

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2016

Schedule LDG-1
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	Account Number	12/31/2016	Pro Forma Adjustments	Proforma 12/31/16
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	59,471,255	368,844 (1)	59,840,099
Work in process	105	654,334	-	654,334
Utility Plant		60,125,588	368,844	60,494,432
Accumulated depreciation	108	12,277,191	22,158 (2)	12,299,349
Net Plant		47,848,398	346,686	48,195,084
Net Acquisition Adjustment	114 & 115	5,782,658	-	5,782,658
Total Net Utility Plant		42,065,740	346,686	42,412,426
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	40,070	-	40,070
Accounts receivable-billed, net	141 & 143	1,702,760	-	1,702,760
Accounts receivable-unbilled, net	173	418,849	-	418,849
Accounts receivable-other	142	-	-	-
Inventory	151	-	-	-
Prepaid expenses	162	5,963	-	5,963
Prepaid property taxes	163 & 236	205,561	-	205,561
Prepaid taxes	162.3	-	-	-
		2,373,204	-	2,373,204
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	234,140	-	234,140
Acquisition Premium - MARA	186	7,992,375	-	7,992,375
Other & Deferred Charges	182,184,186	764,222	-	764,222
		8,990,737	-	8,990,737
TOTAL ASSETS		\$ 53,429,681	\$ 346,686	\$ 53,776,367

Notes:

(1) To record the assets related to the CoBank Loan.

(2) To record the impact of full year depreciation offset by the Cost of Removal.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
EQUITY AND LIABILITIES
For the Twelve Months Ended December 31, 2016

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	Account Number	12/31/2016	Pro Forma Adjustments	Proforma 12/31/16
STOCKHOLDERS' EQUITY				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	\$ 13,333,907	-	\$ 13,333,907
Comprehensive Income	219	\$ (272,011)	-	\$ (272,011)
Retained earnings	215	\$ (128,250)	(41,961) (2)	\$ (170,211)
		12,933,745	(41,961)	12,891,785
LONG TERM DEBT				
Bonds, notes and mortgages	221	\$ 16,658,945	368,844 (3)	17,027,789
Intercompany advances	223	\$ 4,038,030	19,803 (3),(1)	4,057,832
Other Long Term Debt	224	\$ 453,352	-	453,352
CURRENT LIABILITIES				
Accounts payable	231	\$ 1,490,434	-	1,490,434
Accrued property taxes	236	\$ (0)	-	(0)
Accrued interest payable	237	\$ 23,114	-	23,114
Other accrued expenses	241	\$ 437,074	-	437,074
Income taxes payable	236	\$ -	-	-
Customer deposits & other	235	\$ 467,965	-	467,965
		2,418,588	-	2,418,588
OTHER LIABILITIES AND DEFERRED CREDITS				
Deferred income taxes	282	\$ 4,823,913	-	4,823,913
Customer advances	252	\$ -	-	-
CIAC, net	271 & 272	\$ 12,103,108	-	12,103,108
Other long term liabilities		-	-	-
		16,927,021	-	16,927,021
TOTAL EQUITY AND LIABILITIES		\$ 53,429,681	\$ 346,686	\$ 53,776,367

Notes:

(1) To record the CoBank Debt as follows:

CoBank Term Loan \$ 368,844 **CoBank**

(2) To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.

(3) To record the use of funds through the intercompany debt and the impact of the intercompany loan refinance.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2016

Schedule LDG-2
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	Account Number	Twelve Months 12/31/16	Pro Forma Adjustments	Pro Forma 12 Months 12/31/16
Water Sales	460 to 462	\$ 7,371,544	-	\$ 7,371,544
Other Operating Revenue	471	39,407	-	39,407
Total Revenues		7,410,951	-	7,410,951
Production Expenses	601 to 652	1,991,779	-	1,991,779
Transmission & Distribution Expenses	660 to 678	616,944	-	616,944
Customer Acct & Collection Exp	902 to 904	184,106	-	184,106
Administrative & General Expense	920 to 950	155,295	-	155,295
Inter Div Management Fee	930	1,811,426	-	1,811,426
Total Operating Expense		4,759,549	-	4,759,549
Dep Exp/Acq Adj Expense	403 & 406	1,039,607	22,158 (2)	1,061,765
Amortization Expense:CIAC	405	(259,085)	-	(259,085)
Amortization Expense	407	251,081	-	251,081
Gain on Debt Forgiveness	414	(22,613)	-	(22,613)
Property Taxes	408.1	1,051,160	26,401 (2)	1,077,561
Income Tax	409 to 410	47,319	(27,522) (3)	19,797
Total Operating Deductions		2,107,469	21,037	2,128,506
Net Operating Income		543,933	(21,037)	522,896
Other Income and Deductions		-	-	-
Interest Expenses		672,183	20,924 (1)	693,107
Net Income		(128,250)	(41,961)	(170,211)

Notes:

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

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2016

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Supporting Calculations:

Interest Expense:

	Amount	Rate	Interest
CoBank Term Loan	\$ 368,844	3.25%	\$ 11,967
Existing 2013 Interco Loan-eliminated	\$ (857,632)	2.65%	\$ (22,727)
Refinance of 2013 Interco Loan	\$ 857,632	3.20%	\$ 27,444
Existing 2015 Interco Loan-eliminated	\$ (843,884)	2.70%	\$ (22,785)
Refinance of 2015 Interco Loan	\$ 843,884	3.20%	\$ 27,004
Annual Interest			\$ 20,924

Depreciation

Additions:

	Asset Cost		Depreciation	
	Asset Totals	Cost of	Total	Rate Amount
	Term Loan	Removal		
303 Land and Land Rights	\$ 98,500	\$ -	\$ 98,500	0.00% \$ -
304 Structures & Improvements	\$ -	\$ -	\$ -	2.62% \$ -
305 Collecting and Impounding Reservoirs	\$ -	\$ -	\$ -	\$ -
306 Lake, River and Other Intakes	\$ -	\$ -	\$ -	\$ -
307 Wells & Springs	\$ 234,256	\$ 23,426	\$ 210,830	3.79% \$ 7,990
308 Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -	\$ -
309 Supply Mains	\$ -	\$ -	\$ -	\$ -
310 Power Generation Equipment	\$ -	\$ -	\$ -	\$ -
311 Pumping Equipment	\$ 39,112	\$ 3,911	\$ 35,201	5.50% \$ 1,936
320 Water Treatment Equipment	\$ 47,421	\$ 4,742	\$ 42,679	7.33% \$ 3,128
330 Distribution Reservoirs and Standpipes	\$ -	\$ -	\$ -	1.94% \$ -
331 Transmission & Distribution Mains*	\$ 153,257	\$ 15,326	\$ 137,931	1.47% \$ 2,028
333 Services	\$ 48,083	\$ 4,808	\$ 43,275	2.05% \$ 887
334 Meters and Meter Installations	\$ 163,713	\$ 16,371	\$ 147,342	4.20% \$ 6,188
335 Hydrants	\$ -	\$ -	\$ -	1.47% \$ -
339 Other Plant and Misc Equipment	\$ -	\$ -	\$ -	\$ -
340 Office Furniture and Equipment	\$ -	\$ -	\$ -	\$ -
341 Transportation Equipment	\$ -	\$ -	\$ -	\$ -
342 Stores Equipment	\$ -	\$ -	\$ -	\$ -
343 Tools, Shop and Garage Equipment	\$ -	\$ -	\$ -	\$ -
344 Lab Equipment	\$ -	\$ -	\$ -	\$ -
345 Power Operated Equipment	\$ -	\$ -	\$ -	\$ -
347 Computer Equipment	\$ -	\$ -	\$ -	\$ -
Totals	\$ 784,343	\$ -	\$ 715,759	\$ 22,158

Net Additions \$ 784,343 \$ - \$ 715,759

Pro Forma Depreciation

\$ 22,158

Adjusted Pro Forma Depreciation

\$ 22,158

Property Taxes

Combined Federal
And State Income Tax

Derry Town Tax Rate \$ 27.06

Other

State of New Hampshire \$ 6.60

Total Tax Rate \$ 33.66

Pro Forma Property Taxes \$ 26,401 1.1% \$ 290 \$ 26,691

Pennichuck East Utility, Inc.
Pro Forma Capital Structure for Ratemaking Purposes
For the Twelve Months Ended December 31, 2016

Schedule LDG-3

	Pro Forma 2016	Pro Forma Eliminations	Pro Forma 2016 with Eliminations	Component Ratio
Long-term Debt	17,027,789	(1,278,507) (1)	15,749,281	89.00%
Intercompany Debt	\$ 4,057,832	(2,465,846) (1)	1,591,987	9.00%
<u>Common Equity:</u>				
Common Stock	100	(100)	-	
Paid In Capital	13,333,907	(13,066,201) (2)	267,706	
Comprehensive Income	(272,011)	529,702 (2)	257,691	
Retained Earnings	(170,211)		(170,211)	
Total Common Equity	12,891,785		355,186	2.01%
Total Capital	<u>\$ 33,977,406</u>	<u>(16,280,952)</u>	<u>\$ 17,696,454</u>	100.00%

Notes:

- (1) Eliminate Capital Recovery Surcharge Related Assets with the offset to Long Term Debt and Intercompany Debt.
The Long Term Debt consists of the SRF Loan for the Birch Hill interconnection. The remainder is Intercompany Debt.
(2) Per Order 25,292 in DW 11-026, eliminate the MARA and related equity:

	MARA	8,984,574	7,992,375
	Equity as of 1/25/12	939,755	
	Paid in Capital as of 1/25/12	6,000,000	
		15,904,329	
Less: Dividends Paid in Feb 2013		(752,171)	
Dividends Paid in Mar 2014		(811,651)	
		14,340,507	
Dividends Paid in Mar 2015		(589,497)	
		13,751,010	
Dividends Paid in Mar 2016		(684,809)	
		13,066,201	
Comprehensive Income as of 1/25/12		(529,702)	