

Pennichuck Water Works, Inc.
Overall Rate of Return
For the Twelve Months Ended December 31, 2012

Schedule 1

<u>Capital Component</u>	<u>Amount</u>	<u>Component Ratio</u>	<u>Component Cost Rate</u>	<u>Average Cost Rate</u>
Long-term Debt	\$ 51,430,131	93.99%	5.94% (2)	5.59%
Short-term Debt	-	0.00%	0.00%	0.00%
Preferred Stock	-	0.00%	0.00%	0.00%
Common Equity	<u>3,289,481</u>	<u>6.01%</u>	5.90% (1)	<u>0.35%</u>
Overall Rate of Return	<u>\$ 54,719,612</u>	<u>100.00%</u>		<u>5.94%</u>

Notes:

(1) The return on equity based on Order 25,292 in DW 11-026 is as follows:

Average 2012 30 year Treasury bonds	2.90%
Plus 3.0%	3.00%
Total	<u>5.90%</u>

(2) Per Order 25,230 in DW 10-091, the interest rate as reflected on Schedules 5 is calculated on debt net of debt issuance costs

Pennichuck Water Works, Inc.
Capital Structure for Ratemaking Purposes
For the Twelve Months Ended December 31, 2012

Schedule 2

	<u>Component Ratio</u>	<u>Test Year</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Test Year</u>	<u>Component Ratio</u>
Long-term Debt	28.20%	\$ 51,430,131	-	\$ 51,430,131	93.99%
<u>Common Equity:</u>					
Common Stock		30,000	-	30,000	
Paid In Capital		127,658,435	(127,658,435) (1)	0	
Comprehensive Income		-	-	-	
Retained Earnings		3,259,480	-	3,259,480	
Total Common Equity	71.80%	<u>130,947,916</u>		<u>3,289,481</u>	6.01%
Short-term Debt		-	-	-	
Total Capital	100.00%	<u>\$ 182,378,046</u>	<u>(127,658,435)</u>	<u>\$ 54,719,612</u>	100.00%

Notes:

(1) To eliminate the Nahsua acquisition amounts:

MARA	78,783,384
Equity as of 1/25/12	9,863,910
Paid in Capital as of 1/25/12	39,011,140
	<u>127,658,435</u>

Pennichuck Water Works, Inc.
Historical Capital Structure
For the Twelve Months Ended December 31, 2012

Schedule 3

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Bonds	\$ 46,415,674	\$ 47,159,625	\$ 52,696,184	\$ 53,212,827	\$ 54,805,361
Other LTD	5,622,752	5,152,430	3,165,445	3,322,155	3,359,326
Long-term Debt	<u>52,038,426</u>	<u>52,312,055</u>	<u>55,861,629</u>	<u>56,534,982</u>	<u>58,164,687</u>
Common Equity:					
Common Stock	30,000	30,000	30,000	30,000	30,000
Paid In Capital	39,011,141	39,011,141	39,011,141	29,306,141	27,056,141
Comprehensive Income	-	-	-	-	-
Retained Earnings	15,354,485	14,087,688	13,512,578	12,823,626	13,172,313
Total Common Equity	<u>54,395,626</u>	<u>53,128,829</u>	<u>52,553,719</u>	<u>42,159,767</u>	<u>40,258,454</u>
Short-term Debt	-	-	-	-	-
Total Capital	<u>\$ 106,434,052</u>	<u>\$ 105,440,884</u>	<u>\$ 108,415,348</u>	<u>\$ 98,694,749</u>	<u>\$ 98,423,141</u>

**Pennichuck Water Works, Inc.
 Historical Capitalization Ratios
 For the Twelve Months Ended December 31, 2012**

Schedule 4

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Long-term Debt	48.9%	49.6%	51.5%	57.3%	59.1%
Total Common Equity	<u>51.1%</u>	<u>50.4%</u>	<u>48.5%</u>	<u>42.7%</u>	<u>40.9%</u>
Total Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Pennichuck Water Works, Inc.
Weighted Average Cost of Long-Term Debt
For the Twelve Months Ended December 31, 2012

Schedule 5

Holder	Term	Maturity	Rate	Outstanding Balance	Unamort Debt Issue Costs	Unamort Prem/Disc	Outstanding Debt Funded	Annual Interest (4)	Annual Amort Issue Costs	Annual Amort Disc/Prem Costs	All In Annual Cost	Funded Effective Rate
IDA Loans (1)				-	24,853		(24,853)	-	4,936		4,936	N/A
American United Life	25	03/01/21	7.40%	5,600,000	53,502		5,546,498	414,400	6,619		421,019	7.59%
BFA of NH - WTP (2005 Series A) (3)	30	10/01/35	4.70%	12,125,000	1,121,201	(275,843)	10,727,955	569,875	56,295	12,125	638,295	5.95%
BFA of NH - WTP (2005 Series B-1) (2)				-	156,894	49,717	(107,177)	-	6,906	(2,185)	4,720	N/A
BFA of NH (Series A)	30	01/01/35	4.70%	1,785,000	192,572		1,592,428	83,895	8,780		92,675	5.82%
BFA of NH (Series B)	25	01/01/30	4.60%	2,320,000	293,284		2,026,716	106,720	17,301		124,021	6.12%
BFA of NH (Series C)	20	01/01/25	4.50%	1,175,000	134,580		1,040,420	52,875	11,251		64,126	6.16%
BFA of NH (Series BC-3) (3)	10	04/01/18	5.00%	7,475,000	397,176	117,030	7,194,855	373,750	69,189	(21,894)	421,045	5.85%
BFA of NH (Series BC-4) (3)	27	10/01/35	5.375%	12,130,000	956,405	297,094	11,470,889	651,988	41,207	(13,052)	680,142	5.93%
BFA of NH	25	05/01/22	6.30%	3,000,000	82,310		2,917,690	189,000	8,819		197,819	6.78%
WTP SRF	20	10/01/29	4.488%	2,684,584	3,865		2,680,719	120,484	234		120,718	4.50%
Hubbard SRF	20	04/01/22	3.800%	207,666	1,663		206,003	7,891	281		8,172	3.97%
Ashley Commons ARRA	20	05/01/31	2.952%	427,612	2,396		425,215	12,623	-		12,623	2.97%
French Hill ARRA	20	07/01/32	2.864%	1,281,230	7,212		1,274,018	36,694	370		37,064	2.91%
Amory ARRA	20	01/01/32	2.864%	291,101	1,612		289,488	8,337	87		8,424	2.91%
Glenn Ridge ARRA	20	09/01/32	2.864%	97,072	-		97,072	2,780	131		2,911	3.00%
Drew Woods ARRA	20	06/01/32	2.952%	826,818	8,625		818,193	24,408	442		24,850	3.04%
Twin Ridge SRF	20	03/01/13	2.315%	4,049	-		4,049	94	-		94	2.32%
				\$ 51,430,131	\$ 3,438,152	\$ 187,998	\$ 48,179,977	\$ 2,655,814	\$ 232,848	\$ (25,007)	\$ 2,863,655	5.94%

Pro Forma Adjustments:

Pro Forma Cost of Long Term Debt

\$ 51,430,131	\$ 3,438,152	\$ 187,998	\$ 48,179,977	\$ 2,655,814	\$ 232,848	\$ (25,007)	\$ 2,863,655	5.94%
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Notes:

- (1) The debt issuance costs and amortization reflected is from retired debt.
- (2) On October 1, 2008, the Company repurchased/retired \$6 million 2005 Series B-1 Revenue Bonds and deposited them as treasury bonds with the escrow agent. The Company continues to amortize the related debt issuance costs and premium.
- (3) The annual amortization of debt issuance costs reflects the additional debt issuance costs allocated in January 2010 for the BFA financing.
- (4) The annual interest expense is calculated based on the outstanding balance at year end multiplied by the stated interest rate. The calculated interest expense will differ from interest expense recorded in the test year due to loan repayments made during the year. Additionally, SRF/ARRA interest rates are given a provisional interest rate of 1% until the final rate has been determined and this condition may create differences between calculated and booked interest rates.

Pennichuck Water Works, Inc.
Cost of Short-Term Debt
For the Thirteen Months Ended December 31, 2012

Schedule 6

	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	13-Month Average
INTERCO PAY/REC: PWW/PCP	22,225,348.13	18,810,146.31	23,707,071.76	24,007,513.43	24,173,153.42	24,824,236.36	26,326,385.43	26,523,285.57	25,244,851.74	26,881,166.89	25,695,930.84	24,837,306.89	(11,192,309.97)	
INTERCO PAY/REC: PWW/TSC	(774,776.64)	(777,872.55)	(780,000.26)	(781,254.83)	(782,386.47)	(783,452.88)	(784,745.44)	(785,783.40)	(786,829.21)	(788,172.17)	(813,786.26)	(814,882.01)	-	
INTERCO PAY/REC: PWW/PWS	(11,548,113.20)	(11,746,968.22)	(11,932,007.11)	(12,120,022.18)	(12,330,246.99)	(12,531,553.26)	(12,730,179.88)	(12,925,021.79)	(13,108,745.09)	(13,293,654.54)	(13,501,585.96)	(13,643,391.51)	-	
INTERCO PAY/REC: PWW/PAC	(3,121,580.72)	(3,158,087.61)	(3,166,370.47)	(3,225,333.82)	(3,260,187.71)	(3,288,565.93)	(3,318,293.82)	(3,348,874.69)	(3,377,566.75)	(3,407,316.92)	(3,438,622.49)	(3,469,239.25)	-	
INTERCO PAY/REC: PWW/PEU	(15,737,317.36)	(15,866,925.83)	(16,285,415.08)	(16,557,691.07)	(16,840,347.24)	(17,074,905.71)	(17,295,419.35)	(17,558,879.98)	(17,785,453.54)	(18,012,985.04)	(18,200,588.55)	(18,440,500.07)	-	
INTERCO LOAN PWW/PAC: RSP													(4,995.89)	
Interco Net Receivable	(8,955,440)	(12,641,508)	(8,489,721)	(8,576,789)	(9,040,814)	(8,854,241)	(7,802,272)	(8,095,058)	(8,815,943)	(8,621,922)	(10,259,652)	(11,530,708)	(11,197,308)	(9,475,247)

**Pennichuck Water Works, Inc.
Weighted Average Cost of Preferred Stock
For the Twelve Months Ended December 31, 2012**

Schedule 7

Security	Term	Maturity	Rate	Outstanding Balance	Annual Dividends	Annual Amortization	All In Annual Cost	Effective Rate
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NOT APPLICABLE

**Pennichuck Water Works, Inc.
 Cost of Common Equity Capital
 For the Twelve Months Ended December 31, 2012**

Schedule 8

Source: Yahoo Finance

<u>Date</u>	<u>Open</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
1/2/2013	3.04	3.12	3.03	3.11
12/3/2012	2.83	3.04	2.74	2.95
11/1/2012	2.88	2.96	2.70	2.79
10/1/2012	2.81	3.01	2.80	2.85
9/4/2012	2.68	3.28	2.66	2.83
8/1/2012	2.58	2.98	2.51	2.68
7/2/2012	2.74	2.75	2.45	2.58
6/1/2012	2.60	2.83	2.51	2.76
5/1/2012	3.12	3.17	2.59	2.67
4/2/2012	3.33	3.41	3.06	3.11
3/1/2012	3.15	3.49	3.06	3.35
2/1/2012	2.95	3.24	2.94	3.09
1/3/2012	2.98	3.18	2.88	2.93
30 year Treasury bonds Average				<u>2.90</u>
Plus				<u>3.00</u>
Cost of Equity				<u>5.90%</u> (1)

Notes:

(1) Per DW 11-026 Order 25,292 page 29