishment or reduction amount will be reflected in PEU rates through a deferred debit or credit amortized over a three-year period.

3. **Debt Service Revenue Requirement 1.0 Rate Stabilization Fund (DSRR-1.0 RSF).**  
PEU will establish a DSRR-1.0 RSF in the amount of \$51,000, initially funded via a transfer of funds in such amount from the original CBFRR RSF. The DSRR-1.0 RSF will be used to ensure that, even in adverse revenue conditions such as wet weather, there will be a sufficient cash reserve available to enable PEU to pay the debt service obligations on its long-term debt. To facilitate accountability related to the DSRR-1.0 RSF, PEU will establish and maintain a separate restricted cash bank account, known as the DSRR-1.0 RSF Account. This fund will operate as an imprest fund from which funds could be drawn upon if needed based upon the cash flow requirements to meet principal and interest payment obligations on outstanding debt and in meeting its debt covenant requirements. It would serve to provide adequate cash flow coverage for debt servicing between permanent rate filings. At the time of each PEU rate case, the PEU DSRR-1.0 RSF will be subject to replenishment or reduction to an amount equal to the established original balance of \$51,000. The replenishment or reduction amount will be reflected in PEU rates through a deferred debit or credit amortized over a three-year period.
4. **CBFRR, DSRR-1.0, DSRR-0.1 and MOERR bank accounts.** PEU will establish three new restricted checking accounts in addition to the existing CBFRR Checking Account; the DSRR-1.0 Checking Account, the DSRR-0.1 Checking Account, and the MOERR Checking Account. These accounts will have funds transferred into them from the main operating cash account of PEU on a weekly basis, based upon weekly cash collections for billed water revenues, for their pro-rata shares of the overall allowed revenue requirement. This is a consistent methodology to the accepted methodology established for the CBFRR account in DW 11-026.

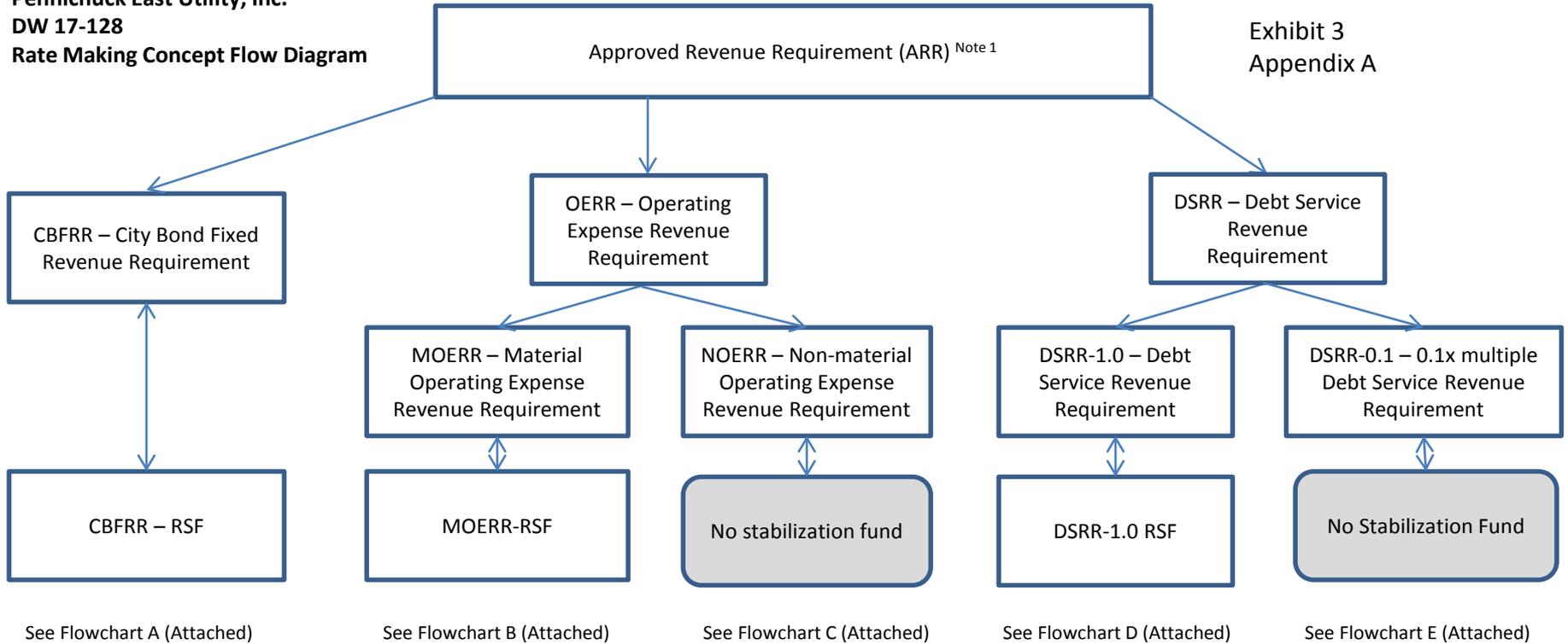
**Roadmap for Usage, Replenishment and Accounting for the Rate Stabilization Funds and the Associated Revenue Requirement Components**

1. **Funding of Stabilization Funds Based Upon Allocation of Revenue Requirement.** In conformity with the manner in which the RSF fund established under DW 11-026 is funded or utilized, each of the Rate Stabilization Fund Restricted Cash accounts described above (CBFRR RSF, DSRR-1.0 RSF, MOERR RSF) will have money transferred into them, or withdrawn from them on a monthly basis based upon the actual monthly revenue performance, compared to 1/12 of the annual allowed revenue from the most recent rate case for the Company. If in any month, the actual revenues earned are less than 1/12 of the annual allowed revenue requirement, the pro-rata share of the deficit applicable to each of the RSF accounts will be extracted from each of the RSF accounts and transferred to the Company's main operating accounting. Conversely, if in any month, the actual revenues earned are in excess of 1/12 of the annual allowed revenue

requirement, the pro-rata share of the excess applicable to each of the RSF accounts will be deposited into each of the RSF accounts from the Company's main operating account.

2. **Weekly deposits into the Revenue Requirement restricted checking accounts (CBFRR, DSRR-1.0, and DSRR-0.1, MOERR)**. In conformity with the manner in which the CBFRR account methodology was established under DW 11-026, on a weekly basis, the pro-rata share of cash collections on total revenues for each of these revenue accounts will be transferred from the Company's main operating cash account, into each of the respective restricted checking accounts.
  
3. **Usage of funds in the Revenue Requirement restricted checking accounts (CBFRR, DSRR-1.0, DSRR-0.1, MOERR)**.
  - a. As payments are due to the City of Nashua for the monthly note payment and/or the quarterly required dividend in support of the full CBFRR requirement, these payments will be made out of the CBFRR Checking Account, as established under DW 11-026. To the extent there are insufficient funds in the CBFRR Checking Account to make these payments; funds will be transferred into the CBFRR Checking Account from the Company's main operating account to fund these payments. To the extent that funds in the CBFRR Checking Account are in excess of the monthly payment need (and/or quarterly dividend need, in the month paid), the excess funds will be transferred back into the main operating account.
  - b. On a monthly basis, the actual Material Operating Expenses, as defined above, for that month will be compared to the monthly revenue requirement provided from the MOERR portion of the last allowed revenue requirement, from the most recent rate case. To the extent that the identified expenses under the MOERR, for the month, are in excess of the pro-rata revenue allowance for these expenses, money will be transferred out of the MOERR Checking Account to the main operating account. To the extent that the identified expenses under the MOERR, for the month, are less than the pro-rata revenue allowance for these expenses, money will be transferred to the MOERR Checking Account from the main operating account.
  - c. As payments are due to all other external debt holders of the Company on a monthly, quarterly, or semi-annual basis, these payments will be made out of the DSRR-1.0 Checking Account, consistent with the methodology for the CBFRR account under DW 11-026. To the extent there are insufficient funds in the DSRR-1.0 Checking Account to make these payments; funds will be transferred into the DSRR-1.0 Checking Account from the main operating account. And, to the extent that there are excess funds in the DSRR Checking Account, the excess funds will be transferred back to the Company's main operating account.

- i. The monthly payment funding obligation will be based upon, and equal to the following:
        1. The sum of all monthly debt service payment obligations in the aggregate;
        2. 1/3 of the sum of all quarterly debt service payment obligations in the aggregate for the quarter;
        3. And 1/12 of the sum of all semi-annual debt service obligations in the aggregate for the fiscal year.
      - d. The funds that accumulate in the DSRR-0.1 Checking Account will be considered on an annual basis, at the end of each fiscal year. The accumulated funds in this account as of the close of each year-end will be utilized as the funding source for capital expenditure needed in the first months of the succeeding year, leading up to an annual bonding or financing event in support of capital expenditures for that succeeding year.
4. **Accounting for the CBFRR, DSRR-1.0 and MOERR allocation amounts.** In conformity with the methodology established in DW 11-026 for the CBFRR account, monthly accounting will be prepared by the Company, to establish and calculate the actual revenue performance versus the allowed revenue levels, on a monthly basis. These calculations will be the basis for the transfer of cash into and out of the Rate Stabilization funds for each fiscal month end. At each successive rate case, the excess or deficit in the CBFRR RSF, DSRR-1.0 RSF, and MOERR RSF, will be refunded to or collected from ratepayers over the succeeding three years, in the form of a Deferred Credit or Deferred Debit on the books of the Company, as established in that successive rate case proceeding.
5. **Impact of Annual Step Increases for Incremental Debt Approved and Incurred between Rate Cases, under the Qualified Capital Project Adjustment Charge.** Upon approval of the annual Qualified Capital Project Adjustment Charge (“QCPAC”), the incremental revenues generated from this QCPAC at a 1.1x multiple of total incremental approved debt service, plus property taxes, will incrementally impact the deposit of funds, or withdrawal of funds from the DSRR-1.0, DSRR-0.1 and MOERR Checking Accounts, for their prospective shares of the total incremental debt service, the 0.1x multiple of debt service, and the amount collected for incremental property taxes. The balance of the accounting for these incremental amounts will be accounted for as an incremental amount to the processed described immediately above.



Note 1: Descriptions of each of these accounts can be found on the next page.

## ACCOUNT DESCRIPTIONS

**Approved Revenue Requirement:** equals the annual revenue requirement established at the most recent rate case, adjusted annually on or about March 1<sup>st</sup> and “trued up” to the actual approved amounts as of the issuance of the QCPAC step increase order (the QCPAC shall become eligible for annual recoupment from the date for which bonded debt or other financing that is incurred with respect to the specific eligible projects is issued or consummated, anticipated to be approximately March 1 of each year). This ARR is divided amongst the component Revenue Requirement items, inclusive of the annual step increase allocated amounts, into the identified CBFRR, OERR and DSRR revenue “buckets.”

**CBFRR RSF:** Same as the former RSF as authorized and described in DW 11-026. Allows for the maintenance of stable water utility rates, while providing a mechanism to ensure the Company’s ability to meet its obligations under the promissory note to the City.

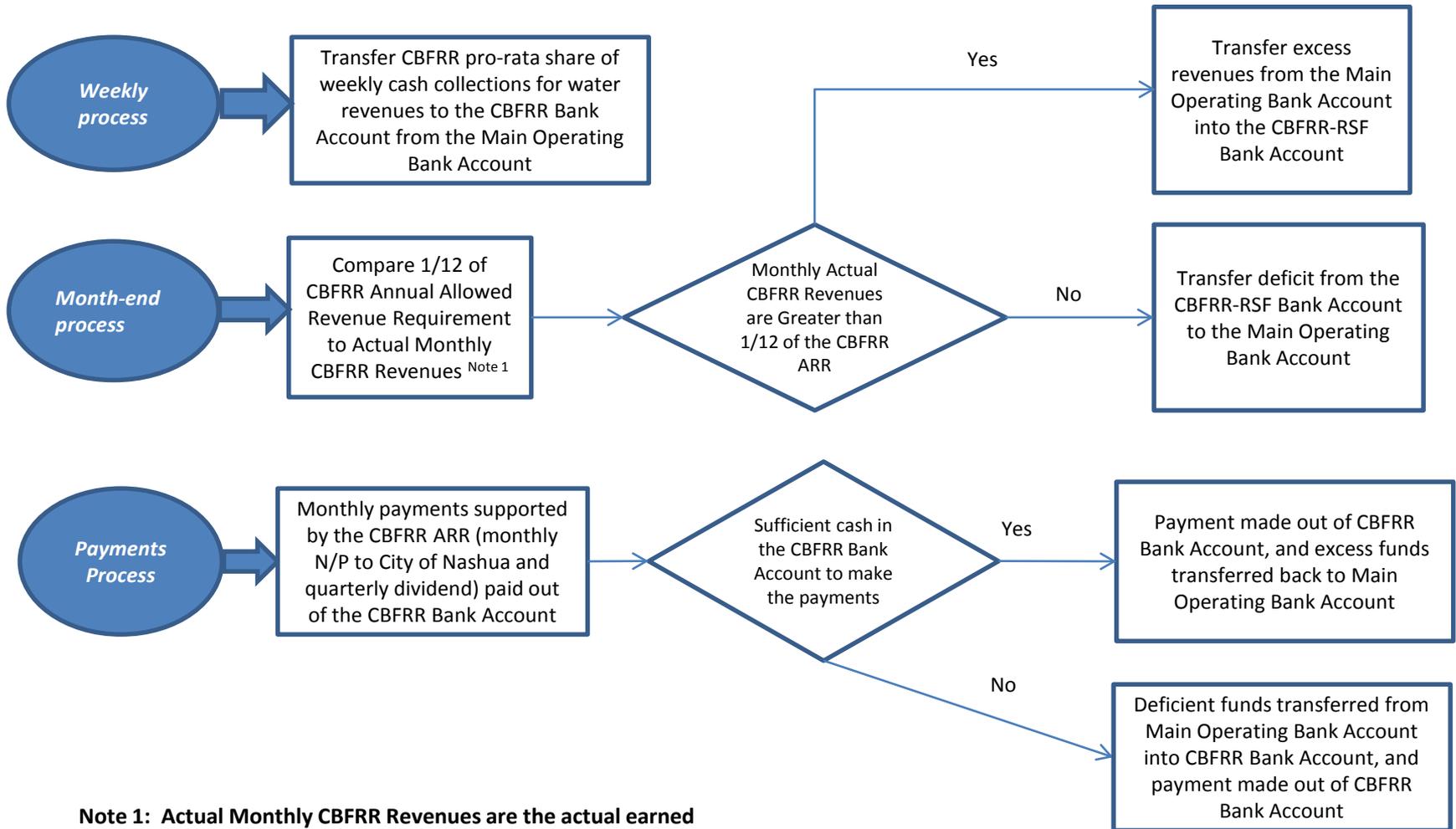
**MOERR RSF:** Funds used to provide cash flow for allowable expenses, defined as PEU’s Operation and Maintenance Expenses (less those in the NOERR), Property Tax Expense, and Amortization Expense.

**NOERR:** Funds expenses that are potentially imprudent expenditures within the context of a rate proceeding. The categorization of an expense item in the NOERR does not preclude PEU’s recovery of such in rates, as long as that expense item is found to be prudently incurred within the pro forma test year. They may not, however, be included in any use of or replenishment from the MOERR RSF.

**DSRR-1.0 RSF:** Used to support the payments related to the principal and interest obligations for PEU, in existence as of the most recent rate case test year. The establishment of this DSRR-1.0 RSF bucket is to allow the collection of revenues sufficient to pay the principal and interest of PEU’s debt and to satisfy the debt service coverage ratio requirements of PEU’s bond financings and Pennichuck Corporation’s covenant requirements of its line of credit, which is used by Pennichuck Corporation and its subsidiaries as a “back stop” to short-term working capital needs.

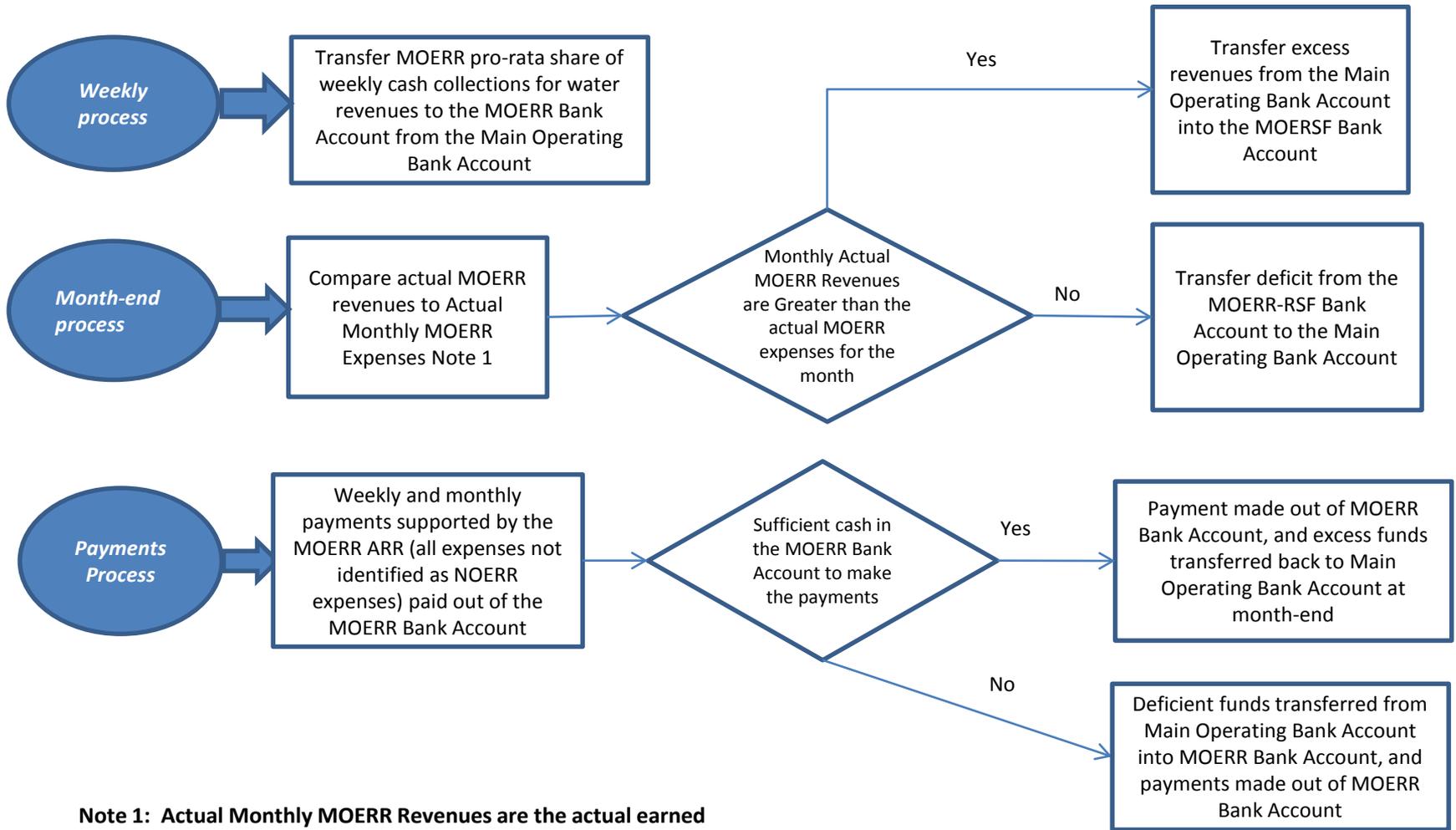
**DSRR-0.1:** The intended purposes for the establishment of the DSRR-0.1 are 1) to allow for the collection of revenues sufficient to satisfy the debt service coverage ratio requirements of PEU’s bond financings and Pennichuck Corporation’s covenant requirements for its line of credit, which is used by Pennichuck Corporation and its subsidiaries as a “back stop” for short-term capital needs; and 2) to allow PEU to collect revenues over-and-above its actual debt service in order to comply with cash flow coverage requirements which are typical for such financings as well as to meet obligations on new debt incurred between rate filings as supported by the annual QCPAC surcharge.

**Pennichuck East Utility, Inc. - DW 17-128**  
**Rate Making Concept Flow Diagram - Flowchart A**



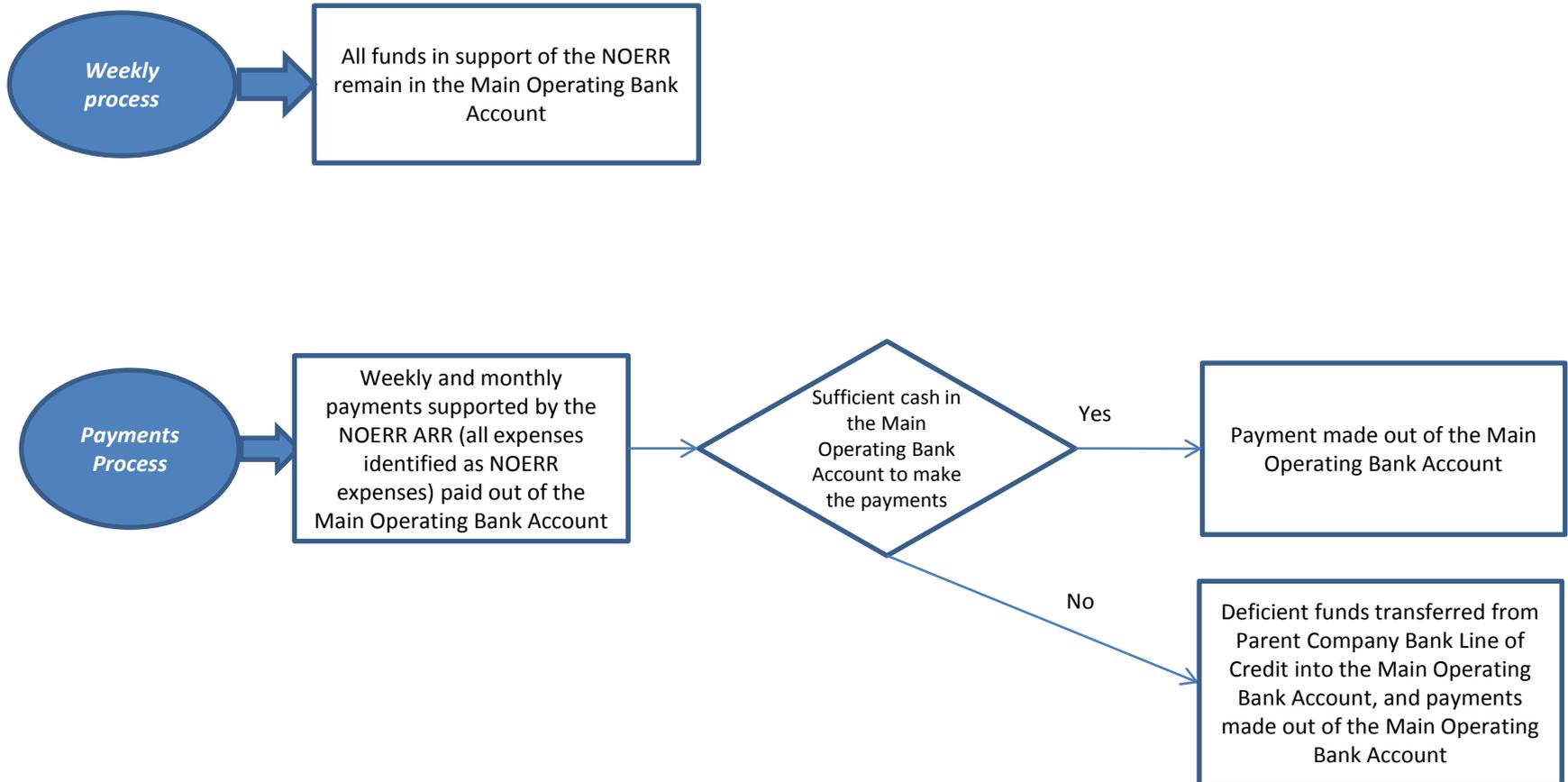
**Note 1: Actual Monthly CBFRR Revenues are the actual earned water revenues in the month multiplied times the pro-rata percentage of revenues allocated to the CBFRR, per the last rate case, inclusive of the annual step increase.**

**Pennichuck East Utility, Inc. - DW 17-128**  
**Rate Making Concept Flow Diagram - Flowchart B**

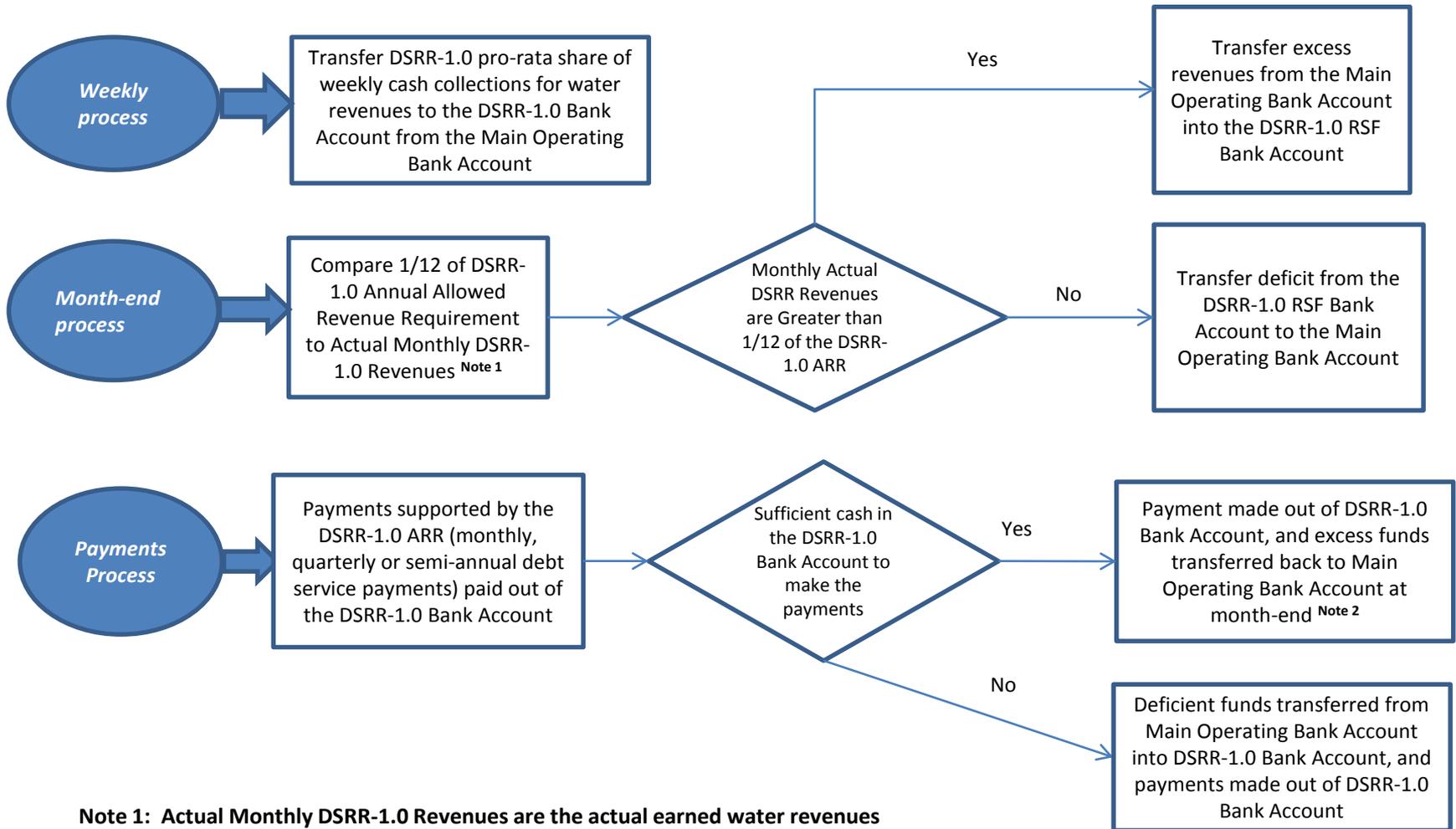


**Note 1: Actual Monthly MOERR Revenues are the actual earned water revenues in the month multiplied times the pro-rata percentage of revenues allocated to the MOERR, per the last rate case, inclusive of the annual step increase.**

**Pennichuck East Utility, Inc. - DW 17-128**  
**Rate Making Concept Flow Diagram - Flowchart C**



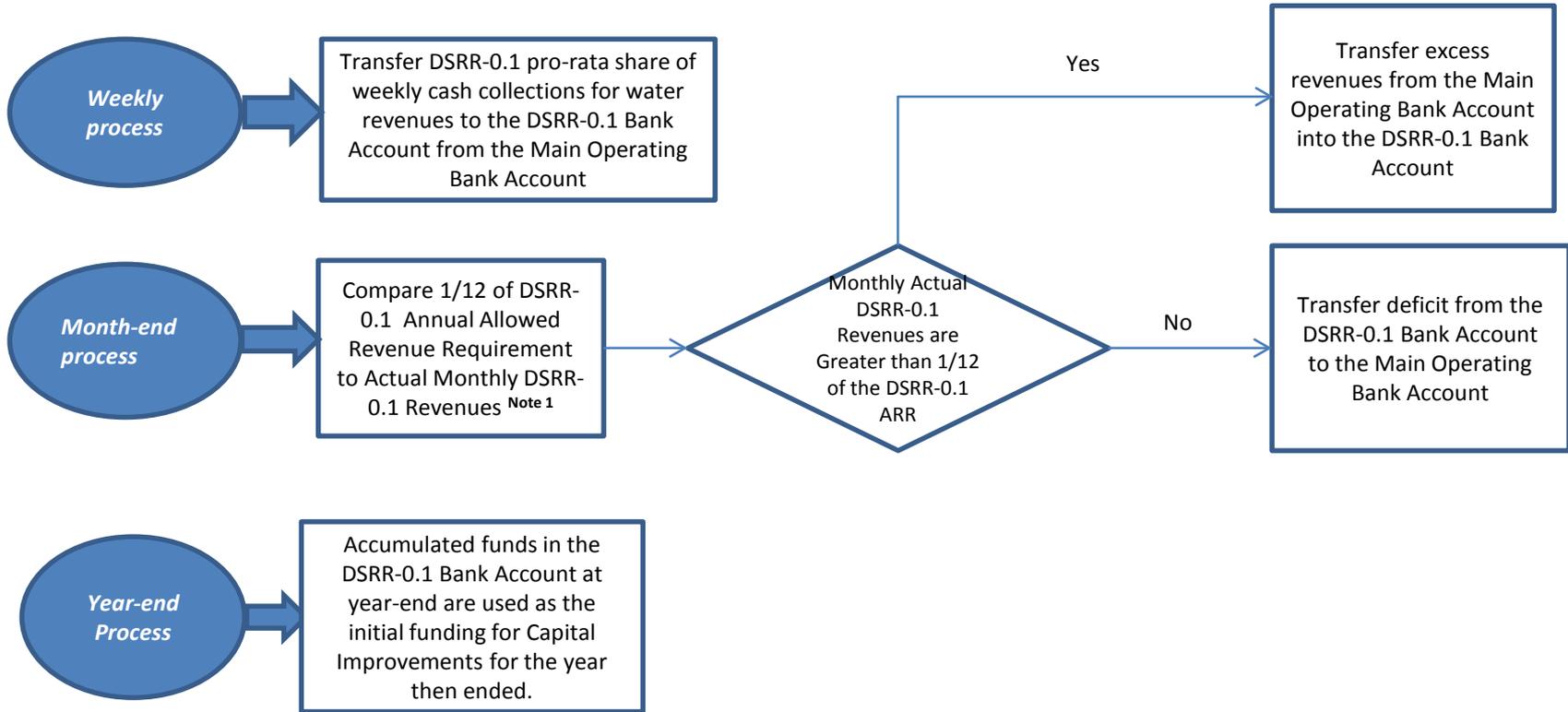
**Pennichuck East Utility, Inc. - DW 17-128**  
**Rate Making Concept Flow Diagram - Flowchart D**



**Note 1: Actual Monthly DSRR-1.0 Revenues are the actual earned water revenues in the month multiplied times the pro-rata percentage of revenues allocated to the DSRR-1.0, per the last rate case, inclusive of the annual step increase.**

**Note 2: Adequacy of funds in the DSRR-1.0 Bank Account each month will be determined as 100% of monthly payment obligations, 33 1/3% of quarterly payment obligations and 1/12 of the annual debt service for semi-annual payment obligations.**

**Pennichuck East Utility, Inc. - DW 17-128**  
**Rate Making Concept Flow Diagram - Flowchart E**



**Note 1: Actual Monthly DSRR 0.1 Revenues are the actual earned water revenues in the month multiplied times the pro-rata percentage of revenues allocated to the DSRR-0.1, per the last rate case, inclusive of the annual step increase.**

**Pennichuck East Utilities, Inc.**  
**Accounts Excluded From MOERR**  
**DW 17-128**

**Exhibit 3**  
**Appendix B**

		January	February	March	April	May	June	July	August	September	October	November	December	Test Year 2016 Totals
921002	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
921003	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
921004	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
923000	OUTSIDE SERVICES	8.00	8.00	8.00	16.00	8.00	16.00	8.00	287.00	2,567.42	8.00	8.00	16.00	2,958.42
926001	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
926500	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
926501	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
926502	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
926505	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
926600	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
926610	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
930100	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
930101	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
930200	PUBLIC RELATIONS	-	23.28	120.05	1,885.30	694.90	477.58	404.55	-	1,382.45	179.03	177.01	2.33	5,346.48
930300	MEALS	-	-	-	-	-	-	-	-	-	-	-	-	-
930410	CHARITABLE CONTRIBUTIONS	-	-	-	-	-	-	-	-	-	-	-	-	-
														<b>\$ 8,304.90</b>

**Pennichuck East Utility Inc**  
**PRO FORMA Adjustments to Revenue Requirement**  
**Calculation of PEU's share of City Bond Fixed Revenue Requirement**

Exhibit 4

**Revenue**

1 To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.

	Total City Bond	\$	150,570,000
	Bond Interest Rate		4.09%
	Bond Period		30 yrs.
	Total City Bond	\$	150,570,000
	Less Rate Stabilization fund		<u>\$5,000,000</u>
Amount of City Bond to be prorated between Utilities CBFRR		\$	<u>145,570,000</u>
	PEU Share of CBFRR		<u>10.21%</u>
	PEU Prorata share		<u>\$14,864,176</u>
Add back PEU Pro Rata Share of Rate Stabilization Reserve		\$	<u>980,000</u>
Total PEU Pro Rata Share for CBFRR/MARA		\$	<u>15,844,176</u>
	Bond Interest Rate		4.09%
	Bond Period		30 yrs.
		<b>\$</b>	<b><u>926,309</u></b>

**Notes:**

(1) Pro Rata Calculation as follows:

PWW & Southwood Equity (12/31/2011) (2)	\$	56,442,675	88.12%
PEU Equity (12/31/2011)	\$	6,540,063	10.21%
PAC Equity (12/31/2011)	\$	1,066,353	1.66%
	<b>\$</b>	<b><u>64,049,091</u></b>	<b>100.00%</b>

5. Calculation of RSF Percentage based on Revenue requirements from DW13-126, 13-128 and 13-130

RSF amount funded by City Bond -	\$	5,000,000
PWW Revenue Requirement -	\$27,689,214	per DW13-130 Settlement Agreement
PEU Revenue Requirement -	\$6,913,261	per DW13-126 Settlement Agreement
PAC Revenue Requirement -	\$745,186	per DW13-128 Settlement Agreement
PEU Share of RSF as a percentage -		19.56%
PEU Share of RSF in \$\$ -	\$	980,000

(2) Consists of Equity as of 12/31/2011 as follows:

PWW	\$	54,395,626
Southwood	\$	2,047,049
Total	<b>\$</b>	<b><u>56,442,675</u></b>

Calculations are from DW11-026

PEU Proforma Test Year 2017 with Step Increase					
Proformed Revenue Requirement <sup>1</sup> - \$ 8,276,261					
		Material Operating Expense Revenue Requirement	Operating Expense Revenue Requirement <sup>6</sup>	1.0 Debt Service Revenue Requirement	0.1 Debt Service Revenue Requirement
Revenue Requirement <sup>2</sup> -	\$ 926,309	\$ 5,843,277	\$ 8,305	\$ 1,362,154	\$ 136,215
Percentage of Revenues -	11.19%	70.60%	0.10%	16.46%	1.65%
3 Years coverage -	\$ 60,974	\$ 1,762,072	\$ -	\$ 98,630	\$ -
Increase in Material Operating Expenses of	3.84%				
Requested Rate Stabilization Fund by Revenue Category <sup>3,4</sup> - \$ 60,000 \$ 1,760,000 No Stabilization Fund \$ 100,000 No Stabilization Fund \$					
Initial funding with available funds from PWW CBFRRR - \$ 31,000 \$ 898,000 \$ 51,000					
Based on largest negative variance from five year ave of - 3.79%					

per year based on average increase of these expenses per year between 2012 and 2017. See Table below for calculation.

1,920,000.00 Recommended Yr end 2017 RSF totals  
Requested RSF funds prorated to available of - \$ 980,000  
RSF Shortfall - \$ 940,000

Revenue Type	2012 PEU Billed Revenue	2013 PEU Billed Revenue	2014 PEU Billed Revenue	2015 PEU Billed Revenue	2016 PEU Billed Revenue
Total Volumetric Charges (less Recoupment)	\$ 3,713,054	\$ 3,645,136	\$ 3,959,013	\$ 4,191,292	\$ 4,093,815
Total Capital Recover Surcharge (fixed)	\$ 300,353	\$ 303,336	\$ 296,146	\$ 297,430	\$ 299,985
Total Meter Charge (less recoupment - fixed)	\$ 1,515,095	\$ 1,516,104	\$ 1,616,793	\$ 1,750,470	\$ 2,114,832
Total Fire Protection - Public & Private (fixed)	\$ 775,061	\$ 795,700	\$ 861,603	\$ 912,761	\$ 931,801
Total Billed Revenue	\$ 6,303,563	\$ 6,260,276	\$ 6,733,555	\$ 7,151,953	\$ 7,440,433
% of Revenues that are variable	58.9%	58.2%	58.8%	58.6%	55.0%
% of Revenues that are fixed	41.1%	41.8%	41.2%	41.4%	45.0%

Calculation of MOER RSF, based on increase in MOE's over the past 5 years		
Inflation	Revenue Shortfall	
Yr 1 -	\$ 224,340	\$ 127,084
Yr 2 -	\$ 457,292	\$ 127,084
Yr 3 -	\$ 699,189	\$ 127,084
Totals -	\$ 1,380,821	\$ 381,251
	\$ 1,762,072	

Average percentage of revenues that were variable during the previous 5 years - 57.9%

Expense Type	2012 PEU Actual Variable Expenses	2013 PEU Actual Variable Expenses	2014 PEU Actual Variable Expenses	2015 PEU Actual Variable Expenses	2016 PEU Actual Variable Expenses	2017 PEU Actual Variable Expenses
Purchased Water	\$ 729,948	\$ 755,773	\$ 776,491	\$ 959,966	\$ 1,009,818	\$ 952,865
Electric	\$ 249,663	\$ 246,732	\$ 258,186	\$ 302,197	\$ 279,236	\$ 269,019
Chemicals	\$ 69,239	\$ 81,379	\$ 60,553	\$ 32,816	\$ 66,806	\$ 79,231
Total Variable Costs	\$ 1,048,850	\$ 1,083,884	\$ 1,095,230	\$ 1,294,979	\$ 1,355,860	\$ 1,301,115
Variable Expenses as a Percent of Total Revenues	16.6%	17.3%	16.3%	18.1%	18.2%	17.7%

Staff 1-14  
Staff 1-15

	2012 Actual CCF's sold by PEU	2013 Actual CCF's sold by PEU	2014 Actual CCF's sold by PEU	2015 Actual CCF's sold by PEU	2016 Actual CCF's sold by PEU
Annual Metered Sales (CCF)	642,264	625,305	637,076	691,344	728,141
Percentage Variance between Current and High Consumption Year	-13.37%	-16.45%	-14.29%	-5.32%	0.00%
Average Consumption (CCF) over the past five years	648,997				
Variance between current and 5 Yr Ave Consumption	-1.05%	-3.79%	-1.87%	6.13%	10.87%

Largest percentage reduction in volumetric sales at PEU of 3.79% over the past five years from the five year average of volumetric sales  
Results in a Revenue loss of \$ 155,111  
Results in an Operating Expense reduction of \$ 51,372  
Results in an Operating Income reduction of \$ 103,739

Calculation of Annual Material Operating Expense Adjustment Percentage<sup>9</sup>

	2012 PEU Material Operating Expenses	2013 PEU Material Operating Expenses	2014 PEU Material Operating Expenses	2015 PEU Material Operating Expenses	2016 PEU Material Operating Expenses	2017 PEU Material Operating Expenses
Production Expenses	\$ 1,677,338	\$ 1,804,674	\$ 1,731,187	\$ 1,882,061	\$ 1,991,779	\$ 1,966,063
Transmission & Distribution Expenses	\$ 629,086	\$ 587,301	\$ 637,867	\$ 638,840	\$ 616,944	\$ 696,492
Customer Acct & Collection Exp	\$ 158,702	\$ 177,228	\$ 165,160	\$ 174,411	\$ 184,106	\$ 192,789
Administrative & General Expense	\$ 267,841	\$ 155,661	\$ 154,381	\$ 168,125	\$ 155,295	\$ 167,568
Inter Div Management Fee	\$ 1,361,296	\$ 1,392,229	\$ 1,372,036	\$ 1,394,072	\$ 1,811,426	\$ 2,098,399
Amortization Expense	\$ 57,402	\$ 53,389	\$ 52,484	\$ 49,270	\$ 50,687	\$ 58,618
Property Taxes	\$ 848,403	\$ 804,720	\$ 922,129	\$ 1,109,940	\$ 1,051,160	\$ 891,416
Total Annual MOERR Expenses	\$ 5,000,068	\$ 4,975,202	\$ 5,035,245	\$ 5,416,718	\$ 5,861,396	\$ 6,071,345
Less change in variable expenses over prior year	\$ 1,048,850	\$ 1,083,884	\$ 1,095,230	\$ 1,294,979	\$ 1,355,860	\$ 1,301,115
Total Annual MOERR Expenses less variable expenses	\$ 3,951,218	\$ 3,891,318	\$ 3,940,015	\$ 4,121,739	\$ 4,505,536	\$ 4,770,230
Total Percentage Increase in Material Operating Expenses over the past five years -					20.73%	
Average annual increase in Material Operating expenses over the past five years -					3.84%	

PEU Proforma Test Year 2017 with Step Increase - 3 Bad Years <sup>10</sup>					
			Yr. 1	Yr. 2	Yr. 3
Proformed Revenue Requirement <sup>1</sup> -	\$ 8,276,261				
Projected Bad Year Impact on MOE Revenues -		\$ (127,084)	\$ (127,084)	\$ (127,084)	\$ (127,084)
Bad Year Impact in Material Operating Expenses -		\$ 292,164	\$ 598,936	\$ 921,047	\$ 921,047
Bad Year impact on MOER RSF -		\$ (419,248)	\$ (726,020)	\$ (1,048,130)	\$ (1,048,130)
		Material Operating Expense Revenue Requirement	Operating Expense Revenue Requirement <sup>6</sup>	P&I Revenue Requirement <sup>1</sup>	0.1 P&I Revenue Requirement
Revenue Requirement <sup>2</sup> -	\$ 926,309	\$ 5,843,277	\$ 8,305	\$ 1,362,154	\$ 136,215
Percentage of Revenues -	11.19%	70.60%	0.10%	16.46%	1.65%
3 Years coverage -	\$ 60,974	\$ 1,762,072	\$ -	\$ 98,630	\$ -
Requested Rate Stabilization Fund by Revenue Category <sup>3,4</sup> -	\$ 60,000	\$ 1,760,000	No Stabilization Fund	\$ 100,000	No Stabilization Fund
Year 1 Ending RSF Account Balances -	\$ 39,675	\$ 1,340,752	\$ 70,112	\$ 133,227	\$ 133,227
Year 2 Ending RSF Account Balances -	\$ 19,351	\$ 1,643,733	\$ 40,224	\$ 266,453	\$ 266,453
Year 3 Ending RSF Account Balances -	\$ (974)	\$ (433,398)	\$ 10,336	\$ 399,680	\$ 399,680
				\$ \$ required to top off RSF funds -	\$ 1,944,355

PEU Proforma Test Year 2017 with Step Increase - 3 Neutral Years <sup>11</sup>					
			Yr. 1	Yr. 2	Yr. 3
Proformed Revenue Requirement <sup>1</sup> -	\$ 8,276,261				
Projected Neutral Year Impact on MOE Revenues -		\$ -	\$ -	\$ -	\$ -
Neutral Year Impact in Material Operating Expenses -		\$ 224,340	\$ 457,292	\$ 699,189	\$ 699,189
Neutral Year impact on MOER RSF -		\$ (224,340)	\$ (457,292)	\$ (699,189)	\$ (699,189)
		Material Operating Expense Revenue Requirement	Operating Expense Revenue Requirement <sup>6</sup>	P&I Revenue Requirement <sup>1</sup>	0.1 P&I Revenue Requirement
Revenue Requirement <sup>2</sup> -	\$ 926,309	\$ 5,843,277	\$ 8,305	\$ 1,362,154	\$ 136,215
Percentage of Revenues -	11.19%	70.60%	0.10%	16.46%	1.65%
3 Years coverage -	\$ 60,974	\$ 1,762,072	\$ -	\$ 98,630	\$ -
Requested Rate Stabilization Fund by Revenue Category <sup>3,4</sup> -	\$ 60,000	\$ 1,760,000	No Stabilization Fund	\$ 100,000	No Stabilization Fund
Year 1 Ending RSF Account Balances -	\$ 60,000	\$ 1,535,660	\$ 100,000	\$ 136,215	\$ 136,215
Year 2 Ending RSF Account Balances -	\$ 60,000	\$ 1,078,368	\$ 100,000	\$ 272,431	\$ 272,431
Year 3 Ending RSF Account Balances -	\$ 60,000	\$ 379,179	\$ 100,000	\$ 408,646	\$ 408,646
				\$ \$ required to top off RSF funds -	\$ 972,175

PEU Proforma Test Year 2017 with Step Increase - 3 Good Years <sup>12</sup>					
			Yr. 1	Yr. 2	Yr. 3
Proformed Revenue Requirement <sup>1</sup> -	\$ 8,276,261				
Projected Good Year Impact on MOE Revenues -		\$ 207,270	\$ 207,270	\$ 207,270	\$ 207,270
Good Year Impact on Material Operating Expenses -		\$ 116,866	\$ 236,068	\$ 357,655	\$ 357,655
Good Year increase in MOER RSF -		\$ 90,405	\$ (28,798)	\$ (150,385)	\$ (150,385)
		Material Operating Expense Revenue Requirement	Operating Expense Revenue Requirement <sup>6</sup>	P&I Revenue Requirement <sup>1</sup>	0.1 P&I Revenue Requirement
Revenue Requirement <sup>2</sup> -	\$ 926,309	\$ 5,843,277	\$ 8,305	\$ 1,362,154	\$ 136,215
Percentage of Revenues -	11.19%	70.60%	0.10%	16.46%	1.65%
3 Years coverage -	\$ 60,974	\$ 1,762,072	\$ -	\$ 98,630	\$ -
Requested Rate Stabilization Fund by Revenue Category <sup>3,4</sup> -	\$ 60,000	\$ 1,760,000	No Stabilization Fund	\$ 100,000	No Stabilization Fund
Year 1 Ending RSF Account Balances -	\$ 92,858	\$ 1,850,405	\$ 148,318	\$ 141,047	\$ 141,047
Year 2 Ending RSF Account Balances -	\$ 125,715	\$ 1,821,606	\$ 196,635	\$ 282,094	\$ 282,094
Year 3 Ending RSF Account Balances -	\$ 158,573	\$ 1,671,221	\$ 244,953	\$ 423,142	\$ 423,142
				\$ \$ required to top off RSF funds -	\$ (577,889)

PEU Proforma Test Year 2017 with Step Increase - Neutral Year 1, Good Year 2, Bad Year 3 <sup>10,11,12</sup>					
			Yr. 1 (Neutral)	Yr. 2 (Good)	Yr. 3 (Bad)
Proformed Revenue Requirement <sup>1</sup> -	\$ 8,276,261				
Projected MOERR Revenues -		\$ -	\$ 207,270	\$ (127,084)	\$ (127,084)
Good Year Increase in Material Operating Expenses -		\$ 224,340	\$ 453,166	\$ 693,434	\$ 693,434
Good Year increase in MOER RSF -		\$ (224,340)	\$ (245,896)	\$ (820,518)	\$ (820,518)
		Material Operating Expense Revenue Requirement	Operating Expense Revenue Requirement <sup>6</sup>	P&I Revenue Requirement <sup>1</sup>	0.1 P&I Revenue Requirement
Revenue Requirement <sup>2</sup> -	\$ 926,309	\$ 5,843,277	\$ 8,305	\$ 1,362,154	\$ 136,215
Percentage of Revenues -	11.19%	70.60%	0.10%	16.46%	1.65%
3 Years coverage -	\$ 60,974	\$ 1,762,072	\$ -	\$ 98,630	\$ -
Requested Rate Stabilization Fund by Revenue Category <sup>3,4</sup> -	\$ 60,000	\$ 1,760,000	No Stabilization Fund	\$ 100,000	No Stabilization Fund
Year 1 Ending RSF Account Balances -	\$ 60,000	\$ 1,535,660	\$ 100,000	\$ 136,215	\$ 136,215
Year 2 Ending RSF Account Balances -	\$ 92,858	\$ 1,289,764	\$ 148,318	\$ 277,263	\$ 277,263
Year 3 Ending RSF Account Balances -	\$ 72,533	\$ 469,246	\$ 118,430	\$ 410,489	\$ 410,489
				\$ \$ required to top off RSF funds -	\$ 849,302

Notes:

- Based on Debt Service Multiplier of 1.10 per Sch A of 1604.06 schedules. The 1.1 multiplier is not applied to the North Country Capital Recovery Surcharge P&I
- Revenue requirements per Sch A Perm-Modified of 1604.06 schedules
- Requested Rate Stabilization fund for Operating Expense and P & I Coverage each have a contingency of 0% safety factor and are based on year ending 2017 results
- PEU share of the \$5,000,000 RSF for distribution to the RSF, MOERSF and the P&IRSF is 19.56% based on % of PWW revenues (2012 Case) to % of all three regulated utilities revenues (2012 Cases) or \$ 980,000
- Calculation of RSF Percentage based on Revenue requirements from DW13-126, 13-128 and 13-130

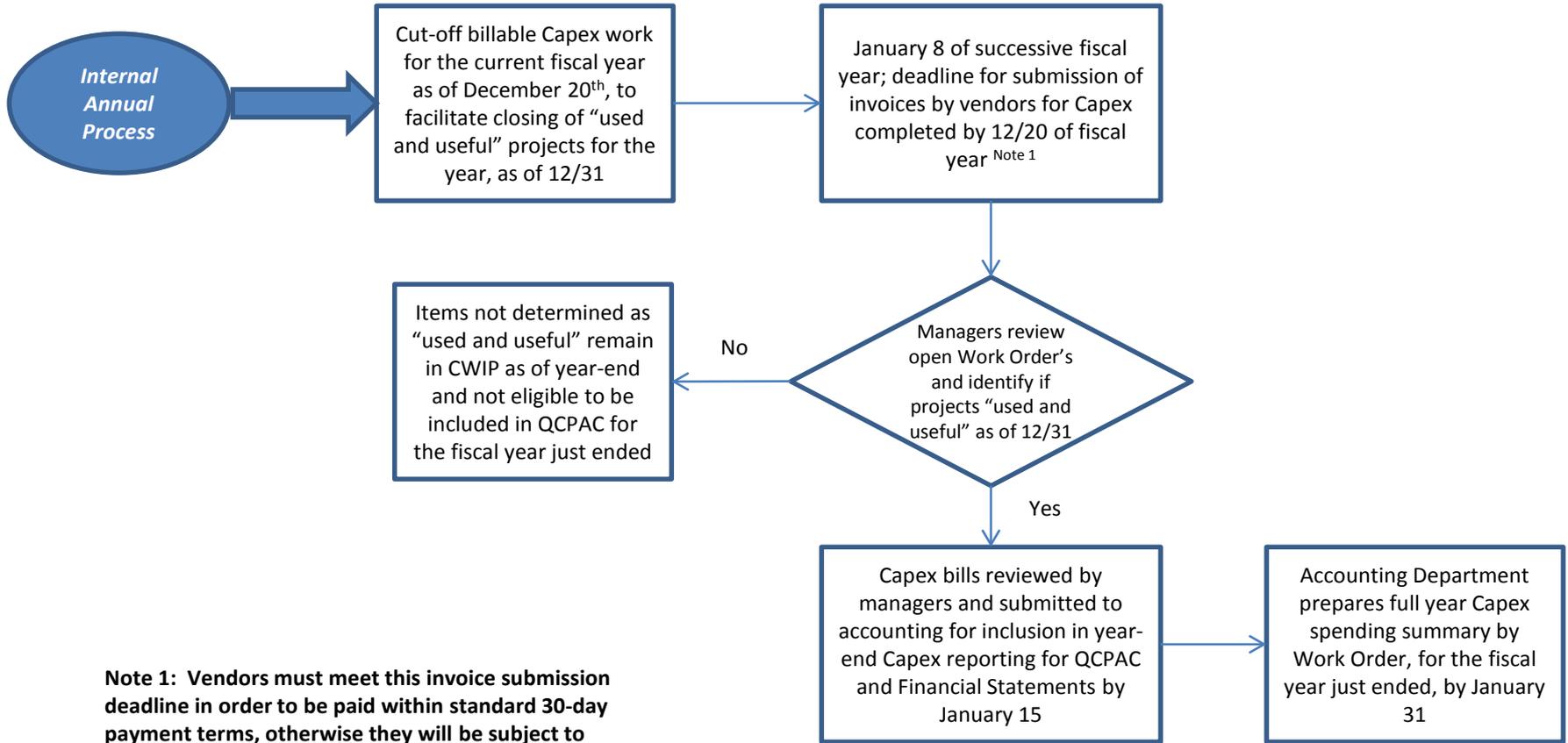
PWW Revenue Requirement -	\$ 27,689,214	per DW13-130 Settlement Agreement
PEU Revenue Requirement -	\$ 6,913,261	per DW13-126 Settlement Agreement
PAC Revenue Requirement -	\$ 745,186	per DW13-128 Settlement Agreement
Total Utility Revenue Requirement -	\$ 35,347,661	

6. For Calculation of Operating Expense Requirement see Exhibit 1.1

- 2015 Billed Recoupment - \$ 196,261
- 2016 Billed Recoupment - \$ 16,968

9. Proposed Annual adjustment of MOER RSF based on average increase in MOE expenses over the previous 5 years.

- Bad Year, Volumetric Sales off by -3.79% to five year average. Inflation to expenses up by 5.0%
- Nuetral Year, Volumetric Sales off by 0% to five year average. Inflation to expenses up by 3.84%
- Good Year, Volumetric Sales up by 6.13% to five year average. Inflation to expenses up by 2.0%

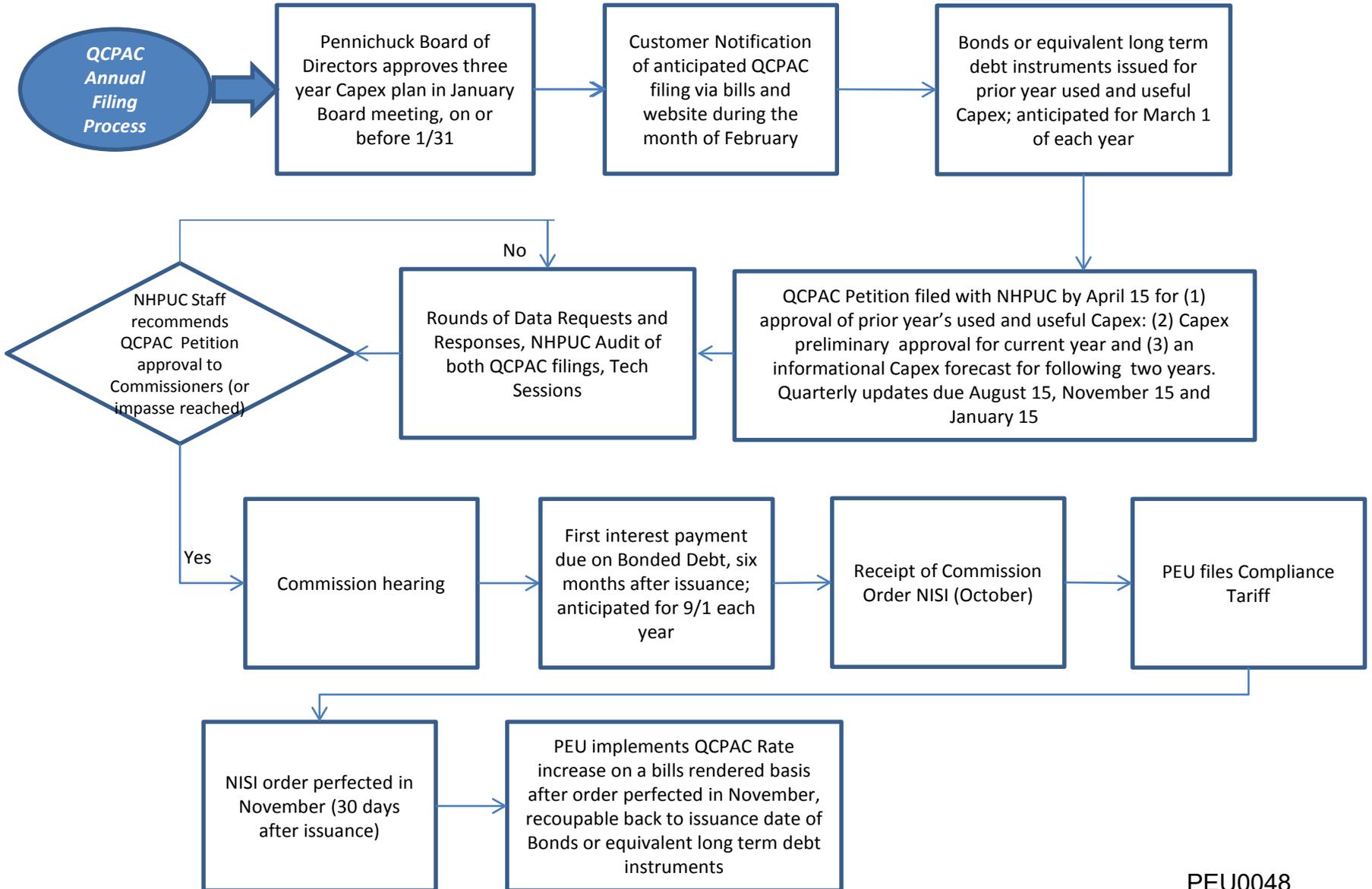


**Note 1: Vendors must meet this invoice submission deadline in order to be paid within standard 30-day payment terms, otherwise they will be subject to delayed "penalty" payment terms. This requirement to be implemented in all vendor contracts going forward.**

**Note 2: No Capex projects/purchases allowed except for emergencies and/or essential carryover projects – 1/1-2/28 of successive fiscal year**

**Note 3: Submission of invoices by vendors for Capex completed by 12/20 of fiscal year, after January 8 of successive fiscal year, subject to delayed 60-day payment terms (as a facilitator to receive invoices timely for year-end QCPAC and Financial reporting purposes).**

**Pennichuck East Utilities, Inc.**  
**DW 17-128**  
**QCPAC Process Flow Diagram**



**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
REVENUE REQUIREMENT  
ORIGINAL RATE STRUCTURE**

	<b>TEST YEAR PERMANENT RATES</b>	<b>5-YEAR AVG PERMANENT RATES</b>	<b>5-YEAR AVG PERM RATES w/ 2017 STEP ADJ</b>
<b><u>CALCULATION OF REVENUE REQUIREMENT OTHER THAN NCCRS and CBFRR</u></b>			
1) Rate Base (Sch 2-Perm / Sch 2-5YAvg / Sch 2-Step)	\$ 9,828,521	\$ 9,826,380	\$ 11,591,357
2) Rate of Return (Sch 1A-Perm/5YAvg / Sch 1A-Step)	3.92%	3.92%	3.97%
3) Operating Income Requirement [(1) x (2)]	385,015	384,931	459,963
4) Pro-forma Operating Income (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step )	301,311	192,175	123,123
5) Revenue Deficiency (Surplus) Before Taxes [(3) - (4)]	83,704	192,756	336,839
6) Divided by Tax Factor (Sch 1B)	+ 60.59%	+ 60.59%	+ 60.59%
7) Revenue Deficiency (Surplus) [(5) ÷ (6)]	138,152	318,143	555,950
8) Pro-forma Water Rev's not Subject to NCCRS and CBFRR (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step)	6,172,696	5,975,153	5,975,153
9) Total Water Revenues not Subject to NCCRS and CBFRR [(7) + (8)]	<b>\$ 6,310,848</b>	<b>\$ 6,293,296</b>	<b>\$ 6,531,103</b>
<b><u>REVENUE REQUIREMENT ADJUSTED FOR TAX CHANGE EFFECT</u></b>			
10) Unadjusted Revenue Deficiency (Surplus) [(7)]	138,152	318,143	555,950
11) Tax Change Revenue Adjustment [(35)]	159,658	159,704	118,433
12) Revenue Deficiency (Surplus) Adjusted for Tax Change [(10) + (11)]	297,811	477,847	674,383
13) Pro-forma Water Rev's not Subject to NCCRS and CBFRR [(8)]	6,172,696	5,975,153	5,975,153
14) Total Water Revenues not Subject to NCCRS and CBFRR Adjusted for Tax Change [(12) + (13)]	<b>\$ 6,470,507</b>	<b>\$ 6,453,000</b>	<b>\$ 6,649,536</b>
<b><u>CALCULATION OF TOTAL PROPOSED WATER REVENUES (INCLUDING CBFRR)</u></b>			
15) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(24)]	\$ 7,371,544	\$ 7,174,001	\$ 7,174,001
16) Revenue Deficiency (Surplus) Adjusted for Tax Change [(12)]	297,811	477,847	674,383
17) Decrease in Annual NCCRS Revenue [(27)]	(121,070)	(121,070)	(121,070)
18) Net Proposed Increase in Pro-forma Water Revenues [(15) + (16)]	176,741	356,777	553,313
19) Total Proposed Water Revenues - Original Rate Structure [(15) + (18)]	<b>\$ 7,548,285</b>	<b>\$ 7,530,778</b>	<b>\$ 7,727,314</b>
20) Percent Increase (Decrease) in Water Revenues [(18) ÷ (15)]	<b>2.40%</b>	<b>4.97%</b>	<b>7.71%</b>
<b><u>CALCULATION OF TEST YEAR PRO-FORMA WATER REVENUES</u></b>			
21) Test Year Pro-forma Water Revenues not Subject to NCCRS and CBFRR [(8)]	\$ 6,172,696	\$ 5,975,153	\$ 5,975,153
22) Add: Test Year North Country Capital Recovery Surcharge Revenue (NCCRS) (Sch 3-Perm, Col 1)	299,985	299,985	299,985
23) Add: Test Year City Bond Fixed Revenue Requirement Revenue (CBFRR) (Sch 3-Perm, Col 1)	898,863	898,863	898,863
24) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(21) + (22) + (23)]	<b>\$ 7,371,544</b>	<b>\$ 7,174,001</b>	<b>\$ 7,174,001</b>
<b><u>CALCULATION OF DECREASE IN NCCRS REVENUES</u></b>			
25) Revised Annual NCCRS Revenue	\$ 178,915	\$ 178,915	\$ 178,915
26) Less: Test Year NCCRS Revenue [(22)]	(299,985)	(299,985)	(299,985)
27) Decrease in Annual NCCRS Revenue [(25) - (26)]	<b>\$ (121,070)</b>	<b>\$ (121,070)</b>	<b>\$ (121,070)</b>

DW 17-128  
**PENNICHUCK EAST UTILITIES, INC.**  
**REVENUE REQUIREMENT**  
**ORIGINAL RATE STRUCTURE**

	<u>TEST YEAR PERMANENT RATES</u>	<u>5-YEAR AVG PERMANENT RATES</u>	<u>5-YEAR AVG PERM RATES w/ 2017 STEP ADJ</u>
<b><u>TAX CHANGE EFFECT - FERC METHODOLOGY</u></b>			
28) Income Tax Expense prior to Gross-up (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step)	\$ (430,615)	\$ (501,661)	\$ (498,147)
29) Income Tax Gross-up [(7) - (5)]	<u>54,449</u>	<u>125,386</u>	<u>219,111</u>
30) Composite Income Tax Expense [(28) + (29)]	<u>(376,166)</u>	<u>(376,274)</u>	<u>(279,036)</u>
31) 2018 Tax Rate Factor (Sch 1B)	0.374400	0.374400	0.374400
32) 2017 Tax Rate Factor (Sch 1B)	÷ <u>0.650492</u>	÷ <u>0.650492</u>	÷ <u>0.650492</u>
33) 2018 Tax Rate Factor ÷ 2017 Tax Rate Factor [(31) ÷ (32)]	<u>0.575565</u>	<u>0.575565</u>	<u>0.575565</u>
34) Adjusted Composite Income Tax Expense [(30) x (33)]	<u>(216,508)</u>	<u>(216,570)</u>	<u>(160,603)</u>
35) Tax Change Revenue Adjustment [(34) - (30)]	<u>\$ 159,658</u>	<u>\$ 159,704</u>	<u>\$ 118,433</u>

**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
REVENUE REQUIREMENT  
MODIFIED RATE STRUCTURE**

	<b>TEST YEAR PERMANENT RATES</b>	<b>5-YEAR AVG PERMANENT RATES</b>	<b>5-YEAR AVG PERM RATES w/ 2017 STEP ADJ</b>
<b><u>CITY BOND FIXED REVENUE REQUIREMENT (CBFRR)</u></b>			
1) City Bond Fixed Revenue Requirement (CBFRR) - Modified Rate Structure	\$ 926,309	\$ 926,309	\$ 926,309
<b><u>OPERATING EXPENSE REVENUE REQUIREMENT (OERR)</u></b>			
2) Total Pro-forma O & M Expenses (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step)	\$ 4,842,718	\$ 4,825,357	\$ 4,825,357
3) Pro-forma Property Tax Expense (Sch 3-Perm) / (Sch 3-5YAvg) / (Sch 3-Step)	943,782	943,782	961,267
4) Pro-forma Amortization Expense (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step)	43,734	43,734	64,958
5) Operating Expense Revenue Requirement [(2) + (3) + (4)]	<b>\$ 5,830,234</b>	<b>\$ 5,812,873</b>	<b>\$ 5,851,582</b>
<b><u>DEBT SERVICE REVENUE REQUIREMENT (DSRR)</u></b>			
6) Pro-forma Annual Principal and Interest Payments (Sch 1C-Perm / Sch 1C-Step)	\$ 1,308,278	\$ 1,308,278	\$ 1,362,154
7) Debt Service Coverage Requirement	x 1.1	x 1.1	x 1.1
8) Debt Service Revenue Requirement [(6) x (7)]	<b>\$ 1,439,106</b>	<b>\$ 1,439,106</b>	<b>\$ 1,498,369</b>
<b><u>TOTAL PROPOSED WATER REVENUES - MODIFIED RATE STRUCTURE</u></b>			
9) Total Proposed Water Revenues other than NCCRS - Modified Rate Structure [(1) + (5) + (8)]	<b>\$ 8,195,649</b>	<b>\$ 8,178,288</b>	<b>\$ 8,276,261</b>
10) Revised North Country Capital Recovery Surcharge (NCCRS) Revenue	178,915	178,915	178,915
11) Total Proposed Water Revenues - Modified Rate Structure [(9) + (10)]	<b>\$ 8,374,564</b>	<b>\$ 8,357,203</b>	<b>\$ 8,455,176</b>
<b><u>CALCULATION OF PERCENT INCREASE (DECREASE) IN WATER REVENUES</u></b>			
12) Pro-forma Water Rev's not Subject to NCCRS and CBFRR (Sch 3-Perm / Sch 3-5YAvg / Sch 3-Step)	\$ 6,172,696	\$ 5,975,153	\$ 5,975,153
13) Add: Test Year NCCRS Revenue (Sch 3-Perm, Col 1)	299,985	299,985	299,985
14) Add: CBFRR - Original Rate Structure (Sch 3-Perm, Col 1)	898,863	898,863	898,863
15) Total Test Year Pro-forma Water Revenues (including NCCRS and CBFRR) [(12) + (13) + (14)]	<b>\$ 7,371,544</b>	<b>\$ 7,174,001</b>	<b>\$ 7,174,001</b>
16) Proposed Increase / (Decrease) in Revenue Requirement [(11) - (15)]	<b>\$ 1,003,020</b>	<b>\$ 1,183,202</b>	<b>\$ 1,281,175</b>
17) Proposed Percent Increase (Decrease) in Water Revenues [(16) ÷ (15)]	<b>13.61%</b>	<b>16.49%</b>	<b>17.86%</b>

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<u>Cost Rate per Co's Rate Filing</u>	<u>Balance per Co's Rate Filing</u>	<u>Co Adj's per DR's</u>	<u>Adjustments per Staff</u>	<u>Adjusted Balance</u>	<u>Component Ratio</u>	<u>Adjusted Cost Rate</u>	<u>Weighted Avg Cost [(6) x (7)]</u>
Long-Term Debt - 2016 (Schedule 1Ai)	4.111%	\$ 16,658,944	\$ (2,592,413)	\$ 741,904	\$ 14,808,435	89.18%	3.981%	3.55%
Intercompany Debt (Schedule 1Ai)	3.736%	1,728,686	1,096,870	(1,157,403)	1,668,153	10.05%	3.200%	0.32%
Common Equity (Schedule 1Aii)	5.630%	257,790	(128,350)	-	129,440	0.78%	5.928% (a)	0.05%
<b>Totals - Permanent Rates</b>		<b>\$ 18,645,420</b>	<b>\$ (1,623,893)</b>	<b>\$ (415,499)</b>	<b>\$ 16,606,028</b>	<b>100.00%</b>		<b>3.92%</b>

**Notes:**

(a) Per Co's Response to Staff DR 1-67:

Fed Reserve 30-Year Treasury Bond Rates: 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	2.928%
Additional Percentage per DW 11-026 Settlement +	3.000%
Stipulated Return on Total Common Equity	5.928%

**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
COST OF CAPITAL - STEP ADJUSTMENT**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<u>Cost Rate per Co's Rate Filing</u>	<u>Balance per Co's Rate Filing</u>	<u>Co Adj's per DR's</u>	<u>Adjustments per Staff</u>	<u>Adjusted Balance</u>	<u>Component Ratio</u>	<u>Adjusted Cost Rate</u>	<u>Weighted Avg Cost [(6) x (7)]</u>
Long-Term Debt - 2017 (Schedule 1Ai)	4.111%	\$ 17,257,942	\$ (2,841,333)	\$ 1,157,403	\$ 15,574,012	89.65%	4.034%	3.62%
Intercompany Debt (Schedule 1Ai)	3.736%	1,728,686	1,096,870	(1,157,403)	1,668,153	9.60%	3.200%	0.31%
Common Equity (Schedule 1Aii)	5.630%	257,790	(128,350)	-	129,440	0.75%	5.928% (a)	0.04%
<b>Totals - Step Adjustment</b>		<b><u>\$ 19,244,418</u></b>	<b><u>\$ (1,872,813)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17,371,605</u></b>	<b><u>100.00%</u></b>		<b><u>3.97%</u></b>

**Notes:**

(a) Per Co's Response to Staff DR 1-67:

Fed Reserve 30-Year Treasury Bond Rates: 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>

DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
COST OF DEBT

Docket No.	Order No.	Order Date	Holder	Term	Maturity	Int Rate	LONG-TERM DEBT AS OF 12/31/16	LONG-TERM DEBT				ANNUAL INTEREST EXPENSE				ANNUAL AMORTIZATION OF ISSUE COSTS				ALL-IN ANNUAL COST	EFFECTIVE INTEREST RATE				
								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						
							<b>Long-Term Debt - 2016</b>																		
DW 09-134	25,041	11/09/09	CoBank	20	03/01/30	5.950%	\$ 3,331,796	\$ 3,331,796			\$ 3,331,796	\$ 198,242			\$ 198,242	\$ 1,455			\$ 1,455	\$ 199,697	5.994%				
DW 02-021	23,922	02/22/02	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%				
DW 04-138	24,375	09/30/04	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%				
DW 08-022	24,844	04/04/08	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%				
DW 07-010	24,739	04/13/07	State of NH SRF: Birch Hill	20	12/01/31	2.864%	1,435,010	1,435,010	(2,592,413)	(b)(c)	1,157,403	(1)	41,099	(41,099)	(b)	549	(549)	(b)	-	-	-	N/A			
DW 07-010	24,739	04/13/07	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%				
DW 10-330	25,209	03/29/11	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%				
DW 11-108	25,248	07/07/11	State of NH SRF: Liberty Tree	20	04/01/35	3.104%	377,874	377,874			377,874	11,729			11,729	531			531	12,260	3.244%				
DW 11-262	25,348	04/13/12	State of NH SRF: Locke Lake - 2012	20	12/01/33	2.720%	351,578	351,578			351,578	9,563			9,563	136		531 (4)	667	10,230	2.910%				
DW 13-017	25,480	03/27/13	CoBank \$1.7M Loan (RX0848T4)	10	06/20/23	3.620%	1,505,183	1,505,182			1,505,182	54,489			54,489	1,663			1,663	56,152	3.731%				
DW 13-017	25,480	03/27/13	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%				
DW 13-125	25,541	07/09/13	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%				
DW 14-020	25,650	04/15/14	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%				
DW 15-044	25,773	04/03/15	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%				
DW 14-020	25,650	04/15/14	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%				
DW 13-125	25,541	07/09/13	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%				
DW 14-020	25,650	04/15/14	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%				
DW 14-282	25,746	12/30/14	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%				
DW 16-234	25,890	04/29/16	CoBank \$1.25M Loan T6 (1st Tranche)	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%				
DW 16-234	25,890	04/29/16	CoBank \$950K Loan T6 (2nd Tranche)	25	11/01/41	4.830%	534,501	950,000			534,501	45,885		(20,069) (2)	25,816	211		(92) (2)	119	25,935	4.852%				
DW 16-234	25,890	04/29/16	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%				
<b>Total Long-Term Debt - 2016</b>							<b>16,243,446</b>	<b>16,658,944</b>	<b>(2,592,413)</b>	<b>741,904</b>	<b>14,808,435</b>	<b>633,299</b>	<b>(41,099)</b>	<b>(20,069)</b>	<b>572,131</b>	<b>17,437</b>	<b>(549)</b>	<b>439</b>	<b>17,327</b>	<b>589,458</b>	<b>3.981%</b>				
							<b>Debt Associated with 2017 Capital Additions</b>																		
DW 17-055	26,006	04/19/17	State of NH SRF: Brady Ave (Derry) - 2017	30	TBD	1.960%	-	190,000	(190,000)	(d)	-	3,724	(3,724)	(d)	-	-			-	-	N/A				
DW 17-055	26,006	04/19/17	State of NH SRF: Hillcrest Road (Litchfield) - 2017	20	TBD	1.960%	-	-	-	-	-	-	-	-	-	-			-	-	N/A				
DW 16-234	25,890	04/29/16	CoBank \$950K Loan T6 (2nd Tranche)	25	11/01/41	4.830%	415,499	-	-	415,499	(2)	415,499	-	-	20,069	(2)			92	(2)	20,161	4.852%			
DW 17-157	26,117	03/30/18	CoBank - 2017	25	05/20/43	5.330%	-	408,998	(58,920)	(e)	350,078	17,382	1,277	(e)	18,659	-			-	-	18,659	5.330%			
Subtotal Long-Term Debt - 2017							415,499	598,998	(248,920)	415,499	765,577	21,106	(2,447)	20,069	38,728	-	-	92	92	38,820	5.071%				
<b>Total Long-Term Debt - 2017</b>							<b>16,658,945</b>	<b>17,257,942</b>	<b>(2,841,333)</b>	<b>1,157,403</b>	<b>15,574,012</b>	<b>654,405</b>	<b>(43,546)</b>	<b>-</b>	<b>610,859</b>	<b>17,437</b>	<b>(549)</b>	<b>531</b>	<b>17,419</b>	<b>628,278</b>	<b>4.034%</b>				
							<b>Intercompany Debt</b>																		
DW 14-282	25,746	12/30/14	Penn Corp: \$1.0M - 2015 (Refinanced)	10	03/04/25	2.700%	843,884	-	-	-	-	22,785	(22,785)	(f)	-	-			-	-	N/A				
DW 13-017	25,480	03/27/13	Penn Corp: \$3.0M - 2013 (\$1,276,850 PEU CapEx) (Refinanced)	10	05/03/23	2.650%	857,632	-	-	-	-	22,727	(22,727)	(f)	-	-			-	-	N/A				
DW 13-017	25,480	03/27/13	Penn Corp: \$3.0M - 2013 (\$1,723,150 NC CapEx) (Refinanced)	10	05/03/23	2.650%	1,157,403	-	1,157,403	(c)	(1,157,403)	(1)	30,671	(30,671)	(f)	-	-			-	-	N/A			
DW 17-157	26,117	03/30/18	Penn Corp: Refied \$1.0M - 2015	30	TBD	3.200%	1,179,111	27,170	(27,170)	(c)	-	-	-	-	-	-			-	-	N/A				
DW 17-157	26,117	03/30/18	Penn Corp: Refied \$3.0M - 2013 (\$1,276,850 PEU CapEx)	30	TBD	3.200%	-	843,884	(16,547)	(c)	827,337	27,004	(530)	(3)	26,474	-			-	-	26,474	3.200%			
DW 17-157	26,117	03/30/18	Penn Corp: Refied \$3.0M - 2013 (\$1,723,150 NC CapEx)	30	TBD	3.200%	-	857,632	(16,816)	(c)	840,816	27,444	(538)	(3)	26,906	-			-	-	26,906	3.200%			
DW 17-157	26,117	03/30/18	Penn Corp: Refied \$3.0M - 2013 (\$1,723,150 NC CapEx)	30	TBD	3.200%	-	-	-	-	-	-	-	-	-	-			-	-	N/A				
<b>Total Intercompany Debt</b>							<b>4,038,030</b>	<b>1,728,686</b>	<b>1,096,870</b>	<b>(1,157,403)</b>	<b>1,668,153</b>	<b>130,631</b>	<b>(76,183)</b>	<b>(1,068)</b>	<b>53,380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,380</b>	<b>3.200%</b>			
<b>GRAND TOTAL DEBT</b>							<b>\$20,696,975</b>	<b>\$18,986,628</b>	<b>\$(1,744,463)</b>	<b>\$ -</b>	<b>\$17,242,165</b>	<b>\$ 785,036</b>	<b>\$(119,729)</b>	<b>\$(1,068)</b>	<b>\$ 664,239</b>	<b>\$ 17,437</b>	<b>\$(549)</b>	<b>\$ 531</b>	<b>\$ 17,419</b>	<b>\$ 681,658</b>	<b>3.953%</b>				

- Notes:  
 (a) Per Co's Response to Staff DR 1-59  
 (b) Per Co's Response to Staff DR 2-10  
 (c) Per Co's Response to Staff DR 2-10  
 (d) Per Co's Response to Staff DR 4-5  
 (e) Per Co's Response to Staff Tech 1-3  
 (f) Per Co's Response to Staff DR 1-60

- Staff Adj's:  
 (1) To adjust Co's NCCRS Debt Elimination  
 (2) To adjust debt apportionment per Co's Response to Staff 4-6  
 (3) To adjust Interest Expense on Intercompany Loans  
 (4) Per Co's Response to Staff DR 2-12

**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
PRO-FORMA COMMON EQUITY**

	<u>Year-end Balance</u>	<u>Co Adj's per Rate Filing</u>	<u>Co Adj's per DR's</u>	<u>Adjusted Balance per Co</u>	<u>Adj's Per Staff</u>	<u>Adjusted Pro-forma Balance</u>
Common Stock	\$ 100		\$ (100) (g)	\$ -		\$ -
Other Paid-in Capital	13,333,907	(13,333,907)		-		-
Other Comprehensive Income	(272,012)	529,702		257,690		257,690
Retained Earnings	<u>(128,250)</u>	<u>128,250</u>	<u>(128,250) (g)</u>	<u>(128,250)</u>		<u>(128,250)</u>
<b>Total Common Equity</b>	<b><u>\$ 12,933,745</u></b>	<b><u>\$ (12,675,955)</u></b>	<b><u>\$ (128,350)</u></b>	<b><u>\$ 129,440</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 129,440</u></b>

**Notes:**

(g): Per Company's Response to Staff DR 1-58

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

	<u>Per 2017</u>	<u>Per 2018</u>
Taxable Income	100.00%	100.00%
Less: NH Business Profits Tax Rate	<u>-8.20%</u>	<u>-7.90%</u>
Federal Taxable Income	91.80%	92.10%
Federal Income Tax Rate	x <u>34.00%</u>	x <u>21.00%</u>
Effective Federal Income Tax Rate	31.21%	19.34%
Add: NH Business Profits Tax Rate	<u>8.20%</u>	<u>7.90%</u>
Effective Tax Rate	<u><u>39.41%</u></u>	<u><u>27.24%</u></u>
Percent of Income Available if No Tax	100.00%	100.00%
Less: Effective Tax Rate	<u>-39.41%</u>	<u>-27.24%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>60.59%</u></u>	<u><u>72.76%</u></u>
Tax Multiplier (Effective Tax Rate ÷ Calculated Divisor)	<u><u>0.650492</u></u>	<u><u>0.374400</u></u>

DW 17-128  
PENNICHTUCK EAST UTILITIES, INC.  
PRO-FORMA PRINCIPAL & INTEREST PAYMENTS (2016) - PERMANENT RATES

Docket No.	Order No.	Order Date	Holder	Term	Maturity	Int Rate	TOTAL LONG-TERM DEBT	2016 ACTUAL PRINCIPAL PAYMENTS				2016 PRO-FORMA PRINCIPAL PAYMENT ADJUSTMENTS				2016 PRO-FORMA PRINCIPAL PAYMENTS
								Per Co's Rate Filing	Co Adj's per DR's	Adj's per Staff	Adjusted Actual	Per Co's Rate Filing	Co Adj's per DR's	Adj's per Staff	Adjusted Pro-forma	
<b>Long-Term Debt - 2016</b>																
DW 09-134	25,041	11/09/09	CoBank	20	03/01/30	5.950%	\$ 3,331,797	\$ 190,985			\$ 190,985	\$ 7,220			\$ 7,220	\$ 198,205
DW 02-021	23,922	02/22/02	State of NH SRF: Green Hills	20	01/01/25	3.728%	182,618	17,325			17,325	-			-	17,325
DW 04-138	24,375	09/30/04	State of NH SRF: Pelham Tank	20	01/01/27	3.488%	330,182	27,126			27,126	961			961	28,087
DW 08-022	24,844	04/04/08	State of NH SRF: Maple Hills	20	06/01/30	2.952%	436,351	26,126			26,126	784			784	26,910
DW 07-010	24,739	04/13/07	State of NH SRF: Birch Hill	20	12/01/31	2.864%	1,435,010	76,044			76,044	(76,044)			(76,044)	-
DW 07-010	24,739	04/13/07	State of NH SRF: Locke Lake - 2007	20	05/01/30	2.952%	199,933	12,001			12,001	128			128	12,129
DW 10-330	25,209	03/29/11	State of NH SRF: Locke Lake - 2011	20	06/01/33	2.864%	263,630	4,790			4,790	533			533	5,323
DW 11-108	25,248	07/07/11	State of NH SRF: Liberty Tree	20	04/01/35	3.104%	377,874	5,869			5,869	696			696	6,565
DW 11-262	25,348	04/13/12	State of NH SRF: Locke Lake - 2012	20	12/01/33	2.720%	351,578	16,151			16,151	445			445	16,596
DW 13-017	25,480	03/27/13	CoBank \$1.7M Loan (RX0848T4)	10	06/20/23	3.620%	1,505,183	65,067			65,067	2,590			2,590	67,657
DW 13-017	25,480	03/27/13	CoBank \$925K Loan (RX0848T3)	20	06/20/33	4.250%	814,894	33,113			33,113	1,558			1,558	34,671
DW 13-125	25,541	07/09/13	State of NH SRF: Locke Lake Dam Site - Phase 2	20	07/01/35	2.720%	376,950	15,471			15,471	426			426	15,897
DW 14-020	25,650	04/15/14	State of NH SRF: Winwood & Monroe - Phase 1	20	07/01/36	2.720%	379,426	7,328			7,328	7,630			7,630	14,958
DW 15-044	25,773	04/03/15	State of NH SRF: Winwood & Monroe - Phase 2	20	11/01/36	2.464%	397,415	2,585			2,585	13,152			13,152	15,737
DW 14-020	25,650	04/15/14	State of NH SRF: W&E Main Replacement	20	08/01/36	2.616%	1,005,196	16,291			16,291	23,538			23,538	39,829
DW 13-125	25,541	07/09/13	State of NH SRF: Hickory & Avery	20	04/01/36	2.720%	410,771	12,195			12,195	4,441			4,441	16,636
DW 14-020	25,650	04/15/14	State of NH SRF: Hardwood Treatment Station	20	07/01/36	2.464%	560,864	11,136			11,136	11,552			11,552	22,688
DW 14-282	25,746	12/30/14	CoBank \$625K Loan	25	03/06/40	4.900%	602,072	13,370			13,370	766			766	14,136
DW 16-234	25,890	04/29/16	CoBank \$1.25M Loan T6 (1st Traunch)	25	11/01/41	4.200%	1,250,000	-			-	28,679			28,679	28,679
DW 16-234	25,890	04/29/16	CoBank \$950K Loan T6 (2nd Traunch)	25	11/01/41	4.830%	534,501	-			-	11,197			11,197	11,197
DW 16-234	25,890	04/29/16	State of NH SRF: Locke Lake - Varney Road	20	11/01/37	1.960%	1,497,202	-			-	62,060			62,060	62,060
<b>Total Long-Term Debt - 2016</b>							<b>16,243,447</b>	<b>552,973</b>	<b>-</b>	<b>-</b>	<b>552,973</b>	<b>102,312</b>	<b>-</b>	<b>-</b>	<b>102,312</b>	<b>655,285</b>
<b>Debt Associated with 2017 Capital Additions</b>																
DW 17-055	26,006	04/19/17	State of NH SRF: Brady Ave (Derry) - 2017	30	TBD	1.960%	-	-			-	-			-	-
			State of NH SRF: Hillcrest Road (Litchfield) - 2017	20	TBD	1.960%	-	-			-	-			-	-
DW 16-234	25,890	04/29/16	CoBank \$950K Loan T6 (2nd Traunch)	25	11/01/41	4.830%	415,499	-			-	-			-	-
DW 17-157	26,117	03/30/18	CoBank - 2017	25	05/20/43	5.330%	350,078	-			-	-			-	-
Subtotal Long-Term Debt - 2017							765,577	-	-	-	-	-	-	-	-	-
<b>Total Long-Term Debt - 2017</b>							<b>17,009,024</b>	<b>552,973</b>	<b>-</b>	<b>-</b>	<b>552,973</b>	<b>102,312</b>	<b>-</b>	<b>-</b>	<b>102,312</b>	<b>655,285</b>
<b>Intercompany Debt</b>																
DW 14-282	25,746	12/30/14	Penn Corp: \$1.0M - 2015 (Refinanced: \$943,884)	10	03/04/25	2.700%	-	114,219	(23,905) (5)		90,314	(114,219)			23,905 (6)	(90,314)
DW 13-017	25,480	03/27/13	Penn Corp: \$3.0M - 2013 (\$1,276,850 PEU CapEx) (Refinanced: \$857,632)	10	05/03/23	2.650%	-	145,490	(24,204) (5)		121,286	(145,490)			24,204 (6)	(121,286)
DW 13-017	25,480	03/27/13	Penn Corp: \$3.0M - 2013 (\$1,723,150 NC CapEx) (Refinanced: \$1,157,403)	10	05/03/23	2.650%	-	165,672	(1,993) (5)		163,679	(165,672)	(30,671) (h)		32,664 (6)	(163,679)
			Penn Corp				1,179,110	-			-	-			-	-
DW 17-157	26,117	03/30/18	Penn Corp: Ref'd \$1.0M - 2015	30	TBD	3.200%	-	843,884	-		-	-			17,165	17,165
DW 17-157	26,117	03/30/18	Penn Corp: Ref'd \$3.0M - 2013 (\$1,276,850 PEU CapEx)	30	TBD	3.200%	-	857,632	-		-	-			17,445	17,445
DW 17-157	26,117	03/30/18	Penn Corp: Ref'd \$3.0M - 2013 (\$1,723,150 NC CapEx)	30	TBD	3.200%	-	1,157,403	-		-	-			-	-
<b>Total Intercompany Debt</b>							<b>4,038,029</b>	<b>425,381</b>	<b>-</b>	<b>(50,102)</b>	<b>375,279</b>	<b>(425,381)</b>	<b>(30,671)</b>	<b>115,383</b>	<b>(340,669)</b>	<b>34,610</b>
<b>GRAND TOTAL DEBT</b>							<b>\$21,047,053</b>	<b>\$ 978,354</b>	<b>\$ -</b>	<b>\$ (50,102)</b>	<b>\$ 928,252</b>	<b>\$ (323,069)</b>	<b>\$ (30,671)</b>	<b>\$ 115,383</b>	<b>\$ (238,357)</b>	<b>\$ 689,895</b>

Notes:  
(h): Per Co's Response to Staff Tech 1-3

Staff Adj's:  
(5): To adjust 2016 actual principal and interest payments per Staff Audit Report.  
(6): To reverse Staff Adjustment (5) in order to agree with pro-forma principal and interest payments.  
(7): To adjust pro-forma interest payment to loan amortization schedule provided by Company.

DW 17-128  
PENNICHTUCK EAST UTILITIES, INC.  
PRO-FORMA PRINCIPAL & INTEREST PAYMENTS (2016) - PERMANENT RATES

Docket No.	Order No.	Order Date	Holder	Term	Maturity	Int Rate	TOTAL LONG-TERM DEBT	2016 ACTUAL INTEREST PAYMENTS				2016 PRO-FORMA INTEREST PAYMENT ADJUSTMENTS				2016 PRO-FORMA INTEREST PAYMENTS	2016 PRO-FORMA P & I PAYMENTS
								Per Co's Rate Filing	Co Adj's per DR's	Adj's per Staff	Adjusted Actual	Per Co's Rate Filing	Co Adj's per DR's	Adj's per Staff	Adjusted Pro-forma		
<b>Long-Term Debt - 2016</b>																	
DW 09-134	25,041	11/09/09	CoBank	20	03/01/30	5.950%	\$ 3,331,797	\$ 208,210		\$ (633) (5)	\$ 207,577	\$ (12,181)	\$ 113 (7)	\$ (12,068)	\$ 195,509	\$ 393,714	
DW 02-021	23,922	02/22/02	State of NH SRF: Green Hills	20	01/01/25	3.728%	182,618	7,275			7,275	(862)		(862)	6,413	23,738	
DW 04-138	24,375	09/30/04	State of NH SRF: Pelham Tank	20	01/01/27	3.488%	330,182	12,032			12,032	(961)		(961)	11,071	39,158	
DW 08-022	24,844	04/04/08	State of NH SRF: Maple Hills	20	06/01/30	2.952%	436,351	13,301			13,301	(782)		(782)	12,519	39,429	
DW 07-010	24,739	04/13/07	State of NH SRF: Birch Hill	20	12/01/31	2.864%	1,435,010	42,284			42,284	(42,284)		(42,284)	-	-	
DW 07-010	24,739	04/13/07	State of NH SRF: Locke Lake - 2007	20	05/01/30	2.952%	199,933	6,154			6,154	(467)		(467)	5,687	17,816	
DW 10-330	25,209	03/29/11	State of NH SRF: Locke Lake - 2011	20	06/01/33	2.864%	263,630	7,719			7,719	(317)		(317)	7,402	12,725	
DW 11-108	25,248	07/07/11	State of NH SRF: Liberty Tree	20	04/01/35	3.104%	377,874	11,948		(3) (5)	11,945	(410)	3 (6)	(407)	11,538	18,103	
DW 11-262	25,348	04/13/12	State of NH SRF: Locke Lake - 2012	20	12/01/33	2.720%	351,578	9,802			9,802	(445)		(445)	9,357	25,953	
DW 13-017	25,480	03/27/13	CoBank \$1.7M Loan (RX0848T4)	10	06/20/23	3.620%	1,505,183	56,814		11 (5)	56,825	(2,574)	(11) (6)	(2,585)	54,240	121,897	
DW 13-017	25,480	03/27/13	CoBank \$925K Loan (RX0848T3)	20	06/20/33	4.250%	814,894	36,058			36,058	(1,548)		(1,548)	34,510	69,181	
DW 13-125	25,541	07/09/13	State of NH SRF: Locke Lake Dam Site - Phase 2	20	07/01/35	2.720%	376,950	10,482			10,482	(426)		(426)	10,056	25,953	
DW 14-020	25,650	04/15/14	State of NH SRF: Winwood & Monroe - Phase 1	20	07/01/36	2.720%	379,426	10,478		7,310 (5)	17,788	(343)	(7,310) (6)	(7,653)	10,135	25,093	
DW 15-044	25,773	04/03/15	State of NH SRF: Winwood & Monroe - Phase 2	20	11/01/36	2.464%	397,415	11,137			11,137	(1,522)		(1,522)	9,615	25,352	
DW 14-020	25,650	04/15/14	State of NH SRF: W&E Main Replacement	20	08/01/36	2.616%	1,005,196	38,530			38,530	(12,709)		(12,709)	25,821	65,500	
DW 13-125	25,541	07/09/13	State of NH SRF: Hickory & Avery	20	04/01/36	2.720%	410,771	10,959		100 (5)	11,059	(412)	(100) (6)	(512)	10,547	27,183	
DW 14-020	25,650	04/15/14	State of NH SRF: Hardwood Treatment Station	20	07/01/36	2.464%	560,864	20,983		(5,720) (5)	15,263	(7,419)	5,720 (6)	(1,699)	13,564	36,252	
DW 14-282	25,746	12/30/14	CoBank \$625K Loan	25	03/06/40	4.900%	602,072	30,389		4 (5)	30,393	(761)	(4) (6)	(765)	29,628	43,764	
DW 16-234	25,890	04/29/16	CoBank \$1.25M Loan T6 (1st Traunch)	25	11/01/41	4.200%	1,250,000	24,450			24,450	28,281		28,281	52,731	81,410	
DW 16-234	25,890	04/29/16	CoBank \$950K Loan T6 (2nd Traunch)	25	11/01/41	4.830%	534,501	-			-	25,091		25,091	25,091	36,288	
DW 16-234	25,890	04/29/16	State of NH SRF: Locke Lake - Varney Road	20	11/01/37	1.960%	1,497,202	-			-	28,489		28,489	28,489	90,549	
<b>Total Long-Term Debt - 2016</b>							<b>16,243,447</b>	<b>569,005</b>	<b>-</b>	<b>1,069</b>	<b>570,074</b>	<b>(4,562)</b>	<b>-</b>	<b>(1,589)</b>	<b>(6,151)</b>	<b>563,923</b>	<b>1,219,208</b>
<b>Debt Associated with 2017 Capital Additions</b>																	
DW 17-055	26,006	04/19/17	State of NH SRF: Brady Ave (Derry) - 2017	30	TBD	1.960%	-	-			-	-		-	-	-	
			State of NH SRF: Hillcrest Road (Litchfield) - 2017	20	TBD	1.960%	-	-			-	-		-	-	-	
DW 16-234	25,890	04/29/16	CoBank \$950K Loan T6 (2nd Traunch)	25	11/01/41	4.830%	415,499	-			-	-		-	-	-	
DW 17-157	26,117	03/30/18	CoBank - 2017	25	05/20/43	5.330%	350,078	-			-	-		-	-	-	
Subtotal Long-Term Debt - 2017							765,577	-	-	-	-	-	-	-	-	-	-
<b>Total Long-Term Debt - 2017</b>							<b>17,009,024</b>	<b>569,005</b>	<b>-</b>	<b>1,069</b>	<b>570,074</b>	<b>(4,562)</b>	<b>-</b>	<b>(1,589)</b>	<b>(6,151)</b>	<b>563,923</b>	<b>1,219,208</b>
<b>Intercompany Debt</b>																	
DW 14-282	25,746	12/30/14	Penn Corp: \$1.0M - 2015 (Refinanced: \$843,884)	10	03/04/25	2.700%	-	-		23,905 (5)	23,905		(23,905) (6)	(23,905)	-	-	
DW 13-017	25,480	03/27/13	Penn Corp: \$3.0M - 2013 (\$1,276,850 PEU CapEx) (Refinanced: \$857,632)	10	05/03/23	2.650%	-	-		24,204 (5)	24,204		(24,204) (6)	(24,204)	-	-	
DW 13-017	25,480	03/27/13	Penn Corp: \$3.0M - 2013 (\$1,723,150 NC CapEx) (Refinanced: \$1,157,403)	10	05/03/23	2.650%	-	30,671		1,993 (5)	32,664	(30,671)	30,671 (h)	(32,664) (6)	(32,664)	-	
			Penn Corp			1.250%	1,179,110	-			-			-	-	-	
DW 17-157	26,117	03/30/18	Penn Corp: Ref'd \$1.0M - 2015	30	TBD	3.200%	843,884	-			-		27,010	27,010	27,010	44,175	
DW 17-157	26,117	03/30/18	Penn Corp: Ref'd \$3.0M - 2013 (\$1,276,850 PEU CapEx)	30	TBD	3.200%	857,632	-			-		27,450	27,450	27,450	44,895	
DW 17-157	26,117	03/30/18	Penn Corp: Ref'd \$3.0M - 2013 (\$1,723,150 NC CapEx)	30	TBD	3.200%	1,157,403	-			-			-	-	-	
<b>Total Intercompany Debt</b>							<b>4,038,029</b>	<b>30,671</b>	<b>-</b>	<b>50,102</b>	<b>80,773</b>	<b>(30,671)</b>	<b>30,671</b>	<b>(26,313)</b>	<b>(26,313)</b>	<b>54,460</b>	<b>89,070</b>
<b>GRAND TOTAL DEBT</b>							<b>\$21,047,053</b>	<b>\$ 599,676</b>	<b>\$ -</b>	<b>\$ 51,171</b>	<b>\$ 650,847</b>	<b>\$ (35,233)</b>	<b>\$ 30,671</b>	<b>\$ (27,902)</b>	<b>\$ (32,464)</b>	<b>\$ 618,383</b>	<b>\$ 1,308,278</b>

Notes:  
(h): Per Co's Response to Staff Tech 1-3

Staff Adj's:  
(5): To adjust 2016 actual principal and interest payments per Staff Audit Report.  
(6): To reverse Staff Adjustment (5) in order to agree with pro-forma principal and interest payments.  
(7): To adjust pro-forma interest payment to loan amortization schedule provided by Company.

DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
PRO-FORMA PRINCIPAL & INTEREST PAYMENTS (2017) - STEP ADJUSTMENT

Docket No.	Order No.	Order Date	Holder	Term	Maturity	Int Rate	TOTAL LONG-TERM DEBT	2016 PRO-FORMA PRINCIPAL PAYMENTS	2017 PRO-FORMA PRINCIPAL PAYMENT ADJUSTMENTS				2017 PRO-FORMA PRINCIPAL PAYMENTS	2016 PRO-FORMA INTEREST PAYMENTS	2017 PRO-FORMA INTEREST PAYMENT ADJUSTMENTS				2017 PRO-FORMA INTEREST PAYMENTS	2017 PRO-FORMA P & I PAYMENTS	
									Adjust's Per Co's Rate Filing	Co Adj's per DR's	Adj's per Staff	Adjusted Pro-forma			Per Co's Rate Filing	Co Adj's per DR's	Adj's per Staff	Adjusted Pro-forma			
<b>Long-Term Debt - 2016</b>																					
DW 09-134	25,041	11/09/09	CoBank	20	03/01/30	5.950%	\$ 3,331,797	\$ 198,205					\$ -	\$ 198,205	\$ 195,509	\$ -	\$ 195,509	\$ 393,714			
DW 02-021	23,922	02/22/02	State of NH SRF: Green Hills	20	01/01/25	3.728%	182,618	17,325					-	17,325	6,413	-	6,413	23,738			
DW 04-138	24,375	09/30/04	State of NH SRF: Pelham Tank	20	01/01/27	3.488%	330,182	28,087					-	28,087	11,071	-	11,071	39,158			
DW 08-022	24,844	04/04/08	State of NH SRF: Maple Hills	20	06/01/30	2.952%	436,351	26,910					-	26,910	12,519	-	12,519	39,429			
DW 07-010	24,739	04/13/07	State of NH SRF: Birch Hill	20	12/01/31	2.864%	1,435,010	-					-	-	-	-	-	-			
DW 07-010	24,739	04/13/07	State of NH SRF: Locke Lake - 2007	20	05/01/30	2.952%	199,933	12,129					-	12,129	5,687	-	5,687	17,816			
DW 10-330	25,209	03/29/11	State of NH SRF: Locke Lake - 2011	20	06/01/33	2.864%	263,630	5,323					-	5,323	7,402	-	7,402	12,725			
DW 11-108	25,248	07/07/11	State of NH SRF: Liberty Tree	20	04/01/35	3.104%	377,874	6,565					-	6,565	11,538	-	11,538	18,103			
DW 11-262	25,348	04/13/12	State of NH SRF: Locke Lake - 2012	20	12/01/33	2.720%	351,578	16,596					-	16,596	9,357	-	9,357	25,953			
DW 13-017	25,480	03/27/13	CoBank \$1.7M Loan (RX0848T3)	10	06/20/23	3.620%	1,505,183	67,657					-	67,657	54,240	-	54,240	121,897			
DW 13-017	25,480	03/27/13	CoBank \$925K Loan (RX0848T3)	20	06/20/33	4.250%	814,894	34,671					-	34,671	34,510	-	34,510	69,181			
DW 13-125	25,541	07/09/13	State of NH SRF: Locke Lake Dam Site - Phase 2	20	07/01/35	2.720%	376,950	15,897					-	15,897	10,056	-	10,056	25,953			
DW 14-020	25,650	04/15/14	State of NH SRF: Winwood & Monroe - Phase 1	20	07/01/36	2.720%	379,426	14,958					-	14,958	10,135	-	10,135	25,093			
DW 15-044	25,773	04/03/15	State of NH SRF: Winwood & Monroe - Phase 2	20	11/01/36	2.464%	397,415	15,737					-	15,737	9,615	-	9,615	25,352			
DW 14-020	25,650	04/15/14	State of NH SRF: W&E Main Replacement	20	08/01/36	2.616%	1,005,196	39,829					-	39,829	25,821	-	25,821	65,650			
DW 13-125	25,541	07/09/13	State of NH SRF: Hickory & Aversy	20	04/01/36	2.720%	410,771	16,636					-	16,636	10,547	-	10,547	27,183			
DW 14-020	25,650	04/15/14	State of NH SRF: Hardwood Treatment Station	20	07/01/36	2.464%	560,864	22,688					-	22,688	13,564	-	13,564	36,252			
DW 14-282	25,746	12/30/14	CoBank \$625K Loan	25	03/06/40	4.900%	602,072	14,136					-	14,136	29,628	-	29,628	43,764			
DW 16-234	25,890	04/29/16	CoBank \$1.25M Loan T6 (1st Tranche)	25	11/01/41	4.200%	1,250,000	28,679					-	28,679	52,731	-	52,731	81,410			
DW 16-234	25,890	04/29/16	CoBank \$950K Loan T6 (2nd Tranche)	25	11/01/41	4.830%	534,501	11,197					-	11,197	25,091	-	25,091	36,288			
DW 16-234	25,890	04/29/16	State of NH SRF: Locke Lake - Varney Road	20	11/01/37	1.960%	1,497,202	62,060					-	62,060	28,489	-	28,489	90,549			
<b>Total Long-Term Debt - 2016</b>							<b>16,243,447</b>	<b>655,285</b>	-	-	-	-	<b>655,285</b>	<b>563,923</b>	-	-	-	<b>563,923</b>	<b>1,219,208</b>		
<b>Debt Associated with 2017 Capital Additions</b>																					
DW 17-055	26,006	04/19/17	State of NH SRF: Brady Ave (Derry) - 2017	30	TBD	1.960%	-	-	4,067	(4,067) (i)	-	-	-	-	3,682	(3,682) (i)	-	-	-		
DW 16-234	25,890	04/29/16	State of NH SRF: Hillcrest Road (Litchfield) - 2017	20	TBD	1.960%	-	-	-	-	-	-	-	-	-	-	-	-	-		
DW 16-234	25,890	04/29/16	CoBank \$950K Loan T6 (2nd Tranche)	25	11/01/41	4.830%	415,499	-	8,704	-	8,704	8,704	-	8,704	19,505	-	19,505	28,209			
DW 17-157	26,117	03/30/18	CoBank - 2017	25	05/20/43	5.330%	350,078	-	9,495	(2,487) (i)	7,008	7,008	-	7,382	18,659	1,277 (i)	16,659	25,667			
Subtotal Long-Term Debt - 2017							765,577	-	22,266	(6,554)	-	15,712	15,712	-	40,569	(2,405)	-	38,164	53,876		
<b>Total Long-Term Debt - 2017</b>							<b>17,009,024</b>	<b>655,285</b>	<b>22,266</b>	<b>(6,554)</b>	<b>-</b>	<b>15,712</b>	<b>670,997</b>	<b>563,923</b>	<b>40,569</b>	<b>(2,405)</b>	<b>-</b>	<b>38,164</b>	<b>602,087</b>	<b>1,273,084</b>	
<b>Intercompany Debt</b>																					
DW 14-282	25,746	12/30/14	Penn Corp: \$1.0M - 2015 (Refinanced: \$843,884)	10	03/04/25	2.700%	-	-	-	-	-	-	-	-	-	-	-	-	-		
DW 13-017	25,480	03/27/13	Penn Corp: \$3.0M - 2013 (\$1,276,850 PEU CapEx) (Refinanced: \$857,632)	10	05/03/23	2.650%	-	-	-	-	-	-	-	-	-	-	-	-	-		
DW 13-017	25,480	03/27/13	Penn Corp: \$3.0M - 2013 (\$1,723,150 NC CapEx) (Refinanced: \$1,157,403)	10	05/03/23	2.650%	-	-	-	-	-	-	-	-	-	-	-	-	-		
DW 17-157	26,117	03/30/18	Penn Corp	30	TBD	1.250%	1,179,110	-	-	-	-	-	-	-	-	-	-	-	-		
DW 17-157	26,117	03/30/18	Penn Corp: Ref'd \$1.0M - 2015	30	TBD	3.200%	843,884	17,165	-	-	-	17,165	27,010	-	27,010	-	27,010	44,175			
DW 17-157	26,117	03/30/18	Penn Corp: Ref'd \$3.0M - 2013 (\$1,276,850 PEU CapEx)	30	TBD	3.200%	857,632	17,445	-	-	-	17,445	27,450	-	27,450	-	27,450	44,895			
DW 17-157	26,117	03/30/18	Penn Corp: Ref'd \$3.0M - 2013 (\$1,723,150 NC CapEx)	30	TBD	3.200%	1,157,403	-	-	-	-	-	-	-	-	-	-	-			
<b>Total Intercompany Debt</b>							<b>4,038,029</b>	<b>34,610</b>	-	-	-	-	<b>34,610</b>	<b>54,460</b>	-	-	-	<b>54,460</b>	<b>89,070</b>		
<b>GRAND TOTAL DEBT</b>							<b>\$21,047,053</b>	<b>\$ 689,895</b>	<b>\$ 22,266</b>	<b>\$ (6,554)</b>	<b>\$ -</b>	<b>\$ 15,712</b>	<b>\$ 705,607</b>	<b>\$ 618,383</b>	<b>\$ 40,569</b>	<b>\$ (2,405)</b>	<b>\$ -</b>	<b>\$ 38,164</b>	<b>\$ 656,547</b>	<b>\$ 1,362,154</b>	

Notes:  
(i): Per Co's Response to Staff 4-5  
(j): Per Co's Response to Staff Tech 1-3

**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
RATE BASE - PERMANENT RATES**

	<b>Company Proposal (as revised per Co's Data Responses)</b>					<b>Staff Proposal</b>		
	(1) 13-Month Average (Per Company Filing - Sch 3)	(2) Co Proforma Adj's - Permanent Rates (Per Company Filing - Sch 3)	(3) Perm Rate Adj Revisions per Co Responses to DR's	(4) Adj Rate Base - Permanent Rates (Per Co's Revised Sch 3)	(5) Co Pro-forma Bal Ref (Sch 2A)	(6) Staff Adjustments (Sch's 2B)	(7) Staff Adjustment # (Sch's 2B)	(8) Adjusted Rate Base Per Staff
Plant in Service	\$ 50,698,303	\$ (9,427,565)	\$ 61,724	\$ 41,332,462	i		\$ 41,332,462	
Accumulated Depreciation	(11,788,562)	498,900	(8,870)	(11,298,532)	ii		(11,298,532)	
Acquisition Adjustment	(9,820,410)			(9,820,410)			(9,820,410)	
Accumulated Amortization Acq Adj	3,932,034			3,932,034			3,932,034	
Contributions in Aid of Construction	(12,767,645)	14,096		(12,753,549)	iii		(12,753,549)	
Accumulated Amortization of CIAC	2,127,070	(2,459)		2,124,611	iv		2,124,611	
Net Plant in Service	22,380,790	(8,917,028)	52,854	13,516,616		-	13,516,616	
Rate Stabilization Fund	-		980,000	980,000	v	(980,000)	8	-
Cash Working Capital	581,226	13,537	(1,880)	592,883	vi		592,883	
Prepaid Expenses	128,316			128,316		(23,328)	104,988	
Unamortized Deferred Debits	8,707,250	(8,121,034)	(45,318)	540,898	vii		540,898	
Customer Deposits	(131,757)			(131,757)			(131,757)	
Deferred Income Tax	(4,462,580)			(4,462,580)			(4,462,580)	
Deferred Credit - Gain on SRF Loans	-	(332,527)		(332,527)	viii		(332,527)	
<b>NET RATE BASE - PERMANENT RATES</b>	<b>\$ 27,203,245</b>	<b>\$ (17,357,052)</b>	<b>\$ 985,656</b>	<b>\$ 10,831,849</b>		<b>\$ (1,003,328)</b>	<b>\$ 9,828,521</b>	

DW 17-128  
**PENNICHUCK EAST UTILITIES, INC.**  
**COMPANY PRO-FORMA RATE BASE ADJUSTMENT SUMMARY - PERMANENT RATES**

<u>Ref</u>			
i	<b><u>Plant in Service - Permanent Rates</u></b>		
	13-Month Average of Plant in Service per Sch 3 of Co's Original Filing		\$ 50,698,303
	Plant in Service Adj IA - Permanent Rates per Sch 3, Att A of Co's Original Filing		\$ 1,304,371
	Plant in Service Adj IB - Permanent Rates per Sch 3, Att A of Co's Original Filing	(87,599)	
	Adjustment per Co's response to Staff DR 1-57	<u>62,151</u> →	(25,448)
	Plant in Service Adj IC - Permanent Rates per Sch 3, Att A of Co's Original Filing	(4,234,285)	
	Adjustment per Co's response to Staff DR 1-45	<u>(426)</u> →	(4,234,711)
	Plant in Service Adj ID - Permanent Rates per Sch 3, Att A of Co's Original Filing		<u>(6,410,053)</u>
	Net Pro-forma Plant in Service Adjustments - Permanent Rates per Company		<u>(9,365,841)</u>
	<b>Pro-forma Plant in Service - Permanent Rates per Company</b>		<b><u>\$ 41,332,462</u></b>
ii	<b><u>Accumulated Depreciation - Permanent Rates</u></b>		
	13-Month Average of Accumulated Depreciation per Sch 3 of Co's Original Filing		\$ (11,788,562)
	Adjustment per Company's response to Staff Tech 1-3		(68)
	Accumulated Depreciation Adj IA - Permanent Rates per Sch 3, Att C of Co's Original Filing	\$ (46,144)	
	Adjustment per Company's response to Staff DR 1-54	<u>23,072</u> →	(23,072)
	Accumulated Depreciation Adj IB - Permanent Rates per Sch 3, Att C of Co's Original Filing	1,079,833	
	Adjustment per Company's response to Staff DR 1-50	<u>(57,640)</u> →	1,022,193
	Accumulated Depreciation Adj IC per Co's responses to Staff DR's 1-44 and 1-57		25,448
	Accumulated Depreciation: Loss Adj IA - Permanent Rates per Sch 3, Att C of Co's Original Filing	(463,240)	
	Adjustment per Company's response to Staff DR 1-50	<u>235</u> →	(463,005)
	Accumulated Depreciation: COR Adj IA - Permanent Rates per Sch 3, Att C of Co's Original Filing	(71,549)	
	Adjustment per Company's response to Staff DR 1-50	<u>83</u> →	(71,466)
	Net Pro-forma Accumulated Depreciation Adjustments - Permanent Rates per Company		<u>490,030</u>
	<b>Pro-forma Accumulated Depreciation - Permanent Rates per Company</b>		<b><u>\$ (11,298,532)</u></b>
iii	<b><u>Contributions in Aid of Construction (CIAC) - Permanent Rates</u></b>		
	13-Month Average of Contributions in Aid of Construction (CIAC) per Sch 3 of Co's Original Filing		\$ (12,767,645)
	Contributions in Aid of Construction (CIAC) Adj IIA - Permanent Rates per Sch 3, Att E of Co's Original Filing		<u>14,096</u>
	Net Pro-forma Contributions in Aid of Construction (CIAC) Adjustments - Permanent Rates per Company		<u>14,096</u>
	<b>Pro-forma Contributions in Aid of Construction (CIAC) - Permanent Rates per Company</b>		<b><u>\$ (12,753,549)</u></b>
iv	<b><u>Contributions in Aid of Construction (CIAC): Amortization - Permanent Rates</u></b>		
	13-Month Average of Contributions in Aid of Construction (CIAC): Amortization per Sch 3 of Co's Original Filing		\$ 2,127,070
	Contributions in Aid of Construction (CIAC): Amortization Adj IIIA - Permanent Rates per Sch 3, Att E of Co's Original Filing		<u>(2,459)</u>
	Net Pro-forma Contributions in Aid of Construction (CIAC): Amortization Adjustments - Permanent Rates per Company		<u>(2,459)</u>
	<b>Pro-forma Contributions in Aid of Construction (CIAC): Amortization - Permanent Rates per Company</b>		<b><u>\$ 2,124,611</u></b>

PEU0061

DW 17-128  
**PENNICHUCK EAST UTILITIES, INC.**  
**COMPANY PRO-FORMA RATE BASE ADJUSTMENT SUMMARY - PERMANENT RATES**

<u>Ref</u>			
v	<b><u>Rate Stabilization Fund - Permanent Rates</u></b>		
	13-Month Average of Rate Stabilization Fund per Sch 3 of Co's Original Filing		\$ -
	Adjustment per Company's response to Staff Tech 1-3		980,000
	Net Pro-forma Rate Stabilization Fund Adjustments - Permanent Rates per Company		980,000
	<b>Pro-forma Rate Stabilization Fund - Permanent Rates per Company</b>		<b><u>\$ 980,000</u></b>
vi	<b><u>Cash Working Capital - Permanent Rates</u></b>		
	13-Month Average of Cash Working Capital per Sch 3 of Co's Original Filing		\$ 581,226
	Adjustment per Company's response to Staff DR 1-51		1,402
	Cash Working Capital Adj IA - Permanent Rates per Sch 3, Att D of Co's Original Filing	13,537	
	Adjustment per Company's response to Staff Tech 1-3	<u>(3,282)</u> →	<u>10,255</u>
	Net Pro-forma Cash Working Capital Adjustment - Permanent Rates per Company		11,657
	<b>Pro-forma Cash Working Capital - Permanent Rates per Company</b>		<b><u>\$ 592,883</u></b>
vii	<b><u>Unamortized Deferred Debits - Permanent Rates</u></b>		
	13-Month Average of Unamortized Deferred Debits per Sch 3 of Co's Original Filing		\$ 8,707,250
	Unamortized Deferred Debit Adj IA - Permanent Rates per Sch 3, Att B of Co's Original Filing		\$ (4,140)
	Unamortized Deferred Debit Adj IC - Permanent Rates per Sch 3, Att B of Co's Original Filing	\$ 45,317	
	Adjustment per Company's response to Staff DR 3-4	<u>(45,317)</u> →	-
	Unamortized Deferred Debit Adj ID - Permanent Rates per Sch 3, Att B of Co's Original Filing		\$ (8,092,677)
	Unamortized Deferred Debit Adj IE - Permanent Rates per Sch 3, Att B of Co's Original Filing		\$ (69,535)
	Net Pro-forma Unamortized Deferred Debit Adjustments - Permanent Rates per Company		(8,166,352)
	<b>Pro-forma Unamortized Deferred Debits - Permanent Rates per Company</b>		<b><u>\$ 540,898</u></b>
viii	<b><u>Deferred Credit - Gain on SRF Loans - Permanent Rates</u></b>		
	13-Month Average of Deferred Credit - Gain on SRF Loans per Sch 3 of Co's Original Filing		\$ -
	Deferred Credit - Gain on SRF Loans Adj IA - Permanent Rates per Sch 3, Att E of Co's Original Filing		\$ (332,527)
	Net Pro-forma Deferred Credit - Gain on SRF Loans Adjustments - Permanent Rates per Company		(332,527)
	<b>Pro-forma Deferred Credit - Gain on SRF Loans - Permanent Rates per Company</b>		<b><u>\$ (332,527)</u></b>

PEU0062

DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
STAFF PRO-FORMA RATE BASE ADJUSTMENTS - PERMANENT RATES

Adj  
No.

RATE STABILIZATION FUND - PERMANENT RATES

8	To reclassify Co's Rates Stabilization Fund Pro-forma from Permanent Rates to Step Adjustment.	\$ <u>(980,000)</u>
---	--	---------------------

	<b>Total Adjustments - Rate Stabilization Fund - Permanent Rates</b>	<b>\$ <u>(980,000)</u></b>
--	--	----------------------------

PREPAID EXPENSES

9	To eliminate the 13-Mo Average of Prepaid O&M Expenses from Rate Base due to the inclusion of O&M Exp's in the calculation of the Cash Working Capital Rate Base Component.	\$ (24,134)
---	---	-------------

10	To eliminate the 13-Mo Average of the Clearing Account Balance from Rate Base.	<u>806</u>
----	--	------------

	<b>Total Adjustments - Unamortized Deferred Debits - Permanent Rates</b>	<b>\$ <u>(23,328)</u></b>
--	--	---------------------------

	<b><u>NET RATE BASE ADJUSTMENTS PER STAFF - PERMANENT RATES</u></b>	<b><u>\$ (1,003,328)</u></b>
--	---	------------------------------

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**OPERATING INCOME STATEMENT - PERMANENT RATES**

	<b>Company Proposal (as revised per Co's Data Responses)</b>					<b>Staff Proposal</b>				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Test Year Operating Income	Co Proforma Adj's - Permanent Rates (Per Company Filing - Sch 1)	Perm Rate Adj Revisions per Co Responses to DR's	Adj Oper Income - Permanent Rates (Per Co's Revised Sch 1)	Co Pro-forma Bal Ref (Sch 3A)		Staff Adjustments (Sch's 3B)	Staff Adjustment # (Sch's 3B)	Pro-forma Operating Income Per Staff	Revenue Deficiency - Original Rate Structure	Revenue Requirement - Original Rate Structure
<b>OPERATING REVENUES</b>										
Water Revenues:										
Water Revenue other than NCCRS and CBFRR	\$ 6,172,696		\$ 6,172,696					\$ 6,172,696	\$ 138,152	\$ 6,310,848
Add: North Country Capital Recovery Surcharge (NCCRS)	299,985	(299,985)	-	ix				-	-	-
Total Water Revenue other than CBFRR	6,472,681	(299,985)	6,172,696					6,172,696	138,152	6,310,848
City Bond Fixed Revenue Requirement (CBFRR)	898,863	(926,309)	(27,446)	x	27,446	11		-		-
Water Sales for Resale	-		-					-		-
Total Water Revenues	7,371,544	(1,226,294)	6,145,250		27,446			6,172,696	138,152	6,310,848
Other Operating Revenue	39,407		39,407					39,407		39,407
Total Operating Revenues	7,410,951	(1,226,294)	6,184,657		27,446			6,212,103	138,152	6,350,255
<b>OPERATING EXPENSES</b>										
O & M Expenses:										
Production Expense	1,991,779	(12,254)	13,771	xi				1,993,296		1,993,296
Transmission and Distribution Expense	616,944	11,265	628,209	xii				628,209		628,209
Customer Account and Collection Expense	184,106	310	184,416	xiii				184,416		184,416
Administrative and General Expense	155,295	7,881	(5,839)	xiv				157,337		157,337
Inter-Division Management Fee	1,811,425	102,584	(34,549)	xv				1,879,460		1,879,460
Total O & M Expenses	4,759,549	109,786	(26,617)					4,842,718	-	4,842,718
Property Tax Expense	1,051,160	(58,924)	(22,218)	xvi	(26,236)	12		943,782		943,782
Gain from Forgiveness of SRF Debt	(22,613)		(22,613)					(22,613)		(22,613)
Depreciation Expense	1,250,948	(228,330)	(18,838)	xvii				1,003,780		1,003,780
Amortization of Acquisition Adjustment	(211,341)		(211,341)					(211,341)		(211,341)
Amortization - Contributions in Aid of Construction (CIAC)	(259,085)	432	(258,653)	xviii				(258,653)		(258,653)
Amortization Expense	251,081	(207,347)	43,734	xix				43,734		43,734
Total Operating Expenses	6,819,699	(384,383)	(67,673)		(26,236)			6,341,407	-	6,341,407
Net Operating Income										
Before Income Tax	591,252	(841,911)	67,673		53,682			(129,304)	138,152	8,849
Income Tax Expense:										
NH Business Profits Tax Expense	10,154	(85,469)	5,549	xx	(19,518)	13 - 14		(89,284)	11,328	(77,956)
Federal Income Tax Expense	37,165	(325,324)	21,122	xxi	(74,294)	15 - 16		(341,331)	43,120	(298,210)
Total Income Tax Expense	47,319	(410,793)	26,671		(93,812)			(430,615)	54,449	(376,166)
<b>NET OPERATING INCOME - PERMANENT RATES</b>	<b>\$ 543,933</b>	<b>\$ (431,118)</b>	<b>\$ 41,002</b>		<b>\$ 147,494</b>			<b>\$ 301,311</b>	<b>\$ 83,704</b>	<b>\$ 385,015</b>

DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
OPERATING INCOME STATEMENT - PERMANENT RATES

<b>Revenue Requirement - Original Rate Structure:</b>		
Water Revenue other than CBFRR and NCCRS	\$	6,310,848
Tax Change Revenue Adjustment		159,658
Revised North Country Capital Recovery Surcharge (NCCRS)		178,915
City Bond Fixed Revenue Requirement (CBFRR)		<u>898,863</u>
<b>Total Revenue Requirement - Original Rate Structure</b>	<b>\$</b>	<b><u>7,548,285</u></b>
<b>Revenue Requirement - Modified Rate Structure:</b>		
City Bond Fixed Revenue Requirement (CBFRR):	\$	<u>926,309</u>
Operating Expense Revenue Requirement (OERR):		
Total O & M Expenses	\$	4,842,718
Property Tax Expense		943,782
Amortization Expense		<u>43,734</u>
		<u>5,830,234</u>
Debt Service Revenue Requirement (DSRR):		
Debt Service Requirement (Sch 1C-Perm/5YAvg)		1,308,278
Debt Service Coverage Requirement x		<u>1.1</u>
		<u>1,439,106</u>
<b>Total Revenue Requirement other than NCCRS - Modified Rate Structure</b>	<b>\$</b>	<b>8,195,649</b>
Revised North Country Capital Recovery Surcharge (NCCRS)		<u>178,915</u>
<b>Total Proposed Revenue Requirement - Modified Rate Structure</b>	<b>\$</b>	<b><u>8,374,564</u></b>

DW 17-128  
**PENNICHUCK EAST UTILITIES, INC.**  
**COMPANY PRO-FORMA OPERATING INCOME ADJUSTMENT SUMMARY - PERMANENT RATES**

<u>Ref</u>			
ix	<b><u>North Country Capital Recovery Surcharge (NCCRS) - Permanent Rates</u></b>		
	Test Year North Country Capital Recovery Surcharge (NCCRS) Revenue per Sch 1 of Co's Original Filing		\$ 299,985
	Water Sales Adj IB - Permanent Rates per Sch 1, Att A of Co's Original Filing		(299,985)
	Total North Country Capital Recovery Surcharge (NCCRS) Revenue Adjustments - Permanent Rates per Company		(299,985)
	<b>Pro-forma North Country Capital Recovery Surcharge (NCCRS) Revenue - Permanent Rates per Company</b>		<b>\$ -</b>
x	<b><u>City Bond Fixed Revenue Requirement (CBFRR) Revenue - Permanent Rates</u></b>		
	Test Year City Bond Fixed Revenue Requirement (CBFRR) Revenue per Sch 1 of Co's Original Filing		\$ 898,863
	Water Sales Adj IA - Permanent Rates per Sch 1, Att A of Co's Original Filing		(926,309)
	Total Pro-forma CBFRR Revenue Adjustments - Permanent Rates per Company		(926,309)
	<b>Pro-forma Test Year City Bond Fixed Revenue Requirement (CBFRR) Revenue - Permanent Rates per Company</b>		<b>\$ (27,446)</b>
xi	<b><u>Production Expense - Permanent Rates</u></b>		
	Test Year Production Expense per Sch 1 of Co's Original Filing		\$ 1,991,779
	Union Contract Adj IA - Permanent Rates per Sch 1, Att B, Pg 1 of Co's Original Filing	\$ 2,489	
	Adjustment per Company's response to Staff DR 1-22	7,750	→ 10,239
	Operating and Maintenance Expense Adj IIA - Permanent Rates per Sch 1, Att B, Pg 1 of Co's Original Filing	17,538	
	Adjustment per Company's responses to Staff DR's 2-3 and 3-2	4,710	→ 22,248
	Operating and Maintenance Adj IIB - Permanent Rates per Sch 1, Att B, Pg 1 of Co's Original Filing		(27,693)
	Operating and Maintenance Adj IID - Permanent Rates per Sch 1, Att B, Pg 1 of Co's Original Filing		(4,589)
	Operating and Maintenance Adj IIF - Permanent Rates per Company's responses to Staff DR's 1-5, 1-26, and 2-1		1,312
	Net Pro-forma Production Expense Adjustments - Permanent Rates per Company		1,517
	<b>Pro-forma Production Expense - Permanent Rates per Company</b>		<b>\$ 1,993,296</b>
xii	<b><u>Transmission and Distribution Expense - Permanent Rates</u></b>		
	Test Year Transmission and Distribution Expense per Sch 1 of Co's Original Filing		\$ 616,944
	Union Contract Adj IA - Permanent Rates per Sch 1, Att B, Pg 2 of Co's Original Filing		11,265
	Net Pro-forma Transmission and Distribution Expense Adjustments - Permanent Rates per Company		11,265
	<b>Pro-forma Transmission and Distribution Expense - Permanent Rates per Company</b>		<b>\$ 628,209</b>
xiii	<b><u>Customer Account and Collection Expense - Permanent Rates</u></b>		
	Test Year Customer Account and Collection Expense per Sch 1 of Co's Original Filing		\$ 184,106
	Customer Account and Collection Adj IVA - Permanent Rates per Sch 1, Att B, Pg 3 of Co's Original Filing		310
	<b>Pro-forma Customer Account and Collection Expense - Permanent Rates per Company</b>		<b>\$ 184,416</b>

DW 17-128  
**PENNICHUCK EAST UTILITIES, INC.**  
**COMPANY PRO-FORMA OPERATING INCOME ADJUSTMENT SUMMARY - PERMANENT RATES**

<u>Ref</u>			
<b>xiv</b>	<b><u>Administrative and General Expense - Permanent Rates</u></b>		
	Test Year Administrative and General Expense per Sch 1 of Co's Original Filing		\$ 155,295
	Insurance Adj IA - Permanent Rates per Sch 1, Att C, Pg 1 of Co's Original Filing	\$ 1,797	
	Adjustment per Company's response to Staff DR 1-27	(4,944) →	(3,147)
	Regulatory Commission Expense Adj IIA - Permanent Rates per Sch 1, Att C, Pg 1 of Co's Original Filing	6,084	
	Adjustment per Company's response to Staff DR 1-28	1,657 →	7,741
	Outside Services Expense Adj IIIA - Permanent Rates per Staff Audit Report		(2,552)
	Net Pro-forma Administrative and General Expense Adjustments - Permanent Rates per Company		2,042
	<b>Pro-forma Administrative and General Expense - Permanent Rates per Company</b>		<b>\$ 157,337</b>
<b>xv</b>	<b><u>Inter-Division Management Fee - Permanent Rates</u></b>		
	Test Year Inter-Division Management Fee per Sch 1 of Co's Original Filing		\$ 1,811,425
	Management Fee Adj IA - Permanent Rates per Sch 1, Att C, Pg 2 of Co's Original Filing		48,614
	Management Fee Adj ID - Permanent Rates per Sch 1, Att C, Pg 2 of Co's Original Filing		6,392
	Management Fee Adj IF - Permanent Rates per Sch 1, Att C, Pg 2 of Co's Original Filing	47,578	
	Adjustment per Company's responses to Staff DR's 1-30 and 2-4	(34,549) →	13,029
	Net Pro-forma Inter-Division Management Fee Adjustments - Permanent Rates per Company		68,035
	<b>Pro-forma Inter-Division Management Fee - Permanent Rates per Company</b>		<b>\$ 1,879,460</b>
<b>xvi</b>	<b><u>Property Tax Expense - Permanent Rates</u></b>		
	Test Year Property Tax Expense per Sch 1 of Co's Original Filing		\$ 1,051,160
	Property Tax Expense Adj IA - Permanent Rates per Sch 1, Att D of Co's Original Filing	\$ (67,079)	
	Adjustment per Company's response to Staff Tech 1-3	6,517 →	(60,562)
	Property Tax Expense Adj IB - Permanent Rates per Sch 1, Att D of Co's Original Filing	64,904	
	Adjustment per Company's response to Staff DR 1-32	2,011 →	66,915
	Property Tax Expense Adj IC - Permanent Rates per Sch 1, Att D of Co's Original Filing	(3,464)	
	Adjustment per Company's responses to Staff DR's 1-32, 1-33, and 1-40	(124) →	(3,588)
	Property Tax Expense Adj ID - Permanent Rates per Sch 1, Att D of Co's Original Filing		(48,871)
	Property Tax Expense Adj IE - Permanent Rates per Sch 1, Att D of Co's Original Filing	(4,413)	
	Adjustment per Company's response to Staff DR 1-34	363 →	(4,050)
	Property Tax Expense Adj IF - Permanent Rates per Company's response to Staff DR 2-6		(30,986)
	Net Pro-forma Property Tax Expense Adjustments - Permanent Rates per Company		(81,142)
	<b>Pro-forma Property Tax Expense - Permanent Rates per Company</b>		<b>\$ 970,018</b>

PEU0067

DW 17-128  
**PENNICHUCK EAST UTILITIES, INC.**  
**COMPANY PRO-FORMA OPERATING INCOME ADJUSTMENT SUMMARY - PERMANENT RATES**

<u>Ref</u>			
<b>xvii</b>	<b><u>Depreciation Expense - Permanent Rates</u></b>		
	Test Year Depreciation Expense per Sch 1 of Co's Original Filing		<u>\$ 1,250,948</u>
	Depreciation Adj IA - Permanent Rates per Sch 1, Att E of Co's Original Filing	\$ 46,144	
	Adjustment per Company's response to Staff DR 1-54	<u>(23,072)</u> →	23,072
	Depreciation Adj IB - Permanent Rates per Sch 1, Att E of Co's Original Filing		(2,638)
	Depreciation Adj IC - Permanent Rates per Sch 1, Att E of Co's Original Filing		(151,981)
	Depreciation Adj ID - Permanent Rates per Sch 1, Att E of Co's Original Filing	(119,855)	
	Adjustment per Company's responses to Staff DR's 1-35 and 1-53	<u>4,234</u> →	<u>(115,621)</u>
	Net Pro-forma Depreciation Expense Adjustments - Permanent Rates per Company		<u>(247,168)</u>
	<b>Pro-forma Depreciation Expense - Permanent Rates per Company</b>		<b><u>\$ 1,003,780</u></b>
<b>xviii</b>	<b><u>Amortization - CIAC - Permanent Rates</u></b>		
	Test Year Amortization - CIAC per Sch 1 of Co's Original Filing		<u>\$ (259,085)</u>
	Amortization - CIAC Adj IIA - Permanent Rates per Sch 1, Att F of Co's Original Filing		<u>432</u>
	Net Pro-forma Amortization - CIAC Adjustments - Permanent Rates Per Company		<u>432</u>
	<b>Pro-forma Amortization - CIAC - Permanent Rates per Company</b>		<b><u>\$ (258,653)</u></b>
<b>xix</b>	<b><u>Amortization Expense - Permanent Rates</u></b>		
	Test Year Amortization Expense per Sch 1 of Co's Original Filing		<u>\$ 251,081</u>
	Amortization Adj IA - Permanent Rates per Sch 1, Att F of Co's Original Filing		4,140
	Amortization Adj IB - Permanent Rates per Sch 1, Att F of Co's Original Filing		(5,090)
	Amortization Adj IC - Permanent Rates per Sch 1, Att F of Co's Original Filing		(200,394)
	Amortization Adj ID - Permanent Rates per Sch 1, Att F of Co's Original Filing		<u>(6,003)</u>
	Net Pro-forma Amortization Expense Adjustments - Permanent Rates per Company		<u>(207,347)</u>
	<b>Pro-forma Amortization Expense - Permanent Rates per Company</b>		<b><u>\$ 43,734</u></b>
<b>xx</b>	<b><u>NH Business Profits Tax Expense - Permanent Rates</u></b>		
	NH Business Profits Tax Expense per Sch 1 of Co's Original Filing		<u>\$ 10,154</u>
	Income Tax Adj IA - Permanent Rates per Sch 1, Att G of Co's Original Filing	(85,469)	
	Adjustment per Company's response to Staff Tech 1-3	<u>5,549</u> →	<u>(79,920)</u>
	Net Pro-forma NH Business Profits Tax Expense Adjustments - Permanent Rates per Company		<u>(79,920)</u>
	<b>Pro-forma NH Business Profits Tax Expense - Permanent Rates per Company</b>		<b><u>\$ (69,766)</u></b>
<b>xxi</b>	<b><u>Federal Income Tax Expense - Permanent Rates</u></b>		
	Federal Income Tax Expense per Sch 1 of Co's Original Filing		<u>\$ 37,165</u>
	Income Tax Adj IA - Permanent Rates per Sch 1, Att G of Co's Original Filing	(325,324)	
	Adjustment per Company's response to Staff Tech 1-3	<u>21,122</u> →	<u>(304,202)</u>
	Net Pro-forma Federal Income Tax Expense Adjustments - Permanent Rates per Company		<u>(304,202)</u>
	<b>Pro-forma Federal Income Tax Expense - Permanent Rates per Company</b>		<b><u>\$ (267,037)</u></b>

PEU0068

DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
STAFF PRO-FORMA OPERATING INCOME ADJUSTMENTS - PERMANENT RATES

**Staff  
Adj #**

<b><u>PRO-FORMA ADJUSTMENTS - OPERATING REVENUES - PERMANENT RATES:</u></b>		
<u>CITY BOND FIXED REVENUE REQUIREMENT (CBFRR) - PERMANENT RATES</u>		
11	To eliminate difference between Test Year CBFRR Revenues and Co's CBFRR Pro-forma Adjustment	\$ 27,446
<b>Total Adjustments - Water Revenue other than NCCRS and CBFRR - Permanent Rates</b>		<b>\$ 27,446</b>
<b>TOTAL OPERATING REVENUE ADJUSTMENTS PER STAFF - PERMANENT RATES</b>		<b>\$ 27,446</b>
<b><u>PRO-FORMA ADJUSTMENTS - OPERATING EXPENSES - PERMANENT RATES:</u></b>		
<u>PROPERTY TAX EXPENSE - PERMANENT RATES</u>		
12	To record Staff's Pro-forma Adjustment to Property Tax Expense. (Sch 6-Perm)	\$ (26,236)
<b>Total Adjustments - Property Tax Expense - Permanent Rates</b>		<b>\$ (26,236)</b>
<u>NEW HAMPSHIRE BUSINESS PROFITS TAX (NHBPT) EXPENSE - PERMANENT RATES</u>		
13	To record Staff's Pro-forma NHBPT Adjustment - Permanent Rates (Sch 3Bii-Perm)	\$ 4,402
14	To record NHBPT Interest Synchronization Adjustment - Permanent Rates (Sch 3Bii-Perm)	(23,920)
<b>Total Adjustments - NHBPT Expense - Permanent Rates</b>		<b>\$ (19,518)</b>
<u>FEDERAL INCOME TAX (FIT) EXPENSE - PERMANENT RATES</u>		
15	To record Staff's Pro-forma Federal Income Tax Adjustment - Permanent Rates (Sch 3Bii-Perm)	\$ 16,755
16	To record FIT Interest Synchronization Adjustment - Permanent Rates (Sch 3Bii-Perm)	(91,049)
<b>Total Adjustment - FIT Expense - Permanent Rates</b>		<b>\$ (74,294)</b>
<b>NET OPERATING EXPENSE ADJUSTMENTS PER STAFF - PERMANENT RATES</b>		<b>\$ (120,048)</b>
<b><u>NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES</u></b>		<b>\$ 147,494</b>

PEU0069

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**PRO-FORMA INCOME TAX EXPENSE - PERMANENT RATES**

**Operating Revenues - Permanent Rates:**

Total pro-forma adjustments - Water Revenue other than NCCRS and CBFRR	\$ -
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	-
<b>Total pro-forma adjust's b/f Income Tax Exp - Operating Revenues - Permanent Rates</b>	<b><u>27,446</u></b>

**Operating Expenses - Permanent Rates:**

Total pro-forma adjustments - Production Expense	-
Total pro-forma adjustments - Transmission and Distribution Expense	-
Total pro-forma adjustments - Customer Account and Collection Expense	-
Total pro-forma adjustments - Administrative & General Expense	-
Total pro-forma adjustments - Inter-Division Management Fee	-
Total pro-forma adjustments - Property Tax Expense	(26,236)
Total pro-forma adjustments - Gain from Forgiveness SRF Debt	-
Total pro-forma adjustments - Depreciation Expense	-
Total pro-forma adjustments - Amortization of Acquisition Adjustment	-
Total pro-forma adjustments - Amortization-CIAC	-
Total pro-forma adjustments - Amortization Expense	-
<b>Net pro-forma adjust's b/f Income Tax Exp - Operating Expenses - Permanent Rates</b>	<b><u>(26,236)</u></b>

**Net Operating Income Adj's per Staff subject to NHBPT - Permanent Rates** 53,682

NH Business Profits Tax @ 8.20% - Permanent Rates 4,402

**Net Operating Income Adj's per Staff subject to FIT - Permanent Rates** 49,280

Federal Income Tax @ 34.00% - Permanent Rates 16,755

<b>Interest Synchronization Adjustment - Permanent Rates:</b>	<u>NHBPT</u>	<u>FIT</u>	
Adjustment	(23,920)	(91,049)	→ <u>(114,969)</u>

**Net Pro-forma Operating Income Adjust's after Income Tax per Staff - Permanent Rates** **\$ 147,494**

**Interest Synchronization Adjustment**

Net Pro-forma Rate Base - Permanent Rates	\$ 9,828,521
Weighted Average Cost of Debt (Sch 1A-Perm/5YAvg)	<u>3.87%</u>
Synchronized Interest Expense - Permanent Rates	380,473
Less: Test Year Interest Expense	<u>(672,184)</u>
State Taxable Interest Expense Adjustment - Permanent Rates	\$ (291,711)
NHBPT @ 8.20% - Permanent Rates	<u>\$ (23,920)</u>
Federal Taxable Interest Expense Adjustment - Permanent Rates	(267,791)
FIT @ 34.00% - Permanent Rates	<u>\$ (91,049)</u>
Combined State/Federal Tax Adjustment - Permanent Rates	<u>\$ (176,742)</u>

PEU0070

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**REPORT OF PROPOSED RATE CHANGES - PERMANENT RATES**  
**ORIGINAL RATE STRUCTURE**

Rate or Class of Service	Effect of Proposed Change	Average Number Customers	Present Permanent Rate Revenues	Calculated Revenues - Permanent	Change	
					Amount	% Increase
G-M	Increase	7,321	\$ 6,130,548	\$ 6,388,729	\$ 258,181	4.21%
Private FP	Increase	148	257,130	267,959	10,829	4.21%
FP - Hydrants	Increase	4	628,340	654,802	26,462	4.21%
Windham Public Hydrant	Increase	328	31,372	32,693	1,321	4.21%
Raymond Public Hydrant	Increase	232	5,171	5,389	218	4.21%
Lee Public Hydrant	Increase	34	3,581	3,732	151	4.21%
Exeter Public Hydrant	Increase	52	4,656	4,852	196	4.21%
Birch Hill Public Hydrant	Increase	214	9,211	9,599	388	4.21%
Bow Public Hydrant	Increase	24	1,550	1,615	65	4.21%
NC Capital Recovery Surcharge	Decrease		299,985	178,915	(121,070)	-40.36%
		<u>8,357</u>	<u>\$ 7,371,544</u>	<u>\$ 7,548,285</u>	<u>\$ 176,741</u>	<u>2.40%</u>

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**REPORT OF PROPOSED RATE CHANGES - PERMANENT RATES**  
**MODIFIED RATE STRUCTURE**

Rate or Class of Service	Effect of Proposed Change	Average Number Customers	Present Permanent Rate Revenues	Calculated Revenues - Permanent	Change	
					Amount	% Increase
G-M	Increase	7,321	\$ 6,130,548	\$ 7,105,055	\$ 974,507	15.90%
Private FP	Increase	148	257,130	298,003	40,873	15.90%
FP - Hydrants	Increase	4	628,340	728,220	99,880	15.90%
Windham Public Hydrant	Increase	328	31,372	36,359	4,987	15.90%
Raymond Public Hydrant	Increase	232	5,171	5,993	822	15.90%
Lee Public Hydrant	Increase	34	3,581	4,150	569	15.90%
Exeter Public Hydrant	Increase	52	4,656	5,396	740	15.90%
Birch Hill Public Hydrant	Increase	214	9,211	10,675	1,464	15.90%
Bow Public Hydrant	Increase	24	1,550	1,796	246	15.90%
NC Capital Recovery Surcharge	Decrease		299,985	178,915	(121,070)	-40.36%
		<u>8,357</u>	<u>\$ 7,371,544</u>	<u>\$ 8,374,564</u>	<u>\$ 1,003,020</u>	<u>13.61%</u>

**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
RATE BASE - 5-YEAR AVERAGE**

	<b>Company Proposal (as revised per Co's Data Responses)</b>					<b>Staff Proposal</b>		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Adj Rate Base - Permanent Rates (Per Co's Revised Sch 3)	Co Proforma Adj's - 5-Year Average (Per Company Filing - Sch 3)	5-Year Avg Adj Revisions per Co Responses to DR's	Adj Rate Base - 5-Yr Avg Perm Rates	Pro-forma Co Bal Ref (Sch 2A)	Staff Adjustments (Sch's 2B)	Staff Adjustment # (Sch's 2B)	Adjusted Rate Base Per Staff
Plant in Service	\$ 41,332,462			\$ 41,332,462				\$ 41,332,462
Accumulated Depreciation	(11,298,532)			(11,298,532)				(11,298,532)
Acquisition Adjustment	(9,820,410)			(9,820,410)				(9,820,410)
Accumulated Amortization Acq Adj	3,932,034			3,932,034				3,932,034
Contributions in Aid of Construction	(12,753,549)			(12,753,549)				(12,753,549)
Accumulated Amortization of CIAC	2,124,611			2,124,611				2,124,611
Net Plant in Service	13,516,616	-	-	13,516,616		-		13,516,616
Rate Stabilization Fund	980,000			980,000		(980,000)	<b>8</b>	-
Cash Working Capital	592,883	(2,123)	(18)	590,742	<b>vi'</b>			590,742
Prepaid Expenses	128,316			128,316		(23,328)	<b>9 - 10</b>	104,988
Unamortized Deferred Debits	540,898			540,898				540,898
Customer Deposits	(131,757)			(131,757)				(131,757)
Deferred Income Tax	(4,462,580)			(4,462,580)				(4,462,580)
Deferred Credit - Gain on SRF Loans	(332,527)			(332,527)				(332,527)
<b>NET RATE BASE - 5-YEAR AVERAGE</b>	<b>\$ 10,831,849</b>	<b>\$ (2,123)</b>	<b>\$ (18)</b>	<b>\$ 10,829,708</b>		<b>\$ (1,003,328)</b>		<b>\$ 9,826,380</b>

**DW 16-806  
PENNICHUCK WATER WORKS, INC.  
COMPANY PRO-FORMA RATE BASE ACCOUNT BALANCE SUMMARY - 5-YEAR AVERAGE**

**Ref**

<b>vi'</b>	<b><u>Cash Working Capital - 5-Year Average</u></b>	
	Pro-forma Cash Working Capital - Permanent Rates per Company	<u>\$ 592,883</u>
	Cash Working Capital Adj IA - Permanent Rates per Sch 3, Att D of Co's Original Filing	(2,123)
	Adjustment per Company's response to Staff Tech 1-3	<u>(18) → (2,141)</u>
	Net Pro-forma Cash Working Capital Adjustment - 5-Year Average per Company	<u>(2,141)</u>
	<b>Pro-forma Cash Working Capital - 5-Year Average per Company</b>	<b><u>\$ 590,742</u></b>

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

	<b>Company Proposal (as revised per Co's Data Responses)</b>					<b>Staff Proposal</b>				
	(1) Adj Oper Income - Permanent Rates (Per Co's Revised Sch 1)	(2) Co Proforma Adj's - 5-Year Average (Per Company Filing - Sch 1)	(3) Perm Rate Adj Revisions per Co Responses to DR's	(4) Adj Oper Income - 5-Yr Avg Perm Rates	(5) Co Pro-forma Bal Ref (Sch 3A)	(6) Staff Adjustments (Sch's 3B)	(7) Staff Adjustment # (Sch's 3B)	(8) Pro-forma Operating Income Per Staff	(9) Revenue Deficiency - Approved Methodology	(10) Revenue Requirement - Approved Methodology
<b>OPERATING REVENUES</b>										
Water Revenues:										
Water Revenue other than NCCRS and CBFRR	\$ 6,172,696	\$ (197,543)		\$ 5,975,153	viii'			\$ 5,975,153	\$ 318,143	\$ 6,293,296
Add: North Country Capital Recovery Surcharge (NCCRS)	-			-				-	-	-
Total Water Revenue other than CBFRR	6,172,696	(197,543)	-	5,975,153			5,975,153	318,143	6,293,296	
City Bond Fixed Revenue Requirement (CBFRR) Revenue	(27,446)			(27,446)		27,446	11	-	-	-
Water Sales for Resale	-			-				-	-	-
Total Water Revenues	6,145,250	(197,543)	-	5,947,707		27,446		5,975,153	318,143	6,293,296
Other Operating Revenue	39,407			39,407				39,407	-	39,407
Total Operating Revenues	6,184,657	(197,543)	-	5,987,114		27,446		6,014,560	318,143	6,332,703
<b>OPERATING EXPENSES</b>										
O & M Expenses:										
Production Expense	1,993,296	(17,217)	(144)	1,975,935	xi'			1,975,935		1,975,935
Transmission and Distribution Expense	628,209			628,209				628,209		628,209
Customer Account and Collection Expense	184,416			184,416				184,416		184,416
Administrative and General Expense	157,337			157,337				157,337		157,337
Inter-Division Management Fee	1,879,460			1,879,460				1,879,460		1,879,460
Total O & M Expenses	4,842,718	(17,217)	(144)	4,825,357				4,825,357	-	4,825,357
Property Tax Expense	970,018			970,018		(26,236)	12	943,782		943,782
Gain from Forgiveness of SRF Debt	(22,613)			(22,613)				(22,613)		(22,613)
Depreciation Expense	1,003,780			1,003,780				1,003,780		1,003,780
Amortization of Acquisition Adjustment	(211,341)			(211,341)				(211,341)		(211,341)
Amortization - CIAC	(258,653)			(258,653)				(258,653)		(258,653)
Amortization Expense	43,734			43,734				43,734		43,734
Total Operating Expenses	6,367,643	(17,217)	(144)	6,350,282		(26,236)		6,324,046	-	6,324,046
Net Operating Income										
Before Income Tax	(182,986)	(180,326)	144	(363,168)		53,682		(309,486)	318,143	8,657
Income Tax Expense:										
NH Business Profits Tax Expense	(69,766)	(14,787)	12	(84,541)	xx'	(19,525)	13 - 14, 17	(104,066)	26,088	(77,978)
Federal Income Tax Expense	(267,037)	(56,283)	45	(323,275)	xxi'	(74,319)	15 - 16, 18	(397,594)	99,299	(298,296)
Total Income Tax Expense	(336,803)	(71,070)	57	(407,816)		(93,845)		(501,661)	125,386	(376,274)
<b>NET OPERATING INCOME - 5-YEAR AVERAGE</b>	<b>\$ 153,817</b>	<b>\$ (109,256)</b>	<b>\$ 87</b>	<b>\$ 44,648</b>		<b>\$ 147,527</b>		<b>\$ 192,175</b>	<b>\$ 192,756</b>	<b>\$ 384,931</b>

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

<b>Revenue Requirement - Original Rate Structure:</b>		
Water Revenue not Subject to CBFRR	\$	6,293,296
Tax Change Revenue Adjustment		159,704
Revised North Country Capital Recovery Surcharge (NCCRS)		178,915
City Bond Fixed Revenue Requirement (CBFRR)		<u>898,863</u>
<b>Total Revenue Requirement - Original Rate Structure</b>	<b>\$</b>	<b><u>7,530,778</u></b>
<b>Proposed Revenue Requirement - Modified Rate Structure:</b>		
City Bond Fixed Revenue Requirement (CBFRR):	\$	<u>926,309</u>
Operating Expense Revenue Requirement (OERR):		
Total O & M Expenses	\$	4,825,357
Property Tax Expense		943,782
Amortization Expense		<u>43,734</u>
		5,812,873
Debt Service Revenue Requirement (DSRR):		
Debt Service Requirement (Sch 1C-Perm/5YAvg)		1,308,278
Debt Service Coverage Requirement	x	<u>1.1</u>
		1,439,106
<b>Total Revenue Requirement other than NCCRS - Modified Rate Structure</b>	<b>\$</b>	<b>8,178,288</b>
Revised North Country Capital Recovery Surcharge (NCCRS)		<u>178,915</u>
<b>Total Proposed Revenue Requirement - Modified Rate Structure</b>	<b>\$</b>	<b><u>8,357,203</u></b>

DW 16-806  
**PENNICHUCK WATER WORKS, INC.**  
**COMPANY PRO-FORMA OPERATING INCOME ACCOUNT BALANCE SUMMARY - 5-YEAR AVERAGE**

Ref

viii'	<b><u>Water Revenue other than NCCRS and CBFRR - 5-Year Average</u></b>		
	Pro-forma Water Revenue not Subject to CBFRR - Permanent Rates per Company		\$ 6,172,696
	Water Sales Adj - 5-Year Average per Sch 1, Att A of Co's Original Filing		(197,543)
	Net Pro-forma Water Revenue other than CBFRR and NCCRS Adjustment - 5-Year Average per Company		(197,543)
	<b>Pro-forma Water Revenue other than NCCRS and CBFRR - 5-Year Average per Company</b>		<b><u>\$ 5,975,153</u></b>
xi'	<b><u>Production Expense - 5-Year Average</u></b>		
	Pro-forma Production Expense - Permanent Rates per Company		\$ 1,993,296
	Operating and Maintenance Adj C - 5-Year Average per Sch 1, Att B, Pg 1 of Co's Original Filing	\$ (17,332)	
	Adjustment per Company's responses to Staff DR's 2-3 and 3-2	(85) →	(17,417)
	Operating and Maintenance Adj E - 5-Year Average per Sch 1, Att B, Pg 1 of Co's Original Filing		116
	Operating and Maintenance Adj IIF - Permanent Rates per Company's responses to Staff DR's 1-5, 1-26, and 2-1		(60)
	Net Pro-forma Production Expense Adjustments - 5-Year Average per Company		(17,361)
	<b>Pro-forma Production Expense - 5-Year Average per Company</b>		<b><u>\$ 1,975,935</u></b>
xx'	<b><u>NH Business Profits Tax Expense - 5-Year Average</u></b>		
	Pro-forma NH Business Profits Tax Expense - Permanent Rates per Company		\$ (69,766)
	Income Tax Adj IA - 5-Year Average per Sch 1, Att G of Co's Original Filing	(14,787)	
	Adjustment per Company's response to Staff Tech 1-3	12 →	(14,775)
	Net Pro-forma NH Business Profits Tax Expense Adjustments - 5-Year Average per Company		(14,775)
	<b>Pro-forma NH Business Profits Tax Expense - 5-Year Average</b>		<b><u>\$ (84,541)</u></b>
xxi'	<b><u>Federal Income Tax Expense - 5-Year Average</u></b>		
	Pro-forma Federal Income Tax Expense - Permanent Rates per Company		\$ (267,037)
	Income Tax Adj IA - 5-Year Average per Sch 1, Att G of Co's Original Filing	(56,283)	
	Adjustment per Company's response to Staff Tech 1-3	45 →	(56,238)
	Net Pro-forma Federal Income Tax Expense Adjustments - 5-Year Average per Company		(56,238)
	<b>Pro-forma Federal Income Tax Expense - 5-Year Average</b>		<b><u>\$ (323,275)</u></b>

PEU0077

DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
STAFF PRO-FORMA OPERATING INCOME ADJUSTMENTS - 5-YEAR AVERAGE

Adj  
No.

PRO-FORMA ADJUSTMENTS - OPERATING REVENUES - 5-YEAR AVERAGE:

TOTAL OPERATING REVENUE ADJUSTMENTS PER STAFF - 5-YEAR AVERAGE \$ -

PRO-FORMA ADJUSTMENTS - OPERATING EXPENSES - 5-YEAR AVERAGE:

NEW HAMPSHIRE BUSINESS PROFITS TAX (NHBPT) EXPENSE - 5-YEAR AVERAGE

17	To record NHBPT Interest Synchronization Adjustment - 5-Year Average		
	NHBPT Interest Synchronization Adjustment - 5-Year Average (Sch 3Bii-5YAvg)	\$ (23,927)	
	Less: NHBPT Interest Synchronization Adjustment - Permanent Rates (Sch 3Bii-Perm)	<u>23,920</u>	<u>\$ (7)</u>

**Total Adjustments - NHBPT Expense - Permanent Rates** **\$ (7)**

FEDERAL INCOME TAX (FIT) EXPENSE - 5-YEAR AVERAGE

18	To record FIT Interest Synchronization Adjustment - 5-Year Average		
	FIT Interest Synchronization Adjustment - 5-Year Average (Sch 3Bii-5YAvg)	\$ (91,075)	
	Less: FIT Interest Synchronization Adjustment - Permanent Rates (Sch 3Bii-Perm)	<u>91,049</u>	<u>\$ (26)</u>

**Total Adjustments - NHBPT Expense - Permanent Rates** **\$ (26)**

**TOTAL OPERATING EXPENSE ADJUSTMENTS PER STAFF - 5-YEAR AVERAGE** **\$ (33)**

**NET OPERATING INCOME ADJUSTMENTS PER STAFF - 5-YEAR AVERAGE** **\$ 33**

**NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES** **147,494**

**NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE** **\$ 147,527**

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

**Operating Revenues - 5-Year Average:**

Total pro-forma adjustments - Water Revenue other than NCCRS and CBFRR	\$ -
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	-
<b>Total pro-forma adjust's b/f Income Tax Exp - Operating Revenues - 5-Year Average</b>	<b><u>27,446</u></b>

**Operating Expenses - 5-Year Average:**

Total pro-forma adjustments - Production Expense	-
Total pro-forma adjustments - Transmission and Distribution Expense	-
Total pro-forma adjustments - Customer Account and Collection Expense	-
Total pro-forma adjustments - Administrative & General Expense	-
Total pro-forma adjustments - Inter-Division Management Fee	-
Total pro-forma adjustments - Property Tax Expense	(26,236)
Total pro-forma adjustments - Gain from Forgiveness SRF Debt	-
Total pro-forma adjustments - Depreciation Expense	-
Total pro-forma adjustments - Amortization of Acquisition Adjustment	-
Total pro-forma adjustments - Amortization-CIAC	-
Total pro-forma adjustments - Amortization Expense	-
<b>Net pro-forma adjust's b/f Income Tax Exp - Operating Expenses - 5-Year Average</b>	<b><u>(26,236)</u></b>

**Net Operating Income Adj's per Staff subject to NHBPT - 5-Year Average** 53,682

NH Business Profits Tax @ 8.20% - 5-Year Average 4,402

**Net Operating Income Adj's per Staff subject to FIT - 5-Year Average** 49,280

Federal Income Tax @ 34.00% - 5-Year Average 16,755

<b>Interest Synchronization Adjustments - 5-Year Average:</b>	<u>NHBPT</u>	<u>FIT</u>	
Adjustment	(23,927)	(91,075)	→ <u>(115,002)</u>

**Net Pro-forma Operating Income Adjust's after Income Tax per Staff - 5-Year Average** **\$ 147,527**

**Interest Synchronization and Tax Normalization Adjustment**

Net Pro-forma Rate Base - 5-Year Average	\$ 9,826,380
Weighted Average Cost of Debt (Sch 1A-Perm/5YAvg)	<u>3.87%</u>
Synchronized Interest Expense - 5-Year Average	380,390
Less: Test Year Interest Expense	(672,184)
State Taxable Interest Expense Adjustment - 5-Year Average	\$ (291,794)
NHBPT @ 8.20% - 5-Year Average	<u>\$ (23,927)</u>
Federal Taxable Interest Expense Adjustment - Permanent Rates	(267,867)
FIT @ 34.00% - 5-Year Average	<u>\$ (91,075)</u>
Combined State/Federal Tax Adjustment - 5-Year Average	<u>\$ (115,002)</u>

PEU0079

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES**  
**ORIGINAL 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	\$ 5,933,005	\$ 6,345,437	\$ 412,432	6.95%
Private FP	Increase	148	257,130	275,004	17,874	6.95%
FP - Hydrants	Increase	4	628,340	672,019	43,679	6.95%
Windham Public Hydrant	Increase	328	31,372	33,553	2,181	6.95%
Raymond Public Hydrant	Increase	232	5,171	5,530	359	6.95%
Lee Public Hydrant	Increase	34	3,581	3,830	249	6.95%
Exeter Public Hydrant	Increase	52	4,656	4,980	324	6.95%
Birch Hill Public Hydrant	Increase	214	9,211	9,851	640	6.95%
Bow Public Hydrant	Increase	24	1,550	1,658	108	6.95%
NC Capital Recovery Surcharge	Decrease		299,985	178,915	(121,070)	-40.36%
		<u>8,357</u>	<u>\$ 7,174,001</u>	<u>\$ 7,530,778</u>	<u>\$ 356,777</u>	<u>4.97%</u>

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES**  
**MODIFIED RATE STRUCTURE**

Rate or Class of Service	Effect of Proposed Change	Average Number Customers	5-Year Avg Permanent Rate Revenues	Proposed Revenues - 5-Yr Avg Perm	Proposed Change	
					Amount	% Increase
G-M	Increase	7,321	\$ 5,933,005	\$ 7,058,730	\$ 1,125,725	18.97%
Private FP	Increase	148	257,130	305,918	48,788	18.97%
FP - Hydrants	Increase	4	628,340	747,561	119,221	18.97%
Windham Public Hydrant	Increase	328	31,372	37,325	5,953	18.97%
Raymond Public Hydrant	Increase	232	5,171	6,152	981	18.97%
Lee Public Hydrant	Increase	34	3,581	4,260	679	18.97%
Exeter Public Hydrant	Increase	52	4,656	5,539	883	18.97%
Birch Hill Public Hydrant	Increase	214	9,211	10,959	1,748	18.97%
Bow Public Hydrant	Increase	24	1,550	1,844	294	18.97%
NC Capital Recovery Surcharge	Decrease		299,985	178,915	(121,070)	-40.36%
		<u>8,357</u>	<u>\$ 7,174,001</u>	<u>\$ 8,357,203</u>	<u>\$ 1,183,202</u>	<u>16.49%</u>

**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
RATE BASE - STEP ADJUSTMENT**

	<b>Company Proposal (as revised per Co's Data Responses)</b>					<b>Staff Proposal</b>		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Adj Rate Base - 5-Year Avg / Perm (Per Co's Revised Sch 3)	Co Proforma Adj's - 2016 Step Increase (Per Company Filing - Sch 3)	Perm Rate Adj Revisions per Co Responses to DR's	Adj Rate Base - 2016 Step Increase (Per Co's Revised Sch 3)	Pro-forma Bal Ref (Sch 2A)	Staff Adjustments (Sch's 2B)	Staff Adjustment # (Sch's 2B)	Adjusted Rate Base Per Staff
Plant in Service	\$ 41,332,462	\$ 864,497	\$ 75,654	\$ 42,272,613	i"	\$ (363,106)	<b>19 - 21</b>	\$ 41,909,507
Accumulated Depreciation	(11,298,532)	79,445	(5,463)	(11,224,550)	ii"	84,333	<b>22 - 25</b>	(11,140,217)
Acquisition Adjustment	(9,820,410)			(9,820,410)				(9,820,410)
Accumulated Amortization Acq Adj	3,932,034			3,932,034				3,932,034
Contributions in Aid of Construction	(12,753,549)			(12,753,549)				(12,753,549)
Accumulated Amortization of CIAC	2,124,611			2,124,611				2,124,611
Net Plant in Service	13,516,616	943,942	70,191	14,530,749		(278,773)		14,251,976
Rate Stabilization Fund	980,000			980,000		-	<b>8, 26</b>	980,000
Cash Working Capital	590,742			590,742				590,742
Prepaid Expenses	128,316			128,316		(23,328)	<b>9 - 10</b>	104,988
Unamortized Deferred Debits	540,898			540,898		49,617	<b>27</b>	590,515
Customer Deposits	(131,757)			(131,757)				(131,757)
Deferred Income Tax	(4,462,580)			(4,462,580)				(4,462,580)
Deferred Credit - Gain on SRF Loans	(332,527)			(332,527)				(332,527)
<b>NET RATE BASE - STEP ADJUSTMENT</b>	<b>\$ 10,829,708</b>	<b>\$ 943,942</b>	<b>\$ 70,191</b>	<b>\$ 11,843,841</b>		<b>\$ (252,484)</b>		<b>\$ 11,591,357</b>

DW 16-806  
PENNICHUCK WATER WORKS, INC.  
COMPANY PRO-FORMA RATE BASE ACCOUNT BALANCE SUMMARY - STEP ADJUSTMENT

Ref

i"	<b>Plant in Service - Step Adjustment</b>		
	Pro-forma Plant in Service - 5-Year Average per Company		\$ 41,332,462
	2017 Plant Additions - Step Adjustment per Sch 3 - STEP Additions of Co's Original Filing	\$ 1,014,497	
	Adjustment per Company's response to Staff Tech 1-3	<u>(1,285)</u>	→ 1,013,212
	2017 Plant Retirements - Step Adjustment per Sch 3, Att A - STEP Additions of Co's Original Filing	(150,000)	
	Adjustment per Company's response to Staff Tech 1-3	<u>76,939</u>	→ (73,061)
	Net Pro-forma Plant in Service Adjustments - Step Adjustment per Company		<u>940,151</u>
	<b>Pro-forma Plant in Service - Step Adjustment per Company</b>		<b><u>\$ 42,272,613</u></b>
ii"	<b>Accumulated Depreciation - Step Adjustment</b>		
	Pro-forma Accumulated Depreciation - 5-Year Average per Company		\$ (11,298,532)
	Accumulated Depreciation - Step Adjustment per Sch 3 - STEP Additions of Co's Original Filing	\$ (22,005)	
	Adjustment per Company's response to Staff Tech 1-3	<u>(5,334)</u>	→ (27,339)
	Cost of Removal - Step Adjustment per Sch 3 - STEP Additions of Company's Original Filing	101,450	
	Adjustment per Company's response to Staff Tech 1-3	<u>(129)</u>	→ 101,321
	Net Pro-forma Accumulated Depreciation Adjustments - Step Adjustment per Company		<u>73,982</u>
	<b>Pro-forma Accumulated Depreciation - Step Adjustment per Company</b>		<b><u>\$ (11,224,550)</u></b>

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**STAFF PRO-FORMA RATE BASE ADJUSTMENTS - STEP ADJUSTMENT**

<u>Adj No.</u>			
<u>PLANT IN SERVICE - STEP ADJUSTMENT</u>			
19	To adjust Co's pro-forma relative to Plant Retirements: Actual 2017 Plant Retirements per Co's 1604.06 Sch 3, Att A - STEP Retirements Less: 2017 Plant Retirements pro-forma per Co's 1604.06 Sch 3 - STEP Additions	\$ (111,974) <u>(73,061)</u>	(38,913)
20	To reduce Plant in Service by adjusted Cost of Removal (Sch 7-Step)		(76,558)
21	To remove Brady Ave project from Step Addition projects per Co's response to Staff DR 4-6		<u>(247,635)</u>
<b>Total Adjustments - Plant in Service - Step Adjustment</b>			<b><u>\$ (363,106)</u></b>
<u>ACCUMULATED DEPRECIATION - STEP ADJUSTMENT</u>			
22	To adjust Co's pro-forma relative to Depreciation Expense: Adjusted Depreciation Expense on 2017 Plant Additions (Sch 7-Step) Less: Depreciation Expense on 2017 Plant Additions per Co's 1604.06 Sch 3 - STEP Additions	\$ (30,217) <u>(30,727)</u>	510
23	To eliminate Co's pro-forma relative to Depreciation Expense on 2017 Retirements per Co's 1604.06 Sch 3 - STEP Additions		(3,388)
24	To reduce Accumulated Depreciation by actual 2017 Plant Retirements per Co's 1604.06 Sch 3, Att A - STEP Retirements		111,974
25	To adjust Co's pro-forma relative to Accumulated Depreciation - Cost of Removal: Adjusted Accumulated Depreciation - Cost of Removal (Sch 7 - Step) Less: Accumulated Depreciation - Cost of Removal per Co's 1604.06 Sch 3, Att A - STEP Additions	76,558 <u>(101,321)</u>	(24,763)
<b>Total Adjustments - Accumulated Depreciation - Step Adjustment</b>			<b><u>\$ 84,333</u></b>
<u>RATE STABILIZATION FUND - STEP ADJUSTMENT</u>			
26	To reclassify Co's Rates Stabilization Fund Pro-forma from Permanent Rates to Step Adjustment (Sch 5-Step)		<u>\$ 980,000</u>
<b>Total Adjustments - Rate Stabilization Fund - Step Adjustment</b>			<b><u>\$ 980,000</u></b>
<u>UNAMORTIZED DEFERRED DEBITS - STEP ADJUSTMENT</u>			
27	To record Deferred Debit relative to Property Tax Assessment Litigation per Co's response to Staff DR 2-6: Total Litigation Cost per Co's response to Staff DR 2-6 Write-off for the years 2015 and 2016 per Co's response to Staff DR 2-6 Balance of Deferred Debit @ 12/31/16 Annual Amortization (\$131,813 ÷ 5 years) Balance of Deferred Debit @ 12/31/17 Average Balance during 2017 Less: Average of Co's Recorded "Abatement" Deferred Debit per Co's 1604.06 Sch 2, Att C	\$ 131,813 <u>(52,725)</u> 79,088 <u>(26,363)</u> 52,725 65,907 <u>(16,290)</u>	49,617
Total Adjustments - Deferred Credit - RSF - Step Adjustment			<b><u>\$ 49,617</u></b>
<b>NET RATE BASE ADJUSTMENTS PER STAFF - STEP ADJUSTMENT</b>			<b>\$ 750,844</b>
<b>NET RATE BASE ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE</b>			<b><u>(1,003,328)</u></b>
<b><u>NET RATE BASE ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE / STEP ADJUSTMENT</u></b>			<b><u>\$ (252,484)</u></b>

PEU0084

**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
OPERATING INCOME STATEMENT - STEP ADJUSTMENT**

	<b>Company Proposal (as revised per Co's Data Responses)</b>					<b>Staff Proposal</b>				
	(1) Adj Oper Income - 5-Yr Avg / Perm (Per Co's Revised Sch 1)	(2) Co Proforma Adj's - 2016 Step Increase (Per Company Filing - Sch 1)	(3) Perm Rate Adj Revisions per Co Responses to DR's	(4) Adj Oper Income - 2016 Step Increase (Per Co's Revised Sch 1)	(5) Co Pro-forma Bal Ref (Sch 3A)	(6) Staff Adjustments (Sch's 3B)	(7) Staff Adjustment # (Sch's 3B)	(8) Pro-forma Operating Income Per Staff	(9) Revenue Deficiency - Approved Methodology	(10) Revenue Requirement - Approved Methodology
<b>OPERATING REVENUES</b>										
Water Revenues:										
Water Revenue other than NCCRS and CBFRR	\$ 5,975,153			\$ 5,975,153			\$ 5,975,153	\$ 555,950	\$ 6,531,103	
Add: North Country Capital Recovery Surcharge (NCCRS)	-			-			-	-	-	
Total Water Revenue other than CBFRR	5,975,153	-	-	5,975,153	-		5,975,153	555,950	6,531,103	
City Bond Fixed Revenue Requirement (CBFRR) Revenue	(27,446)			(27,446)	27,446	11	-	-	-	
Water Sales for Resale	-			-			-	-	-	
Total Water Revenues	5,947,707	-	-	5,947,707	27,446		5,975,153	555,950	6,531,103	
Other Operating Revenue	39,407			39,407			39,407	-	39,407	
Total Operating Revenues	5,987,114	-	-	5,987,114	27,446		6,014,560	555,950	6,570,510	
<b>OPERATING EXPENSES</b>										
O & M Expenses:										
Production Expense	1,975,935			1,975,935			1,975,935		1,975,935	
Transmission and Distribution Expense	628,209			628,209			628,209		628,209	
Customer Account and Collection Expense	184,416			184,416			184,416		184,416	
Administrative and General Expense	157,337			157,337			157,337		157,337	
Inter-Division Management Fee	1,879,460			1,879,460			1,879,460		1,879,460	
Total O & M Expenses	4,825,357	-	-	4,825,357	-		4,825,357	-	4,825,357	
Property Tax Expense	970,018	16,220	8,185	994,423	xvi"	(33,156)	12, 28 - 29	961,267	961,267	
Gain from Forgiveness of SRF Debt	(22,613)			(22,613)				(22,613)	(22,613)	
Depreciation Expense	1,003,780	22,005	5,334	1,031,119	xvii"	(510)	30	1,030,609	1,030,609	
Amortization of Acquisition Adjustment	(211,341)			(211,341)				(211,341)	(211,341)	
Amortization - CIAC	(258,653)			(258,653)				(258,653)	(258,653)	
Amortization Expense	43,734	(5,139)	26,363	64,958	xix"			64,958	64,958	
Total Operating Expenses	6,350,282	33,086	39,882	6,423,250		(33,666)		6,389,584	6,389,584	
Net Operating Income Before Income Tax	(363,168)	(33,086)	(39,882)	(436,136)		61,112		(375,024)	180,927	
Income Tax Expense:										
NH Business Profits Tax Expense	(84,541)	(2,713)	(3,270)	(90,524)	xx"	(12,811)	13 - 14, 17, 31 - 32	(103,335)	(57,747)	
Federal Income Tax Expense	(323,275)	(10,327)	(12,448)	(346,050)	xxi"	(48,762)	15 - 16, 18, 33 - 34	(394,812)	(221,289)	
Total Income Tax Expense	(407,816)	(13,040)	(15,718)	(436,574)		(61,573)		(498,147)	(279,036)	
<b>NET OPERATING INCOME - STEP ADJUSTMENT</b>	<b>\$ 44,648</b>	<b>\$ (20,046)</b>	<b>\$ (24,164)</b>	<b>\$ 438</b>		<b>\$ 122,685</b>		<b>\$ 123,123</b>	<b>\$ 459,963</b>	

DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
OPERATING INCOME STATEMENT - STEP ADJUSTMENT

<b>Revenue Requirement - Original Rate Structure:</b>			
Water Revenue not Subject to CBFRR		\$	6,531,103
Tax Change Revenue Adjustment			118,433
Revised North Country Capital Recovery Surcharge (NCCRS)		\$	178,915
City Bond Fixed Revenue Requirement (CBFRR)			<u>898,863</u>
<b>Total Revenue Requirement - Original Rate Structure</b>		<b>\$</b>	<b><u>7,727,314</u></b>
<b>Proposed Revenue Requirement - Modified Rate Structure:</b>			
City Bond Fixed Revenue Requirement (CBFRR):		\$	<u>926,309</u>
Operating Expense Revenue Requirement (OERR):			
Total O & M Expenses	\$	4,825,357	
Property Tax Expense		961,267	
Amortization Expense		<u>64,958</u>	<u>5,851,582</u>
Debt Service Revenue Requirement (DSRR):			
Debt Service Requirement (Sch 1C-Step)		1,362,154	
Debt Service Coverage Requirement	x	<u>1.1</u>	<u>1,498,369</u>
<b>Total Proposed Revenue Requirement - Modified Rate Structure</b>		<b>\$</b>	<b>8,276,261</b>
North Country Capital Recovery Surcharge (NCCRS) - Modified Rate Structure			<u>178,915</u>
<b>Total Proposed Revenue Requirement - Modified Rate Structure</b>		<b>\$</b>	<b><u>8,455,176</u></b>

DW 17-128  
**PENNICHUCK EAST UTILITIES, INC.**  
**COMPANY PRO-FORMA OPERATING INCOME ACCOUNT BALANCE SUMMARY - STEP ADJUSTMENT**

<u>Ref</u>			
xvi"	<b><u>Property Tax Expense - Step Adjustment</u></b>		
	Pro-forma Property Tax Expense - 5-Year Average per Company		\$ 970,018
	Property Tax Expense - Step Adjustment on 2017 Plant Additions per Sch 3 - STEP Additions of Co's Original Filing	\$ 20,720	
	Adjustment per Company's response to Staff Tech 1-3	5,938 →	26,658
	Property Tax Expense - Step Adjustment on 2016 Plant Retirements per Sch 3, Att A - STEP	(4,500)	
	Adjustment per Company's response to Staff Tech 1-3	2,247 →	(2,253)
	Net Pro-forma Property Tax Expense Adjustments - Step Adjustment per Company		24,405
	<b>Pro-forma Property Tax Expense - Step Adjustment per Company</b>		<b><u>\$ 994,423</u></b>
xvii"	<b><u>Depreciation Expense - Step Adjustment</u></b>		
	Pro-forma Depreciation Expense - 5-Year Average per Company		\$ 1,003,780
	Depreciation Expense - Step Adjustment on 2016 Plant Additions per Sch 3 - STEP Additions of Co's Original Filing	\$ 27,505	
	Adjustment per Company's response to Staff Tech 1-3	3,222 →	30,727
	Depreciation Expense - Step Adjustment on 2016 Plant Retirements per Sch 3, Att A - STEP	(5,500)	
	Adjustment per Company's response to Staff Tech 1-3	2,112 →	(3,388)
	Net Pro-forma Depreciation Expense Adjustments - Step Adjustment per Company		27,339
	<b>Pro-forma Depreciation Expense - Step Adjustment per Company</b>		<b><u>\$ 1,031,119</u></b>
xix'	<b><u>Amortization Expense - Step Adjustment</u></b>		
	Pro-forma Amortization Expense - 5-Year Average per Company		\$ 43,734
	Amortization Adj IE - Step Adjustment per Sch 1, Att F of Co's Original Filing		(5,139)
	Amortization Expense Adj IF - Step Adjustment per Co's response to Staff DR 2-6		26,363
	Net Pro-forma Amortization Expense Adjustments - Step Adjustment per Company		21,224
	<b>Pro-forma Amortization Expense - Step Adjustment per Company</b>		<b><u>\$ 64,958</u></b>
xx'	<b><u>NH Business Profits Tax Expense - Step Adjustment</u></b>		
	NH Business Profits Tax Expense - 5-Year Average		\$ (84,541)
	Income Tax Adj IA - Step Adjustment per Sch 1, Att G of Co's Original Filing	(2,713)	
	Adjustment per Company's response to Staff Tech 1-3	(3,270) →	(5,983)
	Net Pro-forma NH Business Profits Tax Expense Adjustments - Step Adjustment per Company		(5,983)
	<b>Pro-forma NH Business Profits Tax Expense - Step Adjustment</b>		<b><u>\$ (90,524)</u></b>
xxi'	<b><u>Federal Income Tax Expense - Step Adjustment</u></b>		
	Federal Income Tax Expense - 5-Year Average		\$ (323,275)
	Income Tax Adj IA - Step Adjustment per Sch 1, Att G of Co's Original Filing	(10,327)	
	Adjustment per Company's response to Staff Tech 1-3	(12,448) →	(22,775)
	Net Pro-forma Federal Income Tax Expense Adjustments - Step Adjustment per Company		(22,775)
	<b>Pro-forma Federal Income Tax Expense - Step Adjustment</b>		<b><u>\$ (346,050)</u></b>

PEU0087

DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
STAFF PRO-FORMA OPERATING INCOME ADJUSTMENTS - STEP ADJUSTMENT

<u>Adj No.</u>			
	<u>PROPERTY TAX EXPENSE - STEP ADJUSTMENT</u>		
28	To adjust Property Tax Expense on 2017 Plant Additions:		
	Adjusted Property Tax Expense on 2017 Plant Additions (Sch 7-Step)	\$ 17,485	
	Less: Property Tax Expense on 2017 Plant Additions per Co's 1604.06 Sch 3 - STEP Additions	<u>(26,658)</u>	(9,173)
29	To eliminate Co's pro-forma relative to Property Tax Expense on 2017 Plant Retirements per Co's 1604.06 Sch 3 - STEP Additions		<u>2,253</u>
	<b>Total Adjustments - Property Tax Expense - Step Adjustment</b>		<b><u>\$ (6,920)</u></b>
	<u>DEPRECIATION EXPENSE - STEP ADJUSTMENT</u>		
30	To adjust Depreciation Expense on 2017 Plant Additions:		
	Adjusted Depreciation Expense on 2017 Plant Additions (Sch 7-Step)	\$ 30,217	
	Less: Depreciation Expense on 2017 Plant Additions per Co's 1604.06 Sch 3 - STEP Additions	<u>(30,727)</u>	(510)
	<b>Total Adjustments - Depreciation Expense - Step Adjustment</b>		<b><u>\$ (510)</u></b>
	<u>NEW HAMPSHIRE BUSINESS PROFITS TAX (NHBPT) EXPENSE - STEP ADJUSTMENT</u>		
31	To record Staff's Pro-forma NHBPT Expense Adjustment:		
	Staff's NHBPT Expense Adjustment - Step Adjustment (Sch 3Bii-Step)	\$ 5,011	
	Less: Staff's NHBPT Expense Adjustment - 5-Year Average (Sch 3Bii-5YAvg)	<u>(4,402)</u>	609
32	To record NHBPT Interest Synchronization Adjustment - Step Adjustment:		
	NHBPT Interest Synchronization Adjustment - Step Adjustment (Sch 3Bii-Step)	\$ (17,822)	
	Less: NHBPT Interest Synchronization Adjustment - 5-Year Average (Sch 3Bii-5YAvg)	<u>23,927</u>	\$ 6,105
	<b>Total Adjustments - NHBPT Expense - Step Adjustment</b>		<b><u>\$ 6,714</u></b>
	<u>FEDERAL INCOME TAX (FIT) EXPENSE - STEP ADJUSTMENT</u>		
33	To record Staff's Pro-forma FIT Expense Adjustment:		
	Staff's FIT Expense Adjustment - Step Adjustment (Sch 3Bii-Step)	\$ 19,074	
	Less: Staff's FIT Expense Adjustment - 5-Year Average (Sch 3Bii-5YAvg)	<u>(16,755)</u>	2,319
34	To record FIT Interest Synchronization Adjustment - Step Adjustment:		
	FIT Interest Synchronization Adjustment - Step Adjustment (Sch 3Bii-Step)	\$ (67,837)	
	Less: FIT Interest Synchronization Adjustment - 5-Year Average (Sch 3Bii-5YAvg)	<u>91,075</u>	\$ 23,238
	<b>Total Adjustment - FIT Expense - Step Adjustment</b>		<b><u>\$ 25,557</u></b>
	<b>NET OPERATING INCOME ADJUSTMENTS PER STAFF - STEP ADJUSTMENT</b>		<b><u>\$ (24,841)</u></b>
	<b>NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE</b>		<b><u>147,527</u></b>
	<b><u>NET OPERATING INCOME ADJUSTMENTS PER STAFF - PERMANENT RATES / 5-YEAR AVERAGE / STEP ADJUSTMENT</u></b>		<b><u>\$ 122,685</u></b>

PEU0088

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**PRO-FORMA INCOME TAX EXPENSE - STEP ADJUSTMENT**

**Operating Revenues - Step Adjustment:**

Total pro-forma adjustments - Water Revenue other than NCCRS and CBFRR	\$ -
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	-
<b>Total pro-forma adjust's b/f Income Tax Exp - Operating Revenues - Step Adjustment</b>	<b><u>27,446</u></b>

**Operating Expenses - Step Adjustment:**

Total pro-forma adjustments - Production Expense	-
Total pro-forma adjustments - Transmission and Distribution Expense	-
Total pro-forma adjustments - Customer Account and Collection Expense	-
Total pro-forma adjustments - Administrative & General Expense	-
Total pro-forma adjustments - Inter-Division Management Fee	-
Total pro-forma adjustments - Property Tax Expense	(33,156)
Total pro-forma adjustments - Gain from Forgiveness SRF Debt	-
Total pro-forma adjustments - Depreciation Expense	(510)
Total pro-forma adjustments - Amortization of Acquisition Adjustment	-
Total pro-forma adjustments - Amortization-CIAC	-
Total pro-forma adjustments - Amortization Expense	-
<b>Net pro-forma adjust's b/f Income Tax Exp - Operating Expenses - Step Adjustment</b>	<b><u>(33,666)</u></b>

**Net Operating Income Adj's per Staff subject to NHBPT - Step Adjustment** 61,112

NH Business Profits Tax @ 8.20% - Step Adjustment 5,011

**Net Operating Income Adj's per Staff subject to FIT - Step Adjustment** 56,101

Federal Income Tax @ 34.00% - Step Adjustment 19,074

<b>Interest Synchronization Adjustments - Step Adjustment:</b>	<u>NHBPT</u>	<u>FIT</u>	
Adjustment	(17,822)	(67,837)	→ <u>(85,659)</u>

**Net Pro-forma Operating Income Adj's after Income Tax per Staff - Step Adjustment** **\$ 122,685**

**Interest Synchronization Adjustment**

Net Pro-forma Rate Base - Step Adjustment	\$ 11,591,357
Weighted Average Cost of Debt (Sch 1A-Step)	<u>3.92%</u>
Synchronized Interest Expense - Step Adjustment	454,842
Less: Test Year Interest Expense	<u>(672,184)</u>
State Taxable Interest Expense Adjustment - Step Adjustment	\$ (217,342)
NHBPT @ 8.20% - Step Adjustment	<u>(17,822)</u>
Federal Taxable Interest Expense Adjustment - Step Adjustment	(199,520)
FIT @ 34.00% - Step Adjustment	<u>\$ (67,837)</u>
Combined State/Federal Tax Adjustment - Step Adjustment	<u>\$ (85,659)</u>

PEU0089

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES w/ 2017 STEP ADJUSTMENT**  
**ORIGINAL RATE STRUCTURE**

Rate or Class of Service	Effect of Proposed Change	Average Number Customers	5-Year Avg Permanent Rate Revenues	Calculated Rev's - 5-Yr Avg Perm Rts w/ Step	Change	
					Amount	% Increase
G-M	Increase	7,321	\$ 5,933,005	\$ 6,515,069	\$ 582,064	9.81%
Private FP	Increase	148	257,130	282,356	25,226	9.81%
FP - Hydrants	Increase	4	628,340	689,984	61,644	9.81%
Windham Public Hydrant	Increase	328	31,372	34,450	3,078	9.81%
Raymond Public Hydrant	Increase	232	5,171	5,678	507	9.81%
Lee Public Hydrant	Increase	34	3,581	3,932	351	9.81%
Exeter Public Hydrant	Increase	52	4,656	5,113	457	9.81%
Birch Hill Public Hydrant	Increase	214	9,211	10,115	904	9.81%
Bow Public Hydrant	Increase	24	1,550	1,702	152	9.81%
NC Capital Recovery Surcharge	Decrease		299,985	178,915	(121,070)	-40.36%
		<u>8,357</u>	<u>\$ 7,174,001</u>	<u>\$ 7,727,314</u>	<u>\$ 553,313</u>	<u>7.71%</u>

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**REPORT OF PROPOSED RATE CHANGES - 5-YEAR AVERAGE PERMANENT RATES w/ 2017 STEP ADJUSTMENT**  
**MODIFIED RATE STRUCTURE**

Rate or Class of Service	Effect of Proposed Change	Average Number Customers	5-Year Avg Permanent Rate Revenues	Proposed Rev's - 5-Yr Avg Perm Rts w/ Step	Proposed Change	
					Amount	% Increase
G-M	Increase	7,321	\$ 5,933,005	\$ 7,143,291	\$ 1,210,286	20.40%
Private FP	Increase	148	257,130	309,582	52,452	20.40%
FP - Hydrants	Increase	4	628,340	756,516	128,176	20.40%
Windham Public Hydrant	Increase	328	31,372	37,772	6,400	20.40%
Raymond Public Hydrant	Increase	232	5,171	6,226	1,055	20.40%
Lee Public Hydrant	Increase	34	3,581	4,311	730	20.40%
Exeter Public Hydrant	Increase	52	4,656	5,606	950	20.40%
Birch Hill Public Hydrant	Increase	214	9,211	11,090	1,879	20.40%
Bow Public Hydrant	Increase	24	1,550	1,866	316	20.40%
NC Capital Recovery Surcharge	Decrease		299,985	178,915	(121,070)	-40.36%
		<u>8,357</u>	<u>\$ 7,174,001</u>	<u>\$ 8,455,176</u>	<u>\$ 1,281,175</u>	<u>17.86%</u>

**Notes:**

**DW 17-128**  
**PENNICHUCK EAST UTILITIES, INC.**  
**RATE STABILIZATION FUND (RSF) - STEP ADJUSTMENT**

	<b>RSF before Interco Loans</b>	<b>Interco Loans</b>	<b>RSF</b>
12/31/17	\$ 980,000	\$ -	\$ 980,000
01/31/18	980,000	-	980,000
02/28/18	980,000	-	980,000
03/31/18	980,000	-	980,000
04/30/18	980,000	-	980,000
05/31/18	980,000	-	980,000
06/30/18	980,000	-	980,000
07/31/18	980,000	-	980,000
08/31/18	980,000	-	980,000
09/30/18	980,000	-	980,000
10/31/18	980,000	-	980,000
11/30/18	980,000	-	980,000
12/31/18	980,000	-	980,000
<b>Average</b>	<b>\$ 980,000</b>	<b>\$ -</b>	<b>\$ 980,000</b>

**Annual Amortization of RSF Credit - Step Adjustment:**

RSF @ 12/31/17	\$ 980,000	
Less: Initial RSF	(980,000)	
RSF Credit	\$ -	
Amortization Period ÷	3	Years
Annual Amortization	<u>\$ -</u>	

**Deferred Credit - RSF - Step Adjustment:**

Month 1	\$ -
Month 2	-
Month 3	-
Month 4	-
Month 5	-
Month 6	-
Month 7	-
Month 8	-
Month 9	-
Month 10	-
Month 11	-
Month 12	-
Month 13	-
<b>Average</b>	<b>\$ -</b>

**DW 17-128  
PENNICHUCK EAST UTILITIES, INC.  
ANALYSIS OF 2017 MUNICIPAL AND STATE REAL ESTATE TAX  
AND CALCULATION OF PRO-FORMA PROPERTY TAX EXPENSE**

		2016 Tax		2017 Tax						
				Actual Billed			Adjustments			Adjusted Tax
				Assessment	Rate	Tax	Assessment	Rate	Calculated	
<b>ATKINSON:</b>	000001-00023	\$ 1,242	\$ 59,100	\$ 16.06	\$ 949				\$ 949	
<b>BARNSTEAD:</b>	046-047	380	15,200	26.63	405				405	
	014-008-001	89,230	3,162,520	26.63	84,218				84,218	
	014-009	22	919	26.63	24				24	
	048-001-00X	312	12,500	26.63	333				333	
		<u>89,944</u>	<u>3,191,139</u>		<u>84,980</u>				<u>84,980</u>	
<b>BOW:</b>	28-3-43-B-UO	2,936	360,500	25.58	9,222				9,222	
	15-3-109-UO	13,575	412,500	25.58	10,552				10,552	
	44-2-134-UO	3,413	46,000	25.58	1,177				1,177	
		<u>19,924</u>	<u>819,000</u>		<u>20,950</u>				<u>20,950</u>	
<b>CHESTER:</b>	017-102-000	414	19,200	23.41	449		(2.36)	(45)	404 (35)	
<b>CONWAY:</b>	232-140	987	55,300	18.55	1,026				1,026	
	231-56	830	40,900	21.00	859		(2.45)	(100)	759 (35)	
	231-71	836	41,200	21.00	865		(2.45)	(101)	764 (35)	
	231-43	828	-	-	-				-	
	997-002	20,734	1,091,000	18.55	20,238				20,238	
	231-139.021	49	-	-	-				-	
	231-139.031	-	2,500	20.25	51				51	
		<u>24,264</u>	<u>1,230,900</u>		<u>23,039</u>			<u>(201)</u>	<u>22,837</u>	
<b>DERRY:</b>	09-015	12,239	492,900	26.63	13,126				13,126	
	02-081	4,946	197,600	26.63	5,262				5,262	
	01-002-036	-	184,200	26.63	4,905				4,905	
	05-038-A	1,316	83,700	26.63	2,229				2,229	
		<u>18,501</u>	<u>958,400</u>		<u>25,522</u>				<u>25,522</u>	
<b>EXETER:</b>	115-30	1,645	9,400	24.42	230				230	
<b>HOOKSETT:</b>	WATR-0001	4,877	205,000	24.07	4,934				4,934	
	0005-0116-000W	11,907	500,500	24.07	12,047				12,047	
		<u>16,784</u>	<u>705,500</u>		<u>16,981</u>				<u>16,981</u>	
<b>LEE:</b>	000036-000003	1,897	15,100	27.55	416				416	
<b>LITCHFIELD:</b>	0016-0057	204,499	10,623,300	20.24	215,016	(1,607,641)		(32,539)	182,477 (36)	
	0011-0035	260	13,500	20.24	273	(2,043)		(41)	232 (36)	
		<u>204,759</u>	<u>10,636,800</u>		<u>215,289</u>	<u>(1,609,684)</u>		<u>(32,580)</u>	<u>182,709</u>	
<b>LONDONDERRY:</b>	10-142-0	3,139	146,000	21.61	3,155		(2.21)	(323)	2,832 (35)	
	81-5-0	139,737	10,663,300	19.40	206,868				206,868	
	7-108A-0	1,552	72,200	21.61	1,560		(2.21)	(160)	1,401 (35)	
	4-3-21	2,634	122,500	21.61	2,647		(2.21)	(271)	2,377 (35)	
	13-74-1A	2,167	100,800	21.61	2,178		(2.21)	(223)	1,956 (35)	
		<u>149,229</u>	<u>11,104,800</u>		<u>216,409</u>			<u>(976)</u>	<u>215,433</u>	
<b>MIDDLETON:</b>	000003-00016	18,562	524,600	25.71	13,487				13,487	
	000002-000013	1,020	27,600	25.71	710				710	
		<u>19,582</u>	<u>552,200</u>		<u>14,197</u>				<u>14,197</u>	

		2016 Tax			2017 Tax			
		Assessment	Actual Billed		Assessment	Adjustments		Adjusted Tax
			Rate	Tax		Rate	Calculated	
<b>PELHAM:</b>	0-14-1	66,045	3,500,000	19.27	67,445			67,445
	32-1-146-28	557	26,600	<b>21.45</b>	571	(2.18)	(58)	513 <b>(35)</b>
	7-4-65	9,187	486,800	19.27	9,381			9,381
	14-4-137-10-A	843	44,700	19.27	861			861
	7-4-26	1,757	93,100	19.27	1,794			1,794
	13-4-139-22-A	62,543	724,500	19.27	13,961			13,961
		<u>140,932</u>	<u>4,875,700</u>		<u>94,013</u>		<u>(58)</u>	<u>93,955</u>
<b>PLAISTOW:</b>	99-08	4,673	230,400	21.79	5,020			5,020
<b>RAYMOND:</b>	021-000-00B	45,856	1,985,200	21.96	43,595			43,595
	021-000-00A	196	9,100	21.96	200			200
	017-000-095	1,943	90,100	21.96	1,979			1,979
	012-003-084	155	7,200	21.96	158			158
	022-004-017	66	-	-	-			-
		<u>48,216</u>	<u>2,091,600</u>		<u>45,932</u>			<u>45,932</u>
<b>SANDOWN:</b>	07-007-01-0A	2,098	54,300	28.23	1,533			1,533
<b>TILTON:</b>	000U03-000037	11,798	565,600	21.62	12,228			12,228
<b>WEARE:</b>	109-42	9,303	461,000	20.92	9,644			9,644
<b>WINDHAM:</b>	22L-00300-02441	2,136	97,900	<b>20.20</b>	1,978	(2.35)	(230)	1,748 <b>(35)</b>
	00F-00000-02489	74,211	2,440,200	17.85	43,558			43,558
		<u>76,347</u>	<u>2,538,100</u>		<u>45,535</u>		<u>(230)</u>	<u>45,305</u>
<b>STATE OF NH:</b>		190,034	21,902,400	6.60	144,556			144,556
<b>TOTAL</b>		<b>\$ 1,031,586</b>	<b>\$ 62,020,639</b>		<b>\$ 977,872</b>	<b>\$ (1,609,684)</b>	<b>\$ (34,090)</b>	<b>\$ 943,782</b>

Less: Pro-forma Property Tax Expense per Co:  
 Test Year Property Tax Expense (1,051,160)  
 Co's Test Year Pro-forma Adj's relative to Property Tax Expense 81,142 (970,018)

Staff Pro-forma Adjustment to Property Tax Expense **\$ (26,236)**

**Calculation of Weighted Average Tax Rate:**

	Total Assessment	2017 Tax Rate	Weighted Avg Tax Rate
<b>ATKINSON:</b>	\$ 59,100	\$ 16.06	\$ 0.02
<b>BARNSTEAD:</b>	3,191,139	26.63	2.21
<b>BOW:</b>	819,000	25.58	0.54
<b>CHESTER:</b>	19,200	21.05	0.01
<b>CONWAY:</b>	1,230,900	18.55	0.59
<b>DERRY:</b>	958,400	26.63	0.66
<b>EXETER:</b>	9,400	24.42	0.01
<b>HOOKSETT:</b>	705,500	24.07	0.44
<b>LEE:</b>	15,100	27.55	0.01
<b>LITCHFIELD:</b>	9,027,116	20.24	4.74
<b>LONDONDERRY:</b>	11,104,800	19.40	5.59
<b>MIDDLETON:</b>	552,200	25.71	0.37
<b>PELHAM:</b>	4,875,700	19.27	2.44
<b>PLAISTOW:</b>	230,400	21.79	0.13
<b>RAYMOND:</b>	2,091,600	28.23	1.53
<b>SANDOWN:</b>	54,300	28.23	0.04
<b>TILTON:</b>	565,600	21.62	0.32
<b>WEARE:</b>	461,000	20.92	0.25
<b>WINDHAM:</b>	2,538,100	17.85	1.18
<b>TOTAL MUNICIPAL:</b>	<u>38,508,555</u>		<u>21.09</u>
<b>STATE OF NH:</b>	21,902,400	6.60	6.60
<b>Total</b>	<b>\$ 60,410,955</b>		<b>\$ 27.69</b>

**Staff Adjustments:**  
 (35) To eliminate state school rate.  
 (36) Per Co's response to Staff DR 2-6

PEU0094

**Pennichuck East Utility, Inc.**  
**Proposed 2017 Asset Acquisition Details**  
**For the Twelve Months Ended December 31, 2017**

**Attachment JPL-1**  
**Schedule 7**  
**STEP Additions**

Project Name	Financing	Docket No.	NHPUC Order No.	Date of NHPUC Order	Estimated Project Cost	Used and Useful Date	Used and Useful?	Actual year end		Cost of Removal	Depreciable Cost	Acct #	Depreciation		Community	Taxable	Tax Rate (3)	Annual Tax Expense
								Project Costs	Increase				Rate	Depreciation				
Stone Sled Station Upgrades (2017 carryover)	DW	16-234	25,890	4/26/2016	\$ 11,801	May-17	Yes	\$ 12,178	\$ 12,178	\$ (1,218)	\$ 10,960	320	7.19%	\$ (788)	Bow	Yes	\$ 32.18	\$ 367
Stone Sled Station Upgrades	DW	16-234	25,890	4/26/2016	\$ 6,668	May-17	Yes	\$ 6,668	\$ 6,668	\$ (6,668)	\$ 60,016	320	7.19%	\$ (4,315)	Bow	Yes	\$ 32.18	\$ 2,007
Litchfield Hydraulic Model - Asset Management					\$ -	Dec-17	Yes	\$ 51,900	\$ 51,900	\$ (5,190)	\$ 46,710	347	12.50%	\$ (5,839)	Litchfield	Yes	\$ 26.84	\$ 1,236
Locke Lake Varney Road Area	DW	16-234	25,890	4/26/2016	\$ 14,681		No	\$ 2,716	\$ -	\$ -	\$ -	331	1.47%	\$ -	Barnstead	Yes	\$ 33.23	\$ -
Hardwood New Source (2017 carryover)	DW	16-234	25,890	4/26/2016	\$ 112,949	Aug-17	Yes	\$ 112,949	\$ 112,949	\$ (11,295)	\$ 101,654	307	3.79%	\$ (3,853)	Windham	Yes	\$ 24.45	\$ 2,667
Hardwood New Source (2016)	DW	16-234	25,890	4/26/2016	\$ 51,307	Aug-17	Yes	\$ 51,173	\$ 51,173	\$ (5,117)	\$ 46,056	307	3.79%	\$ (1,746)	Windham	Yes	\$ 24.45	\$ 1,209
Braemar Woods Main Extension	CoBank 2017 Financing				\$ 7,852		Yes	\$ 7,392	\$ 7,392	\$ (739)	\$ 6,653	331	1.47%	\$ (98)	Windham	Yes	\$ 24.45	\$ 178
Pine Haven Land Acquisition	CoBank 2017 Financing				\$ 98,500	Oct-17	Yes	\$ 95,290	\$ 95,290	\$ (9,529)	\$ 85,761	303	0.00%	\$ -	Londonderry	No <sup>1</sup>	\$ 26.00	\$ -
Brady Avenue Water Main Replacement, Phase I	DW	17-055	26,006	4/19/2017	\$ 190,000	Nov-17	Yes	\$ 247,635	\$ -	\$ -	\$ -	331	1.47%	\$ -	Derry	Yes	\$ 33.23	\$ -
2017 New Services - PEU	DW	16-234	25,890	4/26/2016	\$ 33,880	1/2017-12-2017	Yes	\$ 76,749	\$ 76,749	\$ (7,675)	\$ 69,074	333	2.05%	\$ (1,416)	Varies <sup>4</sup>	Yes	\$ 27.69	\$ 2,086
2017 Renewed Services - PEU	DW	16-234	25,890	4/26/2016	\$ 14,204	1/2017-12-2017	Yes	\$ 27,094	\$ 27,094	\$ (2,709)	\$ 24,384	333	2.05%	\$ (500)	Varies <sup>4</sup>	Yes	\$ 27.69	\$ 736
2017 Hydrant replacements - PEU	DW	16-234	25,890	4/26/2016	\$ 10,000			\$ -	\$ -	\$ -	\$ -	335	1.47%	\$ -	Varies <sup>4</sup>	Yes	\$ 27.69	\$ -
2017 Gate Replacements - PEU	DW	16-234	25,890	4/26/2016	\$ 23,462	1/2017-12-2017	Yes	\$ 538	\$ 538	\$ (54)	\$ 485	331	1.47%	\$ (7)	Varies <sup>4</sup>	Yes	\$ 27.69	\$ 15
2017 Meters 5/8"-6" - PEU	CoBank 2017 Financing				\$ 163,713	1/2017-12-2017	Yes	\$ 164,830	\$ 164,830	\$ (16,483)	\$ 148,347	334	4.20%	\$ (6,231)	Varies <sup>4</sup>	Yes	\$ 27.69	\$ 4,392
PEU Share of Weinstein Well Improvement	DW	16-234	25,890	4/26/2016	\$ 55,000		No	\$ 38,324	\$ -	\$ -	\$ -	307	3.79%	\$ -	Varies <sup>4</sup>	Yes	\$ 27.69	\$ -
PEU Share of Weinstein Well Improvement	DW	16-234	25,890	4/26/2016	\$ -		No	\$ 15,866	\$ -	\$ -	\$ -	307	3.79%	\$ -	Varies <sup>4</sup>	Yes	\$ 27.69	\$ -
PEU Share of Weinstein Well Improvement	DW	16-234	25,890	4/26/2016	\$ -		No	\$ 6,105	\$ -	\$ -	\$ -	307	3.79%	\$ -	Varies <sup>4</sup>	Yes	\$ 27.69	\$ -
Booster/Well/Chemical Feed Pump Replacements - PEU	DW	16-234	25,890	4/26/2016	\$ 39,112	1/2017-12-2017	Yes	\$ 56,471	\$ 56,471	\$ (5,647)	\$ 50,824	311	5.47%	\$ (2,780)	Varies <sup>4</sup>	Yes	\$ 27.69	\$ 1,487
Shaker Heights - Install Water Softening System	DW	16-234	25,890	4/26/2016	\$ 10,000	Nov-17	Yes	\$ 16,012	\$ 16,012	\$ (1,601)	\$ 14,411	320	7.19%	\$ (1,036)	Chester	Yes	\$ 27.65	\$ 414
Ministerial Heights - Install Radon Treatment	DW	16-234	25,890	4/26/2016	\$ 10,620	Aug-17	Yes	\$ 12,825	\$ 12,825	\$ (1,283)	\$ 11,543	320	7.19%	\$ (830)	Londonderry	Yes	\$ 26.00	\$ 312
PEU well rehabilitation (4 locations)	DW	16-234	25,890	4/26/2016	\$ 15,000		No	\$ -	\$ -	\$ -	\$ -	307	3.79%	\$ -	Varies <sup>4</sup>	Yes	\$ 27.69	\$ -
PEU-Hudson Wholesale Cellular Meter Readers <sup>2</sup>	CoBank 2017 Financing				\$ 7,800	Dec-17	Yes	\$ 3,494	\$ 3,494	\$ (349)	\$ 3,144	334	4.20%	\$ (132)	Varies <sup>4</sup>	Yes	\$ 27.69	\$ 93
Merrimack River Crossing - PEU/PWW Interconnection					\$ -		No	\$ 63,460	\$ -	\$ -	\$ -	331	1.47%	\$ -	Merrimack/Litchfield	Yes	\$ 27.51	\$ -
Merrimack River Crossing - PEU/PWW Interconnection (2017 carry-over)					\$ -		No	\$ 357,619	\$ -	\$ -	\$ -	331	1.47%	\$ -	Merrimack/Litchfield	Yes	\$ 27.51	\$ -
Locke Lake Groundwater Exploration					\$ -		No	\$ 13,556	\$ -	\$ -	\$ -	307	3.79%	\$ -	Barnstead	No <sup>1</sup>	\$ 33.23	\$ -
WESCO pressure vessel replacement	DW	16-234	25,890	4/26/2016	\$ 15,000		Yes	\$ 9,996	\$ 9,996	\$ (1,000)	\$ 8,997	320	7.19%	\$ (647)	Hooksett	Yes	\$ 30.67	\$ 287
Additional projected Capital Investment for the remainder of 2017	CoBank 2017 Financing				\$ 137,416			\$ -	\$ -	\$ -	\$ -	331	1.47%	\$ -	Varies <sup>4</sup>	Yes	\$ 27.69	\$ -
					\$ 1,022,297			\$ 1,510,858	\$ 765,577	\$ (76,558)	\$ 689,019			\$ (30,217)				\$ 17,485

Depreciation Expense on 2017 Plant Additions -	\$ 30,217	
Less Depreciation Expense associated with projected 2017 Plant Retirements -	\$ (3,388)	Per Co's Sch 3 Attach A - Step Retire (Revised)
Net Increase in Depreciation Expense -	\$ 26,829	
Total Projected Plant Additions in 2017 -	\$ 689,019	
Less Total Projected Plant Retirements in 2017 -	\$ (111,974)	Per Co's Sch 3 Attach A - Step Retire (Revised)
Net Increase in Plant Additions in 2017 -	\$ 577,045	
Depreciation on Plant Additions in 2017 -	\$ 30,217	
Less Cost of Removal on Plant Additions in 2017 -	\$ (76,558)	
Less Total Projected Plant Retirements in 2017 -	\$ (111,974)	Per Co's Sch 3 Attach A - Step Retire (Revised)
Net Decrease in Accumulated Depreciation -	\$ (158,315)	

Total Used and Useful projects	\$ 765,577
Remaining CoBank funds to be used on 2017 capital	\$ 415,499
Funded with SRF funds	\$ -
<b>CoBank Financing Amount</b>	<b>\$ 350,078</b>
Total of all projects	\$ 1,510,858
Remaining CoBank funds to be used on 2017 capital	\$ 415,499
Funded with SRF funds	\$ -
	\$ 1,095,359

Local and State Property taxes on Total Projected Plant Additions in 2017 -	\$ 17,485
Cost of removal 10%	\$ 76,558

**NOTES:**

1. PEU already pays property tax on this land.
2. Investment will reduce annual meter reading labor, benefits and truck expenses by about \$7,750 per year
3. Local Tax Rate plus \$6.60 for State Utility Tax
4. Average Local property Tax rate of \$21.09 plus \$6.60 for State Utility Tax (Sch 6-Perm)
5. Cost of project was \$6,987.76, however, it is reduced by 50% as the Town of Hudson was billed for half of the project in the amount of \$3,493.88