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



EXHIBIT A

Documentation Regarding Satisfied Conditions to Closing

[See Attached Documentation]



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

By:

Date

RESOLUTION R-10-8	B1 Endorsed by /	
Finding that the acquisition of s	tock. Truly howar	MAYOR
rather than the direct acquisition the plant and property of Pennic	n of	
Corporation will provide a more	nuck	_MCCARTHY
orderly method for the city to		CLEMONS
establish, own, and operate a	fother their	VITALE
municipal water utility consisten with the purposes of RSA 38 and	Tall Thurshy	_PRESSLY
be financially beneficial to the cl	ty freed not of 1702 f	LAROSE
and its customers and will, there	fore. Mydul A T. A.	TABACKSO
be in the best interests of the cit	y and Maulan Molinio Aslino	MELIZZI-
provide a public benefit	The state of the s	_GOLJA
IN THE BOARD OF ALDERM	IEN Name /	COX
	The state of the s	SHEEHAN
1 ST READING DECEMBER 14, 20	010 Jan Walshur	WILSHIRE
Referred to:	- Richard Chr-	FLYNN
DENINTARHOM ATTURNS OFFICE CO.		
PENNICHUCK WATER SPECIAL CON	MATTER	
,		
2 nd Reading JANUARY 11, 201		
3 rd Reading		
4 th Reading		
	Military	
Other Action		
Passed JANUARY 11, 2011	V GLUGU.	
	veto oustained;	
Indefinitely Postponed	Veto Overridden:	
Defeated		
O MA	Attest:City Clerk	
Attests Ryl 7 tesapron		
Kan SIL CLU CITY	Clerk President	
10 X M VS	sident	
Approved Smalle Loreau		
Alayor's Sign	nature	



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

RESOLUTION R-10-82	Endorsed by /
Authorizing the Mayor and City	Mayor MAYOR
Treasurer to issue bonds or notes	MAIOR
not in excess of Two Hundred Twenty	MCGARTHY
Million Dollars (\$220,000,000.00) to	CLEMONS
pay all costs of acquiring the stock	Gottam (e) Vitam VITALE
and/or assets of the Pennichuck	(Startite A)
Corporation	Level Pressly
	LAROSE
IN THE BOARD OF ALDERMEN	mil I am
1 ST READING DECEMBER 14, 2010	Colon V. (Call R. J. 1) MELIZZI-
READING DECEMBER 14, 2010	Molyland Mellynt July & GOLJA
Referred to:	cox
	X/10A/ The
BUDGET REVIEW COMMITTEE AND	SHERHAN
PUBLIC HEARING ON THURSDAY,	AM. WILSHIRE
JANUARY 6, 2011 AT 7:00 PM IN	Kichard Flyn- FLYNN
ALDERMANIC CHAMBERS	
2 nd Reading JANUARY 11, 2011	
3 rd Reading	
4 th Reading	
•	
Other Action	
PassedJANUARY 11, 2011	
ndefinitely Postponed	
Defeated	Matanda
	Veloed;
Attest: ///////Dudlym	Veto Sustained:
Sin & Mark City Clerk	Veto Overridden:
President	Attest:
approved Jaralee Logian	City Clark
Malyor's Signature	President
1/11/11	
/ / 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)

0-18552	02-0177370						
State or other Jurisdiction of Incorporation) (Commission File Number) (IRS Em							
mpshire	03054						
s)	(Zip Code)						
none number, including area code: (60	93) 882-5191						
Not Applicable							
or former address if changed since las	st report.)						
ling is intended to simultaneously satis	sfy the filing obligation of the registrant under						
der the Securities Act (17 CFR 230.42	25)						
the Exchange Act (17 CFR 240.14a-	12)						
Rule 14d-2(b) under the Exchange Ac	et (17 CFR 240.14d-2(b))						
Rule 13e-4(c) under the Exchange Ac	ot (17 CED 240 12 a 4(a))						
	none number, including area code: (66 Not Applicable or former address if changed since lating is intended to simultaneously satisfier the Securities Act (17 CFR 230.42). The Exchange Act (17 CFR 240.14a-						

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	Votes	
		For	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: <u>/s/ Thomas C. Leonard</u> 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]

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

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

> \$9,836,623 \$ 26,042,680

	DW10-091	*******	DW10-09	1, 0	CA 3-1		DW10-091,	STA	AFF 3-13						_	City	Bond Fixed Re		Requirement
	PRO FORMA TEST YEAR	F	POSED DATA EQUESTS JSTMENTS (1)	۵	MONTHS WITH PROPOSED DJUSTMENTS 12/31/09		TEP INCREASE PRO FORMA JUSTMENTS (1)	1	COMBINED PRO FORMA & STEP ICREASE FORMA TEST YEAR	DO	WITHOUT EMINENT MAIN COSTS ECOVERY	F	OMBINED PRO FORMA & STEP CREASE FORMA TEST YEAR	¹Final djustment W 10-091	 al Rate Order DW 10-091	AD F	OF NASHUA JUSTMENTS OR CEFRR PPROACH	F	OF NASHUA REVENUE QUIREMENT
Consolidated 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)	\$ 92,219,994		(49,775,965)	\$	42,444,028
RATE of Return	7.86%	,	0,09%		7.95%				7.95%				7.95%	0.03%	7.98%		-1.95%		6.04%
Income Required	\$ 7,677,233	\$	-	\$	7,733,642			\$	7,996,562			\$	7,613,064		\$ 7,362,859			\$	2,563,619
Adjusted NOI	\$ 5,312,859	\$	(52,593)	\$	5,260,266	\$	(127,644)	\$	5,132,622	\$	323,751	\$	5,456,373	\$ 166,809	\$ 5,623,182		(\$4,222,828)	\$	1,400,354
Deficiency	\$ 2,364,374	\$	-	\$	2,473,376			\$	2,863,940			\$	2,156,691		\$ 1,739,677	. i		\$	1,163,265
Tax Fector	60.39%	,			60.39%				60.39%				60,39%		60.39%				60,39%
Revenue Deficiency	\$ 3,915,175	\$	-	\$	4,095,672	\$	646,736	\$	4,742,408	\$	(1,171,136)	\$	3,571,272	\$ (690,535)	\$ 2,880,737			\$	1,926,254
Water Revenues	\$ 24,116,426	\$	•	\$	24,116,426	\$	-	\$	24,116,426			\$	24,115,426		\$ 24,116,426			\$	14,279,803
Proposed Revenue Inc	16.23%	;			16.98%		2.68%		19,66%		-4.86%		14.81%	-2.86%	11.95%				7.99%
Total Revenue	\$ 28,031,601	-		ş	28,212,098	- a		\$	28,858,834	-		.	27,687,698		\$ 26,997,163			\$	16,206,057

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

Total City Revenue:

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

Re: C≥y of Nashue Acquisition of Pennichuck Corporation Docket No. DW/ 11-026 Extrait Buil (Rev 2nd Supp)-1 Page 2 of 9

Pro Forms Adjustments to Revenue Requirement For The Twelve Months Ended December 31, 2009 Nashua Acquicition Pro Forma Adjustments Revenue 1 To recognize adjustment of fixed annual revenue requirement to mest City Bond obligation Total City Bood \$152,000,805 Bond Interest Rate 30 ra Bo≫i Feriod Calculated pro rela for City Band based on a constant payment and a constant band rate. Calculated as follows: PWWY Pro Rata Share 5133,453,288 (1) Less, Rate Stabilization Reserve \$5,000,000 PIAW Pro Rato Shore (Set 3.4) Lean PWW Pro Rata Share of Rate Stabilization Retends \$5,000,000 Lust: City Embert Domain Cost Receivery \$128,453,288 Total PAW Pro Rais Share for CSFRRIMARA Bond Interest Rais 6 50% 30 975 \$9,836,823 (2) Notes: (1) Pio Rata Optimistica as Informa PWW & Southerood Equity (\$3142011) (3) 3 55 677 567 87.74% PEU Equity (6/31/2011) 6 6,647,954 5 1,071,318 10.60% PAG Equity (8/31/2011) 1.66% \$ 64,597,259 100 00% PVWV & Southwood & CBFRR based on pro rate equity
PEU & CBFRR based on pro rate equity

Proposed Settlement

Schedule A

Attachment A

Total City Bond (2) Any income taxes on revenues will be offset by deductions for litterest expanse on City Bonds calculated below and depreciation expense essections with equity related extens per Binedulo 1, Attachment A, page 2.

Total Interest Payment on City Bland tree son PVWV Pro Rato Sharo \$9,589,493 57,74% \$8,674,462 PWW Pro Rata Interest Benefit

(3) Consists of Equity as of 8/31/2011 as follows:

PAC % CBFRR based on pro min equity

Pennichuek Water Works Inc

PWW \$ 54,620,332 \$outhwood \$ 2,057,455 \$ 56,577,987 Total

87.74% \$133,452,285 13.60% \$16.124.105 1.66% \$2.572.512 100.00% \$152.00% #85

PWW @ 6,5%

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

> Proposed Settlement Schedule 1 Nashua Acquisition Pro Forma Adjustments 9/16/2011

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

		DW10-091,	OCA 3-1	DW10-091, 8	STAFF 3-13	LESS EMINE	ENT DOMAIN			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 CITY OF NASHUA NASHUA MARA ADJUSTMENTS ADJUSTMENT FOR CBFRR PER BOOKS APPROACH	CITY OF NASHUA CBFRR APPROACH REVENUE REQUIREMENT
Water Sales	\$ 24,116,426	\$ -	\$ 24,116,426	\$ -	\$ 24,116,426		\$ 24,116,428		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	N.	24,481,060		24,481,060	(\$9,836,623)	14,644,437
				55,750	3,357,199		3,357,199		3,357,199		3,357,199
Production Expenses	3,337,933	(36,485)		33,130	1,375,965		1,375,955		1,375,965		1,375,985
Transmission & Distribution Expenses Engineering Expense	1,379,179 574,394	(3,214)	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	(1,125,625)	4,973,958
Final Rate Order Adjustments	0,142,400	(42,004)	0,000,000					(166,809)	(166,809)		(166,809)
Inter Div Management Fee	(1,476,315)	7,961	(1,468.354	٠ -	(1,468,354)		(1,468,354)	•	(1,468,354)	(134,985)	(1,603,339)
								(166,809)	10,206,951	- (1,260,610)	8,946,342
Total Operating Expense	10,392,652	(74,642)	10,318,010	55,750	10,373,760	•	10,373,760	(808,601)	10.200,951		
Dep Exp/Acq Adj Expense	4,070,540	(7.888)	4,062,652	80,768	4,143,420		4,143,420		4,143,420	(1,529,375)	2,614,045
Amortization Expense:CIAC	(480,385)	-	(480,385) -	(480,385)	-	(480,385)		(480,385)		(480,385)
Amortization Expense: MARA		-	-		•		-	-	•	854,794 (854,794)	
Amortization Expense	495,885	(1,696)	494,189	•	494,189	(536,100)	(41,911)		(41,911)		²⁾ (41,911)
Gain on Disp/Utility Property	-		-		٠		-		-		
Property Taxes	2,674,109	169,984	2,844,093	74,847	2,918,940		2,918,940		2,918,940	그는 경우를 살았다면 나를 했다.	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		
Total Operating Deductions	8,776,879	125,905	8,902,784	71,893	8,974,678	(323,751)	8,650,927	-	8,650,927	854,794 (5,207,980)	4,297,741
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	(854,794) (\$3,368,033)	1,400,354

Notes:

(1) Pro Forma income Taxes calculated as follows:

Total pro forms reduction in operating expenses
Total Proforms Reverse decrease
Total Proforms NOI before income tax

2,844,029 \$9,836,823 (8,992,594)

(8.992,594) 39,61% (2,769,767) •

"Negative Income Taxes will be offset 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

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

Proposed Settlement Schodule 1 Attachment A Page 1 Nashua Acquistion

For The Twelve Months Ended December 31, 2009								Page 1
							ashua	Acquistion 9/16/2011
				CBFRR				CBFRR
				Pro-Forma				o Forma ustments
Revenue			_	rdissurents.			AD	hz/wentz
To recognize adaptivent of fixed annual revenue								
regularment to most City Bond obliquitors.								
Total City Bond	75L	2,009,035						
Bond interest Rate		0.50%						
Sond Pued		30	**	1				
Catalisted pro rate for City Bond based on a constant payment and a constant bond rate.								
Calculated as follows:								
PWW Pro Rata Shade				133,453,268				
Leas Rate Satelantia Reservo		95,000,000	•	144,444,0				
PWW Pro Rato Share (No. 3.4s)		100.00%						
Less PWW Pro Rota Share of Rata Stabilization Reserve			-	\$5,000,000				
Less: City Eminera Domain Dost Recovery			Ž	50				
Treal FWW Pro Rate State for CSFRRMARA			\$	128,453,268				
Bond Interest Rate Bond Period				6,50%	भार			\$9,836,623
posto Leuco			-		7:5			7740/2/2/2
Pro Rete Coiculation as follows:								
PWW & Society and East (8/31/2011)	103	50 077 007	Ê	87,74%				
PEU Equity (8/51/2011)	4	8.347.954	ě	10.60%				
PAC Equity (\$/31/2011)		T 071 315	6	1.65%				
	8	64.597.259		100.00%				
PVW & Sociemons & CBFRR based on pro rate county		87.74%	5	133,453,288				
PEU % CBFRR besod on pro rata equity				\$15,124,105				
PAC % CEPRR based on pro rate servicy		1.5554		52.522.512				
Total City Bond		100.00%		153,009,085	t			
Administrative and General								
Admin	5	(238,595)	1					
Officers	5	(733.000)	ł					
City Appointed CEO	, 3	200,000	_				\$	(771,595)
Sonus:								
Admin	\$	(7.000)	t					
Officers	š	(38.500)						
City Appointed CEO	5	15,000	_				\$	(28,500)
			Ξ.					
Benefits.				City Appointed CEO				
Patraco	<u>}</u>	(153,500)		\$ 6,175	. \$	(146,825)		
401 K	\$	(24,694)			ŝ	(18.594)		
Modesi	š	(82,532		s 5,487	š	277.045		
Liental	\$	(8,232	9	\$ 551	\$	\$7,651		
Group We/Disablity	\$	0.889			\$	(3,288)		
Officer's Life	S	(10,281) #8,367		\$ 3,760 \$ 1,498	\$	(8.521) (4.839)		
Long Term Care Pannos Texas	ş	(55,630)		\$ 1,536	5	(54,044)		
Training Tourismal Servinars	5	(17,570			s	(17.570)		(336.507)
							-	
Messags & Conventions:							s	(19,605)
Senior Management Votigle:							\$	(1,000)
Memberahas:							•	(22,465)
Richterphos: Total Administrative and General								(1,178,659)
Less Payroll Toxos							\$	S4 044
Total Administrative and General	ı						1	(1.125.626)

Ret. City at Nashuu Asseptiation of Permichlatik Corporation Decided No. DW 11-026 Edited Bult (Rev 2nd Supply 1 Page 4 of 9

PWW @ 6.5%

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

Pro Forma

				Adj	ustmonts
Management Fee					
Allocation from Corporate			(400.000)		
Professional Fees & Services			(132,339)		
D&O Insurance			(86,479)		
Annual Report Cost			(24,965)		
Auditors/SEC Legal Expense			(210,888)		
Corp Governance LegaVAST			(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			CTT+ EOC)		
Salaries			(771,596)		
Bonus			(28,600)		
Benefits			(336,507)		
Meetings & Conventions			(19,600)		
Senior Management Vehicle			(1,000)	_	
% to Affiliates	26,30% *		(1,155,203)	\$	304,081
Total Managemen	Fee			\$	(134,985)
Note: "Management fee allocation based on curr	ent percentage allocation				
Depreciation Expense					
To eliminate depredation expense for eq			commence and a state to the second		
purchased with City Bond as part of the c	losing transaction		54,620,532		44 500 075
at a composite depreciation rate of 2.8%.			2.80%	\$	(1,529,375)
Amortization Expense					
To provide for amortization expense on C	Aty Eminent Domain				
Costs as follows:			and a second second second second		
Gity Eminent Domain Costs			\$0		
Amortization Period years			30	_\$	
Amortization Expense					
To provide for amortization expense attri	outable to	\$128,453,268 (Sch 1, Afh A, Pg 1)			
MARA based on rate and principal paym	ent	54,620,532 (Sch 4)	30		
Year One Amortization Expense		\$73,832,736	6,50%		\$854,794
Income Taxes					
To record income taxes as a result of pro	forma			\$	(2,769,767)
adjustments to income statement.					
FINAL RATE ORDER NOI ADJUSTMENTS				Ś	tere post
To record final adjustments to Net Opera	rting Income			5	(166,809)
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 (Rev 2nd Supp)-1 Page 5 of 9

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (Rev 2nd Supp)-1 Page 6 of 9

Proposed Settlement Schedule 3 Nashua Acquisition Pro Forma Adjustments 9/16/2011

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 EMIN	ENT DOMAIN			CE	FRR APPROACH W/M	ARA
Description	Pro Forma Test 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	WITHOUT EMINENT DOMAIN COSTS RECOVERY	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-091	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 BAS FOR PWW
Plant in Service	153,687,293	(421,246)	153,756,047	3,904,456	157,170,503		157,170,503	******************************	157,170,503			157,170,50
Adjustment to Rate Base per Final Rate Order					* *			(3,582,467)	(3,562,467)			(3,562,48
Accum Deprec	38,260,317	(7,888)	38.252,429	(36,477)	38,215,952		38,215,952		38,215,952			38,215,95
Accum Deprec: Loss	4,050,376		4,050,376	2,277	4,052,653		4,052,653		4,052,653		;	4,052,65
Accum Deprec: COR	1,708,176	-	1,708,176	185,793	1,893,969		1,893,989		1,893,969		And the second	1,693,96
Theoretical Reserve	882,900	•	882,900		882,900		882,900		882,900			882.90
Acquistion Adjustment	844,905		844,905	-	844,905		844,905		844,905	And the second		844,90
Accum Ameri Acq Ad	296,522		296,522	-	296,522		296,522		296,522			296,52
Municipal Acquisition Regulatory Asset (MARA)		-		•				-		73,832,736	,	73,832,73
Accum Amort MARA Adj	-	_			-		_	-	-	•		
CIAC	26,898,154		26,898,154		26,898,154		26,898,154		26,898,154			26,398,15
Amort of CIAC	4,037,526	•	4,037,528		4,037,526		4,037,526		4,037,526	and the second second	2.0	4,037,52
	98,659,417	(413,358)	98,246,059	4,129,003	102,375,062		102,375,062	(3,562,467)	98,812,595	73,832,736		172,645,93
ADD:	• • • • • • • • • • • • • • • • • • • •									, ,		
Working Cap	1,296,371	(9,203)	1,287,168	6,874	1,294,042		1,294,042		1,294,042		(155,433)	1,138.60
Materials & Supplies	825,124		825,124	-	825,124		825,124		825,124	* +		825,12
Prepaid Exprenses	391,159	-	391,159	•	391,159		391,159		391,159		٠,	391,15
Prepaid Property Taxes	55,545	*	55,545	-	55,545		55,545		55,545	2 Sec. 4		55,54
Prepaid Income Taxes	-	-	-		-		•		÷			
Other & Deferred Charges	12,529,973	(11,438)	12.518,535	-	12,519,535	(4,824,907)	7,693,628		7,893,628			7,693,62
	15,098,172	(20,641)	15,077,531	6,874	15,084,405	(4,824.907)	10,259,497		10,259,497	•	(155,433)	10,104,08
DEDUCT:	-			-	•					3		
Customer Advances	84,000	•	84,000	•	84,000		84,000		84,000			84,00
Customer deposits & other	138,756	-	138,758	•	138,756		138,756		138,756			138,75
Deferred Income Tax	12,920,917	•	12,920,917	-	12,920,917		12,920,917		12,920,917			12,920,91
Deferred Tax Liability	855,191	-	855,191	-	855,191		855,191		855,191			855,19
Unamort ITC	784,440	•	784,440	•	784,440		784,440		784,440			784,44
Deferred Rental Credits	105,550	•	105,550	828,000	933,550		933,550		933,550			933,55
Unfunded FAS 106 and 158 Costs	1,135,245	*	1,135,245	-	1,135,245		1,135,245		1,135,245			1,135,24
	16,024,099	*	15,024,099	628,000	15,852,099		16,852,099		16,852,099		- 200	16,852,09
TOTAL Rate Base	97,733;490	(433,999)	97,299,491	3,307,877	100,607,388	(4,824,907	95,782,461	(3,562,467)	92,219,994	73,832,736	(158,433)	165,897,25
DEDUCT: Equity Related Assets + MARA											(128,453,268)	1: (128,453,26
ADD: City Eminent Domain Cost Recovery ADD: Roto Stabilization Gash Roserve											5,060,000	5.000.00
Total Reto Base	97,733,490	(433,999)	97,299,491	3,367,877	100,607,368	(4,824,907	95,782,461	(3,562,467)	92,219,994	73.832.736	(123,608,701)	42,444,0

^{1.} Includes the elimination of MARA

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

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (Rev 2nd Supp)-1
Page 7 of 9

Proposed Settlement Schedule 3 Attachment A Nashua Acquisition 9/15/2011

Final Adjustment DW 10-091 CBFRR w/ MARA Pro Forma Adjustments

\$ (155,433)

S (54.620.532

(73,832,736)

\$ (128,453,268)

\$ 5,000,000

DW (0-051

To deduct pro rata share of assets associated with common equity to be purchased by City Bonds at closing.

To reduce working capital as a result of O&M Expenses

Pro Forma Adjustments (Schedule 1).

· ·

CASH WORKING CAPITAL

EQUITY DEDUCTION

To deduct all equity value associated with MARA

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)

PWW Pro Rata Share

\$5,000,000 (1) 100.00%

(1,260,610)

12.33%

Total PWW Pro Rata Share for City Bond

(1) Pro Rata Calculation as follows:

Rate Base

 PWW (DW10-091, Per Final Order)
 \$ 56,677,987
 100,00%

 PEU (As of 12/31/2009)
 \$ 6,847,954
 0.00%

 PAC (DW10-091, Per Final Order)
 \$ 1,071,318
 0.00%

 \$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 as approved in Rate Order DW10-091

\$ (3,562,467)

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

MACHINA ACCUROTTOM COCOO

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

						NASHUA	ACQUISITION - CB	FRR		
		DW10-091,	OCA 3-1	List No. 4					Component	Weighted
	Filed		Final Rate	MARA	RSF	CBFRR	Adjusted	Component	Cost	Average
Capital Component	<u>Amount</u>	Adjustment	<u>Order</u>	Adjustment	Adjustment	<u>Adjustment</u>	Amount	Ratio	Rate	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	54,620,532	\$	54,620,532		\$.	\$ (128,453,268) ¹	\$	0.00%	7.19% 2	0.00%
Overall Rate of Return	\$ 106,475,539	\$ (2,301,100) \$	104,174,439	\$ 73,832,736	\$ -	\$ (128,453,268)	\$ 49,553,907	100.00%		6.04%
			-				j	Final Rate Ord	er - DW10-091	7.98%

Final Rate Order - DW10-091

-1.95%

CBFRR Pro Forma Adjustment

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
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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

					Outs	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)			
Stan 2-22	SKF Step Additions Dept		2,424,100	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)	_		

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-2
Page 1 of 7

Proposed Settlement Schedule A

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

									С	ity Bond Fixed Re (CBF	Revenue Requirement BFRR)			
	7	TEST YEAR		RO FORMA JUSTMENTS (1) (2)	PRO FORMA TEST YEAR		COMBINED PRO FORMA TEST YEAR		CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH			ITY 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 Rever	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%

16,124,105 Total PEU Pro Rata Share for City Bond 6.50% Bond Interest Rate

Bond Period 30 yrs

\$1,234,743 (2)

Notes:

(1) Pro Rata Calculation as follows: PWW & Southwood Equity (8/31/2011)

PEU Equity (8/31/2011) PAC Equity (8/31/2011)

\$ 56,677,987	87.74%
\$ 6,847,954	10.60%
\$ 1,071,318	1.66%
\$ 64,597,259	100.00%

PWW & Southwood % CBFRR based on pro rata equity PEU % CBFRR based on pro rata equity

PAC % CBFRR based on pro rata equity

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, Attachment A, page 2,

Total Interest Payment on City Bond (year one)

\$9,886,493

PEU Pro Rata Share PEU Pro Rata Interest Benefit

10.60% 1,048,067

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

Proposed Settlement Schedule 1 Nashua Acquisition Pro Forma Adjustments

									:	: .	e super bilitar	CB	FRR APPROACH W	MARA	
	Account Number		INICHUCK IT UTILITY, INC.	No	orth Country	A	Pro Forma djustments (1)		OMBINED EST YEAR	AD	CITY OF NASHUA MARA JUSTMENT ER BOOKS	A	TY OF NASHUA DJUSTMENTS FOR CBFRR APPROACH	CBFRR	DF NASHUA APPROACH VENUE JIREMENT
Water Sales	461 & 462	s	5,005,656	s	939.078	5	\$ (295,242)	\$	5,649,492				(\$1,234,743)	S	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	. 12.75	daliji jira	\$	(1,234,743)		4,455,709
													[중요 등 기기		
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 ExplAcq 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)_			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)	S	(392,657)	\$	233,233

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 (1,234,743) Reduced operating expenses and deductions 406,706 NOI proforma adjustments before income taxes (828,036) 39.61% \$ (327,985) * Income Taxes

*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

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	2.	\$ 152,099,885		
	Bond Interest Rate		6.50%		
	Bond Penod		30	YC.	
	Calculated pro rata for City Bond based on a			•	
	constant payment and a constant bond rate.				
	Calculated as follows,				
	PEU Pro Rata Share			\$ 15,124,105	
	Less: Rate Stabitzation Reserve		s 5.000,000	V 10,124,100	
	PEU Pro Rata Share (Sch 3, Atlach A)		0.00%		
	rearrant to the total of the total transfer to	÷		•	
	Total PEU Pro Rate Share for City Bond			\$ 16,124,105	
	Bond Interest Rate			6,50%	
	Bond Period				
	EONO PENOO			30 yrs.	\$ 1,234,743
					3 1,234,143
	Pro Reta Calculation as follows:				
	PWW & Southwood Equity (8/31/2011)	-	\$ 56,677,987	87,74%	
				10.60%	
	PEU Equity (8/31/2011)		to a supplied and the supplied of the supplied		
	PAC Equity (2/31/2011)	-	\$ 1,071,318	1 66%	
			5 64,597,259	100.00%	
	PWW & Southwood % CBFRR based on pro rata equity		87,74%	5 133,453,268	
	PEU % CBFRR based on pro rata equity		10,60%	\$ 16,124,105	
	PAC % CBFRR based on pro rata equity		1.65%	5 2,522,512	
			100,00%	\$ 152,099,855	
2	Management Fee				
	Allocation from Corporate				
	Professional Faes & 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 Filing/NASDAQ & Other			(74,427)	
	% Aflocation to PEU		15.00%	\$ (586,203)	\$ (87,930)
	Allocation from PWW				
	Salaries			(771,596)	
	Bonus			(28,500)	
	Benefits			(336,507)	
	Meetings & Conventions			(19,600)	
	Senior Management Vehicle			(1,000)	
	% Allocation to PEU		14.60%		\$ (168,806)
	77741000001110 (220			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
					\$ (256,735)
3	Amortization Expense				
,	To provide for amortization expense attributable to	5 16,124,105 (Sch 1, An A)	\$ 9,276,151		
	MARA based on rate and principal payment	6,647,954 (Sch 4)	30		
	Year One Amortization Expense	\$ 9,276,151	6,50%		\$107,394
	· · · · · · · · · · · · · · · · · · ·				
	Depreciation Expense				
•	To eliminate depreciation expense for equity related				
	assets purchased with City band as part of the closing		\$ 6,847,954	(Sch 4)	
	transaction at a composite depreciation rates of 2.19%.		2.19%	·	\$ 149,970
	autiamatori es a computatio depreciezon raica di 2,13 fe.				
F	Income Taxes				
9	To record income taxes as a result of pre forma		\$ (828,038)		
	adjustments to income statement, (sen 1)		39.61%		5 (327,985)
	ощинить и шиле эменения (эм с		7,017		- 100-1000)

Note:

PEU @ 6.5%

Re. City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit. BJM (2nd Supp)-2 Page 4 of 7

^{*}Management (on 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

										CBFRR APPROACH WIMARA	
Description	ENNICHUCK ST UTILITY, INC.	No	orth Country	Pro Forma Adjustments (1)	С	OMBINED TEST YEAR	FOR RATA	CITY JSTMENTS PEU'S PRO SHARE OI MARA)		ORMA NASHUA BASE FOR PEU
Plant in Service	\$ 38,774,582	\$	5,705,899	\$ (4,550,906)	\$	39,929,575	Tenna ye	, s. s. 5 Tr s.		\$	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)		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)								9,276,15	1		9,276,151
Accum Amort MARA Adj										항공 경험 사람은 설치 전환 그 그는	
CIAC	8,807,342		32,770	(14,096)		8,826,016				흥물하다 아래를 통해 하는 다음	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	1934 5	9,276,15	1		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				교육 사용으로 하고 살 때 그 그 그	101,087
Other & Deferred Charges	512,492		117,688	 (108,554)		521,626					521,626
	968,929		220,522	 (108,554)		1,080,896	WEST.		7.3	(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	12/19/5/1		\Rightarrow	Burg Cemples backing to be the	3,961,683
TOTAL Rate Base	\$ 13,631,630	\$	5,305,794	\$ (4,646,514)	\$	14,290,910	\$	9,276,15	1		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)	\$	14,290,910	\$	9,276,15	1	\$ (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** Schedule 3 Attachment A Nashua Acquisition

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

		Pro Forma Adjustments
1 CASH WORKING CAPITAL To reduce working capital as a result of OSM	(256 736)	
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.		
Less: Rate Stabilization Reserve \$ PEU Pro Rata Share	5,000,000 0.00%	

(1) Pro Rata Calcualtion as follows:

Rate Base

56,677,987 PWW & Southwood Equity (8/31/2011) 6,847,954 PEU Equity (8/31/2011) PAC Equity (8/31/2011) \$ 1,071,318 \$ 64,597,259

Total PEU Pro Rata Share for City Bond

100%

100.00%

0%

0%

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

Proposed Settlement Schedule 4 Nashua Acquisition Proposed Adjustments

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

		NASHUA ACQUISITION - CBFRR											
	Pro Forma Test	MARA	RSF	CBFRR	<u>Adjusted</u>	Component	Component	Weighted Average					
Capital Component	<u>Year</u>	<u>Adjustment</u>	Adjustment	Adjustment	<u>Amount</u>	Ratio	Cost Rate	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)		0.00%	7.19% 2	0.00%					
		Villera Gradan	ন কেন্দ্রক করিছা কিছিলী		eres Medice on a compression	ราชราช จะร้องรับออกใช้รูปเกร	Događa protestjena objektor						
Overall Rate of Return	\$ 14,704,245	\$ 9,276,151	\$	\$ (16,124,105)	\$ 7,856,291	100.00%		4.67%					
				*									

Authorized ROR

Proposed Adjustment -2.93%

7.60%

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%.

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-3 Page 1 of 7

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

Proposed Settlement COMBINED INCREASE Schedule A

				DW10-090,				DW10-090), S	TAFF 3-5					Cit	ty Bond Fixed Re (CE	even SFRR		uirement
		O FORMA EST YEAR		ROPOSED DATA REQUESTS ADJUSTMENTS (1)	P	2 MONTHS WITH ROPOSED JUSTMENTS 12/31/09	P	EP INCREASE RO FORMA JUSTMENTS (1)	F	COMBINED PRO FORMA & STEP CREASE FORMA TEST YEAR	Ad	¹ Final justment V 10-090		inal Rate Order W 10-090	AD F	OF NASHUA JUSTMENTS OR CBFRR IPPROACH	CI	REVE	NASHUA NUE EMENT
Consolidated Rate Base	\$	1,962,038	\$	(61,125)	\$	1,900,913	s	112,476	\$	2,013,389	\$	(7)	\$:	2,013,382	٠.	(\$1,075,185)	٠		\$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)	s	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			s	107,686	\$	20,161	s	127,847	\$	(2,525)	\$	125,322			\$	e A	90,158
Water Revenues	\$	607,133	\$	126	s	607,259		-	s	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	<u> </u>	728,461	-			714,945				735,106	-		 \$	732,581			<u> </u>	·	504,250
	_		=		-		:		<u></u>	700,100	Ŧ			702,001			<u>~</u>		
ADD: City Bond Fixed I	Reve	enue Requi	rer	nent (Schedule A, A	ttaci	n A)											<u> </u>		\$193,167
Total Revenue:																	\$		697,417
															**:	TO HEADING			

^{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

Reve	anua.				Adjustments
	To recognize adjustment of fixed annual revenue				
•	requirement to meet City Bond obligation.				
	,	\$ 152,099,885	141		
	Bond Interest Rate	6.50%	(1)		
	Bond Period	30			
	DONG (ENDO	50	yı S		
	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			6.50%	
	Bond Period			30 yrs	\$193,167 (2)
	•• .				
	Notes:				
	(1) Pro Rata Calculation as follows:	Ton , www.gov.com/defensedministration			
	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%	s	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	
	PAO 16 OBLICK based on provide equity			152,099,885	
	(2) Any income taxes on revenues will be offset by deduct	ions for interest ex	per	nse on City Bonds	
	calculated below and depreciation expense associated	with equity related	as	sets per Schedule 1	•
	Attachment A, page 2.				
	Total Interest Payment on City Bond (year one)		\$9,886,493	
	PAC Pro Rata Share	:		1.66%	
	DAC Des Cots Interest Panell			6162 063	

PAC Pro Rata Interest Benefit

\$163,963

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

Proposed Settlement Schedule 1 Nashua Acquisition Pro Forma Adjustments

				DW10-090,	OCA 3-1		DW10-	90, O	OGA 3-1					CBFRR APPROAC	CH W/MA	RA	
	12	O FORMA MONTHS 12/31/09	REC	OSED DATA QUESTS STMENTS	12 MON WITT PROPO ADJUSTN 12/31	H SED NENTS	STEP INCREAS PRO FORMA ADJUSTMENTS	E F	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-090		ial Rate Order DW 10-090	CITY OF NASHUA MARA ADJUSTMENT PE BOOKS	AD INCOMENTS	FOR		
Water Sales	\$	607,133	\$	126	S 6	07,259	\$	- \$	607,259		\$	607,259		(5193	167)	s	414,092
Other Operating Revenue		5,429		-		5,429		-	5,429			5,429					5,429
Total Revenues		612,562		126	6	12,688		-	612,688			612,688		- (193	1,167)	•.	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				4 100	19,953
Administrative & General Expense		61,371		(1,364)		60,007		-	60,007			60,007					\$0,007
Final Rate Order Adjustments										(1,524	1)	(1,524)					
Inter Div Management Fee		160,026	·····	(238)	1	59,788		_	159,788			159,788		(31	364)		128,424
Total Operating Expense		380,118		(1,602)	3	78,516		-	378,516	(1,524	1)	376,992		(31	364)		345,628
Dep Exp/Acq Adj Expense		86,086				86,086	2,05	60	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													16,80	1 (16	5,801) (3)		
Amortization Expense		4,458		-		4,458		-	4,458			4,458			1 · 10 · 1		4,458
Property Taxes		81,437		(4,225))	77,212	3,96	34	81,176			81,176				1	81,176
Income Tax		8,857		2,358		11,215	(2,38		8,833			8,833			3,185) (1)		(44,351)
Total Operating Deductions		156,691		(1,867)		54,824	3,63	32	158,456		-	158,456	16,80)1 (97	7,519)		77,739
Net Operating Income	\$	75,753	\$	3,595	\$	79,348	\$ (3,6	32) \$	\$ 75,716	\$ 1,524	4 \$	77,240	\$ (16,80	(\$64	1,285)		. (\$3,846)

Notes:

(1) Pro Forma income Taxes calculated as follows;

 Cdty Bond Revenue Requirement
 \$ (193,167)

 Reduced operating expenses and deductions
 \$59,897

 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 Schedula A,

⁽²⁾ Eliminate Depreciasion Expenses for Equity rotated assets bought out by City

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

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

Proposed Settlement Schedule 1 Attachment A Nachua Acquisition

Revo	2010							Pro F	
	To recognize adjustment of fixed annual revenue							Adjust	ments
٠	requirement to meet City Bond obligation.								
	Total City Bond			-1-07	aneraria a di cara atri				
	Bond Interest Rate			(> 3	152,099,885				
	Bond Period				6,50%				
					30	k.r			
	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)			200	0.00%				
						SO			
	Total PAC Pro Rata Share for City Bond					\$ 2,522,512			
	Bond Interest Rate					5.50%			
	Bond Penod					30,	rs		
							•	\$193,1	67,50
							•		
	Pro Rata Calculation as follows:								
	PWW & Southwood Equity (8/31/2011)			. 5	56,877,987	87.74%			
	PEU Equity (8/31/2011)			\$	8,847,954	10.60%			
	PAC Equity (8/31/2011)				1,071,318	1,66%			
				\$	64,597,259	100%			
	PWW & Southwood % CBFRR based on pro rata equity				AD 744				
						\$ 133,453,268			
	PEU % CBFRR based on pro rata equity					S 16,124,105			
	PAC % CBFRR based on pro rata equity					\$ 2,522,512			
4	Management For				100,00%	\$152,099,885			
	Management Fee								
	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 Lega#AST						(32,053)		
	Directors Fees & Migs/Corp Secy						(25,052)		
	EDGAR Filing/NASDAQ & Other						(74,427)		
	% Allocation to PAC					1.80%	* 5 (586,203)	\$ (10,552)
	Allocation from PWW								
	Salaries						5 (771,596)		
	Bonus						(28,500)		
	Benefits						(336,507)		
	Meetings & Conventions						(19,600)		
	Senior Management Vehicle						(1,000)		
	% Allocation to Pac					1.80%	* \$ (1,156,203)	\$ (20,812)
	Total Management Fee							5 {	31,364)
2	Depreciation Expense								
•	To eliminate depreciation expense for equity related assets								
	purchased with City Bond as part of closing transaction			s	(1,071,318)				
	at a composite depreciation rate of 2.57%,			•					37 E411
	at a composite depredation rate of 2,57%,				₹.57%			* 1	27,533}
	Amortization Expense								
•	To provide for amortization expense attributable to	s	2,522,512 (Sch 1, Ath A, Pg 1) s	1,451,194				
	MARA based on rate and principal payment	J		, ,	30				
	Year One Amortization Expense	s	1,071,318 (Sch 4) 1,451,194		5.50%			•	16,801
	Con One principles out expense		1,731,195		Ø-06.9			,	. 0,001
5	Income Taxes								
•	To record income taxes as a result of pro forma			\$	(134,271)				
	adjustments to income statement.			•	39,61%			5 (53,185)
	animum of product and curdic				35,017				34,103

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

PAC @ 6.5%

Re City of Nashua Acquistion of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-3 Page 4 of 7

Proposed Settlement Schedule 3 Nashua Acquisition Pro Forma Adjustments

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

PROPOSED DATA PROPOSED DAT					DW10-090,	, OCA 3-1	D	N10-09	90, OCA 3-1				СВ	RR APPROACH W	MARA	
Adustment to Rate Base per Final Rate Order Accum Deprec 1,036,132			Test Year	REQ ADJUS	UESTS STMENTS	PROPOSED ADJUSTMENTS 12/31/09	PRO FOR ADJUSTME	MA Ents	FORMA & STEP INCREASE FORMA TEST YEAR		at		CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF	PRO FORMA NASHUA ACQUISITION	PRO NASI	IUA RATE
Accum Deprec		\$	3,845,825	S	•	\$ 3,846,825	S 114	,526	\$ 3,981,351		\$	3,961,351			S	3,961,351
Amort of CIAC 256,418	Accum Deprec: Loss Accum Deprec: Loss Accum Deprec: COR Municipal Acquisition Regulatory Asset (MARA) Accum Amort MARA Adj		114,504			114,504		.050	114,504	((7)	1,038,182 114,504				(7) 1,038,182 114,504 406
ADD: Working Cap						1,148,636			1,148,636			1.148 636			· 1	1 *49 626
ADD: Working Cap Materials & Supplies S	Amort of CIAC														N. 11. No.	
Working Cap 111,754 (61,125) 50,629 50,629 50,629 50,629 (3,697) 46,762 Materials & Supplies 588 77,97 7,797 7,797 7,797 7,797 7,797 7,797 7,797 5,6259 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,519 \$ \$62,		Þ	2,033,385	Þ	•	\$ 2,033,385	\$ 113	.476	\$ 2,145,861	\$ (7) \$	2,145,854	S 1,451,194	S -	· \$	
DEDUCT: Customer Advances Customer Deposits Deferred income Tax 194.991 194.9	Working Cap Materials & Supplies Prepayments		588 7,797 3,505			588 7,797 3,505		: : :	588 7,797 3,505			598 7,797		(3,867)		588 7,797
Customer Advances Customer Deposits Deferred Income Tax 194,991		S	123,644	\$	(61,125)	\$ 62,519	s	-	S 62,519	S	- \$	62,519	\$ -	\$ (3,867)	\$	
DEDUCT: Equity Related Assets ADD: Rate Stabilization Cash Reserve Cold Rate Raser	Customer Advances Customer Deposits	s		S	-		S	- - -		\$	- \$		\$		\$	\$0 \$194,991
DEDUCT: Equity Related Assets (2,522,512) 1. (2,52	TOTAL Rate Base	5	1,962,038	s	(61.125)	\$ 1,900,913	\$ 111	ATE	\$ 2013.780		71 6	2044 100			<u> </u>	<u> </u>
Total Rate Base: \$ 1,962,038 \$ (61,125) \$ 1,900,913 \$ 112,476 \$ 2,013,389 \$ (7) \$ 2,013,382 \$ 1,451,194 \$ (2,526,379) \$ 938,203	ADD: Rate Stabilization Cash Reserve	-7		· · · · · · · · · · · · · · · · · · ·	15.11.12.1	3 1,300,313	3 111	,410	- 2,010,085	3(11.3	2,013,382	<u>s 1,451,194</u>		5 1	
	Total Rate Base:	S	1,962,038	\$	(61,125)	5 1,900,913	S 112	476	\$ 2,013,389	\$ (7) \$	2,013,382	\$ 1,451,194	\$ (2,526,379)	S	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

Proposed Settlement

PITTSFIELD AQUEDUCT COMPANY Pro Forma Adjustments to Rate Base For The Twelve Months Ended December 31, 2009		Schedule 3 Attachment A Nashua Acquisition
		Pro Forma Adjustments
1 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:		
PWW Rate Base (DW10-091, Per Final Order)	\$ 56,677,987 100,00%	

\$

6,847,954

1,071,318 64,597,259

PEU Rate Base (12/31/2009) PAC Rate Base (DW10-090), Per Final Order) 0.00%

0.00% 100.00%

Proposed Settlement Schedule 4 Nashua Acquisition Pro Forma Adjustments

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

	<u>DW10-090</u>			NASHUA ACQUISITION - CBFRR													
Capital Component	Pro Forma Test Year	Adjustment Final Rat	e Order	MARA r Adjustment RSF Adjustment	CBFRR Adjustment	Component Adjusted Amount Ratio	Weighted Component Average Cost Rate Cost Rate										
Long-term Debt	776,850	7	76.850			\$ 776,850 75.28%	7.00% 5.27%										
Short-term Debt	255,038	2	255,038			\$ 255,038 24,72%	0.50% 0.12%										
Preferred Stock	-		-			\$ - 0.00%	0.00%										
Common Equity	1,071,318	1.0	71,318	S 1,451,194 \$0	\$ (2.522.512)	1 \$ - 0.00%	7.19% 2 0.00%										
Overall Rate of Return	\$ 2,103,206	\$ 2,		i \$ 1,451;194 \$	\$ (2,522,512)	\$ 1,031,888 100.00%	5,39%										

Original Filing 7.60%

Proposed Adjustment

-2.20%

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 (Rev 2nd Supp)-1 Page 1 of 9

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

\$9,034,414

	DW10-091	DW16-891, DCA 3-1			DW10-091, STAFF 3-13											_	City	Bond Fixed Re (CB)	venue (RR)		
	PRO FORMA TEST YEAR		PROPOSED DATA REQUESTS ADJUSTMENTS (1) 12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09		STEP INCREASE PRO FORMA ADJUSTMENTS (1)		COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR		WITHOUT EMINENT DOMAIN COSTS RECOVERY		COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR		¹ Final Adjustment DW 10-091		Final Rate Order DW 10-091		CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH		CITY OF NASHUA REVENUE REQUIREMENT		
Consolidated Rate Base	\$ 97,733,490	\$	(433,999)	\$	97,299,491	\$ 3,3	107,877	\$	100,607,368	\$	(4,824,907)	\$	95,782,461	\$	(3,562,467)	\$	92,219,994		(49,775,965)	\$	42,444,028
RATE of Return	7.86%	6	0.09%		7.95%				7.95%				7.95%		0.03%		7.98%	:	-1.95%	· .	6.04%
Income Required	\$ 7,677,233	\$	_	\$	7,733,642			\$	7,996,562			\$	7,613,064			\$	7,362,859			\$	2,563,619
Adjusted NOI	\$ 5,312,859	5	(52,593)	\$	5,260,266	\$ (1	27,644)	\$	5,132,622	\$	323,751	\$	5,456,373	\$	166,809	\$	5,623,182		(\$3,738,374)	\$	1,884,808
Deficiency	\$ 2,364,374	\$	-	\$	2,473,376			\$	2,863,940			\$	2,156,691			\$	1,739,677			\$	678,811
Tax Factor	60,39%	6			60.39%				60.39%				60.39%				60.39%	N 11			60.39%
Revenue Deficiency	\$ 3,915,175	\$	-	\$	4,095,672	\$ 6	546.736	\$	4,742,408	\$	(1,171,136)	\$	3,571,272	\$	(690,535)	\$	2,880,737			\$	1,124,045
Water Revenues	\$ 24,116,426	\$	-	\$	24,116,426	\$	-	\$	24,116,426			\$	24,116,426			\$	24,116,426	٠		\$	15,082,011
Proposed Revenue Inc	16.23%	6			16,98%		2.68%		19.66%		-4.86%		14.81%		-2.86%		11,95%				4.66%
Total Revenue	\$ 28,031,601			\$	28,212,098	:		\$	28,858,834	-		\$	27,687,698	:		\$	26,997,163			\$	16,206,056

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

Total City Revenue:

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 Regularment For The Twelve Months Ended December 31, 2009

Proposed Settlement Schedule A Attachment A Nashua Acquisition 3/15/2011

Pro Forma

Adjustments Revenue 1 To recognize edjustment of fixed annual revenue requirement to meet City Bond obligation. Total City Bond \$152,099,865 Sond Interest Rate Sond Puriod Calculated pro rate for City Bond based on a constant payment and a constant bond rate. Calculated as follows: PV/W Pro Rata Share \$133,453,268 (1) Less Rate Stabilization Reserve \$5,000,000 PRIVI Pre Rota Share (ser 3.4) 100,00% Less: PWW Pro Rate Share of Rate Stabilitation Reserve \$5,000,000 Lass: Cay Eminent Domain Cost Recovery 50 Total PWW Pro Rata Share for CBFRRMARA 3728,443,268 Band Interest Rate S.70% Band Period \$9,034,414 (2) 30 yrs. (1) Fig Rots Calcustion at 1670wa PWW 6 30xthwood Equity (8/31/2011) (3) PEU Equity (8/31/2011) \$ 56,577,987 87.74% \$ 6,847,954 \$ 1,071,318 10.50% PAC Equity (0/31/2011) 1.65% \$ 64,597,259 100.00% PVW & Southwood % CBFRR based on pro rata equity 87.74% \$133,452,268 PEU % CBFAR based on pro rate equity 10,00% 316,124,105 PAC % COFRR based on pro rate equity 1,66% 52.522,512 Total City Bond 100.00% \$152,099,885 (2) Any income taxes on revenues will be offset by deductions for interest expense on City Stands calculated below and depreciation expense associated with equity related assets per Schodida 1. Total Interest Playment on City Bond (year con) \$8,559,683 PWW Pro Rota Share 27.74% 57.605.826 PVPM Pro Rata Interest Benefit (3) Consists of Equity as of 8/31/2011 as follows: PWW \$ 54,620,532 2,057,455 Southwood

Total

\$ 55,977,987

PWW & S.F%

Re: City of Nashua Acquission of Pantichuck Corporation Docket No. DW 11-026 Exhibs Bult (Rev 2nd Supp)-1 Paga 2 of 9

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (Rev 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 3-13		LESS EMIN	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 CITY OF NASHUA NASHUA MARA ADJUSTMENTS ADJUSTMENT FOR CBFRR PER BOOKS APPROACH	CITY OF NASHUA CBFRR APPROACH REVENUE REQUIREMENT		
Water Sales	\$ 24,116,426	\$ -	\$ 24,116,426	\$ -	\$ 24,116,426		\$ 24,116,426		24,116,426	(\$9,034,414)	\$ 15,082,011		
Water Sales for Resale	898	-	698		698		698		698		698		
Other Operating Revenue	365,266	(086,1)	363,936	•	363,936		363,938		383,936		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	말이 그 기를 받았다. 작성의 공급	3,357,199		
Transmission & Distribution Expenses	1,379,179	(3,214)	1,375,965		1,375,965		1,375,965		1,375,965	그는 사람들은 함께 하는데	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		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)		(1,488,354)		(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	- (1,260,810)	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	(1,529,375)			
Amortization Expense:CIAC	(480,385)		(480,385		(480,385)	-	(480,385)		(480,385)		(480,385)		
Amortization Expense: MARA	•	-	-	-		-		-	-	984,361 (984,361)			
Amortization Expense	495,885	(1,696)	494,189	-	494,189	(536,100	(41,911)		(41,911)		(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		
Payroli Taxes	520,118	•	520,118	-	520,118		520,118		520,118		468,074		
Income Tax	1,495.612	(34,495)	1,462,117	(83,722)	1,378,395	212,349	1,590,744		1,590,744	The state of the s			
Total Operating Deductions	8,776,879	125,905	8,902,784	71,893	8,974,678	(323,751) 8,650,927	-	8,650,927		4,615,496		
Net Operating Income	5,312,859	(52,593)	5,260,266	(127,644)	5,132,622	323,751	6,456,373	166,809	5,623,182	(984,361) (\$2,754,013)	1,884,808		

Notes:

(1) Pro Forma Income Taxes calculated as follows:

Total proforma reduction in operating expenses
Total Proforma Revenue decrease
Total Proforma NOI before income lax

2,844,029 \$9,034,414 (8,190,386)

39 61% (2,452 £12) *

*Negative income Taxes will be offset 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 Amantization Expense Attributable to Equity-Related Assets Acquired by City

PWW @ 5.7%

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

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

								9/15/2011
				CBFRR				BERR
				ro Forma				o Formis
				djustments				ustments
Revenue			-44			•		
To recognize adjustment of fixed annual revenue								
requirement to ment City Bond abligation.								
Total City Bond								
Bond Interest Plate		5 70%						
Bond Period		30	313					
Calculated pro rece for City Bond based on a								
constant payment and a constant band rate.								
Calculated as follows:								
PWW Pro Rata Shara			\$1	33,453,268				
Less: Rate Stabilization Reserve		\$5,000,800						
PAWA Pro Resa Share (Son 24)		100.00%						
Loss PWW Pro Raia Share of Ride Scibilization Reserve			.0211	\$5,000,000				
Lesse City Eminera Domain Cost Recovery				25,453,268				
Total PVVW Pio Ruis Share to: CEFFR/MARA Bond Interest Rate			31	3.70%				
Boist Period				30	w			\$9,034,414
ONSI F EIDG					y			324203044
Pro Rata Calculation as follows:								
PWW & Southeread Equaty (8/31/2011)	1	50,677,087	5	81.74%				
PEU Equity (8/3:/2011)	\$	6.847,954	Š	10 66%				
PAC Edicity (8/91/2011)		1,072,318	1	1,88%				
		\$84,597,253		100,00%				
ALLERA DE LA CAMBRAMA DEL CAMBRAMA DEL CAMBRAMA DE LA CAMBRAMA DE								
PVAV & Societwood is CBFRR based on pro rata equity PEU is CBFRR based on pro rata equity				133,453,268 518,124,105				
PAC & COFFRE based on pro min equity		1.68%		52,522,512				
Total City Bond				52.000 AES				
7000 223 2332			Sept.	Contractor of the				
Administrative and General								
Aşmin	8	(238.595))					
Officers	\$	(735,000)						
City Appaiented CEO	<u>\$</u>	200,000					3	(771,596)
D								
Breed Admin	6	(7.890)						
Officers	Š	(38,500)						
City Appointed CEO	3	15,060					\$	(26,500)
			-					
Becofis:			1	ny Appointed				
		Restuctions		CEO				
Pension	S	(153,000)				(146.825)		
401 K	S	(24,894)			\$	(18,604)		
Medical Denisi	5 \$	(82,532) (8,233)			\$ \$	(77,045) (7,651)		
Group Landing	5	(3,559)			š	(3,288)		
Officer's Life	š	(10,281)			s	(8,521)		
Long Term Care	\$	(8.387)			\$	4,869		
Payroll Taxes	\$	(55,630)		1,586	s	(54,044)		
Training/Educational Commercs	s	(17,570)	, 9		\$	(17,570)	. \$	(338,507)
-								
Meeting & Conversions							Ş	(19,660)
							_	
State Management Vehicle							ş	(1,909)
Montachina							•	(72,466)
Manterdiga, Total Asimistrative and General							3	(1,579,029)
Less Payrod Toxes							\$	54.044
Total Administrative and Genera	ı						1	(1.125.626)

Ret. City of Nashua Acquisition of Pennichuck Corporation Bocket No. DW 11-025 Exhibs BJH (Rev 2nd Suppir-1 Poge 4 of 8

PWW @ 5.7%

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

				 o Forma justments
Management Fee				
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 & Mtgs/Corp Secy			(25,052)	
EDGAR Filing/NASDAQ & Other			(74,427)	
% to PWW	74.90% *		\$ (586,203)	\$ (439,086)
Allocation to Affiliates				
Salaries			(771,596)	
Bonus			(28,500)	
Benefits			(336,507)	
Meetings & Conventions			(19,600)	
Senior Management Vehicle			(1,000)	
% to Affiliates	26.30% *		(1,156,203)	\$ 304,081
Total Management Fee				\$ (134,985)
Note:				
*Management fee allocation based on current pe	rcentage allocation).		
Depreciation Expense				
To eliminate depreciation expense for equity re	lated assets			
purchased with City Bond as part of the closing	transaction		54,620,532	
at a composite depreciation rate of 2.8%.	,		2.80%	\$ (1,529,375)
Amortization Expense				
To provide for amortization expense on City Er	ninent Domain			
Costs as follows:				
City Eminent Domain Costs			\$0	
Amortization Period years			30_	\$
Amortization Expense				
To provide for amortization expense attributable	e to	\$128,453,268 (Sch 1, Ath A, Pg 1)	\$73,832,736	
MARA based on rate and principal payment	****	54,520,532 (Sch 4)	30	
Year One Amortization Expense		\$73,832,736	5,70%	 \$984,361
Income Taxes				
To record income taxes as a result of pro form:	а			\$ (2,452.012)
adjustments to income statement.				
FINAL RATE ORDER NOI ADJUSTMENTS				
To record final adjustments to Net Operating in	соте			\$ (466,809)
as approved in Rate Order DW10-091				

PWW @ 5.7%

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

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (Rev 2nd Supp)-1 Page 6 of 9

Proposed Softlement Schedule 3 Nashua Acquisition Pro Forma Adjustments 9/16/2014

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

	_	DW10-091,	OCA 3-1	DW10-091, S	TAFF 3-13	LESS EMIN	ENT DOMAIN			CI	CBFRR APPROACH WIMARA		
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	WITHOUT EMINENT DOMAIN COSTS RECOVERY	COMBINED PRO FORMA & STEP INGREASE FORMA TEST YEAR	Final Adjustment DW 10-091	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 BAS FOR PWW	
Plant in Service	153,687,293	(421,248)	153,265,047	3,904,456	157,170,503		157,170,503	*****************	157,170,503		71 	157,170,50	
Adjustment to Rate Base per Final Rate Order				, ,				(3,582,467)	(3,562,467)	1.1%		(3,562,46	
Accum Deprec	38,260,317	(7,888,7)	38,252,429	(36,477)	38,215,952		38,215,952		38,215,952			38,215,95	
Accum Deprec: Loss	4,050,376	` -	4,050,376	2,277	4,052,653		4,052,653		4,052,653			4,052,65	
Accum Deprec: COR	1,708,176		1,708,176	185,793	1,893,969		1,893,959		1,893,969			1,393,96	
Theoretical Reserve	882,900	_	882,900	-	882,900		882,900		882,900			8\$2,50	
Acquistion Adjustment	844,905	_	844,905	•	844,905		844,905		844,905			844,90	
Accum Amort Acq Adj	296,522		296,522	-	296,522		296,522		296,522	"我们的"的"我们"。		298,57	
Municipal Acquistion Regulatory Asset (MARA)	-	-	•	-		-	-	•	-	73,832,73€	열차 이 사람들은 이 사람이	73,532,73	
Accum Amort MARA Adj				-		-	-	•	-	•			
CIAC	26,898,154		26,898,154	-	26,898,154		26,898,154		26,898,154			26,898,18	
Amort of CIAC	4,037,526	-	4,037,526	-	4,037,526		4,037,526		4,037,526	<u> </u>		4,037,52	
	98,659,417	(413,358)	98,246,059	4,129,003	102,375,062	•	102,375,062	(3,562,467)	98,812,595	73,832,736		172,645,33	
ADD:										4			
Working Cap	1,296,371	(9,203)	1,287,168	6,874	1,294,042		1,294,042		1,294,042		(155,433)	7,138,60	
Materials & Supplies	825,124	•	825,124	-	825,124		825,124		825,124		일 다 모든 설치의	825,12	
Prepaid Exprenses	391,159	-	391,150	-	391,159		391,159		391,159			391,15	
Prepaid Property Taxes	55,545	•	55,545	-	55,545		55,545		55,645			55,54	
Prepaid Income Taxes	-		-	-									
Other & Deferred Charges	12,529,973	(11,438)	12,518,535	*	12,518,535				7,693,628		<u> </u>	7,693,62	
	15,098,172	(20,641)	15,077,531	6,874	15,084,405	(4,824,907)	10,259,497		10,259,497	. *	(155,433)	10,104,06	
DEDUCT:	-			-							그 생활 등 함		
Customer Advances	64,000	-	84,900	•	84,000		84,000		84,000			84,00	
Customer deposits & other	138,756	•	138,756	•	138,756		138,756		138,756			138.73	
Deferred Income Tax	12,920,917	•	12,920,917	-	12,920,917		12,920,917		12,920,917			12,928,91	
Deferred Tax Lieblity	855,191	-	855,191	•	855,191		855,191		855,191			855,19	
Unamort iTC	784,440	•	784,440		784,440		784,440		784,440			784,44	
Deferred Rental Credits	105,550	-	105,550	828,000	933,550		933,550		933,550			933,55	
Unfunded FAS 106 and 158 Costs	1,195,245		1,135,245	-	1,135,245		1,135,245		1,135,245			1,135,24	
	16,024,099		16,024,099	828,000	16,852,099		16,652,099		16,852,099		<u> Non wassits </u>	16,652,0	
TOTAL Rate Base	97,733,490	(433,999)	97,299,491	3,307,877	100,807,388	(4,824,907	95,782,461	(3,562,467)	92,219,994	73,832,736	(155,433)	165,897,29	
DEDUCT: Equity Related Assets + MARA											(*26,453,268)	(128,453,26	
ADD: City Eminent Domain Cost Recovery													
ADD: Rate Stabilization Cash Reserve											5,000,000	5,000,00	
Total Rate Baze	97,733,490	(433,999)	97,299.491	3,307,877	100,607,368	(4,824,907	95,782,461	(3,562,467)	92,219,994	73,832,738	(123,608,701)	42,444,02	

^{1.} Includes the elimination of MARA

Pennichuck Water Works Inc. Pro Forma Adjustments to Rate Base

For The Twelve Months Ended December 31, 2009

CASH WORKING CAPITAL

To reduce working capital as a result of O&M Expenses

(1,260,610)12,33%

Pro Forma Adjustments (Schedule 1).

EQUITY DEDUCTION

To deduct pro rate share of assets associated with commom equity to be purchased by City Bonds at closing.

To deduct all equity value associated with MARA

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)

PWW Pro Rata Share

\$5,000,000 (1) 100.00%

Total PWW Pro Rata Share for City Bond

(1) Pro Rata Calculation as follows:

Rate Base

PWW (DW10-091, Per Final Order) 56,677,987 100,00% 0.00% PEU (As of 12/31/2009) 6,847,954 PAC (DW10-091, Per Final Order) 1,071,318 0.00% \$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 as approved in Rate Order DW10-091

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (Rev 2nd Supp)-1 Page 7 of 9

Proposed Settlement Schedule 3 Attachment A Nashua Acquisition 9/15/2011

Final Adjustment DW 10-091

CBFRR W/ MARA Pro Forma Adjustments

(155,433)

(54,620,532)

(73,832,736)

(128,453,268)

5,000,000

(3,562,467)

Re: City of Nashus Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (Rev 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

				NASHUA ACQUISITION - CBFRR									
		DW10-091	, OCA 3-1				C	omponent	Weighted				
	Filed		Final Rate	MARA RSF	CBFRR	Adjusted	Component	Cost	Average				
Capital Component	<u>Amount</u>	Adjustment	Order	Adjustment Adjustment	Adjustment	Amount	Ratio	Rate	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	54,620,532	***************************************	\$ 54,620,532	\$ 73,832,736 \$ -	\$ (128,453,268)	1 §	0.00%	7.19% 2	0.00%				
Overall Rate of Return	\$ 106,475,539	\$ (2,301,100)	\$ 104,174,439	\$ 73,832,736 \$	\$ (128,453,268)	\$ 49,653,907	100.00%	· ·	6.04%				
			-				Final Rate Order	- DW10-091	7.98%				

Final Kate Order - DW10-091

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 (Rev 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

					Outs	standing Debt Funded	Al	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)			

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-2
Page 1 of 7

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 Re	venue FRR)	Requirement
	-	TEST YEAR		RO FORMA JUSTMENTS (1) (2)	PRO	FORMA TEST YEAR	OMBINED PRO ORMA TEST YEAR	A	TY OF NASHUA DJUSTMENTS FOR CBFRR APPROACH		Y OF NASHUA REVENUE QUIREMENT
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 Rever	nue l	Requirement	(Sch	edule A, Attach A	. }						\$1,134,045
ADD: NC Capital Surcharge	Rev	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
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Exhibit BJH (2nd Supp)-2
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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 9/15/2011

> 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 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) 0.00%

Total PEU Pro Rata Share for City Bond
Bond Interest Rate
Bond Period

\$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)	\$ 1,071,318	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)
PEU Pro Rata Share

\$8,669,693 10.60%

PEU Pro Rata Interest Benefit

\$ 919,074

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

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

ADEDD 4000044111444404

											CBF	RR APPROACH V	V/MARA	
	Account Number		NNICHUCK ST UTILITY, INC.	Nor	th Country	A	Pro Forma djustments (1)		OMBINED EST YEAR		MARA AD	Y OF NASHUA JUSTMENTS OR CBFRR APPROACH	CBFRR REV	F NASHUA APPROACH /ENUE IREMENT
Water Sales	461 & 462	\$	5,005,656	s	939,078	s	(295,242)	s	5,649,492			(\$1,134,045)	s	4,515,447
Other Operating Revenue	471		32,269	•	8,691		(200)200	•	40,960	1.				40,960
Total Revenues			5,037,925		947,769		(295,242)		5,690,452		75,4415,1114,114 5 + 1	(1,134,045)		4,556,407
Production Expenses	601 to 652		1,137,272		221,083				1,358,356					1.358,356
	660 to 678 8	•												,,
Transmission & Distribution Expense	926.1		329,977		160,100				490,077	11.				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 Fundamental (Condit)	403/406		F70 04 F		400 500		(444 704)		500.047					****
Depreciation Exp/Acq Adj (Credit) Amortization Expense: CIAC	405		579,015		122,593		(111,791)		589,817			(149,970) (3	}	439,847
• • • • • • • •	405		(157,454)		(11,864)	f	382		(168,936)) ::				(168,936)
Amortization Expense: MARA Amortization Expense	407		50 700		0.770		/c nno:		E0 E04		5123,672	(123,672) (4)	50.504
Amort Utility Plant Adj	406		58,728		6,776		(6,003)		59,501					59,501
•			-						-					
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)	<u>stide (v. 15.</u> 122 \$	294,044
operating moonic		4	010,400	Ç	32,034	<u></u>	, (111,030)	~	143,204	- 2	A LIEDIOLEI D	(010,000)	Ψ	437,077

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
 39,614
 \$ (288,039)

*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

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 9/15/2011

Pro Forma Adjustments

				Pro Forma
1 Revenue				Adjustments
To recognize adjustment of fixed annual revenue				
requirement to meet City Bond obligation.				
		enaction of the authority of the second		
Total City Bond		\$ 152,099,885		
Bond Interest Rate		5.70%		
Sond Period		30	yrni	
Calculated pro rata for City Bond based on a				
constant payment and a constant bend rate.				
Calculated as follows:				
PEU Pro Rata Shore			\$ 15,124,105	
Less; Rate Stabilization Reserve		\$ 5,000,000	3 10,124,100	
PEU Pro Rata Share (Sch 3, Atlach A)		0.00%		
PED PO AME SIME (SOIS, AMEGIA)		200 A CAN CAN CAN CAN CAN CAN CAN CAN CAN C	_	
T			<u>s - </u>	
Total PEU Pro Rata Share for City Bond			5 16,124,105	
Bond Interest Rate			5.70%	
Bond Period			30	yrs.
			***************************************	\$ 1,134,045
Pro Rata Calculation as follows:				
PWW & Southwood Equity (8/31/2011)	-	\$ 56,677,987	87.74%	
PEU Equity (8/31/2011)		\$ 6,847,954	10.50%	
PAC Equity (8/31/2011)				
(No Equity (0/3/12911)			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 rate equity		10.60%	S 16,124,105	
PAC % CBFRR based on pro rata equity		1.66%	S 2,522,512	
		100.00%	\$152,099,885	
			*	
2 Management Fee				
Allocation from Corporate				
Professional Fees & Services				
			(132,339)	
D&Q insurance			(86,479)	
Annual Report Cost			(24,965)	
Auditors/SEC Legal Expense			(210,888)	
Corp Governance Legal/AST			(32,053)	
Directors Fees & Mitgs/Corp Secy			(25,052)	
EDGAR Fring/NASDAQ & Other			(74,427)	
% Allocation to PEU		15.00%		\$ (67,930)
77 74 10 04 10 1 LQ		13.00%	0 (000,200)	101,5507
Allocation from PWW				
Salaries			(771,596)	
Bonus			(28,500)	
Benefits			(336,507)	
Meetings & Conventions			(19,500)	
Senior Management Vehicle			(1,000)	
% Aflocation to PEU		14.60%		\$ (168,806)
			(,	4 (100000)
				* (DEC 725)
3 Amodization Evenera				5 (256,738)
3 Amortization Expense	6.40.404.405.40			
To provide for amortization expense attributable to	S 16,124,105 (Sch 1, Ath A)			
MARA based on rate and principal payment	6,847,954 (Sch 4)	30		
Year One Amortization Expense	\$ 9,276,151	5.70%		5123,672
4 Depreciation Expense				
To aliminate depreciation expense for equity related				
assels purchased with City bond as part of the closing		THE PROPERTY HOLD SPEAKER		
		S 5,847,954	(ac) 4)	415 45-1
transaction at a composite depreciation rates of 2.19%.		2.19%		\$ 149,970
5 Income Taxes				
To record income taxes as a result of pro-forma		S (727,339)		
adjustments to income statement, (3ch 1)		39 61%		\$ (288,099)

Note:

"Management (se allocation based on current percentage allocation.

PEU @ 5.7%

Re: City of Nashua Acquisition of Pennichuck Corporation Decket No. DW 11-026 Exhibit BJH (2nd Supp)-2 Page 4 of 7

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

						R APPROACH WIMA	RA
Description	PENNICHUCK EAST UTILITY, INC.	North Country	Pro Forma Adjustments (1)	COMBINED TEST YEAR	FOR PEU'S PRO	the first of the f	PRO FORMA NASHUA RATE 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)	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)					9,276,151		9,276,151
Accum Amort MARA Adj	0.007.040			0.000.040			
CIAC	8,807,342	32,770	(14,096)				8,826,016
Amort of CIAC	875,827	12,193	(423)	887,597	0.000.454		887,597
ADD:	16,038,740	5,670,916	(4,537,960)	17,171,696	9,276,151		26,447,848
	205 752	04 506		4E7 0E0		(31,656)	425,603
Working Cap	365,753	91,506		457,259 925		(31,000)	425,603 925
Materials & Supplies	00.694	925		101,087			101,087
Prepayments	90,684	10,403	(400 EE 4)	•			521,626
Other & Deferred Charges	512,492	117,688	(108,554)	521,626		(31,656)	1,049,241
DEDUCT:	968,929	220,522	(108,554)	1,080,896		(31,000)	1,049,241
Customer Advances							
Customer Deposits	2,063	2		2,065			2.065
Deferred Income Tax	• • • • • • • • • • • • • • • • • • • •			2,003 3,874,044			3.874,044
Deferred Gain on Loans	3,288,402 85,574	585,642		3,674,0 44 85,574			85,574
Deletted Gain on Loans	3,376,039	585,644	······	3,961,683			3,961.683
TOTAL Date Const			Ć /4 040 54 A			(31,656) \$	23,535,405
TOTAL Rate Base	\$ 13,631,630	\$ 5,305,794	\$ (4,646,514)	\$ 14,290,910	\$,210,101 \$	(16,124,105) 2 \$	
DEDUCT: Equity Related Assets ADD: Rate Stabilization Cash Reserve						(10,124,105) 2 \$	(10,124,103)
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 1 1 1 1 1 1 1 1				

⁽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

(1) Pro Rata Calcualtion as follows:

PWW & Southwood Equity (8/31/2011)

Rate Base

PEU Equity (8/31/2011)

PAC Equity (8/31/2011)

Proposed Settlement Schedule 3 Attachment A Nashua Acquisition 9/15/2011

Pro Forma:

	Adjustments
1 CASH WORKING CAPITAL To reduce working capital as a result of O&M (256,736) pro forma adjustments. (Schedule 1) 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.	
Less: Rate Stabilization Reserve \$ 5,000,000 PEU Pro Rata Share 0.00%	
Total PEU Pro Rata Share for City Bond	- \$

\$ 56,677,987

\$ 1,071,318

\$ 64,597,259

6,847,954

100%

0%

0%

100.00%

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

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

Overall Rate of Return \$ 14,704,245 \$ 9,276,151 \$

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

Capital Component	Pro Forma Test Year	MARA RSF CBFRR Adjusted Component Component Ave	ighted erage st Rate
Long-term Debt	\$7,856,291	\$7,856,291 100.00% 4.67%	4.67%
Short-term Debt	<u>-</u>	\$0 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%
			<u> </u>

- \$ (16,124,105)

NASHUA ACQUISITION - CBFRR

7,856,291

Authorized ROR

7.60%

Proposed Adjustment

100.00%

-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%.

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-3
Page 1 of 7

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, STAFF 3-5							Cī	ty Bond F			e Requ				
		D FORMA ST YEAR	PROPOSED DATA REQUESTS ADJUSTMENTS (1)	PI ADJ	2 MONTHS WITH ROPOSED JUSTMENTS 12/31/09	PRO FORMA		1	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR		Adjustment Order		ustment Order		nent Order		OF NAS JUSTME OR CBF PPROAG	SHUA NTS RR	CIT	Y OF I	NASHUA
Consolidated Rate Base	\$ 1	1,962,038	\$ (61,125)	\$	1,900,913	s	112,476	\$	2,013,389	\$	(7)	\$	2.013,382		(\$1,075	5,185)			\$938,196		
RATE of Return		7.60%			7.60%				7.60%				7.60%	eni Nove	-2	2.20%			5.39%		
Income Required	\$	149,023		\$	144,380			\$	152,923			s	152,922				\$		50,601		
Adjusted NOI	\$	75,753	\$ 3,595	\$	79,348	\$	(3,632)	\$	75,716	\$	1,524	s	77,240		(\$71	1.573)			\$5,668		
Deficiency	\$	73,270		S	65,032			s	77,207			\$	75,682				s		44.933		
Tax Factor		60.39%			60.39%				60.39%				60.39%						60.39%		
Revenue Deficiency	\$	121,328		\$	107,686	\$	20,161	\$	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	· :	\$	714,945			\$	735,106			\$	732,581				\$	`\	504,250		
ADD: City Bond Fixed F	Reve	nue Requi	rement (Schedule A, A	Attach	A)														\$177,414		
Total Revenue:																	\$	<u> </u>	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

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

> Pro Forma Adjustments

Re		•	٠.	_
T.E	٧Ŀ	5 1	u	ы

deve	enue					
1	To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation. Total City Bond Bond Interest Rate Bond Period	S	152,099,885 5.70% 30	• •		
	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 \$0	
	Total PAC Pro Rata Share for City Bond Bond Interest Rate Bond Period			\$	2,522,512 5.70% 30 yrs	\$177,414 (2)
	Notes:	_				
	(1) Pro Rata Calculation as follows:					
	PWW & Southwood Equity (8/31/2011)	S	56,677,987		87.74%	
	PEU Equity (8/31/2011)	\$	6,847,954		10.60%	
	PAC Equity (8/31/2011)	S	1,071,318		1.66%	
		_\$	64,597,259		100.00%	
	PWW & Southwood % CBFRR based on pro rata equity		87.74%	ş	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) \$8,669,693
PAC Pro Rata Share 1.66%
PAC Pro Rata Interest Benefit \$143,783

PAC @ 5.7%

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

Proposed Settlement Schedule 1 Nashua Acquisition Pro Forma Adjustments 9/15/2014

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

			DW10-090,	OCA 3-1	DW10-09	D, OCA 3-1			CBFRR APPROACH WIMARA
	PRO FC 12 MON 12/31	THS	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 Ord DW 10-090	CITY OF NASHUA
Water Sales	\$ 60	7,133	\$ 126	\$ 607,259	\$ -	\$ 607,259		5 607,25	9 (\$177,414) \$ 429,845
Other Operating Revenue		5,429		5,429		5,429		5.42	120,000
Total Revenues	61	2,562	126	612,688	~	612,688	***************************************	612,68	5,725
Production Expenses	8	6.392	-	86,392	-	86,392		86,39	85,392
Transmission & Distribution Expenses	5	2,376	-	52,376	-	52,376		52,37	52.376
Customer Acct & Collection Exp	1	9,953	-	19,953	-	19,953		19,95	
Administrative & General Expense	6	1,371	(1,364)	60,007	-	60,007		60,00	
Final Rate Order Adjustments						•	(1,524)	(1,52	
Inter Div Management Fee	16	0,026	(238)	159,788		159,788		159,78	
Total Operating Expense	38	0.118	(1,602)	378,516	-	378,516	(1,524)	376,99	2 (31,364) 345,628
Dep Exp/Acq Adj Expense	8	6,086	-	86,086	2,050	88,136		88,13	6 (27,533) (2) 60,603
Amortization Expense:CIAC	(2	4.146)	-	(24,146)	-	(24,146)		(24,14	
Amortization Expense: MARA								•	19,348 (19,348) (3) -
Amortization Expense		4,458	-	4,458	-	4,458		4,45	
Property Taxes	8	1,437	(4,225)	77,212	3,964	81,176		81,17	
Income Tax		8,857	2,358	11,215	(2,382)	8,833		8,83	- 一本大学 4 (1) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4 (4) 4
Total Operating Deductions	15	6,691	(1,867)		3,632	158,456	~~~~~~~~~~ ~	158,45	10000
Net Operating Income	\$ 7	5,753	\$ 3,595	\$ 79,348	\$ (3,632)	S 75,716	\$ 1,524	\$ 77,20	0 \$ (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⁾ Exminate Depreciation Expenses for Equity related assets bought out by City

⁽³⁾ Eliminate Entire MARA Amonization 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
Hashus Acquisition
9/15/2011

Revenue				Pro Forma
				Adjustments
To recognize adjustment of fixed annual revenue				
requirement to meet City Bond obligation,				
Total City Bond		\$ 152,009,885		
Bond Interest Rate		5.70%		
Bond Period		30 m		
Calculated pro rata for City Bond based on a		•		
constant payment and a constant bond rate.				
Calculated as follows:				
PAC Pro Rata Share			0.500.640	
			2,522,512	
Less: Rate Stabilization Reserve		\$ 5,000,000		
PAC Pro Rata Share (Sch 3,A)	•	0.00%		
			\$0	
Total PAC Pro Rata Share for City Bond	•		2,522,512	
Bond Interest Rate	!		5,70%	
Bond Period	1		30	-
	•	-		
				\$177,414.05
Out Out Out Auto and the				
Pro Rata Calculation as follows:				
PWW & Southwood Equity (5/31/2011)		\$ 55,677,987	87.74%	
PEU Equity (8/31/2011)		\$ 5,847,954	10,50%	
PAC Equity (8/31/2011)		\$ 1,071,318	1,66%	
		\$ 64,597,259	100%	
			10011	
PWW & Southwood % CBFRR based on pro rata equity		07.740/	133,453,268	
PEU % CBFRR based on pro rata equity			5 16,124,105	
PAC % CBFRR based on pro rata equity			2,522,512	
		100.00%	\$ 152,099,885	
2 Management Fee				
Allocation from Corporate				
Professional Fees & Services				\$ (132,339)
DSO insurance				(86,479)
Annual Report Cost				
				(24,965)
Auditors/SEC Legal Expense				(210,888)
Corp Governance Legal/AST			•	(32,053)
Oirectors Fees & Migs/Corp Secy				(25,052)
EDGAR Filing/NASDAQ & Other				(74,427)
% Allocation to PAC			1 80%	* \$ (586,203) \$ (10,552)
11 1 11 10 10 10 11 11 10			1,00,1	3 (000,200)
Allocation from PWW				
Salaries				\$ (771,596)
Banus				(28,500)
Benefits				(336,507)
Meetings & Conventions				(19,600)
Senior Management Vehicle				(1,000)
% Allocation to Pac			1 RAL	* \$(1,156,203) \$ (20,812)
AND A SECRETARIS CONT. OF			1,007	\$1,130,000) \$ (60,012)
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 transactions		\$ (1,071,316)		
at a composite depreciation rate of 2.57%.				5 (27,533)
at a composite depreciation rate of 2.57%.		2.57%		\$ (21,333)
-				
4 Amortization Expense				
To provide for amortization expense attributable to	\$ 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	S 1,451,194	5.70%		\$ 19,348
· · · · · · · · · · · · · · · · · · ·		J., V.		
5 Income Taxes				
To record income taxes as a result of pro forma		\$ (118,517)		
adjustments to income statement.		39.61%		\$ (46,945)

Note: "Management (se allocation based on current percentage allocation.

PAC @ 5,7%

Re City of Nashua Acquisition of Penancivick Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-3 Page 4 of 7

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-3 Page 5 of 7

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

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

				OW10-090,	, OCA 3-1	DW10-	090, OCA 3-1				CBFF	R APPROACH W/MARA
Description		Pro Forma Test Year	REC ADJU	OSEO DATA QUESTS STMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	PRO FORMA ADJUSTMENTS	INCREASE FORI TEST YEAR	P Final Adjusto IA DW 10-09		Final Rate Order DW 10-090	CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF MARA	PRO FORMA PRO FORMA NASHUA: NASHUA RATE ACQUISITION NASHUA RATE BASE FOR PWW ADJUSTMENTS
Flant in Service	\$	3,846,825	S	-	\$ 3,846,825	\$ 174,525	\$ 3,951,3	51	\$	3,961,351		\$ 3,961,351
Adjustment to Rate Base per Final Rate Order Accum Deprec		1,036,132			1,036,132	2,050	1,038,1	99	(7)	(7)		The Property of the Control of the C
Accum Deprec Loss		114,504			114,504		114,5			1,038,182		1,038,182
Accum Deprec, COR		406			406			0 4 0 6		114,504		114,504
Municipal Acquisition Regulatory Asset (MARA) Accum Amort MARA Adj		103			400	·	•	VO.		406	1,451,194	406 1,451.194
CIAC		1,148,536			1,148,638	_	1,148,6	36		* * * * 0 000		
Amort of CIAC		256,418			256,418		256.4			1,148,636 256,418		1,148,636
	\$	2,033,385	\$	-					(7) \$		\$ 1,451,194	256,418 S - \$ 3,597,054
ADD:												
Working Cap		111,754		(51,125)	50,629		50,6	20		50,529		(3,867) 46,762
Materials & Supplies		588		(588			88		588		588
Prepayments		7,797			7,797		7.7			7,797		7,797
Other & Deferred Charges		3,505		-	3,505		3,5			3,505		3,505
	5	123,644	\$	(61,125)				19 \$	- ;		s -	S (3,867): \$ 58,652
DEDUCT:												오는 함께를 보고 중앙하다 그는 모든
Customer Advances		-					•	•				\$0
Customer Deposits					_					_		SO SO
Deferred income Tax		194,991			194,991		194.9	91		194,991		\$194.991
	S	194,991	\$	•	S 194,991	\$		91 \$	- :		s -	
TOTAL Rate Base		1,962,038		(04 402)				· · · · · · · · · · · · · · · · · · ·			<u> </u>	
DEDUCT: Equity Related Assets	-	1,802,038	<u> </u>	(61,125)	\$ 1,900,913	\$ 112,476	\$ 2,013,	89 2	(7)	S 2,013,382	\$ 1,451,194	
ADD: Rate Stabilization Cash Reserve					•	•		•			Lastitian a	(2,522,512) 1 (2,522,512)
Total Rate Base:	5	1,962,038	s	(61,125)	\$ 1,900,913	\$ 112,476	\$ Z.013,	89 8	(7)	S 2,013,382	\$ 1,451,194	\$ (2,526,379) \$ 938,203
											<u> </u>	<u> </u>

^{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:		
PWW Rate Base (DW10-091, Per Final Order)	C EE 677 007 200 400 0000	
PEU Rate Base (12/31/2009)	\$ 56,677,987 100,00% \$ 6,847,954 0,00%	
PAC Rate Base (DW10-090), Per Final Order)	\$ 1,071,318 0:00%	
(\$ 64,597,259 100.00%	

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

Proposed Adjustment

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

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 Adjustment Adjustment Adjustment Adjustment Adjustment Adjustment	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 \$ 0.00% 7.19% 2	0.00%
Overall Rate of Return	\$ 2,103,206	\$ 2,103,206 \$ 1,451,194 \$ \$ (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%.

City of Nashua Acquisition of Pennichuck Corporation DW 11-026 Settlement Agreement **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. Establishment of PWW RSF Account. 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.
- 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

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



- 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.

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



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.

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.