PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2016

	Account Number	12/31/2016	Pro Forma Adjustments		Proforma 12/31/16
PLANT ASSETS					
Plant in Service	301 to 348	59,471,255	3,215,000	(1)	62,686,255
Work in process	105	654,334	-		654,334
Utility Plant		60,125,588	3,215,000		63,340,588
Accumulated depreciation	108	12,277,191	60,796	(2)	12,337,986
Net Plant		47,848,398	3,154,204		51,002,602
Net Acquisition Adjustment	114 & 115	5,782,658	-		5,782,658
Total Net Utility Plant		42,065,740	3,154,204		45,219,945
CURRENT ASSETS					
Cash & Special Deposits	131 & 133	40,070	-		40,070
Accounts receivable-billed, net	141 & 143	1,702,760	-		1,702,760
Accounts receivable-unbilled, net	173	418,849	-		418,849
Accounts receivable-other	142	-	-		-
Inventory	151	-	-		-
Prepaid expenses	162	5,963	-		5,963
Prepaid property taxes	163 & 236	205,561	-		205,561
Prepaid taxes	162.3	-	-		-
		2,373,204	-		2,373,204
OTHER ASSETS					
Debt issuance expenses	181	234,140	-		234,140
Acquisition Premium - MARA	186	7,992,375	-		7,992,375
Other & Deferred Charges	182,184,186	770,975	-		770,975
		8,997,490	-		8,997,490
TOTAL ASSETS		$ 53,436,434	$ 3,154,204		$ 56,590,638

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, 2016

	Account Number		12/31/2016		Pro Forma Adjustments SRF Only			Proforma 12/31/16
STOCKHOLDERS' EQUITY								
Common stock	201	$	100	$	-		$	100
Paid in capital	211	$	13,333,907		-		$	13,333,907
Comprehensive Income	219	$	(272,011)		-		$	(272,011)
Retained earnings	215	$	(128,250)		(237,343)	(2)	$	(365,594)
			12,933,745		(237,343)			12,696,402
LONG TERM DEBT								
Bonds, notes and mortgages	221	$	16,658,945		3,215,000	(1)		19,873,945
Intercompany advances	223	$	4,038,030		176,548	(3)		4,214,577
Other Long Term Debt	224	$	453,352		-			453,352
CURRENT LIABILITIES								
Accounts payable	231	$	1,490,434		-			1,490,434
Accrued property taxes	236	$	(0)		-			(0)
Accrued interest payable	237	$	23,114		-			23,114
Other accrued expenses	241	$	443,827		-			443,827
Income taxes payable	236	$	-		-			-
Customer deposits & other	235	$	467,965		-			467,965
			2,425,341		-			2,425,341
OTHER LIABILITIES AND DEFERRED CREDITS								
Deferred income taxes	282	$	4,823,913		-			4,823,913
Customer advances	252	$	-		-			-
CIAC, net	271 & 272	$	12,103,108		-			12,103,108
Other long term liabilities			-		-			-
			16,927,021		-			16,927,021
TOTAL EQUITY AND LIABILITIES		$	53,436,434	$	3,154,204		$	56,590,638

Notes:
(1) To record the SRF Debt as follows:

Brady Ave main replacement	$	570,000	*SRF*
Hillcrest main replacement	$	245,000	*SRF*
PEU and PWW interconnection pipeline	$	2,400,000	*SRF*

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2016

	Account Number	Twelve Months 12/31/16	Pro Forma Adjustments		Pro Forma 12 Months 12/31/16
Water Sales	460 to 462	$ 7,371,544	$ -		$ 7,371,544
Other Operating Revenue	471	39,407	-		$ 39,407
Total Revenues		7,410,951	-		7,410,951
Production Expenses	601 to 652	1,991,779	-		1,991,779
Transmission & Distribution Expenses	660 to 678	616,944	-		616,944
Customer Acct & Collection Exp	902 to 904	184,106	-		184,106
Administrative & General Expense	920 to 950	155,295	-		155,295
Inter Div Management Fee	930	1,811,426	-		1,811,426
Total Operating Expense		4,759,549	-		4,759,549
Dep Exp/Acq Adj Expense	403 & 406	1,039,607	60,796	(2)	1,100,402
Amortization Expense:CIAC	405	(259,085)	-		(259,085)
Amortization Expense	407	251,081	-		251,081
Gain on Debt Forgivness	414	(22,613)	-		(22,613)
Property Taxes	408.1	1,051,160	269,208	(2)	1,320,368
Income Tax	409 to 410	47,319	(155,674)	(3)	(108,355)
Total Operating Deductions		2,107,469	174,329		2,281,798
Net Operating Income		543,933	(174,329)		369,604
Other Income and Deductions		-	-		-
Interest Expenses		672,183	63,014	(1)	735,197
Net Income		(128,250)	(237,343)		(365,594)

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, 2016

Supporting Calculations:

Interest Expense:

	Amount	Rate	Interest
Maple Hills	$ 570,000	1.960%	$ 11,172
Hillcrest Road	$ 245,000	1.960%	$ 4,802
PEU & PWW	$2,400,000	1.960%	$ 47,040
Annual Interest			$ 63,014

Depreciation

Additions:

	Asset Cost: SRF Brady Ave	Asset Cost	Total	SRF Depreciation Rate	SRF Depreciation Amount
Structures & Improvements			$ -	2.62%	$ -
Transmission & Distribution Mains*	$ 513,000		$ 513,000	1.47%	$ 7,541
Wells & Springs			$ -	3.79%	$ -
Pumping Equipment			$ -	5.50%	$ -
Treatment Equipment			$ -	7.33%	$ -
Distribution Reservoirs			$ -	1.94%	$ -
Communication Equipment			$ -	11.11%	$ -
Services			$ -	2.05%	$ -
Meters			$ -	4.20%	$ -
Hydrants			$ -	1.47%	$ -
Totals	$ 513,000	$ -	$ 513,000		$ 7,541

**Excludes Cost of Removal estimated at $57,000 for SRF Assets

Additions:

	Asset Cost: SRF Hillcrest Road	Asset Cost	Total	SRF Depreciation Rate	SRF Depreciation Amount
Structures & Improvements			$ -	2.62%	$ -
Transmission & Distribution Mains*	$ 220,500		$ 220,500	1.47%	$ 3,241
Wells & Springs			$ -	3.79%	$ -
Pumping Equipment			$ -	5.50%	$ -
Treatment Equipment			$ -	7.33%	$ -
Distribution Reservoirs			$ -	1.94%	$ -
Communication Equipment			$ -	11.11%	$ -
Services			$ -	2.05%	$ -
Meters			$ -	4.20%	$ -
Hydrants			$ -	1.47%	
Totals	$ 220,500	$ -	$ 220,500		$ 3,241

**Excludes Cost of Removal estimated at $24,500 for SRF Assets

Additions:

	Asset Cost: SRF PEU & PWW Interconnection	Asset Cost	Total	SRF Depreciation Rate	SRF Depreciation Amount
Structures & Improvements			$ -	2.62%	
Transmission & Distribution Mains*	$ 2,020,000		$ 2,020,000	1.47%	$ 29,694
Wells & Springs			$ -	3.79%	$ -
Pumping Equipment	$ 380,000		$ 380,000	5.50%	$ 20,900
Treatment Equipment			$ -	7.33%	$ -
Distribution Reservoirs			$ -	1.94%	$ -
Communication Equipment			$ -	11.11%	$ -
Services			$ -	2.05%	$ -
Meters			$ -	4.20%	$ -
Hydrants			$ -	1.47%	$ -
Totals	$ 2,400,000	$ -	$ 2,400,000		$ 50,594

Retirements:

	Asset Cost: Brady/Hillcrest	Asset Cost	Total	Depreciation Rate	Depreciation Amount
Structures & Improvements	$ -		$ -	2.62%	$ -
Transmission & Distribution Mains	$ 39,514		$ 39,514	1.47%	$ 581
Wells & Springs	$ -		$ -	3.79%	$ -
Pumping Equipment	$ -		$ -	5.50%	$ -
Treatment Equipment	$ -		$ -	7.33%	$ -
Distribution Reservoirs	$ -		$ -	1.94%	$ -
Communication Equipment	$ -		$ -	11.11%	$ -
Services			$ -	2.05%	$ -
Meters	$ -		$ -	4.20%	$ -
Hydrants	$ -		$ -	1.47%	$ -
Totals	$ 39,514	$ -	$ 39,514		$ 581
Net Additions	$ 3,093,986	$ -	$ 473,486		

Pro Forma Depreciation $ 60,796

Adjustment to account for increase from 1/2 year to full year depreciation for assets purchased in 2015 and to be reimburse funded with CoBank financing in 2016. Blended depreciation rate for all PEU assets of 2.08% was used.

Adjusted Pro Forma Depreciation $ 60,796

Property Taxes	Derry Brady Ave	Litchfield Hillcrest Rd	Merrimack Interconnection	
Town Tax Rate	$ 27.06	$ 19.25	$ 20.90	
Other				
State of New Hampshire	$ 6.60	$ 6.60	$ 6.60	
Total Tax Rate	$ 33.66	$ 25.85	$ 27.50	
Pro Forma Property Taxes	$ 104,144	$ 79,980	$ 85,085	$ 269,208

Pennichuck East Utility, Inc.
Pro Forma Capital Structure for Ratemaking Purposes
For the Twelve Months Ended December 31, 2016

Schedule LDG-3

		Pro Forma 2016	Pro Forma Eliminations			Pro Forma 2016 with Eliminations	Component Ratio
Long-term Debt		19,873,945	(1,278,507)	(1)		18,595,437	90.69%
Intercompany Debt	$	4,214,577	(2,465,846)	(1)		1,748,732	8.53%
Common Equity:							
Common Stock		100	(100)			-	
Paid In Capital		13,333,907	(13,066,201)	(2)		267,706	
Comprehensive Income		(272,011)	529,702	(2)		257,691	
Retained Earnings		(365,594)				(365,594)	
Total Common Equity		12,696,402				159,803	0.78%
Total Capital	$	36,784,924	(16,280,952)		$	20,503,972	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
	15,904,329
Less: Dividends Paid in Feb 2013	(752,171)
Dividends Paid in Mar 2014	(811,651)
	14,340,507
Dividends Paid in Mar 2015	(589,497)
	13,751,010
Dividends Paid in Mar 2016	(684,809)
Paid In Capital	13,066,201
Comprehensive Income as of 1/25/12	(529,702)