

**PENNICHUCK EAST UTILITY, INC.**  
**COMPUTATION OF REVENUE DEFICIENCY**  
**For The Twelve Months Ended December 31, 2007**

Schedule A  
PEU Only

|                                       | TEST YEAR     | PRO FORMA<br>ADJUSTMENTS | PRO FORMA<br>TEST YEAR |
|---------------------------------------|---------------|--------------------------|------------------------|
| Consolidated Rate Base (Sch 3)        | \$ 12,563,631 | \$ -                     | \$ 12,563,631          |
| RATE of Return (1) (2)                | 7.60%         |                          | 7.80%                  |
| Income Required                       | \$ 954,836    | \$                       | \$ 980,502             |
| Adjusted Net Operating Income (Sch 1) | \$ 804,036    | \$ 155,811               | \$ 959,847             |
| Deficiency                            | \$ 150,800    | \$                       | \$ 20,655              |
| Tax Factor                            | 60.39%        |                          | 60.39%                 |
| Revenue Deficiency                    | \$ 249,710    | \$                       | \$ 34,203              |
| Water Revenues                        | \$ 4,790,508  | \$ -                     | \$ 4,790,508           |
| Proposed Revenue Inc                  | 5.21%         |                          | 0.71%                  |

**Notes:**

(1) The test year reflects the last authorized Rate of return approved in Order 24,840 dtd 4/4/08 (DW 07-032).

(2) Pro Forma Rate of Return based on PEU Rate of Return, Schedule 1.

**PENNICHUCK EAST UTILITY, INC.**  
**OPERATING INCOME STATEMENT**  
For The Twelve Months Ended December 31, 2007

Schedule 1  
PEU Only

|                                     | TWELVE<br>MONTHS<br>12/31/07 | PRO FORMA<br>ADJUSTMENTS | PRO FORMA 12<br>MONTHS<br>12/31/07 | TWELVE<br>MONTHS<br>12/31/06 | TWELVE<br>MONTHS<br>12/31/05 |
|-------------------------------------|------------------------------|--------------------------|------------------------------------|------------------------------|------------------------------|
| Water Sales                         | \$ 4,790,508                 | \$ -                     | \$ 4,790,508                       | \$ 4,180,304                 | \$ 3,789,837                 |
| Other Operating Revenue             | (136,696)                    | 155,811 (1)              | 19,115                             | 16,676                       | 21,650                       |
| Total Revenues                      | 4,653,812                    | 155,811                  | 4,809,623                          | 4,196,980                    | 3,811,487                    |
| Production Expenses                 | 1,139,750                    | -                        | 1,139,750                          | 1,065,729                    | 1,003,418                    |
| Transmission & Distribution Expense | 268,654                      | -                        | 268,654                            | 221,300                      | 222,325                      |
| Customer Acct & Collection Exp      | 131,160                      | -                        | 131,160                            | 102,572                      | 101,321                      |
| Administrative & General Expense    | 127,500                      | -                        | 127,500                            | 92,173                       | 56,862                       |
| Inter Div Management Fee            | 1,184,339                    | -                        | 1,184,339                          | 1,340,000                    | 1,196,000                    |
| Total Operating Expense             | 2,851,403                    | -                        | 2,851,403                          | 2,821,774                    | 2,579,927                    |
| Depreciation Exp/Acq Adj (Credit)   | 505,370                      | -                        | 505,370                            | 466,514                      | 484,405                      |
| Amortization Expense: CIAC          | (137,415)                    | -                        | (137,415)                          | (120,942)                    | (87,882)                     |
| Amortization Expense                | 57,328                       | -                        | 57,328                             | 45,395                       | 44,955                       |
| Taxes Other Than Income Tax         | 328,937                      | -                        | 328,937                            | 342,869                      | 333,101                      |
| Gain fm Forgiveness SRF Debt        | (5,799)                      | -                        | (5,799)                            | (5,817)                      | (5,751)                      |
| Gain on Disp/Utility Property       | -                            | -                        | -                                  | -                            | (7,966)                      |
| Income Tax                          | 249,952                      | -                        | 249,952                            | 68,343                       | 25,743                       |
| Total Operating Deductions          | 998,373                      | -                        | 998,373                            | 796,361                      | 786,605                      |
| Net Operating Income                | \$ 804,036                   | \$ 155,811               | \$ 959,847                         | \$ 578,845                   | \$ 444,956                   |

**Notes:**

(1) The debit balance in Other Operating Revenue is adjusted due to the billing correction for Pelham School District

**PENNICHUCK EAST UTILITY, INC.**  
**COMPUTATION OF RATE BASE**  
For The Thirteen Months Ended December 31, 2007  
Schedule 3  
**PEU Only**

| Description              | Test Year           | Year End          | Pro Forma                         | Pro Forma         |
|--------------------------|---------------------|-------------------|-----------------------------------|-------------------|
|                          | Average<br>(Sch 3B) | Rate Base         | Adjustments<br>Permanent<br>Rates | Test Year         |
| Plant in Service         | 35,751,058          | 36,232,512        | -                                 | 35,751,058        |
| Accum Deprec             | 6,159,310           | 6,449,458         | -                                 | 6,159,310         |
| Accum Deprec: Loss       | 303,065             | 417,455           | -                                 | 303,065           |
| Acquisition Adjustment   | 10,486,623          | 10,477,585        | -                                 | 10,486,623        |
| Accum Amort Acq Adj      | 1,910,976           | 2,025,785         | -                                 | 1,910,976         |
| CIAC                     | 7,943,896           | 8,460,398         | -                                 | 7,943,896         |
| Amort of CIAC            | 495,031             | 566,127           | -                                 | 495,031           |
|                          | 13,870,301          | 13,854,439        | -                                 | 13,870,301        |
| ADD:                     |                     |                   |                                   |                   |
| Working Cap              | 351,645             | 277,965           | -                                 | 351,645           |
| Materials & Supplies     | -                   | -                 | -                                 | -                 |
| Prepayments              | 64,894              | 104,332           | -                                 | 64,894            |
| Other & Deferred Charges | 703,106             | 664,067           | -                                 | 703,106           |
|                          | 1,119,645           | 1,046,363         | -                                 | 1,119,645         |
| DEDUCT:                  |                     |                   |                                   |                   |
| Customer Advances        | -                   | -                 | -                                 | -                 |
| Customer Deposits        | 2,895               | 2,910             | -                                 | 2,895             |
| Deferred Income Tax      | 2,323,348           | 2,582,182         | -                                 | 2,323,348         |
| Deferred Gain SRF Loan   | 100,072             | 97,172            | -                                 | 100,072           |
|                          | 2,426,315           | 2,682,264         |                                   | 2,426,315         |
| <b>TOTAL Rate Base</b>   | <b>12,563,631</b>   | <b>12,218,538</b> | <b>-</b>                          | <b>12,563,631</b> |

**Pennichuck East Utility, Inc.**  
**Computation of Working Capital (O&M) Allowance**  
**For the Thirteen Months Ended December 31, 2007**

**Schedule 3A**  
**PEU Only**

|                                     | 2006     |         |          |         |         |         |         |         |         |           |         |          | 2007     |          |
|-------------------------------------|----------|---------|----------|---------|---------|---------|---------|---------|---------|-----------|---------|----------|----------|----------|
|                                     | December | January | February | March   | April   | May     | June    | July    | August  | September | October | November | December | December |
| Production Expenses                 | 103,447  | 95,411  | 81,014   | 66,518  | 93,907  | 88,766  | 116,959 | 103,749 | 100,338 | 112,056   | 108,118 | 70,850   | 102,064  |          |
| Transmission & Distribution Expense | 16,165   | 9,385   | 17,966   | 48,578  | 42,163  | 35,802  | 12,517  | 19,776  | 19,130  | 16,645    | 16,825  | 11,948   | 17,918   |          |
| Customer Accr & Collection Exp      | 12,105   | 7,564   | 7,869    | 14,171  | 7,024   | 8,952   | 11,526  | 7,649   | 10,892  | 14,214    | 14,828  | 6,208    | 20,262   |          |
| Administrative & General Expense    | 7,488    | 5,481   | 5,598    | 45,258  | 9,920   | 7,613   | 14,460  | 8,122   | 5,727   | 7,645     | 6,219   | 5,577    | 5,880    |          |
| Inter Div Management Fee            |          | 87,873  | 72,873   | 115,189 | 78,771  | 94,038  | 110,260 | 55,512  | 111,906 | 79,958    | 91,746  | 100,996  | 33,558   |          |
| Inter Div Management Fee            | 99,000   | 10,611  | 11,084   | 38,369  | 8,976   | 11,015  | 3,860   | 10,054  | 11,685  | 11,476    | 11,389  | 14,958   | 8,182    |          |
| Total Operating Expense             | 238,205  | 216,325 | 196,405  | 328,083 | 240,762 | 246,187 | 269,582 | 204,862 | 259,678 | 241,993   | 249,125 | 210,537  | 187,865  |          |
| Allocation Factor                   | 12.33%   | 12.33%  | 12.33%   | 12.33%  | 12.33%  | 12.33%  | 12.33%  | 12.33%  | 12.33%  | 12.33%    | 12.33%  | 12.33%   | 12.33%   |          |
| Working Capital                     | 29,371   | 26,673  | 24,217   | 40,453  | 29,686  | 30,365  | 33,239  | 25,259  | 32,018  | 29,838    | 30,717  | 25,959   | 23,164   |          |
| Annualized                          | 352,448  | 320,075 | 290,600  | 485,432 | 356,231 | 364,258 | 398,873 | 303,113 | 384,220 | 358,053   | 368,605 | 311,510  | 277,965  |          |

**Pennichuck East Utility, Inc.**  
**Computation of Thirteen Month Average Balance**  
**For the Thirteen Months Ended December 31, 2007**

Schedule 3B  
PEU Only

| DESCRIPTION            | Dec-06     | Jan-07     | Feb-07     | Mar-07     | Apr-07     | May-07     | Jun-07     | Jul-07     | Aug-07     | Sep-07     | Oct-07     | Nov-07     | Dec-07     | Average    |
|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Plant in Service       | 35,132,760 | 35,156,572 | 35,164,029 | 35,224,732 | 35,693,486 | 35,737,580 | 35,996,062 | 36,023,695 | 36,027,380 | 36,056,658 | 36,120,276 | 36,198,013 | 36,232,512 | 35,751,058 |
| Accum Deprec           | 5,834,935  | 5,896,269  | 5,957,634  | 6,042,351  | 6,106,462  | 6,168,242  | 6,231,828  | 6,162,848  | 6,220,792  | 6,278,666  | 6,329,392  | 6,392,150  | 6,449,458  | 6,159,310  |
| Accum Deprec: Loss     | 222,608    | 222,612    | 222,628    | 222,637    | 222,652    | 229,893    | 229,902    | 360,917    | 380,145    | 385,954    | 411,188    | 411,254    | 417,455    | 303,065    |
| Acquisition Adjustment | 10,489,468 | 10,489,468 | 10,489,468 | 10,489,468 | 10,489,468 | 10,489,468 | 10,489,468 | 10,489,468 | 10,489,468 | 10,488,135 | 10,477,585 | 10,477,585 | 10,477,585 | 10,486,623 |
| Accum Amort Acq Adj    | 1,795,421  | 1,814,586  | 1,833,939  | 1,853,291  | 1,872,643  | 1,891,996  | 1,911,348  | 1,930,701  | 1,950,053  | 1,969,290  | 1,987,162  | 2,006,474  | 2,025,785  | 1,910,976  |
| CIAC                   | 7,394,128  | 7,396,588  | 7,397,203  | 7,404,265  | 7,779,829  | 7,780,987  | 8,013,711  | 8,272,677  | 8,286,958  | 8,292,729  | 8,368,820  | 8,422,350  | 8,460,398  | 7,943,896  |
| Reserve of CIAC: Amort | 428,713    | 438,996    | 449,280    | 459,576    | 470,752    | 481,930    | 493,481    | 505,351    | 517,244    | 529,150    | 541,250    | 553,549    | 566,127    | 495,031    |
| O&M Allowance          | 352,448    | 320,075    | 290,600    | 485,432    | 356,231    | 364,258    | 398,873    | 303,113    | 384,220    | 358,053    | 368,605    | 311,510    | 277,965    | 351,645    |
| Materials & Supplies   | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| Prepayments            | 100,887    | 73,292     | 41,654     | 26,087     | 26,425     | 69,652     | 90,075     | 63,877     | 35,268     | 13,742     | 86,235     | 112,092    | 104,332    | 64,894     |
| Other & Def Charges    | 782,360    | 782,714    | 775,552    | 752,951    | 679,115    | 681,120    | 671,867    | 680,390    | 680,798    | 665,022    | 663,999    | 660,429    | 664,067    | 703,106    |
| Cust Advance           | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| Cust Deposit           | 2,889      | 2,889      | 2,889      | 2,889      | 2,898      | 2,898      | 2,898      | 2,897      | 2,897      | 2,897      | 2,897      | 2,897      | 2,910      | 2,895      |
| Deferred Income Tax    | 2,312,034  | 2,319,225  | 2,305,033  | 2,304,208  | 2,304,592  | 2,300,800  | 2,321,306  | 2,309,528  | 2,300,342  | 2,291,928  | 2,288,164  | 2,264,180  | 2,582,182  | 2,323,348  |
| Deferred Gain SRF Loan | 102,971    | 102,488    | 102,005    | 101,522    | 101,038    | 100,555    | 100,072    | 99,589     | 99,105     | 98,622     | 98,139     | 97,656     | 97,172     | 100,072    |
| Rate Base              | 12,678,771 | 12,601,920 | 12,523,451 | 12,680,007 | 12,537,018 | 12,613,479 | 12,632,327 | 12,531,038 | 12,575,547 | 12,524,892 | 12,613,719 | 12,596,503 | 12,218,538 | 12,563,631 |

**Pennichuck East Utility, Inc.**  
**Overall Rate of Return**  
**For the Twelve Months Ended December 31, 2007**

**Schedule 1**  
**PEU Only**

| <u>Capital Component</u>      | <u>Pro Forma Test</u><br><u>Year</u> | <u>Component</u><br><u>Ratio</u> | <u>Component</u><br><u>Cost Rate</u> | <u>Weighted</u><br><u>Average</u><br><u>Cost Rate</u> |
|-------------------------------|--------------------------------------|----------------------------------|--------------------------------------|-------------------------------------------------------|
| Long-term Debt                | 6,506,991                            | 51.75%                           | 6.01%                                | 3.11%                                                 |
| Short-term Debt               | 20,056                               | 0.16%                            | 4.75% (1)                            | 0.01%                                                 |
| Preferred Stock               | -                                    | 0.00%                            | 0.00%                                | 0.00%                                                 |
| Common Equity                 | <u>6,046,758</u>                     | <u>48.09%</u>                    | 9.75%                                | <u>4.69%</u>                                          |
| <b>Overall Rate of Return</b> | <b>\$ <u>12,573,805</u></b>          | <b><u>100.00%</u></b>            |                                      | <b><u>7.80%</u></b>                                   |

**Notes:**

(1) The interest reflected is the interest rates for December 2007.

Pennichuck East Utility, Inc.  
Capital Structure for Rate-making Purposes  
For the Twelve Months Ended December 31, 2007

Schedule 2  
PEU Only

|                       | <u>Test Year</u>    | <u>Pro Forma<br/>Adjustments</u> | <u>Pro Forma<br/>Test Year</u> | <u>Component<br/>Ratio</u> |
|-----------------------|---------------------|----------------------------------|--------------------------------|----------------------------|
| Long-term Debt        | 6,506,991           |                                  | 6,506,991                      | <b>51.75%</b>              |
| <u>Common Equity:</u> |                     |                                  |                                |                            |
| Common Stock          | 100                 |                                  | 100                            |                            |
| Paid In Capital       | 3,943,074           | -                                | 3,943,074                      |                            |
| Retained Earnings     | 2,103,584           |                                  | 2,103,584                      |                            |
| Total Common Equity   | <u>6,046,758</u>    |                                  | <u>6,046,758</u>               | <b>48.09%</b>              |
| Short-term Debt       | \$ 20,056           | -                                | 20,056                         | <b>0.16%</b>               |
| Total Capital         | <u>\$12,573,805</u> | -                                | <u>\$ 12,573,805</u>           | 100.00%                    |

Notes:

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

**Schedule 5**  
**PEU Only**

| Holder                                          | Term | Maturity | Rate  | Outstanding<br>Balance | Annual<br>Interest | Annual<br>Amortization | All In Annual<br>Cost | Effective Rate      |
|-------------------------------------------------|------|----------|-------|------------------------|--------------------|------------------------|-----------------------|---------------------|
| Business Finance Authority of NH (Series 2005D) | 20   | 1/1/25   | 4.50% | 1,170,000              | 52,650             | 6,915                  | 59,565                | 5.09%               |
| Fleet National Bank/Bank of America             |      | 12/31/09 | 6.50% | 4,500,000              | 292,500            | 8,595                  | 301,095               | 6.69%               |
| State of NH SRF (Green Hills)                   | 20   | 1/1/25   | 3.73% | 293,563                | 10,944             | -                      | 10,944                | 3.73%               |
| State of NH SRF (Pelham Tank)                   | 20   | 2/1/27   | 3.49% | 543,428                | 18,955             | 226                    | 19,181                | 3.53%               |
|                                                 |      |          |       | <u>\$ 6,506,991</u>    | <u>\$ 375,049</u>  | <u>\$ 15,736</u>       | <u>\$ 390,785</u>     | <u><b>6.01%</b></u> |

**Pennichuck East Utility, Inc.**  
**Cost of Short-Term Debt**  
**For the Thirteen Months Ended December 31, 2007**

**Schedule 6**  
**PEU Only**

|                                         | Dec-06             | Jan-07             | Feb-07             | Mar-07             | Apr-07             | May-07           | Jun-07           | Jul-07           | Aug-07           | Sep-07           | Oct-07           | Nov-07           | Dec-07          | 13 Month<br>Average |
|-----------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|---------------------|
| Intercompany cash                       | -                  | 326,843            | 544,292            | -                  | -                  | -                | -                | -                | -                | -                | -                | -                | -               | -                   |
| Intercompany receivable                 | -                  | (1,899,861)        | (2,045,343)        | (1,469,120)        | (1,555,943)        | (551,980)        | (731,865)        | (824,604)        | (815,292)        | (748,284)        | (461,841)        | (370,843)        | (20,056)        | -                   |
| <b>Pennichuck Interco Receivable</b>    | <b>-</b>           | <b>(1,573,016)</b> | <b>(1,501,051)</b> | <b>(1,469,120)</b> | <b>(1,555,943)</b> | <b>(551,980)</b> | <b>(731,865)</b> | <b>(824,604)</b> | <b>(815,292)</b> | <b>(748,284)</b> | <b>(461,841)</b> | <b>(370,843)</b> | <b>(20,056)</b> | <b>(817,223)</b>    |
| <b>Pennichuck Corporation:</b>          |                    |                    |                    |                    |                    |                  |                  |                  |                  |                  |                  |                  |                 |                     |
| Intercompany advances                   | 1,745,612          | -                  | -                  | -                  | -                  | -                | -                | -                | -                | -                | -                | -                | -               | 134,278             |
| <b>Pennichuck Interco Net Liability</b> | <b>(1,745,612)</b> | <b>(1,573,016)</b> | <b>(1,501,051)</b> | <b>(1,469,120)</b> | <b>(1,555,943)</b> | <b>(551,980)</b> | <b>(731,865)</b> | <b>(824,604)</b> | <b>(815,292)</b> | <b>(748,284)</b> | <b>(461,841)</b> | <b>(370,843)</b> | <b>(20,056)</b> | <b>(951,501)</b>    |