

Pennichuck East Utility, Inc.
Actual and Pro Forma Income Statement for the Twelve Months Ended December 31, 2010
Unaudited
Reflecting the \$0.4 million Liberty Tree Upgrades and related SRF Loan
Revised 11-29-2011
Exhibit TCL-2

	<u>Actual</u> <u>December 31, 2010</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Pro Forma</u> <u>December 31, 2010</u>
Operating Revenues	\$ 6,436,631	\$ -	\$ 6,436,631
O&M Expenses	4,037,844	-	4,037,844
Depreciation & Amortization	679,317	9,922 ²	689,239
Taxes Other Than Income	652,297	6,867 ²	659,164
Income Taxes	193,169	(11,565) ³	181,604
Total O&M Expenses	<u>5,562,627</u>	<u>5,224</u>	<u>5,567,851</u>
Net Operating Income	<u>874,004</u>	<u>(5,224)</u>	<u>868,780</u>
AFUDC	<u>-</u>	<u>-</u>	<u>-</u>
Other income (expense), net	<u>-</u>	<u>-</u>	<u>-</u>
Interest Income (Expense):			
Funded Debt	(392,736)	(12,416) ¹	(405,152)
Intercompany Debt	<u>(179,935)</u>	<u>-</u>	<u>(179,935)</u>
Total Interest Expense	<u>(572,672)</u>	<u>(12,416)</u>	<u>(585,088)</u>
Net income	<u>\$ 301,333</u>	<u>\$ (17,640)</u>	<u>\$ 283,693</u>

Notes:

- 1 - To record the change in interest expense associated with refinancing.
2 - To record the impact of new and replaced booster stations & storage facilities on depreciation and property taxes.
3 - To record the tax benefit (39.6%) resulting from additional expenses.

Supporting Calculations:

Interest Expense:

New SRF debt	\$ 400,000
Interest Rate	3.104%
Annual Interest	<u>\$ 12,416</u>

Property Taxes:

New Booster Station & Storage Facilities	\$ 602,650
Retired Booster Station & Storage Fac	<u>\$ (300,000)</u>
	\$ 302,650

Depreciation Expense:

New Booster Station & Storage Facilities	\$ 602,650
Retired Booster Station & Storage Fac	<u>\$ (149,577)</u>
	\$ 453,073
Depreciation Rate	2.19%
Annual Depreciation	<u>\$ 9,922</u>

Tax Rate Per \$1,000

Raymond	\$ 16.09
State	<u>\$ 6.60</u>
	\$ 22.69

Annual Property Taxes	<u>\$ 6,867</u>
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- 4 - To reflect the current property tax valuation on the existing Liberty Tree Booster Station which will be removed and no longer taxed.

Calculation of Impact on Ave. Residential PEU customer of loan rate change from 2.864% to 3.104%

Net Income @ 3.104% -	\$ 283,692.76	
Net Income @ 2.864% -	\$ 284,272.60	From Original Testimony
Reduction in Net Income due to increased interest rate -	\$ 579.84	
Increase in Revenue Requirement due to increased interest rate -	\$ 960.16	Based on PEU marginal tax rate of 39.61%
% increase in revenue requirement due to increase interest rate -	0.0149%	
PEU Ave. Annual Single Family Water Bill -	\$ 713.16	
Projected increase on PEU Ave. Annual Single Family Water Bill -	\$ 0.106	