

PENNICHUCK EAST UTILITY, I
COMPUTATION OF REVENUE DEFICIENCY
For the Twelve Months Ended December 31, 2012

STEP INCR. ≡
Schedule A

	TEST YEAR	PRO FORMA ADJUSTMENTS	PRO FORMA TEST YEAR	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE PRO FORMA TEST YEAR
Consolidated Rate Base (Sch 3)	\$ 28,516,516	\$ (17,853,815)	\$ 10,662,701	1,493,564	\$ 12,156,265
RATE of Return (1604.08 Sch 1)	3.86%		3.86%		3.79%
Income Required	\$ 1,101,879		\$ 412,007		\$ 460,722
Adjusted Net Operating Income (Sch 1)	\$ 457,874	\$ (403,065)	\$ 54,809	(31,864)	\$ 22,945
Deficiency	\$ 644,005		\$ 357,198		\$ 437,777
Tax Factor	60.39%		60.39%		60.39%
Revenue Deficiency	\$ 1,066,410		\$ 591,485	\$ 133,431	\$ 724,916
Water Revenues	\$ 6,235,171	\$ (1,199,216)	\$ 5,035,955		\$ 5,035,955
ADD: City Bond Fixed Revenue Requirement	\$ -		\$ 898,863		\$ 898,863
Water Revenues with CBFRR	\$ 6,235,171		\$ 5,934,818		\$ 5,934,818
Proposed Revenue Inc	17.10%		9.97%	2.25%	12.21%
ADD: NC Capital Surcharge Revenue			\$ 300,353		\$ 300,353
New Revenue Levels			\$ 6,826,656		\$ 6,960,087

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2012

STEP INCREASE
Schedule 1

	Account Number	TWELVE MONTHS 12/31/12	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/12	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE PRO FORMA TEST YEAR
Water Sales	460 to 462	\$ 6,235,171	\$ (1,199,216)	\$ 5,035,955	\$ -	\$ 5,035,955
Other Operating Revenue	471	48,196	-	48,196	-	48,196
Total Revenues		6,283,366	(1,199,216)	5,084,151	-	5,084,151
Production Expenses	601 to 652	1,677,338	(34,806)	1,642,532	-	1,642,532
Transmission & Distribution Expenses	660 to 678	629,086	22,955	652,041	-	652,041
Customer Acct & Collection Exp	902 to 904	158,703	(10,596)	148,107	-	148,107
Administrative & General Expense	920 to 950	267,841	(101,607)	166,234	-	166,234
Inter Div Management Fee	930	1,363,904	55,251	1,419,156	-	1,419,156
Total Operating Expense		4,096,873	(68,803)	4,028,069	-	4,028,069
Dep Exp/Acq Adj Expense	403 & 406	859,784	(274,507)	585,277	(1) 23,763	609,040
Amortization Expense:CIAC	405	(181,786)	431	(181,355)	-	(181,355)
Amortization Expense	407	166,007	(112,091)	53,916	-	53,916
Gain on Debt Forgiveness	414	(6,347)	-	(6,347)	-	(6,347)
Property Taxes	408.1	848,403	(5,573)	842,830	(2) 29,001	871,831
Income Tax	409 to 410	42,559	(335,607)	(293,048)	(3) (20,900)	(313,948)
Total Operating Deductions		1,728,620	(727,347)	1,001,272	31,864	1,033,136
Net Operating Income		457,874	(403,065)	54,809	(31,864)	22,945

Notes:

- (1) adjust depreciation for additions/deletions to plant assets, Attachment A
- (2) adjust property taxes for additions/deletions to plant assets per Schedule 1, Attachment B
- (3) reflect income tax effect on proforma adjustments calculated on effective tax rate of 39.61% per Schedule 1, Attachment C

Pennichuck East Utility Inc
Pro Forma Adjustment Income or Expense
Depreciation Expense
For the Twelve Months Ended December 31, 2012

STEP INCREASE
Schedule 1
Attachment A

I DEPRECIATION

A. In 2013, the Company expects to add depreciable assets and full year depreciation expense is reflected in the proforma step increase.

(See Schedule 3, Attachment A, Exhibit 1)

Therefore:

\$ 38,865

B. In 2013, the Company expects to retire depreciable assets. The total depreciation expense reduction is reflected in the proforma step increase.

(Schedule 3, Attachment A, Exhibit 3)

Therefore:

\$ (15,102)

TOTAL DEPRECIATION EXPENSE PRO FORMA:

\$ 23,763

Pennichuck East Utility Inc
 Pro Forma Adjustment Income or Expense
 Property and Other Taxes Expense
 For the Twelve Months Ended December 31, 2012

STEP INCREASE
 Schedule 1
 Attachment B

II PROPERTY TAXES

A. In 2013, the Company expects to increase its taxable utility property per Schedule 3, Attachment A, Exhibit 1. The expected property tax for these items is listed below and detailed in Schedule 3, Attachment A, Exhibit 1.

City/Town	Taxable Property	Tax Rate per \$1,000	Total Prop Tax
Composite	1,442,753	\$ 20.07	\$ 28,953
State NH	1,442,753	\$ 6.60	\$ 9,522
Total		\$ 26.67	\$ 38,475

Therefore

\$ 38,475

B. In 2013, the Company expects to retire its taxable utility property per Schedule 3, Attachment A, Exhibit 3. The property taxes for those items are listed below:

City/Town	Taxable Property	Tax Rate per \$1,000	Total Prop Tax
Composite	355,249	\$ 20.07	\$ (7,129)
State NH	355,249	\$ 6.60	\$ (2,345)
Total		\$ 26.67	\$ (9,474)

Therefore

\$ (9,474)

TOTAL PROPERTY AND OTHER TAXES PRO FORMA:

\$ 29,001

Pennichuck East Utility Inc
Pro Forma Adjustment Income or Expense
Income Taxes Account
For the Twelve Months Ended December 31, 2012

STEP INCREASE
Schedule 1
Attachment C

I INCOME TAXES

A. To reflect the pro forma adjustment to record the income tax effect of the pro forma adjustments on the test year.
Therefore:

	Operating Revenues		\$	-
Less:	Expenses			
(Sch1, Attach B)	Total Prop & Other Taxes			29,001
(Sch1, Attach A)	Depreciation			23,763
	Total			\$ 52,764
	Pro Forma NHBP Tax @ 8.5%.			
Therefore:	\$ 52,764	8.5%		
				\$ 4,485
			Sub Total	\$ 48,279
	Pro Forma FIT Tax 34%			
Therefore:	\$ 48,279	34%		
				\$ 16,415
			Sub Total	\$ 16,415
	TOTAL INCOME TAXES PRO FORMA:			\$ 20,900

PENNICHUCK EAST UTILITY, INC.
COMPUTATION OF RATE BASE
For The Thirteen Months Ended December 31, 2012

STEP INCREASE
Schedule 3

Description	Test Year Average (Sch 3B)	Year End Rate Base	Pro Forma Adjustments Permanent Rates	Pro Forma Test Year	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE PRO FORMA TEST YEAR
Plant in Service	47,082,769	48,293,325	(9,709,076)	37,373,693		
Accum Deprec	10,435,812	10,959,000	(548,763)	9,887,049	1,087,504 (1)	38,461,197
Accum Deprec: Loss	1,028,018	1,062,069	(262,801)	765,217	(144,181) (2)	9,742,868
Accum Deprec: COR	318,596	408,233	(71,506)	247,090	172,203 (3)	937,420
Theoretical Reserve	-	-	-	-	89,676 (4)	336,766
Acquisition Adjustment	10,035,076	10,018,567	-	10,035,076		-
Accum Amort Acq Adj	3,056,521	3,169,536	-	3,056,521		10,035,076
CIAC	9,663,500	9,711,811	(14,096)	9,649,404		3,056,521
Amort of CIAC	1,316,303	1,407,409	(735)	1,315,568		9,649,404
	22,667,819	23,651,195	(9,481,258)	13,186,561	1,493,564	14,680,125
ADD:	-	-	-	-		
Working Cap	504,250	381,923	(8,483)	495,767		495,767
Materials & Supplies	2,611	22,844	-	2,611		2,611
Prepayments	89,726	156,991	-	89,726		89,726
Other & Deferred Charges	8,897,803	9,516,163	(8,256,757)	641,046		641,046
	9,494,390	10,077,921	(8,265,240)	1,229,150		1,229,150
DEDUCT:	-	-	-	-		
Customer Advances	-	-	-	-		
Customer Deposits	2,063	2,032	-	2,063		2,063
Deferred Income Tax	3,632,637	3,795,711	-	3,632,637		3,632,637
Regulatory Liability	-	-	-	-		
Unamort ITC	-	-	-	-		
Deferred Credits	10,993	-	107,317	118,310		118,310
	3,645,693	3,797,743	107,317	3,753,010		3,753,010
TOTAL Rate Base	28,516,516	29,931,373	(17,853,815)	10,662,701	1,493,564	12,156,265

Notes:

- (1) adjust for step plant additions/retirements per Schedule 3, Attachment A
- (2) adjust for accumulated depreciation related to step plant additions/retirements per Schedule 3, Attachment B
- (3) adjust for accumulated depreciation: Loss proforma for step plant retirements per Schedule 3, Attachment C
- (4) adjust for accumulated depreciation: Cost of Removal proforma for step plant retirements/retirements per Schedule 3, Attachment C

PENNICHUCK EAST UTILITY, INC.
PRO FORMA ADJUSTMENTS TO RATE BASE
Plant in Service
For The Twelve Months Ended December 31, 2012

STEP INCREASE
Schedule 3
Attachment A

I PLANT IN SERVICE

A Schedule 3, Attachment A, Exhibit 1, details additions to plant in service for the expected step increase. The additions are capital improvements that are necessitated by mandates, SWDA requirements, regulation, replacement of aging infrastructure or upgrades to the system. All of these plant additions are considered non-revenue producing in nature. All assets will be placed in service by December 2013.

Therefore:

\$ 1,442,753

B Schedule 3, Attachment A, Exhibit 3, details retirements of plant in service that will occur as a result of the step additions.

Therefore:

\$ (355,249)

TOTAL PRO FORMA PLANT IN SERVICE

\$ 1,087,504

ANNICHUCK EAST UTILITY, INC.
PRO FORMA ADJUSTMENTS TO RATE BASE
Accumulated Depreciation
For The Twelve Months Ended December 31, 2012

STEP INCREASE
Schedule 3
Attachment B

I ACCUMULATED DEPRECIATION

A To reflect the accumulated depreciation associated with step plant additions.

(See Schedule 3, Attachment A, Exhibit 1)

Therefore:

\$ 38,865

B To reflect the accumulated depreciation reduction related to the retirements of plant in service.

(See Schedule 3, Attachment A, Exhibit 3)

Therefore:

\$ (183,046)

TOTAL ACCUMULATED DEPRECIATION PRO FORMA:

\$ (144,181)

ANNICHUCK EAST UTILITY, INC.
PRO FORMA ADJUSTMENTS TO RATE BASE
Accumulated Depreciation: Loss & COR
For The Twelve Months Ended December 31, 2012

STEP INCREASE
Schedule 3
Attachment C

I ACCUMULATED DEPRECIATION: LOSS

A To reflect the loss on the retirements of
plant in service related to the step increase.
(See Schedule 3, Attachment A, Exhibit 3)

Therefore:

\$ 172,203

TOTAL ACCUMULATED DEPRECIATION: LOSS PRO FORMA:

\$ 172,203

II ACCUMULATED DEPRECIATION: COST OF REMOVAL

A To reflect the cost of removal on replaced assets
related to the step increases as follows:
(See Schedule 3, Attachment A, Exhibit 1)

Therefore:

\$ 89,676

TOTAL ACCUMULATED DEPRECIATION: COR PRO FORMA:

\$ 89,676

PENNICHUCK EAST UTILITY, INC.
ASSET ACQUISITIONS
For The Twelve Months Ended December 31, 2012

STEP INCREASE
Schedule 3
Attachment A
Exhibit 1

Acct No.	Account Description	Additions		Adjusted Cost	Accumulated Depreciation	Depreciation Rate	Full Year Depreciation	20 07		6 6
		Total Cost	Cost of Removal					Property Taxes (3)	State Property Taxes	
304.10	Structures & Improvements	\$ 296,000	\$ -	\$ 296,000	\$ 7,755	2.62%	\$ 7,755	\$ 5,940	\$ 1,954	
310.00	Power Generation Equipment	\$ 154,549	\$ -	\$ 154,549	\$ 7,032	4.55%	\$ 7,032	\$ 3,101	\$ 1,020	
311.20	Electric Pumping Equipment	\$ 40,000	\$ -	\$ 40,000	\$ 2,200	5.50%	\$ 2,200	\$ 803	\$ -	
320.00	Purification System Equipment	\$ 87,404	\$ -	\$ 87,404	\$ 6,407	7.33%	\$ 6,407	\$ 1,754	\$ -	
330.00	Distribution Reservoirs & Standpipes	\$ 68,000	\$ -	\$ 68,000	\$ 1,319	1.94%	\$ 1,319	\$ 1,365	\$ 449	
331.00	Transmission & Distribution Mains (1)	\$ 698,000	\$ (27,300)	\$ 670,700	\$ 9,859	1.47%	\$ 9,859	\$ 13,459	\$ 4,427	
333.10	Services (2)	\$ 117,000	\$ (11,700)	\$ 105,300	\$ 2,106	2.00%	\$ 2,106	\$ 2,113	\$ 695	
334.10	Meters (2)	\$ 2,000	\$ (200)	\$ 1,800	\$ 76	4.20%	\$ 76	\$ 36	\$ 12	
346.00	Communication Equipment	\$ 19,000	\$ -	\$ 19,000	\$ 2,111	11.11%	\$ 2,111	\$ 381	\$ 125	
	Specific Cost of Removal (Exhibit 2)	\$ 50,476	\$ (50,476)							
Total Plant Additions		\$ 1,532,429	\$ (89,676)	\$ 1,442,753	\$ 38,865		\$ 38,865	\$ 28,953	\$ 9,522	

Notes:

(1) For Transmission & Distribution Mains (331), 10% cost of removal is taken on portion of pipe being replaced as follows:

	Cost	Cost of Removal
Avery Estates Interconnection	\$ 425,000	
Locke Lake Main Replacements	\$ 273,000	\$ 27,300
Totals	\$ 698,000	\$ 27,300

(2) For Services and Meters, a 10% cost of removal has been taken.

(3) For Local Property Taxes, utilized a composite rate based on Schedule 3, Attachment A, Exhibit 2 as follows:

Total Project Costs	\$ 1,532,429
Total Taxes	\$ 30,752
Composite Rate	\$ 20.07

PENNICHUCK EAST UTILITY, INC
 ASSET ACQUISITION DETAILS
 For the Twelve Months Ended December 31, 2012

Step Incre
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 Attachm
 Exhibit

Project Description	Town	Property Tax Rate	Local Property Taxes	Work Order Number	Project Cost 2013	Project Funding SRF (3)										COR	
						304	310	311	320	330	331	333	334	346			
Avery Estates Interconnection & P.S. Abandonment (1) (2)	Londonderry	\$ 18.20	\$ 8,190	1301990	\$ 450,000.00	\$ 10,000.00	\$ 440,000.00										
Emergency Generators																	
Pine Haven	Londonderry	\$ 18.20	\$ 377	1300849	\$ 20,705.33	\$ 20,705.33											\$ 25,000
Hardwood	Windham	\$ 20.59	\$ 647	1301989	\$ 31,439.59	\$ 31,439.59		\$ 20,705.33									
Sunrise Estates	Middleton	\$ 23.25	\$ 371	1300853	\$ 15,961.33	\$ 15,961.33		\$ 31,439.59									
Shaker Heights	Chester	\$ 21.25	\$ 382	1300855	\$ 17,955.33	\$ 17,955.33		\$ 15,961.33									
Gage Hill	Pelham	\$ 21.91	\$ 350	1300850	\$ 15,961.33	\$ 15,961.33		\$ 17,955.33									
Forest Hills	Londonderry	\$ 18.20	\$ 337	1300838	\$ 18,499.52	\$ 18,499.52		\$ 15,961.33									
Farmstead	Derry	\$ 27.89	\$ 445	1300832	\$ 15,969.52	\$ 15,969.52		\$ 18,499.52									
Beaver Hollow	Sandown	\$ 18.70	\$ 302	1300490	\$ 16,175.33	\$ 16,175.33		\$ 15,969.52									
Locke Lake Davis Site Road Area																	
Phase 2 Main Replacement (2)	Barnstead	\$ 21.09	\$ 8,436	1301994	\$ 400,000.00		\$ 400,000.00	\$ 10,000.00									
Liberty Tree Station Replacement (2)	Raymond	\$ 20.63	\$ 10,831	1300522	\$ 525,000.00	\$ 125,000.00	\$ 400,000.00	\$ 286,000.00					\$ 273,000.00	\$ 117,000.00			
Northern Shores Treatment & Generator (4)	Tilton	\$ 17.74	\$ 84	1300854	\$ 4,761.81	\$ 4,761.81			\$ 40,000.00	\$ 85,000.00	\$ 68,000.00				\$ 2,000.00	\$ 19,000.00	\$ 25,000.00
			\$ 30,752		\$ 1,532,429.09	\$ 292,429.09	\$ 1,240,000.00	\$ 296,000.00	\$ 1,881.81	\$ 40,000.00	\$ 87,403.82	\$ 68,000.00	\$ 698,000.00	\$ 117,000.00	\$ 2,000.00	\$ 19,000.00	\$ 50,476.11

(1) SRF Funding is Pending NHDES approval
 (2) Estimated Costs
 (3) For the SRF Funding, there is no principal forgiveness
 (4) The amount reflected is related to a SDWA project that will cost a total of approximately \$89 thousand, of which \$84 thousand was recorded in 2012.

PENNICHUCK EAST UTILITY, INC.
ASSET DISPOSITIONS
For The Twelve Months Ended December 31, 2012

STEP INCREASE
Schedule 3
Attachment A
Exhibit 3

Retirements										
Acct No.	Account Description	Original Cost	Accumulated Depreciation	Accumulated Depreciation Loss	Depreciation Rate	1 year Depreciation (1)	20.07 Property Taxes	6.6 State Property Taxes		
304.1	Structures & Improvements	\$ 125,932	\$ 56,883	\$ 69,049	2.62%	\$ 3,299	\$ 2,527	\$ 831		
307.1	Wells & Springs	\$ 48,958	\$ 18,489	\$ 30,470	3.79%	\$ 1,856	\$ 982	\$ 323		
311.2	Electric Pumping Equipment	\$ 60,406	\$ 49,734	\$ 10,671	5.50%	\$ 3,322	\$ 1,212	\$ 399		
320.0	Purification System Equipment	\$ 79,734	\$ 41,528	\$ 38,206	7.33%	\$ 5,844	\$ 1,600	\$ 526		
330.0	Distribution Reservoirs & Standpipes	\$ 40,220	\$ 16,413	\$ 23,807	1.94%	\$ 780	\$ 807	\$ 265		
Total Retirements		\$ 355,249	\$ 183,046	\$ 172,203		\$ 15,102	\$ 7,129	\$ 2,345		

PENNICHUCK EAST UTILITY, INC.
ASSET DISPOSITIONS Details
For The Twelve Months Ended December 31, 2012

STEP INCREASE
Schedule 3
Attachment A
Exhibit 4

Account 331 (Locke Lake)

Street Name

	Original Cost	Accum Depr (1)	Net Book Value
New London	\$ 4,139.00	\$ 365.21	\$ 3,773.79
Amherst	\$ 2,565.16	\$ 226.34	\$ 2,338.82
Andover	\$ 3,909.20	\$ 344.93	\$ 3,564.27
Windsor (2)	\$ 2,070.84	\$ 182.72	\$ 1,888.12
Mont Vernon	\$ 1,210.44	\$ 106.80	\$ 1,103.64
Dam Site	\$ 2,877.60	\$ 253.91	\$ 2,623.69
Dam Site	\$ 2,012.05	\$ 177.53	\$ 1,834.52
	<u>\$ 18,784.29</u>	<u>\$ 1,657.44</u>	<u>\$ 17,126.85</u>

(1) Accumulated Depreciation of 6 years from 2007 to 2012.

(2) Only part of the main is being replaced; the value was prorated based on feet removed vs total feet existing

Account 304

	Original Cost	Accum Depr	Net Book Value
Avery Station Building and Site	\$ 71,847.20	\$ 33,042.85	\$ 38,804.35
Liberty Tree Station Building and Site	\$ 54,084.37	\$ 23,840.18	\$ 30,244.19
	<u>\$ 125,931.57</u>	<u>\$ 56,883.03</u>	<u>\$ 69,048.54</u>

Account 307 (Wells)

Avery Station Building and Site	\$ 48,958.43	\$ 18,488.55	\$ 30,469.88
	<u>\$ 48,958.43</u>	<u>\$ 18,488.55</u>	<u>\$ 30,469.88</u>

Account 311 (pumping equipment)

Avery Station	\$ 16,193.57	\$ 13,444.37	\$ 2,749.20
Liberty Tree Station	\$ 44,211.97	\$ 36,290.00	\$ 7,921.97
	<u>\$ 60,405.54</u>	<u>\$ 49,734.37</u>	<u>\$ 10,671.17</u>

Account 320 (treatment equipment)

Avery Station	\$ 79,733.77	\$ 41,527.63	\$ 38,206.14
Liberty Tree Station	\$ -	\$ -	\$ -
	<u>\$ 79,733.77</u>	<u>\$ 41,527.63</u>	<u>\$ 38,206.14</u>

Account 330 (Storage)

Avery Storage Tanks	\$ 1,234.98	\$ 503.96	\$ 731.02
Liberty Tree Storage Tanks (2-10000 gallon)	\$ 38,984.97	\$ 15,908.70	\$ 23,076.27
	<u>\$ 40,219.95</u>	<u>\$ 16,412.66</u>	<u>\$ 23,807.29</u>

Totals \$ 355,249.26 \$ 183,046.24 \$ 172,203.02

Street Type	Install Date	Material	Size (in)	Length (ft)	Unit Value
Drive	2006	PE	2	1,549	\$ 2.67
Drive	2006	PE	2	960	\$ 2.67
Drive	2006	PE	2	1,463	\$ 2.67
Drive	2006	PE	2	775	\$ 2.67
Road	2006	PVC	4	453	\$ 2.67
Road	2006	PVC	2	833	\$ 3.45
				<u>753</u>	<u>\$ 2.67</u>
				6,786	

Note:

(1) The totals of assets disposed do not include the Locke Lake replacement mains. The assets are part of the Capital Recovery Assets that have already been eliminated in Schedule 3, Attachment A, Item 1 C of the permanent rate filing schedules.

**Pennichuck East Utility, Inc.
Overall Rate of Return
For the Twelve Months Ended December 31, 2012**

**Step Increase
Schedule 1**

<u>Capital Component</u>	<u>Pro Forma Test Year</u>	<u>Component Ratio</u>	<u>Component Cost Rate</u>	<u>Weighted Average Cost Rate</u>
Long-term Debt	7,486,505	65.82%	4.40%	2.90%
Intercompany Debt	3,781,513	33.25%	2.52% (1)	0.84%
Preferred Stock	-	0.00%	0.00%	0.00%
Common Equity	<u>106,360</u>	<u>0.94%</u>	5.90% (2)	<u>0.06%</u>
Overall Rate of Return	<u>\$ 11,374,378</u>	<u>100.00%</u>		<u>3.79%</u>

Notes:

(1) The interest reflected is the effective interest rates for 2012 per Schedule F-35 of the Annual Report.

(2) The return on equity based on Order 25,292 in DW 11-026 is as follows:

Average 2012 30 year Treasury bonds	2.90%
Plus 3.0%	3.00%
Total	<u>5.90%</u>

Pennichuck East Utility, Inc.
 Capital Structure for Ratemaking Purposes
 For the Twelve Months Ended December 31, 2012

Step Increase
 Schedule 2

	<u>Test Year</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Test Year</u>	<u>Component Ratio</u>
Long-term Debt	9,218,791	(1,732,287) (1)	7,486,505	65.82%
Intercompany Debt	\$ 6,359,294	(2,577,780) (1)	3,781,513	33.25%
<u>Common Equity:</u>				
Common Stock	100		100	
Paid In Capital	15,904,329	(15,904,329) (2)	(0)	
Comprehensive Income	(495,228)	529,702 (2)	34,474	
Retained Earnings	71,787		71,787	
Total Common Equity	<u>15,480,987</u>		<u>106,360</u>	0.94%
Total Capital	<u>\$31,059,072</u>		<u>\$ 11,374,378</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	8,964,574
Equity as of 1/25/12	939,755
Paid in Capital as of 1/25/12	6,000,000
	<u>15,904,329</u>
Comprehensive Income as of 1/25/12	<u>(529,702)</u>

Pennichuck East Utility, Inc.
Weighted Average Cost of Long-Term Debt
For the Twelve Months Ended December 31, 2012

Step Increase
Schedule 5

Holder	Term	Maturity	Rate	Outstanding Balance	Annual Interest (2)	Annual Amortization	All In Annual Cost	Effective Rate
Business Finance Authority of NH (Series 2005D) (1)	20		4.500%	-	-	7,214	7,214	-
CoBank	20	02/28/30	5.950%	4,057,854	241,442	1,455	242,897	3.03%
State of NH SRF (Green Hills)	20	01/01/25	3.728%	276,558	10,310	-	10,310	3.54%
State of NH SRF (Pelham Tank)	20	01/01/27	3.488%	435,240	15,181	247	15,428	3.04%
State of NH SRF (Maple Hills)	20	05/01/30	2.952%	538,349	15,892	471	16,363	2.90%
State of NH SRF (Birch Hill)	20	03/01/30	2.864%	1,732,287	49,613	549	50,162	2.99%
State of NH SRF (Locke Lake - 2007)	20	04/01/30	2.952%	263,022	7,764	90	7,854	2.86%
State of NH SRF (Locke Lake - 2011)	20	06/01/33	2.864%	300,000	8,592	-	8,592	3.10%
State of NH SRF (Liberty Tree) (3)	20	TBD	3.104%	12,524	389	-	389	3.10%
State of NH SRF (Locke Lake - 2012) (3)	20	TBD	3.104%	362,958	11,266	-	11,266	3.10%
				\$ 7,978,791	\$ 360,450	\$ 10,026	\$ 370,476	4.64%
Pro Forma SRF Loans:								
State of NH SRF (Liberty Tree) (3)	20	TBD	3.104%	\$ 400,000	12,416	-	12,416	3.104%
State of NH SRF (Dam Site Road Phase 2) (4)	20	TBD	2.720%	\$ 400,000	10,880	-	10,880	2.720%
State of NH SRF (Avery Estates Interconnection) (4)	20	TBD	2.720%	\$ 440,000	11,968	-	11,968	2.720%
Total Pro Forma Loans				\$ 1,240,000	\$ 35,264	\$ -	\$ 35,264	2.84%
Total Pro Forma Long Term Debt				\$ 9,218,791	\$ 395,714	\$ 10,026	\$ 405,740	4.64%

Notes:

- (1) The debt issuance costs and amortization reflected is from retired debt (April 2012).
- (2) The annual interest expense is calculated based on the outstanding balance at year end multiplied by the stated interest rate.
The calculated interest expense will differ from interest expense recorded in the test year due to loan repayments made during the year.
- (3) The interest rates reflected are expected interest rates per Order 25,248 (DW 11-108) for Liberty Tree and Order 25,348 (DW 11-262) for Locke Lake.
- (4) The interest rates reflected are expected interest rates per DW 13-125.