

PENNICHUCK EAST UTILITY, INC.
BALANCE SHEET
ASSETS AND DEFERRED CHARGES
For the Twelve Months Ended December 31, 2018

Schedule LDG-1
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	Account Number	12/31/2018	Pro Forma Adjustments	Proforma 12/31/18
<u>PLANT ASSETS</u>				
Plant in Service	301 to 348	72,526,329	1,297,379 (1)	73,823,708
Work in process	105	413,558	-	413,558
Utility Plant		72,939,887	1,297,379	74,237,266
Accumulated depreciation	108	14,491,319	26,002 (2)	14,517,321
Net Plant		58,448,568	1,271,377	59,719,945
Net Acquisition Adjustment	114 & 115	5,295,103	-	5,295,103
Total Net Utility Plant		53,153,465	1,271,377	54,424,842
<u>CURRENT ASSETS</u>				
Cash & Special Deposits	131 & 133	1,254,836	-	1,254,836
Accounts receivable-billed, net	141 & 143	483,568	-	483,568
Accounts receivable-unbilled, net	173	1,131,210	-	1,131,210
Accounts receivable-other	142	-	-	-
Inventory	151	-	-	-
Prepaid expenses	162	7,348	-	7,348
Prepaid property taxes	163 & 236	235,525	-	235,525
Prepaid taxes	162.3	-	-	-
		3,112,487	-	3,112,487
<u>OTHER ASSETS</u>				
Debt issuance expenses	181	241,862	-	241,862
Acquisition Premium - MARA	186	7,580,152	-	7,580,152
Other & Deferred Charges	182,184,186	822,967	-	822,967
		8,644,980	-	8,644,980
TOTAL ASSETS		\$ 64,910,932	\$ 1,271,377	\$ 66,182,309

Notes:

(1) To record the assets related to the CoBank Loan.

(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, 2018

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	Account Number	12/31/2018	Pro Forma Adjustments	Proforma 12/31/18
STOCKHOLDERS' EQUITY				
Common stock	201	\$ 100	\$ -	\$ 100
Paid in capital	211	\$ 11,583,500	-	\$ 11,583,500
Comprehensive Income	219	\$ (157,658)	-	\$ (157,658)
Retained earnings	215	\$ (1,176,457)	(88,893) (2)	\$ (1,265,349)
		10,249,485	(88,893)	10,160,593
LONG TERM DEBT				
Bonds, notes and mortgages	221	\$ 19,367,850	1,297,379 (3)	20,665,229
Intercompany advances	223	8,758,467	62,891 (3),(1)	8,821,358
Other Long Term Debt	224	\$ 262,763	-	262,763
CURRENT LIABILITIES				
Accounts payable	231	\$ 270,410	-	270,410
Accrued property taxes	236	\$ 1,493	-	1,493
Accrued interest payable	237	\$ 37,065	-	37,065
Other accrued expenses	241	\$ 309,922	-	309,922
Income taxes payable	236	\$ -	-	-
Customer deposits & other	235	\$ 92,518	-	92,518
		711,409	-	711,409
OTHER LIABILITIES AND DEFERRED CREDITS				
Deferred income taxes	282 & 283	\$ 5,931,441	-	5,931,441
Customer advances	252	\$ -	-	-
CIAC, net	271 & 272	\$ 19,629,517	-	19,629,517
Other long term liabilities		-	-	-
		25,560,958	-	25,560,958
TOTAL EQUITY AND LIABILITIES		\$ 64,910,932	\$ 1,271,377	\$ 66,182,309

Notes:

(1) To record the CoBank Debt as follows:

CoBank Loan \$ 1,297,379 **CoBank**

(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 and the impact of the intercompany loan refinance.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2018

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	Account Number	Twelve Months 12/31/18	Pro Forma Adjustments	Pro Forma 12 Months 12/31/18
Water Sales	460 to 462	\$ 8,688,466	-	\$ 8,688,466
Other Operating Revenue	471	35,989	-	\$ 35,989
Total Revenues		8,724,455	-	8,724,455
Production Expenses	601 to 652	2,290,425	-	2,290,425
Transmission & Distribution Expenses	660 to 678	737,584	-	737,584
Customer Acct & Collection Exp	902 to 904	200,152	-	200,152
Administrative & General Expense	920 to 950	184,537	-	184,537
Inter Div Management Fee	930	2,356,956	-	2,356,956
Total Operating Expense		5,769,655	-	5,769,655
Dep Exp/Acq Adj Expense	403 & 406	1,254,250	26,002 (2)	1,280,252
Amortization Expense:CIAC	405	(392,222)	-	(392,222)
Amortization Expense	407	294,990	-	294,990
Gain on Debt Forgiveness	414	(22,613)	-	(22,613)
Property Taxes	408.1	1,040,185	37,520 (2)	1,077,705
Income Tax	409 to 410	771,010	(33,012) (3)	737,998
Total Operating Deductions		2,945,600	30,510	2,976,110
Net Operating Income		9,201	(30,510)	(21,310)
Other Income and Deductions		202,631	-	202,631
Interest Expenses		751,987	58,382 (1)	810,369
Net Income		(540,156)	(88,893)	(629,048)

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, at the statutory rate of 27.08%.

PENNICHUCK EAST UTILITY, INC.
OPERATING INCOME STATEMENT
For the Twelve Months Ended December 31, 2018

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Supporting Calculations:

Interest Expense:

	Amount	Rate	Interest
CoBank Loan	\$ 1,297,379	4.500%	\$ 58,382
Annual Interest	\$ 1,297,379		\$ 58,382

Depreciation

Additions:

	Asset Cost		Total	Depreciation	
	Asset Totals Term Loan	Cost of Removal		Rate	Amount
303 Land and Land Rights	\$ -	\$ -	\$ -	0.00%	\$ -
304 Structures & Improvements	\$ -	\$ -	\$ -	2.62%	\$ -
305 Collecting and Impounding Reservoirs	\$ -	\$ -	\$ -	1.47%	\$ -
306 Lake, River and Other Intakes	\$ -	\$ -	\$ -	3.33%	\$ -
307 Wells & Springs	\$ 14,893	\$ 4,824	\$ 10,069	3.79%	\$ 382
308 Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -		\$ -
309 Supply Mains	\$ -	\$ -	\$ -	1.57%	\$ -
310 Power Generation Equipment	\$ -	\$ -	\$ -	6.11%	\$ -
311 Pumping Equipment	\$ 95,063	\$ 3,099	\$ 91,964	5.47%	\$ 5,030
320 Water Treatment Equipment	\$ -	\$ -	\$ -	7.19%	\$ -
330 Distribution Reservoirs and Standpipes	\$ -	\$ -	\$ -	1.94%	\$ -
331 Transmission & Distribution Mains	\$ 990,541	\$ 1,908	\$ 988,633	1.47%	\$ 14,533
333 Services	\$ 94,060	\$ 1,957	\$ 92,103	2.05%	\$ 1,888
334 Meters and Meter Installations	\$ 89,035	\$ 7,043	\$ 81,992	4.20%	\$ 3,444
335 Hydrants	\$ -	\$ -	\$ -	1.47%	\$ -
339 Other Plant and Misc Equipment	\$ -	\$ -	\$ -	2.00%	\$ -
340 Office Furniture and Equipment	\$ -	\$ -	\$ -	2.00%	\$ -
341 Transportation Equipment	\$ -	\$ -	\$ -		\$ -
342 Stores Equipment	\$ -	\$ -	\$ -		\$ -
343 Tools, Shop and Garage Equipment	\$ -	\$ -	\$ -	8.33%	\$ -
344 Lab Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
345 Power Operated Equipment	\$ -	\$ -	\$ -		\$ -
346 Communication Equipment	\$ 13,787	\$ -	\$ 13,787	5.26%	\$ 725
347 Computer Equipment	\$ -	\$ -	\$ -	12.50%	\$ -
Totals	\$ 1,297,379	\$ 18,831	\$ 1,278,548		\$ 26,002

Net Additions \$ 1,297,379 \$ - \$ 1,278,548

Pro Forma Depreciation \$ 26,002
Adjusted Pro Forma Depreciation \$ 26,002

Property Taxes

	Combined Federal And State Income Tax
Merrimack Town Tax Rate	\$ 22.32
Other	
State of New Hampshire	\$ 6.60
Total Tax Rate	\$ 28.92

Pro Forma Property Taxes \$ 37,520 1.1% \$ 413 **\$ 37,933**

Pennichuck East Utility, Inc.
2019 CoBank Financing
Projected Rate Impact on Single Family Residential Home
3/29/2019

Loan Amount	-	\$ 1,297,379	(a)
Loan Percentage	-	4.50%	
Loan Term (in years)	-	25	
Annual Principal & Interest on Loan	-	\$87,494	(b)
Coverage Multiplier, under DW 16-806	-	1.1 x	(c)
Revenue Requirement for P&I: [(a) x (c)]	-	\$96,243	(d)
Property tax rate/\$1000 ^{Note a}	-	\$ 28.92	(e)
Projected Property Taxes: [(a)/1000 x (e)]	-	\$ 37,520	(f)
Projected Revenue Requirement: [(d) + (f)]	-	\$133,763	(g)
DW 17-128 Allowed Revenue Requirement	-	\$ 8,276,261	(h)
Calculated QCPAC Surcharge: [(g)/(h)]	-	1.62%	(i) resulting from the proposed financing
Current Monthly Single Family Residential Bill ^{Note b}	-	\$ 74.54	(j)
Monthly impact on Single Family Residential Bill of this Financing: [(i) x (j)]	-	\$ 1.21	per month

Note a - combined local property taxes for Town of Merrimack (\$22.32/1,000) and State Utility Tax (\$6.60/\$1,000)

Note b - From rates approved under DW 17-128, without subsequent QCPAC surcharges