

Pennichuck Water Works, Inc.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2018

	Account Number	12/31/2018	Pro Forma Adjustments	Pro Forma 12/31/2018
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	222,037,770	5,500,000 (1)	227,537,770
Work in process	105	1,754,568	-	1,754,568
Utility Plant		223,792,339	5,500,000	229,292,339
Accumulated depreciation	108	57,983,171	183,333 (2)	58,166,504
Net Plant		165,809,168	5,316,667	171,125,834
Net Acquisition Adjustment	114 & 115	291,639	-	291,639
Total Net Utility Plant		165,517,529	5,316,667	170,834,195
<u>CURRENT ASSETS</u>				
Cash	131 & 133	6,000	-	6,000
Restricted Cash - RSF	131	2,213,507	-	2,213,507
Restricted Cash - 2014 Bond Project Fund	131	2,158,034	-	2,158,034
Restricted Cash - 2015 Bond Project Fund	131	1,169,544	-	1,169,544
Restricted Cash - 2018 Bond Project Fund	131	9,177	-	9,177
Accounts receivable-billed, net	141 & 143	2,767,637	-	2,767,637
Accounts receivable-unbilled, net	173	1,715,764	-	1,715,764
Accounts receivable-other	142	-	-	-
Inventory	151	600,610	-	600,610
Prepaid expenses	162	26,914,796	-	26,914,796
Prepaid property taxes	163 & 236	-	-	-
Prepaid taxes	162.3	-	-	-
		37,555,070	-	37,555,070
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	4,075,101	-	4,075,101
Acquisition Premium - MARA	186	66,616,661	-	66,616,661
Other & Deferred Charges	182,184,186	9,716,257	-	9,716,257
		80,408,019	-	80,408,019
TOTAL ASSETS		\$ 283,480,617	\$ 5,316,667	\$ 288,797,284

Notes:

(1) To record the assets related to the New Debt.

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

Pennichuck Water Works, Inc.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2018

Schedule LDG-2

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	Account Number	TWELVE MONTHS 12/31/18	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/18
Water Sales	460 to 462	\$ 31,974,120	\$ -	\$ 31,974,120
Other Operating Revenue	471	416,551	-	416,551
Total Revenues		32,390,671	-	32,390,671
Production Expenses	601 to 652	5,074,509	-	5,074,509
Transmission & Distribution Expenses	660 to 678	2,848,339	-	2,848,339
Engineering Expenses	660	1,287,747	-	1,287,747
Customer Acct & Collection Exp	902 to 904	489,789	-	489,789
Administrative & General Expense	920 to 950	7,563,466	-	7,563,466
Inter Div Management Fee	930	(3,288,063)	-	(3,288,063)
Total Operating Expense		13,975,787	-	13,975,787
Dep Exp/Acq Adj Expense	403 & 406	5,812,669	183,333 (2)	5,996,002
Amortization Expense:CIAC	405	(740,182)	-	(740,182)
Amortization Expense	407	1,965,332	-	1,965,332
Gain on Debt Forgiveness	414	(59,384)	-	(59,384)
Property Taxes	408.1	5,172,305	159,060 (2)	5,331,365
Income Tax	409 to 410	2,350,789	(143,907) (4)	2,206,882
Total Operating Deductions		14,501,528	198,486	14,700,014
Net Operating Income		3,913,356	(198,486)	3,714,870
Other Income and Deductions		-	-	-
AFUDC		(17,965)	-	(17,965)
Interest Expenses		3,455,348	185,900 (1)	3,641,248
Debt Issuance Cost New/Amortization		-	- (3)	-
Net Income		475,973	(384,386)	91,586

Notes:

- 1 - To record the change in interest expense associated with New Debt.
- 2 - To record the impact of assets on depreciation and property taxes.
- 3 - To record the amortization of new debt expense.

Pennichuck Water Works, Inc.
OPERATING INCOME STATEMENT

Schedule LDG-2

For the Twelve Months Ended December 31, 2018

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Supporting Calculations:

Interest Expense:

New debt	\$ 5,500,000
Interest Rate	3.380%
Annual Interest	<u>\$ 185,900</u>

Depreciation

	Asset Cost			Depreciation	
			Total	Rate	Amount
New Deep River Intake	\$ -	\$ 5,500,000	\$ 5,500,000 **	3.33%	\$ 183,333
Totals	<u>\$ -</u>	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	-	<u>\$ 183,333</u>

Cost of Removal: 10%

	Asset Cost			Depreciation	
			Total	Rate	Amount
COR: Deep River Intake	\$ -	\$ -	\$ -	3.33%	\$ -
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
	<u>\$ -</u>	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	-	

Pro Forma Depreciation

\$ 183,333

Property Taxes

Town	\$ 22.32	Merrimack	
State of New Hampshire	\$ 6.60		
Total Tax Rate	<u>\$ 28.92</u>		
Pro Forma Property Taxes	<u>\$ 159,060</u>	<u>\$ 159,060</u>	

Pennichuck Water Works, Inc.
2019 Drinking Water and Groundwater Trust Fund Financing
Projected Rate Impact on Single Family Residential Home
1/31/2019

Loan Amount	-	\$ 5,500,000		(a)
Loan Percentage	-	3.38%		
Loan Term (in years)	-	30		
Annual Principal & Interest on Loan	-	<u>\$294,563</u>		(b)
Coverage Multiplier, under DW 16-806	-	<u>1.1</u>	x	(c)
Revenue Requirement for P&I: [(a) x (c)]	-	<u><u>\$324,020</u></u>		(d)
Property tax rate/\$1000 ^{Note a}	-	<u>\$ 28.92</u>		(e)
Projected Property Taxes: [(a)/1000 x (e)]	-	<u>\$ 159,060</u>		(f)
Projected Revenue Requirement: [(d) + (f)]	-	<u><u>\$483,080</u></u>		(g)
DW 16-806 Allowed Revenue Requirement	-	\$ 31,496,787		(h)
Calculated QCPAC Surcharge: [(g)/(h)]	-	<u><u>1.53%</u></u>		(i) resulting from the proposed financing
Current Monthly Single Family Residential Bill ^{Note b}	-	<u>\$ 53.98</u>		(j)
Monthly impact on Single Family Residential Bill of this Financing: [(i) x (j)]	-	<u><u>\$ 0.83</u></u>		per month

Note a - combined local property taxes for Town of Merrimack and State Utility Tax

Note b - From rates approved under DW 16-806, without subsequent QCPAC surcharges

PENNICHUCK WATER WORKS, INC.

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Water Works, 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 January 25, 2019; 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 Water Works, Inc. (the "Company") of up to \$5,500,000 in principal amount from the New Hampshire Drinking Water and Groundwater Trust Fund (the "Trust Fund"), such amount to be paid over a term not to exceed 40 years, level payment, at the prevailing interest rate for the Drinking Water and Groundwater Trust Fund (currently 3.38%) and related costs, for the purpose of funding the Merrimack River Raw Water Intake project, pursuant to a Loan Agreement between the Company and the New Hampshire Department of Environmental Services.

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 Trust Fund loan described in the previous resolution (the "Trust Fund 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.

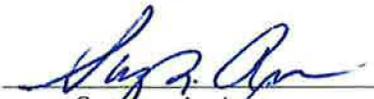
Further

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 Trust Fund 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 Trust Fund 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 Trust Fund 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 Water Works, Inc. this 6th day of February, 2019.


 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 January 25, 2019; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

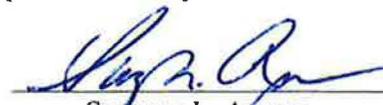
Resolved: that the Board of Directors hereby approves the guaranty by Pennichuck Corporation (the "Company") of the payment by Pennichuck Water Works, Inc. ("PWW") of all of its obligations with respect to PWW's borrowing of up to \$5,500,000 in principal amount from the New Hampshire Drinking Water and Groundwater Trust Fund (the "Trust Fund"), such amount to be paid over a term not to exceed 40 years, level payment, at the prevailing interest rate for the Drinking Water and Groundwater Trust Fund (currently 3.38%) and related costs, for the purpose of funding the Merrimack River Raw Water Intake project, pursuant to a Loan Agreement between PWW and the New Hampshire Department of Environmental Services.

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 Trust Fund loan described in the prior resolution (the "Trust Fund 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 Trust Fund 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 6th day of February, 2019.


Suzanne L. Ansara
Corporate Secretary

January 31, 2019

Mr. George Mandt, Vice President
TD Bank, N.A.
17 New England Executive Park, 2nd Floor
Burlington, MA 01803

RE: Written notice per Section 6(c)(vi) of the Master Loan Agreement between Pennichuck Corporation (the "Company" or "Pennichuck") and TD Bank, N.A. (the "Bank")

Hi George,

Pursuant to section 6(c)(vi) of the Loan Agreement, dated June 25, 2014 (the "Agreement"), and as Amended and Restated as of April 27, 2018, I am supplying you with the requisite prior written notice of the Company's intent to secure term financing from the Drinking Water and Groundwater Trust Fund ("DWGTF") (otherwise known as a "state revolving loan") through the NHDES, for its wholly-owned Pennichuck Water Works, Inc. ("PWW") subsidiary. This written notification being provided pursuant to approval to issue this loan by the DWGTF on January 3, 2019, and approval to procure these funds by the Pennichuck and PWW Board of Directors on January 25, 2019. This is also being furnished as a follow-up to verbal communications we have had with the Bank during 2018, as it pertains to the funded project identified to this funding.

The amount we will be securing under this loan is as follows: \$5,500,000 for PWW, for the design, construction and installation of a new Deep River Intake on the Merrimack River. In accordance, with this section of the Agreement, the Company or its subsidiaries are allowed to borrow funds under tax exempt or taxable bond financings or state revolving fund loans, without prior written consent from the Bank. In lieu of this consent requirement, the Company must provide 30 days prior written notice of the Company's intent to enter into and close on said financings.

As referenced above, on January 25, 2019, Pennichuck's and PWW's Boards of Directors passed a set of resolutions authorizing management to procure said financing on behalf of this subsidiary. As such, the Company has prepared and is submitting a financing petition with the NH Public Utilities Commission, as well as obtaining shareholder approval from the Company's sole shareholder, the City of Nashua, NH. Notice of this loan was provided to the shareholder on January 30, 2019, and the management of the Company will be meeting with the shareholder to secure their approval during the month of February

2019. Pursuant to the Company and PWW receiving NHPUC and shareholder approval, they will close on this new debt obligation in late Q1 or early Q2 of 2019.

As referenced above, the PWW financing is being secured as the funding for the design, construction and installation of a new Deep River Intake in the Merrimack River, replacing the current “in bank” Intake at the river, supplying water into the Company’s water treatment plant in the City of Nashua, New Hampshire. These funds will be accessed in lieu of using TD provided Fixed Asset Line of Credit (“FALOC”) advances in 2019, and subsequently issuing bond funds for these projects in early 2020, as these available and granted funds from the DWGTF bear an interest rate that is approximately 200 basis points lower than bond funds and carry a cost of issuance that is several hundred thousand dollars less than issuing bonds for this project. As a result, the unused FALOC and unissued bond capacity will then be available for other projects in 2019-2021.

Thank you for your time in reviewing and accepting this written notice, in conformity with the Agreement.

Sincerely,



Larry D. Goodhue
CEO, CFO and Treasurer
Pennichuck Corporation