

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2013

Schedule LDG-1
Page 1 of 2

Pro Forma
12/31/2013

	Account Number	12/31/2013	Pro Forma Adjustments	Pro Forma 12/31/2013
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	49,137,772	625,000 (1)	49,762,772
Work in process	105	771,630	-	771,630
Utility Plant		49,909,401	625,000	50,534,401
Accumulated depreciation	108	10,233,798	19,099 (2)	10,252,897
Net Plant		39,675,604	605,901	40,281,504
Net Acquisition Adjustment	114 & 115	6,568,155	-	6,568,155
Total Net Utility Plant		33,107,449	605,901	33,713,349
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	30,000	-	30,000
Accounts receivable-billed, net	141 & 143	397,799	-	397,799
Accounts receivable-unbilled, net	173	452,171	-	452,171
Accounts receivable-other	142	-	-	-
Inventory	151	28,521	-	28,521
Prepaid expenses	162	22,942	-	22,942
Prepaid property taxes	163 & 236	174,165	-	174,165
Prepaid taxes	162.3	-	-	-
		1,105,599	-	1,105,599
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	184,410	-	184,410
Acquisition Premium - MARA	186	8,585,369	-	8,585,369
Other & Deferred Charges	182,184,186	675,838	-	675,838
		9,445,616	-	9,445,616
TOTAL ASSETS		\$ 43,658,664	\$ 605,901	\$ 44,264,564

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 Twelve Months Ended December 31, 2013

Schedule LDG-1
Page 2 of 2

	Account Number	12/31/2013	Pro Forma Adjustments	Pro Forma 12/31/2013
STOCKHOLDERS' EQUITY				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	15,152,158	-	15,152,158
Comprehensive Income	219	(231,906)	-	(231,906)
Retained earnings	215	(137,658)	(50,003) (2)	(187,661)
		14,782,694	(50,003)	14,732,691
LONG TERM DEBT				
Bonds, notes and mortgages	221	10,748,047	625,000 (1)	11,373,047
Intercompany advances	223	5,133,269	30,904 (3)	5,164,172
Other Long Term Debt	224	386,510	-	386,510
CURRENT LIABILITIES				
Accounts payable	231	232,280	-	232,280
Accrued property taxes	236	-	-	-
Accrued interest payable	237	-	-	-
Other accrued expenses	241	173,877	-	173,877
Income taxes payable	236	-	-	-
Customer deposits & other	235	-	-	-
		406,156	-	406,156
OTHER LIABILITIES AND DEFERRED CREDITS				
Deferred income taxes	282	3,843,600	-	3,843,600
Customer advances	252	-	-	-
CIAC, net	271 & 272	8,358,388	-	8,358,388
Other long term liabilities		-	-	-
		12,201,988	-	12,201,988
TOTAL EQUITY AND LIABILITIES		\$ 43,658,664	\$ 605,901	\$ 44,264,564

Notes:

(1) To record the CoBank Debt as follows:

Locke Lake Water Main	\$ 625,000
W&E Water Main	\$ -
Hardwood Pumping Facility	\$ -
Total SRF Debt	\$ 625,000

(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 Twelve Months Ended December 31, 2013

Schedule LDG-2
Page 1 of 2

	Account Number	ELEVEN MONTHS 12/31/13	PRO FORMA ADJUSTMENTS	PRO FORMA 11 MONTHS 12/31/13
Water Sales	460 to 462	\$ 6,310,853	\$ -	\$ 6,310,853
Other Operating Revenue	471	43,124	-	43,124
Total Revenues		6,353,977	-	6,353,977
Production Expenses	601 to 652	1,804,674	-	1,804,674
Transmission & Distribution Expenses	660 to 678	587,301	-	587,301
Customer Acct & Collection Exp	902 to 904	177,228	-	177,228
Administrative & General Expense	920 to 950	155,661	-	155,661
Inter Div Management Fee	930	1,392,229	-	1,392,229
Total Operating Expense		4,117,093	-	4,117,093
Dep Exp/Acq Adj Expense	403 & 406	867,787	19,099 (2)	886,887
Amortization Expense:CIAC	405	(184,941)	-	(184,941)
Amortization Expense	407	323,989	-	323,989
Gain on Debt Forgiveness	414	(13,074)	-	(13,074)
Property Taxes	408.1	804,720	11,388 (2)	816,109
Income Tax	409 to 410	87,212	(32,797) (3)	54,415
Total Operating Deductions		1,885,694	(2,310)	1,883,384
Net Operating Income		351,190	2,310	353,500
Other Income and Deductions		13,854	-	13,854
Interest Expenses		502,702	52,313 (1)	555,015
Net Income		(137,658)	(50,003)	(187,661)

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.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2013

Schedule LDG-2
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Supporting Calculations:

<u>Interest Expense:</u>	Amount	Rate	Interest
New CoBank debt	\$ 625,000	5.25%	\$ 32,813
Long Term Intercompany Debt (1)	\$ 1,000,000	2.70%	\$ 27,000
Short Term Intercompany Debt	(\$1,000,000)	0.75%	\$ (7,500)
Annual Interest			\$ 52,313

(1) Interest Rate based on Parent Company line of credit

Depreciation

Additions:

	Asset Cost				Depreciation	
	Barnstead Locke Lake	Meters	Other	Total	Rate	Amount
Structures & Improvements*	\$ 60,000	\$ -	\$ 25,000	\$ 85,000	2.62%	\$ 2,227
Transmission & Distribution Mains	\$ -	\$ -	\$ 24,500	\$ 24,500	1.47%	\$ 360
Wells & Springs			\$ 20,000	\$ 20,000	3.79%	\$ 758
Pumping Equipment	\$ -	\$ -	\$ 45,000	\$ 45,000	5.50%	\$ 2,475
Treatment Equipment	\$ 70,000		\$ 48,000	\$ 118,000	7.33%	\$ 8,649
Distribution Reservoirs	\$ 20,000		\$ 40,000	\$ 60,000	1.94%	\$ 1,164
Communication Equipment			\$ 20,000	\$ 20,000	11.11%	\$ 2,222
Services			\$ 30,000	\$ 30,000	2.05%	\$ 615
Meters		\$ 115,000		\$ 115,000	4.20%	\$ 4,830
Hydrants			\$ 7,500	\$ 7,500	1.47%	\$ 110
Totals	\$ 150,000	\$ 115,000	\$ 260,000	\$ 525,000		\$ 23,411

* excludes Cost of Removal estimated at \$100 thousand

Retirements:

	Asset Cost				Depreciation	
	Barnstead Locke Lake	Windham W&E	Windham Hardwood	Total	Rate	Amount
Structures & Improvements	\$ -	\$ -	\$ -	\$ -	2.62%	\$ -
Transmission & Distribution Mains	\$ -	\$ -	\$ -	\$ -	1.47%	\$ -
Wells & Springs	\$ -	\$ -	\$ -	\$ -	3.79%	\$ -
Pumping Equipment	\$ -	\$ -	\$ 17,788	\$ 17,788	5.50%	\$ 978
Treatment Equipment	\$ -	\$ -	\$ -	\$ -	7.33%	\$ -
Distribution Reservoirs	\$ -	\$ -	\$ -	\$ -	1.94%	\$ -
Communication Equipment	\$ -	\$ -	\$ -	\$ -	11.11%	\$ -
Services			\$ 6,336	\$ 6,336	2.05%	\$ 130
Meters	\$ -	\$ 76,057	\$ -	\$ 76,057	4.20%	\$ 3,194
Hydrants	\$ -	\$ -	\$ 593	\$ 593	1.47%	\$ 9
Totals	\$ -	\$ 76,057	\$ 24,717	\$ 100,774		\$ 4,311

Net Additions \$ 150,000 \$ 38,943 \$ 235,283 \$ 424,226

Pro Forma Depreciation

\$ 19,099

Property Taxes

Barnstead	\$ 20.87		
Other		\$ 19.90	\$ 19.90
State of New Hampshire	\$ 6.60	\$ 6.60	\$ 6.60
Total Tax Rate	\$ 27.47	\$ 26.50	\$ 26.50
Pro Forma Property Taxes	\$ 4,121	\$ 1,032	\$ 6,236
			\$ 11,388

Pennichuck East Utility, Inc.
Pro Forma Capital Structure for Ratemaking Purposes
For the Twelve Months Ended December 31, 2013

Schedule LDG-3

	<u>Pro Forma</u> <u>2013</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma</u> <u>2013 with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	11,373,047	(1,656,770) (1)	9,716,277	77.91%
Intercompany Debt	\$ 5,164,172	(2,519,005) (1)	2,645,168	21.21%
<u>Common Equity:</u>				
Common Stock	100	(100)	-	
Paid In Capital	15,152,158	(15,152,158) (2)	(0)	
Comprehensive Income	(231,906)	529,702 (2)	297,796	
Retained Earnings	<u>(187,661)</u>		<u>(187,661)</u>	
Total Common Equity	14,732,691		110,135	0.88%
Total Capital	<u>\$ 31,269,910</u>	<u>(18,798,330)</u>	<u>\$ 12,471,580</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	<u>6,000,000</u>
	15,904,329
Less: Dividends Paid in Feb 2013	<u>(752,171)</u>
	<u>15,152,158</u>
Comprehensive Income as of 1/25/12	<u>(529,702)</u>



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August 26, 2014

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)(v) 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)(v) of the Loan Agreement, dated June 25, 2014 (the "Agreement") I am supplying you with the requisite prior written notice of the Company's intent to secure \$625,000 of term financing from CoBank, ACB for its wholly-owned Pennichuck East Utility, Inc. subsidiary ("PEU"). In accordance, with this section of the Agreement, the Company is allowed to borrow up to \$1.5 million per annum from CoBank, ACB or equivalent lender, in order to provide for capital project financing for its Pennichuck East Utility, Inc. or Pittsfield Aqueduct Company, Inc. subsidiaries, 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 said financing. On August 15, 2014, Pennichuck's and PEU's boards of directors passed a resolution authorizing management to procure said financing on behalf of PEU. As such, the Company is currently preparing a financing petition to be filed with the NH Public Utilities Commission, as well as a request for shareholder approval from the Company's sole shareholder, the City of Nashua. Pursuant to the Company and PEU receiving these approvals, PEU will enter into this new debt obligation in the fourth quarter of 2014.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'L. Goodhue'.

Larry D. Goodhue
CFO, Treasurer and Controller
Pennichuck Corporation



PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Corporation, a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of Pennichuck Corporation. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of Pennichuck Corporation on August 15, 2014; 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, 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 purpose of refinancing intercompany debt between the Corporation and PEU.

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 Six Hundred Twenty Five Thousand Dollars and No Cents (\$625,000.00), with a 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 Chief Financial 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 the MLA.

Further

Resolved: that the Chief Executive Officer and Chief Financial 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.

In Witness Whereof, I have hereunto set my hand and the seal of Pennichuck Corporation this 2nd day of October, 2014.



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., a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of Pennichuck East Utility, Inc. In that capacity, I do hereby further certify that:

1. The following resolutions were adopted by the Board of Directors of Pennichuck East Utility, Inc. on August 15, 2014; 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, 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 purpose of refinancing intercompany debt between the Corporation and Pennichuck Corporation.

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 Six Hundred Twenty Five Thousand Dollars and No Cents (\$625,000.00), with a 25-year amortization schedule; said New Loan to be closed on or about November 2014.

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 and Chief Financial Officer 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.

In Witness Whereof, I have hereunto set my hand and the seal of Pennichuck East Utility, Inc. this 2nd day of October, 2014.


Suzanne L. Ansara
Corporate Secretary

RESOLUTIONS OF THE BOARD OF DIRECTORS
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 and Chief Financial Officer ("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 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; (7) from time to time amend any such Loan; (8) 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 (9) 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 (8) or (9) 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 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.



PENNICHUCK CORPORATION

CORPORATE SECRETARY'S CERTIFICATE

I, Suzanne L. Ansara, do hereby certify that I am the duly elected Corporate Secretary of Pennichuck Corporation, a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of Pennichuck Corporation. In that capacity, I do hereby further certify that:

1. The following resolution was adopted by the Board of Directors of Pennichuck Corporation on August 15, 2014; 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 Corporation is hereby authorized to lend to its subsidiary, Pennichuck East Utility, Inc., One Million Dollars (\$1,000,000) in the form of a 10 year note with an interest rate of 2.7% with level payments over the term of the note, which note replaces current short term intercompany receivables between the Corporation and Pennichuck East Utility, Inc.; and that the Chief Executive Officer or Chief Financial Officer of the Corporation are each hereby authorized to take any and all actions, and to execute any documents or agreements, necessary to carry out the purpose of this resolution.

In Witness Whereof, I have hereunto set my hand and the seal of Pennichuck Corporation this 6th day of October, 2014.


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., a New Hampshire corporation, and that I am authorized to execute and deliver this Certificate on behalf of Pennichuck East Utility, Inc. In that capacity, I do hereby further certify that:

1. The following resolution was adopted by the Board of Directors of Pennichuck East Utility, Inc. on August 15, 2014; 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 Corporation is hereby authorized to borrow from its parent Company, Pennichuck Corporation, One Million Dollars (\$1,000,000) in the form of a 10 year note payable with an interest rate of 2.7% with level payments over the term of the note, which note replaces current short term intercompany debt between the Corporation and Pennichuck Corporation; and that the Chief Executive Officer or Chief Financial Officer of the Corporation are each hereby authorized to take any and all actions, and to execute any documents or agreements, necessary to carry out the purpose of this resolution.

In Witness Whereof, I have hereunto set my hand and the seal of Pennichuck East Utility, Inc. this 6th day of October, 2014.


Suzanne L. Ansara
Corporate Secretary