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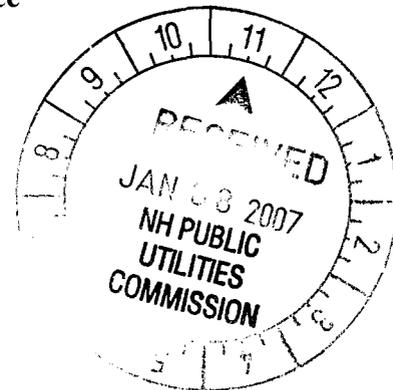
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Of Counsel

Frederic K. Upton

Please respond to the Portsmouth office

January 5, 2007



Via Electronic and U.S. Mail

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: City of Nashua: *Petition for Valuation Pursuant to RSA 38:9*
Docket No. DW 04-048

Dear Ms. Howland:

Staff has brought to my attention that certain files made available electronically and on CD on Nashua's Exhibit list were incorrectly identified. I therefore enclose electronic replacement copies as follows:

EXHIBITS 1129, 1130, 1131, 1132 & 1133. The CD provided to Pennichuck and Staff appears to have malfunctioned. Exhibit 1129 is listed as 0 kilobytes and the remaining files were not written to the CD. These Exhibits were, however, made available electronically as set forth in my January 3, 2007 letter. I therefore enclose a CD containing these files for the Commission's official files.

EXHIBITS 1132 & 1133. The electronic Exhibit 1133 was marked as Exhibit 1132. A corrected copy of each exhibit is included on the enclosed CD. I believe that the paper-copy filed with the Commission was correctly identified but Exhibit 1132 contained redundant pages. I have therefore included replacement copies on the enclosed CD, and replacement paper copies for the Commission's files.

EXHIBIT 1119. Page 11 of this file was the first page of the letter of deficiency issued by the New Hampshire Department of Environmental Services to Pennichuck Water Works, obtained from the NHDES website. The source file from the NHDES website contained an electronic error that caused printing and display errors. A corrected Exhibit 1119 is included in the enclosed CD.

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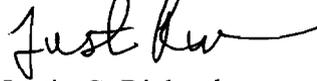
January 5, 2007

Page 2

A copy of the foregoing, including attachments, has been sent to the parties on the Commission's service list in this proceeding.

If you have any questions, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Just Richardson".

Justin C. Richardson

jrichardson@upton-hatfield.com

JCR/sem

Enclosures

cc: Official Service List DW-04-048

PENNICHUCK WATER WORKS, INC.
DW 06-073

Pennichuck Water Works, Inc.'s Objection to
Nashua's Second Set of Data Requests

Date of Request: December 6, 2006
Data Request No.: Nashua 2-1

Date of Objection/Response: 12/18/06
Witness: Bonalyn J. Hartley

REQUEST: Please provide the calculation and supporting documentation used to determine each of the cost allocation components for the test year under the January 2006 Cost Allocation and Services Agreement.

Section I. PNNW Expenses.

- a. Revenue of Subsidiary.
- b. Combined Revenue of All Subsidiaries.
- c. Assets of Subsidiary.
- d. Combined Assets of All Subsidiaries.
- e. PNNW Expense.

Section II (a). Allocable Expenses Not Incurred by PNNW or Directly Charged to a Subsidiary Other Than PWW.

- a. Revenue of PWSC.
- b. Combined Revenue of All Subsidiaries, if different from Section I(b).
- c. PWW Employees dedicated to PWSC.
- d. Total PWW Employees.
- e. Square Footage of Headquarters Office Used by PWSC.
- f. Total Square Footage of Headquarters Office.
- g. PWSC Assets.
- h. Combined Assets of All Subsidiaries.
- i. Revenue of TSC.
- k. Square Footage of Headquarters Office Used by TSC.
- l. TSC Assets.
- m. Combined Revenues of Regulated Subsidiaries.
- n. Revenues of All Subsidiaries.
- o. PWSC Employees.
- p. Square Footage of Headquarters Office Used by Regulated subsidiaries.
- q. Regulated Subsidiaries Assets.

Section II (b).

- a. Revenues for Each Subsidiary.
- b. Average Rate Base for each Subsidiary.
- c. Numbers of Customers for each Subsidiary.

**OBJECTION AND
RESPONSE:**

See attached document. To the extent that the request seeks the source data for the attached information, the Company objects because the request would call for all the financial books and records of the Company, which would be overly broad and unduly burdensome to produce.

PENNICHUCK WATER WORKS, INC.
DW 06-073

Pennichuck Water Works, Inc.'s Objection to
Nashua's Second Set of Data Requests

Date of Request: December 6, 2006

Date of Objection/Response: 12/18/06

Data Request No.: Nashua 2-2

Witness: Bonalyn J. Hartley

REQUEST: If the Company proposes to use a different method for cost allocation in this proceeding, please explain and provide the calculation and supporting documents showing the cost allocation.

RESPONSE: At this point in the proceeding, the Company has not proposed a change to the Cost Allocation and Services Agreement.

12/31/05
COPY

Table 1

Summary of 2005 Allocated Costs
 Yr. 2005
 Permittees' Contribution to the 2005
 Total Allocated Costs

	Remitted	Returned	Total Returned	Con. Obs	Real Estate	2005 Total	2005 Budget	Increase (Decrease) vs. Budget
Allocated 2005/Calculator Costs	\$ 987	\$ 27	\$ 1,176	\$ 56	\$ 2	\$ 1,237	1,000	237
Allocated 2005/Adjust. Costs	4,493	139	5,929	237	60	6,923	5,500	1,428
Total Allocated 2005 Costs	\$ 5,480	\$ 166	\$ 6,807	\$ 283	\$ 62	\$ 7,183	\$ 6,500	\$ 683

	PCP	PWW	PEU	PAC	PWSC	TSC	Total
Total PCP Allocation	\$ (1,237)	\$ 957	\$ 184	\$ 27	\$ 56	\$ 2	\$ (1)
Total PWW Allocation	-	(1,428)	1,002	129	237	60	-
Total Management Fee Allocation	(1,237)	(471)	1,186	156	293	62	(1)
Total per G/L 12/31/05	(1,195)	(438)	1,174	162	284	48	45
Total to Adjust	\$ (42)	\$ (33)	\$ 22	\$ (6)	\$ (1)	\$ 14	\$ (46)

Prepared by: Ami Subramaniam 1/20/06 } **MY COPY**

Reviewed by: [Signature]

Approved by: N/A

Table 1

Summary of 2005 Allocated Costs
Year-to-date through September 30, 2005
Perrinuck, Connecticut and Subsidiaries
(Dollar amounts in \$,000's)

	Essex Water	Ferris East	Bluefield	Total Requisitioned	Con Ops	Real Estate	Total	2005 Budget	Increase (Decrease) vs. Budget
Allocated 2005 Corporate Costs	\$ 957	\$ 194	\$ 27	\$ 1,178	\$ 56	\$ 2	\$ 1,237	1,000	237
Allocated 2005 Perrinuck Costs	4,488	1,002	129	5,619	237	80	5,926	5,600	426
Total Allocated 2005 Costs	\$ 5,445	\$ 1,196	\$ 156	\$ 6,807	\$ 293	\$ 82	\$ 7,183	\$ 6,300	\$ 883

Table 2

Allocation of Corporate Costs
by Perrinuck 2005
(Dollar amounts in \$,000's)

	Essex Water	Ferris East	Bluefield	Total Requisitioned	Con Ops	Real Estate	Total
2005 Revenues (December 31st)	\$ 17,269,705	\$ 4,111,437	\$ 489,439	\$ 21,870,581	\$ 2,049,249	\$ 191,703	\$ 23,700,583
% of Total	72.8%	18.8%	2.0%	91.0%	8.6%	0.4%	100.0%
Total Assets (Nov Actual/Consolid)	\$ 191,119,149	\$ 20,572,736	\$ 3,070,900	\$ 214,762,785	\$ 4,193,181	\$ 10,000	\$ 218,955,966
Average	82.3%	9.5%	2.3%	99.7%	0.3%	0.0%	100.0%
2005 Allocated Costs	\$ 387	\$ 141	\$ 27	\$ 1,178	\$ 56	\$ 2	\$ 1,237

COPY

Table 3

Allocation of Penn Truck Wash/Works, Inc. Costs
 Category: Wash/Works
 (Dollar amounts in \$ 000's)

	Redefined	Control	Field	Total
Revenues (\$,000's) (December Prilims)	\$ 21,560,632	\$ 2,017,228	\$ 1,177,093	\$ 23,754,953
	100%	9.4%	5.0%	100.0%
Employees (FTEs) (Includes management)	104	22	0	126
	87.5%	17.5%	0.0%	100.0%
Square Footage Main Business Street Facility	13,100	700	500	14,300
	91.6%	4.9%	3.5%	100.0%
Total Assets (Net Actual Control (FS))	\$134,720,754	\$ 4,227,131	\$ 0	\$138,947,885
	97.1%	3.0%	0.0%	100.0%
Average	95.0%	5.0%	1.0%	100.0%
2005 Allocable Costs	\$ 5,830	\$ 231	\$ 80	\$ 6,141

* Do not count FSC employees. FSC has their payroll and benefits already charged to FSC.

Table 3A

	Penn Water	Penn East	Pittsfield	Total
Revenues (\$,000's) (December Prilims)	\$ 17,209,705	\$ 3,271,137	\$ 1,089,439	\$ 21,560,281
	80.1%	17.7%	5.2%	100.0%
Net Profit (Net Actual Control (FS))	\$ 76,820,467	\$ 19,370,285	\$ 2,635,626	\$ 98,826,378
	77.7%	19.5%	2.7%	100.0%
Customers (December Actual)	24,074	4,523	840	30,543
	81.8%	16.1%	2.1%	100.0%
Average	79.5%	17.6%	2.9%	100.0%
2005 Required Allocable Costs	\$ 4,199	\$ 1,102	\$ 129	\$ 5,430

Donald L. Correll
DLC-1
DW 04-048 - 10 Pages

COST ALLOCATION AND SERVICES AGREEMENT

This AGREEMENT is entered into as of the 1st day of January, 2006 by and among Pennichuck Corporation ("PNNW"), Pennichuck Water Works, Inc. ("PWW"), Pennichuck East Utility, Inc. ("PEU"), Pittsfield Aqueduct Company, Inc. ("PAC"), Pennichuck Water Service Corporation ("PWSC") and The Southwood Corporation ("TSC").

WHEREAS, PNNW is a holding company and owns all of the issued and outstanding stock of PWW, PEU, PAC, PWSC and TSC (the "Subsidiaries"); and

WHEREAS, to the extent practicable PNNW operates the Subsidiaries as a single economic unit in order to take advantage of available economies of scale through common staffing and a common asset base; and

WHEREAS, PNNW exists and operates for the exclusive benefit of the Subsidiaries and does not conduct any separate operations for its own benefit; and

WHEREAS, in order to further the efficient and cost-effective operation of PNNW and all of its Subsidiaries, PEU, PAC, PWSC and TSC (the "Other Subsidiaries") and PNNW have no employees of their own, but rather rely upon and utilize personnel employed by PWW; and

WHEREAS, PWW leases a portion of an office building located at 25 Manchester Street, Merrimack, New Hampshire where its executive and administrative offices are located; and

WHEREAS, PWW owns certain equipment and other assets that it makes available to the Other Subsidiaries and PNNW for use by them; and

WHEREAS, PNNW and the Other Subsidiaries have no office facilities or office equipment of their own and rely exclusively on PWW to supply these items on an as-needed basis; and

WHEREAS, the services, facilities, and equipment of PWW that are provided to the Other Subsidiaries and PNNW are substantially the same as PWW would be required to provide for itself, individually, if the Other Subsidiaries and PNNW did not exist; and

WHEREAS, as a result of economies of scale there is an economic benefit to be derived by the parties hereto in using and sharing with each other the same officers, staff, office facilities and equipment, which would be more costly to each of them if they were obtained on an individual basis; and

WHEREAS, in particular, such economies of scale result in reduced operating and capital costs for each of the Subsidiaries and result in lower rates for customers of PEU, PAC and PWW (the "Regulated Subsidiaries") than could be achieved if the Regulated Subsidiaries operated on a stand-alone basis;

WHEREAS, based on the expectation and the representation by PWW that, because PWW and the Other Subsidiaries are under common control, the foregoing assets and services will continue to be available to them on an ongoing basis, the Other Subsidiaries and PNNW have not themselves acquired the assets or employed the individuals necessary to provide the services contemplated by this Agreement;

WHEREAS, the "Regulated Subsidiaries, in response to recommendations from the staff of the New Hampshire Public Utilities Commission, wish to amend the cost allocation methodology set forth in the Cost Allocation and Services Agreement among PNNW and the Subsidiaries that is currently on file with the Commission; and

WHEREAS, PNNW and the Subsidiaries wish to enter into this Agreement to reflect the unity of use of the employees of PWW and certain assets of PWW that are owned and operated by PWW for the benefit of all of the Subsidiaries and PNNW;

NOW THEREFORE, in consideration of the foregoing and the mutual agreements set forth below, the parties hereto agree as follows:

I. SERVICES

PWW shall furnish to PNNW and the Other Subsidiaries, and PNNW and the Other Subsidiaries shall utilize, all of the following services upon the terms and conditions hereinafter set forth:

- A. Administrative. PWW shall provide the corporate administrative services required by the Other Subsidiaries and PNNW, including the formulation of recommendations to their respective Boards of Directors, the implementation of the decisions of their respective Boards of Directors, the responsibility for executive decisions, as appropriate, the preparation of contracts, the maintenance of all corporate records and documents, the filing with governmental authorities of all documents required by law or otherwise necessary for the continuance of the corporate existence of the Other Subsidiaries and PNNW, public relations, corporate communications and community affairs, and, in the case of PNNW, responsibility for shareholder relations.
- B. Accounting and Financial. PWW shall provide such accounting and financial services to the Other Subsidiaries and PNNW as they may require. Such services shall include maintaining the general books of account of, and

preparing periodic financial statements and related reports for, the Other Subsidiaries and, on a consolidated basis, PNNW, advising and assisting in the preparation of budgets and planning for the Other Subsidiaries and PNNW, and preparing and filing, or assisting in the preparation and filing of, Federal, State and local tax returns and other reports required by regulatory agencies for the Other Subsidiaries and PNNW. Additionally, PWW shall be responsible for assisting the Other Subsidiaries and PNNW in their acquisition of capital and operating funds, through borrowing and, in the case of PNNW, through the issuance of equity securities. PWW shall prepare and monitor annual budgets for, and shall be responsible for data processing services to the Other Subsidiaries and PNNW, be responsible for securities compliance functions under both state and federal law, providing or procuring internal and external auditing and accounting services, rate and regulatory support, risk management (including procuring insurance coverage) financial planning and all treasury and finance functions.

- C. Information Technology. PWW shall provide the Other Subsidiaries and PNNW with such information technology resources as they may require, including all hardware and software and related support, telecommunications, and customer billing and information services.
- D. Customer Services. PWW shall provide the Other Subsidiaries such services and systems as they shall require for customer servicing, including meter reading and billing, payment remittance, credit, collections, customer relations, customer communications, customer offices and field operations.

- E. Operating Services. PWW shall provide the Other Subsidiaries and PNNW with operating services, including materials management and purchasing, engineering, and facilities and system operation and maintenance.

II. OFFICE SPACE AND FACILITIES

PWW will utilize its premises at 25 Manchester Street, Merrimack, New Hampshire in order to conduct the administrative functions and perform the accounting and financial services required by this Agreement, and will utilize its office equipment on an as-needed basis in connection therewith and as otherwise required by the Other Subsidiaries and PNNW in connection with their operations.

III. FEE

A. The parties hereto agree that the activities undertaken, and costs and expenses incurred, by PNNW are undertaken or incurred for the benefit of the Subsidiaries and shall be allocated to the Subsidiaries in accordance with Section I of Appendix A. The parties agree that PNNW may from time to time, in its sole and absolute discretion, choose not to allocate certain expenses to the Subsidiaries and to bear such expenses itself.

B. In consideration for the services to be rendered, and the office space and facilities to be utilized by PWW as provided in this Agreement, the Other Subsidiaries and PNNW each agree to pay PWW a fee based on actual costs and expenses incurred by PWW which are appropriately allocable to their respective operations, in accordance with the allocation formulas set forth in Section II of Appendix A. In applying the allocation formulas, the parties will utilize data from the then-current fiscal year, except as

otherwise provided on Appendix A. The fee payable for such services will be charged periodically by PWW to PNNW and/or the Other Subsidiaries, as appropriate.

C. Notwithstanding the allocation formulas set forth in Appendix A, PWW shall endeavor, in those instances where it is practical to do so, to direct charge the Other Subsidiaries for expenses that are clearly identifiable as being for a single entity and for which the costs can be clearly and readily separated from other more general costs incurred by PWW. In addition, notwithstanding the allocation formulas set forth in Appendix A, in those cases where PWW incurs an outside expense, such as professional or consulting fees, that are incurred for the benefit of less than all of the Subsidiaries, such expense shall be allocated equally among the Subsidiaries for whose benefit the expense was incurred.

IV. TERMINATION

The term of this agreement shall be seven (7) years (the "Initial Term") beginning on January 1, 2006 and shall continue for an indefinite number of additional one (1) year terms thereafter (each of which is referred to as a "Renewal Term"), except that any party may terminate its participation in this Agreement by giving written notice at least one (1) year prior to the expiration of the Initial Term or any Renewal Term or such lesser notice as may be agreed upon by all of the parties hereto.

V. MISCELLANEOUS

This Agreement supersedes all prior agreements concerning the subject matter hereof between or among the parties hereto, or any of them. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their successors and assigns. This Agreement shall be governed by and construed under the laws of the State of New Hampshire.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date written above.

PENNICHUCK CORPORATION

BY: William D. Patterson
William D. Patterson, Vice President

PENNICHUCK WATER WORKS, INC.

BY: William D. Patterson
William D. Patterson, Vice President

PENNICHUCK EAST UTILITY, INC.

BY: William D. Patterson
William D. Patterson, Vice President

PITTSFIELD AQUEDUCT COMPANY, INC.

BY: William D. Patterson
William D. Patterson, Vice President

PENNICHUCK WATER SERVICE CORPORATION

BY: William D. Patterson

William D. Patterson, Vice President

THE SOUTHWOOD CORPORATION

BY: William D. Patterson
William D. Patterson, Vice President

I. PNNW Expenses

All overhead expenses incurred by PNNW that are allocated to the Subsidiaries shall be allocated in accordance with the following formula:

$$\text{PNNW Expense} \times \left[\frac{\frac{\text{Revenue of Subsidiary}}{\text{Combined Revenue of All Subsidiaries}} + \frac{\text{Assets of Subsidiary}}{\text{Combined Assets of All Subsidiaries}}}{2} \right]$$

Such expenses may be allocated monthly based on estimated or projected data, but shall be adjusted quarterly based on actual data to the extent reasonably available.

II. Allocable Expenses Not Incurred By PNNW Or Directly Charged To A Subsidiary Other Than PWW

Expenses that are neither incurred by PNNW nor directly charged to one of the Other Subsidiaries (i.e., a Subsidiary other than PWW) and which, if charged to PWW, are not incurred for the exclusive benefit of PWW and its customers shall be allocated among the Subsidiaries in accordance with the following two step process.

(a) First, such expenses will be allocated to PWSC, TSC and the Regulated Subsidiaries (taken as a whole) in accordance with the following formulas:

$$\begin{array}{l} \text{\% Allocated to PWSC} = \frac{\frac{\text{Revenue of PWSC}}{\text{Combined Revenue of All Subsidiaries}} + \frac{\text{PWW Employees Dedicated to PWSC}}{\text{Total PWW Employees}} + \frac{\text{Square Footage of Headquarters Office Used by PWSC}}{\text{Total Square Footage of Headquarters Office}} + \frac{\text{PWSC Assets}}{\text{Combined Assets of All Subsidiaries}}}{4} \end{array}$$

$$\% \text{ Allocated to TSC} = \frac{\frac{\text{Revenue of TSC}}{\text{Combined Revenue of All Subsidiaries}} + \frac{\text{Square Footage of Headquarter Office Used by TSC}}{\text{Total Square Footage of Headquarters Office}} + \frac{\text{TSC Assets}}{\text{Combined Assets of All Subsidiaries}}}{4}$$

(Note: PSC employees are directly allocated and, therefore, are not included in the numerator of the above formula.)

$$\% \text{ Allocated to Regulated Subsidiaries} = \frac{\frac{\text{Combined Revenues of Regulated Subsidiaries}}{\text{Revenues of All Subsidiaries}} + \frac{\text{(PWW Employees - PWSC Dedicated Employees)}}{\text{Total PWW Employees}} + \frac{\text{Square Footage of Headquarters Office Used by Regulated Subsidiaries}}{\text{Total Square Footage of Headquarters Office}} + \frac{\text{Regulated Subsidiaries' Assets}}{\text{Combined Assets of All Subsidiaries}}}{4}$$

(b) Second, the portion of such expenses that is allocated to the Regulated Subsidiaries in accordance with the foregoing shall in turn be allocated to each of the Regulated Subsidiaries in accordance with the following formula:

$$\frac{\text{Revenue of Subsidiary}}{\text{Combined Revenue of All Regulated Subsidiaries}} + \frac{\text{Average Rate Base of Subsidiary}}{\text{Combined Average Rate Base of All Regulated Subsidiaries}} + \frac{\text{Subsidiary's Number of Customers}}{\text{Combined Number of Customers of All Regulated Subsidiaries}}$$

3

Donald L. Correll
DLC-2
DW 04-048 - 6 Pages

MONEY POOL AGREEMENT

This Money Pool Agreement (the "Agreement") is made and entered into effective as of January 1, 2006 by and among Pennichuck Corporation ("Parent"), Pennichuck Water Service Corporation ("PWSC"), Pennichuck East Utility, Inc. ("PEU"), Pittsfield Aqueduct Company, Inc. ("PAC"), Pennichuck Water Works, Inc. ("PWW") and The Southwood Corporation ("Southwood"), each of which is a New Hampshire corporation (each a "Party" and, collectively, the "Parties").

WITNESSETH:

WHEREAS, the Parties desire to establish a money pool (the "Money Pool") to coordinate and provide for certain of their short-term cash and working capital requirements; and

WHEREAS, each of the Parties may from time to time have a need to borrow funds on a short-term basis, and each of the Parties may from time to time have funds available to loan on a short-term basis.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions contained herein, the Parties agree as follows:

Article 1 CONTRIBUTIONS AND BORROWINGS

1.1 Contributions to Money Pool.

Subject to applicable regulatory restrictions, if any, each Party will determine each day, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion, the amount of funds it has available for contribution to the Money Pool, and will contribute such funds to the Money Pool. The determination of whether a Party at any time has surplus funds to lend to the Money Pool or shall lend funds to the Money Pool will be made by such Party's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion.

Each Party may withdraw any of its funds at any time upon notice to the Parent as administrative agent of the Money Pool.

1.2 Rights to Borrow.

Subject to the provisions of Section 1.04(c) of this Agreement, short-term borrowing needs of the Parties will be met by funds in the Money Pool to the extent such funds are available. Each Party shall have the right to borrow funds on a short-term basis from the Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein and in any applicable regulations or orders of the New Hampshire Public Utilities Commission ("PUC"). Each Party may request loans from the Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement

of the Parties; provided, however, that the aggregate amount of all loans requested by any Party hereunder shall not exceed any borrowing limit set forth by applicable regulatory authorities, resolutions of such Party's Board of Directors, such Party's governing corporate documents, and agreements binding upon such Party.

1.3 Source of Funds.

1.3.1 Funds will be available through the Money Pool from the surplus funds in the treasuries of the Parties regardless of their source other than External Funds ("Internal Funds") and (2) proceeds from revolving loan or other short term bank borrowings by Parties ("External Funds"), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from each Party in such other order as the Parent, as administrator of the Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Money Pool.

1.3.2 Parties borrowing funds under this Agreement will be deemed to have borrowed pro rata from each Party lending funds under this Agreement in the proportion that the total amount loaned by such lending Party bears to the total amount then loaned through the Money Pool. On any day when more than one fund source (e.g., Internal Funds or External Funds), with different rates of interest, is used to fund loans through the Money Pool, each borrowing Party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Money Pool.

1.4 Authorization.

1.4.1 Each loan shall be authorized in writing by the lending Party's chief financial officer, treasurer, controller or comptroller or by a designee thereof.

1.4.2 The Parent, as administrator of the Money Pool, will provide, upon the request of any Party, periodic activity and cash accounting reports that include, among other things, reports of cash activity, the daily balance of loans outstanding and the calculation of interest charged.

1.4.3 All borrowings from the Money Pool shall be authorized by the borrowing Party's chief financial officer, treasurer, controller or comptroller or by a designee thereof. If the person providing such authorization is also authorized to provide the authorization referred to in Section 1.04(a), a single document providing such authorization shall be sufficient, unless otherwise required by law. No Party shall be required to effect a borrowing through the Money Pool if such Party determines that it can (and is authorized to) effect such borrowing at lower cost directly from banks or otherwise.

1.5 Interest.

The daily outstanding balance of all loans to any Party shall accrue Interest as follows:

1.5.1 If only Internal Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily balances shall be equal to the average of the interest rate applicable under the Parent's revolving loan or other short term credit facility during the month in which such balance was outstanding (the "Average Composite").

1.5.2 If only External Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily outstanding balance shall be the lender's cost for such External Funds or, if more than one Party has made available External Funds during the period such loan is outstanding, the applicable interest rate shall be a composite rate, equal to the weighted average of the costs incurred by the respective Parties providing such External Funds.

1.5.3 In cases where the daily outstanding balances of all loans outstanding at include both Internal Funds and External Funds, the interest rate applicable to the daily outstanding balances for the month shall be equal to the weighted average of the (i) cost of all Internal Funds contributed by Parties, as determined pursuant to Section 1.05(a) of this Agreement, and (ii) the cost of all such External Funds, as determined pursuant to Section 1.05(b) of this Agreement.

1.5.4 The interest rate applicable to loans made by a Party to the Money Pool under Section 1.01 of this Agreement shall be the Average Composite as determined pursuant to Section 1.05(a) of this Agreement.

1.6 Certain Costs.

The cost of compensating balances and fees paid to banks to maintain credit lines and accounts by Parties lending External Funds to the Money Pool as well as the interest expense incurred by the Parent for any External Funds that it is holding for the benefit of, but has not yet advanced to, any Party shall initially be paid by the Party maintaining such credit line or account. Such costs shall be charged to the Parties in accordance with the Cost Allocation and Services Agreement dated January 1, 2006, as it may be amended from time to time, except that any interest expense incurred by the Parent for any External Funds that it is holding for the benefit of an individual Party shall be charged entirely to that Party.

1.7 Repayment.

Each Party receiving a loan from the Money Pool hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty.

1.8 Form of Loans.

Loans from the Money Pool shall be made as open-account advances, pursuant to the terms of this Agreement. A separate promissory note will not be required for each individual transaction. Instead, a promissory note evidencing the terms of the transactions shall be signed by the Parties to the transaction. Any such note shall: (a) be dated as of the date of the initial borrowing; (b) mature on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing if a maturity date is specified; and (c) be repayable in whole at any time or in part from time to time, without premium or penalty.

Article 2 OPERATION OF MONEY POOL

2.1 Operation.

Operation of the Money Pool, including record keeping and coordination of loans, shall be carried out by the Parent under the authority of the appropriate officers of the Parties. The Parent shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. The Parent will administer the Money Pool on an "at cost" basis.

2.2 Investment of Surplus Funds in the Money Pool.

Funds not required for Money Pool loans (with the exception of funds required to satisfy any liquidity requirements of the Money Pool) shall be invested in accordance with the Parent's Short-Term Investment Policy Statement, as it may be amended from time to time.

2.3 Allocation of Interest Income and Investment Earnings.

The interest income and other investment income earned by the Money Pool on loans and investment of surplus funds will be allocated among the Parties in accordance with the proportion each Party's contribution of funds in the Money Pool bears to the total amount of funds in the Money Pool. Interest and other investment earnings will be computed on a daily basis and settled once per month.

2.4 Event of Default.

If any Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it bankrupt or insolvent, then the Parent, on behalf of the Money Pool and any other Party (if the Party failing to pay its debts is the Parent), may, by notice to the Party failing to pay its debts, terminate the Money Pool's commitment to such Party and/or declare the principal amount then outstanding of, and the accrued interest on, the loans and all other amounts payable to the Money Pool by the Party hereunder to be forthwith due and payable, whereupon such amounts

shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Party.

Article 3
MISCELLANEOUS

3.1 Term.

This Agreement shall be effective upon execution by all of the Parties and shall continue indefinitely unless and until terminated by any Party, in which event this Agreement shall terminate only with regard to the Party or Parties giving notice of termination.

3.2 Amendments.

This Agreement may be amended by the Parties at any time by execution of an instrument in writing signed on behalf of all Parties.

3.3 Legal Responsibility.

Nothing herein contained shall render any Party liable for the obligations of any other Party hereunder and the rights, obligations and liabilities of the Parties are several in accordance with their respective obligations, and not joint.

3.4 Rules for Implementation.

The Parties may develop a set of guidelines for implementing the provisions of this Agreement, provided that the guidelines are consistent with all of the provisions of this Agreement.

3.5 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party hereto as of the date first above written.

PENNICHUCK CORPORATION

By: 
Name: *William D. Patterson*
Title: *VP*

PENNICHUCK WATER SERVICE CORPORATION

By: William D. Patterson
Name: William D. Patterson
Title: VP

PENNICHUCK EAST UTILITY, INC.

By: William D. Patterson
Name: William D. Patterson
Title: VP

PITTSFIELD AQUEDUCT COMPANY, INC.

By: William D. Patterson
Name: William D. Patterson
Title: VP

PENNICHUCK WATER WORKS, INC.

By: William D. Patterson
Name: William D. Patterson
Title: VP

THE SOUTHWOOD CORPORATION

By: William D. Patterson
Name: William D. Patterson
Title: VP

**COST ALLOCATION & SERVICES
AGREEMENT**

**BETWEEN
PENNICHUCK CORPORATION
PENNICHUCK WATER WORKS, INC.
PENNICHUCK EAST UTILITY, INC.
PITTSFIELD AQUEDUCT CO., INC.
PENNICHUCK WATER SERVICE CORP.
THE SOUTHWOOD CORPORATION**

DATED: October 1, 2002

PW 008628



McLane, Graf,
Raulerson &
Middleton

Professional Association

FIFTEEN NORTH MAIN STREET • CONCORD, NH 03301-4945
TELEPHONE (603) 226-0400 • FACSIMILE (603) 224-8180

October 10, 2002

FILE COPY
64699

*SW-
Please file
TWC
Bonnie*

OFFICES IN:
MANCHESTER
CONCORD
PORTSMOUTH
NASHUA

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
8 Old Suncook Road
Concord, NH 03301

Re: Pennichuck Water Works, Inc./Pennichuck East Utility, Inc./Pittsfield
Aqueduct Company, Inc.

Dear Ms. Howland:

Enclosed for filing with the Commission, in accordance with RSA Ch. 366, is a Cost Allocation and Services Agreement dated October 1, 2002 among Pennichuck Corporation, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, Pennichuck Water Service Corporation, and The Southwood Corporation. The enclosed agreement is a complete copy of the original agreement that is on file in the records of the above-captioned companies. A copy of this letter and the enclosed agreement are also being sent directly to Mark A. Naylor, Water and Gas Director.

Sincerely,

Steven V. Camerino

SVC:dap
Enclosure

cc: Mark Naylor
Bonalyn J. Hartley

PW 008629

COST ALLOCATION AND SERVICES AGREEMENT

This AGREEMENT is entered into as of the 1st day of October, 2002 by and among Pennichuck Corporation ("PCP"), Pennichuck Water Works, Inc. ("PWW"), Pennichuck East Utility, Inc. ("PEU"), Pittsfield Aqueduct Company, Inc. ("PAC"), Pennichuck Water Service Corporation ("PWSC") and The Southwood Corporation ("TSC").

WHEREAS, PCP is a holding company and owns all of the issued and outstanding stock of PWW, PEU, PAC, PWSC and TSC (the Subsidiaries); and

WHEREAS, PCP exists and operates for the exclusive benefit of the Subsidiaries and does not conduct any separate operations for its own benefit; and

WHEREAS, in order to further the efficient and cost-effective operation of PCP and all of its Subsidiaries, PEU, PAC, PWSC and TSC (the "Other Subsidiaries") and PCP have no employees of their own, but rather utilize personnel employed by PWW; and

WHEREAS, PCP owns an office building located at 4 Water Street in Nashua, New Hampshire which it in turn leases to PWW; and

WHEREAS, PWW owns certain equipment and other assets that it makes available to the Other Subsidiaries and PCP for use by them; and

WHEREAS, PCP and the Other Subsidiaries have no office facilities, or office equipment of their own and rely on PWW to supply these items on an as-needed basis; and

WHEREAS, the services, facilities, and equipment of PWW that are provided to the Other Subsidiaries and PCP are substantially the same as PWW would be required to provide for itself, individually, if the Other Subsidiaries and PCP did not exist; and

WHEREAS, as a result of economies of scale there is an economic benefit to be derived by the parties hereto in using and sharing with each other the same officers, staff, office facilities

PW 008630

and equipment, which would be more costly to each of them if they were obtained on an individual basis;

NOW THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

I. SERVICES

PWW shall furnish to PCP and the Other Subsidiaries, and PCP and the Other Subsidiaries shall utilize, all of the following services upon the terms and conditions hereinafter set forth:

- A. **Administrative.** PWW shall provide the corporate administrative services required by the Other Subsidiaries and PCP, including the formulation of recommendations to their respective Boards of Directors, the implementation of the decisions of their respective Boards of Directors, the responsibility for executive decisions, as appropriate, the preparation of contracts, the maintenance of all corporate records and documents, the filing with governmental authorities of all documents required by law or otherwise necessary for the continuance of the corporate existence of the Other Subsidiaries and PCP, public relations, corporate communications and community affairs, and, in the case of PCP, responsibility for shareholder relations.
- B. **Accounting and Financial.** PWW shall provide such accounting and financial services to the Other Subsidiaries and PCP as they may require. Such services shall include maintaining the general books of account of, and preparing periodic financial statements and related reports for, the Other Subsidiaries

PW 008631

and, on a consolidated basis, PCP, advising and assisting in the preparation of budgets and planning for the Other Subsidiaries and PCP, and preparing and filing, or assisting in the preparation and filing of, Federal, State and local tax returns and other reports required by regulatory agencies for the Other Subsidiaries and PCP. Additionally, PWW shall be responsible for assisting the Other Subsidiaries and PCP in their acquisition of capital and operating funds, through borrowing and, in the case of PCP, through the issuance of equity securities. PWW shall prepare and monitor annual budgets for, and shall be responsible for data processing services to the Other Subsidiaries and PCP, be responsible for securities compliance functions under both state and federal law, providing or procuring internal and external auditing and accounting services, rate and regulatory support, risk management (including procuring insurance coverage) financial planning and all treasury and finance functions.

- C. Information Technology. PWW shall provide the Other Subsidiaries and PCP with such information technology resources as they may require, including all hardware and software and related support, telecommunications, and customer billing and information services.
- D. Customer Services. PWW shall provide the Other Subsidiaries such services and systems as they shall require for customer servicing, including meter reading and billing, payment remittance, credit, collections, customer relations, customer communications, customer offices and field operations.

PW 008632

- E. Operating Services. PWW shall provide the Other Subsidiaries and PCP with operating services, including materials management and purchasing, engineering, and facilities and system operation and maintenance.

II. OFFICE SPACE AND FACILITIES

PWW will utilize its premises at 4 Water Street in Nashua, New Hampshire, which it leases from PCP pursuant to a separate Lease Agreement, in order to conduct the administrative functions and perform the accounting and financial services required by this Agreement, and will utilize its office equipment on an as needed basis in connection therewith and as otherwise required by the Other Subsidiaries and PCP in connection with their operations.

III. FEE

A. The parties hereto agree that the activities undertaken, and costs and expenses incurred, by PCP are undertaken or incurred for the benefit of the Subsidiaries and shall be allocated to the Subsidiaries in accordance with Section I of Appendix A, such allocation formulas being subject to revision from time to time by mutual agreement of the parties. The parties agree that PCP may from time to time, in its sole and absolute discretion, choose not to allocate certain expenses to the Subsidiaries and to bear such expenses itself.

B. In consideration for the services to be rendered, and the office space and facilities to be utilized by PWW as provided in this Agreement, the Other Subsidiaries and PCP each agree to pay PWW a fee based on actual costs and expenses incurred by PWW which are appropriately allocable to their respective operations, in accordance with the allocation formulas set forth in Section II of Appendix A, such allocation formulas being subject to revision from time to time by mutual agreement of the parties. In

PW 008633

applying the allocation formulas, the parties will utilize data from the then-current fiscal year, except as otherwise provided on Appendix A. The fee payable for such services will be charged periodically by PWW to PCP and/or the Other Subsidiaries, as appropriate.

C. Notwithstanding the allocation formulas set forth in Appendix A, PWW shall endeavor, in those instances where it is practical to do so, to direct charge the Other Subsidiaries for expenses that are clearly identifiable as being for a single entity and for which the costs can be clearly and readily separated from other more general costs incurred by PWW. In addition, notwithstanding the allocation formulas set forth in Appendix A, in those cases where PWW incurs an outside expense, such as professional or consulting fees, that are incurred for the benefit of less than all of the Subsidiaries, such expense shall be allocated equally among the Subsidiaries for whose benefit the expense was incurred.

IV. TERMINATION

Any party hereto may terminate this agreement as it applies to such party upon ninety (90) days' written notice, or such lesser notice as may be agreed upon by all of the parties hereto.

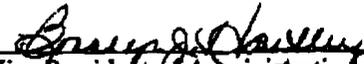
V. MISCELLANEOUS.

This Agreement supersedes all prior agreements concerning the subject matter hereof between or among the parties hereto, or any of them, including a certain Agreement dated January 1, 2001 between PCP and PWW. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their successors and assigns. This Agreement shall be governed by and construed under the laws of the State of New Hampshire.

PW 008634

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date written above.

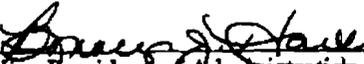
PENNICHUCK CORPORATION

BY: 
Vice President of Administration

PENNICHUCK WATER WORKS, INC.

BY: 
Vice President of Administration

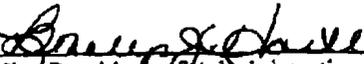
PENNICHUCK EAST UTILITY, INC.

BY: 
Vice President of Administration

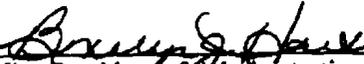
PITTSFIELD AQUEDUCT COMPANY, INC.

BY: 
Vice President of Administration

PENNICHUCK WATER SERVICE CORPORATION

BY: 
Vice President of Administration

THE SOUTHWOOD CORPORATION

BY: 
Vice President of Administration

PW 008635

Appendix A**COST ALLOCATION METHODOLOGIES****I. Allocation of Pennichuck Corporation expenses--****A. Method**

- Allocate based on each entity's percentage of budgeted revenues for the relevant fiscal year

Costs covered by method

- Directors and officers insurance
- Stockholder related expenses, such as stock transfer agent fees, annual shareholder meeting expenses, SEC filing and related expenses, legal expenses for shareholder affairs, shareholder relation expenses, directors' fees, audit fees and other expenses related to being a publicly traded company

B. Method

- Apply 1% of costs to TSC, balance allocated to remaining subsidiaries according to their percentage of remaining budgeted revenues

Costs covered by method

- Legal and other professional fees and expenses not allocated as part of stockholder related expenses
- Bank charges
- Lease expense and other real estate related expenses for headquarters building, including property taxes and flood insurance

II. Allocation of Pennichuck Water Works expenses—**1. Method**

- Allocate based on each entity's percentage of total number of customers. (Number of customers for TSC is 0; PWSC customer base is the sum of the number of customers in each of the systems for which it provides billing services.)

Costs covered by method

- Customer service related expenses (including salaries and benefits), except those allocated under Method 6

PW 008636

2. **Method**

- Allocate based on each entity's percentage of the total number of vouchers, checks and journal entries processed

Costs covered by method

- Accounting related expenses (including salaries and benefits)

3. **Method**

- Apply 1% of costs to TSC, balance allocated to remaining subsidiaries according to their percentage of remaining budgeted revenues

Costs covered by method

- Office supplies, depreciation and maintenance for office equipment, general liability insurance and facility related expenses (including utilities and maintenance)

4. **Method**

- Allocate based on time worked for each entity

Costs covered by method

- Salaries and benefits for CEO and Vice-Presidents
- Vehicle expense and maintenance expense for these individuals

5. **Method**

- Allocate among only those entities that use the relevant software or other item. If TSC uses the item, allocate 1% of the cost to TSC. Allocate the balance among the other Pennichuck entities who use the item, based on their percentage share of the total number of customers of the entities participating in such allocation. (PWSC customer base is the sum of the number of customers in each of the systems for which it provides billing services. If a system for which PWSC provides services does not use a particular item, that system's customers are not included in the total number of customers attributed to PWSC.) Usage of a particular software or other computer related item is determined based on the prior fiscal year.

PW 008637

Costs covered by method

- Computer depreciation and maintenance expense
- Information system personnel related expenses (including salaries and benefits)

6. **Method**

- Allocate based on time worked for each entity

Costs covered by method

- Salary, benefits and vehicle expense and maintenance expense for PWSC administrative position(s) for marketing, sales and service support

7. **Method**

- Allocate based on each entity's percentage of total number of work orders

Costs covered by method

- Overhead items not otherwise allocated. Includes meter maintenance, communications expenses, Will Street office supply, gas, electric, telephone and property tax expenses, vehicle expense not otherwise allocated, non-union salaries and benefits not otherwise allocated

**MANAGEMENT FEE AGREEMENT
BETWEEN
PENNICHUCK WATER WORKS, INC.
AND
PENNICHUCK CORPORATION
DATED: January 1, 2001**

Pennichuck Water

4 Water Street
PO Box 448
Nashua, NH 03061 0448
603 882 5191
800 553 5191
Fax 603 882 4125
www.pennichuck.com

May 21, 2001

Mr. Thomas B. Getz, Esq.
Executive Director and Secretary
New Hampshire Public Utilities Commission
8 Old Suncook Road
Concord, NH 03301

Dear Mr. Getz:

RE: Agreements between Pennichuck Water Works, Inc. and its affiliate companies.

Please find enclosed 9 copies of the original Agreement, dated the 1st of January 2001, by and between Pennichuck Water Works, Inc. and Pennichuck Corporation relative to certain cost allocations for administrative, accounting and financial services; and office equipment and facilities expenses. These expenses are shared between Pennichuck Corporation, Pennichuck Water Works, Inc. and its four other wholly owned subsidiaries, The Southwood Corporation, Pennichuck Water Service Corporation, Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc.

Relative to the above-mentioned Agreement, please find enclosed 9 copies of the original Lease Agreement, dated the 1st of January 2001, by and between Pennichuck Corporation and Pennichuck Water Works, Inc. describing the lease provisions for the facility located at 4 Water Street, Nashua, New Hampshire.

I hope this information meets with your satisfaction. Please do not hesitate to contact me if you have any further questions regarding these matters.

Sincerely,



Bonalyn J. Hartley
Vice President-Administration

Enclosures

F:\BONNIE\NHPUCAgreements.doc

PW 009224

AGREEMENT

AGREEMENT, made as of the 1st day of January, 2001, by and between Pennichuck Water Works, Inc. ("Water Company"), and Pennichuck Corporation ("Pennichuck").

WHEREAS, the Water Company is a wholly owned subsidiary of Pennichuck and employs officers and employees who are experienced with the management, financing and accounting requirements of Pennichuck and its four other wholly owned subsidiaries, The Southwood Corporation, Pennichuck Water Service Corporation, Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc. (the "Other Subsidiaries"); and

WHEREAS, Pennichuck owns an office building located at 4 Water Street in Nashua, New Hampshire which, by Lease Agreement dated as of January 1, 2000 ("Lease Agreement") is fully leased by Pennichuck to the Water Company on an arm's length basis on market competitive terms, and, whereas the Water Company owns certain office equipment; and

WHEREAS, Pennichuck and the Other Subsidiaries have no employees, office facilities, or office equipment of their own but rely on the Water Company to supply these items on an as needed basis, and, whereas, all of the offices of Pennichuck and its Subsidiaries are filled by officers of the Water Company; and

WHEREAS, the services, facilities, and equipment of the Water Company, which are provided to Pennichuck and the Other Subsidiaries hereunder, are substantially the same as the Water Company would be required to provide for itself, individually, if Pennichuck and the Other Subsidiaries did not exist; and

PW 009225

Page 2

WHEREAS, as a result of the economies of scale there is an economic benefit to be derived by the parties hereto and the Other Subsidiaries in using and sharing with each other officers, staff, office facilities and equipment which would be more costly to each of them to provide and enjoy on an individual basis, and

WHEREAS, Pennichuck has only de minimis income other than the rental payments received from the Water Company and all of Pennichuck's operations are for the exclusive benefit of the Water Company and the Other Subsidiaries; and

WHEREAS, the Water Company is willing to render such services, make available such office facilities and equipment, and Pennichuck has requested such services, office facilities and equipment for itself and its Other Subsidiaries, on terms and conditions described more fully hereinafter.

NOW THEREFORE, in consideration of the mutual agreements herein contained, the parties hereunder agree as follows:

I. SERVICES

The Water Company shall furnish to Pennichuck and its Other Subsidiaries and Pennichuck shall utilize, and shall cause its Other Subsidiaries to utilize, all the following services upon the terms and conditions hereinafter set forth:

- A. Administrative. The Water Company shall provide the corporate administrative services required by Pennichuck and its Other Subsidiaries, including the formulation of recommendations to their respective Boards of Directors, the implementation of the decisions of said Boards of Directors, the responsibility for executive decisions, as appropriate, the preparation of contracts, the maintenance of all corporate records and documents, the filing with governmental authorities of all documents

PW 009226

Page 3

required by law or otherwise necessary for the continuance of the corporate existence of Pennichuck and its Other Subsidiaries, and in the case of Pennichuck, responsibility for shareholder relations.

- B. Accounting and Financial. The Water Company shall maintain the general books of account of, and prepare periodic financial statements and related reports for, the Other Subsidiaries and, on a consolidated basis, Pennichuck, shall advise and assist in the preparation of budgets and planning for Pennichuck and its Other Subsidiaries and shall prepare and file, or assist in the preparation and filing of, Federal, State and local tax returns and other reports required by regulatory agencies for Pennichuck and its Other Subsidiaries. Additionally, the Water Company shall be responsible for assisting Pennichuck and its Other Subsidiaries in their acquisition of capital and operating funds, through borrowing and, in the case of Pennichuck, through the issuance of equity securities. The Water Company shall prepare and monitor annual budgets for, and shall be responsible for data processing services to Pennichuck and its Other Subsidiaries.

II. OFFICE SPACE AND FACILITIES

The Water Company will utilize its premises at 4 Water Street in Nashua, New Hampshire, which it leases from Pennichuck pursuant to the Lease Agreement, in order to conduct the administrative functions, and perform the accounting and financial services required by this Agreement, and will utilize its office equipment on an as needed basis in connection therewith and as otherwise required by Pennichuck and its Other Subsidiaries in connection with their operations.

PW 009227

Page 4

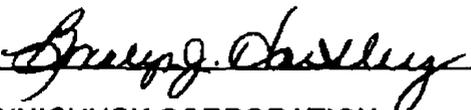
III. FEE

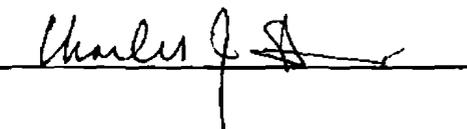
The parties hereto agree that all activities undertaken, and all costs and expenses incurred, by Pennichuck are undertaken or incurred for the exclusive benefit of the Water Company and Other Subsidiaries.

In consideration for the services to be rendered, and the office space and facilities to be utilized by the Water Company as hereinabove provided, Pennichuck agrees to pay, or to cause to be paid by its Other Subsidiaries, to the Water Company a fee based on actual costs and expenses incurred by the Water Company which are appropriately allocable to nonregulated operations, in accordance with the allocation formula set forth in Appendix A and B hereto, such allocation formula being subject to revision from time to time by mutual agreement of the parties. In applying the allocation formula, the parties will utilize data from the then-current calendar year. Said fee will be billed monthly by the Water Company to Pennichuck for payment by Pennichuck and/or its Other Subsidiaries as appropriate.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the day and year written above.

PENNICHUCK WATER WORKS, INC.

By: 
PENNICHUCK CORPORATION

By: 

Management Fee Allocation
(Penn Corp. to Other Co.'s)

PCP COSTS	Allocation To	Allocation To	Allocation To	Allocation To	Allocation To	Allocation To
%	ISC(Unreimb.)	% PWSCO(Unreimb.)	% PEU(Unreimb.)	% PAC(Unreimb.)	% PWW(Unreimb.)	%
Professional Fees						
Legal						
Consulting						
Bank						
D&O Insurance						
Stockholders Expense						
Audit Fees						
Annual & Quarterly						
Shareholders Report						
Misc Shareholders Exp.						
Lease						
Other						
Real Estate Taxes						
Flood Insurance						
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management Fee Allocations						
1	Allocations(%) based on the number of customers and the number of bills sent to each company.					
2	Allocations(%) based on accounting activity. This includes number of vouchers, checks, journal and Standard entries.					
3	Allocations (%) based on the number of work orders created for each company. For each union employee sent to do a job in a specific company a work order is created.					
4	Allocations(%) are based on the average of all the above noted departments. Senior management manages all the department managers along with the associated departmental costs, thus these costs are averaged.					
Calculation of Management Fee						
	Pennichuck Water Works = Credits for all allocations(all Co.'s) (page 1) plus Penn Corp. allocations(page 2)					
	Pennichuck East = Pennichuck Water Works Allocations(page 1) plus Penn Corp. allocations(page 2)					
	Pittsfield = Pennichuck Water Works Allocations(page 1) plus Penn Corp. allocations(page 2)					
	Southwood = Pennichuck Water Works Allocations(page 1) plus Penn Corp. allocations(page 2)					
	Pennichuck Water Service Co = Pennichuck Water Works Allocations(page 1) plus Penn Corp. allocations(page 2)					
	Pennichuck Corporation = Credits for all allocations(all Co.'s)(Page 2)					

PW 009230

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

Tel. (603) 271-2431

FAX (603) 271-3878

TDD Access: Relay NH
1-800-735-2964

Website:
www.puc.nh.gov

CHAIRMAN
Thomas B. Getz

COMMISSIONERS
Graham J. Morrison
Clifton C. Below

EXECUTIVE DIRECTOR
AND SECRETARY
Debra A. Howland

November 8, 2006

Sarah Knowlton
McLane, Graf, Raulerson & Middleton
100 Market Street, Suite 301
Portsmouth, New Hampshire 03801

Re: DW 06-073 Pennichuck Water Works, Inc.
Data Requests for Technical Session – Set 3

Dear Ms. Knowlton:

That attached data requests are a result of the November 7, 2006 technical session and include *italicized answers* which represent Staff's understanding of Pennichuck's responses that were made at the technical session. Please feel free to strike, edit, or embellish these *italicized* portions.

Sincerely,

A handwritten signature in black ink that reads "Marcia A.B. Thunberg".

Marcia A.B. Thunberg
Staff Attorney

CC: Service List

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSISON
STAFF DATA REQUESTS
DW 06-073
PENNICHUCK WATER WORKS, INC.

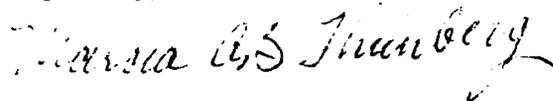
Now comes the Public Utilities Commission Staff and respectfully requests responses to the attached data requests in writing and under oath.

Pursuant to N.H. RSA 365:10, 365:14, 365:15 and 365:19, the Commission shall have the power to obtain data and documents necessary to the performance of its duties as they are prescribed by law.

You are hereby requested to supply the Commission with the data and/or documents delineated in the attached data requests. If you are unable or unwilling to produce a response to a particular request, you must nonetheless provide a written response and state the basis for the inability or unwillingness to furnish the requested information. RSA 365:12 provides that willful failure to comply with this request will subject you to contempt proceedings in Superior Court pursuant to N.H. RSA 491:19 and 491:20.

Please provide copies of all documents produced to all parties listed on the discovery portion of the service list. If you seek confidential treatment of any response, you should mark that material as confidential and submit a motion for confidential treatment for the Commission's consideration. Anything submitted pursuant to a motion for confidentiality will be kept confidential pending Commission action.

Respectfully,



Marcia A.B. Thunberg
Staff Attorney

Dated: November 8, 2006

DATA REQUESTS OF N.H. PUBLIC UTILITIES COMMISSION STAFF

INSTRUCTIONS

1. For the purposes of these requests, "document" as used herein, is defined as any writing of every kind in the possession, custody or control of the Company, including but not limited to letter, facsimiles, minutes and records of meetings, memoranda, reports, notes, maps, recordings, transcripts, records of telephone or other communications, vouchers, and other accounting records, lists, engineering studies, rate studies, and economic studies, computer files.
2. For each response, please identify the individual who will be available for cross-examination concerning each response.
3. If the Company has no "document" (study, report, etc.) which is responsive in any way to any portion of a data request, please so indicate. In addition, please identify the person who determined that no such "document" exists.
4. If requested data is duplicative of that furnished in response to another data request, please identify the response wherein the information is contained.
5. If you find a request to be unclear or imprecise, please request clarification, by telephone, to the Staff member who forwarded these requests as soon as possible.

DW 06-073
PENNICHUCK WATER WORKS, INC.
DATA REQUESTS FOR TECHNICAL SESSION – SET 3
NOVEMBER 7, 2006

Staff – Tech – 3-16

Re: Staff DR's 1-5 and 1-17: For the individuals referred to in these responses who were awarded severance during the test year, please provide a breakdown of the total compensation for each individual, including severance, which was charged to test year expense.

The Company will provide a written response to this data request.

Staff – Tech – 3-17

Re: Staff DR's 1-8 and 2-11: Has the Company received the 2004, 2005 and 2006 NHDRA Appraisal Reports?

No. Staff and the Company agreed to work together to obtain these documents from NHDRA.

Staff – Tech – 3-18

Re: Staff DR's 1-9 and 2-12: It appears that the Company is overpaying property taxes on certain parcels/property located in the Town of Merrimack and the City of Nashua due to the assessment by those municipalities of the State School Tax rate.

- a) Has the Company researched this issue and/or does the Company know why it is being assessed the State School Tax rate on these parcels by the municipalities?
- b) Is the Company aware of any possibility that the municipalities are forwarding the tax money in question to the State of NH?
- c) Is the Company aware of any possibility that the parcels/properties in question may be exempt from the State Utility Property Tax but not the State School Tax rate assessment and the reason for that?

The Company indicated that it believed that the tax assessment by the two municipalities was correct but also admitted that it had not thoroughly researched this issue. The Company will conduct further research and will provide a written response to this data request.

Staff – Tech – 3-19

Re: Staff DR 2-25:

- a) The Company's response contains a number of hires and terminations that were not included in the original rate filing. Does the Company intend to now include proformas for these in this rate case?
Yes.
- b) The Company's response contains a benefits adjustment equal to 50% of wages which was not included in the original rate filing. Is this an adjustment that the Company intends to include as a proforma in this rate case?
Yes.
- c) If the answer to (b) is yes, please provide substantiation for the use of the 50% of wages methodology for the determination of the benefits proforma.

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 Pennichuck Water Works, Inc.
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- The Company will provide a written response to this question.*
- d) Please provide the W-2 and accrued wages information, similar to that provided in response to Staff DR 2-18, for the Distribution – Laborer hired on 08/29/05 at an annual wage of \$31,160.
The Company will provide a written response to this question.
- e) Re: Section 13, Schedule 1; Attachment B; Page 2; Adjustment IIA: The original filing indicates an annual salary of \$27,997 for the Distribution – Administrative Assistant. The Company’s response to Staff 2-25 appears to indicate an annual salary for this position of \$13,046. Please clarify.
The Company indicated that the \$13,046 annual salary figure is the correct amount.
- f) Please describe the duties and responsibilities of the Distribution – NC Operations Mgr hired on 03/06/06 at an annual salary of \$46,500. Should this individual’s wages be excluded from PWW’s expenses? Please explain.
The Company indicated that this individual was hired primarily to oversee the Pittsfield Aqueduct operations and that 90% of his time is devoted to PAC. However, the Company has opted to classify this individual at the corporate level in order to prevent PAC from being overly burdened by not only this individual’s salary but the supervision expense allocation from corporate as well. Instead, PAC is only recognizing the overall supervision expense allocation from corporate through the management fee which includes the NC Operations Manager Salary. Therefore, in actuality, only a fraction of this individual’s salary is being recognized by PAC even though most of his time is devoted to the operation of PAC. The Company recognizes the inequity of this situation and is open to any recommendations that Staff may have to rectify this issue.
- g) Please describe the duties and responsibilities of the Administration – Assistant VP Regulatory & Bus hired on 07/05/06 at an annual salary of \$90,000.
The Company stated that this position is underneath the VP of Administration and is charged with overseeing the regulatory matters of the Corporation. The Company further stated that this position has been vacant since mid-October when the individual who was occupying this position became the new Controller of the Company. The Company is actively seeking a replacement.
- h) Please describe the duties and responsibilities of the Accounting – Manager of Financial Reporting hired on 07/24/06 at an annual salary of \$67,000.
The Company stated that this individual was in charge of SEC compliance, income taxes as well as disclosures.
- i) Re: the Senior Accountant terminated on 06/09/06 (Annual Salary: \$63,000) and the Staff Accountant terminated on 07/06/06 (Annual Salary: \$55,000).
- I) Were these individuals hired in 2006 or were these individuals employed by the Company during the test year?

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The Company indicated that both individuals had been originally hired in May 2006.

- II) If the former, please identify the corresponding proforma adjustments reflecting their hirings.
The Company stated that the Senior Accountant had been originally hired on 05/15/06 and that the Staff Accountant had been originally hired on 05/30/06.
- III) If the latter, please provide the W-2 and accrued wage information for each, similar to that provided in response to Staff DR 2-18.
Not applicable.
- IV) If these individuals were subsequently replaced, please identify the proforma adjustments reflecting their replacements.
The Company stated that the Senior Accountant was replaced on 07/17/06. The Company also stated that the Staff Accountant position has not been permanently filled but is currently being occupied by a temp. The Company will provide this particular temp's current fees.

The Company indicated that it will reissue its response to Staff DR 2-25 with the names of employees included. This will be issued under a motion for confidential treatment.

- j) It appears that between 11/30/05 and 08/16/06 the accounting department experienced 5 terminations and 6 hirings (2 identified as new hirings) and the net annual salary of the accounting department, excluding raises, appears to have increased by \$97,168.
 - I) Please provide an explanation for the relatively large turnover in the accounting department during that 8 ½ month period of time.
 - II) Please explain and justify the 2 new hirings in the accounting department, ie, the Senior Accountant hired on 8/16/06 and the Manager of Financial Reporting hired on 7/24/06.
 - III) Please explain and justify the apparent increase in the annual wages paid to the accounting department of \$97,168.

The Company answered with an overall response indicating that the accounting staff is currently working under the additional burdens of the Sarbanes-Oxley review, SEC compliance and disclosures as well as the Eminent Domain proceeding. The demands of these additional tasks has resulted in a high amount of recent turnover in the accounting department. The Company indicated that it was necessary to higher additional personnel in the accounting department to meet its current workload requirements. The increase in the overall annual salary of the accounting department is primarily the result of the newly created

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positions but also the need to increase the pay of other positions in order to attract competent and qualified accounting employees.

- k) It appears that between 01/01/06 and 08/24/06, the Company created 9 new positions and its overall annual wages, excluding raises, increased by \$495,675.
- I) Please explain and justify the reasoning behind the creation of 9 new positions in 2006.
 - II) Please explain and justify the apparent increase in the annual wages of the Company in 2006 of \$495,675.

Overall, the Company stated that 2006 has been a year in which it has seen an unusual number of new hires for various reasons as opposed to previous years when there were minimal new hirings. The Company cited its previous responses with regard to the accounting department positions and the Asst VP Regulatory & Bus. The Company further stated that when Don Ware was promoted to his current position of President of the Regulated Utilities, with its added demands, it became necessary to hire a new Chief Engineer. The Company stated that the CWS (Community Water System) Operator is a "circuit rider" who has charge of overseeing the operation of the Corporations expanding community water systems. These systems mostly belong to Pennichuck East, but since this is a union position, the salary is allocated based on particular work orders.

Staff – Tech – 3-20

Re: Staff DR 2-30:

- d) Please justify amortizing the Sarbanes – Oxley deferred debit over a 5 year period.
The Company stated that this was an equitable estimate based on its previous experience with similar amortized costs.
- e) Will the Company need to do another Sarbanes – Oxley review that is of the magnitude of this initial review? Please explain.
No. The Company anticipates that this will be the largest review relative to Sarbanes – Oxley.
- f) Does the Company object to having the step increase include the incremental rate base adjustment for the increase in deferred costs as well as the addition of the annual expense for the amortization of the deferred debit?
No. The Company is asking to have the unamortized deferred cost as well as the annual amortization expense included in the step increase.
- g) Please provide a copy of the Compensation Study performed by Mellon in 2004.
The Company will provide this information under a motion for confidential treatment.

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 November 7, 2006

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Staff – Tech – 3-21

Re: Staff DR's 2-41 and 2-47:

- h) Please explain why the Company is initially charging the Company's 920 Account for the salaries of the "Unregulated Entity Positions" rather than a below-the-line account.
The Company indicated that currently, the salaries of three unregulated employees are initially recorded in Account 920. Two of these individuals are executives whom the Company contends still devote up to 50% of their time to regulatory matters. The third individual is an Administrative Assistant who performs work for Pennichuck Service Company. This individual's wages were directly allocated to PSC during the test year. During the test year, the salaries of two Southwood Corporation employees were also recorded in Account 920 but these amounts were directly allocated to TSC and are not included in the test year expense.
- i) Are there any other "Unregulated Entity Positions" that are being charged to the Company's other above-the-line accounts aside from those charged to Account 920? Please specify the total dollar amounts in each affected account.
No.
- j) Please provide the amount of the total "Unregulated Entity Position" salaries which remain on the Company's books after the direct allocations and the management fee allocations for Account 920 and any other above-the-line accounts.
The Company will provide a written response to this question.
- k) Aside from the salary paid to the retired CFO during 2005, please justify and explain in sufficient detail the other \$116,537 (13%) increase in total officer and support staff wages from 2004 to 2005.
The Company explained that this was due to significant increases in two officer's salaries.
- l) Please provide the amount of the increase in salary and support staff raises which remained on the Company's books after the direct allocations and the management fee allocations.
The response to this question will be included in the Company's response to (c).
- m) Please justify and explain in sufficient detail the \$49,409 (15%) increase in total accounting wages from 2004 to 2005.
The Company will provide a written response to this question.
- n) Please justify and explain in sufficient detail the \$41,868 (11%) increase in total customer service wages from 2004 to 2005.
The Company will provide a written response to this question.
- o) Please justify and explain in sufficient detail the \$23,919 (11%) increase in total data processing wages from 2004 to 2005.

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Pennichuck Water Works, Inc.
November 7, 2006

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The Company stated that this increase is primarily due to the hiring of a new employee. The Company will provide a written response to this question.

Staff – Tech – 3-22

Re: Salary and Wage Analysis:

- p) Please justify and explain in sufficient detail the \$382,486 (51%) increase in officer wages from 2001 to 2005.
The Company will provide a written response to this question.
- q) Please justify and explain in sufficient detail the \$114,887 (42%) increase in accounting wages from 2001 to 2005.
The Company cited its previous response to Question 4(j).
- r) Please indicate the amounts as well as the specific line item(s) on Schedule F-58 of the 2001 through 2004 NHPUC Annual Reports where the “Jobbing” and “Other” wages were reported.
The Company will provide a written response to this question.

Staff – Tech – 3-23

Please provide an electronic copy of Data Response 2-1.

Staff – Tech – 3-24

Please provide a reconciliation of the difference between the Whole Life Technique \$3,070,405 and Remaining Life Technique \$3,009,427.

Staff – Tech – 3-25

Please provide a schedule that supports the calculation of Table 6 “Theoretical Depreciation reserve” for each plant account.

Staff – Tech – 3-26

For the Table 6 “Book over (Under) Theoretical Reserve”, please provide a schedule that shows the number of years over which the Reserve is amortized and the annual amortization amount.

Staff – Tech – 3-27

Provide a schedule that compares (1) current Commission approved net salvage percents with the (2) proposed net salvage percents (ref. Table 6), by plant account.

Staff – Tech – 3-28

When the Company installs new plant and equipment during the year, does it account for depreciation using the “half-year” convention?

DW 06-073
PENNICHUCK WATER WORKS, INC.
DATA REQUESTS FROM TECHNICAL SESSION – SET 3

Date Request Received: 11/9/06
Request No. Staff 3-22

Date of Supplemental Response: 12/12/06
Witness: Bonalyn J. Hartley

REQUEST:

- c) Please indicate the amounts as well as the specific line item(s) on Schedule F-58 of the 2001 through 2004 NHPUC Annual Reports where the “Jobbing” and “Other” wages were reported.

**SUPPLEMENTAL
RESPONSE:**

See attached F-58's from the Company's 2001 through 2005 NHPUC Annual Reports. The Company has revised the F-58 from the 2005 NHPUC Annual Report so that the data is consistent with the methodology utilized in prior years, with "jobbing" and "other" wages reclassified to the appropriate categories.

Annual Report of Pennichuck Water Works, Inc.

Year Ended December 31, 2001

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing account to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged to Clearing Accounts (c)	Total (d)
1	Operation			
2	Source of Supply	22,032		
3	Pumping	572,834		
4	Water Treatment	341,497		
5	Transmission and Distribution	44,064		
6	Customer Accounts	121,176		
7	Sales			
8	Administration and General	331,555		
9	Total Operation	\$ 1,433,159	\$ -	\$ -
10	Maintenance			
11	Source of Supply			
12	Pumping	74,358		
13	Water Treatment	38,556		
14	Transmission and Distribution	162,486		
15	Administrative and General	227,356		
16	Total Maintenance	\$ 502,756	\$ -	\$ -
17	Total Operation and Maintenance			
18	Source of supply (Lines 2 and 11)	22,032	-	-
19	Pumping (Lines 3 and 12)	647,192	-	-
20	Water Treatment Lines 4 and 13)	380,053	-	-
21	Transmission and Distribution (Lines 5 & 14)	206,550	-	-
22	Customer Accounts (Line 6)	121,176	-	-
23	Sales (Line 7)	-	-	-
24	Administrative and General (Lines 8 and 15)	558,911	-	-
25	Total Operation and Maintenance (Lines 18-24)	\$ 1,935,915	\$ -	\$ -
26	Utility Plant			
27	Construction (by utility departments)	162,962		
28	Plant Removal (by utility departments)			
29	Other Accounts (Specify)			
30	Officers	746,628		
31	Accounting	271,545		
32	Customer Service	334,936		
33	Data Processing	201,709		
34	Engineering	286,793		
35				
36				
37	Total Other Accounts	\$ 1,841,611	\$ -	\$ -
38	Total Salaries and Wages	\$ 3,940,488	\$ -	\$ -

Annual Report of Pennichuck Water Works, Inc.

Year Ended December 31, 2002

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing account to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged to Clearing Accounts (c)	Total (d)
1	Operation			
2	Source of Supply	22,990		
3	Pumping	551,661		
4	Water Treatment	300,768		
5	Transmission and Distribution	22,682		
6	Customer Accounts	139,386		
7	Sales			
8	Administration and General	378,687		
9	Total Operation	\$ 1,416,174	\$ -	\$ -
10	Maintenance			
11	Source of Supply			
12	Pumping	86,862		
13	Water Treatment	36,304		
14	Transmission and Distribution	183,276		
15	Administrative and General	249,508		
16	Total Maintenance	\$ 555,950	\$ -	\$ -
17	Total Operation and Maintenance			
18	Source of supply (Lines 2 and 11)	22,990	-	-
19	Pumping (Lines 3 and 12)	638,523	-	-
20	Water Treatment Lines 4 and 13)	337,072	-	-
21	Transmission and Distribution (Lines 5 & 14)	205,958	-	-
22	Customer Accounts (Line 6)	139,386	-	-
23	Sales (Line 7)	-	-	-
24	Administrative and General (Lines 8 and 15)	628,195	-	-
25	Total Operation and Maintenance (Lines 18-24)	\$ 1,972,124	\$ -	\$ -
26	Utility Plant			
27	Construction (by utility departments)	330,207		
28	Plant Removal (by utility departments)			
29	Other Accounts (Specify)			
30	Officers	797,422		
31	Accounting	288,263		
32	Customer Service	380,586		
33	Data Processing	213,596		
34	Engineering	312,622		
35				
36				
37	Total Other Accounts	\$ 1,992,489	\$ -	\$ -
38	Total Salaries and Wages	\$ 4,294,820	\$ -	\$ -

Annual Report of Pennichuck Water Works, Inc.

Year Ended December 31, 2003

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing account to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged to Clearing Accounts (c)	Total (d)
1	Operation			
2	Source of Supply	35,861		
3	Pumping	510,529		
4	Water Treatment	254,272		
5	Transmission and Distribution	(14,836)		
6	Customer Accounts	160,120		
7	Sales			
8	Administration and General	410,953		
9	Total Operation	\$ 1,356,899	\$ -	\$ -
10	Maintenance			
11	Source of Supply			
12	Pumping	241,570		
13	Water Treatment	145,015		
14	Transmission and Distribution	247,904		
15	Administrative and General	242,620		
16	Total Maintenance	\$ 877,109	\$ -	\$ -
17	Total Operation and Maintenance			
18	Source of supply (Lines 2 and 11)	35,861	-	-
19	Pumping (Lines 3 and 12)	752,099	-	-
20	Water Treatment Lines 4 and 13)	399,287	-	-
21	Transmission and Distribution (Lines 5 & 14)	233,068	-	-
22	Customer Accounts (Line 6)	160,120	-	-
23	Sales (Line 7)	-	-	-
24	Administrative and General (Lines 8 and 15)	653,573	-	-
25	Total Operation and Maintenance (Lines 18-24)	\$ 2,234,008	\$ -	\$ -
26	Utility Plant			
27	Construction (by utility departments)	298,095		
28	Plant Removal (by utility departments)			
29	Other Accounts (Specify)			
30	Officers	919,475		
31	Accounting	288,172		
32	Customer Service	423,404		
33	Data Processing	204,760		
34	Engineering	334,449		
35				
36				
37	Total Other Accounts	\$ 2,170,260	\$ -	\$ -
38	Total Salaries and Wages	\$ 4,702,363	\$ -	\$ -

Annual Report of Pennichuck Water Works, Inc.

Year Ended December 31, 2004

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing account to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged to Clearing Accounts (c)	Total (d)
1	Operation			
2	Source of Supply	27,807		
3	Pumping	538,455		
4	Water Treatment	380,862		
5	Transmission and Distribution	(23,835)		
6	Customer Accounts	164,601		
7	Sales			
8	Administration and General	425,628		
9	Total Operation	\$ 1,513,518	\$ -	\$ -
10	Maintenance			
11	Source of Supply			
12	Pumping	269,849		
13	Water Treatment	55,393		
14	Transmission and Distribution	272,248		
15	Administrative and General	240,815		
16	Total Maintenance	\$ 838,305	\$ -	\$ -
17	Total Operation and Maintenance			
18	Source of supply (Lines 2 and 11)	27,807	-	-
19	Pumping (Lines 3 and 12)	808,304	-	-
20	Water Treatment Lines 4 and 13)	436,255	-	-
21	Transmission and Distribution (Lines 5 & 14)	248,413	-	-
22	Customer Accounts (Line 6)	164,601	-	-
23	Sales (Line 7)	-	-	-
24	Administrative and General (Lines 8 and 15)	666,443	-	-
25	Total Operation and Maintenance (Lines 18-24)	\$ 2,351,823	\$ -	\$ -
26	Utility Plant			
27	Construction (by utility departments)	427,452		
28	Plant Removal (by utility departments)			
29	Other Accounts (Specify)			
30	Officers	913,307		
31	Accounting	337,023		
32	Customer Service	399,620		
33	Data Processing	210,753		
34	Engineering	344,786		
35				
36				
37	Total Other Accounts	\$ 2,205,489	\$ -	\$ -
38	Total Salaries and Wages	\$ 4,984,764	\$ -	\$ -

F-58 Distribution of Salaries and Wages

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing account to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged to Clearing Accounts (c)	Total (d)
1	Operation			
2	Source of Supply	120,488		
3	Pumping	628,149		
4	Water Treatment	418,479		
5	Transmission and Distribution	(54,390)		
6	Customer Accounts	175,248		
7	Sales			
8	Administration and General	458,883		
9	Total Operation	\$ 1,746,857	\$ -	\$ -
10	Maintenance			
11	Source of Supply	-		
12	Pumping	123,805		
13	Water Treatment	42,633		
14	Transmission and Distribution	268,591		
15	Administrative and General	269,186		
16	Total Maintenance	\$ 704,215	\$ -	\$ -
17	Total Operation and Maintenance			
18	Source of supply (Lines 2 and 11)	120,488	-	-
19	Pumping (Lines 3 and 12)	751,954	-	-
20	Water Treatment Lines 4 and 13)	461,112	-	-
21	Transmission and Distribution (Lines 5 & 14)	214,201	-	-
22	Customer Accounts (Line 6)	175,248	-	-
23	Sales (Line 7)	-	-	-
24	Administrative and General (Lines 8 and 15)	728,069	-	-
25	Total Operation and Maintenance (Lines 18-24)	\$ 2,451,072	\$ -	\$ -
26	Utility Plant			
27	Construction (by utility departments)	444,923		
28	Plant Removal (by utility departments)			
29	Other Accounts (Specify)			
30	Officers	1,129,114		
31	Accounting	386,432		
32	Customer Service	441,488		
33	Data Processing	234,672		
34	Engineering	376,958		
35				
36				
37	Total Other Accounts	\$ 2,568,664	\$ -	\$ -
38	Total Salaries and Wages	\$ 5,464,659	\$ -	\$ -

REGULATED WATER SYSTEMS

Company	No. of Customers	Area Served
Aquarion Water Company	8,519	Towns of Hampton, North Hampton; limited area of Rye
Atkinson Woods	56	Limited area of Atkinson
Bow Lake Estates	37	Limited area of Strafford
Daniels Lake	30	Limited area of Weare
Dockham Shores	58	Limited area of Gilford
Forest Edge	37	Limited area of Conway
Fryeburg Water	67 ¹	Limited area of Conway
Hampstead Area Water	2,754	Limited areas of Atkinson, Chester, Danville, East Kingston, Fremont, Hampstead, Kingston, Nottingham, Plaistow, Salem and Sandown
Hanover Water Works	1,742	Town of Hanover
Lakeland Management	154	Limited area of Belmont
Lakes Region Water	1,585	Limited areas of Campton, Conway, Freedom, Gilford, Moultonboro, Laconia, Ossipee, Tamworth, Thornton, Tuftonboro and Wolfeboro
Lakeview Water	22	Limited area of Alton
Northern Shores	32	Limited area of Tilton
Pennichuck Water Works	25,044	City of Nashua, Town of Amherst, limited areas of Bedford, Derry, Epping, Hollis, Merrimack, Milford, Newmarket, Newton, Plaistow and Salem
Pennichuck East Utility	4,943	Towns of Pelham, Litchfield, Windham, limited areas of Atkinson, Bow, Chester, Derry, Exeter, Hooksett, Lee, Londonderry, Plaistow, Raymond and Sandown.

¹ New Hampshire customers only

Company	No. of Customers	Area Served
Pittsfield Aqueduct	1,687	Town of Pittsfield, limited areas of Barnstead, Conway and Middleton.
Riverside Water Works	36 ²	Limited area of Stewartstown
Rolling Ridge	25	Limited area of Bartlett
Rosebrook Water	368	Limited areas of Carroll, Bethlehem and Crawford's Purchase
Sacoridge	33	Limited area of Bartlett
Tioga River	58	Limited areas of Belmont and Gilford
West Swanzey Water Co.	64	Limited area of Swanzey
White Rock Water Co.	95	Limited area of Bow
Wildwood Water	47	Limited area of Albany

² New Hampshire customers only

	Cubic Feet		An Estimated Cost of New Hampshire Cities' Water Rates, using Pennichuck's, DES', and NH PUC's Cubic Feet Average					
	Per Month	Per Year	<i>*Average residential customers as of 06-073 rate case.</i>					
Pennichuck #1	1033.33	12400.00						
Pennichuck #2	928.33	11140.00						
DES	1118.18	13418.19						
NH PUC	733.33	8800.00						
	Monthly Cost (per 100 ft. ³)				Quarterly Cost (per 100 ft. ³)			
	Pennichuck #1	Pennichuck #2	DES	NH PUC	Pennichuck #1	Pennichuck #2	DES	NH PUC
Claremont	5.00		5.00		15.00		15.00	
Somersworth	16.53		17.89		49.60		53.67	
Laconia	16.88		17.86		50.65		53.58	
Portsmouth	17.26		18.67		51.77		56.02	
Keene	22.34		23.57		67.01		70.70	
Manchester	25.42		26.53		76.27		79.60	
Dover	26.35		28.51		79.05		85.54	
Berlin	27.11		27.11		81.34		81.34	
Lebanon	28.96		31.34		86.89		94.03	
Concord	32.18		33.85		96.53		101.54	
Rochester	35.65		38.58		106.95		115.73	
Nashua (Penn.)	43.44		45.65		130.33		136.94	

Monthly Cost (per 100 ft.³)

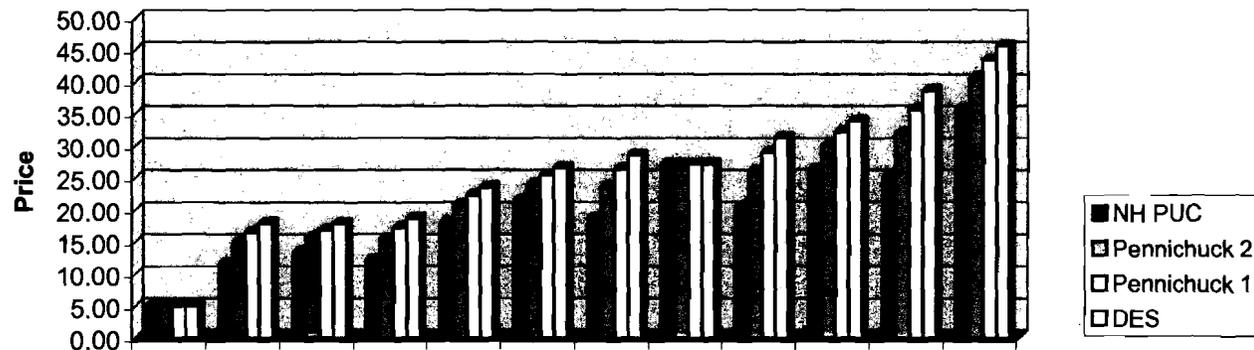
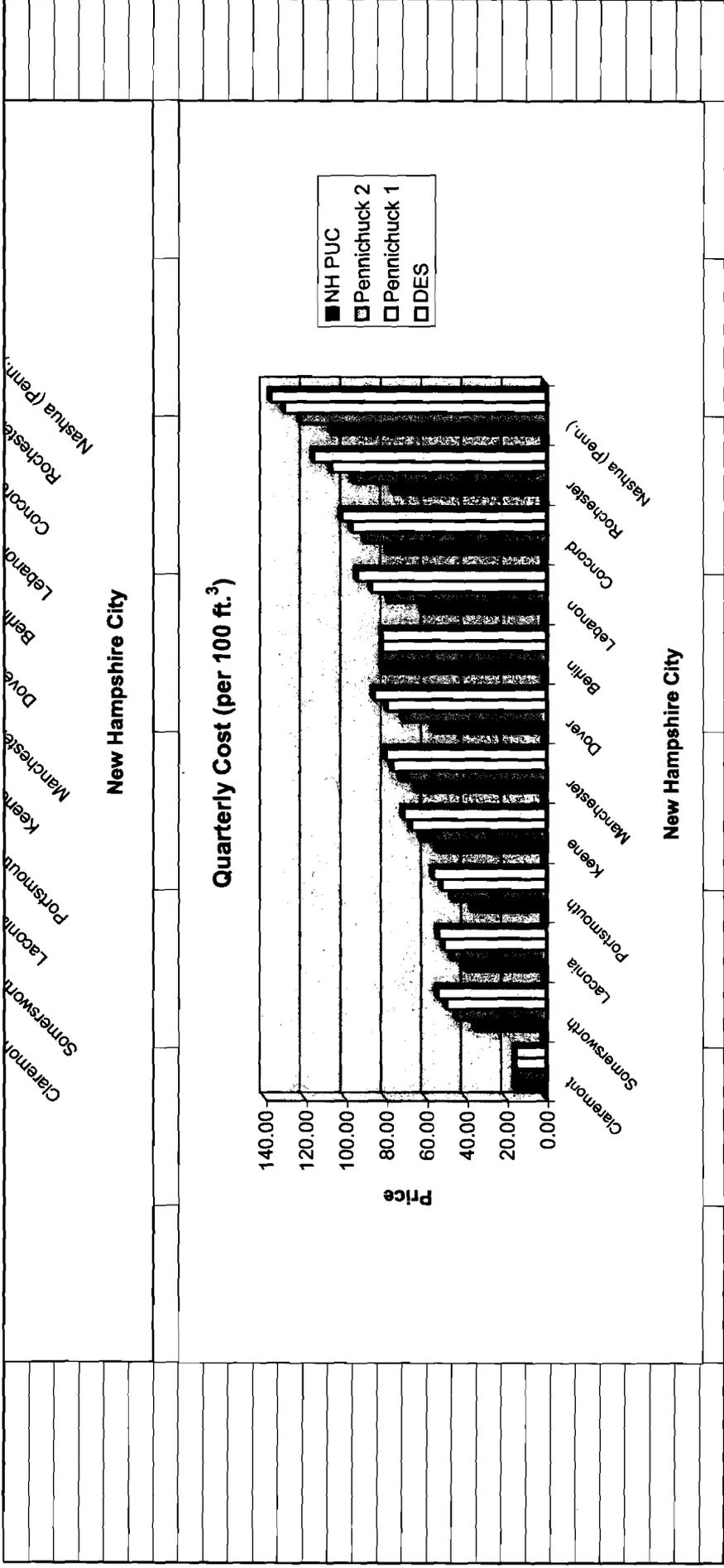


EXHIBIT 1132
 Rate Comparison - NH Cities for PUC 04-048.



Revised Exhibit SJD - 3
12/18/2005Pittsfield Aqueduct, Central Water Co. and Consolidated Water Co.
Consolidated Income Statement - projected at PAC rates

12/18/2005

	PAC 12 mos. Ended 31-Dec-04	Central *** using PAC rates ***	Consolidated ***	Combined	
Water Sales	\$ 468,965	346,888	119,797	\$ 935,650	
Other Operating Revenue	4,563	8,362	1,853	14,778	
Total Revenues	473,528	355,250	121,650	950,428	
Production Expenses	59,645	42,817	26,478	128,940	
Transmission & Distribution Exp.	26,474	65,538	21,202	113,214	
Customer Acct & Collection Exp.	14,140	17,766	6,614	38,520	conformed to PAC cost per customer
Administrative & General Exp.	4,088	5,136	1,912	11,137	conformed to PAC cost per customer
Inter Div Management Fee	134,000	33,211	15,111	182,322	
Total Operating Expense	238,347	164,469	71,317	474,133	
Depreciation Expense	81,368	25,625	7,167	114,160	
Amortization Expense: CIAC	(25,929)	(3,811)	-	(29,740)	
Amortization Expense	16,312	3,226	1,339	20,877	
Taxes Other Than Income Tax	41,635	13,838	8,158	63,631	
Income Tax	25,154	52,503	11,189	88,846	
Total Operating Deductions	138,540	91,381	27,853	257,774	
Net Operating Income	96,641	99,400	22,480	218,521	
<u>Interest Expense</u>					
Interest Expense: Bonds & Notes	57,721	17,280	4,980	79,981	
Amortization of Debt Expense	926	-	-	926	
Intercompany Interest	(354)	-	-	(354)	
Total Interest	58,293	17,280	4,980	80,553	
Net Income	\$ 38,348	\$ 82,120	\$ 17,500	\$ 137,968	
Number of customers	620	779	290	1,689	
Cust acctg per cust.	22.81				
Admin & Gen per cust.	6.59				
Estimated equity investment*	1,137,000	325,000	50,000	1,512,000	
Return on Equity	3.4%	25.3%	35.0%	9.1%	

* Equity = 50% of investment

C:\Documents and Settings\user\Local Settings\Temporary Internet Files\OLK4\revised exhibit sjd 3.xls\proforma

2003

FINANCIAL & OPERATING DATA

FOR

INVESTOR-OWNED WATER UTILITIES

ECONOMIC RESEARCH PROGRAM



1725 K Street, N.W.
Suite 1212
Washington, DC 20006

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INCOME STATEMENTS AND SELECTED RATIOS

2003

FINANCIAL SUMMARY

FOR

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ECONOMIC RESEARCH PROGRAM



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2004

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NATIONAL ASSOCIATION OF WATER COMPANIES

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Valuation Edition
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ENCHMARKING

Performance Indicators for Water and Wastewater Utilities: Survey Data and Analyses Report

Angela K. Lafferty and William C. Lauer



**American Water Works
Association**

Advocacy
Construction Policy
Education
Education and Training
► **Science and Technology**
Sections

Justin C. Richardson

From: Donald Ware [ddware@juno.com]
Sent: Wednesday, November 19, 2003 11:39 PM
To: mccarthybri@earthlink.net
Subject: Connecticut/Pennichuck Merger

Attachments: CTWS-PNNW merger.xls



CTWS-PNNW
merger.xls (17 KB)

Brian -

attached please find the spread sheet we discussed. The PWW earnings after the merger are rough because I don't have our financials at home but they are probably fairly close. There would also be some savings from the merger in PWW expenses, like no \$250,000 CEO or Board of Directors and accounting costs for auditing would be reduced. In any event the numbers appear to work nicely if Connecticut could book the purchase price and then sell to the City as the gain would be from a much higher basis than in the PWW deal with the City. Questions, please let me know.

Thanks

Don

Connecticut Water merger with Pennichuck Water
Nov. 19, 2003

Connecticut Water (CTWS) Closing Price -	\$	28.77	
# of Shares of CTWS in the Market prior to merger -		7,967,000	
Current CTWS Earnings -	\$	8,524,690	
CTWS current EPS -	\$	1.07	
CTWS offer to buy PNNW -	\$	115,000,000	
Number of CTWS shares required @ current market price -		3,997,219	
Resultant number of CTWS shares in the Market -		11,964,219	
Earnings from PNNW purchase (no sale to City) -	\$	2,960,000	
Earnings from merged Companies -	\$	11,484,690	
EPS from merged Companies w/no operational savings -	\$	0.96	merger dilutive to earnings
EPS from merged Companies with operational savings -		1.04	merger dilutive to earnings
City of Nashua Purchase Price -	\$	90,000,000	
Shares acquired via CTWS stock buy back -		2,979,294	
Shares of CTWS after buy back -		8,984,925	
Earnings from PWW if City buys Nashua assets -		1,715,000	
Earnings of merged Company after City buy out -	\$	10,239,690	
CTWS earnings after buy back and City buy out -		1.14	merge accretive to earnings

MODEL DATA:

CTWS stock price -	\$	28.77	
CTWS purchase price of PNNW -	\$	115,000,000	
Operational savings from merger -	\$	1,000,000	
CTWS stock buy back price (5% premium over market)-	\$	30.21	per share
CTWS cash (from Nashua purchase) used to buy back stock -	\$	90,000,000	
PWW earnings without Nashua assets -	\$	1,715,000	
Real estate (office leases) -	\$	200,000	
Pittsfield Aqueduct -	\$	65,000	
PEU -	\$	400,000	
Non Core PWW -	\$	150,000	
Penn Water Service Corp -	\$	200,000	
City of Nashua Service Contract Earnings -	\$	700,000	

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Justin C. Richardson

From: Donald Ware [ddware@juno.com]
Sent: Wednesday, November 19, 2003 11:51 PM
To: mccarthybri@earthlink.net
Subject: Fw: Connecticut/Pennichuck Merger

Attachments: CTWS-PNNW merger.xls



CTWS-PNNW
merger.xls (18 KB)

Brian:

REvised spread sheet from first mailing reflecting the need for Connecticut to settle up PNNW debt on nashua facilities prior to buy back, added some earnings for operational savings resulting from the merger.

Don

----- Forwarded message -----
From: Donald Ware <ddware@juno.com>
To: mccarthybri@earthlink.net
Date: Wed, 19 Nov 2003 23:39:12 -0500
Subject: Connecticut/Pennichuck Merger

Brian -

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Don

Justin C. Richardson

From: Densberger, Stephen [steve.densberger@PENNICHUCK.COM]
Sent: Monday, December 09, 2002 12:02 PM
To: Brian McCarthy (E-mail)
Subject: CAC supports city purchase of Indianapolis Water Co.

<http://www.citact.org/waterpurch.html>