

RESOLUTION

FINDING THAT THE ACQUISITION OF STOCK, RATHER THAN THE DIRECT ACQUISITION OF THE PLANT AND PROPERTY OF PENNICHUCK CORPORATION WILL PROVIDE A MORE ORDERLY METHOD FOR THE CITY TO ESTABLISH, OWN, AND OPERATE A MUNICIPAL WATER UTILITY CONSISTENT WITH THE PURPOSES OF RSA 38 AND WILL BE FINANCIALLY BENEFICIAL TO THE CITY AND ITS CUSTOMERS AND WILL, THEREFORE, BE IN THE BEST INTERESTS OF THE CITY AND PROVIDE A PUBLIC BENEFIT

CITY OF NASHUA

In the Year Two Thousand and Ten

RESOLVED by the Board of Aldermen of the City of Nashua that in accordance with RSA 38:3 the Board of Aldermen, by a two-thirds vote of all of its members and the Mayor have determined that it is in the best interests of the City to establish a municipal water company, through the purchase of the stock and/or assets of the Pennichuck Corporation, as authorized by Chapter 347 of the Acts of 2007, as amended and supplemented to the date hereof, which vote has been confirmed by a majority of the qualified voters of the City of Nashua at a regular election duly called and held for such purpose.

RESOLVED That the Board of Aldermen confirm that acquisition of stock is within the policy and purpose of RSA 38 by making the following findings required by Chapter 347 of the Acts of 2007:

- 1. That the acquisition of stock, rather than the direct acquisition of plant and property, will provide a more orderly method for the city to establish, own, and operate a municipal water utility consistent with the purposes of RSA 38; and
- 2. That the acquisition of stock, rather than the direct acquisition of plant and property will be financially beneficial to the city and its customers and will, therefore, be in the best interests of the city and provide a public benefit.

LEGISLATIVE YEAR 2010

RESOLUTION:

R-10-81

PURPOSE:

Finding that the acquisition of stock, rather than the direct

acquisition of the plant and property of Pennichuck

Corporation will provide a more orderly method for the city to establish, own, and operate a municipal water utility consistent with the purposes of RSA 38 and will be financially beneficial to the city and its customers and will, therefore, be in the best

interests of the city and provide a public benefit

ENDORSER(S):

Mayor Donnalee Lozeau

Alderman-at-Large Brian S. McCarthy

COMMITTEE ASSIGNMENT:

FISCAL NOTE:

The fiscal impact related to these findings is found in the

companion resolution authorizing bonds to acquire

Pennichuck Corporation.

ANALYSIS

This resolution makes special findings that the acquisition of Pennichuck Corporation stock is a more orderly method to acquire the utility, financially beneficial and in the best interests of the city and the public. The resolution follows the specific form prescribed for those findings in Chapter 347 of the Acts of 2007. Upon making those findings, the acquisition of the Pennichuck Corporation stock will be deemed to be within the policy and purposes of RSA 38.

Approved as to form:

Office of Corporation Counsel

Rv.

Date:

RESOLUTION R-10-81	Endorsed by /	
Finding that the acquisition of stock,		MAYOR
rather than the direct acquisition of		
the plant and property of Pennichuck		_MCCARTHY
Corporation will provide a more		CLEMONS
orderly method for the city to	Kother & Viter	
establish, own, and operate a	Zanta de la companya della companya de la companya de la companya della companya	VITALE
municipal water utility consistent	Touter (), Christy	_PRESSLY
with the purposes of RSA 38 and will	Theolone Hallow	LAROSE
be financially beneficial to the city		LAROSE
and its customers and will, therefore,	" Mulus Y Jagar	_TABACKSO
be in the best Interests of the city and	Maulau Melinie Halre	MELIZZI- GOLJA
provide a public benefit		_
		_COX
IN THE BOARD OF ALDERMEN	Vame X/	SHEEHAN
OT	nosi Walshir	-
1 ST READING DECEMBER 14, 2010	- Marina Carrier	_WILSHIRE
Referred to:	Supard-1-Mr-	FLYNN
Relation of the second of the	d	
PENNICHUCK WATER SPECIAL COMMITTEE	**************************************	-
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		**
		-
2 nd Reading JANUARY 11, 2011		
3 rd Reading		
4 th Reading		
Other Action	Vetoed:	
Passed JANUARY 11, 2011	Veto Sustained:	-
Indefinitely Postponed		
-	Veto Overridden:	•
Defeated	Attest:	
() 1/2/2	City Cler	k
Attesty MUNITEDALY M		•
City Clerk	Presiden	t
Bu Mula		
President		
Approved Malle Logian	•	
Mayor's Signature		
1/1/1/		
Date		
· /		



RESOLUTION

AUTHORIZING THE MAYOR AND CITY TREASURER TO ISSUE BONDS OR NOTES NOT IN EXCESS OF TWO HUNDRED TWENTY MILLION DOLLARS (\$220,000,000,00) TO PAY ALL COSTS OF ACQUIRING THE STOCK AND/OR ASSETS OF THE PENNICHUCK CORPORATION

CITY OF NASHUA

In the Year Two Thousand and Ten

RESOLVED by the Board of Aldermen of the City of Nashua that in accordance with RSA 38:3 the Board of Aldermen, by a two-thirds vote of all of its members and the Mayor have determined that it is in the best interests of the City to establish a municipal water company, through the purchase of the stock and/or assets of the Pennichuck Corporation, as authorized by Chapter 347 of the Acts of 2007, as amended and supplemented by Section 118 of Chapter 1 of the Special Session of the Acts of 2010, which vote has been confirmed by a majority of the qualified voters of the City of Nashua at a regular election duly called and held for such purpose.

RESOLVED That the Mayor of the City of Nashua and the City Treasurer of the City of Nashua are hereby authorized to issue and sell general obligation bonds of the City, in an aggregate principal not to exceed Two Hundred Twenty Million Dollars (\$220,000,000.00). The proceeds of said bonds shall be used to pay all costs of purchasing the stock and/or assets of the Pennichuck Corporation, which purchase shall be upon such terms and conditions as shall be set forth in a Merger Agreement to be entered into by the City and the Pennichuck Corporation. The life span of this project is at least 30 years.

The bonds shall be general obligations of the City of Nashua, payable as to principal and interest from ad valorem taxes, which will be levied without limitation as to rate or amount on all taxable property within the territorial limits of the City of Nashua.

The bonds shall bear the manual and facsimile signature of the City Treasurer and the Mayor. None of said bonds shall be obligatory without the authenticating certificate signed by an authorized officer of a bank or trust company doing business in the State of New Hampshire or The Commonwealth of Massachusetts, or the Commissioner of Revenue Administration.

RESOLUTION R-10-82

The bonds are to be issued in fully-registered form by means of a book-entry system or otherwise and shall have such terms and conditions and be in such form, subject to the provisions of this resolution and applicable law, as such shall be determined by the Mayor and the City Treasurer. The Mayor is authorized to enter into the required contracts therefore as well as any amendments to be made thereto or any other documentation necessary for the receipt of said funds.

RESOLVED that in accordance with RSA 38:13, as supplemented by Chapter 347 of the Acts of 2007, as amended and supplemented by Section 118 of Chapter 1 of the Special Session of the Acts of 2010, this resolution shall constitute the City's ratification of the purchase price to be paid by the City for the stock and/or assets of the Pennichuck Water Corporation. The Mayor and any other appropriate officer of the City are authorized to take any and all actions necessary to carry out the purposes of this resolution and to execute and deliver the Merger Agreement between the City and the Pennichuck Corporation and any other documents or agreements necessary or convenient to the carrying out of the purposes of this resolution.

RESOLVED FURTHER, that the Mayor is authorized to enter into the required contracts therefore as well as any amendments to be made thereto or any other documentation necessary for the receipt of said funds.

LEGISLATIVE YEAR 2010

RESOLUTION:

R-10-82

PURPOSE:

Authorizing the Mayor and City Treasurer to issue bonds or notes not in excess of Two Hundred Twenty Million Dollars (\$220,000,000.00) to pay all costs of acquiring the stock and/or

assets of the Pennichuck Corporation

ENDORSER(S):

Mayor Donnalee Lozeau

Alderman-at-Large Brian S. McCarthy

COMMITTEE ASSIGNMENT:

FISCAL NOTE:

Debt in the amount not to exceed \$220,000,000 will be sold with

a thirty year term. Pursuant to the definitive merger

agreement, a bond in the amount of \$160,000,000 at an interest rate of 6.5% assuming level payments results in a total cost of approximately \$364,000,000. The remainder of the

\$220,000,000 bond authorization may be necessary for other acquisition related costs, including possible payoff of existing

Pennichuck debt of approximately \$50,000,000.

ANALYSIS

This resolution authorizes the Mayor and the City Treasurer of the City of Nashua to issue and sell general obligation bonds of the City in an aggregate principal amount not to exceed two hundred twenty million dollars (\$220,000,000,000). The proceeds of said bonds shall be used for the acquisition of the stock and/or assets of the Pennichuck Corporation..

Pursuant to Nashua City Charter §54-a, this resolution requires a "duly advertised public hearing". Also see NH RSA 33:9, which requires a 2/3 vote for passage of this resolution.

Approved as to content, account structure,

numbers and amount:

Financial Services Division

Approved as to form:

Office of Corporation Counsel

Date:

RESOLUTION	R-10-82	Endorsed by	
Authorizing the Mayo	or and City	Madle Laca-	_ MAYOR
Treasurer to issue bo	onds or notes	0	
not in excess of Two	Hundred Twenty		MCCARTHY
Million Dollars (\$220,	000,000.00) to	<u> </u>	CLEMONS
pay all costs of acqu		Later (a) Vitare	VTTAT.R
and/or assets of the I	<u>Pennichuck</u>	(500)	•
Corporation		flelle B. Clasky	PRESSLY
			LAROSE
IN THE BOARD O	F ALDERMEN	- the state of the	TABACSKO
1 ST READING <u>DECEMBE</u>	ZR 14, 2010 ·		MELIZZI- GOLJA
Referred to:			cox
BUDGET REVIEW COMP	HITTEE AND		SHEKHAN
PUBLIC HEARING ON	THURSDAY,	Jan Willfure	WILSHIRE
JANUARY 6, 2011 AT ALDERMANIC CHAMBER	7:00 PM IN	RICHARD Physi-	PLYNN
2 nd Reading JANUAR			
3 rd Reading	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
4 th Reading			
Other Action			
Passed <u>JANUAR</u>	Y 11. 2011		
ndefinitely Postponed			
Defeated	<i>/</i>	Vetoed:	
Allest;	Seiderm	Veto Sustained;	
Birkhall	City Clerk	Veto Overridden:	
	President	Attest:	
Approved Janale	Mayor's Signature	City Clerk	
· dulu	Newor's orgitature	President	
/ Date			

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

FORM 8-K

CURRENT REPORT Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 15, 2011

Pennichuck Corporation

(Exact name of registrant as specified in its charter)

New Hampshire	0-18552	02-0177370
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)
25 Manchester Street, Merrimack, New	Hampshire	03054
(Address of Principal Executive Of	fices)	(Zip Code)
Registrant's te	lephone number, including area code: (60	3) 882-5191
	Not Applicable	
(Former na	me or former address if changed since la	st report.)
Check the appropriate box below if the Form 8-k any of the following provisions:	C filing is intended to simultaneously sati	sfy the filing obligation of the registrant under
☐ Written communications pursuant to Rule 425	under the Securities Act (17 CFR 230.42	25)
☐ Soliciting material pursuant to Rule 14a-12 ur	der the Exchange Act (17 CFR 240.14a-	12)
☐ Pre-commencement communications pursuant	to Rule 14d-2(b) under the Exchange A	et (17 CFR 240.14d-2(b))
	to Rule 13e-4(c) under the Exchange Ac	ot (17 CEP 240 12 a 4(a))

Item 5.07. Submission of Matters to a Vote of Security Holders.

The Company held its Special Meeting of Shareholders on June 15, 2011. Of the 4,681,427 shares of the Company's common stock outstanding and entitled to vote at the Special Meeting, 3,809,704 shares (representing 81.38%) were present either in person or by proxy. The certified results of the matters voted upon at the meeting, which are more fully described in our proxy statement filed with the Securities and Exchange Commission on April 22, 2011, are as follows:

Description of Matters Submitted

		Votes For	Votes Against	Non-Votes
1.	To consider and vote on a proposal to approve the Agreement and Plan of Merger effective as of November 11, 2010 (the "Merger Agreement") between the Company and the City of Nashua, New Hampshire (the "City"), whereby the City has agreed to acquire all of the outstanding shares of Pennichuck Corporation common stock for \$29.00 per share in cash.	3,307,005	495,818	6,881
2.	To consider and vote on a proposal to adjourn the Special Meeting, if necessary, for the purpose of soliciting additional proxies to vote in favor of approving the Merger Agreement	3,215,249	574,478	19,977

Based upon these results, the required affirmative vote was obtained on both proposals.

A copy of the press release announcing the results of the Special Meeting is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits. The following is filed as an exhibit to this Current Report on Form 8-K

Exhibit 99.1 Press release of Pennichuck Corporation dated June 15, 2011.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PENNICHUCK CORPORATION

(Registrant)

Date: June 15, 2011

By: /s/ Thomas C. Leonard

Thomas C. Leonard

Senior Vice President and Chief Financial Officer

-2-

EXHIBIT INDEX

Exhibit No. Description

99.1 Press release of Pennichuck Corporation dated June 15, 2011.

City of Nashua Acquisition of Pennichuck Corporation DW 11-026 Settlement Agreement **EXECUTION COPY**

EXHIBIT B

Illustration of Application of the Ratemaking Structure

[See Attached Documentation]

PENNICHUCK WATER WORKS, INC. COMPUTATION OF REVENUE DEFICIENCY For The Twelve Months Ended December 31, 2009

Proposed Settlement COMBINED INCREASE Schedule A 9/15/2011

		DW10-091		DW10-091	, oc	A 3-1	DW10-091,	STA	FF 3-13													City Bond Fixed Reve		Requirement
		PRO FORMA TEST YEAR	F	PPOSED DATA REQUESTS JUSTMENTS (1)	F	MONTHS WITH PROPOSED JUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS (1)	F	OMBINED PRO ORMA & STEP CREASE FORMA TEST YEAR	DO:	WITHOUT EMINENT MAIN COSTS ECOVERY	FC INC	OMBINED PRO ORMA & STEP REASE FORMA TEST YEAR		¹ Final djustment DW 10-091		al Rate Order DW 10-091		uthwood Assets	C	al Rate Order IW 10-091 & Southwood	WOUND COURS	R	OF NASHUA EVENUE UIREMENT
Consolidated Rate Base	\$	97,733,490	\$	(433,999)	\$	97,299,491	\$ 3,307,877	s	100,607,368	\$	(4.824,907)	\$	95,782,461	s	(3.562,467)	5	92,219,994	\$	2,524,971	5	94,744.965	(51,833,420) 3	 \$	42,911,544
RATE of Return		7.86%		0.09%		7 95%			7.95%				7.95%		0 03%		7.98%				7 98%	-1.95%		6.04%
Income Required	s	7,677,233	\$	•	\$	7,733,642		s	7,996,562			\$	7,613,064			\$	7,362,859			5	7,564,453	s	\$	2,591,857
Adjusted NOi	\$	5,312,859	\$	(52,593)	s	5,260,266	S (127,644)	\$	5,132,622	\$	323,751	\$	5,456,373	S	166,809	\$	5,623,182	s	-	\$	5,623,182	(\$4,230,733) \$	5	1,392,449
Deficiency	\$	2,364,374	\$	-	\$	2,473,376		5	2,863,940			\$	2,156,691			S	1,739,677			\$	1,941,271	\$	5	1,199,409
Tax Factor		60.39%				60.39%			60 39%				60.39%				60.39%				60 39%			60.39%
Revenue Deficiency	S	3,915,175	\$	•	s	4,095,672	5 646,736	S	4,742,408	S	(1,171,136)	s	3,571,272	s	(690,535)	s	2,880,737	s	333,820	\$	3,214,557	8	5	1,986,104
Water Revenues	2	24,116,426	\$		\$	24,116,426	5 -	\$	24,116,426			\$	24,116,426			\$	24,116,425			s	24,116,426	s	5	14,279,803
Proposed Revenue Inc		16 23%				16.98%	2.68%		19,66%		-4.86%		14.81%		-2 86%		11.95%		1 38%		13.33%			8.24%
Total Revenue	\$	28,031,601	-	-	\$	28,212,098	· •	s	28,858,834			Ś	27,687,698			Ś	26,997,163			\$	27,330,983	S	6	16,265,907

ADD: City Bond Fixed Revenue Requirement (Schedule A, Attachment A)

Total City Revenue:

\$9,836,623 \$ 26,102,530

^{1.} Adjustments shown are those required to adjust PWW's rate base and NOI to those approved in the DW10-091 Rate Order

Pennichuck Water Works Inc Pro Forma Adjustments to Revenue Reguirement For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule A Attachment A Nashua Acquisition 9/15/2011

				Pro Forma Adjustments
Revenue				
To recognize adjustment of hazd annual revenue				
requirement to meet City Bond obligation				
Bond interest Rate	\$152,099,885 6.50%			
Bond Pened	30			
Calculated pro rata for City Bond based on a		71.2		
constant payment and a constant bond rale				
Calculated as follows:				
		\$133 453,268		
PWW Pro Rala Share Less, Rate Stabilization Reserve	\$5,000,000	\$133,433,268	(1)	
PWW Pro Rata Share (sch 3.4) Less PWW Pro Rata Share of Rate Stabilization Reserve	100.00%			
		\$5,000,000		
Less: City Eminent Domain Cost Recovery		80		
Total PWW Pro Rata Share for CBFRR/MARA		5128,453,268		
Bond Interest Rate		6.50%		
Sand Penod	,	30	yrs	\$9,836,623 (2)
Notes;				
(1) Pro Rata Calculation as follows				
PWW & Southwood Equity (8/31/2011)	5 56,677,987	87.74%		
PEU Equity (8/31/2011)	5 6.847.954	10 60%		
PAC Equity (8/31/2011)	\$ 1.071,318	1,68%		
. The midwiff farm trick th	5 64,597,259	100.00%		
	-3		•	
PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$133,453,268		
PEU % CBFRR based on pro rata equity	10.60%	\$15,124,105		
PAC % CBFRR based on pro rata equity	1,66%	\$2,522,512		
Total City Bond	100,00%	\$152,099,885		
Any income taxes on revenues will be offset by deduct calculated below and depreciation expense associated Attachment A, page 2				
Total Interest Payment on City Bond (year one)		\$9,886,493		
PWW Pro Rata Share		87.74%		
PWW Pro Rata Interest Bonefit		58,574,462		

Re City of Nashuu Acquisition of Perinichuck Corporation Clocket No. DW 11-026 Exhibit 8JH (20M Supp)-1 Page 2 of 9

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No DW 11-026 Exhibit BJH (2nd Supp)-1 Page 3 of 9

> Proposed Settlement Schedule 1 Nashua Acquisition Pro Forma Adjustments 9/15/2011

PENNICHUCK WATER WORKS, INC. OPERATING INCOME STATEMENT For The Twelve Months Ended December 31, 2009

	,	DW10-091, OCA 3-1 DW10-091, STAFF 3-1				LESS EMIN	ENT DOMAIN		CBFRR APPROACH W/MARA					
	PRO FORMA 12 MONTHS 12/31/09	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED TEST YEAR & STEP PRO FORMA TEST YEAR	WITHOUT EMINENT DOMAIN COSTS RECOVERY	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-091	Final Rate Order DW 10-091	CITY OF NASHUA MARA ADJUSTMENT PER BOOKS	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	NASI AP R	CITY OF HUA CBFRR PPROACH EVENUE DUIREMENT	
Water Sales	\$ 24,116,426	s -	S 24,116,426	\$ -	\$ 24.116,426	·	S 24,116,426		24,116,426	······································	(\$9,836,623)	\$	14,279,803	
Water Sales for Resale	698	-	698	-	698		698		698				698	
Other Operating Revenue	365,266	(1,330)	363,936		363,936		363,936		363,936				363,936	
Total Revenues	24,482,389	(1,330)	24,481,060	-	24,481,060	*	24,481,060		24,481,060		(\$9,836,623)		14,644,437	
Production Expenses	3,337,933	(36,485)	3,301,448	55,750	3,357,199		3,357,199		3,357,199				3,357,199	
Transmission & Distribution Expenses	1,379,179	(3,214)	1,375,965	-	1,375,965		1,375,965		1,375,965				1,375,965	
Engineering Expense	574,394	-	574,394	~	574,394		574,394		574,394				574,394	
Customer Acct & Collection Exp	434,974	-	434.974	•	434,974		434,974		434,974				434,974	
Administrative & General Expense	6,142,485	(42,904)	6,099,583		6,099,583		6,099,583		6,099,583		(1,125,625)		4,973,958	
Final Rate Order Adjustments								(166,609)	(166,809)				(166,809)	
Inter Div Management Fee	(1,476,315)	7,961	(1,468,354)	-	(1,468,354)		(1,468,354)		(1,468,354)		(134,985)		(1,603,339)	
Total Operating Expense	10,392,652	(74,642)	10,318,010	55,750	10,373,760	-	10,373,760	(166,809)	10,206,951	*	(1,260,610)		8,946,342	
Dep Exp/Acq Adj Expense	4,070,540	(7,888)	4,062,652	80,768	4,143,420		4,143,420		4,143,420		(1,516,284) (3)	2,627,136	
Amortization Expense:CIAC	(480,385)	-	(480,385)	•	(480,385)	-	(480,385)		(480,385)				(480,385)	
Amortization Expense: MARA	-	•	•	+	-	-	-	-		830,974	(830,974) ⁽⁴		-	
Amortization Expense	495,885	(1,696)	494,189	-	494,189	(536,100)	(41,911)		(41,911)		_ (2	}	(41,911)	
Gain on Disp/Utility Property	-	-	-	•	-		-		-					
Property Taxes	2,674,109	169,984	2,844,093	74,847	2,918,940		2,918,940		2,918,940				2,918,940	
Payroll Taxes	520,118	-	520,118		520,118		520,118		520,118		(54,044)		466,074	
Income Tax	1,496,612	(34,495)	1,462,117	(83,722)	1,378,395	212,349	1,590,744		1,590,744		(2,774,952) (1)	(1,184,207)	
Total Operating Deductions	8,776,879	125,905	8,902,784	71,893	8,974,678	(323,751)	8,650,927	*	8,650,927	830,974	(5,176,254)		4,305,647	
Net Operating Income	5,312,859	(52,593)	5,260,266	(127,644)	5,132,622	323,751	5,456,373	166,809	5,623,182	(830,974)	(\$3,399,759)		1,392,449	

Notos:

(1) Pro Forma income Taxes calculated as follows;

Total pro forma reduction in operating expenses Total Proforma Revenue decrease

Total Proforma NOI before income tax

2,830,938 \$9,836,623 (7,005,685)

(7.005.685) 39.61% (2.774.952) •

^{*}Negative income Taxes will be offset by taxes on additional revenues from revenue deficiency per Schedule A.

⁽²⁾ Amortization Expense associated with City Eminont Domain Cost Recovery over 30 years

⁽³⁾ Eliminate Depreciation Expenses for Equity related assets bought by City

⁽⁴⁾ Eliminate Entire MARA Amortization Expense Attributable to Equity-Related Assets Acquired by City

<u>Uerciberships</u> Tolal Administrative and General Lese Payroli Taxes Total Administrative and General	Sanor Management Vehra	Meetros & Convenions	Bithelity	Rodus. 3 (7.000) Admin 5 (36.500) Officers 5 (36.500) Cry Apparate CEO	Administrative and General \$ (238,556) Admin \$ (733,000) Officers \$ (733,000) City Appointed CEO \$.\$	POWW 6 Southwood % CBFRR based on put tals equity 87.4% \$133,452,268 PEU % CBFRR based on por tals equity PEU % CBFRR based on por tals equity PAC % CBFRR based on por tals equity Total Cry Bond 168% \$2,22,512 PAC % CBFRR based on por tals equity 100.00% \$152,059,885	Pro Pra C Obulsion as Jolows 55 256 577,987: 8774% POWN & Southwood Equity (8/31/2011) \$ 25,687,954 10 60% PEU Equity (8/31/2011) \$ 1,05% PAC Equity (8/31/2011) \$ 54,057,218 10 60% PAC Equity (8/31/2011) \$ 565,597,289 100 00%	Celculated en foliows: PWIW Pro Rata Share \$5,000,000 Less PWW Pro Rata Share los 14. 100,00% Less PWW Pro Rata Share of Rate Stabkashon Reserve Less Cry Emment Domain Cost Recovery Less Cry Emment Domain Cost Recovery Less Cry Emment Domain Cost Recovery Total PWW Pro Rata Share for CBFRRAMARA Bond Interest Rata \$500,000 \$133,453,268 \$500,000	To reconnuce adjustment of fixed aimfust revolviue Total Cay Bond (\$150,088,885) Total Cay Bond (\$5150,088,885) Bond Interest Rate 6 50% Bond Period 30 yn. Calculated pro rate for City Bond based on a constant payment and a constant bond rate constant payment and a constant bond rate	CBFRR Pro Forma Adjustments	Pennehvok Water Works Iva Pro Forma Adjustments to Net Operand Inseme For The Tweive Manths Ended December 31, 2009
bala la la	*	64	(146, 825) (18694) (77, 646) (7, 651) (7, 651) (1, 288) (1, 288) (6, 271) (4, 869) (54, 044) (54, 044)	v	u					A P	Proposo
(72,486) (1,179,689) 54,044 (1,126,628)	(1,000)	(19,600)	(336, 507)	(28,500)	(771,596)			52,000,000		CBFRR Pro Forms Adjustments	Proposed Settlement Schodule 1 Attachmont A Page 1 Nashus Abaushon 9/15/2011

Pennichuck Water Works Inc Pro Forma Adjustments to Net Operating Income For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule 1 Attachment A Page 2 Nashua Acquisition 9/15/2011

Allocation from Corporate (132,339) D80 Insurance (84,479) Aurula Feport Cost (24,965) Authors/SEC Legal Expense (210,888) (210,888) (210,888) (210,888) (210,888) (210,888) (210,888) (210,888) (210,888) (220,888) (230,620) (230,620) (230,620) (230,620) (230,620) (244,975) (244,97				Pro Forma djustments
Professional Fens & Services 132,339 186,479 142,050 142	Management Fee			
DBO Insurance				
Annual Report Cost (24, 965)				
Auditions/SEC Legal Expense 10,888 10,2085 10,20				
Corp Governance Legal/AST		(24,965)		
Directors Fees & Migis/Corp Secy (25.052) (25.052) (27.447				
EDGAR Filing/NASDAQ & Other % to PWW 74.90%				
Allocation to Affiliates Salaries Salaries (771,595) Bonus Senefits (28,500) Benefits (336,507) Meetings & Conventions (19,600) Senior Management Vehicle % to Affiliates Total Management Fee To eliminate depreciation expense for equity related assets purchased with City Bond as part of the closing transaction at a composite depreciation rate of 2.8%. Amortization Expense To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Expense To provide for amortization expense attributable to MARA based on rate and principal payment MARA based on rate and principal payment Year One Amortization Expense To provide for amortization expense attributable to MARA based on rate and principal payment Year One Amortization Expense To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income (28,509) (439,066) (771,595) (28,600) (19,600) (1,000) (1,100) (1,156,203) (1,156,203) (1,156,203) (1,156,203) (1,156,203)		, ,		
Allocation to Affiliates Salaries Salaries (771,596) Bonus (28,500) Benefits (38,507) Meetings & Conventions (19,000) Senior Management Vehicle 1,000 % to Affiliates 7 Otal Management Fee Total Management Fee Total Management fee allocation based on current percentage allocation. Depreciation Expense To eliminate depreciation expense for equity related assets purchased with City Bond as part of the ciosing transaction at composite depreciation rate of 2.8%. Amortization Expense To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Expense To provide for amortization expense altributable to Amortization Expense To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281 Amortization Expense To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281 (Sch 4) 30 (Sch 4) 40 (Sch 4)				
Salaries (771,596) Bonus (28,500) Benefits (28,500) Benefits (28,500) Benefits (336,507) Benefits (336,507) Benefits (19,600) Senior Management Vehicle (1,000) (1	% to PWW 74.90% *	\$ (586,203)	\$	(439,066)
Bonus (29,500) Benefits	Allocation to Affiliates			
Benefits	Salaries	(771,595)		
Meetings & Conventions Senior Management Vehicle % to Affiliates 26.30% * (1,000) % to Affiliates 26.30% * (1,156,003) \$ 304,081 Total Management Fee Total Management Fee Note: **Management fee allocation based on current percentage allocation.** **Depreciation Expense To eliminate depreciation expense for equity related assets purchased with City Bond as part of the ciosing transaction at a composite depreciation rate of 2.8%. **Amortization Expense To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Period years **Amortization Period years **Amortization Period years **Amortization Period years **Amortization Period years **To provide for amortization expense attributable to MARA based on rate and principal payment \$66,677,987 (Sch 4) 30 Year One Amortization Expense To provide for amortization Expense **To record income taxes as a result of pro forma adjustments to Net Operating Income **To record final adjustments to Net Operating Income** FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income** **To record fina	Bonus	(28,500)		
Senior Management Vehicle % to Affiliates 26.30% 1(1,156,203) \$ 304,081 Total Management Fee Total Management Fee Note: "Management fee allocation based on current percentage allocation. Depreciation Expense To eliminate depreciation expense for equily related assets purchased with City Bond as part of the closing transaction at a composite depreciation rate of 2.8% 2.80% 5 (1,516,284) Amortization Expense To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Expense To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281	Benefits	(336,507)		
Senior Management Vehicle % to Affiliates 26.30% * (1,000) % to Affiliates 26.30% * (1,156,203) \$ 304,081 Total Management Fee Total Management Fee Note: **Management fee allocation based on current percentage allocation.** Depreciation Expense To eliminate depreciation expense for equity related assets purchased with City Bond as part of the closing transaction at a composite depreciation rate of 2.8%. Amortization Expense To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Expense To provide for amortization expense attributable to \$128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281 MARA based on rate and principal payment \$66,677,987 (Sch 4) 30 Year One Amortization Expense To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$ (166,809)	Meetings & Conventions	(19,600)		
% to Affiliates 26.30% * (1,156,203) \$ 304,081 Total Management Fee \$ \$ (134,985) Note: *Management fee allocation based on current percentage allocation. Depreciation Expense To eliminate depreciation expense for equity related assets purchased with City Bond as part of the closing transaction at a composite depreciation rate of 2.8%. Amortization Expense To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Period years Amortization Expense To provide for amortization expense altributable to Amortization Expense To provide for amortization expense altributable to Amortization Expense To provide for amortization expense altributable to Amortization Expense To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A. Pg 1) ARA based on rate and principal payment 56,677,987 (Sch 4) 30 Year One Amortization Expense To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$ (166,809)	Senior Management Vehicle			
Note: **Management fee allocation based on current percentage allocation.** **Depreciation Expense** To eliminate depreciation expense for equity related assets purchased with City Bond as part of the closing transaction at a composite depreciation rate of 2.8%. **Amortization Expense** To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Period years **To provide for amortization expense altributable to Amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization Expense** **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 Amortization Expense **To provide for amortization expense altributable to S128,453,268 (Sch 1, Ath A, P			S	304,081
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Management fee allocation based on current percentage allocation. **Depreciation Expense** To eliminate depreciation expense for equity related assets purchased with City Bond as part of the closing transaction at a composite depreciation rate of 2.8%. **Amortization Expense** To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Period years **Amortization Expense** To provide for amortization expense altributable to \$128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281 **Amortization Expense** To provide for amortization expense altributable to \$128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281 **MARA based on rate and principal payment \$66,677,987 (Sch 4) 30 Year One Amortization Expense \$71,775,281 6,50% \$830,374 **Income Taxes** To record income taxes as a result of pro forma adjustments to income statement. **FINAL RATE ORDER NOI ADJUSTMENTS** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operating Income** **Income Taxes** To record final adjustments to Net Operatin	Total Management Fee		_\$	(134,985)
To eliminate depreciation expense for equity related assets purchased with City Bond as part of the closing transaction at a composite depreciation rate of 2.8%. Amortization Expense To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Period years Amortization Period years Amortization Expense To provide for amortization expense altributable to \$128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281 MARA based on rate and principal payment \$66,677,987 (Sch 4) 30 Year One Amortization Expense To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$ \$ (166,809)	1			
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at a composite depreciation rate of 2.8%. 2.80% \$ (1,516,284) Amortization Expense To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Period years \$ 30 \$ \$		E4 4 50 040 V		
To provide for amortization expense on City Eminent Domain Costs as follows: City Eminent Domain Costs Amortization Period years Amortization Expense To provide for amortization expense attributable to MARA based on rate and principal payment Year One Amortization Expense To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income To provide for amortization expense attributable to \$128,453,268 (Sch 1, Ath A. Pg 1) \$71,775,281 \$56,677,987 (Sch 4) 30 \$571,775,281 \$6,50% \$830,974 S71,775,281				(1,516,284)
Costs as follows: City Eminent Domain Costs Amortization Period years Amortization Expense To provide for amortization expense altributable to MARA based on rate and principal payment Year One Amortization Expense To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income S0 S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281 S128,453,268 (Sch 1, Ath A, Pg 1) S71,775,281	Amortization Expense			
City Eminent Domain Costs Amortization Period years \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	To provide for amortization expense on City Eminent Domain			
Amortization Period years Amortization Expense To provide for amortization expense attributable to MARA based on rate and principal payment 56,677,987 (Sch 4) 30 4.50 (Sch 1, Ath A. Pg 1) 571,775,281 30 (Sch 2) 30 (Sch	Costs as follows:			
Amortization Expense To provide for amortization expense attributable to MARA based on rate and principal payment 55,677,987 (Sch 4) 30 4.59 (Sch 4) 30 6.50% \$830,974 Income Taxes To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$ (166,809)	City Eminent Domain Costs	S0		
To provide for amortization expense attributable to MARA based on rate and principal payment 56,677,987 (Sch 4) 30 Year One Amortization Expense \$71,775,281 \$65,677,987 (Sch 4) 30 \$830,974 \$10 \$65,000 \$830,974 \$10 \$10 \$10 \$10 \$10 \$10 \$10 \$10 \$10 \$10	Amortization Period years	30	\$	
To provide for amortization expense altributable to MARA based on rate and principal payment 56,677,987 (Sch 4) 30 Year One Amortization Expense 571,775,281 Income Taxes To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281 30 \$30,974 \$30				
MARA based on rate and principal payment Year One Amortization Expense 56,677,987 (Sch 4) 30 6,50% 3830,974 Income Taxes To record income taxes as a result of proforma adjustments to income statement. \$ (2,774,952) FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$ (166,809)	Amortization Expense			
Year One Amortization Expense \$71,775,281 6.50% \$830,974 Income Taxes To record income taxes as a result of pro forma \$\$\$ (2,774,952)\$ adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$\$\$\$ (166,809)\$	To provide for amortization expense attributable to \$128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281		
Income Taxes To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$ (166,809)				
To record income taxes as a result of pro forma \$ (2,774,952) adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$ (166,809)	Year One Amortization Expense \$71,775,281	6.50%		\$830,974
adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$ (166,809)	Income Taxes			
FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income \$ (166,809)	To record income taxes as a result of pro forma		\$	(2,774,952)
To record final adjustments to Net Operating Income \$ (166,809)	adjustments to income statement.			
To record final adjustments to Net Operating Income \$ (166,809)	FINAL RATE ORDER NOI ADJUSTMENTS			
	To record final adjustments to Net Operating Income		\$	(166,809)
as approved in Kate Order DVVTO-091	as approved in Rate Order DW10-091		_,	

PWW @ 6.5%

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-1
Page 5 of 9

Proposed Settlement Schedule 3 Nashua Acquisition Pro Forma Adjustments 9/15/2011

PENNICHUCK WATER WORKS,INC. COMPUTATION OF RATE BASE For The Thirteen Months Ended December 31, 2009

		DW10-091,	OCA 3-1	DW10-091, S	TAFF 3-13	LESS EMINI	ENT DOMAIN					CBFRR APPROACH W/M/	IRA
Description	Pro Forma Test Your	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED TEST YEAR & STEP PRO FORMA TEST YEAR	WITHOUT EMINENT DOMAIN COSTS RECOVERY	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-091	Southwood Assets	Final Rate Order DW 10-091 & Southwood	CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF MARA	PRO FORMA NASHUA ACQUISITION ADJUSTMENTS	PRO FORMA NASHUA RATE BASE FOR PWW
Plant in Service	153,687,293	(421,246)	153,266,047	3,904,456	157,170,503	·	157,170,503			157,170,503			157,170,503
Adjustment to Rate Base per Final Rate Order								(3.562,467)	2,524,971	(1,037,496)			(1,037,496)
Accum Deprec	38.250,317	(7,888)	38,252,429	(36,477)	38,215,952		38,215,952			38,215,952			38,215,952
Accum Deprec: Loss	4,050,376		4,050,376	2,277	4,052,653		4,052,653			4,052,653			4,052,653
Accum Deprec, COR	1,708,176		1.708,176	185,793	1,893,969		1,893,969			1,893,969			1,893,969
Theoretical Reserve	882,900	-	882,900		882,900		882,900			882,900			882,900
Acquistion Adjustment	844,905		844,905		844,905		844.905			844,905			844,905
Accum Amort Acq Act	296,522	-	296,522		296,522		296,522			296,522			296,522
Municipal Acquisition Regulatory Asset (MARA)		-			,		200,422				71,775,281		71,776,281
Accum Amon MARA Adı										_	*		
CIAC	26,898,154		26,898,154		26,898,154		26,898,154			25,898,154			26,898,154
Amon of CIAC	4,037,526		4,037,526		4,037,526		4.037.526			4,037,526			4,037,526
	98,659,417	(413,358)	98.246.059	4.129.003			102,375,062	(3,562,457)	2,524,971		71,775,281		173,112,847
ADD:	96,039,417	(4:2,200)	95.240,059	4,129,003	102,375,062	•	102,373,052	(3,362,461)	2,324,971	101,337,565	17,775,261	h	1/3,112,04/
Working Cao	1,296,371	(9,203)	1,287,168	6,874	4 004 040		1,294,042			1,294,042		/erc 4001	1,138,608
Materials & Supplies	825,124	(8,203)	825,124	0.874	1,294,042							(155,433)	
Prepaid Exprenses		•		•	825,124		825,124			825,124			825,124
	391,159	•	391,159	•	391,159		391,159			391,159			391,159
Prepaid Property Taxes	55,545		55,545	-	55,545		55,545			55,545			55,545
Prepaid income Taxes				-									-
Other & Deferred Charges	12,529,973	(11,438)	12,518,535		12,518,535	(4,824,907)				7,693,628			7,693,628
	15,098,172	(20,641)	15,077,531	6,874	15,084,405	(4.824,907)	10,259,497			10,259,497		(155,433)	10,104,064
DEDUCT:	-				-								
Customer Advances	84,000		84,000		84,000		84,000			84,000			84,000
Customer deposits & other	138,756	-	138,756		138,756		138,756			138,756			138,756
Deferred Income Tax	12,920,917		12,920,917		12,920,917		12,920,917			12,920,917			12,920,917
Deferred Tax Liability	855,191	-	855,191	-	855,191		855,191			855,191			855,191
Unamort ITC	784,440		784,440		784,440		784,440			784,440			784,440
Deferred Rental Credits	105,550		105,550	\$28,000	933,550		933,550			933,550			933,550
Unfunded FAS 106 and 158 Costs	1,135,245		1,135,245		1,135,245		1,135,245			1,135,245			1,135,245
	16.024,099		16,024,099	828,000	16,852,099		16,852,099			16.852.099			16,852,099
TOTAL Rate Base	97,733,490	(433,999)	97,299,491	3,307,877	100,607,368	(4,824,907)	95,782,461	(3,562,467)	2,524,971	94,744,965	71,775,281	(155,433)	165,364,812
DEOUCT: Equity Related Assets + MARA	27,700,400	(435,533)	2,,235,431	2,301,017	400,4001,300	(,024,307)	35,782,401	(-,502,401)	7/224/21 1	24,744,300	11,110,201	(128,453,268)	1 (128,453,266)
ADD: City Eminent Domain Cost Recovery												(126,453,200)	(320,493,266)
ADD: Rale Stabilization Cash Reserve												5,000,000	5,000,600
Total Rate Base	97,733,490	(433,999)	97,299,491	3,307,877	****	74 524 5571	05 702 454	12 FC2 1021	0 524 034	94,744,965	74 772 704		
TOM TRACE DASE	91,733,490	[433,999]	97,299,491	3,307,877	100,607,368	(4,824,907)	95,782,461	(3,562,467)	2,524,971	34,744,965	71,775,281	(123,608,701)	42,911,544

^{1.} Includes the elimination of MARA

Pennichuck Water Works Inc Pro Forma Adjustments to Rate Base For The Twelve Months Ended December 31, 2009

To record final adjustments to Rate Base

as approved in Rate Order DW10-091

					Final Adjustment DW 10-091			CBFRR w/ MARA Pro Forma djustments
CASH WORKING CAPITAL		/4 000 C40						
To reduce working capital as a result of O&M Expenses Pro Forma Adjustments (Schedule 1).		(1,260,610) 12,33%					\$	(155 _x 433)
EQUITY DEDUCTION								
To deduct pro rata share of assets associated with								
commom equity to be purchased by City Bonds at closing.							\$	(56,677,987)
To deduct all equity value associated with MARA							\$	(71,775,281)
Total Equity Deduction							\$	(128,453,268)
RATE STABILIZATION CASH RESERVE To establish a rate stabilization reserve for the three (3) regulated utilities at closing.								
Less: Rate Stabilization Reserve (Schedule 4)		\$5,000,000	(1)					
PWW Pro Rata Share		100.00%						
Total PWW Pro Rata Share for City Bond							\$	5,000,000
(1) Pro Rata Calculation as follows:								
Rate Base	•							
PWW (DW10-091, Per Final Order)	\$	56,677,987	10	0.00%				
PEU (As of 12/31/2009)	\$	6,847,954		0.00%				
PAC (DW10-091, Per Final Order)	\$	1,071,318	10000	0.00%				
		\$64,597,259	10	0.00%				
DEFERRED DEBITS								
To provide for City Eminent Domain Costs that will be ame	ortiz	ed over 30 yea	rs				\$	_
FINAL RATE ORDER NOI ADJUSTMENTS								

\$ (3,562,467)

Re: City of Nashua Acquisition of Pennichuck Corporation

Proposed Settlement

Nashua Acquisition 9/15/2011

Schedule 3

Attachment A

Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1

Page 7 of 9

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 8 of 9

Proposed Settlement

Schedule 4 Pro Forma Adjustments

9/15/2011

Pennichuck Water Works, Inc. Overall Rate of Return

For the Twelve Months Ended December 31, 2009

						NASHU	JA ACQUISITION - C	BFRR		
Capital Component	Filed <u>Amount</u>	DW10-091, Adjustment	OCA 3-1 Final Rate Order	MARA Adjustment	RSF Adjustment	CBFRR Adjustment	Adjusted Amount	Component Ratio	Component Cost <u>Rate</u>	Weighted Average Cost Rate
Long-term Debt	\$ 51,855,007	\$ (2,301,100) \$	49,553,907				\$ 49,553,907	100.00%	6.04%	6.04%
Short-term Debt	-		-				ve	0.00%	0.00%	0.00%
Preferred Stock	-		-				W	0.00%	0.00%	0.00%
Common Equity	56,677,987	\$	56,677,987	\$ 71,775,281	s - s	(128,453,268)	1 <u>s -</u>	0.00%	7.19% 2	0.00%
Overall Rate of Return	\$ 108,532,994	\$ (2,301,100) \$	106,231,894	\$ 71,775,281	\$ - 9	(128,453,268)	\$ 49,553,907	100.00%		6.04%

Final Rate Order - DW10-091

CBFRR Pro Forma Adjustment

-1.95%

7.98%

Notes:

1 To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.

² The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-1
Page 9 of 9

Pennichuck Water Works Inc Proposed Adjustments to Rate of Return For The Twelve Months Ended December 31, 2009

Schedule 4 Attachment A Pro Forma Adjustments

					Out	standing Debt Funded	Al	l in Annual Cost	Funded Effectve Rate
	Original Filing				\$	51,855,007	\$	3,077,604	5.94%
Reference Staff 2-22	SRF Step Additions Debt		<u>Original</u> 2,424,100	Revised 123,000		(2,301,100)			
	SRF Step Additions Interest	3.728%	90,370	4,585		·		(85,785)	
	Revised Debt and Interest				\$	49,553,907	\$	2,991,819	6.04%
	Proposed Adjustment				\$	(2,301,100)			

PENNICHUCK EAST UTILITY, INC. COMPUTATION OF REVENUE DEFICIENCY For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule A

City Bond Fixed Revenue Requirement	
(CBFRR)	

	٦	TEST YEAR		RO FORMA JUSTMENTS (1) (2)	PRO	O FORMA TEST YEAR	MBINED PRO ORMA TEST YEAR	ITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	TY OF NASHUA REVENUE REQUIREMENT
Consolidated Rate Base	\$	18,937,424	\$	(4,646,514)	\$	14,290,910	\$ 14,290,910	\$ (6,879,610)	\$ 7,411,300
RATE of Return		7.60%				7.60%	7.60%	-2.93%	4.67%
Income Required	\$	1,439,244			\$	1,086,109	\$ 1,086,109		\$ 346,108
Adjusted NOI	\$	911,114	\$	(177,830)	\$	733,284	\$ 733,284	\$ (500,051)	\$ 233,233
Deficiency	\$	528,130			\$	352,825	\$ 352,825		\$ 112,875
Tax Factor		60.39%				60.39%	60.39%		60.39%
Revenue Deficiency	\$	874,532			\$	584,244	\$ 584,244		\$ 186,911
Water Revenues (2)	\$	5,944,734	\$	(295,242)	\$	5,649,492	\$ 5,649,492		\$ 4,414,749
Proposed Revenue Inc		14.71%				10.34%	10.34%		3.31%
Total Revenue					\$	6,233,736	\$ 6,233,736		\$ 4,601,660
ADD: City Bond Fixed Reve	nue l	Requirement	(Sch	edule A, Attach A	.)				\$1,234,743
ADD: NC Capital Surcharge	Rev	enue					\$ 295,242		\$ 295,242
Total Revenue:							\$ 6,528,978		\$ 6,131,645

Notes:

⁽¹⁾ Eliminate Capital Recovery Surcharge Assets and related revenues and depreciation expense.

⁽²⁾ Water Revenues are reflected without Capital Surcharge Revenues

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-2
Page 2 of 7

PENNICHUCK EAST UTILITY, INC.
Pro Forma Adjustments to Revenue Requirement
For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule A Attachment A Nashua Acquisition

> Pro Forma Adjustments

1 Revenue

To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.

Total City Bond \$ 152,099,885

Bond Interest Rate 6.50%

Bond Period \$ 30 yrs

Calculated pro rata for City Bond based on a constant payment and a constant bond rate.

Calculated as follows:

PEU Pro Rata Share \$ 16,124,105 (1)

Less: Rate Stabilization Reserve \$ 5,000,000
PEU Pro Rata Share (Sch 3, Attach A) 0.00%

Total PEU Pro Rata Share for City Bond \$ 16,124,105

Bond Interest Rate 6.50%

Bond Period 30 yrs

\$1,234,743 (2)

Notes:

(1) Pro Rata Calculation as follows:		
PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	\$ 64,597,259	100.00%
PWW & Southwood % CBFRR based on pro rata equity	87.74% \$	133,453,268
PEU % CBFRR based on pro rata equity	10.60% \$	16,124,105
PAC % CBFRR based on pro rata equity	1.66% \$	2,522,512
	100.00% \$	152,099,885

(2) Any income taxes on revenues will be offset by deductions for interest expense on City Bonds calculated below and depreciation expense associated with equity related assets per Schedule 1, Attachment A, page 2.

Total Interest Payment on City Bond (year one)

\$9,886,493 10.60%

PEU Pro Rata Share PEU Pro Rata Interest Benefit

\$ 1,048,067

Proposed Settlement

PENNICHUCK EAST UTILITY, INC. **OPERATING INCOME STATEMENT** For The Twelve Months Ended December 31, 2009

Schedule 1 Nashua Acquisition Pro Forma Adjustments CBFRR APPROACH W/MARA

												I TO A PICOACITI	1117-43	171
	Account Number		ENNICHUCK ST UTILITY, INC.	N	orth Country	Ac	Pro Forma djustments (1)	 OMBINED EST YEAR	ΑĐ	CITY OF NASHUA MARA JUSTMENT ER BOOKS	Al	TY OF NASHUA DJUSTMENTS FOR CBFRR APPROACH	CE	CITY OF NASHUA BFRR APPROACH REVENUE REQUIREMENT
Water Sales	461 & 462	\$	5,005,656	\$	939,078	\$	(295,242)	\$ 5,649,492				(\$1,234,743)	\$	4,414,749
Other Operating Revenue	471		32,269		8,691			 40,960						40,960
Total Revenues			5,037,925		947,769		(295.242)	5,690,452			\$	(1,234,743)		4,455,709
Production Expenses	601 to 652 660 to 678 &		1,137,272		221,083			1,358,356						1,358,356
Transmission & Distribution Expense	926.1		329,977		160,100			490,077						490,077
Customer Acct & Collection Exp	902 to 904		140,501		41,563			182,064						182,064
Administrative & General Expense	920 to 950		96,772		26,749			123,521						123,521
Inter Div Management Fee	930	_	1,261,843		292,644			 1,554,487				(256,736)		1,297,751
Total Operating Expense			2,966,366		742,139		-	3,708,505		-		(256,736)		3,451,769
Depreciation Exp/Acq Adj (Credit)	403/406		579,015		122,593		(111,791)	589,817				(149,970) (3)		439,847
Amortization Expense: CIAC	405		(157,454)		(11,864)	,	382	(168,936)						(168,936)
Amortization Expense: MARA			•		•			•		\$107,394		(107,394) (4)		-
Amortization Expense	407		58,728		6,776		(6,003)	59,501				• • • • • • • • • • • • • • • • • • • •		59,501
Amort Utility Plant Adj	406		-				• • • •	+						-
Taxes Other Than Income Tax	408.1		467,122		76,384			543,506						543,506
Income Tax	409 to 410		305,688		(80,913)	i	_	 224,775				(327,985) (2)		(103,210)
Total Operating Deductions		\$	1,253,099	\$	112,976	\$	(117,412)	\$ 1,248,663	\$	107,394	\$	(585,350)	\$	770,708
Net Operating Income		\$	818,460	\$	92,654	\$	(177,830)	\$ 733,284	\$	(107,394)	\$	(392,657)	\$	233,233
						*****	***************************************	 	*******		-		***********	

(2) Pro Forma Income Taxes calculated as follows:

City Bond Revenue Requirement (1,234,743) Reduced operating expenses and deductions 406,706 NOI proforma adjustments before income taxes (828,036) Income Taxes 39 61% \$ (327,985)

"Negative Income Taxes will be offset by taxes on additional revenues from revenue deficiency per Schedule A

⁽¹⁾ Eliminates the depreciation and amortization expense associated with North Country Capital Recovery Surcharge.

⁽³⁾ Eliminate Depreciation Expenses for Equity related assets bought out by City

⁽⁴⁾ Eliminate Entire MARA Amonization Expense Attributable to Equity-Related Assets Acquired by City

PENNICHUCK EAST UTILITY, INC. Pro Forma Adjustments to Net Operating Income For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule 1 Attachment A Nashua Acquisition

> Pro Forma Adjustments

				Adjustments
1 Revenue				
To recognize adjustment of fixed annual revenue				
requirement to meet City Bond obligation				
Total City Bond		\$ 152,099,885		
Bond Interest Rate		6.50%		
Bond Penod		30	yrs.	
Calculated pro rata for City Bond based on a		~~	, ,	
constant payment and a constant bond rate.				
Calculated as follows:				
PEU Pro Rala Share			\$ 15,124,105	
Less: Rate Stabilization Reserve		\$ 5,000,000	W 10,129,100	
PEU Pro Rata Share (Sch 3, Attach A)		0.00%		
PED FIG Halls Share (SCH S, Albert A)		0.00%		
Total PEU Pro Rata Share for City Bond			\$ 15,124,105	
Bond interest Rate			8.50%	
Bond Period			30	yrs.
				\$ 1,234,743
Pro Rata Calculation as follows:				
PWW & Southwood Equity (8/31/2011)	_	S 56,677,987	87.74%	
			10,60%	
PEU Equity (8/31/2011)				
PAC Equity (8/31/2011)		\$ 1,071,318	1.66%	
		\$ 64,597,259	100.00%	
PWW & Southwood % CBFRR based on pro rata equity		87.74%	\$ 133,453,268	
PEU % CBFRR based on pro rata equity		10 60%	\$ 16,124,105	
PAC % CBFRR based on pro rata equity		1 66%	5 2,522,512	
		100 00%	\$ 152,099,885	
2 Management Fee				
Allocation from Corporate				
Professional Fees & Services			(132,339)	
D&O Insurance			(85,479)	
Annual Report Cost			(24,965)	
Auditors/SEC Legal Expense			(210,888)	
Corp Governance Legal/AST			(32,053)	
Directors Fees & Migs/Corp Secy			(25.052)	
EDGAR Filling/NASDAO & Other			(74,427)	
% Allocation to PEU		15.00%		\$ (87,930)
				
Allocation from PWW				
Salanes			(771,596)	
Bonus			(28,500)	
Benefits			(336,507)	
Meetings & Conventions			(19,600)	
Senior Management Vehicle			(1,000)	
% Allocation to PEU		14.60%		\$ (168,806)
N Poscedant to 1 Co		14.00.70	(1,100,100)	
				\$ (256,736)
3 Amortization Expense				4
To provide for amortization expense attributable to	\$ 15,124,105 (Sch 1, Ath A)	\$ 9,276,151		
MARA based on rate and principal payment	5,847,954 (Sch 4)	30		
Year One Amortization Expense	S 9,276,151	6 50%		5107,394
Teal One Amortization Expense	3 9,210,131	0 30 76		
4 Depreciation Expense				
To eliminate depreciation expense for equ≪y related				
assets purchased with City bond as part of the closing		\$ 6,847,954	ISAK S	
transaction at a composite depreciation rates of 2 19%.		2.19%	(**** * *)	5 149,970
am sacron at a composite approximation rates of £ 1976.		€.1376		3 142,574
5 Income Taxes				
To record income taxes as a result of pro forma		\$ (828,036)		
adjustments to income statement (sch i)		39.51%		s (327,985)
enhanceup in nomine statement (see i)		39,51%		3 (327,303)

Note:

^{*}Management for allocation based on current percentage allocation.

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-2 Page 5 of 7

> Proposed Settlement Schedule 3 Nashua Acquisition Pro Forma Adjustments

PENNICHUCK EAST UTILITY, INC. COMPUTATION OF RATE BASE For The Twelve Months Ended December 31, 200

									CBF	RR APPROACH W	//MARA	
Description	ENNICHUCK AST UTILITY, INC.	No	orth Country	Pro Forma Adjustments (1)	COMBINE		ADJU FOR F RATA	CITY STMENTS PEU'S PRO SHARE OF MARA	A	PRO FORMA NASHUA CQUISITION DJUSTMENTS		ORMA NASHUA BASE FOR PEU
Plant in Service	\$ 38,774,582	\$	5,705,899	\$ (4.550,906)	\$ 39,	929,575					\$	39,929,575
Accum Deprec	7,781,193		294,504	(271,782)	7,	803,915						7,803,915
Accum Deprec: Loss	927,493		192,960	(272,509)	i	847,944						847,944
Accum Deprec: COR	30,401		87,138			117,539						117,539
Acquisition Adjustment	10,468,179				10,	468,179						10,468,179
Accum Amort Acq Adj	2,487,151				2,	487,151						2,487,151
Municipal Acquisition Regulatory Asset (MARA) Accum Amort MARA Adj								9,276,151				9,276,151
CIAC	8,807,342		32,770	(14,096)	8.3	826,016						8,826,016
Amort of CIAC	875,827		12,193	(423)	·	887,597						887,597
	 16,038,740		5,670,916	(4,537,960)	17,	171,696	· · · · · · · · · · · · · · · · · · ·	9,276,151		*		26,447,848
ADD:												
Working Cap	365,753		91,506			457,259				(31,656)		425,603
Materials & Supplies			925			925				•		925
Prepayments	90,684		10,403			101,087						101,087
Other & Deferred Charges	512,492		117,688	(108,554)		521,626						521,626
-	 968,929		220,522	(108,554)	1,	080,896	· · · · · · · · · · · · · · · · · · ·	-		(31,656)		1,049,241
DEDUCT:				,				-		•		
Customer Advances	_					_						-
Customer Deposits	2,063		2			2,065						2,065
Deferred Income Tax	3,288,402		585,642		3.	874,044						3,874,044
Deferred Gain on Loans	85,574		-			85,574						85,574
	 3,376,039		585.644		3.:	961,683		-				3,961,683
TOTAL Rate Base	\$ 13,631,630	\$	5,305,794	\$ (4,646,514)	\$ 14,	290,910	\$	9,276,151	\$	(31,656)	\$	23,535,405
DEDUCT: Equity Related Assets									\$	(16,124,105)	\$	(16,124,105)
ADD: Rate Stabilization Cash Reserve	 								\$		\$	
TOTAL Rate Base	\$ 13,631,630	\$	5,305,794	\$ (4,646,514)	\$ 14,	290,910	\$	9,276,151	\$	(16,155,761)	\$	7,411,300

⁽¹⁾ Eliminate Capital Recovery Surcharge Assets and related revenues and depreciation expense.

⁽²⁾ Includes Elimination of MARA

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-2
Page 6 of 7

PENNICHUCK EAST UTILITY, INC. Pro Forma Adjustments to Rate Base For the Twelve Months Ended December 31, 2009

Proposed Settlement Schedule 3 Attachment A Nashua Acquisition

		Pro Forma Adjustments
CASH WORKING CAPITAL To reduce working capital as a result of O&M pro forma adjustments. (Schedule 1)	(256,736) 12.33%	\$ (31,656)
2 EQUITY DEDUCTION To deduct pro rata share of assets associated with common equity to be purchased by City Bonds at closing.		\$ (6,847,954)
To deduct all equity associated with MARA		\$ (9,276,151)
Total Equity Deduction		\$ (16,124,105)
3 RATE STABILIZATION CASH RESERVE To establish a rate stabilization reserve for the three (3 regulated utilities at closing.	3)	
Less: Rate Stabilization Reser PEU Pro Rata Sh		
Total PEU Pro Rata Share for City Bo	ond	\$ -
(1) Pro Rata Calcualtion as follows: Rate Base		
PWW & Southwood Equity (8/31/2011)	\$ 56,677,987 100%	
PEU Equity (8/31/2011)	\$ 6,847,954 0%	
PAC Equity (8/31/2011)	\$ 1,071,318 <u>0%</u>	
	\$ 64,597,259 100.00%	

Schedule 4

Proposed Settlement Nashua Acquisition **Proposed Adjustments**

PENNICHUCK EAST UTILITY, INC. Overall Rate of Return For the Twelve Months Ended December 31, 2009

NASHUA ACQUISITION - CBFRR

Capital Component	Pro Forma Test Year	MARA Adjustment	RSF Adjustment	CBFRR Adjustment	Adjusted Amount	Component <u>Ratio</u>	Component Cost Rate	Weighted Average Cost Rate
Long-term Debt	\$7,856,291				\$7,856,291	100.00%	4.67%	4.67%
Short-term Debt	-				\$0	0.00%	0.00%	0.00%
Preferred Stock	-				\$0	0.00%	0.00%	0.00%
Common Equity	6,847,954	\$ 9,276,151	\$ -	\$ (16,124,105)	1	0.00%	7.19%	2 0.00%
Overall Rate of Return	\$ 14,704,245	\$ 9,276,151	·\$	\$ (16,124,105)	\$ 7,856,291	100.00%		4.67%
				-		А	uthorized ROR	7.60%
						Propos	ed Adjustment	-2.93%

Notes:

- 1 To eliminate common and MARA equity purchased by City Bond as part of closing transaction.
- 2 The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.

PITTSFIELD AQUEDUCT COMPANY, INC. COMPUTATION OF REVENUE DEFICIENCY For The Twelve Months Ended December 31, 2009

Proposed Settlement COMBINED INCREASE Schedule A

				DW10-090,				DW10-096	o, s	STAFF 3-5				City Bond Fixed Re	even SFRR	•
		O FORMA		ROPOSED DATA REQUESTS ADJUSTMENTS (1)	F	2 MONTHS WITH PROPOSED JUSTMENTS 12/31/09	۴	EP INCREASE PRO FORMA DJUSTMENTS (1)		COMBINED PRO FORMA & STEP ICREASE FORMA TEST YEAR		¹ Final djustment W 10-090	Final Rate Order OW 10-090	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH		TY OF NASHUA REVENUE EQUIREMENT
Consolidated Rate Base	\$	1,962,038	\$	(61,125)	\$	1,900,913	\$	112,476	\$	2,013,389	\$	(7)	\$ 2,013,382	(\$1,075,185)		\$938,196
RATE of Return		7.60%				7.60%				7.60%			7.60%	-2.20%		5.39%
Income Required	\$	149,023			\$	144,380			\$	152,923			\$ 152,922		\$	50,601
Adjusted NOI	\$	75,753	\$	3,595	\$	79,348	\$	(3,632)	\$	75,716	\$	1,524	\$ 77.240	(\$81,086)		(\$3,846)
Deficiency	\$	73,270			\$	65,032			\$	77,207			\$ 75,682		\$	54,447
Tax Factor		60.39%				60.39%				60.39%			60.39%			60.39%
Revenue Deficiency	\$	121,328			\$	107,686	\$	20,161	S	127,847	\$	(2,525)	\$ 125,322		\$	90,158
Water Revenues	\$	607,133	\$	126	\$	607,259		-	\$	607,259			\$ 607,259		\$	414,092
Proposed Revenue Inc		19.98%				17.73%		3.32%		21.05%		-0.42%	20.63%			14.85%
Total Revenue	\$	728,461			\$	714,945			<u>\$</u>	735,106	:		\$ 732,581		\$	504,250
ADD: City Bond Fixed F	Reve	nue Requi	rei	ment (Schedule A, A	ttacł	1 A)										\$193,167
Total Revenue:														- *	\$	697,417

^{1.} Adjustments shown are those required to adjust PAC's rate base and NOI to that which was approved in the DW10-090 order

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-3
Page 2 of 7

PITTSFIELD AQUEDUCT COMPANY

Pro Forma Adjustments to Net Operating Income For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule A Attachment A Nashua Acquisition

> Pro Forma Adjustments

venue 1 To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation. Total City Bond Bond Interest Rate Bond Period	\$ 152,099,885			
Bond Penod	6.50%	• •		
	30	yrs		
Calculated pro rata for City Bond based on a constant payment and a constant bond rate. Calculated as follows: PAC Pro Rata Share Less: Rate Stabilization Reserve PAC Pro Rata Share (Sch 3,Attach A)	\$ 5,000,000 0.00%	\$	2,522,512	
Total PAC Pro Rata Share for City Bond Bond Interest Rate		\$	\$0 2,522,512 6,50%	
Bond Period			30 yrs	\$193,167
				\$193,167
Bond Period			30 yrs	\$193,167
Notes: (1) Pro Rata Calculation as follows: PWW & Southwood Equity (8/31/2011)	\$ 56,677,987		30 yrs 87.74%	\$193,167
Notes: (1) Pro Rata Calculation as follows: PWW & Southwood Equity (8/31/2011) PEU Equity (8/31/2011)	\$ 6,847,954		30 yrs 87.74% 10.60%	\$193,167
Notes: (1) Pro Rata Calculation as follows: PWW & Southwood Equity (8/31/2011)	\$ 6,847,954 \$ 1,071,318		30 yrs 87.74% 10.60% 1.66%	\$193,167
Notes: (1) Pro Rata Calculation as follows: PWW & Southwood Equity (8/31/2011) PEU Equity (8/31/2011)	\$ 6,847,954		30 yrs 87.74% 10.60%	\$193,167
Notes: (1) Pro Rata Calculation as follows: PWW & Southwood Equity (8/31/2011) PEU Equity (8/31/2011) PAC Equity (8/31/2011)	\$ 6,847,954 \$ 1,071,318 \$ 64,597,259		30 yrs 87.74% 10.60% 1.66% 100.00%	\$193,167
Notes: (1) Pro Rata Calculation as follows: PWW & Southwood Equity (8/31/2011) PEU Equity (8/31/2011) PAC Equity (8/31/2011) PWW & Southwood % CBFRR based on pro rata equity	\$ 6,847,954 \$ 1,071,318	s	30 yrs 87.74% 10.60% 1.66% 100.00%	\$193,167
Notes: (1) Pro Rata Calculation as follows: PWW & Southwood Equity (8/31/2011) PEU Equity (8/31/2011) PAC Equity (8/31/2011)	\$ 6,847,954 \$ 1,071,318 \$ 64,597,259 87.74%	\$ \$	30 yrs 87.74% 10.60% 1.66% 100.00%	\$193,167

PAC Pro Rata Share

PAC Pro Rata Interest Benefit

1.66%

\$163,963

Proposed Settlement Schodule 1 Nashua Acquisition Pro Forma Adjustments

PITTSFIELD AQUEDUCT COMPANY OPERATING INCOME STATEMENT For The Twelve Months Ended December 31, 2009

		DW10-090,	OCA 3-1	DW10-090	, OCA 3-1			CE	FRR APPROACH W/MA	RA
	PRO FORMA 12 MONTHS 12/31/09	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-090	Final Rate Ordor DW 10-090		CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA CBFRR APPROACH REVENUE REQUIREMENT
Water Sales	s 607,133	\$ 126	\$ 607,259	s -	\$ 607,259		S 607,259		(\$193,167)	\$ 414,092
Other Operating Revenue	5,429		5,429	-	5,429		5,429			5,429
Total Revenues	612,562	126	612,688	-	612,688		612,688	-	(193,167)	419,521
Production Expenses	86,392	-	86,392	-	86,392		86,392			86,392
Transmission & Distribution Expenses	52,376	_	52,376	_	52,376		52,376			52,376
Customer Acct & Collection Exp	19,953	-	19,953	-	19,953		19,953			19,953
Administrative & General Expense	61,371	(1,364)	60,007	₩-	60,007		60,007			60,007
Final Rate Order Adjustments						(1,524)	(1,524)			
Inter Div Management Fee	160,026	(238)	159,788		159,788		159,788		(31,364)	128,424
Total Operating Expense	380,118	(1,602)	378,516	w	378,516	(1,524)	376,992	*	(31,364)	345,628
Dep Exp/Acq Adj Expense	86,086		86,086	2,050	88,136		88,136		(27,533) (2)	60,603
Amortization Expense:CIAC	(24,146)) -	(24,146)	-	(24,146)		(24,146)			(24, 146)
Amortization Expense: MARA								16,801	(16,801) (3)	м
Amortization Expense	4,458		4,458	•	4,458		4,458			4,458
Property Taxes	81,437	(4,225)	77,212	3,964	81,176		81,176			81,176
Income Tax	8,857	2,358	11,215	(2,382)	8,833		8,833		(53,185) (1)	(44,351)
Total Operating Deductions	156,691	(1,867)	154,824	3,632	158,456	-	158,456	16,801	(97,519)	77,739
Net Operating Income	\$ 75,753	\$ 3,595	\$ 79,348	\$ (3,632)	\$ 75,716	\$ 1,524	\$ 77,240	\$ (16,801)	(\$64,285)	(\$3,846)

Notes:

(1) Pro Forma Income Taxes calculated as follows:

 City Bond Revenue Requirement
 \$ (193,167)

 Reduced operating expenses and deductions
 \$58,897

 NOI proforma adjustments before income taxes
 \$ (134,271)

 Income Taxes
 39,61%
 \$ (53,185)

^{*} Negative Income Taxes will be offset by taxes on additional revenues from revenue deficiency per Schedule A.

⁽²⁾ Eliminate Depreciation Exponses for Equity related assets bought out by City

⁽³⁾ Eliminate Entire MARA Amortization Expense Attributable to Equity-Related Assets Acquired by City

PITTSFIELD AQUEDUCT COMPANY Pro Forma Adjustments to Net Operating Income For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule 1 Attachment A Nashua Acquisition

Revenue					Pro Forma
To recognize adjustment of fixed annual revenue				_A	djustments
requirement to meet City Bond obligation.					
		10004 FO 414 DOC			
Total City Bond		5 152,099,885			
Bond Interest Rate		6.50%			
Bond Period		30	y/n		
Calculated pro rata for City Bond based on a					
constant payment and a constant bond rate.					
Calculated as follows:					
PAC Pro Rata Share			\$ 2,522,512		
Less: Rate Stabilization Reserve		\$ 5,000,000			
PAC Pro Rata Share (Sch 3,A)		0,00%			
			50		
Total PAC Pro Rata Share for City Bond			\$ 2,522,512		
Bond Interest Rate			6.50%		
Bond Penad			<u>30</u> yrs		
					193,167,50
					11-11-11-1
Pro Rate Calculation as follows:					
PWW & Southwood Equity (8/31/2011)		\$ 56,677,987	87.74%		
PEU Equity (8/31/2011)		\$ 6,847,954	10.60%		
PAC Equity (6/31/2011)		\$ 1,071,318	1.65%		
,		\$ 64,597,259	100%		
			19975		
PWW & Southwood % CBFRR based on pro rata equity		87 74%	S 133,453,268		
PEU % CBFRR based on pro rate equity			\$ 16,124,105		
PAC % CBFRR based on pro rata equity		1.66%			
The Wood Art beach on pro take oquity			\$ 152,099,885		
2 Management Fee		100.0073	0 102,039,000		
Allocation from Corporate					
Professional Fees & Services				\$ (132,339)	
D&O Insurance			,	(86,479)	
Annual Report Cost					
				(24,965)	
Auditors/SEC Legal Expense				(210,888)	
Corp Governance Legal/AST				(32,053)	
Directors Fees & Migs/Corp Secy				(25,052)	
EDGAR Filing/NASDAO & Other				(74,427)	
% Allocation to PAC			1,80% *	\$ (586,203) S	(10,552)

Allocation from PWW					
Salanes				\$ (771,596)	
Sonus				(28,500)	
Benefits				(336,507)	
Meetings & Conventions				(19,600)	
Senior Management Vehicle			_	(1,000)	
% Allocation to Pac			1,80%	\$ (1,156,203) S	(20,812)
Total Management Fee				\$	(31,364)
3 Depreciation Expense					
To eliminate depreciation expense for equity related assets					
purchased with City Bond as part of closing transaction		5 (1,071,318)			
at a composite deprenation rate of 2.57%.		2.57%		\$	(27,533)
4 Amerization Expense					
	2,522,512 (Sch 1 Ath A, Pg 1)	\$ 1,451,194			
MARA based on rate and principal payment	1,071,318 (Sch 4)	30			
Year One Amortization Expense \$	1,451,194	5.50%		\$	16,801
5 Income Taxes					
To record income taxes as a result of pro forma		\$ (134,271)			
adjustments to income statement.		39 61%		5	(53,185)
		VII.			
Note: "Management fee allocation based on current personage allocation.					

Proposed Settlement Schedule 3 Nashua Acquisition Pro Forma Adjustments

PITTSFIELD AQUEDUCT COMPANY COMPUTATION OF RATE BASE For The Thirteen Months Ended December 31, 2009

				DW10-090,	OCA 3-1	DW10-0	90, OCA 3-1				CBF	CBFRR APPROACH W/MARA				
Description		Pro Forma Test Year	R	POSED DATA EQUESTS JUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-090	l Fi	nal Rate Order DW 10-090	CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF MARA	PRO FO NASI ACQUIS ADJUSTI	HUA SITION	NA:	RO FORMA SHUA RATE SE FOR PWW	
Plant in Service	\$	3,846,825	\$		\$ 3,840,825	\$ 114,526	S 3,961,351		5	3,961,351	***************************************	*****		\$	3.961,351	
Adjustment to Rate Base per Final Rate Order								{7}	')	(7)					(7)	
Accum Deprec		1.036,132			1,036,132	2,050	1,038,182			1,038,182					1,038,182	
Accum Deprec: Loss		114,504			114,504	-	114,504			114,504					114,504	
Accum Deprec: COR		406			406	-	406			406					406	
Municipal Acquisition Regulatory Asset (MARA)										•	1,451,194				1,451,194	
Accum Amort MARA Adj CIAC		1,148,636			1,148,636		1,148,636			1,148,636					1,148,636	
Amont of CIAC		255,418			256,418	ì	256,418			256,418					256,418	
TOTAL OF SIAS	\$	2,033,385	\$	*		\$ 112,476		\$ (7)	') \$	2,145,854	\$ 1,451,194	\$	-	\$	3,597,054	
ADD.						•										
Working Cap		111,754		(61, 125)	50,529	-	50,629			50,629			(3,867)		46,762	
Materials & Supplies		588		, ,	588	-	588			588			• • •		588	
Prepayments		7,797			7,797	-	7,797			7,797					7,797	
Other & Deferred Charges		3,505			3,505		3,505			3.505					3,505	
	S	123,644	\$	(61,125)	\$ 62,519	\$	\$ 62,519	\$	• \$	62,519	\$ -	s	(3,867)	\$	58,652	
DEDUCT						_										
Customer Advances					-										\$0	
Customer Deposits		_													\$0	
Deferred Income Tax		194,991			194,991	-	194,991			194,991					\$194,991	
	5	194,991	Ş	-	\$ 194,991	5 -	\$ 194,991	\$ -	- \$	194,991	S -	\$	•	\$	194,991	
TOTAL Rate Base	\$	1,962,038	\$	(61,125)	\$ 1,900,913	5 112,476	\$ 2,013,389	\$ (7	7) \$	2,013,382	\$ 1,451,194	\$	(3,867)	\$	3,460,715	
DEDUCT: Equity Related Assets	*******				•		-		,			(2,5	522,512) 1		(2,522,512)	
ADD: Rate Stabilization Cash Reserve											····					
Total Rate Base:	<u>s</u>	1,962,038	<u>\$</u>	(61,125)	\$ 1,900,913	\$ 112,476	S 2,013,389	\$ (7	<u>n s</u>	2,013,382	\$ 1,451,194	\$ {2,5	526,379}	\$	938,203	

Includes the elimination of MARA

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-3 Page 6 of 7

PITTSFIELD AQUEDUCT COMPANY
Pro Forma Adjustments to Rate Base
For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule 3 Attachment A Nashua Acquisition

· ·			
			Pro Forma Adjustments
1 CASH WORKING CAPITAL To reduce working capital as a result of O&M Expense		(\$31,364)	
pro forma adjustments (Schedule 1).		12.33%	\$ (3,867)
2 EQUITY DEDUCTION To deduct pro rata share of assets associated with commom equity to be purchased by City Bonds at closing.			\$ (1,071,318)
To deduct all equity value associated with MARA			\$ (1,451,194)
To deduct an equity value associated with which			0 (1,101,101)
Total Equity Deduction			\$ (2,522,512)
3 RATE STABILIZATION CASH RESERVE To establish a rate stabilization reserve for the three (3) regulated utilities at closing.			
Less: Rate Stabilization reserve (Sch A, Attach A	.1	\$5,000,000	
PAC Pro Rata Shara	•	0.00% (1)	\$ -
(1) Pro Rata Calculation as follows: Rate Base			
PWW Rate Base (DW10-091, Per Final Order)	\$	56,677,987 100,00%	
PEU Rate Base (12/31/2009)	5	6,847,954 0.00%	
PAC Rate Base (DW10-090), Per Final Order)	\$	1,071,318 0.00%	

64,597,259

100.00%

Proposed Adjustment

Proposed Settlement Schedule 4 Nashua Acquisition Pro Forma Adjustments

-2,20%

Pittsfield Aqueduct Company, Inc. Overall Rate of Return For the Twelve Months Ended December 31, 2009

	DW10-090		_		······································	 NASHUA	ACQUI:	SITION - CBFR	R	***************************************	
Capital Component	Pro Forma Test Year	Adjustment	Final Rate Order	MARA Adjustmemt	RSF Adjustment	CBFRR Adjustment	Adju	sted Amount	Component Ratio	Component Cost Rate	Weighted Average Cost Rate
Long-term Debt	776,850		776,850				\$	776,850	75.28%	7.00%	5.27%
Short-term Debt	255,038		255,038				\$	255,038	24.72%	0.50%	0.12%
Preferred Stock	-		-				\$	-	0.00%	0.00%	0.00%
Common Equity	1,071,318		1,071,318	\$ 1,451,194	\$0	\$ (2,522,512)	1 <u>S</u>		0.00%	7.19% 2	0.00%
Overall Rate of Return	\$ 2,103,206		\$ 2,103,206	\$ 1,451,194	l S -	\$ (2,522,512)	\$	1,031,888	100.00%		5.39%
										Original Filing	7.60%

Notes:

¹ To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.

² The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.

Page 1 of 9

Proposed Settlement COMBINED INCREASE Schedule A 9/15/2011

PENNICHUCK WATER WORKS, INC. COMPUTATION OF REVENUE DEFICIENCY For The Twelve Months Ended December 31, 2009

		DW10-091		DW10-091	, OCA 3-1	1	DW10-091,	STAI	FF 3-13													City Bond Fixed ((Revenu (BFRR)	
		PRO FORMA FEST YEAR	R	POSED DATA EQUESTS FUSTMENTS (1)	PROP ADJUST	POSED	STEP INCREASE PRO FORMA ADJUSTMENTS (1)	F(OMBINED PRO ORMA & STEP CREASE FORMA (TEST YEAR	i IOO	WITHOUT EMINENT MAIN COSTS ECOVERY	COMBINE FORMA 8 INCREASE TEST Y	STEP FORMA	Adj	¹ Final justment V 10-091		ate Order 10-091	Southwo Assets	юa	DW	Rate Order I 10-091 & outhwood	CITY OF NASHU ADJUSTMENT FOR CBFRR APPROACH	5 417	Y OF NASHUA REVENUE QUIREMENT
Consolidated Rate Base	\$	97,733,490	s	(433,999)	S 97	7.299,491	s 3,307,877	s	100,607,368	5	(4,824,907)	\$ 95.	782,461	S {	(3,562,467)	s 92	2,219,994 S	2,524	1,971	5	94,744,965	(51,833,42	0) \$	42,911,544
RATE of Return		7.85%		0.09%		7.95%			7 95%				7 95%		0.03%		7,98%				7 98%	-1.95	%	6,04%
Income Required	\$	7,677,233	5	-	\$ 7	7,733,642		\$	7,996,562			\$ 7,	513,064			\$ 7	,362,859			\$	7,564,453		\$	2,591,857
Adjusted NOI	S	5,312,859	s	(52,593)	\$ 5	5,260,266	\$ (127.644)	s	5,132,622	s	323,751	\$ 5.	456,373	\$	166,809	s 5	623,182 S		-	S	5,623,182	(\$3,746.27	9) \$	1,876,903
Deficiency	\$	2.364,374	S	-	S 2	2.473,376		\$	2,863,940			S 2.	156,691			S 1	,739,677			S	1,941,271		\$	714,954
Tax Factor		60,39%				60,39%			60.39%				60 39%				60.39%				60.39%			60.39%
Revenue Deficiency	\$	3,915,175	s	*	\$ 4	4,095,672	S 646,736	s	4,742,408	\$	(1,171,136)	s 3,	571,272	S	(690,535)	S 2	,880,737 S	333	3,820	\$	3,214,557		Ş	1,183,895
Water Revenues	\$	24,116,426	\$		\$ 24	4,116,426	s -	\$	24,116,426			\$ 24.	116,426			S 24	1,116,426			\$	24,116,426		5	15,082,011
Proposed Revenue Inc.		16,23%				16,98%	2 68%		19.66%		-4.86%		14.81%		-2 86%		11.95%	1	.38%		13 33%			4.91%
Total Revenue	\$	28,031,601	-		\$ 28	8,212,098	ر <u>د</u>	\$	28,858,834		<u>-</u>	\$ 27,	687,698		 ::::	\$ 26	,997,163		<u>-</u>	\$	27,330,983		\$	16,265,906

ADD: City Bond Fixed Revenue Requirement (Schedule A, Attachment A)

Total City Revenue:

25,300,321

S9,034,414

1. Adjustments shown are those required to adjust PWW's rate base and NOI to those approved in the DW10-091 Rate Order

Pennichuck Water Works Inc
Pro Forma Adjustments to Revenue Requirement
For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule A Attachment A Nashua Acquisition 9/15/2011

Pro Forma Adjustments

Revenue
1 To recognize adjustment of fixed annual revenue
1 to recognize adjustment of fixed annual revenue
requirement to most City Bond obligation

Yellat City Total City Bond \$152,099,585

Bond Interest Rate 5.70%

Bond Period 30 yrs

Calculated as follows: Calculated pro rata for City Bond based on a constant payment and a constant bond rate. \$133,453,268 (1)

Loss: Rate Stabilization Reserve
PWW Pro Rata Share sao A.
Loss: PWW Pro Rata Share sao A.
Loss: PWW Pro Rata Share sao A.
Loss: PWW Pro Rata Share share sacree
Less: Cuy Eminent Demain Cost Recovery
Total PWW Pro Rate Share for CEPREWARA A
Boot Interest Rate
Bond Paned \$5,000,000 100.00% \$5,000,000

\$128,453,288 5,70% 30 yrs

\$9,034,414 (2)

Notes:
1) Pin Rau Carculapon at follows.
PWW & Southwood Equity (8/31/2011)
PEU Equity (8/31/2011)
PAC Equity (8/31/2011) \$ 56,877,987 \$ 6,847,954 \$ 1,071,318 \$ 64,597,259

PVWV & Southwood % CBFRR based on pro rata equity
PSU % CBFRR based on pro rata equity
PAC % CBFRR based on pro rata equity
PAC % CBFRR based on pro rata equity
Total City Bond 87 74% \$133,453,268 10,60% \$16,124,105 1,66% \$2,522,512 100,00% \$152,099,885

(2) Any income taxes on revenues will be offset by deductions for interest expense on City Bonds calculated below and depreciation expense associated with equity related assets per Schedule 1. Altachment A. page 2 St. 655.653.

Total Interest Payment on City Bond (nex one) St. 655.653.

\$7.4% PyWW Pro Rata Share \$7.4% \$7.605.656

Re: City of Nashua Acquisition of Pennichuex Corporation Doctacl No. DVI 11-926 Exhibit BJH (Zhid Suppl.) Page 2 of 9

Proposed Settlement Schodule 1 Nashua Acquisition Pro Forma Adjustments 9/18/2011

PENNICHUCK WATER WORKS, INC. OPERATING INCOME STATEMENT For The Twelve Months Ended December 31, 2009

	-	DW10-091,	OCA 3-1	DW10-091,	STAFF 3-13	LESS EMINI	ENT DOMAIN		CBFRR APPROACH WIMARA							
	PRO FORMA 12 MONTHS 12/31/09	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED TEST YEAR & STEP PRO FORMA TEST YEAR	WITHOUT EMINENT DOMAIN COSTS RECOVERY	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-091	Final Rate Order DW 10-091	CITY OF NASHUA MARA ADJUSTMENT PER BOOKS	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	NAS A	CITY OF SHUA CBFRR PPROACH REVENUE QUIREMENT			
Water Sales	\$ 24,116,426	\$ -	\$ 24,116,426	\$ -	\$ 24,116,426		S 24,116,426		24,116,426		(\$9,034,414)	5	15,082,011			
Water Sales for Resale	698	•	698	-	698		698		698				698			
Other Operating Revenue	365.266	(1,330)	363,936		363,936		363,936		363,936				363,936			
Total Revenues	24,482,389	(1,330)	24,481,060	-	24,481,060	-	24,481,060		24,481,060		(\$9,034,414)		15.446,645			
Production Expenses	3,337,933	(36,485)	3,301,448	55,750	3,357,199		3,357,199		3,357,199				3,357,199			
Transmission & Distribution Expenses	1,379,179	(3,214)	1,375,965	-	1,375,965		1,375,965		1,375,965				1,375,965			
Engineering Expense	574,394	•	574,394	-	574,394		574,394		574,394				574,394			
Customer Acct & Collection Exp	434,974	-	434,974		434,974		434,974		434,974				434,974			
Administrative & General Expense	6,142,486	(42,904)	6,099,583		6,099,583		6,099,583		6,099,583		(1,125,625)		4,973,958			
Final Rate Order Adjustments								(166,809)	(166,809)				(166,809)			
Inter Div Management Fee	(1,476,315)	7,961	(1,468,354)	-	(1,468,354)		(1,468,354)		(1,468,354)		(134,985)		(1,603,339)			
Total Operating Expense	10,392,652	(74,642)	10,318,010	55,750	10,373,760	-	10,373,760	(166,809)	10,206,951	-	(1,260,610)		8,946,342			
Dep Exp/Acq Adj Expense	4,070,540	(7,888)	4,062,652	80,768	4,143,420		4,143,420		4,143,420		(1,516,284) (3	()	2,627,136			
Amortization Expense:CIAC	(480,385)	-	(480,385)	-	(480,385)	-	(480,385)		(480,385)				(480,385)			
Amortization Expense; MARA	-		•	•	•		-	-	-	956,930	(956,930) (4		•			
Amortization Expense	495,885	(1,696)	494,189	-	494,189	(536,100)	(41,911)		(41,911)		_ (2	-1	(41,911)			
Gain on Disp/Utility Property	-	-	-	•	-		-		-				-			
Property Taxes	2,674,109	169,984	2,844,093	74,847	2,918,940		2,918,940		2.918,940				2,918,940			
Payroll Taxes	520,118	•	520,118	-	520,118		520,118		520,118		(54,044)		466,074			
Income Tax	1,496,612	(34,495)	1,462,117	(83,722)	1,378,395	212,349	1,590,744		1,590,744		(2,457,197) (1)	(866,452)			
Total Operating Deductions	8,776,879	125,905	8,902,784	71,893	8,974,678	(323,751)	8,650,927	-	8,650,927	956,930	(4,984,455)		4,623,401			
Net Operating Income	5,312,859	(52,593)	5,260,266	(127,644)	5,132,622	323,751	5,456,373	166,809	5,623,182	(956,930)	(\$2,789,349)		1,876,902			

Notes:

(1) Pro Forms Income Taxes calculated as follows.

Total pro forma reduction in operating exponses Total Proforma Revenue decrease Total Proforma NOI before income tax 2,830,938 \$9,034,414 (6,203,476) 39,61% (2,457,197) •

*Negative Income Taxes will be affect by taxes on additional revenues from revenue deficiency per Schedule A.

⁽²⁾ Amortization Expense associated with City Eminent Domain Cost Recovery over 30 years

⁽³⁾ Eliminate Depreciation Expenses for Equity related assets bought by City

⁽⁴⁾ Eliminate Entire MARA Amortization Expense Attributable to Equity-Related Assets Acquired by City

<u>Membershos.</u> Total Administrative and General Less Papol Taxes Total Administrative and General	Senior Management Vehicle.	Meetings & Conventions	Bancits Penson S Penson S Medical Coral Coral Coral Coral Coral S S Coral S S S Coral S S S S S S S S S S S S S	Berrus \$ Admin \$ Oliticer's \$ City Appainted CEO \$	Administrative and General \$ Admin \$ Olinearis \$ City Appointed CEO \$ \$	PMW & Sudhwood % CBFRR based on pro rate equity FELT % CBFRR based on pro rate equity PAC % CBFRR based on pro rate equity First City Bond	Pro Rate Celculation as follows Proving 8 Southwood Equity (8/31/2011) PEU Equay (8/31/2011) PAC Equay (8/31/2011) S	Consider payment and a consider bond acto Cataulated as follows: PWW Pro Rata Share Less. Rate Stabilization Reserve Less. Rate Stabilization Reserve Aces: PWW Pro Rata Share lass Reserve Less. Coty Emment Domain Cost Recovery Total PWW Pro Rata Share for CBRR/MARA, Stord interest Rate Bond interest Rate Bond Period	To recognize adjustment of faced annual revenue requirement to meet Cay Bond obligation Total City Bond: \$152,098,885 Bond Interest Rate 5.70% Bond Period 3.	Revolu	Ponnohuok Water Works Ino Pro Forma Adiustments to Net Operating Income For The Twelve Menths Ended December 31, 2009
			Cay Appointed Reduction CEO 5, 175 5, 175 (153,000) \$ 6,175 5, 175 (24,984) \$ 6,000 \$ (82,52) \$ 5487 \$ (82,22) \$ 5487 \$ (10,281) \$ 3,760 \$ (5,530) \$ 1,586 \$ (5,530) \$ 1,586 \$ (17,570) \$ 1,586 \$.	(7,000) (36,500) 15,000	(238, 596) (733,000) 200,000	87 74%, \$133,453,268 10 60%, \$16,124,105 1 66%, \$2,522,512 100.00%, \$152,099,885	\$6.677,987 67 74% \$.6.477,954 10.60% 1.071,318 1.66% \$64.597,259 100.00%	\$1,000,000 \$133,453,288 \$100,002% \$100,005% \$100,005,288 \$7,70% \$100,005,288	\$152,098,885 5.70% 30 Mn	CBFRR Pro Forms Adjustments	
\$ (27,486) \$ (1,179,669) \$ 52,024 \$ (1,126,628)	\$ (1,000)	\$ (19,600)	(146,825) (77,045) (77,654) (7,654) (7,654) (7,657) (8,527) (8,527) (8,486) (8,486) (8,486) (8,486) (8,486) (8,486)	\$ (28,500)	s (771.596)			35,034,414		CBFRR Pro Forms Adjustments	Proposed Sottlement Schodulb 1 Attachment A Page 1 Nashua Acquisition 9/16/2017

Pennichuck Water Works Inc Pro Forma Adjustments to Net Operating Income For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule 1 Attachment A Page 2 Nashua Acquisition 9/15/2011

					ro Forma ijustments
Management Fee					
Allocation from Corporate					
Professional Fees & Services			(132,339)		
D&O Insurance			(85.479)		
Annual Report Cost			(24,965)		
Auditors/SEC Legal Expense			(210,888)		
Corp Governance Legal/AST			(32,053)		
Directors Fees & Mtgs/Corp Secy			(25,052)		
EDGAR Filing/NASDAQ & Other			(74,427)		
% to PWW	74.90% *		\$ (586,203)	\$	(439,066)
Allocation to Affiliates					
Salaries			(771,596)		
Bonus			(28,500)		
Benefits			(336,507)		
Meetings & Conventions			(19,600)		
Senior Management Vehicle	00 000/ +		(1,000)	s	204 004
% to Affiliates	26.30% *		(1,156,203)	3	304,081
Total Management Fo	se			\$	(134,985)
Note: *Management fee allocation based on current	percentage allocation	ı.			
Depreciation Expense					
To eliminate depreciation expense for equity	related assets				
purchased with City Bond as part of the closi			54.153.016	(1)	
at a composite depreciation rate of 2.8%.	•		2.80%	\$	(1,516,284)
Amortization Expense					
To provide for amortization expense on City	Emment Domain				
Costs as follows:					
City Eminent Domain Costs			\$0		
Amortization Period years			30	\$	-
Amortization Expense					
To provide for amortization expense attributa	ible to	\$128,453,268 (Sch 1, Ath A, Pg 1)	\$71,775,281		
MARA based on rate and principal payment	_	56,677,987 (Sch 4)	30		
Year One Amortization Expense		\$71,775,281	5.70%		\$956,930
Income Taxes					
To record income taxes as a result of pro for adjustments to income statement.	ma			\$	(2,457,197)
FINAL RATE ORDER NOI ADJUSTMENTS					
To record final adjustments to Net Operating as approved in Rate Order DW10-091	Income			\$	(166,809)

PWW @ 5.7%

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-1
Page 5 of 9

Proposed Settlement Schedule 3 Neshua Acquisition Pro Forma Adjustments 9/15/2011

PENNICHUCK WATER WORKS,INC. COMPUTATION OF RATE BASE For The Thirteen Months Ended December 31, 2009

		DW16-091,	OCA 3-1	DW10-091, S	TAFF 3-13	LESS EMINE	NT DOMAIN					CBFRR APPROACH WIMA	RA
Description	Pro Forma Tost Year	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED TEST YEAR & STEP PRO FORMA TEST YEAR		COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-091	Southwood Assets	Final Rate Order DW 10-091 & Southwood	CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF MARA	PRO FORMA NASHUA ACQUISITION ACQUISTMENTS	PRO FORMA NASHUA RATE BASE FOR PWW
Plant in Service	153,687,293	(421.246)	153,266,047	3,904,456	157,170,503		157,170,503		•	157,170,503			157,170,503
Adjustment to Rate Base per Final Rate Order								(3.552,457)	2.524,971	(1.037.496)			(1,037,496)
Accum Deprec	38,260,317	(7,888)	38,252,429	(36,477)	38,215,952		38,215,952			38,215,952			38,215,952
Accum Deprec: Loss	4,050,376		4,050,376	2,277	4,052,653		4,052,653			4,052,653			4,052,653
Accum Deprec COR	1,703,176		1,708,176	185,793	1,893,969		1,893,969			1,893,969			1,893,969
Theoretical Reserve	882,900		882,900	-	882,900		882,900			882,900			882,900
Acquistion Adjustment	844,905		844,905		844,905		844,905			844,905			844,905
Accum Amort Aco Adj	296,522		296.522		295.522		296,522			295,522			296,522
Municipal Acquisition Regulatory Asset (MARA)	-			-	-		-				71,775,281		71,775,281
Accum Amon MARA Adj	-		-			-		•					-
CIAC	26,898,154		25,898,154	-	26,898,154		26,898,154			26,898,154			26,898.154
Amort of CIAC	4,037,526	-	4,037,526	-	4.037,526		4,037,526			4,037,526			4,037,526
	98,559,417	(413,358)	98,246,059	4,129,003	102,375,062	_	102,375,062	(3,562,467)	2,524,971	101,337,566	71,775,281	-	173,112.847
ADD:		,											
Working Cap	1,296,371	(9,203)	1,287,168	6,874	1,294,042		1,294,042			1,294,042		(155,433)	1,138,608
Materials & Supplies	825,124		825,124		825.124		825,124			825,124			825,124
Prepaid Exprenses	391,159		391,159		391,159		391,159			391,159			391,159
Prepaid Properly Taxes	55,545		55,545		55,545		55,545			55,545			55,545
Prepaid Income Taxes		-					-			_			
Other & Deferred Charges	12,529,973	(11,438)	12,518,535		12,518,535	(4,824,907)	7,693,628			7,693,628			7,693,628
•	15,098,172	(20,641)	15,077,531	6,874	15,084,405	(4,824,907)	10,259,497			10,259,497		(155,433)	10,104,064
DEDUCT:		(22,00,1)	70,017,001			(.,,,							
Customer Advances	84,000		84,000		84,006		84,000			84,000			84,000
Customer deposits & other	138,755		138,756		138,756		138,756			138,756			138,756
Deferred Income Tax	12,920,917		12,920,917		12,920,917		12,920,917			12,920,917			12,920,917
Deferred Tax Liability	855,191	-	855,191		855,191		855,191			855,191			855,191
Unamort ITC	784,440		784,440		784,440		784,440			784,440			784,440
Deferred Rental Credits	105,550		105,550	828,000	933,550		933,550			933,550			933,550
Unfunded FAS 106 and 158 Costs	1,135,245		1,135,245		1,135,245		1,135,245			1,135,245			1,135,245
	16,024,099		16,024,099	828,000	16,852,099		16,852,099			16,852,099			16.852,099
TOTAL Rate Base	97,733,490	(433,999)	97,299,491	3,307,877	100,607,368	(4,824,907)	95,782,461	(3,582,467)	2,524,971	94,744,965	71,775,281	(155,433)	166,364,812
DEDUCT: Equity Related Assets + MARA	21,100,400	[445,393]	37,233,433	3,301,011	100,001,000	(~,024,301)	20,102,401	f*'00T'+01 }		J-4,744,803	71,770,201	(128,453,268)	1 (128,453,268)
ADD: City Eminent Domain Cost Recovery												(120,700,200)	· ((40,~00,200)
ADD: City Eminent Domain Cost Recovery ADD: Rale Stabilization Cash Reserve												5,000,000	5,000,000
Total Rate Base	97,733,490	(433.200)	97,299,491	3,307,877	100,607,358	11 604 605	95,782,461	(3,562,467)	2,524,971	94,744,965	71,775,281	(123,608,701)	42,911,544
10(0) Note 0826	31,733,490	{433 ₁ 999}	37,293,491	3,301,8/1	(00,001,368	{4,824,907)	30,/62,463	(3,302,457)	2,024,877	94,744,965	77,773,287	1144,000,701)	42,711,344

^{1.} Includes the elimination of MARA

Pennichuck Water Works Inc. Pro Forma Adjustments to Rate Base For The Twelve Months Ended December 31, 2009

Final Adjustment Pro Forma DW 10-091 Adjustments CASH WORKING CAPITAL (1,260,610) To reduce working capital as a result of O&M Expenses Pro Forma Adjustments (Schedule 1). 12.33% **EQUITY DEDUCTION** To deduct pro rata share of assets associated with commom equity to be purchased by City Bonds at closing. \$ (71,775,281) To deduct all equity value associated with MARA (128,453,268) Total Equity Deduction RATE STABILIZATION CASH RESERVE To establish a rate stabilization reserve for the three (3) regulated utilities at closing. Less: Rate Stabilization Reserve (Schedule 4) \$5,000,000 (1) PWW Pro Rata Share 100.00% Total PWW Pro Rata Share for City Bond 5,000,000 (1) Pro Rata Calculation as follows: Rate Base PWW (DW10-091, Per Final Order) 100.00% 56,677,987 6,847,954 0.00% PEU (As of 12/31/2009) 1,071,318 0.00% PAC (DW10-091, Per Final Order) \$64,597,259 100.00% **DEFERRED DEBITS** To provide for City Eminent Domain Costs that will be amortized over 30 years **FINAL RATE ORDER NOI ADJUSTMENTS** To record final adjustments to Rate Base (3,562,467)as approved in Rate Order DW10-091

Re: City of Nashua Acquisition of Pennichuck Corporation

Attachment A Nashua Acquisition 9/15/2011

CBFRR w/ MARA

(155,433)

(56,677,987)

Re. City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 8 of 9

Proposed Settlement

Schedule 4
Pro Forma Adjustments

ro Forma Adjustments 9/15/2011

Pennichuck Water Works, Inc. Overall Rate of Return

For the Twelve Months Ended December 31, 2009

						NASH	UA ACQUISITION -	CBFRR		
Capital Component	Filed <u>Amount</u>	DW10-091,	OCA 3-1 Final Rate Order	MARA Adjustment	RSF Adjustment	CBFRR Adjustment	Adjusted <u>Amount</u>	Component <u>Ratio</u>	Component Cost Rate	Weighted Average Cost Rate
Long-term Debt	\$ 51,855,007	\$ (2,301,100) \$	49,553,907			•	\$ 49,553,907	100.00%	6.04%	6.04%
Short-term Debt	-						-	0.00%	0.00%	0.00%
Preferred Stock	-		-				-	0.00%	0.00%	0.00%
Common Equity	56,677,987	\$	56,677,987	\$ 71,775,281	and the second second second second	\$ (128,453,268)	1 \$ -	0.00%	7.19% 2	0.00%
Overall Rate of Return	\$ 108,532,994	\$ (2,301,100) \$	106,231,894	\$ 71,775,281	\$	\$ (128,453,268)	\$ 49,553,907	100.00%		6.04%
			~					Final Rate Orde	r - DW10-091	7.98%

manage order service of

CBFRR Pro Forma Adjustment -1.95%

Notes:

1 To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.

² The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-1
Page 9 of 9

Pennichuck Water Works Inc Proposed Adjustments to Rate of Return For The Twelve Months Ended December 31, 2009

Schedule 4
Attachment A
Pro Forma Adjustments

					Out	standing Debt Funded	ΑI	l In Annual Cost	Funded Effectve Rate
	Original Filing				\$	51,855,007	\$	3,077,604	5.94%
Reference Staff 2-22	SRF Step Additions Debt		Original 2,424,100	Revised 123,000		(2,301,100)			
	SRF Step Additions Interest	3.728%	90,370	4,585				(85,785)	
	Revised Debt and Interest				\$	49,553,907	\$	2,991,819	6.04%
	Proposed Adjustment				\$	(2,301,100)			

PENNICHUCK EAST UTILITY, INC. COMPUTATION OF REVENUE DEFICIENCY For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule A 9/15/2011

City Bond Fixed Revenue Requirement (CBFRR)

	ד	FEST YEAR		RO FORMA JUSTMENTS (1) (2)	PR	O FORMA TEST YEAR	OMBINED PRO ORMA TEST YEAR	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA REVENUE REQUIREMENT
Consolidated Rate Base	\$	18,937,424	\$	(4,646,514)	\$	14,290,910	\$ 14,290,910	\$ (6,879,610)	\$ 7,411,300
RATE of Return		7.60%				7.60%	7.60%	-2.93%	4.67%
Income Required	\$	1,439,244			\$	1,086,109	\$ 1,086,109		\$ 346,108
Adjusted NOI	\$	911,114	\$	(177,830)	\$	733,284	\$ 733,284	\$ (439,240)	\$ 294,044
Deficiency	\$	528,130			\$	352,825	\$ 352,825		\$ 52,064
Tax Factor		60.39%				60.39%	60.39%		60.39%
Revenue Deficiency	\$	874,532			\$	584,244	\$ 584,244		\$ 86,213
Water Revenues (2)	\$	5,944,734	\$	(295,242)	\$	5,649,492	\$ 5,649,492		\$ 4,515,447
Proposed Revenue Inc		14.71%				10.34%	10.34%		1.53%
Total Revenue					\$	6,233,736	\$ 6,233,736		\$ 4,601,660
ADD: City Bond Fixed Reve	nue l	Requirement	(Sche	edule A, Attach A	.)				\$1,134,045
ADD: NC Capital Surcharge	Reve	enue					\$ 295,242		\$ 295,242
Total Revenue:						,	\$ 6,528,978		\$ 6,030,947

Notes:

⁽¹⁾ Eliminate Capital Recovery Surcharge Assets and related revenues and depreciation expense.

⁽²⁾ Water Revenues are reflected without Capital Surcharge Revenues

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-2
Page 2 of 7

Proposed Settlement Schedule A Attachment A Nashua Acquisition 9/15/2011

> Pro Forma Adjustments

PENNICHUCK EAST UTILITY, INC. Pro Forma Adjustments to Revenue Requirement For The Twelve Months Ended December 31, 2009

1 Revenue

To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.

Total City Bond \$ 152,099,885 Bond Interest Rate 5.70% Bond Period \$ 30 yrs

Calculated pro rata for City Bond based on a constant payment and a constant bond rate.

Calculated as follows:

PEU Pro Rata Share \$ 16,124,105 (1)
Less: Rate Stabilization Reserve \$ 5,000,000
PEU Pro Rata Share (Sch 3, Attach A) \$ 5,000,000

Total PEU Pro Rata Share for City Bond \$ 16,124,105

 Share for City Bond
 \$ 16,124,105

 Bond Interest Rate
 5.70%

 Bond Period
 30 yrs

\$1,134,045 (2)

Notes:

(1) Pro Rata Calculation as follows:		
PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,07 <u>1,</u> 318	1.66%
	\$ 64,597,259	100.00%
PWW & Southwood % CBFRR based on pro rata equity	87.74% \$	133,453,268
PEU % CBFRR based on pro rata equity	10.60% \$	16,124,105
PAC % CBFRR based on pro rata equity	1.66% \$	2,522,512
	100.00% \$	152,099,885

(2) Any income taxes on revenues will be offset by deductions for interest expense on City Bonds calculated below and depreciation expense associated with equity related assets per Schedule 1, Attachment A, page 2.

Total Interest Payment on City Bond (year one)
PEU Pro Rata Share

PEU Pro Rata Share 10.60%
PEU Pro Rata Interest Benefit \$ 919,074

\$8,669,693

PENNICHUCK EAST UTILITY, INC. OPERATING INCOME STATEMENT For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule 1 Nashua Acquisition Pro Forma Adjustments 9/15/2011

										СВ	FRR APPROACH W	/MA	RA
	Account Number	NNICHUCK ST UTILITY, INC.	Nor	th Country	A	Pro Forma djustments (1)	OMBINED EST YEAR	ΑD	CITY OF NASHUA MARA JUSTMENT ER BOOKS	A	TY OF NASHUA DJUSTMENTS FOR CBFRR APPROACH		CITY OF NASHUA BFRR APPROACH REVENUE REQUIREMENT
Water Sales	461 & 462	\$ 5,005,656	\$	939,078	\$	(295,242)	\$ 5,649,492				(\$1,134,045)	\$	4,515,447
Other Operating Revenue	471	 32,269		8,691			40,960						40,960
Total Revenues		 5,037,925		947,769		(295,242)	5,690,452			\$	(1,134,045)		4,556,407
Production Expenses	601 to 652 660 to 678 &	1,137,272		221,083			1,358,356						1,358,356
Transmission & Distribution Expense	926,1	329,977		160,100			490,077						490,077
Customer Acct & Collection Exp	902 to 904	140,501		41,563			182,064						182,064
Administrative & General Expense	920 to 950	96,772		26,749			123,521						123,521
Inter Div Management Fee	930	 1,261,843		292,644			 1,554,487				(256,736)		1,297,751
Total Operating Expense		2,966,366		742,139		-	3,708,505		•		(256,736)		3,451,769
Depreciation Exp/Acq Adj (Credit)	403/406	579,015		122,593		(111,791)	589,817				(149,970) (3)		439,847
Amortization Expense: CIAC	405	(157,454)		(11,864)		382	(168,936)						(168,936)
Amortization Expense; MARA									\$123,672		(123,672) (4)		~
Amortization Expense	407	58,728		6,776		(6,003)	59,501						59,501
Amort Utility Plant Adj	406	-					-						-
Taxes Other Than Income Tax	408.1	467,122		76,384			543,506						543,506
Income Tax	409 to 410	 305,688		(80,913)			 224,775		···		(288,099) (2)		(63,324)
Total Operating Deductions		\$ 1,253,099	\$	112,976	\$	(117,412)	\$ 1,248,663	\$	123,672	\$	(561,742)	\$	810,594
Net Operating Income		\$ 818,460	\$	92,654	\$	(177,830)	\$ 733,284	\$	(123,672)	\$	(315,568)	\$	294,044

Notes:

(1) Eliminates the depreciation and amortization expense associated with North Country Capital Recovery Surcharge

(2) Pro Forma income Taxes calculated as follows:

 City Bond Revenue Requirement
 \$ (1.134,045)

 Reduced operating expenses and deductions
 \$ 406,706

 NOI proforma adjustments before income taxes
 \$ (727,339)

 Income Taxes
 39 61% \$ (288,099)

*Negative Income Taxes will be offset by taxes on additional revenues from revenue deficiency per Schedule A.

(3) Eliminate Depreciation Expenses for Equity related assets bought out by City

(4) Eliminate Entire MARA Amortization Expense Attributable to Equity-Related Assets Acquired by City

			Attachment Nashua Acquisitio 9/15/201
			Pro Forma Adjustment
•	e 12 462 000 006		
	5.70%		
ŧ	30	yrs	
į.		\$ 16,124,105	
:	\$ 5,000,000		
,	0.00%	_	
		\$ 16 124 105	
		5.70%	
		30 }	r/s
			3 1,134,04
	a constitue term and t	.7.7.07	
		1.65%	
	5 64,597,259	100 00%	
	97.746/	C 122 AE2 268	
	1 66%	5 2,522,512	
	100,00%	\$ 152,099,885	
		(32,053)	
	15.00%		\$ (87,93
			<u></u>
		1774 ENE	
		(336,507)	
		(19.600)	
			4400.00
	14.50%	(1,156,203)	\$ (168,80
			\$ (256,73
C 40 104 500 m. 4 40 40	6 0.275 454		
6 847 954 (Sch.4)			
5 9,278,151	5.70%		\$123,67
	Name to the same and the same a		
		(Sch 4)	\$ 149,97
	\$ (727.339)		
	39,61%		\$ (288,09
	S 16,124,105 (Sch 1, Aih A) 6,847,954 (Sch 4)	\$ 152,099,885 5.70% 30 \$ \$ 5,000,000 0.00% \$ \$ 5,000,000 0.00% \$ 5,000,000 0.00% \$ 6,847,954 \$ 10,071,318 \$ 64,397,259 87,749 106,00% 166% 100,00% \$ 16,124,105 (Sch 1, Alh A) \$ 9,276,151 6,847,954 (Sch 4) 30 \$ 9,276,151 30 \$ 9,276,151 5,70% \$ 6,847,954 \$ 1,00%	\$ 162,099,885 5,70% 30 yrs \$ 5,000,000 0.00% \$ 5 16,124,105 5,70% \$ 5,847,954 \$ 1,071,318 \$ 16,847,954 \$ 10,60% \$ 1,071,318 \$ 1,071,318 \$ 1,071,318 \$ 1,071,318 \$ 1,071,318 \$ 1,071,318 \$ 1,071,318 \$ 1,071,318 \$ 1,071,318 \$ 1,080% \$ 1,071,318 \$ 1,080% \$ 1

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-2
Page 5 of 7

Proposed Settlement Schedule 3 Nashua Acquisition Pro Forma Adjustments 9/15/2011

PENNICHUCK EAST UTILITY, INC. COMPUTATION OF RATE BASE For The Twelve Months Ended December 31, 200

										CBF	RR APPROACH V	V/MARA	
Description		ENNICHUCK AST UTILITY, INC.	No	orth Country	Pro Forma Adjustments (1)	COMBINE YEA		FOR	CITY JUSTMENTS R PEU'S PRO A SHARE OF MARA	A	PRO FORMA NASHUA CQUISITION DJUSTMENTS		FORMA NASHUA E BASE FOR PEU
Plant in Service	- \$	38,774,582	\$	5,705,899	\$ (4,550,906)	\$ 39,9	29,575					\$	39,929,575
Accum Deprec		7,781,193		294,504	(271,782)	7,8	03,915						7,803,915
Accum Deprec: Loss		927,493		192,960	(272,509)	8	47,944						847,944
Accum Deprec: COR		30,401		87,138		1	17,539						117,539
Acquisition Adjustment		10,468,179				10,4	68,179						10,468,179
Accum Amort Acq Adj		2,487,151				2,4	87,151						2,487,151
Municipal Acquisition Regulatory Asset (MARA)									9,276,151				9,276,151
Accum Amort MARA Adj													•
CIAC		8,807,342		32,770	(14,096)	8,8	26,016						8,826,016
Amort of CIAC		875,827		12,193	(423)	8	87,597						887,597
		16,038,740		5,670,916	(4,537,960)	17,1	71,696		9,276,151				26,447,848
ADD:													
Working Cap		365,753		91,506		4	57,259				(31,656)		425,603
Materials & Supplies		~		925			925						925
Prepayments		90,684		10,403		1	01,087						101,087
Other & Deferred Charges		512,492		117,688	(108,554)	5	21,626						521,626
		968,929		220,522	(108,554)	1,0	80,896		-		(31,656)		1,049,241
DEDUCT:									**				
Customer Advances		-					-						-
Customer Deposits		2,063		2			2,065						2,065
Deferred Income Tax		3,288,402		585,642		3,8	374,044						3,874,044
Deferred Gain on Loans		85,574		-			85,574						85,574
	***********	3,376,039		585,644		3,9	61,683		-				3,961,683
TOTAL Rate Base	\$	13,631,630	\$	5,305,794	\$ (4,646,514)	\$ 14,2	90,910	\$	9,276,151	\$	(31,656)	\$	23,535,405
DEDUCT: Equity Related Assets										\$	(16,124,105)	2 \$	(16,124,105)
ADD: Rate Stabilization Cash Reserve										\$		\$	
TOTAL Rate Base	\$	13,631,630	\$	5,305,794	\$ (4,646,514)	\$ 14,2	90,910	\$	9,276,151	\$	(16,155,761)	\$	7,411,300

⁽¹⁾ Eliminate Capital Recovery Surcharge Assets and related revenues and depreciation expense.

⁽²⁾ Includes Elimination of MARA

Re: City of Nashua Acquisition of Pennichuck Corporation

Docket No. DW 11-026

Exhibit BJH (2nd Supp)-2

Page 6 of 7

Proposed Settlement

PENNICHUCK EAST UTILITY, INC. Schedule 3 Pro Forma Adjustments to Rate Base Attachment A For the Twelve Months Ended December 31, 2009 Nashua Acquisition 9/15/2011 Pro Forma Adjustments 1 CASH WORKING CAPITAL To reduce working capital as a result of O&M (256,736)(31,656) pro forma adjustments. (Schedule 1) 12.33% **2 EQUITY DEDUCTION** To deduct pro rata share of assets associated with common equity to be purchased by City Bonds at (6,847,954) closing. To deduct all equity associated with MARA \$ (9,276,151) \$ (16,124,105) **Total Equity Deduction** 3 RATE STABILIZATION CASH RESERVE To establish a rate stabilization reserve for the three (3) regulated utilities at closing. Less: Rate Stabilization Reserve \$ 5,000,000 PEU Pro Rata Share 0.00% Total PEU Pro Rata Share for City Bond (1) Pro Rata Calcualtion as follows: Rate Base PWW & Southwood Equity (8/31/2011) 100% \$ 56,677,987 \$ 6,847,954 PEU Equity (8/31/2011) 0% PAC Equity (8/31/2011) \$ 1,071,318 0%

\$ 64,597,259

100.00%

PENNICHUCK EAST UTILITY, INC. Overall Rate of Return For the Twelve Months Ended December 31, 2009

Proposed Settlement Schedule 4 Nashua Acquisition Proposed Adjustments 9/15/2011

NASHUA ACQUISITION - CBFRR

Capital Component	Pro	Forma Tes Year	_	MARA Adjustment	RSF Adjustment	Α	CBFRR djustment		Adjusted Amount	Component Ratio	Component Cost Rate	Weighted Average Cost Rate	
Long-term Debt		\$7,856,291							\$7,856,291	100.00%	4.67%	4,67%	%
Short-term Debt		-							\$0	0.00%	0.00%	0.009	%
Preferred Stock		-			* .				\$0	0.00%	0.00%	0.009	%
Common Equity		6 <u>,847,954</u>	\$	9,276,151	\$ -	\$	(16,124,105)	1		0.00%	7.19% 2	0.00%	<u>%</u>
Overall Rate of Return	\$	14,704,245	\$	9,276,151	\$ -	\$	(16,124,105)	\$	7,856,291	100.00%		4.67%	%
										Αι	uthorized ROR	7.60%	%

Augusted Non 7.0

Proposed Adjustment -2.93%

Notes:

- 1 To eliminate common and MARA equity purchased by City Bond as part of closing transaction.
- 2 The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.

PITTSFIELD AQUEDUCT COMPANY, INC. COMPUTATION OF REVENUE DEFICIENCY For The Twelve Months Ended December 31, 2009

Proposed Settlement COMBINED INCREASE Schedule A 9/15/2011

				DW10-090,				DW10-090	o, s	STAFF 3-5				City Bond Fixed R	even 3FRR	,
		O FORMA ST YEAR		OPOSED DATA REQUESTS DJUSTMENTS (1)	PI AD.	MONTHS WITH ROPOSED JUSTMENTS 12/31/09	p	EP INCREASE PRO FORMA DJUSTMENTS (1)	1	COMBINED PRO FORMA & STEP ICREASE FORMA TEST YEAR		¹ Final justment V 10-090	Final Rate Order OW 10-090	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH		TY OF NASHUA REVENUE EQUIREMENT
Consolidated Rate Base	\$	1,962,038	\$	(61,125)	\$	1,900,913	s	112,476	s	2,013,389	\$	(7)	\$ 2,013,382	(\$1,075,185)		\$938,196
RATE of Return		7.60%				7.60%				7.60%			7.60%	-2.20%		5.39%
Income Required	\$	149,023			\$	144,380			\$	152,923			\$ 152,922		\$	50,601
Adjusted NOI	\$	75,753	2	3,595	s	79,348	\$	(3,632)	\$	75,716	\$	1,524	\$ 77,240	(\$71,573)		\$5,668
Deficiency	\$	73,270			\$	65,032			\$	77,207			\$ 75,682		\$	44,933
Tax Factor		60.39%				60.39%				60.39%			60.39%			60.39%
Revenue Deficiency	\$	121,328			\$	107,686	\$	20,161	s	127,847	\$	(2,525)	\$ 125,322		\$	74,405
Water Revenues	\$	607,133	\$	126	\$	607,259		-	\$	607,259			\$ 607,259		\$	429,845
Proposed Revenue Inc		19.98%				17.73%		3.32%		21.05%		-0.42%	20.63%			12.25%
Total Revenue	S	728,461	=		S	714,945	:		\$	735,106	· :		\$ 732,581		\$	504,250
ADD: City Bond Fixed R	teve	nue Requi	rem	ent (Schedule A, Al	ttach .	A)										\$177,414
Total Revenue:															\$	681,664

^{1.} Adjustments shown are those required to adjust PAC's rate base and NOI to that which was approved in the DW10-090 order

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-3
Page 2 of 7

PITTSFIELD AQUEDUCT COMPANY Pro Forma Adjustments to Net Operating Income For The Twelve Months Ended December 31, 2009

Total Interest Payment on City Bond (year one)

PAC Pro Rata Share

PAC Pro Rata Interest Benefit

Proposed Settlement Schedule A Attachment A Nashua Acquisition 9/15/2011

> Pro Forma Adjustments

entre				
To recognize adjustment of fixed annual revenue				
requirement to meet City Bond obligation.				
Total City Bond	\$ 152,099,885	(1)		
Bond Interest Rate	5.70%			
Bond Period	30	yrs		
Calculated pro rata for City Bond based on a				
constant payment and a constant bond rate.				
Calculated as follows:				
PAC Pro Rata Share		\$	2,522,512	
Less: Rate Stabilization Reserve	\$ 5,000,000			
PAC Pro Rata Share (Sch 3,Attach A)	0.00%			
			\$0	
Total PAC Pro Rata Share for City Bond		\$	2,522,512	
Bond Interest Rate			5.70%	····
Bond Period			30 yrs	\$177,414 (i
Notes:	~			
(1) Pro Rata Calculation as follows:				
			87.74%	
PWW & Southwood Equity (8/31/2011)	\$ 56,677,987		07.74%	
PWW & Southwood Equity (8/31/2011) PEU Equity (8/31/2011)	\$ 56,677,987 \$ 6,847,954		10.60%	
- · · · · · · · · · · · · · · · · · · ·	And The State Control of the Control			
PEU Equity (8/31/2011)	\$ 6,847,954		10.60%	
PEU Equity (8/31/2011)	\$ 6,847,954 \$ 1,071,318		10.60% 1.66%	
PEU Equity (8/31/2011) PAC Equity (8/31/2011)	\$ 6,847,954 \$ 1,071,318 \$ 64,597,259	\$	10.60% 1.66% 100.00%	
PEU Equity (8/31/2011) PAC Equity (8/31/2011) PWW & Southwood % CBFRR based on pro rata equity	\$ 6,847,954 \$ 1,071,318 \$ 64,597,259 87.74%	\$ \$	10.60% 1.66% 100.00% 133,453,268	

PAC @ 5.7%

\$8,669,693

\$143,783

1.66%

Proposed Sottlement Schedule 1 Nashua Acquisition Pro Forma Adjustments 9/15/2011

PITTSFIELD AQUEDUCT COMPANY OPERATING INCOME STATEMENT For The Twelve Months Ended December 31, 2009

			DW	0-090,	OCA 3-1	DW10-09	0, OC	A 3-1				СВ	FRR APPROACH W/MA	RA	
	12	O FORMA MONTHS 12/31/09	PROPOSED I REQUEST ADJUSTME	S	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	FOI	MBINED PRO RMA & STEP NCREASE DRMA TEST YEAR	Final Adjustment DW 10-090	Final Rate (DW 10-0			CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CBFRF	OF NASHUA RAPPROACH EVENUE UIREMENT
Water Sales	s	607,133	\$	126	\$ 607,259	\$ -	\$	607,259		\$ 601	7,259		(\$177,414)	\$	429,845
Other Operating Revenue		5,429		-	5,429	_		5,429			5,429				5,429
Total Revenues		612,562		126	612,588	*	-amanu-	612,688		612	2,688	-	(177,414)		435,274
Production Expenses		86,392		+	86,392	-		86,392		86	5,392				86,392
Transmission & Distribution Expenses		52,376		-	52,376	-		52,376		5:	2,376				52,376
Customer Acct & Collection Exp		19,953		-	19,953	-		19,953		19	9,953				19,953
Administrative & General Expense		61,371	(1,364)	60,007	*		60,007		60	0,007				60,007
Final Rate Order Adjustments									(1,524)	(1,524)				
Inter Div Management Fee		160,026		(238)	159,788	_		159,788		159	9,788		(31,364)		128,424
Total Operating Expense		380,118	(1,602)	378.516	-		378,516	(1,524)	376	6,992	-	(31,364)		345,628
Dep Exp/Acq Adj Expense		86,086		_	86,086	2,050		88,136		88	B,136		(27,533) (2)		60,603
Amortization Expense:CIAC		(24,146)	1	~	(24,146)	-		(24,146)		(2	4,146)				(24,146)
Amortization Expense: MARA												19,348	(19,348) (3)		-
Amortization Expense		4,458		•	4,458	-		4,458		4	4,458				4,458
Property Taxes		81,437	(4,225)	77,212	3,964		81,176		8	1,176				81,176
Income Tax		8,857		2,358	11,215	(2,382))	8,833			8,833		(46,945) (1)		(38,111)
Total Operating Deductions		156,691	(1.867)	154,824	3,632		158,456	b.	15	8,456	19,348	(93,825)		83,979
Net Operating Income	\$	75,753	\$	3,595	\$ 79,348	\$ (3,632)) S	75,716	\$ 1,524	\$ 7	7,240	\$ (19,348)	(\$52,225)		\$5,668

Notes:

(1) Pro Forma Income Taxes calculated as follows:

 City Bond Revenue Requirement
 \$ (177,414)

 Reduced operating expenses and deductions
 \$58,897

 NOI proforma adjustments before income taxes
 \$ (118,517)

 Income Taxes
 39,61%
 \$ (46,945)

^{*} Negative Income Taxes will be offset by taxes on additional revenues from revenue deficiency per Schedule A.

⁽²⁾ Eliminate Depreciation Expenses for Equity related assets bought out by City

⁽³⁾ Eliminate Entire MARA Amortization Expense Attributable to Equity-Related Assets Acquired by City

	Pro Forma Adjustments to Net Operating Income For The Twelve Months Ended December 31, 2009			Attachment A Nashua Acquisition 9/15/2011
Rev	ênve			Pro Forma Adjustments
	To recognize adjustment of fixed annual revenue			
	requirement to meet City Bond obligation			
	Total City Bond		\$ 152,099,865	
	Bond Interest Rate		5.70%	
	Bond Penod		30 yrs	
	Calculated pro rata for City Bond based on a constant payment and a constant bond rate. Celculated as follows:			
	PAC Pro Rata Share		\$ 2,522,512	
	Less: Rate Stabilization Reserve		\$ 5,000,000	
	PAC Pro Rata Share (Sch 3,A)		D.00%	
	FAC FIO Kata Stiele (SCII SA)		500.50	
	Total PAC Pro Rate Share for City Bond		\$ 2,522,512	
	Bond Interest Rale		5.70%	
	Bond Period		30 yrs	
	50101 11111		***************************************	\$177,414.06
	Pro Rata Calculation as follows:		\$ 56,677.987 87.74%	
	PWW & Southwood Equity (8/31/2011) PEU Equity (8/31/2011)		\$ 56,677,987 87.74% \$ 6,847.954 10.50%	
	PAC Equity (8/31/2011)		\$ 1,071,318 1.66%	
	PAC Equity (8/31/2011)		\$ 64,597,259 100%	
			3 64,537,253 10076	
	PWW & Southwood % CBFRR based on pro rata equity		87.74% \$ 133,453,268	
	PEU % CBFRR based on pro rata equity		10 60% \$ 16,124,105	
	PAC % CBFRR based on pro rata equity		1,55% S 2,522,512	
	7		100.00% \$152,099,885	
2	Management Fee			
	Altocation from Corporate			
	Professional Fees & Services			\$ (132,339)
	D&O insurance			(86,479)
	Annual Report Cost			(24,965)
	Auditors/SEC Legal Expense			(210,888)
	Corp Governance Legal/AST		•	(32,053)
	Directors Fees & Migs/Corp Secy			(25,052)
	EDGAR Filing/NASDAQ & Other			(74,427)
	% Allocation to PAC		1.80% *	\$ (586,203) \$ (10,552)
	Allocation from PWW			
	Salaries			\$ (771,596)
	Bonus			(28,500)
	Benefits			(336,507)
	Meetings & Conventions			(19,500)
	Senior Management Vehicle			(1,000)
	% Allocation to Pac		1.80% *	\$ (1,156,203) \$ (20,812)
	Total Management Fee			5 (31,364)
3	Depreciation Expense			
-	To eliminate depreciation expense for equity related assets			
	purchased with City Bond as part of closing transaction		\$ (1,071,318)	
	at a composite depreciation rate of 2.57%.		2 57%	5 (27,533)
	Amortization Expense			
*	To provide for amortization expense attributable to	S 2,522,512 (Sch 1, Alh A, Pg 1)	S 1,451,194	
	MARA based on rate and principal payment	1,071,318 (Sch 4)	30	
	Year One Amortization Expense	\$ 1,451,194	5.70%	\$ 19,348
		T	0.70%	
5	Income Taxes			
	To record income taxes as a result of pro forma		\$ (118,517)	***************************************
	adjustments to income statement		39.61%	\$ {46,945}
44.2				

PITTSFIELD AQUEDUCT COMPANY

Pro Forma Adjustments to Net Operating Income For The Twelve Months Ended December 31, 2009

Note: "Management fee allocation based on current percentage allocation.

Proposed Settlement

Schedule 1

Attachment A

Proposed Settlement Schedule 3 Nashua Acquisition Pro Forma Adjustments 9/15/2011

PITTSFIELD AQUEDUCT COMPANY COMPUTATION OF RATE BASE For The Thirteen Months Ended December 31, 2009

				DW10-090	W10-090, OCA 3-1 DW10-090, OCA 3-1					CBFRR APPROACH W/MARA								
Description		Pro Forma Test Year	R	POSED DATA EQUESTS JUSTMENTS	PR ADJI	ONTHS WITH COPOSED USTMENTS 12/31/09	PRO E	CREASE FORMA TMENTS	COMBIN FORMA INCREASI TEST	& STEP E FORMA	Final Adjustm DW 10-090		Final Rate Order DW 10-090	CITY ADJUSTME FOR PWW'S RATA SHAR MARA	PRO	PRO FORMA NASHUA ACQUISITION ADJUSTMENTS	N/	RO FORMA SHUA RATE SE FOR PWW
Plant in Service	\$	3,846,825	\$		5	3,845,825	\$	114,526	s	3,961,351		\$	3,961,351				s	3,961,351
Adjustment to Rate Base per Final Rate Order		,			-				-			(7)	(7)					(7)
Accum Deprec		1,036,132				1,036,132		2,050		1,038,182			1,038,182					1,038,182
Accum Deprec: Loss		114,504				114,504		-		114,504			114,504					114,504
Accum Deprec: COR		406				406		٠		406			406	_				406
Municipal Acquisition Regulatory Asset (MARA) Accum Amort MARA Adi													•	1,45	1,194			1,451,194
CIAC		1,148,636				1,148,636				1,148,636			1,148,636					1,148,636
Amort of CIAC		256,418				256,418				256,418			256,418					256,418
	\$	2,033,385	S	+	\$	2,033,385	\$	112,476	\$	2,145,861	\$	(7) S		\$ 1,45	1,194 \$		5	3,597,054
ADD:																		
Working Cap		111,754		(61,125)		50,629				50,629			50,629			(3,867)		46,762
Malenals & Supplies		588				588				588			588			(-1/		588
Prepayments		7,797				7,797				7,797			7,797					7,797
Other & Deferred Charges		3,505				3,505		-		3,505		··	3,505					3,505
	\$	123,644	\$	(61,125)	\$	62,519	\$	-	\$	62,519	\$	- \$	62,519	s	- \$	(3,867)	\$	58,652
DEDUCT:								-										
Customer Advances						-		-					+					\$0
Customer Deposits		-				-												\$0
Deferred Income Tax		194,991				194,991				194,991			194,991					\$194,991
	\$	194,991	\$	•	S	194,991	S	-	\$	194,991	\$	- \$	194,991	S	- \$	-	. \$	194,991
TOTAL Rate Base	\$	1,962,038	S	(61,125)	\$	1,900,913	\$	112,476	\$.	2,013,389	\$	(7) S	2,013,382	S 1,45	1,194 \$	(3,867)	\$	3,460,715
DEDUCT: Equity Related Assets				7,000		-		*****************								(2,522,512)	1	(2,522,512)
ADD: Rate Stabilization Cash Reserve																		· · · · · · · · · · · · · · · · · · ·
Total Rate Base:	<u> </u>	1,962,038	\$	(61,125)	\$	1,900,913	S	112,476	\$	2,013,389	5	(7) S	2,013,382	\$ 1,45	1,194 \$	(2,526,379)	<u>s</u>	938,203

¹ Includes the elimination of MARA

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-3 Page 6 of 7

PITTSFIELD AQUEDUCT COMPANY Pro Forma Adjustments to Rate Base For The Twelve Months Ended December 31, 2009		Proposed Settlement Schedule 3 Attachment A Nashua Acquisition 9/15/2011
		Pro Forma Adjustments
CASH WORKING CAPITAL To reduce working capital as a result of O&M Expense pro forma adjustments (Schedule 1).	(\$31,364) 12.33%	\$ (3,867)
2 EQUITY DEDUCTION To deduct pro rata share of assets associated with commom equity to be purchased by City Bonds at closing.		\$ (1,071,318)
To deduct all equity value associated with MARA		\$ (1.451,194)
Total Equity Deduction		\$ (2,522,512)
3 RATE STABILIZATION CASH RESERVE To establish a rate stabilization reserve for the three (3) regulated utilities at closing.		
Less: Rate Stabilization reserve (Sch A, Attach A) PAC Pro Rata Share		\$
(1) Pro Rata Calculation as follows: Rate Base PWW Rate Base (DW10-091, Per Final Order) PEU Rate Base (12/31/2009) PAC Rate Base (DW10-090), Per Final Order)	\$ 56,677,987 100,00% \$ 6,847,954 0.00% \$ 1,071,318 0.00% \$ 64,597,259 100.00%	

Proposed Adjustment

Proposed Settlement Schedule 4 Nashua Acquisition Pro Forma Adjustments 9/15/2011

-2.20%

Pittsfield Aqueduct Company, Inc. Overall Rate of Return For the Twelve Months Ended December 31, 2009

	DW10-090		NASHUA ACQUISITION - CBFRR										
Capital Component	Pro Forma Test Year	Adjustment Final Rate Order	MARA Adjustmemt	RSF Adjustment	CBFRR Adjustment	Adju	sted Amount	•	Component Cost Rate	Weighted Average Cost Rate			
Long-term Debt	776,850	776,850				\$	776,850	75.28%	7.00%	5.27%			
Short-term Debt	255,038	255,038				\$	255,038	24.72%	0.50%	0.12%			
Preferred Stock	-	-				\$	-	0.00%	0.00%	0.00%			
Common Equity	1,071,318	1,071,318		\$0	\$ (2,522,512) 1	\$	-	0.00%	7.19% 2	0.00%			
Overall Rate of Return	\$ 2,103,206	\$ 2,103,206	\$ 1,451,194	···s -	\$ (2,522,512)	\$	1,031,888	100.00%		5.39%			
								0	riginal Filing	7.60%			

Notes:

¹ To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.

² The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.

EXECUTION COPY

EXHIBIT C

Methodologies and Procedures for PWW Rate Stabilization Fund

The following paragraphs present the methodologies and procedures that will apply with respect to the establishment, maintenance and ratemaking treatment of the Rate Stabilization Fund to be established at PWW.

- 1. <u>Establishment of PWW RSF Account</u>. As of the closing date of the acquisition, PWW will establish a Rate Stabilization Fund ("PWW RSF") equal to \$5,000,000 (the "Initial RSF Amount"). This RSF amount shall be contributed to the capital of PWW upon the closing of the transaction and will be deposited into a restricted cash account (the "PWW RSF Account"). The RSF will remain in effect for 30 years or until the City Acquisition Bonds are retired or refinanced.
- 2. Rate of Return. The PWW RSF amounts will become part of PWW's rate base and will be treated as working capital in addition to the normal working capital that is traditionally established as a percentage of operating expenses. PWW will be authorized to earn a rate of return on the amount of the RSF at a rate equal to PWW's weighted average cost of capital established in PWW's most recent rate case.
- 3. Establishment of a Separate Account for CBFRR Revenues. To facilitate accountability related to the PWW RSF Account, PWW shall also establish and maintain a separate general ledger account, known as the "CBFRR Account." Each month, PWW shall accrue into its CBFRR Account a portion of its monthly water revenues. The portion shall be determined by multiplying total actual monthly water revenues by a percentage equal to (a) PWW's current approved CBFRR amount, divided by (b) the total approved revenue requirement for PWW from its last approved rate case.
- 4. The RSF Account and CBFRR Restricted Account Procedures. The PWW RSF Account will be held and administered by PWW as a restricted cash account. The PWW RSF Account for PWW may only be accessed if necessary to supplement the amount recorded in the CBFRR Account for PWW to meet its monthly CBFRR obligation to the City (i.e., if the monthly amount accrued to the CBFRR Account is less than PWW's approved monthly CBFRR amount). If the monthly amount recorded in the CBFRR Account is greater than the CBFRR amount, then the excess will be added to the RSF Account. PWW may access the PWW RSF Account to provide intercompany loans to PEU or PAC if either utility is unable to meet its respective obligation with respect to the City Acquisition Bonds. These intercompany loans will bear interest at the final interest rate of the City Acquisition Bonds. At the time of each PWW rate case, the PWW RSF Account will be subject to replenishment or reduction to an amount equal to the Initial RSF Amount less the amount of any then outstanding loan to PEU or PAC. The



- replenishment or reduction amount will be reflected in PWW rates through a deferred debit or credit amortized over a three-year period.
- 5. Reporting and Review of the RSF Account. PWW will provide an annual reconciliation of the CBFRR Account and the PWW RSF Account as part of its Annual Report filed with the Commission on or before March 31 of each year.

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EXHIBIT D

Methodologies and Procedures for Municipal Acquisition Regulatory Asset

The following paragraphs present the methodologies and procedures that will apply with respect to the establishment and treatment of the Municipal Acquisition Regulatory Asset (the "MARA").

- 1. Determination of the Amount of the MARA. The amount of the MARA with respect to each utility shall be determined in accordance with the following process. First, the final amount of the Acquisition Costs shall be apportioned among each utility based on the equity of each utility as of December 31, 2011 in accordance with the Ratemaking Structure set forth in Exhibit B. Then, the amount of the MARA with respect to each utility shall equal the excess of (i) the sum of the utility's allocated share of Acquisition Costs so determined plus its liabilities as of the Merger closing date, less (ii) the amount of the book value of the assets of the utility as of the Merger closing date.
- 2. Ratemaking Treatment. The MARA amount determined with respect to each utility will be included in the utility's respective rate base, but will be treated as an "equity-related asset" that is excluded from traditional ratemaking and recovered exclusively through the CBFRR component of the Ratemaking Structure as set forth in Exhibit B.
- 3. Accounting Treatment. Each utility shall record its respective share of the MARA on its books as an asset in NHPUC Chart of Account No. 186. The MARA will be amortized at the same rate at which principal is paid on the City Acquisition Bonds. In connection with the recording of the MARA as an asset, the utilities will make corresponding entries to increase their respective paid-in capital accounts and to decrease their respective retained earnings accounts.

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EXHIBIT E

Summary of the Terms of the City Acquisition Bonds

The City Acquisition Bonds to be issued by the City to finance the Acquisition Costs will have terms substantially consistent with the following paragraphs:

- 1. <u>Security</u>. The bonds will be issued as general obligation bonds of the City and will not be secured by a pledge of any other assets of the City or the Pennichuck companies.
- 2. <u>Principal Repayment</u>. The principal of the City Acquisition Bonds will be paid over a term of 30 years with a level payment structure.
- 3. Optional Redemption. The City Acquisition Bonds may be subject to optional redemption by the City at par at a certain time after issuance.
- 4. <u>Tax Status</u>. Interest payments on the City Acquisition Bonds may be includable in gross income of the bondholder for federal income tax purposes.