

**PENNICHUCK EAST UTILITY, INC.**  
**BALANCE SHEET**  
**ASSETS AND DEFERRED CHARGES**  
**For the Eleven Months Ended November 30, 2013**

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Pro Forma

11/30/2013

	Account Number	11/30/2013	Pro Forma Adjustments		11/30/2013
<b><u>PLANT ASSETS</u></b>					
Plant in Service	301 to 348	48,882,234	1,522,000 (1)		50,404,234
Work in process	105	926,256	-		926,256
Utility Plant		49,808,490	1,522,000		51,330,490
Accumulated depreciation	108	10,178,274	11,341 (2)		10,189,615
Net Plant		39,630,215	1,510,659		41,140,875
Net Acquisition Adjustment	114 & 115	6,642,097	-		6,642,097
Total Net Utility Plant		32,988,119	1,510,659		34,498,778
<b><u>CURRENT ASSETS</u></b>					
Cash & Special Deposits	131 & 133	30,000	-		30,000
Accounts receivable-billed, net	141 & 143	462,607	-		462,607
Accounts receivable-unbilled, net	173	393,498	-		393,498
Accounts receivable-other	142	-	-		-
Inventory	151	73,114	-		73,114
Prepaid expenses	162	20,193	-		20,193
Prepaid property taxes	163 & 236	-	-		-
Prepaid taxes	162.3	-	-		-
		979,412	-		979,412
<b><u>OTHER ASSETS</u></b>					
Debt issuance expenses	181	185,197	-		185,197
Acquisition Premium - MARA	186	8,601,494	-		8,601,494
Other & Deferred Charges	182,184,186	676,225	-		676,225
		9,462,916	-		9,462,916
<b>TOTAL ASSETS</b>		<b>\$ 43,430,446</b>	<b>\$ 1,510,659</b>		<b>\$ 44,941,105</b>

**Notes:**

(1) To record the assets related to the SRF Loans.

(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 Eleven Months Ended November 30, 2013**

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	Account Number	11/30/2013	Pro Forma Adjustments	Pro Forma 11/30/2013
<b>STOCKHOLDERS' EQUITY</b>				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	15,152,158	-	15,152,158
Comprehensive Income	219	(297,972)	-	(297,972)
Retained earnings	215	(162,664)	(53,742) (2)	(216,406)
		<u>14,691,621</u>	<u>(53,742)</u>	<u>14,637,880</u>
<b>LONG TERM DEBT</b>				
Bonds, notes and mortgages	221	10,556,568	1,522,000 (1)	12,078,568
Intercompany advances	223	4,871,904	42,401 (3)	4,914,305
Other Long Term Debt	224	496,620	-	496,620
<b>CURRENT LIABILITIES</b>				
Accounts payable	231	148,266	-	148,266
Accrued property taxes	236	152,531	-	152,531
Accrued interest payable	237	6,804	-	6,804
Other accrued expenses	241	215,989	-	215,989
Income taxes payable	236	-	-	-
Customer deposits & other	235	2,043	-	2,043
		<u>525,634</u>	<u>-</u>	<u>525,634</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>				
Deferred income taxes	282	3,927,215	-	3,927,215
Customer advances	252	-	-	-
CIAC, net	271 & 272	8,360,884	-	8,360,884
Other long term liabilities		-	-	-
		<u>12,288,099</u>	<u>-</u>	<u>12,288,099</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>\$ 43,430,446</b></u>	<u><b>\$ 1,510,659</b></u>	<u><b>\$ 44,941,105</b></u>

**Notes:**

(1) To record the SRF Debt as follows:

Locke Lake Water Main	\$ 400,000
W&E Water Main	\$ 550,000
Hardwood Pumping Facility	\$ 572,000
Total SRF Debt	<u>\$ 1,522,000</u>

(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

**PENNICHUCK EAST UTILITY, INC.**  
**OPERATING INCOME STATEMENT**  
**For the Eleven Months Ended November 30, 2013**

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	Account Number	ELEVEN MONTHS 11/30/13	PRO FORMA ADJUSTMENTS	PRO FORMA 11 MONTHS 11/30/13
Water Sales	460 to 462	\$ 5,778,854	\$ -	\$ 5,778,854
Other Operating Revenue	471	39,230	-	39,230
Total Revenues		5,818,084	-	5,818,084
Production Expenses	601 to 652	1,670,777	-	1,670,777
Transmission & Distribution Expenses	660 to 678	550,959	-	550,959
Customer Acct & Collection Exp	902 to 904	165,015	-	165,015
Administrative & General Expense	920 to 950	144,007	-	144,007
Inter Div Management Fee	930	1,308,644	-	1,308,644
Total Operating Expense		3,839,401	-	3,839,401
Dep Exp/Acq Adj Expense	403 & 406	794,302	11,341 (2)	805,643
Amortization Expense:CIAC	405	(168,638)	-	(168,638)
Amortization Expense	407	303,421	-	303,421
Gain on Debt Forgiveness	414	(11,775)	-	(11,775)
Property Taxes	408.1	718,565	36,252 (2)	754,817
Income Tax	409 to 410	60,219	(35,249) (3)	24,970
Total Operating Deductions		1,696,094	12,343	1,708,437
Net Operating Income		282,589	(12,343)	270,246
Other Income and Deductions		12,004	-	12,004
Interest Expenses		457,258	41,398 (1)	498,656
Net Income		(162,664)	(53,742)	(216,406)

**Notes:**

- 1 - To record the change in interest expense associated with SRF financing.
- 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 Eleven Months Ended November 30, 2013

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**Supporting Calculations:**

**Interest Expense:**

New SRF debt	\$ 1,522,000
Interest Rate	2.72%
<b>Annual Interest</b>	<b>\$ 41,398</b>

**Depreciation**

**Additions:**

	Asset Cost				Depreciation	
	Barnstead Locke Lake	Windham W&E	Windham Hardwood	Total	Rate	Amount
Structures & Improvements	\$ -	\$ -	\$ 200,000	\$ 200,000	2.62%	\$ 5,240
Transmission & Distribution Mains	\$ 400,000	\$ 550,000	\$ -	\$ 950,000	1.47%	\$ 13,965
Supply Mains			\$ 12,000	\$ 12,000	1.57%	\$ 188
Pumping Equipment	\$ -	\$ -	\$ 70,000	\$ 70,000	5.50%	\$ 3,850
Treatment Equipment			\$ 180,000	\$ 180,000	7.33%	\$ 13,194
Distribution Reservoirs			\$ 80,000	\$ 80,000	1.94%	\$ 1,552
Communication Equipment			\$ 30,000	\$ 30,000	11.11%	\$ 3,333
<b>Totals</b>	<b>\$ 400,000</b>	<b>\$ 550,000</b>	<b>\$ 572,000</b>	<b>\$ 1,522,000</b>		<b>\$ 23,243</b>

**Retirements:**

	Asset Cost				Depreciation	
	Barnstead Locke Lake	Windham W&E	Windham Hardwood	Total	Rate	Amount
Structures & Improvements	\$ -	\$ -	\$ 60,185	\$ 60,185	2.62%	\$ 1,577
Transmission & Distribution Mains	\$ 4,193	\$ 22,798	\$ -	\$ 26,990	1.47%	\$ 397
Pumping Equipment	\$ -	\$ -	\$ 38,599	\$ 38,599	5.50%	\$ 2,123
Treatment Equipment	\$ -	\$ -	\$ 46,784	\$ 46,784	7.33%	\$ 3,429
Communication Equipment	\$ -	\$ -	\$ 39,397	\$ 39,397	11.11%	\$ 4,377
<b>Totals</b>	<b>\$ 4,193</b>	<b>\$ 22,798</b>	<b>\$ 184,965</b>	<b>\$ 211,956</b>		<b>\$ 11,903</b>
<b>Net Additions</b>	<b>\$ 395,808</b>	<b>\$ 527,202</b>	<b>\$ 387,035</b>	<b>\$ 1,310,044</b>		

**Pro Forma Depreciation**

**\$ 11,341**

**Property Taxes**

Barnstead	\$ 20.87		
Windham		\$ 21.16	\$ 21.16
State of New Hampshire	\$ 6.60	\$ 6.60	\$ 6.60
<b>Total Tax Rate</b>	<b>\$ 27.47</b>	<b>\$ 27.76</b>	<b>\$ 27.76</b>

**Pro Forma Property Taxes**    \$ 10,873    \$ 14,635    \$ 10,744    **\$ 36,252 \***

\* Property Tax for Avery Estates is calculated excluding Cost of Removal

**Pennichuck East Utility, Inc.**  
**Pro Forma Capital Structure for Ratemaking Purposes**  
**For the Eleven Months Ended November 30, 2013**

Schedule LDG-3

	<u>Pro Forma 2013</u>	<u>Pro Forma Eliminations</u>	<u>Pro Forma 2013 with Eliminations</u>	<u>Component Ratio</u>
Long-term Debt	12,078,568	(1,662,676) (1)	10,415,892	<b>80.84%</b>
Intercompany Debt	\$ 4,914,305	(2,460,285) (1)	2,454,021	<b>19.05%</b>
<u>Common Equity:</u>				
Common Stock	100		100	
Paid In Capital	15,152,158	(15,152,158) (2)	(0)	
Comprehensive Income	(297,972)	529,702 (2)	231,730	
Retained Earnings	(216,406)		(216,406)	
Total Common Equity	<u>14,637,880</u>		<u>15,424</u>	<b>0.12%</b>
Total Capital	<u>\$ 31,630,752</u>		<u>\$ 12,885,336</u>	<b>100.00%</b>

**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	<u>6,000,000</u>
		15,904,329
	Less: Dividends Paid in Feb 2013	<u>(752,171)</u>
		15,152,158
Comprehensive Income as of 1/25/12		<u>(529,702)</u>