

Pennichuck Water Works, Inc.  
BALANCE SHEET

ASSETS AND DEFERRED CHARGES  
For the Twelve Months Ended December 31, 2017

	Account Number	12/31/2017	Pro Forma Adjustments	Pro Forma 12/31/2017
<b><u>PLANT ASSETS</u></b>				
Plant in Service	301 to 348	213,825,177	3,240,000 (1)	217,065,177
Work in process	105	835,329	-	835,329
Utility Plant		214,660,506	3,240,000	217,900,506
Accumulated depreciation	108	56,044,656	50,868 (2)	56,095,524
Net Plant		158,615,851	3,189,132	161,804,983
Net Acquisition Adjustment	114 & 115	318,665	-	318,665
Total Net Utility Plant		158,297,186	3,189,132	161,486,318
<b><u>CURRENT ASSETS</u></b>				
Cash	131 & 133	6,000	-	6,000
Restricted Cash - RSF	131	4,953,107	-	4,953,107
Restricted Cash - 2014 Bond Project Fund	131	2,130,772	-	2,130,772
Restricted Cash - 2015 Bond Project Fund	131	1,157,944	-	1,157,944
Accounts receivable-billed, net	141 & 143	2,234,851	-	2,234,851
Accounts receivable-unbilled, net	173	1,730,112	-	1,730,112
Accounts receivable-other	142	-	-	-
Inventory	151	594,043	-	594,043
Prepaid expenses	162	10,762,547	-	10,762,547
Prepaid property taxes	163 & 236	-	-	-
Prepaid taxes	162.3	-	-	-
		23,569,375	-	23,569,375
<b><u>OTHER ASSETS</u></b>				
Debt issuance expenses	181	3,971,109	-	3,971,109
Acquisition Premium - MARA	186	68,447,327	-	68,447,327
Other & Deferred Charges	182,184,186	10,033,989	-	10,033,989
		82,452,425	-	82,452,425
<b>TOTAL ASSETS</b>		<b>\$ 264,318,986</b>	<b>\$ 3,189,132</b>	<b>\$ 267,508,118</b>
		<b>\$ 264,318,986</b>		

**Notes:** \$ - check  
(1) To record the assets related to the New Debt.  
(2) To record the impact of full year depreciation offset by the Cost of Removal

Pennichuck Water Works, Inc.  
BALANCE SHEET

EQUITY AND LIABILITIES  
For the Twelve Months Ended December 31, 2017

	Account Number	12/31/2017	Pro Forma Adjustments	Pro Forma 12/31/2017
STOCKHOLDERS' EQUITY				
Common stock	201	\$ 30,000	\$ -	\$ 30,000
Paid in capital	211	\$ 117,480,418	-	117,480,418
Comprehensive Income	219	-	-	-
Retained earnings	215	489,930	(181,183)	308,748
		118,000,348	(181,183)	117,819,166
LONG TERM DEBT				
Bonds, notes and mortgages	221	82,066,894	3,375,000	85,441,894
Intercompany advances	223	-	(4,685)	(4,685)
Other Long Term Debt	224	-	-	-
CURRENT LIABILITIES				
Accounts payable	231	750,400	-	750,400
Accrued property taxes	236	-	-	-
Accrued interest payable	237	1,607,516	-	1,607,516
Other accrued expenses	241	794,794.55	-	794,795
Income taxes payable	236	-	-	-
Customer deposits & other	235	125,761	-	125,761
		3,278,471	-	3,278,471
OTHER LIABILITIES AND DEFERRED CREDITS				
Deferred income taxes & liability	282	7,973,043	-	7,973,043
Customer advances	252	-	-	-
CIAC, net	271 & 272	28,783,312	-	28,783,312
Other deferred credits	241 to 255	24,216,917	-	24,216,917
		60,973,272		60,973,272
TOTAL EQUITY AND LIABILITIES		\$ 264,318,986	\$ 3,189,132	\$ 267,508,118
		(264,318,986.13)		
		\$ -	Check	

Notes:				
(1) To record the new Debt as follows:				
	DWGTF Loan	\$	3,375,000	
	Total New Debt	\$	3,375,000	
(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 Water Works, Inc.  
OPERATING INCOME STATEMENT

LDG-2

For the Twelve Months Ended December 31, 2017

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	Account Number	TWELVE MONTHS 12/31/17	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/17
Water Sales	460 to 462	\$ 29,138,652	\$ -	\$ 29,138,652
Other Operating Revenue	471	445,396	-	445,396
Total Revenues		29,584,048	-	29,584,048
Production Expenses	601 to 652	4,571,844	-	4,571,844
Transmission & Distribution Expenses	660 to 678	2,168,076	-	2,168,076
Engineering Expenses	660	1,169,360	-	1,169,360
Customer Acct & Collection Exp	902 to 904	447,889	-	447,889
Administrative & General Expense	920 to 950	7,040,895	-	7,040,895
Inter Div Management Fee	930	(3,058,435)	-	(3,058,435)
Total Operating Expense		12,339,628	-	12,339,628
Dep Exp/Acq Adj Expense	403 & 406	5,495,021	50,868 (2)	5,545,889
Amortization Expense:CIAC	405	(693,179)	-	(693,179)
Amortization Expense	407	1,937,519	-	1,937,519
Gain on Debt Forgiveness	414	(53,925)	-	(53,925)
Property Taxes	408.1	5,210,697	106,886 (2)	5,317,583
Income Tax	409 to 410	1,365,760	(67,831) (4)	1,297,929
Total Operating Deductions		13,261,894	89,923	13,351,817
Net Operating Income		3,982,525	(89,923)	3,892,603
Other Income and Deductions		594	-	594
AFUDC		(18,480)	-	(18,480)
Interest Expenses		3,511,668	91,260 (1)	3,602,928
Debt Issuance Cost New/Amortization		-	- (3)	-
Net Income		489,930	(181,183)	308,748

Notes:

- 1 - To record the change in interest expense associated with New Debt.  
2 - To record the impact of assets on depreciation and property taxes.  
3 - To record the amortization of new debt expense.

Pennichuck Water Works, Inc.  
OPERATING INCOME STATEMENT

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For the Twelve Months Ended December 31, 2017

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Supporting Calculations:

Interest Expense:

New debt	\$ 3,375,000
Interest Rate	2.704%
Annual Interest	<u>\$ 91,260</u>

Depreciation

Additions:

	Asset Cost			Total		Depreciation	
						Rate	Amount
New Main Installation	\$ -	\$ 2,025,000	\$ 2,025,000	**		1.57%	\$ 31,793
Main Replacement		\$ 1,350,000	\$ 1,350,000			1.57%	\$ 21,195
Totals	\$ -	\$ 3,375,000	\$ 3,375,000		-		<u>\$ 52,988</u>

Cost of Removal: 10%

	Asset Cost			Total		Depreciation	
						Rate	Amount
COR: Main Replacement	\$ -	\$ 135,000	\$ 135,000			1.57%	\$ 2,120
Totals	\$ -	\$ 135,000	\$ 135,000		-		<u>\$ 2,120</u>
	\$ -	\$ 3,240,000	\$ 3,240,000		-		

Pro Forma Depreciation

\$ 50,868

Property Taxes

Town	\$ 25.07	\$ 25.07	Using Nashua rate for Calc of Proforma Tax
State of New Hampshire	\$ 6.60	\$ 6.60	
Total Tax Rate	\$ 31.67	\$ 31.67	

Pro Forma Property Taxes	\$ -	\$ 106,886	<u>\$ 106,886</u>
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Pennichuck Water Works, Inc.  
Pro Forma Capital Structure for Ratemaking Purposes

LDG-3

For the Twelve Months Ended December 31, 2017

	<u>Pro Forma 2017</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma 2017</u> <u>with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	\$ 85,441,894	\$ -	\$ 85,441,894	99.64%
Intercompany Debt	-	-	-	0.00%
Common Equity:				
Common Stock	\$ 30,000	\$ (30,000) (1)	\$ -	
Paid In Capital	117,480,418	\$ (117,480,418) (1)	-	
Comprehensive Income	-	-	-	
Retained Earnings	308,748		308,748	
Total Common Equity	<u>\$ 117,819,166</u>	<u>\$ (117,510,418)</u>	<u>\$ 308,748</u>	0.36%
Total Capital	<u>\$ 203,261,060</u>	<u>\$ (117,510,418)</u>	<u>\$ 85,750,642</u>	100.00%

**Notes:**  
(1) Per Order 25,292 in DW 11-026, eliminate the MARA and related common equity.

**PENNICHUCK WATER WORKS, INC.****CORPORATE SECRETARY'S CERTIFICATE**

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

1. The following resolutions were adopted by the Board of Directors of the Company on May 24, 2018; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

Resolved: that the Board of Directors hereby approves the borrowing by Pennichuck Water Works, Inc. (the "Company") of up to \$3,375,000 in principal amount from the New Hampshire Drinking Water and Groundwater Trust Fund (the "Trust Fund"), such amount to be paid over a 30-year term, level payment, with interest at a maximum rate of 2.424% and related costs, for the purpose of funding the Pennichuck Core Water Main Replacement project, pursuant to a Loan Agreement between the Company and the New Hampshire Department of Environmental Services.

Further

Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Loan Agreement for the Trust Fund loan described in the previous resolution (the "Trust Fund Loan") with such terms, including the exhibits and schedules to such Loan Agreement, as may be deemed necessary or advisable in the several judgment of the officers executing the Loan Agreement.

Further

Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Trust Fund Loan from the New Hampshire Public Utilities Commission, the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of Pennichuck Corporation (the Company's parent corporation), and any other authority determined by such officers relating to the Trust Fund Loan.

Further

Resolved: that Larry D. Goodhue, Donald L. Ware and Carol Ann Howe are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Trust Fund Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand as Corporate Secretary of Pennichuck Water Works, Inc. this 28th day of August, 2018.

  
Suzanne L. Ansara  
Corporate Secretary



**PENNICHUCK CORPORATION**

**CORPORATE SECRETARY'S CERTIFICATE**

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

1. The following resolutions were adopted by the Board of Directors of the Company on June 22, 2018; and such resolutions have not been altered, amended or repealed, and are in full force and effect, as of the date hereof:

Resolved: that the Board of Directors hereby approves the guaranty by Pennichuck Corporation (the "Company") of the payment by Pennichuck Water Works, Inc. ("PWW") of all of its obligations with respect to PWW's borrowing of up to \$3,375,000 in principal amount from the New Hampshire Drinking Water and Groundwater Trust Fund (the "Trust Fund"), such amount to be paid over a 30-year term, level payment, with interest at a maximum rate of 2.424% and related costs, for the purpose of funding the Pennichuck Core Water Main Replacement project, pursuant to a Loan Agreement between PWW and the New Hampshire Department of Environmental Services.

Further

Resolved: that the officers of the Company are severally authorized, empowered and directed to execute and deliver, in the name and on behalf of the Company, the Guaranty agreement with respect to the Trust Fund loan described in the prior resolution (the "Trust Fund Loan"), with such terms as may be deemed necessary or advisable in the several judgment of the officers executing the Guaranty agreement.

Further

Resolved: that the officers of the Company are hereby authorized, empowered and directed to take any and all actions to obtain all necessary approvals for the Guaranty from the New Hampshire Department of Environmental Services, the Governor and Executive Council, and the City of Nashua in its capacity as the sole shareholder of the Company, and any other authority determined by such officers relating to the Guaranty.



Further

Resolved: that Larry D. Goodhue, Donald L. Ware and Carol Ann Howe are severally authorized, empowered and directed to take such actions and to execute and deliver such documents as in the opinion of the officer or officers so acting or in the opinion of counsel, are necessary or desirable to effect the Guaranty and the Trust Fund Loan and to carry out the purposes of the preceding resolutions, the taking of such actions and the execution and delivery of such documents to be sufficient and conclusive evidence that the same are within the authority conferred by these resolutions.

In Witness Whereof, I have hereunto set my hand as Corporate Secretary of Pennichuck Corporation this 28th day of August, 2018.

  
Suzanne L. Ansara  
Corporate Secretary