

**PENNICHUCK EAST UTILITY, INC.**  
**BALANCE SHEET**  
**ASSETS AND DEFERRED CHARGES**  
For the Twelve Months Ended December 31, 2017

Schedule LDG-1  
Page 1 of 2

	Account Number	12/31/2017	Pro Forma Adjustments	Proforma 12/31/17
<b><u>PLANT ASSETS</u></b>				
Plant in Service	301 to 348	66,970,398	4,240,000 (1)	71,210,398
Work in process	105	1,141,892	-	1,141,892
Utility Plant		68,112,289	4,240,000	72,352,289
Accumulated depreciation	108	13,510,696	169,137 (2)	13,679,833
Net Plant		54,601,593	4,070,863	58,672,456
Net Acquisition Adjustment	114 & 115	5,666,637	-	5,666,637
Total Net Utility Plant		48,934,956	4,070,863	53,005,819
<b><u>CURRENT ASSETS</u></b>				
Cash & Special Deposits	131 & 133	40,070	-	40,070
Accounts receivable-billed, net	141 & 143	928,775	-	928,775
Accounts receivable-unbilled, net	173	458,100	-	458,100
Accounts receivable-other	142	-	-	-
Inventory	151	-	-	-
Prepaid expenses	162	6,257	-	6,257
Prepaid property taxes	163 & 236	195,285	-	195,285
Prepaid taxes	162.3	-	-	-
		1,628,487	-	1,628,487
<b><u>OTHER ASSETS</u></b>				
Debt issuance expenses	181	237,564	-	237,564
Acquisition Premium - MARA	186	7,788,459	-	7,788,459
Other & Deferred Charges	182,184,186	794,153	-	794,153
		8,820,176	-	8,820,176
<b>TOTAL ASSETS</b>		<b>\$ 59,383,619</b>	<b>\$ 4,070,863</b>	<b>\$ 63,454,482</b>

**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, 2017

Schedule LDG-1  
Page 2 of 2

	Account Number	12/31/2017	Pro Forma Adjustments	Proforma 12/31/17
<b>STOCKHOLDERS' EQUITY</b>				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	\$ 12,482,363	-	\$ 12,482,363
Comprehensive Income	219	\$ (224,522)	-	\$ (224,522)
Retained earnings	215	\$ (1,088,842)	(308,998) (2)	\$ (1,397,840)
		11,169,098	(308,998)	10,860,100
<b>LONG TERM DEBT</b>				
Bonds, notes and mortgages	221	\$ 16,510,820	4,240,000 (3)	20,750,820
Intercompany advances	223	\$ 8,405,729	139,862 (3),(1)	8,545,591
Other Long Term Debt	224	\$ 374,204	-	374,204
<b>CURRENT LIABILITIES</b>				
Accounts payable	231	\$ 347,057	-	347,057
Accrued property taxes	236	\$ -	-	-
Accrued interest payable	237	\$ 17,024	-	17,024
Other accrued expenses	241	\$ 431,203	-	431,203
Income taxes payable	236	\$ -	-	-
Customer deposits & other	235	\$ 55,293	-	55,293
		850,577	-	850,577
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>				
Deferred income taxes	282 & 283	\$ 4,010,974	-	4,010,974
Customer advances	252	\$ -	-	-
CIAC, net	271 & 272	\$ 18,062,215	-	18,062,215
Other long term liabilities		-	-	-
		22,073,189	-	22,073,189
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 59,383,619</b>	<b>\$ 4,070,863</b>	<b>\$ 63,454,482</b>

**Notes:**

(1) To record the SRF Debt as follows:

SRF Loan \$ 4,240,000 SRF

(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, 2017

Schedule LDG-2  
Page 1 of 2

	Account Number	Twelve Months 12/31/17	Pro Forma Adjustments	Pro Forma 12 Months 12/31/17
Water Sales	460 to 462	\$ 7,162,516	-	\$ 7,162,516
Other Operating Revenue	471	34,791	-	\$ 34,791
<b>Total Revenues</b>		<b>7,197,307</b>	<b>-</b>	<b>7,197,307</b>
Production Expenses	601 to 652	1,966,063	-	1,966,063
Transmission & Distribution Expenses	660 to 678	696,492	-	696,492
Customer Acct & Collection Exp	902 to 904	192,789	-	192,789
Administrative & General Expense	920 to 950	167,569	-	167,569
Inter Div Management Fee	930	2,098,399	-	2,098,399
<b>Total Operating Expense</b>		<b>5,121,313</b>	<b>-</b>	<b>5,121,313</b>
Dep Exp/Acq Adj Expense	403 & 406	1,153,807	169,137 (2)	1,322,943
Amortization Expense:CIAC	405	(321,856)	-	(321,856)
Amortization Expense	407	262,534	-	262,534
Gain on Debt Forgiveness	414	(22,613)	-	(22,613)
Property Taxes	408.1	891,416	140,895 (2)	1,032,311
Income Tax	409 to 410	386,332	(115,683) (3)	270,649
<b>Total Operating Deductions</b>		<b>2,349,619</b>	<b>194,349</b>	<b>2,543,968</b>
<b>Net Operating Income</b>		<b>(273,625)</b>	<b>(194,349)</b>	<b>(467,973)</b>
Other Income and Deductions		8,422	-	8,422
Interest Expenses		695,389	114,650 (1)	810,039
<b>Net Income</b>		<b>(960,592)</b>	<b>(308,998)</b>	<b>(1,269,590)</b>

**Notes:**

- 1 - To record the change in interest expense.
- 2 - To record the impact of assets on depreciation and property taxes.
- 3 - To record the tax impact resulting from additional expenses, at the statutory rate of 27.24%.

**PENNICHUCK EAST UTILITY, INC.**  
**OPERATING INCOME STATEMENT**  
For the Twelve Months Ended December 31, 2017

Schedule LDG-2  
Page 2 of 2

**Supporting Calculations:**

**Interest Expense:**

	Amount	Rate	Interest
SRF Loan -Surface Water Supply	\$ 2,865,000	2.704%	\$ 77,470
SRF Loan - Airstrip Well Treatment	\$ 400,000	2.704%	\$ 10,816
SRF Loan - Georgetown Main Replacement	\$ 975,000	2.704%	\$ 26,364
<b>Annual Interest</b>	<b>\$ 4,240,000</b>		<b>\$ 114,650</b>

**Depreciation**

**Additions:**

	Asset Cost		Total	Depreciation	
	Asset Totals Term Loan	Cost of Removal		Rate	Amount
303 Land and Land Rights	\$ -	\$ -	\$ -	0.00%	\$ -
304 Structures & Improvements	\$ 200,000	\$ -	\$ 200,000	2.62%	\$ 5,240
305 Collecting and Impounding Reservoirs	\$ -	\$ -	\$ -	1.47%	\$ -
306 Lake, River and Other Intakes	\$ 600,000	\$ -	\$ 600,000	3.33%	\$ 19,980
307 Wells & Springs	\$ -	\$ -	\$ -	3.79%	\$ -
308 Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -		\$ -
309 Supply Mains	\$ 800,000	\$ 80,000	\$ 720,000	1.67%	\$ 11,304
310 Power Generation Equipment	\$ -	\$ -	\$ -	6.11%	\$ -
311 Pumping Equipment	\$ -	\$ -	\$ -	5.47%	\$ -
320 Water Treatment Equipment	\$ 1,665,000	\$ -	\$ 1,665,000	7.19%	\$ 119,714
330 Distribution Reservoirs and Standpipes	\$ -	\$ -	\$ -	1.94%	\$ -
331 Transmission & Distribution Mains	\$ 975,000	\$ 97,500	\$ 877,500	1.47%	\$ 12,899
333 Services	\$ -	\$ -	\$ -	2.05%	\$ -
334 Meters and Meter Installations	\$ -	\$ -	\$ -	4.20%	\$ -
335 Hydrants	\$ -	\$ -	\$ -	1.47%	\$ -
339 Other Plant and Misc Equipment	\$ -	\$ -	\$ -	2.00%	\$ -
340 Office Furniture and Equipment	\$ -	\$ -	\$ -	2.00%	\$ -
341 Transportation Equipment	\$ -	\$ -	\$ -		\$ -
342 Stores Equipment	\$ -	\$ -	\$ -		\$ -
343 Tools, Shop and Garage Equipment	\$ -	\$ -	\$ -	8.33%	\$ -
344 Lab Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
346 Power Operated Equipment	\$ -	\$ -	\$ -		\$ -
347 Computer Equipment	\$ -	\$ -	\$ -	12.50%	\$ -
<b>Totals</b>	<b>\$ 4,240,000</b>	<b>\$ 177,500</b>	<b>\$ 4,062,500</b>		<b>\$ 169,137</b>

Net Additions \$ 4,240,000 \$ - \$ 4,062,500

**Pro Forma Depreciation**

\$ 169,137

**Adjusted Pro Forma Depreciation**

\$ 169,137

**Property Taxes**

	Combined Federal And State Income Tax
Barnstead Town Tax Rate	\$ 26.63
Other	
State of New Hampshire	\$ 6.60
<b>Total Tax Rate</b>	<b>\$ 33.23</b>

**Pro Forma Property Taxes** \$ 140,895 1.1% \$ 1,550 \$ **142,445**

**Pennichuck East Utility, Inc.**  
**Pro Forma Capital Structure for Ratemaking Purposes**  
**For the Twelve Months Ended December 31, 2017**

Schedule LDG-3

	Pro Forma 2017	Pro Forma Eliminations	Pro Forma 2017 with Eliminations	Component Ratio
Long-term Debt	20,750,820	(1,196,098) (1)	19,554,722	79.44%
Intercompany Debt	\$ 8,545,591	(2,392,130) (1)	6,153,461	25.00%
<u>Common Equity:</u>				
Common Stock	100	(100)	-	
Paid In Capital	12,482,363	(12,482,363) (2)	-	
Comprehensive Income	(224,522)	529,702 (2)	305,180	
Retained Earnings	(1,397,840)		(1,397,840)	
Total Common Equity	<u>10,860,100</u>		<u>(1,092,661)</u>	-4.44%
Total Capital	<u>\$ 40,156,511</u>	<u>(15,540,989)</u>	<u>\$ 24,615,522</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, and adjust comprehensive income as follows:



**PENNICHUCK EAST UTILITY, INC.**

**CORPORATE SECRETARY'S CERTIFICATE**

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck East Utility, Inc. (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Company on May 24, 2018; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

Resolved: that the Board of Directors hereby approves the borrowing by Pennichuck East Utility, Inc. (the "Company") of up to \$4,240,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 30-year term, level payment, with interest at a maximum rate of 2.424% and related costs, for the purpose of funding the Locke Lake New Groundwater Source Project, pursuant to a Loan Agreement between the Company and the State under the State's Drinking Water Revolving Loan Fund program.

Further Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Loan Agreement for the SRF loan described in the previous resolution (the "SRF Loan") with such terms, including the exhibits and schedules to such Loan Agreement, as may be deemed necessary or advisable in the several judgment of the officers executing the Loan Agreement.

- 2 -

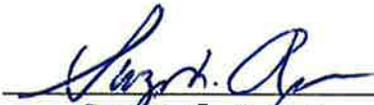
Further

Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the SRF Loan from the New Hampshire Public Utilities Commission, the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of Pennichuck Corporation (the Company's parent corporation), and any other authority determined by such officers relating to the SRF Loan.

Further

Resolved: that Larry D. Goodhue, Donald L. Ware and Carol Ann Howe are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the SRF Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand as Corporate Secretary of Pennichuck East Utility, Inc. this 28th day of August, 2018.

  
Suzanne L. Ansara  
Corporate Secretary



**PENNICHUCK CORPORATION**

**CORPORATE SECRETARY'S CERTIFICATE**

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Corporation (the "Company"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Company. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Company on June 22, 2018; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

Resolved: that the Board of Directors hereby approves the guaranty by Pennichuck Corporation (the "Company") of the payment by Pennichuck East Utility, Inc. ("PEU") of all of its obligations with respect to PEU's borrowing of up to \$4,240,000 in principal amount from the State of New Hampshire (the "State"), such amount to be paid over a 30-year term, level payment, with interest at a maximum rate of 2.424% and related costs, for the purpose of funding the Locke Lake New Groundwater Source Project, pursuant to a Loan Agreement between PEU and the State under the State's Drinking Water Revolving Loan Fund program.

Further

Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Guaranty agreement with respect to the SRF loan described in the prior resolution (the "SRF Loan"), with such terms as may be deemed necessary or advisable in the several judgment of the officers executing the Guaranty agreement.

Further

Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Guaranty from the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the Guaranty.

Further

Resolved: that Larry D. Goodhue, Donald L. Ware and Carol Ann Howe are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Guaranty and the SRF Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand as Corporate Secretary of Pennichuck Corporation this 28th day of August, 2018.



Suzanne L. Ansara  
Corporate Secretary