

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2019

Schedule LDG-1
Page 1 of 2

	Account Number	12/31/2019	Pro Forma Adjustments	Proforma 12/31/19
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	75,767,052	- (1)	75,767,052
Work in process	105	729,035	-	729,035
Utility Plant		76,496,087	-	76,496,087
Accumulated depreciation	108	15,602,948	7,085 (2)	15,610,033
Net Plant		60,893,139	(7,085)	60,886,054
Net Acquisition Adjustment	114 & 115	5,087,841	-	5,087,841
Total Net Utility Plant		55,805,298	(7,085)	55,798,213
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	882,132	-	882,132
Accounts receivable-billed, net	141 & 143	670,711	-	670,711
Accounts receivable-unbilled, net	173	671,377	-	671,377
Accounts receivable-other	142	-	-	-
Inventory	151	-	-	-
Prepaid expenses	162	7,393	-	7,393
Prepaid property taxes	163 & 236	263,892	-	263,892
Prepaid taxes	162.3	-	-	-
		2,495,505	-	2,495,505
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	236,980	-	236,980
Acquisition Premium - MARA	186	7,366,833	-	7,366,833
Other & Deferred Charges	182,184,186	673,397	-	673,397
		8,277,211	-	8,277,211
TOTAL ASSETS		\$ 66,578,014	\$ (7,085)	\$ 66,570,929

Notes:

(1) No adjustment needed to record the assets related to the CoBank Loan, as all of which were used and useful at 12/31/2019, and already included in the PPE amounts.

(2) To record the impact of full year depreciation, offset by the half-year depreciation already included on the Balance Sheet for 12/31/2019.

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
EQUITY AND LIABILITIES
For the Twelve Months Ended December 31, 2019

Schedule LDG-1
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	Account Number	12/31/2019	Pro Forma Adjustments	Proforma 12/31/19
STOCKHOLDERS' EQUITY				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	\$ 11,428,201	-	\$ 11,428,201
Comprehensive Income	219	\$ (212,036)	-	\$ (212,036)
Retained earnings	215	\$ (2,156,262)	(43,181) (2)	\$ (2,199,443)
		9,060,003	(43,181)	9,016,822
LONG TERM DEBT				
Bonds, notes and mortgages	221	\$ 20,078,551	5,803,275 (1),(3)	25,881,826
Intercompany advances	223	8,169,417	(4,963,904) (3)	3,205,514
Other Long Term Debt	224	\$ 353,393	-	353,393
CURRENT LIABILITIES				
Accounts payable	231	\$ 180,025	-	180,025
Accrued property taxes	236	\$ -	-	-
Accrued interest payable	237	\$ 16,334	-	16,334
Fixed Asset Line of Credit	232	\$ 995,881	(803,275) (1)	192,606
Other accrued expenses	241	\$ 197,573	-	197,573
Income taxes payable	236	\$ -	-	-
Customer deposits & other	235	\$ 242,867	-	242,867
		1,632,680	(803,275)	829,405
OTHER LIABILITIES AND DEFERRED CREDITS				
Deferred income taxes	282 & 283	\$ 6,140,672	-	6,140,672
Customer advances	252	\$ -	-	-
CIAC, net	271 & 272	\$ 21,143,298	-	21,143,298
Other long term liabilities		-	-	-
		27,283,970	-	27,283,970
TOTAL EQUITY AND LIABILITIES		\$ 66,578,014	\$ (7,085)	\$ 66,570,929

Notes:

(1) To record the CoBank Debt and Intercompany Loan as follows:

CoBank Loan \$ 803,275 **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, 2019

Schedule LDG-2
Page 1 of 2

	Account Number	Twelve Months 12/31/19	Pro Forma Adjustments	Pro Forma 12 Months 12/31/19
Water Sales	460 to 462	\$ 8,788,900	-	\$ 8,788,900
Other Operating Revenue	471	30,188	-	\$ 30,188
Total Revenues		8,819,088	-	8,819,088
Production Expenses	601 to 652	2,257,199	-	2,257,199
Transmission & Distribution Expenses	660 to 678	1,006,231	-	1,006,231
Customer Acct & Collection Exp	902 to 904	204,718	-	204,718
Administrative & General Expense	920 to 950	181,461	-	181,461
Inter Div Management Fee	930	2,397,261	-	2,397,261
Total Operating Expense		6,046,869	-	6,046,869
Dep Exp/Acq Adj Expense	403 & 406	1,353,577	7,085 (2)	1,360,662
Amortization Expense:CIAC	405	(431,235)	-	(431,235)
Amortization Expense	407	340,758	-	340,758
Gain on Debt Forgiveness	414	(23,661)	-	(23,661)
Property Taxes	408.1	1,177,819	17,592 (2)	1,195,411
Income Tax	409 to 410	415,360	(16,036) (3)	399,323
Total Operating Deductions		2,832,618	8,641	2,841,259
Net Operating Income		(60,399)	(8,641)	(69,040)
Other Income and Deductions		17,436	-	17,436
Interest Expenses		936,841	34,541 (1)	971,382
Net Income		(979,805)	(43,181)	(1,022,986)

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 27.08%.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2019

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Supporting Calculations:

Interest Expense:

	Amount	Rate	Interest
New CoBank Loan	\$ 803,275	4.300%	\$ 34,541
30-year Long Term Intercompany N/P (1)	\$ 5,000,000	0.250%	\$ 12,500
Short Term Intercompany Debt (1)	\$ (5,000,000)	0.250%	\$ (12,500)
Totals	\$ 803,275		\$ 34,541

(1) The intercompany interest rate between PEU and Penn Corp as of May 14, 2020.

Depreciation

Additions:

	Asset Cost			Depreciation	
	Asset Totals	Cost of	Total	Rate	Amount
	Term Loan	Removal			
Blended Depreciation Rate	\$ 803,275	\$ 80,328	\$ 722,947	1.96%	\$ 14,170
Totals	\$ 803,275	\$ 80,328	\$ -		\$ 14,170

Net Additions	\$ 803,275	\$ -	\$ 722,947
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Pro Forma Depreciation

\$ 14,170

Property Taxes

	Combined Federal And State Income Tax	
PEU Blended Town Tax Rate (1)	\$ 15.30	
Other		
State of New Hampshire	\$ 6.60	
Total Tax Rate	\$ 21.90	
Pro Forma Property Taxes	\$ 17,592	1.0% \$ 176 \$ 17,768

Pennichuck East Utility, Inc.
2020 CoBank Financing
Projected Rate Impact on Single Family Residential Home

CoBank Loan Amount - \$	803,275	(a)	
Loan Percentage -	4.30%		
Loan Term (in years) -	25		
Annual Principal & Interest on Loan -	\$53,062	(b)	
Coverage Multiplier, under DW 16-806 -	1.1 x	(c)	
Revenue Requirement for P&I: [(b) x (c)] -	\$58,369	(d)	
Property tax rate/\$1000 ^{Note 1} -	\$ 21.90	(e)	
Projected Property Taxes: [(a)/1000 x (e)] -	\$ 17,592	(f)	
Projected Revenue Requirement: [(d) + (f)] -	\$75,961	(g)	
DW 17-128 Allowed Revenue Requirement -	\$ 8,276,261	(h)	
Calculated QCPAC Surcharge: [(g)/(h)] -	0.92%	(i)	resulting from the proposed external CoBank financing
Current Monthly Single Family Residential Bill ^{Note 2} -	\$ 74.54	(j)	
Monthly impact on Single Family Residential Bill of the external Financing: [(i) x (j)] -	\$ 0.69		per month
Intercompany Loan Amount -	\$ 5,000,000	(k)	
Loan Percentage (net interest rate differential - st vs lt) -	0.00%		
Loan Term (in years) -	30		
Annual Principal & Interest on Loan -	\$166,667	(l)	
Coverage Multiplier, under DW 16-806 -	1.1 x	(m)	
Projected Future Revenue Requirement for P&I (in next rate case): [(l) x (m)] -	\$183,333	(n)	
DW 17-128 Allowed Revenue Requirement -	\$ 8,276,261	(o)	
Calculated Future Rate Impact in next rate case: [(n)/(o)] -	2.22%	(p)	resulting from the proposed intercompany financing
Current Monthly Single Family Residential Bill ^{Note 2} -	\$ 74.54	(q)	
Monthly impact on Single Family Residential Bill of the Intercompany Financing: [(p) x (q)] -	\$ 1.65		per month

Note 1 - combined blended local property taxes (\$15.30/1,000) and State Utility Tax (\$6.60/\$1,000)

Note 2 - From rates approved under DW 17-128, without subsequent QCPAC surcharges

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 "Corporation"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Corporation. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Corporation on February 28, 2020; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

WHEREAS, reference is made to that certain Master Loan Agreement, dated as of February 9, 2010, between Pennichuck East Utility, Inc. ("PEU"), as borrower, and CoBank, ACB ("CoBank"), as lender (the "MLA");

WHEREAS, in connection with and as part of the consideration for inducing CoBank to enter into the MLA, Pennichuck Corporation (the "Corporation") agreed to enter into that certain Guarantee of Payment (Continuing) in favor of CoBank; and by resolutions taken on January 27, 2010, the Board of Directors of the Corporation approved the Guaranty and all related transactions to any loans under the MLA, including the New Loan, as described below; and

WHEREAS, the Corporation finds it beneficial that PEU take out an additional loan under the terms and conditions of the MLA (such New Loan further described below), for the purposes of financing 2019 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit.

NOW, THEREFORE, be it hereby:

Resolved: to authorize and approve PEU to enter into a term loan (the "New Loan") to be advanced under and subject to the terms and conditions of the MLA and a new Promissory Note and Supplement thereto, as follows: up to Eight Hundred Five Thousand Dollars and No Cents (\$805,000.00) with a 20-25 year amortization schedule; at a rate of interest based on one of two interest rate options: a weekly quoted variable rate option or a quoted fixed rate option, each of which would be determined at closing on the New Loan.

Further

Resolved: that the Chief Executive Officer and the Chief Operating Officer of the Corporation are, and each of them hereby is, authorized to act as the Corporation's representative (either in its own capacity, or in the Corporation's capacity as the sole shareholder of PEU) for purposes of executing and administering the above-referenced New Loan and/or executing any other related documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or MLA.

Further

Resolved: that the Chief Executive Officer and the Chief Operating Officer of the Corporation are, and each of them hereby is, authorized to act as the Corporation's representative for purposes of executing and administering the above-referenced continuing corporate guarantee by the Corporation and/or executing any other related loan documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or the MLA.

2. The following resolution was adopted by the Board of Directors of the Corporation on May 21, 2020; and such resolution has not been altered, amended or repealed, and is in full force and effect, as of the date hereof:

Resolved: that the Board of Directors of Pennichuck Corporation (the "Company") hereby authorizes the Chief Executive Officer of the Company to negotiate the renewal of Pennichuck East Utility's \$3 million Fixed Asset Line of Credit with CoBank, ACB, and secure all necessary approvals for said renewal with the NHPUC and the City of Nashua for a period of 3 years past the expiration date of the current FALOC which expires on September 30, 2020.

3. The following resolution was adopted by the Board of Directors of the Corporation on May 21, 2020; and such resolution has not been altered, amended or repealed, and is in full force and effect, as of the date hereof:

Resolved: that the Board of Directors of Pennichuck Corporation (the "Company") hereby authorizes the Company to refinance the outstanding balance of short term advances of up to \$5.0 million between Pennichuck Corporation and Pennichuck East Utility, Inc. as existed on December 31, 2019, for a term of 30 years at an interest rate of up to 3.5% on a fully amortizing basis, converting short term obligations from PEU to the Company to long term notes payable.

In Witness Whereof, I have hereunto set my hand this 21st day of May, 2020.



Suzanne L. Ansara
Corporate Secretary

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 "Corporation"), a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of the Corporation. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of the Corporation on February 28, 2020; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

WHEREAS, reference is made to that certain Master Loan Agreement, dated as of February 9, 2010, between Pennichuck East Utility, Inc. (the "Corporation"), as borrower, and CoBank, ACB ("CoBank"), as lender (the "MLA");

WHEREAS, by resolutions taken on February 4, 2010, the directors of the Corporation approved the MLA and transactions related to loans dated February 9, 2010; and

WHEREAS, the Corporation finds it beneficial that the Corporation take out an additional loan under the terms and conditions of the MLA (such New Loan further described below), for the purposes of refinancing 2019 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit.

NOW, THEREFORE, be it hereby:

Resolved: to authorize and approve that the Corporation enter into a term loan (the "New Loan") to be advanced under and subject to the terms and conditions of the MLA and a new Promissory Note and Supplement thereto, as follows: up to Eight Hundred Five Thousand Dollars and No Cents (\$805,000.00) with a 20-25 year amortization schedule.

Further

Resolved: to approve the other resolutions set forth in Exhibit A relating to said MLA and the New Loan, as proposed by CoBank and recommended by management, including without limitation that the Chief Executive Officer, the Chief Operating Officer and the Assistant Treasurer of the Corporation are, and each is, authorized to act as the Corporation's representative for the purposes of executing and administering documents necessary to effecting the above-referenced loans subject to the MLA, and/or executing any other related documents, certificates and undertakings on behalf of the Corporation with respect to said New Loan.

2. Attached hereto as Attachment A is a true and complete copy of the Exhibit A referred to in the February 28, 2020 resolutions set forth in Section 1 above relating to the CoBank term loan.

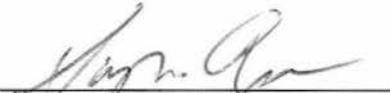
3. The following resolution was adopted by the Board of Directors of the Corporation on May 21, 2020; and such resolution has not been altered, amended or repealed, and is in full force and effect, as of the date hereof:

Resolved: that the Board of Directors of Pennichuck East Utility, Inc. (the "Company") hereby authorizes the Chief Executive Officer of the Company to negotiate the renewal of the Company's \$3 million Fixed Asset Line of Credit with CoBank, ACB, and secure all necessary approvals for said renewal with the NHPUC and the City of Nashua for a period of 3 years past the expiration date of the current FALOC which expires on September 30, 2020.

4. The following resolution was adopted by the Board of Directors of the Corporation on May 21, 2020; and such resolution has not been altered, amended or repealed, and is in full force and effect, as of the date hereof:

Resolved: that the Board of Directors of Pennichuck East Utility, Inc. (the "Company") hereby authorizes the Company to refinance the outstanding balance of short term advances of up to \$5.0 million between the Company and Pennichuck Corporation as existed on December 31, 2019, for a term of 30 years at an interest rate of up to 3.5% on a fully amortizing basis, converting short term obligations from the Company to Pennichuck Corporation to long term notes payable.

In Witness Whereof, I have hereunto set my hand this 21st day of May, 2020.



Suzanne L. Ansara
Corporate Secretary

ATTACHMENT A

EXHIBIT A

**RESOLUTIONS OF THE BOARD OF DIRECTORS
ADOPTED ON FEBRUARY 28, 2020
of
PENNICHUCK EAST UTILITY, INC.
Merrimack, New Hampshire**

WHEREAS, Pennichuck East Utility, Inc. ("Borrower"), under its articles of incorporation, bylaws, or other organizational documents has full power and authority to borrow money and to secure the same with its own property and property delivered to it for marketing or otherwise; and

WHEREAS, all prerequisite acts and proceedings preliminary to the adoption of these Resolutions have been taken and done in due and proper form, time and manner;

NOW, THEREFORE, BE IT RESOLVED, that the Chief Executive Officer, the Chief Operating Officer, and the Assistant Treasurer ("Officers") of the Borrower are jointly and severally authorized and empowered to obtain for and on behalf of the Borrower from time to time, from CoBank, ACB ("CoBank"), a loan or loans or other financial accommodations (including, without limitation, letters of credit, note purchase agreements and bankers acceptances) (collectively, a "Loan") under these Resolutions; and for such purposes: (1) to execute such application or applications (including exhibits, amendments and/or supplements thereto) as may be required for all borrowings; (2) to obligate the Borrower to pay such rate or rates of interest as the Officers so acting shall deem proper, and in connection therewith to purchase such interest rate risk management products as may be offered from time to time by CoBank; (3) to obligate the Borrower to make such investments in CoBank as required by CoBank and to obligate the Borrower to such other terms and conditions as the Officers so acting shall deem proper; (4) to execute and deliver to CoBank or its nominee all such written loan agreements, documents and instruments as may be required by CoBank in regard to or as evidence of any Loan made pursuant to the terms of this Resolution; (5) to pledge, grant a security interest or lien in, or assign property of the Borrower or property of others on which it is entitled to borrow, of any kind and in any amount as security for any or all obligations (past, present and/or future) of the Borrower to CoBank; (6) to execute and deliver to CoBank an Electronic Commerce Master Service Agreement, a separate Service Agreement for each different service requested by the Borrower, and such other agreements, addenda, documents or instruments as may be required by CoBank in the event that the Borrower elects to use CoBank's electronic banking system (the "System"); (7) to execute and deliver to CoBank any agreements, addenda, authorization forms and other documents or instruments as may be required by CoBank in the event that the Borrower elects to use any services or products related to the Loan that are offered by CoBank now or in the future, including without limitation an automated clearing house (ACH) service; (8) from time to time amend any such Loan; (9) to direct and delegate to designated employees of the Borrower the authority to direct, by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purpose, the disposition of the proceeds of any Loan authorized herein or any property of the Borrower at any time held by CoBank; and (10) to delegate to designated employees of the Borrower the authority to request by telephonic or written means or electronically, if the Borrower has agreed to use the System for such purpose, loan advances and/or other financial accommodations, and in connection therewith, to fix rates and agree to pay fees. In the absence of any direction or delegation authorized in (9) or (10) above, all existing directions and/or delegations shall remain in full force and effect and shall be applicable to any Loan authorized herein.

RESOLVED FURTHER, That each of the Officers are hereby jointly and severally authorized to: (1) establish a Cash Investment Services Account at CoBank; (2) make such investments therein as any Officer shall deem proper; (3) direct by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purposes, the disposition of the proceeds therein; (4) delegate to designated employees of the Borrower the authority set forth in (2) and (3) above; and (5) execute and deliver all documents and agreements necessary to carry out this authority.

RESOLVED FURTHER, That each of the Officers are hereby jointly and severally authorized and directed to do and/or cause to be done, from time to time, all things which may be necessary and/or proper for the carrying out of the terms of these Resolutions.

RESOLVED FURTHER, That all prior acts by the Officers or other employees or agents of the Borrower to accomplish the purposes of these Resolutions are hereby approved and ratified.

RESOLVED FURTHER, That any Officer of the Borrower is hereby authorized and directed to cast the ballot of the Borrower in any and all proceedings in which the Borrower is entitled to vote for the selection of a member of CoBank's board of directors or for any other purpose.

RESOLVED FURTHER, That these Resolutions shall remain in full force and effect until a certified copy of a duly adopted resolution effecting a revocation or amendment, as the case may be, shall have been received by CoBank. The authority hereby granted shall apply with equal force and effect to the successors in office of the Officers herein named.

RESOLVED FURTHER, That effective on the date when the Loan under these Resolutions becomes available, the following listed Resolutions are hereby revoked: N/A .

RESOLVED FURTHER, That the Secretary or any Assistant Secretary of the Borrower is hereby authorized and directed to certify to CoBank a copy of these Resolutions, the names and specimen signatures of the present Officers above referred to, and if and when any change is made in the personnel of any said Officers, the fact of such change and the name and specimen signatures of the new Officers. CoBank shall be entitled to rely on any such certification until a new certification is actually received by CoBank.