Pennichuck Water Works, Inc.
Overall Rate of Return
For the Twelve Months Ended December 31, 2007

Schedule 1

Capital Component	**Amount**	**Component Ratio**	**Component Cost Rate**		**Weighted Average Cost Rate**
Long-term Debt	$ 58,164,687	57.78%	5.30%	(2)	3.06%
Short-term Debt	-	0.00%	0.00%		0.00%
Preferred Stock	-	0.00%	0.00%		0.00%
Common Equity	42,508,454	42.22%	11.25%	(1)	4.75%
Overall Rate of Return	$ 100,673,141	100.00%			**7.81%**

Notes:
(1) The return on equity is based on the recommendation of Gannett Fleming, Inc., as summarized on Schedule 8.
The amount of equity includes a pro froma adjustment as reflected in Schedule 2.
(2) The long term debt interest rate includes proforma adjustments as reflected in Schedules 5.

Pennichuck Water Works, Inc.
Capital Structure for Ratemaking Purposes
For the Twelve Months Ended December 31, 2007

	Test Year	Pro Forma Adjustments		Pro Forma Test Year	Component Ratio
Long-term Debt	$58,164,687	-		$ 58,164,687	**57.78%**
Common Equity:					
Common Stock	30,000	-		30,000	
Paid In Capital	27,056,141	2,250,000	(1)	29,306,141	
Comprehensive Income	-	-		-	
Retained Earnings	13,172,313	-		13,172,313	
Total Common Equity	$40,258,454			42,508,454	**42.22%**
Short-term Debt	-	-		-	
Total Capital	$ 98,423,141	2,250,000		$ 100,673,141	100.00%

Notes:
(1) reflects an equity infusion from Pennichuck Corporation approved by the Board of Directors in January 2008.

Pennichuck Water Works, Inc.
Historical Capital Structure
For the Twelve Months Ended December 31, 2007

Schedule 3

	2006	2005	2004	2003	2002
Bonds	41,624,883	35,458,105	19,985,486	20,311,450	20,640,251
Other LTD	-	-	504,677	537,268	573,313
Long-term Debt	$41,624,883	$35,458,105	$20,490,163	$20,848,718	$21,213,564
Common Equity:					
Common Stock	30,000	30,000	30,000	30,000	30,000
Paid In Capital	27,056,141	27,056,141	12,056,141	12,056,141	12,056,141
Comprehensive Income	1,834,598	(808,533)	(605,581)	(265,868)	(602,801)
Retained Earnings	10,999,060	10,650,369	8,889,844	7,314,738	7,109,239
Total Common Equity	$39,919,799	$36,927,977	$20,370,404	$19,135,011	$18,592,579
Short-term Debt	$ -	$ -	$ -	$ -	$ -
Total Capital	$ 81,544,682	$ 72,386,083	$ 40,860,567	$ 39,983,729	$ 39,806,143

Pennichuck Water Works, Inc.
Historical Capitalization Ratios
For the Twelve Months Ended December 31, 2007

Schedule 4

	2006	2005	2004	2003	2002
Long-term Debt	51.0%	49.0%	50.1%	52.1%	53.3%
Total Common Equity	49.0%	51.0%	49.9%	47.9%	46.7%
Total Capital	100.0%	100.0%	100.0%	100.0%	100.0%

Schedule 5

Pennichuck Water Works, Inc.
Weighted Average Cost of Long-Term Debt
For the Twelve Months Ended December 31, 2007

Holder	Term	Maturity	Rate	Outstanding Balance	Annual Interest	Annual Amortization	All In Annual Cost	Effectve Rate
American United Life	25	3/1/21	7.40%	7,600,000	562,400	6,600	569,000	7.49%
American United Life	5	3/4/10	5.00%	5,000,000	250,000	16,348	266,348	5.33%
BFA of NH - WTP (2005 Series A) **(1)**	30	10/1/35	4.70%	11,788,531	569,875	24,114	593,989	5.04%
BFA of NH - WTP (2005 Series B)	29	10/1/35	3.85%	6,000,000	231,000	6,651	237,651	3.96%
BFA of NH - WTP (2005 Series BC-1) **(2)**	28	10/1/35	4.45%	15,000,000	667,500	31,656	699,156	4.66%
BFA of NH (Series A)	30	1/1/35	4.70%	1,830,000	86,010	8,679	94,689	5.17%
BFA of NH (Series B)	25	1/1/30	4.60%	2,345,000	107,870	11,161	119,031	5.08%
BFA of NH (Series C)	20	1/1/25	4.50%	1,205,000	54,225	5,570	59,795	4.96%
BFA of NH	25	5/1/22	6.30%	4,000,000	252,000	8,819	260,819	6.52%
State of NH	20	4/1/22	3.80%	317,062	12,048	282	12,330	3.89%
WTP SRF **(3)**	20	7/1/29	1.00%	3,000,000	30,000	0	30,000	1.00%
Twin Ridge SRF	10	4/1/13	2.315%	79,094	1,831	593	2,424	3.06%
				$ 58,164,687	$ 2,824,759	$ 120,472	$ 2,945,232	5.06%
Pro Forma Adjustments:								
BFA of NH - WTP (2005 Series BC-1) **(2)**	28	10/1/35	4.45%	(15,000,000)	(667,500)	0	(667,500)	4.45%
BC -3 Note	10	4/1/18	5.00%	7,500,000	375,000	11,200	386,200	5.15%
BC -4 Note	27	4/1/35	5.375%	7,500,000	403,125	14,778	417,903	5.57%
Pro Forma Cost of Long Term Debt				**$ 58,164,687**	**$ 2,935,384**	**$ 146,450**	**$ 3,081,835**	**5.30%**

Notes:

(1) The outstanding balance of $12.125 million is net of $336,469 of debt discount. The amortization of the debt discount is included in the annual amortization costs at $12,125 per year.

(2) The interest rate is subject to adjustment every 35 days pursuant to certain auction procedues. The interest rate used represents the average interest rate for the 4th Quarter 2007. On May 1, 2008 , the bonds convert to 2 fixed term notes (BC -3 and BC -4). The terms and interest rates of the notes are reflected in the proforma adjustments above. The underwriting fees for tne notes are a total of $112,000 and $399,000 respectively, The debt issuance costs are reflected in the pro forma adjustments above and amortized over the term of the loan

(3) The interest rate reflects the rate that is in effect for 2007. When the related capital improvements are substantially completed in 2009, the Company will incur an interest rate that is the lower of 3.488% or 80% of an established Bond Index over the remaining term of the loan.

Pennichuck Water Works, Inc.
Cost of Short-Term Debt
For the Thirteen Months Ended December 31, 2007

Schedule 6

	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	13 Month Average
Intercompany receivable	-	9,750,561	10,058,146	7,137,135	7,994,314	6,961,118	6,989,706	6,595,789	6,019,484	5,343,735	17,497,744	19,035,170	19,020,353	9,415,635
Intercompany cash	-	120,929.22	(406,225.91)	-	-	-	-	-	-	-	-	-	-	(21,946)
Pennichuck Interco Receivable	-	9,871,490	9,651,920	7,137,135	7,994,314	6,961,118	6,989,706	6,595,789	6,019,484	5,343,735	17,497,744	19,035,170	19,020,353	9,393,689
Pennichuck Corporation: Intercompany advance	9,489,092	-	-	-	-	-	-	-	-	-	-	-	-	729,930
Pennichuck Interco Net Liability	(9,489,092)	9,871,490	9,651,920	7,137,135	7,994,314	6,961,118	6,989,706	6,595,789	6,019,484	5,343,735	17,497,744	19,035,170	19,020,353	8,663,759

Pennichuck Water Works, Inc.
Weighted Average Cost of Preferred Stock
For the Twelve Months Ended December 31, 2007

Schedule 7

Security	Term	Maturity	Rate	Outstanding Balance	Annual Dividends	Annual Amortization	All In Annual Cost	Effectve Rate

NOT APPLICABLE

Schedule 8

Pennichuck Water Works, Inc.
Cost of Common Equity Capital
For the Twelve Months Ended December 31, 2007

	Water Group Followed by Analysts		
	DCF	**CAPM**	**RP**
Common Equity Cost Rate Range	11.6%	14.4%	11.2%
Investment Risk Adjustment	0.05%	0.05%	0.05%
Adjusted Common Equity Cost Rate Range Applicable to PWW	11.65%	14.45%	11.25%
Recommended Common Equity Cost Rate for PWW		**11.25%**	
Check of Reasonableness of Common Equity Cost Rate (6)	11.5%	to	11.9%

Notes: The above numbers are extracted from Schedule 2 of the Rate of Return Exhibits and supporting the Direct Testimony of Harold Walker, III of Gannett Fleming, Inc.

Pro Forma
Schedule 9
Temporary

Pennichuck Water Works, Inc.
Report of Proposed Rate Changes
For the Twelve Months Ended December 31, 2007

DOCKET NO:	DW 08-073	DATE FILED:	6/23/2008
TARIFF NO.:	5 or PAGE NOS. 39-42	EFF. DATE:	8/1/2008

Rate or Class of Service	Effect of Proposed Change	Average Number of Customers	Pro Forma Present Rates	Proposed Rates	Proposed Change: Amount	Proposed Change: %
G-M	Increase	24,787	$17,225,355	$19,131,487	$1,906,132	11.07%
Present Rate Adj			-	-		
Private FP	Increase	780	494,186	838,754	$344,568	69.72%
FP - Hydrants	Increase	5	2,466,483	2,493,950	$27,467	1.11%
Anheuser-Busch Contract	Increase	2	1,059,315	1,194,361	$135,046	12.75%
Milford Contract						
Contract Charges	No Increase	1	81,000	81,000	-	0.00%
Volumetric Charges	Increase	-	63,090	70,655	$7,565	11.99%
Hudson Contract						
Contract Charges	No Increase	1	32,800	32,800	-	0.00%
Volumetric Charges	Increase	-	280,838	306,484	$25,646	9.13%
TOTALS		**25,576**	**$21,703,068**	**$24,149,491**	**$2,446,423**	**11.27%**

Notes:
(1) The Proposed rates and the amount of the increase is based on the Cost of Service Study. On Schedule 13 Temp, page 5 of 5, of the Cost of Service Study, a slight difference is noted in the allocation of the proposed revenue vs. the revenue requirement shown in the rate filing schedules.
(2) No actual increase is proposed for the municipal fire service. The increase reflected represents the increase in fire hydrants and inch-feet at the end vs. the beginning of the test year.

Signed by: Bonalyn J. Hartley
Title: Vice President - Administration

Pro Forma
Schedule 9
Permanent

Pennichuck Water Works, Inc.
Report of Proposed Rate Changes
For the Twelve Months Ended December 31, 2007

DOCKET NO: DW 08-073 **DATE FILED:** 6/23/2008
TARIFF NO: 5 **or PAGE NOS.** 39-42 **EFF. DATE:** 8/1/2008

Rate or Class of Service	Effect of Proposed Change	Average Number of Customers	Pro Forma Present Rates	Proposed Rates	Proposed Change: Amount	Proposed Change: %
G-M	Increase	24,787	$17,225,355	$19,725,694	$2,500,339	14.52%
Present Rate Adj			-	-		
Private FP	Increase	780	494,186	915,696	$421,510	85.29%
FP - Hydrants	Increase	5	2,466,483	2,520,792	$54,309	2.20%
Anheuser-Busch Contract	Increase	2	1,059,315	1,231,792	$172,477	16.28%
Milford Contract						
Contract Charges	No Increase	1	81,000	81,000	-	0.00%
Volumetric Charges	Increase	-	63,090	72,864	$9,774	15.49%
Hudson Contract						
Contract Charges	No Increase	1	32,800	32,800	-	0.00%
Volumetric Charges	Increase	-	280,838	316,068	$35,230	12.54%
TOTALS		**25,576**	**$21,703,068**	**$24,896,706**	**$3,193,638**	**14.72%**

Note:
The Proposed rates and the amount of the increase is based on the Cost of Service Study. On Schedule 13, page 5 of 5, of the Cost of Service Study, a slight difference is noted in the allocation of the proposed revenue vs. the revenue requirement shown in the rate filing schedules.

Signed by: Bonalyn J. Hartley

Title: Vice President - Administration

Pro Forma
Schedule 9
Step #1

Pennichuck Water Works, Inc.
Report of Proposed Rate Changes
For the Twelve Months Ended December 31, 2007

DOCKET NO: DW 08-073 **DATE FILED:** 6/23/2008
TARIFF NO.: 5 **or PAGE NOS.** 39-42 **EFF. DATE:** 8/1/2008

Rate or Class of Service	Effect of Proposed Change	Average Number of Customers	Pro Forma Present Rates	Proposed Rates	Proposed Change Amount	Proposed Change %
G-M	Increase	24,787	$17,225,355	$18,100,403	875,048	5.08%
Present Rate Adj			-	-		
Private FP	Increase	780	494,186	534,996	40,810	8.26%
FP - Hydrants	Increase	5	2,466,483	2,576,159	109,676	4.45%
Anheuser-Busch Contract	Increase	2	1,059,315	1,113,277	53,962	5.09%
Milford Contract						
Contract Charges	No Increase	1	81,000	81,000	-	0.00%
Volumetric Charges	Increase	-	63,090	66,287	3,197	5.07%
Hudson Contract						
Contract Charges	No Increase	1	32,800	32,800	-	0.00%
Volumetric Charges	Increase	-	280,838	294,705	13,867	4.94%
TOTALS		**25,576**	**$21,703,068**	**$22,799,628**	**$1,096,560**	**5.05%**

Note:
The Proposed rates and the amount of the increase is based on the Cost of Service Study. On Schedule 13 Step 1, page 5 of 5 of the Cost of Service Study, a slight difference is noted in the allocation of the proposed revenue vs. the revenue requirement shown in the rate filing schedules.

Signed by: Bonalyn J. Hartley
Title: Vice President - Administration

Pro Forma
Schedule 9
Step #2

Pennichuck Water Works, Inc.
Report of Proposed Rate Changes
For the Twelve Months Ended December 31, 2007

DOCKET NO: DW 08-073 DATE FILED: 6/23/2008
TARIFF NO.: 5 or PAGE NOS. 39-42 EFF. DATE: 8/1/2008

Rate or Class of Service	Effect of Proposed Change	Average Number of Customers	Pro Forma Present Rates	Proposed Rates	Proposed Change Amount	Proposed Change %
G-M	Increase	24,787	$17,225,355	$18,177,203	951,848	5.53%
Present Rate Adj			-	-	-	
Private FP	Increase	780	494,186	538,213	44,027	8.91%
FP - Hydrants	Increase	5	2,466,483	2,587,631	121,148	4.91%
Anheuser-Busch Contract	Increase	2	1,059,315	1,119,043	59,728	5.64%
Milford Contract					-	
Contract Charges	No Increase	1	81,000	81,000	-	0.00%
Volumetric Charges	Increase	-	63,090	66,622	3,532	5.60%
Hudson Contract					-	
Contract Charges	No Increase	1	32,800	32,800	-	0.00%
Volumetric Charges	Increase	-	280,838	296,144	15,306	5.45%
TOTALS		**25,576**	**$21,703,068**	**$22,898,657**	**$1,195,589**	**5.51%**

Note:
The Proposed rates and the amount of the increase is based on the Cost of Service Study. On Schedule 13 Step 2, page 5 of 5, of the Cost of Service Study, a slight difference is noted in the allocation of the proposed revenue vs. the revenue requirement shown in the rate filing schedules.

Signed by: Bonalyn J. Hartley
Title: Vice President - Administration

Pro Forma
Schedule 9
Combined

Pennichuck Water Works, Inc.
Report of Proposed Rate Changes
For the Twelve Months Ended December 31, 2007

DOCKET NO: DW 08-073 **DATE FILED:** 6/23/2008
TARIFF NO.: 5 **or PAGE NOS.** 39-42 **EFF. DATE:** 8/1/2008

Rate or Class of Service	Effect of Proposed Change	Average Number of Customers	Pro Forma Present Rates	Proposed Rates	Proposed Change Amount	Proposed Change %
G-M	Increase	24,787	$17,225,355	$21,552,590	$4,327,235	25.12%
Present Rate Adj			-	-		
Private FP	Increase	780	494,186	1,000,533	$506,347	102.46%
FP - Hydrants	Increase	5	2,466,483	2,751,616	$285,133	11.56%
Anheuser-Busch Contract	Increase	2	1,059,315	1,345,482	$286,167	27.01%
Milford Contract						
Contract Charges	No Increase	1	81,000	81,000	-	0.00%
Volumetric Charges	Increase	-	63,090	79,593	$16,503	26.16%
Hudson Contract						
Contract Charges	No Increase	1	32,800	32,800	-	0.00%
Volumetric Charges	Increase	-	280,838	345,241	$64,403	22.93%
TOTALS		**25,576**	**$21,703,068**	**$27,188,855**	**$5,485,788**	**25.28%**

Note:
The Proposed rates and the amount of the increase is based on the Cost of Service Study. On Schedule 13 Step 2, page 5 of 5, of the Cost of Service Study, a slight difference is noted in the allocation of the proposed revenue vs. the revenue requirement shown in the rate filing schedules.

Signed by: Bonalyn J. Hartley

Title: Vice President - Administration

Pennichuck Water Works, Inc.
ROI Historical Trends
For the Twelve Months Ended December 31, 2007