

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

**COMBINED
Schedule A
with Revised Step 2**

	TEST YEAR	PRO FORMA ADJUSTMENTS	PRO FORMA TEST YEAR	STEP INCR #1 PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCR #1 FORMA TEST YEAR	STEP INCR #2 PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASES FORMA TEST YEAR
Consolidated Rate Base	\$ 72,945,003	\$ 3,974,060	\$ 76,919,063	\$ 7,179,944	\$ 84,099,007	\$ 5,445,539	\$ 89,544,546
RATE of Return	7.89%		7.81%		7.81%		7.81%
Income Required	\$ 5,755,361		\$ 6,008,497		\$ 6,569,355		\$ 6,994,731
Adjusted NOI (1)	\$ 4,680,242	\$ (600,475)	\$ 4,079,767	\$ (100,571)	\$ 3,979,196	\$ (72,139)	\$ 3,907,057
Deficiency	\$ 1,075,119		\$ 1,928,730		\$ 2,590,159		\$ 3,087,674
Tax Factor	60.39%		60.39%		60.39%		60.39%
Revenue Deficiency	\$ 1,780,293		\$ 3,193,791	\$ 1,095,263	\$ 4,289,054	\$ 823,836	\$ 5,112,890
Water Revenues	\$ 21,312,996	\$ 390,072	\$ 21,703,068	\$ -	\$ 21,703,068	\$ -	\$ 21,703,068
Proposed Revenue Inc	8.35%		14.72%	5.05%	19.76%	3.80%	23.56%

PENNICHUCK WATER WORKS, INC.
 COMPUTATION OF REVENUE DEFICIENCY
 For The Twelve Months Ended December 31, 2007

STEP INCREASE
 Schedule A
 with Revised Step 2

	TEST YEAR	PRO FORMA ADJUSTMENTS	PRO FORMA TEST YEAR	STEP INCR #1 PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCR #1 FORMA TEST YEAR	STEP INCR #2 PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASES FORMA TEST YEAR
Consolidated Rate Base	\$ 72,945,003	\$ 3,974,060	\$ 76,919,063	\$ 7,179,944	\$ 84,099,007	\$ 5,445,539	\$ 89,544,546
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Income Required	\$ 5,755,361		\$ 6,008,497		\$ 6,569,355		\$ 6,994,731
Adjusted NOI (1)	\$ 4,680,242	\$ (600,475)	\$ 4,079,767	\$ (100,571)	\$ 3,979,196	\$ (72,139)	\$ 3,907,057
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Tax Factor	60.39%		60.39%		60.39%		60.39%
Revenue Deficiency	\$ 1,780,293		\$ 3,193,791	\$ 1,095,263	\$ 4,289,054	\$ 823,836	\$ 5,112,890
Water Revenues	\$ 21,312,996	\$ 390,072	\$ 21,703,068	\$ -	\$ 21,703,068	\$ -	\$ 21,703,068
Proposed Revenue Inc	8.35%		14.72%	5.05%	19.76%	3.80%	23.56%

PENNICHUCK WATER WORKS, INC.
OPERATING INCOME STATEMENT
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 1
with Revised Step 2

	TWELVE MONTHS 12/31/07	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/07	STEP INCREASE #1 PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCR #1 FORMA TEST YEAR	STEP INCREASE #2 PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASES FORMA TEST YEAR
Water Sales	\$ 21,312,996	\$ 390,072	\$ 21,703,068	\$ -	\$ 21,703,068	\$ -	\$ 21,703,068
Water Sales for Resale	933	-	933	-	933	-	933
Other Operating Revenue	233,983	-	233,983	-	233,983	-	233,983
Total Revenues	21,547,912	390,072	21,937,983	-	21,937,983	-	21,937,983
Production Expenses	3,449,914	152,770	3,602,684	-	3,602,684	-	3,602,684
Transmission & Distribution Expense	1,221,403	91,086	1,312,489	-	1,312,489	-	1,312,489
Engineering Expense	540,788	11,023	551,811	-	551,811	-	551,811
Customer Acct & Collection Exp	339,032	-	339,032	-	339,032	-	339,032
Administrative & General Expense	5,609,087	543,573	6,152,660	-	6,152,660	-	6,152,660
Inter Div Management Fee	(1,402,374)	(310,922)	(1,713,296)	-	(1,713,296)	-	(1,713,296)
Total Operating Expense	9,757,850	487,530	10,245,379	-	10,245,379	-	10,245,379
Depreciation Exp/Acq Adj (Credit)	3,329,392	290,681	3,620,073	166,535 (1)	3,786,608	119,455 (1)	3,906,063
Amortization Expense: CIAC	(446,433)	-	(446,433)	-	(446,433)	-	(446,433)
Amortization Expense	32,457	6,385	38,842	-	38,842	-	38,842
Gain on Disp/Utility Property	-	-	-	-	-	-	-
Loss on Disposal of Computer Equip	-	-	-	-	-	-	-
Taxes Other Than Income Tax	1,995,154	599,805	2,594,959	-	2,594,959	-	2,594,959
Income Tax	2,199,252	(393,854)	1,805,398	(65,964) (2)	1,739,434	(47,316) (2)	1,692,118
Total Operating Deductions	7,109,822	503,017	7,612,839	100,571	7,713,411	72,139	7,785,549
Net Operating Income	4,680,240	(600,475)	4,079,765	(100,571)	3,979,194	(72,139)	3,907,055

Notes:

(1) increase/decrease depreciation for additions/deletions to plant assets per Schedule 1, Attachment B

(2) reflect income tax effect on proforma adjustments calculated on effective tax rate of 39.61% per Schedule 1, Attachment D

PENNICHUCK WATER WORKS, INC.
Pro Forma Adjustment Income or Expense
PROPERTY AND OTHER TAXES
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 1
Attachment A
with Revised Step 2

I PROPERTY TAXES

NOT USED

PENNICHUCK WATER WORKS, INC.
Pro Forma Adjustment Income or Expense
DEPRECIATION ACCOUNT
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 1
Attachment B
with Revised Step 2

I DEPRECIATION

A. In 2008, the Company expects to add depreciable assets and 1/2 year depreciation expense is reflected in the proforma step increase.

(See Schedule 3, Attachment A, Exhibit 1)

Step increase 1	\$ 154,764
Step increase 2	\$ 116,904
Total	<u>\$ 271,668</u>

Therefore: **\$ 271,668**

B. In 2008, the Company expects to retire depreciable assets. The total depreciation expense reduction is reflected in the proforma step increase.

(Schedule 3, Attachment A, Exhibit 3)

Step increase 1	\$ (10,324)
Step increase 2	\$ (8,497)
Total	<u>\$ (18,821)</u>

Therefore: **\$ (18,821)**

C. In 2008, the Company is installing filter media with an estimated useful life significantly less than the group rate of 15 years. In 1999, \$361,096 of media was installed and then replaced in 2005. In 2007 and 2008, the media is being replaced again. The Company is proposing a separate depreciation rate for filter media of 7 years and a pro forma adjustment as follows:

Step Increase 1:

Filter Media #1, 2 and 3 (\$145,000 per filter)		<u>\$ 435,000</u>
Current Depreciation	15 years	\$ 29,000
Proposed Depreciation	7 years	\$ 62,143
Full Year		<u>\$ 33,143</u>
Pro Forma Adjustment		<u>\$ 22,095</u>

(Filter 1 for full year; Filters 2 & 3 for 1/2 year)

Step Increase 2:

Filter Media #4 and 5 (\$145,000 per filter)		<u>\$ 290,000</u>
Current Depreciation	15 years	\$ 19,333
Proposed Depreciation	7 years	\$ 41,429
Full Year		<u>\$ 22,095</u>
Pro Forma Adjustment	1/2 year	<u>\$ 11,048</u>

Therefore: **\$ 33,143**

Total Step Increase 1	\$ 166,535
Total Step Increase 2	\$ 119,455
Total	<u>\$ 285,990</u>

TOTAL DEPRECIATION EXPENSE PRO FORMA: \$ 285,990

PENNICHUCK WATER WORKS, INC.
Pro Forma Adjustment Income or Expense
Amortization Account
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 1
Attachment C
with Revised Step 2

I AMORTIZATION

NOT USED

TOTAL AMORTIZATION EXPENSE PRO FORMA:

\$ -

PENNICHUCK WATER WORKS, INC.
Pro Forma Adjustment Income or Expense
INCOME TAXES
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 1
Attachment D
with Revised Step 2

I INCOME TAXES

A. Step Increase 1

To reflect the pro forma adjustment to record the income tax effect of the pro forma adjustments for the test year.

Therefore:

	Operating Revenues		\$	-	
Less:	Expenses				
(Sch1, Attach A)	Total Prop & Other Taxes			-	
(Sch1, Attach B)	Depreciation			166,535	
(Sch1, Attach C)	Amortization			-	
	Total			<u>\$ (166,535)</u>	
Pro Forma NHBP Tax @ 8.5%.					
Therefore:	\$ (166,535)	8.5%		<u>\$ (14,155)</u>	\$ (14,155)
			Sub Total	<u>\$ (152,380)</u>	
Pro Forma FIT Tax 34%					
Therefore:	\$ (152,380)	34%		\$ (51,809)	
			Sub Total	<u>\$ (51,809)</u>	\$ (51,809)
Total Step Increase 1 Taxes				<u>\$ (65,964)</u>	

B. Step Increase 2

To reflect the pro forma adjustment to record the income tax effect of the pro forma adjustments for the test year.

Therefore:

	Operating Revenues		\$	-	
Less:	Expenses				
(Sch1, Attach A)	Total Prop & Other Taxes			-	
(Sch1, Attach B)	Depreciation			119,455	
(Sch1, Attach C)	Amortization			-	
	Total			<u>\$ (119,455)</u>	
Pro Forma NHBP Tax @ 8.5%.					
Therefore:	\$ (119,455)	8.5%		<u>\$ (10,154)</u>	\$ (10,154)
			Sub Total	<u>\$ (109,301)</u>	
Pro Forma FIT Tax 34%					
Therefore:	\$ (109,301)	34%		\$ (37,162)	
			Sub Total	<u>\$ (37,162)</u>	\$ (37,162)
Total Step Increase 1 Taxes				<u>\$ (47,316)</u>	

TOTAL PRO FORMA INCOME TAXES:

NHBPT	\$ (24,309)
FIT	\$ (88,971)
TOTAL	<u>\$ (113,280)</u>

PENNICHUCK WATER WORKS, INC.
COMPUTATION OF RATE BASE
For The Thirteen Months Ended December 31, 2007

STEP INCREASE
Schedule 3
with Revised Step 2

Description	Test Year Average (Sch 3B)	Year End Rate Base	Pro Forma Adjustments Permanent Rates	Pro Forma Test Year	STEP INCREASE #1 PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCR #1 FORMA TEST YEAR	STEP INCREASE #2 PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASES FORMA TEST YEAR
Plant in Service	128,961,502	135,008,500	5,102,807	134,064,309	6,356,346 (1)	140,420,655	4,752,072 (1)	145,172,727
Accum Deprec	33,354,306	34,196,424	360,382	33,714,688	(84,517) (2)	33,630,172	(277,154) (2)	33,353,017
Accum Deprec: Loss	2,155,329	2,734,382	-	2,155,329	352,397 (3)	2,507,726	209,083 (3)	2,716,809
Accum Deprec: COR	104,260	579,134	-	104,260	386,684 (4)	490,944	207,229 (4)	698,173
Theoretical Reserve	169,788	353,160	-	169,788		169,788		169,788
Acquisition Adjustment	844,905	844,905	-	844,905		844,905		844,905
Accum Amort Acq Adj	239,652	255,984	-	239,652		239,652		239,652
CIAC	25,197,100	26,007,619	-	25,197,100		25,197,100		25,197,100
Amort of CIAC	3,081,574	3,324,563	-	3,081,574		3,081,574		3,081,574
	75,315,794	81,206,775	4,742,425	80,058,219	7,179,944	87,238,163	5,445,539	92,683,701
ADD:								
Working Cap	1,692,044	1,830,829	84,830	1,776,874		1,776,874		1,776,874
Materials & Supplies	795,357	1,135,139	-	795,357		795,357		795,357
Prepayments	377,515	412,019	-	377,515		377,515		377,515
Other & Deferred Charges	6,146,122	5,949,837	(94,292)	6,051,830		6,051,830		6,051,830
	9,011,038	9,327,824	(94,622)	9,001,576		9,001,576		9,001,576
DEDUCT:								
Customer Advances	85,544	84,000	-	85,544		85,544		85,544
Customer Deposits	173,160	158,677	-	173,160		173,160		173,160
Deferred Income Tax	9,216,029	10,407,200	-	9,216,029		9,216,029		9,216,029
Regulatory Liability	924,151	904,996	-	924,151		924,151		924,151
Unamort ITC	850,512	833,994	-	850,512		850,512		850,512
Deferred Rental Credits	132,433	98,066	-	132,433		132,433		132,433
Unfunded FAS 106 and 158 Costs	-	-	758,902	758,902		758,902		758,902
	11,381,829	12,486,933	758,902	12,140,731		12,140,731		12,140,731
TOTAL Rate Base	72,945,003	78,047,667	3,974,060	76,919,063	7,179,944	84,099,007	5,445,539	89,544,546

Notes:

- (1) adjust test year average to year end for non-revenue producing assets per Schedule 3, Attachment A
- (2) adjust for accumulated depreciation proforma for plant additions/retirements per Schedule 3, Attachment B
- (3) adjust for accumulated depreciation: Loss proforma for plant retirements per Schedule 3, Attachment C
- (4) adjust for accumulated depreciation: Cost of Removal proforma for plant replacements/retirements per Schedule 3, Attachment C

PENNICHUCK WATER WORKS, INC.
PRO FORMA ADJUSTMENTS TO RATE BASE
Plant in Service
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 3
Attachment A
with Revised Step 2

I PLANT IN SERVICE

A Schedule 3, Attachment A, Exhibit 1, details additions to plant in service that are expected to be completed in 2008. The additions are capital improvements that are necessitated by SWDA requirements and by the need to replace aging infrastructure. All of these plant additions are considered non-revenue producing in nature. All assets are estimated to be placed in service by November 2008.

Step increase 1	\$ 6,970,119
Step increase 2	\$ 5,366,261
Total	<u>\$ 12,336,380</u>

Therefore: \$ 12,336,380

B Schedule 3, Attachment A, Exhibit 3, details retirements of plant in service that are expected to occur in 2008 as a result of the additions.

Step increase 1	\$ (613,773)
Step increase 2	\$ (614,189)
Total	<u>\$ (1,227,962)</u>

Therefore: \$ (1,227,962)

Total Step Increase 1	\$ 6,356,346
Total Step Increase 2	\$ 4,752,072
Total	<u>\$ 11,108,419</u>

TOTAL PRO FORMA PLANT IN SERVICE \$ 11,108,419

PENNICHUCK WATER WORKS, INC.
PRO FORMA ADJUSTMENTS TO RATE BASE
Accumulated Depreciation
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 3
Attachment B
Revised Step 2

I ACCUMULATED DEPRECIATION

A To reflect the accumulated depreciation associated with 2008 plant additions.

(See Schedule 3, Attachment A, Exhibit 1)

Step increase 1	\$ 154,764
Step increase 2	\$ 116,904
Total	<u>\$ 271,668</u>

Therefore:

\$ 271,668

B To reflect the accumulated depreciation reduction related to the 2008 retirements of plant in service.

(See Schedule 3, Attachment A, Exhibit 3)

Step increase 1	\$ (261,376)
Step increase 2	\$ (405,106)
Total	<u>\$ (666,481)</u>

Therefore:

\$ (666,481)

C. In 2008, the Company is installing filter media with an estimated useful life significantly less than the group rate of 15 years. In 1999, \$361,096 of media was installed and then replaced in 2005. In 2007 and 2008, the media is being replaced again. The Company is proposing a separate depreciation rate for filter media of 7 years and a pro forma adjustment as follows:

Step Increase 1:

Filter Media #1, 2 and 3		
(\$145,000 per filter)		\$ 435,000
Current Depreciation	15 years	\$ 29,000
Proposed Depreciation	7 years	\$ 62,143
Full Year		<u>\$ 33,143</u>
Pro Forma Adjustment		<u>\$ 22,095</u>
(Filter 1 for full year; Filters 2 & 3 for 1/2 year)		

Step Increase 2:

Filter Media #4 and 5		
(\$145,000 per filter)		\$ 290,000
Current Depreciation	15 years	\$ 19,333
Proposed Depreciation	7 years	\$ 41,429
Full Year		<u>\$ 22,095</u>
Pro Forma Adjustment	1/2 year	<u>\$ 11,048</u>

Therefore:

\$ 33,143

Total Step Increase 1	\$ (84,517)
Total Step Increase 2	\$ (277,154)
Total	<u>\$ (361,671)</u>

TOTAL ACCUMULATED DEPRECIATION PRO FORMA:

\$ (361,671)

PENNICHUCK WATER WORKS, INC.
PRO FORMA ADJUSTMENTS TO RATE BASE
Accumulated Depreciation: Loss & COR
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 3
Attachment C
Revised Step 2

I ACCUMULATED DEPRECIATION: LOSS

A To reflect the loss on the 2008 retirements of plant in service.

(See Schedule 3, Attachment A, Exhibit 3)

Step increase 1	\$ 352,397
Step increase 2	\$ 209,083
Total	<u>\$ 561,480</u>

Therefore: **\$ 561,480**

II ACCUMULATED DEPRECIATION: COST OF REMOVAL

A To reflect the cost of removal on replaced assets expected in 2008 related to the step increases, including the removal of the Merrimack Village Dam.

(See Schedule 3, Attachment A, Exhibit 2)

Step increase 1	\$ 386,684
Step increase 2	\$ 207,229
Total	<u>\$ 593,913</u>

Therefore: **\$ 593,913**

TOTAL ACCUMULATED DEPRECIATION: LOSS PRO FORMA: **\$ 1,155,393**

PENNICHUCK WATER WORKS, INC.
ASSET ACQUISITIONS
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 3
Attachment A
Exhibit 1
with Revised Step 2

Additions								17.4	6.6
Acct No.	Account Description	Total Cost	Accumulated Depreciation	Depreciation Rate	1/2 Year Depreciation	Property Taxes	State Property Taxes		
304.30	Structures & Improvements - Purification	\$ 672,427	\$ 7,195	2.14%	\$ 7,195	\$ 11,700	\$ 4,438		
309.00	Supply Mains	\$ 362,304	\$ 2,717	1.50%	\$ 2,717	\$ 6,304	\$ 2,391		
310.00	Power Generation Equipment	\$ 2,120	\$ 47	4.40%	\$ 47	\$ 37	\$ 14		
311.20	Electric Pumping Equipment	\$ 283,915	\$ 6,246	4.40%	\$ 6,246	\$ 4,940	\$ 1,874		
320.00	Purification System Equipment	\$ 2,568,688	\$ 85,666	6.67%	\$ 85,666	\$ 44,695	\$ 16,953		
320.20	Water Treatment Equipment	\$ 2,846,428	\$ 47,108	3.31%	\$ 47,108	\$ 49,528	\$ 18,786		
346.00	Communications Equipment	\$ 142,524	\$ 3,748	5.26%	\$ 3,748	\$ 2,480	\$ 941		
		\$ 6,878,407	\$ 152,728	4.44%	\$ 152,728	\$ 119,684	\$ 45,397		
	AFUDC 1/01/08 to 5/01/08	\$ 91,712	\$ 2,036	4.44%	\$ 2,036	\$ 1,820	\$ 605		
	Step Increase #1	\$ 6,970,119	\$ 154,764	4.44%	\$ 154,764	\$ 121,505	\$ 46,003		
304.20	Structures & Improvements - Pumping	\$ 66,000	\$ 805	2.44%	\$ 805	\$ 1,148	\$ 436		
305.00	Collecting & Impounding Reservoirs	\$ -	\$ -	1.79%	\$ -	\$ -	\$ -		
307.00	Wells and Springs	\$ -	\$ -	3.33%	\$ -	\$ -	\$ -		
320.00	Purification System Equipment	\$ 2,556,688	\$ 85,266	6.67%	\$ 85,266	\$ 44,486	\$ 16,874		
330.00	Distribution Reservoirs & Standpipes	\$ 2,323,800	\$ 25,329	2.18%	\$ 25,329	\$ 40,434	\$ 15,337		
309.00	Supply Mains	\$ -	\$ -	1.50%	\$ -	\$ -	\$ -		
311.20	Electric Pumping Equipment	\$ -	\$ -	4.40%	\$ -	\$ -	\$ -		
331.00	Transmission & Distribution Mains	\$ 254,890	\$ 1,912	1.50%	\$ 1,912	\$ 4,435	\$ 1,682		
		\$ 5,201,378	\$ 113,312	4.36%	\$ 113,312	\$ 90,504	\$ 34,329		
	AFUDC 1/01/08 to 11/01/08	\$ 164,883	\$ 3,592	4.36%	\$ 3,592	\$ 3,273	\$ 1,088		
	Step Increase #2	\$ 5,366,261	\$ 116,904	4.36%	\$ 116,904	\$ 93,777	\$ 35,417		
	Total Additions with AFUDC	\$ 12,336,380	\$ 271,668	4.40%	\$ 271,668	\$ 215,282	\$ 81,420		

Notes:

- (1) AFUDC was based on 8% (DW 05-094) of the total cost of the additions and assumed the costs would be incurred evenly over the period. The AFUDC for Step Increase #2 excluded the costs for transmission & distribution mains as construction occurs over a short time frame. The depreciation on AFUDC is based on a weighted average rate of each step increase.
- (2) The calculation of property taxes above is for illustrative purposes only. A pro forma adjustment for property taxes is not reflected in the step increase.

PENNICHUCK WATER WORKS, INC.
ASSET ACQUISITION Details
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 3
Attachment A
Exhibit 2
with Revised Step 2

Account Number	Contract Amounts	Prorated \$\$ of General Conditions and Engineering	Total Cost	Total 2007 Additions	Total 2008 Additions	Total Cost of Removal	Total 2007 Additions	Total 2008 Additions	
Office Renovations	304.30	1,582,694	525,770	2,108,464	1,779,205	329,259	113,369	87,369	26,000
Headworks	304.30	241,718	80,250	321,968	-	321,968			
New Electric Service	304.30	393,000	130,497	523,497	523,497	-			
Site Work	304.30	87,750	29,315	117,065	95,865	21,200			
	304.30	<u>2,305,162</u>	<u>765,832</u>	<u>3,070,994</u>	<u>2,398,556</u>	<u>672,427</u>	<u>113,369</u>	<u>87,369</u>	<u>26,000</u>
Headworks	309.00	<u>272,000</u>	<u>90,304</u>	<u>362,304</u>	-	<u>362,304</u>			
Snow Station	310.00	<u>333,000</u>	<u>110,639</u>	<u>443,639</u>	<u>441,519</u>	<u>2,120</u>	<u>20,201</u>	<u>20,201</u>	
Headworks	311.20	<u>213,149</u>	<u>70,766</u>	<u>283,915</u>	-	<u>283,915</u>			
Filter #1	320.00	<u>1,232,977</u>	<u>409,457</u>	<u>1,642,434</u>	<u>1,630,434</u>	<u>12,000</u>	<u>90,870</u>	<u>90,870</u>	-
Filter #2	320.00	<u>959,667</u>	<u>318,677</u>	<u>1,278,344</u>	-	<u>1,278,344</u>	<u>90,870</u>	<u>90,870</u>	<u>90,870</u>
Filter #3	320.00	<u>959,667</u>	<u>318,677</u>	<u>1,278,344</u>	-	<u>1,278,344</u>	<u>90,870</u>	<u>90,870</u>	<u>90,870</u>
	320.00	<u>3,152,311</u>	<u>1,046,812</u>	<u>4,199,123</u>	<u>1,630,434</u>	<u>2,568,688</u>	<u>272,610</u>	<u>90,870</u>	<u>181,740</u>
Headworks	320.20	<u>844,500</u>	<u>280,604</u>	<u>1,125,104</u>	-	<u>1,125,104</u>			
Pulsator #1	320.20	<u>1,018,000</u>	<u>338,062</u>	<u>1,356,062</u>	-	<u>1,356,062</u>	<u>166,944</u>		<u>166,944</u>
Chemical Feed Systems	320.20	<u>1,288,000</u>	<u>427,897</u>	<u>1,715,897</u>	<u>1,350,635</u>	<u>365,262</u>	<u>93,168</u>	<u>81,168</u>	<u>12,000</u>
	320.20	<u>3,150,500</u>	<u>1,046,564</u>	<u>4,197,064</u>	<u>1,350,635</u>	<u>2,846,428</u>	<u>260,112</u>	<u>81,168</u>	<u>178,944</u>
Headworks	346.00	<u>107,000</u>	<u>35,524</u>	<u>142,524</u>	-	<u>142,524</u>			
Step Increase #1		<u>9,533,122</u>	<u>3,166,439</u>	<u>12,699,561</u>	<u>5,821,154</u>	<u>6,878,407</u>	<u>666,292</u>	<u>279,608</u>	<u>386,684</u>
Pump Station Impr/Add	304.20	<u>66,000</u>	-	<u>66,000</u>	-	<u>66,000</u>	-		
Watershed Improvements	305.00	-	-	-	-	-	-		
Well Addition	307.00	-	-	-	-	-	-		
Filter #4	320.00	<u>959,667</u>	<u>318,677</u>	<u>1,278,344</u>	-	<u>1,278,344</u>	<u>90,870</u>		<u>90,870</u>
Filter #5	320.00	<u>959,667</u>	<u>318,677</u>	<u>1,278,344</u>	-	<u>1,278,344</u>	<u>90,870</u>		<u>90,870</u>
	320.00	<u>1,919,334</u>	<u>637,354</u>	<u>2,556,688</u>	-	<u>2,556,688</u>	<u>181,740</u>	-	<u>181,740</u>
Tank Replacements (1)	330.00	<u>2,323,800</u>	-	<u>2,323,800</u>	-	<u>2,323,800</u>	-		-
Merrimack River Intake	309.00	-	-	-	-	-	-		-
Merrimack River Intake	311.00	-	-	-	-	-	-		-
Main Replacements	331.00	<u>254,890</u>	-	<u>254,890</u>	-	<u>254,890</u>	<u>25,489</u>	-	<u>25,489</u>
Ashley Commons Interconnect	331.00	-	-	-	-	-	-		-
Merrimack Village Dam	COR					<u>157,500</u>	-		<u>157,500</u>
Step Increase #2		<u>4,564,024</u>	<u>637,354</u>	<u>5,201,378</u>	-	<u>5,201,378</u>	<u>207,229</u>	-	<u>207,229</u>
Total Step Increases		<u>14,097,146</u>	<u>3,803,793</u>	<u>17,900,939</u>	<u>5,821,154</u>	<u>12,079,785</u>	<u>873,521</u>	<u>279,608</u>	<u>593,913</u>

2,738,428 10,003,519

Notes:

(1) No cost of removal is associated with tank replacements as the credit received for the resale of materials removed is estimated to exceed the cost of removing the tanks.

PENNICHUCK WATER WORKS, INC.
ASSET DISPOSITIONS
For The Twelve Months Ended December 31, 2007

STEP INCREASE
Schedule 3
Attachment A
Exhibit 3
with Revised Step 2

Retirements								17.40	6.6		
Acct No.	Account Description	Original Cost	Accumulated Depreciation	Accumulated Depreciation Loss	Depreciation Rate	1 year Depreciation	1/2 Year Depreciation	Property Taxes	State Property Taxes	Total Taxes	
304.2	Structures	\$ 614	\$ 309	\$ 304	2.44%	\$ 15	\$ 7	\$ 11	\$ 4		
304.3	Structures	\$ 188,688	\$ 80,480	\$ 88,188	2.14%	\$ 3,609	\$ 1,805	\$ 2,935	\$ 1,113		
320.0	Water Treatment Equipment	\$ 63,699	\$ 50,290	\$ 13,408	6.67%	\$ 4,249	\$ 2,124	\$ 1,108	\$ 420		
320.1	Water Treatment Equipment	\$ 13,739	\$ 3,055	\$ 10,684	4.55%	\$ 625	\$ 313	\$ 239	\$ 91		
320.2	Water Treatment Equipment	\$ 367,053	\$ 127,241	\$ 239,812	3.31%	\$ 12,149	\$ 6,075	\$ 6,387	\$ 2,423		
Step Increase #1		\$ 613,773	\$ 261,376	\$ 352,397		\$ 20,648	\$ 10,324	\$ 10,680	\$ 4,051		
304.1	Structures	\$ 43,570	\$ 19,459	\$ 24,111	2.30%	\$ 1,002	\$ 501	\$ 758	\$ 288		
304.2	Structures	\$ -	\$ -	\$ -	2.44%	\$ -	\$ -	\$ -	\$ -		
307.1	Wells & Springs	\$ -	\$ -	\$ -	3.30%	\$ -	\$ -	\$ -	\$ -		
311.2	Pumping Equipment (electric)	\$ -	\$ -	\$ -	4.40%	\$ -	\$ -	\$ -	\$ -		
320.0	Water Treatment Equipment	\$ 12,200	\$ 6,277	\$ 5,923	6.67%	\$ 814	\$ 407	\$ 212	\$ 81		
320.1	Water Treatment Equipment	\$ -	\$ -	\$ -	4.55%	\$ -	\$ -	\$ -	\$ -		
320.2	Water Treatment Equipment	\$ 266,810	\$ 146,489	\$ 120,320	3.31%	\$ 8,831	\$ 4,416	\$ 4,642	\$ 1,761		
330.0	Distribution Reservoirs	\$ 290,012	\$ 231,283	\$ 58,729	2.18%	\$ 6,322	\$ 3,161	\$ 5,046	\$ 1,914		
331.0	Trans & Dist Mains	\$ 1,597	\$ 1,597	\$ -	1.50%	\$ 24	\$ 12	\$ 28	\$ 11		
Step Increase #2		\$ 614,189	\$ 405,106	\$ 209,083		\$ 16,993	\$ 8,497	\$ 10,687	\$ 4,054		
Total		\$ 1,227,962	\$ 666,481	\$ 561,480		\$ 37,641	\$ 18,821	\$ 21,367	\$ 8,105	\$ 29,471	

Notes:

(1) The calculation of property taxes above is for illustrative purposes only. A pro forma adjustment for property taxes is not reflected in the step increase.

PENNICHUCK WATER WORKS, INC.
 ASSET DISPOSITION DETAILS
 For the Twelve Months Ended December 31, 2008

STEP INCREASE
 Schedule 3
 Attachment A
 Exhibit 4
 Page 1
 with Revised Step 2

Asset ID	Placed in Service	Disposal Date	Cost	Accum Depr	Accum Depr (Loss)
<i>Asset GL Acct #: 2304-200-001</i>					
20000-002271	SNOW STATION PUMP EXPANSION 2/4/1988	1/1/2008	613.86	309.42	-304.44
<i>Subtotal: 2304-200-001</i>			613.86	309.42	-304.44
<i>Asset GL Acct #: 2304-300-001</i>					
20000-002271	ELECTRIC WORK-TREATMENT PLANT 03/01/1992	03/01/2008	59,832.46	24,692.53	-35,139.93
20000-002382	WTP TURBIDIMETER PROJECT- 12/31/1992	03/01/2008	2,973.76	1,227.21	-1,746.55
20000-01024.21	TUBE SETTLERS/TREATMENT-PLANT 10/01/1988	03/01/2008	105,281.58	54,363.91	-50,917.67
20000-002885	SECURITY FENCE - FIFIELD TANK 8/15/1994	5/1/2008	580.00	196.08	-383.92
<i>Subtotal: 2304-300-001</i>			168,667.80	80,479.73	-88,188.07
<i>Asset GL Acct #: 2320-000-001</i>					
20000-002419	CHLORINE HANDLING & SAFETY-WTP 03/31/1993	03/01/2008	6,867.18	6,867.18	0.00
20000-002451	2-FLYGT BACKWASH RETURN-PUMPS 08/31/1993	03/01/2008	13,888.01	13,888.01	0.00
20000-002649	ALUMINUM SULFATE TRANSFER-PUMPS - (2) TRT. PLANT 05/01/1994	03/01/2008	3,582.59	3,343.76	-238.82
20000-003000	LMI METERING PUMP-WTP 01/22/1995	03/01/2008	368.00	294.37	-73.63
20000-003060	VARIABLE FREQUENCY DRIVE-UNITS - WTP 05/31/1996	03/01/2008	17,107.19	13,685.76	-3,421.43
20000-004085	WILDEN DIAPHRAGM PUMP WTP- 11/01/1998	03/01/2008	636.00	427.30	-208.70
20000-004283	WTP CHEMICAL TANK VENTING- 05/01/1999	03/01/2008	3,382.11	2,046.80	-1,335.31
20000-004326	CHEMICAL PUMP PACING - WTP- 07/01/1999	03/01/2008	2,041.53	1,235.50	-806.03
20000-004625	EBARA SLUDGE PUMP- 07/01/2000	03/01/2008	1,925.28	1,036.81	-888.47
20000-005692	REDUNDANT POLYMER FEED LINE 09/01/2004	03/01/2008	5,870.75	1,565.52	-4,305.23
20000-003053	FILTER FASTENER IMPROVEMENT - TRT PLANT 4/30/1996	5/1/2008	7,750.53	5,683.71	-2,066.83
20000-002723	FILTER IMPROVEMENTS - TRT PLANT				

PENNICHUCK WATER WORKS, INC.
 ASSET DISPOSITION DETAILS
 For the Twelve Months Ended December 31, 2008

STEP INCREASE
 Schedule 3
 Attachment A
 Exhibit 4
 Page 2
 with Revised Step 2

Asset ID	Placed In Service	Disposal Date	Cost	Accum Depr	Accum Depr (Loss)
	11/16/1994	5/1/2008	479.70	415.74	-63.96
<i>Subtotal: 2320-000-001</i>			63,698.86	50,290.46	-13,408.41
<i>Asset GL Acct #: 2320-100-001</i>					
20000-003219	SUBMERSIBLE CLEARWELL SAMPLE-PUMP - WTP	02/28/1997 03/01/2008	266.16	185.63	-79.48
20000-005622.1	NEW EXTRACTION PIPING PULSATOR 1	05/01/2004 03/01/2008	10,170.73	2,388.42	-7,782.31
20000-0006104	CHEMICAL FILL CHECK VALVE REPLACEMENT	12/1/2005 5/1/2008	3,302.43	480.35	-2,822.08
<i>Subtotal: 2320-100-001</i>			13,739.32	3,055.45	-10,683.87
<i>Asset GL Acct #: 2320-200-001</i>					
20000-000656	PULSATOR SYSTEM EQUIPMENT-#1	07/01/1986 03/01/2008	15,671.00	10,111.34	-5,559.66
20000-005090	WTP FILTER UPGRADES	11/1/2002 5/1/2008	6,574.17	1,076.92	-5,497.25
20000-005090.1	WTP FILTER UPGRADES	7/1/2002 5/1/2008	177,508.21	29,077.34	-148,430.87
20000-005090.2	WTP FILTER UPGRADES	8/1/2002 5/1/2008	69,426.95	11,372.73	-58,054.22
20000-005090.3	WTP FILTER UPGRADES	9/1/2002 5/1/2008	590.59	96.74	-493.85
20000-005090.4	WTP FILTER UPGRADES	10/1/2002 5/1/2008	3,646.86	597.38	-3,049.50
20000-000647.2	CHEMICAL FEED EQUIPMENT	7/1/1980 5/1/2008	50,487.13	40,389.70	-10,097.43
20000-000648.2	CHEMICAL FEED EQUIPMENT	7/1/1980 5/1/2008	43,148.18	34,518.54	-8,629.64
<i>Subtotal: 2320-200-001</i>			367,053.11	127,240.70	-239,812.41
Step Increase 1			613,772.95	261,375.75	-352,397.20
<i>Asset GL Acct #: 2304-100-001</i>					
20000-002147	MERRIMACK VILLAGE DAM	11/30/1990 11/1/2008	43,569.75	19,459.08	-24,110.67
<i>Subtotal: 2304-100-001</i>			43,569.75	19,459.08	-24,110.67
<i>Asset GL Acct #: 2304-200-001</i>					
<i>Subtotal: 2304-200-001</i>			-	-	-
<i>Asset GL Acct #: 2307-100-001</i>					

PENNICHUCK WATER WORKS, INC.
 ASSET DISPOSITION DETAILS
 For the Twelve Months Ended December 31, 2008

STEP INCREASE
 Schedule 3
 Attachment A
 Exhibit 4
 Page 3
 with Revised Step 2

Asset ID	Placed In Service	Disposal Date	Cost	Accum Depr	Accum Depr (Loss)
<i>Subtotal: 2307-100-001</i>					
<i>Asset GL Acct #: 2311-200-001</i>					
<i>Subtotal: 2311-200-001</i>					
<i>Asset GL Acct #: 2320-000-001</i>					
20000-003053	FILTER FASTENER IMPROVEMENT - TRT PLANT 4/30/1995	5/1/2008	7,750.53	5,683.71	-2,066.83
20000-005879	BACKWASH RETURN PUMP RE-BUILD 6/1/2005	6/1/2008	4,449.93	593.31	-3,856.62
<i>Subtotal: 2320-000-001</i>					
<i>Asset GL Acct #: 2320-100-001</i>					
<i>Subtotal: 2320-100-001</i>					
<i>Asset GL Acct #: 2320-200-001</i>					
20000-006650.14	FILTER SYSTEM EQUIPMENT - FILTER #4 7/1/1980	8/1/2008	47,489.17	39,326.53	-8,162.64
20000-006650.15	FILTER SYSTEM EQUIPMENT - FILTER #5 7/1/1980	11/1/2008	47,489.17	39,326.53	-8,162.64
20000-005090.1	WTP FILTER UPGRADES 7/1/2002	11/1/2008	171,831.20	67,836.01	-103,995.19
<i>Subtotal: 2320-200-001</i>					
<i>Asset GL Acct #: 2330-500-001</i>					
20000-000511	ORCHARD AVE TANK (FIFIELD)-RESTORATION 07/01/1985	03/01/2008	132,605.15	73,876.61	-58,728.54
20000-000512	FIFIELD TANK-ORCHARD HEIGHTS-.5 MG. 160' DIAM 35' HIGH 07/01/1958	03/01/2008	157,406.88	157,406.88	0.00
<i>Subtotal: 2330-500-001</i>					
<i>Asset GL Acct #: 2331-000-001</i>					
Various	TRANSMISSION MAINS Various	11/1/2008	Adjusted 1,596.94	1,596.94	-
<i>Subtotal: 2331-000-001</i>					
<i>Step Increase 2</i>			614,188.72	405,105.59	-209,083.13
<i>2008 Retirements</i>			1,227,961.67	666,481.34	-561,480.32

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

Pro Forma
Schedule 9
Combined
Revised Step #2

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

<u>Rate or Class of Service</u>	<u>Effect of Proposed Change</u>	<u>Average Number of Customers</u>	<u>Pro Forma Present Rates</u>	<u>Proposed Rates</u>	<u>Proposed Change</u>	
					<u>Amount</u>	<u>%</u>
G-M Present Rate Adj	Increase	24,787	\$17,225,355	\$21,255,291	\$4,029,936	23.40%
Private FP	Increase	780	494,186	986,814	\$492,628	99.68%
FP - Hydrants	Increase	5	2,466,483	2,713,607	\$247,123	10.02%
Anheuser-Busch Contract	Increase	2	1,059,315	1,327,027	\$267,712	25.27%
<u>Milford Contract</u>						
Contract Charges	No Increase	1	81,000	81,000	-	0.00%
Volumetric Charges	Increase	-	63,090	78,504	\$15,414	24.43%
<u>Hudson Contract</u>						
Contract Charges	No Increase	1	32,800	32,800	-	0.00%
Volumetric Charges	Increase	-	280,838	340,522	\$59,684	21.25%
TOTALS		25,576	\$21,703,068	\$26,815,565	\$5,112,497	23.56%

Note:

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

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

**RATE SCHEDULE
GENERAL SERVICE - METERED
SCHEDULE G-M
23.56% PROPOSED COMBINED INCREASE**

Availability

The rate is available for metered water service in the franchised area subject to the terms and conditions of this tariff.

Character of Service:

Nashua Core System: Water is fully treated, filtered, and purified and is transmitted by gravity and pumps to the individual service pipes.

Community Water Systems: Water is ground water from a well size. Water quality meets or exceeds all federal and state standards for drinking water. Outdoor use of water may be restricted during dry summer periods.

Rates: **Quarterly**

The standard customer charge per quarter based on meter size will be shown below.

Meter Size	Quarterly Customer Charge	Proposed Combined Increase	
5/8"	\$ 46.08	\$ 55.29	(I)
3/4"	\$ 66.33	\$ 79.56	(I)
1"	\$ 106.83	\$ 128.19	(I)
1 1/2"	\$ 208.17	\$ 249.78	(I)
2"	\$ 340.80	\$ 408.96	(I)
3"	\$ 624.96	\$ 749.97	(I)
4"	\$ 1,030.71	\$ 1,236.93	(I)
6"	\$ 2,045.22	\$ 2,454.45	(I)
8"	\$ 3,262.92	\$ 3,915.81	(I)
10"	\$ 4,683.18	\$ 5,620.26	(I)

In addition to the standard customer charge, the quarterly volumetric charge based on usage will be show below:

Volumetric Charge:	\$ 2.40 per 100 cu. Ft.	
Proposed Combined Increase	\$ 2.941 per 100 cu. Ft.	(I)

Terms of Payment:

Bills under this rate are net; will be rendered quarterly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: _____

Issued by *Bonaly J. Hartley*
Bonaly J. Hartley
Title: Vice President Administration

Effective: August 1, 2008

**RATE SCHEDULE
GENERAL SERVICE - METERED
SCHEDULE G-M
23.56% PROPOSED COMBINED INCREASE**

Monthly

The standard customer charge per month based on meter size will be shown below.

Meter Size	Monthly Customer Charge	Proposed <u>Combined Increase</u>	
5/8"	\$ 15.36	\$ 18.43	(I)
3/4"	22.11	\$ 26.52	(I)
1"	35.61	\$ 42.73	(I)
1 1/2"	69.39	\$ 83.26	(I)
2"	113.60	\$ 136.32	(I)
3"	208.32	\$ 249.99	(I)
4"	343.57	\$ 412.31	(I)
6"	681.74	\$ 818.15	(I)
8"	1,087.64	\$ 1,305.27	(I)
10"	1,561.06	\$ 1,873.42	(I)

In addition to the standard customer charge, the monthly volumetric charge based on usage will be as follows:

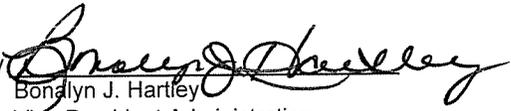
Volumetric Charge:	\$ 2.40 per 100 cu. Ft.	
Proposed Combined Increase	\$ 2.941 per 100 cu. Ft.	(I)

Terms of Payment:

Bills under this rate are net; will be rendered monthly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: _____

Effective: August 1, 2008

Issued by 
Bonglyn J. Hartley
Title: Vice President Administration

Authorized by NHPUC Order No. 24,771 in Docket No. DW 06-073, dated June 29, 2007

**RATE SCHEDULE
MUNICIPAL FIRE PROTECTION SERVICE
SCHEDULE FP-M
23.56% PROPOSED COMBINED INCREASE**

Availability

This rate is applicable to general fire protection.

Character of Service:

The Company will make every effort to maintain normal pressures at all times on the distribution system, but shall not be held liable for the failure of either the supply or distribution division of its system to adequately furnish its normal quantity of water when such failure is due to the elements, natural causes, breaks, leaks, unusual or concurrent droughts, or the waste or unlawful use of water.

Rate:

The charge shall be made up of two parts as follows:

1) Hydrant charge

For each hydrant connected to the distribution system

Proposed
Combined Increase

\$ 41.52 per quarter	\$ 52.20 per quarter	(I)
or	or	
\$ 13.84 per month	\$ 17.40 per month	(I)

2) Inch-Foot Charge

The number of "inch-foot" units in the distribution system is to be obtained by multiplying the number of linear feet of pipe of each diameter (4" and larger) by the diameter in inches. The total number of "inch-foot" units in the distribution system will be determined as of January 1st each year, and will be the base for computing the "inch-foot" charge for the entire year with one-fourth to be billed each quarter or one-twelfth to be billed each month.

Proposed
Combined Increase

Charge for each "inch-foot" unit
to be

\$ 0.1137 per year	\$0.11995 per year	(I)
--------------------	--------------------	-----

Terms of Payment:

Bills under this rate are net; will be rendered monthly or quarterly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: _____

Issued by: 
Bonglyn J. Hartley
Title: Vice President Administration

Effective: August 1, 2008

**RATE SCHEDULE
PRIVATE FIRE PROTECTION SERVICE
SCHEDULE FP-NM
23.56% PROPOSED COMBINED INCREASE**

Availability

This rate is available for private fire protection and sprinkler service subject to the Private Fire Protection Regulations of paragraph 13 of this tariff.

Character of Service:

The Company will make every effort to maintain normal pressures at all times on the distribution system, but shall not be held liable for the failure of either the supply or distribution division of its system to adequately furnish its normal quantity of water when such failure is due to the elements, natural causes, breaks, leaks, unusual or concurrent droughts, or the waste or unlawful use of water.

Rate:

The charge shall be determined by the size of the pipe entering the property as follows:

	<u>Per Quarter</u> <u>Per Month</u>		<u>Proposed Combined Increase</u>		
	<u>Per Quarter</u>	<u>Per Month</u>	<u>Per Quarter</u>	<u>Per Month</u>	
4" or smaller connection	\$ 88.05	\$ 29.35	\$ 169.47	\$ 56.49	(I)
6" connection	147.75	49.25	284.37	\$ 94.79	(I)
8" or larger connection	217.53	72.51	418.68	\$ 139.56	(I)

Terms of Payment:

Bills under this rate are net; will be rendered monthly or quarterly, and are due and payable at the office of the Company on the due date as stated on the water bill.

Issued: _____

Effective: August 1, 2008

Issued by 
Bonalyn J. Hartley
Title: Vice President Administration